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Banks Expand Farm Loans

Farm Real Estate Loans Made by Banks Have Increased 28% Since 1940 • Federal Land Banks Record a 50% Decline in Loan Volume

HISTORICALLY, farmers have tended to increase their debts during prosperous times and to reduce them during periods of adversity. To many, it may appear that farmers should do the opposite. When prices and incomes are high, the farmer might be expected to pay off his debts and borrow less money. When times are tough, it would seem more logical to use more credit. At least, that's the way it often works for other groups.

This seemingly paradoxical situation in agriculture may be explained as follows:

When times were good, farmers have tended to expand their holdings, purchase machinery and equipment and generally improve the farm. Credit use was thus expanded.

When times were less favorable, it was more difficult to secure credit and, also, farmers became more conservative with expansion programs.

This historic farm debt pattern, however, has been shattered during the recent war period. Farmers reduced their real estate debts sharply since 1940, even though the last eight years have been the most prosperous period in farm history. In fact, farm mortgage debt in the Ninth district is now approximately 35% below that of January 1, 1940. It is down about 70% from the peak following World War I.

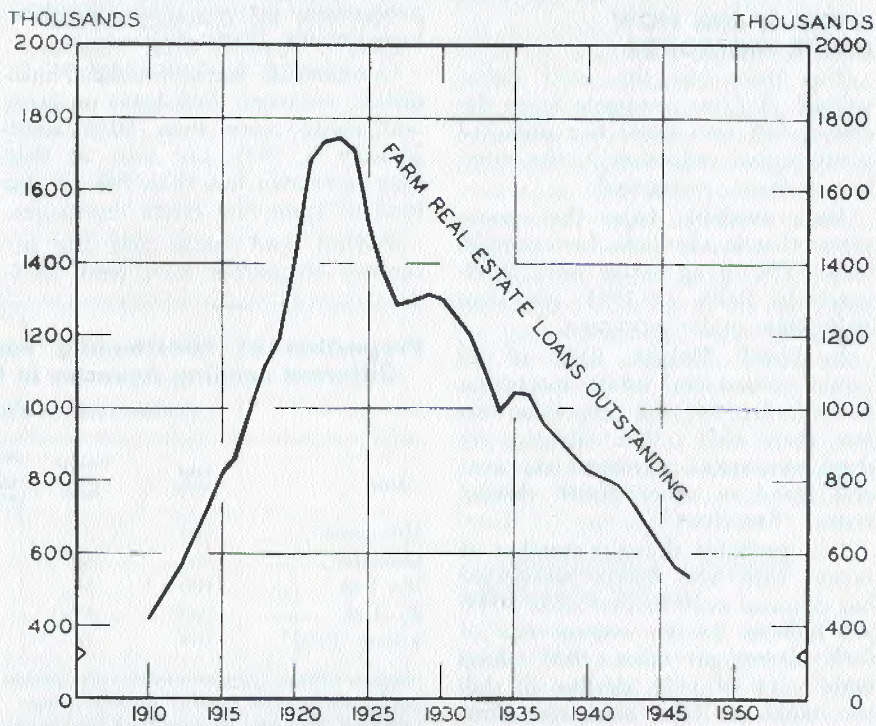
The debt is now comparable to that prior to World War I at a time when the agricultural economy of the district was not nearly as well developed nor mechanized as it is today.

The pattern of farm real estate credit use during World War II was influenced by several factors: First, an extremely intensive educational program was directed against speculation in farm land and the use of credit to expand farm operations to any great extent. The memory of severe losses incurred from speculation after World War I made these educational measures doubly effective.

Second, much farm machinery and equipment was not available during the war period. This tended to discourage the purchase of farm land by speculators and those who found it difficult or impossible to get equipment with which to operate. Operating farmers were thus the chief buyers of farm land.

Third, record production of crops plus a price level of farm commodities two to three times pre-war placed many farmers, particularly the grain farmers, in a very favorable financial position. Costs of farming have increased, it is true, but until quite recently these have lagged behind prices received by farmers. Therefore, farmers generally have been able to accumulate savings which cut down some of the demand for real estate credit.

TOTAL FARM MORTGAGE DEBT OUTSTANDING IN THE NINTH DISTRICT, 1910-1947[1]



[1] Source: USDA.

UPWARD TREND IN FARM LOANS EXPECTED

The future is expected to reveal a reversal in the downward trend in district farm real estate loans. This has already occurred in many other sections of the country. For the U. S. as a whole, there was a 2% increase in the volume of such loans during 1946, with some further increase expected during 1947.

Many of the older farmers are now able and willing to retire. Younger farm operators may find it necessary to resort to credit as part of the purchase price.

There is a tremendous backlog of needed farm improvements that will become even more evident as prices stabilize, equipment becomes available, and permanent farm programs are established.

Increasing emphasis will be placed on soil conservation. In many cases, this will entail large capital expenditures on the land—part of which will be borrowed capital.

The level of land prices for the U. S. as a whole is now as high as the post-World War I peak and they are 205% of the 1935-1939 average. Therefore, it may take more money and credit to finance new farm purchases should prices tend to remain substantially above prewar levels.

FEWER FARMS NOW UNDER MORTGAGE

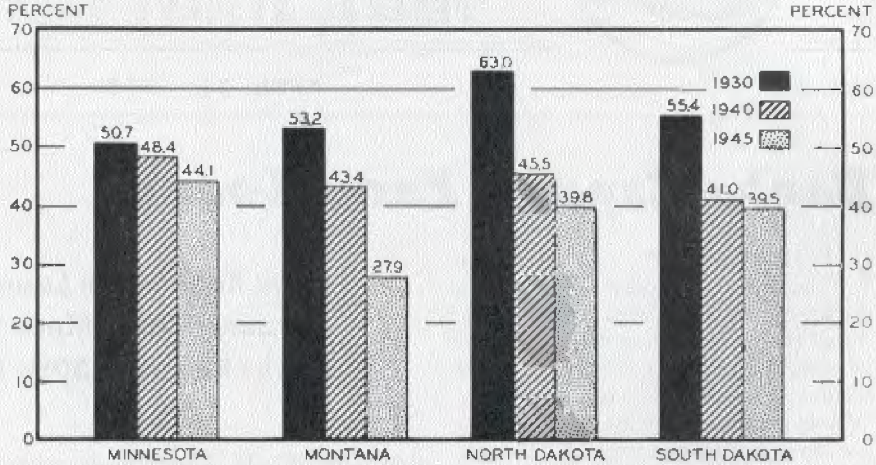
Not only has the total dollar volume of farm mortgage loans declined, but also there has occurred a substantial reduction in the number of farms mortgaged.

Data available from the census shows that in Montana, for example, over 53% of all farms were mortgaged in 1930. In 1945, less than 28% were under mortgage.

