FEDERAL RESERVE BANK OF MINNEAPOLIS

MONTHLY REVIEW

9th DISTRICT AGRICULTURAL AND BUSINESS CONDITIONS

Vol. 10 NOVEMBER 30, 1951 Serial No. 23

Farm Prosperity Likely to Continue in 1952

Some Increase in Demand, All-out Production Expected to Swell Cash Farm Income to New Peaks, but Higher Costs to Limit Net Gains

By FRANKLIN L. PARSONS

FARMERS can look forward to 1952 as likely to be another year of generally favorable prices and sustained net farm incomes, assuming defense expenditures will proceed at an expanding rate as now planned.

The key to the demand situation will depend largely on the amount of money actually spent on defense. It is believed, however, that expenditures will be enlarged enough to increase employment further during 1952.

Also, more people will be engaged in defense work, more overtime pay may be required, and wage incomes will rise. It is expected that consumer incomes after taxes may expand as much as 12 to 15 billion dollars over 1951 levels. This would approximate a 6 per cent increase in consumer purchasing power during 1952.

Moreover, consumers may wish to spend a larger share of their income for goods and services in 1952 than in recent months of this year, when people have been saving at the highest rate in peacetime history—around 10 cents of each income dollar. Normally the rate of saving is nearer 5 cents.

It would appear that, since the first quarter of 1951, people have been concentrating on paying off accumulated debts and rebuilding cash reserves, rather than continuing the buying spree of late 1950 and early 1951.

There is some doubt that the current rate of saving will be continued through 1952. If these doubts are validated, most if not all of the anticipated 12 to 15 billion dollar increase in purchasing power may be exercised in the market places.

With full employment and further increases in widely distributed purchasing power in 1952 indicated, there seems to be real assurance that the demand for farm products will be well maintained.

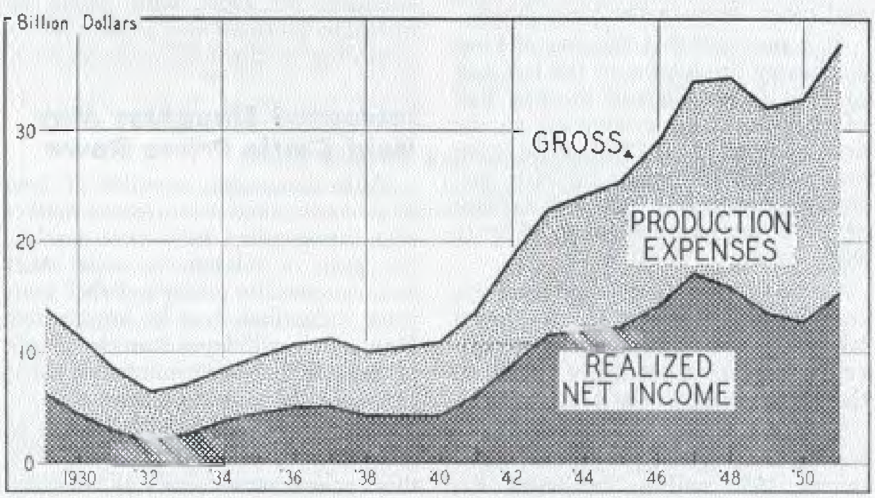
However, it is expected that total agricultural production may be increased still further in 1952, and this together with existing price controls may keep agricultural prices as a whole at about the 1951 average level.

If the assumptions on demand and agricultural output prove valid, gross farm income may reach a new peak next year. Cash income from marketings may be higher, but ever-increasing costs in this inflationary period are expected to limit farmers' net income to only a small increase over 1951.

The hope for and expectation of higher net farm income in 1952 is based primarily on a potential in-

This article is a result of impressions gathered by the writer while attending the National Agricultural Outlook Conference in Washington, D. C.—October 29 through November 1, 1951.

INCOME OF UNITED STATES FARM OPERATORS



FARMERS' GROSS INCOME in 1952 may reach a new peak, assuming further expansion in defense and non-agricultural spending. Higher farm costs may limit increase in farmers' net income.

Source: USDA outlook charts, 1952

crease in farm production. Therefore, if the individual farmer is to maintain a favorable income above costs, he must endeavor to produce more units and to produce them more efficiently. That is, he should endeavor to reduce his costs per unit of output.

Production failure in an area or on an individual farm becomes more and more serious as operating costs continue their upward trend. It is significant that annual operating expenses on most farms constitute a much larger proportion of total farm investment today compared with earlier periods. This is mostly because of the rapid mechanization of production methods on the family-sized farm.

Farm Costs to Continue High in 1952

Production costs rose during 1951, and the U. S. Department of Agriculture forecasts they may rise another 5 per cent during 1952. Should this be an accurate estimate, the price-cost squeeze will become tighter in the months ahead.

The parity ratio, which measures farm price and cost relationships, may drop from about 106 for 1951 to approximately 103 for 1952. This is still a good ratio in relation to the average for the 1935-39 period, when it was only 84.

