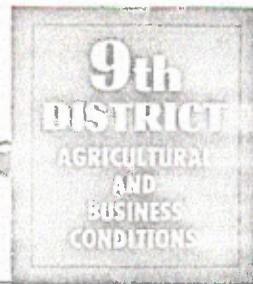
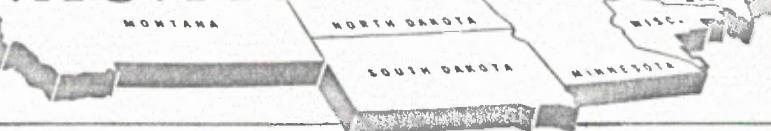


MONTHLY REVIEW



Vol. 10

MAY 31, 1951

Serial
No. 17

Agriculture in Strong Position for Long Pull

YOUNG farmers today face a future which appears from an over-all economic viewpoint to be decidedly favorable over a period of 20 years or longer.

There will be temporary market surpluses and gluts in the period ahead, to be sure, but there is evidence that chronic farm surpluses at ruinously low prices, lasting for years in succession such as occurred during the 1920's and 1930's, may be largely a matter of history.

Evidence is also available which indicates the farmer's future economic position may be much more stable than it was in the inter-war period of the 1920's and 30's. Should U. S. population continue to increase at present rates during the next two decades, the farm problem may well be one of holding some farm prices down to a reasonable level rather than the other way around. For example, the greatly expanded demand for beef in recent years boosted cattle prices to around 150 percent of parity by mid-April 1951.

There is little doubt, however, that future development in the agricultural sciences will make it possible to maintain, if not improve, the present magnificent dietary standard which we enjoy in the U. S. Even so, it is possible that over the next 20-year period, food may comprise a somewhat larger share of the average person's budget than is true today. This would most likely be true if world political and military developments are such as to stimulate huge expenditures year after year for defense. The economic effects from a seriously troubled world situation hold out small promise of a rising standard of living in which food costs might be substantially reduced.

World Demand for Food May Equal and Even Exceed Supply Over the Next Two Decades; Costs a High Risk Factor in Farming Today

By FRANKLIN L. PARSONS

These statements concerning agriculture's long-run prospects are based on an interpretation of certain supply and demand factors which are expected to be effective over the next 20 years or so.

New Farm Land Can't Match Population Growth

On the supply side, the agricultural picture in the U. S. may shape up about as follows over the next 10 to 20 years:

It may be more and more difficult to expand total food production at the same rate as in the past. Even during the past six years, total food production has remained at about the same rate—approximately some 35% to 40% above the pre-war level.

The tremendous increase in food production in the World War II period was due to a number of factors, such as farm mechanization, use of hybrid seed, new insecticides and weedicides, favorable weather, and to a large carryover of surplus wheat and feed grains from the late 1930's.

Mr. D. Howard Doane said in a recent speech before the Minneapolis Farm Forum, "There is no question but what the farmer will do his part (to produce more) but there is, in

my opinion, very little chance to increase total volume of production as he did during World War II. Then he increased it 35% or added 35 units of gross volume of product. He has maintained that volume. To again increase his production by 35%, he must add 47 additional units. Or, reversing the figures, we may say that to add 35 units he will have to increase production by about 25%.

"Either way you say it, I feel sure you will agree that the probability of any such increases on top of those added during the last 10 years is very remote. Nevertheless, the need is even greater, for there are more of us here at home and our World commitments are greater."

It is a fact that the supply of farm land is relatively fixed. There is little additional farm land that can be brought into profitable cultivation at today's price level. The additional land that may be farmed probably will not match the future trend in population growth. Furthermore, reclamation and development of new farm land may be about offset by the tragic loss of soil by erosion and poor land use.

During the past 30 years, agriculture has passed from a horse economy to a tractor economy. Thirty years ago about one-fourth of the total harvested crop acres was utilized for horse and mule feed—this being the fuel for farm power. Today, farm power comes from below the ground. There are few horses and

mules left. Some 65 million acres, or about 18% of total crop land, have thus been released during the past 30 years to produce food and fiber for human consumption.

This "cushion" or "slack" in harvested acres for human use has now been used. In the future, there is bound to be a gradual decline in the number of crop acres per capita in the United States.

Unfavorable Weather Cycle Could Cut Food Supply

We have been through a 10-year period, more or less, of favorable weather. Can this favorable weather cycle be expected to continue during the next 10- or 20-year period? Probably not, unless we can learn how to make it rain where and when we want it.

Likewise, can we expect agricultural technology to continue with its dizzy pace of accomplishments? There is a ray of hope here. There is hope, too, in the fact that modern farming methods make it possible to produce food even though weather conditions may be relatively unfavorable at some seasons.

In the past, the U. S. imported certain farm products that were in short domestic supply. Until quite recently the U. S. was a regular net importer of cheese from Europe, flaxseed from Argentina, and beef cattle from Mexico. In periods of drought or emergency such as in the mid-1930's, such products as wheat, corn, and other feed grains were imported, mostly from Canada.

In the future such supplies may be more difficult to secure because of the pressure of demand from world population growth on the supply of farm products.

World food production has not begun to keep up with the growth in world population these past 10 years. Part of this was due to dislocations caused by war. A recent OFAR report indicates world food output in 1950 is at about the prewar level, with total population up 10%.

The big question mark in agriculture's future is to what extent scientific discovery and technological advancement can increase the supply of food. Reclamation, soil conservation, and better nutrition will play a part

to be sure, but will these factors and the extent to which they are adopted on a worldwide basis offset the great surge in population growth in the U. S. and the world at large?

The scientific outlook for agriculture is one answer and it is encouraging. As one writer puts it, "One finds hope in the fact that science knows so much, and even greater hope in the fact that science knows so little."

