FEDERAL RESERVE BANK OF MINNEAPOLIS

MONTHLY REVIEW

9th DISTRICT AGRICULTURAL AND BUSINESS CONDITIONS

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AGRICULTURE

Sound Lending Requires Management Analysis

- ***Success in farming depends on organization and efficiency in management.***
- ***The banker who understands farm management efficiency measures is in a good position to make loans based on capacity or earning power.***

IN these days of record high costs in farming, narrowing profit margins in many farm enterprises, and general economic uncertainty, it behooves the country banker to examine carefully his agricultural lending policies.

A progressive farm lending policy should go further than the customary analysis of the collateral and character aspects of the loan. It should include careful appraisal of capacity or earning power of a farmer on his farm..

The policy of appraising earning power as a basis for extending credit to farmers places the banker in a stronger position to make a maximum contribution to the economy of his area. The problem is how to measure a farm customer's earning capacity.

Earning Power Depends on Management Efficiency

Some farmers have the ability to make money even in depression times. Others have a difficult time to make money in good years.

Last year careful records were maintained on a group of 139 above-average farms in a southwestern Minnesota farm management association. In this group the 28 most profitable farms had average net earnings upwards of $18,000, which included inventory increases and a 5% allowance on invested capital. The 28 least profitable farms had average net earnings of less than $3500. This margin illustrates the great difference in debt-paying ability among farms in a given area in an unusually prosperous year.

Why do some farmers "do better" than others? Based on studies of many farm businesses, farm managers have found there are several measurable factors which have a direct bearing on a farmer's earning capacity. These factors are: crop yields and choice of crops, number of livestock, returns from livestock, size of business, work accomplishment per worker, and control over expenses.

An analysis of these factors indicates that success in farming or ranching is not just luck. It is determined by how efficiently the farm is organized and operated in relation to these several factors.

Briefly the so-called efficiency factors in farm management may be described as follows:

Crop yields and choice of crops: High crop yields tend to lower the per unit costs of production. The more successful farmers produce yields substantially above average. One study shows that on a group of southwestern Minnesota farms during the 1940's, a 10% increase in crop yields at prevailing prices would have added approximately $7,000 to the cash income from crops for the average farm during the 10-year period.

Differences in crop yields per acre may vary 50% within a small area due to management practices such as following recommended cropping practices, fertilization, etc. Decisions relating to crops grown and crop rotations are important to sustained earning power.

Number of livestock: The Ninth district derives about two-thirds of its farm income from the sale of livestock and livestock products. Larger cash farm income and sustained debt repayment ability are associated with those farms which have one or more good livestock enterprises in operation. Typically, it's the farm with 15-25 cattle, a dozen sows, chickens, and a good line of farm machinery that the banker looks to for security and repayment. The experienced banker has learned to look twice before lending money to a farmer where there is no livestock.

Returns from livestock: High earnings are usually associated with efficient livestock production. Some farmers are better with livestock than others. There is an old saying among livestock producers that "the eye of the master fatteneth the flock." Livestock feeding efficiency is a result of proper sanitation, good pastures, shelter, balanced rations, and other good management practices. It doesn't take much "looking around" on a prospective customer's farm to determine whether he is above or below average in his livestock management program.

Size of business: Labor and equipment can be utilized more efficiently on moderately large farm units.

For example, on a group of small farms in eastern South Dakota averaging only 350 work units, operator's labor earnings in 1950 averaged around $3800. On about the same number of larger farms with approximately 743 work units the labor income averaged over $10,000. (A work unit is measured in terms of a 10-hour day of productive labor.)

Labor efficiency: Earnings are usually highest on those farms where the work accomplishment per worker is highest; in other words, where the workers are busy week in and week out throughout the year. Greater labor efficiency may be accomplished by increasing the size of the business, by planning the work on a seasonal basis, and by using proper equipment and practices.

