FEDERAL RESERVE BANK OF MINNEAPOLIS

MONTHLY REVIEW

9th DISTRICT AGRICULTURAL AND BUSINESS CONDITIONS

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BUSINESS

Building, Retail Sales Pace Business

AMONG factors contributing to a high level of business activity during the winter months, the most striking have been the volume of construction work and the amount of retail sales.

Despite severe weather, which affected both of these activities, retail sales in this district have set records in recent months and the volume of construction activity has been unseasonably high.

Department store sales this winter rose and fell with the thermometer. In January, when the weather was favorable, and a new wave of scarce buying had developed, district department store sales were 31% above dollar volume of the first month of 1950. The record for February shows a 10% gain over the same month of last year.

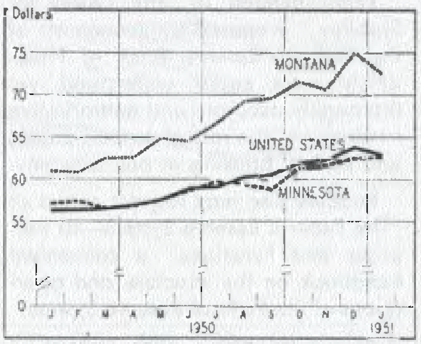
Exceptionally severe weather during part of February and early March doubtless was a factor contributing to the decline in sales for the four weeks ending March 17 compared with sales earlier in the year. For these four weeks, sales by department stores in the Twin Cities, Duluth, and Superior were 5% above those for the corresponding period of 1950.

National Building Activity Surpasses Previous Years

District building, as measured by employment on construction work and contracts awarded, was greater in the first two months of this year than for the corresponding period of 1950. Valuation of building permits, another good indicator of construction activity, was exceptionally high in January, but the amount in February fell below the level for the same month of last year.

In the nation, expenditures on new dwelling units declined in January and again in February, but the decline was less than seasonal, and in both months expenditures were well above last year's figures. Total expenditures in these months were $306 million greater than in the same period of 1950. In December 1950, the number of employees in contract construction work was about 12 per cent greater as compared with December 1949. Furthermore, the average work week was about 1½ hours longer. The value of construction contracts awarded in December 1950 was greater by almost 15 per cent than in the closing month of the previous year.

TREND OF AVERAGE WEEKLY EARNINGS OF FACTORY EMPLOYEES IN MINNESOTA, MONTANA, AND IN U. S. SINCE JANUARY 1, 1950



AVERAGE weekly earnings of factory employees in the United States have risen by 10% since January 1, 1950. (See Page 161.)

Source: U. S. Division of Employment and Security.

- ***Volume of district retail sales and construction activity in early 1951 surpassed 1950 performance.***
- ***Credit curbs have not thus far retarded building as much as was expected.***
- ***Erratic sales figures for district have reflected frequent changes in weather conditions.***

At the time of the Korean outbreak, residential construction was experiencing an unprecedented boom. Never before had so much building been undertaken by the American public. As a peacetime development, this activity was making large inroads into the unsatisfied demand for housing which had accumulated in the '30s and during World War II. When greater emphasis began to be placed on defense activity last July the high rate of residential building gave rise to two important problems.

First, residential building and war preparations dipped heavily into a common supply of resources that were not sufficient to handle adequately both jobs at the same time. It was obvious from the standpoint of urgency that war preparations must come first.

Second, methods of financing purchases of new dwelling units created a problem. Through the liberal extension of real estate credit, buyers with a few hundred dollars in cash bid in the market for several thousand dollars' worth of labor and materials. This moved real estate prices up sharply. Not only were building materials affected but also other goods which home buyers were able to purchase on liberal instalment contracts.

Both results of the large construction activity—namely, the shortage of critical materials and sharply rising real estate prices—might be considered undesirable during a defense preparation period. Cognizance of this situation led Congress to include provisions in the Defense Production Act of 1950 designed to cut back the volume of construction and reduce inflationary pressures.

Non-Agricultural Employment in Ninth District States

	1950 January	1950 February	1951 January	1951 February
Michigan (Upper Peninsula)	72,000	72,400	84,200	*
Minnesota	757,593	752,284	802,323	799,508
Montana	133,200	132,200	144,700	142,700
North Dakota*				
South Dakota*				
Wisconsin	952,400	949,900	1,024,900	1,021,800

* Not available.

Sources: Michigan Unemployment Compensation Commission, Minnesota Division of Employment and Security, Division of Unemployment Compensation of Montana, and Industrial Commission of Wisconsin.

Real Estate Credit Curbs Introduced in October

The restrictions on real estate credit as authorized by the Defense Production Act and in the President's executive order No. 10161 were announced concurrently by the Board of Governors, the Housing and Home Finance agency, and the Veterans administration. The regulations applied to credit extended in connection with construction begun after August 3, 1950. They specified minimum down payments and maximum maturities on real estate loans for the purchase of new one- and two-family houses. This type of housing covered the bulk of the new residential construction.

Avowed purpose of this regulation was to reduce building activity through restriction of real estate credit. The goal announced last October was that housing starts in 1951 should be limited to between 800,000 and 850,000. This would mean a reduction of about 40% from the 1,397,000 units started in the record building year of 1950.

Impact of Credit Curbs Was Not Severe

Commitments made for construction or construction started prior to August 3, 1950, were exempt from the regulations by provisions of the Defense Production Act of 1950. As a result of the large number of commitments outstanding at the time the regulations became effective and the substantial amount of liquid assets held by potential purchasers of real estate, the regulations restricting real estate credit thus far have had practically no curtailing effect on the building industry. In fact, in recent months building and preparations for building have been going ahead at a rapid pace.

