MONTHLY REVIEW

of Ninth District Agricultural and Business Conditions

FEDERAL RESERVE BANK OF MINNEAPOLIS

Vol. 9 JULY 31, 1947 Serial No. 67

BUSINESS

Upward Price Trend Features Business Year

LEVEL of wholesale prices in January 1947 was 25% above June 1946, with first quarter peak of 32%.

Retail prices, following same broad outline, are up 80% from pre-war level.

Production of durable goods during first half of 1947 was one-third larger than for 1946; non-durables increased 6%.

Construction in the district dropped below last year's but is going ahead in smaller cities.

Carloadings indicate more raw materials and products moving through the economy.

Department store sales, now tapering off, showed a month by month increase.

THE outstanding characteristic of the business picture over the past year was the steep incline in prices. The rate of increase in the general level of commodity prices since June 30, 1946, has been exceeded only in the period from June, 1916, to June, 1917.

During the period of the recent world conflict and of reconversion to June 30, 1946, wholesale prices rose approximately 50 percent. The temporary lapse of price controls at the end of June, followed only by a partial restoration of controls a month later and then permanent removal of price controls by November, allowed prices to rise at an unprecedented rate.

In January of this year the level of wholesale prices was 25 percent higher than in June, 1946.

During the first quarter of this year wholesale prices continued to rise, reaching a peak of 32 percent above the June 1946 average. At that time commodity prices were almost double the pre-war level of June 1939. In April some scattered price reductions occurred and the index of wholesale prices dropped by two points.

The price reductions, however, in spite of a campaign promoted by government officials and businessmen, did not become general. Prices during May dropped only a fraction of a point and a slight lifting of the price level was again evident during June. Spot market prices, which make tomorrow's wholesale prices, have risen noticeably in the past few weeks.

FOUR FACTORS INFLUENCE DEMAND FOR COMMODITIES

The upsurge in commodity prices during the past year is traced to a number of general economic forces: The cessation of consumer durable goods production during the war created a backlog of demand for such items; the deficit war financing expanded the supply of money and raised the general purchasing power; practically full employment and high wages during the reconversion period has created a large volume of purchasing power; and the excess of exports over imports has added to the demand for commodities.

These factors created an effective demand for commodities in terms of the June 1946 price level greatly in excess of the available supply.

The levelling off of commodity prices during the second quarter of this year made it appear that these forces had spent their energy, and price movements again were controlled by specific economic forces; namely, the demand for, the supply of, and the cost of producing specific commodities.

The recent pay boost granted coal miners may have sufficient repercussions in the costs of producing durable consumer goods to reverse this trend temporarily.

FOOD PRICES HAVE RISEN 2½ TIMES OVER PRE-WAR

The general upsurge in prices substantially altered price relationships. For instance, on the basis of pre-war prices, the price of food has risen 2½ times, and the price of textile products and of lumber products approximately 2 times, while the price of fuel, electricity, housefurnishing goods, metal and metal products, and chemical and allied products has risen roughly only 50 percent.

Commodity prices controlled by competitive conditions have risen most, while those sometimes referred to as administered prices, because management has some leeway in setting prices, have risen least.

When business activity slackens, the pre-war price relationships may be restored in part, since presumably commodity prices controlled by competitive conditions will tend to drop more than those administered by management.

As may be observed on the accompanying chart, retail prices have followed the same broad outline as the trend of wholesale prices. From June 1946 to March of this year, the index of retail prices, as compiled by the U. S. Department of Commerce, increased by 20 percent. In the second quarter, retail prices remained fairly stable. These prices are now about 80 percent above the pre-war level of 1939.

AVERAGE FAMILY PAYING 17% MORE THAN IN JUNE 1946

The level of prices obviously determines the cost of living. According to the consumer price index compiled by the U. S. Department of Labor, the price of commodities and services consumed by the average family with moderate income in Minneapolis increased 17 percent from

June 1946 to May of this year. The price of items which comprise the average family budget is now about 51 percent above the 1935-1939 average.

The cost of living has been boosted more by the price of food than by the price of other items entering into the average family budget. The cost of food prior to the war was nearly one-third of the average budget, and food prices now are approximately 80 percent higher than the 1935-1939 average.

Miscellaneous items, including transportation, medical care, household operations, recreation, and personal care, which prior to the war constituted nearly another third of the average family budget, have risen about 37 percent in price over the pre-war average.

Clothing has risen more in price than food—about 87 percent—but this item is a much smaller part of the average family budget than food. House furnishings, a relatively small item in the average budget, have risen about 76 percent in price.

The cost of fuel, electricity, and ice is about 15 percent above the 1935-1939 average, and rent, prior to the recently passed revised rent control law, had risen less than 10 percent.

