

## monthly statistical report

# NINTH DISTRICT CONDITIONS

## federal reserve bank of minneapolis

### DISTRICT ECONOMY STRENGTHENS FURTHER BUSINESS INDICATORS PROMPT OPTIMISM

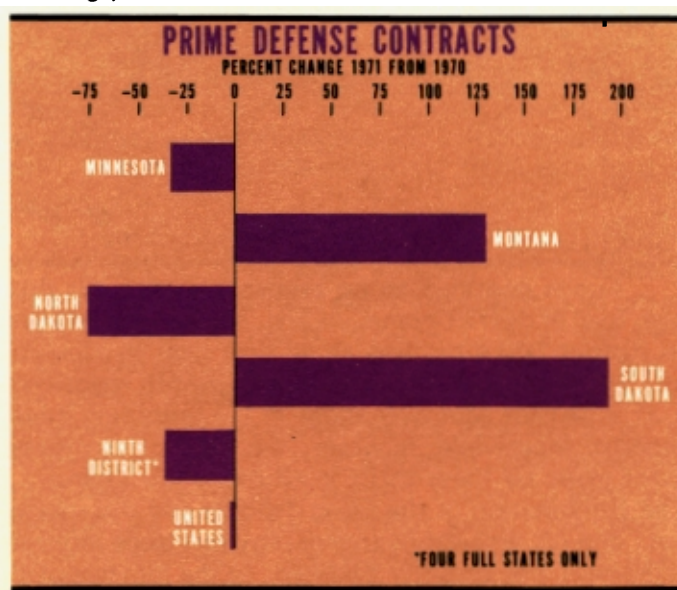
Several important indicators suggest that the district's economy improved in early 1972. This strengthening was especially evident in reports of district business activity, as gains occurred in the average weekly hours worked in manufacturing, the help wanted advertising index, and the industrial use of electric power. Preliminary estimates indicating that in February the district's unemployment rate remained near its January low offer further encouragement.

Various significant business indicators strengthened in early 1972. The average weekly hours worked in manufacturing increased in February and in the three-month period ending in February became 1.3 percent greater than in the preceding three months. In addition, the district help wanted advertising index advanced in February for the third consecutive month and rose 11.7 percent in the three-month period ending in February. After remaining essentially flat since last September, furthermore, district industrial use of electric power increased in both January and February, climbing 5.4 percent above its 1971 fourth-quarter level in February.

Because growth in employment outpaced the

expansion in the labor force, the district's rate of joblessness during the first two months of 1972 stayed encouragingly below its fourth-quarter level. The district's unemployment rate, seasonally adjusted, after averaging 5.6 percent in that fourth quarter, fell to 5.3 percent in January and, according to preliminary estimates, increased only slightly, to 5.4 percent, in February. Meanwhile, national unemployment decreased from 5.9 to 5.7 percent between January and February.

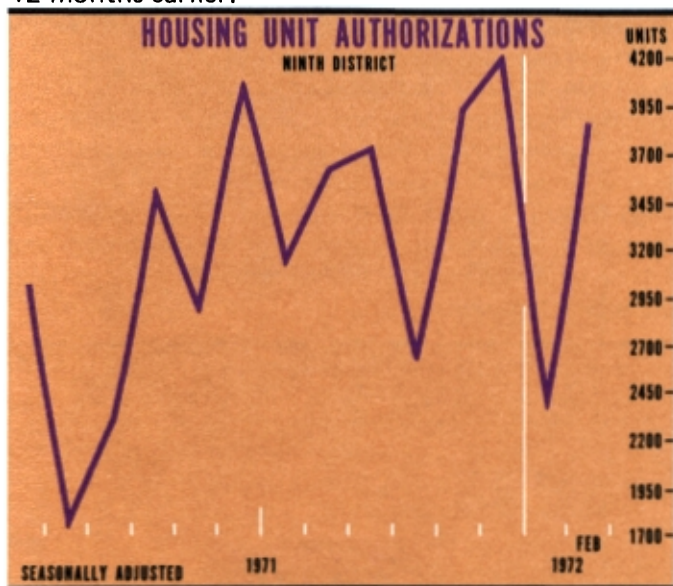
Additional optimism is prompted by the considerable rises in both nominal and real wages of Minneapolis/St. Paul manufacturing production workers between January 1971 and 1972. After only a very slight gain in the preceding 12 months, these workers' average weekly earnings increased 12.5 percent during this period, mainly due to 7.2 percent higher average hourly wages and a 1.6 hours longer workweek. This large rise is only somewhat reduced when nominal earnings are adjusted for corresponding price increases. The Minneapolis/St. Paul consumer price index grew only 3.1 percent between January 1971 and 1972, a drop from the previous 4.8 percent gain. As a result, the real average weekly earnings of these workers rose 9.1 percent during 1971 after declining 4.4 percent the preceding year.



Recent improvements in district economic activity occurred despite low defense spending. The total value of prime defense contracts awarded to district states fell from 1970's \$788.9 million to \$499.0 million in 1971. In Minnesota, where defense spending is largely confined to procurement of military goods, these contracts declined 34.0 percent between those two years to \$360.3 million, 49 percent below the high of 1968. Contrastingly, those awarded in Montana climbed from \$30.6 million in 1970 to \$70.2 million in 1971 while defense spending allocated to North Dakota fell from \$191.0 million to \$45.5 million; these large year-to-year fluctuations can be attributed to the timing of large construction contract awards. Prime defense contracts awarded in South Dakota, meanwhile, rose from \$7.9 million to \$23.0 million between 1970 and 1971.

### DISTRICT HOMEBUILDING REMAINS ROBUST MORTGAGE FUNDS CONTINUE TO EXPAND

District housing activity has apparently remained strong in early 1972. Although advancing only 1.5 percent between the three-month period ending in February and the previous three months, the number of district housing units authorized by building permits, seasonally adjusted, during the December-February period was still at a very high level and exceeded year-earlier authorizations by 44.4 percent. In the same three-month period, the number of national housing unit authorizations rose 8.0 percent from the preceding three months and was up 30.0 percent from 12 months earlier.



