

1946-45



# MONTHLY REVIEW

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FEDERAL RESERVE BANK OF MINNEAPOLIS

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## SPECIAL ARTICLE

### 1947--A Turning Point for Agriculture?

HERE are many questions farmers and others are asking as we emerge from the postwar reconversion period. Have farm prices reached the peak? Will advancing costs reduce net farm income? Will the phenomenal rate of agricultural production be maintained? What are the prospects for continued large exports of farm products? Will Government support farm prices at 90 percent of parity?

Farmers want answers to these questions in order to plan intelligently for the future of the farm business.

Farm prices and income have gone up steadily since 1939. At the present time both are approximately two and one-half times the 1939 level and they are the highest in history.

Historically, price inflation has accompanied major wars. Inflation of farm prices occurred during and for a short period after the War of 1812, the Civil War, and the first World War. These periods of inflation, however, have been relatively short—three to five years—when compared with the 20 to 40 years of relatively low farm prices which have followed the inflationary sprees. (See chart below.)

Prices of farm products go up during war periods because people's incomes are expanded, the military takes huge quantities of food, and exports are increased to meet (in the last war) lend-lease and relief requirements. There is an apparently insatiable demand for all the food that can be produced.

Then suddenly, and seemingly without warning, the break has come and prices declined much faster than they advanced. Farm commodity prices are similar to stock prices in that when a downturn sets in it is sometimes abrupt. For example, after World War I, in a few months in early 1920, farm prices lost about 50 percent after several years of wartime price advances.

The exact timing of a turn in prices of farm products after a long period of inflation has been, of course, impossible to predict. The Department of Agriculture has warned, however, that the level of farm prices in 1947 may average 5 to 10 percent below the 1946 level. Many competent students of agricultural economics feel that most of the decline, if it does occur, may come in the latter half of 1947.

### High Consumer Incomes, Population Increase, and Large Exports Tend to Keep Farm Prices at High Level

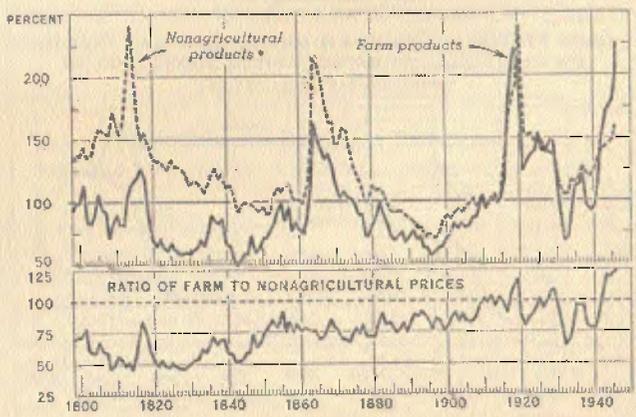
● Offsetting Factors Include: Reduction in Military, Lend-Lease, and Foreign Relief Needs; Agriculture's Huge Production Capacity; and Greater Quantity and Variety of Goods Bidding for Consumer's Dollar

### DOMESTIC DEMAND FOR FARM PRODUCTS HIGH

In recent years people have been eating more and better food than ever before. For one thing they have had the income with which to purchase a well-filled market basket. Consumers have been interested particularly in purchasing more meats, dairy products, and fresh fruits and vegetables than they did before the war. Secondly, many goods such as radios, washing machines, etc., which ordinarily bid for the consumer's dollar, have not been freely available in recent years.

Food prices have been high and the average consumer in recent years has been eating 10 to 15 percent more compared with pre-war. On a per capita basis the portion of the disposable income spent for food in 1935-39 averaged 23 percent.

WHOLESALE PRICES OF FARM AND NONAGRICULTURAL PRODUCTS, UNITED STATES, 1798-1946  
INDEX NUMBERS (1910-14=100)



\* ALL COMMODITIES OTHER THAN FARM PRODUCTS AND FOODS  
DATA FOR 1946 ARE TENTATIVE ESTIMATES  
U. S. DEPARTMENT OF AGRICULTURE  
WEO, 25542A BUREAU OF AGRICULTURAL ECONOMICS

In 1940-41-42 it was 21 percent; in 1943 and 1944, 23 percent; in 1945, 25 percent; and in 1946, 26 percent. This latter level is fairly high and may be reduced as other goods become available in larger quantities.

The significant point is that the demand for farm products depends largely on wages and salaries received by consumers. The income of industrial workers in 1946 will average about two and one-half times the 1935-39 average and they may be still higher in 1947, according to Department of Agriculture estimates. This is an optimistic note for the 1947 farm price outlook.

