FEDERAL RESERVE BANK OF MINNEAPOLIS

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Bankers Profit by Encouraging Farmers to . . .

Build Up SOIL FERTILITY

USE OF FERTILIZER CAN YIELD HIGH RETURNS ON THE INVESTMENT

BOTH the farmer and his banker are happy when the farmer's bank account is growing. Both are unhappy when his account dwindles or is overdrawn. When it is overdrawn, a notice is sent to the farm customer apprising him of the fact. This "not-sufficient funds" notice requires that a deposit be made immediately to balance the account.

Soil fertility may be likened to a bank account. When plant nutrients are taken out of the soil and not replaced, the soil account is depleted. It has been overdrawn. When this happens, plantfood deposits are immediately required to replace withdrawals if the soil account is again to be brought into balance.

Unfortunately, the analogy breaks down at one point — namely, the banker is in most cases unaware that the farmer's soil-bank account has been overdrawn. Year after year a farmer may continue to take out more plant nutrients—nitrogen, phosphorus, and potassium—than are put back. After a while, yields per acre begin to decline.

When this happens the farmer soon finds that he has fewer dollars to swell his money-bank account or to fatten his wallet. The youngsters go without new shoes. The farm wife puts a new ribbon on last year's hat and hopes it will look like a new one. The old car is made to run another year with a new battery and new rings, even though the springs are coming through the seat cushion. The farmer may find that the banker is reluctant to renew his loan.

When these signs appear it's time to take stock and find out what is wrong and what deposits are required in the soilbank in order that bigger deposits may be made in the money-bank.

Declining Farm Prices Put Pinch on Income

It is particularly important to check up on farming efficiency when farm prices in general are exhibiting weakness, as has been true in recent months. This is because costs in farming today tend to remain high even though prices received by farmers tend to decline.

Under such conditions, the farmer obviously must make some changes in his farm management program if he is to maintain his net income position or improve it. One possibility is to investigate the use of commercial fertilizer in an attempt to increase crop yields per acre.

A recent 10-year average per acre yield of corn in Minnesota is about 42 bushels. But 42 bushels per acre may not be enough in these days of high fixed costs. Expenses are almost as high in producing 40 bushels per acre as in producing 50 or 60 bushels. Perhaps corn should yield at least 60 bushels per acre or more if the farmer expects to drive a new car every few years and to improve his net worth position.

To accomplish this result, the average farmer may need to adopt a well-planned fertilizer and soil improvement program if he desires to increase his net returns on crops by a substantial margin. At least it is worth an investigation.

Efficient, profitable farming involves many things, of course — crop rotations, soil humus, good seed, timing of operations, as well as the judicious use of commercial fertilizer. It is with commercial fertilizer use, however, that we are concerned in this article.

Corn Can Be an Example

In order to illustrate the potential in fertilizer use, let's take some cost and return figures on corn from a farm management study by the University of Minnesota of 32 farms in southern Minnesota. These were as follows for 1951:

Bushels of corn per acre (1942-51 average)	48.7
Average price—1949-51 average	$ 1.37
Average gross income per acre	66.72
Cost per acre—1951	34.00
Return over cost—1951	32.72

In this example, a selected group of farmers furnished the data. The yield per acre of nearly 49 bushels was above the state average by at least 7 bushels. The net return per acre of $32.72 is perhaps substantially above the state average.

Furthermore, the costs per acre of $34.00 as indicated above includes only direct costs. Some of the overhead costs and joint costs which could be allocated only arbitrarily were omitted. In Illinois, a study indicated that total costs of producing an acre of corn were about $45.00.

What happens when commercial fertilizer is used? Unfortunately no data are available for the 32 specific farms, but for Minnesota as a whole it is estimated that the average farmer who uses chemical fertilizer will spend approximately $5.00 per acre for it.

Under average conditions he can expect around 8 bushels per acre increase in yield. On some soils the response is much greater, on others it is less. At $1.50 per bushel, the additional 8 bushels would increase gross returns $12.00 per acre and leave $7.00 net. This would raise the net return per acre in the above example to $39.72.