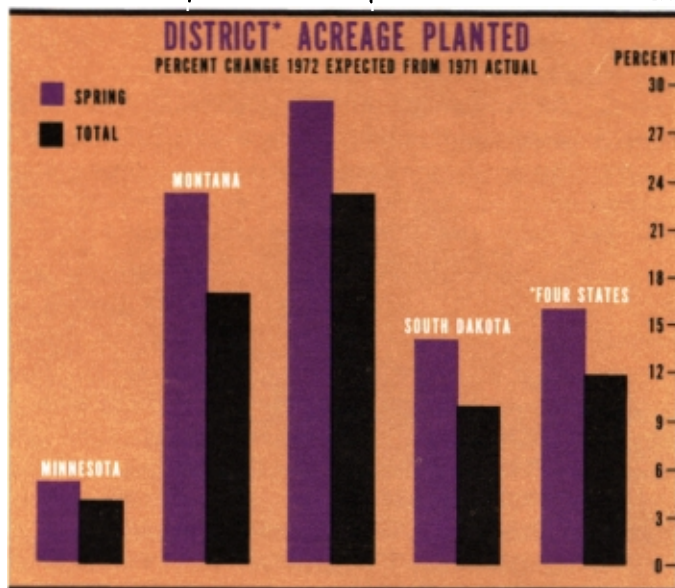
Funds continue to be available to support this high level of district homebuilding. Net savings inflows to district S&Ls reached an all-time high in January and in the three months ending that month registered a 31.3 percent gain over those in the preceding three months. Meanwhile, however, the value of mortgage loans made by these thrift institutions fell 3 percent. The combination of the rising deposits and this easing loan growth probably explains why mortgage interest rates have also recently declined. In the Minneapolis/St.

Paul metropolitan area, for example, the interest on a conventional mortgage loan fell from 8.0 percent last November to between 7.50 and 7.75 percent in March.

District nonresidential construction has progressed in the last few months as well. In the three months ending in February the value of nonresidential building permits, seasonally adjusted, more than doubled that of the preceding three months. This spurt in nonresidential building can be attributed primarily to two large public construction projects in the Minneapolis/St. Paul metropolitan area.

### MAJOR CROP ACREAGE EXPECTED TO RISE MAINLY DUE TO LARGER SPRING PLANTINGS

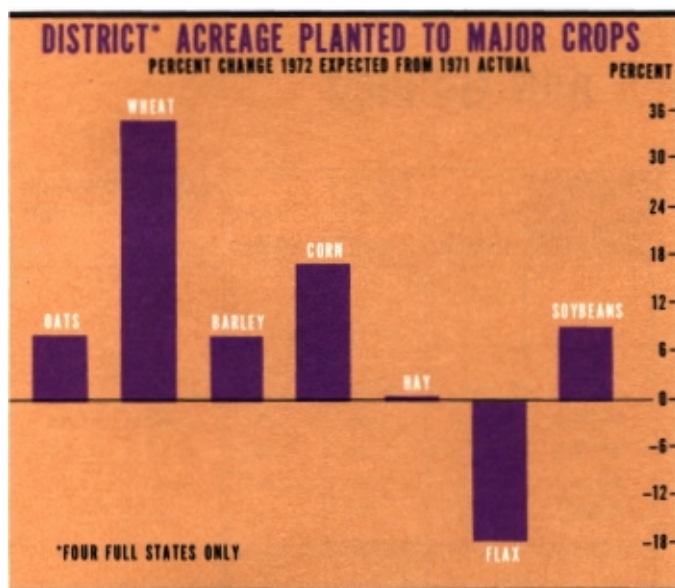
The total amount of district farmland devoted to major crops in 1972 is expected to reach about 58 million acres, according to the U. S. Department of Agriculture's annual survey of farmer planting intentions. This represents a 13 percent increase over the



total acreage actually harvested in 1971 and primarily results from the larger planned spring seedings of corn, wheat, oats, barley, and soybeans.

Farmers intend to raise the district's total corn acreage above last year's already high level by a 28 percent increase in plantings in South Dakota, which usually produces about one-third of the district's total corn output. In Minnesota, where most of the remaining district corn is grown, plantings will almost exactly equal the acreage harvested last fall.

If present intentions are realized, the total district acreage of wheat will swell 35 percent over the 1971 level, mostly as a result of increased plantings of spring wheat other than durum. The acreage of other spring wheat is expected to rise 59 percent over 1971's harvest, the percentage increase being almost equally shared by the four full district states. Durum acreage, almost entirely confined to North Dakota, is expected to decrease by 10 percent. Also expanding 1972's anticipated wheat acreage is the fall-planted acreage of winter wheat, which grew 24 percent from that



actually harvested last year.

More extensive spring plantings of oats and barley are planned as well, mostly in North Dakota. The increase in district oat acreage will result from expansions in the Dakotas and Montana which more than offset a decline in Minnesota. Barley acreage is also expected to increase 7 percent in Montana.

In addition, district farmers plan to expand the amount of land devoted to soybeans, mainly a Minnesota crop, about 9 percent this year. Acreage of flax, however, half of which is grown in North Dakota, is expected to decrease 18 percent. Only hay crops' total acreage, widespread throughout the district, will probably remain relatively unchanged from last year.

### MEMBER BANK DEPOSITS DROP SLIGHTLY BUSINESS LOANS OUTSTANDING RECEDE

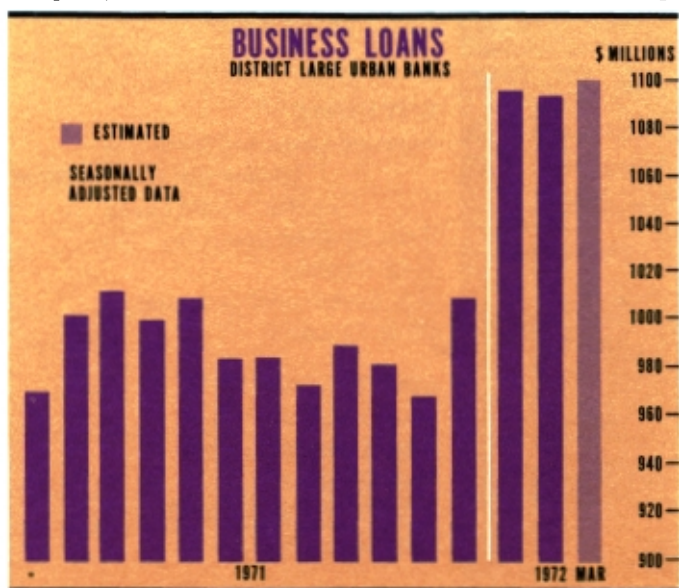
Total deposits at district member banks declined slightly from January to February. The drop was primarily due to a decrease in U. S. government demand deposits, for member bank total deposits excluding them registered a February increase of 16 percent, at a seasonally adjusted annual rate. This advance, somewhat lower than the 25 percent gain in January, reflected a slowdown of inflows to both non-U. S. government demand deposits and total time deposits.

Demand deposits' moderated February advance was widespread throughout district banks, but the slowing of time deposit growth occurred exclusively at large urban banks. The accumulation of consumer-type time and savings deposits at these large banks was not adequate to offset an outflow of large negotiable certificates of deposit. Inflows of time deposits to district rural and small urban banks, meanwhile, continued to advance strongly. In early March, the February pattern of time deposits appeared to be persisting.

