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SPECIAL ARTICLE

Reconversion Being Safely Weathered

MANY informed individuals had anticipated that there would be serious dislocations in the economy in the transition from war to civilian production.

The discharge of war workers affects not only the individuals involved but may indirectly affect others through a decline in the aggregate volume of business transacted. A decline in employment is accompanied by a decline in payrolls. The latter, in turn, acts to reduce the spendable income of consumers, which is almost immediately reflected in a smaller volume of retail trade and services.

No serious disturbances have been observed to date as resulting from the cancellation of war contracts, which terminated abruptly the production of most war materials.

Immediately after the surrender of Japan, the Army and Navy departments cancelled all of their contracts except those which involved supplies needed by occupation forces abroad and by the troops returning from the battle fields for demobilization. Most of the war plants have now discharged their workers and maintenance crews are rapidly reconverting the equipment for the production of civilian goods.

With the out-break of the war, government contracts were given to established manufacturers. When the existing manufacturing facilities proved inadequate, new plants were authorized for construction by the War Production Board. In order to take advantage of the skilled labor supply, transportation facilities, and other economies of operation, the new plants were located largely in the prewar manufacturing centers. The wartime expansion, consequently, has been concentrated heavily in those states where specific industries were operating chiefly before the war.

ASSIMILATION OF MINNESOTA'S WAR WORKERS APPEARS FAVORABLE

Most of the war production in this district was carried on in Minnesota. According to the U. S. Census figures, prior to the war this state had four-fifths of the total number of workers in manufacturing in the four states wholly within this district. This may be observed in the accompanying table.

The processing of food and kindred products constitutes the chief kind of manufacturing in Minnesota. In 1940 this industry employed nearly one-third of the total manufacturing labor force in this state. The

No Appreciable Difficulties Have So Far Been Encountered in Making the Transition from War to Civilian Production in the Ninth Federal Reserve District

printing, publishing and allied products industry was second, and the machinery industry, excluding the manufacture of electrical equipment, was third in the number of workers employed.

During the war the manufacturing labor force in Minnesota expanded about 85 percent over the prewar number. The largest number of workers was still employed in the processing of food and kindred products. On a percentage basis, however, this industry did not expand its labor force nearly as much as some of the other industries. For example, the number of workers engaged in the chemicals and the petroleum and coal products industries in 1943 was over 6½ times the number in 1940. The electrical machinery industry experienced a similar increase in its labor force.

Since February of this year, the manufacturing labor force in the state has contracted gradually. By June 15, it had decreased by 11,800 workers. The trend for the various industries may be examined in the accompanying table.

The favorable turn of events on the war front and the final termination of the war has obviously contracted the labor force much more sharply since the middle of the year. According to the State Office of the War Manpower Commission, 197,000 were employed in manufacturing industries in Minnesota at the time of VJ-day. This represents a decrease of about 4½ thousand since June 15. Sixty days after VJ-day, the commission estimated, the force will have dropped to 137,000 workers—a decrease of an additional 60,000. The estimated number of workers will still be about 20,000 above the prewar level.

The over-all picture of employment in the state during the transition period appears quite favorable. As employment declines in the manufacturing industries, it will rise in the other lines of activity. The War Manpower Commission has estimated that over a period of 60 days following VJ-day the number unemployed will rise by about 2,000, which is small in comparison with the aggregate number of war plant workers discharged. In this estimate it is assumed that during this interval 10,000 workers will

withdraw from the labor market and about 8,000 discharged veterans will enter the market.

In the accompanying table there is tabulated by a broad classification the number employed in the state in August (at the time Japan surrendered), the expected employment 60 days after VJ-day, and the prewar level of employment.

No increase is expected by the middle of October in the number of workers employed in the trades, services, financial institutions, and the construction industry. All of these lines of activity were labor-starved during the war years. The current level of employment is still decidedly below the prewar level. Since there is a large demand for labor, most of the present unemployment is apparently voluntary.

TWIN CITIES AND DULUTH—CHIEF WAR PRODUCTION CENTERS—STILL IN NEED OF LABOR

Most of the production of war materials in Minnesota was carried on in the Twin Cities and in Duluth and, as a result, most of the reconversion is now taking place in these cities. A comparison of the expansion in the labor forces in the three cities and in the state as a whole is an objective measure of the importance of these urban centers in the previous war production.

In August of this year, 69,900 more workers were employed in manufacturing establishments in the Twin Cities than on the prewar census date, April 1940.

In Duluth 3,147 more workers were employed than at the former date. The manufacturing labor force in Duluth, however, at the peak of the ship building period was at a much higher level.

In the remainder of the state the employees in manufacturing establishments aggregated only 7,994 more workers than in April 1940.

