

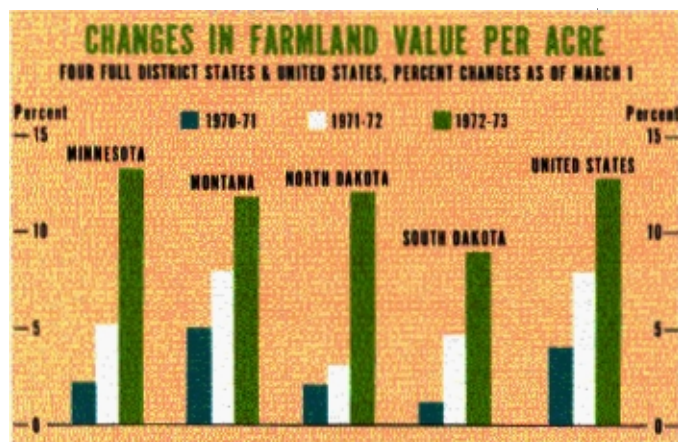
Outgoing 9-13-73

Montana
North Dakota
South Dakota
Minnesota
Northwestern Wisconsin
Upper Michigan

federal reserve bank of minneapolis

AGRICULTURE: Rising Land Prices

Consumers aren't the only ones feeling the pinch of supply and demand these days. Farmers too are finding that the price of land, among other things, is rising. With more money in their pockets, farmers have been bidding up the value of farmland all over the district. For the year ending March 1973, the average per acre value of farm real estate increased 13 percent in Minnesota, 12 percent in Montana and North Dakota, and 9 percent in South Dakota. These gains are consistent with the long-term trend of rising prices.



Additional price pressure developed during the year as the number of potential buyers and title transfers increased but the number of farms offered for sale changed only slightly. Although the market for farmland remained strong, there was apparently no shortage of mortgage funds—at increasingly higher interest rates—through the first half.

Higher land prices have put farmers in somewhat of a bind by making expansion increasingly expensive. In Minnesota, for example, the absolute change in the average value per acre has increased \$50 since 1970, \$32 this year alone, bringing the average price per acre to around \$275. Land in the plains states averaged a substantial \$15 an acre increase.

Yet, even though it is costly to acquire land, more farmers are increasing their holdings. In the last two years, real estate investments have increased substantially. As the table shows, the average value of real estate per operating farm in the district currently ranges from a high of over \$200,000 in Montana to about \$75,000 in Minnesota. Multiplied by the number of farms, these figures suggest a total investment for all farms in the district of almost \$22 billion in land and buildings.

AVERAGE VALUE OF FARM REAL ESTATE PER OPERATING UNIT

	1971	1973
Montana	\$161,600	\$200,700
North Dakota	91,200	110,700
South Dakota	86,900	102,700
Wisconsin	80,000	99,300
Minnesota	61,300	74,600

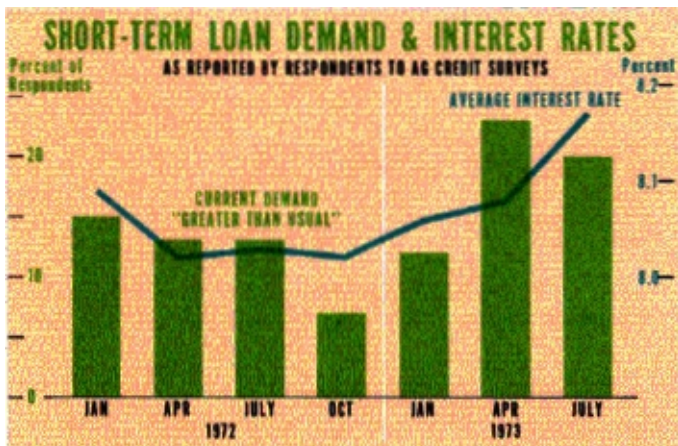
The prospect of strong farm incomes for the next few years means that land values will probably continue to rise unless tighter mortgage credit or higher interest rates reduce the number of title transfers and dampen the market for farmland.

Credit Conditions Still Good

Our midyear survey of country bankers confirms that farm incomes are running well above year-earlier levels and that farmers' overall financial and credit conditions are good to excellent. Bankers responding to the survey expect few new developments as the year progresses, although some of them are concerned about dry weather in western areas of the district.