Trend Is Toward Fewer Crop Acres Per Person

The second factor in the long-run agricultural outlook equation is demand. Will long-run demand for farm products over-shadow potential food supply? It may for the following reasons:

The market for farm products is people, and the people of the U. S. have doubled in number during the past 50 years. Population has increased more than 20 million during the past 10 years. Twenty years from now, our population may be up another 25 to 30 million—to 175 or 180 million persons, maybe more.

With land supply constant and a vigorously growing population, a seriously depressed agriculture in the next 20 years does not seem probable, at least not a depressed situation anywhere near comparable to the two decades of the 1920's and 1930's.

There may be serious surplus problems with some farm commodities such as wheat and cotton, or now and then some other crop. But even in the case of wheat or cotton, some other crops such as grasses, feed grains, or vegetable oil crops may be grown in place of these surplus trouble crops, provided farm price legislation is realistically attuned to consumers' real needs.

The facts are, however, that the number of crop acres per person in the U. S. may gradually decline from the present three acres per person. It may never reach China's low of less than ½ acre per person, because of the western world's tendency to more or less balance population growth with the supply of resources, but the trend is in that direction.

People in the U. S. cannot be unmindful of the trend in world population growth and food production.

These trends may become more and more significant to American agriculture in the immediate years ahead. These trends may also be important to the existence of the U. S. as a free nation.

The world population is increasing at the fastest rate in history—an explosive 20 million per year. There are 2½ billion people in the world today. This is double the number of 100 years ago. At present rates of increase, the number will be 3½ billion in another 50 years.

The thin line between population growth and food supply is said to become more precarious year by year.

This is so partly because of tremendous advancement in holding in check two great allies of the grim reaper—disease and pestilence. People live longer. Fewer babies die—and more people reach reproductive ages. Public health, sanitation, and the new miracle drugs have had the effect of saddling the world with a pressing new problem of food supply.

In India, population increased more than 50 million in the past 10 years, about ⅓ the total population of the U. S. India wants two million tons of American grain to prevent the current starvation of several million people. If this is granted, and it should be on humanitarian grounds alone, India will soon need even more food to match new levels in population growth.

In China, there are approximately 475 million people. In another 50 years there could be 950 million Chinese. In Japan, there are 80 million people without a decent food standard. These people live in an area about the size of Montana. The U. S. has been spending about \$250 million a year to send additional food to the Japanese. If these food imports were stopped, the Japanese would become more vulnerable to the Communist line.

Someone realistically has said that the threat to peace in the world in our time is not so much a political ideology but population pressure on food resources.

We, in the U. S., cannot be too complacent with our food abundance. We may be called on more and

BANKING

Demand Deposit Rise Lags in District

DEMAND deposits held by individuals, partnerships and corporations in Ninth district banks reached a record level January 31, 1951, it was revealed by the survey of these accounts made by the Federal Reserve Bank of Minneapolis. Total demand deposits this year exceeded the previous record level of 1948 by more than \$60 million.

However, the figures show that the relative increase, which was slight, fell short of the national increase.

This was attributable to the fact that deposits held by business firms increased substantially, whereas those of non-business holders remained relatively stable.

Since other districts hold a larger proportion of business accounts than Ninth district banks, banks in areas of greater industrial concentration were the chief gainers of demand deposits in the period under survey.

More important than the overall increase in demand deposits, however, was the variation shown in the growth of deposits in the various types of accounts and in the various size groups of banks within the district.

Business Deposits Gained Over Others, '48 to '50

An obvious variation can be seen by dividing deposits into business and non-business accounts. A look at Chart I will reveal that business accounts in the Ninth district banks have been growing steadily since 1945—even during years when total deposits dropped. On the other hand, total volume of non-business demand deposits increased at a faster rate than those of business firms in the period 1945-47, and thereafter declined relatively.

In 1948 and 1949, not only did non-business deposits decline relative to business accounts—they fell in absolute amounts. In 1950, demand deposits of non-business holders increased slightly, but not so much as those of business firms.

As was the case in 1949, deposits of farmers dropped in 1950. The

slight drop in farm income last year, as well as increased spending by farmers for industrial goods, made it necessary for farmers to draw on the balance of their demand accounts. However, there was a corresponding increase in other personal accounts which offset this decrease. Thus the net effect on total non-business accounts was a slight increase over the previous year.

The growth in business accounts can be attributed mainly to the increase in demand deposits of manufacturers, which rose by \$32 million. However, all types of business accounts increased except trade accounts, which remained about the same for the third straight year.

Larger Banks Fared Better Than the Smaller

Consistent with the movement of deposits away from farmer and other non-business accounts was the trend of more than proportionate increases in total deposits of the larger banks. Since business firms gained deposits, while non-business accounts fell in amount (or gained less rapidly), the larger banks in the district have

► **Ownership survey reveals that total demand deposits in Ninth district banks as of January 1951 had risen slightly, but relatively less than those of other geographical areas.**

► **Business accounts have continued to increase since inception of survey in 1945.**

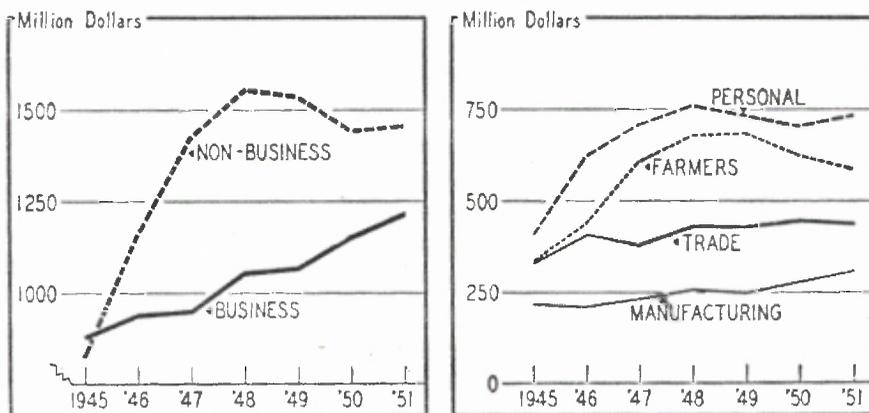
► **Non-business accounts, which declined in 1949, increased in 1950 but relatively less than the over-all increase. A decrease in farmer accounts was offset by a rise in other personal accounts.**

fared better than the smaller ones since 1948. This is true because the bulk of business accounts is placed with the larger banks.