In an attempt to secure more detailed information on construction activity and real estate lending, a survey was conducted in January among builders and lenders of this district. Builders, with the exception of those in the western area, reported more units under construction this year than last and indicated that a high proportion of the units under construction was exempt from the credit regulations. Lenders, almost without exception, indicated a very high proportion of their loan closings grew out of commitments made prior to the effective date of the regulations, and many indicated that they expected this condition to continue through the first quarter of 1951.

● From time to time it is desirable to call Monthly Review readers' attention to the availability of interesting and informative booklets and articles.

Recommended is "The Quest for Stability," prepared by economists of the Federal Reserve Bank of Philadelphia—an easily understood yet thoroughly accurate and authoritative treatment of the role of money, credit, and central banking in our economy.

Readers also may request copies of "The Federal Reserve System—Its Purposes and Functions," a convenient handbook on the structure and operations of the Federal Reserve System.

Also available is "The Impact of Regulation W on the Economy," by Oscar F. Litterer—an unpublished manuscript presenting data and the author's views on this subject.

Write for any of these to the Research department, Federal Reserve Bank of Minneapolis.

Again in March, builders and lenders in this district were consulted to secure concrete information on the effect of the credit restrictions. Builders once more emphasized the considerable backlog of commitments carried over from last year. In view of this backlog of construction orders, it does not appear that the current real estate credit restrictions will reduce housing starts by 40 per cent. Most lenders stated that the regulations have had little effect thus far.

Restrictions on Real Estate Credit Broadened

Since the first of the year, Regulation X has been revised twice to include other types of construction activity. On January 11, 1951, the regulation was extended to include multiple-unit residences. It brought three- and four-family units under the same credit restrictions as one- and two-family units. Multi-unit residences—that is, more than four-family units—were also subjected to comparable credit restrictions.

Effective February 15, Regulation X was extended to include commercial construction. Construction of office buildings, warehouses, stores, banks, hotels, garages, restaurants, and theatres now comes under these credit restrictions.

Basic objective of these regulations is to hold demand for new construction in line with the volume of construction that can be undertaken while preparations for defense are carried forward as rapidly as possible.

Consumers Have Been Buying for Future Needs

The heavy consumer buying experienced in January subsided for a

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AGRICULTURE

Cattle Numbers, Reversing Trend, Up in 1950

EXCELLENT pasture and range conditions and lush feed crops played an important part in reversing a six-year downtrend in cattle numbers in the Ninth district during 1950.

Cattle numbers reached an all-time high on January 1, 1945. Since then there has been a gradual decline; and even with the increase during last year, numbers are still over a million head or 10% fewer compared with the peak reached six years ago.

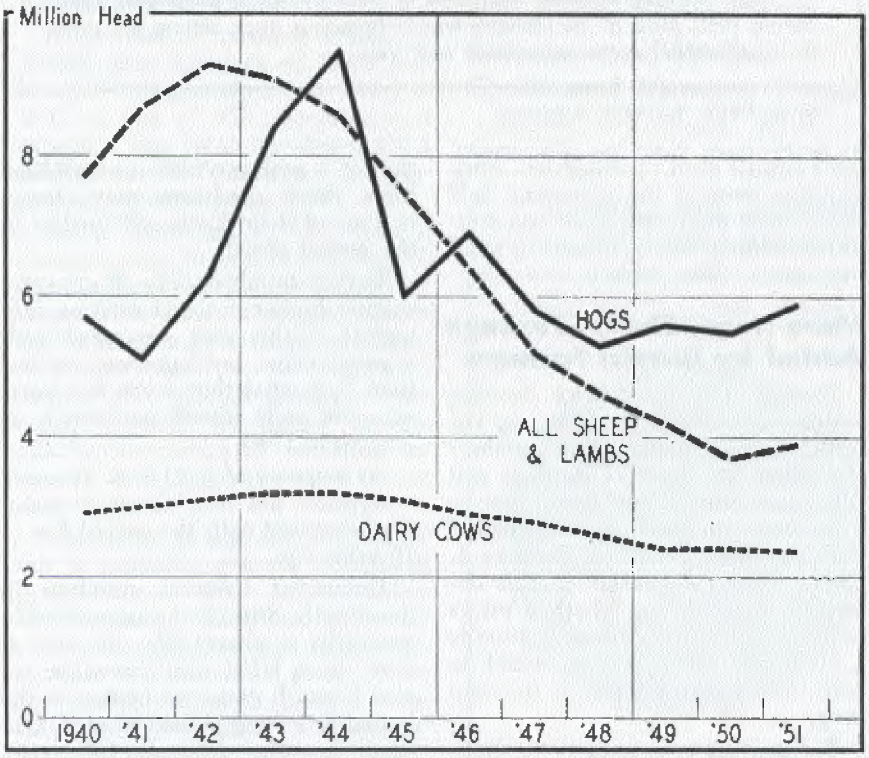
The biggest increase in cattle numbers (6%) occurred in Montana, where range and pasture conditions during most of 1950 were exceptionally good. Up to March 1, cattle have wintered well in Montana, as in other parts of the district, and they are in fine condition at the present time.

In North Dakota a net decrease of 2% occurred last year in cattle numbers. This was the seventh consecutive year of decline in cattle population. All of the decline in 1950, however, was in dairy cow numbers, while beef cows actually increased.

Cattle numbers in South Dakota remained about level in 1950. There was an increase in beef cows but their greater number was offset by fewer dairy cows.