About the only change to show up in the July survey results is a modest reduction in demand for farm credit since the April survey. Credit demand was very high throughout the first half of 1973, so the reported reduction does not greatly affect total credit

extension. Both the improved financial position of farmers and cutbacks in some livestock operations influenced the decline of short-term credit demand. Other than that, however, high production costs and general inflation are expected to sustain the strong credit demand of past months.



Reports from the wheat and range areas of the district indicate that demand for short-term credit may increase because of weather conditions and continued transportation tie-ups. Range area bankers anticipate that ranchers will incur increased expenses and a greater need for credit for hay and feed purchases before the end of the year.

The expansion of farm capital through machine and land purchases appears to be leveling off somewhat, though, reducing intermediate- and long-term credit demand. Farmers reportedly still want to expand their operations by buying land, but the run-up in land prices and higher interest rates lately have tended to slow expansion.

Reflecting general monetary conditions, interest rates on farm loans have moved to higher levels since the previous survey. After reaching a low point in mid-1972, rates trended upward fairly sharply during the second quarter. Short-term rates on July 1, as expressed in the survey, averaged 8.17 percent, compared to 8.08 percent in April and 8.03 percent a year earlier. Similarly, long-term rates averaged 8.05 percent on July 1, compared to 7.95 percent on April 1 and 7.90 percent a year ago.

So far, anyway, the bankers surveyed have not been pressed to meet current or expected farm loan demand. Only a few report having to reduce or refuse a loan because of short funds, and most are still actively seeking out good loan accounts. Larger loans required a few banks to refer borrowers to correspondent banks or other finance agencies, but almost all respondents expect to meet loan demand during the next few months with little difficulty.

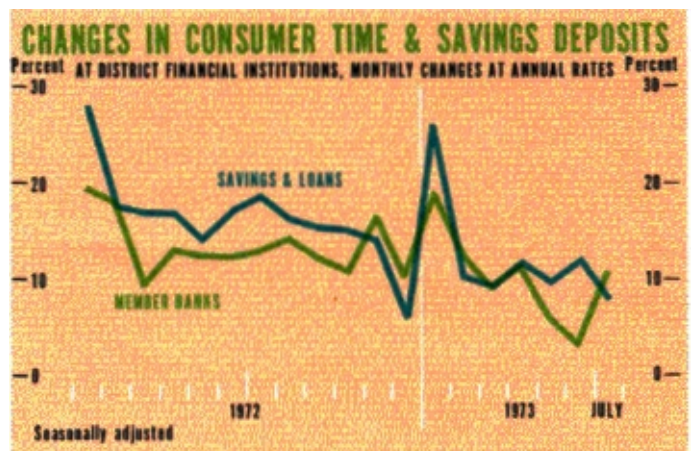
Even though loan demand has been high for several months, deposit inflows have been sufficient to keep reporting banks in a satisfactory liquidity position. The average loan-to-deposit ratio for all survey banks moved up slightly from 58 to 61 percent

between April 1 and July 1. Almost 60 percent of the banks found the July ratio desirable for their operations; only 15 percent thought their ratio too high and 25 percent would have preferred a somewhat higher ratio. This indicates that at least some of the country banks have room for loan expansion.

The outlook for the coming months suggests that farm earnings will hold strong, thanks to higher product prices and good crop yields. Farmer spending for all items is generally expected to run at or above year-earlier levels for both capital and consumer goods. Current debt repayment is rated normal to rapid, and the reporting banks indicate little change in farmer debt positions.

FINANCE: Loan Interest Rates Climb

High interest rates on U.S. government securities and other money market instruments continue to lure savings away from deposit accounts at district financial institutions. Even though maximum rates on consumer-type time and savings deposits were raised at the beginning of July, net deposit inflows during the month at district member banks and S&Ls were relatively small.



District commercial banks fared slightly better than S&Ls in attracting savings during July, which may indicate that the recent increases in deposit rate ceilings benefited banks more than S&Ls. Although no quantitative evidence to support this was available, large banks in Minneapolis and St. Paul were offering more attractive terms on four-year, no-interest-rate-ceiling certificates. The Board of Governors and the Federal Deposit Insurance Corporation (FDIC) have recently limited to 5 percent of total time and savings deposits the amount of these certificates commercial banks may issue. These limitations, which were placed on S&Ls earlier, should help stem the shifting of deposits from S&Ls to banks.