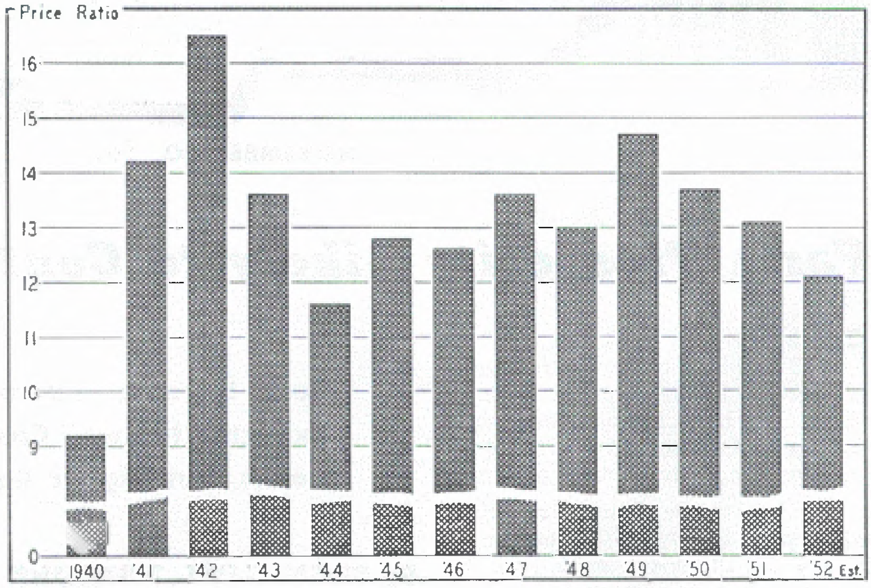
Farmers are concerned not only with rising costs but also with availability of farm machinery, fertilizer, and other items in the year ahead.

It is reported that the rate of farm machinery production in the last half of 1951 is less than in the first half of the year, and production in the first quarter of 1952 may be even lower. DPA allotments for farm machinery production the first quarter of 1952 were estimated at 85% to 90% of the 1949-50 level.

Some shortages are therefore likely to result, particularly in the larger labor-saving machines. Farm machinery prices are most likely to be on the upward side in the year ahead.

USDA officials feel that the most serious shortage in production items during 1952 will be fertilizers. Efforts are being made to produce more, but it will not help the situation in 1952. Guesses were that prices may by 4% to 5% higher.

HOG-CORN PRICE RATIOS, UNITED STATES, 1940-1952



THE HOG-CORN RATIO has been above its longtime average in recent years, but anticipated larger meat production and tightness in feed-grain supplies indicate the ratio may be nearer its longtime average of 12.1, during 1952.

Source: USDA outlook charts, 1952

Production of certain building materials and fencing have recently been curtailed. Unless the demands of the defense program are presently overestimated or production capacity underestimated, shorter supplies of agricultural production items made from metal are indicated for 1952. Prices for most of these items are expected to be slightly higher.

The supply of pesticides is seen as adequate for 1952, with prices expected to continue near present levels, according to the USDA spokesmen.

Increased Slaughter May Hold Cattle Prices Down

With increasing supplies of beef in prospect, there is reason to believe that cattle prices may have reached the peak in relation to most other farm commodity prices and that some price reductions may be anticipated. How much will depend on the nature of demand and the numbers of cattle that actually come to market.

Cattle numbers seem to move in great 8- to 12-year cycles. Since 1948, this cyclical movement has been upward. Usually about the third year there is a sharp increase in numbers, and this time, 1951, is no exception. Numbers may go up a remarkable 6 to 7 million head this year.

Beef cattle numbers are built up by holding cows and heifers from the market for breeding purposes. This year so many have been withheld that cattle slaughter may be the smallest in 10 years. Calf slaughter is expected to be the smallest in 18 years. Beef supplies at retail markets are consequently reduced and beef prices are high. In fact, cattle prices have been and are unusually high compared with most other farm commodities.

This gives reason to believe that in 1952 a 10% increase in slaughter over 1951 may occur. Cattle numbers may increase still further, barring serious feed shortages, but more calves will be produced and more cattle will go to market.

If past cattle cycles can be used as a guide, numbers may increase for several years before the peak is reached. Estimates are that they may reach 100 million head by 1955. If they do, beef supplies of about 70 pounds per capita can be expected by the mid 1950's. This would mean more beef per capita than in any year since 1909. Beef production per capita in 1951 is only about 58 pounds, the smallest since wartime 1944.

Continued on Page 237

BUSINESS

New Industries, Jobs Can Halt Population Loss

MIGRATION of population as revealed by the 1950 Census has its lesson for states of the Ninth Federal Reserve district: new business establishments must be formed and more jobs created if the area is not to lose so much of its human resources.

The possibility of accomplishing this exists, because the Ninth district would seem to provide a fertile field for the location and formation of new business firms.

Even though the expansion in business units during the Forties was small in comparison with other selected sections of the country, the economy of the Ninth district retained its dynamic character. New businesses were organized in response to a growing demand for products and services.

Looking to the future, evidence that greater opportunities for expansion are present is provided not only by normal growth of both the district and national economies but by new and somewhat spectacular regional developments.

Beneficiation of taconite, smelting of low-grade copper ores, discovery of oil in the Williston Basin, and construction of dams on the Missouri river together hold promise of stabilizing and enriching the region.