Deposits of the smallest banks increased only slightly in 1950 and were still more than \$25 million below the 1938 record level. Only the larger banks in the district, those with demand deposits over \$10 million, showed a noticeable gain.

Chart I

NINTH DISTRICT DEMAND DEPOSITS BY VARIOUS TYPES OF HOLDERS (1945-1951)*



BUSINESS accounts have increased every year since 1945. Farmers' accounts have declined in recent years, while manufacturing accounts have increased.

* Demand deposits of individuals, partnerships, and corporations as of January 31 each year.

Industrial Areas Better Off Than Agricultural

The decline in demand deposits held by farmers in 1950 and the rise in those owned by business firms, notably manufacturers, provided at least a partial explanation for the lag in the growth of demand deposits in the Ninth district over that of banks in the nation as a whole. Assuming that farmers nationally lost deposits to urban business holders, the districts most predominantly agricultural would fare less well compared with areas of industrial concentration. The Ninth district, as is well-known, is predominantly agricultural—more so than other districts.

That being true, it might be expected that deposits in banks of this district would not increase as much as those held in banks elsewhere. That this was the case is revealed by the fact that demand deposits in this district increased only 3%, whereas such accounts for the nation as a whole rose 7 per cent. This trend began in 1949 and continued in 1950.

Last year, for the first time, a measure was taken of the variation in demand deposit ownership within the district. The Dakotas and Montana made up the western area and Minnesota, and the parts of Wisconsin and Michigan in this district made up the eastern area. This year the difference in ownership patterns were found to be about the same as last year. That is, farmer accounts are far more important in the west than in the east.

Ownership of Demand Deposits Ninth District, January 31, 1951

(Estimates in Millions of Dollars)

| Type of Holder | Total Deposits | % Change from 1-31-50 |
|----------------------------|----------------|-----------------------|
| Manufacturing & | | |
| Mining | 308.7 | +11.5 |
| Public Utilities | 142.0 | +33.0 |
| Trade | 434.4 | - 2.9 |
| Other Non-Financial..... | 156.9 | + 0.9 |
| Insurance | 52.9 | - 2.4 |
| Other Financial | 117.9 | + 5.2 |
| Trust Funds | 37.0 | +98.9 |
| Non Profit | 99.7 | + 4.3 |
| Farmers | 587.5 | - 5.5 |
| Other Personal | 733.9 | + 4.1 |
| Total | 2,670.9 | + 3.0 |

It is interesting to note that the decrease in farmer accounts will therefore have a much greater effect in the western part of the district. Demand deposits of manufacturers, on the other hand, are relatively much more important to banks in the eastern part of the district. Chart II shows the distribution of demand deposit accounts by location.

Summary and Conclusions

Observations on demand deposit ownership in the Ninth district in the year ended January 31, 1951, may be summarized as follows:

Deposits are up; but the increase is not as great as that experienced throughout the country as a whole.

Within the district, we find a movement of demand deposits from small banks to large banks and from western banks to eastern banks.

Finally, all of these trends seem to be due to the slight decline in net farm income during most of 1950 and increased spending by farmers for industrial goods, such as machin-

ery, equipment, automobiles, and household appliances. The net result was some reduction in farmers' demand deposits in the Ninth district in the past year. END

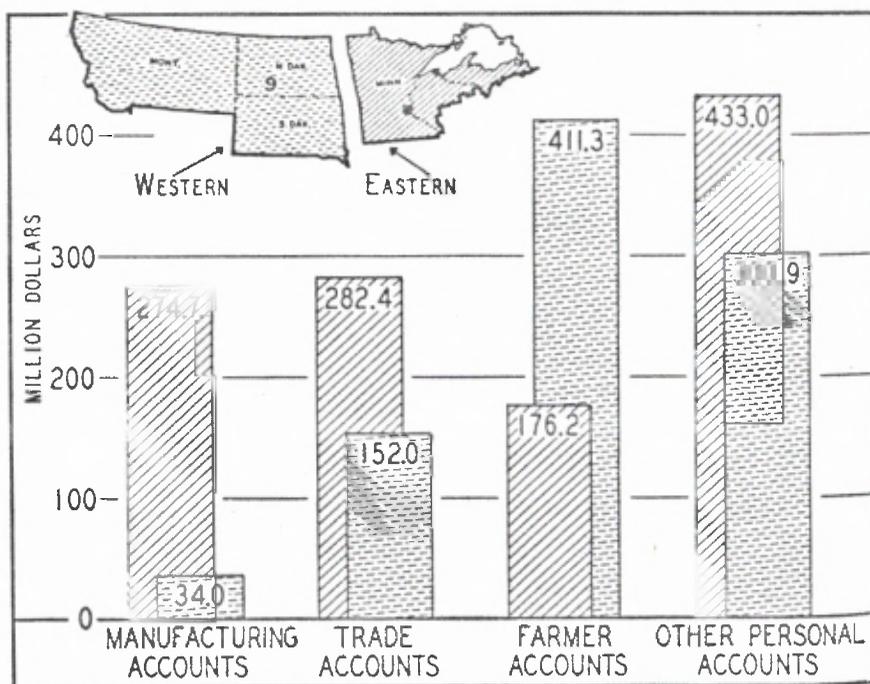
April Banking Developments

LOANS and discounts at Ninth district member banks displayed a lesser rate of increase in April than in any month since the beginning of the uninterrupted rise in September of last year. The April increase of \$12 million is in contrast to the previous months' increase of \$39 million, which was the largest since September. Half of the new loans were made at the 20 weekly reporting banks.

