FEDERAL RESERVE BANK OF MINNEAPOLIS

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DISTRICT FOLLOWS NATIONAL TREND

Mortgage Credit Holds Up Despite Stiffer Terms

Although FHA and VA loans declined in volume, a larger number of conventional mortgage loans were closed during the past summer

CHANGING terms on mortgage loans have reflected developments in the general money market during the year.

Mortgage funds were relatively tight during the spring and summer, partly because yields on alternative investments were rising. The effect was to make mortgages less attractive to financial institutions.

Money was particularly scarce for FHA and VA loans earlier this year, whereupon rates on these loans were raised to 4½ per cent on May 2. But a new 3¼ per cent government bond had just been issued and was selling at a price which yielded more than 3¼ per cent.

The result was to make the rise in FHA and VA loan rates less effective than otherwise would have been the case.

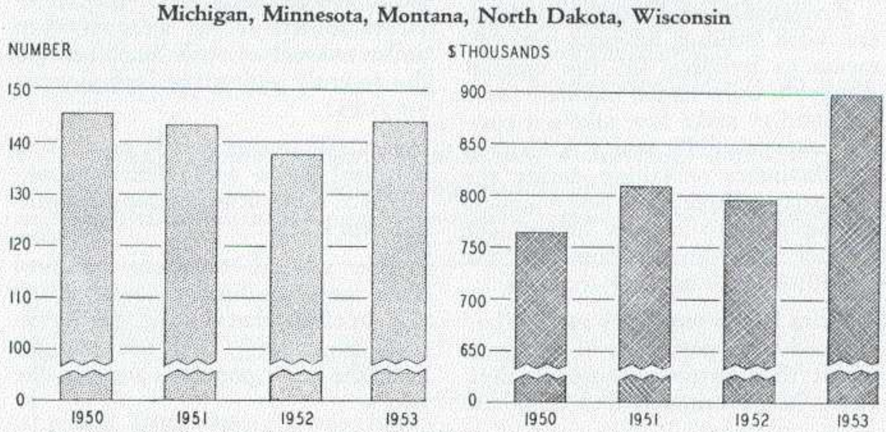
Yields on government and corporate securities have since come down and mortgage money is now loosening.

These national trends were followed in the Ninth district, as shown by a survey made in the first two weeks of September. Lenders of mortgage credit in this area reported on the terms adopted by them. These reports were made at a time when the decline in the yields on bonds had not as yet been reflected in changes in mortgage investment policy.

The market for FHA insured and VA guaranteed mortgage loans had narrowed significantly during the summer months. Some lenders had

NON-FARM MORTGAGES OF $20,000 OR LESS RECORDED DURING FIRST SEVEN MONTHS OF EACH YEAR, 1950 TO 1953

Estimated number and dollar amount for the five states of Michigan, Minnesota, Montana, North Dakota, Wisconsin



Source: Monthly "Mortgage Recording Letter" of Home Loan Bank Board, Operating Analysis division.

stopped granting such loans, since they already were carrying a large volume in their portfolios and the demand for these loans at par had disappeared in the secondary market.

Most lenders continued to grant these loans to their preferred customers, but on more conservative terms. The down payments required were raised from 5 or 10 per cent to 20 per cent and, in a few instances, to 33⅓ per cent. The maturities were shortened from 25 years to 20 years.

Lenders who remained active in the market charged builders a discount ranging from 1 to 4 per cent to boost the yield of the loans or to meet the discount charged in the secondary market.

Conventional loans available at higher rates

Although many lenders had withdrawn or restricted their activity in the FHA or VA mortgage market, they remained active in the conventional mortgage market. Such loans continued to be sought, but at a higher rate of interest.

On loans closed in the first half of September, the rate ranged from 4½ to 6 per cent. In most communities of this district, the typical or median rate was 5 per cent. However, in some communities where there was a strong demand for mortgage loans, the median rate had edged up to 5½ per cent.

Since the market for such loans is primarily local, some variation in rates occurs.

Advance commitments to builders limited

A relatively small number of lenders were making advance commitments to builders. Of the number surveyed, only about one-half were prepared to make firm take-out commitments for FHA and VA loans at the discounts prevailing during the first part of September. Some lenders in the primary market limited the amount of commitments to the growth in their savings accounts.