In addition to higher consumer incomes as a factor in increased demand for farm products, there has been a surprisingly large population increase (nearly 9,000,000) since 1939.

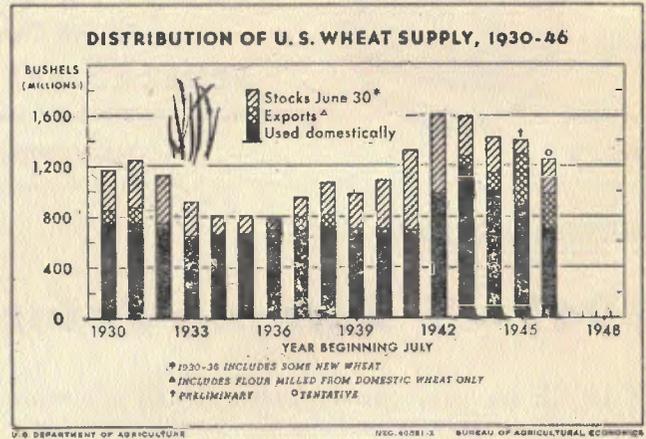
**DECLINE EXPECTED IN WARTIME DEMAND FOR FARM PRODUCTS**

Military, export, lend-lease and foreign relief food requirements have been a tremendously important factor in the demand for farm products in recent years. At its peak the military took approximately 11 percent of total food production. Lend-lease and exports took another 10 percent, leaving less than 80 percent of wartime food production for civilians.

This is changed now. The military has shrunk from around 12 million men to about 1½ million. The boys still eat as civilians but less food is required or used per man. UNRRA will expire on December 31 this year. Relief shipments of food are expected to be sharply reduced in 1947 compared with 1946.

Leaving the military shipments aside, it appears that foreign countries may have to rely largely on their own exchange reserves of American dollars to buy their prospective 1947 imports of United States agricultural products. It is estimated by the Department of Agriculture that nearly half of our agricultural exports during the first six months of 1946 consisted of lend-lease goods and of UNRRA and private relief shipments.

It would seem therefore that a larger share of total food production may be available for domestic



purposes in the months ahead. The average consumer will welcome larger food supplies, particularly meat, but at the same time there will be an increasing supply of other goods competing for his dollar. Incomes in the year ahead may not be so freely spent on food as has been the case in the past several years.

**REDUCED EXPORTS MEAN LARGER MEAT SUPPLIES FOR DOMESTIC CONSUMERS**

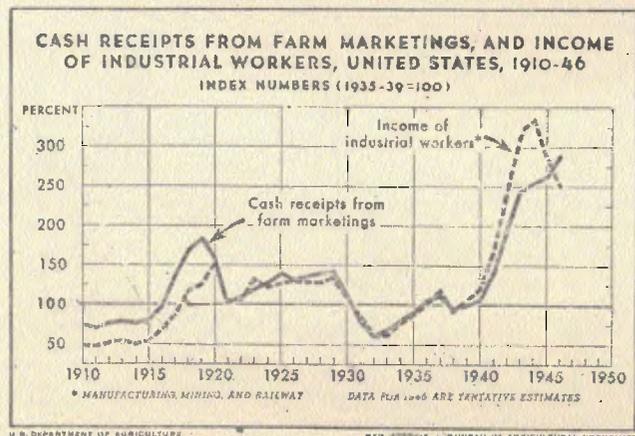
The meat shortage in recent months and current high meat prices, for example, are due partly to unusual wartime demands. Compared with civilians, the military used about double the amount of meat on a per capita basis. Meat exports in 1945 totaled about 1½ billion pounds and around 1 billion pounds in the first six months this year. This is a substantial share of total current meat production of about 22½ billion pounds. Around 40 percent of meat exports in the first half this year were made by UNRRA. Very little meat was exported before the war.

Looking at it from another way, total meat production on a per capita basis in 1946 is estimated at 161 pounds. Domestic per capita consumption of meat in 1946 may average 140-145 pounds compared with only 125 pounds before the war.

Next year, meat production is expected to total between 150 to 160 pounds per capita. With lend-lease and UNRRA out of the picture, meat exports may be cut sharply and a larger supply be available for domestic consumption. Will consumers take the prospective supplies off the market at present price levels or will prices have to be lowered to clear the market? Fat cattle prices before the war were \$10 to \$12 per cwt. At mid-November they were \$20 to \$30.

