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report

NINTH DISTRICT CONDITIONS
federal reserve bank of minneapolis

1970 WHEAT OUTPUT DROPS SHARPLY OTHER CROP YIELDS ALSO DECLINE

This year's total production of major cash crops in the Ninth District will be significantly below the levels of recent years, according to the latest U. S. Department of Agriculture estimates.

Earlier this year, district production of most crops was expected to be up slightly from last year (see April 1970 issue of NDC). All wheat production was expected to be down slightly due to a reduction in winter wheat acreage combined with virtually unchanged spring wheat plantings.

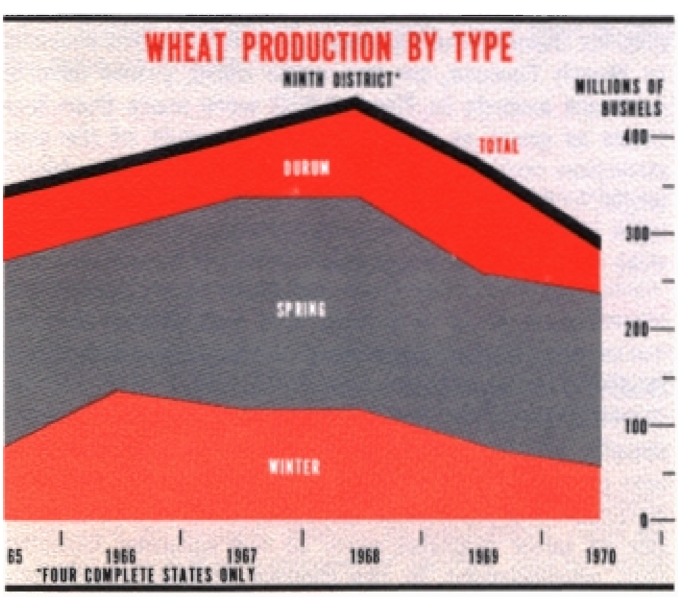
As the crop year unfolded, however, wheat provided a big disappointment. This year's district production of wheat is now estimated at 289 million bushels, which is a 21 percent decline from last year's production and is 34 percent below that of 1968. Although final production figures for all crops are never available until several months after the completion of harvest, the USDA's latest estimates are probably close to what final, actual production levels will be.

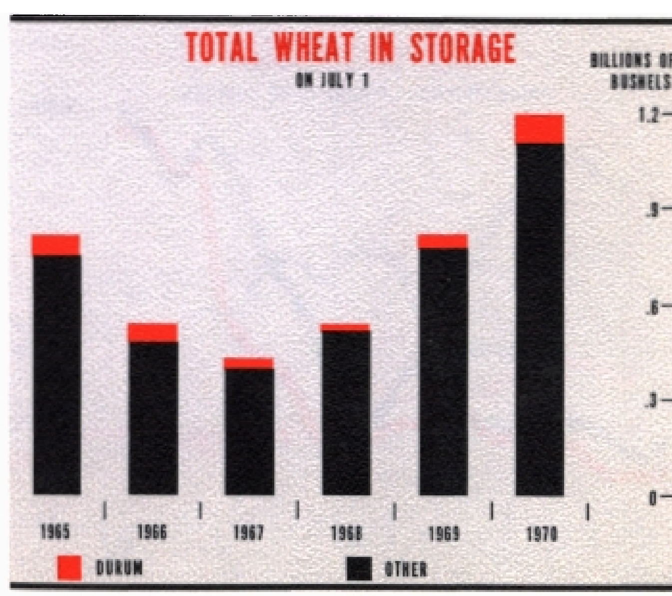
Lower yields were the main cause of the decline in wheat production. Most of the difficulty was caused by dry weather during the growing season. The durum wheat crop in North Dakota was the hardest hit. Compared with last year's record yield of 33 bushels per acre and the 1963-67 average of 27 bushels per acre, this crop is now estimated to yield only about 25 bushels per acre this year. Marketings of wheat usually account for about one-third of the district's total income from off-farm sales and about 10 percent of the district's total gross farm income.

The part of the reduction in wheat output which is due to fewer acres planted (mostly winter wheat and durum) may be an adjustment by farmers to past overproduction. Nationally, surplus wheat storage increased from 539 million bushels in mid-1968 to nearly 1.2 billion bushels in mid-1970. About 1.4 billion bushels of wheat are used annually, so the surplus on hand before harvest began was nearly large enough to provide for a year's normal consumption.