If another $5.00 per acre were invested in fertilizer, yields in most instances would be further increased with an additional boost to net returns per acre. However, as yield goes up the response to fertilizer application goes down. Eventually, of course, a point is reached beyond which it does not pay to apply fertilizer.

One soil authority has suggested the following steps as being necessary to produce 100 bushels of corn to the acre:

1) Fit the land properly.

2) Use an adapted strain of hybrid seed.

3) Step up stands of 15,000 to 18,000 stalks per acre.

4) Apply plenty of plant food.

5) Control weeds.

This authority suggests that plenty of plant food means plenty of stable manure applied on good legume sod. This is to be followed by hill applications of starter fertilizer and by sidedressing later with ammonium nitrate.

It is true that some additional costs are involved in harvesting and marketing a larger yield of corn per acre, but such costs are minor. In fact, such costs may be more than offset by the residual effects of fertilizer in succeeding years.

Not all of the fertilizer is used up in one year and, furthermore, increased plant growth stimulated by the added plant foods increases both humus and plant nutrients that are put back into the soil.

Management Skill Needed In Use of Fertilizer

What is good fertilizer use? It is true that not all soils or crops respond the same way to application of commercial fertilizer. There is much variation between areas, soils, and even individual farms. A great deal depends on rainfall, crop rotations, as well as on type and condition of the soil.

In some cases no production response at all may occur. This happens sometimes when soil drainage is poor or when the soil is very dry.

It is even possible to get a negative response under certain conditions where soil balance is upset. For example, too much nitrogen in relation to other plant food may result in "burning" the crop under certain moisture conditions.

Some soils are rich in one plant-food element but poor in others. For example, most soils in the western areas of the Ninth district are well supplied with potassium but some are deficient in phosphorus. In the eastern areas, particularly east of the Mississippi, potassium is often a limiting food element. Nitrogen is more often deficient as a plant food in all areas.

Obviously it is poor economy to include any plant-food element in purchased fertilizer that is not needed. In some areas, fortunately few in the Ninth district, lime must first be applied before plant food from commercial fertilizers can be made readily available to crops. It may be advisable, however, to know the acidity of the soil before chemical fertilizers are applied.

All this makes it appear that soil fertilization is exceedingly complex. It is. But there are answers to most of the problems. Information and trained personnel are available to help the individual farmer with his soil fertility problem.

Suggested Approach To Fertilizer Problem

What might the average banker do to encourage his farm customers in the use of commercial fertilizers as one way of increasing crop yields per acre? The banker might suggest to his customers that the first job is to determine what, if any, fertilizer is needed. The farmer should know how much plant food is needed, what kind, and how and when to apply it.

The county agricultural agent is usually in a strategic position to advise on these matters. He will be able to furnish soil containers and to make suggestions as to the best method of taking soil samples. For a small fee, the soil sample will be analyzed at the state agricultural college. When the soil analysis is complete, appropriate recommendations are made by college soil scientists to the farmer concerning the plant-food requirements of his particular soils.

The banker can suggest that the farmer himself run a few fertilizer experiments. Certain strips or fields can be fertilized or left without fertilizer for observation and comparison. Such experiments usually are of keen interest to the farmer, his neighbors, and to the banker promoting community development. In some cases, the banker may wish to organize farm tours to acquaint others with soil fertility experiments conducted by his customers.

If the county agricultural agent is asked to present his views, he probably will suggest that fertilizer use is most effective along with proper crop rotations and when it is coordinated with good soil management practices including the return of humus to the soil.

Community Also Benefits

It has been shown again and again in recent years that investment in a soil improvement program has resulted in benefits to the entire community as well as to the individual farmer. It has been demonstrated that the application of needed plant food to the soil has yielded an unusually high return on the money investment.

Where adoption of the best soil-management practices is concerned, it has been found that in some cases heavy amounts of fertilizer may be required to make up for long years of plant food withdrawals. In such cases the cost might well be considered as a capital expense, and credit extended on that basis. Such

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CALL REPORTS AT YEAR-END REVEAL . . .