Population Growth Limited by Migration

This district frequently was characterized, especially during the war years, as a labor supply area. The rapid mechanization of farming released labor from farms and small towns. At the same time, a larger industrial expansion in some sections of the country than in this district led to an emigration of workers and their families from this district.

In fact, over a half-million persons left this area in the census period to take up residence elsewhere. This was part of the largest interstate migration in the nation's history, as revealed by the 1950 census.

In the western half of the district, large numbers of workers migrated to the war plants erected in the Pacific coast states. In the eastern half of this district, the migration was concentrated toward the industrial centers surrounding Milwaukee, Chicago, and Detroit.

Following World War II, there was no net return of laborers to the Ninth district, most of them having remained in those industrial areas.

The largest concentration of population occurred on the Pacific coast. In the San Francisco Federal Reserve district, which includes the Pacific coast states and a few of the Rocky Mountain states, the increase in population was 46 per cent. Growth in the nation's population between the two census dates was 14.4 per cent.

Between the 1940 and 1950 Census, the number of people residing in this district increased by only 3.4 per cent. The birth rate in this district indicates that population growth would have been larger except for emigration. The difference between number of births and number of deaths in this district was greater than 3.4 per cent.

Manufacturing Leads in New Business Growth

While some individuals migrated to other sections in search of better opportunities for employment, others remained here to accept comparable employment in expanding industries, but, what is equally important, many saw opportunities to establish their own businesses. More businesses have been organized since World War II than in any previous period. However, due to the limited general business expansion in this district, the number of firms organized was small in comparison with the number in certain other regions.

In this district the growth in business concerns was concentrated in manufacturing. Between 1939 and 1949, the number of manufacturing firms in the four states wholly within this district increased by 1,371, or

- ***Emigration of more than a half-million people from Ninth district in period between 1940 and 1950 population census points up need for business expansion.***
- ***Rate of population gain was cut to only 3.4 per cent, compared with 14.4 per cent nationally.***
- ***Rate of growth of new firms in census period was 27 per cent, compared with 49 per cent nationally.***
- ***New developments give promise of strengthening the economy.***

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

	Oct. '51	Sept. '51	Oct. '50	Oct. '49
Bank Debits—93 Cities	391	354	374	306r
Bank Debits—Farming Centers	493	476	467	406r
Ninth District Dept. Store Sales	282p	281	283	278
City Department Store Sales	312p	306	318	303
Country Department Store Sales	252p	257	249	253
Ninth District Dept. Store Stocks	345p	353	346	298
City Department Store Stocks	294p	307	307	252
Country Department Store Stocks	385p	390	377	335
Country Lumber Sales	144p	145	147	175
Miscellaneous Carloadings	131	152	135	105
Total Carloadings (excl. Misc.)	113	122	121	59
Farm Prices (Minn. unadj.)	272	257	245	227

r—revised. p—preliminary.

27 per cent.[1] Most of the new firms were formed in Minnesota, but a comparable percentage increase occurred in Montana. In both North and South Dakota, the percentage increase in the number of firms was less.

In Michigan, which is largely in the Chicago Federal Reserve district, new manufacturing firms literally mushroomed during the Forties. Between 1939 and 1949, the number of firms increased by 4,603, or 73 per cent. In Wisconsin, which also is mainly in the Chicago district, the growth in manufacturing firms was quite moderate—600 firms, or an increase of 9 per cent.

In the Ninth district, the rate of growth of such firms was approximately only half the national rate of 49 per cent.

Retail, Service Outlets Increase in Postwar

Many retail and service establishments were liquidated during World War II. In this district, where the population growth during the Forties was held to 3.4 per cent due to the emigration of labor to other regions, the number of retail stores and service establishments in 1948 (when the business census was taken) still was less than the number in existence in 1939. Since the rate of new business formation has continued high, it is reasonable to assume that the number of firms may now equal those of a decade ago.

The liquidation of these business concerns during the war was traced to a number of causes. Some proprietors entered the armed services, while others were faced with a shortage of labor or found more profitable employment elsewhere. The conversion of industry to the production of war materials reduced the supply of civilian merchandise to such an extent that some concerns were forced to close because sales were insufficient to cover their overhead.

Business Failures Remain Low

Following World War II, the number of annual business failures was at an all-time low, which indirectly added materially to the rapid growth in business firms. With business boom conditions receding in the latter part of 1948 and in 1949, business failures rose significantly. Whereas 18 firms failed in this district in 1946, 111 firms failed in 1949.

Even though this was a noticeable rise in failures, it still was low in comparison with the usual rate of business failures in the latter Thirties which ranged from 263 in 1935 to 205 in 1937.

Future Looks Bright

Several new developments in the Ninth district may result in a more rapid business expansion in the present decade.

With beneficiation of taconite and other low-grade ores being perfected, more labor will be needed to man the additional plants and equipment used in these operations.

The technique of smelting low-grade copper bearing ores has been developed to a point where, in terms of prevailing prices for copper, it is profitable to mine and smelt such ores. Two of the six new low-grade mines which will come into production shortly are located in this district.

The White Pine property on the Upper Peninsula of Michigan has one of the largest deposits of untapped low-grade ores on the North American continent. In Butte, Montana, the Anaconda Copper company has a large deposit of low-grade copper.