The decline in total district farm income due to wheat production difficulties will also be reinforced by the results of problems with other crops. Dry weather in the Dakotas throughout August caused the Department of Agriculture to revise downward its estimates for yields of feed grains, soybeans, and flaxseed.

Current estimates of corn yields show a record crop for Minnesota because of favorable warm, humid weather. Fortunately, the Minnesota corn crop seems to have been just out of range of the serious blight damage which affected the eastern areas of the corn





belt this year. For the district as a whole, however, this year's corn crop is now estimated to be 5 percent below last year's level. The reason is that the anticipated record corn crop in Minnesota will not be large enough to compensate for the damage due to corn borers and dry weather in South Dakota.

UNEMPLOYMENT RATE STAYS AT 5 PERCENT

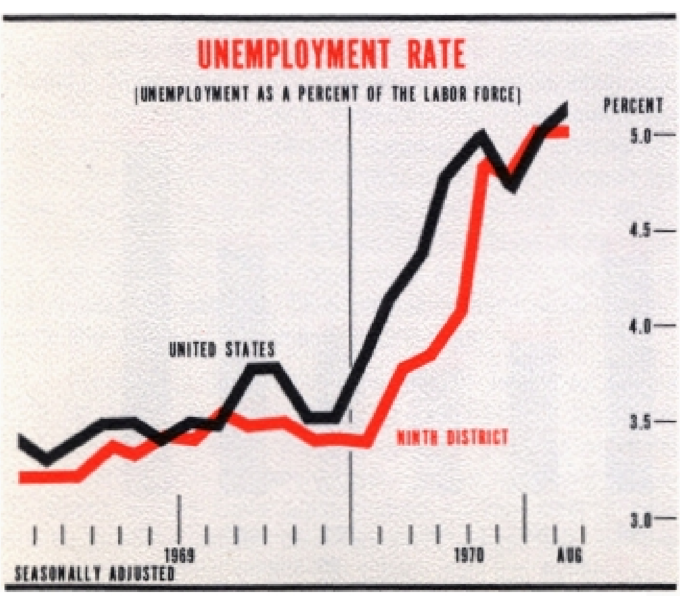
A survey of district business conditions fails to reveal any decisive improvement in the performance of the district's economy. In August, 5.0 percent of the district's labor force, seasonally adjusted, were out of work for the second consecutive month. The national unemployment rate in August was 5.1 percent.

In addition, twice as many district workers filed claims for unemployment insurance this August as compared to a year ago. At the same time that unemployment has increased, job opportunities have simultaneously shrunk. The district's help wanted advertising index fell 13.0 percent between July and August and in the latter month was down 39 percent from a year ago.

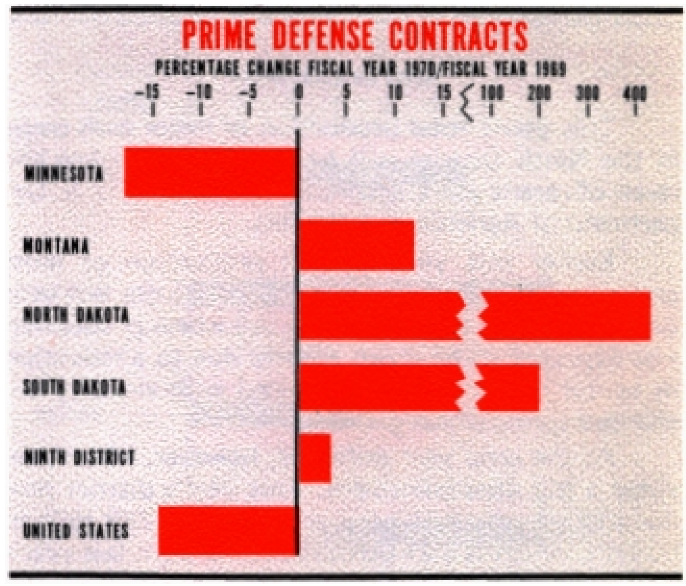
The most disconcerting factor in the district's employment situation is the continued decline in manufacturing employment which has recently accelerated. In the three-month period ending in August, manufacturing employment decreased at a 10.5 percent annual rate; in the preceding three-month period, it had declined 5.1 percent.

District wage and salary employment remains at a depressed level, and in August it was unchanged from a year ago. Because of this lack of growth in the number of people employed, additions to the labor force have simply swollen the ranks of the unemployed. Although employment, seasonally adjusted, increased slightly in both July and August, these advances can largely be attributed to the settlement of construction labor disputes in late June and early July.