Control over expenses: The costs in modern farming make up an ever-increasing share of income. Power, machinery, equipment, and building expense per crop acre or per work unit must be held within limits. Too often, farmers put more money into more tractors or specialized machinery than the size of the business justifies. On the other hand, a farmer may have too little labor saving equipment on his farm. Judgment is necessary to have the right balance.

The relationship of operator's labor earnings (net farm income less interest on farm capital and unpaid family labor and board furnished hired labor) to the efficiency factors discussed above is illustrated in the accompanying table.

Bankers Can Use Farm Management Data

Since the average farmer does not keep a complete set of farm management records, the banker must often do some improvising if he is to judge the relative earning ability of his farm customers. This may be accomplished by setting up some farm management standards or bench marks by which to estimate his customer's ability.

The values given in the accompanying table may not be fully appropriate to western cattle ranchers in Montana or the Dakotas, but the banker, with some assistance from the county agricultural agent, should be able to substitute figures that will be significant for his particular locality.

With some persistence on the banker's part, he should be able to get from his farm customer the necessary information which will make it possible to make a check or measurement of the farmer's potential earning ability. It is possible also that the banker as a result of farm management analysis can in many instances make suggestions that will result in greater efficiency and higher farm earnings. END

Relation of Operator's Labor Earnings on 139 Southwestern Minnesota Farms during 1950 to the Number of Factors in Which the Farmer Excels

No. of factors in which farmer excels	No. of farms	Your farm	The length of the lines is in proportion to the average operator's labor earnings	Average operator's labor earnings
None or 1	21	.....	xxxxxxxxxxx	$3801
2 or 3	57	.....	xxxxxxxxxxxxxxxxxxxxxxxxx	6846
4 or 5	49	.....	xxxxxxxxxxxxxxxxxxxxxxxxxxxx	7545
6 or 7	12	.....	xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx	9732

Source: Report 190, May 1951 — Division of Agricultural Economics — University Farm. St. Paul 1, Minnesota.

Efficiency Factors	Farm under analysis	Standard or average	Good standards
Size of Business			
Acres in farm	.....	200	240
Crop acres	.....	110	165
Number of beef cows	.....	15	25
Number of dairy cows	.....	8	12
Number of chickens (farm flock)	.....	100	350
Number of litters of pigs	.....	8	10
Total work units	.....	489	684
Investment in machinery and equip	.....	$5,991	$7,544
Investment in machinery and equip. per crop acre	.....	$ 55	$ 45
Crop Yields per Acre			
Wheat (bushels)	.....	18	22
Corn (bushels)	.....	40	55
Soybeans (bushels)	.....	18	25
Oats (bushels)	.....	45	65
Alfalfa hay (tons)	.....	2.5	3.0
Labor Efficiency			
Milk cows per man	.....	8	16
Work units per man	.....	250	325
Crop acres per man	.....	100	160
Livestock Efficiency			
# butterfat per cow	.....	160	250
Pigs saved per litter	.....	5.8	8
Eggs laid per hen	.....	110	165
% of calf crop	.....	85	90
# wool per head	.....	8	9

Average Prices Received by Farmers in the Ninth District*

Commodity and Unit	June 15 1937-41 Avg.	June 15 1950	June 15 1951	Parity Prices[1] United States June 15, 1951
Crops				
Wheat, bushel	$0.76	$ 2.00	$ 2.03	$ 2.42
Corn, bushel	.61	1.42	1.45	1.76
Oats, bushel	.30	.75	.72	.981
Potatoes, bushel	.61	1.35	.99	1.82
Livestock and Livestock Products				
Hogs, 100 lbs.	7.51	17.17	20.86	21.40
Beef Cattle, 100 lbs.	7.30	23.74	28.82	19.90
Veal Calves, 100 lbs.	8.36	26.91	33.77	22.20
Lambs, 100 lbs.	8.00	23.91	31.44	21.80
Wool, lb.	.26	.57	1.07	.569
Milk, wholesale, 100 lbs.	1.44	2.93	3.66	4.81
Butterfat, lb.	.29	.64	.75	.77
Chicken, live, lb.	.124	.178	.240	.314
Eggs, doz.	.156	.261	.404	.530

*Source: "Agricultural Prices"—June 29, 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.

