FEDERAL RESERVE BANK OF MINNEAPOLIS

MONTHLY REVIEW

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PRODUCERS TO VOTE AUGUST 14

Quotas May Idle 4.5 Million Wheat Acres

Decision on marketing controls for 1954 is of major significance to Ninth district's economy

FOR a decade or more the Ninth district's wheat farmers have been unrestricted in their production of wheat — the area's principal cash crop.

But this is to be changed in 1954. Wheat farmers are to be subjected to marketing quotas and acreage allotments for the 1954 crop. That is, quotas will apply unless growers disapprove them or unless some unforeseen emergency such as a rust epidemic, drouth, or war develops before the 1954 wheat is planted.

Right now, however, it appears that we have too much wheat. The facts are that wheat farmers have liked price supports at 90 per cent of parity, but in response to it they have expanded acreage and produced more wheat than domestic and foreign markets can absorb.

Carryover of old wheat now, and also anticipated carryover a year from now, is at record proportions. It is this prospective large supply that has caused production controls to be imposed on the 1954 crop, for which planting will begin within the next 60 days.

Controls Mandatory

Actually, the Secretary of Agriculture had no alternative but to announce wheat marketing quotas last July 1, for the 1954 wheat crop.

The Secretary is required under the Agricultural Adjustment Act to follow certain legal formulas in determining whether quotas are required. He must proclaim quotas when the total supply of wheat for the succeeding marketing year will be more than 20 per cent larger than the normal supply.

Normal supply is defined as domestic consumption for the current marketing year (about 690 million bushels in 1952-53), plus estimated exports for the next marketing year (now estimated at 315 million bushels for 1953-54).

To this total would be added 15 per cent as an allowance for carryover reserves. The normal supply for the current period is, therefore, approximately 1,155 million bushels.

The addition of the 20 per cent to normal supply would bring the total to 1,386 million bushels—the point at which marketing quotas are now required by law.

The total supply of wheat for 1953-54, based on June 1 estimates, actually may approximate 1,700 million bushels—147 per cent of normal supply.

It is for this reason the Secretary was forced to announce quotas on July 1, this year.

Producers to Vote

The Agricultural Adjustment Act also provides that the Secretary shall conduct a referendum, by secret ballot, of farmers who will be subject to the quota. This vote is now scheduled for August 14, 1953. Two-thirds of those voting must approve before marketing quotas become effective.

Individual marketing quotas are based on acreages, not bushels. The amount of wheat a farmer can produce, therefore, is determined by his production on his allotted acreage.

If a farmer plants more acres than his quota, he is subject to a penalty on the production of the excess acreage equal to 45 per cent of the basic loan rate per bushel. This would amount to a penalty of $1.00 to $1.10 per bushel at current support prices. In effect, this is a fine and it must be paid. In fact, his entire wheat crop is subject to a lien until the fine is paid.

Producers may postpone or avoid this penalty by storing the excess production according to certain specific regulations. The farmer is not permitted, however, to feed this excess wheat on the farm. It must be isolated completely from the market, otherwise the farmer must pay the penalty for violation of his quota.

If farmers were to disapprove marketing quotas on wheat for 1954 or in succeeding years, some of the consequences might be as follows:

1) Wheat price supports automatically would be reduced from 90 per cent to 50 per cent of parity.

2) The government might then move part of its huge wheat holdings into the market at the lower support price. Under present law, it cannot sell at less than the support price plus certain additional charges unless the wheat has gone out of condition.

3) Prospects of lower supports in the year ahead would influence free market prices in the current marketing year. Buyers would delay, as much as possible, purchases until the support price was reduced.

4) If farmers accepted lower price supports on wheat, it might influence both market and support prices on some other farm products.

Limit Marketing Quotas

Farmers in the United States have planted approximately 78 million acres of wheat for 1953 production. Under old legislation the minimum acreage for wheat under marketing quotas was 55 million acres, but legislation just enacted has raised the statutory minimum acreage to 62 million acres.

Existing legislation also exempts farmers from quotas where wheat acreage is less than 15 acres or production is less than 200 bushels.