LIVESTOCK NUMBERS ON NINTH DISTRICT FARMS*
JANUARY 1, 1950-51

January 1, 1950-51



NUMBER of hogs and sheep and lambs increased during 1950. Dairy cow numbers continued to decline. Livestock population is low compared with the mid-1940s.

Source: USDA "Livestock on Farms."
*States of Minnesota, Montana, North Dakota, and South Dakota.

- ***Beef cattle population increased in all district states during 1950; dairy cow numbers declined.***
- ***Full employment at high wages put meat producers in a strong economic position.***
- ***More hogs, turkeys, and sheep and lambs found on farms January 1.***
- ***Livestock and livestock products have brought in 54% to 59% of cash farm income in recent years.***

In Minnesota, where about half the cattle population are milk cows, the trend during 1950 was the same as farther west—more beef cattle but fewer milk cows. Wisconsin was the only spot in the Ninth district where there was an increase in the milk cow population during the year.

High Demand Strengthens Beef Producers' Position

Barring drouth in 1951, cattlemen appear to be in a strong economic position for this year for the following reasons:

- Cattle numbers are still below the peak of six years ago. Numbers of cattle on farms, although showing some increase last year, are relatively low compared with the tremendous surge in human population growth of recent years. Furthermore, there is little prospect of cattle imports from Mexico for some time to come because of new outbreaks of the foot-and-mouth disease.
- We are living in a semi-war economy which promises full employment at relatively high wages. Meat on the table is always popular and people put it there in larger quantities when they have favorable incomes.
- Meat prices, pressing at ceiling levels, indicate that more money is available to be spent for meat

than there are supplies to satisfy the demand. Even so, some seasonal changes in livestock and meat prices can be expected this year.

- Potential shortages of certain consumer goods may tend to throw even more demand on the meat market in days to come.

Offsetting to some extent the strong demand situation for meat animals this year is an anticipated increase of approximately 5% in total meat supplies over the quantity available in 1950. However, for civilians this will yield a per capita increase of only 1½ per cent. Higher taxes may also siphon off some of the anticipated increased purchasing power—but probably not enough to prevent some net increase in consumers' ability to buy meat.

U. S. Beef Breeding Stock Largest on Record

For the U. S. as a whole, there was a whopping four-million increase in cattle numbers during 1950, almost all of it in beef cattle. The dairy cow population remained almost the same as a year earlier.

Furthermore, the statistics on beef cattle reveal that most of the increase was in breeding stock and not beef steers. This means that the cattle industry is getting set to turn out more calves in 1951 and 1952, and eventually more beef.

Barring drouth or unfavorable feeding ratios because of ceiling price manipulations, total beef production by 1954 and 1955 could be increased as much as 15% to 20%. However, population growth is expected to absorb part of the increase on a per capita basis. The number of children of meat-eating age is now increasing rapidly month by month.

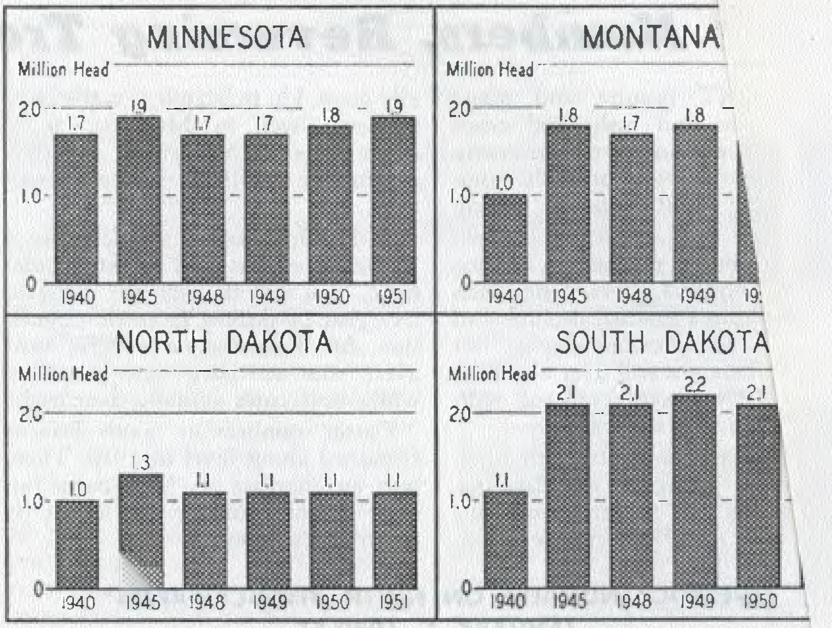
Beef and veal production together provide nearly half the average person's annual meat consumption. Pork provides most of the remaining half of the meat diet, with lamb and mutton providing only a relatively small proportion. (See table.)

Meat Consumption per Person in the U. S. in Pounds*

Kind of Meat	1935	1940	1945	1950
Beef	52.9	54.7	59.0	63.0
Veal	8.5	7.4	11.8	8.3
Pork	48.1	73.0	66.3	70.0
Lamb and Mutton	7.2	6.6	7.3	3.9
Total Meat	116.7	141.7	144.4	145.0

*Source: United States Department of Agriculture.

BEEF CATTLE NUMBERS ON NINTH DISTRICT FA[RMS] ON JANUARY 1, OF RECENT YEARS



BEEF CATTLE numbers increased or held steady in all district states during 1950. Most of the increase was in breeding stock, setting the stage for a still larger cattle population next year.

Source: USDA "Livestock on Farms."