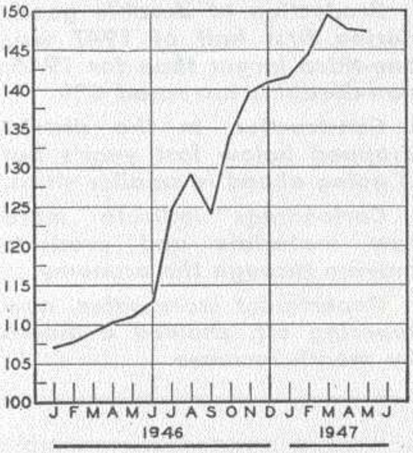
OUTPUT OF GOODS RISES

The past year has witnessed a substantial expansion in production. The output of durable consumer products during the first half of this year was roughly one-third larger than in the first half of 1946, and the output of non-durable consumer goods was approximately 6 percent larger.

Carloadings provide a measure of the physical volume of raw materials

INDEX OF WHOLESALE PRICES UNITED STATES

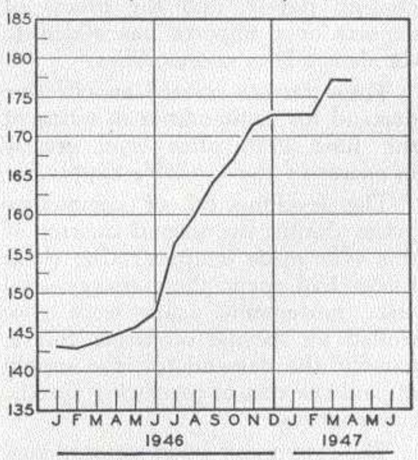
(1926 = 100)



Source: U. S. Bureau of Labor Statistics.

INDEX OF RETAIL PRICES UNITED STATES

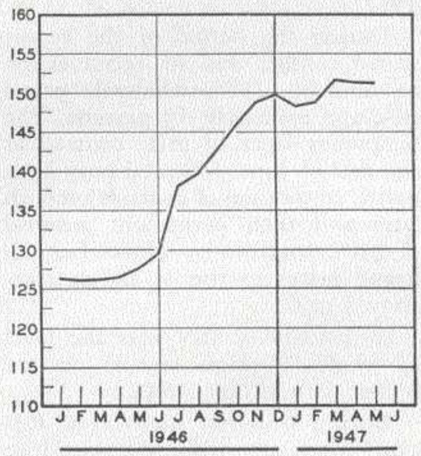
(1935-39 = 100)



Source: U. S. Department of Commerce.

INDEX OF CONSUMER PRICES MINNEAPOLIS

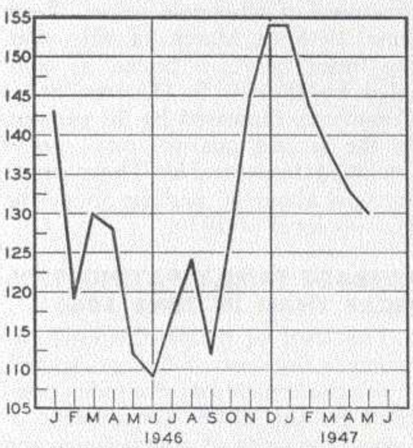
(1935-39 = 100)



Source: U. S. Bureau of Labor Statistics.

INDEX OF MISCELLANEOUS CARLOADINGS, NINTH DISTRICT, ADJUSTED

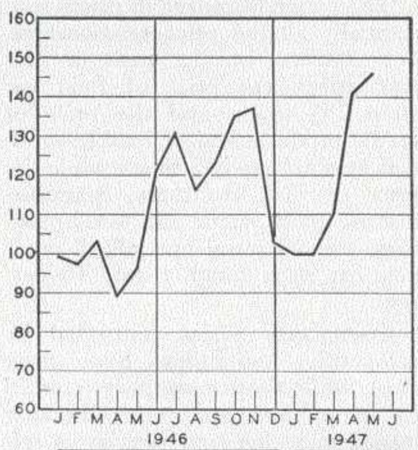
(1935-39=100)



Source: Minneapolis Federal Reserve Bank.

INDEX OF TOTAL CARLOADINGS (EXCLUDING MISCELLANEOUS) 9TH DISTRICT, ADJUSTED

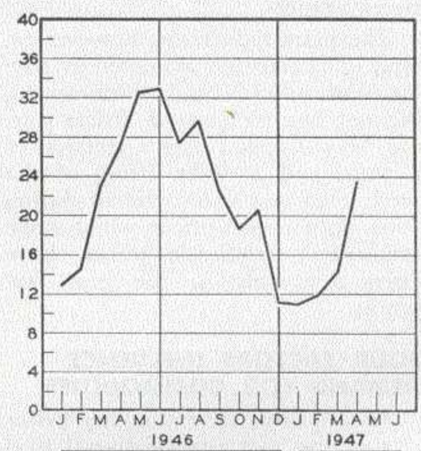
(1935-39 = 100)



Source: Minneapolis Federal Reserve Bank.

