What About Farm Programs?

Alternatives Include Farm Market Expansion, Continuation of Current Farm Programs, and A Return to Restricted Crop Production . . .

There is general agreement that the current agricultural situation raises some rather important questions for the American farmer.

What will happen when foreign demand is no longer in the picture? Will farm incomes fall? Will the current farm price support program, expiring December 31, 1948, be replaced by a more permanent farm program? What will be the outcome of such a program and what will be the costs to the American taxpayer?

Obviously these are questions of great importance to farmers and others who live in the agricultural North District. It is equally obvious that they cannot all be answered presently. Opinions may differ. Perhaps, however, comments may be made that will stimulate thinking and discussion about existing farm programs and prospective new ones.

With the possible exception of the Pimentel Act, farm programs—in the sense that they are Government sponsored, financed, and oftentimes subsidized—are of comparatively recent origin. Such programs were started on a national scale in 1916 with the passage of the Federal Farm Loan Act, which provided for farm real estate loans. Government sponsored agricultural credit agencies have expanded since then to include all types of farm credit.

There were a variety of proposals made during the 1920's to relieve agricultural distress. The only one designed to influence farm prices on an extensive scale that got into legislative form was the Agricultural Marketing Act of 1929. Price stabilization through the "Farm Board" and the financing and encouragement of cooperatives were major activities provided by this legislation.

As is well known, the price stabilization activities of the "Farm Board" finally ended in heavy losses, which in turn, gave rise to new demands for production control in the early 1930's.

It was not until the "New Deal" in 1933 that farm programs began to expand and multiply until now they are of tremendous significance and importance to agriculture and the total economy as well.

AGRICULTURAL PROGRAMS MANY AND VARIED

Some idea of the variety and extent of government interest in agriculture may be illustrated by briefly listing some of the more important government sponsored organizations or programs for farmers.

- The Agricultural Adjustment Act of 1933 affected millions of farmers. Benefit payments were received in return for contracts to reduce acreages of certain crops.
- The work of the Soil Conservation Service is well known. It supplements the work of the AAA, but basically its purpose is to conserve the soil.
- The Commodity Credit Corporation, organized in 1933, was intended originally to stabilize farm prices by making non-recourse loans to farmers in order to even out the seasonal marketing of farm products. In later years it has been used extensively in supporting farm prices—particularly grains. The CCC uses both a lending and direct purchase program to achieve its objectives.
- School lunch programs have provided an outlet for some farm surpluses.
- The Farm Credit Administration, which includes the Federal Land Banks organized in 1916 and the Federal Intermediate Banks organized in 1923, was expanded in 1933 and later years to deal in all phases of agricultural credit.
- The Rural Electrification Administration has been rapidly expanded in recent years.

- The Farmers Home Administration, previously called the Farm Security Administration, is designed to help the low income farmer.

- Government price support programs may have a significant effect on the agricultural and business economy.

- During and since the war, billions of dollars have been paid in farm production and "roll-back" cost of living subsidies. These billions were for two principal purposes: (1) to stimulate production of food; (2) to help hold down retail food prices and thus assist in preventing inflation.

- Huge quantities of food have been exported under lend-lease, UNRRA, or relief arrangements. Some of these programs, of course, were designed for purposes other than agricultural aid.

For the most part these farm programs and farm organizations have been designed directly or indirectly to play a part in maintaining farm prices and income.
FARM ORGANIZATIONS ASK EQUALITY BETWEEN AGRICULTURE AND INDUSTRY

The agricultural problems in this country stem directly from the fact that farmers produce so much of some products in normal times that prices decline to unprofitable levels. For consumers this might be a happy situation except that it usually occurs at a time of widespread unemployment and low urban incomes.

One of the striking features of the ups and downs of business activity is the difference between agriculture and industry. During a general business depression, agricultural prices decline much more severely than other prices, largely because agricultural production holds up well in a depression, while industrial production experiences a severe contraction.

Both agricultural and industrial incomes are affected, the former because of sharply declining prices, the latter because of reduced production.

These relatively violent declines in agricultural prices have been responsible in a large measure for demands for special farm programs to "fill in the troughs." Why do these swings occur? Why are agricultural prices more sensitive than others? Why does farm production stay up, even in a deep depression?

The answers are not hard to find. Any business will tend to produce even in a depression if receipts will meet or exceed direct or out-of-pocket costs.

Farmers are no different from other businesses in that respect. The real difference is that these out-of-pocket costs for the farmers are a much smaller proportion of total costs than for most other businesses.

Prior to the age of mechanized farming, direct costs were little more than seed, a certain minimum of repairs, and some feed for horses. The big farming costs were fixed—taxes, interest, wear and tear on machinery, even his own labor. Therefore, even in a deep depression, production held up because the farmer at least expected to be able to get back his out-of-pocket costs and some toward these fixed outlays.

