

MONTHLY REVIEW

OF

AGRICULTURAL AND BUSINESS CONDITIONS

IN THE

NINTH FEDERAL RESERVE DISTRICT

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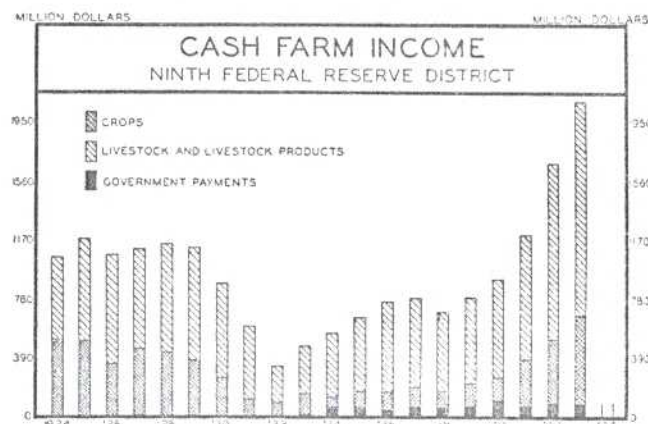
Federal Reserve Bank, Minneapolis 2, Minn.

June 26, 1944

The Agricultural Financial Situation in the Ninth Federal Reserve District

Farm Cash Income High

Total cash farm income in the Ninth District during 1943 totaled almost \$2.1 billion—more than any other year on record. This is about \$400 million or 25 per cent more than the farmers in this area earned in 1942 and slightly more than two and one-half times greater than the average annual cash farm income during the 1936-1940 period.



Source: U.S.D.A. "Farm Income Situation."

Cash income per farm averaged between \$4,400 and \$6,000 during 1943 in Minnesota, North Dakota, South Dakota, and Montana, compared with \$800 to \$1,100 for the average farm in 1932—the bottom of the depression. (See table below.) Agriculture at the present time is relatively prosperous but it must be remembered that agricultural prices and farm income were exceptionally low in the early thirties. Labor, equipment and other costs have also increased considerably in the last several years. One way of measuring the change in agriculture's financial situation is the ratio of prices received to prices paid by farmers. In 1932 the ratio was 52. This compares with 115 in April 1944. In other words, farm prices have increased more rapidly in recent years than other prices. It is a fact that agriculture has always been most prosperous in periods of high industrial activity, even though agriculture's share of the national income remains fairly constant at 12 to 14 per cent.

Cash Income Per Farm*

	1932	1933	1940	1943
Minnesota	\$ 896.44	\$1,491.95	\$2,132.89	\$4,379.90
No. Dakota	816.92	1,255.60	2,081.08	5,870.84
So. Dakota	820.81	1,285.96	1,929.17	4,932.23
Montana	1,119.31	2,629.08	2,658.44	6,048.56

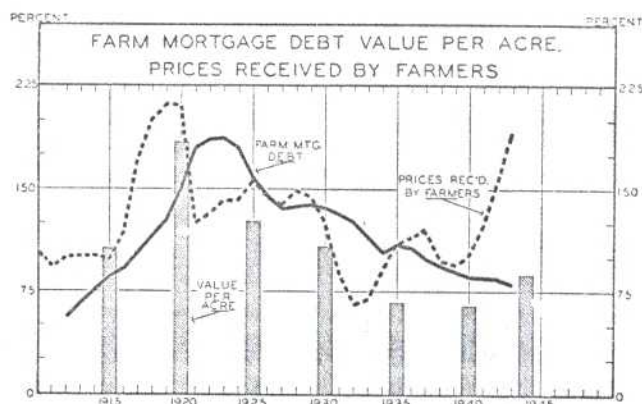
*Estimated by dividing the number of all farms into cash farm income.

Total cash farm income depends not only on the price but also on the amount produced. During the last two years total production has been 25 to 30 per cent above the prewar average for the country as a whole.

It is interesting to note from the above chart that income from livestock and livestock products constitutes from 50 to 65 per cent of the total cash farm income in this District. In the last few years the proportion of the income from livestock has been above average. This trend is likely to continue in 1944 because of large numbers of livestock on farms and probable continued liquidation of hogs, cattle and poultry if feed supplies continue tight.