A detailed picture of the expansion and contraction which has taken place in the labor forces in the Twin Cities and in Duluth is presented in the accompanying table. Even though the employment in the metal and chemical industries, which constituted the main war industries, still had a labor force on September 7 double that of April, 1940, the War Manpower Commission has estimated that over three-fourths of the discharges resulting from the cancellation of war contracts had already taken place. In Duluth it is anticipated that by the middle of October the employment in the various industries will be quite similar to the prewar pattern. This suggests that the reshuffling of the labor force as a result of the reconversion is nearly completed.

The number of job openings in the Twin Cities and in Duluth greatly exceeds the number of separations. For only a few days following the surrender of Japan were the layoffs greater than the openings. According to the War Manpower Commission, from September 1 to 7 there were 12,863 openings reported in the Twin Cities and only 6,000 layoffs. In Duluth during the same period, there were 1,600 openings reported and no layoffs.

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LABOR FORCE AND EMPLOYMENT BY INDUSTRY IN THE TWIN CITIES LABOR MARKET AREAS

April 1940, July 1944, July 15, 1945, September 7, 1945

INDUSTRY	April, 1940	July, 1944	July 15, 1945	September 7, 1945
MANUFACTURING	75,000	138,500	139,700	113,000
Metals, Chemicals, Rubber	23,400	75,500	76,700	47,000
Aircraft	0	11,200	9,000	3,000
Shipbuilding	0	2,300	1,365	1,050
Other Transportation Equipment	200	0	0	0
Automobiles and Equipment	2,100	600	1,800	1,250
Ordnance	0	33,500	33,585	16,700
Chemicals	2,800	4,000	3,000	3,000
Rubber Products	0	700	750	0
Iron and Steel	6,600	4,800	7,500	6,000
Electric Machinery	1,900	5,200	6,000	5,000
Machinery, Non-electric	3,500	11,700	12,000	10,000
Non-ferrous Metals	1,300	300	1,700	1,000
All Others	0	1,200	0	0
Other Manufacturing	51,600	63,000	63,000	66,000
Food and Kindred Products	19,500	24,600	22,000	23,500
Printing, Publishing and Allied Products	9,200	11,100	12,000	13,000
All Others	22,900	27,300	29,000	29,500
MANUFACTURING—Total	265,200	247,000	246,000	247,500
Government	18,300	19,800	19,000	19,000
Construction	16,900	10,600	8,000	8,500
Trade and Services	189,700	168,600	171,000	172,000
Transportation, Communication and Other Public Utilities	35,500	45,000	45,000	45,000
Other Manufacturing	4,800	3,000	3,000	3,000
CIVILIAN NONAGRICULTURAL LABOR FORCE	407,100	398,000	402,700	399,300
ARMED SERVICES	3,500	84,555	92,000	89,120
TOTAL NONAGRICULTURAL LABOR FORCE	410,600	482,555	494,700	488,420
NUMBER EMPLOYED	340,200	385,500	385,700	361,300
NUMBER UNEMPLOYED	66,900	12,500	17,000	38,000

Source: Adapted from a table prepared by the State Office, War Manpower Commission.

In Superior, Wisconsin, the layoffs have continued to exceed the openings over a much longer period of time. From September 1 to 7, 134 layoffs were reported and 111 openings.

The effect of unemployment on business had been minimized somewhat by unemployment compensation insurance. Discharged workers who register with a U. S. Employment Office and do not secure employment within a certain specified number of weeks (two weeks in Minnesota) are entitled to the insurance. In Minnesota these payments range from a minimum of 7 dollars per week for a period of 12 weeks to a maximum of 20 dollars per week for a period of 20 weeks. Under this system, workers involuntarily unemployed for some length of time receive part of their former income for a number of weeks. The stabilizing of individual incomes tends to stabilize the volume of retail trade, for the latter is very sensitive to the former.

No figures are available on the decline in income which has accompanied the contraction of employment in the transition period. The information available indicates that it is not a substantial amount. The aggregate has been reduced more by the abandonment of overtime than by the decline of employment.

In 1944, when war production was at a peak, only 11.3 percent of the total income received by individuals in Minnesota came from the payrolls of war manufacturing plants. The U. S. Department of Commerce estimated that the payrolls from those plants aggregated 271 million dollars, whereas a total of 2,395 million dollars from all income sources was paid to individuals in the state. The resumption of civilian production is now rapidly replacing the former war payrolls.

SMALL SEGMENT OF MONTANA'S INDUSTRY AFFECTED BY RECONVERSION

Mining is relatively of greater importance in Montana than in the other states of the district. In 1940 the labor force was almost equal to that in manufacturing. The war created a large demand for copper, lead, zinc, and silver. Although no figures are available at the present time, the labor force, in all probability, was greatly augmented.

Manufacturing consists chiefly of food processing and lumbering. About one-half of the total manufacturing labor force was employed in these two industries in 1940.

During the war, 22 new plants were authorized for construction by the War Production Board. These plants produced non-ferrous metals, food, coal and petroleum products, aviation gasoline, and combat motorized vehicles.