Data from the reporting banks indicate that commercial, agricultural, and industrial loans accounted for the entire increase. A minor increase in real estate loans was exactly offset by a reduction of loans on securities. Other (larger consumer) loans were unchanged.

Continued on Page 181

Chart II
RELATIVE IMPORTANCE OF VARIOUS TYPES OF DEMAND DEPOSIT
ACCOUNTS TO EASTERN AND WESTERN BANK GROUPS



ALTHOUGH western banks hold less than 40 per cent of total demand deposits of individuals, partnerships, and corporations, they hold demand accounts of farmers which are more than twice as large as those held by eastern banks.

BUSINESS

Resort Business Picture Looks Bright

THE resort season in the Ninth district opened this month for what could very well be a record year.

Good prospects are warranted from three facts. First, consumer incomes are at an all-time high; second, tight credit terms restrict the purchase of many types of goods on which consumer incomes might be spent; and third, there is uncertainty whether tires and gas will be freely available for civilian use after this year.

Although accurate statistics are scarce, the tourist and vacation business is important to the Ninth district and draws considerable revenue into the district.

The forested, mountainous areas of the western section of the Ninth district have three great tourist centers: Glacier national park of north-western Montana; Yellowstone national park, part of which lies in Montana; and the Black Hills-Badlands region of western South Dakota.

Tourist Revenue \$65 Million in Montana, South Dakota

These are big tourist attractions. Glacier national park entertained some 300,000 visitors during 1949. The Montana highway department estimates expenditures by auto tourists in Montana at \$65 million during 1949. For comparison, total cash farm income in Montana during that same year amounted to \$301 million. Thus, income from tourists was about one-fifth as large as the income from agriculture—a very substantial figure.

Expenditures by out-of-state visitors in South Dakota during 1949 were placed at \$66 million. The biggest drawing card is the Black Hills, with the Badlands, located 60 miles to the east, being second in importance. Exact figures on the number of resorts in these areas are not available, but it is estimated that Black Hills resorts and motels can accommodate 20,000 to 25,000 persons a day. The

most popular seasons here are June, July, and August, although many resorts are open the year around.

The attractions in this section of the district are largely for the sight-seer tourist, although western Montana has many lakes with vacation resorts. The average out-of-state visitor spends four days in South Dakota, two of these in the Black Hills. As for Montana, visitors questioned at Glacier national park spent an average of 8½ days in Montana, five of which were in the park. North Dakota offers the Theodore Roosevelt national memorial park, Garrison dam, and other interesting attractions for many tourists.

District Embraces Variety of Vacation Facilities

In the eastern half of the Ninth district there are many resorts and vacation facilities scattered throughout the lake-dotted areas of central and northern Minnesota, northern Wisconsin, and the Upper Peninsula of Michigan. Many of these accommodations are for the one-stop vacationer where reservations play a big role. The Federal Reserve bank is now beginning to collect information on reservations which will indicate the advance business trends each month.

There are about 4,000 resorts, including over-night accommodations,

▶ **High incomes, credit restrictions, and future uncertainties are chief factors promising good season.**

▶ **Ninth district attractions vary from "one-stop" facilities in eastern lake regions to spectacular scenic areas of the western section.**

▶ **Retail stocks of merchandise have grown substantially since January. Radios, phonographs, television sets, and men's clothing were in large supply in April.**

▶ **Department store sales since February have returned to a dollar volume fluctuating around that of a year ago.**

proximately half of these year-round in Minnesota. The northwest section of Wisconsin (the "Indian Head Country") has over 800 resorts accommodating approximately 40,000 persons. The average Minnesota resort has a five-month season, running from May 15 to October 15, with most resorts opening during the first few weeks in May. Wisconsin resorts seem to have a somewhat longer season, opening about a week earlier and closing a few weeks later. About 10% of the Minnesota resorts are open all year around. Ap-

Ninth District Business Indexes
(Adjusted for Seasonal Variation—1935-39=100)

| | Apr. '51 | Mar. '51 | Apr. '50 | Apr. '49 |
|--|----------|----------|----------|----------|
| Bank Debits—93 Cities | 402 | 367 | 334 | 328 |
| Bank Debits—Farming Centers | 455 | 416 | 393 | 395 |
| Ninth District Dept. Store Sales..... | 287p | 249 | 277 | 292 |
| City Department Store Sales..... | 299 | 264 | 294 | 298 |
| Country Department Store Sales..... | 276p | 235 | 261 | 286 |
| Ninth District Dept. Store Stocks..... | 383p | 363 | 316 | 305 |
| City Department Store Stocks..... | 380p | 339 | 296 | 281 |
| Country Department Store Stocks..... | 386p | 382 | 331 | 325 |
| Country Lumber Sales..... | 128p | 112 | 127 | 142 |
| Miscellaneous Carloadings | 139 | 134 | 130 | 127 |
| Total Carloadings (excl. Misc.)..... | 128 | 105 | 67 | 110 |
| Farm Prices (Minn. unadj.)..... | 281 | 279 | 221 | 231 |

p—preliminary.

accommodations are motels located in the southern part of the state and catering largely to businessmen during the winter months.

Of the 4,000 Minnesota resorts, 80% offer the housekeeping type of accommodation where meals must be supplied by the guest. Mixed type resorts—those which serve meals but have housekeeping facilities available also—comprise 17% of the total. The remaining 3% are strictly American plan resorts, a large share of which are located in the north-eastern ("Arrowhead") section of the state.