**EXPORTS HAVE SUPPORTED WHEAT MARKET**

Approximately one-third of total wheat production during the last two years has been exported. Present wheat prices reflect this large export demand. Will this demand continue? During the 1930's not over 50 million bushels was exported



## BUSINESS

**Northwest Business Continues to Climb**

**T**HERE is little concrete evidence yet of any slackening in the upsurge of Northwest business activity which has carried it to unsurpassed levels.

The two seasonally adjusted indexes of bank debits rose further to new highs. The index for 93 cities during October averaged 275 compared with 261 for September and 212 for October, 1945. Bank debits at farming centers in October pushed that index up to 307 from September's 296 and 224 for a year earlier. October, 1946, therefore, became both the highest October on record and the highest month on record.

Total car loadings revealed a similar picture. The October index of 135 indicates a 10 percent increase over September and over October of last year.

After an adjustment for seasonal variation, the city index of department store sales in the district exhibited a 6% decline in October with the country department store index receding slightly also, but these indexes are subject to a substantial amount of month-to-month variation.

The expansion in retail trade has been remarkably uniform throughout the district. October honors went to the Upper Peninsula of Michigan, whose department stores in October turned in the largest volume of trade, relative to a year ago, of any area in the Ninth District. October retail trade in the Upper Peninsula during October was 42 percent above a year ago, considerably above the 31 percent increase for the district as a whole.

Montana stores were only one point behind with an October volume of trade 41 percent above last year, with the eastern part of the state showing slightly larger gains than the western sections. For other regions of the district October sales averaged about 30 percent above a year ago.

It is perhaps worth noting that the rate of expansion of retail trade is showing a slight tendency to level out. While October sales were 31 percent above a year ago, sales for the first 10 months of 1946 were 34 percent above the corresponding period for last year. There is a very evident disposition on the part of business men to watch quite closely any evidence of a change in the upward trend of business activity in view of several warnings that some readjustment in business activity is a possibility next year.

The inventory situation is being watched with particular interest at the present time. Total inventories do not yet seem to be materially out of line with the current volume of sales. For city stores the seasonally adjusted October index of stocks or inventories on hand of 244 does not appear to be out of line with the sales index of 266. For country department stores the October stocks index was 246 and the sales index also 246. Both sales and stocks in these indexes are expressed as a percentage of the 1935 to 1939 average.

**B**ANK debits and carloadings increased during October, while department store sales levelled off.

**Department store stocks during the first 10 months have risen at a rate almost double the rate of increase in sales.**

**Consumer credit rose about 65% during the first nine months.**

On the other hand a comparison of the rate of increase in stocks and sales since the first of the year is illuminating. It reveals that both city and country stores during the last 10 months have built up their inventories at a rate almost double the rate of increase of sales. Since January the volume of sales, after allowing for seasonal variation, has increased by 20 percent for city stores and 22 percent for country stores. During the same period, inventories have expanded by 55 percent and 41 percent respectively.

This inventory expansion, in the light of the heavy demand and the many important lines where stocks are still low, is all the more remarkable. Presumably important departments such as men's wear and major home appliances have not figured as prominently in this expansion as would normally have been the case.

Consumer credit outstanding in commercial banks, loan companies, and credit unions of this district rose about 65 percent during the first nine months of this year. Preliminary figures indicate a further substantial increase during October.

Charge accounts in department stores at the end of September were 64 percent larger than a year ago. Whereas these accounts last year averaged 37 percent of total sales, they now constitute about 45 percent of the larger total receipts. With the large seasonal expansion in sales, charge accounts will continue to grow rapidly.

Instalment sales have risen somewhat faster than charge accounts. At the end of September, department store instalment sales were 86 percent larger

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**Northwest Business Indexes**

Adjusted for Seasonal Variations—1935-1939 = 100

	Oct. 1946	Sept. 1946	Oct. 1945	Oct. 1944
Bank Debits—93 Cities.....	275	261	212	197
Bank Debits—Farming Centers...	307	296	224	194
City Department Store Sales.....	266	282	202	175
Country Department Store Sales...	246	248	178	156
City Department Store Stocks.....	244	230	155	155
Country Department Store Stocks	246	225	164	187
Country Lumber Sales .....	94 <sup>p</sup>	115	147	113
Miscellaneous Carloadings .....	127	112	113	120
Total Carloadings (Excl. Misc.) .....	135	123	125	126
Farm Prices—Minn. (Unadj.) .....	253	222	170	170

<sup>p</sup>—Preliminary.

## SPECIAL ARTICLE

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annually as an average. During the 1945-46 marketing year, about 390 million bushels were exported and the amount this year is expected to exceed 300 million.

Wheat farmers will need a large export demand for their products if prices are to be maintained. Wheat exports in the future will depend on a number of things, such as need in food deficit countries, international trade policies and trade agreements, and the level of domestic and world price levels for wheat.

