Volume 6, Issue 5
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monthly statistical report

NINTH DISTRICT CONDITIONS
federal reserve bank of minneapolis

DISTRICT ECONOMIC OUTLOOK PROMISING HOMEBUILDING REMAINS AT HIGH LEVELS

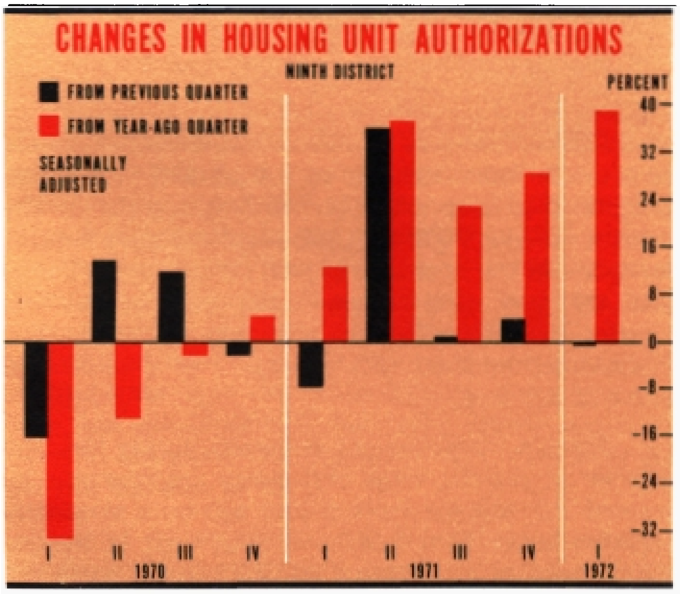
Several economic indicators suggest that the district's economy will continue to expand slowly. Though the unemployment rate in the district is still relatively high, its recent declines plus gains in the help wanted advertising index have brightened the employment outlook. The growth of new housing authorizations has leveled off, but loan commitments and S&L savings inflows indicate that district housing construction will remain at high levels.

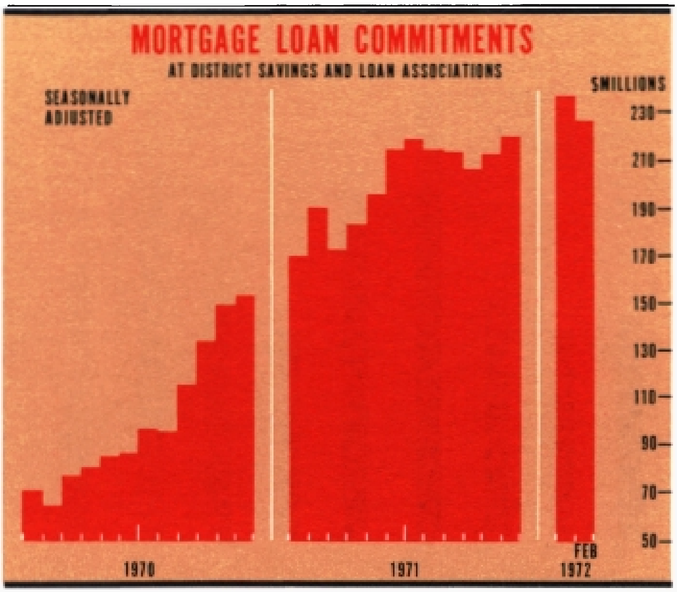
Housing construction in the district is still very active, but the growth of housing units authorized by building permits in the first quarter eased back from the high rates of expansion experienced late last year. In the first quarter, housing unit authorizations, seasonally adjusted, slipped 0.3 percent below the fourth-quarter level though staying 39.1 percent above that of a year ago. This recent leveling off in the district contrasts with the continued rise in housing starts experienced nationally.

Housing construction's first-quarter increase over its year-ago level is mostly the result of active homebuilding in the Minneapolis-St. Paul metropolitan area. Twin Cities housing unit authorizations accounted for 65.4 percent of the district building permits issued for homes during that period as they rose 19.2 percent from their year-earlier level. Authorizations were also up in Billings, Great Falls, Rochester, and Sioux Falls but fell in Duluth-Superior, Fargo-Moorhead, and La Crosse.

