FEDERAL RESERVE BANK OF MINNEAPOLIS

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ON INSIDE PAGES

RATES RATIONED LIMITED CREDIT SUPPLY

Tightness in Money Markets Eased in Last Half of 1953

Monetary policies contributed importantly to the pronounced change in a year that saw supply and demand again setting loan prices

THE NATION'S borrowers, large and small, public and private, continued collectively to make huge drafts on the capital markets in 1953 as they have done in each of the postwar years.

Funds to supply this record appetite for loans were provided by savers and their intermediaries such as savings institutions, pension funds, and insurance companies, and by commercial banks which added to their loans.

Wide variations in the rate at which funds were supplied and demanded led to fluctuations in the level of interest rates and securities prices greater than have been seen in many years.

Private debt up again

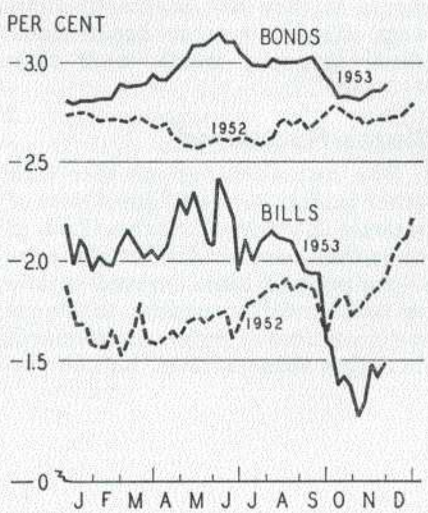
Corporate and non-corporate business, householders, and consumers all were among private borrowers with larger debt at the end of 1953 than at the beginning.

Although corporations finance capital outlays largely out of internal funds, they also draw upon outside sources. This year total expenditures for plant and equipment are expected to exceed by $1 billion the $27 billion spent for these purposes last year.

Capital issues are expected to match the $8.7 billion issued last year, about 32 per cent of total expenditures on plant and equipment.

SHORT- AND LONG-TERM INTEREST RATES

U.S. Government Securities (1952-53)



Leading the parade of business borrowers was General Motors corporation which, in the closing weeks of the year, placed the largest public offering of corporate securities in the history of finance.

Consumers also added to their debt burden this year, which rose $2.4 billion in the first 10 months, slightly less than additions to such debts in the comparable period of last year.

The outstanding feature of consumer debt patterns this year is that automobile credit, which rose over $2.2 billion through October, accounted for 95 per cent of the total increase, whereas automobile purchases on credit in the first 10 months of 1952 accounted for 50 per cent of the total increase in consumer credit.

Higher interest rates did not discourage householders from adding to mortgage debt at a more rapid clip in the first three quarters of 1953 than in the same period of the previous year. The additions were $7.3 billion and $6.6 billion respectively. Commercial banks added the same amount, $.8 billion, to their mortgage holdings in both periods.

The rising level of mortgage debt has enabled more Americans than ever before to own the homes they live in. The Department of Commerce recently estimated that 57 per cent of all homes are owner occupied.

Indications are that farm mortgage debt increased by about the same amount that other types of farm debt were reduced, with the result that no great change is expected to have occurred in total farm debt.

U. S. leads public borrowers

As in the previous two years, the United States government was the largest borrower in 1953. Without the limitation imposed by law it is likely that Treasury debt would have increased by more than the $7 billion it did. Treasury offerings during the period were distinguished by the highest rates of interest since the early Thirties and by the first long terms since World War II.

When statistics for the year have been assembled it is likely they will show state and local governments went into debt faster in 1953 than they did in 1952, when the rise in this type of debt set an all-time record.

Supply and demand set interest rates

Reflecting the great amount of savings in 1953 was the large amount of assets added to the holdings of insurance companies, mutual savings banks, and savings and loan associations.

In the first three quarters of the year larger amounts had been paid into these institutions than was true in like months of the previous year, when the worth of all three types set new records. The same holds for time deposits at commercial banks.

In many cases the funds of savers were attracted with higher rates of interest than had been paid previously.

Supplementing the funds made available to borrowers by savers was an increase in the loans of commercial banks.