Since a relatively small amount of capital and labor was employed in the above industries, reconversion now involves a small proportion of the economy in the state.

In 1944, which was the peak year in the production of war materials, only 2.8 percent, or 14.4

Labor Force and Employment by Industry in Minnesota

April 1940, August 1945 and 60 Days after VJ-Day

Type of Activity	April ¹ 1940	August 1945	60 Days After VJ-Day
Agriculture	282,996	260,000	270,000
Non-Agricultural	648,503	676,000	618,000
Manufacturing	115,959	197,000	137,000
Trade	172,696	160,000	160,000
Services	89,048	65,000	65,000
Finance	28,724	25,000	25,000
Construction	37,456	15,000	15,000
Mining	7,935	15,000	13,000
Professional and Related	79,795	65,000	68,000
Transportation and Other Utilities	65,163	75,000	75,000
Other	51,727	59,000	60,000
Total Employed	931,499	936,000	888,000
Unemployed ²	169,965	45,000	91,000
Labor Force ³	1,101,464	981,000	979,000

¹ Some minor adjustments were made in the Census figures to conform with the Commissions Classification.

² It is expected that 10,000 workers will leave the labor market in the 60 days following VJ-Day. During this period it is expected that about 8,000 discharged veterans will enter the labor market.

Source: State Office, War Manpower Commission.

Labor Force and Employment by Industry in Duluth

April 1940, August 1945 and 60 Days after VJ-Day

Type of Activity	April 1940	August 1945	60 Days After VJ-Day ¹
Non-Agricultural	32,584	33,200	31,500
Manufacturing	5,453	8,600	5,600
Trade	9,291	9,500	9,500
Services	4,391	4,000	4,500
Finance	1,390	1,300	1,400
Construction	1,529	1,000	1,200
Mining	0	0	0
Professional and Related	3,515	2,000	2,500
Transportation and Other Utilities	4,475	4,100	4,000
Government	1,773	2,000	2,000
Other	767	700	800
Number Unemployed	10,254	2,000	4,300
Labor Force	42,838	35,200	45,800

¹ It is expected that 600 discharged veterans will enter the labor market during the 60-day period.

Source: State Office, War Manpower Commission.

million dollars, of the total income paid to the individuals in the state came from the payrolls of war plants. In 1940, 2.2 percent of the total income was derived from such payrolls. The small increase in the proportion of the total income flowing from war plants over the four-year period is indicative of the relatively small expansion along these lines.

NORTH DAKOTA, WITH SMALL MANUFACTURING LABOR FORCE, LITTLE AFFECTED BY RECONVERSION

This state has a small labor force engaged in mining and manufacturing. As in the other states in the district, manufacturing is concentrated primarily on the processing of food. In 1940 more than half of

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AGRICULTURE**Bumper Small Grain Crop Fifth Straight****SUMMARY**

LARGE and excellent quality small grain crops now assured.

Corn crop backward; depends on dates of killing frosts.

Range, pasture, and forage conditions are good to excellent.

Turkey production increased, especially in Minnesota.

Slight seasonal decline noted in prices of some farm products.

Cash farm income prospects optimistic for late 1945.

HARVEST weather during late August and early September has been nearly perfect. For the most part, warm cloudless days and cool nights have predominated, which was ideal for maturing and harvesting of small grains.

This is in contrast to the wet harvest periods of recent years when losses running one to three bushels per acre occurred due to lodging, spoilage around shocks and swaths, and incomplete threshing.

Weight per bushel and color of grains threshed are reported superior to any recent year. Protein content is average to above. Much spring wheat is weighing 60 to 62 pounds and durum 62 to 65 bushels in central and eastern North Dakota.

Durum wheat is an especially fine crop in every respect, including color, which is so highly important in the manufacture of semolina products, according to a recent Van Dusen-Harrington Crop Report.

Damage to small grain crops this summer by the usual hazards of drouth, heat, insect pests, and plant diseases has been unusually light and only local in character. Western North Dakota and some sections of eastern Montana reported grasshopper infestation, but it came too late to do much damage except to the upland alfalfa seed crop and late flax.

The year 1945 is the fifth straight bumper small grains crop in Ninth District states. Attention is now being given to subsoil moisture conditions for next year's crop. So far this has been one of the driest late summers in several years, and unless fall precipitation comes, prospects for next year are not too optimistic.

The September report from the Crop Reporting Board indicated spring wheat production estimates were up 6,000,000 bushels from August 1 estimates. The spring wheat yield as of September 1 was set at 315,301,000 bushels, of which 32,913,000 bushels are durum.

The total United States spring and winter wheat estimates were set at 1,152,270,000 bushels—74,000,000 bushels larger than any other United States wheat crop ever produced. This all-time record is the third time in history that the crop has exceeded 1,000,000,000 bushels.