During the inter-war period, and particularly in the depression years of the early Thirties, agricultural production was high in relation to the demand. This was because farm production was expanded during the war period. Following the war, both domestic and foreign demand for food declined. The total value of agricultural exports in 1919 was over $4 billion. Exports averaged about $2 billion during the 1920's but declined to less than three-fourths billion dollars during the 1930's. Partly, as a result, farm product prices were relatively low.

To gain equality of income, farmers turned to Congress, through their national farm organizations, and demanded farm programs that would restore equality of purchasing power between agriculture and industry. Parity prices were established as a goal of equality.

(Parity prices are established by a formula which tends to maintain the same relationship between prices received by farmers and prices paid by

\[ \text{Parity prices} = \text{Prices paid by consumers} \times \frac{1}{\text{Factor of parity}} \]

UNITED STATES INDEX NUMBERS OF WHOLESALE PRICES OF ALL FARM PRODUCTS AND ALL COMMODITIES OTHER THAN FARM PRODUCTS AND FOODS

\(1926 = 100\)

them as prevailed during the 1910 period — a relatively favorable period for agriculture.)

Many of the farm programs, such as the AAA, Commodity Credit, and various price support measures were designed specifically to enable farmers to get a price approaching this parity.

Cash benefits running into billions of dollars have been paid farmers in recent years. During the five years 1941 through 1945, Government payments totalling $3,530,000,000 went to farmers. During a period when agriculture was highly prosperous, these payments averaged 3 percent of total cash farm income for the period.

Payments to farmers in Ninth District states in 1939 for conservation practices alone totaled nearly $5 million, and between 85 and 90 percent of all crop land was covered.

Over 436,000 individuals received these payments, with an average of $153.67 per payee. Some, of course, received substantial amounts, while others received relatively small payments.

The number of people receiving conservation payments was 510 larger than the number of farms in the four states. This is because payments are divided between landowners and tenants as they contribute to carrying out of conservation practices.

Conservation payments to Ninth District farmers in 1939 constituted more than two-thirds of all government payments to farmers in the states. The total of all government payments to farmers of the district in 1939 was 12 percent of total cash farm income. The percentage has been less in recent years, due principally to unusually high cash farm incomes from marketing.

FARM PROGRAMS COSTLY

For the most part, farm programs are administered through the United States Department of Agriculture. In many cases funds are appropriated directly to the USDA for the carryout of such programs.

Appropriations to the United States Department of Agriculture

\[ \text{Agricultural Statistics, } 1946, \text{ U.S.D.A.} \]

\[ \text{p. 863. Payments under rental and low soil conservation, price adjustment, price support, Sugar Act, and production programs.} \]

\[ \text{Includes only the four states of Minnesota, Montana, North and South Dakota.} \]
have been enormously increased since 1932. Most of the increase has been used to finance new farm programs such as the AAA, soil conservation, the Farm Security (Home) Administration, Federal Crop Insurance, and the Rural Electrification Administration.

Total appropriations, reappropriations, and RFC loan authorizations to the Department of Agriculture in 1931 were less than one-quarter of a billion dollars. In 1940 they reached a peak of more than $1.6 billion, and they have not fallen below $1 billion since then, even though in recent years agriculture has enjoyed the most prosperous period in history.

From the standpoint of appropriations, the AAA ranks first among USDA agencies. During the earlier Thirties, payments were made to farmers to reduce production. Later they became conservation payments and during the war were used to stimulate farm production.

Total conservation payments averaged close to one-half billion dollars annually from 1937 through 1943. Since then payments have declined until for the 1947 fiscal year just ending only 314 million dollars were appropriated.

COMMODITY CREDIT CORPORATION FINANCES

Price Support

Another agency which spends or uses tremendous amounts of public funds is the Commodity Credit Corporation (CCC). This agency does not contact farmers directly. It uses the county AAA committees, the Federal Reserve banks and some 11,000 commercial banks, as well as various commercial agencies acting under contract to do its work.

It is easy to underestimate the importance of the Commodity Credit Corporation. At the present time the authorized capital of the corporation is $100 million, and it has authority to borrow up to $4,750 million in doing the numerous tasks assigned to it by government—not the least of which is price support of farm products.

At first the principal function of this agency was to make commodity loans under the Agricultural Adjustment program. Later the CCC, by Congressional action, was required, among other things, to assist in supporting farm prices at ever-increasing percentages of parity by both loan and direct purchases.

Under the loan program, if prices advance the farmer sells the commodity, repays the loan, and pockets the profit. If the price falls, he keeps the loan and gives the crop to the Government, which may not sell below the support level.

In recent years the CCC has been able to dispose of much of its purchases and acquirements under loan at a profit. Huge quantities of farm products purchased by CCC have also moved abroad under foreign relief or credit arrangements.

FEDERAL CROP INSURANCE HAS NOT PAID ITS WAY

The federal all-risk crop insurance program has been in trouble a good part of the time since it began operations in 1938. In 1943 Congress eliminated it, but in 1944 it was again revived.

