MONTHLY REVIEW

of Ninth District Agricultural and Business Conditions

FEDERAL RESERVE BANK OF MINNEAPOLIS

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BANKING

Deposits Stay Up Despite Shift in Ownership

TOTAL demand deposits held by individuals, partnerships, and corporations in Ninth district banks still ranged near the record level set in 1948, an annual survey made by the Federal Reserve Bank of Minneapolis in January revealed.

These deposits have shown downward tendencies since 1948, but the decline has been small—less than one per cent each year. To banks this still means that demand deposits* are a firm 9% over the 1947 figure.

Below the surface of this near-constant dollar total, however, distinct shifts occurred in the proportions of deposits belonging to different types of holders. In other words, the pattern of ownership changed.

- ***Survey reveals demand deposits in Ninth district Jan. 31, 1950, to be near record levels of 1948 and 1949.***
- ***Personal and farmer accounts show drop; business accounts were up.***
- ***The small drop in demand deposits that did take place occurred largely among smaller banks.***
- ***The proportion of deposits held by different types of depositors (farm, manufacturing, trade, etc.) was found to vary according to size of banks and their location within the district.***

Personal accounts, including farmers' accounts, still provided more than half of total district demand deposits. Trade accounts ranked second with about one-sixth of the holdings, while manufacturing establishments were third, owning about one-tenth of all Ninth district demand deposits.

There is evidence of a slight tendency for an increase in larger accounts

BUSINESS DEPOSITS UP, PERSONAL DEPOSITS DOWN

What has happened to the demand deposits of important types of holders over the period 1945 to 1950 is shown on Chart I. Business accounts in January of 1950 were higher than in any previous January for all four categories of business: financial, trade, manufacturing and mining, and other non-financial businesses.

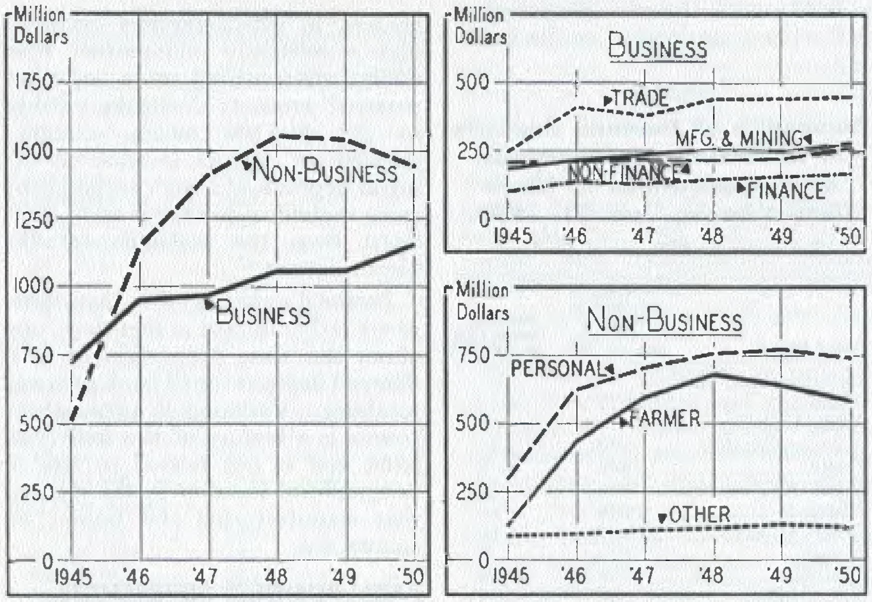
Manufacturing led the rise with an increase of $32 million over January 1949. (See table on next page.)

Personal deposits tell a different story. With cash farm income down, farmers found it necessary to cut their demand balances for the second straight year, thereby becoming the sole type of holder to drop below 1947 levels.

Other personal and non-business accounts also felt a decrease from January 1949 to January 1950, but not as much as to drop them below the 1947 figures.

CHART I

DEMAND DEPOSITS HELD IN NINTH DISTRICT BANKS BY SEVEN TYPES OF HOLDERS, 1945-1950



TRADE, manufacturing, and other business accounts in the Ninth district showed an increase as of January 31, 1950, over a year ago despite declining farmer and other personal accounts.

*This article deals only with demand deposits of individuals, partnerships, and corporations—which will be referred to merely as demand deposits.

and a decrease in dollar aggregates held in smaller accounts when the over-all change is considered.

IMPORTANCE OF ACCOUNTS DEPENDS ON BANK SIZE

Because they generally serve agricultural areas, banks with demand deposits under $1 million owe well over one-third of their deposits to farmers. Other personal accounts rank next in importance, and trade accounts run third. Manufacturing concerns own only 5% of the deposits in these banks.

This distribution of ownership, coupled with the general pattern of rising business accounts and declining personal accounts, spelled a greater drop in demand deposits for this group of banks than for any other size group.

In the group of banks with deposits from $1 million to $10 million, a smaller proportion belongs to farmers, while a larger proportion belongs to business holders. In this group, the decline in total farmer and personal deposits was evident, as was the rise in manufacturing, trade, and other business accounts. However, the growth in business accounts more than offset declining farmer and personal accounts, producing a net increase of 2% in demand deposits for this size group.

Banks with deposits greater than $10 million are located in the larger

TABLE I

Ownership of Demand Deposits of Individuals, Partnerships, and Corporations in Ninth District Banks, Jan. 31, 1950.