Buyers of Automobiles, Appliances, and Homes Obtained the Bulk of the Year's Additional

LOANS AT DISTRICT MEMBER BANKS

STATEMENTS submitted by Ninth district member banks in response to a call for condition reports on December 31, 1952, disclose that consumers got more than half the funds represented by the addition to member bank loans in 1952. If residential real estate loans are included in consumer loans, it can then be said that all of the additional loans went to consumers.

The composition of new borrowers last year contrasts sharply with the previous year, when businessmen and farmers got most of the much larger increase in district member bank loans. It also contrasts with borrowing at banks in other districts which, besides reporting larger consumer loans, also reported slightly higher business and farm loans.

Banks here reported slight declines for the year in both farm and business loans.

As in other recent years, loans secured by residential properties accounted for a large part of the total loan increase — almost half last year.

Increase Varied by States

The percentage increase in this type of credit varied of course from state to state, ranging from an increase of 2.5 per cent at district member banks in Michigan to 25 per cent in North Dakota. The large increase in North Dakota is doubtless associated, in part, with the great demand for new houses at localities in and near the newly discovered oil fields.

The addition to consumer debt held by district banks was similar to the experience of banks in other districts and was largely an aftermath of the relaxation of consumer credit regulation in May of last year.

Since much consumer credit is extended by retailers and by finance companies who in turn borrow from banks, part of the loans classified "business" on the call report indirectly represent consumer debt. For this reason it is difficult to estimate with accuracy the extent to which district banks financed consumer indebtedness.

While member banks in other districts report loans at the end of 1952 higher by 10 per cent than at the end of 1951, member banks here report an increase of little more than 6 per cent.

The lesser increase in loans here permitted district banks to invest proportionately more in securities. This is true because district bank deposits increased slightly more than the national average. For the first time since 1949, district member banks held larger investments at the end of the year than at the beginning.

In expanding their investments last year, district member banks improved their liquidity. More than half the $152 million of U. S. government securities added to portfolios were bills, certificates, or notes.

Securities other than those of the U. S. Treasury worth $38 million were also added to investments during the year.

Deposits Also Up

Accompanying the increase in loans and investments at district member banks in 1952 was an inflow of funds which brought deposits at year's end to a level 6 per cent higher than twelve months before.

Most of the increase occurred in the demand and time deposit accounts of individuals, partnerships, and corporations, being $90 million for demand and $76 million for time. The U. S. government added $38 million to its balances. Deposits owned by state and political sub-

Loans Outstanding at Ninth District Member Banks
December 31, 1951 and December 31, 1952

(Millions of Dollars)

	12-31-51	12-31-52	Change
Comm. and Ind. (Incl. OP. MAR. PAP.)	410.0	403.6	— 6.4
Loans to Farmers guar. by CCC	50.6	50.5	— .1
Other Loans to Farmers	144.1	143.3	— .8
Loans to Brokers and Deal. in Sec.	2.6	2.8	+ .2
Other Loans-Purch. or Carry Sec.	12.7	13.3	+ .6
Real Estate Loans			
(A) Sec. by Farm Land	22.4	22.2	— .2
(B) Sec. by Residential Prop.	271.7	305.9	+ 34.2
(C) Sec. by Other Prop.	49.6	49.6	.....
Other Loans to Ind.			
(A) Ret. Auto Inst. Paper	67.6	84.4	+ 16.8
(B) Other Ret. Inst. Paper	44.5	54.3	+ 9.8
(C) Rep. and Modern. Inst. Loans	53.5	72.0	+ 18.5
(D) Inst. Cash Loans	23.1	27.1	+ 4.0
(E) Single-Pay. Loans	53.0	60.0	+ 7.0
Loans to Banks	....	1.0	+ 1.0
All Other Loans Incl. O.D.'s	40.9	34.5	— 6.4
Gross Loans and Discounts	1246.3	1324.5	+ 78.2

divisions and by banks accounted for the rest of the increase.

The net increase of $76 million in the time deposit balances of individuals, partnerships, and corporations in 1952 compares with a net increase of only $10 million in 1951 and with net withdrawals of $26 million in 1950.

The earlier two years, of course, included periods of heavy consumer buying, part of which was financed with funds withdrawn from time accounts.