Acreage Allotments Set

After marketing quotas have been imposed, the Secretary is required to announce national acreage allotments not later than July 15. The national allotment recently set by the Secretary for the 1954 crop is at the minimum of 62 million acres.

The national acreage allotment is then apportioned to states, to counties, and finally to individual farms.

The differences between acreage allotments and marketing quota programs for wheat are as follows:

1) National acreage allotments may be proclaimed by the Secretary every year, except when there is a national emergency. A marketing quota program can be proclaimed **only** when the supply reaches certain prescribed levels as explained earlier in this article.

2) Producers are not asked to approve or disapprove acreage allotments, but they must approve marketing quotas if they are to be effective.

3) When marketing quotas are not in effect there is no penalty

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Routing Symbol Use in District Increases to 91%

■ THE NINTH Federal Reserve district matched the national one per cent gain in volume growth of the check routing symbol program, the June 1 survey by Federal Reserve banks revealed.

With South Dakota setting the pace for district states with 94 per cent of par banks' checks carrying the symbol — an increase of 3 per cent since the survey six months earlier — the Ninth district placed in a tie for fifth with 91 per cent.

Montana was second in the district with 93 per cent—a gain of 2 per cent—and Minnesota came up 1 per cent to a total of 91. North Dakota remained unchanged at 90 per cent.

Michigan, whose upper peninsula lies in the Ninth district, gained 2 per cent for a total of 85, while Wisconsin, with 26 counties lying within the district, gained 1 per cent for a new mark of 87.

In coming to within only four percentage points of the leaders—Vermont and Rhode Island with 98 per cent—South Dakota placed in a tie with five other states for tenth position.

Ahead of it at 96 per cent were Delaware, New Jersey, and New York, as well as the 95 per cent group of Colorado, Connecticut, New Hampshire, and Washington.

At 94 South Dakota found itself in the company of Maine, Maryland, Massachusetts, Pennsylvania, and Utah.

Standings of district states June 1, 1953, and their six-month performance were as follows:

	% Use	% Gain
South Dakota	.94	.3
Montana	.93	.2
Minnesota	.91	.1
North Dakota	.90	.0
Wisconsin	.87	.1
Michigan	.85	.2

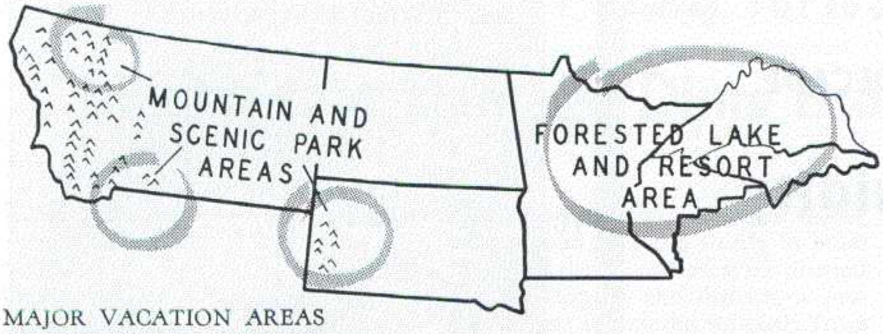
The district has made remarkable progress in use of the symbol on checks (of par banks) in the past two years. At that time the district average was only 69 per cent where the national average June 1951 was 82 per cent. Minnesota then had 67 per cent and North Dakota 66.

The current percentage of 91 represents a new high for the routing symbol program nationally. Since the number of checks with the symbol in the approved location is beginning to approach 100 per cent of those in circulation, it becomes more difficult to progress rapidly, it was pointed out by V. Willis, chairman of the subcommittee on collections of the Federal Reserve System, and a vice president of the New York Federal Reserve bank.

"Further progress," he said, "would appear to depend largely on the cooperation of depositors who order their own checks."

Bankers are urged to request printers who print checks for customers who draw on par banks to be sure that the symbol is used and that it is placed in the upper right-hand corner.

"We still have a job to do," a Federal Reserve spokesman said. "Our aim is 100 per cent or as close to it as possible. This means that, while we have made great strides since the program began, the going is tougher now and we therefore need the help of the par banks to gain our final objective."