BANKING

Price Increases Cut Consumer Income Gains

CONSUMERS fared relatively well last year despite a 2 per cent rise in the annual average of consumer prices between 1949 and 1950, for the median income of consumer spending units gained 10 per cent, rising from $2700 to $3000.

This was revealed by the first of a series of articles presenting findings of the sixth annual Survey of Consumer Finances conducted by the Board of Governors of the Federal Reserve System in January and February.*

By early this year, however, earlier income gains had been largely dissipated by price increases, the survey disclosed. That consumers are aware of the impact of rising prices on real income is demonstrated by the change in the proportion of people with higher incomes than in the previous year reporting that they feel better off financially.

Last year, 70 per cent of those who had improved their dollar incomes reported feeling better off financially. The proportion had dropped to half by 1951.

Of particular interest to the financial community are the survey's findings with regard to attitudes toward various forms of investment. As might be expected, the preference for traditional "inflation hedge" media has increased. Although they constitute only 20 per cent of the sample, the proportion of spending units expressing a preference for real estate and common stock has doubled since 1949. The preference is considerably more pronounced at the higher income levels. Interestingly, the reason most frequently given for this choice was not capital appreciation but the high rate of return.

In spite of a slight decline in popularity, assets of fixed dollar value were vastly more important as an outlet for current savings than assets of fluctuating value. Savings bonds and bank deposits were chosen by approximately 70% of the people interviewed. Safety was the most frequently mentioned reason for this choice.

Bank deposits were preferred by about 19% of the spending units expressing a preference for assets of fixed dollar value; yet this outlet for current savings was responsible for half the decline in popularity of fixed value assets. Chief reason for not holding bank deposits was low yield.

Despite widespread anticipation of future price rises, consumers continue to rate fixed value assets very highly because of their safety and also because of familiarity with them. END

- ***Proportion of those feeling better off financially dropped in first half of 1951, survey shows.***
- ***Higher income levels chiefly responsible for greater popularity of real estate and common stocks.***
- ***Velocity of circulation has been most important factor in monetary expansion since early 1950.***

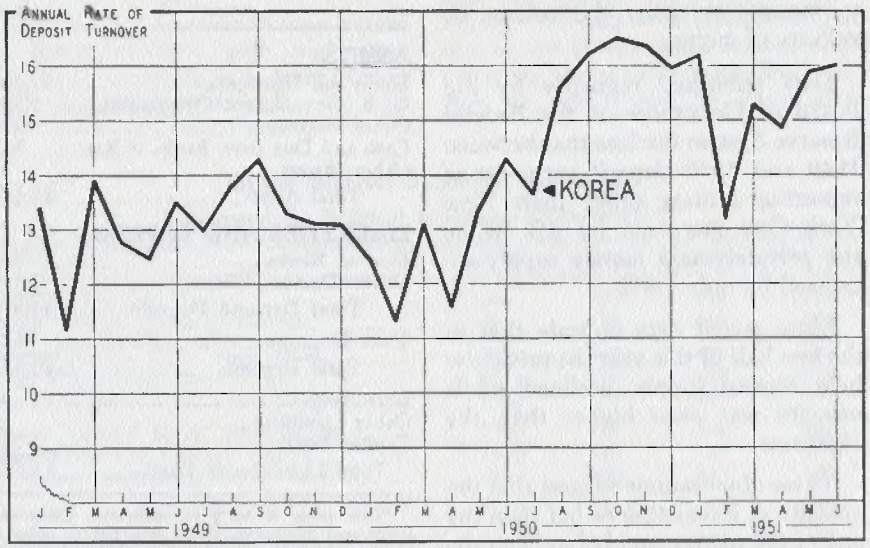
CURRENT BANKING DEVELOPMENTS

Loans and discounts at Ninth district member banks, which had declined in May for the first time in nine months, continued lower in June. Most of the drop was at the 20 weekly reporting banks. At the reporting banks a $5 million decline in commercial, industrial, and agricultural loans was only partially offset by a slight increase in real estate loans.