In line with general monetary and credit conditions, loan interest rates have been moving higher in recent months. The prime rate, the rate offered by banks to select large corporate customers, jumped from 7 percent in mid-May to 9 $\frac{3}{4}$ percent near the end of August.

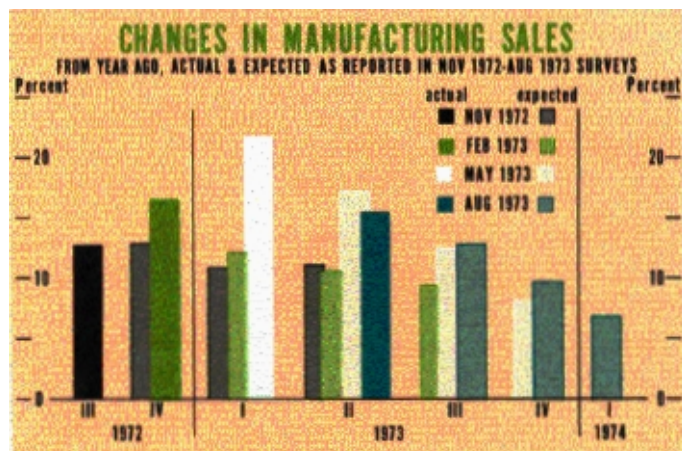
Interest rates on bank loans to small business borrowers have risen somewhat slower during the past three months. The most common rate on small business loans made by a group of medium and large district banks that report monthly to the Committee on Interest and Dividends rose from an average of 8 percent in early May to 8½ percent in early August. Rates on consumer installment loans to purchase new automobiles remained relatively unchanged between May and August, according to reports by these banks.

Home mortgage interest rates in the Twin Cities metro area are generally at prescribed maximum levels. FHA and VA loans are at the 8½ percent ceiling rate permitted by the federal government, and conventional home mortgage rates are generally at the 8 percent state usury limit. Given these conditions, some lenders have been stiffening lending terms by raising down payments.

Loan growth at district member banks held in July at the same 12 to 13 percent rate recorded during the second quarter. While loans at country banks slowed, loans at larger city banks—especially business loans and loans to nonbank financial institutions—picked up. The upturn in business loans in July was particularly notable since the cost of borrowing has gone up so much this year. The increase in loans to nonbank financial institutions during the month may reflect added borrowing by savings institutions to counter deposit losses. Partly offsetting gains in business and nonbank loans, real estate and consumer loans weakened. Perhaps the 8 percent usury law in Minnesota has encouraged bankers to use funds normally available for these loans in other ways.

MANUFACTURING: A Slower 4th Quarter?

According to results of our third quarter Industrial Expectations Survey, district manufacturing sales are still brisk. Following an extremely large first quarter advance of 21.8 percent, district manufacturing sales in the second quarter were up 15.7 percent from a year earlier. These large gains undoubtedly reflect substantial price increases and are not considered by survey respondents to be sustainable in the second half.



Looking ahead to the third and fourth quarters, district manufacturing sales are expected to surpass year-earlier levels by 12.9 and 9.8 percent, respectively. By the first quarter of 1974, sales growth is expected to slow to a 6.9 percent rate. These expectations should be interpreted with some caution, however, since respondents to previous surveys have substantially revised their earlier estimates.

Because recent durable goods sales have been so large, manufacturers in these industries may encounter material shortages and capacity constraints in the next nine months. As a result, durable sales later in the year may fall below the 18.9 percent increase of the second quarter. Expectations are for increases of 15.0 percent in the third quarter, 9.7 percent in the fourth, and 6.4 percent in the first quarter of 1974. This pattern is shaped primarily by the large non-electrical machinery industry, where sales gains are expected to taper off from 18.2 percent in the second quarter to 3.2 percent during the first three months of 1973. Survey respondents also anticipate slackening in the lumber and wood products, primary metals, and scientific instruments industries.

Nondurable goods sales were up 12.3 percent from a year ago in the second quarter and are expected to advance about 10 percent in the last half of 1973 and 7.5 percent in the first quarter of 1974. The main boost to second quarter sales was the 13.1 percent gain chalked up by the food and kindred products industries. Although output probably changed very little, higher prices brought increased revenues from sales of these commodities. The price freeze has had some disruptive effects on district food processing industries—some meat packing plants, for example, have been forced to either shut down or reduce operations—but food and kindred products manufacturers nevertheless foresee their sales rising by 8.5 and 7.5 percent in the third and fourth quarters, and by 5.8 percent in the first quarter next year.