Domestic use of wheat before the war averaged only around 700 million bushels annually, but in recent years billion bushel crops have become common. This year was a record high, 1,170 million bushels. Wheat is the single most important crop produced in the Ninth District. Last year it accounted for 16 percent of total district cash farm income. In North Dakota, wheat accounted for 42 percent of the state's cash farm income. The question of wheat exports is therefore of vital importance to the economy of the district.

## READJUSTMENTS AHEAD IN DAIRYING

The war also changed the pattern in dairy marketing. There has been a sharp increase in the consumption of milk in the form of fluid uses. The proportion of milk sold by farmers in the form of whole milk rather than as cream is estimated at 75 percent in 1946. This compares with only 56 percent for the average in 1935-39. Butter manufacture has decreased about a third. For example, per capita output of butter this year may be around 10 pounds compared with the pre-war average of nearly 17 pounds. Considerable expansion occurred in the production of dried milk, of which huge quantities were used for military and export purposes.

Exports of dairy products have averaged nearly 5 billion pounds each year since 1942. In 1947 the Department of Agriculture estimates only 3 billion pounds of dairy products will be exported. This is still high, however, in comparison with only one-third of a billion pounds exported before the war.

It would appear, therefore, that as the market for dairy products readjusts to domestic demands utilization of dairy products would tend to revert to pre-war patterns. In other words, as dairy exports decline, the market for dried and condensed milk may decline, and as prices are allowed to seek a natural level it may become more profitable again to produce in larger volume other dairy products such as butter.

In spite of the keen demand for dairy products, the number of milk cows on farms has continued to decline. On June 1, 1946, dairy cow numbers were down 4.3 percent from a year earlier. This reflects continued labor difficulties, as well as higher returns to farmers from alternative enterprises. Production per cow, however, in 1946 may be at an all-time



high, averaging around 4,850 pounds. For the five-year average before the war the production per cow was only 4,403 pounds.

There are several reasons why production per cow is at a new high. First, many of the poor cows have been eliminated from the dairy herd; second, pasture and feed have been excellent in recent years and dairymen have fed liberally; third, the proportion of cows milked has been high.

POTENTIAL FOOD PRODUCTION  
UP ¼ TO ⅓ FROM PRE-WAR

Total food production in recent years has been more than one-third higher compared with the 1935-39 average. Once agriculture has expanded its production capabilities it is difficult to shrink them. In fact the Department of Agriculture estimates that even under average weather conditions from a fourth to a third more food may be produced in the immediate future compared with pre-war.

They also state that at the same dietary level of 1935-39 this increased food production potential will take care of an estimated 50 million more people than were fed in the pre-war five-year period. But there has been only a 9 million increase in population. Will markets be found at satisfactory price levels or will agricultural production be controlled arbitrarily in an effort to keep farm prices at some designated level?

Agriculture's increased productivity, if allowed to function freely, has many advantages to farmers and consumers alike. To the farmer it may mean increased profit margins and favorable net incomes even though prices are lower. The consumer at the same time is able to buy more food at lower prices. Increased productivity in agriculture and industry is the basis for Americans' ever-increasing standard of living.

Agriculture's vastly increased production potential has been characterized by some Department of Agriculture officials as revolutionary. The stimulus of war demands has undoubtedly hastened changes that were under way at the war's beginning. Some of these changes are:

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## BANKING

**Heavy Demand for Bank Credit Evidenced**

ONE of the more striking banking developments of recent months has been the strong upward surge in commercial loans. This has been a particularly significant development in view of the large expansion in holdings of liquid assets on the part of individuals and businesses which, there was some reason to think, would have minimized the demand for further bank credit.

By mid-November, commercial, industrial, and agricultural loans at the Ninth District weekly reporting banks had risen to \$187 million from a low of approximately \$100 million earlier this year. Percentage-wise, this is an extremely sizeable expansion (87 percent). While loans are usually seasonally high at this time of the year in these banks, the volume outstanding currently exceeds that of a year ago by slightly over 40 per cent.

The strong demand for bank credit combined with recent suggestions from some students of the economic outlook that a readjustment in business activity sometime next year is a possibility have prompted many bankers to pursue increasingly conservative lending policies.

Nor are commercial, industrial, or agricultural loans the only evidence of a strong demand for bank credit. Miscellaneous loans, which are largely "consumer" loans, have exhibited the same strong expansion, and in the Ninth District these loans aggregated \$78 million by mid-November, an expansion of 59 percent over the year's low reached on February 27, 1946. This exceeds by 50 percent the volume a year ago.