When the crop insurance program was first initiated it was intended to be self-sufficient, at least as far as premiums covering losses is concerned. It may have been contemplated that the Government would bear the administrative costs. This has not been the case, however, since indemnities paid to farmers over a period of years have substantially exceeded premiums in each year of the program's operation.

For the period 1938 through 1945 the Federal Crop Insurance Corporation collected a total of $61.2 million in premiums and paid out $119.5 million in indemnities, according to estimates by the United States Department of Agriculture. Losses have therefore been 95 percent larger than premiums. The loss has been much higher on cotton than it has been on

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wheat. In addition, the administrative costs averaging more than 5 million dollars per year have been paid by the Government.

There have been no losses on wheat insurance for the past two years principally because of extremely favorable weather conditions (see table).

FEDERAL AGRICULTURAL CREDIT AGENCIES ENJOY FREE USE OF CAPITAL AND HAVE TAX EXEMPT FEATURES

In the agricultural credit field, the Federal Government has established a complete system of credit facilities. Most of these agencies have come into existence or have vastly expanded operations since 1932.

The loss experience of these credit agencies fortunately has been light in recent years. One important reason, of course, has been the favorable crop conditions together with the upward trend in farm prices.

For the most part these federal credit agencies were originally capitalized with Government funds. This, in effect, was a subsidy to agriculture, since the costs of such funds are borne by the tax-paying public. This, and the tax exempt privilege enjoyed by them, have given a certain amount of competitive advantage over privately financed credit agencies.

The Federal Land banks and some of the other farm credit agencies have now partly or completely repaid their Government capital, but during the time these interest free funds were available they provided a profitable source of income, since the funds could be re-invested by the credit agency in loans or interest bearing securities.

In addition, during most of the 1930's a direct interest subsidy of 0.5 percent on Federal Land bank loans was available to borrowers. The land banks are allowed to charge their farmer borrowers one percent over the cost of selling their securities to the investing public. This one percent charge pays operating costs of the banks. During the "emergency period" borrowers paid only one-half percent over the cost of funds. The Treasury reimbursed the land banks for the other one-half percent.

Borrowers through the banks for cooperatives have also enjoyed interest subsidies on some loans. It should be made clear, however, that the funds loaned by these federal credit agencies are obtained principally from the sale of securities to the investing public.

ARE SUBSIDIES TO BE PART OF FUTURE FARM PROGRAMS?

The last few years have brought about spectacular changes in agriculture. Net farm incomes have more than trebled. Debts have been repaid. In short, agriculture is in the best financial position in history.

In addition to this, there have been changes in production and marketing practices, in crop varieties, in farm equipment, and in market demands. Agriculture is geared to produce more than it did before the war.

There is a general expectation that foreign demand will decline. Furthermore, wartime price supports are scheduled to expire at the end of 1948. In view of agriculture's productive power, what will happen to farm prices and income when demand does taper off? Will farm prices decline substantially below "parity" as they did in the inter-war period? Will new demands be made for Government assistance by rejuvenated old programs or new ones? In short, what kind of an agriculture do farmers themselves want?

These are complex problems and the answers are of course not yet available.

Several suggestions, however, have been made by agricultural economists and others to alleviate the problem of relatively low farm prices and incomes during less favorable periods.

OLD FARM PROGRAMS MAY BE CONTINUED

Many suggest a continuation of the various farm programs now in existence, most of which have operated on a subsidized basis to a greater or lesser extent. That is, the Government may continue to make loans and purchase farm products that are in excess supply.

Soil conservation, parity and other payments may continue to be paid to augment farm incomes to some parity level. Crop insurance, farm electrification, and other programs may continue, with the Government paying a share of capitalization and administration costs as well as assuming net losses, if any, of such programs.

If such a course is followed then the annual drain on the federal treasury may be substantial, depending on whether times are good or bad.

These programs tend to make agriculture a more profitable and satisfactory enterprise. As such there may be a tendency for more people to stay on the farm or for other people to be attracted to farmland. This will eventually intensify the farm problem, as the need over a period of years has been to relieve agriculture's excess population pressure on business and industry.

Some farm programs often have the further disadvantage of preventing economic forces from working readjustment of production and trade in accordance with real needs, the best use of sources, or the changing patterns of demand.

They also may interfere with readjustments in international trade. For example, the high parity prices...

(Continued on page...
Credit Sales Looming Larger

A HIGH dollar volume of department store sales, with more credit buying although consumer incomes are at a record level, characterizes the Ninth District business picture.

District department store sales, however, during the first and second week of August fell below the dollar volume of a year ago, for the first time in the postwar period.

A smaller dollar volume as compared with a year ago may be traced to two specific causes, neither of which necessarily reflects a turning point in the trend of the district’s department store sales. First, the unusually hot weather decreased sales to consumers tended to avoid shopping centers.

Second, sales increased significantly during the third quarter of 1946 and declined during the fourth quarter. Consequently, a decline in dollar volume as compared with a year ago during the third quarter does not necessarily reflect a slump in the present volume of sales.

