

MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

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September 28, 1936

DISTRICT SUMMARY OF BUSINESS

Bank debits at seventeen reporting cities of the district were slightly smaller during the first half of September than in the same period last year. Evidently the deficiency in grain marketings due to the crop failure had begun to affect some phases of northwestern business. This deterring element was not apparent in the reports prior to September, for the August index numbers made exceptional gains over July and earlier months. The adjusted index of bank debits for farming communities rose five points during August to a new high for the recovery period. This index had not reached the August level since the winter of 1930-31. The country check clearings index and the index of l. c. l. freight carloadings also made new high records for the recovery period. The department store sales index regained most of the July decline, and the bank debits index for large and small cities combined remained at the July level, which was the highest for the recovery period.

Northwestern Business Indexes

(Varying base periods)

| | Aug. 1936 | July 1936 | Aug. 1935 | Aug. 1934 |
|---------------------------------|--------------|--------------|--------------|--------------|
| Bank Debits—94 Cities..... | 86 | 86 | 73 | 64 |
| Bank Debits—Farming Centers. 90 | | 85 | 71 | 63 |
| Country Check Clearings..... | 155 | 147 | 127 | 107 |
| Department Store Sales..... | 86 | 81 | 80 | 74 |
| Country Lumber Sales..... | 85 | 86 | 82 | 59 |
| Miscellaneous Carloadings | 85 | 80 | 69 | 64 |
| L. C. L. Carloadings..... | 65 | 62 | 60 | 61 |

As compared with the volume of business a year ago, the August volume this year was materially larger. Bank debits were 19 per cent above August last year; country check clearings were 18 per cent greater; and freight carloadings were 27 per cent greater. Other increases occurred in building permits, building contracts, real estate activity in Hennepin and Ramsey counties, flour shipments, livestock receipts, country lumber sales, and wholesale hardware sales. Decreases from last year's volume were reported in linseed product shipments, butter production, grain marketings, and wholesale shoe sales.

Retail trade continued at levels above those of last year. City department stores reported an increase of 6 per cent over August a year ago, and three hundred and thirty-two country general stores reported an increase of 9 per cent over last year's volume. Decreases as compared with a year ago were reported only in eastern Montana and southeastern and western South Dakota.

Retail Trade

% August 1936
of August 1935

| | |
|--|-----|
| Mpls., St. Paul, Duluth-Superior. (21 stores) | 106 |
| Country Stores (332 stores) | 109 |
| Minnesota—Central (18 stores) | 117 |
| Minnesota—Northeastern (9 stores) | 131 |
| Minnesota—Red River Valley. (7 stores) | 116 |
| Minnesota—South Central ... (26 stores) | 103 |
| Minnesota—Southeastern (19 stores) | 104 |
| Minnesota—Southwestern (26 stores) | 113 |
| Montana—Mountain (14 stores) | 115 |
| Montana—Plains (29 stores) | 98 |
| North Dakota—North Central. (13 stores) | 121 |
| North Dakota—Northwestern. (11 stores) | 116 |
| North Dakota—Red River Val. (21 stores) | 110 |
| North Dakota—Southeastern .. (24 stores) | 108 |
| North Dakota—Southwestern. (3 stores) | 127 |
| South Dakota—Southeastern. (7 stores) | 87 |
| South Dakota—Other Eastern. (30 stores) | 115 |
| South Dakota—West River ... (8 stores) | 90 |
| Northern Wisconsin & Mich. (32 stores) | 110 |
| West Central Wisconsin..... (35 stores) | 110 |
| Ninth District (353 stores) | 108 |

DISTRICT SUMMARY OF BANKING

Current banking reports reflect the increasing demands of business at the opening of the autumn trade period. Loans to customers at reporting city banks increased 8 million dollars during the four weeks ending September 16. This was about as large an increase as occurred a year ago during the same period. Commercial deposits increased 9 million dollars during the same four weeks. Other changes included a decrease of 6 million dollars in state, county, and municipal deposits; a decrease of 6 million dollars in balances due to other banks; an increase of 3 million dollars in time deposits; and an increase of 3 million dollars in investments.

