

MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

W. B. GEERY, Chairman of the Board
and Federal Reserve Agent

E. W. SWANSON OLIVER S. POWELL
Assistant Federal Reserve Agents

HAROLD C. TIMBERLAKE
Assistant Statistician

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DISTRICT SUMMARY OF BUSINESS

A majority of the business indexes for this district rose during April, indicating that recovery in the Northwest is still under way. Bank debits and country check clearings, adjusted for seasonal changes, reached new high levels for the recovery period. Bank debits were the highest since the spring of 1931. The country lumber sales index rose ten points from March to April, thus improving sharply from the abnormal winter slump which was due to bad weather. However, the level of country lumber sales in April was not as high as the level last fall. The index of less-than-carlot freight carloadings increased slightly in April, but the indexes of department store sales and miscellaneous freight carloadings declined. In spite of these decreases, the latter two items continued near the peak levels of the recovery movement.

Northwestern Business Indexes

(Varying base periods)

	April 1936	March 1936	April 1935	April 1934
Bank Debits—94 cities.....	80	76	71	61
Bank Debits—Farming Centers	79	77	70	62
Country Check Clearings.....	140.5	133.8	125.2	99.1
Department Store Sales.....	82	84	72	68
Country Lumber Sales.....	81	71	65	53
Miscellaneous Carloadings	80	83	75	68
L.C.L. Carloadings	62	61	60	61

From the records of bank debits and country check clearings for the first half of May, it appears that the level of business has continued to rise since the end of April. The volume of business in the district continued to be larger than a year ago. April bank debits were 13 per cent larger than last year. Only sixteen of the ninety-nine cities reporting bank debits experienced decreases from last year's April volume. Some of the increases over the level of a year ago were very large. Rapid City reported an increase of 75 per cent, Chisholm 64 per cent, Brookings 52 per cent, Calumet and Hancock over 40 per cent, six cities 30 per cent or more, and twenty-four cities 20 per cent or more.

Country check clearings were 12 per cent larger in April than in the same month last year, and

freight carloadings were 6 per cent above last year's level. Other increases occurred in building permits and contracts, real estate activity in Hennepin and Ramsey counties, flour and linseed product shipments, copper output, grain marketings, livestock receipts, and country lumber sales.

Retail trade in the district was 7 per cent larger in April than in April last year, according to reports from three hundred and fifty-five stores. City department stores reported an increase of 9 per cent, and country stores reported an increase of 5 per cent. Among the subdivisions of the rural portion of the district, the largest increases occurred in Montana, northeastern South Dakota, and central North Dakota.

Retail Trade

	% April, 1936, of April, 1935
Mpls., St. Paul, Duluth-Superior.... (21 stores)	109
Country Stores (334 stores)	105
Minnesota—Central (12 stores)	112
Minnesota—Northeastern (5 stores)	100
Minnesota—Red River Valley.... (10 stores)	106
Minnesota—South Central (22 stores)	101
Minnesota—Southeastern (18 stores)	100
Minnesota—Southwestern (32 stores)	107
Montana—Mountain (19 stores)	116
Montana—Plain (36 stores)	112
North Dakota—Red River Valley. (23 stores)	101
North Dakota—Southeastern ... (23 stores)	103
North Dakota—Other No. Dak... (13 stores)	113
South Dakota—Southeastern ... (14 stores)	95
South Dakota—Other eastern ... (41 stores)	110
Wisconsin—West Central (35 stores)	102
Northern Wisconsin and Mich.... (31 stores)	100
Ninth District (355 stores)	107

DISTRICT SUMMARY OF BANKING

City bank balance sheet changes during recent weeks have centered around the May 1st "money and credits" tax date. Deposits dropped 28 million dollars during the two weeks ending April 29 and then increased 21 million dollars during the first two weeks in May. The net result was a reduction in city bank deposits of 7 million dollars during the four weeks ending May 13. Changes in various

classes of deposits showed considerable diversity. Commercial deposits increased more in May than they decreased during the last half of April. State and municipal deposits increased steadily throughout the four-week period. Balances due to country banks decreased every week of the period.