July department store sales exceeded the dollar volume of the corresponding month in 1946 by 5 percent. During the first half of this year the dollar volume was 13 percent larger than in the first half of last year. For each month the increase was 10 percent or larger.

In view of the increases in prices, however, it is apparent that unit volume of sales in most lines is somewhat less than in 1946.

Retail Credit Buying Up

Retail credit buying is evident in department store sales. With the continued rise in sales during the first half of the year, cash sales as a proportion of total sales declined steadily. On the basis of a sample of 11 stores located in representative trading centers in the district, cash sales in January were 11.9 percent of total sales, while in June they had fallen to 49.0 percent of total sales. In July, cash sales again rose to 52.4 percent of the total.

The volume of cash sales in July usually increases. In the past seven years cash sales as a proportion of total sales have ranged from 21/2 to 4 percent higher than in June. The rise in cash sales during July is attributed to the seasonal trend of cash farm income and of non-agricultural employment.

Cash farm income in this district rises sharply in July and reaches a peak in September or October. Due to the food processing industries, manufacturing employment in this district generally rises significantly during the third quarter, increasing aggregate payrolls.

The rise in credit sales is primarily in the form of charge accounts. Charge account sales in January were 41.4 percent of total sales at these stores, and in June they were 46.8 percent of the total. With a rise in cash sales during July, they again declined to 43.0 percent of the total.

Instalment sales as a proportion of total sales have remained relatively stable. During the first half of this year, monthly instalment sales averaged 4.5 percent of total sales.

As a result of the rise in credit sales and slower collections, department store receivables are decidedly larger now than a year ago. On the basis of figures compiled from 33 district stores on charge accounts and from 17 stores on instalment sales, charge account receivables at the end of June were 33 percent larger and instalment sales receivables 56 percent larger than a year ago. Collections on these credit sales rose by a smaller percent—30 and 33 percent respectively.

FARM AND URBAN INCOMES REACH NEW PEAKS

Consumer incomes are at a record level. Cash farm income in the first

### Sales at Ninth District Department Stores

<table>
<thead>
<tr>
<th>Region</th>
<th>% Jul. 1947</th>
<th>% Jan.-Jul. 1947</th>
<th>Number of Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total District</td>
<td>105</td>
<td>112</td>
<td>178</td>
</tr>
<tr>
<td>Mpls., St. Paul, Dul-Sup.</td>
<td>105</td>
<td>112</td>
<td>159</td>
</tr>
<tr>
<td>Country Stores</td>
<td>104</td>
<td>110</td>
<td>127</td>
</tr>
<tr>
<td>Minnesota</td>
<td>105</td>
<td>110</td>
<td>157</td>
</tr>
<tr>
<td>Central</td>
<td>90</td>
<td>103</td>
<td>44</td>
</tr>
<tr>
<td>Northeastern</td>
<td>103</td>
<td>107</td>
<td>16</td>
</tr>
<tr>
<td>Red River Valley</td>
<td>102</td>
<td>110</td>
<td>14</td>
</tr>
<tr>
<td>South Central</td>
<td>114</td>
<td>115</td>
<td>16</td>
</tr>
<tr>
<td>Southeastern</td>
<td>109</td>
<td>114</td>
<td>13</td>
</tr>
<tr>
<td>Southwestern</td>
<td>110</td>
<td>110</td>
<td>16</td>
</tr>
<tr>
<td>Montana</td>
<td>111</td>
<td>114</td>
<td>14</td>
</tr>
<tr>
<td>Mountains</td>
<td>114</td>
<td>116</td>
<td>6</td>
</tr>
<tr>
<td>Plains</td>
<td>109</td>
<td>113</td>
<td>8</td>
</tr>
<tr>
<td>North Dakota</td>
<td>111</td>
<td>117</td>
<td>34</td>
</tr>
<tr>
<td>North Central</td>
<td>102</td>
<td>113</td>
<td>44</td>
</tr>
<tr>
<td>Northwestern</td>
<td>107</td>
<td>111</td>
<td>44</td>
</tr>
<tr>
<td>Red River Valley</td>
<td>103</td>
<td>107</td>
<td>22</td>
</tr>
<tr>
<td>Southeastern</td>
<td>109</td>
<td>109</td>
<td>9</td>
</tr>
<tr>
<td>Southwestern</td>
<td>94</td>
<td>104</td>
<td>2</td>
</tr>
<tr>
<td>Red River Valley-Minn. &amp; No. Dak.</td>
<td>120</td>
<td>122</td>
<td>16</td>
</tr>
<tr>
<td>South Dakota</td>
<td>112</td>
<td>112</td>
<td>27</td>
</tr>
<tr>
<td>Southeastern</td>
<td>115</td>
<td>115</td>
<td>7</td>
</tr>
<tr>
<td>Other Eastern</td>
<td>111</td>
<td>111</td>
<td>15</td>
</tr>
<tr>
<td>Western</td>
<td>101</td>
<td>108</td>
<td>5</td>
</tr>
<tr>
<td>Wisconsin and Michigan</td>
<td>118</td>
<td>119</td>
<td>24</td>
</tr>
<tr>
<td>Northern Wisconsin</td>
<td>122</td>
<td>117</td>
<td>27</td>
</tr>
<tr>
<td>West Central Wisconsin</td>
<td>121</td>
<td>121</td>
<td>3</td>
</tr>
<tr>
<td>Upper Peninsula Michigan</td>
<td>108</td>
<td>112</td>
<td>20</td>
</tr>
</tbody>
</table>