More Hogs, Sheep, Turkeys Added by District Farmers

During 1950, district farmers added substantially to their hog enterprises. Nonetheless, hog numbers are about the same as in 1940 and there are only about two-thirds as many hogs on farms now compared with the peak period of January 1, 1944. Further expansion in this enterprise depends on whether prices on hogs and corn continue to provide a favorable corn-hog ratio, which in turn is related to the size of the corn crop.

For the first time since 1941, sheep producers chose to add to their flocks in 1950. Even with the increase, there are less than 3.9 million sheep on district farms this year, compared with about 9.3 million at the peak period of January 1, 1942. With wool prices more than double that of a year ago and at an all-ti[me] high, sheep producers may choo[se] to expand their flocks still further [in] the period ahead.

Turkey numbers, like sheep, wer[e] slightly higher in the district on January 1 of this year, compared with a year earlier, but numbers are less than half what they were five years ago and only about one-fourth as large as in 1940.

As a matter of fact, most livestock enterprises are now fewer in number compared with the period five to 10 years ago.

Failure of livestock numbers in the Ninth district to increase substantially is chargeable, in part at least, to a fabulously favorable period for cash grain production in the period following World War II. Unusual postwar demands for grain, price support and disposal programs, and favorable weather all were factors making grain farming so profitable that many farmers have either reduced livestock numbers since 1945 or in some cases, particularly in the

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BANKING

Bank Earnings, Expenses on 'Plus' Side in '50

REFLECTING a higher volume of transactions, Ninth district member banks have reported greater earnings and greater expenses for 1950 than in 1949. Their gross earnings were 9% higher and their gross current expenses went up 7%. Net profits were 8% higher.

Greater gross earnings enabled these banks to make higher wage payments and required them to pay more taxes. They paid better dividends and, at the same time, they set aside more reserve for contingencies and built up their capital accounts .

Everything considered, member banks enjoyed a good year in 1950—as did other banks and business firms.

Earnings Outdistanced Expenses in 1950

Ninth district member banks reported gross earnings of $94.9 million in 1950, compared with $86.9 in 1949—a rise of 9%. Gross current expenses also went up—from $56.1 million to $60.0 million—the percentage increase being 7%.

As a consequence, net current earnings rose from $30.8 million to $34.9 million, which was a 13% increase. Net profits, however, did not show the same percentage gain. Reasons are found in two factors—namely (1) greater entries on accounts labeled "net losses, charge-offs, and transfers to valuation reserves," and (2) greater taxes on net income.

Net losses, charge-offs, and transfers to valuation reserves were made in an amount $0.3 million above 1949, a rise of 6%. Taxes on net income were $2.4 million higher, an increase of 31%. As a result, while net current earnings (gross current earnings minus gross current expenses) increased 13%, net profit rose only 8%—from $18.1 million to $19.5 million.

The increase of $1.4 million in net profits enabled these banks to pay out $1.1 million more in dividends and to add $0.3 to retained profits.

Loans Contributed Most to Bank Earnings

The accompanying table reveals that Ninth district member banks earned $46.8 million on loans last year—almost half of their total earnings of $94.9 million. On reduced holdings of government securities they earned $26.4 million, $0.5 million less than the previous year. Other securities yielded $5 million, compared with $4.3 million in 1949. Income from source charges on deposit accounts rose from $5.6 million to $6.2 million, as the turnover of customers' checking accounts heightened. Other earnings increased $0.1 million.

Obviously, increased income from loans featured Ninth district banking in 1950, as was also the case in other Federal Reserve districts.

Salaries and Wages Continued Upward Trend

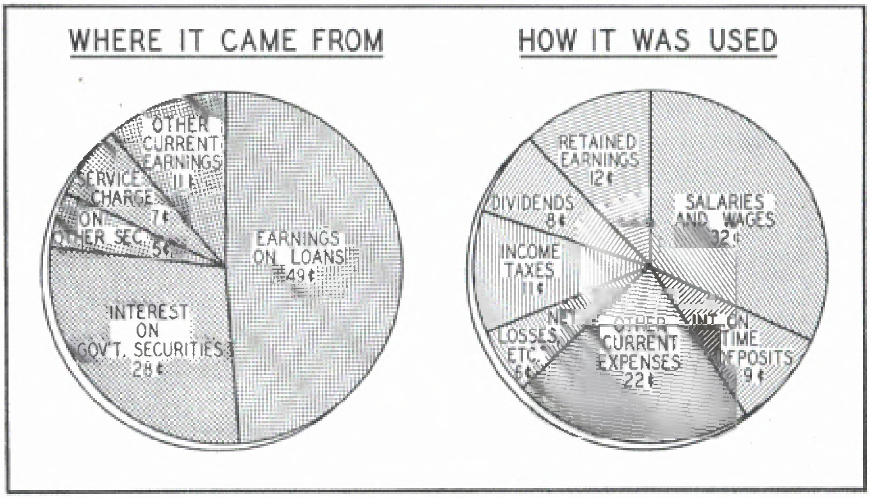
Salaries and wages, which had risen 9% in 1949 over 1948, increased 10% last year. The persistent rise in such payments by banks followed the trend taken by all sectors of the economy in 1950.

On a smaller volume of time deposits, member banks in the district paid out $8.5 million in interest payments as compared with interest of $8.7 million in 1949. Other expenses increased 6% from $19.7 million to $20.9 million.

Total member bank expenses increased by $3.9 million—from $56.1 million to $60.0 million—a rise which was slightly more than 7% above the previous year.