The oat crop this year is tremendous—largest on record. It is estimated at 1,570,356,000 bushels, which is approximately one-third larger than production last year and about a half larger than the 1934-1943 average.

The September estimate of the United States corn crop was encouraging—up 225,000,000 bushels from the August 1 estimate. A total crop of slightly over 3 billion bushels is now indicated, which would be about a quarter of a billion bushels below last year's record crop but more than a half billion bushels larger than the average for the 1934-1943

period. The corn crop is not yet made, however, as much depends on how long frosts hold off in important growing areas.

In Ninth District states, the corn situation is not too optimistic. In general it is in a precarious situation and much depends on how long killing frosts are delayed. Killing frosts usually occur in the corn growing areas of the Northwest from about the middle of September to the twenty-fifth.

If the September estimates of total crop production materialize and a big corn crop is actually produced, total feed crops would be the second largest ever produced in this country, according to the Government's September crop report. A near record hay and forage crop has been produced. Supplies of feed for livestock should be liberal this winter in most areas. Feed grain supplies per animal unit would be the largest in 25 years, according to government figures based on September 1 crop conditions.

A good crop of sugar beets is in prospect in Montana and in the Red River Valley. Harvesting will be in full swing by late September and early October and judging from the increased sugar beet acreage and the good condition of the crop, production should be 25 to 30 percent larger than it was last year.

The potato crop is expected to be good in the Red River Valley. Lack of moisture probably has cut the yield under previous expectations. The crop is expected to be of high quality, medium in size, clean and it should store well. For the United States as a whole, the second largest crop on record is indicated.

Range and pasture conditions are good to excellent in practically all sections of the Ninth District. In the western Dakotas and eastern Montana, native grasses such as buffalo, gramma, and the wheat grasses are reported to have the best cure in years. The protein content is said to be especially high this year. In the Black Hills of South Dakota the grass

was never better and stayed green unusually late this year, but it is expected to mature fully and cure.

The turkey crop in the Ninth District this year is estimated 15 to 20 percent larger than it was in 1944. In Minnesota, the increase was 25 percent over last year. Minnesota increased its turkey production about 70 percent from the 1937-1941 average, and about two-thirds of the total district production is in the state. Minnesota ranks third in turkey production in the United States, exceeded only by Texas and California.

In North and South Dakota, turkey numbers are up from last year but substantially below the pre-war average. Small flocks have tended to dominate in the Dakotas, but farm flock production is gradually giving way here as it already has in many other areas to the more scientific commercialized method of turkey production in large flocks.

Turkey marketings are expected to be comparatively early this year, although the trend in recent years has been toward producing an earlier bird. The demand for turkey meat from hotels and restaurants, as well as other sources, has tended to be less seasonal in recent years. Approximately a third of the turkeys produced in the Ninth District will be marketed before November 1.

Cash farm income in the Ninth District during the first half of 1945 was 96 percent of the same period a year earlier. June cash farm receipts were up sharply compared with a year earlier, indicating an accelerated movement of stored grain and of livestock to market.

The cash farm income situation for the rest of 1945 and early 1946 appears optimistic. The Northwest has produced another record small grains crop. Range and pasture conditions are excellent. Livestock are in excellent condition and numbers on farms are at or near record levels. Prices are at or near ceiling levels and, in spite of military and lend-lease cutbacks, the civilian demand for food is such that prices of most farm products are expected to remain close to current levels during the rest of 1945, according to a recent Department of Agriculture report.

Minnesota and South Dakota continue to lag in cash farm income compared with a similar period a year earlier. These two states produce many hogs and the sharp reduction in marketings in 1945 compared with 1944 is an important reason for the smaller cash farm income this year. In view of the optimistic crop and feed conditions, it appears that total of 1945 cash farm income in all states of the district would approximate, if not exceed, last year's record high.

Prices received by farmers in the Ninth District at mid-August were slightly lower compared with a month ago, but prices remained higher than they were a year earlier. This is the season of heavy marketing for many of the Northwest's principal products, wheat, oats, potatoes, lambs, and beef cattle. Prices usually decline seasonally at this time of the year. Greater seasonal price swings may be

Turkeys Raised on Farms, 1945 With Comparisons¹

Area	(Thousands)			
	Average 1937-1941	1943	1944	1945 (Preliminary)
Minnesota	2,642	2,983	3,341	4,176
Wisconsin	400	554	692	761
North Dakota	1,424	945	997	1,042
South Dakota	1,106	551	413	496
Montana	265	246	253	253
United States	30,723	32,970	36,342	44,150

¹ United States Department of Agriculture, mimeographed report, August 27, 1945.