On the asset side of the combined city bank balance sheet, there was a reduction of 22 million dollars in earning assets during the four weeks. The decrease was almost entirely in security holdings, although loans to customers were reduced 1 million dollars. Idle funds in the form of balances with the Federal Reserve Bank and balances with correspondent banks increased 14 million dollars during the period, but the total of these idle funds on May 13 was about 50 million dollars less than at the extreme high point reached in March.

Country bank affairs are showing more of the normal seasonal movement this spring than they have for several years past. As stated above, correspondent bank balances have been declining in recent weeks. The total decrease this spring from the winter peak has been about 15 million dollars, which is approximately the same magnitude as that shown each year before the depression. The decrease in correspondent bank balances of country banks has been accompanied by a slightly larger total of borrowings from the Federal Reserve Bank than a year ago, although the total discounts of this bank on May 13 were only 146 thousand dollars.

Total net deposits of country member banks in the Ninth Federal Reserve District were practically unchanged between the end of March and the end of April, small increases in rural Minnesota and Wisconsin being offset by almost identical decreases in Montana and North Dakota. Net deposits of Michigan and South Dakota member banks showed little change.

DISTRICT SUMMARY OF AGRICULTURE

Farm Income and Prices

Our estimate of farmers' cash income during April this year from the sale of seven of the principal agricultural products in the Ninth Federal Reserve District was 49 per cent larger than the estimate for April, 1935, excluding income from rental and benefit payments. Income from each of the seven products (bread and durum wheats, rye, flax, potatoes, dairy products, and hogs) was estimated to be larger this year than a year ago. Marketings of each of the above-named products were larger in April this year, which, together with some important price increases, were responsible for the large total cash income increase. Farmers' cash income from the sale of dairy products, however, was 22 per cent larger than last year despite lower prices for both butter and milk. Because of the larger volume of marketings, the income from the sale of durum wheat, of rye, and of flax were also all larger than in April, 1935, although the 1936 price was below

that of a year ago. Much larger hog marketings in combination with a moderate price increase, resulted in an increase in the April hog income estimate of nearly one hundred per cent.

The United States Department of Agriculture's estimate of farmers' cash income in the four complete states in the Ninth Federal Reserve District for March, 1936, was 33 per cent larger than for March, 1935, confirming the large increase indicated by our preliminary estimates for that month. Rental and benefit payments during March, 1936, were only about two-fifths as large as in March a year ago. According to the government estimates, farmers' cash income, including rental and benefit payments, for the first quarter of 1936 was 18 per cent larger than in the first three months of 1935, despite the fact that rental and benefit payments during that period this year totaled only 12 per cent of such payments in the same period last year.

Prices of all of the important grains raised in this district were lower during April than in the same month last year with the single exception of bread wheat for which the Minneapolis cash price was 3 per cent larger this year. On the other hand, prices of all of the important classes of livestock were higher than a year ago with the exception of butcher cattle. Milk and butter prices, previously mentioned, and egg prices, were all lower in April this year than a year ago. The prices of potatoes and hens were both higher than in April last year.

Crops

The May 1 United States Department of Agriculture crop report indicated a much smaller 1936 rye crop than was harvested last year in our four states and a somewhat smaller winter wheat crop in the three states in this district which raise that grain in important quantities. Lower condition percentages were responsible for the lower indicated production as the acreages remaining for harvest on May 1 this year were larger than last year's harvested acreages for both rye and winter wheat. Because of the lower condition of winter wheat, the acreage abandoned this spring was nearly double that of a year ago and in all three states, as well as in the entire United States, abandonment was greater than the average for the ten years 1923-1932. The rye acreage left for harvest on May 1 in this district was a higher percentage of the area sown last fall than the percentage in the entire United States, chiefly because most of the rye sown in this district is sown for grain, whereas in the entire United States a much larger percentage of the rye acreage sown each fall is sown for other purposes.

Recent reports from representatives of banks, elevators, railroads, and other competent observers indicate that conditions have been fairly favorable for spring-sown crops thus far this year. In those sections that have suffered most from moisture deficiencies during the recent drouth years, insufficient sub-soil

moisture supplies are again being reported. In addition, lack of sufficient rainfall during the first half of May resulted in much drying of the surface soil, causing some serious soil-drifting by the high winds that were so frequent around the middle of May. On the other hand, a few of the flat-land sections reported that water standing on the fields had seriously impeded spring field work. By the middle of May, small grain seeding was practically completed throughout the district; farmers were still sowing flax and had started planting corn.