Government security holdings were down $9 million. Most of the liquidation occurred at the country banks. At the reporting banks, additions to certificate and note holdings almost completely offset the liquidation of bonds. The reappearance of certificates reflects the Treasury's June refunding exchange.

The reserve position of the district's banks was improved in June; this is in contrast to the preceding month, when excess reserves were at an unusually low level. Further evidence that funds were more readily available is the decline of $18 million in borrowing by banks. As was the

DEPOSIT TURNOVER AT SELECTED NINTH DISTRICT BANKS



SINCE the outbreak of war in Korea, deposit turnover at Ninth district banks has increased significantly. Higher turnover means that the dollar volume of bank debits has increased at a faster rate than deposits.

* Federal Reserve Bulletin, June 1951.

case last month, city banks were responsible for almost all of the change.

Latest (July 11) data from the reporting banks disclosed continued declines in loans and borrowing by banks.

Deposit turnover at selected district banks was up only slightly from May. The business section of this Review notes that bank debits in June of this year had increased 11% from June of last year. Bank debits are particularly significant when related to the volume of bank deposits. It is this relationship that determines deposit turnover.

Since bank deposits constitute approximately 90% of our money supply, the rate of turnover of these deposits is a rough measure of how intensively money is being used. Turnover is computed by dividing the dollar total of debits to deposit accounts for a given period by the average volume of those accounts for the period.

Changes in the turnover or "velocity" of the money supply are equivalent to changes in the size of that supply.

When economic activity is at a high level—that is, when the employment of resources is relatively complete—prices are especially sensitive to changes in either the volume or velocity of money.

Data published regularly by the Board of Governors of the Federal Reserve System disclose that between 1949 and 1950 deposit turnover at reporting centers other than New York City increased by 8% while the privately-held money supply increased by only 1.8%.

More recent data indicate that in the first half of this year the privately-held money supply declined while velocity was even higher than the 1950 rate.

These observations suggest that the velocity of circulation rather than the size of the money supply has been the more important factor in the monetary expansion that has occurred since early 1950. END

Assets and Liabilities of Twenty Reporting Banks

(In Million Dollars)

	May 30, 1951	June 27, 1951	July 11, 1951	$ Change May 30-June 27
ASSETS				
Comm., Ind., and Ag. Loans	$ 339	$ 334	$ 324	— 5
Real Estate Loans	109	111	110	+ 2
Loans on Securities	10	10	10	....
Other (largely consumer) loans	164	164	171	....
Total Gross Loans & Discounts	$ 622	$ 619	$ 615	— 3
Less Reserves	8	8	8	....
Total Net Loans	$ 614	$ 611	$ 607	— 3
U. S. Treasury Bills	5	6	12	+ 1
U. S. Treasury C. of I.'s	....	21	20	+ 21
U. S. Treasury Notes	130	136	134	+ 6
U. S. Government Bonds	332	302	301	— 30
Total U. S. Govt. Securities	$ 467	$ 465	$ 467	— 2
Other Investments	137	135	136	— 2
Cash and Due from Banks	443	449	485	+ 6
Miscellaneous Assets	17	16	15	— 1
Total Assets	$1,678	$1,676	$1,710	— 2
LIABILITIES				
Due to Banks	$ 263	$ 276	$ 311	+ 13
Demand Deposits, Ind., Part., Corp.	813	784	819	— 29
Demand Deposits, U. S. Govt.	74	70	59	— 4
Other Demand Deposits	122	158	157	+ 36
Total Demand Deposits	$1,272	$1,288	$1,346	+ 16
Time Deposits	234	234	234	....
Total Deposits	$1,506	$1,522	$1,580	+ 16
Borrowings	44	27	3	— 17
Miscellaneous Liabilities	20	19	18	— 1
Capital Funds	108	108	109	....
Total Liabilities & Capital	$1,678	$1,676	$1,710	— 2