It is evident from these figures that Northwest businesses and individuals are supplementing their current purchasing power by a substantial amount of increased borrowing.

Some adjustment occurred in the banks' government security portfolio. During the last month, holdings of certificates of indebtedness, Treasury notes, and Government bonds all exhibited some further decline, largely a result of the Government's debt reduction program. Holdings of U. S. Treasury bills did increase from \$12 million in mid-October to \$16 million in mid-November. On the other hand, total Government security holdings declined during the months from \$848 million in mid-October to \$830 million on November 13. The decline in bank holdings of Government securities during the last year has been fairly substantial. On November 14 of last year these banks held \$953 million in Government securities, larger by \$123 million than their portfolios during the same period this year.

A substantial inflow of funds is evident. The net deposit increase was \$27 million even after allowing for a \$28 million decline in war loan accounts. This decline in war loan accounts occurred when the Treasury withdrew these funds as a part of its debt redemption program. Therefore, total deposits

COMMERCIAL loan expansion continues. Reserve position eases.

Country bank deposit expansion centers in Montana and South Dakota.

other than those of the U. S. Government actually increased \$55 million.

Several other developments point to a somewhat easier reserve position for the banks during the month. Borrowings of \$19 million in mid-October were completely eliminated a month later. Holdings of Treasury bills, usually an investment for temporarily idle reserve balances, increased from \$12 million to \$16 million during the month. In spite of these two reserve-using developments, balances of these banks at the Federal Reserve Bank rose from \$205 million to \$213 million.

The seasonal heavy expansion in country member bank deposits showed some tendency to level off during the last half of October. Their deposits during the last half of October averaged \$20 million

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### Assets and Liabilities of Ninth District City Member Banks

(In million dollars)

	11/13/46	10/16/46	Change
<b>Assets</b>			
Commercial, industrial and agricultural loans	\$ 187	\$ 177	+\$10
Real estate loans	38	37	+ 1
Loans for carrying securities	26	28	- 2
Other loans	78	69	+ 9
<b>Total loans</b>	<b>329</b>	<b>311</b>	<b>+18</b>
U. S. Treasury bills	16	12	+ 4
U. S. Treasury certificates of indebtedness	69	79	-10
U. S. Treasury notes	112	120	- 8
U. S. Treasury bonds	633	637	- 4
<b>Total U. S. Government securities</b>	<b>830</b>	<b>848</b>	<b>-18</b>
Other investments	58	59	- 1
Cash, due from banks, and reserves	451	440	+11
Miscellaneous assets	17	16	+ 1
<b>Total assets</b>	<b>1,685</b>	<b>1,674</b>	<b>+11</b>
<b>Liabilities</b>			
Deposits of U. S. Government	79	106	-28
Other deposits	1,502	1,447	+55
<b>Total deposits</b>	<b>1,581</b>	<b>1,553</b>	<b>+27</b>
Borrowings	0	19	-19
Miscellaneous liabilities	12	11	+ 1
Capital accounts	92	91	+ 2
<b>Total Liabilities and Capital Accounts</b>	<b>1,685</b>	<b>1,674</b>	<b>+11</b>
Excess reserves	1	3	- 2

**SPECIAL ARTICLE**

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First, a vast increase in farm mechanization. Tractors on farms total more than two million. This is more than double the number a decade earlier. The number in 1950 may be three million, or one tractor for every two farmers. In 1930 only 14 percent of the farmers had tractors.

Not only is there a great increase in the quantity of mechanical equipment used but also there has been great improvement in its efficiency. Rubber tired equipment, one-man combines, and a multitude of tractor attachments are a few that may be mentioned. Use of power equipment has released 50 to 60 million acres of crop land for the production of food. Formerly these acres produced feed for horses and mules.

Second, the use of fertilizers has doubled and the use of lime trebled in recent years. Farmers are soil conservation conscious. Increased use of soil conserving measures may be expected in the future, which in turn further enhances food production.

Third, farmers have quickly adopted new and better crop varieties as they are made available by the plant breeders. Most of the corn produced in the Corn Belt is now hybrid. We now talk in terms of 3 to 3½ billion bushel corn crops whereas only ten years ago it was 2½ to 3 billions.

New disease and weather-resistant varieties of wheat, oats, barley, soybeans, alfalfa, and other crops are quickly adopted by farmers. It is developments such as these that have tended to increase over-all farm production.