MAJOR VACATION AREAS
IN THE NINTH DISTRICT

Vacation Trade on Par with 1952

Slight gains are indicated for tourist volume in Ninth district, according to mid-season surveys

MODERATE gains in the annual peregrination of rest-seeking and sight-seeing citizens into the scenic lake, mountain, and forest regions of the Ninth district are evident from a study of indicators at mid-season.

Travel reports and resort surveys show that, in keeping with recent trends, 1953 tourist activity has approximated 1952 levels.

Each summer millions of tourists spend all or part of their vacations in the Ninth district. Whether they travel by train, plane, bus or the family car, the dollars they spend at motels, drug stores, gas stations, and similar outlets mount into hundreds of millions.

For example, 630,000 sightseers visited Glacier national park in northwestern Montana last year. Before leaving the state, they had spent an estimated $12 million.

Visitors to other scenic attractions in or adjacent to the western section of the district (including the Black Hills, the Badlands, and Yellowstone park) put additional millions into bank accounts of local business. Two million visitors to South Dakota in 1952 accounted for an estimated $85 million in this manner.

Big Industry, Made Up Of Small Enterprises

The tourist industry in the district is a "big business" composed of many small enterprises. In the forest and lake region (northeastern part of the district) are more than 5,000 resorts. They typically have from 3 to 10 cabins, and gross an average of only about $5,000 for the three-month season. Yet more than two million vacationers visit this area annually and spend well over $200 million.

Most visitors to the district travel by car and accordingly tend to vacation within a reasonable driving distance of their homes. (Figures from the American Automobile association indicate an average round-trip of about 1,200 miles.) For this reason, the major tourist "markets" for the northern lake country are nearby metropolitan centers such as Chicago, Milwaukee, Detroit, Minneapolis, and St. Paul.

Western areas, on the other hand, draw a larger percentage of their tourists from the west coast. Leading sources of Glacier park tourists, for example, are the states of California and Washington.

Traffic Indicates Gain

July and August are the two big tourist months in this part of the country. Indicators now, during the height of the 1953 season, reveal that this season's business compares favorably with last year.

In Michigan's upper peninsula, for instance, several indicators of tourist traffic show increases over last year. The number of cars on state ferries across the Straits of Mackinac is 13 per cent above last year, highway traffic is up, patronage at state parks has increased, and resorts and motels are reporting more business.

In Minnesota, June business found resorts about 46 per cent occupied—almost identical with last year's volume. Advance reservations as of the beginning of July are up for the latter part of the season, suggesting that better than three-quarters of the resort capacity will be occupied during July and August.

Highway department reports show that over-all traffic in the state was up nearly 4 per cent during May and June.

Reports from South Dakota indicate that traffic in that state increased significantly during May and was up 2 or 3 per cent for June in spite of cool weather.

At Glacier national park, late opening of the Going-to-the-Sun highway plus floods in north-central Montana combined to lessen early traffic through the park. Since the highway opened, however, there has been a rush of traffic typical of this part of the season.

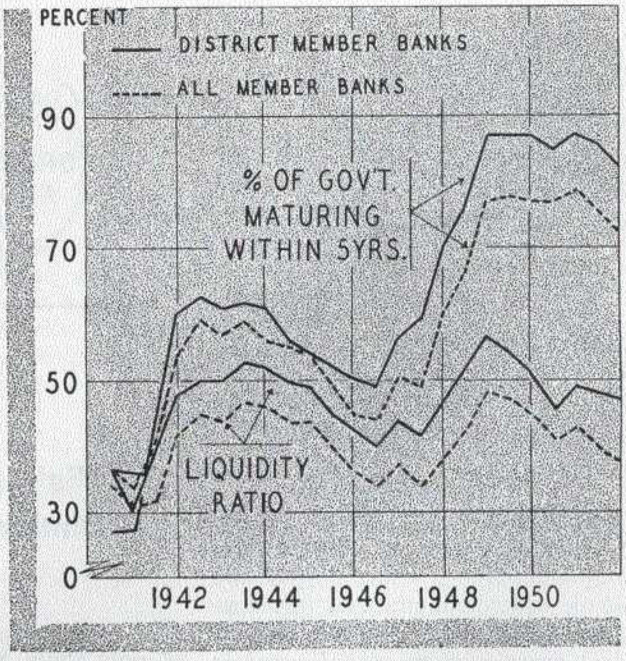
In brief, 1953 tourist activity in the district is at or above last year's levels—which is in keeping with recent trends. Localized ups and downs are to be expected from one season to the next, but the long run outlook is promising.