1 Percentages are based on dollar volume of sales.
2 July 1947 compared with July 1946.
four months of this year was 36 percent larger than for the same period of last year. Non-agricultural income has also risen substantially. Although figures are not available on aggregate payrolls, the rise in employment and in weekly earnings is indicative of the growth in payrolls.

According to the Minnesota Division of Employment and Security, mid-July manufacturing employment in Minnesota reached a new postwar peak of 203,000 workers. As compared with a year ago, this was an increase of 5.4 percent. This is the first time since the end of hostilities that manufacturing employment in this state has surpassed the 200,000 mark. The war-time peak consisted of 230,500 workers.

Manufacturing employment in Montana in June was 13.1 percent higher than last year, according to the Unemployment Compensation Commission of that state. Total non-agricultural employment in that state in June was 4.9 percent larger than a year ago.

According to the latest report of the U.S. Department of Labor, manufacturing employment in both North and South Dakota in March of this year was 10 percent higher than a year ago.

The rise in employment has been accompanied by larger average weekly earnings. According to the U.S. Department of Labor, average weekly earnings in all manufacturing industries of the nation in May were $48.46. This represented an increase of 13.6 percent since May 1946.

In the food processing industries, which are important in this district, average weekly earnings in May were $47.71—an increase of 17.4 percent from May 1946. In malt liquor, slaughtering and meat packing, and flour milling industries, average weekly earnings in May were above the average for food processing industries, with $61.55, $53.31, and $51.77 respectively.

The rise in individual incomes in the Ninth District is also reflected in the growth of demand deposits. Farmers in February of this year held demand deposits 21 percent larger than in July 1946; other individuals held demand deposits 12 percent larger. As a result of a high level of current income and savings from the war years, consumers are still in command of a large volume of purchasing power.

The net amount of consumer credit outstanding in a sample of 27 commercial banks of this district at end of July was 5 percent larger than at the end of June. The percent increase during July is quite representative of the monthly increase for the first half of the year. It is noted that the total consumer credit outstanding at commercial banks in this district at the end of June was $91 million as compared with $89 million a year ago.

Other institutions—small loan companies, industrial banks, industrial loan companies, and credit unions still do over one-half of the total consumer installment loan business. Nevertheless, have increased mainly the aggregate volume of consumer credit.

If the present types of farm programs are to be continued it is likely agriculture can "cash in" on profits during an emergency period and they are guaranteed an established level of prosperity in favorable years.

**CONSUMER CREDIT AT BANKS INCREASES $47 MILLION**

The expansion in consumer credit has added to the aggregate volume of purchasing power. Consumer credit outstanding in the United States at the end of June aggregated $10,884 million. The increase in the 12-month period was almost $3,000 million.

**WHAT ABOUT FARM PROGRAMS?**

(Continued from Page 481)

gram for cotton in the 1930's stimulated cotton production abroad as well as competitive materials at home. As a result cotton has lost both a share of foreign and domestic markets.

The cost to taxpayers to support the income of cotton growers tends to increase. At the same time the consumer pays more for cotton fabrics.

In effect such farm programs guarantee farm prices and incomes at some established standard. In recent years farm prices and incomes have soared to unprecedented heights. Farmers, as much or more than any other group, have benefited from the war economy.

(Continued on Page 483)
Deposits and Loans Show Increase

While the major financial impact of the substantial volume of new industrial production in the district will be felt, the initial influences are evidenced by the latter part of the first and a spurt of loan activity in the western sections. Member bank deposits dropped $38 million during July, having registered a seasonal decline of $144 million during the first six months of the year.

All of the deposit expansion in July was accounted for by deposits in the country member banks. As a matter of fact, city member bank deposits during July declined on balance by $3 million, accounted for by nominal losses in balances due to other loans and deposits of states and other political subdivisions.

The second important development of the month was a resumption of the dollar sharply rising trend of member bank loans. During May, member bank loans declined moderately, re-creating a trend of over a year's duration. This decline proved to be only temporary setback, and loans in fact and gain in July registered a gain of $20 million and $17 million respectively, substantially in excess of the $11 million monthly average during the first half of the year.

Country member banks accounted for roughly 70 percent of this expansion, although they account for only 54 percent of total loans. In other words, the relative rate of bank loan expansion has been greater at country banks than at city banks.