The discovery of oil has brought a new industry into North Dakota. Also, crude petroleum may create a favorable site in that state for the petro-chemical industry.

The Canadian crude oil which is piped to Superior, Wisconsin, has led to the construction of four oil refineries near the Twin Ports and in the St. Paul metropolitan area.

The construction of multiple-purpose dams on the Missouri river has added to the sum total of construction in both North and South Dakota. With completion of these dams, the upper Missouri Basin states will have water for irrigation and hydroelectric power. This may induce some industries which are heavy power users to locate near these dams.

Such developments as these may result in a rate of business expansion which may some day equal that in more industrialized areas. END

[1] Figures for 1939 were taken from the Sixteenth Census of the United States, Bureau of the Census. Figures for 1949 were taken from **County Business Patterns**, first quarter, 1949, U. S. Department of Commerce and Federal Security agency.

October Bank Debits Reflect Higher Level of District Business Activity

THE economy of the Ninth district continues to operate near capacity, even though some soft spots have developed in retail markets.

Most cities and towns of this region have enjoyed practically full employment. Marketings of farm products have been high and receipts exceed those of 1950 in spite of the inferior quality of grain harvested this fall. As a result, consumers in both rural and urban areas have had more income at their disposal this year than last.

Since early last summer, consumers have reduced their purchases of goods and services and have saved more of their income. With the higher federal income tax reducing the amount of income consumers have at their disposal, it remains to be seen if they will maintain their current rate of expenditures at the expense of savings.

Bank debits have been reflecting an increased volume of business in this district. For October, banks reported the largest monthly total of debits for this year. Making allowances for the large number of business days in October and for the usually larger than average monthly total of debits, October debits still reflected a very high level of business activity.

Business was exceptionally brisk in the smaller communities. Banks serving farm centers reported very large totals of debits for October. The index exceeded the figure for previous months of this year after an adjustment was made for the two variables which tend to boost the total.

Concluded on Page 238

BANKING

New Tax Law Embraces Many Changes

▶ *Measure which is geared to yield $5.5 billion annually boosts taxes substantially for most while affording relief for a few.*

▶ *Deficit foreseen despite higher revenues.*

▶ *Tax base broadened to include some previously exempt organizations.*

▶ *All-time high level of deposits recorded in October by district member banks.*

MOST taxpayers will pay more, not everyone will pay as much more, and a few will pay less because of the new Revenue Act of 1951.

Although the tax burden has been substantially increased by the measure which President Truman signed on October 20, the incidence of the tax has been altered in many respects.

The new law is expected to add approximately $5.5 billion to Treasury revenue in 12 months of operation, but something less than that amount will be realized in fiscal 1952 (ending June 30, 1952) since a third of the fiscal year has already elapsed.

Notwithstanding the tax increase it is anticipated that the Treasury will continue to sustain budget deficits owing to the high level of defense expenditures.

Some notable provisions of the new revenue act which change the composition of the tax take, briefly discussed here, have to do with corporate income, sale of homes, sale of livestock, medical expenses of elderly people, expenses of single breadwinners, family partnerships, and cooperatives.

The bulk of the new revenue will come from higher taxes on individual and corporate income; of lesser importance are higher excise taxes on some items which were only partially offset by reduction and elimination of excises on other items. Also, some of the new revenue will come from certain types of business organizations heretofore exempt from federal taxation.

Now subject to federal income tax liability are mutual savings banks, building and loan associations, and cooperatives which accumulate unallocated reserves.

Most Corporations Likely to Pay More

The higher rates of tax on individual income and the excise increases became effective on November 1, while the higher corporation levy is retroactive to an earlier date.

The corporation tax has been increased by reason of an increase in the normal tax rate and a reduction in the excess profits tax credit. The reduced credit means, of course, that a greater proportion of corporate income will be taxed at the new, higher excess profits tax rate.

In spite of the higher total tax take, some individuals and corporations will find that certain provisions of the new law will result in a lesser tax liability than previously.

For instance, certain inequities in the old excess profits tax law having to do with new and growing corporations have been corrected. The new law provides for an alternative method of computing the excess profits tax in the case of these organizations. The new method makes allowance for atypical (unusually low) base period earnings.

Profit on Sale of Homes Sometimes Exempt

People who realize profit on the sale of a home they had been living in are no longer required to pay tax on this amount providing that it is used toward payment for another residence.

If the cost of the new home is less than the sale price of the old home, the difference, to the extent of the profit on the old house, will be taxed as a capital gain. The interval between the dates of purchase and sale must not exceed 12 months; the sequence of purchase and sale is immaterial.

The taxpayer is allowed 18 months to occupy a newly-constructed home if construction was begun within 12 months after sale of the old home.

Formerly, the law, in effect, levied a tax on moving. The home owner who moved, although he had not improved his income or net worth (at market value), sustained a tax not borne by other home owners.

The average price of housing has more than doubled in the past 10 years. To the extent that this trend continues, the new law means important savings to the individuals affected.

Some Livestock Owners to Benefit

Livestock owners will benefit from an amendment to section 117(j) of the revenue law. This section has to do with the treatment of gains or losses from the sale or exchange of certain property used in the trade or business. Profit from the sale of this type of property is treated as a capital gain.

