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

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SECOND WAR LOAN

The second war loan drive occupied the attention of the entire country and particularly the banking system during April and early May. In the Ninth Federal Reserve District total bond sales were $458 million, of which $143 million were taken by the banks and $315 million by the nonbanking public, exceeding the $175 million nonbanking quota by 80 percent. The respective sales for the entire nation were $5 billion taken by the banks and $13 billion taken by the nonbanking public, with the national nonbank quota of $8 billion exceeded by 57 percent. The following table shows the sales in this district by different issues purchased.

Second War Loan Drive
Bond Sales in Ninth Federal Reserve District

Issues	Number of Subscriptions	Dollar Amount of Subscriptions
Nonbank Sales:		
2½%	3,025	$ 49,689,000
2%	5,868	44,720,000
⅞%	2,004	69,476,000
Tax C	1,544	34,790,000
Series E	1,427,141	86,502,689
Series F and G	25,062	29,829,194
Total nonbank sales (a)	1,464,644	$315,006,883
Sales to Banks:		
2%		$ 78,213,500
⅞%		65,196,000
Total sales to banks (b)		$143,409,500
TOTAL		$458,416,383

(a) This is 180% of the Ninth District quota of $175,000,000.
(b) Sales to banks are actual allotments.

The impact of the Second War Loan Drive on the banking system of the Ninth Federal Reserve District can be summarized as follows: The gross demand deposits of all member banks in the Ninth Federal Reserve District showed an increase from April 12 to April 30 of about 2%, increasing from $1,456,613,000 to $1,483,986,000. There was a slight decline in total time deposits of about 2%. Total time deposits on April 12 were $398,801,000 which were reduced to $391,558,000 by April 30. This decline is more than compensated by the increase in gross demand deposits so that total deposits actually increased by about $20,000,000. Since war loan deposits*, which are included in gross demand deposits, increased $162,000,000 over this same period, it is evident that deposits other than of the United States Government actually declined. These movements are precisely those which might have been expected. There has occurred a shift of deposits to U. S. Government account, a decline in deposits other than of the U. S. Government, and a net expansion in total (demand plus time) deposits.

Regional shifts in deposits varied between states. Total demand deposits of North Dakota banks remained at about the same level on the two dates, while those for Montana banks actually declined. In each of these two cases the Second War Loan Drive occurred during a season of the year when income receipts were low relative to expenditures. Member banks in other states of the district experienced a moderate increase in deposits.

* U. S. Treasury deposit at a commercial bank arising when Treasury is given payment by a deposit in its account at the commercial banks in payment for war bonds purchased by the bank or its customers:

EFFECT OF BOND DRIVE ON DEPOSITS OF MEMBER BANKS IN THE NINTH FEDERAL RESERVE DISTRICT

(Thousands of Dollars)

State	Demand Deposits†		Time Deposits		War Loan Deposits	
	Apr. 12, 1943	Apr. 30, 1943	Apr. 12, 1943	Apr. 30, 1943	Apr. 12, 1943	Apr. 30, 1943
Michigan (15 Co.)	40,162	42,735	40,178	39,295	297	3,736
Minnesota	985,108	1,008,678	241,617	237,901	38,491	171,960
Montana	178,624	175,990	36,688	35,936	1,260	14,298
North Dakota	74,002	74,051	21,704	21,591	789	8,968
South Dakota	114,368	116,743	24,990	24,489	921	9,735
Wisconsin (26 Co.)	64,349	65,789	32,624	32,356	793	5,494
TOTAL	1,456,613	1,483,986	398,801	391,558	42,551	214,191

† Includes War Loan Deposits

Northwest business volume in April remainded at the same high level that prevailed throughout the first quarter of 1943. The Second War Loan Drive in the Ninth District was carried over the top without undue strain or adverse effect to the banking system. Farmers' cash income continued at a very high level.