Not since 1948 has the rate of commercial bank credit expansion been as low for the first three quarters as it was in 1953. Fourth quarter data are not yet available.

Change in Commercial Bank Credit—January-September

(Billions of Dollars)

	1952	1953
Loans	+3.5	+2.2
Investments	+1.0	— .7

The leveling off in the rate of bank credit expansion through September in 1953 reflected a smaller increase in bank loans than in the same period of the previous year as well as a net liquidation of investments—which contrasts with net purchases of securities worth a billion dollars in the same months of 1952.

Unlike banks in the rest of the nation, Ninth district member banks added more loans through November in 1953 than they had in the same period of the previous year.

Loans and Investments Ninth District Member Banks January-November

(Millions of Dollars)

	1952	1953
Loans	+ 94	+150
Investments	+328	—104

Instead of accumulating investments as they had in the previous year, district member banks liquidated securities worth more than $100 million.

Rates fluctuated

The nation's banks together with other lenders enjoyed higher rates of interest in 1953 than they had in more than two decades. Interest rates —the price of loans—moved rapidly up and down in response to changing conditions of supply and demand, but the average level which prevailed was higher than in many years.

In May and June, stiff competition among borrowers for the available supply of funds resulted in a drastic decline in bond prices. The accompanying chart shows the sharp rise in yields on government securities, which reflected the tight conditions prevailing in the money markets.

After mid-year a rise in bond prices (a fall in yields) occurred. Contributing to this development were injections of bank reserves from open market operations of the Federal Reserve System and a reduction in reserve requirements for member banks. Thus the supply of loans was enlarged while the demand appeared to moderate somewhat from the springtime pace.

The effectiveness of interest rates in rationing a limited supply of credit was demonstrated emphatically at mid-year when the financial journals almost daily reported instances where financing programs were postponed or abandoned because of cost.

In this respect interest rates performed the same function as is performed by commodity prices in equating supply and demand.

Some projects postponed at mid-year have since been undertaken as lending rates came down. A case in point within the Ninth district is the $100 million Mackinac Bridge Authority issue.

After mid-year, short term rates came down much more rapidly than long term rates. By November, 91-day Treasury bills had declined in yield from 2.43% to 1.20%, while the longest government bond yields had gone from 3.32% to 3.02% in the same period.

Subsequently, the yield on 91-day bills advanced to nearly 1.70 per cent while the rate on the longest bonds continued to decline to 2.96 per cent.

Thus in the last half of the year comparative ease had displaced earlier great tightness in the money markets. Although factors other than actions of the monetary authorities accounted for this radical change in the market, monetary policies contributed significantly to this result. END

CURRENT BEEF DEMAND AT NEAR RECORD

Cattlemen Face 1954 with New Optimism

Leveling off in beef cattle slaughter can bring price stability in new year

MOST cattlemen expected some adverse economic weather in 1953. The only error was in guessing the intensity of the storm. They had known for nearly two years that cattle numbers were climbing to a dangerously high peak. They also knew increased marketings eventually would tumble prices to substantially lower price levels.

A decline of approximately one-third in average cattle prices during 1953 was serious enough but at least Ninth district farmers and ranchers escaped the double blow of drouth plus declining prices which hit fellow cattlemen of the Southwest.

Cattlemen expected about a 15 per cent increase in 1953 slaughter over that of 1952, but they actually experienced a 30 per cent increase: more beef per capita was produced and consumed this past year than any other on record. Strangely enough the free market system was so geared this past year that cattle prices fell about the same proportion as marketings increased.

The beef producer is now beginning to think in terms of what 1954 may have in store for him. Can he now look with some optimism into the future or will the new year see a continuation of increased marketings and unfavorable price trends? There are many students of the cattle industry, as well as cattlemen themselves, who think about as follows for the new year:

1) They feel that perhaps the really big price and slaughter adjustments have been made in 1953—that this is likely to be true, assuming serious drouth will not recur in 1954 to cause abnormal livestock liquidation.
2) They see that after two years of relatively poor profit margins, fewer cattle are now being put into the feedlots compared with last year or the year before.
3) They observe that cattle numbers appear to be leveling off, thus tending to stabilize the number of cattle which may come to market in 1954. Although a near-record number of calves may again be produced in 1954, beef production per capita may be no larger than in 1953. It may even be slightly less.
4) They feel that competition from hog- and lamb-slaughter should not be much different from the 1953 picture.
5) They are aware, however, that the big unknown is the demand for beef in 1954. Some easing in this direction is expected, but for the moment, at least, most business indicators are rocking along at record or near-record high levels.