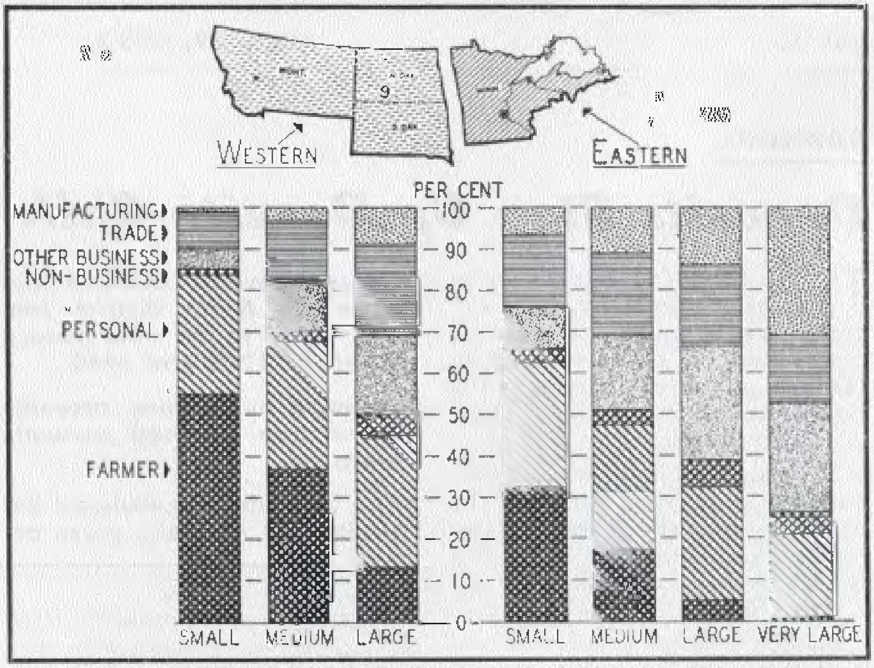
(Estimates in Millions of Dollars)

Type of Holder	Total 9th District Demand Deposits of Jan. 31, 1950	Percentage Change from Jan. 31, 1949
Manufacturing and Mining	277	+11
Public Utilities, Transportation	107	+11
Trade	447	+ 2
Other Non-Financial	156	+22
Insurance	54	*
Other Financial	112	+10
Farmer	622	— 9
Personal	705	— 4
Non-Profit	96	— 2
Trust	19	—16
Foreigner	**	
Total	2,594	—0.4

*Less than 1%.
**Less than $500,000.

CHART II

DEMAND DEPOSIT OWNERSHIP PATTERN BY SIZE OF BANK AND LOCATION IN NINTH DISTRICT, JAN. 31, 1950



GREATER importance of farmer deposits to smaller banks and western banks is evidenced by survey results.

Note: Bank sizes are based on demand deposits of individuals, partnerships, and corporations as follows: Small, less than $1 million; Medium, $1-$10 million; Large, $10-$100 million; Very large, over $100 million.

centers, in which farmers' accounts play a relatively unimportant role, while manufacturing, trade, and other personal accounts dominate. Banks in the $10-100 million category showed an over-all increase in demand deposits, although variation by some individual banks set them quite apart from the remainder of the Ninth district.

Personal accounts other than farmer are rather unique in that they form about the same proportion of total demand deposits for all bank sizes and localities. Variation in personal accounts is a feature of the individual bank and is not related to size or geographical location in the manner that manufacturing and farmer accounts are.

FARM-BUSINESS DIFFERENCES STAND OUT BY REGIONS

Since the deposit ownership pattern of any bank depends upon the types of businesses operated in the area the bank serves, regional differences within the Ninth district could be anticipated. The extent of such differences was revealed by the survey.

After making several tests, two convenient divisions of the Ninth district were found. Accounts reflecting economic activity—such as manufacturing or farmer deposits—held about the same proportion from bank to bank within each division, but showed distinct differences between the two divisions.

The north-south line formed by the Minnesota-Dakota boundary divides the district into an eastern and a western region. Chart II illustrates the ownership pattern by size of bank within each of these regions. Banks are classified into four size groups: "small" banks have demand deposits less than $1 million, "medium" banks have demand deposits between $1 million and $10 million, and "large" banks have demand deposits between $10 million and $100 million. In the eastern region only is a group of

Continued on Page 45

BUSINESS

Employment Returning to Postwar Peak

IN THIS region of severe winters, economic activity usually expands with the approach of spring. Construction work is pursued with greater vigor; operations in the logging camps and other activities in the lumber industry are resumed following the spring breakup of logging roads; shipping is reopened on Lake Superior; and farmers start their field work as soon as the top moisture has dried off the soil. This burst of activity invariably results in the rehiring of labor and leads to greater demand for materials and supplies.

It now appears that the spring expansion in economic activity may be larger than usual this year. In the eastern half of the Ninth district, the stage is set for employment in the cities and towns to rise significantly.

On the Upper Peninsula of Michigan, employment in non-agricultural industries rose during the winter months. A further rise in employment is expected by the Michigan Unemployment Compensation Commission as operations are resumed in the lumber and wood products industry following the prolonged spring breakup.

In the state of Wisconsin, February employment in non-agricultural industries had risen within 2½% of the total for February 1949. Figures just released by the Industrial Commission showed that March employment was only 1% below the corresponding 1949 figure.

As reported by the Division of Employment and Security, employment in Minnesota in February was within .5% and in March was .3% above the respective totals for the corresponding months of 1949.

In the western part of the Ninth district, urban employment is at a record level. In Montana, March employment in the non-agricultural industries was 2.5% above the number employed a year ago, according to the report released by the Division of Unemployment Compensation Commission for that state. Such employment in North and South Dakota also was at a high figure. The Missouri Valley Development program indirectly as well as directly has contributed to the relatively high employment in these states.

CONSUMER EXPENDITURES REMAIN HIGH

As compared with March sales of last year, district department store sales this year were down 5%. The sales were lower in all states of this district, but, as in former months, they had fallen off more severely in the western part of the district.