Despite a 5 per cent increase in the size of capital accounts at district member banks during the year, deposit liabilities grew sufficiently fast to bring the ratio of capital to deposits down slightly from a year earlier. END

AS LOANS INCREASED LESS . . .

DISTRICT MEMBER BANK EARNINGS

Increased Less in 1952 Than the National Average

EARNINGS after taxes at district member banks were up 8 per cent last year from the previous year's level as the same forces which had lifted earnings in other recent years continued to operate in 1952.

Earnings increased by reason of both a higher rate of return on earning assets and higher average asset holdings.

Both loans and investments expanded in 1952. Last year's loan expansion continued a trend, but additions to the banks' security holdings reversed a declining trend of the previous two years.

Since the rate of return on both loans and investments rose last year, income from these assets increased proportionately more than the amount that such assets increased.

Interest and discount on loans, for example, was up 10 per cent, while the average of loans outstanding* was up 4.5 per cent. Similarly, interest income from U. S. government securities, which comprise the bulk of commercial bank investments, was up 13 per cent while average holdings* rose 8 per cent.

From 4.75 per cent in 1951 the average rate of return of loans rose to 5.00 per cent last year, while the yield on government securities went from 1.74 per cent to 1.81 per cent in the same period.

*Total of the amounts outstanding at the end of each month in 1952 divided by 12.

Higher Expenses Offset Most of Earnings Gain

Detracting from the owners' share of additional earnings in 1952 were higher taxes and higher expenses, half of which represented wages and salaries.

Added wage and salary payments absorbed $3 million of the $10.2 million addition to gross earnings in 1952, while other current expenses absorbed $4 million more than they had in the previous year.

These deductions from gross current earnings left net current earnings at $43.4 million, or $3.1 million larger than in 1951.

Principal Income and Expense Items Ninth District Member Banks

(Millions of Dollars)

	1951	1952
Interest on investments	28.7	32.2
Interest on loans	57.4	63.2
Other income	19.1	20.0
Gross current earnings	105.2	115.4
Wages and salaries	33.3	36.3
Other current expense	31.6	35.7
Gross current expense	64.9	72.0
Net current earnings	40.3	43.4
Non-current changes	4.6	4.5
Profit before income taxes	35.7	38.9
Income taxes	14.8	16.4
Net profits	20.9	22.5

The net charge to earnings resulting from the excess of debits over credits on non-current accounts, such as entries resulting from losses and recoveries and transfers to and from bad debt reserves, was $158 thousand less in 1952 than in 1951. Many banks have enlarged their bad debt reserves to the limits permitted by the Bureau of Internal Revenue and have therefore reduced such charges.

Income taxes reported on last year's profit and loss statements amounted to $16.4 million, or $1.6 million more than in the year previous.

Thus, $10.2 million additional earnings in 1952 were offset partly by wages-salaries, other expenses, and taxes, higher respectively by $3 million, $4.1 million, and $1.6 million than in 1951. All this adds up to the fact that higher expenses and higher taxes took 85 per cent of the additional gross income gained by member banks last year. The remainder—15 per cent—was available for dividends or capital accumulation.

Profits after taxes, then, amounted to $22.5 million, or $1.6 million more than in 1951.

Small Portion of Higher Profits to Stockholders

Less than half of the $22.5 million in profits was distributed to stockholders in dividends. Dividends to

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CURRENT *Business • Farming • Banking* TOPICS

AREA'S ECONOMY Stays 'Nervously' at High Levels

VARYING attitudes among economic groups toward present and prospective income were reflected in Ninth district business indicators in February.

For example, urban residents have bought more new automobiles thus far this year than last, attributable to some extent to a higher level of employment and higher wages. Construction, helped by mild weather, also remained high during the winter months.

On the other hand, farmers in areas where income suffered owing to unfavorable weather conditions, bought fewer cars and other merchandise.

Pessimism over future income has pervaded some agricultural areas in the district as beef and butter have declined in price. Cattle population has continued to rise, but sharply lower price for both beef and dairy animals has cut inventory values at least 25 per cent.

Adding to the worries of farmers is the fact that moisture conditions in the upper Great Plains region are not good. Abundant rainfall is needed during the next two months if pastures and crops are to get off to a good start in the spring.