Most of this seems to add up to considerable price stability for cattle in the months ahead. Of course, there will be the usual seasonal price variations of grade and type. That is to be expected.

Summing up, it is the anticipated leveling off in beef cattle slaughter which gives producers their principal expectation of price stability in 1954. They can hope, too, that demand for beef will be maintained. If it works out this way, the efficient producer of beef will realize satisfactory returns in 1954.

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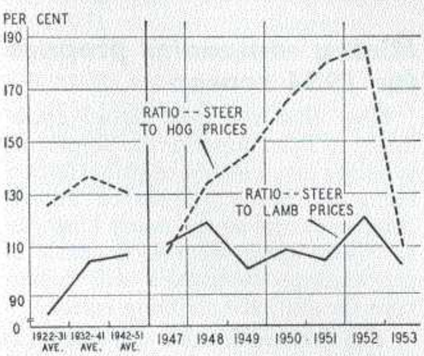
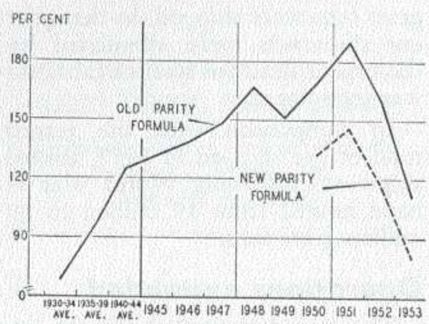
RATIO OF CHOICE SLAUGHTER STEER PRICES AT CHICAGO TO PRICES RECEIVED FOR LAMBS AND HOGS, 1922-53



BEEF CATTLE prices have been unusually high in relation to hog prices in recent years except for 1953. Currently, beef cattle prices are slightly below a long-time average price relationship to both hogs and lambs.

Source: USDA "Livestock Situation," October-November, 1953.

BEEF CATTLE PRICES AS A PER CENT OF THE PARITY PRICE OF CATTLE, 1930-53



THE NEW parity formula for beef cattle, effective Jan. 1, 1950, raised the base period—and hence tended to lower the percentage of cattle prices to parity.

Source: USDA "Livestock Situation," October-November, 1953.

NEARLY 96 MILLION TONS SHIPPED

Region's Iron Ore Take May Have Reached Summit

Lessened need for steel, increasing foreign ore supplies, and taconite development can reduce pressure on Minnesota ore production

THE new record in Lake Superior ore shipments established in the season just closed may prove to be the all-time peak as such factors as lessened requirements for steel, increasing foreign ore supplies, and development of taconite concentrates operate to reduce pressure on this region's ore production.

World War II, like World War I, placed a heavy drain on the iron ore resources in the Lake Superior district. With the return of peace it was thought that the consumption of ore would recede materially, but the demand for ore remained quite high.

In 1953, mining firms in this region set a new record in mining, in beneficiation of low-grades of ore, and in shipping ores from the head of the Great Lakes to lower ports. Shipments by lake vessels in the season just closed totaled 95,844,449 gross tons.

The previous ore record had been set in 1942 when over 92 million gross tons were shipped. In that year ore shipments were stimulated by the urgent need for steel to fabricate war equipment.

In comparison with the record total of ore shipped in 1953, annual shipments following World War II have ranged from 59 million to 89 million gross tons.

Operations expanded

The record movement of Lake Superior ore was made possible by a capital expansion program undertaken by the companies and because of favorable weather last fall. Large ore bodies were uncovered in preparation for the 1953 shipping season. Large investments were made in bigger and better equipment in mines, and more washing and screening plants were built to beneficiate lower grades of ore.

Twenty-eight new postwar Canadian and American ore freighters were added to the Great Lakes fleet of ore-carrying freighters. These freighters alone transported a substantial tonnage of ore, for most of them hauled between 18,000 and 19,000 ton cargoes, and a few in excess of 20,000 tons. These boats made a round trip every four and one-half to six days.

