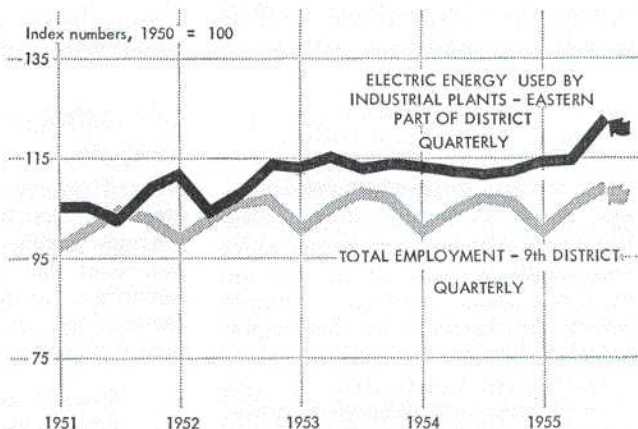


Current conditions in the Ninth district

Production, employment near heights; farm income may top last year

AS THE NATION'S families did honor to their traditional Thanksgiving repasts and subsequently settled down to polishing off the leftovers, probably few were specifically aware that they were enjoying the richest quarter of the richest year in the nation's history. As people now turn their full attention to the annual Christmas shopping effort, it seems likely that forthcoming holiday spending will surpass that of previous seasons by a wide margin.

Within the Ninth district, most phases of business activity continued to prosper. And even from the 'non-prospering' agricultural sector came the heartening news that cash receipts of district farmers seemed clearly to be holding their own with a year ago, in contrast to a 4-percent decline for the nation. Not only is the district's wheat crop more than a third larger than last year, but most other grains (except corn) were also harvested in quantities larger than in 1954. As a result the district's crop harvest is the biggest since 1948 and the second largest in history.



Both employment and industrial use of electric power are at or near record levels. They are among measures reflecting the current high pace of economic activity in the Ninth district.

Near-record marketings of both crops and livestock helped to offset the effect of lower prices for most farm commodities. Based on the U. S. Department of Agriculture's eight-month estimates of farm receipts, it now appears likely that farm income in three of the four district states may be higher than in 1954—with perhaps only South Dakota lower than last year. This mild improvement appears to be reflected in rural trade centers, where department store sales advanced somewhat over last year's relatively poor showings.

Employment, and most other indicators of district business activity measured substantial gains over a year ago, although the gains were generally more moderate than for the nation as a whole. Minnesota nonfarm employment last month set a new record for October, with payrolls correspondingly high. Farm

Minnesota's turkey industry see page 4
Time deposit interest rates see page 6

Current conditions

income, though comparing favorably with national trends, is, nevertheless, at a relatively depressed level in comparison with other lines of business. Particularly in areas where dry weather hurt crop yields, the impact of lower prices has been hard felt. Bank deposits failed to rise significantly for the first time in several years, reflecting in part the still-depressed level of overall farm income.

Meanwhile, the nation's economy has been more than prosperous. Not only have most previous production records long been shattered, but output in many lines has visibly strained the limits of capacity. For several key metals and materials, our present capacity has not been able to produce at the rate demanded by booming industrial activity.

Since these are the conditions under which inflation may flourish,

the various Federal Reserve banks again moved to increase their discount rates and to take other steps to inhibit credit expansion in the face of limited production capacity.

Within this environment of a 'taut' national economy, large marketings of district farm products, along with other active lines of business, contribute to a near-record level of performance for the district economy — and a generally prosperous holiday season.

Following are summaries that highlight the current economic scene in the Ninth district:

District employment second highest on record

EMPLOYMENT in 1954 slumped less in this district than in the more industrialized areas of the nation. In the current national economic boom, employment in this region has also risen more slowly.

During the third quarter of this year the district's average employment was 1.5 percent higher than it averaged during the same period a year ago. (On a national level the gain was 4.5 percent.) Most of the district's expansion occurred in Minnesota and Montana, where the increases were 1.7 percent and 2.9 percent respectively. In South Dakota employment rose by less than $\frac{1}{2}$ of 1 percent, and in North Dakota and the Upper Michigan peninsula it was down slightly.