More families, more cars, and more leisure point to an increased general volume for the already substantial tourist "industry." From such changes in the national economy the district, as a net "importer" of the tourist dollar, stands to increase its relative income. END

AFTER MORE THAN A DECADE

Area Bank Liquidity Still Good

Ratios of the Ninth district's member banks declined less than did the national average



SELECTED RATIOS OF MEMBER BANKS

SINCE early in World War II, Ninth district member banks have maintained greater liquidity than member banks outside the district.

This greater liquidity has resulted from a tendency for district member banks to hold a greater proportion of their assets in the form of government obligations and balances at other banks. Also, the government obligations owned by district member banks mature sooner, on the average, than do governments held by member banks generally.

Bank liquidity is frequently expressed as a ratio—the amount of liquid assets owned divided by total deposits. The designation of liquid assets is somewhat arbitrary and hazardous, since an asset which is liquid (can be exchanged for cash at book value) at one time may not be at another time.

Some government securities which could have been liquidated at par or better three years ago cannot be sold at that price today.

Nevertheless, for purposes of this discussion government securities maturing within five years together with non-marketable governments, cash, bank balances, and excess reserves are designated liquid assets. Although arbitrary, this definition conforms with that used in other studies* and is suitable for comparisons.

The ratio of liquid assets to total deposits for all member banks in the nation and for district member banks during the past 12 years is indicated on the accompanying chart. Also, the proportion of government securities owned by all member banks and by district member banks which mature within five years is shown for the same period.

Both Sides of Ratio Grew Last Year

While the ratios for district member banks vary closely with the ratios for all banks, a persistent difference is visible for many years. Last year this difference was widened as the liquidity of member banks in the rest of the country declined by more than the liquidity of banks here. The proportion of governments which mature within five years also declined more at all member banks than at district member banks.

The decline in liquidity of all member banks last year resulted from a loss of liquid assets and from the assumption of larger deposit liabilities.

* Federal Reserve Bulletin, October 1950, page 1279.

As was true of all member banks, those in the district added to their deposit liabilities during the period, but, unlike the others, member banks here also added to liquid asset holdings, so that the ratio of liquid assets to deposits declined by less here than in the rest of the nation.

Loans Up Less

The less than average expansion of loans at Ninth district member banks last year was associated with the less than average decline in their liquidity.

In connection with the importance of liquidity to banks, it seems appropriate to mention that the Banking Act of 1935 provided for a supplementary and temporary source of cash for banks faced with unusually large unexpected needs. This legislation permitted Federal Reserve banks to make credit more readily accessible to member banks than previously.

The intention of the law, however, was that a banker should not ignore the possibility of unexpected needs for cash; he should administer bank assets in the light of such possibility and apply for Reserve bank credit only as such credit might nevertheless be needed. It is expected that banks will anticipate all or most of their normal seasonal needs. END

Small Grain Damage Dims Economic Picture

THE economy of the Ninth district, alongside that of the nation, in recent weeks has continued to go "merrily booming along," but stifled voices of prophets of recession are heard by attentive listeners.

Analyses of statistical information yield but little verification of an impending imminent downturn. Forecasts of recession—mild in magnitude even to the most pessimistic — are based not so much on statistical information, which at best is several weeks old, but rather on "straws in the wind."

There is some evidence that employment in the district and the nation is now on an overtime basis to a lesser degree than a month or two ago. Layoffs have occurred in parts of the automobile and farm machinery manufacturing industries. In general, the supply and demand factors in the labor market are well balanced.