CONSTRUCTION CONTRACTS AWARDED, 9TH DISTRICT

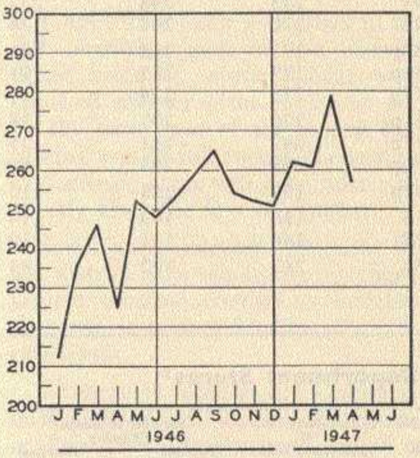
(Thousands of Dollars)



Source: Estimated by Board of Governors of the Federal Reserve System for the entire district from data compiled by the F. W. Dodge Corporation.

INDEX OF DEPARTMENT STORE SALES, 9TH DIST., ADJUSTED

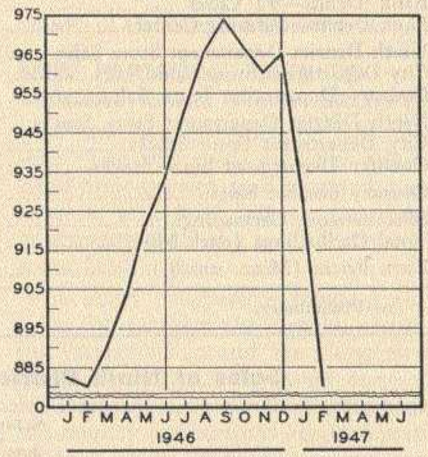
(1935-39 = 100)



Source: Minneapolis Federal Reserve Bank.

NON-AGRICULTURAL EMPLOYMENT IN MINNESOTA, MONTANA, NORTH & SOUTH DAKOTA

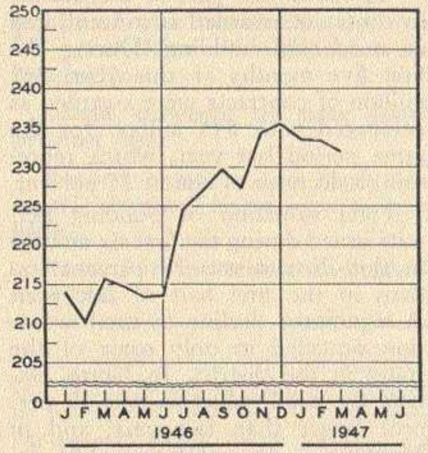
(In Thousands)



Source: U. S. Department of Labor in co-operation with State Unemployment divisions.

MANUFACTURING EMPLOYMENT IN MINNESOTA, MONTANA, NORTH AND SOUTH DAKOTA

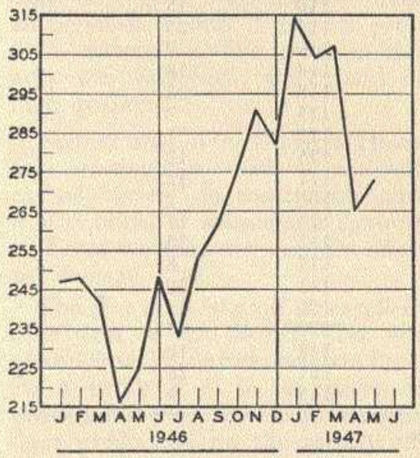
(In Thousands)



Source: U. S. Department of Labor in co-operation with State Unemployment divisions.

INDEX OF BANK DEBITS IN 93 CITIES, 9TH DIST., ADJ.

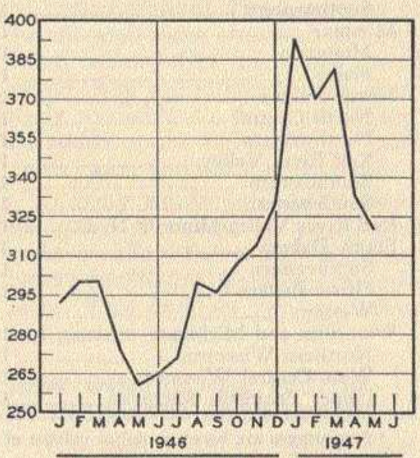
(1935-39 = 100)



Source: Minneapolis Federal Reserve Bank.

INDEX OF BANK DEBITS IN THE FARMING CENTERS, 9TH DISTRICT, ADJUSTED

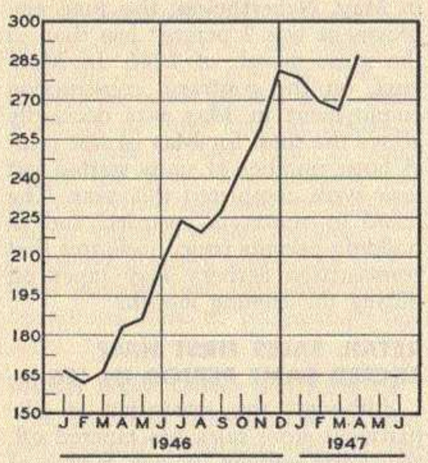
(1935-39 = 100)



Source: Minneapolis Federal Reserve Bank.

INDEX OF DEPARTMENT STORE STOCKS, 9TH DIST., ADJ.