Assets and Liabilities of All Ninth District Member Banks*

(In Million Dollars)

	May 30, 1951	June 27, 1951	$ Change May 30, 1951 June 27, 1951	$ Change June 28, 1950 June 27, 1951
ASSETS				
Loans and Discounts	$1,207	$1,203	— 4	+ 227
U. S. Government Obligations	1,299	1,290	— 9	— 298
Other Securities	276	274	— 2	+ 7
Cash and Due from Banks & Res.	825	833	+ 8	+ 44
Other Assets	34	33	— 1	+ 2
Total Assets	$3,641	$3,633	— 8	— 18
LIABILITIES AND CAPITAL				
Due to Banks	$ 301	$ 315	+ 14	+ 7
Other Demand Deposits	2,150	2,145	— 5	— 13
Total Demand Deposits	$2,451	$2,460	+ 9	— 6
Time Deposits	888	889	+ 1	— 43
Total Deposits	$3,339	$3,349	+ 10	— 49
Borrowings	45	27	— 18	+ 15
Other Liabilities	28	28	....	+ 4
Capital Funds	229	229	....	+ 12
Total Liabilities & Capital	$3,641	$3,633	— 8	— 18

*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.

BUSINESS

Business Indicators Reflect Mixed Trends

It is customary to present in this space each month a brief discussion of some current business topic of interest.

The topic selected for treatment this month was implications of current developments in oil production and refining in the Ninth Federal Reserve district.

This subject, it was decided, should be treated in a supplement to this issue of the Monthly Review, which will be distributed to the regular mailing list. You can therefore expect to receive a copy in a few days.

This supplement to the Review will deal with:

1. Prospects for development of important crude oil sources within the Ninth district.

2. Factual information about oil exploration and production that will provide a background for understanding current developments.

3. Outlook for the development of refining centers within the Ninth district.

4. Discussion of economic implications of these developments.

CURRENT BUSINESS DEVELOPMENTS

Bank debits, which represent the dollar volume of checks for business purposes drawn on Ninth district banks during June, were 11 per cent above June 1950. Substantial increases over a year ago have been maintained in each of the first six months of this year.

This enlarged business volume reflects an increased tempo of activity in fields of construction, transportation, manufacture of machinery and fabricated metal products and, in the early part of the year, retail trade.

Construction volume in the Ninth district during the first half of this year has remained generally above 1950 levels. In each month, with the exception of April, the F. W. Dodge Corporation figures on total construction contracts awarded show a dollar volume exceeding that of a year ago.

Both residential and non-residential construction have increased. Residential construction was ahead of a year ago in all months except April; non-residential construction exceeded the 1950 volume in all months except March and May.

Additional evidence is supplied by the data on employees in construction industries released by the various state divisions of employment and security. This employment is rather uniformly above a year ago.

Future prospects for construction are rather uncertain because of such factors as credit regulation and the current lack of mortgage money. The dollar valuation of building permits issued in the Ninth district—an indication of intention to build—reveal, when compared to last year, substantial declines in each month since February. Permits for the first six months of 1951 were 23 per cent below the similar 1950 period. However, this situation could be reversed rapidly given a factor or a combination of factors tending to stimulate construction.

Department store sales decreased 2 per cent in June in relation to a year ago.

The decline was due to some extent to the comparison with high June 1950 sales resulting from scare buying following the start of the Korean war.

- ***June activity in construction, transportation, and the manufacture of machinery exceeded that of a year ago.***
- ***Declining building permits hint that future construction prospects are uncertain.***
- ***Department store sales during June were down from May levels, while inventories, though declining, remained high.***

When compared to May of this year, however, there was also a decrease in sales.

The adjusted index of Ninth district department store sales declined slightly from 278 in May to 273 in June despite an increased volume of promotional selling by stores.