Firms in the secondary market had reduced their purchases of mortgage loans; they invested more of their funds in government and corporate bonds which provided better yields with less servicing costs. However, most of them continued to buy a small allotment of mortgage loans to keep correspondent contacts alive.

Conditions imposed on advance commitments which had not been required a year earlier were: 1) lenders in the primary market attempted to secure commitments from firms in the secondary market before committing themselves to builders; 2) some limited commitments to 30, 60, or 90 days; and 3) others limited commitments to a smaller number of houses at a time.

Most lenders required more conservative terms of the mortgagors. Monthly payments (including amortization, interest, taxes, and insurance) were limited to 20 per cent of the borrowers' income whereas a year ago the ratio was 25 per cent. At the same time, maturities on FHA and VA loans had been shortened from 25 years to 20 years.

Many lenders required a minimum down payment of 10 per cent, and some 20 per cent on VA loans made on houses selling for approximately $12,000. Only a few accepted a 5 per cent down payment.

"Fanny May" outlet for new loans

The one-for-one purchase and sale provision of the Federal National Mortgage association provided an outlet for a small number of FHA and VA loans closed at the maximum terms allowed by the governmental agencies.

Some lenders have purchased seasoned FHA and VA loans at prices ranging from 96 to par from "Fanny May" and in return secured commitments to sell at par an equivalent dollar amount of such loans bearing the recently authorized higher interest rates.

Firms interested only in purchasing seasoned loans sold their commitments to other firms interested in selling new loans.

The general comment received from mortgage brokers and bankers was, in effect, that the mortgage credit in this district was not as tight as in the more populous areas of the nation.

Fewer firm commitments held by builders

The status of mortgage credit also was surveyed from the standpoint of residential builders. In the first part of September nearly all the large operators surveyed held firm commitments on houses still to be started. However, nearly all held a smaller amount than they had held a year ago. About one-half of the builders had commitments on FHA and VA loans.

The builders surveyed were about equally divided between those seeking further commitments for FHA and VA financing and those seeking no further commitments for this fall. Discount rates charged builders ranged from 1½ to 5 per cent.

Builders reported that most lenders required larger down payments and shorter maturities on FHA and VA loans and applied stricter credit standards than they had a year ago.

A majority of builders surveyed contemplated starting the same or a larger number of houses this fall and next spring than were started in the same period a year ago. Those who contemplated starting fewer houses emphasized market conditions as well as availability of financing as reasons for reduced activity. They stated that the "market is stiffer" and there is "more competition."

Mortgage recordings up

The tight mortgage market has led to more conservative terms, but it has not reduced materially, if any, the amount of mortgage credit extended in this district. In the first seven months of this year, nearly 5 per cent more non-farm mortgages of $20,000 or less were recorded than in the same months of last year.[1]

The aggregate amount of credit granted on the mortgages was up about 14 per cent from the total granted in the same period of 1952. The trend of mortgage lending was up for all states wholly or partially in this district. (Data were not available for South Dakota.)

END

1/ The information was compiled from the Mortgage Recording Letter, published by the Home Loan Bank Board.

DEBT MANAGEMENT PROBLEMS LOOM

Farmers in Economic Battle for Favorable Net Income

Operations based on good farm management, efficient marketing practices, and a sound financial management program can promote solvency

THE possession of modern homes, new types of farm machinery, late model cars, and occasionally an airplane are evidences that many Ninth district farmers are enjoying an excellent standard of living.

Much of this has been brought about in the period since 1940, which may well be characterized as the "golden age" in Ninth district agriculture. Never before has this area experienced so many successive years of excellent crops, relatively favorable prices, and high incomes.

However, most farmers in 1953 aren't able to live off the financial fat of the fabulous Forties. Although new and more expensive items are listed among his assets, and his financial situation is much better than that of earlier decades, the farmer must today fight anew the economic battle for a favorable net income.

The struggle to maintain a good standard of living and at the same time keep financially solvent is made more difficult as prices and income drop down from war time and postwar highs.

Also, most of our Ninth district farmers never know when drouth, grasshoppers, or rust may plague them, with consequent disastrous effects on financial solvency.

The farmer does know, however, that costs of farming are high. He knows his costs tend to come down slowly if at all.

The farmer is aware, too, that operating costs in relation to income or capital investment are at a high level—much higher than ever before. Just a few bad years could spell financial ruin. He must observe, therefore, that there are now fewer notches to tighten in his belt should adversity come.