**MOST FARM PRODUCTS HAVE SUPPORT PRICE FOR TWO YEARS**

In order to get maximum agricultural production during the war, and especially to encourage farmers to shift to the production of commodities most needed in the war effort, Congress passed legislation guaranteeing a minimum price on about two-thirds of the major farm products. In general the guarantee is to support prices of these designated farm products at 90 percent of parity or above for two full calendar years after the war has been declared ended. If the war is declared ended sometime in 1947 it means price support at least until January 1, 1950.

Farm products specifically designated for support may be divided into two groups. First, the so-called "basic" commodities, which are corn, wheat, cotton, peanuts for nuts, rice, and tobacco. These six commodities are eligible for support by loans at 90 percent of parity (92½ percent in the case of cotton) as required by law.

The second group includes the non-basic "Steagall" commodities. These are hogs, milk and butterfat, eggs, chickens (excluding chickens weighing 3½ pounds or less and all broilers), turkeys, specified varieties of dry edible peas and beans, soybeans for oil, flaxseed for oil, peanuts for oil, potatoes, sweet potatoes, and American Egyptian cotton. Farmers were specifically requested to expand these

"Steagall" commodities during the war and in return were promised price support at or above 90 percent of parity for two full calendar years after the war has been declared ended.

Thus far in the postwar period all "basic" and "Steagall" farm products with the exception of potatoes, eggs and peanuts have held well above the support level. In fact, most of these groups are well above the parity level at the present time. The Department of Agriculture believes that, in general, farm products will be maintained by normal supply and demand factors above the support level during 1947.

In the Ninth District there are some farm products that are not specifically covered by the two years price guarantee. Important among these are cattle, sheep and lambs, and some of the feed grains. These commodities, however, indirectly are supported in that if the price of corn is maintained at 90 percent of parity it automatically regulates the lower limit at which livestock may be fed. Corn prices also have an important influence on other feed grain prices.

During 1946 certain non-basic and non-Steagall farm products, including wool, sugar beets, oats, barley, grain sorghums and certain hay and pasture seeds were given a guaranteed support level. Supports were promised in 1946 on these commodities in order to encourage production and offset possible shortages. Support prices on some of these products extend well into the first half of 1947.

For example, in order to stimulate greater production of flax in 1947 the Government recently announced a support price for 1947 flaxseed well above the September parity price.

We may be near the time when this important farm price support legislation will be tested. Funds will, of course, have to be appropriated. However, it is not expected by government economists that general price support will be needed in 1947. On the other hand there are certain farm products at the present time which are only 10 to 15 percent above the support level. A reduction in exports or domestic demand might quickly drop these products to the level where support would be necessary. For example, potatoes in 1946 have been held at the guaranteed level only by the aid of Government purchases to the amount of an estimated 35 million dollars. Potato growers have been told they will be eligible in 1947 for price support only if they cooperate on a production control program. The details of such a program have not as yet been worked out.

**POSTWAR FARM PROGRAM NOT YET DEVELOPED**

To date a method or program for carrying out the farm price support legislation has not been announced. It has been stated that there are several alternative farm programs under consideration, of which one or more may be used.

One alternative is to return to acreage controls or production quotas. Price support on 1947 potato production is to be tied in with acreage allotments

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# NATIONAL SUMMARY OF BUSINESS CONDITIONS

COMPILED BY THE BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM, NOVEMBER 27, 1946

**O**UTPUT and employment at factories were maintained at record peace time levels in October. The total value of goods distributed was maintained at a high level but below the level of production, and inventories increased further. Prices in wholesale and retail markets generally advanced considerably following the lifting of controls.

**INDUSTRIAL PRODUCTION**—Output at factories and mines, as measured by the Board's seasonally adjusted index, increased slightly further in October and was at a level of 182 percent of the 1935-39 average as compared with 180 in September. Production was maintained at this level in November up to the beginning of work stoppages in bituminous coal mines.

Production of non-durable manufactures in October was at a postwar peak rate of 169 percent of the 1935-39 average. Output of manufactured food products rose sharply, reflecting chiefly the exceptionally large volume of meat production after the middle of October when federal price controls were removed. The number of animals slaughtered under federal inspection declined somewhat from late October levels during the first half of November. Output of textile products advanced in October to a level of 170 percent of the 1935-39 average, and there were also small gains in activity in some other non-durable goods industries.

Output of durable manufactures increased slightly in October as activity in the non-ferrous metals and machinery industries continued to advance. The number of passenger cars and trucks produced increased further to a rate of 14 percent above the 1935-39 average and continued to advance in the first two weeks of November. Activity in most other durable goods industries was maintained at about the September level. During the first three weeks of November, steel output rose slightly to an average scheduled rate of 91 percent of capacity, but in the fourth week output dropped sharply owing to a cessation of operations at most bituminous coal mines on November 21 as a result of work stoppages.