Minnesota resorts offer an estimated minimum of 25,000 units for rent at any one time, a unit being a room, cabin, or other enclosure rented out as a unit. Housekeeping resorts account for about 68% of the available units, mixed type resorts about 24%, and American plan resorts about 8%. The units are divided among the different sizes of resorts as follows: 55% of the resorts have five or fewer units, 40% have between six and 15 units, while only 5% have 16 or more units.

Current Business Developments

Stocks of merchandise in the hands of retailers have grown substantially since the heavy buying by the public during January and February. As a result of their large orders from retailers, factories producing civilian merchandise have strained their capacities to fill these orders.

Since consumer buying receded after February, some retailers now are overstocked. In general, retailers are carrying large stocks in view of industry shifting to the production of defense materials, which may cut back the output of civilian merchandise by the latter part of this year.

During April, stocks held by district department stores rose by another 5 per cent. The adjusted index at the end of April stood at 382 per cent of the 1935-39 base period.

An examination of stocks held by departments reveals the type of merchandise in large supply. As compared with a year ago, stocks of radios, phonographs, television sets, records, etc., and of major household

Sales at Ninth District Department Stores*

| | % Apr. 1951 of Apr. 1950 | % Jan.-Apr. 1951 of Jan.-Apr. 1950 | Number of Stores ¹ Showing | |
|------------------------------------|-----------------------------|---------------------------------------|--|----------|
| | | | Increase | Decrease |
| Total District | 99 | 109 | 135 | 150 |
| Mpls., St. Paul, Dul.-Sup..... | 99 | 108 | 13 | 16 |
| Country Stores | 100 | 111 | 122 | 134 |
| Minnesota (City and Country)..... | 98 | 108 | 34 | 63 |
| Minnesota (Country) | 96 | 106 | 22 | 49 |
| Central | 92 | 98 | 2 | 6 |
| Northeastern | 104 | 108 | 3 | 2 |
| Red River Valley | 100 | 102 | 3 | 3 |
| South Central | 93 | 114 | 3 | 9 |
| Southeastern | 97 | 109 | 3 | 10 |
| Southwestern | 95 | 104 | 8 | 19 |
| Montana | 98 | 114 | 19 | 13 |
| Mountains | 109 | 124 | 8 | 1 |
| Plains | 93 | 109 | 11 | 12 |
| North Dakota | 110 | 113 | 36 | 13 |
| North Central | 115 | 121 | 7 | 3 |
| Northwestern | 105 | 112 | 5 | 2 |
| Red River Valley..... | 107 | 110 | 15 | 4 |
| Southeastern | 119 | 116 | 6 | 4 |
| Southwestern | 119 | 127 | 3 | 0 |
| Red River Valley-Minn. & N. D..... | 105 | 108 | 18 | 7 |
| South Dakota | 98 | 111 | 17 | 31 |
| Southeastern | 104 | 113 | 5 | 10 |
| Other Eastern | 93 | 109 | 9 | 17 |
| Western | 94 | 111 | 3 | 4 |
| Wisconsin and Michigan..... | 101 | 113 | 28 | 28 |
| Northern Wisconsin | 100 | 107 | 6 | 9 |
| West Central Wisconsin..... | 100 | 113 | 15 | 15 |
| Upper Peninsula Michigan..... | 105 | 115 | 7 | 4 |

* Percentages are based on dollar volume of sales. ¹ April 1951 compared with April 1950.

Note: The percent change in department store sales from a year ago is computed on a larger sample of stores than the sample used for the index. In fact, some of the stores do

not come within the accepted definition of department stores. The larger sample of stores provides a more representative figure on sales by areas within the district.

appliances were large among a representative sample of department stores. In the soft goods line, stocks of men's clothing were especially high.

The best evidence available that stocks of finished merchandise are accumulating has been the effort made by some manufacturers, wholesalers, and jobbers to move stocks to retailers. Seasonal merchandise in some instances has been moved to retailers much ahead of the usual schedule.

For example, hardware stores and sporting goods dealers already have received merchandise for the fall hunting season. Some farm implement dealers have received machinery which was not on order.

The pushing of merchandise into retail markets has caused a few retailers to mail registered letters to their suppliers cancelling outstanding orders.

Department store sales in this district since last February have receded to a level which is comparable to the dollar volume of a year ago. The decline in sales is traced mainly to a change in the appraisals made by the public in regard to the outlook for the demand and supply of civilian merchandise.

During the winter months, the public bought heavily for future needs as they anticipated shortages of certain types of civilian merchandise and higher prices. Now many households are well stocked with both durable and nondurable merchandise. Furthermore, the high production of civilian merchandise with stocks accumulating in retail stores has allayed fears of future shortages. As a result, the public again has restricted its purchases to current needs.

The adjusted district index of department store sales for April was

89 percent of the 1935-39 average. For January, the adjusted index stood at 325 percent and for February, at 24 percent of the prewar base period. In comparison with a year ago, dollar receipts in April were approximately equal to those of last year.

For the district as a whole, April sales averaged 1 percent below last year's dollar volume, as may be observed in the table. In North Dakota, sales were low in April 1950 due to the inundated conditions in the Red River Valley. As a result, the percent increase in sales from 1950 was noticeably higher for this state as compared with the other states.

Residential building has declined at a time when it usually expands rapidly. According to reports issued by the F. W. Dodge Corporation, the amount of contracts awarded in this district aggregated 40 percent less in April as compared with the amount awarded in March. The amount of contracts awarded in April generally is nearly 50 percent above the total for March. Taking into consideration the usual seasonal expansion, the residential building industry in April was operating at approximately one-fourth of the capacity at which it was operating in March.