- ***With gross earnings 9% higher, and gross expenses up 7%, net profits of district banks were 8% higher in 1950.***
- ***Higher taxes — up 31% — took a big bite out of current income.***
- ***Loans contributed almost half of total bank earnings in 1950.***

SOURCES AND DISPOSITION OF THE INCOME DOLLAR OF NINTH DISTRICT MEMBER BANKS IN 1949



OUT OF EACH DOLLAR of current income, 63 cents was spent on operating expenses, 8 cents was distributed to stockholders, and 12 cents was added to total capital accounts.

*Net losses, charge-offs, and transfers to valuation reserves.

Smaller Banks Earned More on Capital Funds

Differences between the smaller banks and the larger ones are noticeable when earnings and expenses of each class of banks are computed in terms of percentages of capital accounts and percentages of total earnings.

Banks with deposits under $10 million earned on the average net profits in excess of 10% of total capital accounts, while banks with deposits between $10 million and $25 million earned net profits which averaged 9.6% of capital accounts. The largest banks—those with deposits over $25 million—earned average net profits of 6.2% on capital accounts.

As a general rule, the larger the bank (up to $25 million deposits) the lower was the volume of loans as a percentage of total assets. Also among banks with deposits under $25 million, the larger the bank the higher was the percentage of government security holdings of total assets. Banks with deposits above $25 million held a lower percentage of government securities to total assets and a higher percentage of loans to total assets than did banks with deposits between $10 and $25 million.

Reflecting these differences, earnings on loans as a percentage of total earnings were lower among the larger than among the smaller banks. This observation, however, does not apply to the group of largest banks—those with deposits above $25 million—because their loans were greater relative to total assets than were those of the banks with deposits of $10 million to $25 million.

Earnings on government securities were greater relative to total earnings among the larger banks than among the smaller, but, again, this observation does not apply to the very largest banks—those with deposits above $25 million.

(A more complete report on the operating ratios of banks grouped according to size of deposit liabilities will appear in the next issue of the Monthly Review.)

END

FEBRUARY BANKING DEVELOPMENTS ON PAGE 159

Gross Current Expenses of Ninth District Member Banks

(In Million Dollars)

	1949	1950	% Change
Salaries & Wages	$27.7	$30.6	+10%
Interest on Time Deposits	8.7	8.5	− 2
Other	19.7	20.9	+ 6
TOTAL	$56.1	$60.0	+ 7%

Gross Current Earnings of Ninth District Member Banks

(In Million Dollars)

	1949	1950	% Change
Interest and Dividends:			
Gov't Securities	$26.9	$26.4	− 2%
Other Securities	4.3	5.0	+16
Earnings on Loans	39.7	46.8	+18
Service Charges on Deposit Accts.	5.6	6.2	+11
Other Earnings	10.4	10.5	+ 1
TOTAL	$86.9	$94.9	+ 9%

Disposition of Ninth District Member Bank Earnings

(In Million Dollars)

	1949	1950	% Change
Gross Current Earnings	$86.9	$94.9	+ 9%
Gross Current Expenses	56.1	60.0	+ 7
NET CURRENT EARNINGS	$30.8	$34.9	+13
Net Losses, Charge-offs & Transfers to Valuation Reserves	5.0	5.3	+ 6
Profit Before Taxes	25.8	29.6	+15
Taxes on Net Income	7.7	10.1	+31
NET PROFITS	$18.1	$19.5	+ 8%
Dividends	6.9	8.0	+16
Retained Profits	11.2	11.5	+ 3

Assets and Liabilities of Twenty Reporting Banks

(In Million Dollars)

	Jan. 31, 1951	Feb. 28, 1951	Mar. 14, 1951	$ Change Jan. 31-Feb. 28
ASSETS				
Comm., Ind., and Ag. Loans	$ 299	$ 323	$ 336	+ 24
Real Estate Loans	104	105	106	+ 1
Loans on Securities	10	10	11	....
Other (largely consumer) Loans	169	168	164	− 1
Total Gross Loans & Discounts	$ 582	$ 606	$ 617	+ 24
Less Reserves	8	8	8	....
Total Net Loans & Discounts	$ 574	$ 598	$ 609	+ 24
U. S. Treasury Bills	22	15	12	− 7
U. S. Treasury C. of I.'s	....	....	....	....
U. S. Treasury Notes	163	156	152	− 7
U. S. Government Bonds	363	334	327	− 29
Total U. S. Gov't Securities	$ 548	$ 505	$ 491	− 43
Other Investments	144	144	146	....
Cash and Due from Banks	461	483	471	+ 22
Miscellaneous Assets	16	17	16	+ 1
Total Assets	$1,743	$1,747	$1,733	+ 4
LIABILITIES				
Due to Banks	$ 287	$ 299	$ 292	+ 12
Demand Deposits, Ind., Part., Corp.	883	876	889	− 7
Demand Deposits, U. S. Gov't	51	70	50	+ 19
Other Demand Deposits	123	118	135	− 5
Total Demand Deposits	$1,344	$1,363	$1,366	+ 19
Time Deposits	240	238	237	− 2
Total Deposits	$1,584	$1,601	$1,603	+ 17
Borrowings	34	20	4	− 14
Miscellaneous Liabilities	19	19	19	....
Capital Funds	106	107	107	+ 1
Total Liabilities & Capital	$1,743	$1,747	$1,733	+ 4

February Banking Developments

Loans and discounts of Ninth district member banks continued their upward trend in February. Increasing $28 million for all member banks and $24 million for the 20 weekly-reporting banks, it was apparent that most of the increase occurred among the city banks. Preliminary data for the first two weeks of March indicate no slowing-down of the upward trend in bank loans.

Among city banks the entire February increase in loans was in the "commercial, industrial, and agricultural" category. In these institutions a very slight increase in real estate loans was offset by an equal decline in other (largely consumer) loans.