Sharp rise in payrolls

ALTHOUGH employment here has risen at a moderate rate compared with the national figure, average weekly earnings in manufacturing firms have risen almost as rapidly in this district as in the nation. In the third quarter average earnings were 6.7 percent higher than a year ago in the district compared with a 7.8 percent increase for the nation.

In St. Paul average weekly earnings during October set a new record of \$84.98. In Duluth and Minneapolis average earnings during the month of October were \$80.72 and \$79.39 respectively.

Both overtime work and increased hourly rates have contributed to the high earnings. The average number of hours worked per week has risen steadily since last spring. In the third quarter, and continuing into the fourth, it was well over 40 hours.

District department store sales rise slowly

DISTRICT department store sales in October were 4 percent above sales for the corresponding month of last year. Sales in smaller communities have strengthened in recent months, which may reflect the rise in cash farm income. October sales have risen further above 1954 totals in the smaller towns than in the four large district cities.

Even though sales have perked up in the smaller communities, sales for the district have risen slowly. For the first 10 months of this year sales were only 4 percent above those for the corresponding period of last year. The increase for the nation was 7 percent.

Construction activity remains strong

CONSTRUCTION activity displayed the beginning of the usual seasonal decline in October. Nevertheless, the number of building tradesmen employed by contractors during the summer months shows the volume of activity remaining substantially above that of a year ago.

The valuation of building permits issued in district cities during October was 13 percent larger than last year. Since over 80 percent of the projects are started in the same month that the permits are issued, the construction activity may continue at a strong pace this fall until severe winter weather impedes outdoor work.

Higher farm income

DESPITE lower prices for most products, total cash receipts of Ninth district farmers from their marketings during the first eight months of 1955 were larger than a year ago. Minnesota cash receipts were up 3 percent for this period; North Dakota receipts were 11 percent above last year. For the four states fully within the Ninth district, total cash receipts for the period average 2 percent above 1954.

The 35-percent-larger wheat crop produced in the district this year will contribute further to the farm income in North Dakota and Montana during the remainder of the year. Minnesota's corn crop also turned out somewhat better than had been expected earlier in the fall, with the November crop estimated slightly larger than the 1950 crop. As a result, only South Dakota among the four district states now appears certain to have a lower farm income during 1955 than in 1954.

Current conditions . . .

Record hog marketings

HOG MARKETINGS at the South St. Paul public market in recent weeks were the highest since the record production years of World War II. Marketings throughout the midwest were running well above the 9 percent increase in spring pigs estimated for this year. During October, marketings at 12 major markets, plus the interior markets in Iowa and southern Minnesota, were more than a fifth larger than last year. Sharply lower prices appear to more than offset the increase in marketings, however. Marketings of barrows and gilts at South St. Paul during September, October and the early weeks of November were 33 percent higher than last year. When multiplied by average weights and average prices received per hundred-weight, total returns to producers were down about 4 percent from last year.

Durum comeback

BETTER than 14 million bushels produced in the three main durum producing states, plus an additional 5 million bushels of durum estimated to be produced in Montana this year, provides the durum industry with the largest supply of good quality durum in several years.

Acreage restrictions on durum production were relaxed this year in order to encourage greater production of this scarce commodity. Durum raisers in Minnesota and the Dakotas—the three main durum raising states—did not increase their acreage this year. But many Montana wheat growers did increase their durum acreage, and yields were good in most areas.

As a result of increased durum production, prices have dropped substantially from the high levels of the past few years. Present prices, at \$2.60 to \$3.00 a bushel, while down considerably from the high levels of recent years, still offer a substantial margin above breadwheat prices or the support level.

Demand for business loans unusually strong

THE NATIONWIDE demand for loans continues to be robust; interest rates continue to inch upward. In the Ninth district the demand for business loans has also been unusually strong.