In general, business activity has not as yet fully reflected the declining income of farmers.

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BUSINESS

- ***Higher sales of new passenger cars featured the retail picture.***
- ***Department store sales volume slackened after early-year gains.***
- ***Mild winter has helped to keep construction activity high.***

Automobile Sales—Highlighting the retail picture since the first of the year have been sales of new passenger cars. In January the number of new cars registered to individuals residing in the four counties which comprise the Twin Cities metropolitan area was one-fourth larger than it was a year ago. In the first 10 days of February, the increase in registrations was 13 per cent above last year.

It is known that many other areas of the district also enjoyed high sales, although exact and comprehensive figures are not available at this time.

New models coming on the market have stimulated sales. However, models with practically no change in body style or in engine have sold about as well as those with major changes. Responsible for bringing many buyers into the new car market was the fact that liberal terms under instalment contracts were offered. The lingering effects of last year's steel strike also had a bearing.

CAR INVENTORIES GROW

Despite the impressive sales of new cars since the first of this year, dealers have accumulated more stocks as output also has been raised to higher levels. The stocks are not considered excessive for dealers of most makes, however.

January production of new cars was near the high October total and February production will probably exceed it. The "big three" manufacturers now are preparing for an even bigger production in March.

The used-car market has been characterized by some dealers as slow, yet thus far no distressing glut has developed. Used car prices at retail appear to have declined not much more than is usual for this time of year. Dealers are fearful, nevertheless, that prices may be forced down as a result of a continuing heavy accumulation of stocks. Some makes of used cars have become increasingly difficult to move at prevailing prices.

Sales of commercial vehicles, which are always of smaller volume than sales of passenger cars, increased significantly in January and the first half of February.

Department Store Sales—Although department store sales were not as spectacular as new passenger car sales in January, they continued on the upward side of last year's receipts. For this district, sales were 3 per cent above January 1952 receipts. In northern Wisconsin and in northeastern Minnesota (the area covering the iron mining and pulpwood industries), sales were 16 per cent and 11 per cent higher respectively. Eastern Montana also had a large increase of 12 per cent in sales.

Whereas weekly reports earlier in the year indicated favorable sales compared with last year, later figures were less favorable. In the four large cities, sales were down 4 per cent in the last week of January and down 6 per cent in the first week of February. For the United States, sales in the latter week declined to 1 per cent above those of last year.

Furniture Store Sales—The decline in prices of farm products has reduced farmers' net income in the western half of this district enough to be reflected in lower furniture store sales. December sales, despite good Christmas trade during a part of the month, fell below December 1951 receipts in Montana, North Dakota, and South Dakota.

In the eastern half of the district, where the 1952 cash farm income was equal to the 1951 total, furniture store sales were substantially above December 1951 figures.

Construction—Attributable in part to a mild winter, construction activity has remained high. In most states of the district, fewer workers were laid off last fall than in former years. The board feet of lumber sold exceeded the quantity sold in preceding early winter months.

Indications are that the industry is preparing for another big season. Dollar value of building permits issued declined less than usual in the last quarter of 1952. The volume of contracts awarded for residential building in this region, as compiled by the F. W. Dodge corporation, held up well through December. However, the volume of contracts awarded for other types of building during the early winter months compared less favorably with the previous year's performance. The decline was concentrated in the volume of contracts awarded for industrial and commercial building.

Recently the "Engineering News Record" announced that for the nation the amount of contracts awarded in January was the second highest on record.

Ninth District Business Indexes
(Adjusted for Seasonal Variation — 1947-49=100)

	Jan. '53	Dec. '52	Jan. '52	Jan. '51
Bank Debits—93 Cities	120	128	116	121
Bank Debits—Farming Centers	121	123	117	118
Ninth District Dept. Store Sales	100p	110	97	117
City Department Store Sales	100p	115	98	118
Country Department Store Sales	99p	102	96	117
Ninth District Dept. Store Stocks	112p	107	106	112
City Department Store Stocks	113p	109	104	115
Country Department Store Stocks	111p	105	108	109
Lumber Sales at Retail Yards (Bd. Ft.)	75p	86	70	97
Miscellaneous Carloadings	111	105	103	105
Total Carloadings (excl. Misc.)	81	80	91	98
Farm Prices (Minn. unadj.)	93	91	103	103

p—preliminary

Electric Power Consumption—In this district, as in the nation, industry is setting new production records. One indicator of this fact is that kilowatt hours of electric power consumed by industrial users rose steadily from May through November of last year.