For example, sales in North and South Dakota were down 17% and 16% respectively. In Montana, the decrease was somewhat less — only 8%. In these states, the purchasing power of the farmers is very important. For the first two months, their cash income from farm marketings suffered a 23% decline as compared with the dollar receipts for a year ago.

The prolonged cold weather has had a bearing on the smaller volume of department store sales. For instance, sales of women's and misses' coats, suits, dresses, and accessories were off sharply. On the other hand, sales of furniture, bedding, radios, phonographs, records, and television sets continued high as in previous months. These have been boosted by the completion of new houses which must be furnished.

Index of Department Store Sales by Cities

(Unadjusted 1935-39 = 100)

	Mar.[1]	Percent Change[2] Mar.	Jan.-Mar.
MINNESOTA			
Duluth-Superior	219	— 8	— 5
Fairmont	204	—19	—15
Mankato	244	— 4	— 4
Minneapolis	267	— 3	+ 2
Rochester	202	—13	—10
St. Cloud	274	—13	—13
St. Paul	226	— 0	— 1
Willmar	229	—26	—16
Winona	220	— 8	— 3
MONTANA			
Great Falls	269	— 4	— 4
NORTH DAKOTA			
Bismarck	215	—18	—10
Grand Forks	271	— 5	— 6
Minot	220	—13	— 2
Valley City	154	—19	—19
SOUTH DAKOTA			
Aberdeen	283	—23	—24
Rapid City	255	—21	—10
Sioux Falls	286	—17	—13
Yankton	221	—11	—12
WISCONSIN			
LaCrosse	209	— 4	— 4

[1] Based on daily average sales.

[2] Based on total dollar volume of sales. Percentage comparison is with the same period a year ago.

- ***In the western part of the district, urban employment in March was at a record level. Eastern half experienced a climb in winter months.***
- ***Drop in March department store sales traced to inclement weather.***
- ***Government payments boosted sales of some commodities.***
- ***Leveling off of consumer credit during first quarter a seasonal phenomenon.***
- ***Building activity may be making a record.***

RESIDENTIAL BUILDING IS AT RECORD LEVEL

Residential building may set a record this year. The value of contracts awarded for such building during February and March was more than twice as high as in the corresponding months of last year—the increases being 120% and 115% respectively.

Information compiled on the valuation of building permits reveals a similar picture in the construction field. As compared with last year's figures, total valuation of permits issued by representative cities of this district in March was 65% above last year.

In addition to the large number of single unit houses and apartment houses in the blue-print stage or under construction, construction of public building still bulks very large. Such buildings include public schools, buildings for instituions of higher learning, hospitals, churches, and numerous types of county and municipal buildings.

If the projects now in the blue-print stage or under construction are carried through to completion, the construction industry will operate

Northwest Business Indexes

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

	Mar. '50	Feb. '50	Mar. '49	Mar. '48
Bank Debits—93 Cities	318	325	314	315
Bank Debits—Farming Centers	363	394	375	367
Ninth District Department Store Sales	249p	284	267	278
City Department Store Sales	270p	313	277	290
Country Department Store Sales	228p	255	256	267
Ninth District Department Store Stocks	307p	308	300	332
City Department Store Stocks	272p	279	263	279
Country Department Store Stocks	335p	332	330	374
Country Lumber Sales	140	164	154	135
Miscellaneous Carloadings	125	115	126	128
Total Carloadings (excl. Misc.)	95	86	105	112
Farm Prices (Minn. unadj.)	221	218	232	270

p—preliminary.

close to full capacity during most of 1950.

GOVERNMENT PAYMENTS BOOST CONSUMER SPENDING

National Service Life Insurance refunds and veterans bonus payments in Minnesota, North and South Dakota have increased the sales of certain commodities. The bulk of the insurance refunds were paid in the first quarter, and it appears that the balance will be paid in the second quarter.

Cash sales in furniture stores have risen sharply. Sales of new passenger cars have been high despite the strike at the Chrysler Motor Company which slowed down deliveries. These payments will have their greatest effect on business transactions during the first half of this year.

CONSUMER CREDIT A SOURCE OF PURCHASING POWER

Current income of farmers, business men, professional men, and of wage and salaried workers comprises the chief source of purchasing power. However, in periods of business prosperity, this purchasing power often is increased through liquidation of savings or through the extension of credit.

In 1949, the amount of consumer credit outstanding in the nation increased by $2\frac{1}{2}$ billion. The expansion of credit was facilitated by the progressive easing of the terms under Regulation W and its subsequent expiration.

Figures on the amount of consumer credit outstanding are not broken down by districts. On the basis of the amount of credit extended by lending institutions and retailers in this area, it appears that the rate of expansion has been less in this district than in the nation as a whole.

The rapid rise in credit sales has been centered in the larger cities, where the terms were liberalized. In fact, merchants in many small towns are still doing primarily a cash business.

During the first quarter of this year, the amount of consumer credit outstanding has ceased to rise. This leveling off in the amount outstanding was traced to a contraction in charge accounts, which is a seasonal phenomenon. Consumers buy heavily for the Christmas holidays and pay for these purchases in the subsequent months.