Must reappraise costs

Knowing all these things and concluding that times could become worse, the farmer wonders what he should do to lessen the shock of possible deflation in agriculture.

Obviously, one way to meet such a situation is to become more efficient. This could mean many things, including keeping a tight rein on costs, particularly the less important ones. Most farmers in debt have already been told this by their bankers, if they weren't already painfully aware of it.

Another way is to follow a sound financial management program. This is important, because most farmers manage businesses with $25,000 to $50,000 and upwards in capital investment. Annual operating costs on most farms run into several thousands of dollars. The mechanized agriculture of today places major emphasis on capital investments and costs.

Credit is part of this picture, too, because many farmers, especially those getting established, find it necessary to borrow heavily each year to meet expenses.

Good management is a key to success

When a farmer sits down to milk a cow he frequently uses a three-legged stool. It doesn't tip easily and he is in position to do the work at hand.

Similarly, the economic position of the individual farmer and all farmers in the aggregate is more comfortable, especially when prices and incomes become less favorable, when his operations are based on a stool with three sturdy legs, namely:

1—a good farm production program;

2—efficient marketing practices;

3—a sound financial management program.

Good farm management is the key to success. Without efficient production, there is little to market and there are few possibilities for flexibility in financial management.

Why do some farmers do better

Taxes Levied on Farm Real Estate — Average Amount per Acre by States 1/

State	1920 Dollars	1930 Dollars	1940 Dollars	1950 Dollars	1952 Dollars
Minnesota	.76	.87	.66	1.33	1.47
North Dakota	.44	.38	.22	.43	.43
South Dakota	.45	.44	.28	.47	.51
Montana	.14	.14	.11	.21	.25
Wisconsin	1.04	1.05	.78	1.57	1.74

1/ Source: USDA release, September 1953

than others? It is because some farmers have the knack of choosing the right crops and the ability to get above-average yields.

Size of business is one of the important factors in efficient production. This sometimes limits even the efficient farmer. It has been found, too, that farmers with an efficient livestock program usually get along better over a period of time.

These various farm management factors can be evaluated and measured only if records are available to check the "soft spots" in the farm business as they develop.

Marketing prices play part in financial success

Prices of all farm products have fallen about 17 per cent in the past year. Cattle prices declined most precipitously, but they tumbled from a relatively high peak. Hog prices are higher than a year ago, but they came up from a relatively low level. Most grain prices have declined, but support programs have given a measure of market stability.

In any event, farm prices seem to have displayed instability—some people think too much so for the good of the economy.

One way to be prepared is to know price trends and to be familiar with the outlook for individual farming enterprises. The cattleman who observed the build-up in cow numbers and wasn't caught with excess cattle inventory this past year is in a favorable position.

The wheat farmer who knows what the price support on wheat will be next year, and provides storage to insure this price to himself, is following a smart marketing procedure.

This illustrates the point that good farm production and financial management involves a thorough knowledge of price trends and of farm outlook. It takes skill and hard work for a farmer to pick profitable projects year after year.

Guideposts to solvency

Efficient production and smart marketing are important parts of a good farm management program. So, also, is financial and debt management. Too often, little thought is given to this phase of the farm business. Financial management involves a number of things, some of which may be discussed briefly as follows:

Financial reserves: One of the important financial management problems facing farmers is the setting aside of cash and equivalent reserves—reserves for periods of low income; reserves for machinery and equipment depreciation; and reserves for sickness and accident emergencies.

There are several methods of setting up such reserves. One is cash in a savings account. Another is an established but unused line of credit. All of a farmer's assets should not be pledged as collateral. A third way is investment in sound securities such as U. S. savings bonds.

How much any farmer should set aside in reserves is difficult to determine. It will vary from farm to farm depending upon each situation. A reserve for a poor crop year, ideally, would be the value of one year's crop.

Machinery reserves should be built up so that each piece of equipment can be replaced by expenditures from the reserve fund.

Insurance: Every farmer needs an insurance program. He needs life insurance to protect his investment so that his family can carry on without too much trouble in event of untimely death. Perhaps a minimum of life insurance would be enough to pay up all short-term debts and to reduce a long-term debt to a conservative level.

It is good financial management to carry adequate amounts of wind, fire, and vehicle liability insurance. General farm liability insurance is a good thing to have, too. Sometimes a bad accident, in the absence of coverage, could wipe out the savings of a lifetime.