BUSINESS

Northwest business volume began the second quarter of 1943 at the same high level that prevailed throughout the first three months of the year. Our seasonally adjusted indexes indicated the highest April business volume on record. The indexes of bank debits, both at city and country points, again moved to new highs to probably reflect two major forces: a high volume of the usual business transaction and the Second War Loan Drive. The indexes of retail sales at both city and country department stores, although below the unusually high peak of last February, were nevertheless 18 and 13 points respectively above a year ago. Although the carloadings indexes were below 1942, the volume of freight actually moved, in all probability, declined by a smaller margin since all shippers now pursue a policy of more heavily loading each freight car. Minnesota employment in all industries was 142 percent of the 1936 average, while payrolls were 214 percent of the 1936 base. The greater proportionate growth in payrolls reflects not only increased wage rates, but a longer work week as well.

Northwest Business Indexes

Adjusted for Seasonal Variation—1935-39 = 100

	April 1943	March 1943	April 1942	March 1942
Bank debits—94 cities	194	178	140	124
Bank debits—farming centers	192	189	149	128
Country check clearings	194	196	161	129
City department store sales	147	137	129	119
City department store stocks	139	122	145	102
Country department store sales	143	154	130	117
Country lumber sales	180	186	138	127
Miscellaneous carloadings	118	119	133	127
Total carloadings (excl. misc.)	110	94	162	155
Farm prices—Minn. (Unadj.)	174	173	141	103
Employment—Minn. (unadj. 1936=100)	142	138	122	114
Payrolls—Minn. (unadj. 1936=100)	214	204	166	132

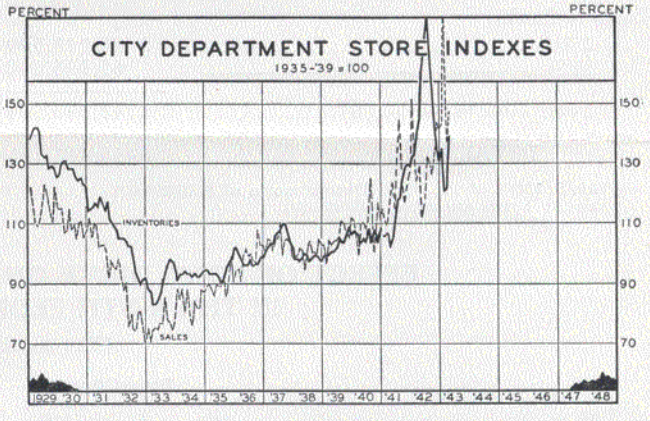
Iron ore shipments from upper lake ports this spring have been materially delayed by the late opening of interlake navigation. According to the Lake Superior Iron Ore Association, total shipments through April 30 this year amounted to 2.0 million tons as compared to 7.8 million tons on that date in 1942.

Even though ore movements this year were begun later than in 1942, when we experienced an abnormally early opening of upper lake traffic, ore stocks at lower lake ports and docks on May 1, totaling roughly 18 million tons, were only 2 million tons less than stocks on hand one year earlier. Ore consumption in the first four months of 1943 amounted to 29.8 million tons, which was somewhat greater than the 27.7 million tons processed in the same period of 1942. Skillings Mining Review reports, "The War Production Board has revised downward its iron ore requirements over the lake routes for the season of 1943 to 91 million gross tons. This is 4 million tons less than the original goal and is about 1 million tons below the 1942 season record."

Retail sales of city and country department stores in the District in April were, respectively, 19 and 22 percent greater than in April 1942. Reporting stores in North and South Dakota showed the largest gains with sales running about one-third above a year ago. Despite the large volume of sales and the scarcity of consumers goods, city department stores reported the dollar volume of their inventory on May 1 to be slightly larger than one month earlier, and only slightly below the large stocks on hand a year ago.

