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

Vol. 8 (Serial No. 19) Federal Reserve Bank, Minneapolis, Minn. July 28, 1943

Member bank deposits expanded to a new high of $1,981 million on June 30. Loans and Discounts declined 16 per cent since January 1. Department store sales were 27 per cent greater than in June 1942. Crop reports indicate another good year, but production will probably be 15 per cent short of 1942.

BUSINESS

Northwest business activity, according to our seasonally adjusted indexes, following a slight recession during the month of May again resumed its upward trend in June. With the exception of the miscellaneous carloadings index all of the seasonally adjusted series indicated a volume of business greater than in the month of May, but still short of the high April level. Sales at both country and city department stores were brisk during June and these indexes advanced 15 and 10 points respectively from May. The indexes of Minnesota employment and Minnesota payrolls both advanced to new high levels during June.

Northwest Business Indexes
Adjusted for Seasonal Variation—1935-39 = 100

	June 1943	May 1943	June 1942	June 1941
Bank Debits—93 cities	172	167	139	128
Bank Debits—farming centers	173	171	146	133
Country check clearings	181	178	158	135
City department store sales	146	136	117	114
City department store stocks	137	126	171	110
Country department store sales	153	138	119	116
Country lumber sales	109	105	110	122
Miscellaneous carloadings	109	113	118	124
Total carloadings (Excl. misc.)	145	138	143	139
Farm prices—Minn. (Unadj.)	178	177	145	119
Employment—Minn. (Unadj. 1936=100)	147	143	128	121
Payrolls—Minn. (Unadj. 1936=100)	228	221	179	147

Department store sales for the third successive month made new gains over the corresponding month in 1942. City department stores reported June sales to be 26 per cent over June last year, while sales at country department stores showed a gain of 29 per cent. The dollar volume of sales was uniformly high in all sections of the District, with the largest gains evident in the Dakotas. Reporting department stores in South Dakota showed a volume of sales for the first half of 1943 one-third larger than for the corresponding period in 1942.

Iron ore shipments from upper lake ports gained momentum during the month of June, but total shipments of 25 million tons on July 1 were 9 million tons short of movements on that date in 1942. However, "Skillings' Mining Review" reports the 1943 ore movements now in stride, and that prospects for the season were somewhat improved as additional boats of both Canadian and American registry were pressed into service early in July. They anticipate that shipments during the month of July may exceed 14 million tons, a new high record.

Manufacturing production in the District in June was about comparable to the May volume, but was much greater than in June a year ago. The Minnesota Division of Employment and Security reported the June index of manufacturing employment in Minnesota at 169. This was 36 points above the June 1942 level. Flour production and flour shipments also exceeded the June 1942 level, as did linseed oil and oil cake shipments. Slaughterings of hogs and sheep at South St. Paul were about 25 per cent above a year ago, while cattle slaughterings were off 30 per cent.

Sales at Department Stores
June 1943 Compared to June 1942

	Number of Stores Showing		% June 1943 of June 1942	% Jan.-June 1943 of Jan.-June 1942
	Increase	Decrease		
Total District	270	20	127	119
Mpls., St. Paul, Dul.-Sup.	18	2	126	119
Country Stores	252	18	129	119
Minnesota	68	4	126	115
Central	7	0	146	127
Northeastern	8	1	110	105
Red River Valley	5	0	136	125
South Central	19	0	142	122
Southeastern	11	0	117	109
Southwestern	18	3	126	115
Montana	37	3	133	123
Mountains	9	1	118	106
Plains	28	2	139	129
North Dakota	47	2	132	118
North Central	10	0	142	124
Northwestern	5	1	133	121
Red River Valley	18	0	128	115
Southeastern	12	1	131	118
R. R. V.—Minn. & N. D.	23	0	130	116
South Dakota	49	1	140	133
Southeastern	14	0	140	134
Other Eastern	26	1	141	130
Western	9	0	136	140
Wisconsin & Michigan	51	8	120	114
Northern Wisconsin	12	6	109	109
West Central Wisconsin	28	2	121	112
Upper Penn. Michigan	11	0	133	126

BANKING

City member bank deposits after exhibiting little change during the month of June rose during the first half of July to a peak of $1,134 million on July 14. This was $19 million higher than for the middle of June and $356 million above the figure

for mid-July, 1942. Investments in United States Government securities during the month ending July 14 increased $12 million to a total of $660 million, $360 million above a year ago. Other investments declined slightly from the level reached in the middle of June, but were about $1.4 million above a year ago. Loans to customers increased by $817 thousand during the month but were $50 million lower than a year ago. Most of the increase during the month occurred in commercial, industrial, and agricultural loans with small increases in real estate loans and all other loans. Balances with other banks changed little during the month but were $14 million below a year ago. Reserve balances with the Federal Reserve Bank were $9 million above a month ago and $48 million above a year ago.