Mortgage Debt Declines

Farm mortgage debt in the Ninth District is the lowest in thirty years. Farm mortgage debt in Minnesota, North Dakota, South Dakota and Montana totaled \$671 million on January 1, 1943, compared with \$1,562 million at the peak in 1923. This represents a decline of 57 per cent. A further substantial decline occurred during 1943 for the country as a whole and the trend is likely to continue during 1944.



(1) Farm mortgage debt—data for Minnesota, North Dakota, South Dakota, and Montana, 1935-1939=100.

(2) Value per acre—West North Central States, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska and Kansas, 1912-1914=100. (Data from U. S. Department of Agriculture.)

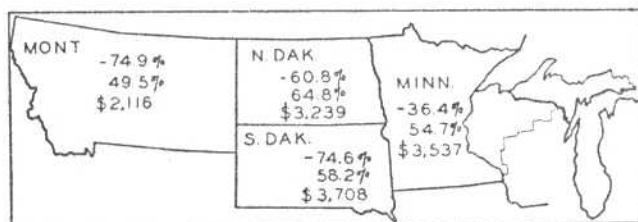
(3) Prices received by farmers, U. S., 1910-1914=100. (Data from U. S. Department of Agriculture.)

During World War I farm mortgage debt increased rapidly as prices of land and farm products increased sharply. In contrast, during the present war farm mortgage debt has declined, even though agricultural prices have again increased sharply, and land values on March 1, 1944, were 38 per cent above the 1935-1939 average for the country as a

whole, and about 25 per cent higher in the Ninth District.

The rapid decrease in mortgage debt during the early thirties was to a considerable extent due to distress transfers of mortgaged farms. Foreclosures and transfer of farms by bankruptcy or by other methods arising out of difficulty in meeting payments totaled a record high of 38.8 per thousand farms for the year 1932-1933 for the entire country. In each year since then a decrease has been reported. The number of such forced sales was only 4.2 per thousand of all farms for the year ending March 15, 1943.

In later years debt adjustment and an increased volume of principal repayments have been more important in reducing farm indebtedness. Sharply increased principal payments since 1941 reflect not only higher farm incomes, but also restricted opportunities to buy needed farm and home equipment. It is probable too that farmers remember the financial difficulties encountered after the first war and are getting their finances in better condition this time.



First figure—percentage change in farm mortgage debt, 1923-1943.
Second figure—percentage of all farms that are mortgaged.
Third figure—estimated average mortgage debt per mortgaged farm, 1943.

Farm mortgage debt in the Ninth District decreased approximately 57 per cent from 1923 to 1943 compared with a 43.3 per cent decrease for the entire country. Minnesota's farm mortgage debt was decreased 36.4 per cent compared with 60.8 and 74.6 per cent for North Dakota and South Dakota, and 74.9 per cent for Montana. (See chart above.) Good yields of wheat and relatively high prices are largely responsible for a high level of prosperity in recent years in the Great Plains area.

According to census data between 50 and 65 per cent of all farms in the Ninth District were mortgaged on January 1, 1940. Some decrease has undoubtedly occurred since 1940, but judging from the small decrease in the proportion of all farms mortgaged since 1920, the decrease may be small. Probably a more significant decrease has occurred in the size of the mortgage debt per mortgaged farm since 1940. The farm mortgage debt per farm in Montana on January 1, 1943, was estimated at \$2,116. This is approximately a 27 per cent decrease since January 1, 1940. This compares with an average mortgage debt per farm of \$3,239 in North Dakota, which is estimated at 13 per cent less than in 1940. In South Dakota the debt per farm was highest in the District with \$3,708, which was 10 per cent less than in 1940. Minnesota farmers decreased their debt only about 2.6 per cent and carried an estimated \$3,537 debt per farm.

Short-Term Debt Reduced

Short-term indebtedness of farmers in the Ninth District has also decreased in recent years. Outstanding short-term loans to farmers in recent years have tended to be about half as large as farm mortgage loans. On January 1, 1944, commercial banks in the United States held 57 per cent of outstanding short-term loans to farmers. This compares with 8 per cent held by Production Credit Associations, 10 per cent by other agencies supervised by the Farm Credit Administration, 13 per cent by the Farm Security Administration and 12 per cent by the Commodity Credit Corporation.