In the December-February three-month period, the growth of district demand and time deposits contrasted greatly. Demand deposits at district banks

rose during that period at a 10 percent seasonally adjusted annual rate after a 15 percent gain one year earlier. During the same three months, time deposits increased at a 22 percent rate, thus surpassing all 1971 quarterly gains.

Total loans at district member banks contracted slightly in February after advancing at a seasonally adjusted annual rate of 30 percent the previous month. While business loan expansion at large urban banks was the main cause for January's large growth, a modest drop in business loans coincided with the small decline in February. Business loans edged up in early March, however, as the mid-month corporate dividend and tax date approached. Over a somewhat longer period, from the end of November through



February, business loans outstanding at large urban banks expanded at a rate greater than 50 percent on a seasonally adjusted annual basis.

Total investments at district member banks remained virtually unchanged in February after declining somewhat in January. The sizable gain in investments at large urban banks resulted from increased holdings on non-U. S. government securities more than offsetting a decline in those of the U. S. government. This advance itself was cancelled, however, by the large drop in government securities at rural and small urban banks which was not compensated for by the modest gain in those banks' holdings of other securities.

Loan-deposit ratios at district member banks rose in February above the levels achieved in the preceding month. The 3 percentage point increase at large urban banks, from 71 to nearly 74 percent, was greater than that in the comparable period a year earlier but about the same as the change in February 1970. It primarily reflected a relatively greater decline in deposits than in loans outstanding. At rural and small urban banks the ratio rose 2 points to 59 percent, nearly the same gain experienced in the two previous years. This upward movement reflected the sustained advance in loans outstanding and decreased total deposits.

# NINTH DISTRICT income and finance

I N D I C A T O R		UNIT	1972			1971	Percent Change
			MARCH	FEBRUARY	JANUARY	FEBRUARY	FEB. -FEB.
MEASURES OF CONSUMER INCOME & FINANCIAL POSITION	Total Personal Income*						
	Nonagricultural Personal Income*						
	Average Weekly Earnings in Manufacturing <sup>1</sup>	Dollars	n.a.	155.21e	154.38p	145.15	+ 6.9
	Consumer Installment Credit Outstanding <sup>2</sup>	Million \$	n.a.	1,486	1,481	1,344	+10.6
	Time and Savings Deposits at Member Banks	Million \$	6,646	6,618	6,581	5,716	+15.8
	Savings Balances at Savings & Loan Assoc. <sup>3</sup>	Million \$	n.a.	4,541	4,481	3,849	+18.0
	Cash Farm Receipts <sup>3</sup>	Million \$	n.a.	342	450	302	+13.2
MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS	CITY BANKS <sup>4,5</sup>						
	Adjusted Loans and Discounts <sup>6</sup>	Million \$	2,865	2,777	2,812	2,476	+12.2
	Commercial and Industrial Loans	Million \$	1,277	1,221	1,234	1,130	+ 8.1
	Real Estate Loans	Million \$	526	500	501	448	+11.6
	Gross Demand Deposits	Million \$	2,042	2,084	2,083	1,972	+ 5.7
	Time Deposits	Million \$	1,837	1,872	1,898	1,591	+17.7
	U.S. Government Securities	Million \$	462	477	499	439	+ 8.7
	Other Securities	Million \$	647	664	623	560	+18.6
	COUNTRY BANKS <sup>4,7</sup>						
	Loans and Discounts	Million \$	4,391	4,330	4,301	3,894	+11.2
	Gross Demand Deposits	Million \$	2,374	2,406	2,469	2,167	+11.0
	Time Deposits	Million \$	4,809	4,746	4,683	4,125	+15.1
	U.S. Government Securities	Million \$	1,223	1,191	1,245	1,076	+10.7
	Other Securities	Million \$	1,516	1,518	1,496	1,229	+23.5
	MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS	Total Reserves <sup>8</sup>	Million \$	783	785	838	716
Required Reserves		Million \$	779	780	829	707	+10.3
Excess Reserves		Million \$	4	5	9	9	-44.4
Borrowings from FRB		Million \$	1	1	1	0	+100.0
Ratio of Loans to Total Deposits—City Banks <sup>4</sup>		Percent	74.9	72.0	74.1	70.4	+ 2.3
Ratio of Loans to Total Deposits—Country Banks <sup>4</sup>		Percent	61.1	60.5	60.1	61.9	- 2.3
MEASURES OF PRICE LEVELS		Consumer Price Index <sup>9</sup> Minneapolis	Index	n.a.	n.a.	123.8	n.a.
	Prices Received by Farmers <sup>9</sup> Minnesota	Index	n.a.	119	116	111	+ 7.2

## 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: 1967 Base Period

# UNITED STATES income and finance

Percent Change FEB. -FEB.	1972			1971	UNIT	I N D I C A T O R	
	MARCH	FEBRUARY	JANUARY	FEBRUARY			
+ 7.7		896.9	892.0	832.4	Billion \$, saar	Total Personal Income	MEASURES OF CONSUMER INCOME & FINANCIAL POSITION
+ 7.5		871.7	867.1	810.8	Billion \$, saar	Nonagricultural Personal Income	
+ 7.3		148.40p	147.26	138.29	Dollars	Average Weekly Earnings in Manufacturing	
+11.1		46.0	45.9	41.4	Billion \$	Consumer Installment Credit Outstanding <sup>2</sup>	
+14.9		216.6	214.3	188.5	Billion \$	Time and Savings Deposits at Member Banks	
+19.2		180.5	177.7	151.4	Billion \$	Savings Balances at Savings & Loan Assoc.	
+14.7		3.9	4.7	3.4	Billion \$	Cash Farm Receipts	
+ 8.7		190.8	189.4	175.6	Billion \$	CITY BANKS <sup>4,5</sup>	MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS
+ 2.1		82.5	81.8	80.8	Billion \$	Adjusted Loans and Discounts <sup>6</sup>	
+13.7		39.1	38.8	34.4	Billion \$	Commercial and Industrial Loans	
+ 8.1		146.2	146.8	135.3	Billion \$	Real Estate Loans	
+14.5		144.1	142.8	125.8	Billion \$	Gross Demand Deposits	
- 0.4		27.5	27.8	27.6	Billion \$	Time Deposits	
+14.3		52.6	52.3	46.0	Billion \$	U.S. Government Securities	
						Other Securities	
+12.1		73.3	72.9	65.4	Billion \$	COUNTRY BANKS <sup>4,7</sup>	
+10.0		50.5	50.4	45.9	Billion \$	Loans and Discounts	
+15.6		72.5	71.4	62.7	Billion \$	Gross Demand Deposits	
+ 2.3		17.6	17.9	17.2	Billion \$	Time Deposits	
+23.8		28.1	27.4	22.7	Billion \$	U.S. Government Securities	
						Other Securities	
		n.a.	32,859	29,855	Million \$	Total Reserves <sup>8</sup>	MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS
		n.a.	32,645	29,608	Million \$	Required Reserves	
		n.a.	214	247	Million \$	Excess Reserves	
		n.a.	23	329	Million \$	Borrowings from FRB	
- 1.4		69.3	68.9	70.3	Percent	Ratio of Loans to Total Deposits—City Banks <sup>4</sup>	
- 1.0		59.6	59.9	60.2	Percent	Ratio of Loans to Total Deposits—Country Banks <sup>4</sup>	
+ 3.7		123.8	123.2	119.4	Index, sa	Consumer Price Index <sup>9</sup>	MEASURES OF PRICE LEVELS
+ 8.9		122	120	112	Index, sa	Prices Received by Farmers <sup>9</sup>	