Sales at Department Stores
April 1943 Compared to April 1942

	Number of Stores Showing Increase	Number of Stores Showing Decrease	Per Cent Apr. 1943 of Apr. 1942	Per Cent Jan.-Apr. 1943 of Jan.-Apr. 1942
Total District	234	31	120	114
Mpls., St. Paul, Dul.-Sup.	19	3	119	113
Country Stores	215	28	122	116
Minnesota	64	6	120	111
Central	9	0	143	120
Northeastern	7	2	105	102
Red River Valley	3	0	124	116
South Central	15	1	129	120
Southeastern	11	1	112	108
Southwestern	19	2	124	111
Montana	34	6	121	118
Mountains	7	3	106	103
Plains	27	3	127	124
North Dakota	47	2	135	119
North Central	8	1	125	121
Northwestern	5	1	129	118
Red River Valley	17	0	141	120
Southeastern	15	0	130	113
R. R. V.-Minn. & N. Dak.	20	0	138	119
South Dakota	28	1	130	130
Southeastern	6	1	127	130
Other Eastern	13	0	131	126
Western	9	0	134	142
Wisconsin & Michigan	42	13	114	112
Northern Wisconsin	12	4	106	106
West Central Wisconsin	21	9	113	111
Upper Pen. Michigan	9	0	124	126



Construction contracts awarded in this District during April were somewhat larger than in the month of March, and were also slightly greater than in April a year ago. The increase was due principally to larger awards for the construction of public utilities, although nonresidential construction was also up both from last month and a year ago. Although the volume of contracts awarded in April was greater than a year ago, the total for the first

four months of 1943 was about 40 percent of the volume awarded in those months in 1941.

Manufacturing production in the District showed little change from the high March level. Livestock slaughterings in April were slightly less than in the month preceding, while the index of manufacturing employment in Minnesota advanced 4 points over March and stood 35 points above April 1942. Linseed oil shipments, which have proceeded at a rapid rate in recent months, totaled 39 million pounds in April and exceeded shipments for the entire year 1934.

AGRICULTURE

Farmers' cash income in the District in April, due principally to higher prices, was estimated to be 27 percent greater than a year ago, and for the first four months of 1943 was estimated to be 30 percent above the corresponding period of 1942. Larger returns from the sale of hogs, dairy products and eggs accounted for most of the gain over a year ago. Marketings of cattle and calves in April were off sharply from last year, and despite the $2.23 advance in the price of beef, the income from that source was estimated to be less than a year earlier. According to our estimate, farmers in the Ninth Federal Reserve District received from the sale of eggs during April $17.4 million, only $2.5 million short of the amount received from this source during the entire year 1933.

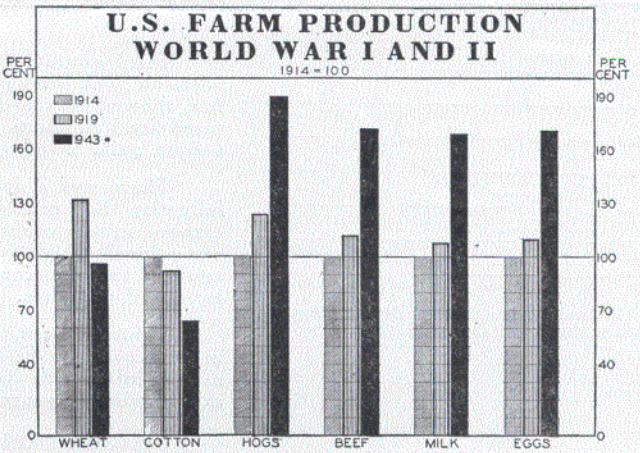
Farm product prices as a whole were generally strengthened during the month of April. The U. S. farm price index was lifted three points to 185 percent of the 1910-14 year average, which was about 25 percent higher than one year earlier, and at the highest level since the fall of 1920. Dairy product prices, following a rise for nine consecutive months, leveled off, in April, 27 percent higher than a year ago. The Federal State Market News Service reports "dairy cows continued to receive dependable support at fully steady prices." Odd head of choice cows sold up to $200, with the bulk of the good and choice cows getting $135 to $190. "Medium grade light weights sold from $80 to $125."