In North Dakota, 63% of all farms carried real estate mortgages in 1930. In 1945, the proportion was less than 40%. The situation in these two states represents the general trend in other Ninth district states. (See chart.)

It is probable that the number of farms with real estate mortgages has declined even further since 1945. An increase in the average size of farm mortgages since 1945 along with a 14 to 15% decline in dollar volume of farm mortgages since 1945 would indicate this to be true.

PROPORTION OF NINTH DISTRICT FARMS UNDER MORTGAGE, 1930, 1940, and 1945[1]



[1] Source: Agricultural Finance Review. USDA—November 1947—p. 65.

WHO HOLDS FARM REAL ESTATE MORTGAGES?

In recent years a significant shift has occurred in the ownership of farm real estate mortgages in the Ninth district. Most governmental credit agencies have experienced a sharp reduction in loan volume. At the same time, private credit agencies increased their farm real estate loan portfolios.

Federal land bank loans were almost halved in the period 1940-47. At the same time, life insurance companies were actively increasing their loan volume nearly 40%.

Commercial banks in the Ninth district increased their loans on farm real estate more than 50% since January 1, 1945, but even at that they now own less than 7% of the total of farm real estate mortgages.

Federal land banks and life insurance companies each held 28% of outstanding farm real estate mortgages on January 1, 1947. The Federal Farm Mortgage Corporation (Land Bank Commissions) and the Farmers Home Administration (formerly Farm Security Administration) together held about 7%. The balance of nearly 30% was held by others, mostly individuals. (See table.)

There is no indication or assurance that the shift which has occurred in farm loan ownership is a permanent one. In fact, so long as the economy is dominated by the up-and-down-swings associated with a competitive free enterprise economy there is likely to be shifting ownership of farm loans.

In a period of prosperity such as we have experienced in recent years, banks and insurance companies are aggressive bidders for new loans. In the depression phase of the cycle,

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Proportion of Outstanding Farm Real Estate Loans Held by Different Lending Agencies in 9th District States, Jan. 1, 1947[1]

Percent Held by Principal Lender Groups

State	Total Debt	Federal Land Bank	Federal Farm Mortgage Corporation	Farmers Home Administration [2]	Life Insurance Companies	Insured Commercial Banks	Other [3]
Minnesota	100	24	3	3	29	9	33
Montana	100	28	7	7	6	4	48
No. Dak.	100	30	8	3	16	2	40
So. Dak.	100	39	4	3	48	3	3
4-State Total [4]	100	28	4	3	28	7	30

[1] Source of Data: Agricultural Finance Review USDA—November 1947, p. 114-115.
[2] Successor to Farm Security Administration.
[3] Includes loans held by joint stock land banks, individuals, and miscellaneous lenders.
[4] Minnesota, Montana, North Dakota, and South Dakota.

BUSINESS

Trade Volume Returns to Late 1947 Level

THE federal government's expanded defense program and the Foreign Assistance Program thus far have had little noticeable effect on business activity in the Ninth district. In the expanded defense program, President Truman recommended additional appropriations of $3,375 million for the current year. It is anticipated that this program may create shortages of some metals.

In connection with the Foreign Assistance Program it is envisaged that expenditures for aid to western Europe, Greece, Turkey, and China in the current year may total $6 billion. As a result of these expenditures, total exports will again this year exceed substantially total imports.

However, as compared with last year, the excess of exports over imports may be less. Whereas total exports of merchandise and services last year totaled $19,600 million, it is estimated that the total this year may be about $18 billion. Furthermore, as European nations expand their production, our imports are likely to increase.

Thus, the inflationary pressures arising this year out of foreign trade through the European Recovery Plan may be less than the pressure created last year by the dollar exchange held by foreign countries, the gold shipped in payment for U. S. merchandise and services, and the loans and grants to foreign nations.

In addition to these governmental expenditures, individuals will have more purchasing power after May 1 as a result of the reduction in the federal income tax. If individuals choose to spend the additional money in their pay envelope, the aggregate demand for merchandise and services may be strengthened noticeably.

DEPARTMENT STORE SALES RECOVER FROM SLUMP

Ninth district department store sales adjusted for the usual seasonal variation rose 10 points during March from a temporary low level during February. As a result of this increase, the adjusted index stood at 278 percent of the 1935-1939 average—which was quite comparable to the level of sales during the later part of 1947.

The dollar volume continues to exceed that of a year ago. While the February sales in the district were only 4 percent larger than a year ago, March sales were again 7 percent larger. The latter percent was only 2 points below the January increase over January 1947.

STOCKS IN STEADY INCREASE

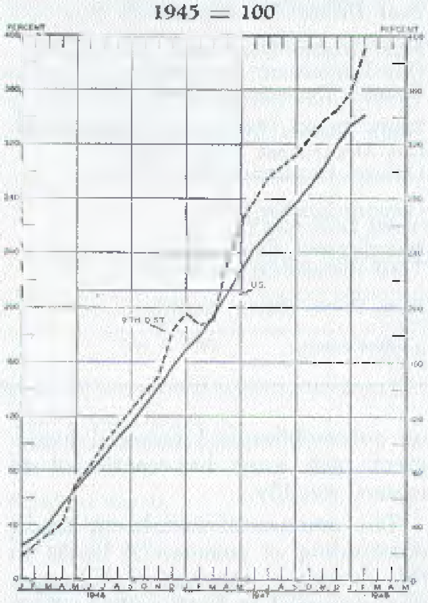
Department store stocks in this district have climbed steadily since August 1947. The adjusted index at the end of March stood at 343 percent of the 1935-1939 average.

The dollar value of stock held by department stores since last August has increased by 42 percent after an adjustment is made for the usual seasonal variation in the amount of stocks kept on hand.

In relation to the present level of sales, stores now hold a significantly larger dollar amount of stocks than on an average from 1935-1939.

INSTALMENT CREDIT OUTSTANDING IN NINTH DISTRICT AND UNITED STATES COMMERCIAL BANKS

1945 = 100



Percentages are based on total dollar volume figures estimated by the Board of Governors of the Federal Reserve System.

- ***February slump was of short duration.***
- ***Department store stocks, displaying rapid rise, are up 42 percent since August.***
- ***Building permits and contracts awarded indicate extensive construction activity probable.***
- ***Seasonal trend finds consumer credit leveling off, while instalment credit at commercial banks continues to expand.***

BANK DEBITS DECLINE DURING FIRST QUARTER

General business activity in this district, as measured by monthly bank debits, declined steadily during the first quarter. The March adjusted index of 329 percent of the 1935-1939 average is 53 points below the January adjusted index and 24 points below the February index.