The results of both the third quarter national survey on manufacturing sales expectations, which was released in September, and our third quarter Industrial Expectations Survey do not disclose any expected pickup in manufacturing activity. After exceeding year-earlier sales by 4.6 percent in the second quarter, district manufacturing sales are expected to be up only 2.0 percent in the third quarter and 4.0 percent in the fourth. National manufacturing sales surpassed their 1969 level by 2.8 percent in the third quarter and are expected to maintain this rate of advance during the remainder of 1970. Durable goods sales in both the district and the nation are responsible for the expected low rate of sales growth in manufacturing.



One factor that has held down manufacturing sales growth has been the cutback in defense spending.



Military procurement from prime defense contractors within the United States fell by 14.6 percent in fiscal 1970, while in the Ninth District they increased by 3.2 percent. This increase in defense spending can, however, be attributed to the construction of military installations rather than the production of military goods. In Minnesota, where defense spending is concentrated in manufacturing, prime defense contract awards were down 18.4 percent from a year ago, which probably partially explains the decline in district manufacturing employment in recent months. In North Dakota, on the other hand, prime defense contract awards in fiscal 1970 were more than four times as great as a year earlier, a result of the construction contract for the Safeguard ABM site. Meanwhile, in South Dakota, prime defense contract awards were close to double their 1969 level, and in Montana, they increased 11.7 percent.

CONSTRUCTION ACTIVITY PICKS UP

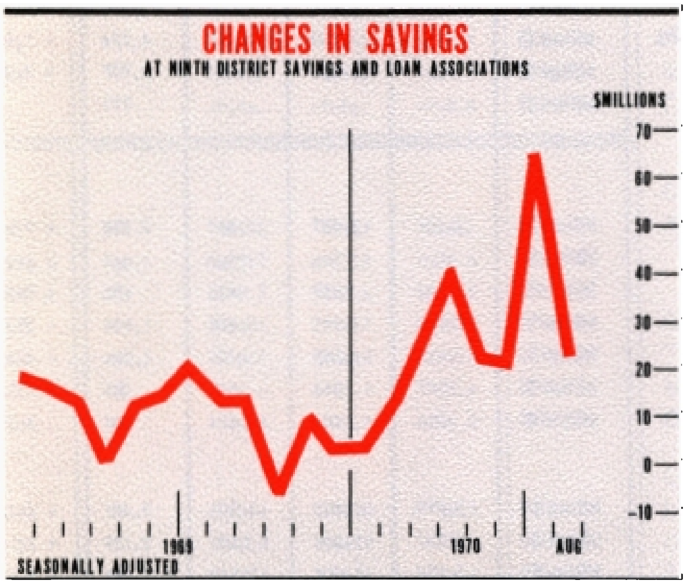
Construction activity is picking up in the Ninth District, according to most indicators.

Construction employment rose steadily on a seasonally adjusted basis throughout the summer. This was partly a result of some resurgence in housing construction and partly due to settlements of a large number of labor disputes early in the summer. Construction employment in the district at mid-August was

93,800, up from a trough of 84,100 in May. The August employment level remained considerably below that of a year ago, however, reflecting the still relatively weak conditions in the industry.

The number of housing units authorized by building permits has also been swinging upward and in August exceeded the same month a year ago for the first time this year. During the three-month period ending in August, housing unit authorizations were 4 percent above the preceding three-month period. Because of the recent strong savings inflows to district thrift institutions and easier mortgage market conditions, expectations are that housing will continue to expand.

The "heavy" construction sector is also displaying signs of resurgence. As a result of the recent downward drift in interest rates, state and local governments are now able to float bond issues. Earlier this year, interest rates were higher than local government units were allowed to pay for borrowed money.



Nonresidential construction, on the other hand, appears to be weakening. Contracts awarded for nonresidential building projects have been trending downward since early this year: during the second quarter, they were 30 percent below the first quarter, seasonally adjusted, and about 10 percent lower than during the same period last year.