Country member banks reported an increase of 9 million dollars, or 3 per cent, in their gross deposits between the last half of July and the last half of August. The increase was most pronounced in rural Minnesota.

DISTRICT SUMMARY OF AGRICULTURE

Farmers' Cash Income

Farmers' cash income during July and August was much higher than in the same months last year. Government estimates for July for the four states, Minnesota, Montana, North Dakota, and South Dakota combined, show farm income of \$49,754,000, compared with \$32,828,000 in July last year. There

were increases in all three income sources, crops, livestock and livestock products, and rental and benefit payments.

Farmers' cash income during August from the sale of seven important items, according to our estimates, exceeded \$42 million, as compared with \$34 million in August last year. These figures do not include estimates of government rental and benefit payments. The August 1936 estimate was larger than in any other August since 1930. Our estimates of farmers' cash income from the seven items for the first eight months of each of the last seven years were as follows:

| First Eight Months | Farm Income |
|--------------------|---------------|
| 1936..... | \$254,538,000 |
| 1935..... | 187,374,000 |
| 1934..... | 185,880,000 |
| 1933..... | 198,695,000 |
| 1932..... | 158,659,000 |
| 1931..... | 272,457,000 |
| 1930..... | 373,562,000 |

Income from the sale of hogs and dairy products was chiefly responsible for the relatively high income in August. Dairy products' income in the first eight months of 1936 amounted to \$121,465,000, very nearly half of the total from the seven items, and larger than in any year since 1930.

August prices of the more important farm products showed mixed trends as compared with a year ago. All cash grains were much higher than last year, as well as potatoes, butter and milk, whereas all cattle prices, including calves, and the prices for hogs, hens, and eggs were all lower than in August 1935. Lamb prices were a little higher than in August last year, but the price of ewes was unchanged. The index of northwestern farm product prices computed by the University of Minnesota rose from 86 in July to 97 in August. A year ago the index was 71.

Crops

The late August and September rains were received in time to benefit the late crops in our district, and particularly the pastures whose revival has been of great service in conserving the supplies of other feed. September 1 estimates for corn, potatoes, and wild hay were all larger than the August 1 estimates, but estimates for all of the other important crops in this district were lower. The August increase in the estimates did not result in any material change in the comparison between the 1936 estimated production and that of preceding years. Production of each of the cash crops is estimated to be less than half as large as in 1935; 1936 production estimates for feed crops range from 29 per cent of the 1935 production for barley to 80 per cent for tame hay. Compared with the 10-year average, the cash crop estimates are lower than estimates for feed crops. 1936 cash crop estimates range from 20 per cent of the average for durum

wheat to 51 per cent for rye, whereas feed crop estimates range from 43 per cent for corn to 81 per cent for tame hay.

Government Crop Estimates For The Ninth Federal Reserve District

| | Sept. 1 1936 | Aug. 1 1936 | % of Aug. 1 1936 | 1935 Pro-duction | % of 1935 |
|-------------------|--------------|-------------|------------------|------------------|-----------|
| Cash Crops | | | | | |
| All Spring Wheat | 51,607 | 55,646 | 93 | 118,794 | 43 |
| Winter Wheat... | 9,222 | 9,222 | 100 | 17,658 | 52 |
| All Wheat..... | 60,829 | 64,868 | 94 | 136,452 | 45 |
| Rye* | 10,343 | 10,343 | 100 | 31,404 | 33 |
| Flax* | 5,119 | 5,131 | 99.7 | 12,827 | 40 |
| Potatoes | 25,422 | 23,455 | 108 | 56,496 | 45 |
| Feed Crops | | | | | |
| Corn | 106,274 | 102,356 | 104 | 237,631 | 45 |
| Oats | 126,920 | 130,325 | 97 | 329,799 | 38 |
| Barley* | 41,958 | 42,170 | 99 | 144,436 | 29 |
| Tame Hay..... | 7,372 | 7,374 | 100 | 9,249 | 80 |
| Wild Hay*..... | 2,821 | 2,590 | 109 | 4,813 | 59 |

*Estimate for Minnesota, Montana, North Dakota, and South Dakota combined.