Because of the less than normal amount of plowing last fall, a higher than usual percentage of the small grains has been stubbled in this spring. Varied reports have been received as to the relative earliness of this spring season. It appears, however, that spring sown grain on May 15 this year was farther advanced than a year ago because of more favorable weather up to that date, despite the fact that last year's spring work was started and the spring seeding was completed somewhat earlier than this year.

Considering the low average quality of the small grain used for seed this year, especially wheat, the favorable weather has had an unusually beneficial influence on crop prospects. Germination tests and experimental field trials last winter indicated that lightweight wheat (46 lbs. per bushel and up) germinated fairly satisfactorily but did not possess enough strength to withstand unfavorable conditions during the stages of development immediately following germination. Consequently, the complete lack of severe general frosts and the absence of rains sufficiently heavy to seriously pack the surface soil has resulted in the satisfactory development of thousands of acres on which low quality seed was used and which, under more unsatisfactory conditions, might have required replanting.

Livestock Marketings

Receipts of cattle and calves at South St. Paul continued to increase during April and were larger than in the same month last year, and on the 20th established a new April high record for one-day receipts. Prices fluctuated unevenly during the month with lightweight better-grade animals showing small gains and heavy fed cattle showing small declines. Veal calves sold at the same level as in the previous month which was lower than at any time since last July. During the first half of May cattle receipts continued large and prices declined further. At the middle of the month fed cattle prices were lower than at any time since the fall of 1934.

Imports of Canadian beef cattle during the period January 1 to May 14, 1936, totaled 80 thousand head, compared with 60 thousand head in the same period last year. Imports of Canadian calves during the same four and one-half months were nearly 11 thousand head, compared with a little less than 1

thousand last year. Imports of Canadian dairy cattle during the first four and one-half months of this year were slightly smaller than in that period last year, this year's total being 3,391, compared with 3,528 in 1935.

Shipments of stocker and feeder cattle were much larger during April this year than in the preceding month and in the same month last year. Stocker and feeder shipments were larger each week throughout April and the first half of May than in the corresponding weeks a year earlier, largely because of the more rapid development of good ranges and pastures this year. Throughout the period there was a strong demand for lightweight cattle suitable for grazing, but during the second week of May when the supply of lightweights was scarce the demand broadened to include some half-finished cattle.

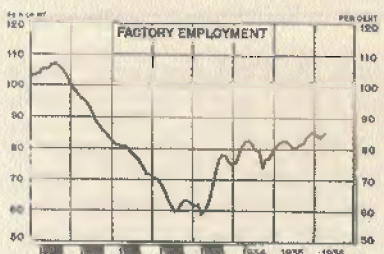
Hog receipts at South St. Paul continued large during April, although a little smaller than in March, and were nearly twice as large as in April last year. During the first half of May, receipts remained at the March and April level, extending the period of relatively heavy hog receipts to three full months, from the middle of February to the middle of May. While prices were steady to strong throughout most of this period, less strength was in evidence during the last half of April. Prices weakened considerably during early May, the "top" dropping to \$9.25 at mid-month, the lowest with one exception since the same week last year. After establishing the new low, prices strengthened slightly. During most of the month of April, demand for feeder pigs was unusually strong which gave material support to all hog prices and resulted in the establishment of a new April high for feeders since 1929, at \$11.75.

Sheep and lamb receipts at South St. Paul continued to decrease rapidly during April, were less than half as large as in the preceding month, and were nearly a third smaller than in April last year. The sharp and continued decline in receipts resulted in substantial price increases for both ewes and lambs during the month, more than offsetting occasional declines resulting from weakness in dressed mutton and lamb prices. During the last week of April woolled lambs at South St. Paul set a new high since February, 1930, and fed clipped lambs a new high since June, 1929. During the first half of May receipts continued to decline and prices remained strong but declined slightly because of sharp decreases in dressed lamb prices due to the arrival of warmer weather.