Building permit valuations issued for all types of construction during April were down as compared with the total valuation of permits issued a year ago. A considerable number of permits was issued for public buildings. Among them were several for new churches, additions

Index of Department Store Sales by Cities
(Unadjusted 1935-39=100)

| | March ¹ | April ¹ | Percent Change ² | | Jan.-Apr. |
|-----------------------|--------------------|--------------------|-----------------------------|-------|-----------|
| | | | March | April | |
| MINNESOTA | | | | | |
| Duluth-Superior | 234 | 282 | + 7 | + 4 | + 12 |
| Fairmont | 191 | 258 | - 6 | - 10 | + 5 |
| Mankato | 223 | 256 | - 5 | - 9 | + 4 |
| Minneapolis | 270 | 314 | + 1 | - 1 | + 9 |
| Rochester | 200 | 229 | + 0 | - 4 | + 4 |
| St. Cloud | 226 | 272 | - 13 | - 12 | - 4 |
| St. Paul | 223 | 263 | - 1 | - 4 | + 5 |
| Willmar | 199 | 271 | - 13 | - 8 | + 3 |
| Winona | 227 | 258 | + 3 | - 7 | + 9 |
| MONTANA | | | | | |
| Great Falls | 310 | 284 | + 14 | - 7 | + 13 |
| NORTH DAKOTA | | | | | |
| Bismarck | 189 | 305 | - 12 | + 23 | + 13 |
| Grand Forks | 276 | 302 | + 2 | + 9 | + 9 |
| Minot | 197 | 294 | - 11 | + 1 | + 7 |
| Valley City | 164 | 210 | + 7 | + 12 | + 19 |
| SOUTH DAKOTA | | | | | |
| Aberdeen | 259 | 304 | - 9 | - 5 | + 12 |
| Rapid City | 299 | 306 | + 17 | - 8 | + 9 |
| Sioux Falls | 254 | 339 | - 11 | + 5 | + 10 |
| Yankton | 240 | 280 | + 9 | + 4 | + 23 |
| WISCONSIN | | | | | |
| La Crosse | 245 | 247 | + 17 | - 3 | + 17 |

¹ Based on daily average sales.

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

to churches, and a new parochial school. Others were issued for school buildings, both public schools and schools of higher learning. Some of the largest permits were issued for warehouses, factories, and commercial buildings.

Labor market conditions during the winter months reflected shortages in some types of skilled labor. Although there has been a surplus of unskilled labor in this district, state employment offices esti-

mate that it would be absorbed by July.

The shortages of skilled labor, however, may not be as great as it appears upon the surface. Employers may be hoarding some of this labor; consequently, shortages may be less this summer than it would appear from surveys made among employers. The Minnesota Division of Employment and Security has urged employers to introduce training programs and to lower their standards for certain jobs. **END**

AGRICULTURE IN STRONG POSITION FOR LONG PULL

Continued from Page 174

more in the years ahead to share it with other peoples, because with the situation what it is, food may continue for a long time to be used as political and military weapon.

Defense Program Boosts Farm Income Prospects

Perhaps of more immediate and direct concern to farmers in the

Ninth district is future domestic demand. This is tied in closely with the defense program. Nobody will deny that we are living in troubled times. The mass of informed and authoritative opinion is that real world peace will not be achieved for many years—maybe not in our lifetime.

The defense program will stimulate employment. The mass of the people are likely to have liberal purchasing power for a high level diet. Perhaps durable goods may not be freely available in part of the period ahead. If so, people may eat as well or even better than they did during

World War II. The most effective farm program is a situation of full employment with well distributed income. We may have this situation so long as defense budgets are at or near current levels.

New markets for farm products are being developed in the chemurgic field. These industries are using more and more agricultural products and the by-products from the processing plants. Offsetting this to some extent, however, is the substitution of certain synthetics for farm products. One example is rayon and nylon for cotton. **(Continued on next page)**

Need for Price Supports Less in Next 20 Years

The young farmer's economic future appears generally optimistic even without consideration of his political future. Without questioning the merits or demerits of the government's price support program, it can be said that the government has become a major factor in agricultural affairs during the past 20 years. It will also be a factor in the next 20 years but perhaps not quite such an important one. The need for general price supports may be less.

We are likely, however, to have a government farm program which almost surely will work toward keeping a serious price and income depression from the farmer's door.

But aside from government's role in agriculture and its tendency to want to do too much rather than too little for farmers and other pressure groups, almost every economic and scientific fact points to a favorable economic climate for farmers in the years ahead.

It would be a mistake to say that the long-run prospects for young farmers are entirely rosy. There are many "ifs" and "buts" in the outlook. Economic facts favorable to one type of farm enterprise may not always be good for another. For example, a real food shortage and controls to encourage a grain economy such as we had during the world food emergency following World War II would be disastrous for livestock producers if put into effect over a short period of time.

Widespread drouth coupled with arbitrary across-the-board price ceilings could also spell disaster, since net income might be seriously curtailed while costs would remain high.

Costs Becoming Greater Problem in Farming

Costs and manpower are probably the two biggest headaches facing the farmer in the immediate future — if not for a much longer stretch of time.

The military and defense programs are likely to be bidding for available manpower for a long time. This means that labor may be scarce and expensive for a long time, too. It suggests the farmer should give

Cash Farm Income for Ninth District—January-March* (Thousands of Dollars)

| State | 1935-39 Average | 1950 | 1951 | 1951 in Per- cent of 1950 |
|-----------------------------------|--------------------|------------|------------|------------------------------|
| Minnesota | \$ 76,843 | \$ 279,356 | \$ 311,433 | 111% |
| North Dakota | 17,388 | 64,764 | 89,231 | 138 |
| South Dakota | 23,345 | 102,549 | 129,405 | 126 |
| Montana | 12,874 | 49,012 | 75,681 | 154 |
| Ninth District ¹ | 148,196 | 548,474 | 672,430 | 123 |
| United States | 1,680,482 | 5,622,351 | 6,498,776 | 116 |

* Source: "Farm Income Situation"—April 1951.

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

renewed attention to mechanical and other labor-saving devices for his farm.