Crop prospects for this season are not so promising as in 1942. According to the May 1 report released by the United States Department of Agriculture, the United States winter wheat estimate was cut another 8 percent and it now seems likely that winter wheat production will be 27 percent below a year ago. It is anticipated that rye production will show an even greater decline from a year ago.

The "Early Lamb Situation" released by the U. S. D. A. states that early lambs made good gains in most areas due to favorable weather and feed conditions. Pastures and ranges in the Northwest were slow to start, but developments since mid-April have been satisfactory.

FARM PRODUCTION DURING WORLD WAR I AND WORLD WAR II

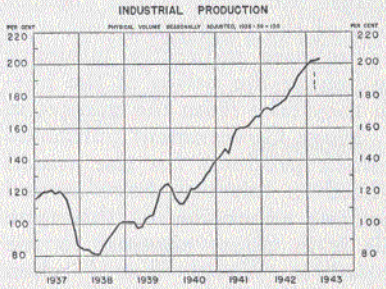
Under the stress of war our Government appropriates huge quantities of farm products required both to feed the millions of men enlisted in the armed forces of the United States, and to supply in part the food requirements of our Allies, also engaged in the common cause of complete defeat of the Axis powers. Because the Government absorbs such a large proportion of the total farm output in times of war, their purchases indirectly influence farm output by strengthening the prices of the particular products which they take from the market in such large quantities. Huge Government purchases of livestock and livestock products for the armed forces and for lease-lend in this war have served to stimulate a tremendous expansion of this type of farm output. This is in direct contrast to the situation that developed in World War I when "wheat would win the war." This is clearly illustrated in the figure below where the level of production in 1914, the base year; and 1919, the peak production year in World War I period; and the estimated goals for 1943 have been charted.



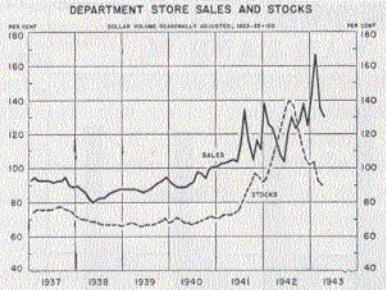
* Production goals—Wheat and Cotton indexes based on acreages.

This chart shows that the acreage devoted to wheat production was expanded sharply in World War I, whereas livestock production, beef, milk and eggs in particular, experienced a relatively moderate expansion. Contrast these developments to the production goals established for 1943. The acres planted to both cotton and wheat are now below the 1914 levels, while the output of the four livestock items are from 70 to 90 percent greater than in 1914.

These differences in agricultural expansion in the two war periods may be significant in the postwar years if it then becomes necessary to adjust agricultural output. Following World War I thousands of acres of semi-arid grazing land, then devoted to wheat production, introduced the much discussed "dust bowl" problem of the great plains region, which was not a small part of the over-all farm problem in that area. To correct that maladjustment it was necessary to eliminate many farm units from production, which involved many social and economic factors not presented by a percentage reduction of farm output from existing farming establishments. If a 10 or 20 percent reduction in output of pork or eggs should occur, it would probably lower the farmer's income somewhat, but those adjustments can be managed by the farm operator more readily than can complete abandonment of the farm and the farm home.



Federal Reserve index. Monthly figures, latest shown is for April, 1943.



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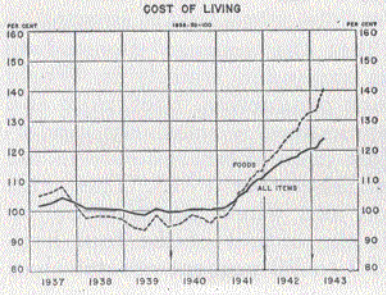
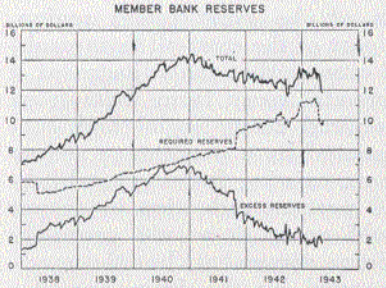


Bureau of Labor Statistics' indexes. Last month in each calendar quarter through September, 1940, monthly thereafter. Mid-month figures, latest shown are estimates by Federal Reserve for April, 1943.