## 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

# UNITED STATES production and employment

Percent Change FEB. - FEB.	1972		1971	UNIT	I N D I C A T O R	
	FEBRUARY	JANUARY	FEBRUARY			
+ 3.1	109.0	108.2	105.7	Index, sa	Total Industrial Production	MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION
+ 1.1	95p	94p	94	Index, sa	Electrical Energy Consumption: Mfg. and Mining*	
+ 1.1	95p	94p	94	Index, sa	Production Worker Manhours: <sup>2</sup>	
- 2.1	94p	92p	96	Index, sa	Manufacturing	
+14.9	7,024.2	8,040.4	6,114.4	Million \$, sa	Mining	
+46.2	3,482.4	3,556.0	2,381.7	Million \$, sa	Total Construction Contracts Awarded	
+10.4	2,191.2	2,004.6	1,984.2	Million \$, sa	Residential Buildings	MEASURES OF MANPOWER UTILIZATION
-22.8	1,350.6	2,479.8	1,748.5	Million \$, sa	Nonresidential Buildings	
	n.a.	n.a.	105.0	Thousands	All Other Construction	
					Bldg. Permits: New Housing Units <sup>6</sup>	
+ 2.6	85,535p	85,707	83,361	Thousands, sa	Civilian Work Force	
+ 2.7	80,623p	80,636	78,475	Thousands, sa	Total Civilian Employment	
+ 0.5	4,912p	5,071	4,886	Thousands, sa	Number Unemployed	EMPLOYMENT BY INDUSTRY SECTOR
- 3.4	5.7p	5.9	5.9	Percent, sa	Unemployment Rate	
+ 1.5	40.4p	40.0	39.8	Hours, sa	Average Weekly Hours in Manufacturing	
+ 1.8	71,686p	71,603	70,391	Thousands, sa	Wage and Salary Employment, Nonfarm	
- 0.3	18,627p	18,611	18,684	Thousands, sa	Manufacturing	
- 1.4	613p	615	622	Thousands, sa	Mining	
+ 1.2	3,236p	3,318	3,198	Thousands, sa	Construction	MEASURES OF SPENDING
- 0.6	4,499p	4,511	4,526	Thousands, sa	Transport., Comm., & Public Utilities	
+ 3.0	15,514p	15,451	15,059	Thousands, sa	Trade	
+ 3.5	3,882p	3,876	3,749	Thousands, sa	Finance, Insurance & Real Estate	
+ 3.2	12,185p	12,135	11,809	Thousands, sa	Service Industries	
+ 3.0	13,130p	13,086	12,744	Thousands, sa	Government	
+ 6.4	34.9	35.0	32.8	Million \$, sa	Total Retail Sales	MEASURES OF SPENDING
	n.a.	803.2	789.6	Thousands, sa	New Passenger Car Registrations	
	n.a.	n.a.	3,507.4	Billion \$, saar	Bank Debits <sup>7</sup>	

## 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 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

# NINTH DISTRICT production and employment

I N D I C A T O R	UNIT	1972		1971	Percent Change		
		FEBRUARY	JANUARY	FEBRUARY	FEB.-FEB.		
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION	Total Industrial Production*						
	Electrical Energy Consumption: Mfg. and Mining <sup>1</sup>	Index, sa	137	135	129	+ 6.2	
	Production Worker Manhours: <sup>2</sup>	Index, sa	101p	99	100	+ 1.0	
	Manufacturing	Index, sa	102p	100	99	+ 3.0	
	Mining	Index, sa	97p	97	102	- 4.9	
	Total Construction Contracts Awarded	Million \$, sa	n.a.	316.8	143.9		
	Residential Buildings	Million \$, sa	n.a.	66.7	72.2		
	Nonresidential Buildings	Million \$, sa	n.a.	75.6	29.9		
	All Other Construction	Million \$, sa	n.a.	174.5	41.8		
	Bldg. Permits: New Housing Units <sup>3</sup>	Number	2,421	1,106	1,086	+122.9	
MEASURES OF MANPOWER UTILIZATION	Civilian Work Force <sup>4</sup>	Thousands, sa	2,697e	2,682p	2,636	+ 2.3	
	Total Civilian Employment	Thousands, sa	2,553e	2,542p	2,499	+ 2.2	
	Number Unemployed	Thousands, sa	144e	140p	137	+ 5.1	
	Unemployment Rate <sup>4</sup>	Percent, sa	5.4e	5.3p	5.2	+ 3.8	
	Average Weekly Hours in Manufacturing <sup>4</sup>	Hours, sa	40.3e	40.1p	40.1	+ 0.5	
	EMPLOYMENT BY INDUSTRY SECTOR	Wage and Salary Employment, Nonfarm <sup>4</sup>	Thousands, sa	1,978p	1,974p	1,926	+ 2.7
Manufacturing		Thousands, sa	368p	366p	356	+ 3.4	
Mining		Thousands, sa	31p	32p	32	- 3.1	
Construction		Thousands, sa	105p	106p	97	+ 8.2	
Transport., Comm., & Public Utilities		Thousands, sa	129p	129p	130	- 0.8	
Trade		Thousands, sa	487p	484p	472	+ 3.2	
Finance, Insurance & Real Estate		Thousands, sa	93p	92p	90	+ 3.3	
Service Industries		Thousands, sa	324p	325p	322	+ 0.6	
Government		Thousands, sa	441p	440p	427	+ 3.3	
MEASURES OF SPENDING		Total Retail Sales*	Thousands, sa	n.a.	n.a.	21.4	
		New Passenger Car Registrations	Billion \$, saar	n.a.	n.a.	174.8	
	Bank Debits <sup>5</sup>						

## 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: 1967 Base Period; Weights: 1967
2. Index: 1967 Base Period; Weights: 1958
3. A sample of permit issuing centers
4. Excluding Northwestern Wisconsin
5. Six standard metropolitan statistical areas
6. A sample of centers blown up to represent total permits issued
7. 226 centers excluding the seven leading centers

# NINTH DISTRICT AGRICULTURAL EXPORTS

## DISTRICT AG EXPORTS GROW IN 1970/71 FOREIGN SALES OF ALL BUT WHEAT SWELL

The Ninth District exported agricultural products worth \$841.0 million in fiscal 1970/71, according to the U. S. Department of Agriculture.\* Although this increase since the mid-60s reflects a slower growth rate than that of district manufactured goods sold abroad, agricultural shippings still currently constitute more than half of the value of total district exports.