Meanwhile, farmers in areas devoted largely to the production of small grains are much less optimistic over the cash crop outlook than they were a month ago. Whereas earlier wheat stood lush and sturdy in practically all the 22 million acres planted to this crop in the district, a few weeks later it suffered seriously from attacks of a variety of rust to which it was susceptible.

Oats, too, have suffered from rust infestation, resulting from hot, humid weather on which the rust thrives. The same sort of weather has been good for corn, and its continuation throughout August would assure a bumper corn crop for the area.

Producers of cattle, shocked by the precipitous decline in prices for their product during the past year, have recently been heartened by the high rate of beef consumption. Hog producers, who sharply curtailed production, have received high prices for limited supplies. The position of dairy products remains weak, with fluid milk being in the best relative condition.

Statistical data indicate that over-all agricultural income will be significantly lower in 1953 than in 1952.

BUSINESS

▸ *Nonfarm employment leveled off, but number of idle workers remained low in most district states*

Recent employment trends in nonagricultural establishments reflect a leveling off in the demand for labor.

In the first quarter of this year, jobs in most states of this district were more plentiful than in the previous winter as many employers were seeking additional labor. For instance, monthly employment averaged 5½ per cent higher in Montana and 3 per cent higher in Wisconsin than in the same period a year ago. Only in South Dakota and on the upper Michigan peninsula was employment about equal to last year's level.

The demand for labor from seasonal industries boosted total employment in the second quarter, but the increase was less than usual. In most states June employment was still above a year ago, but the margin by which monthly employment in 1953 has exceeded the 1952 monthly figures has narrowed steadily since the first of the year.

In Montana, employment for June dipped slightly below the June 1952 total. The state employment service reported that employment in seasonal industries was lagging from a month to six weeks behind the usual seasonal pattern.

Very few labor layoffs have been caused by manufacturers reducing their output. With no hiring of new workers, labor turnover in many firms has been sufficient to reduce the labor force. Manufacturers paying a considerable amount of overtime have taken this opportunity to reduce overtime pay. For example, the amount of overtime paid in metal working industries has dropped for several months.

Employment on construction jobs has been down in a few states of this district. The smaller activity is traced chiefly to less construction on public works and utilities projects (such as dams, highways, bridges, pipelines, and power lines) rather than to a decrease in building.

Despite the leveling off in employment because of fewer workers being employed by certain specific industries, unemployment has remained low in most district states.

The Minnesota Department of Employment Security reported that the number of unemployed workers in the state is at an unprecedented low figure. June claims for unemployment compensation were below the June 1948 total, which was a previous low point for the state.

The Michigan Employment Security commission reported that unemployment on the upper peninsula in June had dropped to a six-month low point.

On the other hand, the Montana State Employment service experienced a rising trend in unemployment. Claims for compensation ran substantially higher than in the same month of 1952, 1951, and 1948, but were still below the 1949 and 1950 figures.

▸ *Electric power use shows gain*

Over relatively short periods of time the electrical energy used by industrial firms is an approximate measure of the trend of industrial production. Since the first of the year, such firms in this district have increased their use of electrical energy faster than in the corresponding period of last year.

For instance, in February the increase in kilowatt hours of energy used over the amount used in the same month of last year was 5 per cent, while in May and June the comparable increase was over 13 per cent.

The over-all increase in the output of manufactured products as reflected by the larger use of electricity indicates that a contraction in output has been limited to a few industries, such as those producing farm machinery.

Permits issued in June indicate building recovery

The monthly valuation of building permits issued from February through May declined sharply in comparison with 1952 figures. In May the valuation of permits issued in representative cities of this district actually was less than the total for May of last year. However, for June the aggregate dollar amount again was 13 per cent ahead of the total for the same month of last year.

Among the larger permits issued, public building, especially new schools and churches and additions to old ones, figured importantly. Retail stores, garages, office buildings, and warehouses as well as several large housing projects added greatly to the total.

New car sales stayed high

As was pointed out in previous issues, sales of new cars have increased as manufacturers expanded their output. On the basis of new car registrations, high sales continued through June and the first half of July.