The term "property used in the trade or business" has been extended to include "livestock, regardless of age, held by the taxpayer for draft, breeding, or dairy purposes, and held by him for 12 months or more from the date of acquisition. Such term does not include poultry."

In recent years, rulings of the tax court have been contrary to rulings of the commissioner on this point. The amendment has clarified the status of this type of property.

Favors the Elderly, Family Partners, Single Heads

Elderly people (over 65) are no longer required to subtract 5% of income from medical expenses in order to determine the allowable medical deduction. Although there is still an upper limit on the allowable deduction (depending upon the number of exemptions), the lower limit has been removed for these taxpayers.

The new law is more liberal in regard to the treatment of family partnerships. It provides that "a person shall be recognized as a partner for income tax purposes if he owns a capital interest in a partnership in which capital is a material income producing factor, whether or not such interest was derived by purchase or gift from any other person."

Obviously, if a businessman can allocate part of his income to members of his family, substantial savings can result from the application of lower surtax rates to the divided portions of his income.

For the last few years married people have been permitted to split income in order to benefit from the application of lower surtax rates. Now, single people who live with and support specified closely related individuals will be given the benefit of lower surtax rates if they can qualify as the head of a household.

The statute provides: "An individual shall be considered as maintaining a household only if over half the cost of maintaining the household during the taxable year is furnished by such individual."

Tax Status of Co-ops Has Been Changed

The tax treatment of certain tax exempt cooperatives has been the subject of considerable debate for many years. Those favoring similar treatment of corporations and cooperatives argued that cooperatives secured an unfair competitive advantage because of exemption from the regular corporation income tax.

Congress has provided that the unallocated earnings of these previously exempt co-ops will now be taxed at regular corporation rates. These co-ops can still avoid tax on earnings not paid out, however, by crediting them to the accounts of patrons who must include such credits in income for tax purposes.

Patrons have always been required to include such credits or dividends in income for tax purposes with the exception of patronage dividends arising from the purchase of personal rather than business expense items.

Plainly, the tax treatment of corporations and cooperatives is still very much different in that all income of corporations is taxed at the corporate rate whether paid out or not. After the declaration of dividends, the stockholder must then pay individual income tax on his share of the dividends. In contrast, the tax on income of cooperatives is payable either by the co-op or by the patron, but not by both, as is the case with corporations. END

Total Deposits at District Member Banks Hit All-Time High in October

TOTAL DEPOSITS at Ninth district member banks reached an all-time high in October. The record level attained last month reflects the operation of two factors:

(1) the seasonal increase in deposits, and

(2) the almost continuous expansion in bank credit that has occurred both here and nationally since early 1950.

The seasonal pattern of deposit fluctuation at banks in this area is such that the peak is ordinarily registered in one of the last three months of the year. Although total deposits are at a record level, the time deposit component of the total has not yet fully recovered the heavy withdrawals of last year.

Besides repaying borrowing, individual district member bankers used the funds made available by the deposit increase to make loans, buy securities, and increase their balances at other banks.

Loans, which have been on the upgrade since August, after a leveling-off period during the summer, increased by $17 million in October. The increase represents a rise of $19 million in the country, which was offset only slightly by a $2 million liquidation at the city banks.

A breakdown of loans at the city banks discloses that commercial, industrial, and agricultural loans, together with loans on securities, declined $6 million, while real estate and consumer loans were up $4 million.

Government security holdings were up $17 million and $23 million at city and country banks respectively. The $40 million total increase in October was the largest since September of 1949.

Borrowing by banks declined $33 million last month. Part of the decline represents a reduction of $24 million in discounts and advances at the Federal Reserve Bank of Minneapolis.

Turnover of deposits was much more rapid in October than in September. At an annual rate, deposit turnover was at 17.7 in October, up 2.1 from September, an increase of 13%. END

Index of Department Store Sales by Cities

(Unadjusted 1935-39=100)

	October [1]	Per Cent Change [2] October	Jan.-Oct.
MINNESOTA			
Duluth-Superior	317	+ 3	— 1
Fairmont	305	+14	— 4
Mankato	308	+13	+ 2
Minneapolis	384	+ 4	+ 0
Rochester	235	+ 2	— 6
St. Cloud	304	— 3	— 9
St. Paul	274	— 2	— 5
Willmar	338	+12	+ 0
Winona	293	+ 9	+ 1
MONTANA			
Great Falls	372	+ 9	+ 8
NORTH DAKOTA			
Bismarck	451	+23	+ 9
Grand Forks	426	+16	+ 5
Minot	381	+ 9	+ 4
Valley City	279	+14	+ 5
SOUTH DAKOTA			
Aberdeen	453	+10	+ 2
Rapid City	460	+28	+ 8
Sioux Falls	380	+ 8	— 0
Yankton	331	+26	+10
WISCONSIN			
La Crosse	278	+ 3	+ 9

[1] Based on daily average sales.

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

Note: There were 27 trade days in the month this year against 26 last year.