Livestock Marketing

Receipts of all kinds of livestock at South St. Paul during August continued to be larger than in the same month in the previous year with the exception of sheep. While sheep receipts were seasonally larger than in July, they were 6 per cent smaller than in August last year. The increased cattle marketings during August were largely caused by the drouth and the extremely low condition of pastures and ranges. The larger hog marketings were the result of the unusually heavy drouth and grasshopper damage to the corn crop in our district. Our farmers will produce a corn crop only a little more than 40 per cent of the 10-year average, whereas the total United States crop is estimated to be 60 per cent of the 10-year average. Prices of all classes of cattle increased somewhat during August with the exception of butcher cows and heifers which have declined slowly but steadily since the middle of June, largely because of rather poor condition and a very erratic stocker cattle demand. Government purchase of low-grade cows early in the month and a gradual broadening in replacement demand prevented complete market demoralization. Later, some decrease in receipts made a continuance of government purchasing unnecessary.

During the first three weeks of September, additional decreases in receipts strengthened prices somewhat. Fed steer prices showed the greatest strength and rose to \$10.00, the highest price since last December.

Shipments of stocker and feeder cattle during August were half again as large as in August last year, and were larger than in any month since September, 1934. While a comparatively steady replacement demand absorbed a large proportion of the offerings, many fleshy grass steers of the type readily purchased by finishers a year ago were saleable only to packers during August. Prices were

quite steady during the month and while lower than in August last year, were a little higher than in July.

During the first three weeks of September there was a definite increase in the average quality of the stocker and feeder offerings and a decrease in numbers which resulted in an improvement in prices. The weekly average feeder steer price rose to \$5.53, the highest since the decline in early June.

The dairy cow market at South St. Paul remained steady during most of August, with some price increase owing to a broader shipping demand during the latter part of the month. The range for the month was \$35-\$80, the lower price being in effect only during the third week of the month and then only for the plainer kinds from the drouth territories. During the last week of August and the first three weeks of September, because of the better outlook for pastures, supplies decreased materially and a strong demand by both local and far distant buyers developed.

Imports of Canadian cattle from January 1 through September 10, 1936, totaled 129,956 head or 83 per cent of the annual quota. Dairy cattle imports totalled only 9,579 head, 48 per cent of the 1936 quota and imports of calves totalled 46,040 head, 89 per cent of the quota. Exports of beef to Canada from the United States during the first seven months of this year totalled over 73 thousand pounds, more than five times as large as in the same period last year. Our exports to Canada of dressed pork during the first seven months of 1936 were over 1,100 thousand pounds, more than three times as large as in the same seven months last year.

Receipts of sheep and lambs at South St. Paul during August were greatly increased by shipments of lambs to this market from Washington, Oregon, and Idaho as well as by increased marketings from the drouth sections of Minnesota and nearby states. As a result of the large increase in receipts and a substantial drop in dressed lamb prices, sheep and lamb prices both declined sharply to the lowest level since last September, but strengthened a little before the close of the month. Early in September, the wholesale dressed trade showed considerable improvement and receipts at the seven principal mid-west markets decreased to below the level in the same period in the preceding year. In addition, the late August rains so greatly improved prospects for fall pastures that feeder lambs were again in strong demand. As a result of these strengthening factors, prices rose sharply and at the middle of September had recovered all of the August loss.

1936 Wool Production with Comparisons

(Thousand Pounds)

| | 1936 | 1935 | 1934 |
|---------------------|---------|---------|---------|
| Minnesota | 7,520 | 7,099 | 7,137 |
| Montana | 30,343 | 32,712 | 36,472 |
| North Dakota | 6,714 | 5,856 | 7,056 |
| South Dakota | 10,248 | 9,217 | 10,080 |
| 4 States | 54,825 | 54,884 | 60,745 |
| United States | 361,265 | 364,663 | 370,329 |