Despite the recent slowing of housing unit authorizations, housing-related financial indicators suggest that district housing construction will remain strong. Average net savings inflows to district savings and loan associations, seasonally adjusted, nearly doubled their fourth-quarter level in January and February as they rose 22.6 percent from a year earlier. In addition, loan commitments at district S&Ls remained high at the end of February, surpassing last year's level by 19.3 percent.

District nonresidential and nonbuilding construction activity improved recently. The total value of nonresidential building permits issued in the district during January and February was about twice as much as the fourth-quarter and year-ago levels. Between the three-month period ending in February and the previous three months, the value of district nonbuilding construction contracts awarded rose 85.4 percent, about the same as from a year earlier.





BUSINESS LOANS EXPAND IN FIRST QUARTER SAVINGS INFLOWS SLOW AT LARGE BANKS

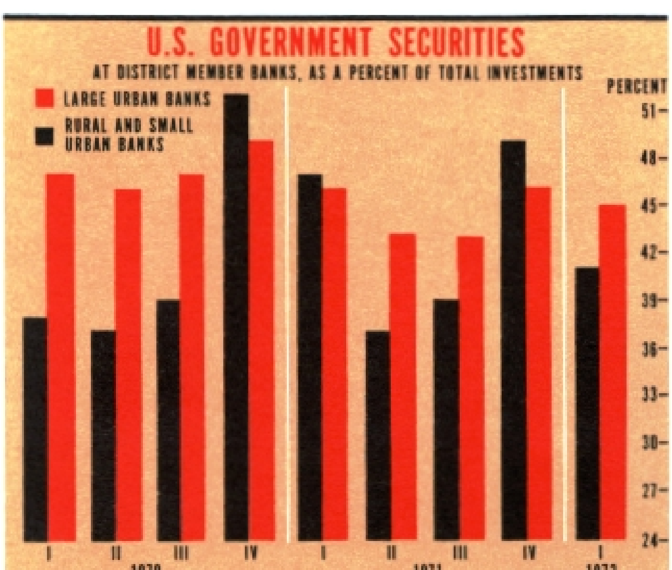
Loan growth at district member banks over the first three months of 1972 continued to expand at about the 13 percent seasonally adjusted annual rate of the previous quarter. This growth was approximated at both large urban banks and rural and small urban banks throughout the district.

At large urban banks much of the first-quarter overall gain of loans was due to continued strength in net business lending. Following a large expansion toward year-end 1971, business loans registered a $53 million gain in January as opposed to an average decline of $22.5 million for that month in the previous four years. The March advance of $33 million was also somewhat greater than normal.

Loans outstanding at rural and small urban banks grew at a 12 percent seasonally adjusted annual rate during the first quarter, only slightly below the fourth-quarter pace. This was probably due in part to more rapid sales of machinery and equipment in rural areas of the district.

In contrast to the overall loan growth at large urban banks in the district, consumer installment credit at those banks declined in the first quarter as it continued to reflect generally weak consumer spending patterns. The contraction over the three months amounted to $2 million compared to a $5 million drop a year ago, but a $1.8 million reduction was the average change recorded in the four previous first quarters.

District bank investments, meanwhile, expanded at an 8 percent seasonally adjusted annual rate in the first quarter after a gain of over 30 percent in the final quarter of last year. This slowing partially reflected the continued strong loan growth at district banks, but was also a result of first-quarter value changes in holdings of U. S. government securities. Although showing some expansion in March, these securities declined at an 8 percent seasonally adjusted annual rate over the quarter, as year-end Treasury financing had brought holdings to a high level at the end of the fourth quarter.