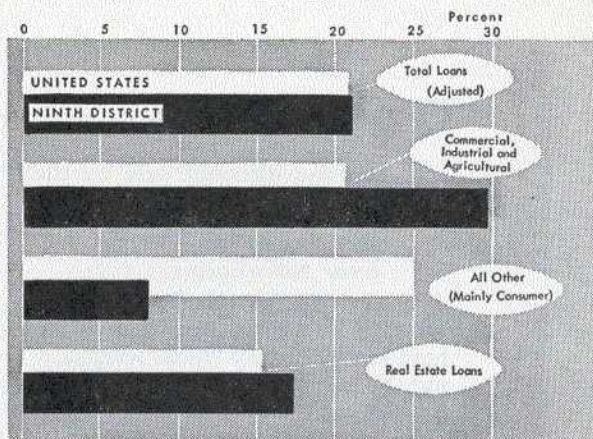
Business loans outstanding have risen faster, relatively, than other types of credit. In the 12-month period ending October 5, 1955, the volume of commercial and industrial loans held by member banks in the district increased by 25 percent. Total loans and discounts (incorporating other lines of credit than for business) rose 17 percent.

During the three-month period, June 30-October 5, 1955, the volume of commercial and industrial loans rose 11 percent; total loans rose but 6 percent. These relative increases are the largest experienced since 1950 for this three-month period. Last year, by way of contrast, business loans increased by less than ½ percent—total loans actually dropped by a small amount during the June 30-October 5 period.

Recent issues of the *Monthly Review* have pointed out that the district's economic activity, while increasing, has tended to lag behind the national boom. Interestingly, this 'lag' is not reflected in the relative increases in the volume of loans extended by leading banks* over the past year. As shown in the chart, loans classified as *commercial, industrial and agricultural* expanded by about 21 percent for the nation as a whole. But for Ninth district reporting banks, this classification of loans—in marked contrast—rose by 30 percent.

One explanation of the high district loan-figure lies in the delayed shipment of this year's heavy grain crops, delayed because of shortages of box cars and lack of available storage facilities in grain-receiving centers. Consequently, district loans to grain-commission firms and country elevators have been unusually heavy.

*City banks reporting operating statistics weekly to the Federal Reserve System.



CHANGE IN LOANS AT WEEKLY REPORTING BANKS

The percentage increase in loans outstanding between November 10, 1954 and November 9, 1955 is shown in the chart above by type of loan.

The other sharp contrast—district versus nation—is in the 'All Other' loans classification, which is made up largely of consumer loans, especially those for financing automobile purchases. Here the district increase is below the national one; this is probably a reflection of the more moderate rise in new car registration in this area. Comparing the first nine months of 1955 with the first nine months of 1954, the national figure for new car registrations rose by 28 percent. During the same period the rise was approximately 13 percent for the four district states.

Discount rate raised again . . .

The strong demand for loans; a monetary policy of restraint; and a reluctance on the part of banks to dispose of securities on depressed markets were three factors prompting member banks in recent months to borrow in increasing amounts at Federal Reserve banks. Regularly this year, member banks in the Ninth district and in the nation have borrowed more heavily at the 'Fed' than they did last year. For example, the October 1954 figure for average daily borrowings at the Minneapolis Federal Reserve Bank was \$3.3 million; in October this year the figure was \$60.4 million. In mid-November, seeking to restrain the highly active use of credit, all of the nation's Federal Reserve banks raised their discount rate (the rate charged on loans made to member banks) to 2½ percent. This is the fourth rise in 1955

Current conditions

and lifts the discount rate to the highest level in 20 years.

More concern over farm loans

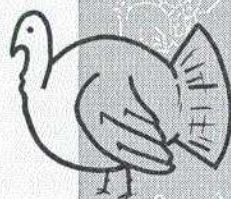
SHORT-TERM production loans to farmers by district banks have held at a relatively stable level during the past year, the quarterly Call Reports of member banks indicate. Since last December, the volume of 'Other loans to farmers' reported by country member banks in their Call Reports has been consistently at a level roughly 11-13 percent above the previous year.*

Despite this stability, greater attention to farm loans and more careful analysis of the financial position of farm borrowers is evident among the district banks, a recent spot check among selected lenders throughout the Ninth district shows. It is significant, however, that this is as yet largely an anticipated concern rather than based on actual conditions. Banks largely agree that collections early this fall were coming in on schedule. Several indicated that the cash position of their farm customers was down, and that they expected this to be reflected either in greater loan demand or slightly higher carry-over of loans this fall. A few indicated that next spring may be the time when the reduced farm income may show up more definitely in the form of greater demand for credit.