Commercial sales have in recent years formed an increasing proportion of district agricultural exports. As agricultural products sold through government surplus disposal programs grew gradually less important between 1963/64 and 1970/71, those sold commercially rose from 60 to 80 percent of the total value of district exports. This shift indicates that agricultural production has become more successfully orientated toward the requirements of foreign markets.

Although wheat is still by far the most important export of district agriculture, its foreign sales have grown only slightly compared to those of other major district farm products. In 1970/71 the export value of wheat and wheat flour was \$328.2 million, at about

and skins) from \$69.1 million to \$120.8 million.

The major products' relative proportions of total district agricultural exports have altered considerably as a result of these developments. Reflecting other products' greater sales growth, wheat and wheat flour's share changed the most, dropping from 52.9 to 39.2 percent of the total value between 1963/64 and 1970/71. Feed grains', livestock products', and soybeans' portions of district foreign agricultural sales all correspondingly grew to approximately 15 percent during that time period.

The leading foreign markets for district products have traditionally been Asia and Western Europe. Of the agricultural exports of 1970/71, Asia purchased more than half the wheat, approximately 40 percent of the feed grains, and about 30 percent of the soybeans and livestock products while half of the soybean and 40 percent of the feed grain exports were shipped to Western Europe. In addition, Latin America imported roughly 20 percent of the wheat shipped abroad that fiscal year.

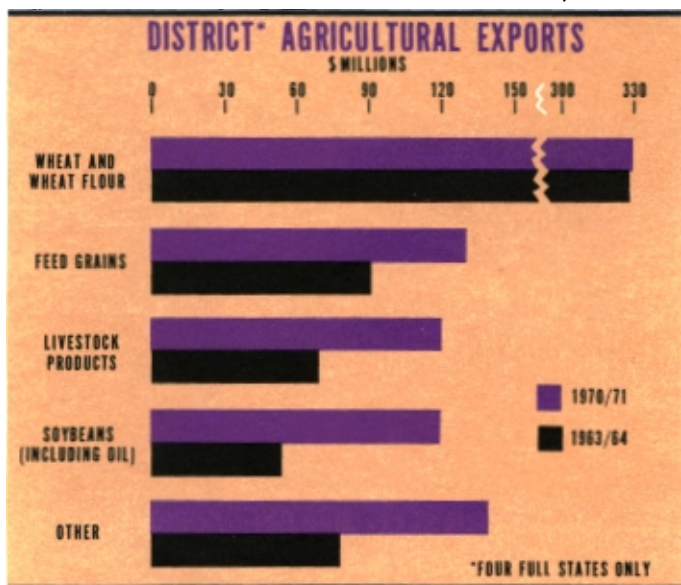
## PROTECTIONISM & PRODUCTION LIMIT GAINS

The growth of district agricultural exports since the mid-1960s has been limited by both rising protectionism in some areas of the world and the increasing self-sufficiency of traditional markets. These will also be the major factors influencing future growth.

Declining sales in traditional markets, especially in Western Europe, have been somewhat offset by the development of new outlets, however. In the past decade, for example, Japan became an important market for spring wheat, which started replacing rice in that nation's diet, and feed grains. As a result, Japan has become the largest customer of U. S. agriculture.

A reversal of the trend of agricultural protectionism abroad and movement toward a more market-oriented international price policy is the present aim of U. S. foreign trade policy, the success of which would greatly profit agricultural exports of the Ninth District. Considering the needs of expanding livestock industries abroad, it would ensure further growth of feed grain and soybean exports and could create additional potential for wheat sales in foreign markets as well. A liberalization of international agricultural trade would also increase competition for domestic dairy products and meat, however.

Exports of agricultural products currently contribute an estimated 12 to 15 percent of district farm income. While only very small proportions of district dairy products and meat are sold abroad, more than half of the wheat produced, over 40 percent of the soybeans, and approximately 20 percent of the feed grains go to foreign markets. The future of agricultural exports will obviously be of considerable importance to the Ninth District economy.



the same level as the \$328.2 million in 1963/64. Exports of feed grains, meanwhile, swelled from \$91.5 million to \$131.6 million. In addition, sales of soybeans and livestock products abroad showed considerable strength between 1963/64 and 1970/71; exports of soybeans, including soybean oil, rose from \$53.9 million to \$119.5 million and those of livestock products (lard and tallow, dairy products, meat, hides

\*This article is based on data in "U.S. Agricultural Export Shares by Regions and States" within the U. S. Department of Agriculture's Foreign Agricultural Trade of the United States published in October 1971. Individual state shares of total U. S. exports are estimated on the basis of each state's contribution to national output as shown by production and sales statistics; they do not necessarily correspond to actual shipments. Data are available only for the four full states of the Ninth District: Minnesota, Montana, North Dakota, and South Dakota.

# NINTH DISTRICT CONDITIONS

## federal reserve bank of minneapolis

**CORRECTION:** The article appearing in the April 13, 1972, issue of *Ninth District Conditions* on the topic of farmer planting intentions contained errors in the figures comparing 1972 intentions with 1971 harvested acreage. The article is reprinted below in corrected form. The general effect of the corrections is to considerably reduce year-to-year percentage increases reported in the April issue.

### MAJOR CROP ACREAGE EXPECTED TO RISE SPRING-PLANTED WHEAT ACREAGE FALLS

The total amount of district farmland devoted to major crops in 1972 is expected to reach about 58 million acres, according to the U. S. Department of Agriculture's annual survey of farmer planting intentions. This represents a 2 percent increase over the total acreage actually harvested in 1971 and results from the larger planned spring seedings of corn, oats, barley, and soybeans and the larger fall-planted acreage of winter wheat.