(1935-39 = 100)



Source: Minneapolis Federal Reserve Bank.

and finished products moving through the economy of this district. Total carloadings, exclusive of miscellaneous, which includes the principal raw products and finished merchandise in less-than-carload lots, were 23 percent larger for the first six months of this year than for the same period of last year.

Ore, coal, coke, and forest product shipments were significantly larger this year, and shipments of grain and grain products were 7 percent larger. Livestock shipments, on the contrary, were 25 percent smaller. The number of cars loaded with merchandise in less-than-carload lots was 3 percent more than last year.

Miscellaneous carloadings, which include a wide diversity of products, during the first six months of this year were 10 percent larger than for the same period of last year. On the basis of carloading statistics, a larger volume of raw materials and finished products moved through the economy of this district in the first half of this year as compared with the first half of 1946.

The Regional Shippers Advisory Board estimates that nearly 6 percent more freight cars will be needed during the third quarter of this year than last year to move the freight in this district.

DOLLAR VOLUME OF BUILDING CONTRACTS IN DISTRICT DOWN

Construction activity has not expanded as much this year as was originally estimated. Contracts awarded in this district, as estimated by the Board of Governors of the Federal Reserve System from data compiled by the F. W. Dodge Corporation, fell consistently below the dollar volume awarded last year.

During the first six months the

aggregate dollar volume was $99 million as compared with $129 million for the same period last year—a decrease of 24 percent.

A substantial part of the decline in contracts awarded is concentrated in residential building. During the first five months of this year, $32 million of contracts were awarded as compared with $43 million for the same period last year, which represents a decrease of almost 25 percent.

Total valuation of building permits issued during the first six months in this district was 25 percent less than in the first half of last year. A significant decline in total valuation occurred in only some of the states in the district. In North Dakota the total valuation was 12 percent larger than last year, and in Montana, 3 percent larger. The decline in building permits appears to be concentrated in the larger cities.

On the basis of employment, construction activity has not fallen much below the volume of a year ago. In Minnesota, construction employment in June was 7.2 percent larger than in May. Nevertheless, the June employment was 2 percent less than in the same month of 1946. In Montana, on the contrary, construction employment in May was decidedly above the total for May of last year. A large number of units started last year were completed this year. The trend in contracts awarded and in building permits issued indicates that construction activity may taper off during the coming months.

RETAIL SALES FIRST HALF EXCEED SAME PERIOD IN '46

Although the expansion in department store sales has tapered off, the dollar volume in each month of this year has exceeded the volume in the corresponding month of last year. Sales for the first six months were 13 percent larger than for the same period last year. Stores reporting from smaller communities reported a larger percent increase than those reporting from the larger centers.

On the basis of a small sample of stores reporting information by departments, the expansion in sales this year has been concentrated primarily in the men's and boys' wear, housefurnishings, and piece goods. There has been little increase in the sale of women's apparel and small wares such as lace, notions, jewelry, toilet articles, etc.

As a result of the large volume of business transacted, employment has been maintained at a high figure. Non-agricultural employment has equalled or exceeded the monthly figures of a year ago. Manufacturing employment, which is more sensitive to changes in general business conditions than other types of employment, has been substantially above the total of a year ago. Nevertheless, a small decline occurred during the winter and spring months.

Preliminary reports indicate that the downward trend was reversed during June. In St. Paul such employment was nearly 2 percent higher than in May, and in Minneapolis it was a fraction of one percent higher.

(Continued on Page 477, Col. 2)

Department Store Sales by Cities

	Percent One Year Ago June	Percent One Year Ago Jan.-June	Percent 1935-1939 Average June
Minneapolis	106	109	279
St. Paul	112	117	260
Duluth-Superior	113	112	
La Crosse	129	119	263
Mankato	101	111	216
St. Cloud	93	104	296

Northwest Business Indexes

Adjusted for Seasonal Variations—1935-1939 = 100

	June 1947	May 1947	June 1946	June 1945
Bank Debits—92 Cities	295	273	248	237
Bank Debits—Farming Centers	326	320	265	224
Ninth District Department Store Sales	280p	273	248	181
City Department Store Sales	284p	289	263	191
Country Department Store Sales	277p	258	234	171
Ninth District Department Store Stocks	261p	270	207	178
City Department Store Stocks	243p	247	211	175
Country Department Store Stocks	276p	289	203	180
Country Lumber Sales	131p	132	123	110
Miscellaneous Carloadings	118	130	109	114
Total Carloadings (excl. Misc.)	138	146	121	139
Farm Prices (Minn. unadj.)	262	247	197	185

p—Preliminary.