Instalment credit employed in the purchase of automobiles and other durable goods has not decreased and apparently will continue to increase during the coming months. According to the preliminary results of the survey of consumer buying plans in 1950 released by the Board of Governors of the Federal Reserve System, a larger proportion of the car buyers this year will come from the middle and lower income groups who are in need of credit. In addition, more consumers plan to buy durable items, such as television sets, than last year. END

Sales at Ninth District Department Stores*

	% Mar. 1950 of Mar. 1949	% Jan.-Mar. 1950 of Jan.-Mar. 1949	Number of Stores [1] showing Increase	Decrease
Total District	95	98	62	214
Mpls., St. Paul, Dul.-Sup.	98	101	7	19
Country Stores	90	92	55	195
Minnesota (city and country)	98	100	20	72
Minnesota (country)	94	95	14	56
Central	98	95	1	8
Northeastern	96	98	2	3
Red River Valley	87	88	0	4
South Central	93	94	3	12
Southeastern	94	96	2	9
Southwestern	93	95	6	20
Montana	92	95	12	23
Mountains	89	90	3	9
Plains	95	99	9	14
North Dakota	83	88	3	44
North Central	92	100	2	8
Northwestern	87	98	0	6
Red River Valley	83	87	1	16
Southeastern	77	79	0	12
Southwestern	(2)	(2)	....	....
Red River Valley-Minn. & N. D.	83	87	1	20
South Dakota	84	85	8	37
Southeastern	84	87	3	11
Other Eastern	84	83	5	21
Western	77	87	0	5
Wisconsin and Michigan	97	95	18	35
Northern Wisconsin	99	99	6	8
West Central Wisconsin	96	95	7	21
Upper Peninsula Michigan	100	92	5	6

*Percentages are based on dollar volume of sales.

[1] March 1950 compared with March 1949.

[2] Not shown, but included in totals. Insufficient number reporting.

Survey Indicates Retail Credit in the Ninth District Expanded During 1949

TWO important developments favored expansion of credit during 1949. The first of these was the lifting of Regulation W, which after two successive relaxations in March and April was terminated June 30. With restrictions no longer prevailing on credit terms, it took only the second development—falling retail sales—to provide an impetus to "easy credit."

With incomes down somewhat, consumers willingly shifted from cash purchases to some form of credit purchases, but this in most cases did no more than soften the sales drop. What actually happened to retail credit terms depended largely on how the markets for particular lines held up.

For example, new car sales were still running a strong 10% over 1948. A much higher proportion of purchasers than in previous years resorted to instalment financing to pay for their cars, but terms of financing remained pretty close to what they had been under Regulation W in spite of the increase.

On the other hand, in used cars, where the market sagged, inducements such as "No down payment—you name the terms" began to be heard. Furniture and appliance dealers, who last summer were faced by severe drops in sales as well as intensified competition, undertook large-scale advertising of "easy credit" terms in an effort to bolster sales.

AUTOMOBILES WERE AN IMPORTANT EXCEPTION

Automobile dealers, riding the still strong new car boom, increased their sales by 13% in 1949 over those of 1948. This increase was supported largely by a 70% jump in instalment sales, since cash and open credit sales barely held their own over the previous year. Cash sales in 1948 were 54% of total sales, whereas in 1949 instalment growth had cut this to 48%.

Instalment receivables for automobile dealers are characteristically low, since most dealers sell their instalment paper. However, receivables did show a slight overall increase. Year-end inventories were down by 9%, reflecting in part the price cuts made during 1949. In contrast to car sales, auto tire and accessory dealers found their dollar sales down 7% and their inventories up 12%.

DEPARTMENT STORE SALES DOWN; RECEIVABLES UP

The net sales decrease for Ninth district department stores was close to 3% of 1948 sales. An active factor in the decrease in dollar volume of business transacted was, of course, the declining price level—the physical volume of goods purchased could be very close to that of the preceding year. Both cash and charge account sales were down, while instalment sales—relatively unimportant in department store trade—showed a slight increase.

Total receivables rose 9%, with instalment receivables providing the larger share dollar-wise as well as percentage-wise. The dollar value of end-of-the-year inventories declined about 5% for the district as a whole, although certain patterns were evident.

Medium-sized department stores—those whose 1949 sales were between $1 million and $10 million—actually showed an increase in sales over 1948. The relatively few cases of sales increases experienced by department stores last year were distributed almost exclusively among medium and large stores, where slightly under a third of them enjoyed increased sales.

Although receivables for the district were up 9%, there was no distinct pattern among the medium and small stores—in these groups a store was almost as likely to show a decrease as an increase. Nearly all of the large stores, in contrast, experienced increases.

This same sort of regularity among large stores and absence of it among medium and small sized stores was evident in the case of inventories. Here the large stores all had decreases, while medium and small stores had no marked pattern.

TABLE I

Changes in Sales, Receivables, and Inventories of Credit-Granting Stores in the Ninth District, 1948 to 1949

	Percent Change 1948 to 1949					
	Retail Sales					
Type of Credit-Granting Store	Total	Cash	Charge Account	Instalment	Total Receivables	Inventories (at retail)
Automobile	+13	0	0	+70	+ 8	— 9
Auto tire and accessory	— 7	— 3	— 9	—12	—34	+12
Department stores	— 3	— 6	— 1	+14	+ 9	— 5
Furniture	— 9	—12	— 6	— 5	+13	— 6
Hardware	— 9	—15	— 8	+ 6	+27	—16
Household appliance	—38	—47	—49	—13	+10	—30
Jewelry	+ 5	— 6	— 5	+23	— 4	— 1
Men's clothing	— 7	—12	— 2	(n.a.)	+13	— 1
Women's apparel	— 5	—11	+ 3	— 7	— 7	—18

Sales are total for year; receivables and inventory are year-end figures.
n.a.—Not available.