Credit: It is a good rule to use credit sparingly. A dollar spent to retire a debt is usually a bargain. However, this is not always true. Sometimes additional credit to buy fertilizer or some needed piece of machinery will more than pay its way. In a period of general price decline, however, be sure the new equipment is urgently needed.

In some cases, farmers have overextended themselves with short-term credit. If repayment is impractical without damage to operating efficiency, refunding into long-term farm mortgage debt at a lower rate of interest should be considered. In some cases, long-term credit should have been used in the first place.

It is good management to study all current debt obligations—especially debts to merchants and individuals. In periods of economic adversity, it is well to have all debts in the hands of lenders who can and will make extensions if general economic conditions demand it.

It is good credit management to budget the year's credit requirements. Write down the purpose and amount of anticipated borrowings and the date and method of expected repayments. Shown below is an example.

A budget credit plan helps to keep borrowings in line with anticipated income. It pays to have repayment geared to the time when income is received. When credit is arranged for on a budget basis, the banker has a clearer insight into the economic problems of the farmer. If prices fall or a drouth occurs, it is easier for the creditor to appreciate the farmer's problem and to make the best possible adjustments for repayments.

Date	Purpose of loan and plan of liquidation	Loan Advance	Estimated Receipts	Balance Outstanding
3- 1-53	(Farmer arranges for $2,500 line of credit with local banker)			
3- 1-53	Fertilizer—seed	$ 395	....	....
3-15-53	New corn planter-fertilizer attachment	480	....	....
4- 1-53	Sale of 10 hogs	....	$ 450	$ 425
5- 1-53	Pay for labor, gas and oil (as needed)	500	....	925
6- 1-53	Sale of 20 hogs	....	925	....
10- 1-53	Pay real estate taxes	450	....	450
10- 1-53	Purchase feeder cattle	2,000	....	2,450
12- 1-53	Sale of soybeans	....	600	1,850
4-15-54	Sale of fat cattle	....	4,500	....
	TOTAL	$3,825	$6,475	

CURRENT *Business* • *Farming* • *Banking* TOPICS

Offsets to Spotty Weakness Obscure

BUSINESS analysts are not worried so much these days because more factors of weakness are apparent in the economy as they are by the fact that evidence of strength overriding the effects of weak spots is no longer easy to locate.

For the past several years the impact of weak spots which have appeared first in one sector and then in another, has been offset by the momentum of the postwar boom, now eight years old.

This phenomenon—the failure of the weak spots to induce a recession of long duration—has been given the descriptive name of "rolling adjustments."

Now, when weaknesses appear, such as those arising from the continuing decline in cash farm income for the past twelve months, observers are having trouble finding clear signs of offsetting elements of strength.

Some find that several weak spots might coincide to produce a moderate downward movement. A decline in plant and equipment expenditures of businesses, a movement toward liquidation of business inventories, and a downturn in consumer expenditures for some types of durable goods — each slight in magnitude — although not as yet clearly indicated by statistics are held to be possible developments.

Greater competition seen

Yet, among analysts there is a consensus at present only on the remoteness of a resurgence of inflation and the certainty of a return to more intense competition in market places.

Even if sidewise movements rather than a sharp downward trend should characterize the economy in the months ahead, less efficient producers will be more severely tested than in earlier years of the postwar boom.

Business indicators for the Ninth district show good, if not excellent, retail trade, especially in the urban areas; a decline in cash farm income; a reduction in overtime hours of work with insignificant unemployment; and a slight rise in bank deposits in September over the same month last year.

BUSINESS

Retail sales this fall improve more than a year ago

A fall pickup in district sales, larger than last year's, has taken place in recent weeks. It remains to be seen if this trend will be maintained in the remainder of the season.

In comparison with figures of a year ago, there has been an increase in sales of department, furniture, and appliance stores in this district. Department store sales in September were up by 2 per cent, whereas in August they were down by 5 per cent.

Furniture store sales in September were closer to last year's receipts than in either August or July. According to preliminary figures, September sales were down only 2 per cent. In each of the two previous months they were down by 6 per cent.

Appliance store sales were up 8 per cent in September, whereas in each of the two previous months they were up only 2 per cent.

Department and furniture store sales still reflected larger increases in terms of last year's receipts in urban centers than in some rural areas. However, this differential apparently has begun to disappear.

September department store sales were still down by 4 per cent in Montana. In the western part of South Dakota, sales were down as much as 10 per cent. In the other rural areas of the district, however, sales were either equal to or above last year's receipts.