Sales at Ninth District Department Stores[1]

	% June 1947 of June 1946	% Jan.-June 1947 of Jan.-June 1946	Number of Stores[2] Showing Increase	Decrease
Total District	111	113	212	66
Mpls., St. Paul, Dul.-Sup.	108	112	17	5
Country Stores	115	115	195	61
Minnesota	109	111	52	26
Central	87	100	4	4
Northeastern	120	110	5	0
Red River Valley	105	111	3	1
South Central	113	116	15	7
Southeastern	108	114	10	4
Southwestern	112	110	15	10
Montana	113	115	25	5
Mountains	116	119	7	1
Plains	112	114	18	4
North Dakota	120	118	38	12
North Central	114	115	7	2
Northwestern	112	112	5	1
Red River Valley	132	125	12	5
Southeastern	110	111	12	3
Southwestern	102	106	2	1
Red River Valley-Minn. & N. D.	127	122	15	6
South Dakota	111	112	33	15
Southeastern	113	115	8	8
Other Eastern	113	111	20	4
Western	97	108	5	3
Wisconsin and Michigan	123	120	47	3
Northern Wisconsin	125	118	10	1
West Central Wisconsin	125	121	28	1
Upper Peninsula Michigan	118	115	9	1

[1] Percentages are based on dollar volume of sales.
[2] June 1947 compared with June 1946.

AGRICULTURE

Record Small Grain Crop in Prospect

USE of new herbicides and insecticides stimulates crop production.

Large acreage of new land broken out.

Record exports and high domestic demand keep farm prices high.

Record farm income indicated in 1947.

HARVEST has a good start in the southern part of the district. Some fields of winter wheat were swathed shortly after mid-July and by the latter part of the month harvesting was in full swing. Harvesting in northern areas will get under way shortly after the first of August.

Small grain harvest prospects for the district as a whole are excellent. Unless unusual conditions develop, the crop is expected to be near record levels.

There were some anxious moments in the wheat areas around the middle of July when temperatures soared to the 100-degree level at a time when much of the small grain crop was filling. Subsequent showers and cooler weather, however, have been ideal for maturing the crop.

Acreage yields of small grains in western North Dakota and along the eastern fringe of Montana may break all previous records if present prospects materialize. The crops in this area are waist-high, thick, and of high quality.

Further west in the Glasgow-Havre area, searing hot winds in mid-July caused "firing" in some fields, and it is doubtful if subsequent showers and cool weather can entirely offset the damage.

The flax crop is good to excellent over most of the district. Flax was seeded from late April until late June. As a result it is in all stages of growth, but prospects are for tremendous production on the greatly expanded flax acreage. Some early seeded flax on well-prepared land will make 12 to 17 bushels per acre in some areas.

Beet crop prospects are reported good to excellent. Growers in the Glendive-Sidney area say the prospects are the best in many years.

The corn crop, of course, is the one dark spot in the crop picture. The wet, cold spring, which was excellent for small grain production, was anything but favorable for corn. Corn is still behind schedule, and unless the weather is extremely favorable for the next two months the corn crop will be short. It appears now that only a miracle can prevent a large amount of "soft corn" this season in the Ninth District area.

NEW HERBICIDES USED TO COMBAT RANK WEED GROWTH

Weeds are particularly bad this year. The wet, cold weather stimulated their growth, and mustard, sunflowers, and wild lettuce are more prominent than the seeded crops in some fields.

In many progressive farming sections the farmers are rapidly becoming interested in and are using new chemical methods of weed control. In Ramsey county, North Dakota, the county agricultural agent reported that 25 to 30 weed dusting outfits are in use and that results were highly favorable. The 2-4D compounds were most commonly used.

Control of weeds by the new herbicides is a new technique in farm management. Its economic implications in crop production can hardly be underestimated. Fields sprayed or dusted with these chemicals are rendered almost free of broad-leaved weeds. The soil moisture is then entirely available to the seeded crop. In addition, the harvesting is made much easier and more economical.

In many weedy fields not treated, the grain must first be swathed in order to allow the weeds to dry up before combining operations can take place. This involves two operations and greater expense.

NEW INSECTICIDES FACTOR IN INCREASED PRODUCTION

New insecticides to control grasshoppers and alfalfa weevils are being used effectively this crop season by a number of farmers in the Dakotas and Montana.

In southeastern Montana, where considerable seed alfalfa is grown, the crop this year is threatened with extensive grasshopper and weevil damage. A few fields were visited in mid-July where chlordane, one of the insecticides, had been used. The kill was estimated better than 90 percent. With alfalfa seed at 25 cents a pound, farmers are extremely anxious to use this new insect control method.

Grasshoppers are probably the greatest single cause of crop loss in the Dakotas and Montana. An insecticide such as chlordane (a chlorinated hydrocarbon with the formula $C_{10}\ H_6\ C_{18}$) which kills by contact or respiration and remains effective for several weeks offers tremendous economic opportunities. At the present time this insecticide is relatively expensive and difficult to get. Per unit costs should decline, however, as production and use expands.

PASTURES, RANGES, LIVESTOCK IN EXCELLENT CONDITION

The condition of pastures and ranges over most of the district is near the best, if not the best, on record. In much of the area, cattle were up to their eyes in luxuriant green grass in late July. In some places the grass has matured and turned brown but will provide excellent fall and winter feeding.

Ranges in many areas have such a rank growth that extensive haying operations were in progress in late July.

MUCH NEW LAND BROKEN UP

In traveling through the Dakotas and eastern Montana, one is impressed by the amount of new land that has been broken this year.