TABLE II

Cash, Charge Account, and Instalment Sales as a Percentage of Total Sales in Ninth District Credit-Granting Stores, 1948 and 1949

	1948			1949		
Type of Credit-Granting Store	Cash	Charge Account	Instalment	Cash	Charge Account	Instalment
Automobile	54	27	19	48	24	28
Auto tire and accessory	31	65	4	33	64	3
Department store	53	42	5	51	42	7
Furniture	20	16	64	18	16	66
Hardware	44	42	14	41	43	16
Household appliance	26	45	29	22	37	41
Jewelry	63	1	36	57	1	42
Men's clothing	55	45	....	52	48	....
Women's apparel	53	44	3	50	48	2

RECEIVABLES UP SHARPLY FOR FURNITURE, APPLIANCE, AND HARDWARE DEALERS

Furniture store sales dropped 9%, with cash, charge account, and instalment sales all registering declines. Instalment sales, which comprise two-thirds of the dollar volume of furniture store business, were down 5%.

Very few stores sell their instalment paper, in contrast to automobile dealers, so that by the end of the year instalment receivables had risen 15%.

About 85% of the stores taken individually had more receivables outstanding than at the beginning of the year. Less than one out of 10 stores could boast a greater dollar amount of sales in 1949.

Inventories were generally down, although some of the smaller stores showed slight increases in their inventories. There were no distinctive differences between areas within the district.

Household appliance sales were the number one victim of purchaser resistance, particularly in the heavy lines. Sales were down over one-third from the previous year. In reaction to this, appliance dealers showed the largest percentage drop in inventories of any of the dealers included in the survey. In spite of these declines, receivables managed to rise by 10%.

It is much the same story for hardware. Total net sales declined 9%, with cash sales leading the way. Credit sales declined less and, in fact, instalment sales, although only about one-sixth of total sales, actually revealed a rise. This led to an expansion of receivables by 27%.

Year-end inventories were down 8% due in part to three factors: conservative inventory policies after last summer's sales decline, lower prices, and the upturn in sales towards the end of the year.

CLOTHING CASH SALES OFF

Cash sales by men's clothing stores —accounting for slightly more than half of net sales—dropped 12%, while credit sales remained at their 1948 level. No significant drop in year-end inventories occurred; however, in keeping with the general retail picture, receivables outstanding at the end of the year were greater by about one-tenth than they had been in the previous year.

In women's apparel, charge account sales were up slightly, but the 12% drop in cash and instalment sales resulted in a net decline in total sales. Both receivables and inventories for the district were down. Sales for women's apparel stores registered declines for all sizes of stores.

Receivables on the other hand tended to rise in the smaller stores—those with annual sales under $250,000—although the over-all dollar amount for the district was down. Inventories almost without exception were down in Ninth district stores.

Intra-district differences indicate that it was not the rural purchaser alone who, influenced by reduced cash farm income, became increasingly sales resistant, since the larger centers, such as the Minneapolis-St. Paul area, had as great or greater percentage declines in sales. END

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, APRIL 28, 1950

INDUSTRIAL output in March increased considerably and in April was at or slightly above the March rate. Residential construction expanded further and consumer demand for automobiles and housefurnishings continued strong.

INDUSTRIAL PRODUCTION—The Board's production index advanced 5 points in March to 186% of the 1935-39 average as coal mining was resumed and output of most durable goods increased. In April, activity in durable goods industries has expanded further, but declines are indicated in output of some nondurable goods and minerals.

Output of steel reached capacity levels in mid-April and for the month was about 11% higher than in February and March and about the same rate as at the peak in March 1949. Exports of steel this year have been at a considerably lower rate than last year.

Refinery output of nonferrous metals, which showed no expansion during the second half of last year, owing in part to industrial disputes, has risen substantially since December. Demands from the building industry and most consumer durable goods industries have continued to increase and large purchases have been made for government stockpiling. Refinery stocks of nonferrous metals have been reduced further while stocks in consuming industries have increased.

Output of nondurable goods in March continued at advanced levels, despite small decreases in textile industries. In April, activity at textile mills has apparently declined further, reflecting mainly the reduced levels this year of apparel sales and exports of textile products. Output of most other nondurable goods has been maintained.

Activity in the rubber products industry has advanced to the highest level since late 1948, owing in part to the high rate of automobile production.

DISTRIBUTION — Value of department store sales remained somewhat below year-ago levels in March and the first half of April, owing to a reduced volume of apparel sales. Seasonlly adjusted sales of housefurnishings, while down somewhat from the exceptionally high level reached in January and February, were still substantially above year-ago levels.

Automobile dealers' sales have been at record levels in spite of the work stoppage at plants of a major producer. Reflecting easier credit terms as well as the relatively high level of durable goods sales, the volume of instalment credit outstanding has expanded more rapidly than during the same period a year ago.

COMMODITY PRICES—The general wholesale price level continued to show little change from the middle of March to the third week of April. Prices of livestock and products declined somewhat, reflecting mainly seasonal increases in supplies, while prices of grains rose owing partly to reduced crop prospects. Marked increases in demand for materials, largely in the durable goods and construction industries, contributed to advances in nonferrous metals, steel scrap, and building materials. Natural rubber prices rose considerably further to a point more than 50% above last autumn's level.

Consumers' prices rose .3% in March, reflecting mainly a small advance in retail food prices to the January level.

BANK CREDIT—At banks in leading cities, business loans declined somewhat in March and the first half of April, but the reduction continued to be less than seasonal and much less than last year. Loans to real estate owners, consumers, and security dealers increased moderately, and holdings of municipal and corporate securities rose further. Holdings of government securities were reduced, reflecting largely sales of bills and certificates.

AGRICULTURE

Acreage Allotments Shift Crop Patterns

ACREAGE allotments are in effect on only two major crops this year in the Ninth Federal Reserve district—corn and wheat. Furthermore, farmers have the happy privilege in 1950 of using the diverted corn and wheat acres for the production of other cash and feed-grain crops as they choose.

They may not have this freedom of choice in the years to follow, because farmers know that it is impossible to have artificially-supported farm prices without sooner or later having strict production controls.

