

**MONTHLY REVIEW**  
OF  
**AGRICULTURAL AND BUSINESS CONDITIONS**  
IN THE  
**NINTH FEDERAL RESERVE DISTRICT**

**Vol. 8** ( Serial  
No. 9 )

**Federal Reserve Bank, Minneapolis, Minn.**

**September 28, 1942**



**“Make Every MARKET Day BOND Day”**

Business activity increased during August and was somewhat higher than one year earlier. Bank deposits and investments increased at record rates. Farmers' cash income during August rose to the highest level for any month on record.

### BUSINESS

Business activity in the Northwest during August, as evidenced by most of our seasonally adjusted indexes, moved up from July levels and was somewhat ahead of August a year ago. Distribution to consumers, however, continued lower than earlier in the year and was well below August, 1941. The index of bank debits in 94 cities was at the highest level for any August since 1929 while the similar index for farming centers was at the best August level in our 15-year records. The index of country check clearings was higher than for any previous August. Sales at city department stores continued to decline on a seasonally adjusted basis but sales at country department and general stores advanced somewhat. Both indexes, however, were well below a year earlier. The country lumber sales index advanced during August to 164. This is 16 per cent above the July figure and with the exception of August a year ago the highest point for the month in our 22-year records. Carloadings were at about the same level as one year earlier.

#### Northwest Business Indexes

Adjusted for Seasonal Variation—1935-39 = 100

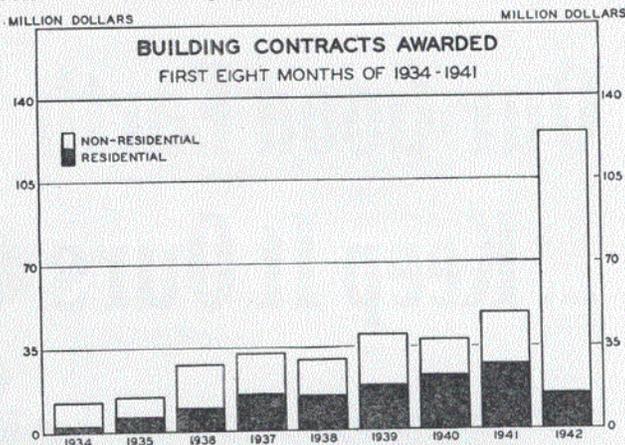
	Aug. 1942	July 1942	Aug. 1941	Aug. 1940
Bank debits—94 cities .....	140	138	131	103
Bank debits—farming centers .....	159	151	146	115
Country check clearings.....	156	154	146	111
City department store sales.....	131	133	143	125
City department store stocks.....	170	182	119	102
Country department store sales...	133	128	140	122
Country lumber sales.....	164	142	168	129
Miscellaneous carloadings .....	128	126	130	104
Total carloadings (excl. misc.) .....	131	140	132	121
Farm Prices—Minn. ....	141	145	113	82
Employment—Minn. (Unadj. 1936 = 100) .....	130	130	128	114
Payrolls—Minn. (Unadj. 1936 = 100) .....	184	182	155	127

Employment in August, as reported by the Minnesota Division of Employment and Security, was slightly above the all time high of 130 per cent of the 1936 average reported for July. Non-manufacturing employment remained at the same level as in July. Employment in manufacturing industries increased slightly during August because of a substantial increase in employment in the durable goods industries which was partially offset by a decrease in non-durable lines.

Payrolls continued to rise during August as shown by a 2 point increase in the Division's index to 184 for August. Although payrolls in non-manufacturing industries heretofore have not increased as rapidly as in manufacturing industries, during August they showed a larger advance. Payrolls in manufacturing have risen rapidly since early 1941, but leveled off somewhat during August. Most of the increase has taken place in the payrolls of durable goods manufactures.

Building contracts awarded in the Northwest during the first eight months of 1942 reached the highest level for any such period in history. As indicated in the chart below residential building which has been showing progressive gains since 1934, now reflects war-time curtailment measures put into effect in April and has fallen to the lowest level since

1938. On the other hand, non-residential building, under the impact of war-time plant expansion, has climbed to all time peaks. Such building in the past three months alone reached a volume of \$99 million. This is more than total building volume for any full year on record. The building of manufacturing plants accounted for better than 50 per cent of this heavy June-through-August volume.