For example, in the Twin Cities metropolitan area June registrations were one-third larger than in the same month of last year, and in the first half of July the year-ago increase was even larger.

Used car prices dropped

In the sale of new cars, many dealers have become loaded with used cars. Since the latter part of April, even with the adoption of more effective selling methods it has been necessary to reduce prices to sell these cars.

Some dealers with large stocks took financial losses to move their used cars before July 4, which usually marks the end of the brisk seasonal demand for cars.

Auto terms tightened

In the past 60 to 90 days, more conservative terms have been adopted in the Twin Cities on instalment contracts. On new cars, 25 per cent is the usual minimum down payment, with some financial firms requiring 33⅓ per cent down.

In general, the maximum maturity is 24 months, with some granting 30 months on the three popular makes of cars. On used cars, 33⅓ per cent is the usual minimum down payment, although many firms require larger payments.

Contracts written on cars older than 1949 models in most cases have a maturity of 18 months or less.

Department store sales up

In June, district sales again were 7 per cent ahead of last year's receipts, whereas in both May and April they had fallen below. For the first six months, sales were up 2 per cent from those for the same period of 1952.

Ninth District Business Indexes

(Adjusted for Seasonal Variation—1947-49=100)

	June '53	May '53	June '52	June '51
Ninth District Dept. Store Sales	103p	105	100	97
City Department Store Sales	105p	110	101	98
Country Department Store Sales	98p	97	98	97
Ninth District Dept. Store Stocks	118p	118	105	122
City Department Store Stocks	123p	121	107	127
Country Department Store Stocks	112p	114	102	114
Lumber Sales at Retail Yards (Bd. Ft.)	84p	84	89	84
Miscellaneous Carloadings	104	114	91	109
Total Carloadings (excl. Misc.)	101	103	45*	104
Farm Prices (Minn. unadj.)	96	97	105	111

p—preliminary
*—Steel strike

FARMING

Fewer spring pigs were raised this year—but the fall crop may be smaller

Ninth district farmers produced 12 per cent fewer spring pigs this year compared with 1952. For the U. S. as a whole, the decline was 10 per cent. The largest decline, 35 per cent, was in Montana; the smallest was in Minnesota, with a 9 per cent reduction. The Dakotas each registered a 14 per cent decline.

Usually, a favorable summer corn-hog ratio is followed by an increase in fall pig production. This year may be an exception if farmers carry through with early summer farrowing intentions.

In spite of an unusually favorable corn-hog ratio, farmers in the Ninth district have planned a slight reduction in the number of sows to farrow this fall. The planned reduction is large in North Dakota and Montana, but almost insignificant in other district states.

Possibly hog producers are mindful of prospective heavy marketings of beef and its effect on meat prices in general in the coming months.

Consumers show preference for butter, but price is factor

The University of Minnesota has issued a new bulletin which analyzes the competitive position of butter and margarine.*

The bulletin reports that in 1938 only 4 per cent of the families surveyed in Minneapolis used margarine. In 1952 the percentage was 39.

During the war, of course, butter consumption was restricted and more people became accustomed to using butter substitutes. This, plus the fact that the price spread between the two has been relatively wide in recent years has influenced consumers to maintain or even increase their consumption of oleo.

The report stated that many families, particularly those in the lower income brackets, would switch back to butter consumption if the price differential were narrowed.

More cattle were on feed in the district July 1

Extensive cattle feeding in the Ninth district is concentrated mainly in southern Minnesota and in south-

* Butter and Margarine—Station Bulletin 417—Agricultural Experiment Station—University of Minnesota—June, 1953.

eastern South Dakota. This is the cornbelt area of the district and, as such, lends itself to cattle feeding operations.

The big corn crop of 1952 encouraged heavy cattle feeding operations this past winter, and on July 1, 1953, this area still had on feed a near-record number of cattle for the mid-year period. The number on feed July 1, as a percentage of a year earlier, is as follows:

Minnesota	104
South Dakota	117
Wisconsin (entire state)	115
Cornbelt (11 states)	108
United States (est.)	104

USDA predicts higher fat cattle prices but lower prices for grass cattle

The old law of supply and demand seemed to have functioned according to formula for cattle prices during the first half of this year.