Outstanding Short-Term Loans to Farmers by Selected Lending Agencies, January 1, 1944 ⁽¹⁾

	Commercial Banks ⁽²⁾	Production Credit Associations by F.C.A.A. ⁽¹⁾	Other Agencies Supervised by F.C.A.A. ⁽¹⁾	Farm Security Administration	Commodity Credit Corporation ⁽¹⁾
United States	57%	8%	10%	13%	12%
Minnesota	64	8	12	16	
North Dakota.....	38	2	51	9	
South Dakota.....	41	5	34	20	
Montana	53	10	23	14	

- (1) Data from Bureau of Agricultural Economics.
(2) Data for individual states include Commodity Credit Corporation loans.
(3) Includes Federal Intermediate Credit Banks, Regional Agricultural Credit Corporation, Emergency Crop Loans, and Drought Relief Loans.
(4) Information for states not available.

Land Values Rise

Agricultural land values in the Ninth District have increased sharply from the 1935-1939 average to March 1944, but values during 1935-1939 were abnormally low.* Land values are more often compared with values of 1912 to 1914. Present values are now only about 15 per cent above the 1912-1914 base period and are probably not out of line with present or expected future earnings. However, it is the trend of land values and the possibility of land price inflation that is giving concern. Factors working toward higher land prices are: (1) several years of high farm commodity prices and income; (2) record country bank deposits and a record volume of currency in circulation; (3) a big prospective demand by many returning soldiers and war workers for farms; and (4) many adequate sources of credit. Offsetting factors probably will be somewhat lower agricultural prices in general as war demands decrease and the possibility of price or



(United States average increase 38 per cent.)
Percentage increase in average value per acre of farm real estate from the 1935-1939 average to March, 1944.
(Data from U. S. Department of Agriculture.)

*A special bulletin available on request from the Department of Research and Statistics, Minneapolis Federal Reserve Bank, discusses this subject in more detail.

credit controls and restrictions if land prices become unreasonable.

Financial Outlook Favorable

The financial situation of agriculture in the Ninth Federal Reserve District during the remainder of 1944 looks favorable. Total cash farm income from marketings during the first quarter this year was 22 per cent above the first quarter of 1943 and more than double the first quarter average of the period 1939-1943. The numbers of cattle, hogs and poultry on farms January 1 were at record high levels. A tight feed situation is forcing some liquidation of livestock numbers, which is temporarily increasing farm income. The total crop acreage is estimated to be slightly larger than the large crop acreage in 1943. With the exception of certain flooded sections prospects appear favorable for another good crop this year. Prices received for farm products are about the same as a year earlier and as long as the war lasts there is little likelihood of serious price declines.

Large amounts of savings by farmers are indicated by the fact that demand deposits of country banks in this District are nearly three times larger than the 1936-1940 average. Farmers too have large amounts of savings invested in war bonds. In Minnesota, for example, it is estimated that farmers purchased \$33 million of the total of \$102 million of bonds sold to individuals during the Fourth War Loan Drive. This is approximately \$165 in bonds per farm for this one drive.

Demand Deposits of Country Banks ⁽¹⁾

Index Numbers 1924-1929 = 100

Year	Minnesota	North Dakota	South Dakota	Montana	Twenty Leading Agricultural States ⁽²⁾
1936-1940 Avg.....	111.3	61.0	95.5	136.6	107.5
1941	137.8	77.1	117.2	177.0	144.1
1942	173.1	109.4	160.4	225.2	191.4
1943	260.5	102.4	249.8	360.8	286.6
1944 April.....	294.8	241.8	286.7	440.6	

(1) Data from Bureau of Agricultural Economics. Based upon data reported by member banks of the Federal Reserve System located in places of less than 15,000 population. (1930 Census.)

(2) Arkansas, Georgia, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, South Dakota, Texas and Wisconsin.

Postwar Outlook

Prosperity among farmers for the longer time outlook depends on agricultural production, prices received by farmers and prices paid. A study of the table below indicates the position of farmers at the present time compared with certain periods in the past.

United States Agricultural Production, Prices Received and Paid by Farmers

1910-1914 = 100

Year		Volume of Agricultural Production	Income of Industrial Workers ⁽¹⁾	Prices Received by Farmers	Prices Paid by Farmers	Ratio of Prices Received to Prices Paid by Farmers
1918	War I Peak	109	116	202	173	117
1932	Depression Low	117	59	65	124	52
1939	Pre War II	129	105	95	125	76
1942		151	238	159	151	105
1943		155	315	192	164	118
1944	May	194	170	115

(1) 1935-1939=100. The number of industrial workers have increased in the last quarter century while agricultural workers have remained about constant.