Reporting on other nondurable goods industries, survey respondents look for sizable sales gains of both paper and chemical products, but for only modest gains in the printing and publishing industry.

Increased district manufacturing sales have prompted the hiring of additional workers since last year. In the second quarter, employment in the district's manufacturing industries was up 6.2 percent from a year ago, which translates as 8.9 percent more jobs in durable goods industries and 2.6 percent more jobs in nondurable goods industries. The smaller increase in nondurable employment can be traced to the food and kindred products industry, where employment was down as much as 2 percent from second quarter 1972 in Minnesota alone. If sales growth slows as much as anticipated, district manufacturing jobs during the last half of 1973 and early 1974 will probably not be created as rapidly as during the first half of 1973.

NINTH DISTRICT income and finance

I N D I C A T O R		UNIT	1973			1972	Percent Change
			AUGUST	JULY	JUNE	JULY	JULY-JULY
MEASURES OF CONSUMER INCOME & FINANCIAL POSITION	Total Personal Income*						
	Nonagricultural Personal Income*						
	Average Weekly Earnings in Manufacturing ¹	Dollars	n.a.	169.86e	169.75p	160.17	+ 5.4
	Consumer Installment Credit Outstanding ²	Million \$	n.a.	1,964	1,942	1,627	+20.7
	Time and Savings Deposits at Member Banks	Million \$	8,319	8,141	8,051	6,968	+16.8
	Savings Balances at Savings & Loan Assoc. ³	Million \$	n.a.	n.a.	5,537	4,890	
	Cash Farm Receipts ³	Million \$	n.a.	n.a.	401	340	
MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS	CITY BANKS ^{4,5}						
	Adjusted Loans and Discounts ⁶	Million \$	3,897	3,853	3,803	3,081	+25.1
	Commercial and Industrial Loans	Million \$	1,780	1,783	1,717	1,390	+28.3
	Real Estate Loans	Million \$	678	659	667	569	+15.8
	Gross Demand Deposits	Million \$	2,042	2,065	2,121	2,082	- 0.8
	Time Deposits	Million \$	2,504	2,377	2,370	1,917	+24.0
	U.S. Government Securities	Million \$	354	399	424	445	-10.3
	Other Securities	Million \$	922	832	845	658	+26.4
	COUNTRY BANKS ^{4,7}						
	Loans and Discounts	Million \$	5,778	5,683	5,601	4,807	+18.2
	Gross Demand Deposits	Million \$	2,847	2,816	2,785	2,515	+12.0
	Time Deposits	Million \$	5,813	5,763	5,681	5,052	+14.1
	U.S. Government Securities	Million \$	1,011	1,033	1,052	1,121	- 7.9
	Other Securities	Million \$	1,860	1,810	1,774	1,542	+17.4
MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS	Total Reserves ⁸	Million \$	767	751	727	790	- 4.9
	Required Reserves	Million \$	762	745	723	782	- 4.7
	Excess Reserves	Million \$	5	6	4	8	-25.0
	Borrowings from FRB	Million \$	38	29	17	19	+52.6
	Ratio of Loans to Total Deposits—City Banks ⁴	Percent	87.6	89.0	85.9	79.5	+11.9
	Ratio of Loans to Total Deposits—Country Banks ⁴	Percent	66.7	66.2	66.2	63.5	+ 4.3
MEASURES OF PRICE LEVELS	Consumer Price Index—Minneapolis ^{9,10}	Index	n.a.	133.1	n.a.	125.5	+ 6.1
	Prices Received by Farmers—Minnesota ⁹	Index	n.a.	182	188	128	+42.2

NOTES

- e—Partially estimated; all data not available
n.a.—Not available
p—Preliminary; subject to revision
r—Revised
sa—Seasonally adjusted
*—District and U.S. data not comparable
saar—Seasonally adjusted annual rate

FOOTNOTES

- Excluding Northwestern Wisconsin
- All commercial banks; estimated by sample
- Excluding Northwestern Wisconsin and Upper Michigan
- Last Wednesday of the month figures
- Selected banks in major cities
- Net loans and discounts less loans
- All member banks, excluding the selected major city banks
- Average of daily figures of the four or five weeks ending on Wednesday which contain at least four days falling within the month
- Index: 1967 Base Period
- Quarterly