Weather was exceptionally favorable for ore shipments during the autumn season. Above freezing temperature made it possible to continue on summer-time schedules through October and November. Only a few cargoes of ore were steamed for loading into boats at the Head of the Lakes in the last week of November.

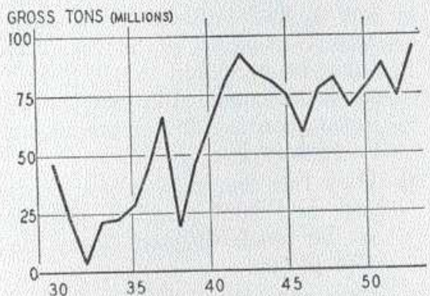
Supply of steel builds up

A strong demand for steel was a prerequisite, of course, to the large scale iron ore operations. In the first part of 1953, steel was still in short supply. Manufacturers could not secure a sufficient quantity from the mills which would meet their specifications. Consequently, they had a large tonnage converted in electric furnaces to the required thickness and shapes which added to their costs.

In the first eight months of last year, for example, the Chrysler Motor company spent $29 million for converting steel to its requirements.

At present steel is in more ample supply and mills are operating at less than 100 per cent of capacity. The runs of finished steel at mills are adjusted to the specific requirements of steel users. Manufacturers buy it directly from mills in the required thicknesses and shapes. As a result, the quantity of steel converted in electric furnaces has dropped sharply.

LAKE SUPERIOR IRON ORE SHIPMENTS, 1930-1953



Source: Lake Superior Iron Ore association.

Mining companies prepare for 1954 season

Now that the new record established in Lake Superior ore shipments is fading into history, of prime importance to the employees of mining companies and to the many businessmen who serve them is the scale of preparations companies will undertake for the 1954 shipping season.

The demand for ore may not be as great in 1954 as it was in 1953 because of large stocks. By the end of October, stocks of ore at lower ports and steel mills totaled 55.7 million gross tons, which was higher than in any previous year at the end of that month. For instance, the stocks were almost 8 million and 5½ million gross

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CURRENT *Business • Farming • Banking* TOPICS

Year's Business Hit Peak in First Half

WHEN figures are compiled and computed for production, trade, employment, and income in 1953, they will doubtless show that new records had been established. But they will also reveal that the peak was reached in the first half of the year and that a downward trend in business activity developed in the last half.

In some months, the major indicators showed that the movement was more sidewise than downward; in none was there a strong upward thrust.

Industrial production declined about 4 per cent from June to November. At first, wage earners felt the effects of declining production in a gradual reduction in hours of work and overtime pay. Later, a slight rise in unemployment appeared, evidenced by more numerous claims for unemployment insurance payments.

Meanwhile, trade matched the 1952 performance, and total personal incomes remained at high levels, with farmers taking a lesser share of the total and services a larger share.

The effect of reduced farm income, estimated to be about 4 per cent below 1952, was clearly discernible in lower trade figures in areas almost completely dependent on agriculture. In areas where mining and manufacturing produce the great bulk of personal incomes, trade figures compared favorably with those for the previous year.

Falling prices for farm products were pronounced in the case of beef cattle (particularly in early months of the year), which also carried the market value of dairy animals to much lower levels than those that prevailed one or two years ago. The strong demand for beef at lower prices, which cleared the markets of a great volume of beef products, has raised hopes for greater stability in livestock markets in the year ahead.

A convenient summation of national economic trends is provided by "gross national product"—the money value of all goods and services produced. The trend is revealed by the quarterly figures which at annual rates were $362 billion, $372 billion, and $369 billion in the first, second, and third quarters, respectively, of 1953.

If the rate seasonally adjusted should have fallen further in the fourth quarter, the average for the year 1953 will nevertheless likely exceed that of 1952 by $18 billion to $20 billion.

BUSINESS

Department store sales have reflected changes in purchasing power

Information on department store sales covering the Christmas shopping period through December 19 showed that the season's sales for 1953 should approximate last year's—thereby justifying merchants' optimism over prospective sales.