It is obvious from the above data that agriculture is relatively and absolutely most prosperous when income of industrial workers is high. When income of industrial workers is low, agricultural prices are not only low but the ratio of prices received to prices paid is distinctly unfavorable to farmers. Therefore, if output of all goods and services can be maintained with an accompanying high level of money income, agriculture may be expected to remain in a relatively favorable position. People eat more and better—particularly meats, fruits and vegetables and dairy products—when their incomes are high.

Agriculture will, in all probability, face considerable readjustments from a war- to a peace-time economy. The production of many agricultural products has been expanded to meet increased demands. Some shifts in acreages to meet postwar demands may be necessary. These adjustments may best be made when agriculture as a whole is relatively prosperous. If employment and buying power in urban industrial areas continue at a high level and if food exports continue relatively large—at least until war torn countries can restore their agriculture—then agriculture would remain in a fairly favorable position for at least a year or two after the war.

Prices of practically all important agricultural commodities are guaranteed at 85 to 90 per cent of parity for a period of two full calendar years after the end of the war. This would allow a drop from the present parity ratio of 115 to 90 in the average prices of all agricultural products. If industrial prices fell, then agricultural support prices would also decline. Of course, individual commodity prices would be affected differently depending upon their present parity ratio and the extent of particular demands for different products.

The Northwest May volume of business activity remained essentially unchanged relative to April. Bank debits at city and country banks declined during the month, and retail sales and total carloadings increased slightly. A record wheat crop is anticipated for the Northwest.

BUSINESS

The volume of business in May, according to seasonally adjusted indexes, continued to display a

pronounced but uneven tendency to level off after a rise that has been almost continuous since 1939. Bank debits (the volume of checks drawn on bank

accounts) at banks in 93 cities were 70 per cent above the 1935-1939 average but were about 8 per cent below last month. Bank debits at banks in farming centers declined 11 per cent, on a seasonally adjusted basis, from the previous month but were still about 5 per cent above May of last year.

Northwest Business Indexes

Adjusted for Seasonal Variation—1935-39 = 100.

	May 1944	April 1944	May 1943	May 1942
Bank debits—93 cities.....	170	184	170	137
Bank debits—farming centers.....	179	201	171	144
City department store sales.....	161	161	138	114
City department store stocks.....	144	135	126	160
Country department store sales.....	156	151	137	123
Country lumber sales.....	93	132	127	111
Miscellaneous carloadings.....	120	123	113	127
Total carloadings (excl. misc.).....	144	141	138	151
Farm prices—Minn. (unadj.).....	175	168	177	144
Employment—Minn. (unadj. 1936=100)	138	139	143	125
Payrolls—Minn. (unadj. 1936=100).....	227	232	221	174

The index for total carloadings stood at 144, 2 per cent above the figure of 141 for April but considerably below the record high of 188 reached in May 1929. Country lumber sales exhibited the sharpest decline of all indexes, slipping from 132 in April to only 93 in May.

The general picture of business activity for the Ninth District in May was one of firm activity, but with a decline in the rate of advances registered during many months of the last few years.

Retail sales in the district were a further indication of a general flattening out in the volume of business activity, although at first glance they

Sales at Department Stores

	Number of Stores Showing		% May 1944 of May 1943	% Jan.-May 1944 of Jan.- May 1943
	Increase	Decrease		
Total District	240	47	118	108
Mpls., St. Paul, Dul.-Sup.	19	2	121	107
Country Stores	221	45	114	108
Minnesota	59	19	109	107
Central	7	1	126	119
Northeastern	6	1	106	98
Red River Valley	3	1	104	111
South Central	18	3	115	110
Southeastern	10	4	114	106
Southwestern	15	9	97	103
Montana	24	5	120	110
Mountains	10	2	122	105
Plains	14	3	119	113
North Dakota	49	1	122	117
North Central	10	0	121	119
Northwestern	6	0	125	120
Red River Valley	17	0	125	115
Southeastern	14	1	117	115
Southwestern	*	*		
R. Riv. Val.-Minn. & N. D.	20	1	121	115
South Dakota	40	10	112	109
Southeastern	11	2	113	108
Other Eastern	21	6	110	111
Western	8	2	117	107
Wisconsin and Michigan	49	10	110	103
Northern Wisconsin	17	0	117	108
West Central Wisconsin	26	6	111	105
Upper Michigan	6	4	102	91

*Not shown, but included in totals. Insufficient number reporting.

seemed to exhibit a distinctly disproportionate rise in May. The 287 department stores reported total sales in May of this year 18 per cent above the same month a year ago and total sales during the first five months of 1944 about 8 per cent above the corresponding period of last year. City department stores showed a slightly larger percentage advance over last year than was true of stores in the District located in the country areas. These increases were apparently concentrated to a large extent in sales of clothing and to a lesser degree in household furnishing items.