Probably 85 to 90 percent of this new land was put into flax this year in response to the government's flax program.

Considerable acreage of North Dakota State school lands has been purchased and broken for flax production. Students of agriculture in these western areas are concerned that after this temporary period of high demand there may no longer be need for this land and much of it may again revert to a marginal status.

Much of this new land, after this year's flax crop is harvested, will be prepared for a wheat crop in 1948.

(Continued on Next Page)

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, JULY 29, 1947

INDUSTRIAL production declined somewhat further in June and the early part of July. Value of retail trade continued to show little change, after allowance for seasonal changes. Prices of commodities traded in the organized markets generally advanced and prices of coal and iron and steel were increased.

INDUSTRIAL PRODUCTION — Total output of manufactures and minerals, as measured by the Board's seasonally adjusted index, which reached a postwar peak of 190 percent of the 1935-39 average in March, had declined to 183 by June and a further reduction is indicated in July.

Durable goods production continued to decline slightly in June, reflecting mainly further small reductions in demand for various metals and metal products and building materials. Automobile passenger car production, however, which has been limited by the available supply of steel sheets, increased in June. In July the rate of automobile production was reduced again, reflecting partly a temporary curtailment in supplies of steel.

Production of steel was curtailed in the early part of July as a result partly of uncertainties surrounding the signing of a new wage contract in the bituminous coal industry, but at the end of July steel operations again were scheduled at a rate of 94 percent of capacity.

Contraction in non-durable goods production continued in June, reflecting chiefly earlier declines in domestic demands for these goods as well as some slackening in export demands. Further reductions in output in the textile industry accounted for most of the decline in June, but there were also decreases in activity in most other non-durable goods lines except meat-packing, petroleum refining, and newsprint consumption.

EMPLOYMENT — Employment in most types of non-agricultural establishments continued to show little change in June, after allowance for seasonal changes. Further reductions in employment in the textile and rubber industries were offset by increased employment in automobile plants and in some non-manufacturing lines.

CONSTRUCTION — Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, declined 10 percent from May to June, reflecting chiefly a further decrease in awards for most types of private construction. New dwelling units started, according to preliminary estimates of the Bureau of Labor Statistics, continued to increase in June and amounted to 75,000 units as compared with 65,000 in June, 1946.

COMMODITY PRICES — Prices of commodities traded in the organized markets generally advanced somewhat in June and the early part of July. Prices of coal, pig iron, and various steel products were also increased in this period. Wholesale prices of chemicals and some other products were reduced. Toward the end of the month, prices of wheat and cotton declined considerably.

Retail prices of foods increased somewhat in June and the consumers' price index of the Bureau of Labor Statistics, at 157 percent of the 1935-39 average, was slightly above the March peak.

TREASURY FINANCE AND BANK CREDIT—On July 2, the Federal Open Market committee of the Federal Reserve System directed the Federal Reserve banks to terminate the policy of buying all bills offered at the fixed rate of 3/8 percent and to terminate the repurchase option privilege on Treasury bills; the new policy applied to bills issued on or after July 10. The average rates bid on the weekly bill offerings rose to .74 percent for the issue of July 24.

AGRICULTURE (From Previous Page)

This will tend to expand wheat acreage and production at a time when demand may not be as high as it has been in recent years.

FARM PRICES HOLD AT FAVORABLE LEVELS

On VJ-day two years ago, most students felt that in a matter of a few months agricultural prices would decline. As a matter of fact, prices continued to advance and reached a new high peak in mid-March 1947. Prices of farm products are now 34 percent higher than they were on VJ-day. Farm prices are up 25 percent from last year; they are nearly triple pre-war levels.

Farm production continues to run at near-record capacity and nearly one-third above pre-war levels. Ordinarily this tremendous agricultural production would result in surpluses and sharply lower prices. The difference this time is, of course, the unprecedented domestic and foreign demand for food products.

An indication of the importance that some students attach to foreign trade is shown by a recent research study which indicated that if our food exports were at the pre-war level, farm prices might be as much

(Continued on Page 477)

Average Prices Received by Farmers[1]

Commodity and Unit	Ninth District June 15 1937-1941 Avg.	Ninth District June 15 1946	Ninth District June 15 1947	Parity Prices[2] United States June 15, 1947
Crops				
Wheat, bushel	$0.76	$ 1.68	$ 2.28	$ 2.03
Corn, bushel	.61	1.26	1.71	1.48
Oats, bushel	.30	.74	.86	.918
Potatoes, bushel	.61	1.25	1.32	1.70
Livestock and Livestock Products				
Hogs, 100 lbs.	7.51	14.07	23.25	16.70
Beef Cattle, 100 lbs.	7.30	13.63	19.61	12.50
Veal Calves, 100 lbs.	8.36	13.90	21.07	15.50
Lambs, 100 lbs.	8.00	13.69	19.33	13.50
Wool, lb.	.26	.42	.39	.421
Milk, wholesale, 100 lbs.	1.44	2.96	2.90	3.28
Butterfat, lb.	.29	.56	.66	.554
Chickens, live, lb.	.124	.224	.218	.262
Eggs, dozen	.156	.303	.376	.445

[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.