Department store stocks in district department stores declined slightly in June for the second consecutive month. After adjustment for seasonal variation, the index of Ninth district department store stocks was 370 per cent of the 1935-39 average. This compares with 378 for May and 382 for April, the all-time high. Further declines of a substantial nature would be necessary, however, to lower the index to year-ago levels. In June last year it was 304. Store men

Ninth District Business Indexes

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

	June '51	May '51	June '50	June '49
Bank Debits—93 Cities	384	405	347	322
Bank Debits—Farming Centers	448	459	410	394
Ninth District Dept. Store Sales	273p	278	283	266
City Department Store Sales	281p	296	298	279
Country Department Store Sales	266p	261	269	252
Ninth District Dept. Store Stocks	370p	378	304	301
City Department Store Stocks	345p	350	267	257
Country Department Store Stocks	391p	400	333	337
Country Lumber Sales	128p	127	177	148
Miscellaneous Carloadings	145	144	143	128
Total Carloadings (excl. Misc.)	122	121	111	123
Farm Prices (Minn. unadj.)	289	286	241	236

p—preliminary

are acutely conscious of these towering stocks of goods, as is evidenced by numerous special sales and other activities tending to stimulate selling.

END

Index of Department Store Sales by Cities

(Unadjusted 1935-39=100)

	June[1]	Percent Change[2] June	Jan.-June
MINNESOTA			
Duluth-Superior	260	−10	+ 4
Fairmont	271	− 7	+ 1
Mankato	262	+ 5	+ 5
Minneapolis	292	− 2	+ 6
Rochester	206	−13	− 1
St. Cloud	255	−15	− 6
St. Paul	237	− 7	+ 1
Willmar	272	− 9	+ 3
Winona	251	− 9	+ 6
MONTANA			
Great Falls	294	+ 2	+11
NORTH DAKOTA			
Bismarck	313	− 0	+11
Grand Forks	300	− 7	+ 6
Minot	301	+ 3	+ 7
Valley City	195	− 6	+14
SOUTH DAKOTA			
Aberdeen	348	− 9	+ 8
Rapid City	369	+ 3	+ 7
Sioux Falls	312	− 5	+ 3
Yankton	273	+ 6	+17
WISCONSIN			
La Crosse	262	+ 3	+ 14

[1] Based on daily average sales.

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

Sales at Ninth District Department Stores*

	% June 1951 of June 1950	% Jan.-June 1951 of Jan.-June 1950	Number of Stores[1] showing Increase	Decrease
Total District	98	106	163	136
Mpls., St. Paul, Dul.-Sup.	96	104	7	18
Country Stores	100	108	156	118
Minnesota (City and Country)	96	104	45	52
Minnesota (Country)	97	103	38	37
Central	91	96	1	7
Northeastern	112	108	5	0
Red River Valley	82	97	0	6
South Central	103	106	10	5
Southeastern	92	104	6	7
Southwestern	96	104	16	12
Montana	105	110	23	13
Mountains	105	114	8	3
Plains	105	108	15	10
North Dakota	99	110	26	25
North Central	101	118	7	3
Northwestern	105	110	6	1
Red River Valley	96	107	5	13
Southeastern	102	108	7	6
Southwestern	96	121	1	2
Red River Valley-Minn. & N. D.	93	105	5	19
South Dakota	98	106	25	27
Southeastern	98	105	10	6
Other Eastern	98	108	12	17
Western	96	106	3	4
Wisconsin and Michigan	104	110	44	16
Northern Wisconsin	112	108	11	3
West Central Wisconsin	108	111	23	8
Upper Peninsula Michigan	94	109	10	5

* Percentages are based on dollar volume of sales.

[1] June 1951 compared with June 1950.

Note: The percent change in department store sales from a year ago is computed on a larger sample of stores than that used for the index. Some of these stores do not come within a strict census definition of a department store, but use of the larger sample provides a more representative figure on sales by area within the District.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, JULY 30, 1951

INDUSTRIAL production in June was at about the same level as during the first five months of this year, but a somewhat more than seasonal decline is indicated in July. Prices of raw materials have decreased further in the first three weeks of July owing in part to prospects of near record crops. Consumer buying of automobiles and department store goods has been maintained, however, for this season of the year. The rate of federal defense expenditures has continued to rise considerably.