Furniture store sales were down noticeably in many rural areas in August but preliminary figures for September reflect an improvement.

Lower sales in rural areas have reflected the drop in farm income. However, a district grain crop estimated to be from 8 to 10 per cent larger than the 1952 crop will offset, in part at least, the effects of lower grain prices on farmers' cash income in 1953.

Cash farm income received from crop production in the second half of this year may be larger than it was in the latter half of last year. Consequently, a larger farm income may bolster retail sales in areas where they were slumping in past months.

Ninth District Business Indexes

(Adjusted for seasonal variation—1947-49=100)

	Sept. '53	Aug. '53	Sept. '52	Sept. '51
Bank Debits—93 Cities	122	128	121	113
Bank Debits—Farming Centers	117	121	116	115
Ninth District Department Store Sales	100p	102	98	102
City Department Store Sales	105p	106	101	104
Country Department Store Sales	92p	96	93	97
Ninth District Department Store Stocks	123p	120	112	115
City Department Store Stocks	126p	120	114	115
Country Department Store Stocks	118p	121	110	115
Lumber Sales at Retail Yards (Bd. Ft.)	83p	85	93	83
Miscellaneous Carloadings	113	113	118	113
Total Carloadings (excl. Misc.)	97	101	105	103
Farm Prices (Minn. unadj.)	87	90	98	99

p—preliminary

Consumer credit continues to expand, but at slower rate

The amount of consumer credit outstanding has continued to expand, but at a slower rate than it did in 1952. The effect has been to create less additional purchasing power in retail markets.

In this district the amount of instalment loans outstanding at commercial banks was about 30 per cent larger at the beginning of this year than it was a year ago. In June, however, the rate of increase in the amount of loans outstanding began to slow down. By the end of August the amount outstanding had decreased to about 20 per cent above last year's volume.

The amount of consumer credit outstanding at industrial loan companies, small loan companies, and federal and state credit unions in this district has followed a similar trend of a slower rate of increase. At the beginning of this year the amount of credit outstanding at these institutions was 15 per cent above the year-ago volume, whereas at the end of August the increase from a year ago had dropped to about 12 per cent.

Employment stays high

Employment in non-agricultural establishments has remained high in this district. In Minnesota a new record was set during September. The 851,320 full and part-time employees at work exceeded the former record set in December 1952 by approximately 1200 workers.

Although employment is high, the rate of increase from preceding months as well as from a year ago has declined. In a few states of this district, non-agricultural employment in a few earlier months has fallen slightly below corresponding 1952 totals.

Overtime hours reduced

In most states of this district, the average weekly hours worked in recent months were either just equal to or less than the number worked a year ago.

In Minnesota, hours worked in manufacturing firms averaged 40.9 hours per week in September as compared with 41.6 hours in August and 41.8 hours in September 1952. This decline indicates that manufacturers have been reducing the amount of overtime.

Weekly earnings level off

In all states of this district, average weekly earnings reached a peak in the latter part of the spring and declined during the summer. In addition to a smaller amount of overtime paid, the lower pay of seasonal workers at canning factories reduced in some states the average weekly earnings during the summer.

For example, weekly earnings in Minnesota in June averaged $72.58, and in August they were down to $71.85. With the closing of canning factories near the first of September and some increases granted in hourly wage rates, weekly earnings in September averaged $72.65—a new record for Minnesota.

FARMING

Farming taxes at new high

Taxes levied on farm real estate in 1952 in Ninth district states, except North Dakota, were the highest on record. (See table.) Real estate taxes per acre were more than double those of 1940.

Based on the amount per acre, such taxes in the 1940's doubled in four of the five states listed, and in all except North Dakota have increased substantially since 1950.

Taxes last year were higher in dollars, but lower in proportion to land values, compared with 1940. In other words, district land values per acre generally have increased more since the 1940 census period than have real estate taxes.

However, farm real estate taxes, like other farming costs, tend to come down slowly if at all, even though sharp declines occur in farm product prices and farm land values.

Farm loan rates show negligible change

A survey in late September among a number of representative country bankers in the Ninth district revealed very little change in interest rates on agricultural loans compared with a year earlier.

In summarizing the replies it appeared, however, that rates had been increased to some extent on the smaller loans and on loans to marginal operators. Most of the reported rate increases were one-half per cent or less. It was expected that agricultural loan rates in 1954 would be about the same as in 1953.