Apparently Ninth district farmers have taken the 1950 corn and wheat acreage control program seriously, since compliance on both of these crops promises to be high. Wheat and corn prospective acreages are 10% to 13% less compared with 1949.

These diverted corn and wheat acres, based on March 1 farmers' planting intentions, will be used principally for increased plantings of soybeans, oats, and barley. (See chart.)

SOYBEAN ACREAGE SHOWS GREATEST EXPANSION

Most of the corn in the Ninth district is produced in southern Minnesota and southeastern South Dakota.

U. S. corn allotments were supposed to pull 1950 acreage 13% below 1949. This is just about the prospective actual acreage reductions in the important corn producing sections of the Ninth district.

For the U. S. as a whole, however, the corn acreage drop may be around 6%. Total corn production in 1950, assuming normal yields, may thus be nearly as large as last year.

Total feed-grain supplies this year, however, may be only slightly below last year, assuming normal yields, after allowing for fewer tons per acre from feed-grain crops other than corn. With a huge carry-over of 1949 corn on hand, however, the feed-grain supply situation this year may not be much different from what it was last year.

Soybeans, particularly, promise to be a popular crop this year in southern Minnesota. The increase in acreage over last year is a gigantic 55%. There are probably two reasons for this sharp increase. One is corn allotments. The second is the recent and current strong market for soybeans.

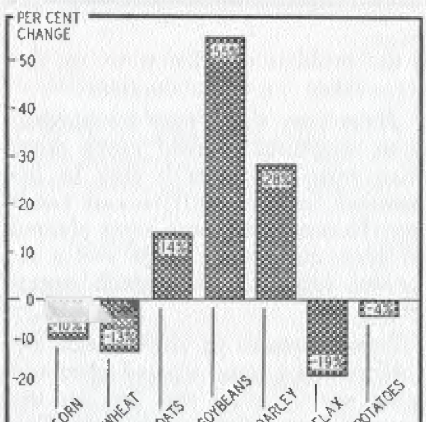
Higher prices for soybeans are a reflection of the strong foreign demand as a result of partial elimination of Manchurian soybeans from world markets.

Furthermore, a strong domestic demand for soybeans is indicated partly as a result of an anticipated further widening of the margarine market.

FLAX ACREAGE CUT MOST

The biggest acreage cut for a major crop in this district during 1950 may be in flax. Over 80% of the country's flaxseed is produced in the Ninth district, and it appears now that the acreage may be cut about 20% from what it was last year. The sharpest reductions are likely to occur in South Dakota and Montana, with 30% and 40% reductions anticipated.

PROSPECTIVE PERCENTAGE CHANGES IN CROP ACREAGES IN 9TH DISTRICT STATES IN 1950, COMPARED WITH 1949*



REDUCTION in corn and wheat acreages in 1950 as a result of the allotment program are offset by increases in other cash and feed-grain crops.

Source: USDA Crop Production, March 20, 1950.

*Minnesota, Montana, North Dakota, and South Dakota.

- ***Plantings of soybeans, oats, barley, and hay crops boosted by acreage allotments on corn and wheat in 1950.***
- ***Sharp reduction in flax price support automatically cuts 1950 acreage about 20% from last year.***
- ***Another big crop in 1950 would likely mean substantial losses on government-owned surplus farm stocks.***

Even with a substantial flax acreage reduction compared with the last 2 or 3 years, district flax acreage in 1950 is expected to be about 60% larger compared with the 1938-47 average.

The decline in flax acreage this year is significant, however, because it illustrates how quickly a substantial cut in price is reflected in reduced acreage even though there is no allotment on flax acreage. The support prices on flaxseed in 1949 were about $4.00 per bushel. The support price on the 1950 crop may be only around $2.80. Two years ago the support price was $6.00 per bushel.

A cut in price supports in this case demonstrates that a flexible price support program based on supplies of a commodity is an effective way to adjust acreage to demand without arbitrary controls. It demonstrates a quick adjustment of land, labor, and capital resources to more normal market needs.

LITTLE CHANGE SEEN FOR 1950 POTATO ACREAGE

In spite of surpluses and tremendous unfavorable publicity on the potato price support program, potato producers in the district expect to cut acreages only about 3% in 1950. Commercial potato production in the district is limited largely to the Red River Valley area and to a small section in southcentral Minnesota. Approximately a quarter-million acres of potatoes may be planted this spring in these areas.

Total U. S. potato acreage in 1950 also may be cut only about 3%. If yields continue high, and they may as a result of improved production techniques, there may be another 60 million bushel surplus again this year for the country as a whole.

The potato situation of recent years provides an excellent example of the difficulties involved in attempts to regulate price artificially. Potato production is not likely to be reduced materially until prices become unfavorable to producers or until there is rigid production control.

SPRING WHEAT ACREAGE REDUCED 2½ MILLION ACRES

Approximately 18 million acres, or one-fourth of the district's total crop acreage in 1950, will be utilized in spring wheat production.

In 1949 about 20.5 million acres of spring wheat were planted in the Ninth district. This means that 2½ million acres less wheat will be planted in 1950, largely as a result of the wheat allotment program.

What will be planted in place of wheat in 1950 in the Dakotas, Montana, and Minnesota? The answer is 1½ million acres of oats, 14% more compared with the previous year; 1⅓ million acres of barley, 28% more; and about 400,000 acres of soybeans, 55% more; and a small increase in alfalfa and hay grasses.

PRODUCTION CONTROL APPLIED TO ALL CROPS

Acreage allotments combined with high price support levels are showing up this year in changes in agricultural production patterns, as indicated by shifts in crop acreage. These cropping patterns may be expected to change even more as acreage controls and marketing quotas become more strict.