INDUSTRAL PRODUCTION—The Board's index of output at factories and mines in June was 222 percent of the 1935-39 average, and 12 percent greater than a year ago. Preliminary indications are that the index may decline to around 215 in July owing mainly to vacation shutdowns in nondurable goods industries, which are not currently allowed for in the index, and a further restricted volume of auto assemblies.

Total durable goods output was maintained in June as further increases in industrial and military equipment offset additional curtailments in output of furniture and other household goods. Although increasing only moderately in recent months, machinery output has risen more than 25 percent in the past year. Output of aircraft and ordnance has practically doubled since last June. Reflecting capacity limitations, production of basic metals has changed little in recent months.

A slight decline in nondurable goods production reflected largely a further easing in demand for textile and paper products. By June, output of these and some other nondurable goods was only moderately below earlier peak rates, but larger than seasonal declines are indicated in July.

Output at mines was at a record level in June, reflecting an increase in coal in anticipation of the vacation period for miners in July, and a slight further expansion in crude petroleum.

CONSTRUCTION — Construction contract awards, which rose to an unprecedented total in May as a result chiefly of almost $1 billion of publicly financed atomic energy awards, declined in June to about the April total. Private awards also fell off following a marked rise in May. Private housing starts in June remained substantially below last year's high level, but because of an exceptionally large volume of publicly financed units started, the total was only moderately below a year ago.

EMPLOYMENT—Employment in non-agricultural establishments in June, after adjustment for seasonal variation, was maintained at the record May level. The workweek in manufacturing industries continued to average close to 41 hours; average hourly earnings advanced further by about 2 cents to $1.60 per hour. Unemployment this June was at the lowest level for any June since 1945.

AGRICULTURE — Crop production, based on July 1 conditions, was officially forecast to be close to the 1948 record and 7 percent above last year. Cotton acreage was indicated to be three-fifths greater, and somewhat larger hay and grain crops were forecast. Milk and egg production in June was at last year's level. Marketings of meat animals, however, in June and the first three weeks of July have fallen about 5 percent below year-ago levels.

DISTRIBUTION—The seasonally adjusted total value of retail sales has continued to show little change from the reduced level reached in April. Durable goods sales were somewhat lower in June owing largely to a further decline in sales of building materials and hardware. Department store sales showed somewhat less than the usual seasonal decline from June to the first three weeks in July. Value of department store stocks declined moderately further in June, but was still about 30 percent above a year ago.

COMMODITY PRICES — The general level of wholesale commodity prices has declined since mid-June, to a level about 3 percent below the high reached in mid-March. As during earlier months, the recent decline has reflected chiefly decreases in prices of industrial materials. Spot cotton prices, which had held at ceiling levels until July 3, dropped rapidly following the release on July 9 of the government acreage report, which indicated a crop even larger than had been anticipated earlier.

Wholesale prices of most finished goods have been maintained, although reductions have recently become more numerous, reflecting reduced inventory demands and further declines in prices of some materials.

Consumer prices eased slightly in June, but the index was 9 percent above June 1950. Only rents increased slightly further.

BANK CREDIT and the MONEY SUPPLY — Business loans outstanding at banks in leading cities increased in June but declined somewhat in the first half of July. Loans for defense-supporting activities, including principally loans to metal manufacturers and public utilities, expanded further, while loans to processors of agricultural commodities were reduced further.

Deposits and currency held by businesses and individuals increased somewhat during June but showed little further change in early July. In June, the rate of use of demand deposits at banks in leading cities outside New York, on a seasonally adjusted basis, remained at the high May level.

Average interest rates charged by commercial banks on short-term business loans rose slightly further from March to June in all areas of the country.

MONEY MARKETS—Yields on government securities generally declined slightly in the first three weeks of July. The Treasury increased the bill offering by $200 million each week. On July 12 the Secretary of the Treasury announced the offering of an 11 month 1⅞ percent certificate of indebtedness to holders of the Treasury notes maturing August 1.