Rising exports can help promote farm prosperity

The 1953 district wheat crop of 372 million bushels is worth approximately three-quarter billion dollars to farmers.

Whether cash income from wheat will be more or less next year depends on price and production trends. One important factor in the future wheat situation will be wheat exports. Domestically, we have consumed in recent years less than two-thirds of the amount produced. The balance has been exported.

Wheat shared in the general decline in exports of crude materials and foodstuffs, which dropped some 30 per cent in the year ended June 30, 1953, from the previous year.

It may be increasingly difficult to maintain wheat exports in 1954. Foreign aid funds will be cut, and there is less need abroad for our wheat and other farm products.

Historically, farm prices, farm exports, and farm imports have tended to move in the same direction. Right now that direction is downward.

The current high level of domestic business activity has softened the shock of the reduction in foreign trade, but agricultural prices in general are not likely to reverse direction until expansion in farm exports is achieved.

Crop season ends satisfactorily for most farmers

Pasture and feed conditions in much of the Ninth district were reported by the Department of Agriculture as good to excellent on October 1. This is in sharp contrast to the severe drouth conditions prevailing in the lower Midwest sections of the country on this date.

Actually, it has been a good year for most farmers in the Ninth Federal Reserve district. Corn and soybean production established a record. Flax was near a record. Even wheat production exceeded that of 1952 in spite of a severe attack of stem rust in the important spring wheat-growing areas and excessive moisture in some areas early in the season.

Good crops and some increases in livestock production together have provided some expansion in agricultural marketings over that of 1952. This has helped to maintain cash farm income close to that of 1952.

Durum crop is the smallest since 1936

Almost all of the durum wheat in the United States is produced in the Ninth district, and more than 90 per cent of all durum is grown in North Dakota alone.

However, North Dakota durum wheat producers experienced a crop failure this year. According to the October crop report, only 12½ million bushels were produced in 1953. This compares with nearly 19 million bushels last year and a recent 10-year average of approximately 33 million.

Not only is the durum wheat crop small, but some of it is of poor quality as milling wheat. The severe infestation of black stem rust this summer was primarily responsible for the small, poor quality crop.

BANKING

Deposits bettered year-ago gain at district country banks

Differing significantly from other recent months, bank deposits at district member banks increased by more in September than they did in the same month a year ago. Previously, this year's seasonal rise had amounted to much less than last year's.

The gain from a year ago occurred at member banks in every district state except Montana, where this year's September increase was approximately the same as last year's.

Percentage Change in Deposits for September

	1952	1953
Michigan	0.0%	+ .5%
Minnesota	—1.0%	+1.0%
Montana	+3.0%	+3.0%
North Dakota	+4.0%	+5.0%
South Dakota	+1.0%	+2.0%
Wisconsin	0.0%	+1.0%

The increases at country banks were more than twice as large as last year and accounted for the entire district gain. City banks lost deposits amounting to $7 million, about the same amount these banks lost in September of 1952.

Because of the large inflow of funds, country banks managed to reduce their indebtedness by $7 million while at the same time acquiring a substantial amount of earning assets and cash.

Loans and investments of country banks increased by $24 million and $5 million respectively during the month. Their "cash and due" was up by $23 million.

Earning assets were down at city banks in September

City banks added to their borrowings by $4 million and reduced their loans and investments by $11 million and $30 million respectively during September. Except for withdrawals of $7 million, proceeds of the asset liquidation and borrowing were accumulated in "cash and due."

All of the reduction in loans at city banks came in the category made up mostly of consumer loans. These had increased in every month since May.

Although city bank holdings of government securities declined $30 million by reason of Treasury bill and bond liquidation, holdings of Treasury notes were up by $25 million, the largest gain since November last year for this type of security.

Doubtless this change reflects in part the exchange of matured Treasury bonds on September 15 for Treasury certificates and notes. Exchanges in this district totaled $162.3 million.