Even though bank debits during the first quarter are distorted by income tax payments, since a proper allowance for these payments cannot be made in the seasonal adjustment, the significant decline in debits cannot be attributed entirely to the decrease in such payments during February. Payments made to the Collector of Internal Revenue at St. Paul from the State of Minnesota were much larger in March than in the two preceding months.

Thus, the decrease in bank debits may reflect a decline in the aggregate amount of payments made for goods and services, although retail trade as measured by department store sales recovered sharply in March, as just indicated. This may be in part an aftermath of the slump in business activity during February traced to the break in commodity prices.

CONSTRUCTION ACTIVITY PROSPECTS BRIGHT

Construction activity in this district was at a relatively low ebb during the winter months. In some states the number of workers employed was less than a year ago.

Figures on building permits and contracts awarded, however, point to a large expansion with the return of favorable weather conditions. The amount of building permits issued during the first quarter was more than 50 percent larger than for the same period of a year ago.

The amount of construction contracts awarded in February, as reported by the F. W. Dodge Corporation, was nearly double the amount awarded during the same month of 1947, and the preliminary figures for March indicate that the amount for this year exceeded the figure for last year by an even larger margin.

The expansion in building activity over a year ago may center mainly in industrial and commercial building. The amount of contracts awarded during the first quarter in this district for this type of construction greatly exceeded the amount awarded a year ago. The amount of contracts awarded for residential building, on the contrary, has fallen decidedly below last year's figure.

CHARGE ACCOUNTS DECLINE, OTHER CREDIT INCREASES

The amount of consumer credit outstanding leveled off during the first quarter primarily because the seasonal trend in charge accounts reaches a peak in December and declines in the subsequent months. Instalment credit extended especially on automobiles and personal instalment cash loans has continued to mount steadily.

The amount of instalment credit outstanding at commercial banks in this district at the end of February was estimated at $113 million. This represents an increase of $44 million, or 64 percent over a period of a year.

As may be observed on the accompanying chart, the rate of expansion of instalment credit at commercial banks in this district has been quite comparable to that occurring in other regions. END

Index of Department Store Sales by Cities

(Unadjusted 1935-39 = 100)

	Mar. [1]	Percent Change [2] From Year Ago Mar.	Jan.-Mar.
Minneapolis	289	+ 6	+ 9
St. Paul	262	+ 5	+ 4
Duluth-Superior	259	+18	+12
Great Falls	290	— 1	+ 6
La Crosse	266	+ 5	+ 4
Mankato	298	+15	+10
Aberdeen		— 4	— 0
Bismarck		—14	— 3
Grand Forks		— 2	+ 1
Minot		—11	— 7
Sioux Falls		+16	+12
Valley City		—17	—19
Willmar		+ 8	+ 2
Winona		+12	+14
Yankton		+10	+ 6

[1] Based on daily average sales.
[2] Based on total dollar volume of sales.

Sales at Ninth District Department Stores[1]

	% Mar. 1948 of Mar. 1947	% Jan.-Mar. 1948 of Jan.-Mar. 1947	Number of Stores [2] Showing Increase	Decrease
Total District	107	107	203	83
Mpls., St. Paul, Dul.-Sup.	107	108	26	2
Country Stores	106	104	177	81
Minnesota	112	107	58	13
Central	104	100	7	2
Northeastern	113	109	3	1
Red River Valley	99	95	3	1
South Central	118	110	13	2
Southeastern	115	110	10	3
Southwestern	112	107	22	4
Montana	107	107	23	12
Mountains	108	106	7	6
Plains	107	108	16	6
North Dakota	97	100	27	23
North Central	86	88	4	7
Northwestern	90	93	3	3
Red River Valley	103	107	9	8
Southeastern	92	94	8	5
Southwestern	121	125	3	0
Red River Valley-Minn. & N. D.	102	105	12	9
South Dakota	107	103	26	18
Southeastern	114	107	7	7
Other Eastern	102	100	15	10
Western	114	105	4	1
Wisconsin and Michigan	107	104	43	15
Northern Wisconsin	114	109	14	3
West Central Wisconsin	106	103	23	10
Upper Peninsula Michigan	106	103	6	2

[1] Percentages are based on dollar volume of sales.
[2] March 1948 compared with March 1947.

Northwest Business Indexes

(Adjusted for Seasonal Variations—1935-39=100)

	March 1948	Feb. 1948	March 1947	March 1946
Bank Debits—93 Cities	329	353	307	242
Bank Debits—Farming Centers	402	420	381	300
Ninth District Dept. Store Sales	278p	267	279	246
City Department Store Sales	286p	287	283	262
Country Department Store Sales	269	248	274	230
Ninth District Department Store Stocks	343p	324	268	165
City Department Store Stocks	292p	277	249	160
Country Department Store Stocks	384p	361	284	168
Country Lumber Sales	138p	171	144	197
Miscellaneous Carloadings	132	146	138	130
Total Carloadings (excl. Misc.)	87	91	110	103
Farm Prices (Minn. unadj.)	270	268	258	175

p—Preliminary

1947 RETAIL CREDIT SURVEY

Larger Sales Traced to Price Increases

AS IS TRUE during all periods of rising prices, the incomes of many consumers are not keeping pace with increased costs. Where disposable personal income in the United States during 1947 increased 11 percent, during the same time personal consumption expenditures increased 14 percent.

From 1946 to 1947 the $17 billion increase in disposable personal incomes was more than offset by the $21 billion increase in consumer expenditures.

The Retail Credit Survey highlights the effects of this situation on retail trade. There is some evidence that consumers are buying much more carefully. They are weeding out the more luxury items and are watching purchases of nondurable goods. When they feel it is necessary to buy or replace the more expensive durable goods, consumers are making use of longer term credit facilities.

SHORTAGE-PLAGUED FIRMS ENJOY BIGGEST SALES GAIN

The dollar volume of retail sales at credit-granting stores in the Ninth district during 1947, when compared to 1946, shows sizeable gains in businesses selling goods which were previously in short supply. Automobile dealers, household appliance stores, and hardware stores showed the greatest percentage increases. Sales of automobile dealers increased 57 percent, household appliance stores increased their sales 34 percent and hardware stores showed a gain of 20 percent.

Stores selling goods which were adequately stocked during 1946 showed very moderate percentage gains in their dollar volume of sales. In fact, after price rises are taken into consideration, the physical volume of goods sold by some of these stores showed a decline.

Furniture stores showed the largest increase with sales up 12 percent from a year ago. Men's clothing stores, at which quality goods were becoming quite adequate, showed an increase of 11 percent. Sales at department stores and women's apparel stores were up 8 percent and 3 percent respectively.