DEPOSIT GROWTH SLOWS IN SEPTEMBER BUT TIME DEPOSITS KEEP INCREASING

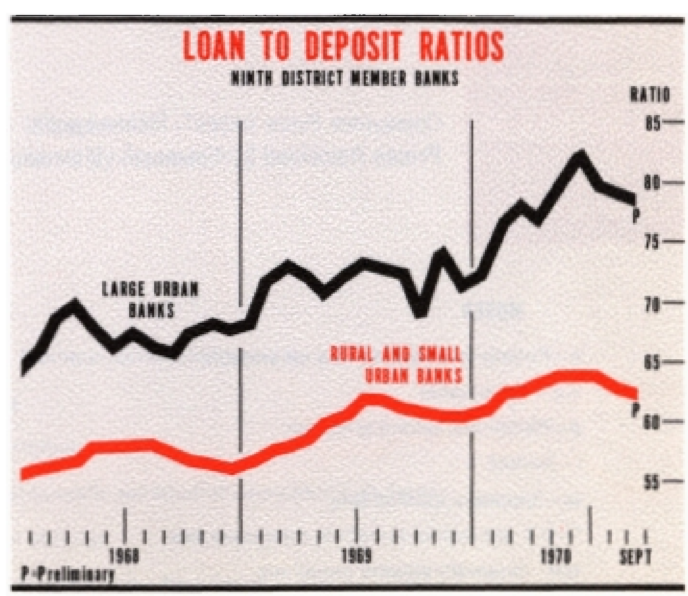
Total deposits at district member banks advanced at a less than seasonal pace during September after two months of exceptionally rapid growth. The relative slowdown in total deposit growth during September was mostly due to a decline in U. S. government demand deposits. Since these deposits had risen to unusually high levels in recent months as a result of heavy bank purchases of new issues of Treasury securities, the contraction was not unexpected.

Time and savings deposits, on the other hand, continued to expand sharply in September. This expansion was due to a number of factors, one of which was the increased ability of banks to sell large certificates of deposit to corporations and local governments.

Substantial increases in time deposits were reported by a broad spectrum of district banks during September, reflecting advances in both consumer and corporate deposits. A large share of the increase was reported by large city banks and consisted almost entirely of negotiable certificates of deposit. This continued a pattern established in recent months. Since the latter part of June when the Federal Reserve System suspended the ceiling on interest rates payable on large, short-term CDs, total time and savings deposits at all district member banks have risen $300 million, an increase of 6 percent. More than one-half of this increase, moreover, is attributable to large CDs. Prior to the Fed's action, this category of savings accounted for only 5 percent of total time and savings deposits.

Loans at district member banks expanded in September following a very small advance in August. The rise in September, however, was to a great extent more apparent than real. This is because much of the increase in loans was due to the repurchase of loans sold to affiliate bank holding companies in prior periods. Earlier in 1970 and during 1969 when money was very tight, many banks in both the district and the nation sold loans out of their portfolios to holding companies in order to obtain funds to meet current loan demand. Because of the current inflow of funds, banks are now able to buy back these loans from their affiliated holding companies. Thus the current increase in loans partly reflects the recording of loans made earlier in 1970 and during 1969.

Liquidity positions of all district member banks eased further during September as deposits continued to rise faster than loans. Since June, the decline in loan-deposit ratios of both rural and small urban banks and of large city banks has been substantially greater than normal. However, current loan-deposit ratios are still considerably above levels recorded in comparable months prior to 1969.