City and country department store sales in the Ninth District during August were below year ago figures, the percentage declines being 8 and 5 per cent respectively. Department store sales reported from stores in the Northwest during the first eight months of this year average only 6 per cent above those for the similar period in 1941 and in view of the substantial price rise over the past twelve months it may be assumed that the physical volume of department store sales was considerably below a year ago.

#### Sales at Department Stores

	Number of Stores Showing		% Aug. 1942 of Aug. 1941	Cumulative % 1942 of 1941
	Increase	Decrease		
Total District .....	187	110	93	106
Mpls., St. Paul, Dul.-Sup....	6	16	92	106
Country Stores .....	181	94	95	108
Minnesota .....	56	22	96	107
Montana .....	18	22	80	99
North Dakota .....	21	26	89	105
South Dakota .....	42	10	109	111
Wisconsin and Michigan.....	44	14	104	115

Retail furniture sales during August declined about 30 per cent from August 1941 levels with a 35 per cent decline in credit sales more than offsetting a 50 per cent gain in cash business. Collections, which had been at a rate well above a year ago during the past several months, declined somewhat in August but were slightly above 1941 volume. Inventories continued to be maintained at levels about one-third higher than a year ago.

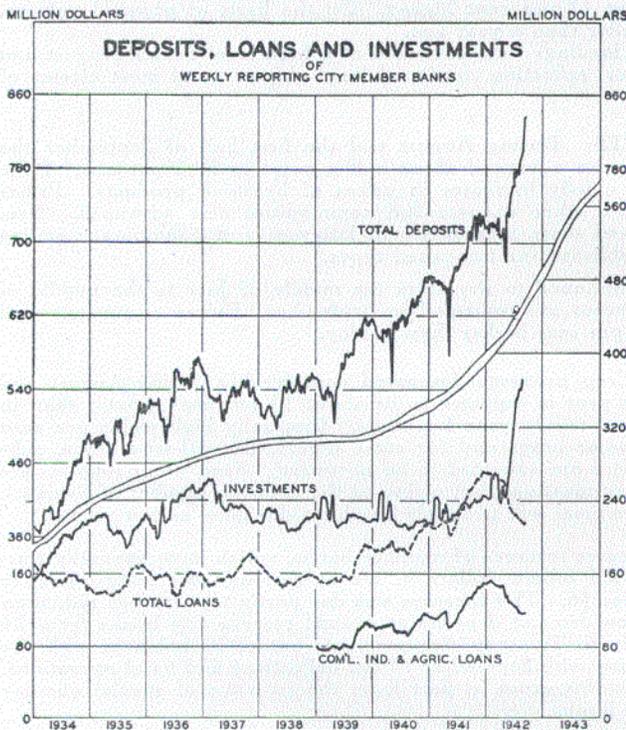
Iron ore shipments in August, although 170 thousand tons lighter than the 13.4 million ton record of July, nevertheless put ore movement up to September 1 at about 60.6 million tons, within 4.6 million tons of the movement for the total season of 1929.

Cost of living in Minneapolis, as measured by the Bureau of Labor Statistics index, rose by 3 tenths

of one per cent to 116.4 for August, about 18 per cent higher than in August 1939 just before the outbreak of war in Europe. All items showed an advance during the month except fuel, electricity and ice, which remained at the same level as July and house furnishings which declined 1 per cent. Among the items showing an advance, the greatest increase was in the cost of food, both controlled and uncontrolled.

**BANKING**

**City member bank deposits** have experienced the sharpest rise in history during the last four months reaching a new all time high. Total deposits were \$846 million at mid-September, \$115 million higher than on May 6 when the current advance started. Investments at these banks have increased even more rapidly during the four months under review and totaled \$381 million on September 16. Holdings of U. S. Government securities increased \$138 million, \$106 million of which were in treasury notes, bills and certificates of indebtedness. Other investment holdings remained unchanged. Loans to customers continued the decline which started in December 1941 and totaled \$215 million at mid-month compared with the 12-year high of \$272 million on December 17, 1941.