Acreage allotments are now in effect on all the basic crops, but for the country as a whole they do not appear to be fully effective except in the case of wheat in controlling production. They may not be fully effective for two reasons. One, the weather largely controls production; two, farmers are able to increase yields per acre by using their most productive acres or by applying fertilizer and by farming more intensively.

Marketing quotas are the next inevitable step in production control procedure. Regardless of the control technique used, however, there is the problem of what to do on the acres taken out of production.

Next year there may be burdensome surpluses of feed crops other than corn and controls may be demanded for them. The end result may be more and more acres planted to grass and forage crops and a renewed interest in livestock enterprises.

Some farmers in the district are anticipating a trend toward more and more use of grass and hay on the average farm. Others are beginning to think in terms of seed production to meet the expected demand.

Certainly, huge quantities of crested wheat grass, alfalfa, clover, and other grass and legume seeds will be needed to plant the acres taken out of crop production under the price support program, and the semi-arid areas of the Ninth Federal Reserve district are ideally suited to the production of some of these seeds.

SURPLUSES COMPLICATE PRICE SUPPORT PROGRAM

It is common knowledge that the CCC now has approximately $4 billion tied up in price support operations. These expenditures were largely for 1948 and 1949 price support operations. Another $2 billion will be needed this year if crop production is as large as in recent years.

Another large crop means that surpluses already accumulated may be difficult if not impossible to dispose of in the regular markets. It would appear that only a drouth or the occurrence of some great national emergency can save the government from considerable loss on its price support operations.

A recent report of the CCC showed that 830 million bushels of 1949 crop grains and oil seeds went under price supports up to March 1, 1950. This compares with 751 million bushels in the same period in 1948.

Average Prices Received by Ninth District Farmers*

Commodity and Unit	March 15 1937-41 Avg.	March 15 1949	March 15 1950	Parity Prices [1] United States March 15, 1950
Crops				
Wheat, bushel	$0.82	$ 1.96	$ 1.98	$ 2.14
Corn, bushel	.55	1.03	1.07	1.55
Oats, bushel	.30	.60	.64	.918
Potatoes, bushel	.67	1.50	1.23	1.68
Livestock and Livestock Products				
Hogs, 100 lbs.	7.30	19.56	15.98	18.80
Beef Cattle, 100 lbs.	6.93	19.35	20.43	17.00
Veal Calves, 100 lbs.	8.41	24.67	25.04	19.00
Lambs, 100 lbs.	8.16	22.80	22.74	18.70
Wool, lb.	.26	.52	.48	.502
Milk, wholesale, 100 lbs.	1.52	3.03	3.04	4.32
Butterfat, lb.	.30	.67	.66	.692
Chickens, live, lb.	.118	.261	.177	.285
Eggs, doz.	.153	.373	.273	.494

*Source: Data compiled from USDA Agricultural Prices—March 29, 1950.

[1] 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, 1910-14.

January-February Cash Farm Income*

(Thousands of Dollars)

State	1935-39 Average	1949	1950	1950 in Per Cent of 1949
Minnesota	$ 49,432	$ 186,613	$ 189,644	102%
North Dakota	10,311	73,351	46,439	63
South Dakota	15,197	89,869	75,671	84
Montana	8,396	41,496	35,432	85
Ninth District [1]	94,875	425,176	379,760	89
United States	1,106,413	3,959,507	3,834,185	97

*Data from "The Farm Income Situation," dated March, 1950.

[1] Includes 15 counties in Michigan and 26 counties in Wisconsin.

Specifically, the report shows the following quantities under price support commitment as of March 1, this year: Wheat, 379 million bushels; corn, 269 million bushels; grain sorghums, 82 million bushels; oats, 40 million bushels; barley, 33 million bushels; soybeans, 15 million bushels; flaxseed, 12 million bushels; rye, 1 million bushels.

In addition to this, the government owns large stocks of dried eggs, dried fruits, butter, dried peas and beans, peanuts, rice, rosin, linseed oils, and other miscellaneous farm products.

Part of these stocks may be used in school lunch programs, given away to charitable institutions, or donated for relief purposes. Some may be transferred to the ECA for shipment abroad. Part of such surpluses may be sold at less than cost where there is danger of deterioration for secondary uses, such as potatoes in livestock feed.

However, to prevent the accumulation of larger and larger surpluses, the government must drastically cut production at the source to avoid tremendous loss under its price support operations.

END

DEPOSITS STAY UP DESPITE SHIFT IN OWNERSHIP

Continued from Page 38

banks with demand deposits greater than $100 million. These are designated as "very large" banks.

The dominance of agriculture in the western region and the greater industrialization of the eastern stand out. All sizes of banks in the western region have greater proportions of farmer accounts than do the corresponding sizes in the eastern region. For example, small western banks average well over half of their total demand accounts from farmer depositors, while this figure for the eastern small banks is under one-third.

As the banks become larger, this marked difference in ownership pattern between the two regions diminishes. A greater proportion of business accounts in larger banks is the rule—regardless of the region. This is because banks as service institutions develop in proportion to the needs of a particular community.

As evidence of the importance of regional differences, however, the deposit ownership pattern of medium banks in the three western states has less similarity to eastern medium banks than it does to eastern small banks.

TWO EFFECTS OF OWNERSHIP PATTERNS IMPLIED

These facts carry certain implications. One is that in addition to the shift of demand deposits from one type of holder to another (see Chart I) there has been a shift in demand deposits from western to eastern Ninth district holders.

This is quite similar to the situation prevailing between the Ninth district and the nation as a whole. The Ninth, being predominantly agricultural, experienced a mild decrease in total demand deposits, while national totals have risen since last year. As farm prices declined relative to finished goods, more funds flowed out of agricultural districts in payment for purchases of finished goods than were received from the sale of farm products outside the district.