At the city banks the loan expansion continued through the first two weeks of August, the latest period for which data are available, and the July deposit decline was reversed with a $22 million expansion. Most of the expansion was centered in demand deposits of individuals and businesses and balances due to banks. The latter presumably reflected the beginning of the flow of funds to country banks incident to heavy grain marketing.

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

<table>
<thead>
<tr>
<th>Assets</th>
<th>June 30, 1947</th>
<th>July 30, 1947</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and Discounts</td>
<td>$659</td>
<td>$676</td>
<td>+ 17</td>
</tr>
<tr>
<td>U. S. Government Obligations</td>
<td>$1,766</td>
<td>$1,761</td>
<td>- 5</td>
</tr>
<tr>
<td>Other Securities</td>
<td>160</td>
<td>160</td>
<td></td>
</tr>
<tr>
<td>Cash and Due from Banks</td>
<td>780</td>
<td>793</td>
<td>+ 13</td>
</tr>
<tr>
<td>Other Assets</td>
<td>26</td>
<td>27</td>
<td>+ 1</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$3,391</td>
<td>$3,417</td>
<td>+ 26</td>
</tr>
<tr>
<td>Liabilities and Capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to Banks</td>
<td>$313</td>
<td>$323</td>
<td>+ 10</td>
</tr>
<tr>
<td>Other Demand Deposits</td>
<td>1,977</td>
<td>1,980</td>
<td>+ 25</td>
</tr>
<tr>
<td>Total</td>
<td>$2,286</td>
<td>$2,303</td>
<td>+ 35</td>
</tr>
<tr>
<td>Time Deposits</td>
<td>905</td>
<td>908</td>
<td>+ 3</td>
</tr>
<tr>
<td>Total Deposits</td>
<td>$3,173</td>
<td>$3,211</td>
<td>+ 38</td>
</tr>
<tr>
<td>Borrowings</td>
<td>10</td>
<td>0</td>
<td>- 10</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>17</td>
<td>15</td>
<td>- 2</td>
</tr>
<tr>
<td>Capital Funds</td>
<td>191</td>
<td>191</td>
<td></td>
</tr>
<tr>
<td>Total Liabilities and Capital</td>
<td>$3,391</td>
<td>$3,417</td>
<td>+ 26</td>
</tr>
</tbody>
</table>

* This table is in part estimated. Data on loans and discounts, U. S. Government obligations, and other securities are obtained by reports directly from the member banks. Balances with domestic banks, cash items, and data on deposits are largely taken from the semi-monthly report which member banks make to the Federal Reserve Bank for the purpose of computing reserves. Reserve balances and data on borrowings from the Federal Reserve Banks are taken directly from the books of the Federal Reserve Bank. Data on other borrowings are estimated. Capital funds, other assets, and other liabilities are extrapolated from call report data.

Other banks deposits during the first six months of the year are taken directly from the books of the Federal Reserve Bank. Data on other borrowings are estimated. Capital funds, other assets, and other liabilities are extrapolated from call report data.

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

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(Continued on Page 487)
INDUSTRIAL production was at a lower level in July than in June, owing in part to influences of a temporary nature. Retail trade was generally maintained. Prices advanced during July and also the first half of August.

INDUSTRIAL PRODUCTION—Production of manufactures and minerals both declined in July and total industrial production, according to the Board's seasonally adjusted index, was at 178 percent of the 1937-39 average. This was 6 points below the June level and 12 points below the March postwar high of 190. Scattered information now available indicates a somewhat higher level for August than for July.

Output of durable manufactures generally decreased in July. There was a marked reduction in steel output during the first two weeks of the month, when a coal shortage seemed imminent. Activity in shipbuilding was sharply reduced by work stoppages, and there was a moderate decline in activity in the machinery industry. Automobile output declined some-what in July, and showed a further reduction in the first half of August, with production still limited by the sheet steel shortage. Non-ferrous metal manufacturing continued to decline in July, partly as a result of some reduction in demand. Output of lumber and of stone, clay, and glass products was also at a lower level than in June.

EMPLOYMENT—Factory employment declined somewhat further in July, after allowance for seasonal changes, while employment in most other non-agricultural lines continued to show little change. Total government employment was reduced by 120,000 to about 5,300,000 persons in mid-July, reflecting a reduction in federal employment and also a decline of a seasonal nature in other government employment.

DISTRIBUTION—Department store sales showed the usual seasonal decline in July, and the Board's adjusted index remained at the high May and June level. In the first two weeks of August, sales showed less rise than usual and were 4 percent below the corresponding period of a year ago, whereas in July, 5 percent higher than last year. Difference reflected in part the temporary rise in sales which August a year ago, and unseasonal weather in many sections.

COMMODITY PRICES—The level of wholesale commodity prices somewhat further from the middle of August, reflecting further increases in prices of farm products, and fuels, and a general rise of about 10 percent in prices of steel products. Prices of new cars were generally raised in this period; scrap prices declined in the second half of August, following sharp advancing weeks.