In December the quantity receded slightly from the November total—which was attributable no doubt to the extended Christmas holiday period granted by managements of some firms to their employees. Even so, the number of kilowatt hours of energy consumed was still 6 per cent above the December 1951 total.

FARMING

- ***Increase in Ninth district cattle numbers in 1952 equalled the national gain.***
- ***Surplus of wheat looms despite possible reduced 1953 crop in event of drouth.***
- ***Corn under support January 15 was close to 10 times that of year ago.***

Beef Buildup — Cattle producers in the four Ninth district states shared fully in the increase in cattle numbers on farms and ranches during 1952. When the USDA's crop reporting board completed its annual January count, total cattle numbers had increased 5.9 million head—very close to the record rise in numbers during 1951.

Nationally, the increase measured 7 per cent, compared with an 8 per cent rise for the four Ninth district states. (The table compares present numbers for these four states with year-ago figures.)

One difference in the buildup this year was that milk cows shared in the increase (more than 600,000 head). Still, the numbers reveal a surprising momentum behind the beef buildup, particularly so in view of cattle liquidation in some areas last fall due to drouth conditions.

Drouth conditions, both in this district and in other areas, continue to be a major uncertainty facing beef producers. Cattle numbers are now so high as to make feed supplies critical. Many district ranchers have held cattle through the winter in the hopes of favorable spring grazing conditions. Winter feed conditions throughout much of Montana and the Dakotas have been eased by mild weather which has permitted winter grazing. But the fact remains that moisture is still seriously lacking throughout much of the Great Plains area. Continued dryness during the spring and early summer would almost certainly force the liquidation of large numbers of range cattle.

All Cattle and Calves on Farms

	Jan. 1 1952	Jan. 1 1953	Per Cent Change
Minnesota	3,472	3,750	8%
North Dakota	1,598	1,742	9%
South Dakota	2,826	3,052	8%
Montana	2,069	2,472	5%
4-State Total	9,965	10,716	8%
U. S. Total	93,696	87,844	7%

Large Wheat Stocks — Despite drouth conditions which may reduce 1953 wheat production as much as 40 per cent from the bumper 1.3-billion-bushel harvest of 1952, surplus rather than shortage seems to be wheat's immediate problem.

Producers had already put 376 million bushels of 1952-crop wheat under price support by January 15 of the new year. It is guessed that the accumulated carryover of wheat stocks in all hands may total 585 million bushels next July, just short of the record carry-over of 1947.

But a big difference is the loss of export demand. From July through early February this year, only 162 million bushels of wheat were marketed abroad—roughly 30 per cent less than year-ago exports. This makes large reserve stocks the more burdensome, regardless of the current crop outlook. Price supported 1952-crop wheat alone now represents about one-fourth of last season's production.

Corn Under Support—Last season's bumper corn crop has been going under price support at a rapid rate. CCC held 170 million bushels under support on January 15—roughly 10 times the amount of a year ago. Year-ago support operations were below normal, kept so by the soft corn crop which hindered storage, whereas this year's early-matured crop encouraged farmers to start putting corn under loan earlier than usual. Price relationships also have encouraged putting corn under loan.

It seems likely that substantially more than 200 million bushels may well go under price support this year. This amount would represent about 7 per cent of the total 3,257 bushels of corn that farmers produced in 1952.

The total accumulated stocks of corn held by the Commodity Credit corporation at the present time are estimated to be about the same as a year ago, around 400 million bushels, compared with the all-time record holdings of 800 million bushels accumulated in 1950.

The record number of cattle on feed will stimulate corn consumption, although reduced hog production will tend to offset this effect.

BANKING

▸ ***The bulk of the January deposit withdrawals occurred at the city banks.***

■ JANUARY witnessed the continuation of a seasonal decline in district member bank deposits which had originated in December. Deposit growth was reported for each of the seven months preceding December. After the December 31 report, assets declined by much less than the amount of withdrawals, owing to renewal of borrowings that followed the customary liquidation of bills payable in closing days of the year.