For all member banks, loans at the end of February were 22% above the level of a year ago.

U. S. government security holdings of banks in this district continued in February the sharp decline of the past several months. Among weekly-reporting banks holdings of these securities declined $43 million compared with a decline of $62 million for all banks. During the year ending February 28, government security holdings of the district's member banks had declined 24.5%.

Thus it is clear that banks have financed the rise in loans through a liquidation of government securities. Also contributing to recent reductions in holdings of such securities was the rise in reserve requirements which took effect in January and February. Banks with excess reserves insufficient to meet the higher required reserve balances met them through receipts from sales of government securities.

Total deposits increased $15 million in all member banks during February. That much of this rise in government deposits is revealed by the reports of 20 weekly-reporting banks which indicated a drop of $7 million in demand deposits of individuals, partnerships, and corporations and a rise of $19 million in U. S. government deposits.

Time deposits in February fell $2 million in the 20 city banks and $5 million in all member banks. From the end of February 1950 to the end of the same month this year, time deposits in all member banks had fallen $44 million, about 5%.

Capital funds of all member banks increased $1 million in February, which brought the total increase in capital since the end of February 1950 up to $13 million. END

Assets and Liabilities of All Ninth District Member Banks*

(In Million Dollars)

	Jan. 31, 1951	Feb. 28, 1951	$ Change Jan. 31, 1951 Feb. 28, 1951	$ Change Feb. 22, 1950 Feb. 28, 1951
ASSETS				
Loans and Discounts	$1,141	$1,169	+ 28	+ 257
U. S. Government Obligations	1,446	1,384	— 62	— 329
Other Securities	284	284	....	+ 36
Cash and Due from Banks & Res.	857	887	+ 30	+ 106
Other Assets	32	33	+ 1	+ 1
Total Assets	$3,760	$3,757	— 3	+ 71
LIABILITIES AND CAPITAL				
Due to Banks	$ 332	$ 343	+ 11	+ 23
Other Demand Deposits	2,240	2,244	+ 4	+ 67
Total Demand Deposits	$2,572	$2,587	+ 15	+ 90
Time Deposits	899	894	— 5	— 44
Total Deposits	$3,471	$3,481	+ 10	+ 46
Borrowings	35	21	— 14	+ 9
Other Liabilities	27	27	....	+ 3
Capital Funds	227	228	+ 1	+ 13
Total Liabilities & Capital	$3,760	$3,757	— 3	+ 71

* 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.

BUILDING, RETAIL SALES PACE BUSINESS

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brief interval during the first half of February. Department store sales receded to a more normal level. In this district, the severe winter was partly responsible for the decline in sales. Subzero weather and blizzards which blocked roads kept consumers from shopping centers. Freezing of prices and wages on January 27 apparently caused the public to ease up temporarily on its buying for future needs—the public having clamored for such controls in the expectation that they would stop the steady rise in prices.

The lower level of sales during the first part of February was of short duration. Consumers began to buy again as soon as it became apparent that prices undoubtedly will continue to creep up in spite of a general price freezing. Michael V. DiSalle, price control director, stated that his agency does not expect to halt the rise in prices for some months, since it was not given the authority to control all prices. In the Defense Production Act of 1950, most agricultural products were exempt from price ceilings as long as they were below parity or below the pre-Korean level. Since food purchases are an important part of any family budget, the rise in food prices carries much weight in living costs.

In the latter half of February, buying most likely was stimulated to some extent by the exceptionally early Easter season. With Easter on March 25, the public had only three weeks in March to do its shopping for this festive occasion. The heavy consumer buying in the latter half of February materially boosted department store sales in this district for the month.

February sales did not show as large an increase over dollar receipts for the corresponding month of last year as did January sales, but total sales for February, nevertheless, were at a level which was quite comparable to the high volume prevailing in January.

Whereas district department store sales in January were 31 per cent above the dollar volume of last year, February sales were only 10 per cent higher. In both the western and eastern parts of this district, the February increase in sales was above the district average. In both North and South Dakota, February sales were 19 per cent higher, while in Montana they were 13 per cent higher. Similarly, in the northwestern part of Wisconsin and in the Upper Peninsula of Michigan, February sales were 15 per cent above a year ago.

The adjusted index of department store sales, with the seasonal factor in sales removed, enables us to compare the level of sales in successive months. The adjusted index of department store sales in this district for February stood at 327 per cent of the 1935-1939 base period, while the adjusted index for January was at 325 per cent. Thus, department store sales for the first two months were at comparable high levels.

In the first half of March, this district experienced more heavy snowfalls, accompanied by high winds, which blocked roads. In many areas, consumers found it difficult to do their usual shopping. In the first week, department store sales in the

Index of Department Store Sales by Cities

(Unadjusted 1935-39=100)

	Feb. [1]	Per Cent Change [2] Feb.	Jan.-Feb.
MINNESOTA			
Duluth-Superior	220	+ 9	+20
Fairmont	199	+10	+25
Mankato	203	+ 6	+20
Minneapolis	300	+10	+20
Rochester	193	+11	+12
St. Cloud	194	— 3	+10
St. Paul	211	+ 3	+16
Willmar	204	+18	+25
Winona	213	+20	+28
MONTANA			
Great Falls	245	+17	+30
NORTH DAKOTA			
Bismarck	186	+17	+24
Grand Forks	226	+14	+15
Minot	178	+17	+27
Valley City	143	+19	+35
SOUTH DAKOTA			
Aberdeen	267	+29	+42
Rapid City	299	— 2	+16
Sioux Falls	287	+11	+27
Yankton	256	+40	+49
WISCONSIN			
La Crosse	207	+25	+31

[1] Based on daily average sales.