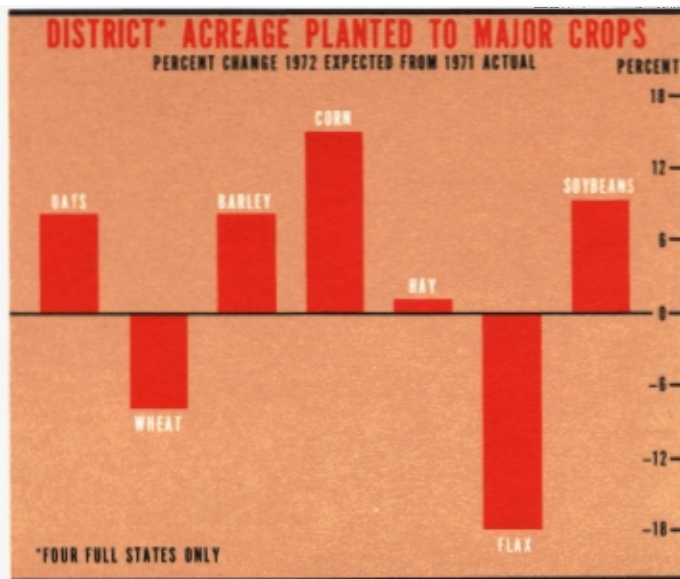
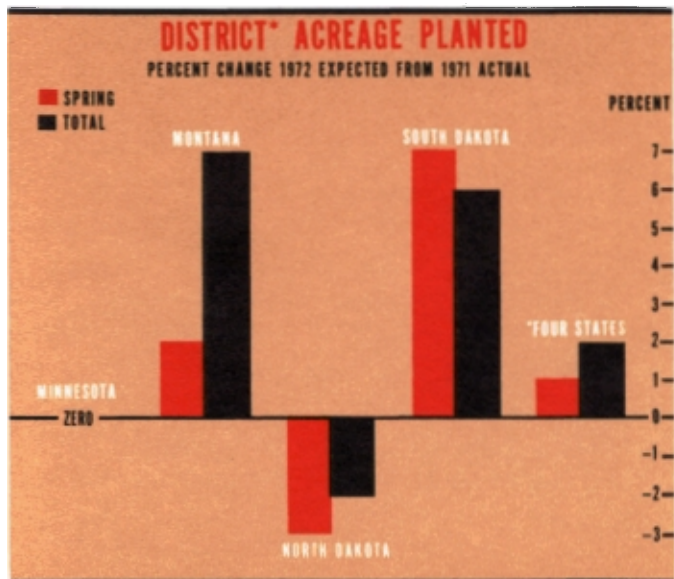
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If present intentions are realized, the total district acreage of wheat will fall 8 percent from the 1971

level, mostly as a result of decreased plantings of spring wheat other than durum. The acreage of other spring wheat is expected to fall 15 percent from 1971's harvest. Durum acreage, almost entirely confined to North Dakota, is expected to decrease by 10 percent. The fall-planted acreage of winter wheat grew 24 percent from that actually harvested last year.

More extensive spring plantings of oats and barley are planned, mostly in North Dakota. The increase in district oat acreage will result from expansions in the Dakotas and Montana which more than offset a decline in Minnesota. Barley acreage is also expected to increase 7 percent in Montana.

In addition, district farmers plan to expand the amount of land devoted to soybeans, mainly a Minnesota crop, about 9 percent this year. Acreage of flax, however, half of which is grown in North Dakota, is expected to decrease 18 percent. Only hay crops' total acreage, widespread throughout the district, will probably remain relatively unchanged from last year.

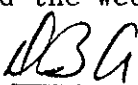


FEDERAL RESERVE BANK OF MINNEAPOLIS  
OFFICE MEMORANDUM

Date: May 5, 1972 ✓  
To: Messrs. MacLaury, Strothman, Van Nice, Olin, Hammill  
From: Dave Arnold, Research Department  
Subject: Error in the April 13 Issue of Ninth District Conditions File Code: 4.7c

You may receive comments or questions from the public regarding district acreage planting intentions reported in our April issue of Ninth District Conditions. Data we reported showed that there would be very large acreage increases this year as the result of an error on my part. The distortion mainly involved figures for North Dakota. A complete description of the error and what has been done about it is included in the attached materials. I have also attached a printer's page proof of the corrected version of my erroneous article. A copy of this corrected version will be enclosed with the May issue which will be mailed the week of May 8-12.

Attachments

  
DBA:lh

FEDERAL RESERVE BANK OF MINNEAPOLIS  
OFFICE MEMORANDUM

Date: May 5, 1972 File Code:

To: Mr. MacLaury, President  
Mr. Nelson, Vice President and Director of Research

From: Dave Arnold

Subject: Error in the April 13 Issue of Ninth District Conditions

The error which occurred was really a composite of two errors. The first was an oversight committed when the programmers were working with me in setting up data bank storage and processing of the annual agricultural data series. A long-established practice in our former, manual data processing procedures labeled spring wheat that is not durum as simply "Spring Wheat." About nine months ago, the programmers were meeting fairly regularly with me to discuss their work in incorporating the processing of agricultural data into the package of data bank routines. It was our practice for them to first go through the old data books, then bring these books to me and we would go over them discussing questions raised and whatever ways we saw for clarifying the summary products. When we covered annual crop production, I regrettably forgot the old idiosyncrasy in spring wheat data. I mentioned to the programmers that durum is a spring wheat, which it is, but I erroneously instructed them to label the old "Spring Wheat" series as "Spring Wheat (Including Durum)." Meanwhile, the data clerks, following a much older set of instructions were dutifully filling these data series with USDA figures which were labeled "Spring Wheat Other Than Durum." About six months ago, summarizing agricultural data for my use was completely transferred to the computer. The computer output indicated that the figures for spring wheat included durum, which was incorrect, and also removed the need for me to use the data source document, which formerly had effectively reminded me of the misnomer in our books.

Subject: Error in the April 13 Issue of Ninth  
District Conditions

File Code:

This first error might have gone unnoticed for some time were we not now on such a tight schedule with NDC. If the recent data had been run through data bank procedures, as was originally planned, we would have been making year-to-year comparisons on the same series throughout the process which, in the case of the spring wheat series, would have masked our definitional problem. But as it turned out, when the time arrived to do the "planting intentions article" we had not yet received the data from Washington. I called the USDA and received by telephone the planting intentions for district major crops including, by correct specification, the intended acreage of spring wheat other than durum. Noticing that this specification was different from the one listed in the data bank output, I proceeded to make them consistent (I thought) by deducting the durum acreage from what I thought was the total spring wheat acreage in the year-ago figures presented by the data bank output. This amounted to what, in fact, was a double deduction and accounts for the great year-over-year increases reported in the erroneous NDC article.

The second error was that when I picked up the incorrect year-ago figure and performed the improper deduction, I ironically used data for an incorrect year -- using 1970 figures rather than data for 1971. This occurred in no other data series in which I made comparisons in constructing the article. In the present computer-summary procedures, data for successive years are presented in successive panels on a page. I can only rationalize my second error by suggesting that I inadvertently "jumped panels" when copying this data to manually make the needed comparisons.