Bankers indicate no basic change in their lending policy, or in the availability of production credit to farmers. However, in many communities bankers report that a few more customers this fall are approaching the position where additional borrowing represents a risk greater than the operator can well afford. They emphasize that in cases where it is likely that loans may have to be repaid out of the liquidation of assets rather than out of income such a loan is not a good risk for the borrower and is not likely to contribute to his financial progress. **END**

*The Call Report category 'Other loans to farmers' consists mainly of non-real-estate loans to farmers for production purposes, mostly short term.

Minnesota claims world turkey 'capital'



OVER THE YEARS Minnesota has developed as one of the leading turkey producing states in the nation. Only California consistently has produced more.

Last year, 1954, was a peak production year for Minnesota. Nearly eight million turkeys were raised, with an estimated cash value of close to \$35 million. This was about 3 percent of the total cash farm income in the state.

The trend toward turkey production in the state has steadily increased in recent years, from about three million birds in 1940 to last year's peak of close to eight million.

Turkeys are produced in all areas of Minnesota. Particularly large concentrations are to be found in the southwestern corner of the state, with Worthington as a center, and in the central-state area around Willmar.

Worthington, for a number of years, has claimed to be the turkey capital of the world and an annual Turkey Day is celebrated there each year. This year Willmar challenged Worthington on their claim to being 'world turkey capital' on the basis that nearly three million birds, or about one-third of the state's production, come from the Willmar area.

Raising turkeys a generation back was a gamble. This was so because the job of raising the young poults was left pretty much to the turkey hen. And she was a notoriously poor mother. She usually picked a site in the woods or near some weedy fence corner far from warm dry farm buildings to produce her young. The neglected poults often got wet, chilled, stepped on or infected with lice during their first few weeks of life. Disease, particularly *blackhead*, was common.

Usually the farmer let his turkeys fend for themselves. The end result was that many a farmer felt lucky if only 25 poults reached marketable age out of each 100 hatched. Low survival rates such as this (and even many poorer showings) were accepted by the farmer as inevitable.

Production techniques have changed significantly

Times have changed in the turkey business. Years ago many farmers raised a few turkeys along with their other products. Today a few farmers specialize by raising turkeys on a large scale—three to four thousand up to 50,000 or more. The death loss now is around 15 percent compared with 75 percent or more in the old days.

The mother hen still lays the eggs but she no longer is allowed to hatch and rear her young. Her maternal instincts must now be expressed in other ways. Hatcheries produce the poults and the farmer buys large batches on a so-many-days-old basis.

New production techniques have brought about many changes in turkey economics. Production (in pounds) has more than trebled during the last 18 years for the country as a whole. Per capita consumption has more than doubled in the same time period. The average farm price of only about 30c a pound in mid-September this year was about the same as the price in the late 1920's. The peak was reached in 1948. Then the price to the farmer averaged 47c a pound.

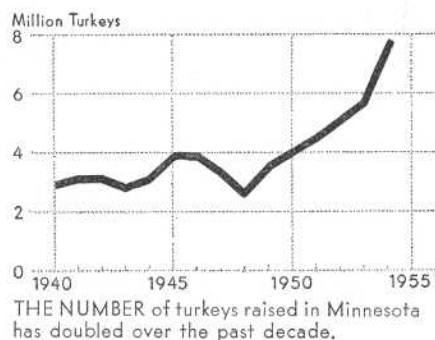
The growing popularity of turkeys with consumers is partly due to the development of the small *Beltsville White* breed during the past 20-year period. The conventional large bronze broad-breasted turkey attains a weight of 20 to 25 pounds. The *Beltsville White* turkey dresses out at four to eight pounds at 12 to 16 weeks of age, hence its popularity for family use. This breed reaches maturity at 24 weeks of age at an average weight of 15 pounds. Approximately 50 percent of the turkey production in Minnesota in 1954 was of the lightweight breed. However, from year to year the proportion of light to heavy breeds changes about in response to market demand and other conditions.

Minnesota gets increasing share of district turkey production

The trend in turkey production has been downward in all district states except Minnesota over the past 15 years. Fifteen years ago, Minnesota produced only 48 percent of the total four-state production. Last year it produced 87 percent of all turkeys raised in this district.