The Bureau of Labor Statistics index of consumer prices for Minneapolis indicates that the price of clothing in Minneapolis increased an estimated 19 percent from 1946 to 1947. The price of housefurnishings increased 16 percent. These percentages indicate that dollar sales increases of approximately these sizes in apparel stores and in stores selling housefurnishings would have to be maintained to permit the same physical volume of sales as pertained during 1946.

Jewelry stores and automobile tire and accessory stores had sales during 1947 which were substantially below a year earlier. Jewelry store sales decreased 17 percent; automobile tire and accessory store sales decreased 14 percent.

In most types of stores the trend during 1947 was towards a larger proportion of credit sales. Both charge account sales and instalment sales accounted for a larger part of total sales.

One exception to this trend was automobile dealers, where cash sales increased from 56 percent to 60 percent of total sales. In some cases, automobile purchases are being financed by loans from banks or other lending agencies, thereby permitting buyers to make cash payments.

In jewelry and automobile tire and accessory stores, where dollar sales declined, both cash sales and charge account sales accounted for a larger proportion of total sales. Purchasers were obtaining more extended credit terms in these lines.

• EACH YEAR the Federal Reserve Bank of Minneapolis conducts a Retail Credit Survey of the Ninth district as a part of a national survey made by the Board of Governors of the Federal Reserve System.

This survey is based on reports received from retail firms engaged in nine lines of retail trade.

These lines of trade cover automobile dealers, automobile tire and accessory stores, furniture stores, hardware stores, household appliance firms, department stores, jewelry stores, men's clothing stores and women's apparel shops.

Only those firms doing a part of their business on a credit basis are covered by the study. Strictly cash stores are not included.

The relative increase in credit sales was most marked in stores handling household appliances. Department stores and apparel stores had substantial increases in charge account sales, but the relative importance of instalment sales remained about the same in 1946.

INVENTORIES OF HOUSEHOLD APPLIANCE STORES UP MOST

The retail value of inventories at all types of stores showed increases when compared to 1946. In most cases the largest increase occurred in stores where inventories were previously low relative to demand. Household appliance stores increased their inventories by 147 percent;

Year-End Inventories at Retail
Ninth District Stores Reporting in 1947 Retail Credit Survey

Type of Store	Number of Stores Reporting	1947 Inventories: Percentage Change From 1946	Inventories At Retail: Percentage of Total Net Sales	
			1947	1946
Automobile Dealers	17	+ 31	15	18
Auto Tire & Acces. Stores	12	+ 46	36	21
Hardware Stores	17	+ 47	34	27
Furniture Stores	17	+ 15	34	33
Household Appliance Stores	29	+147	26	14
Jewelry Stores	7	+ 3	57	48
Department Stores	130	+ 4	23	24
Men's Clothing Stores	9	+ 24	30	27
Women's Apparel Stores	12	+ 1	17	19

hardware store inventories increased 47 percent. The increase of 31 percent for automobile dealers was limited by the available supply of cars and other inventory items.

The retail value of inventories also reflects the increases in the price level. In some cases the physical volume of inventories would decrease after price changes are eliminated.

Although dollar sales continued at a very high level, inventories tended to build up in many lines. This tendency was reversed for automobile dealers, department stores, and women's apparel stores. In the cases of automobile tire and acces-

Continued on Page 568, Col. 3

Bad Debt Losses
Ninth District Stores Reporting in 1947 Retail Credit Survey

Type of Store	Number of Stores Reporting	Total Bad Debt Losses: Percentage of Total Credit Sales 1947	1946	Number of Stores Reporting	Open Credit Bad Debt Losses: Percentage of Open Credit Sales 1947	1946	Instalment Bad Debt Losses: Percentage of Instalment Sales 1947	1946
Automobile Dealer	14	.3	.1	11	.6	.3	0	0
Automobile Tire & Acces. Stores	12	.2	.1	1	(a)	(a)	(a)	(a)
Hardware Stores	14	.3	.3	14	.3	.4	.3	0
Furniture Stores	13	.3	.4	5	.5	1.1	.2	.1
Household Appliance Stores	25	.1	(b)	2	(a)	(a)	(a)	(a)
Jewelry Stores	4	.7	.6	2	(a)	(a)	(a)	(a)
Department Stores	55	.4	.3	47	.6	.3	.5	.4
Men's Clothing Stores	7	.6	.4	7	.6	.4	....	....
Women's Apparel Stores	21	.1	(b)	19	.1	.1	0	0

(a) Withheld to avoid disclosure of operations of individual establishments.
(b) Less than .05 percent.

Sales and Accounts Receivable
Ninth District Stores Reporting in 1947 Retail Credit Survey

Type of Store	Number of Stores Reporting Sales	Sales During 1947 Percentage Change From 1946: Total	Cash	Charge Account	Instalment	Number of Stores Reporting Receivables	Accounts Receivable Dec. 31, 1947: Percentage Change From Dec. 31, 1946: Total	Charge Account	Instalment
Automobile Dealers	13	+ 58	+ 70	+ 38	+ 54	12	+ 28	+ 24	+ 51
Auto Tire & Acces. Stores	13	— 14	— 25	— 16	+ 91	13	+ 36	+ 2	+320
Hardware Stores	14	+ 20	+ 7	+ 45	+ 22	14	+ 12	+ 11	+ 17
Furniture Stores	11	+ 12	— 2	+ 52	+ 15	11	+ 50	+ 49	+ 50
Household Appliance Stores	26	+ 34	+ 6	+ 62	+ 82	24	+ 54	+ 24	+ 62
Jewelry Stores	4	— 17	— 21	— 24	— 7	4	0	— 12	+ 21
Department Stores	113	+ 8	+ 2	+ 14	+ 39	111	+ 22	+ 15	+ 61
Men's Clothing Stores	8	+ 11	— 5	+ 38	....	8	+ 28	+ 28	....
Women's Apparel Stores	23	+ 3	— 5	+ 25	— 24	22	+ 57	+ 77	— 12

Sales by Type of Sale — Percentage of Total Sales
Ninth District Stores Reporting in 1947 Retail Credit Survey

Type of Store	Number of Stores Reporting Sales	Cash 1947	1946	Charge Account 1947	1946	Instalment 1947	1946
Automobile Dealers	13	60	56	30	34	10	10
Auto Tire & Acces. Stores	13	24	28	67	68	9	4
Hardware Stores	14	54	60	37	31	9	9
Furniture Stores	11	25	29	8	6	67	65
Household Appliance Stores	26	47	59	23	19	30	22
Jewelry Stores	4	49	51	16	18	35	31
Department Stores	113	60	64	35	32	5	4
Men's Clothing Stores	8	53	62	47	38	....	....
Women's Apparel Stores	23	59	65	37	30	4	5

AGRICULTURE

Crop Year Off to a Fair Start

PROSPECTS for the new crop year appear promising, if one can judge them at all accurately this early in the season (April 20). Apparently soil and moisture conditions are favorable in most areas except the Red River Valley, where moisture is excessive, and southwestern North Dakota, where subsoil moisture is reported only fair.