Country member bank deposits in the latter half of June were up over the previous month by $16 million and were $264 million above the daily average for the last half of June, 1942. Earning assets were up $26 million in the latter half of June over the same period for the previous month and were $169 million above a year ago. Reserve balances of country member banks were about $3 million above a month ago and about $29 million above a year ago.

The reserve position of Ninth District member banks as indicated by daily average reserves carried compared with average reserves required is shown by the following table.

Daily Average Reserve Position for Fifteen-Day Period Ending June 30, 1943

	Member Bank Reserve Deposits (000)	Required Reserves (000)	Excess Reserves (000)
Reserve City Banks	$132,977	$130,497	$ 2,480
Other City Banks	18,498	15,813	2,685
Total City Banks	151,475	146,310	5,165
Total Country Banks	103,663	72,674	30,989
Total Ninth District—1943	255,138	218,984	36,154
Total Ninth District—1942	191,274	146,846	44,428

Condition of All Ninth District Member Banks on June 30, 1943

Selected items in the June 30, 1943 condition reports of all Ninth District member banks are presented in the accompanying table.

These reports indicate some shift from loans and discounts to investments, primarily in U. S. Government obligations, with total loans, discounts and investments increasing about 12 per cent during the past six months. Total deposits continued their persistent rise, reaching an all-time high of just under two billion dollars, 6 per cent above the level achieved at the end of 1942.

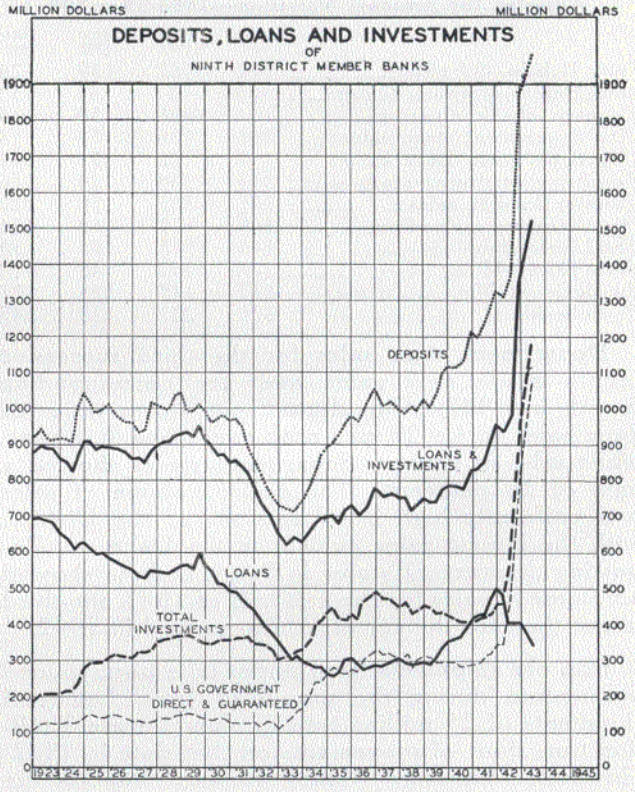
For purposes of comparison, total Ninth District figures are presented for the same items as of December 31, 1942. The final column shows the per cent change of each item for all member banks in the Ninth District from December 31, 1942, to June 30, 1943.

Total loans and discounts declined during this six months' period by 16 per cent as Item 10 in the table indicates. This decline was concentrated heavily in the loans secured by agricultural commodities covered directly or indirectly by purchase agreements of the Commodity Credit Corporation and consumer loans to individuals. The latter item represents instalment paper, personal instalment cash loans, and single-payment loans to individuals. Smaller declines also occurred in commercial and industrial loans, in real estate loans secured by farm real estate, and in real estate loans secured by other properties excluding urban residential property.

Investments increased over the period by 24 per cent with both percentage increases and absolute increases heavily concentrated in U. S. Government obligations.

Total loans, discounts, and investments increased by 12 per cent during the first half of 1943.

Total deposits of all member banks in the District hit an all-time high of $1,981 million, 6 per cent higher than the prior record figures for call reports on December 31, 1942, of $1,873 million. Deposits of the U. S. Government increased by 19 per cent. Demand and time deposits of individuals, partnerships, and corporations each increased by about 6 per cent. A mild decline occurred in deposits of banks. Miscellaneous deposits remained almost unchanged.