Estimated 1936 Lamb Crop with Comparisons

(Thousand Head)

| | 1936 | 1935 | 1934 |
|---------------------|--------|--------|--------|
| Minnesota | 833 | 815 | 810 |
| Montana | 2,219 | 2,275 | 2,695 |
| North Dakota | 645 | 547 | 681 |
| South Dakota | 968 | 779 | 888 |
| 4 States | 4,665 | 4,416 | 5,074 |
| United States | 31,413 | 28,907 | 30,598 |

Hog receipts at South St. Paul during August exceeded the year and a half high established during the preceding month and totalled more than 147 thousand head. Because of a stronger demand for dressed pork and decreasing receipts at the other principal midwest markets, August prices continued the rise started in the middle of July, establishing a new high since September last year at \$11.30. The weekly average price continued to rise until the second week in September. Beginning in the third week in September, as is customary, receipts included sizable quantities of early spring pigs, resulting in some weakening in prices. The average weight of hogs received at South St. Paul decreased from 296 pounds at the end of July, when packing sows made up a large portion of the receipts, to 246 pounds at the end of August and to 219 pounds during the third week in September.

Cold Storage Holdings

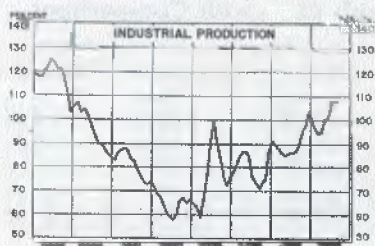
Cold storage holdings of meats rose abnormally during August, probably as a result of heavy drouth marketings. Stocks of beef increased 21 million pounds, whereas the five-year average increase during August is only 4 million pounds. Normally, pork stocks decline sharply during August, but this year the decrease was much less than normal. Total stocks of meat increased 13 million pounds during August, as compared with a five-year average decrease of 72 million pounds during the month. There were also increases larger than the average in stocks of butter, cheese, and poultry. The result of these changes during August was that stocks of these commodities changed from a general level below the five-year average to a level where stocks of about half of the commodities were above the five-year average. This was the case in cheese, poultry, beef, lamb and mutton, and miscellaneous meats.

United States Cold Storage Holdings

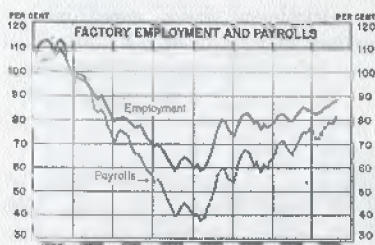
(In thousands of pounds)

| | Sept. 1 1936 | Sept. 1 1935 | Sept. 1 5-yr. Av. |
|---------------------------|-----------------|-----------------|----------------------|
| Beef | 64,146 | 47,292 | 47,848 |
| Pork | 420,870 | 325,249 | 559,580 |
| Lamb and Mutton | 2,631 | 1,730 | 1,621 |
| Miscellaneous Meats | 73,128 | 50,467 | 65,052 |
| Total Meats | 560,775 | 424,738 | 674,101 |
| Lard | 110,514 | 53,537 | 128,358 |
| Cream* | 172 | 244 | 215 |
| Butter | 113,397 | 157,152 | 132,947 |
| Cheese | 107,553 | 105,851 | 101,503 |
| Eggs** | 10,067 | 10,590 | 10,876 |
| Poultry | 65,257 | 34,911 | 39,487 |

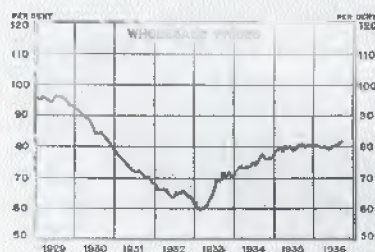
*Thousand cans. **Thousand cases.



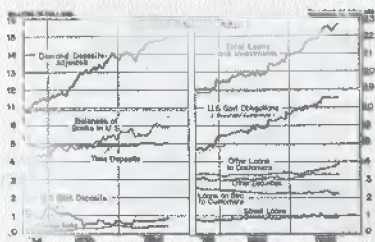
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January, 1929, to August, 1936.