A heavy snow in mid-April in northern North Dakota and the Red River Valley has kept farmers out of the fields and is expected to retard spring grain planting in that area.

The total number of acres to be planted in the district to the principal grain crops in 1948 may exceed that of 1947 by a little more than 1%. Compared with the 1937-46 average, crop acreages may be approximately 10% greater.

Some shifts have occurred, however, in indicated acreages to be planted to different crops compared with that of 1947.

The indicated acreage to be planted to spring wheat in the four states may be down 234,000 acres, or 2% from 1947 plantings. On the other hand, the decline in spring wheat acreage may be about offset by the increase in durum wheat plantings.

Total wheat acreage in 1948 is expected to be about 10% larger than it was in the 10-year average 1937-46. Wheat acreage in the four states makes up nearly a third of total grain crop plantings.

Indicated corn acreage in the district for 1948 is about the same as last year, but nearly 9% above the 10-year average.

Oat acreage may be slightly above that of last year and nearly 10% above the 1937-46 average.

Barley acreage may total about 1% more than the acreage planted in 1947, and it may be just about the same as the average for the last 10 years.

An indicated acreage of 3,782,000 acres of flax may be grown in the Dakotas, Minnesota, and Montana this year. This compares with 3,666,000 planted last year and only 2,631,000 acres for the 1937-46 average. The high support price on flax is a principal cause for the increase in flax acreage.

Soybean acreage is expected to be up from last year in Minnesota and North Dakota, but down sharply in South Dakota.

Prospective supplies of feed grains are important in appraising probable future developments in livestock enterprises. The big question is, will the weather cooperate this season in producing abundant feed supplies for next fall and winter? During the current crop year, feed has been in short supply and relatively high in price. This is primarily because of the short 1947 corn crop. A good corn crop in 1948 might change the pattern of livestock feed price ratios. Not until these feeding ratios become favorable to livestock producers can a reversal of the general downward trend in livestock population be expected.[1]

- ***Less spring wheat and more durum has been planted.***
- ***Flax acreage is up 43% from the 10-year average.***

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- ***Wheat agreement insures 185 million bushel export.***
- ***Grain trade critical of agreement.***

CONGRESS ASKED TO RATIFY WHEAT AGREEMENT

AGITATION was started before the war for an international wheat agreement to aid in stabilizing wheat prices. Several meetings have been held during the war and since to work out details of the proposal. Early this year, some 36 nations were parties to the actual adoption of such an agreement. Three of these were the great grain export nations—the U.S., Canada, and Australia. If ratified by the various governments, the provisions of the agreement would become effective starting next August 1.

Late in April, advocates of this International Wheat Agreement will present their proposals to the Senate

[1] The decline in livestock numbers was discussed in the March issue of this Review.

Percent Change in Indicated Acreage of Crops in 1948 Compared with 1947 and 1937-46 Average

State	Spring Wheat 1948 in Percent of 1947	1937-46	Durum Wheat 1948 in Percent of 1947	1937-46	Corn 1948 in Percent of 1947	1937-46	Oats 1948 in Percent of 1947	1937-46	Barley 1948 in Percent of 1947	1937-46	Flax 1948 in Percent of 1947	1937-46
United States	99	105	....	....	100	94	108	108	105	86	106	138
Minn.	94	74	128	109	99	105	106	108	107	73	103	125
No. Dak.	92	103	105	129	99	103	101	105	105	118	110	167
So. Dak.	106	132	95	42	100	115	104	130	101	81	101	200
Mont.	108	119	....	....	102	91	95	88	107	205	58	55

Source: Crop Production, March 19, 1948—USDA.

Foreign Relations Committee, and later hearings will be held.

It is to be noted, however, that two important wheat countries, Russia and Argentina, have failed to participate in the preparation of the document. Both of these countries are potentially large factors in world wheat trade. It is conceivable that without their support it might be difficult to maintain an effective contract among the other participating countries.

Another problem is that, from the standpoint of the producing countries, there is little need for such an agreement as long as there is a serious world wheat shortage. The Congress of the U.S. might, therefore, be expected to move slowly in ratifying our participation in a proposal which currently, at least, would reduce the price of wheat moving in world trade.

HIGHLIGHTS OF AGREEMENT

The agreement's objectives are, "to assure supplies of wheat to importing countries and to assure markets to exporting countries at equitable and stable prices."

The highlights of the agreement were outlined by the International Wheat Council in a March release and are as follows:

● A five-year duration is provided—from August 1, 1948, through July 31, 1953.

● Maximum and minimum prices are fixed for each of the five years. Transactions outside the range will always be possible, but they will not count toward fulfillment of the obligations assumed by signatory countries. These prices are:

		Minimum	Maximum
August/July	1948/49	$1.50	$2.00
	1949/50	1.40	2.00
	1950/51	1.30	2.00
	1951/52	1.20	2.00
	1952/53	1.10	2.00

● So long as governments take the necessary measures to see that their obligations under the agreement are carried out it is open to them to conduct their trade in wheat in whatever manner they wish by private trade or by government institutions. The countries agree not to operate their internal agricultural and price policies so as to impede the free movement of prices within the prescribed limits of the agreement.

● Delegations from 36 nations have pledged themselves "to cooperate to bring order into the international wheat market" by signing the agreement. The list includes all important importing nations, and all principal exporters except Argentina and Russia.

● A new International Wheat Council is formed, made up of nations which ratify the agreement.

● Exporting countries (Canada, Australia, the United States of America) guarantee to sell 500 million bushels of wheat annually to signatory importing countries at prices no higher than the maximum.

● Importing countries (33 in all) guarantee to buy stated quantities of wheat from the signatory exporters annually at prices no lower than the minimum. These guaranteed purchases are in balance with the guaranteed sales; that is, they total 500 million bushels.

● The guaranteed sales and guaranteed purchases are the same for each country for each of the five years of the agreement.

The U.S. share of exports is 185 million bushels for each of the five years. Canada's share is set at 230 million and Australia's at 85 million, or a total from the three countries of 500 million bushels.

The share to be provided by the U.S. is much less than the amount actually exported in recent years, but substantially above pre-war levels.

AGREEMENT HAS BACKING OF FARM ORGANIZATION

The proposed wheat agreement is said to have the solid backing of the major farm organizations. They are for it, because it assumably assures wheat exports at roughly four times pre-war levels. Exports outside the agreement countries would probably boost the total to over 200 million bushels annual average.