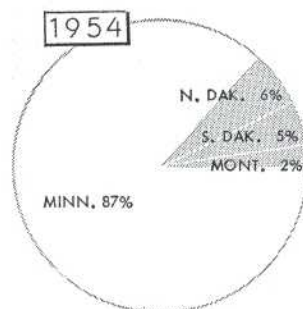
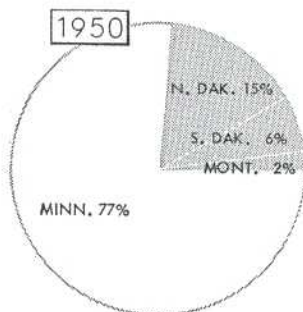
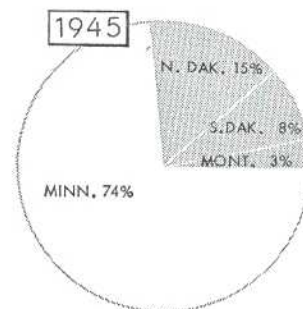
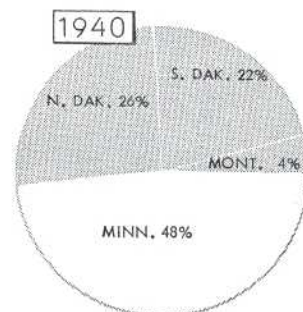
In 1940 North Dakota raised 1.6 million turkeys, 26 percent of the district production. Last year the number produced was only a little more than one-half million. This was 6 percent of district production.

MINNESOTA TURKEY PRODUCTION



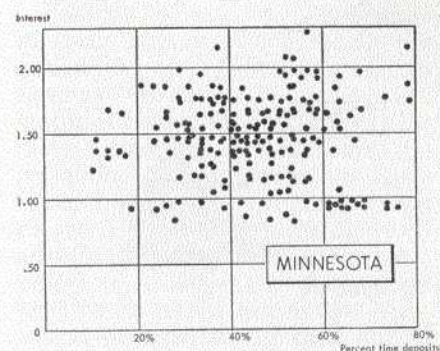
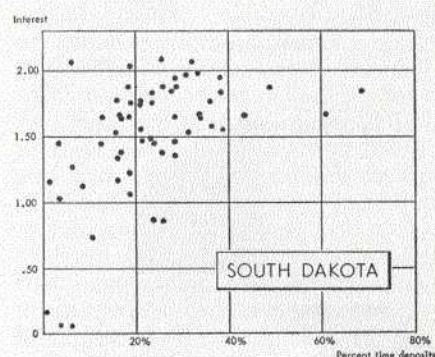
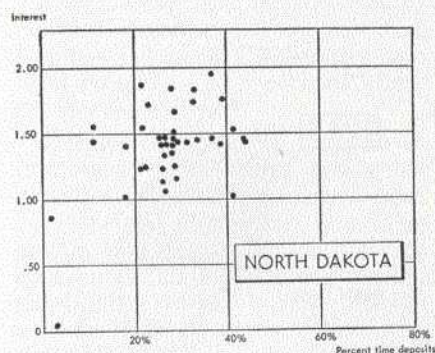
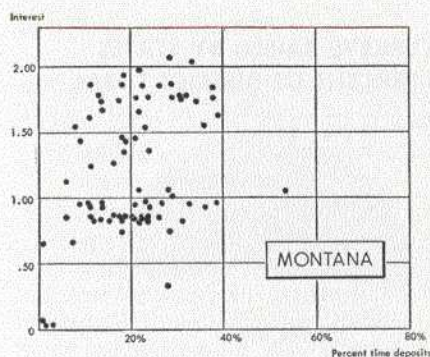
The number of turkeys raised and the trend in turkey production in South Dakota closely parallels that of her sister state to the north. Montana produced 267,000 turkeys in 1940; by 1954 the number had declined to only 140,000, or 2 percent of district production for that year. END

TURKEYS RAISED BY STATES AS PERCENT OF DISTRICT TOTAL



MINNESOTA has gained an increasing share of the district's turkey production since 1940. Production of other three states has declined both relatively and absolutely.

A matter of interest...