In the four large cities — Minneapolis, St. Paul, Duluth, and Superior —department store sales aggregated only 1 per cent less in comparison with receipts last year.

November department store sales in the four large cities were 1 per cent above November 1952 figures. This increase represented some improvement over October sales. Outside of these centers, sales remained below year-ago figures.

An examination of the monthly index of department store sales for 1953, adjusted for the normal seasonal fluctuations, shows that sales in the four large cities have held to an approximate horizontal trend. On the other hand, district sales outside of these metropolitan centers sloped downward substantially during the year.

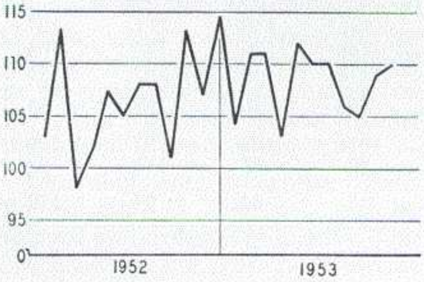
Significant differences in the trend of sales occurred among geographic areas of the district, reflecting changes in consumer purchasing power.

In most of Montana and in western portions of North Dakota and South Dakota, department store sales slumped noticeably. Smaller sales in these regions reflected the drop in farm income, which was sharpest for livestock raisers.

On the other hand, sales at these stores held up well in mining regions. For example, in northeastern Minnesota sales for the first 11 months

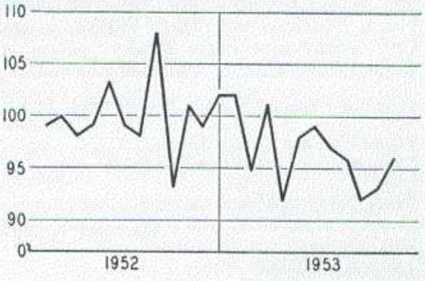
CITY DEPARTMENT STORE SALES INDEX, 9TH DISTRICT

Minneapolis, St. Paul, and Duluth-Superior (1947-49—100, Seasonally Adjusted)



COUNTRY DEPARTMENT STORE SALES INDEX, 9TH DISTRICT

Excluding Twin Cities and Duluth-Superior (1947-49—100, Seasonally Adjusted)



were 9 per cent above those for the same period in 1952. Minnesota Department of Employment and Security reported that payrolls of mining firms will be almost $30 million larger in 1953 than in 1952. The increased income is traced to the two-month work stoppage in iron ore mining in 1952, to increases in hourly wages, and to more workers being employed in 1953.

Sales have not been as strong in industrial centers as in mining regions. Employment in manufacturing firms has been high, but a gradual reduction in overtime has reduced weekly pay envelopes. In recent weeks a few layoffs may have resulted in some unemployment. Claims for unemployment insurance have risen substantially.

Regardless of region, the demand for soft goods has been strong. November sales of men's and boys' wear and of piece goods and textiles, in particular, were high in comparison with those for a year ago. On the other hand, sales in home furnishings were about equal to 1952 figures.

Savings are growing

The American people again are saving a larger portion of their income. In the first three quarters of this year, savings for the nation were 7.2 per cent of the income people have at their disposal as compared with 7.0 per cent in the same period of 1952.

In this district, larger savings have been reflected in growing time deposits, in additional shares of savings and loan associations, and in more net purchases of government bonds. Time deposits increased $124 million between June 30, 1952, and the same date in 1953. In six of the first 10 months of this year, purchases of Series E and H bonds have exceeded redemptions.

The above figures embrace the aggregate. Some families are heavily in debt, a typical family being a young married couple who have not only purchased a new house, furnishings, and appliances on credit, but also may be making payments on a car. Nevertheless, many families are acquiring an equity in their properties and others are accumulating liquid assets.

FARMING

Farm machinery takes bigger share of farm assets

Back in 1940, southwestern Minnesota farmers belonging to a farm management association owned machinery and equipment valued at $2,759 per farm. This was 8.4 per cent of the total capital investment in land and buildings.

In 1952, this same group of farmers averaged $8,446 in machinery and equipment, or 14.5 per cent of total capital investment. In this is had a good indication of the rapidly growing importance of machinery in modern farming.