NINTH DISTRICT income and finance

	INDICATOR	UNIT	1970 SEPTEMBER	1970 AUGUST	1970 JULY	1969 AUGUST	Percent Change AUG.-AUG.
MEASURES OF CONSUMER INCOME & FINANCIAL POSITION	Total Personal Income*						
	Nonagricultural Personal Income*						
	Average Weekly Earnings in Manufacturing[1]	Dollars,	n.a.	140.78e	138.50e	134.87	+ 4.4
	Consumer Installment Credit Outstanding[2]	Million $	n.a.	1,374	1,369	1,318	+ 4.2
	Time and Savings Deposits at Member Banks	Million $	n.a.	5,150	5,071	4,774	+ 7.9
	Savings Balances at Savings & Loan Assoc.[3]	Million $	n.a.	3,552	3,527	3,307	+ 7.0
	Cash Farm Receipts[3]	Million $	n.a.	n.a.	n.a.	399	
MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS	CITY BANKS[4,5]						
	Adjusted Loans and Discounts[6]	Million $	2,509	2,457	2,449	2,238	+ 9.8
	Commercial and Industrial Loans	Million $	1,111	1,098	1,080	1,034	+ 6.2
	Real Estate Loans	Million $	461	459	458	458	+ 0.2
	Gross Demand Deposits	Million $	2,062	1,945	2,008	1,904	+ 2.2
	Time Deposits	Million $	1,435	1,343	1,301	1,286	+ 4.4
	U.S. Government Securities	Million $	367	346	368	311	+ 11.3
	Other Securities	Million $	516	504	474	551	- 8.5
	COUNTRY BANKS[4,7]						
	Loans and Discounts	Million $	3,790	3,785	3,305	3,481	+ 8.7
	Gross Demand Deposits	Million $	2,257	2,206	1,931	2,139	+ 3.1
	Time Deposits	Million $	3,838	3,806	3,360	3,488	+ 9.1
	U.S. Government Securities	Million $	999	977	909	987	- 1.0
	Other Securities	Million $	1,135	1,106	951	1,025	+ 7.9
MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS	Total Reserves[8]	Million $	701	712	688	667	+ 6.7
	Required Reserves	Million $	692	703	678	658	+ 6.8
	Excess Reserves	Million $	9	9	10	9	
	Borrowings from FRB	Million $	5	37	35	20	+85.0
	Ratio of Loans to Total Deposits—City Banks[4]	Percent	73.6	76.6	76.0	75.8	+ 1.1
	Ratio of Loans to Total Deposits—Country Banks[4]	Percent	62.2	62.9	62.5	61.3	+ 2.6
MEASURES OF PRICE LEVELS	Consumer Price Index[9]—Minneapolis	Index, sa	n.a.	n.a.	136.7	n.a.	
	Prices Received by Farmers[9]—Minnesota	Index, sa	n.a.	124	128	128	- 3.1

NOTES

e—Partially estimated; all data not available

n.a.—Not available

p—Preliminary; subject to revision

r—Revised

sa—Seasonally adjusted data

*—U.S. and District do not have comparable data

saar—Seasonally adjusted annual rate

FOOTNOTES

1. Excluding Northwestern Wisconsin
2. All commercial banks, estimated by a sample of banks
3. Excluding Northwestern Wisconsin and Upper Michigan
4. Last Wednesday of the month figures
5. City Banks—Selected banks in major cities
6. Net loans and discounts less loans to domestic commercial city banks
7. Country Banks—All member banks excluding the selected major city banks
8. Average of daily figures of the four or five weeks ending on Wednesday which contain at least four days falling within the month
9. Index: 1957-59 Base Period

UNITED STATES income and finance

Percent Change AUG.-AUG.	1970 SEPTEMBER	1970 AUGUST	1970 JULY	1969 AUGUST	UNIT	INDICATOR	
+ 6.6		807.4p	803.3	757.5	Billion $, saar	Total Personal Income	MEASURES OF CONSUMER INCOME & FINANCIAL POSITION
+ 6.8		785.1p	780.9	734.9	Billion $, saar	Nonagricultural Personal Income	
+ 3.2		134.06p	134.46	129.92	Dollars	Average Weekly Earnings in Manufacturing	
+ 6.1		41.9	41.7	39.5	Billion $	Consumer Installment Credit Outstanding[2]	
+ 9.6		167.1	163.3	152.4	Billion $	Time and Savings Deposits at Member Banks	
+ 4.5		139.7	139.2	133.7	Billion $	Savings Balances at Savings & Loan Assoc.	
		n.a.	n.a.	3.8	Billion $	Cash Farm Receipts	
						CITY BANKS[4,5]	MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS
+ 4.1		171.8	171.9	165.1	Billion $	Adjusted Loans and Discounts[6]	
+ 3.4		79.2	79.3	76.6	Billion $	Commercial and Industrial Loans	
+ 0.6		33.7	33.6	33.5	Billion $	Real Estate Loans	
+ 2.9		130.6	128.7	126.9	Billion $	Gross Demand Deposits	
+10.8		109.7	106.5	99.0	Billion $	Time Deposits	
+ 5.1		24.6	23.4	23.4	Billion $	U.S. Government Securities	
+ 6.6		38.6	37.9	36.2	Billion $	Other Securities	
						COUNTRY BANKS[4,7]	
+ 6.6		63.4	63.0	59.5	Billion $	Loans and Discounts	
+ 3.7		45.3	44.9	43.7	Billion $	Gross Demand Deposits	
+ 7.5		57.4	56.8	53.4	Billion $	Time Deposits	
- 3.7		15.7	15.6	16.3	Billion $	U.S. Government Securities	
+ 9.6		20.6	20.2	18.8	Billion $	Other Securities	
+ 5.0		28,353p	28,155	27,004	Million $	Total Reserves[8]	MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS
+ 5.4		28,186p	27,995	26,753	Million $	Required Reserves	
-33.1		168p	160	251	Million $	Excess Reserves	
-27.6		881p	1,398	1,217	Million $	Borrowings from FRB	
- 2.2		74.2	75.4	75.8	Percent	Ratio of Loans to Total Deposits—City Banks[4]	
+ 0.7		61.7	61.9	61.3	Percent	Ratio of Loans to Total Deposits—Country Banks[4]	
+ 5.7		136.0	135.7	128.7	Index, sa	Consumer Price Index[9]	MEASURES OF PRICE LEVELS
- 0.9		114	118	115	Index, sa	Prices Received by Farmers[9]	