January-April Cash Farm Income [1]

(Thousands of Dollars)

State	1935-1939 Average	1946	1947	1947 in Percent of 1946
Minnesota	$ 102,257	$ 276,945	$ 381,801	138%
North Dakota	23,566	96,316	136,649	142
South Dakota	30,533	148,873	184,305	124
Montana	17,082	50,735	72,604	143
Ninth District[2]	197,391	634,862	860,658	136
United States	2,238,447	6,055,000	7,812,000	129

[1] Data from "The Farm Income Situation," United States Department of Agriculture.
[2] Includes 15 counties in Michigan and 26 counties in Wisconsin.

BANKING

Bank Assets Register Seasonal Decline

THREE developments have characterized the Ninth District banking picture during the first six months of 1947.

First, member bank loans continued to April the expansion, although at a diminished rate, which began about the middle of 1946. Member bank loans at the end of 1946 aggregated $592 million, and by the time of the June 1947 call report this figure had pushed on up to $664 million.

The first break in this upward trend of member bank loans occurred with a $4 million decline in May of this year. This temporary reverse was quickly offset by a $25 million expansion in June. The result was that member bank loans turned in a net increase of $72 million during the first half of 1947—an average monthly increase of $12 million.

All types of loans figured in this expansion except loans on securities, which declined. The greatest relative expansion during the first half of the year was experienced by real estate loans, which rose from $139 million at the end of 1946 to $161 million by mid-1947, a rise of 16 percent.

"Commercial and Industrial Loans" were in second place with a 12 percent rise during the same period.*

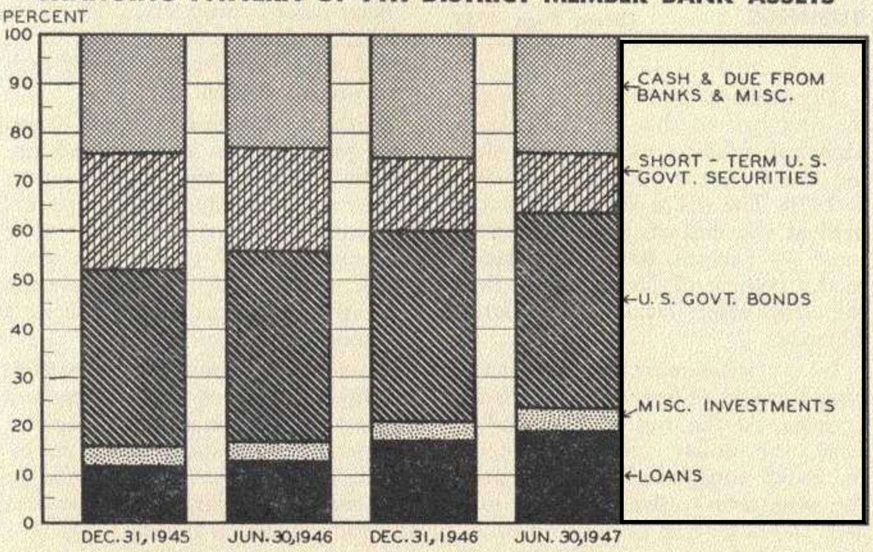
* The significance of this loan expansion has been described in more detail in a pamphlet, "The Rising Tide of Bank Lending" available without charge from the Research Department, Federal Reserve Bank of Minneapolis.

Assets and Liabilities of All Ninth District Member Banks
(In Million Dollars)

	June 30, 1947*	Dec. 31, 1946	June 29, 1946
Assets			
Cash and due from banks	$ 795	$ 840	$ 767
Commercial, Industrial and Agr. Loans	333	298	206
Loans on Securities	22	31	44
Real Estate Loans	161	139	112
Other Loans	148	124	97
Total Loans	$ 664	$ 592	$ 459
U. S. Treasury Bills	18	27	23
U. S. Treasury Certificates of Indebtedness	213	286	368
U. S. Treasury Notes	175	216	334
U. S. Treasury Bonds (direct and guaranteed)	1,361	1,384	1,345
Total U. S. Government Securities	$1,767	$1,913	$2,070
Other Investments	162	144	138
Total Investments	$1,929	$2,057	$2,208
Miscellaneous Assets	26	26	26
Total Assets	$3,414	$3,515	$3,460
Liabilities and Capital			
Demand Deposits of Individuals, Partnerships, Corporations	$1,674	$1,753	$1,546
Time Deposits of Individuals, Partnerships, Corporations	901	872	823
U. S. Government Deposits	33	81	305
Other deposits	602	611	598
Total Deposits	$3,210	$3,317	$3,272
Borrowings	....	....	....
Miscellaneous Liabilities	15	15	11
Capital Funds	189	183	177
Total Liabilities and Capital	$3,414	$3,515	$3,460
Number of Banks	473	470	468

* Preliminary.