Broiler business growing

A generation ago, fried chicken just was not available out of season. Today, fryers can be purchased any day of the year at the grocery.

This is because broiler production is rapidly becoming a specialized, principal enterprise on many farms. Production, processing, marketing, and financing facilities have been greatly improved in recent years.

As a result, producers are now set up to turn out batches of broilers at regular intervals all through the year.

The poultry producer, partly as a result of these new methods and efficiencies, now takes a larger share of the comsumer meat dollar than was true several years ago. The per capita consumption of poultry meat (including turkeys) in 1953 may average 35 pounds per capita. In 1940, it was only 22 pounds.

Expanded wheat sales needed

By mid-November nearly 408 million bushels of 1953 wheat had gone under price support loans. This compared with 334 million bushels a year ago at the same time.

Total wheat supplies are now at record levels. In an effort to broaden the market, the Commodity Credit corporation is attempting to move some surplus wheat into export channels outside the International Wheat Agreement pact, but at the IWA subsidized price level.

It is not known as yet how successful this effort may be, because it puts the U. S. in direct competition with Canada, which also has record wheat supplies to market.

The principal market outside the Wheat Agreement pact countries is England, which refused to sign up under IWA this year.

Multiple compliance will not be necessary in 1954

A wheat farmer must be in compliance with the wheat acreage control program on his farm in 1954, if he is to be eligible for price support on wheat.

He does not have to be in compliance with other crop acreage controls in order to get the wheat price support. This represents a change in policy which was announced in late November.

Prior to the change, a farmer had to comply with all acreage restrictions for his farm in order to re-

Ninth District Business Indexes

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

	Nov. '53	Oct. '53	Nov. '52	Nov. '51
Bank Debits—93 Cities	124	118	115	121
Bank Debits—Farming Centers	121	118	116	119
Ninth District Dept. Store Sales	105p	103	104	104
City Department Store Sales	110p	109	107	106
Country Department Store Sales	96p	93	99	100
Ninth District Dept. Store Stocks	115p	118	111	107
City Department Store Stocks	118p	121	113	108
Country Department Store Stocks	111p	114	109	106
Lumber Sales at Retail Yards (Bd. Ft.)	na	90	97	85
Miscellaneous Carloadings	101	103	105	100
Total Carloadings (excl. Misc.)	79	92	112	94
Farm Prices (Minn. unadj.)	85	85	94	102

p—preliminary
na—Not available

ceive price support on any of the basic crops. This was known as multiple or cross-compliance. It was eliminated for 1954 because it was not announced until after the referendum vote on wheat marketing quotas for 1954.

BANKING

October deposits lag was reversed in November

Member banks in all district states except Michigan received a larger inflow of deposits during November than they did in the same month of 1952. The respective gains for the district in each period amounted to $102 million and $69 million.

Deposit gains in the previous month had amounted to less than a year ago.

At the end of November, district member bank deposits stood $51 million higher than a year earlier. This represents a lower rate of gain for 1953 than in 1952, when November deposits were $258 million higher than a year earlier.

Proceeds of the November deposit inflow were utilized to reduce borrowings, acquire loans and investments, and accumulate cash balances. As in previous months this year, district member banks added more to loans in November than they had a year ago. Elsewhere in the nation member bank loans have been increasing less rapidly than in 1952.

City and country banks added to loans and investments; only latter increased borrowings

City banks reduced their borrowing from $25 million to $5 million between the beginning and end of November. Loans and investments of $3 million and $12 million respectively were added. All of the new investments represented the purchase of government securities.

Country banks reported that loans and investments were increased by $10 million and $8 million respectively in November. Borrowings of $4 million were added by these banks during the period.

Time deposits of all district member banks gained $1 million in November, one-fourth the amount they had increased in November last year.

ORE SHIPMENTS

Continued from Page 97

tons more respectively than were held at the same time in 1952 and 1951.

Steel producers now are confronted by a buyers' market, but they do not appear concerned. Following a period of inventory adjustments which took place in the fall of 1953, steel men now believe that the demand for steel will support operations from 80 per cent to 90 per cent of mill capacity.