January-June Cash Farm Income¹

State	(Thousands of Dollars)			1945 in Percent of 1944
	1935-1939 Average	1944	1945	
Minnesota	\$ 154,557	\$ 417,069	\$ 384,100	92%
North Dakota	37,444	130,405	139,544	107
South Dakota	45,700	157,689	146,661	93
Montana	26,448	79,183	84,653	107
Ninth District ²	301,082	882,224	848,613	96
United States	3,416,392	9,110,000	9,155,000	100

¹ Data from "The Farm Income Situation," United States Department of Agriculture.

² Includes 15 counties in Michigan and 26 counties in Wisconsin.

Estimates of Crop Production in the Ninth District¹

Crop	(Thousands)		1945	1945 in Percent of 1944
	1943	1944	September 1 Estimates	
Corn, bu.	342,268	453,060	372,738	82%
Winter Wheat, bu.	26,240	30,411	35,989	118
Spring Wheat, bu.	252,933	265,502	267,008	101
Oats, bu.	328,779	377,205	521,589	138
Flax, bu.	42,388	20,381	30,615	150
Barley, bu.	145,586	122,538	116,759*	95
Tame Hay, tons	11,332	10,408	10,530	101
Potatoes, bu.	58,085	45,816	48,932	107

¹ Data derived from United States Department of Agriculture September 1 "Crop Production" report. District estimates by Federal Reserve Board.

* August 1.

Average Prices Received by Farmers¹

Commodity and Unit	Ninth District			Parity Prices ² Aug. 15, 1945
	Aug. 15, 1937-1941 Avg.	Aug. 15, 1944	Aug. 15, 1945	
Crops				
Wheat, bushel	\$.69	\$ 1.32	\$ 1.45	\$ 1.53
Corn, bushel .....	.56	1.01	1.00	1.11
Oats, bushel .....	.24	.62	.50	.69
Potatoes, bushel .....	.63	1.37	1.87	1.25
Livestock and Livestock Products				
Hogs, 100 lbs.	8.04	13.30	13.92	12.60
Beef Cattle, 100 lbs.	7.44	11.63	12.04	9.38
Veal Calves, 100 lbs.	8.70	13.02	13.58	11.70
Lambs, 100 lbs.	7.94	11.52	12.64	10.20
Wool, lb. ....	.26	.43	.41	.317
Milk, wholesale, 100 lbs.	1.47	2.71	2.68	2.71
Butterfat, lb. ....	.29	.52	.52	.433
Chickens, live, lb. ....	.129	.214	.251	.197
Eggs, dozen .....	.171	.302	.372	.365

¹ Data compiled from "Agricultural Prices," United States Department of Agriculture.

² The term parity as applied to the price of an agricultural commodity is that price which will give to the commodity a purchasing power equivalent to the average purchasing power of the commodity in the base period, 1910-1914.

expected now as prices break away from ceilings or controls are removed and prices reflect more completely the seasonal changes associated with supply and demand.

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BUSINESS

Dakotas Get More of Greater National Income

THE Ninth Federal Reserve District has received its share of the expanding national income during the recent war years. The states within the district, however, differ widely in the relative expansion of their income.

The total income paid to individuals for services rendered has increased markedly in all of the states. There are, nevertheless, significant differences among the states in the amount of the increase, as may be observed in the accompanying table. For example, in North Dakota and in South Dakota the annual income during the war years was more than double the prewar amount. In Minnesota and Montana it was only 68 and 60 percent larger, respectively, than the prewar amount.

Income payments are a rough measure of the money flowing to ultimate consumers. The income remaining after personal taxes are paid is at their disposal to save or to spend on consumer goods and services. In some respects the annual per capita income payments by states have more significance than the aggregate figures. They represent roughly the average amount of income flowing to individuals in the different states.

Of the four states wholly within this district, Montana has had the highest per capita income during the war years as well as in prior years. In 1944 an average of \$1,105 was paid to individuals for services rendered. In the other states—Minnesota, North Dakota, and South Dakota—the per capita income last year was \$955, \$949, and \$850 respectively.

A comparison of the per capita income in the above states with the national average indicates that they are all "low-income" states. Since income payments include an estimate of the products consumed on farms, the money income is a measure of the real income in the states where there is still a noticeable amount of self-sufficiency. The 1944 per capita income in the United States was \$1,117. The per capita income in Montana, however, was only 1 percent below the national average. In Minnesota and in North Dakota the per capita income was 15 percent below the former average, and in South Dakota, 24 percent below.

As compared with the prewar level of per capita income, North Dakota and South Dakota have received a larger share of the national income in the recent war years. The per capita incomes of the states expressed as a percent of the national average indicates that the income in these states has risen faster than in the nation as a whole, as may be observed in the accompanying table.

The rapid rise in the income of these two states is traced almost entirely to the expansion in the agricultural income as a result of the large crops and favorable prices. In North Dakota the 1940 agricul-

SUMMARY

THE Ninth District has received its share of the expanding national income. Agriculture accounts for rapid rise in Dakotas' income—more than for nation—and larger proportion than Minnesota and Montana.