BANK CREDIT—Commercial and industrial loans at banks in the first half of August, particularly in New York City, continued to increase. Consumer loans showed further growth. Government security purchases at banks were increased somewhat at banks in New York City but showed little change at city banks.

WHAT ABOUT FARM PROGRAMS? (Continued from Page 483)

farmer abhors restrictions and regimentation. In a period of serious depression such as the early 1930's such a program, however, may appear to many as the lesser of two evils.

The taxpayer's cost would probably be somewhat less compared with the first alternative, but food costs might be higher. The administrative and production adjustment costs would probably surpass those of the 1930's.

An effective production control program must almost of necessity be administered by the government, with the inevitable danger under such circumstances that farming may pass from a free enterprise activity to one with substantial Government controls.

This is what has happened abroad. In return for assured markets and guaranteed prices the English farmer must farm his land the way the Government thinks it should be done. If he does not the land may be taken away from him and resold to someone who will farm it in the way the Government experts think necessary.

In any event a restricted production program, whether in agriculture or industry, operates against a higher standard of living for all. Only by an economy of abundance can people have the things they want and at relatively low prices. It is to be hoped that all segments of the economy will continue to establish and maintain policies that will expand production and reduce costs per unit of output rather than attempt to curtail production with resultant high costs to consumers.

FOREIGN AND DOMESTIC MARKET EXPANSION MAY SOLVE FARM PROBLEM

Still others suggest that the solution to the farm problem should be in the direction of a totally unfettered and substantially unsubsidized agriculture with major Government interest directed towards expansion of markets for farm products both domestically and abroad. Obviously, the first requirement of such an attack on the farm problem is the avoidance of serious slumps in the level of national income.

Other parts of the program might include the promotion and conduct of agricultural research for the discovery of new uses of farm products; the development of international trade; and the increased domestic use of food through better nutrition education and practices.

It is argued that such an approach would tend to give maximum strength to the farm market at the same time the expense to the budget would be minimized. It has the advantage that prices of farm commodities would be related to their free-market values and some pegged or artificial value tends to throw production out of balance.

In other words, free-market unfettered by production control purchase and loan programs guide resources into their most economical uses.

There seems to be general agreement that the first necessary conditions of an effective long-term program are a vigorous and positive level of domestic activity and expanding international trade.

The record of the past two years shows the sensitivity of farm incomes to industrial activity and employment. If consumers hesitate purchasing power, this is what they need and want from satisfactory to farmers.

The importance of foreign trade to agriculture is apparent when it is realized that over half of the increases in farm income from 1929 in 1934 were due to increased sales abroad. The depression of 1929 was due to the fact that foreign markets were not opened; in May 1934 occurred because of a 58 percent decline in agricultural exports.

—Franklin L. Putnam
Food Exports Add Billions to Farm Incomes

UNPRECEDENTED farm exports plus large domestic demand machine to assure a record agricultural income for the Ninth District.

A record wheat crop almost in the bin. Quality and yield of corn crop is below that of last year. Flax production may be third largest on record.

Farm prosperity stimulated by large food exports and below average food imports.

$3.5 BILLION IN FARM PRODUCTS EXPORTED IN 1946

Exports of agricultural commodities are a tremendously important factor in current high farm prices and record farm incomes.

Exports of grains during 1946 were valued at nearly $800 million and totaled nearly a half-billion bushels. Grain exports during the first quarter of 1947 totaled $320 million, more than a third larger than any quarter during 1946.

Exports of foods other than grains—dairy and poultry products, meat, fruit, vegetables and others—toaled over $1.3 billion in value during 1946. Before the war the value of such exports was less than $175 million annually. The physical quantity of food exports in 1946 and the first quarter of 1947 was probably well over three times the pre-war quantity, according to estimates by the Department of Agriculture.

The U. S. D. A. also indicated that foodstuffs accounted for 68 percent of all agricultural exports in 1946. During 1935-39, they were only 36 percent of agricultural exports.

Before the war, cotton and tobacco exports made up approximately 60 percent of the value of total agricultural exports. During 1946 and the first quarter of 1947, cotton and tobacco made up only about 28 percent of the value of agricultural exports.

The figures as given on value and quantity of agricultural exports do not include military shipments to foreign civilians. If these data were included the quantity, value, and relative importance of food would be increased for 1946 and thus far in 1947. Neither is any consideration given here to the millions of parcels and packages of food that individuals and charitable organizations have sent abroad in recent years.

PHYSICAL QUANTITY OF FOOD EXPORTS TO REMAIN HIGH

Since agricultural exports are so significant in our current farm economy, it is important to appraise the factors affecting future exports. The Department of Agriculture has forecast that the physical quantity of farm exports during all of 1947 may approximate those of 1946.

The trend in agricultural exports,

The harvest of wheat and other small grains, except flax, is practically completed in the southern part of the district, and it is well under way northward to the Canadian border.