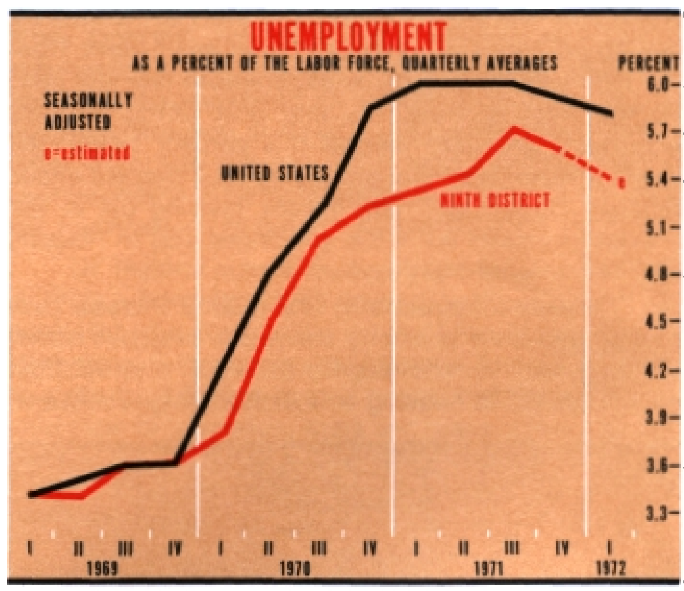
Much of the recent drop in U. S. securities occurred at large urban banks in the district where the proportion of U. S. government securities to total investments declined from 49 to 41 percent in the first quarter of 1972. The comparable ratio at rural and small urban banks changed from 46 to 45 percent.

Expansion of time deposits continued to be the major force behind deposit growth at district member banks in the first quarter. Although moderated from the fourth-quarter pace, time deposits still rose 14 percent on a seasonally adjusted annual basis. Most of this increase occurred early in the quarter, as inflows slowed toward the end of the period.

The recent slower advances in time deposits were particularly noticeable at large urban banks where an outflow of large negotiable certificates of deposit in the final two months of the quarter offset much of the gain in consumer-type accounts.

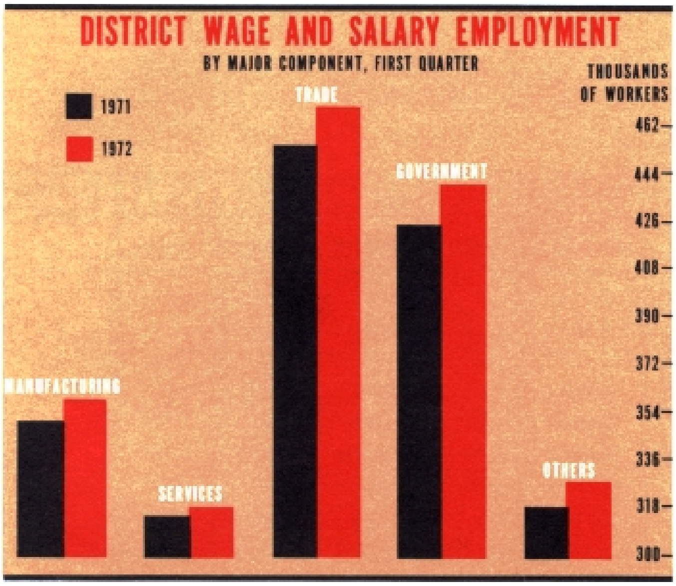
UNEMPLOYMENT RATES DECLINE SLIGHTLY DUE TO FIRST QUARTER JOB EXPANSIONS

Conditions in district labor markets improved during the first quarter of 1972. The district unemployment rate, seasonally adjusted, fell from 5.6 per-



cent in the fourth quarter to 5.4 percent in the first. Despite this drop, however, unemployment in the district remains high; 170,500 residents were looking for work in the first quarter, 4.6 percent more than a year ago and 46.0 percent more than in the first quarter of 1970. The national rate of joblessness, meanwhile, declined only one-tenth of a percentage point to 5.8 percent.

Further improvement occurred during the first quarter as district wage and salary employment increased 2.7 percent from a year ago on a seasonally adjusted basis. First-quarter employment in the district's manufacturing sector was 2.5 percent above the



year-ago level, and trade employment advanced 3.3 percent. The comparable national year-over-year rise in wage and salary employment was 1.9 percent.