These large percentage increases in May sales relative to a year ago are explained largely by a comparatively low level of sales in May last year rather than by any abnormal bulge exhibited in the same month this year. (The May adjusted index a year ago was the low point during 1943.) In fact, the seasonally adjusted index of city department store sales remained in May at 161, the same as for the previous month, and the country stores' index went up from 151 in April to only 156 in May—an increase of slightly over 3 per cent.

Iron ore shipments from Lake Superior ports during May were 12,114,211 tons, 10 per cent above shipments for May last year. Because of a mild winter the season opened early, and total shipments for 1944 to date are still 35 per cent above the corresponding period last year.

Flour production in April by all Northwest mills was 1,420,279 barrels, a decline of 8 per cent from March but 1 per cent above April last year.*

Consumption of electric power in the four northwest states (Minnesota, North Dakota, South Dakota and Montana) declined to 413,548,000 KWH, a seasonal reduction of 11 per cent from the previous month. Electric power consumption in April was still 4 per cent above the corresponding month of last year.

BANKING

City member bank deposits reached a record high by May 17 of \$1,185 million, an increase of \$57 million during the preceding month and an increase of \$127 million during the last year. About one-fourth of this increase in deposits was matched by an expansion in investments in U. S. Government securities. City bank holdings of U. S. Treasury Notes increased \$16 million and investments in securities other than of the U. S. Government increased by another \$18 million.

Commercial and industrial loans increased \$1 million during the month, all of the increase being concentrated in loans on real estate with commercial, industrial, and agricultural loans and loans for carrying securities down somewhat relative to mid-April. Holdings of commercial paper by these city banks were also off by \$2 million.

Balances carried with other banks in the United States increased \$6 million during the period and

*Data from the Northwestern Miller.

deposits with the Federal Reserve Bank were up \$13 million.

Excess reserves increased by only \$200,000 since part of the increase in balances carried with the Federal Reserve Bank was required as a reserve against the increased deposits.

Country member bank deposits during the last two weeks in May remained at \$1,059 million, the same level as a month earlier. Demand deposits had declined by \$7 million but time deposits rose by the same amount. Total deposits averaged about \$200 million above a year ago.

Reserves carried with the Federal Reserve Bank rose by \$3 million relative to last month and were \$22 million above a year ago. Funds available for earning assets declined by \$19 million, largely because deposits subject to reserves increased even though total deposits remained unchanged.

The reserve position as shown by the daily average reserve position for the sixteen-day period ended May 31, 1944, is indicated by the following table:

Daily Average Reserve Position for All Ninth District Member Banks for the Sixteen-Day Period Ending May 31, 1944

Type of Bank	Average Reserves Carried (000)	Average Reserves Required (000)	Average Excess Reserves (000)
Total City Banks.....	\$166,538	\$162,896	\$ 3,642
Total Country Banks.....	122,772	94,593	28,179
Total Ninth District—			
1944	289,310	257,489	31,821
Total Ninth District—			
1943	244,520	204,659	39,861

AGRICULTURE

Farmers' cash income in the Ninth District during the first five months this year was approximately 19 per cent above the same period in 1943.* Income from the sale of livestock and livestock products has been particularly high in recent months due partly to the scarcity of feed forcing some liquidation of livestock and poultry. Income from sale of wheat has also been high, particularly in Montana. Farmers' cash income in the Ninth District during May was estimated at 16 per cent more than May 1943, and 95 per cent higher than the May five-year average 1939-1943.

Prices received by farmers in the United States for many agricultural products were slightly lower in mid-May compared with a month earlier. The May index of farm product prices was 194 per cent of the August 1909-July 1914 average, two points under the previous month's level, but the same as in May last year according to the United States

*Estimates of cash farm income from marketings are made monthly by the Federal Reserve Bank of Minneapolis. These data approximate but are not identical with the Department of Agriculture reports. Bank estimates are used where current information is desired since the government estimates lag two to three months.