Total cattle slaughter (supply) for the first half of 1953 is now estimated at 30 per cent larger compared with the first half of 1952.

To balance increased cattle slaughter, prices of most grades and classes of cattle at the St. Paul market in early July were 30 to 45 per cent below a comparable period a year ago. Fortunately, demand for beef has remained high or prices may have declined even further.

The Department of Agriculture, however, in its July livestock situation report stated that from a short-run viewpoint the price outlook for fat cattle is good. It predicted in early July a moderate seasonal increase in prices of top grade slaughter steers during the next few months.

It may be that some of this anticipated increase has already occurred in the mid-July price flurry.

BANKING

Deposit gain in Minnesota offset outflow in all other district states

The seasonal deposit gain at district member banks in May and June of this year amounted to less than half the gain in the same months of last year. Although the deposit increase at the city banks fell a little short of last year, country banks have accounted for most of this year's lag. The seasonal rise in country bank deposits which occurred in May last year had failed to materialize by the end of June this year.

Deposits added by member banks located in Minnesota, mostly city banks, more than offset deposits lost by member banks in every other district state so that—for the district—a gain of $20 million was recorded for June.

The loss of deposits in June by member banks in all district states but Minnesota contrasts with the experience in June a year ago when all states reported gains.

Loan totals were up

Loans at country banks increased by $11 million during June in contrast to a decline of $3 million in June a year ago. The increased loans together with the deposit outflow were offset by the liquidation of investments amounting to $9 million and the withdrawal of $11 million in balances at other banks.

City banks added $4 million to loans in June—$1 million less than they added in June a year ago. Most of the increase in June a year ago went to commercial and industrial borrowers, in contrast to the June increase this year which took place in the category of loans composed mostly of consumer loans.

City banks also added to their balances at other banks and repaid indebtedness at the Minneapolis Federal Reserve bank amounting to $16 million. END

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

(Figures as of the last Wednesday of the month, in millions of dollars)

ITEM	All Member Banks		City Banks (weekly reporting)		Country Banks (non-weekly reporting)	
	June 24, 1953	Change Since May 27, 1953	June 24, 1953	Change Since May 27, 1953	June 24, 1953	Change Since May 27, 1953
Loans and discounts	$1,347	+15	$ 652	+ 4	$ 695	+11
U. S. Government obligations	1,394	— 6	499	+ 1	895	— 7
Other securities	315	— 4	156	— 2	159	— 2
Cash and due from banks	893	— 4	476	+ 7	417	—11
Other assets	39	— 2	16	— 2	23	....
Total assets	$3,988	— 1	$1,799	+ 8	$2,189	— 9
Due to Banks	$ 341	— 1	$ 301	....	$ 40	— 1
Other demand deposits	2,313	+20	1,074	+24	1,239	— 4
Total demand deposits	$2,654	+19	$1,375	+24	$1,279	— 5
Time deposits	1,018	+ 1	262	+ 1	756	....
Total deposits	$3,672	+20	$1,637	+25	$2,035	— 5
Borrowings	22	—21	19	—16	3	— 5
Other liabilities	40	— 1	25	— 2	15	+ 1
Capital funds	254	+ 1	118	+ 1	136	....
Total Liabilities and Capital Accounts	$3,988	— 1	$1,799	+ 8	$2,189	— 9

While the asset and liability items of city (reporting) banks are taken from balance sheets which these banks submit on Wednesday every week, the amounts of these items for country (non-reporting) banks are taken from a variety of sources.

Country banks submit reports showing the amount and composition of earning assets on the last Wednesday of each month. Reserves, cash, bank balances, and deposit amounts are taken from reports submitted to this bank for computing reserve requirements.

Other assets and liabilities (except borrowing) together with capital accounts are extrapolated from call report condition statements. Borrowings by country banks are taken from the books of this bank and, as such, do not include possible other borrowings.