The district's help wanted advertising index, which reflects the demand for labor, grew for the fourth consecutive month; in March it was 24.4 percent above its fourth-quarter level. Past fluctuations in this indicator have led changes in employment.

Although district initial claims for unemployment compensation during the first quarter were down from their fourth-quarter seasonally adjusted level, the rate of involuntary job separation remains quite high. First-quarter initial claims essentially equaled their year-ago level and were up 23.1 percent from two years earlier.

Another encouraging development in early 1972 was a lower level of business failures than that recorded one year ago. In January and February, 37 district businesses failed whereas 68 had failed in the corresponding period of 1971. Total liabilities of the district failures in the first two months of 1972 amounted to $2.6 million, a drop of 53 percent from one year ago.

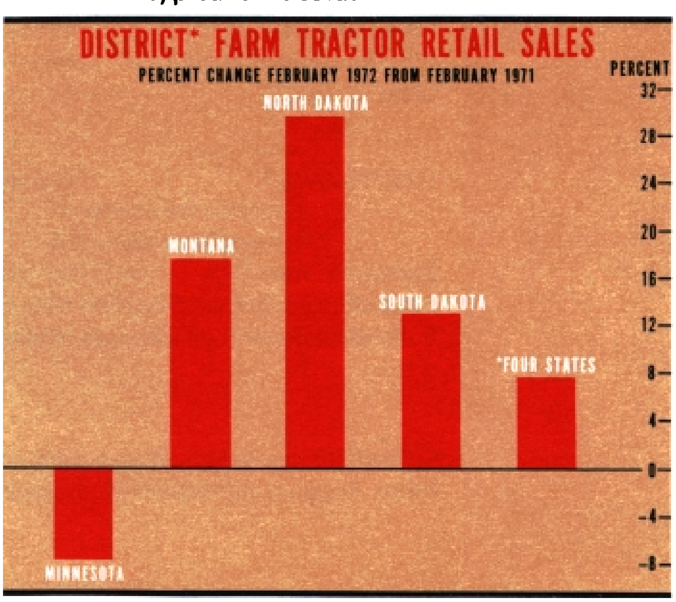
FARM MACHINERY DEMAND SWINGS UPWARD TREND TOWARD LARGER UNITS CONTINUES

Farm machinery sales in the Ninth District are active this spring, continuing the strength that developed in the second half of last year. The number of farm tractors sold in the district was 19.0 percent greater than a year ago in January and 7.6 percent greater in February. Year-over-year increases have been recorded monthly since August 1971. At the end of that month, year-to-date retail sales of tractors in the district were 13.8 percent below the year-earlier level, but the September-December upturn was sufficient to complete the year with total sales only 2.5 percent less than in 1970.

Sales of combines, the district's second most significant farm machinery item, followed the tractor sales pattern, advancing only 3.8 percent in the first half of 1971 from the previous first half but surging forward in the second half when the number of units sold was 33.2 percent greater than during 1970's second half. Normally, at least three-fourths of the district's annual combine sales occur during the second half of the year, but the second half of 1971 accounted for 83.5 percent of the year's total district combine sales.

Last year's district farm tractor sales gave an early hint of a stronger demand for farm machinery at the beginning of the 1971 spring buying season, but then abruptly returned to a slow sales pace. In April 1971, sales jumped above the year-earlier level by 21 percent as district farmers prepared for spring tillage. After that robust month, however, sales slumped until the fall when they rose coincidently with the announcement of intentions to reinstate the investment tax credit and then continued strong. The fall months are normally a heavy buying season in the district as farmers purchase tractors to facilitate harvesting operations.

The previously established trend toward purchasing larger units was sustained in 1971. Sales of tractors over 100 horsepower accounted for 41.6 percent of all sales, up from 34.4 percent in 1970, and the number of these large units sold increased 14.2 percent. Combine sales also showed a continuing shift toward greater complexity, productivity, and cost of the typical unit sold.