Finally, the presently viewed picture of decreasing farm income would indicate a continuation of the tendencies just described: the flow of deposits out of the Ninth district, with a greater proportional share coming from the smaller banks of both regions of the district and from banks of all sizes located in the western region.

END

MARCH BANKING DEVELOPMENTS

DEMAND deposits in Ninth district member banks declined $48 million this month, as businesses and individuals wrote checks in payment of income taxes. At the same time, loans increased $32 million in response to demand for business loans, consumer loans, and farm production credit.

Banks met the squeeze on their funds arising from decreased deposits and increased loans by liquidating government securities and drawing down correspondent balances.

Demand deposits in district

Assets and Liabilities of All Ninth District Member Banks*

(In Million Dollars)

	Feb. 22, 1950	Mar. 29, 1950	$ Change Feb. 22, 1950 Mar. 29, 1950	$ Change Mar. 30, 1949 Mar. 29, 1950
ASSETS				
Loans and Discounts	$ 912	$ 944	+ 32	+ 41
U. S. Government Obligations	1,713	1,648	— 65	+ 91
Other Securities	248	257	+ 9	+ 58
Cash and Due from Banks & Res.	781	755	— 26	— 57
Other Assets	32	30	— 2	+ 2
Total Assets	$3,686	$3,634	— 52	+135
LIABILITIES AND CAPITAL				
Due to Banks	$ 320	$ 316	— 4	+ 43
Other Demand Deposits	2,177	2,133	— 44	+ 72
Total Demand Deposits	$2,497	$2,449	— 48	+115
Time Deposits	938	941	+ 3	+ 1
Total Deposits	$3,435	$3,390	— 45	+116
Borrowings	12	7	— 5	+ 5
Other Liabilties	24	23	— 1	+ 4
Capital Funds	215	214	— 1	+ 10
Total Liabilities and Capital	$3,686	$3,634	— 52	+135

*This table 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 semi-monthly reports 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 the other liabilities are extrapolated from call report data.

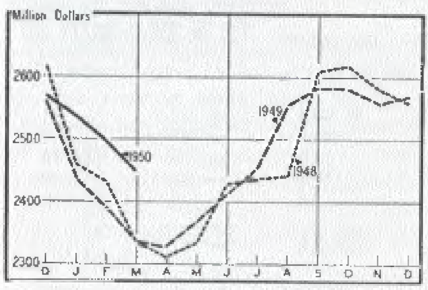
member banks dropped 5% in the first quarter of 1950. Income tax collections in the early months of the year generally are reflected in sharp reductions in demand deposits. This year's decline, however, was considerably smaller than that of the first three months of 1949, when demand deposits declined 9%, and of the same period in 1948, when the drop was 11%. (See chart below.)

Large Treasury expenditures in the first quarter of 1950, including the payment of National Service Life Insurance dividends, offset somewhat the contractive effect of tax collections.

Loans increased $23 million in city banks and $9 million in country banks this month. In city banks, other loans (largely consumer) scored a gain of $9 million, boosting them to 34% above a year ago. Real estate loans, for which demand has been especially strong this year, increased $3 million in March to almost 25% above last year. Business loans advanced $11 million, but are 13% below a year ago.

Government securities holdings dropped almost 4% in March.

TOTAL DEMAND DEPOSITS OF NINTH DISTRICT MEMBER BANKS, 1948-1950



Assets and Liabilities of Twenty Reporting Banks

(In Million Dollars)

	Feb. 22, 1950	Mar. 29, 1950	Apr. 12, 1950	$ Change Feb. 22-Mar. 29
ASSETS				
Comm., Ind., and Ag. Loans	$ 208	$ 219	$ 220	+ 11
Real Estate Loans	75	78	79	+ 3
Loans on Securities	11	11	11	......
Other (largely consumer) Loans	145	154	159	+ 9
Total Gross Loans & Discounts	$ 439	$ 462	$ 469	+ 23
Less Reserves	7	7	7	......
Total Net Loans & Discounts	$ 432	$ 455	$ 462	+ 23
U. S. Treasury Bills	15	13	13	— 2
U. S. Treasury C. of I.'s	174	104	79	— 70
U. S. Treasury Notes	86	119	135	+ 33
U. S. Government Bonds	438	427	427	— 11
Total U. S. Gov't Securities	$ 713	$ 663	$ 654	— 50
Other Investments	117	125	129	+ 8
Cash and Due from Banks	405	382	409	— 23
Miscellaneous Assets	16	15	15	— 1
Total Assets	$1,683	$1,640	$1,669	— 43
LIABILITIES				
Due to Banks	$ 282	$ 278	$ 278	— 4
Demand Deposits, Ind., Part., Corp.	791	760	789	— 31
Demand Deposits, U. S. Gov't	92	78	67	— 14
Other Demand Deposits	132	144	151	+ 12
Total Demand Deposits	$1,297	$1,260	$1,285	— 37
Time Deposits	255	255	255	......
Total Deposits	$1,552	$1,515	$1,540	— 37
Borrowings	11	6	10	— 5
Miscellaneous Liabilities	17	17	16	......
Capital Funds	103	102	103	— 1
Total Liabilities & Capital	$1,683	$1,640	$1,669	— 43

Most of the decline was in portfolios of city banks, which experienced a more marked rise in loans and a greater decline in deposits than country banks.

In the 20 reporting city banks, certificate holdings fell sharply, bonds declined modestly, notes advanced somewhat, while bills held about even. The decline in certificates and bonds, together with the rise in notes, was in part due to two refunding operations: the exchange of new 16-month 1¼% Treasury notes for certificates maturing on March 1 and of new five-year 1½% Treasury notes for bonds maturing on March 15.

END