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 Sept. 30, 1953	All Member Banks Change Since Aug. 26, 1953	City Banks (weekly reporting) Sept. 30, 1953	City Banks (weekly reporting) Change Since Aug. 26, 1953	Country Banks (non-weekly reporting) Sept. 30, 1953	Country Banks (non-weekly reporting) Change Since Aug. 26, 1953
Loans and discounts	$1,420	$ +13	$ 686	$ —11	$ 734	$ +24
U. S. Government obligations	1,463	—27	540	—30	923	+ 3
Other securities	319	+ 1	153	— 1	166	+ 2
Cash and due from banks	967	+63	510	+40	457	+23
Other assets	37	— 1	17	— 1	20	....
Total assets	$4,206	+49	$1,906	— 3	$2,300	+52
Due to Banks	382	+28	335	+23	47	+ 5
Other demand deposits	2,463	+20	1,135	—31	1,328	+51
Total demand deposits	$2,845	+48	$1,470	— 8	$1,375	+56
Time deposits	1,037	+ 5	265	+ 1	772	+ 4
Total deposits	$3,882	+53	$1,735	— 7	$2,147	+60
Borrowings	26	— 3	25	+ 4	1	— 7
Other liabilities	39	— 1	27	....	12	— 1
Capital funds	259	....	119	....	140	....
Total Liabilities and Capital Accounts	$4,206	+49	$1,906	— 3	$2,300	+52

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 for computing reserve requirements.

Other assets and liabilities (except borrowing) together with capital accounts are extrapolated from call reports. 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

✔ Record timber take in Flathead

Summer timber cuttings in Flathead national forest, Montana, reached an all-time high as Forest Service land yielded nearly 35 million board feet of lumber — nearly half again as much as the previous record.

For this, the U. S. Treasury was paid $186,000 by logging concerns.

Salvage work made necessary by this year's spruce bark beetle infestation is responsible for much of the increase.

✔ Bismarck building over $3 million

Commercial building construction now under way in Bismarck, North Dakota, has a total valuation in excess of $3 million. More than a third of this amount is represented in one project: a 6-story office building by the Provident Life company.

✔ Sioux Falls gets shopping unit

Construction will begin next spring in south Sioux Falls, South Dakota, on a 22-store shopping center. The unit, to be designed and built by a Minneapolis firm, will cover 15 acres and provide parking space for 1,000 cars.

✔ Great Northern builds 500 boxcars

Great Northern railway has begun construction of 500 steel boxcars at its St. Cloud, Minnesota, shops. Production of the cars (each to carry a capacity load of some 62 tons) has reached a rate of 20 a day. The overall project will cost $3,156,000.

✔ Microwave phone link ready

A microwave radio telephone link from the Twin Cities to Chicago, via a 12-tower relay system recently completed by Northwestern Bell Telephone company, has added nearly 200 telephone circuits to those existing between Chicago and the Northwest. Cost of the system totals $5 million.

✔ Start shopping center in spring

Construction will start next spring on a new $5 million shopping center in St. Louis Park, a Minneapolis suburb. Thirty-four stores will be completed on the 40-acre tract by early 1955.

Large merchandisers participating include: Powers company (a Minneapolis department store which plans 80,000 square feet of space on two levels), Sears Roebuck and company, J. C. Penney and F. W. Woolworth company.

✔ Donaldson's open Rochester unit

In Rochester, Minnesota, the Donaldson company (which now operates a large Minneapolis department store and a branch in Rapid City, South Dakota) opened a new 3-story department store as part of a $4 million "miracle mile" shopping center. The new store has 70,000 square feet of floor space.

✔ Electric plant contracts let

Contracts totaling more than $800,000 were awarded by the city commission of Gladstone, Michigan, for purchase of equipment for an electric generating plant. Included were $411,000 for two turbine generators, and $408,000 to a Minneapolis firm for two steam generating units. Delivery of the former will require about 11 months.

✔ Plan 22,000 KW steam plant

Cleveland-Cliffs Iron company and Upper Peninsula Power company plan jointly to build a 22,000 KW steam generating plant near Marquette, Michigan, on Lake Superior. Needs for electrical generating capacity are expected to double over the next several years because of new low-grade iron ore projects and increased general consumption.

It is anticipated that the proposed facilities will be financed through stock purchases by the two initiating companies and through a $5 million bond issue.

✔ Plan mammoth shopping center

Dayton company and L. S. Donaldson company, Minneapolis department stores, will participate jointly in a $15 million Southdale shopping center in suburban Minneapolis.

Initial development has just been undertaken by a Minneapolis realtor on a $3 million integrated residential area, while construction of commercial buildings and facilities on the 500-acre tract will begin early next year.

The center will be one of the largest in the country, with two complete department stores and 70 other shops and services covering 800,000 square feet of floor space.