It takes a great deal of cash to farm these days. Both land prices and operating expenses are at all-time highs. Costs are the biggest risk the young farmer just getting started has to face, particularly if he is using much credit.

High expense associated with modern farming simply means that a farmer could "lose his shirt" rather quickly if he experienced a serious crop shortage, or if farm prices should break quickly and drastically.

Only 10 short years ago expenses on typical southwestern Minnesota farms were less than one-fifth of the total capital outlay. Today, annual costs are equal to more than one-third the total capital outlay on these Minnesota farms.

There are a host of new costs in farming that were not present 20 to 40 years ago. For example, 20 to 40 years ago farmers raised their own power and the fuel to operate it. Now they buy it from the machinery equipment and oil dealers.

Twenty to 40 years ago few farmers used commercial fertilizer. In the next 20 years most farmers will be using it in one way or another. Twenty to 40 years ago farmers raised most of their own seed. Now they buy it from specialized seed houses. Only in recent years have farmers paid high income taxes. On the first of this year, farmers were required to pay the new tax for old age security benefits and for insurance on workmen's compensation laws.

This enumeration of cost factors is by no means complete, but it does serve to show that farmers today are quite vulnerable to costs.

Economic adversity today for the

average farmer would be a much more serious situation compared with earlier times — when he could just tighten his belt another notch and hope for better crops and prices the following year.

Conclusions:

In conclusion, the long-run prospects for young farmers may be summarized as follows:

- The extent to which food supply can be increased will depend on continued scientific discovery and adaptation of new techniques in agriculture. There is hope here, but expansion in over-all food supply will be seriously limited by the almost fixed amount of farm land and of continuing loss by soil erosion.
- On the demand side, population pressure both here and abroad may more than offset potential food supply over the next 10- to 20-year period.
- Farm mechanization and new technology in agriculture put major emphasis on farm costs. Annual farm costs now comprise a high percentage of total capital outlay. Farmers, particularly those carrying a heavy debt load, are therefore much more vulnerable to drouth and price depression than ever before. **END**

BANKING TABLE

* This table is in part estimated. Data on loans and discounts, U. S. government obligations, and other securities are obtained by reports directly from the member banks.

Balances with domestic banks, cash items, and data on deposits are largely taken from 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.

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

| | Mar. 28, 1951 | Apr. 25, 1951 | May 16, 1951 | \$ Change Mar. 28-Apr. 25 |
|---|----------------|----------------|----------------|------------------------------|
| ASSETS | | | | |
| Comm., Ind., and Ag. Loans..... | \$ 353 | \$ 359 | \$ 349 | + 6 |
| Real Estate Loans..... | 106 | 107 | 109 | + 1 |
| Loans on Securities..... | 11 | 10 | 10 | - 1 |
| Other (largely consumer) Loans..... | 165 | 165 | 163 | |
| Total Gross Loans & Discounts | \$ 635 | \$ 641 | \$ 631 | + 6 |
| Less Reserves | 8 | 8 | 8 | |
| Total Net Loans & Discounts.. | \$ 627 | \$ 633 | \$ 623 | + 6 |
| U. S. Treasury Bills..... | 4 | 2 | 5 | - 2 |
| U. S. Treasury C. of I.'s..... | | | | |
| U. S. Treasury Notes..... | 138 | 137 | 140 | - 1 |
| U. S. Government Bonds..... | 329 | 319 | 318 | - 10 |
| Total U. S. Gov't Securities..... | \$ 471 | \$ 458 | \$ 463 | - 13 |
| Other Investments | 143 | 139 | 137 | - 4 |
| Cash and Due from Banks..... | 427 | 423 | 479 | - 4 |
| Miscellaneous Assets | 16 | 16 | 17 | |
| Total Assets | \$1,684 | \$1,669 | \$1,719 | - 15 |
| LIABILITIES | | | | |
| Due to Banks | \$ 269 | \$ 277 | \$ 294 | + 8 |
| Demand Deposits, Ind., Part., Corp. | 797 | 798 | 827 | + 1 |
| Demand Deposits, U. S. Gov't..... | 83 | 76 | 88 | - 7 |
| Other Demand Deposits..... | 136 | 126 | 110 | - 10 |
| Total Demand Deposits..... | \$1,285 | \$1,277 | \$1,319 | - 8 |
| Time Deposits | 237 | 236 | 235 | - 1 |
| Total Deposits | \$1,522 | \$1,513 | \$1,554 | - 9 |
| Borrowings | 37 | 29 | 38 | - 8 |
| Miscellaneous Liabilities | 18 | 19 | 19 | + 1 |
| Capital Funds | 107 | 108 | 108 | + 1 |
| Total Liabilities & Capital..... | \$1,684 | \$1,669 | \$1,719 | - 15 |

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

| | Mar. 28, 1951 | Apr. 25, 1951 | \$ Change Mar. 28, 1951 Apr. 25, 1951 | \$ Change Apr. 25, 1950 Apr. 25, 1951 |
|---|----------------|----------------|---|---|
| ASSETS | | | | |
| Loans and Discounts..... | \$1,208 | \$1,220 | + 12 | + 261 |
| U. S. Government Obligations..... | 1,329 | 1,296 | - 33 | - 328 |
| Other Securities | 282 | 279 | - 3 | + 18 |
| Cash and Due from Banks & Res..... | 802 | 807 | + 5 | + 61 |
| Other Assets | 33 | 32 | - 1 | |
| Total Assets | \$3,654 | \$3,634 | - 20 | + 12 |
| LIABILITIES AND CAPITAL | | | | |
| Due to Banks..... | \$ 308 | \$ 318 | + 10 | + 22 |
| Other Demand Deposits..... | 2,164 | 2,139 | - 25 | + 13 |
| Total Demand Deposits..... | \$2,472 | \$2,457 | - 15 | + 35 |
| Time Deposits | 890 | 889 | - 1 | - 52 |
| Total Deposits | \$3,362 | \$3,346 | - 16 | - 17 |
| Borrowings | 37 | 33 | - 4 | + 13 |
| Other Liabilities | 27 | 26 | - 1 | + 3 |
| Capital Funds | 228 | 229 | + 1 | + 13 |
| Total Liabilities & Capital..... | \$3,654 | \$3,634 | - 20 | + 12 |

**DEMAND DEPOSIT RISE
LAGS IN DISTRICT**

Continued from Page 176

Demand deposits continued to shrink in April. Withdrawals of \$8 million and \$7 million occurred at city and country banks respectively. The decline is seasonal and a reversal is anticipated for May on the basis of experience in other years. All of the \$1 million drop in time deposits was at the 20 banks.