The strength of this year's buying arises mostly from North Dakota where tractor sales were 57.4 percent greater than the year-ago level in January and 29.5 percent greater in February. During both months, sales in Minnesota were slightly below 1971 levels; this contrasts with the situation last fall when Minnesota sales were a major factor in the overall district machinery-buying strength. Tractor sales in South Dakota and Montana were respectively 35.9 and 17.8 percent greater than year-ago levels in January while in February, they were 12.9 percent and 17.5 percent greater.

NINTH DISTRICT income and finance

	INDICATOR	UNIT	1972 APRIL	1972 MARCH	1972 FEBRUARY	1971 MARCH	Percent Change MAR.-MAR.
MEASURES OF CONSUMER INCOME & FINANCIAL POSITION	Total Personal Income *						
	Nonagricultural Personal Income *						
	Average Weekly Earnings in Manufacturing[1]	Dollars		157.13e	155.15p	146.76	+ 7.1
	Consumer Installment Credit Outstanding[2]	Million $		n.a.	1,486	1,355	
	Time and Savings Deposits at Member Banks	Million $	6,672	6,646	6,618	5,831	+14.0
	Savings Balances at Savings & Loan Assoc.[3]	Million $		4,654	4,541	3,953	+17.7
	Cash Farm Receipts[3]	Million $		n.a.	342	301	
MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS	CITY BANKS[4,5]						
	Adjusted Loans and Discounts[6]	Million $	2,897	2,865	2,777	2,486	+15.2
	Commercial and Industrial Loans	Million $	1,305	1,277	1,221	1,141	+11.9
	Real Estate Loans	Million $	533	526	500	447	+17.7
	Gross Demand Deposits	Million $	2,069	2,042	2,084	1,979	+ 3.2
	Time Deposits	Million $	1,808	1,837	1,872	1,623	+13.2
	U.S. Government Securities	Million $	426	462	477	447	+ 3.4
	Other Securities	Million $	656	647	664	560	+15.5
	COUNTRY BANKS[4,7]						
	Loans and Discounts	Million $	4,480	4,391	4,330	3,932	+11.7
	Gross Demand Deposits	Million $	2,399	2,374	2,406	2,191	- 6.6
	Time Deposits	Million $	4,864	4,809	4,746	4,208	+14.3
	U.S. Government Securities	Million $	1,186	1,223	1,191	1,044	+17.1
	Other Securities	Million $	1,525	1,516	1,518	1,255	+20.8
MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS	Total Reserves[8]	Million $	790	783	785	718	+ 9.1
	Required Reserves	Million $	784	779	780	713	+ 9.3
	Excess Reserves	Million $	6	4	5	5	-20.0
	Borrowings from FRB	Million $	0	1	1	0	+100.0
	Ratio of Loans to Total Deposits—City Banks[4]	Percent	76.2	74.9	72.0	71.0	+ 5.5
	Ratio of Loans to Total Deposits—Country Banks[4]	Percent	61.7	61.1	60.5	61.4	- 0.5
MEASURES OF PRICE LEVELS	Consumer Price Index[9]—Minneapolis	Index	n.a.	n.a.	n.a.	n.a.	
	Prices Received by Farmers[9]—Minnesota	Index		118	119	109	+ 8.3