City Banks — All but $4 million of the $135 million deposit withdrawals for the district occurred at city banks, which also accounted for most of the larger borrowings. These borrowings, together with the liquidation of investments and "cash and due" amounting to $46 million and $35 million respectively, served to offset the deposit loss in the cities.

Investments liquidated included all classifications of governments—bills, certificates, notes and bonds. Loans outstanding at the city banks were little changed.

Country Banks — Country banks added to their loans and investments in January, while at the same time initial costs may vary from a few deposits were drawn down by a small amount. The acquisition of additional earnings assets was financed partly by liquidating balances due and partly by borrowing.

The $8 million increase in loan accounts at country banks in January compares with declines of $2 million in both December and November.

SOIL FERTILITY

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dollars per acre up to $50.00 or more depending on the farm. This is where the banker can be of particular help, provided he is convinced the project is sound and that it will pay out.

After the initial heavy investment has been made toward restoring soil fertility, the maintenance of fertility from year to year is required, lest maximum returns on that investment not be realized. Such continuing costs may be relatively small on a per acre basis and they may be considered as part of the annual farm operating costs.

The important thing is that the banker recognize the need of soil-fertility improvement and maintenance and that he become familiar with problems pertaining to the use of commercial fertilizers in order that he may be most helpful to his farm customers and to his community. END

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

(In Millions of Dollars)

ITEM	All Member Banks		City Banks (weekly reporting)		Country Banks (non-weekly reporting)	
	Jan. 28, 1953	Change Since Dec. 31, 1952	Jan. 28, 1953	Change Since Dec. 31, 1952	Jan. 28, 1953	Change Since Dec. 31, 1952
Loans and discounts	$1,312	+ 9	$ 629	+ 1	$ 683	+ 8
U. S. Government obligations	1,546	— 47	600	— 46	946	— 1
Other securities	320	+ 2	158	— 1	162	+ 3
Cash and due from banks	932	— 39	476	— 35	456	— 4
Other assets	40	+ 3	18	....	22	+ 3
Total assets	$4,150	— 72	$1,881	— 81	$2,269	+ 9
Due to Banks	$ 371	— 43	$ 325	— 41	$ 46	— 2
Other demand deposits	2,425	—104	1,105	— 92	1,320	— 12
Total demand deposits	$2,796	—147	$1,430	—133	$1,366	— 14
Time deposits	1,007	+ 12	259	+ 2	748	+ 10
Total deposits	$3,803	—135	$1,689	—131	$2,114	— 4
Borrowings from F. R. B.	54	+ 53	50	+ 50	4	+ 3
Other liabilities	42	+ 5	27	....	15	+ 5
Capital funds	251	+ 5	115	....	136	+ 5
Total Liabilities and Capital Accounts	$4,150	— 72	$1,881	— 81	$2,269	+ 9

Reporting bank data are from balance sheets submitted weekly. Non-reporting bank data are 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 in the process of collection, 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 required reserves.

Reserve balances and data on borrowings from the Federal Reserve banks are taken directly from the books of the Federal Reserve bank. Capital funds, other assets, and the other liabilities are extrapolated from call report data.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, FEB. 27, 1953

■ INDUSTRIAL production continued to rise in January and February and construction activity was maintained at advanced levels. Retail sales were down somewhat more than seasonally from the record year-end level. Wholesale prices continued to show little change, while consumer prices declined slightly further.

Industrial Production — The Board's index of industrial production rose two points in January to 237 per cent of the 1935-39 average. A small further rise is indicated in February, reflecting mainly continued gains in output of consumer durable goods.

Production of passenger autos has increased sharply since December and in February reached an estimated annual rate of 6.2 million units. Seasonally adjusted output of major household goods, notably television sets, also expanded further in January and apparently continued at advanced levels in February. Activity in producers' and military equipment industries has been generally maintained.