Department of Agriculture. Agricultural prices in the Ninth Federal Reserve District apparently held up better than for the nation as a whole during the past four to six weeks. Hogs and lambs were the only farm products that sold at lower average prices compared with a month earlier.

Crop conditions in the Ninth District are generally favorable for small grain but corn has made slow progress due to cool temperatures and excessive moisture in some areas. The Van Dusen-Harrington Company crop letter of June 7 states that reserves of subsoil moisture in a large part of the territory are inadequate, and frequent precipitation will be required to maintain the crop's current condition.

The June 1 government crop estimate predicts the largest spring wheat crop since 1928 and the largest in history for North Dakota. The production of all spring wheat for 1944 is estimated at 320,-637,000 bushels, of which about 85 per cent will be produced in this District with over 50 per cent of the total production in North Dakota alone. Total production of all wheat in the United States during 1944 is estimated at over one billion bushels, a new high record according to the United States Department of Agriculture. The estimated 1944 production of oats, barley and rye in four states in this District totals 482,473,000 bushels compared with 451,830,000 bushels in 1943.

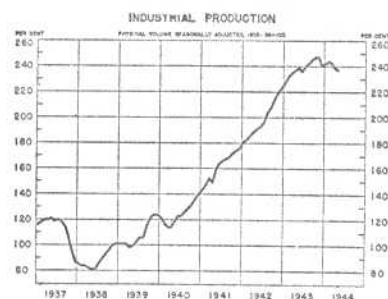
Summer feed prospects have been greatly improved after a late start. Range and pasture feed prospects are good to very good with ample moisture in eastern and southern Montana, the Dakotas and most other sections of the Great Plains area. The condition of ranges in the seventeen western range states is reported as 85 in June 1944, compared with 84 a year earlier and 85 for a twenty-year average 1923-1942. Range conditions in this District are several points higher than last year and the long-time average according to reports from the United States Department of Agriculture. It is still too early to be too optimistic about the feed situation, but good pastures and excellent prospects for a big feed crop are encouraging. A feed shortage may not occur next winter, provided the 1944 United States corn crop reaches a level between two and three-quarters and three billion bushels. There are indications also that grain-consuming animal units may be reduced compared with last year.

Crop Production, Ninth District ⁽¹⁾

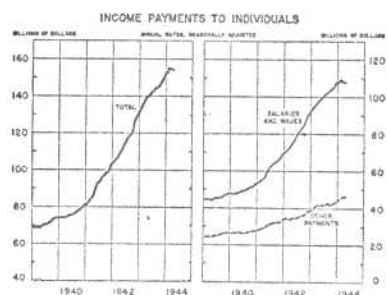
	Average 1933-1942	1943 (Million Bushels)	1944 (Indicated June 1)
Winter Wheat	20,325 Bu.	25,889 Bu.	25,627 Bu.
All Spring Wheat.....	141,880	252,667	271,605
Oats	220,447	302,975	331,001
Barley	102,542	137,648	139,530
Corn	213,910*	323,751
Rye	20,370	11,207	11,900
Flaxseed	11,324*	39,778

(1) Includes only Minnesota, North Dakota, South Dakota, and Montana.

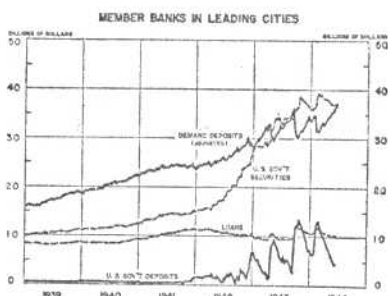
*1932-1941 average.



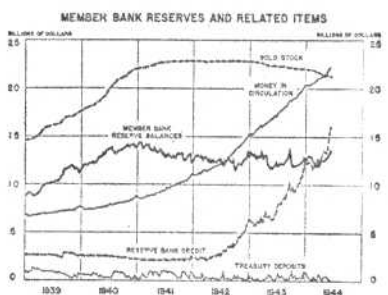
Federal Reserve index. Monthly figures, latest shown is for May 1944.



Based on Department of Commerce estimates. Wages and salaries include military pay. Monthly figures raised to annual rates, latest shown are for April 1944.