UNITED STATES income and finance

Percent Change JULY-JULY	1973			1972	UNIT	I N D I C A T O R	
	AUGUST	JULY	JUNE	JULY			
+10.6	n.a.	1,033.9p	1,026.6	935.2	Billion \$, saar	Total Personal Income	MEASURES OF CONSUMER INCOME & FINANCIAL POSITION
+10.2	n.a.	1,001.4p	994.2	908.6	Billion \$, saar	Nonagricultural Personal Income	
+ 7.9	n.a.	164.84p	165.24	152.71	Dollars	Average Weekly Earnings in Manufacturing	
+18.6	n.a.	66.1	65.0	55.7	Billion \$	Consumer Installment Credit Outstanding ²	
+18.6	n.a.	270.5	266.0	228.0	Billion \$	Time and Savings Deposits at Member Banks	
+14.0	n.a.	222.0	222.2	194.8	Billion \$	Savings Balances at Savings & Loan Assoc.	
	n.a.	n.a.	5.6	4.5	Billion \$	Cash Farm Receipts	
+24.0	n.a.	253.8	250.6	204.6	Billion \$	CITY BANKS ^{4,5}	MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS
+25.5	n.a.	106.9	105.0	85.2	Billion \$	Adjusted Loans and Discounts ⁶	
+19.5	n.a.	50.9	50.0	42.5	Billion \$	Commercial and Industrial Loans	
+ 4.0	n.a.	151.0	150.0	145.2	Billion \$	Real Estate Loans	
+21.4	n.a.	183.8	180.0	151.4	Billion \$	Gross Demand Deposits	
-12.0	n.a.	22.7	23.8	25.8	Billion \$	Time Deposits	
+ 4.1	n.a.	56.0	55.5	53.8	Billion \$	U.S. Government Securities	
						Other Securities	
+16.8	n.a.	92.7	92.2	79.4	Billion \$	COUNTRY BANKS ^{4,7}	
+ 6.0	n.a.	56.9	57.1	53.7	Billion \$	Loans and Discounts	
+13.2	n.a.	86.7	86.0	76.6	Billion \$	Gross Demand Deposits	
- 2.9	n.a.	16.6	16.8	17.1	Billion \$	Time Deposits	
+11.1	n.a.	33.1	32.8	29.8	Billion \$	U.S. Government Securities	
						Other Securities	
+ 1.3	n.a.	33,487	32,085	33,073	Million \$	Total Reserves ⁸	MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS
+ 0.9	n.a.	33,166	31,883	32,869	Million \$	Required Reserves	
+57.4	n.a.	321	202	204	Million \$	Excess Reserves	
+701.6	n.a.	1,996	1,786	249	Million \$	Borrowings from FRB	
+ 9.7	n.a.	80.1	80.3	73.0	Percent	Ratio of Loans to Total Deposits—City Banks ⁴	
+ 5.9	n.a.	64.5	64.4	60.9	Percent	Ratio of Loans to Total Deposits—Country Banks ⁴	
+ 5.7	n.a.	132.7	132.4	125.5	Index, sa	Consumer Price Index ⁹	MEASURES OF PRICE LEVELS
+35.4	207	172	172	127	Index, sa	Prices Received by Farmers ⁹	

SOURCES

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

AVERAGE WEEKLY EARNINGS: Michigan, Minnesota, Montana, North Dakota, and South Dakota Employment Security Departments; U.S. Department of Labor, Bureau of Labor Statistics

COMMERCIAL BANK FINANCIAL DATA: Federal Reserve Bank of Minneapolis; Board of Governors of Federal Reserve System