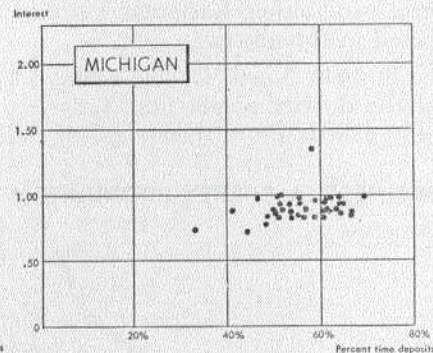
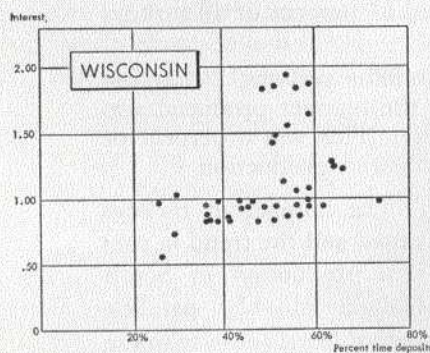
THE AVERAGE rate of interest paid on time deposits at district banks has been edging up.* Edging up too, has been bankers' "interest" in this important item of expense. Inquiries by district bankers for information about the pattern of time rates prompted publication of the charts on these pages. The charts present, in graphic form, information derived from reports of earnings and dividends, and from condition statements of member banks.

Each chart relates the pattern of interest rates to some other measure of operating experience. The "interest rate" dealt with here might be termed the *effective* interest rate and is not precisely equal to the

posted or advertised rate. It is arrived at for each individual bank by taking the total of interest payments for the year 1954 and expressing this as a percent of average time balances during the year (actually the average of three *Call* dates). The *effective* rate is usually somewhat less than, although close to, the advertised rate.

Information on the charts is drawn from official reports and is purely factual. It is hoped that studying these charts will give district bankers the answers to some of the questions they have asked about interest rates on time deposits.

*See April 1955 *Monthly Review* for remarks on the change in time deposit interest payments from 1953 to 1954.



THE ABOVE six charts—one for each state or part state within the district—reveal that district member banks pay interest on time deposits ranging from almost nothing up to 2.3 percent. South Dakota banks and Upper Michigan banks are clustered, respectively, in the higher and lower parts of the interest range. Banks in Minnesota and Montana are more evenly distributed throughout the entire range, while North Dakota banks are concentrated about the district average. In the 26 Wisconsin counties included in our district, most banks pay relatively less interest on time deposits than the district average. However, in cases where the time deposits make up more than half of total deposits, a number of these Wisconsin banks pay interest rates substantially higher than the average for banks in that state. The importance of time deposits among total deposits is seen to vary widely, with marked differences by states. This ratio is low in South Dakota, relatively high in Michigan.

How to read the charts

Each dot represents one member bank in the Ninth district. The height of a particular bank's dot on any of the charts measures the effective rate of interest paid by that bank on time deposits last year—the higher the rate, the higher the dot. As you can see, the up-and-down dimension of each of the charts runs from less than 1 percent to almost 2½ percent.

The position of the dot along the horizontal scale measures some other ratio. This helps to show how interest payments are related to other things. For example, whether banks paying higher interest rates tend to have a larger proportion of time balances among their deposits. (Considering the district as a whole, as would be shown by a composite of the six smaller charts, the answer is no.)

On the six small charts (one for each district state) the distance of a dot from the left side of the chart measures the proportion of time deposits to total deposits at the bank in question. Here is a diagram that illustrates how to read the information given by these charts:

On both of the larger charts are dots to represent all member banks in the district, without distinction by state. Again the vertical position represents interest rates on time deposits. The position of the dots out along the horizontal scale on the charts at the right provides information on two other measures of operating experience.

On the upper chart is the ratio of **loans to total assets** at the bank—to indicate the extent to which a bank's funds are placed in higher-earning assets.

On the lower chart is the ratio of **net current earnings to total assets**—a sort of measure of "profitability."