Reduced barley and rye production is up sharply compared with last year. Hay production is up slightly. Corn is estimated about 8 percent below last year's production and about 14 percent fewer potatoes may be harvested.

Early combine and threshing reports indicate that the quality of wheat, barley, and rye is generally good to excellent, with oat quality fair to poor. Oats are the only really dark spot in the crop picture this season. Based on August 1 conditions, a crop of 50 million bushels was indicated for the Ninth District compared with 76 million bushels in 1946. Since August 1, temperatures have been persistently high and rainfall up to mid-August was received at only scattered spots in the corn growing areas. As a result, further deterioration in crop prospects probably has occurred.

An indication of how serious the situation has been the extent to which corn prices have risen in recent weeks. At one time in mid-August, cash corn was higher than wheat. This is a rare occurrence, because a bushel of wheat weighs more than does a bushel of corn, and barley has greater feeding value, pound for pound. Based on feeding values, feeders might be expected to bid approximately 50 cents a bushel more for wheat than they do for corn. If corn prices remain at current levels for any length of time it would appear that the demand for wheat would increase.

Weather will depend on weather and moisture conditions during September and early October as to the final outcome of the corn crop. If frosts come early the crop will not only be short but also soft and of poor quality. It now appears that frosts will have to hold off at least two weeks later than usual in order to produce a crop of only average quality.

FLAX, A PROSPEROUS CROP THIS YEAR

It is likely that flax production will be the third largest on record. A United States crop of nearly 39/4 million bushels is indicated by the Department of Agriculture for 1947 based on August 1 conditions. This is a 72 percent increase from last year's low production of 23 million bushels. The record crops were 50 million bushels in 1943 and 41 million in 1942.

Approximately 85 percent of total United States flax production is expected to come from Ninth District states this year. Minnesota alone may produce about 15 million bushels this year or about 38 percent of total production. Current reports from Minnesota and the Dakotas indicate the flaxseed crop this year may average from 8 to 10 bushels per acre.

At $6.00 per bushel, Minneapolis basis, this crop should prove a very profitable crop this year. Many shrewd farmers recognized this last winter when the $6.00 support price was announced. North Dakota farmers almost doubled their flax acreage. Montana farmers increased flax acreage 150 percent from the previous year. Considerable amounts of new land were broken out this year, and probably 80 to 90 percent of this new breaking was seeded to flax.
of course, will be affected by such factors as the size of domestic crops, the number of dollars available to foreign customers and how they choose to spend them, changes in world food supplies, and changes in our foreign policy.

During 1946 almost $1.5 billion worth of agricultural exports were paid for with United States Government gifts and loans that were specifically earmarked for farm products. This is 42 percent of the total value of agricultural exports in 1946. This amount, however, does not include the proportion of the English and French loans that have been and are being used to purchase farm products here.

These loans were not specifically earmarked for purchases of farm products. It is known, however, that the amount spent for food from these loans has been large because of critical food shortages in these countries.

During 1947, United States government foreign gifts and loans are expected to finance only about $1 billion worth of agricultural exports, according to a recent Department of Agriculture report. This means if exports are to continue as large as in 1946, foreign countries will have to use more of their current earnings, reserves, or general credits.

The extent to which foreign countries may use dwindling dollar exchange for the purchase of American farm products rather than other goods will depend, of course, on how soon world food production can be expanded and whether or not food prices elsewhere are cheaper.

IMPORTS HAVE BEEN LAGGING

At the same time food exports have been tremendously expanded in recent years, our food imports have been materially reduced. For example, before the war the United States imported fresh meat from Canada, canned meats from the Argentine, and live cattle from Mexico. Canadian and Argentine meat exports are now going mainly to Europe or elsewhere, and the foot and mouth disease outbreak in Mexico has stopped the usual annual importation of about one-half million cattle.

Smaller imports and much larger exports of meat, coupled with the tremendous increase in domestic demand for meat, help one understand the current high prices for livestock and meats.

The decline in imports of meat, cheese, fats and oils in recent years at the same time exports have more than trebled is a major factor in explaining current high food prices. This has been a highly favorable situation for agriculture in general. However, the average wage earner and consumer has increasingly felt the pinch of the resulting higher food costs. To this group a closer balance between exports and imports would be desirable.

Total imports of all goods and services in recent years have been below their peacetime relation to our industrial production. Exports of all goods and services in 1946 totaled slightly more than $15 billion. Imports were only $7 billion. The export surplus in 1946 was therefore about $8 billion. In the first half of 1947 the export surplus was not $6 billion, or at an annual rate of about $12 billion.

It is generally recognized that current export-import relations are temporary and that their continuation over a protracted period time could scarcely be in accord with our best interests, since productive effort represented by the net export would result in no equivalent benefit to consumers in the forms of offsets imports.

BANKING

(Continued from Page 484)

The early August loan expansion of the city banks was somewhat pronounced, loans rising $5 million during the first half of the month. Commercial, industrial, and agricultural loans and loans on real estate accounted for most of the expansion during this period.