Indexes of number employed and payrolls, without adjustment for seasonal variation, 1923-1925 average=100. By months, January, 1929, to August, 1936. Indexes compiled by the United States Bureau of Labor Statistics.



Index compiled by the United States Bureau of Labor Statistics, 1926=100. By months, 1929 to 1931; by weeks, 1932 to date. Latest figure is for week ending September 19, 1936.



Wednesday figures for reporting member banks in 101 leading cities, September 5, 1934, to September 16, 1936. Loans on real estate, loans to banks, and acceptances and commercial paper bought included in total loans and investments but not shown separately.

Summary of National Business Conditions

(COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, SEPTEMBER 25, 1936)

Industrial activity increased seasonally in August and there was a substantial increase in factory employment and payrolls. Commodity prices, which had advanced for three months, showed little change after the middle of August.

PRODUCTION AND EMPLOYMENT: The Board's index of industrial production, which makes allowance for usual seasonal movements, remained unchanged in August at 107 per cent of the 1923-1925 average. Output of steel increased by more than the seasonal amount, and the higher level was maintained in the first three weeks of September. Production of automobiles was sharply reduced as plants were closed for inventory taking and for mechanical changes in connection with the introduction of new models. Output of non-durable manufactures increased further in August, reflecting chiefly continued expansion in activity at textile plants and shoe factories. At bituminous coal mines output increased less than is usual at this season and at anthracite mines production declined. Output of petroleum showed an increase.

Factory employment rose further between the middle of July and the middle of August by an amount larger than is usual at this season. There were substantial increases in working forces at establishments producing textiles and wearing apparel and smaller increases in most other lines, partly offset in the total by a decline in employment in the automobile industry. Factory payrolls increased.

The value of construction contracts, which had increased sharply in July, declined somewhat in August, according to the figures of the F. W. Dodge Corporation. The value of non-residential projects was smaller than in July but larger than in other recent months. Residential building increased considerably, reflecting a marked increase in contracts for apartments, several of which were publicly-financed projects. Awards for single-family houses, which have accounted for most of the increase in residential building during the past year and a half, showed little change in August.

AGRICULTURE: Department of Agriculture crop estimates based on September 1 conditions were about the same as the estimates made a month earlier, except for a sharp decline in prospects for cotton. The prospective output of leading crops, with the exception of cotton and winter wheat, is considerably smaller than last year, but, in comparison with the drought year 1934, it is larger, except for corn and potatoes.

DISTRIBUTION: Freight carloadings of most classes of commodities showed about the usual seasonal increase from July to August. Shipments of grain, however, declined sharply and the increase in total loadings was less than seasonal. Department store sales increased by less than the usual amount and the Board's seasonally adjusted index was 86 per cent of the 1923-1925 average as compared with 91 per cent in July and 87 per cent in June.

COMMODITY PRICES: Wholesale commodity prices showed little change between the middle of August and the third week of September, following three months of advance. Prices of steel scrap and chemicals and drugs continued to advance and there were also increases in the prices of hides and non-ferrous metals. There was a seasonal decline in hog prices. Cotton, which advanced in price early this month at the time of the official crop report, declined after the middle of the month.

BANK CREDIT: Demand deposits of reporting member banks in leading cities increased somewhat further in the four weeks ending September 16, reflecting gold imports, Treasury expenditures, and an increase in bank loans. Growth in loans was principally in so-called "other" loans, which include loans to customers for agricultural, commercial, and industrial purposes. These loans are now at the highest level since early in 1933. Loans to security dealers showed an increase, as is usual, prior to flotation of the new issue of Treasury bonds on September 15. A part of the new Treasury issue was purchased by reporting banks, principally by drawing upon their balances with the Reserve banks.

Largely as a consequence of payments to the Treasury, excess reserves of member banks showed a decrease of \$280,000,000 in the week ending September 16. This decline followed an increase of nearly \$200,000,000 in the preceding three weeks, when the Treasury was reducing its deposits with the Reserve banks. Since early in August, there has been a renewed inflow of gold and the country's monetary gold stock has increased by about \$100,000,000 in the past month.