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January-February Cash Farm Income[1]

(Thousands of Dollars)

State	1935-1939 Average	1947	1948	1948 in Percent of 1947
Minnesota	$ 49,432	$ 196,833	$ 217,311	110%
North Dakota	10,311	78,608	101,289	129
South Dakota	15,197	102,710	102,844	100
Montana	8,396	40,984	49,088	120
Ninth District[2]	94,875	458,630	511,571	112
United States	1,106,413	4,101,190	4,392,181	107

[1] Data from "The Farm Income Situation," dated March 1948, USDA.
[2] Includes 15 counties in Michigan and 26 counties in Wisconsin.

Average Prices Received by Farmers[1] — Ninth District

Commodity and Unit	March 15 1937-1941 Avg.	March 15 1947	March 15 1948	Parity Prices[2] United States March 15, 1948
Crops				
Wheat, bushel	$ .82	$ 2.45	$ 2.32	$ 2.18
Corn, bushel	.55	1.28	2.00	1.59
Oats, bushel	.30	.81	1.13	.986
Potatoes, bushel	.67	1.19	1.61	1.84
Livestock and Livestock Products				
Hogs, 100 lbs.	7.30	26.56	21.47	18.00
Beef Cattle, 100 lbs.	6.93	18.25	20.37	13.40
Veal Calves, 100 lbs.	8.41	20.91	23.27	16.70
Lambs, 100 lbs.	8.16	19.13	19.60	14.50
Wool, lb.	.26	.42	.41	.452
Milk, wholesale, 100 lbs.	1.52	3.50	4.15	3.89
Butterfat, lb.	.30	.77	.85	.66
Chickens, live, lb.	.118	.210	.198	.282
Eggs, dozen	.153	.370	.374	.462

[1] Data compiled from March 29, 1948, "Agricultural Prices," USDA.
[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.

BANKING

Deposits Down but Loans Brisk in March

MARCH was a month of persistent and general deposit declines for member banks in all sections of the Ninth district. Percentage-wise, the deposit declines were largest in Minnesota and Montana, but, with the single exception of northwestern Wisconsin, where the deposit volume remained unchanged, banks in all other states generally experienced some deposit shrinkage.

For the district as a whole, member bank deposits of $3,363 million on February 25 had declined to $3,266 million by March 31—a decrease of $97 million, or 3 percent.

At the same time, March was a month of substantial demand for loans. This was particularly evident at member banks in North and South Dakota, where during the month loans jumped by 8 and 10 percent respectively. This, of course, represents a very substantial rise during a single month. Actually, the rise in loans was again fairly general throughout the district, with the exception of Minnesota.

Assets and Liabilities of All Ninth District Member Banks[1]
(In Million Dollars)

	Feb. 25, 1948	Mar. 31, 1948	$ Change
Assets			
Loans and Discounts	$ 770	$ 778	+ 8
U. S. Government Obligations	1,755	1,678	— 77
Other Securities	192	214	+ 22
Cash and Due from Banks	836	816	— 20
Other Assets	29	27	— 2
Total Assets	$3,582	$3,513	— 69
Liabilities and Capital			
Due to Banks	$ 328	$ 291	— 37
Other Demand Deposits	2,103	2,044	— 59
Total Demand Deposits	$2,431	$2,335	— 96
Time Deposits	932	931	— 1
Total Deposits	$3,363	$3,266	— 97
Borrowings	2	31	+ 29
Other Liabilities	19	17	— 2
Capital Funds	198	199	+ 1
Total Liabilities and Capital	$3,582	$3,513	— 69

[1] 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.

Assets and Liabilities of 20 Reporting Banks
(In Million Dollars)

	Feb. 25, 1948	Mar. 31, 1948	Apr. 14, 1948	$ Change Feb. 28-Mar. 31
Assets				
Comm., Ind. and Ag. Loans	$ 263	$ 253	$ 255	— 10
Real Estate Loans	56	54	54	— 2
Loans on Securities	18	16	16	— 2
Other Loans	92	96	94	+ 4
Total Loans	$ 429	$ 419	$ 419	— 10
U. S. Treas. Bills	20	6	16	— 14
Certificates of Indebt	55	67	69	+ 12
U. S. Treas. Notes	56	50	50	— 6
U. S. Govt. Bonds	528	505	495	— 23
Total U. S. Govt. Sec	$ 659	$ 628	$ 630	— 31
Other Investments	75	78	80	+ 3
Cash and Due from Banks	427	418	430	— 9
Miscellaneous Assets	16	14	14	— 2
Total Assets	$1,606	$1,557	$1,573	— 49
Liabilities				
Demand Deposits, Ind., Part., Corp.	$ 773	$ 707	$ 740	— 66
Demand Deposits, U. S. Govt	22	31	29	+ 9
Due to Other Banks	291	257	261	+ 34
Other Deposits	411	424	416	+ 13
Total Deposits	$1,497	$1,419	$1,446	— 78
Borrowings	$ 1	$ 30	$ 18	+ 29
Miscellaneous Liabilities	11	10	11	— 1
Capital Funds	97	98	98	+ 1
Total Liabilities and Cap	$1,606	$1,557	$1,573	— 49
Excess Reserves	2	11	9	+ 10

The modest decline of member bank loans is to be explained entirely by a substantial reduction in loans outstanding at the larger weekly reporting banks in the state. The shrinkage of bank loans at these larger institutions was largely a decline in commercial, industrial, and agricultural loans, although real estate loans and loans on securities declined modestly.

This combination of a decline in deposits and a brisk demand for loans resulted in some pressure on the reserve position of member banks. This

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▶ ***Percentage decline in deposit volume largest in Minnesota and Montana.***

▶ ***Advance reports indicate deposit recovery during April.***

BANKS EXPAND FARM LOANS

Continued from Page 558

government agricultural agencies seem to gain the ascendancy.

This arrangement seems to work out fairly satisfactorily to borrowers and lenders alike, except perhaps for too active bidding for new loans by all credit agencies at or near the top of the business boom.

BANK LOANS ON DISTRICT FARMS EXCEED 17,000

In 1947, a study was made of the farm real estate loan portfolios of a number of banks throughout the Ninth district. It was estimated that in mid-1947 a total of approximately 17,027 farm real estate loans of various amounts and maturities were held by district banks.

This study provided information on such things as type of farms on which loans were made, size of loans, interest rates, method of repayment, maturities, and purpose of loans, as well as other data. Some of the results of this study follow.

Of the estimated 17,027 farm real estate loans outstanding in mid-1947, nearly half were estimated to be on farms where dairying was the major enterprise — that is, where dairying alone brought in over half the farm income. About a third of the loans were on general type farms in which no one enterprise predominated. Strictly grain farms accounted for 1,766 loans, or about 10% of the total. Only 810 were classified as cattle farms or ranches on which banks held real estate mortgages.