Sales at Ninth District Department Stores*

	% Oct. 1951 [1] of Oct. 1950	% Jan.-Oct. 1951 of Jan.-Oct. 1950	Number of Stores [2] Showing Increase	Decrease
Total District	105	100	201	41
Mpls., St. Paul, Dul.-Sup.	102	98	17	7
Country Stores	110	103	184	34
Minnesota (City and Country)	103	99	74	14
Minnesota (Country)	110	99	59	8
Central	102	92	6	1
Northeastern	111	103	4	1
Red River Valley	110	95	6	0
South Central	113	103	15	1
Southeastern	104	99	9	3
Southwestern	116	100	19	2
Montana	114	106	20	0
Mountains	118	107	7	0
Plains	112	105	13	0
North Dakota	109	105	35	14
North Central	107	106	7	3
Northwestern	107	106	5	2
Red River Valley	105	102	9	8
Southeastern	118	109	12	0
Southwestern	111	116	2	1
Red River Valley-Minn.&N.D.	106	100	15	8
South Dakota	112	102	23	5
Southeastern	111	101	6	0
Other Eastern	114	103	11	4
Western	110	103	6	1
Wisconsin and Michigan	107	105	47	7
Northern Wisconsin	111	105	13	1
West Central Wisconsin	105	106	24	3
Upper Peninsula Michigan	108	104	10	3

* Percentages are based on dollar volume of sales.

[1] October 1951 had 27 trade days whereas October 1950 had only 26.

[2] October 1951 compared with October 1950.

Note: The per cent 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.

Assets and Liabilities of Member Banks in the Ninth Federal Reserve District

(In Millions of Dollars)

Item	All Member Banks Oct. 31, 1951	Change Since Sept. 26	City Banks (weekly reporting) Oct. 31, 1951	Change Since Sept. 26	Country Banks (non-weekly reporting) Oct. 31, 1951	Change Since Sept. 26
Loans and Discounts	1,239	+ 17	605	— 2	634	+19
U. S. Government Obligations	1,375	+ 40	510	+17	865	+23
Other Securities	280	+ 2	131	— 3	149	+ 5
Cash and Due from Banks	987	+ 60	526	+35	461	+25
Other Assets	34	.....	17	+ 1	17	— 1
Total Assets	3,915	+119	1,789	+48	2,126	+71
Due to Banks	405	+ 39	354	+39	51	....
Other Demand Deposits	2,340	+106	1,065	+41	1,275	+65
Total Demand Deposits	2,745	+145	1,419	+80	1,326	+65
Time Deposits	902	+ 6	236	+ 1	666	+ 5
Total Deposits	3,647	+151	1,655	+81	1,992	+70
Borrowings	4	— 33	3	—34	1	+ 1
Other Liabilities	29	.....	21	....	8	....
Capital Funds	235	+ 1	110	+ 1	125	....
Total Liabilities and Capital Accounts	3,915	+119	1,789	+48	2,126	+71

Reporting bank data are from balance sheets submitted weekly. Non-reporting bank data 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 legal reserve requirements.

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.

FARM PROSPERITY LIKELY TO CONTINUE

Continued from Page 231

Corn-Hog Ratio Below Recent Years

More pigs have been produced in 1951 than in any peacetime year. However, USDA officials believe that the 1952 spring pig crop will be slightly smaller compared with 1951.

They believe that intensified competition for corn and labor will cause producers to raise fewer hogs in 1952. They estimate that the corn-hog ratio, which has been quite favorable during much of the past three years, may stay close to its long-time average of 12.1 during 1952.

This ratio would yield reasonable returns in 1952 to efficient hog producers, but profits may not be as large as in 1949, 1950, and 1951, when the hog-ratio was 15.7, 13.7, and 13.1 respectively.

An important factor in the hog outlook is the increasing numbers of all livestock in relation to corn and other feed-grain supplies. Hogs are especially vulnerable to this trend, since they are basically consumers of corn and oats. Actually, hogs consume about 55% of all corn produced. Furthermore, increased beef and poultry supplies will be bidding for the consumer's meat dollar in 1952.

Dairying Working Toward Stronger Economic Position

The dairy enterprise has experienced some major readjustments in recent years. Exports of dairy products have declined substantially. Butter now takes only about a fourth of milk output compared with 40% to 45% prewar. Fluid milk and cream, on the other hand, now absorb half of total milk output compared with around 40% before the war.

The decline in dairy exports and loss of part of the prewar butter market to butter substitutes were severe price-depressing influences in recent years, but adjustments to the new market situation have been made, for the most part, and the future appears more optimistic.

Domestic demand is a dominant factor in the dairy outlook. Continued high demand plus a growing population and no immediate prospects for increased milk production add up to a generally favorable economic outlook for the dairy farmer. In fact, milk supplies at a constant level means the amount available on a per capita basis may actually decline slightly during 1952.

The Bureau of Agricultural Economics states that if demand for and supply of dairy products develops as now seems in prospect, the price of each dairy product is likely to average higher in 1952, compared with the current level. Costs in dairy farming are expected to be higher, too, so that net income from dairying may remain about the same as in 1951.

Feed-Grain Production Below Requirements

Anticipation of a steadily rising demand for corn and other feed grains and only limited grain-feed supplies is expected to exert pressure on prices, at least until new 1952 crop prospects become known.