Among materials, lumber showed a large further gain in January after seasonal adjustment. Output of aluminum, up markedly in January, exceeded the year-ago level by almost one-sixth owing mainly to additions to capacity. Other nonferrous metals generally changed little in January. Steel ingot production in February held close to the record January rate.

In January, output of nondurable goods largely recovered from the temporary December decline. Activity at cotton and rayon textile and paperboard mills continued somewhat below October-November rates, but there were increases at plants making leather and rubber products. Output of chemicals and refined petroleum products continued at advanced levels.

A slight further decline in minerals output in January resulted from curtailment of coal and crude petroleum production. Bituminous coal mining decreased somewhat further in the first half of February.

Construction — Value of construction contract awards declined by more than one-fourth in January, reflecting largely a substantial drop in awards for nonresidential building. The total, however, remained almost one-fifth above a year ago.

The number of housing units started totaled 71,000 as compared with 76,000 in December and 65,000 in January 1952. Value of new work put in place in January, after allowance for seasonal influences, continued at the very high level of other recent months.

Employment—Seasonally adjusted employment in nonfarm establishments continued in January at the peak of 47.8 million, 1.3 million above a year ago. The work week in factories declined seasonally but, at 41.1 hours, was at a postwar high for the month; average hourly earnings remained at $1.73 and average weekly earnings declined about 2 per cent to $71.27. Unemployment increased to 1.9 million in January, owing mainly to the usual seasonal reduction in outdoor construction activity, but remained below the level of a year ago.

Commodity Prices — The average level of wholesale prices continued to change little from mid-January through February. Beef prices declined substantially further as marketings continued in large volume, but pork advanced in large part seasonally. Grains decreased markedly early in February but subsequently recovered. Prices of some industrial materials such as zinc, rubber, and fats and oils declined, while certain other materials, some of which were decontrolled in February, advanced.

Consumer prices declined slightly further in January and February, reflecting chiefly decreases in prices of meats and some other foods.

Bank Credit — Loans and investments at banks in leading cities continued to decline between mid-January and mid-February. Reduction in bank holdings of government securities, largely Treasury bills, accounted for most of the contraction.

Loans to food processors, commodity dealers, and sales finance companies declined seasonally, while loans to metal manufacturers increased further. Consumer and real estate loans continued to rise.

Security Markets—Yields on United States government securities fluctuated within a narrow range during the first half of February, but moved higher in the following week.

On January 30 the Secretary of the Treasury announced the terms of two new issues offered in exchange for $8.9 billion of 1⅞ per cent certificates of indebtedness maturing on February 15—a 2¼ per cent one-year certificate and a 2½ per cent five-year ten-month bond. The offering was exceptionally well received, with cash redemptions only 1.5 per cent of the maturing issue.

Yields on high-grade corporate bonds continued to rise, reaching a postwar high in the third week of February. Common stock prices declined in the first week of February but showed little change in the following two weeks. Margin requirements on credit for purchasing or carrying securities were reduced from 75 to 50 per cent, effective February 20.

BANK EARNINGS

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common stockholders rose from $8.7 million to $9.0 million. Retirements of preferred stock lessened the claims on earnings by the holders of such $35.3 thousand last year.

District member banks retained earnings of $13.4 million last year compared to $12.1 million in 1951. Since the dividends were raised only $300 thousand, stockholders got less than one-fifth the $1.6 million increase in net profits. The other four-fifths was used to strengthen the banks' capital.

Ninth District Bank Practices Conservative

Although the profit picture at district member banks was good last year, preliminary tabulation of statements from member banks in other districts indicates these banks increased earnings a little more than banks here.

One important reason for the larger increase at banks in other parts of the country can be found in the greater loan expansion at such banks. Both here and in the rest of the country, banks acquired more assets and deposits in 1952. But a larger proportion of the additional assets acquired by Ninth district banks was in the form of relatively low yielding investments.

These differences in the composition of new assets caused investment income to increase proportionately more and loan income to rise proportionately less at banks here than at banks in other districts.

Reflecting the bigger earnings increase in other districts was a 25 per cent jump in income taxes there compared to 11 per cent higher income taxes here. This difference in tax payments went a long way in bringing the improvement in profits after taxes at member banks in other districts down to only slightly higher than in the Ninth district. END