ECONOMIC *Briefs* SIGNIFICANT HAPPENINGS IN THE NINTH DISTRICT

✓ U. S. Gypsum expands in Montana

Enlargement of a gypsum board plant at Heath, Montana, is planned by United States Gypsum company to increase substantially its output of gypsum wallboard and lath. The proposed two-story brick and steel structure is expected to be completed by mid-November.

✓ Survey Billings-Spokane pipeline

Survey work is under way by the Yellowstone pipeline company for a $20-million petroleum-products pipeline from Billings to Spokane. The 540-mile line will be capable of delivering 30,000 barrels of liquid products daily from Billings refineries to destinations in western Montana, northern Idaho, and eastern Washington, and is expected to be in operation by next spring.

Major backers of the project include Continental and Carter oil companies.

✓ Ft. Randall dam near completion

In spite of delays in procurement of certain materials, November remains the scheduled completion date for the Fort Randall dam on the Missouri river. Some 530 workmen are now employed at the site of its 240,000 KW installation.

The $147 million project, which has been under construction since 1946, will be the first "main-stem" dam to go into operation under the government's Pick-Sloan plan for development of the Missouri basin.

✓ Mandan pipeline ready Dec. 1

Between 100 and 200 men are at work on a 207-mile petroleum-products pipeline moving east from Mandan, North Dakota (site of Standard Oil of Indiana's proposed 30,000 barrel-a-day refinery), to Moorhead, Minnesota.

At Moorhead the $10-million line will link with the western end of the company's pipeline system from Indiana. This phase of Standard's plant construction in North Dakota is scheduled to be ready for operation on December 1.

✓ Hibbing enjoys housing boom

Several housing projects are under way at Hibbing as that city is witnessing something of a residential building boom. Over 165 permits to build were issued during the first six months of 1953, in contrast to a total of 94 for the entire year 1952.

Total valuation placed on 1953 permits so far has been nearly $2 million.

✓ Presto plant to make shells

Under a $17 million government contract, the National Presto Industries plant near Eau Claire will be converted into a multi-line artillery shell plant, employing some 1,500 to 2,000 workers.

✓ Lakehead pipeline helps trade

Construction of Lakehead Pipeline's $76 million crude-line extension from Superior, Wisconsin, to Sarnia, Ontario, is affecting local trade in several Wisconsin and upper Michigan communities along the route.

Three contracts are involved in laying line along the stretch within this district, one of which alone is expected to employ 450 men at peak; while some 125 men are working at St. Ignace, where another contract calls for crossing the Straits of Mackinac.

One large pumping station (a $1 million installation at Superior) will give the line an initial capacity of 120,000 barrels a day. Completion of the 30-inch line is scheduled for December 1.

WHEAT QUOTAS

Continued from Page 53

for failure to conform to acreage allotments except that non-cooperators are not privileged to secure CCC loans. When quotas are in effect, all wheat producers above the minimum levels (15 acres or 200 bushels) will be penalized on production from acreage in excess of the quota.

Implications Undetermined

Wheat marketing quotas and acreage allotments for 1954 are of major significance to the Ninth district's economy. Not only is wheat the most important single cash crop in this area, but it also involves more crop acres than any other single crop.

There are some areas in the Dakotas and Montana that are particularly adapted to the production of wheat and where few, if any, other crops can be produced profitably. In such areas, the application of quotas and allotments is a major economic consideration.

Assuming that marketing quotas are actually carried through for 1954, an estimated 20 per cent cut in the district's 22½ million 1953 wheat acres will occur in 1954. Some 4.5 million acres will thus be released from district wheat production.

A number of questions suggest themselves. What crops if any will be grown on the idle wheat acres? Will a strict control plan mean more grass and livestock? Will farmers plant more barley, oats, and flax on the relinquished wheat acres? What adjustments, if any, may be necessary in wheat processing and marketing concerns if district wheat production is cut back 4.5 million acres in 1954?

It is too early to say what adjustments farmers and business men may make in response to wheat production controls. Perhaps they will not be too difficult, however. It may be contended that some adjustments are economically desirable when more wheat is produced than is wanted by domestic and foreign consumers.

END