SAVINGS AND LOAN ASSOCIATIONS: Federal Home Loan Bank Board

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

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

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

NINTH DISTRICT production and employment

I N D I C A T O R		UNIT	1973		1972	Percent Change
			JULY	JUNE	JULY	JULY-JULY
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION	Total Industrial Production *					
	Electrical Energy Consumption: Mfg. and Mining ¹	Index, sa	n.a.	142	134	
	Production Worker Manhours: ¹	Index, sa	107p	105	98	+ 9.2
	Manufacturing	Index, sa	108p	106	101	+ 6.9
	Mining	Index, sa	100p	97	86	+16.3
	Total Construction Contracts Awarded	Million \$, sa	n.a.	357.4	236.7	
	Residential Buildings	Million \$, sa	n.a.	143.8	80.3	
	Nonresidential Buildings	Million \$, sa	n.a.	151.2	57.5	
	All Other Construction	Million \$, sa	n.a.	62.4	98.9	
	Bldg. Permits: New Housing Units ²	Number	2,947	2,708	3,191	- 7.6
MEASURES OF MANPOWER UTILIZATION	Civilian Work Force ³	Thousands, sa	2,687e	2,682p	2,611	+ 2.9
	Total Civilian Employment	Thousands, sa	2,548e	2,550p	2,456	+ 3.7
	Number Unemployed	Thousands, sa	139e	132p	155	-10.3
	Unemployment Rate ³	Percent, sa	5.2e	4.9p	5.9	-11.9
	Average Weekly Hours in Manufacturing ³	Hours, sa	41.3e	40.8	41.9	- 1.4
EMPLOYMENT BY INDUSTRY SECTOR	Wage and Salary Employment, Nonfarm ³	Thousands, sa	2,085p	2,081	1,970	+ 5.8
	Manufacturing	Thousands, sa	394p	394	373	+ 5.6
	Mining	Thousands, sa	31p	31	28	+10.7
	Construction	Thousands, sa	98p	99	70	+40.0
	Transport., Comm., & Public Utilities	Thousands, sa	136p	134	129	+ 5.4
	Trade	Thousands, sa	516p	514	494	+ 4.5
	Finance, Insurance & Real Estate	Thousands, sa	96p	96	93	+ 3.2
	Service Industries	Thousands, sa	373p	369	355	+ 5.1
	Government	Thousands, sa	441p	444	428	+ 3.0
MEASURES OF SPENDING	Total Retail Sales *					
	New Passenger Car Registrations	Thousands, sa	n.a.	n.a.	n.a.	
	Bank Debits ⁴	Billion \$, saar	278.8	267.4	211.4	+31.9

NOTES

e—Partially estimated; all data not available

n.a.—Not available

p—Preliminary; subject to revision

r—Revised

sa—Seasonally adjusted

*—District and U.S. data not comparable

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

6 228 standard metropolitan statistical areas, excluding the seven leading centers

UNITED STATES production and employment

Percent Change JULY-JULY	1973		1972	UNIT	I N D I C A T O R	
	JULY	JUNE	JULY			
+ 9.7	126.3p	125.4	115.1	Index, sa	Total Industrial Production	MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION
	n.a.	102p	95	Index, sa	Electrical Energy Consumption: Mfg. and Mining *	
	n.a.	102p	95	Index, sa	Production Worker Manhours: ¹	
	n.a.	102p	96	Index, sa	Manufacturing	
	n.a.	102p	96	Index, sa	Mining	
+14.3	8,254.6	8,940.2	7,218.9	Million \$, sa	Total Construction Contracts Awarded	
+10.7	3,758.0	3,969.0	3,395.7	Million \$, sa	Residential Buildings	
+24.5	2,574.0	2,867.0	2,068.0	Million \$, sa	Nonresidential Buildings	MEASURES OF MANPOWER UTILIZATION
+ 9.5	1,922.6	2,104.2	1,755.2	Million \$, sa	All Other Construction	
	n.a.	n.a.	172.3	Thousands	Bldg. Permits: New Housing Units ⁵	
+ 2.6	88,810p	88,932	86,597	Thousands, sa	Civilian Work Force	
+ 3.5	84,614p	84,674	81,782	Thousands, sa	Total Civilian Employment	
-12.9	4,196p	4,258	4,815	Thousands, sa	Number Unemployed	
-16.1	4.7p	4.8	5.6	Percent, sa	Unemployment Rate	
+ 0.7	40.9p	40.6	40.6	Hours, sa	Average Weekly Hours in Manufacturing	
+ 3.8	75,471p	75,432	72,735	Thousands, sa	Wage and Salary Employment, Nonfarm	EMPLOYMENT BY INDUSTRY SECTOR
+ 4.7	19,790p	19,868	18,893	Thousands, sa	Manufacturing	
+ 2.3	615p	613	601	Thousands, sa	Mining	
+ 5.0	3,674p	3,650	3,499	Thousands, sa	Construction	
+ 2.8	4,601p	4,589	4,477	Thousands, sa	Transport., Comm., & Public Utilities	
+ 3.7	16,270p	16,244	15,685	Thousands, sa	Trade	
+ 3.1	4,049p	4,049	3,927	Thousands, sa	Finance, Insurance & Real Estate	
+ 3.7	12,843p	12,803	12,382	Thousands, sa	Service Industries	
+ 2.7	13,629p	13,616	13,271	Thousands, sa	Government	
+14.2	42.6	41.2	37.3	Million \$, sa	Total Retail Sales	MEASURES OF SPENDING
	n.a.	891.8	767.9	Thousands, sa	New Passenger Car Registrations	
+27.3	5,555.1	5,361.1	4,364.7	Billion \$, saar	Bank Debits ⁶	