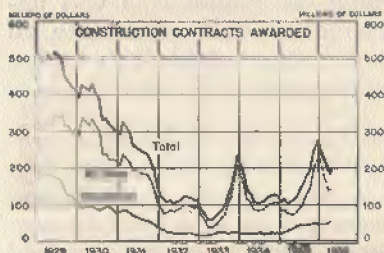
Changes in the national cold storage situation were purely seasonal during April. There were small increases in storage holdings of eggs, pork, and lard, and decreases in cheese, poultry, beef, and other meats. Holdings of cheese and beef continued to be larger than the five-year average for May 1st, but holdings of all other commodities were below the five-year average for the date.



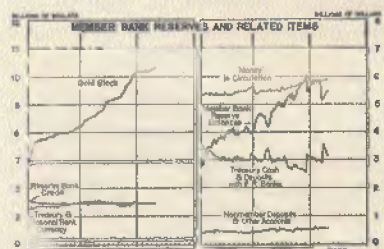
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January, 1929, to April, 1936.



Index of number employed, adjusted for seasonal variation, 1923-1925 average=100. By months, January, 1929, to April, 1936.



Three-month moving averages of F. W. Dodge data for the value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for February and March and estimate for April.



Wednesday figures. January 31, 1934, to May 20, 1936.

Summary of National Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM, MAY 27, 1936

Industrial production increased in April, reflecting principally larger output of steel and of automobiles. Employment and payrolls in the durable goods industries showed advances.

PRODUCTION AND EMPLOYMENT: Volume of industrial production, as measured by the Board's seasonally adjusted index, increased from 93 per cent of the 1923-1925 average in March to 100 per cent in April. The average rate of production at steel mills in April was 69 per cent of capacity as compared with 59 per cent for the preceding month. At automobile factories, output amounted to 503,000 passenger cars and trucks and, except for the spring months of 1929, was larger than in any previous month. In the first three weeks of May, activity in both the steel and automobile industries was maintained at about the levels reported for April. Output of non-durable manufactures in April was slightly larger than in March, due chiefly to increases at cotton textile mills, meat packing establishments and tobacco factories. Activity at woolen and silk mills declined. Bituminous coal production showed little change from March to April, although a considerable decrease is usual at this season, while at anthracite mines there was a sharp rise from the low level of March. Output of crude petroleum continued to increase.

Factory employment and payrolls were larger in the middle of April than a month earlier. Increases in the number of workers were general in the durable goods industries, with the most marked advances at steel mills and at plants producing machinery, automobiles, and building materials. There was an increase in employment at rubber tire factories, which in March had been affected by a strike, while at woolen mills employment declined.

The value of construction contracts awarded, according to figures of the F. W. Dodge Corporation, increased in April by somewhat more than the usual seasonal amount. Contracts for residential building were in considerably larger volume, and privately-financed projects other than residential, continued to increase.

DISTRIBUTION: Retail trade showed a seasonal increase in April, following a considerable advance in March. Department store sales rose by less than the usual seasonal amount, while at variety stores and mail-order houses there were further increases. Freight-carloadings increased from March to April.

COMMODITY PRICES: Wholesale prices of commodities showed little change during April and declined during the early part of May, reflecting decreases in the prices of farm products and foods, while prices of other commodities as a group continued to show little change.

BANK CREDIT: Excess reserves of member banks have increased steadily since the latter part of March and by May 20 amounted to \$2,860,000,000. The growth was due in April to Treasury disbursements from accumulated balances and in May to continued disbursements, together with substantial imports of gold.

Treasury disbursements and gold imports have also been reflected in a sharp increase of deposits at reporting member banks in leading cities, since the beginning of April. Adjusted demand deposits at these banks increased to a new high level and time deposits rose to the highest figure in three years. Holdings of United States government obligations by the reporting banks have increased further, while holdings of other securities and loans to customers have remained at the levels reached early in April. Loans to brokers and dealers in securities, which increased considerably in March and April, declined in the first half of May.

The rate charged on call loans with stock exchange collateral was raised on May 11 by New York City banks from $\frac{3}{4}$ of 1 per cent to 1 per cent and that on time loans from 1 per cent to $1\frac{1}{4}$ per cent. Rates on other open market loans have continued at low levels.