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 MAR.-MAR.	1972 APRIL	1972 MARCH	1972 FEBRUARY	1971 MARCH	UNIT	INDICATOR	
+ 8.0		905.1p	901.8	838.3	Billion $, saar	Total Personal Income	MEASURES OF CONSUMER INCOME & FINANCIAL POSITION
+ 7.7		879.2p	876.4	816.6	Billion $, saar	Nonagricultural Personal Income	
+ 7.9		150.72p	149.17	139.74	Dollars	Average Weekly Earnings in Manufacturing	
		n.a.	46.0	41.6	Billion $	Consumer Installment Credit Outstanding[2]	
		n.a.	216.6	193.6	Billion $	Time and Savings Deposits at Member Banks	
		n.a.	180.5	155.5	Billion $	Savings Balances at Savings & Loan Assoc.	
		n.a.	3.9	3.5	Billion $	Cash Farm Receipts	
						CITY BANKS[4,5]	MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS
+ 9.8		194.5	190.8	177.2	Billion $	Adjusted Loans and Discounts[6]	
+ 3.2		83.8	82.5	81.2	Billion $	Commercial and Industrial Loans	
+14.7		39.7	39.1	34.6	Billion $	Real Estate Loans	
- 1.8		143.9	146.2	146.5	Billion $	Gross Demand Deposits	
+12.2		144.9	144.1	129.2	Billion $	Time Deposits	
- 1.4		27.7	27.5	28.1	Billion $	U.S. Government Securities	
+13.1		53.7	52.6	47.5	Billion $	Other Securities	
						COUNTRY BANKS[4,7]	
+12.5		74.5	73.3	66.2	Billion $	Loans and Discounts	
+ 7.9		50.4	50.5	46.7	Billion $	Gross Demand Deposits	
+14.8		73.9	72.5	64.4	Billion $	Time Deposits	
+ 3.5		17.7	17.6	17.1	Billion $	U.S. Government Securities	
+22.7		28.6	28.1	23.3	Billion $	Other Securities	
+ 7.3		31,857p	31,896	29,696	Million $	Total Reserves[8]	MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS
+ 7.3		31,656p	31,753	29,498	Million $	Required Reserves	
+ 1.5		201p	143	198	Million $	Excess Reserves	
-70.5		96p	35	325	Million $	Borrowings from FRB	
+ 6.9		71.6	69.3	67.0	Percent	Ratio of Loans to Total Deposits—City Banks[4]	
+ 0.5		59.9	59.6	59.6	Percent	Ratio of Loans to Total Deposits—Country Banks[4]	
+ 3.5		124.0	123.8	119.8	Index	Consumer Price Index[9]	MEASURES OF PRICE LEVELS
+ 8.1		120	122	111	Index	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	1972 MARCH	1972 FEBRUARY	1971 MARCH	Percent Change MAR.-MAR.
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION	Total Industrial Production*					
	Electrical Energy Consumption: Mfg. and Mining[1]	Index, sa	135	137	128	+ 5.5
	Production Worker Manhours:[1]	Index, sa	n.a.	101p	96	
	Manufacturing	Index, sa	n.a.	102p	96	
	Mining	Index, sa	n.a.	98p	99	
	Total Construction Contracts Awarded	Million $, sa	n.a.	306.6	156.5	
	Residential Buildings	Million $, sa	n.a.	87.5	64.6	
	Nonresidential Buildings	Million $, sa	n.a.	132.5	47.1	
	All Other Construction	Million $, sa	n.a.	86.6	44.8	
	Bldg. Permits: New Housing Units[2]	Number	3,072	2,421	2,194	+40.0
MEASURES OF MANPOWER UTILIZATION	Civilian Work Force[3]	Thousands, sa	2,672e	2,697p	2,610	+ 2.4
	Total Civilian Employment	Thousands, sa	2,520e	2,553p	2,470	+ 2.0
	Number Unemployed	Thousands, sa	152e	144p	140	+ 8.6
	Unemployment Rate[3]	Percent, sa	5.6e	5.4p	5.3	+ 5.7
	Average Weekly Hours in Manufacturing[3]	Hours, sa	40.6e	40.3p	40.0	+ 1.5
EMPLOYMENT BY INDUSTRY SECTOR	Wage and Salary Employment, Nonfarm[3]	Thousands, sa	1,978e	1,979p	1,927	+ 2.6
	Manufacturing	Thousands, sa	368e	368p	357	+ 3.1
	Mining	Thousands, sa	31e	31p	32	- 3.1
	Construction	Thousands, sa	105e	105p	96	+ 9.4
	Transport., Comm., & Public Utilities	Thousands, sa	128e	129p	129	- 0.8
	Trade	Thousands, sa	485e	486p	472	+ 2.8
	Finance, Insurance & Real Estate	Thousands, sa	93e	93p	91	+ 2.2
	Service Industries	Thousands, sa	325e	325p	322	+ 0.9
	Government	Thousands, sa	443e	442p	428	+ 3.5
MEASURES OF SPENDING	Total Retail Sales*					
	New Passenger Car Registrations	Thousands, sa	n.a.	n.a.	19.2	
	Bank Debits[4]	Billion $, saar	201.7	200.7	175.1	+15.2