SOURCES

PERSONAL INCOME: U.S. Department of Commerce, Office of Business Economics

SAVINGS AND LOAN ASSOCIATIONS: Federal Home Loan Bank Board

CASH RECEIPTS FROM FARM MARKETINGS: U.S. Department of Agriculture

FINANCIAL DATA OF MEMBER BANKS: Federal Reserve Bank of Minneapolis and Board of Governors of F. R. System

CONSUMER PRICE INDEX: U.S. Department of Labor, Bureau of Labor Statistics

PRICES RECEIVED BY FARMERS: U.S. Department of Agriculture and Minnesota Farm Price Report

NINTH DISTRICT production and employment

	INDICATOR	UNIT	1970 AUGUST	1970 JULY	1969 AUGUST	Percent Change AUG.-AUG.
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION	Total Industrial Production*					
	Electrical Energy Consumption: Mfg. and Mining[1]	Index, sa	270	273	262	+ 3.1
	Production Worker Manhours:[1]	Index, sa	123p	124	124	- 0.8
	Manufacturing	Index, sa	132p	133	133	- 0.8
	Mining	Index, sa	84p	81	82	+ 2.4
	Total Construction Contracts Awarded	Million $, sa	n.a.	135.2	159.6	
	Residential Buildings	Million $, sa	n.a.	43.9	54.7	
	Nonresidential Buildings	Million $, sa	n.a.	42.3	58.9	
	All Other Construction	Million $, sa	n.a.	49.0	46.0	
	Bldg. Permits: New Housing Units[2]	Number	3,038	2,107	2,542	+19.5
MEASURES OF MANPOWER UTILIZATION	Civilian Work Force[3]	Thousands, sa	2,545e	2,559p	2,538	+ 0.3
	Total Civilian Employment	Thousands, sa	2,421e	2,430p	2,450	- 1.2
	Number Unemployed	Thousands, sa	124e	129p	88	+40.9
	Unemployment Rate[3]	Percent, sa	4.9e	5.0p	3.5	+40.0
	Average Weekly Hours in Manufacturing[3]	Hours, sa	40.5e	40.2p	41.2	- 1.7
EMPLOYMENT BY INDUSTRY SECTOR	Wage and Salary Employment, Nonfarm[3]	Thousands, sa	1,905e	1,902p	1,898	+ 0.4
	Manufacturing	Thousands, sa	376e	379p	394	- 4.6
	Mining	Thousands, sa	33e	32p	31	+ 6.5
	Construction	Thousands, sa	94e	91p	97	- 3.1
	Transport., Comm., & Public Utilities	Thousands, sa	130e	129p	133	- 2.3
	Trade	Thousands, sa	462e	464p	456	+ 1.3
	Finance, Insurance & Real Estate	Thousands, sa	89e	89p	87	+ 2.3
	Service Industries	Thousands, sa	314e	311p	307	+ 2.3
	Government	Thousands, sa	407e	407p	393	+ 3.6
MEASURES OF SPENDING	Total Retail Sales*					
	New Passenger Car Registrations	Thousands, sa	n.a.	n.a.	19.8	
	Bank Debits[4]	Billion $, saar	162.4	167.7	157.9	+ 2.8

NOTES

e – Partially estimated; all data not available

n.a. – Data not available

p – Preliminary; subject to revision

r – Revised

sa – Seasonally adjusted data

* – U.S. and District do not have comparable data

saar – Seasonally adjusted annual rate

FOOTNOTES

1. Index: 1957-59 Base Period
2. A sample of permit issuing centers
3. Excluding Northwestern Wisconsin
4. Six standard metropolitan statistical areas
5. A sample of centers blown up to represent total permits issued
6. 226 centers excluding the seven leading centers