**Country member bank deposits** have likewise been increasing steadily during recent months and averaged \$643 million during the last half of August, about \$50 million larger than in May and \$81 million larger than a year earlier. Earning assets have experienced a net increase of about \$35 million since May and were about \$50 million larger than during August 1941.

**Member bank reserve balances** averaged \$209 million during the last half of August, \$166 million of which were required reserves. Excess reserves, therefore, totaled \$43 million compared to \$54 million one year earlier.

**AGRICULTURE**

**Farmers' cash income** estimates for the Ninth District during August rose to an all time record high of \$130 million, an increase of 36 per cent over August 1941. On the basis of nine major products, income from livestock and livestock products showed a 45 per cent increase over last year and income from crops was 26 per cent over August 1941. The increased income from crops resulted from both larger marketings and increased prices. The largest percentage increase was found in hog income which jumped to \$15 million, an increase of 92 per cent over August last year. Income from cattle and calves of \$23 million was half again as large as one year earlier and income from dairy products increased 20 per cent to \$27 million. During the first eight months of 1942, cash farm income in the Ninth District was 47 per cent more than during the corresponding period of 1941 and more than twice the January-August total for 1940.

**Wool production** in the Ninth District for 1942 was estimated at 67,624,000 pounds, a 2 per cent increase over 1941 and the largest production on record.

Farmers' cash income from wool in the Ninth District during 1942 was \$26,373,000—the highest in our 23 year records. This is 16 per cent above the 1941 estimate of \$22,748,000, the previous record, and more than twice the ten-year (1931-40) average. The increased income this year was due to both the increased production and the wool price which was the highest since 1923.

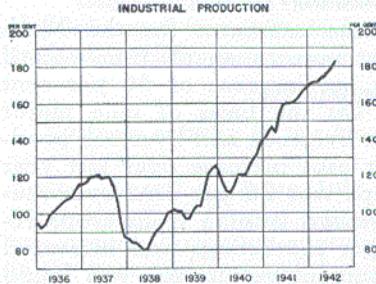
**Farm product prices** showed mixed trends during August. There was a small general decline in grain prices during this relatively heavy crop marketing month, but substantial advances were recorded in livestock and livestock products. Prices of butter, milk and eggs also advanced somewhat. Grain prices were generally lower with a drop in the average price per bushel of 4 cents for wheat and rye, 3 cents for barley and flax and 2 cents for oats when compared to a month ago. Corn on the other hand remained unchanged. With the exception of rye, all grains were still well above August 1941.

**Grain production estimates** in the Ninth District were again revised upward on September 1 because of favorable weather conditions prevailing throughout the past month. Most significant changes from August 1 estimates occurred in corn, spring wheat and oats production with corn increasing 42 million bushels, spring wheat 25 million bushels and oats 16 million bushels. Expected production of all grains was substantially larger than 1941 production.

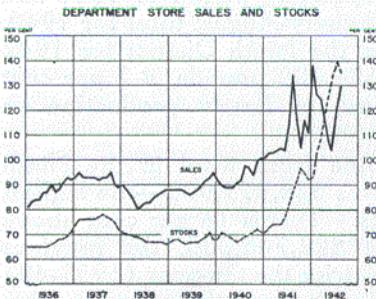
**Ninth District Crop Production Estimate**

BASED ON U. S. D. A. ESTIMATES  
(Thousands of Bushels)

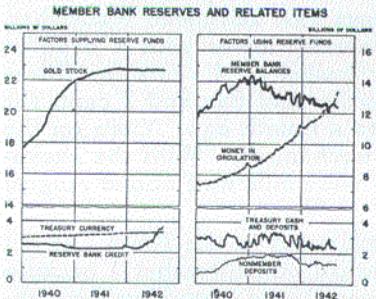
	Production 1941	September 1 Estimate of 1942 Production	Percentage Change
Corn .....	294,514	335,125	+14
Wheat (All) .....	271,462	298,231	+10
Winter Wheat .....	33,085	42,056	+27
Spring Wheat .....	238,377	256,175	+7
Oats .....	264,734	373,397	+41
Barley .....	134,858	181,510	+34
Rye .....	25,639	35,953	+40
Flaxseed .....	22,642	32,842	+45



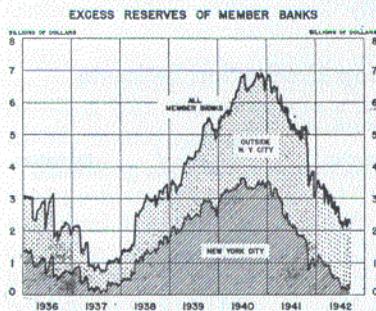
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for August 1942.



Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average = 100. Latest figures shown are for August 1942.



Wednesday figures. Latest figures shown are for September 9, 1942.



Wednesday figures, partly estimated. Latest figures shown are for September 9, 1942.

## National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, SEPTEMBER 21, 1942

Industrial output continued to rise in August and the first half of September and retail distribution of commodities also increased. Prices of farm products and foods advanced further.

**PRODUCTION:** Industrial output increased in August and the Board's seasonally adjusted index rose 3 points to 183 per cent of the 1935-1939 average. There were further marked increases in activity in the machinery, transportation equipment, and other armament industries. Crude petroleum production increased considerably from the reduced level of recent months and output of manufactured food products rose more than is usual at this time of year. Production of materials, such as steel, nonferrous metals, coal, and lumber, continued in large volume.

Value of construction contracts awarded in August declined from the record high levels of June and July, according to figures of the F. W. Dodge Corporation. The extent to which the continuing large volume of construction reflects the war program is indicated by the fact that in the first eight months of this year 84 per cent of total awards have been for publicly financed projects and in recent months the percentage has been higher.

**DISTRIBUTION:** Distribution of commodities to consumers increased considerably in August, reflecting particularly marked increases in department store sales and in sales of general merchandise in small towns and rural areas. Dollar value of sales to consumers in August was somewhat lower than the unusually large sales a year ago, when there was a considerable amount of anticipatory buying, while average prices were about 12 per cent higher. On the basis of physical volume, therefore, sales were smaller than a year ago.

Railroad freight-car loadings were sustained at a high level during August and the first half of September, reflecting continued large shipments of most classes of freight.

**COMMODITY PRICES:** During August and the first half of September the general wholesale price index advanced about half a point to 99.2 per cent of the 1926 average, reflecting chiefly increases in prices of livestock products. Prices of wheat, flour, and some other uncontrolled commodities also advanced. New crop tobacco prices showed sharp increases over last year and a temporary ceiling at current levels was established for flue-cured types.

Retail food prices continued to rise from the middle of July to the middle of August and further increases are indicated in September. Prices of uncontrolled foods in August were 10 per cent higher than in May.

**AGRICULTURE:** Crop prospects improved considerably during August and aggregate production this year is expected to be about 15 per cent greater than in 1941, which was close to a record year for crops. Unusually high yields per acre are indicated for most major crops and for some others, like oil-seed crops, substantially increased acreages are expected to be harvested. Feed grain supplies are expected to be of record proportions, but owing to the growing number of livestock on farms the supply per animal will probably be about the same as last season.

**BANK CREDIT:** Excess reserves of member banks, which have generally fluctuated between 2.0 and 2.5 billion dollars in recent months, rose temporarily to over 3 billion on September 16. This increase was due partly to a further reduction in reserve requirements on demand deposits at central reserve city banks from 24 to 22 per cent and partly to Treasury disbursements out of its balances with the Reserve Banks in connection with September 15 tax collections and fiscal operations. Funds for these disbursements arose in part from the issuance of special one-day certificates to the Reserve Banks.

Excess reserves of New York City banks have been declining for a number of months owing principally to the excess of funds raised in that city by the Treasury over amounts expended there. The effect of this drain has been offset in part by purchases of Government securities by the Federal Reserve System and by the two successive reductions in reserve requirements.

At banks outside New York City excess reserves have shown little change in recent months. These banks have lost reserves through currency drain and their required reserves have increased owing to growth of their deposits; both these factors, however, have been largely offset by transfers of funds from New York.

Holdings of Government securities at New York City banks, which increased substantially in July and August, declined somewhat in the first half of September. At banks outside New York City holdings have continued to increase.

**UNITED STATES GOVERNMENT SECURITY PRICES:** The recent 3 billion dollar Treasury cash financing operation had little effect on the Government securities market, and prices continued steady.