The total supply of corn this year is estimated at 170 million bushels less than last year's total. Production of oats, barley, sorghums, and by-product feeds in 1951 are also below last year.

Feed-grain supplies are therefore lower compared with last year, but feed requirements are higher. Government estimates show livestock population on October 1, this year, equivalent to 181 million animal units. A year earlier there were 177 million units, and on October 1, 1949, the figure was only 170 million.

Fortunately there is plenty of feed, so that livestock will have plenty to eat this winter, next spring, and summer—but it will be necessary to dip into feed carry-over reserve stocks to maintain efficient feeding standards.

Carry-over of old corn in October, this year, was estimated at 750 million bushels. This may be reduced to around 500 million bushels by October, 1952. Furthermore, some of the corn supply this year is poor in quality, and disappearance may actu-

Cash Farm Income for Ninth District—January-September*

(Thousands of Dollars)

State	1935-39 Average	1950	1951	1951 in Per Cent of 1950
Minnesota	$ 214,452	$ 761,285	$ 837,657	110%
North Dakota	59,495	261,196	297,379	114
South Dakota	65,715	298,225	384,056	129
Montana	43,032	164,091	192,899	117
Ninth District[1]	433,009	1,636,660	1,904,287	116
United States	4,828,651	16,037,801	18,379,584	115

* Source: "Farm Income Situation," July-September 1951.
[1] Includes 15 counties in Michigan and 26 counties in Wisconsin.

Average Prices Received by Farmers in the Ninth District*

Commodity and Unit	October 15, 1937-41 Avg.	October 15, 1950	October 15, 1951	Parity Prices[1] United States October 15, 1951
Crops				
Wheat, bushel	$0.69	$ 1.89	$ 2.04	$ 2.42
Corn, bushel	.43	1.27	1.53	1.76
Oats, bushel	.24	.64	.73	.981
Potatoes, bushel	.40	.84	1.26	1.83
Livestock and Livestock Products				
Hogs, 100 lbs.	7.80	19.04	19.71	21.40
Beef Cattle, 100 lbs.	7.41	24.03	28.90	19.90
Veal Calves, 100 lbs.	9.09	28.17	33.70	22.20
Lambs, 100 lbs.	7.99	24.97	30.38	21.80
Wool, lb.	.28	.62	.68	.569
Milk, wholesale, 100 lbs.	1.66	3.41	3.98	4.81
Butterfat, lb.	.31	.67	.74	.77
Chickens, live, lb.	.125	.182	.208	.314
Eggs, doz.	.221	.363	.508	.530

*Source: "Agricultural Prices" — October 30, 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.

ally be greater than now anticipated.

It appears probable that the CCC may own a relatively large share of total corn stocks by October 1952. It now owns approximately 400 million bushels, which it cannot sell except at 5% above the current support price plus carrying charges. As the feed grain supply situation tightens, it may cause market prices of corn to parallel the price at which corn can be released from CCC stocks. In other words, prices of corn and other feed grains may show continued strength before 1952 harvests become available.

Wheat Prospects Favorable

In the current wheat marketing year not enough wheat was produced to meet prospective domestic and foreign requirements. Stocks of old wheat on hand next July 1 may therefore be as much as 90 million bushels below the 395-million-bushel figure of July 1, 1951, according to Department of Agriculture estimates.

Next year a slight increase in wheat acreage is expected which, if average yields are obtained, will boost 1952 production to around 1,165 million bushels. This amount is expected to meet domestic requirements plus probable exports and leave a balance of around 100 million bushels to add to carry-over, according to USDA estimates.

Farmers can expect a minimum of $2.17 per bushel support price for 1952 wheat, and it may be slightly higher if parity prices next July are above July 1951 levels. END

CURRENT BUSINESS DEVELOPMENTS

Continued from Page 233

Department store sales for October reveal a larger increase in farm centers as compared with the more industrialized centers. In the smaller cities of Minnesota, sales were 10 per cent above the October 1950 volume. In the four large cities of Minneapolis, St. Paul, Duluth, and Superior, October sales were only 2 per cent higher.

In other states, which are largely agricultural, the 12-month increase in sales was large in comparison with that reported from the industrial centers. For example, October sales rose 14 per cent in Montana, 12 per cent in South Dakota, and 9 per cent in North Dakota.

For the district as a whole, October 1951 department store sales were 5 per cent above the dollar volume for October 1950. This increase reflects principally a rise in prices. According to Fairchild Publications, retail prices in the 12-month period ending November 1 rose by 4 per cent. Accordingly, consumers appear to have been purchasing about the same quantity of merchandise as a year ago.

Employment in non-agricultural industries of this district has reached a plateau, as reflected in recent months by small increases in some states and small decreases in others. In Minnesota, employment in September set a new record, the Division of Employment and Security reported. In Montana, Wisconsin, and Upper Peninsula of Michigan, respective state employment services reported small declines from summer peaks.

As was pointed out in the previous issue, manufacturers of nondurable goods have cut back on their output. Textile and apparel inventories were high while sales have slumped. In the canning industry, fewer workers were used in the corn pack because the cool, wet weather matured the corn slowly, this extending the packing season.