Demand deposits (adjusted) exclude U. S. Government and inter-bank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for June 14, 1944.



Wednesday figures, latest shown are for June 14, 1944.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, JUNE 23, 1944

Industrial activity and employment declined slightly further in May. Value of retail trade was maintained in May and the first three weeks of June and commodity prices showed little change.

INDUSTRIAL PRODUCTION: Industrial production continued to decline in May and the Board's seasonally adjusted index was 237 per cent of the 1935-39 average as compared with 239 in April. Small declines in output of metal products and nondurable goods accounted for most of the decrease in the total index.

Steel production was maintained at a high rate. Supplies of aluminum and magnesium continued to exceed military requirements after further curtailment of output in May, and relaxation of restrictions on the use of these metals in civilian products was announced on June 18. Activity in munitions industries declined slightly in May. Aircraft production was at approximately the same daily average rate as in the preceding month. Deliveries of merchant ships declined somewhat from the April rate, reflecting curtailment of Liberty ship construction; the number of Victory ships delivered rose further in May.

Output of lumber and of stone, clay, and glass products declined further in May. Additional Federal control was established over lumber consumption, effective in the third quarter, in order to assure sufficient supplies for essential requirements.

Production of most nondurable goods was likewise somewhat lower in May than in April. Cotton consumption declined 6 per cent from the rate prevailing earlier this year to a level 16 per cent below May 1943. Output of manufactured dairy products showed a large seasonal rise in May while manufacture of most other food products declined somewhat, after allowance for seasonal changes.

Output of crude petroleum and coal continued to rise and iron ore production reached an exceptionally high level for this season of the year.

DISTRIBUTION: Department store sales in May were maintained at the April level, and the Board's seasonally adjusted index, as recently revised, was 173 per cent of the 1935-39 average. During the first half of June sales continued at about the April-May rate and were 4 per cent larger than in the corresponding period last year.

Railroad freight traffic was maintained at a high level during May and the early part of June.

COMMODITY PRICES: Wholesale commodity prices continued to show little change in May and the early part of June. Retail prices showed a further slight increase in May. The wholesale price index and the cost of living index of the Bureau of Labor Statistics were both at the same level as they were in May 1943.

AGRICULTURE: Crop prospects on June 1 were better than on the same date in the last 10 years except 1942. The total wheat crop appeared likely to exceed a billion bushels as compared with a harvest of 836 million bushels in 1943 and 974 million in 1942. Prospects for other grains, however, were not as favorable and, with grain stocks reduced, it is expected that total supplies available to meet food, feed, and industrial needs will continue short. In recent months the feed situation has been eased by generally good condition of the hay crops and pastures.

BANK CREDIT: In the five months from the beginning of the Fourth War Loan Drive to the beginning of the Fifth Drive, Federal Reserve Bank holdings of U. S. Government securities increased by more than 3 billion dollars. Member bank borrowings at Federal Reserve Banks also increased somewhat during the period, and at times exceeded 200 million dollars for the first time in more than a decade. These additions to Reserve Bank credit supplied the market with funds to meet a growth of nearly 2 billion dollars in money in circulation, an increase of 700 million in member bank required reserves, and a loss of gold of 700 million. Excess reserves, which declined to as low as 600 million dollars during the period, amounted to 1.1 billion on June 14.

During the Drive, purchases of Government securities by businesses and individuals will shift deposits to reserve-exempt Government war-loan accounts and reduce the amount of reserves that member banks are required to hold. This will result in some further increase in excess reserves and some repurchases of Government securities by member banks from the Reserve Banks.

Adjusted demand deposits at member banks in leading cities have risen by about 5¾ billion dollars since the end of the Fourth Drive and are more than 2¼ billion dollars above the level prevailing prior to that Drive. Time deposits also increased steadily.

Government security holdings at reporting banks declined by close to 2 billion dollars between mid-February and mid-June, following an increase of around 3 billion during the Fourth Drive. Bill holdings declined substantially, paralleling increases in such holdings at the Reserve Banks. Loans to brokers and dealers in securities, which by the end of May had declined well below their early January levels, increased somewhat in the first two weeks of June preparatory to the Drive. Other loans for handling Government securities are close to their pre-Fourth Drive level. Again in the Fifth Drive, as in the previous one, borrowings for speculative purchases will be discouraged.