UNITED STATES production and employment

Percent Change AUG.-AUG.	1970 AUGUST	1970 JULY	1969 AUGUST	UNIT	INDICATOR	
- 2.9	169p	169	174	Index, sa	Total Industrial Production	MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION
					Electrical Energy Consumption: Mfg. and Mining*	
- 7.5	111p	110	120	Index, sa	Production Worker Manhours:[1]	
- 7.3	114p	113	123	Index, sa	Manufacturing	
	84p	82	84	Index, sa	Mining	
- 5.1	5,426.0	5,628.9	5,716.9	Million $, sa	Total Construction Contracts Awarded	
- 2.1	2,119.8	2,175.6	2,164.9	Million $, sa	Residential Buildings	
- 5.9	2,107.0	2,241.7	2,239.9	Million $, sa	Nonresidential Buildings	
- 8.6	1,199.2	1,211.6	1,312.1	Million $, sa	All Other Construction	
+ 7.4	114.4p	117.6	106.5	Thousands	Bldg. Permits: New Housing Units[5]	
+ 2.1	82,676p	82,831	80,987	Thousands, sa	Civilian Work Force	MEASURES OF MANPOWER UTILIZATION
+ 0.4	78,445p	78,638	78,142	Thousands, sa	Total Civilian Employment	
+48.7	4,231p	4,175	2,845	Thousands, sa	Number Unemployed	
+44.7	5.5p	5.1	3.8	Percent, sa	Unemployment Rate	
- 1.7	39.9p	40.1	40.6	Hours, sa	Average Weekly Hours in Manufacturing	
+ 0.1	70,543p	70,635	70,497	Thousands, sa	Wage and Salary Employment, Nonfarm	EMPLOYMENT BY INDUSTRY SECTOR
- 4.5	19,338p	19,411	20,246	Thousands, sa	Manufacturing	
	621p	618	621	Thousands, sa	Mining	
- 4.2	3,275p	3,314	3,420	Thousands, sa	Construction	
+ 1.5	4,524p	4,539	4,457	Thousands, sa	Transport., Comm., & Public Utilities	
+ 1.5	14,931p	14,939	14,713	Thousands, sa	Trade	
+ 2.4	3,667p	3,676	3,580	Thousands, sa	Finance, Insurance & Real Estate	
+ 2.8	11,563p	11,537	11,248	Thousands, sa	Service Industries	
+ 3.4	12,624p	12,601	12,212	Thousands, sa	Government	
+ 4.4	30,647p	30,739	29,346	Million $, sa	Total Retail Sales	MEASURES OF SPENDING
	n.a.	n.a.	773.4	Thousands, sa	New Passenger Car Registrations	
+ 8.9	3,310.1	3,385.4	3,038.9	Billion $, saar	Bank Debits[6]	

SOURCES

INDUSTRIAL PRODUCTION: Board of Governors of F.R. System

INDUSTRIAL USE OF ELECTRIC POWER: Federal Reserve Bank of Minneapolis

PRODUCTION WORKER MANHOURS: Federal Reserve Bank of Minneapolis

CONSTRUCTION CONTRACTS AWARDED: Board of Governors of of F. R. System, F. W. Dodge Corporation data

NEW HOUSING UNITS AUTHORIZED: Federal Reserve Bank of Minneapolis and U.S. Department of Commerce, Bureau of Census

BANK DEBITS: Board of Governors of F. R. System

EMPLOYMENT, UNEMPLOYMENT, HOURS AND WAGES:
Employment Security Departments; Minnesota, North Dakota, South Dakota, Montana, Michigan, and U.S. Department of Labor, Bureau of Labor Statistics

RETAIL SALES: U.S. Department of Commerce, Bureau of Census

NEW PASSENGER CAR REGISTRATIONS: Automotive News Magazine

FARM AND REAL ESTATE VALUES

RISE IN VALUE OF FARMLAND SLOWS AS TIGHT CREDIT RESTRICTS DEMAND

Increases in farm real estate prices in the Ninth Federal Reserve District slowed markedly last year. Prices rose an average of 3.6 percent during the year ending March 1, 1970, compared with 5 to 7 percent in the preceding four years. Last year's average rate of price gain in the Ninth District also dropped below that of the nation for the first time in four years.

Many factors have contributed to this lower rate of appreciation in district farmland values. However, the relatively tight credit conditions of the past two years appear to be mainly responsible. Insurance companies normally provide about 20 percent of the credit for farm real estate purchases, but higher rates of return on urban investments, together with greater demand for policy loans have recently drained much of their funds from farmland financing.