Construction activity has contracted slowly. Employment on construction projects normally continues to increase during the summer, reaching a peak in September. This year, however, the seasonal upswing leveled off in July. In residential building, starts have fallen off noticeably, although a large number of houses remained to be completed this fall.

Defense production has resulted in some migration of workers to more industrialized areas. The high employment in this district and whatever emigration has taken place have reduced the labor supply reserve to a low figure.

On the basis of general observation, production of materials and equipment for defense is gaining momentum in this district, but no concrete figures are available. The amount of military prime contracts awarded by states is not an accurate measure of actual defense production by regions.

In the four states entirely in this district, $247 million of military prime contracts were awarded during the fiscal year ending June 30, 1951, out of a total of $29½ billion, according to the Munitions Production reports. However, some of the production called for in these contracts may be done in plants outside of this district. Likewise, some of the work called for in contracts awarded to companies with head offices in other districts may be done in plants located here.

Furthermore, no information is available on the substantial amount of subcontracting which takes place across state lines. END

National Summary of Business Conditions

OVER-ALL stability in industrial production continued in October and November. Wholesale prices changed little through the third week of November. Common stock prices declined. Bank loans to finance the seasonal movement of crops and growing defense activities continued to expand.

INDUSTRIAL PRODUCTION —The Board's index of industrial production in October was maintained at the September rate of 219 per cent of the 1935-39 average. Small increases in output of durable manufactures and of minerals were offset by further declines in nondurable manufactures.

Increased production of durable goods in October reflected mainly a further gain in machinery industries. Steel output advanced to 102.9 per cent of capacity and was maintained at about this rate in November. Refining of nonferrous metals increased substantially in October, reflecting mainly termination of work stoppages, and there was some pickup in lumber production.

On a daily average basis, passenger car assembly declined somewhat in October as metal supplies were reduced, and output of major household appliances fell back to about the August rate following a moderate rise in September. Further curtailment of passenger car assembly in November reflected partly model changeovers.

There were further sharp decreases in production at textile mills in October to a level about one-fifth below a year ago. At chemical plants, output declined slightly as rayon production was curtailed. Industrial chemicals, however, rose somewhat further. Output of rubber products was reduced to the lowest level this year.

Minerals production in October was at a new record, largely as a result of a 12 per cent increase in coal mining from the low rates of recent months. Crude petroleum advanced slightly further in October but declined somewhat in early November.

CONSTRUCTION — Value of construction contract awards declined slightly further in October, reflecting decreases in awards for public works and utilities. The 86,000 housing units started in October brought the 10-month total to 943,000 compared with 1,215,000 for the same period a year earlier. Value of work done on industrial construction in October declined for the first time since early 1950.

EMPLOYMENT — Employment in non-agricultural establishments, after adjustment for seasonal factors, continued to decline slightly in October, owing largely to reduced activity in nondurable manufacturing industries. At 40.4 hours, the average work-week in all manufacturing plants showed little change from other recent months; average hourly earnings remained at the peak level of $1.61 reached in September. Unemployment in October continued at the low level of the two preceding months.

DISTRIBUTION — Dollar value of department store sales in October and the first half of November rose less than seasonally but was somewhat greater than during the corresponding period a year ago. Retail sales of some goods were stimulated by consumer anticipation of higher excise taxes effective November 1. New auto sales, however, remained below the reduced mid-summer level.

Although still large, value of department store stocks, seasonally adjusted, declined further in October and was below the corresponding year-ago level for the first time since January 1950.

COMMODITY PRICES — The average level of wholesale commodity prices changed little from mid-October to the third week of November. While prices of grains and some other foodstuffs advanced, prices of hogs and pork products declined as livestock marketing expanded.

Raw cotton prices advanced following release on November 8 of the government cotton crop estimate of 15.8 million bales, substantially less than had been anticipated earlier.

Industrial commodities generally have continued to change little. Prices of some cotton textiles, however, have increased slightly and hides have decreased sharply further since mid-October, to about the postwar low of mid-1949.

The consumers price index rose .4 per cent in October. Food prices advanced .8 per cent to a new high, 9 per cent above a year ago, and rents increased further. Recently increased excise taxes on automobiles, gasoline, cigarettes, and beer will be reflected in the November index.

BANK CREDIT and MONEY SUPPLY — Bank loans to business continued to expand seasonally during October and the first part of November, reflecting in large part further borrowings by commodity dealers and food manufacturers to move and process the harvest and by metal manufacturers and public utilities to finance direct defense and defense-supporting activities.

The privately-held money supply increased sharply in October and early November, owing largely to Treasury spending in excess of receipts. Deposits also expanded as a result of increased bank holdings of government securities — particularly the new tax anticipation bills — and as a result of seasonal and other bank lending, and some inflow of gold.

Federal Reserve holdings of government securities declined sharply following the large-scale purchases of late September and early October in connection with Treasury refinancing operations. Bank reserve positions showed little net change throughout most of this period.

Yields on short-term government securities declined during the first three weeks of November, while those on long-term governments rose somewhat.

The Treasury sold for cash for delivery November 27, $1¼ billion of 201-day tax-anticipation bills, on which the average discount rate was 1.5 per cent.