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

Ninth District Business Indexes

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

	Feb. '51	Jan. '51	Feb. '50	Feb. '49
Bank Debits—93 Cities	381	378	325	307
Bank Debits—Farming Centers	454	435	394	378
Ninth District Dept. Store Sales	324p	325	284	274
City Department Store Sales	341p	343	313	282
Country Department Store Sales	308p	307	255	266
Ninth District Dept. Store Stocks	349p	343	308	306
City Department Store Stocks	322p	319	279	266
Country Department Store Stocks	370p	363	332	338
Country Lumber Sales	179p	166	164	145
Miscellaneous Carloadings	107	131	115	117
Total Carloadings (excl. Misc.)	96	109	86	97
Farm Prices (Minn. unadj.)	277	268	218	226

p—preliminary

Sales at Ninth District Department Stores*

	% Feb. 1951 of Feb. 1950	% Jan.-Feb. 1951 [1] of Jan.-Feb. 1950	Number of Stores [2] Showing Increase	Decrease
Total District	110	121	218	60
Mpls., St. Paul, Dul.-Sup.	108	119	18	8
Country Stores	114	124	200	52
Minnesota (City and Country)	108	119	70	24
Minnesota (Country)	110	118	55	16
Central	104	115	6	1
Northeastern	101	111	2	3
Red River Valley	102	113	5	1
South Central	107	120	12	2
Southeastern	118	121	10	2
Southwestern	113	121	20	7
Montana	113	125	27	7
Mountains	129	139	9	0
Plains	108	118	18	7
North Dakota	119	126	39	8
North Central	128	137	8	2
Northwestern	131	135	5	0
Red River Valley	109	118	15	3
Southeastern	124	130	8	3
Southwestern	154	148	3	0
Red River Valley-Minn. & N. D.	108	117	20	4
South Dakota	119	132	35	9
Southeastern	121	135	10	3
Other Eastern	120	131	22	4
Western	103	123	3	2
Wisconsin and Michigan	115	124	44	12
Northern Wisconsin	105	113	8	5
West Central Wisconsin	118	124	24	4
Upper Peninsula Michigan	113	134	12	3

* Percentages are based on dollar volume of sales.

[1] Cumulative figures are a combination of data for all reporting stores for January plus sales of those stores for which February figures are available.

[2] February 1951 compared with February 1950.

four large cities of this district were only 4 per cent above a year ago—the smallest increase reported for the 12 Federal Reserve districts.

In the second week, an increase of 13 per cent in sales was still below the average of 20 per cent for the nation, but it had risen to a point which was in line with the increase reported for several other districts. In the third week, this district experienced another heavy blizzard which undoubtedly will result in another decline in sales.

Department Stores Have Accumulated Stocks

Ninth district department store stocks continued to climb slightly in spite of heavy sales. The adjusted index, with the usual seasonal factor in stocks removed, stood at 348 per cent of the 1935-1939 average. The adjusted index for January was 343 per cent.

Should consumer buying slacken, as was experienced last fall, many firms may find the stocks on hand excessive. However, in view of rising average weekly earnings and high employment, it is doubtful that a slackening in retail sales could reach sizeable proportions.

Consumer Purchasing Power Expands

The average weekly earnings of a large number of employees have kept pace with the rise in prices. Average hours of work are longer than last year; therefore, earnings partially reflect longer work weeks.

As may be observed on the chart on the front page, figures on the earnings of factory employees in Minnesota, Montana, and in the nation reveal a steady rise during 1950 and in the first month of this year. In the nation, such earnings rose approximately 10 per cent during this period. In Minnesota, the increase was comparable, but in Montana the increase was substantially larger.

According to the index of retail prices, compiled by the United States Department of Commerce, retail prices in this period rose by approximately 9 per cent. A comparison of the rise in average weekly earnings with the rise in prices reveals that factory employees have maintained their purchasing power.

More important than the rise in earnings is the expansion in employment. During the past year, employment in the non-agricultural industries expanded to absorb most of the surplus labor in this area. However, the long-run trend of employment in this district is generally masked by wide seasonal fluctuations. In the states of this district, the low point in employment generally occurs in February. March figures usually show a marked seasonal expansion.

In spite of the recent seasonal contraction in employment, the long-run trend definitely has been upward. The number of workers employed in non-agricultural industries of the states in this district in January and February of this year and in the same months of 1950 is shown in the accompanying table. The larger number of pay checks being issued adds materially to the aggregate purchasing power of the public. END

CATTLE NUMBERS, REVERSING TREND, UP IN 1950

Continued from Page 156

wheat-growing areas of the west, livestock has been eliminated altogether from the farm.

Livestock Accounts for 54% To 59% of Farm Income

Because of fewer numbers of most classes of livestock on district farms in recent years, the share of cash farm income attributed to livestock is slightly below prewar levels.

For the three-year period, 1939-41, approximately 61% of cash farm income in the four full district states was derived from the sale of livestock and livestock products. In the last six years, it has varied from 54% to 59%.

However, relatively high prices for meat animals since 1944 have helped maintain at a high level the share of district cash farm income attributable to livestock. END

Cash Farm Income for Ninth District — January*

(Thousands of Dollars)

State	1935-39 Average	1950	1951	1951 in Per Cent of 1950
Minnesota	$ 26,141	$ 101,458	$ 111,723	110%
North Dakota	5,241	28,781	46,156	160
South Dakota	8,378	42,792	54,999	128
Montana	4,306	20,672	32,385	157
Ninth District[1]	50,300	210,545	266,158	126
United States	604,258	2,238,255	2,469,456	110

* Source: "Farm Income Situation"—January-February 1951.