CHANGING PATTERN OF 9TH DISTRICT MEMBER BANK ASSETS



DEPOSITS REVERSE TREND

The second major development during the first half of 1947 was a slight decline in total deposits, reversing a rising trend which began during the early stages of the war and defense program. On June 30, member bank deposits were $3,210 million, a decline of $107 million

LOANS continue to expand, but at a diminished rate.

Decrease in investments resulting from debt retirement by U. S. Treasury was concentrated in short-term U. S. Government securities.

Increase in holdings of securities other than U. S. Government reflects desire of banks to conserve earning power.

from the $3,317 million of deposits at the end of 1946. This decline was evident at both the large and small banks, although geographically most of the decline at country banks was seasonal and centered in the banks in the western portion of the district.

In view of this normal seasonal tendency for deposits to decline, it is surprising that the magnitude of the actual deposit decline was held to such comparatively modest proportions.

The third major development was the $145 million decline in holdings of U. S. government securities, continuing a trend which began during the forepart of 1946 with the use of war loan deposits to retire debt—much of it bank-held.

These balances, which amounted to $24.4 billion in February 1946, have been largely utilized. At the end of the 1947 fiscal year (June 30) they were only $962 million. It is thus evident that any further substantial cash redemption of debt, bank-held or otherwise, will depend on the excess of current receipts over expenditures.

As was to be expected, the large relative declines in the banks' portfolio of U. S. government securities were centered in the comparatively short-term issues. The reduction in holdings of U. S. Treasury Certificates of Indebtedness from $286 million on December 31, 1946, to $213 million at the end of June, represented a 26 percent decline.

Holdings of U. S. Treasury notes dropped 20 percent and bill holdings 33 percent, while the holdings of longer-term bonds were reduced by only 2 percent.

The last six months has, therefore, produced a relative shift into the longer-term securities; they now constitute 75 percent of the total number bank portfolio of all U. S. government securities as compared with 72 percent at the end of 1946 and 65 percent one year ago.

HOLDINGS OTHER THAN U. S. SECURITIES UP 12%

A fourth development of some interest is the continued rise in holdings of securities other than of the U. S. government. During the first six months of 1947, holdings of these securities rose $18 million, or 12 percent. Presumably this reflects an attempt on the part of banks to conserve earning power as holdings of longer-term, higher-yielding U. S. government securities decline.

It is worth noting that the decline in deposits, on the liabilities side of the balance sheet, largely offset the decline in U. S. government securities on the asset side. The $72 million rise in bank loans and the $18 million rise in miscellaneous assets more than accounted for the remaining decline in U. S. government securities.

About $45 million of the rise in loans and miscellaneous assets was made possible by a reduction in cash and due from banks.

Capital funds continued their upward trend, rising $6 million during the first half of 1947 to $189 million on June 30.

Assets and Liabilities of Twenty Reporting Banks
(In Million Dollars)

	July 16, 1947	June 18, 1947	Change
Assets			
Cash and due from banks	$ 428	$ 408	+ 20
Loans and Discounts	353	346	+ 7
U. S. Government Securities	697	697	......
Other Assets	75	75	......
Total Assets	$1,553	$1,526	+ 27
Liabilities and Capital			
Demand Deposits of Individuals, Partnerships, Corporations	$ 751	$ 726	+ 25
Demand Deposits of U. S. Government	8	9	— 1
Due to Banks	291	284	+ 7
Other Deposits	396	392	+ 4
Total Deposits	$1,446	$1,411	+ 35
Borrowings	....	8	— 8
Miscellaneous Liabilities	11	12	— 1
Capital Funds	96	95	+ 1
Total Liabilities and Capital	$1,553	$1,526	+ 27

BUSINESS (From Page 473)

Department store stocks during the first half of this year have been higher in relation to sales than during the five-year period from 1935 to 1939. The dollar volume of stocks held at the end of January was almost 30 percent larger in relation to the volume of January sales than the stock-sales ratio in the latter Thirties.

In the subsequent months, stocks were brought in line with the volume of sales. At the end of May and of June, the dollar volume of stocks on hand constituted approximately the same ratio to the volume of sales as in the latter half of the thirties.

AGRICULTURE (From Page 475)

as 40 percent below present levels. Some products, such as wheat and cotton, might be even lower.

Prices received by farmers on June 15 were 271 percent of the 1909-14 base. This compares with 272 percent the previous month and 280 at the peak in mid-March. Truck and grain prices have tended to weaken as harvest got under way, but meat animal prices have tended to strengthen.

Prices paid by farmers continue to advance and in mid-June were 230 percent of the 1910-14 average compared with 188 a year earlier.

RECORD CASH FARM INCOME INDICATED FOR FIRST HALF OF 1947

Near-record production of farm products plus soaring prices have added up to new high levels of cash farm income this far in 1947.

With a tremendous cash grain crop practically in the bin and unusually fine hay and pasture crops for livestock production, it appears that cash farm income for the entire year may establish a new high peak. Much will depend, of course, on the level of farm prices during the next five months.

Costs of farming are increasing steadily. This means a lower net farm income in relation to cash income. Available information, however, indicates that net income this far in 1947 may also be larger than last year and the highest on record.