Debits to deposit accounts at selected district banks were less in April. The annual rate of deposit turnover was 14.9, down .4 from March.

Borrowings by all Ninth district member banks were off \$4 million in April. The contraction represents a decline of \$8 million in the city and an increase of \$4 million in the country. Discounts and advances at the Minneapolis Federal Reserve bank were reduced by \$18 million during the month. The behavior of these two items (borrowings plus discounts and advances) suggests that member borrowing has shifted from the Federal Reserve bank to other banks.

Government security holdings were \$33 million less at the end of April than at the beginning. This compares with a liquidation of \$55 million in March. Bonds accounted for 77% of the decline at the reporting banks.

The funds acquired from liquidation of these securities helped to replenish reserves which had been under pressure mainly from three factors—increased loans, deposit withdrawals, and repayment of bank borrowings. These factors operate to reduce reserve balances of an individual bank or those of the banks of a district to the extent that they give rise to payments, respectively, to another bank or to banks outside that district.

Especially interesting are the latest (May 16) data from the reporting banks. Since the beginning of the month, reversals have occurred in three major items—loans, government securities, and deposits. Whether these changes represent anything more than temporary fluctuations remains to be seen, but the decline in loans warrants particular attention in light of recent money market developments.

END

National Summary of Business Conditions

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

OUTPUT and incomes were generally maintained in April and May, reflecting in part a further expansion in federal defense activities. Consumer demands for most durable goods slackened further, and total value of retail sales was only moderately above year-ago levels. Wholesale commodity prices decreased slightly in May and common stock prices showed fairly marked declines. Bank loans to business have shown little change since early April.

INDUSTRIAL PRODUCTION

--Output at factories and mines in April, as measured by preliminary figures for the Board's seasonally adjusted index, was 222 per cent of the 1935-39 average, the same as March. Not much change in this level is indicated in May. The current level of industrial activity is about 15 per cent higher than a year ago.

Production of durable goods showed little change in April as output of industrial equipment increased somewhat less than in other recent months; passenger car assemblies decreased 15 per cent; and production of furniture, television sets, and most other household durable goods was reduced. Output of metals and most building materials was maintained at or above earlier advanced rates. Activity in the aircraft industry showed a further marked expansion.

Output of most nondurable goods was maintained in April. Production of chemicals expanded further, reflecting mainly increased output of synthetic rubber and other industrial chemicals. Activity in the cotton textile industry decreased, owing in part to a labor dispute which was terminated in early May.

Crude petroleum output expanded to new record levels in April and early May, and production of anthracite rose substantially from the

reduced March rate. Metal mining increased as iron ore production rose more than seasonally.

EMPLOYMENT—Total employment in non-agricultural establishments in April, seasonally adjusted, showed a smaller gain than in other recent months. Employment in defense and related activities continued to increase, while employment in consumer goods industries showed moderate declines. Average wage rates at manufacturing plants rose further. Unemployment declined to 1.7 million, one of the lowest levels reached in the last decade except for the war years.

CONSTRUCTION—Value of construction contract awards increased seasonally in April, reflecting chiefly gains in most types of private non-residential awards. Total awards in May are likely to increase further because of a very large contract issued by the atomic energy commission. The number of housing units started in April showed a contra-seasonal decline to 88,000, as compared with 93,000 in March and 133,000 in April 1950.

DISTRIBUTION—Total retail sales decreased further in April. In the early part of May, department store sales of durable goods slackened somewhat further, while sales of apparel and most other nondurable goods were maintained. Department store stocks at the end of April continued at the advanced level reached at the end of March and were nearly one-third above the corresponding period in 1950.

COMMODITY PRICES—Prices of 28 basic commodities have declined further since the end of April and on May 25 were 7 per cent below the February peak but 38 per cent higher than a year ago. Reflecting mainly declines in basic mate-

rials, the general level of wholesale commodity prices has decreased slightly since the end of April. Prices of finished goods have generally changed little.

Consumer prices in mid-April were maintained at the March level. Prices of foods declined slightly, but apparel, housefurnishings, and rents increased somewhat further.

BANK CREDIT and the MONEY SUPPLY—Bank loans to business in leading cities showed little change from mid-April to the third week of May, although there is usually a decline at this season. Credit extended for defense purposes continued to be substantial. Wholesalers and retailers also borrowed substantial amounts, while commodity dealers made large repayments on loans.

Deposits and currency held by businesses and individuals increased substantially in April, reflecting largely a shift of funds to private accounts as Treasury balances were reduced following the heavy inflow of tax receipts in March. At selected banks in leading cities outside New York the rate of use of demand deposits rose somewhat further.

Member bank reserve balances declined between early April and mid-May, reflecting gold and currency outflows, cash redemption of part of Federal Reserve holdings of the weekly maturing Treasury bills, and increases in Treasury deposits at the Reserve banks.

SECURITY MARKETS—Common stock prices reached a new post-war high early in May but subsequently declined to the lowest level since mid-January. While yields on Treasury securities increased somewhat in the first three weeks of May, there was little net change in yields on high-grade corporate bonds.