CONDITION OF ALL NINTH DISTRICT MEMBER BANKS ON JUNE 30, 1943

Selected Items	June 30, 1943 City Banks (000)	June 30, 1943 Country Banks (000)	June 30, 1943 Total (000)	All 9th Dist. Member Banks Dec. 31, 1942 (000)	% Change All 9th District Member Banks Dec. 31, 1942 to June 30, 1943
LOANS AND DISCOUNTS:					
1. Commercial and Industrial Loans	$ 98,317.6	$ 22,626.2	$120,943.8	$138,707.6	—12.8%
2. Loans secured by agricultural commodities covered directly or indirectly by purchase agreements of Commodity Credit Corporation	5,743.6	19,542.3	25,285.9	56,158.7	—55.0
3. Other agricultural loans	2,561.8	43,203.2	45,765.0	43,296.4	+ 5.7
4. Consumer loans to individuals:					
(a) Retail automobile instalment paper	2,820.5	3,505.9	6,326.4	8,916.3	—29.0
(b) Other retail instalment paper and repair and modernization instalment loans	11,023.8	2,629.7	13,653.5	20,605.7	—33.7
(c) Personal instalment cash loans	3,837.4	3,265.6	7,103.0	7,889.1	—10.1
(d) Single-payment loans to individuals	5,705.1	6,945.7	12,650.8	19,420.9	—34.9
5. Loans to brokers and dealers in securities	2,291.8	35.6	2,327.4	913.6	+ 154.8
6. Other loans for the purpose of purchasing or carrying stocks, bonds and other securities	4,623.7	5,105.0	9,728.7	8,978.2	+ 8.4
7. (a) Real estate loans—secured by farm properties (including improvements)	258.4	8,696.7	8,955.1	9,386.5	— 4.6
(b) Real estate loans—secured by residential properties (other than farm)	12,555.8	35,124.7	47,680.5	47,456.8	+ .5
(c) Real estate loans—secured by other properties	1,758.8	6,257.9	8,016.7	9,652.8	—16.9
8. Loans to banks	15.5	7.4	22.9	193.9	—88.2
9. All other loans	24,970.7	9,094.3	34,065.0	35,746.9	— 4.7
10. Total Loans and Discounts	176,484.5	166,040.2	342,524.7	407,323.4	—15.9
INVESTMENTS:					
1. U. S. Government Obligations	637,804.5	432,925.6	1,070,730.1	844,782.8	+ 26.7
2. Obligations of States and Political Subdivisions	23,278.0	41,237.0	64,515.0	64,254.6	+ .4
3. Other investments	16,902.8	24,853.5	41,756.3	40,969.3	+ 1.9
4. Total Investments	677,985.3	499,016.1	1,177,001.4	950,006.7	+ 23.9
Total Loans, Discounts and Investments	854,469.8	665,056.3	1,519,526.1	1,357,330.1	+ 11.9
CASH BALANCES WITH OTHER BANKS, INCLUDING RESERVE BALANCES	305,533.7	271,342.3	576,876.0	627,706.8	— 8.1
DEPOSITS:					
1. Demand Deposits of Ind., Part. and Corp.	521,048.4	427,301.1	948,349.5	897,609.1	+ 5.7
2. Time Deposits of Ind., Part. and Corp.	115,356.0	283,637.9	398,993.9	376,763.3	+ 5.9
3. Deposits of United States Government	110,539.4	46,661.8	157,201.2	132,666.2	+ 18.5
4. Deposits of States and Political Subdivisions	96,448.6	77,767.7	174,216.3	149,238.0	+ 16.7
5. Deposits of Banks	246,911.8	38,266.4	285,178.2	299,829.4	— 4.9
6. Other Deposits	9,755.2	7,468.1	17,223.3	17,144.1	+ .5
Total Deposits	$1,100,059.4	$881,103.0	$1,981,162.4	$1,873,250.1	+ 5.8%

AGRICULTURE

The crop outlook in the Northwest, despite the uncertainty over the available farm labor and farm machinery supply, continued favorable throughout the month of June. According to the July 1 crop report released by the U. S. D. A. the acres planted to major crops in the Northwest in 1943 actually exceeded the 1942 total by 2.3 per cent. Notwithstanding the late spring throughout the Northwest and the damaging hail and floods in some areas, farmers are doing a fine production job in 1943. Excellent growing weather and abundant moisture in June greatly enhanced the possibilities of another good crop in 1943—the third in succession. Although yields are expected to fall somewhat short of the unusually high records in 1942, it appeared on July 1 that yields per acre will substantially exceed the 1932-41 average.