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

Average Prices Received by Farmers in the Ninth District*

Commodity and Unit	Feb. 15, 1937-41 Avg.	Feb. 15, 1950	Feb. 15, 1951	Parity Prices[1] United States Feb. 15, 1951
Crops				
Wheat, bushel	$0.83	$1.92	$2.20	$2.36
Corn, bushel	.55	1.04	1.47	1.71
Oats, bushel	.31	.62	.85	.963
Potatoes, bushel	.64	1.26	.96	1.76
Livestock and Livestock Products				
Hogs, 100 lbs.	7.17	16.15	21.94	20.90
Beef Cattle, 100 lbs.	6.76	19.78	28.24	19.40
Veal Calves, 100 lbs.	8.65	25.02	32.82	21.80
Lambs, 100 lbs.	7.73	22.27	33.01	21.30
Wool, lb.	.26	.47	1.09	.552
Milk, wholesale, 100 lbs.	1.57	3.14	3.86	4.69
Butterfat, lb.	.31	.67	.74	.751
Chickens, live, lb.	.116	.172	.237	.306
Eggs, doz.	.156	.257	.353	.517

*Data compiled from USDA "Agricultural Prices," dated February 28, 1951.

[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.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, MARCH 29, 1951

INDUSTRIAL output and employment were maintained at advanced levels in February and early March. Retail sales declined from the record January rates and business inventories rose further. Bank loans to business continued to expand rapidly. Wholesale commodity prices showed little further rise. Bond yields increased following announcement of a new Treasury offering.

INDUSTRIAL PRODUCTION—The Board's seasonally adjusted index of industrial production was maintained in February at the advanced January level of 221 per cent of the 1935-39 average. March output was apparently at or slightly above this rate, which is about 20 per cent above year-ago levels and 11 per cent higher than in June 1950.

Output of durable manufactures rose somewhat further in February and early March. Steel output, which was reduced in early February as a result of the rail strike, subsequently advanced to a new record rate. With capacity expanding, aluminum production rose further in February to a rate 11 per cent higher than in mid-1950. Auto assembly since mid-February has been not far below the highest 1950 rate.

Activity in other transportation equipment and in machinery industries has continued to increase, as a result of the record rate of orders for producers equipment and the rapidly growing volume of defense orders. Output of household durable goods and building materials has continued in very large volume.

Production of nondurable goods has apparently declined slightly from the new record level reached in January, reflecting mainly the curtailment in wool textile output as a result of work stoppages beginning February 16. Cotton textile mill activity rose considerably in February to about the earlier record rate reached in 1942. Output of paper and paperboard has reached new peak levels. Production of manufactured foods and most other nondurable goods has been maintained in large volume.

Minerals production declined in February owing largely to the rail strike. In early March, production of coal and crude petroleum increased somewhat.

EMPLOYMENT — Employment in non-agricultural establishments, seasonally adjusted, has continued to expand moderately and in February was at a new record of 46 million. Hours of work in manufacturing remained at the January average of 41 per week, more than one hour above a year ago; average hourly earnings rose moderately in February to a new high of $1.56. Unemployment at 2.4 million was at the lowest level recorded for this month in the past five years and a further decline is indicated in March.

CONSTRUCTION — Value of construction contract awards increased by almost 10 per cent in February and has continued to rise seasonally in March. The total value of work put in place in February also increased further, after allowance for seasonal influences, reflecting increases in all types of private construction activity. The number of housing units started was 80,000 as compared with 87,000 in January and 83,000 in February 1950.

DISTRIBUTION—Retail sales of automobiles and most other goods have been at high levels in February and March. Sales of apparel and of housefurnishings, however, have declined substantially from the record January levels after allowing for seasonal influences. The Board's seasonally adjusted index of value of sales at department stores decreased from 362 in January to 325 in February and in March has declined further. At the end of February, value of department store inventories was more than one-fourth larger than on the same date in 1950, with stocks of television sets and some other goods reported to be especially ample.

COMMODITY PRICES — The wholesale price level has shown little further advance since mid-February. Increases have been permitted in federal ceiling prices for automobiles and carpets, while prices of some materials have receded from earlier peaks.

Consumer prices advanced 1.3 per cent further in February. Retail food prices increased 2 per cent to a level 16 per cent above a year ago.

BANK CREDIT—Business loans continued to expand rapidly during February and the first half of March. At this season of the year, business loans usually decline. Real estate loans and bank holdings of corporate and municipal securities also rose moderately.

The privately held money supply was about as large in mid-March as in early February. The continuing private credit expansion tended to increase the supply, but this effect was about offset by tax payments and further gold outflow.

Bank reserves increased from early February through mid-March, reflecting in part substantial Federal Reserve purchases of government bonds.

MONEY RATES AND SECURITY MARKETS—Interest rates rose somewhat further in March. On March 8, the Secretary of the Treasury offered holders of the 2½ per cent bonds of June and December 1967-72 the privilege of conversion into a new nonmarketable 2¾ per cent bond maturing April 1, 1980, and callable on April 1, 1975. The new bond will be exchangeable at the option of the owner into marketable 5-year 1½ per cent Treasury notes to be dated April 1 and October 1 of each year.

Following the announcement, yields increased on medium and long-term Treasury securities and corporate and municipal bonds. Later in the month, yields on short-term Treasury issues rose somewhat. Rates charged borrowers on prime commercial paper and on bankers acceptances increased by ⅛ of a percentage point.