1,600-MILE EXPANSE GIVES VARIETY TO LOANS

The Ninth Federal Reserve district stretches along the northern boundary of the U. S. for a distance of 1,600 miles. It is not surprising, therefore, that the type of farming and the character of bank lending vary greatly within this vast stretch of country with different rainfall, soil, and climatic conditions.

In the eastern part (Michigan, Wisconsin, and most of Minnesota) dairy, poultry, and hog farming predominate. Further west, in much of the Dakotas and eastern Montana, grain farming brings in a major share

Change in Farm Real Estate Mortgage Holdings by Principal Lending Agencies in Four Ninth District States, Since 1940

	Percentage Change 1940 to 1947
Total Debt	—35.7
Federal Land Bank	—49.7
Federal Farm Mortgage Corporation	—80.5
Farmers Home Administration [1]	523.8
Life Insurance Companies	38.3
Insured Commercial Banks	28.3
Other [2]	—42.1

[1] Successor to Farm Security Administration.
[2] Includes loans held by joint stock land banks, individuals, and miscellaneous lenders.

of the cash farm income. In the picturesque, mountainous and hilly areas of western South Dakota and Montana, cattle and sheep ranching dominates the type of farming.

It was interesting to observe the difference in size of loan by type of farm in the different sections of the district.

Loans on dairy farms in Minnesota and Wisconsin averaged only $2,175 in outstanding amount in mid-1947. In contrast, loans on cattle ranches in Montana averaged about $11,500. It should be mentioned, however, that it is not the usual practice in Montana to take real estate loans on livestock ranches. In fact, only about 300 farm real estate loans were held by all the banks in Montana in mid-1947. The emphasis here is on chattels as the most important underlying security for loan repayment.

Real estate loans on all types of farms in Montana average 75 to 100% larger compared with other states in the district. This is because farms are larger in Montana. They do things here on a comparatively large scale.

Montana population in relation to land area is small. In fact, the entire population of Montana is about the same as the city of Minneapolis, while the state's area is the third largest in the nation.

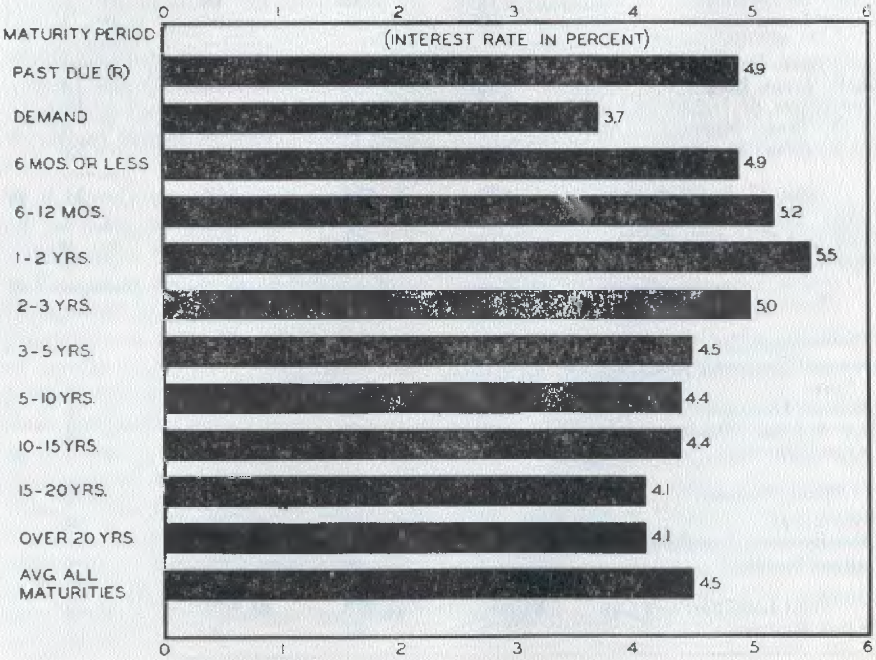
INTEREST RATES AVERAGE 4½%

In mid-1947 banks' interest charges on farm real estate loans averaged 4½%, which is about ½% lower compared with the immediate prewar period.

Interest rates varied only slightly from state to state. In Montana, rates were highest (5.2% average). In Minnesota, the average was 4.4%, although there was considerable variation from bank to bank in all areas.

Bankers generally charged the low-

AVERAGE INTEREST RATE ON BANK FARM REAL-ESTATE LOANS IN 9TH DISTRICT BY MATURITY OF LOANS IN MID-1947



Estimated Farm Mortgage Loans of Insured Commercial Banks Oustanding in Mid-1947, Ninth District States, by Method of Repayment

Method of Repayment	Total	Minn.	Mont.	No. Dak.	So. Dak.	Wis.
One Payment	$12,867,156	$ 7,174,976	$ 524,844	$ 382,855	$1,449,709	$ 3,334,772
Installment	30,080,148	16,946,498	718,519	1,976,939	3,072,571	6,847,279
Total	$42,947,304	$24,121,474	$1,243,363	$2,359,794	$4,522,280	$10,182,051

est rates where the purpose was to buy land. In fact, most of the loans outstanding were for this purpose. Only about 15% of outstanding loans were for the purpose of repairing or construction of new buildings, buying of machinery and livestock, or for other purposes. Interest rates were fractionally higher (.1 to .3%) on loans other than for the purchase of land.

As might be expected, interest charges were highest on small loans and lowest on large loans. The rate decreased from an average of 6.4% on loans of less than $500 to 3.9% on loans over $25,000.

Past due loans carried an average rate of nearly 5%, while demand loans drew only 3.7%.

Interest rates were lowest on loans with maturities of 15 years or longer (4.1%). They were highest (5.5%) on loans with maturities of one or two years. (See chart.)

MOST LOANS CARRY 3 TO 5-YEAR MATURITIES

The usual maturity for farm real estate loans was 3 to 5 years. Nearly half of the estimated 17,027 loans outstanding in district banks in mid-June of 1947 carried such maturity terms. About one-fourth of the loans were written for 5 to 10-year maturities. Only about 1,300, or 8% of all loans, were written for longer than 10 years.

A substantial proportion of the loans with maturities over 10 years were written under a cooperative arrangement with some life insurance company. The commercial banks initiated the loans subject to the approval of the insurance company. After a two or three-year period, the loan is assigned without recourse to the insurance company which carries it for the additional 12 to 20 years or longer, depending upon the terms of the contract.

Not many years ago it was the exception rather than the rule for banks to write their farm real estate mortgages on an installment or amortized basis. Today it is different. Of the nearly $43 million of outstanding farm real estate loans in mid-1947, an estimated $30 million, or 70%, were on an installment or amortized basis. Most of the loans which were not amortized were relatively short term—usually one year or less.