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. 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 MAR.-MAR.	1972 MARCH	1972 FEBRUARY	1971 MARCH	UNIT	INDICATOR	
+ 3.9	109.6p	108.9	105.5	Index, sa	Total Industrial Production	MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION
					Electrical Energy Consumption: Mfg. and Mining*	
	n.a.	94p	93	Index, sa	Production Worker Manhours:[1]	
	n.a.	94p	93	Index, sa	Manufacturing	
	n.a.	94p	96	Index, sa	Mining	
+15.5	6,885.5	6,951.8	5,962.4	Million $, sa	Total Construction Contracts Awarded	
+34.0	3,471.2	3,590.3	2,591.4	Million $, sa	Residential Buildings	
+ 0.4	2,152.6	2,101.6	2,143.6	Million $, sa	Nonresidential Buildings	
+ 2.8	1,261.7	1,259.9	1,227.4	Million $, sa	All Other Construction	
			156.0	Thousands	Bldg. Permits: New Housing Units[5]	
+ 3.4	86,313p	85,535	83,455	Thousands, sa	Civilian Work Force	MEASURES OF MANPOWER UTILIZATION
+ 3.6	81,241p	80,623	78,446	Thousands, sa	Total Civilian Employment	
+ 1.3	5,072p	4,912	5,009	Thousands, sa	Number Unemployed	
- 1.7	5.9p	5.7	6.0	Percent, sa	Unemployment Rate	
+ 1.5	40.4p	40.5	39.8	Hours, sa	Average Weekly Hours in Manufacturing	
+ 2.1	71,978p	71,702	70,480	Thousands, sa	Wage and Salary Employment, Nonfarm	EMPLOYMENT BY INDUSTRY SECTOR
+ 0.8	18,766p	18,676	18,609	Thousands, sa	Manufacturing	
- 1.4	613p	611	622	Thousands, sa	Mining	
- 0.2	3,257p	3,239	3,264	Thousands, sa	Construction	
+ 0.2	4,528p	4,483	4,520	Thousands, sa	Transport., Comm., & Public Utilities	
+ 3.0	15,529p	15,491	15,074	Thousands, sa	Trade	
+ 3.4	3,887p	3,878	3,758	Thousands, sa	Finance, Insurance & Real Estate	
+ 3.0	12,198p	12,164	11,841	Thousands, sa	Service Industries	
+ 3.2	13,200p	13,160	12,792	Thousands, sa	Government	
+ 8.1	36.0	35.1	33.3	Million $, sa	Total Retail Sales	MEASURES OF SPENDING
	n.a.	856.4	812.5	Thousands, sa	New Passenger Car Registrations	
+15.6	4,224.2	4,101.3	3,653.8	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 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

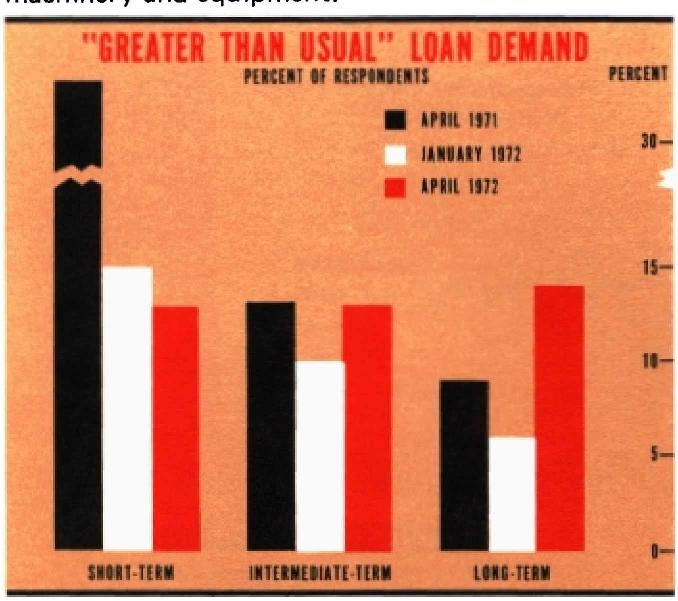
NEW PASSENGER CAR REGISTRATIONS: Automotive News Magazine