**CONSTRUCTION**—Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, declined further in October to a level two-fifths below the May peak, but they were still about double the 1939 average. Awards for residential building decreased by one-fifth in October, more than offsetting an increase in the value of contracts awarded for factory construction.

**DISTRIBUTION**—Department store sales, which usually increase from September to October, showed little change this year, and the Board's seasonally adjusted index declined to 258 percent of the 1935-39 average as compared with 269 for September and 290 for August. Sales increased seasonally, however, in the first half of November and were 22 percent larger than a year ago. Department store stocks continued to rise in October and the Board's seasonally adjusted index reached a new high of 235 percent of the 1935-39 average, notwithstanding a further marked decrease in stocks in the New York City area as a result of a trucking strike.

During October and the early part of November, railroad carloadings of livestock were in exceptionally large volume and shipments of most other classes of railroad revenue freight were also maintained at high levels.

**COMMODITY PRICES**—Following the initial sharp increases in prices of many basic commodities in October and the early part of November, after the lifting of controls, prices of some agricultural products, like cotton, corn, and poultry products, declined, while prices of wheat, flour, and sugar advanced. Initial advances in prices of non-ferrous metals, steel scrap, and rayon were maintained, and in the latter part of November prices of some of these industrial materials advanced further. There were also reported in this period substantial increases in wholesale prices of a number of finished manufactured products.

Retail prices of foods and numerous miscellaneous products increased considerably further in October and November. Most of the increases occurred after the middle of October, at which time the consumers' price index was 2 percent

higher than in September and 15 percent above the level at the end of the war.

**BANK CREDIT**—Commercial and industrial loans at reporting banks in 101 leading cities showed further sharp increases in October and the first three weeks of November. Real estate and consumer loans also continued to increase steadily. Government security holdings declined further, reflecting principally Treasury debt retirement. Deposits of businesses and individuals have shown little further change.

Member bank reserves showed little over-all change during October and the first three weeks of November. Losses of funds by member banks as a result of an outflow of currency and a transfer of deposits from member banks to Reserve banks due to Treasury operations were about equal to the funds banks obtained by borrowing at Reserve banks and from an inflow of gold. Government security holdings at Reserve banks fluctuated considerably in October but were little changed over the period.

## BUSINESS

(From Page 386)

than a year ago. While such sales averaged 31½ percent of total sales in 1945, they now constitute about 5 percent of the total. As a larger volume of durable goods appears on the market and with the removal of controls, instalment sales will continue to rise. Prior to the war, in 1941, such sales were about 7½ percent of the total.

### Sales at Department Stores

	Number of Stores showing		% Oct. 1946	% Jan.-Oct. 1946
	Increase	Decrease	Oct. 1945	Jan.-Oct. 1945
Total District	230	12	131	134
Mpls., St. Paul, Dul.-Sup.	21	1	132	136
Country Stores	209	11	131	131
Minnesota	67	1	129	128
Central	9	0	127	125
Northeastern	5	0	141	139
Red River Valley	4	0	116	131
South Central	17	1	126	123
Southeastern	13	0	130	131
Southwestern	19	0	135	128
Montana	24	0	141	135
Mountains	10	0	140	140
Plains	14	0	141	131
North Dakota	47	4	131	135
North Central	10	1	131	130
Northwestern	5	0	133	135
Red River Valley	18	1	132	137
Southeastern	13	1	128	132
Southwestern	*	*		
Red Riv. Val.-Minn. & N. D.	22	1	130	136
South Dakota	21	1	131	135
Southeastern	6	1	130	136
Other Eastern	9	0	132	136
Western	6	0	131	126
Wisconsin and Michigan	50	5	128	127
Northern Wisconsin	14	1	126	128
West Central Wisconsin	27	4	124	125
Upper Pen. Michigan	9	0	142	134

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

### Department Store Sales Percent of One Year Ago

	Oct.	Jan.-Oct.
Duluth-Superior	130	126
Mankato	114	120
Minneapolis	130	137
St. Cloud	132	129
St. Paul	137	136

## SPECIAL ARTICLE

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and this may set the pattern for other commodities as they fall to the support level.

Another alternative might be to devise programs to maintain or increase consumption of food. Such a program might involve an expanded school lunch program, a food allotment program, or some plan to insure proper nutritive diets, particularly to those in the lower income groups.

Still another suggested program is to develop foreign trade in such a way that price depressing surpluses may not occur. The new United Nations Food and Agriculture Organization may be a factor in increased movement of farm products in international trade or in the development of a world "ever-normal granary" program.