Cutting of rye is under way in some sections of the District, but it is still too early to estimate accurately wheat, oats and barley yields. However, adequate soil moisture and healthy crop conditions give promise of another good crop year.

CROP ACRES AND PRODUCTION

Minnesota, Montana, North Dakota, South Dakota 1942-43

CROP	Acreage 1942	Acreage 1943	Production 1942	Production 1943 (July Est.)
	(Thous. of Acres)		(Mil. of Bushels)	
Wheat	15,760	15,106	292	244
Oats	8,888	9,249	363	319
Barley	6,771	6,746	182	153
Rye	2,006	1,140	34	14
Flax	3,559	4,773	31	40
Corn	9,194	10,126	343	280
Potatoes	384	504	42	42
7 Crops	46,562	47,644	1,287	1,092

Based on the July 1 estimate, total production of the principal crops will be 15 per cent below last year. According to the U. S. D. A. report the July 1 supplies of corn, oats and wheat on farms in the Northwest are about equal to the record level of last year and more than double the 1932-41 average.

Farm cash income in the Northwest during the month of June, due principally to higher prices, remained at a level about 30 per cent above 1942. The likelihood that this increase of 30 per cent over 1942 will continue for the balance of this year is not good. Two important factors support that statement. (1) According to the July 1 crop report, the level of farm production, except for hogs and poultry, may fall below 1942. (2) Farm prices during the first six months of 1943 averaged roughly one-third above the corresponding period in 1942 to account for the higher 1943 cash farm income. The 1942 records show that about the middle of last year farm prices advanced sharply, then leveled off and continued into the first half of 1943 on that uniform high plane. Therefore, unless farm prices advance again, farm products marketed during the balance of 1943 will be sold at prices consistent with those prevailing in the last half of 1942 instead of one-third above last year as occurred during the first half of 1943.

We estimate that farmers received $117 million from the sale of nine important crop and livestock items in June. This compares with $91 million in June 1942, $65 million in 1941, and $40 million in June 1940.

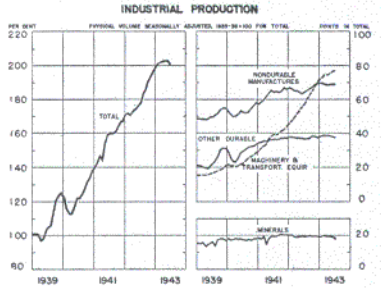
Farm product prices showed mixed trends during the month of June. Most livestock prices were off slightly from May, while livestock products, butter, eggs and poultry, and grain crops registered slight gains. The Department of Agriculture reported the U. S. farm price index for June at 190, 3 points above May and 39 points above June 1942. "Just three years ago farm product prices averaged only 95 per cent of the 1909-14 level."

The spring pig crop in the northwest, according to the Department of Agriculture, totaled 11,172 million head or 24 per cent above the 1942 record crop of 8,979 million head. This year's spring crop was almost double the 1932-41 average of 6,013 million head. For the entire United States the spring pig crop was estimated to be 74 million head or 22 per cent above 1942. The 1932-41 average was 45 million head. Farmers contemplate a further expansion in pork production this fall and early 1944. According to reports of farmers the number of sows to farrow this fall will exceed 1942 by 25 per cent. If these plans materialize, in view of the estimated decline in corn production this year, a critical feed situation may develop in 1944.

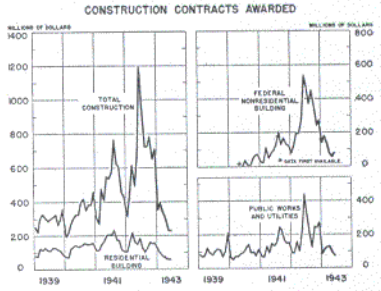
Milk production per cow this year has averaged slightly less than in 1942, but the level of production in the Northwest has about equaled that of last year due to the larger number of dairy cows on farms. Although the seasonal increase in butter production in May and June was below average, the Department of Agriculture reports that total butter production in the United States for the first five months of this year was practically unchanged from the corresponding months of 1942, but was 4 per cent greater than the average for these same months in 1932-41.

A substantial portion of the large 1943 butter supply has been requisitioned by the Government for lend-lease and for military use, but another force, and probably a more important force attenuating or dwarfing the large 1943 butter supply, is the effective demand of the millions of new butter consumers who in 1932-41 lacked the necessary purchasing power to enter the butter market. Generally higher incomes of industrial workers in recent years have greatly stimulated consumers' purchase of butter.