Bank debits in August declined in the industrial areas but continued at the former volume in the farming centers.

Department store sales in August declined in Minneapolis, St. Paul, Duluth, and Superior but continued at the former volume in most of the smaller cities.

tural income constituted 37.3 percent of the total, while in 1944 it rose to 54.5 percent, or over one-half of the total. In South Dakota the agricultural income rose from 30.2 percent to 42.5 percent of the total over the same period. The payrolls of war plants and of the Federal Government augmented the total income somewhat in the latter state.

Of the total increase in income payments from 1940 to 1944, in North Dakota 70 percent and in South Dakota 55 percent is attributed to the expansion in the agricultural income.

Minnesota and Montana, on the contrary, have received a smaller share of the national income during the recent war years. The per capita income in these states has increased less than the national average.

The agricultural income in these states expanded approximately as much as in the former states, but it constitutes a smaller percent of the total. In Minnesota it rose from 16.8 percent of the total state income in 1940 to 21.0 percent in 1944. In Montana it constitutes a somewhat larger part of the aggregate: in 1940 it was 22.5 percent, in 1944, 32.2 percent. For this reason the per capita income rose almost as rapidly as the national average.

In Minnesota the income flowing from the production of war materials did not expand as much as in other states that derive a similar proportion of their total income from nonagricultural sources. Consequently, the state received a smaller share of the national income.

Bank debits during August declined over the district. The index with a base period from 1935 to 1939 decreased from 199 for July to 185 for August. The smaller volume of business transacted is attributed to the closing down of war plants. In the farming centers the debits increased slightly over the volume in the preceding month.

Grain receipts in the Twin Cities generally reach a peak in the few weeks preceding or following Labor

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Day. This year the receipts have reached an unusually high volume in the two weeks following the holiday. Since the current market price on wheat ranges from 7 to 15 cents above the loan value which may be secured from the Commodity Credit Corporation, farmers are moving the grain into the market very rapidly instead of holding it.

In the accompanying table is tabulated the amount of the grain drafts received by the Federal Reserve Bank in the four weeks of August and in the first two weeks of September for this year and a year ago. These receipts are indicative of the fine crop harvested this year and of the income now flowing to the farmers in this district.

Grain Drafts Received by the Minneapolis Federal Reserve Bank

	Amount (In Thousands)	
	1944	1945
August		
First week	\$12,314	\$12,507
Second week	17,498	13,103
Third week	14,925	19,645
Fourth week	24,837	30,371
September		
First week	14,570	36,158
Second week	19,580	40,959

Department store sales continued on the former level during August. This is another indication that the volume of business transacted in this district was little affected by the termination of the war in the Pacific, which resulted in a sudden termination of war contracts and the closing of war plants. On the

Department Store Sales Minneapolis, St. Paul, Duluth and Superior

Four Weeks* Ending	% Four Weeks, 1945 of Four Weeks, 1944
August 4	121
August 11	123
August 18	116
August 25	113
September 1	106
September 8	98
September 15	104

* Four week totals are used to smooth out sharp irregularities in sales from week to week which make weekly comparisons with a year ago meaningless.

basis of the five-year average from 1935 to 1939, the index for August was 186.4, while for July it was 186.9.

August sales in terms of percent of the volume for a year ago were 8 percent larger than last year over the district. In a few areas the volume fell below the 1944 figure.

In the four cities, Minneapolis, St. Paul, Duluth, and Superior, where most of the war work was con-

Sales at Department Stores

	Number of Stores Showing		% Aug., 1945 of Aug., 1944	% Jan.- Aug., 1945 of Jan.- Aug., 1944
	Increase	Decrease		
Total District	153	102	108	112
Mpls., St. Paul, Dul.-Sup....	19	5	110	115
Country Stores	134	97	104	107
Minnesota	41	35	104	106
Central	6	2	118	120
Northeastern	1	6	94	97
Red River Valley.....	4	1	103	107
South Central	14	6	111	112
Southeastern	5	9	100	103
Southwestern	11	11	102	104
Montana	18	5	108	111
Mountains	8	2	105	112
Plains	10	3	110	110
North Dakota	27	22	101	107
North Central	2	8	88	95
Northwestern	3	2	100	108
Red River Valley.....	12	5	105	110
Southeastern	9	6	102	107
Southwestern	*	*		
Red Riv. Val.-Minn. & N. D.	16	6	105	109
South Dakota	18	10	108	111
Southeastern	6	0	115	112
Other Eastern	8	4	105	111
Western	4	6	97	107
Wisconsin and Michigan.....	30	25	103	103
Northern Wisconsin	8	6	103	103
West Central Wisconsin	14	18	98	100
Upper Peninsula Mich....	8	1	119	115

* Not shown, but included in totals. Insufficient number reporting.

centrated, some decline occurred in the volume of sales in August. The index declined from 207.8 for July to 198.2 for August.