Breakdown between required and excess reserves partly estimated. Wednesday figures, latest shown are for May 12, 1943.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, MAY 22, 1943

Industrial activity in April and the early part of May increased somewhat further, and retail trade was maintained in large volume.

INDUSTRIAL PRODUCTION: The Board's index of total industrial output rose slightly in April, reflecting further increases in activity in war industries, while output in most other lines showed little change.

Production of armaments in the machinery and transportation equipment industries rose to new high levels. Activity at steel mills increased somewhat further. Lumber production showed the usual seasonal rise in April and was at a level about 10 per cent less than a year ago, when problems of maintaining an adequate labor supply in the industry began to develop. In the cement industry, where production usually advances sharply during the spring months, production has shown little change this year, reflecting chiefly the restricted volume of current construction activity.

Total output of manufactured foods in April continued below the seasonally adjusted peak level reached at the end of last year. Meat packing and flour production showed decreases in April, while output of dairy products and other manufactured food products was maintained. Volume of output in chemical plants continued to gain. Production of other non-durable manufactures showed little change.

There was a decline in bituminous coal production in the last week of April, following the breaking-off of negotiations for a new wage contract, but output increased in the early part of May. Production of coal in March had been at an exceptionally high level. Stocks on May 1 were considerably higher than a year ago and for bituminous coal were estimated to be equivalent to 55 days' supply for industrial purposes. In May the Government took over the bituminous coal mines.

Value of construction contracts awarded declined in April, reflecting reductions in contracts for Federal work, according to the F. W. Dodge Corporation. Total residential awards in March and April were at the lowest levels for these months in a number of years.

DISTRIBUTION: Sales at department and variety stores increased in April, but the rise was less than usually occurs when Easter falls late in the month. Mail-order sales, principally to persons in small towns and rural areas, showed about the usual seasonal rise. Value of sales in April continued at a level substantially higher than a year ago but, with prices higher, the physical volume of goods sold was probably about the same as in the corresponding period last year.

Carloadings of revenue freight were maintained in large volume in April and the first week of May. Ore shipments showed a seasonal rise beginning in the last half of April, a month later than in 1942 when the movement was unusually early.

COMMODITY PRICES: Wholesale prices of most commodities showed little change from the middle of April to the middle of May. Retail food prices continued to advance sharply in the latter part of March and the early part of April and the indexes showed increases of 6 per cent as compared with January. Retail prices of most other items in the cost of living showed smaller increases in that period. Plans for more effective enforcement of price ceilings have been announced.

BANK CREDIT: During May, as the Treasury made disbursements out of war loan accounts, which had been built up during the recent drive, there was a growth of bank deposits subject to reserve requirements and a decrease in member bank excess reserves. Continued withdrawals of currency also reduced bank reserves. Nevertheless, the reserves of member banks were sufficient to enable them to make substantial repurchases of bills which had been sold to the Reserve Banks under option. In addition, the Federal Reserve System sold some bonds in response to a market demand.

Government security holdings at reporting member banks in 101 leading cities increased by 4.3 billion dollars in the four weeks ending May 12. These increases reflected purchases of new issues during the War Loan drive, as well as substantial market purchases.

In New York City, loans to brokers and dealers for purchasing or carrying securities increased by 860 million dollars during the three weeks of the War Loan drive, and subsequently declined in the first three weeks of May; these changes reflected almost entirely activity in loans for purchasing or carrying Government securities, which on May 19 amounted to 580 million dollars of the total 1,020 million dollars outstanding; other loans to brokers and dealers by New York City banks rose by 90 million dollars from the end of March to May 19.