## SUMMARY OF FACTORS AFFECTING AGRICULTURAL OUTLOOK

Support for farm prices and income during 1947 is expected from the following factors:

(1) A high level of industrial production and employment is indicated. Industrial workers' incomes are running two and one-half times the pre-war level. Income payments are at record peace-time levels.

(2) When people's incomes are high they eat more food. Food consumption per capita in 1946 is estimated at 15 percent above pre-war.

(3) A nine million increase in population means more food is needed.

(4) Foreign demand for our farm products, although less than in prior years, is expected to be substantially above pre-war levels.

(5) Government purchase and loan programs may be a factor in supporting the price of certain farm products that drop below parity levels.

On the other side of the picture there are important factors which indicate a turning point in the long wartime rise of farm prices and income. These are:

(1) Military, lend-lease, and relief shipments of food will be sharply reduced, in some cases eliminated, in 1947. During recent years these special needs have taken more than 20 percent of agricultural production.

(2) Agriculture's capacity to produce has increased phenomenally because of mechanization, crop improvement work, soil conservation, and new farming techniques. A fourth to a third more agricultural production may be expected in years of average weather conditions compared with pre-war.

(3) When industrial goods of all kinds become freely available, the average consumer will have many places to use his income. He may want to cut down somewhat on the proportion spent for food.

For the longer term agricultural picture much will depend on the type of farm programs that are de-

January-August Cash Farm Income<sup>1</sup>

(Thousands of Dollars)

State	1935-1939 Average	1945	1946	1946 in Per- cent of 1945
Minnesota .....	\$ 214,452	\$ 534,690	\$ 586,130	110%
North Dakota .....	59,495	227,971	269,770	118
South Dakota .....	65,715	251,071	325,899	130
Montana .....	43,032	107,784	121,734	113
Ninth District <sup>2</sup> .....	433,009	1,247,475	1,440,004	115
United States .....	4,828,651	12,967,000	13,939,000	107

<sup>1</sup> Data from "The Farm Income Situation," United States Department of Agriculture.

<sup>2</sup> Includes 15 counties in Michigan and 26 counties in Wisconsin.

Average Prices Received by Farmers<sup>1</sup>

Commodity and Unit	Ninth District—			Parity Prices <sup>2</sup> United States Oct. 15, 1946
	Oct. 15 1937-1941 Avg.	Oct. 15 1945	Oct. 15 1946	
<b>Crops</b>				
Wheat, bushel .....	\$ .69	\$ 1.47	\$ 1.90	\$ 1.83
Corn, bushel .....	.43	1.00	1.68	1.33
Oats, bushel .....	.24	.55	.72	.826
Potatoes, bushel .....	.40	.94	1.10	1.52
<b>Livestock and Livestock Products</b>				
Hogs, 100 lbs. ....	7.80	13.92	21.31	15.00
Beef Cattle, 100 lbs. ....	7.41	10.89	16.87	11.20
Veal Calves, 100 lbs. ....	9.09	12.95	16.01	14.00
Lambs, 100 lbs. ....	7.99	12.55	16.57	12.20
Wool, lb. ....	.28	.43	.43	.379
Milk, wholesale, 100 lbs. ....	1.66	2.77	4.23	3.53
Butterfat, lb. ....	.31	.52	.92	.561
Chickens, live, lb. ....	.125	.206	.306	.236
Eggs, dozen .....	.221	.344	.445	.507

## Livestock and Livestock Products

<sup>1</sup> Data compiled from "Agricultural Prices," United States Department of Agriculture.

<sup>2</sup> 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.

veloped. Production control, subsidized consumption programs, expanded exports, and world ever-normal granary programs constitute alternatives under discussion.

—F. L. Parsons.

## BANKING

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above September, compared with an increase of \$32 million for the previous month and \$37 million for the month prior to that. Furthermore, approximately half of the deposits increase was accounted for by Montana country member banks, reflecting to some extent the heavy shipments of cattle from the range. Most of the remainder of the increase was accounted for by the South Dakota banks and no doubt occurred for the same reason.

## Daily Average Reserve Position for All Ninth District Member Banks for the 16-Day Period Ending October 31, 1946

	Average Reserves Carried (000)	Average Reserves Required (000)	Average Excess Reserves (000)
Reserve city banks .....	\$178,759	\$175,743	\$ 3,016
Other city banks .....	31,516	27,761	3,755
Total city banks .....	210,275	203,504	6,771
Total country banks .....	198,511	166,637	31,874
Total Ninth District—1946 ..	408,786	370,141	38,645
Total Ninth District—1945 ..	374,098	330,697	43,401