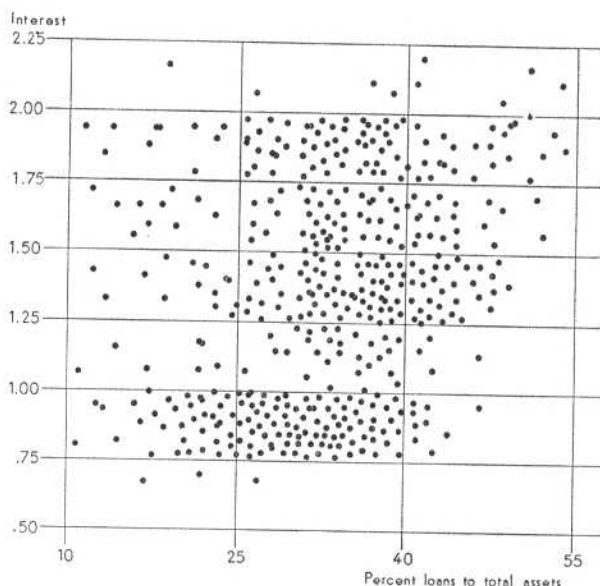
Bankers are invited to compare their own institutions with others in the district by locating themselves on the charts. The **Operating Ratio** reports, supplied to member banks earlier this year, give the data needed for plotting each bank's approximate positions.

Item 37 on the report is the ratio of interest to time deposits (vertical scale in each of the charts).

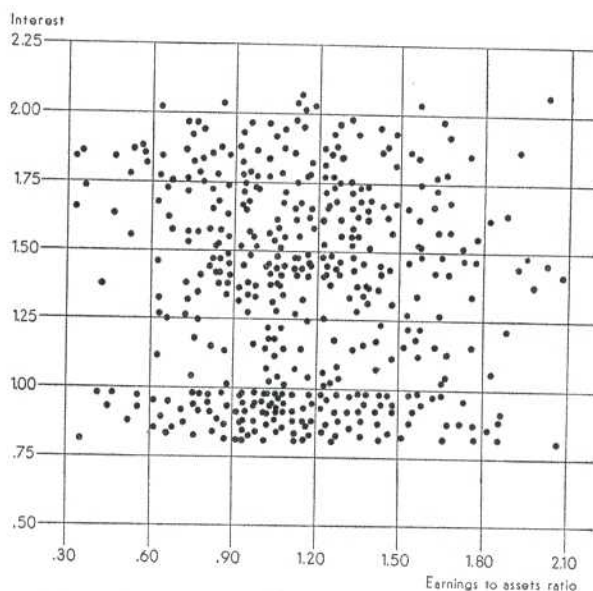
Item 36 is the ratio of time to total deposits shown on the state charts.

Item 30 is the ratio of loans to total assets shown on the upper chart.

Item 6 is the ratio of net current earnings to total assets shown on the lower chart.



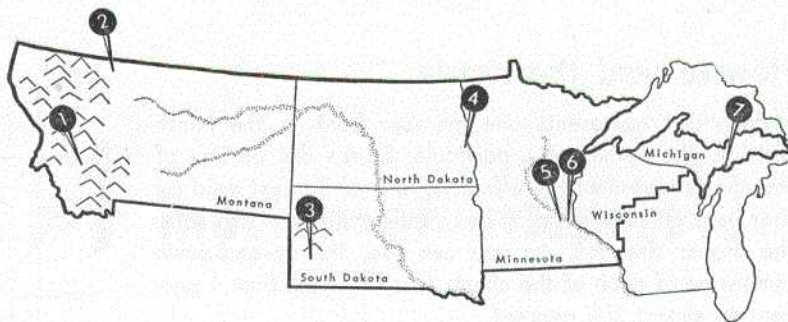
THE DOTS on this chart form a pattern which indicates that—on the average—district member banks paying a relatively high rate of interest on time deposits have a larger share of their assets in loans than do banks paying a lesser rate of interest. It should be noted, however, that many individual cases appear where the opposite is true: loans are high and interest rate is low. The majority of district banks are shown to have loan ratios between 20 percent and 50 percent. A few extreme values of less than 5 percent and more than 70 percent also occurred but are not shown here.