The successive four-weeks sales figures for the four cities show a downward trend. For example, the sales for the four weeks ending August 11 were 23 percent larger than the volume for the comparable weeks of a year ago. This percentage has declined consistently in the subsequent weeks and for the four weeks ending September 8, the sales were actually 2 percent less than for the same period of a year ago. These percentages have been assembled in the accompanying table for a number of weeks.

Northwest Business Indexes

Adjusted for Seasonal Variations—1935-1939 = 100

	August 1945	July 1945	August 1944	August 1943
Bank Debits—93 Cities	185	199	175	174
Bank Debits—Farming Centers.....	210	209	191	181
City Dept. Store Sales	198	208	179	153
City Dept. Store Stocks.....	172	184	165	160
Country Dept. Store Sales.....	174	164	167	145
Country Lumber Sales	110	118	110	126
Miscellaneous Carloadings.....	109	116	120	109
Total Carloadings (excl. misc.)	119	126	127	137
Farm Prices—Minn. (unadj.)	183	183	177	173
Employment—Minn. (unadj. 1938=100)			143	152
Minn. Payrolls (unadj. 1938=100)			237	240

BANKING

Marketing of Crops Swells Bank Deposits

DEPOSITS at both the city and country banks in the Ninth Federal Reserve District continued a steady though unspectacular rise during the last month.

At the 20 reporting city banks, deposits increased during the four weeks ending September 12 by \$40 million on balance, though there was substantial readjustment among different categories. Deposits of the U. S. government (largely war loan accounts) declined from \$273 million in the middle of August to \$215 million by September 12, a reduction of \$58 million. A substantial part of this showed up in an increase of \$38 million in deposits of individuals and businesses from \$834 million in mid-August to \$872 million to September 12. A jump in miscellaneous accounts from \$406 million to \$466 million during the same period more than made good the remaining reduction of war loan deposits, with the resulting rise in the total figure for all deposits to \$1,553 million.

It is worth noting that most of this expansion is accounted for by a swelling of deposits due to other banks to the extent of \$56 million. To a substantial degree this is a normal development during this season of the year. In part it is explained by the substantial flow of funds into the agricultural areas and the country banks from the marketing of the excellent small grain crops in the district. Some part of these funds then shows up as balances kept by

SUMMARY

WAR loan accounts continue to decline as other deposits rise. Deposits of the city banks due to other banks show strong seasonal rise.

Country bank deposit increases are concentrated in Montana, South Dakota, and Minnesota.

The reserve position of all banks tightens with shift of funds out of reserve-free accounts.

these country banks on deposit with the larger correspondent banks.

The figure for borrowings came back into the picture again on September 12 with these banks showing a total liability of \$1 million arising from borrowed funds. This was a reduction from the \$7 million figure of the prior week.

A substantial part of this deposit increase was held by the banks as additions to reserve deposits at this bank or as other cash or amounts due from other commercial banks. A rise of \$51 million in this item pushed total cash, reserves, and funds due from other banks up to \$407 million by mid-September.

The loan portfolios of these banks experienced a rather substantial increase during this period, rising from \$215 million in mid-August to \$232 million a month later, an expansion of \$17 million. This substantial rise reversed the decline of the previous month and was not far behind the monthly rise during the Seventh War Loan. The important difference is that the increase in the current period was concentrated largely in commercial, industrial, and agricultural loans. Loans for carrying securities remained almost constant during the month.

These banks reduced their holdings of U. S. government securities from \$969 million to \$941 million, a decline of \$28 million. Virtually all of the reduction occurred in the longer issue maturities, with the shrinkage in holdings of U. S. Treasury bills and certificates of indebtedness accounting for only \$3 million. Treasury bill holdings fluctuated vigorously during the month. At the outset the banks were steadily unloading bills and by the middle of the period their holdings fell to only \$10 million. By the end of the third week they had jumped back to \$33 million and then slid back to \$23 million on September 12.

Deposits at country member banks, by the latter part of August were beginning to exhibit the beginning of the seasonal rise which will hit full stride slightly later. During the last half of August these banks averaged total deposits of \$1,432 million, \$29 million above the corresponding figure for July. The increases were concentrated about equally in Montana, South Dakota, and Minnesota, the first two states exhibiting by far the largest relative increases.