SOURCES

INDUSTRIAL PRODUCTION: Board of Governors of Federal Reserve System

ELECTRICAL ENERGY CONSUMPTION: Federal Reserve Bank of Minneapolis

PRODUCTION WORKER MANHOURS: Federal Reserve Bank of Minneapolis

CONSTRUCTION CONTRACTS AWARDED: Board of Governors of Federal Reserve System; F. W. Dodge Corporation

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

EMPLOYMENT, UNEMPLOYMENT, AND HOURS: Michigan, Minnesota, Montana, North Dakota, and South Dakota Employment Security Departments; 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

BANK DEBITS: Board of Governors of Federal Reserve System

DISTRICT CROP OUTPUT: The Year That Might Have Been

There is some consolation to be found in the U.S. Department of Agriculture's August 1 crop report, for although things aren't as good as they might have been, they aren't as bad as they could have been either. Despite temperamental weather throughout the growing season, there should be more corn, soybeans and wheat produced in the Ninth District this year than last.

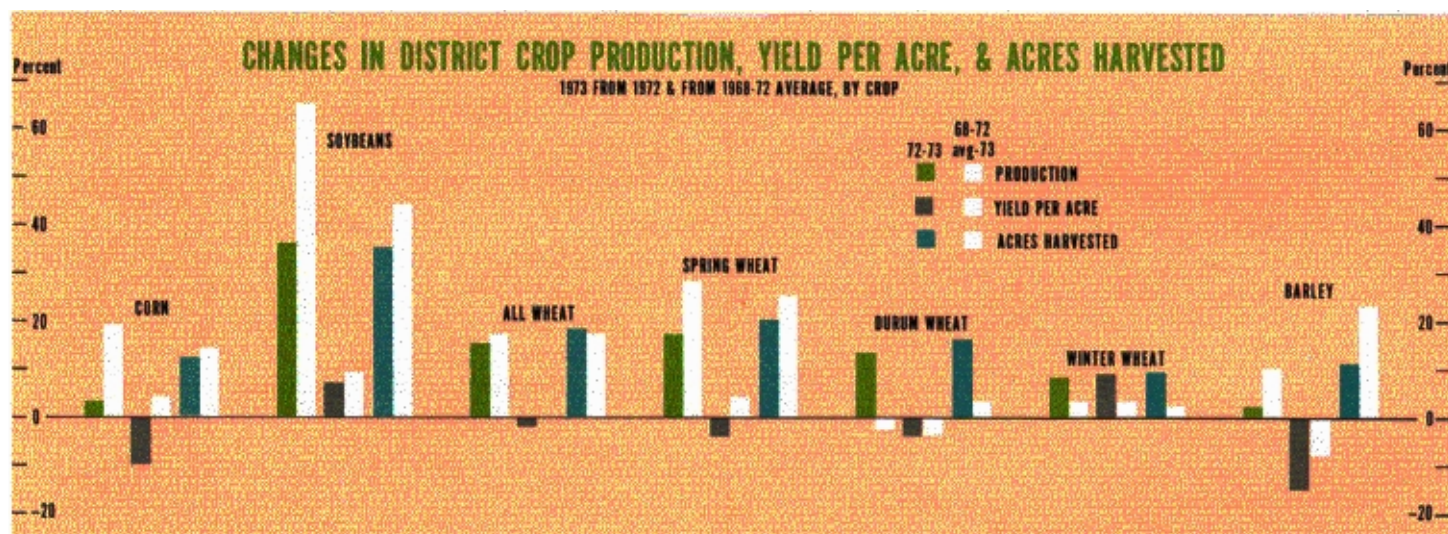
District farms are expected to yield 640 million bushels of corn, 140 million bushels of soybeans and 480 million bushels of wheat when the harvests come in. Corn and soybeans will break records set last year by 3 and 36 percent, respectively, but wheat will fall short of the record 528 million bushels produced in 1971.