Marketings of both cattle and hogs at South St. Paul in June increased over the preceding month. Recent reports from the principal marketing centers in the Middle West indicate that livestock marketings continued at an accelerated rate into the first half of July. Dwindling feed grain supplies were believed responsible for the farmers' decisions to liquidate part of their herds.

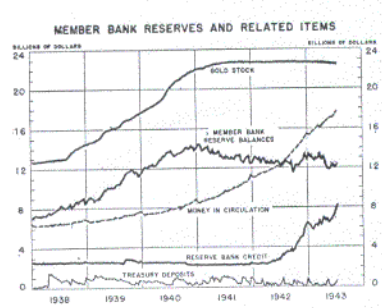


Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for June 1943.



F. W. Dodge data for 37 Eastern states, total includes state and local government and private nonresidential building not shown separately. Monthly figures, latest shown are for June 1943.

Wednesday figures, latest shown are for July 14, 1943.



Breakdown between required and excess reserves partly estimated. Wednesday figures, latest shown are for July 14, 1943.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, JULY 24, 1943

Manufacturing activity was maintained at a high level in June while mineral production declined reflecting mainly reduced output of coal. In the early part of July coal production was resumed in large volume. The value of retail trade continued large.

INDUSTRIAL PRODUCTION: The Board's seasonally adjusted index of total industrial production declined slightly in June from the high level of other recent months. Activity continued to increase at plants producing war products in the chemical, rubber, and transportation equipment industries. These increases were more than offset by a sharp drop in coal production and a temporary reduction in output of coke, pig iron, and steel.

Finished aircraft production, in terms of airframe weight, was 3 per cent higher in June than in May. Delivery of supplies for the Army ground forces rose 1 per cent over May. Tonnage of cargo vessels delivered from merchant shipyards was not up to the record May level; it was, however, higher than in any other month.

In industries manufacturing nondurable goods output as a whole showed little change from May to June. Activity at cotton mills declined—consumption of 917,000 bales of cotton was 50,000 less than in June 1942.

Output at coal mines in June was 30 per cent below May due to the work stoppages, but early in July both anthracite and bituminous coal production recovered to above the levels prevailing a year ago. Crude petroleum production was maintained in June and moved upward in July partly in anticipation of the completion of the pipeline from Texas to the East Coast. Lake shipments of iron ore in June were 6 per cent below the same month last year due to unfavorable weather conditions.

The volume of construction contracts awarded in June was about the same as in May. The value of awards in June was at the lowest level for this month since 1936, according to the F. W. Dodge Corporation.

DISTRIBUTION: Value of consumer nondurable goods sold at retail was in near-record volume in June and the early part of July, while sales of durable goods, many of which are becoming increasingly scarce, were generally below previous peak levels.

Car loadings of revenue freight declined in June, reflecting the drop in coal shipments. Loadings of grain showed the usual increase at this season and the movement of most other commodities was maintained in large volume.

COMMODITY PRICES: Wholesale prices of most commodities showed little change in the early part of July, following a decline during June of 1 per cent in the general index. This decline reflected chiefly reductions ordered in maximum prices of butter and meat and seasonal decreases in prices of fresh fruits and vegetables.

AGRICULTURE: Aggregate crop production this year is expected to be 10 per cent smaller than last year but 5 per cent above the average of the preceding 5 years, according to the July 1 official report. Of the major crops, production prospects for gains are the lowest compared with last season, while there are indications of considerably larger harvests for dry beans and peas, flaxseed, and potatoes. Output of livestock products has continued in larger volume than a year ago.

BANK CREDIT: During June and the first three weeks of July there was an increase of about 1.4 billion dollars in Reserve Bank holdings of United States Government securities. Continued currency outflow, and increase in required reserves due to the growth of deposits, were reflected in the increased demand for Reserve Bank credit. The expansion in Reserve Bank credit was in the form of Treasury bills sold by member banks to the Federal Reserve Banks under options to repurchase. Holdings of bills showed wide fluctuations during the period as member banks adjusted their reserve positions through sales and repurchases. A large part of the Treasury bills came from New York City banks where excess reserves continued to be low. Total loans and investments of New York City banks have declined recently. Other reporting member banks have shown a continued growth in deposits and U. S. Government securities.

The quarterly report of customer rates at commercial banks for the middle of June showed a further rise in rates charged on loans by large banks throughout the country.