I deeply regret the errors made. It is embarrassing that I did not notice the incredible magnitudes of the year-to-year changes I was reporting.

Subject: Error in the April 13 Issue of Ninth  
District Conditions

File Code:

Wheat acreages in the district are variable in year-to-year terms but figures indicating an increase of 59 percent should have been investigated.

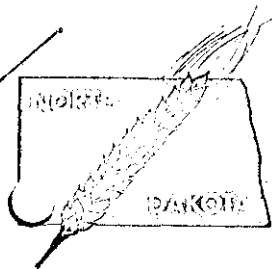
The labeling problem in the data bank routines has been corrected. But I intend to take two additional measures to see that these types of errors are not repeated. First, I intend to ask the programmers to expand the printing of summary material so as to provide greater separation between groups of data for different time periods. Second, I intend to discuss with them the feasibility of computing averages and standard deviations for period-to-period changes in agricultural data. These values could be placed on the output summaries for recent data where they could remind the analyst of the ranges of "normal" changes for the various series.

I have attached to this memorandum the letter from Mr. Charles A. Nelson of the North Dakota State Wheat Commission which calls our attention to the error and draft copies of suggested replies I have prepared to Mr. Nelson and to the editor of the DAILY MARKET RECORD, a grain-trade newspaper that reported the essence of my erroneous article. A copy of the article from the DAILY MARKET RECORD is also attached.

  
DBA:mm

Attachments

cc: Richard Herder



# State Wheat Commission

316 NORTH FIFTH STREET • P. O. BOX 956 • PHONE 224-2498  
BISMARCK, NORTH DAKOTA 58501

April 27, 1972

Ninth District Federal Reserve Bank  
of Minneapolis  
Minneapolis  
Minnesota 55415

Attention: Editor, Monthly Statistical Report

Dear Sir:

Reference is made to your Monthly Statistical Report, Volume 6, Issue 4, issued April 13, 1972. My particular interest is the section entitled "Major Crop Acreage Expected to Rise Mainly Due to Larger Spring Plantings". I refer particularly to the paragraph which states "the acreage of other spring wheat is expected to rise 59 percent over 1971's harvest, the percentage increase being almost equally shared by the four full district states." I must respectfully challenge the validity of that statement based on USDA statistics presented in the following table:

## SPRING WHEAT OTHER THAN DURUM

	Acres Harvested 1971	-000-	Intended Acres 1972	Percent Change
N.D.	6,514		5,410	-17%
S.D.	1,595		1,302	-18%
Minn.	1,437		1,345	- 6%
Montana	2,327		2,070	-11%
	11,873		10,127	-15%

Sources: USDA Crop Production, 1971 Annual Summary (Harvested Acres) Published Jan. 14, 1972, p. B-25

USDA Crop Production, Prospective Plantings for 1971 (Intended acres) Published March 16, 1972, p. B-9

The above table would indicate that in the four states of North Dakota, South Dakota, Minnesota and Montana, there will be an actual decrease of 15% in planted

Ninth District Federal Reserve Bank  
April 27, 1972  
Page 2

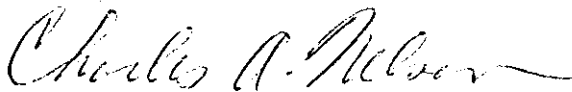
acreage in 1972 compared to the harvested acres in 1971. This is considerably different than a 59% increase.

Your statement that the durum acreage in North Dakota is expected to decrease by 10% from 1971 is accurate, and on a national basis, the intended acreage is 12% down from the acreage planted in 1971. I would accept your statement that winter wheat planted in the four states mentioned above will increase by 24% from the harvested acreage in 1971. Considering the decrease in spring wheat acreage planting intentions in the above table, I would, however, challenge your statement that the total district acreage of wheat will swell 35% over the 1971 level.

Your monthly statistical report was cited in a story published in the April 20 issue of the Daily Market Record published in Minneapolis and circulated to the Grain Trade there and quite widely in the state of North Dakota. Any stories printed in such publications can have a very direct affect on the wheat market. Your statistics regarding a rather drastic increase in spring wheat acres would be a bearish factor weighing heavily on an already depressed wheat market.

My comments are intended to be of a constructive nature and I hope they are accepted as such. I would like to have your reflections and in addition, if you have a source for statistics on planting intentions other than USDA, I would be pleased to learn of this.

Yours truly,



CHARLES A. NELSON  
Marketing Specialist

CAN/jal

FEDERAL RESERVE BANK OF MINNEAPOLIS

MINNEAPOLIS, MINNESOTA 55480

AREA CODE 612 333-0361

May 4, 1972

Mr. Charles A. Nelson, Marketing Specialist  
North Dakota State Wheat Commission  
P.O. 956  
Bismarck, North Dakota 58501

Dear Mr. Nelson:

Thank you for calling our attention to data we published in our April 13 issue of Ninth District Conditions. Regretfully, we acknowledge publishing erroneous information. Our error involved incorrect processing of the USDA data pertaining to last year's harvest of spring wheat. Specifically, the number of acres of spring wheat other than durum that we recorded as harvested in our district states during 1971 was far too low. This gave us greatly inflated year-over-year acreage increases in comparison to this year's planting intentions. As you suggested, the error also caused distortions in the year-to-year comparisons for total crop acreages of wheat, spring-planted crops and all district major crops combined.

As a result of your calling our attention to this problem, we have taken the following actions:

1. We have produced a corrected version of the article which will be enclosed with the next issue of Ninth District Conditions.
2. We have notified the editor of the Daily Market Record of our error and transmitted the corrected information to him.
3. We have corrected the "computer error" that was involved.
4. We have begun work on a system of error-checking procedures which will become part of our regular processing of our annual agricultural data.

It is true, unfortunately, that our error related mostly to North Dakota. Data pertaining to North Dakota was the main source of the overall distortion as North Dakota is the nation's leading spring wheat producer.

Mr. Charles A. Nelson

2

May 4, 1972

Also, being the main producer of spring wheats, North Dakota had the most to lose from any bearish market factors that may have developed from our erroneous report. We hope that our responses to your comments have set the record straight.

Very cordially,

A handwritten signature in cursive script, appearing to read "David B. Arnold".