(Continued on Next Page)

Assets and Liabilities of Selected Ninth District Member Banks

(In Million Dollars)

	8/15/45	9/12/45	Change
Assets			
U. S. Treasury bills.....	\$ 25	\$ 23	\$— 2
U. S. Treasury Certificates of Indebtedness.....	200	199	— 1
Other U. S. Government securities.....	744	719	—25
Total U. S. Government securities.....	969	941	—28
Other investments.....	49	49	0
Loans.....	215	232	+17
Cash and due from banks.....	356	407	+51
Miscellaneous assets.....	15	16	+ 1
Total.....	1604	1645	+41
Liabilities			
Deposits of U. S. Government.....	273	215	—58
Deposits of individuals and businesses.....	834	872	+38
Due to other banks.....	306	362	+56
Other deposits.....	100	104	+ 4
Total deposits.....	1513	1553	+40
Borrowings.....	0	1	+ 1
Miscellaneous liabilities.....	8	8	0
Capital accounts.....	83	83	0
Total liabilities and capital.....	1604	1645	+41

The reserve position of all Ninth District member banks during the last half of August is indicated by the following table.

Daily Average Reserve Position for All Ninth District Member Banks for the 16-Day Period Ending August 31, 1945

Type of Bank	Average Reserves Carried (000)	Average Reserves Required (000)	Average Excess Reserves (000)
Reserve City Banks.....	\$160,246	\$158,166	\$ 2,080
Other City Banks.....	26,075	22,865	3,210
Total City Banks.....	186,321	181,031	5,290
Total Country Banks.....	151,277	120,170	31,107
Total Ninth District—1945	337,598	301,201	36,397
Total Ninth District—1944	289,419	256,831	32,588

RECONVERSION

(from Page 260)

the manufacturing labor force was employed in this industry.

During the war, six new plants were authorized for construction by the War Production Board. They were erected to produce coal and petroleum products and process food.

During the war the aggregate labor force in mining and manufacturing rose from 5,824 workers in 1940 to 13,800 in 1944. In June of this year employment was still at the former high level.

Only .1 of one percent, or about 500 thousand dollars, of the total income received by individuals in the state is attributable to the 1944 payrolls of war plants. In 1940, the same fraction of one percent of the total was derived from such payrolls. According to these percentages, the income flowing from other activities in the state over the four-year period expanded as rapidly as that flowing from the production of war materials.

SOUTH DAKOTA HAS MINOR RECONVERSION PROBLEMS WITH FOOD PROCESSING CHIEF MANUFACTURING INDUSTRY

Prior to the war this state had a mining and manufacturing labor force of 11,846 workers. Over one-half of the workers in manufacturing establishments were engaged in the processing of food.

At the height of the war production period, the labor force in these non-agricultural pursuits doubled. The number of workers in the food processing industry rose about 40 percent.

During the war years, 6 new plants were authorized for construction by the War Production Board. They were erected for the purpose of processing food and producing machine tools and chemicals.

The income from the war plant payrolls in 1944 constituted .4 of one percent of the total or 1.9 million dollars. In 1940 the income derived from this source was only .1 of one percent of the total or 242 thousand dollars. The increase in the proportion of income secured from the production of war materials

over the four-year period is small as compared with that in other states.

As reconversion progresses over the nation, the labor force in the Ninth District may again rise toward the prewar level. Approximately 10 percent of the civilian population residing in this district in April 1940, has migrated to war centers outside of the area. As the opportunity for employment declines in these centers, some of these migrants will return to their former location.

—Oscar F. Litterer.

AGRICULTURE

(from Page 262)

Wheat prices strengthened in early September when it was reported that the C.C.C. was planning a program to ship 30 million bushels of wheat to Europe monthly for the next six months beginning in October. Large Government purchases of flour were also reported in the offing.

Government price support programs may also influence the level of farm prices. Under existing legislation, approximately 65 percent of agricultural production is under the support price guarantee for two full calendar years after the President by proclamation, or the Congress by concurrent resolution declares that hostilities in the present war to have ended. This would indicate 1946 and 1947 prices would be supported, and possibly 1948 if the end of the war is not "official" until after January 1, 1946.

The so-called "basic commodities" and "Steagall commodities" are included in the two-year guarantee. The basic commodities are corn, wheat, cotton, rice, tobacco, and peanuts for nuts. The Steagall commodities include those on which the Secretary of Agriculture by proclamation, has asked for specific increases to meet war needs. These are hogs, eggs, chickens (not broilers or chickens under three pounds), turkeys, milk, butterfat, certain varieties of dry peas and beans, potatoes, soybeans, peanuts, flaxseed for oil, cured sweet potatoes, and American-Egyptian cotton.

Both basic and Steagall commodities are entitled to support at 90 percent of parity, except cotton, which has a special support level at 92½ percent of parity. There is a provision in the law, however, with regard to the basic commodities which states that prices will be supported provided growers do not reject marketing quotas if proclaimed. Specific appropriations have not yet been made to fully activate a price support program should one become necessary.

Price supports are in effect for a shorter term on many additional farm products—about 140 in all. There are, however, no fixed price support levels, and most of these supports expire either in 1945 or by the summer of 1946. There is a general policy, however, that requires the Department of Agriculture by purchase and loan operations to keep prices of these products at a fair parity relationship with the others "to the extent that funds are available."