Relatively speaking, the district seems to be doing slightly better than the nation in increasing food production this year, mostly because of expanded

acres. In all, 46 million acres of grain are expected to be harvested in the district this year, compared to 40 million last year.

Per acre yields, though, will be somewhat spotty because of the extremely dry conditions in some areas. Hardest hit was Montana, where spring wheat and durum yields have fallen 3 and 7 bushels per acre from 1972. Although less severe in the Dakotas, dryness reduced spring wheat yields there too. Per acre corn yields in the important corn producing states of Minnesota and South Dakota are also expected to be smaller than last year. Soybeans may be off as much as 5 bushels an acre in South Dakota, but yields per acre are likely to increase a bit in Minnesota.

Officially, 1973 will probably go down as an excellent crop year. Yet, if the rainfall had only been distributed more evenly, production might have lived up to July's optimistic forecasts.



LIVESTOCK PRODUCTION: Fewer Animals Than Hoped For

Beset by price freezes, consumer boycotts and high feed costs—complexities even more difficult to deal with than weather—livestock producers across the nation have been reluctant to expand their operations. According to U.S. Department of Agriculture reports, district livestock producers have perhaps been more cautious than most. They have expanded beef and pork production somewhat, but not nearly as much as the high prices for meat might have warranted.

The district's 1973 calf crop totaled 6.5 million head, only 3 percent larger than last year. The largest year-over-year increase of 5 percent occurred in North Dakota, followed by a 4 percent increase in South Dakota. Both Montana and Minnesota experienced 2 percent decreased in their calf crops.

The number of beef cattle on feed in district feedlots as of July 1 was unchanged from a year ago

at just under 900,000 head. A slight 2 percent expansion in cattle and calves on feed was reported for the entire 22-state feeding area, however.

The district lamb crop was off 4 percent from 1972, which wasn't quite as bad as the 9 percent drop nationally. All district states registered fewer lambs, but the sharpest decline occurred in the key sheep producing state of Montana where the lamb crop was 7 percent smaller.

The USDA's midyear hog and pig report showed that while the number of hogs being readied for market declined 1 percent nationally, the number on feed increased 7 percent in the district. Farrowing intentions reported for the last half of 1973 suggest that district producers plan to continue increasing their herds. If they carry out their June 1 plans, the number of hogs going into district feedlots later this year should be 10 percent higher than a year earlier.

News Release

Highlights of September Ninth District Conditions

FARMLAND, CREDIT COSTS RISE

(9/13/73) Consumers aren't the only ones feeling the pinch of inflation these days. Farmers too are finding that prices of land and credit, among other things, are rising. With more money in their pockets this year, farmers have been bidding up the price of farmland all over the district.

According to an article in the Minneapolis Federal Reserve Bank's review of Ninth District conditions, the average per acre value of farm real estate increased 13 percent in Minnesota, 12 percent in Montana and North Dakota, and 9 percent in South Dakota from March 1972 to March 1973. Using Minnesota as an example, this represents an increase of \$32 an acre since last year and brings the average price per acre close to \$275.

One effect of the increase in land prices has been to swell the value of real estate held by farmers over the last two years. As the table provided by the Fed shows, the average value of real estate per operating farm in the district now ranges from a high of over \$200,000 in Montana to about \$75,000 in Minnesota.

Average Value of Farm Real Estate per Operating Unit

	1971	1972
Montana	\$161,600	\$200,700
North Dakota	91,200	110,700
South Dakota	86,900	102,700
Wisconsin	80,000	99,300
Minnesota	61,300	74,600

And, while land values have moved up, so too have farm loan interest rates. A midyear Agricultural Credit Conditions Survey taken by the Fed traces the advance of long-term rates from 7.90 percent July a year ago, to 7.95 percent April 1, to 8.05 percent this July. The very strong market for farmland has not been affected, as of July anyway, by a shortage of mortgage funds at district ag banks.

From its inquiries the Federal Reserve Bank concludes that although farmers still want to expand their operations by buying more land, the run-up in land prices and higher interest rates will probably cause them to revise their plans.