David B. Arnold  
Economist

DBA:mm

FEDERAL RESERVE BANK OF MINNEAPOLIS  
MINNEAPOLIS, MINNESOTA 55480

AREA CODE 612 333-0361

May 5, 1972

The DAILY MARKET RECORD  
404 Grain Exchange  
Minneapolis, Minnesota

Attention: Editor

Dear Sir:

We regret to inform you that an article carried in the April 20 issue of your paper reported information published by our bank which has been found to be incorrect. Your article was titled: "Upper Midwest to Gain 13% on Major Crops." The data that your article cited was published in the April 13 issue of Ninth District Conditions and concerns changes from last year's harvested acreages which are formed by the 1972 intended acreages of major crops in the states of the Ninth Federal Reserve District. The error, which was in figures used for the 1971 harvested acreages of spring wheat other than durum, distorted the year-to-year comparisons of the total district acreage for these other types of spring wheats, for the total acreage of all wheat grown in the district, and for the total district acreage of all major crops.

The total intended district acreage of major crops in 1972 is up by 2 percent (not 13 percent) over the total number of acres actually harvested in 1971. The total district acreage of wheat will decrease by 8 percent (not increase by 35 percent), and the acreage of spring wheat other than durum will decrease by 15 percent (not increase by 59 percent).

Other information in our article is correct except for the second line of the heading which stated that the rise in district major crop acreage is "mainly due to larger spring plantings." Actually, the 2 percent rise in total intended major crop acreage is about half attributable to spring plantings and half to the considerable increase in last fall's plantings of winter wheat.

A corrected version of our erroneous article will be enclosed with the next issue of Ninth District Conditions. We hope that you will accept our apologies for the gross inaccuracies.

Very cordially,



David B. Arnold  
Economist

## Minnesota Weekly Weather and Crop Report

**Crop and Livestock Situation**  
(Monday, April 17, 1972) — Rains last week continued to hold up field work in nearly all areas of the state. The only area in which substantial field work was done is in the drier areas of the southwest district where small grains are being seeded.

Over the northern two-thirds of the state, topsoil moisture is surplus, with subsoil moisture generally adequate to surplus. Both topsoil and subsoil moisture supplies are mostly adequate through the southern third.

As of Monday, April 17, an estimated 2 per cent of the state's oat acreage is seeded, primarily in the southwest district. This compares with the average for the last five years of 12.8 per cent seeded by this date.

Virtually no spring wheat or barley is yet seeded. Normally 10.8 per cent of the spring wheat and 6.4 per cent of the barley would be seeded by April 17.

Most winter wheat, winter rye, hay fields, and pastures remained dormant.

**Weekly Weather April 17, 1972:**  
Temperatures were normal across the state during the week. Highest temperature was 74 degrees on the 15th at East Grand Forks and on the 16th at LaCrescent. The lowest temperature was 18 degrees on the 11th at Wadena.

UPPER MIDWEST TO REACH 58 MILLION

# Upper Midwest to Gain 13% on Major Crops

## Minnesota Stays Same on Corn

From 'Ninth District Conditions,' the monthly statistical report of the Federal Reserve Bank of Minneapolis.

The total amount of district farmland devoted to major crops in 1972 is expected to reach about 58 million acres, according to the U. S. Department of Agriculture's annual survey of farmer planting intentions.

This represents a 13 per cent increase over the total acreage actually harvested in 1971 and primarily results from the larger planned spring seedings of corn, wheat, oats, barley, and soybeans.

Farmers intend to raise the district's total corn acreage above last year's already high level by a 28 per cent increase in plantings in South Dakota, which usually produces about one-third of the district's total corn output.

In Minnesota, where most of the remaining district corn is grown, plantings will almost exactly equal the acreage harvested last fall.

## So. Dakota Weekly Weather, Crop and Livestock Report

**SIOUX FALLS, S. D.**—Weekly temperatures averaged up to 5 degrees above normal for the week ending April 17, according to the South Dakota Crop and Livestock Reporting Service and the National Weather Service. Extremes ranged from 15 degrees near Wessington Springs on the 11th to 78 degrees at Yankton on the 13th.

Most precipitation fell as rain and snow during the mid-week. Amounts generally ranged from less than .10 inch to over 1.50 inches. Most snow melted soon after it fell.

Field work was slowed the past week by cool, wet weather, particularly over the northern two-thirds of the state. The southern one-third made rapid progress last week. Spring seeding of small grains in the southwest area is reported as over three-fourths complete.

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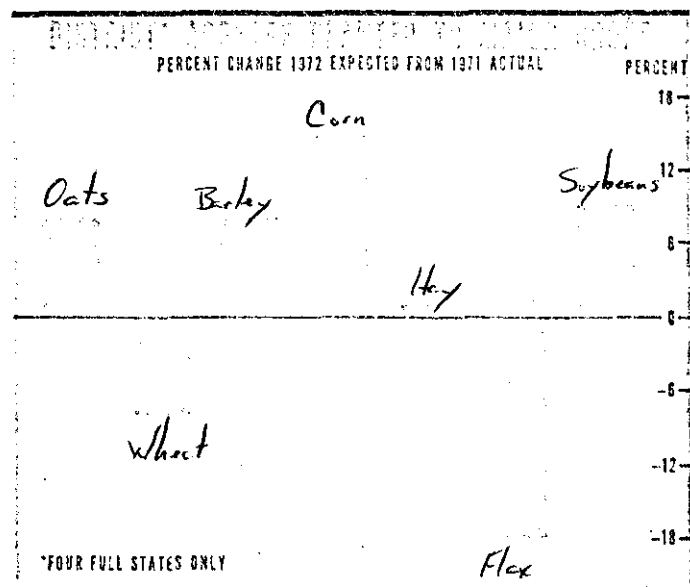
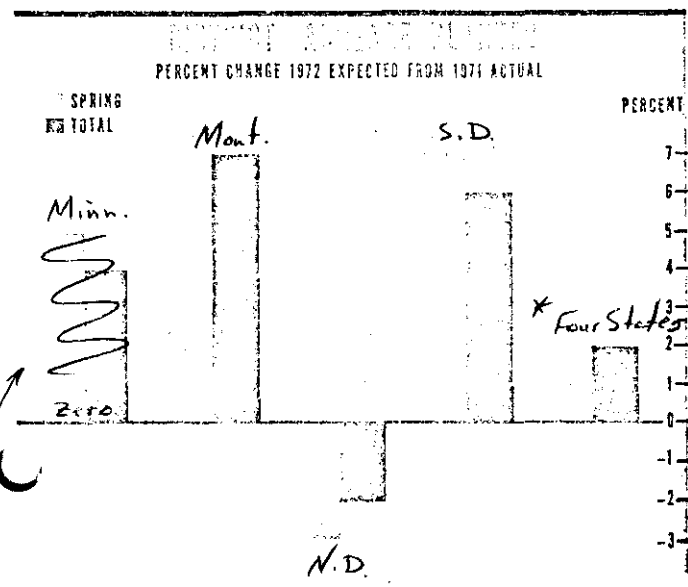
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This charting error is corrected in the printed copy