AGRICULTURAL CREDIT CONDITIONS

FARM EARNINGS STRENGTHEN IN FIRST QTR. DEMAND FOR LONGER-TERM CREDIT GROWS

Increased demand for long- and intermediate-term credit at agricultural banks in the Ninth Federal Reserve District corresponded to a general strengthening in farmers' and ranchers' earnings during the first quarter of 1972, according to our most recent Agricultural Credit Conditions Survey. Banker-respondents to the April survey reported that farmers and ranchers were more willing than in January to invest in capital items. At the same time, the ratio of respondents reporting current farm earnings "greater than last year" increased from 45 to 49 percent and the percent reporting earnings "less than last year" dropped from 17 to 9.

The demand for long-term credit increased considerably as farmers' brightened assessment of the future profitability of owning additional land was augmented by other factors. Refinancing of existing intermediate-term debt with new real estate mortgages was sought in large quantity during the first quarter. In the eastern portions of the district, substantial interest in purchasing outlying farms was shown by farmers being displaced by urban expansion around the Twin Cities metropolitan area. A more significant pressure for long-term credit came from the far western portions of the district where bankers reported small acreages appealing to out-of-state buyers wishing to move into the area. The primary use of intermediate-term credit, meanwhile, seemed to be purchasing machinery and equipment.



In marked contrast to the rising demands for long- and intermediate-term borrowing, that for short-term credit did not increase during the first quarter, for the recent improvements in farm income, generally attributed to higher livestock and milk prices, provided cash which relieved the need. This slackened demand will probably continue into the second quarter: 86 percent of the respondents to the April survey expected demand for short-term credit to then be "about usual" or "less than usual," and this suggests even less than normal year-to-year growth. The many large farm program payments expected in July would reduce farmers' needs for borrowing funds during the second-quarter planting season.

Other April expectations were that both farmers' income and spending will rise even further during the second quarter, thus strengthening the agricultural sector of the district's economy. In addition, there was a sharp reduction from the previous survey in the percent of respondents expecting adverse change in farmers' ability to repay debt, and the percent reporting a slow rate of debt repayment dropped significantly.

INCREASED INCOME IMPROVES EXPECTATIONS

This general optimism corresponded to district areas where actual farm income increases were noted in the first quarter. All of the indicators of strength were found in the dairy, general farming, corn, and livestock feeding portions of west-central Wisconsin, southern Minnesota, and extreme eastern South Dakota, areas which also showed the strongest signs of first-quarter improvement in farm earnings. The wheat-producing sections of North Dakota and Montana reported increased expectations of earnings improvement but only weak signs that it had already occurred. Expectations of stronger spending rose in northern Montana and central South Dakota, and the latter area also noted a drop in the expectation of adverse change in farmers' ability to repay debt, as did the southeastern portion of Montana.

In regions where first-quarter income did not increase, however, the general outlook appeared weak. Income in the valley areas of North Dakota and Minnesota, for example, was reported to have declined as a result of falling potato prices, and the continued existence of a market there for sugar beets was uncertain. Both current and expected spending by farmers in these areas fell, and the rate of debt repayment slowed.

Despite greater overall demand for loans, district agricultural bankers' ability to supply farm borrowers with their own banks' resources appears to be high and about equal to what it was last year at this time; only 5 percent of the respondents expected a shortage of funds in the coming quarter. Banks referring customers to other lenders reported that this was only due to requests for very large loans or to qualification for Farmers Home Administration credit. The average loan-to-deposit ratio equaled the 58 percent recorded in the previous quarterly survey, which was just 1 percent less than the ratio one year ago. Since January, average interest rates charged to farmers have declined about one-tenth of a percent on all categories of loans.