The practice of making most farm real estate loans on the installment basis is now fairly uniform through the district. In Montana, the proportion was less than it was in the other states, but this is explained by the fact that a large share of Montana mortgages were written for one year or less. As a matter of fact, it was not unusual for a Montana farm real estate mortgage to be taken as additional security for large production operations, such as the purchase of cattle or equipment.

—Franklin L. Parsons

DEPOSITS DOWN BUT LOANS BRISK IN MARCH

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was particularly difficult because March was a month of large tax payments, which in themselves constituted a heavy drain on bank reserves.

This heavy pressure on the reserve position of banks is indicated by a decline of $20 million in cash resources at all member banks during March and a precipitate jump in borrowings from $2 million on February 25 to $31 million at the end of March.

It was almost entirely this $29 million increase in borrowings and a $77 million reduction in holdings of U.S. government securities which offset the sharp decline in deposits, together with some modest increase in the demand for member bank loans and a very substantial increase in holdings of other securities.

Only information on the larger 20 reporting city banks is available for April. During the first half of April these larger banks, which account for somewhat over 40 percent of total member bank assets, experienced a reversal of the March deposit decline as their deposits recovered from the low position at the end of March.

Loans at these larger 20 reporting banks during the first half of April, and holdings of U.S. government and miscellaneous securities, increased moderately. A substantial increase in cash resources, together with a marked decline in borrowings reflected a gradually easing reserve position. END

CROP YEAR OFF TO FAIR START

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It would thus provide an outlet for the surplus portions of billion-bushel domestic wheat crops which might be the rule rather than the exception in the years ahead.

Contrary to popular opinion, it would not set the domestic price of wheat. This price is likely to be set under long-range farm programs now under consideration. Eventually this agreement, if adopted, may mean a two-price domestic allotment type of plan, with the difference between domestic and world wheat prices made up by government subsidy.

There are several reasons why Congress may look with favor on the

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, APR. 24, 1948

CURTAILED coal output reduced industrial production in March and the early part of April. Value of department store sales continued at a level about 6 percent higher than in the corresponding period a year ago. The general level of wholesale commodity prices increased somewhat.

INDUSTRIAL PRODUCTION — Industrial production declined slightly in March owing to a sharp reduction in bituminous coal output after the middle of the month; and the Board's seasonally adjusted index was 192 percent of the 1935-39 average as compared with 194 in February. Continuation of work stoppages at coal mines in April has reduced total industrial production further this month.

CONSTRUCTION — Value of construction contracts awarded, according to the F. W. Dodge Corporation, showed little change in March, as a decline in public awards offset a seasonal increase in private awards mainly for residential building. The number of dwelling units started in March, according to estimates of the Department of Labor, was 67,000 compared with 47,000 in February and 58,400 in March 1947.

DISTRIBUTION — Department store sales in March and the early part of April showed little change from the average level of 284 percent of the 1935-39 average for January and February, after allowance is made for the usual seasonal fluctuation. Value of department store stocks reached a new peak at the end of February, when the Board's seasonally adjusted index was 303 percent of the 1935-39 average.

COMMODITY PRICES—The general level of wholesale commodity prices increased somewhat from the beginning of March to the third week of April. Cotton prices advanced sharply, reflecting prospects of increased exports. Meat prices were also higher, owing to reduced supplies as a result of the strike in the packing industry. Hog prices, on the other hand, declined considerably further. Prices of other farm products and foods and industrial commodities generally showed little change.

A further small reduction in retail food prices from mid-February to mid-March lowered the consumers' price index from 167.5 percent of the 1935-39 average to 166.9. Retail prices of apparel and home furnishings and rental rates rose somewhat further.

BANK CREDIT — During the first three weeks of April, in contrast to the situation in March, the government's cash payments exceeded receipts and the Treasury's balance at Federal Reserve banks declined sharply. As a consequence, commercial bank reserves and deposits, which had been under severe drain in March, increased somewhat in April.

Total government security holdings of the Reserve banks declined further by about one-half billion dollars during the first three weeks of April, following a small decline in March. Treasury retirement in March and early April of $1.3 billion of securities held by Reserve banks was offset in part by System purchases in the market.

Real estate and consumer loans at banks in leading cities continued to expand during March and the first half of April, while commercial and industrial loans declined somewhat. Holdings of government securities were reduced over the period.

SECURITY MARKETS — Prices of common stocks rose sharply in the last half of March and the third week of April. Trading in the New York stock exchange was more active. Prices of corporate bonds were firmer in the first three weeks of April, and prices of municipal bonds continued to advance.

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agreement. It provides a substantial outlet for 5 years for one of the nation's "trouble" crops. It may help to maintain prices or ease price support measures. Production controls may not be necessary, and it has a definite tie-up with the European Recovery Program.

GRAIN TRADE FEARS INVASION OF PRIVATE EXPORTS

A Washington correspondent of **The Northwestern Miller** reported in mid-April that the grain trade feared the terms of the agreement indicated an invasion of the field of private export business by the government as a permanent proposition.

It was reported that basically the trade fears that international agreements of this type maintain a trend toward state trading that will eventually exclude private exporters from their own business.

As a matter of fact, however, the government has been actively engaged in the grain export trade since the emergencies of the 1930's. Following that, came the war and postwar emergencies. The ERP is likely to keep the government in the grain export business for some time to come.

At this writing (April 20) the milling industry had not yet disclosed their official attitude toward the agreement, but it is under consideration by a special committee.

There are some who feel that the agreement is somewhat one-sided. According to this view, England and its dominions hold a dominance in votes on the International Wheat Council. The U. S. has only 370 votes out of a total of 2,000.

There are, of course, a number of escapist clauses in the agreement which would permit importing countries to withdraw their commitments under given conditions. Importing countries guarantee to buy only at minimum prices. They can back out of the agreement without penalty. On the other hand, only a crop failure would justify the producing countries from failure in meeting their commitments. END

1947 RETAIL CREDIT SURVEY

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sory stores and jewelry stores, increased inventories were accompanied by decreases in sales. Department and apparel stores maintained much the same inventory to sales ratio during 1947 as prevailed during 1946.

CHARGE ACCOUNTS SOURCE OF MOST BAD DEBTS

Year-end accounts receivable have increased when compared with a year ago; however, in many lines these increases have paralleled increases in sales. Charge account receivables have maintained an increase proportionate to sales to a greater extent than instalment receivables. Stores dealing in goods which are not yet in ample supply have been better able to increase sales without extending a greater degree of credit.

Bad debt losses have shown substantial increases during 1947. As a percentage of total credit sales, bad debt losses were three times as large for automobile tire and accessory dealers in 1947 when compared to 1946. Appliance, jewelry, department, and apparel stores also showed increases in bad debt losses. Most of the rise in the rate of losses from bad debts is concentrated in charge accounts. END