THIS CHART helps to answer the question sometimes asked, "Are banks that pay a high rate of interest on time deposits distinguished from other banks by the rate of profits earned?" Overall district experience suggests that "high interest" banks have just as much claim on profitability as do "low interest" banks, and vice versa. However, a point of caution is in order in interpreting the results. The rather low overall relationship between profits and interest paid, indicated by the random appearance of dots on chart "B," does **not** mean that a particular bank in a particular community will find its profits unaffected if it changes its rate of interest on time deposits.

ECONOMIC *Briefs*

SIGNIFICANT HAPPENINGS IN THE NINTH DISTRICT



1-Expand phosphate output

Montana Phosphate Products Company is spending \$1.5 million to expand production of raw phosphate rock near Garrison in western Montana. The large increase in the use of phosphate fertilizers offers a ready market for phosphate rock, a raw material used in the manufacture of the ammonium phosphate type of fertilizer. Northern Pacific Railroad completed a 4.7 mile spur north from its main line to the phosphate-company mine at Brock Creek at a cost of \$400,000.

The enlarged production of 400,000 tons of raw phosphate will be hauled to plants in British Columbia for processing. About two-thirds of the finished product is marketed in the United States.

2-Key oil test plugged

Early in November, Union Oil Company plugged and abandoned its wildcat oil well, the Number 1 Morning Gun, after several months of testing. Originally scheduled as an 11,500 foot well on the Black-foot Indian reservation in Glacier County, Montana, the test was watched with great interest as a pioneering probe of the so-called 'Rocky Mountain front' area of northwestern Montana. Even though abandoned, the test (carried to a depth of 9,560 feet) did establish the presence of gas and distillate in the deeply-buried, folded rock-layers of the area. The information provided should guide further drilling.

3-S. D. Lithium mining curtailed

Lithium Corporation of America will close its South Dakota lithium mining operation early in 1956. A combination of water sup-

ply problems at the Black Hills mines (located between Hill City and Custer), and the development of new sources of spodumene (the lithium mineral), affording the company ample inventories, caused the administrative decision to put the mines on a stand-by basis.

4-American Life building in Fargo

The American Life Building in Fargo, North Dakota will be completed in December. The four-story, half-million-dollar structure will furnish home-office quarters for American Life and Casualty Insurance Company, broadcasting facilities for WDAY Radio and Television and office space for other tenants. Of structural steel and masonry in contemporary design, the new building will also provide off-the-street parking.

5-J. C. Penney plans office, store

J. C. Penney Company plans a \$3 million expansion of its Minneapolis loop store, to be completed by autumn 1957. By constructing a new six-story building and remodeling the adjoining six-story Syndicate Building, the retailing firm will have a combined structure providing four floors of sales space and a fifth and sixth floor for store offices. New stone facing will give the two buildings a unified, contemporary look.

In addition, the Penney company plans to move into its regional accounting office building in southwest Minneapolis by autumn 1956. The \$600,000 building, now under construction, will house 200 to 300 office employees. Formerly handled entirely by the New York office, accounting is being decentralized by the department-store chain.

6-Pioneer enlarges T. C. plant

Pioneer Engineering Works, Inc., a Twin Cities subsidiary of Poor & Company, Chicago, is enlarging and consolidating its Twin Cities operations as the initial steps in a \$2 million expansion program. To its present plant locations in Minneapolis, this firm, which builds heavy construction machinery, has added two St. Paul properties, bought from Minneapolis-Moline Company and United States Air Conditioning Corporation.

The purchase adds two 100,000-square-foot factory buildings, and an adjacent 50,000-square-foot office building to the engineering company's holdings, and doubles its facilities. The present Minneapolis plant employs 650 workers. A substantial increase in company employment is expected to result from the expansion program.

7-Ore dock planned

The Lake Superior and Ishpeming Railroad Company has asked the Interstate Commerce Commission for permission to build an iron-ore loading dock at Rapid River, Michigan. At present there is only one ore-loading port on Lake Michigan (at Escanaba).

The railroad also petitioned for approval to use the tracks of the Soo Line Railroad between Eben Junction and Rapid River to round out the necessary facilities for hauling the iron ore. From the Marquette range in Michigan the haul would be about 82 miles on LS&I and Soo Line track. At the proposed new dock on Lake Michigan the ore would be transferred to Great Lakes freighters for delivery to Chicago and other steel centers.