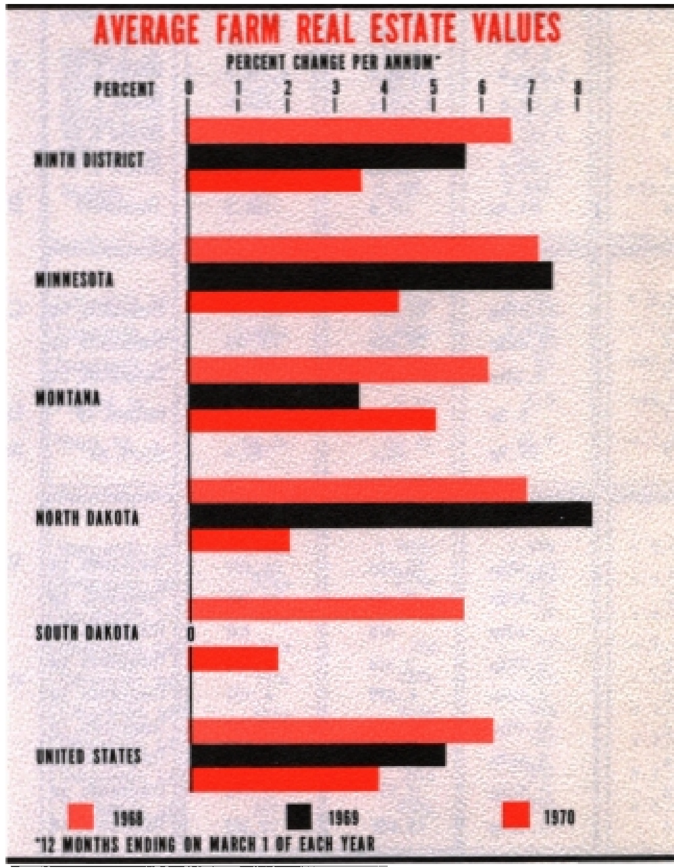
Federal Land Banks usually provide another 20 percent of the total funds for purchasing farmland. The volume of new farm loans from this source declined more than 25 percent between the first halves of 1969 and 1970. In 1969, the Federal Land Banks raised their interest rates in accordance with increases in their costs of obtaining loanable funds. In addition, they tightened other loan requirements.

Partially offsetting the decline in the volume of credit offered by commercial lenders, sellers have increasingly turned to financing their own sales by providing low down payment land contracts. These contracts are short term, and the buyers depend on appreciating farmland values as a basis for refinancing with a commercial source of credit at a future date.

The index of average farmland values, prepared by the U.S. Department of Agriculture, shows that the appreciation in district farmland prices has varied considerably from state to state. The strongest demand for farmland was in Montana where prices rose 5.1 percent during the year ending in March 1970. During 1968 and 1969, prices in Montana rose 6.2 percent and 3.5 percent, respectively. The recent relative strength was probably caused by the strong demand for livestock, from which about 66 percent of gross farm income in this state is obtained. In addition, the installation of irrigation facilities is increasing the productivity of land used for both row crops and livestock pastures. This probably further strengthened the value of farmland in this state.

Minnesota farmland prices also held up fairly well in 1970, but the 5.1 percent increase last year was down from the 7 percent gains registered in 1968 and 1969. Farm expansion buyers, particularly in the southern areas, have contributed to the rise in real estate prices. Urban development, especially in the areas surrounding the Twin Cities, has led to nonagricultural premiums on farmland prices. In contrast, land prices in the northern dairy and wheat producing areas have slipped over the past two years.

Farmland prices have been weakest in the Dakotas. In North Dakota, prices rose only 2.4 percent during 1970 after increases ranging from 6.8 to 8.3 percent during each of the three preceding years. In South Dakota, average farmland prices increased only 1.8 percent during 1970 following a year of unchanged prices. Since the Dakotas are primarily wheat growing areas, the increasing volume of stored surplus



wheat may have darkened the outlook for the profitability of wheat production and thus limited the gains in value of wheat producing land.

Because the two Dakotas are the least urbanized states in the district, the nonfarm demand for farm real estate is limited. Uncertainty about the general economy and future farm programs may also have caused some of the slowdown in the appreciation of farmland prices in these two states.

Farm real estate values in the Ninth District will probably continue to rise at a slow rate through the end of this year since the amount of credit available for farmland purchases is likely to remain tight. In the Dakotas and Minnesota, increases should be slight, while in Montana, farm real estate prices will probably continue to rise at about the same rate as in recent years.