Mining companies in the Lake Superior region are making the necessary preparations for the 1954 ore shipping season. Such winter activities stabilize employment and payrolls in the iron range communities.

Surveys of government agencies show that mining companies in the nation plan to spend $20 million more on plant and equipment in the first quarter of 1954 than were spent a year ago. Expenditures for plant and equipment, including taconite and jaspilite plants in the Lake Superior iron ore ranges, will be a substantial part of the total.

More foreign ores will be shipped to U. S. in 1954

The record 1953 ore shipments of nearly 96 million gross tons could prove to be the all-time peak ore production in this region. An increasing tonnage of foreign ore will be shipped to U. S. blast furnaces in 1954.

The first ore from the new Quebec-Labrador mine may be shipped in the summer of 1954. Construction of the railroad from the salt water port of Seven Islands on the Gulf of St. Lawrence to the iron mining center, a distance of 360 miles, was scheduled for completion in 1955.

According to pronouncements made by officials of steel companies who own the Iron Ore company of Canada, work on the railroad has been speeded up, and they expect it to be completed in the summer of 1954. Ore will be shipped as soon as the railroad is ready to carry it.

Ore shipments from the Cerro Bolivar mine in Venezuela will be stepped up substantially in 1954. The ore handling and crushing plants at Puerto Ordez will be completed and ready for operation in January 1954. This plant is an important link in the transportation of Cerro Bolivar ore to the United States.

With larger quantities of foreign ores moving into the United States market, officials of mining companies in the Lake Superior region expect aggregate shipments from this region to decline. In 1953, Minnesota ores shipped directly and those washed or screened, excluding taconite concentrate, totaled about 80 million gross tons.

By 1958, officials expect that shipments of these ores from Minnesota mines will recede to about 58 million gross tons. It is estimated that shipments of these ores will decrease in the next 10 or 15 years by 50 per cent to about 40 million gross tons.

Manufacture of taconite and jaspilite concentrates is expected to take up a part of the slack in shipments of ores from the Lake Superior district. Costs of producing these concentrates still are not established since all firms engaged in these operations continue to search for improved techniques. The eventual level of costs will determine the portion of the United States ore market open to these concentrates.

More labor and equipment will be required

Of significance to the iron range communities is the rising ratio of manpower and equipment required per ton of ore mined and beneficiated. Ore which is of sufficient high grade to be shipped directly to the blast furnaces is becoming less accessible each year. An increasingly larger proportion of the ore mined must be beneficiated.

Mining of taconite and jaspilite and manufacture of concentrate requires decidedly more labor and equipment than mining and beneficiation of other ores.

It is hoped that increasing requirements of labor and equipment will maintain or increase the employed labor force in the iron range communities while aggregate annual shipments of ore recede from established records.

—Oscar F. Litterer

CATTLEMEN FACE 1954 *with* RENEWED OPTIMISM

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Cattle prices in line with other farm products

The sharp downward adjustment in cattle prices during the last 18 months has been, of course, a serious financial blow to many producers. Fortunately, many had prepared for the "rainy" day during past years of exceptionally good prices and income. Some were beginners, and for them the price adjustment was a difficult one.

However, if parity is a measure of the profitableness of a farm enterprise, cattlemen are not in too serious a situation at the present time. As a matter of record, after World War II and until late in 1952 they actually enjoyed a more favorable situation than did producers of most other farm products.

Cattle prices reached 189 per cent of parity in 1951, based on the old parity formula (1910—14=100). In 1953, cattle prices may average about 112 per cent of parity. (See chart.)

Beginning in 1950, parity prices of some farm products—of which beef cattle is one—were expressed in terms of a new parity formula which included prices received by farmers for beef cattle and all farm prices over a recent 10-year period. This tended to increase the base price for beef cattle and, hence, tended to lower the ratio of beef cattle prices to parity in the following years.

The new parity formula which includes this recent 10-year average of prices received by farmers shows beef cattle prices currently as relatively low as a per cent of parity. (See chart.) Most farm product prices are currently below parity even on the basic crops which still use the old formula in figuring parity.

Since about 1940, beef cattle prices have been favorable in relation to prices received by farmers for all farm products. This ratio of cattle prices to all product prices reached a peak of 172 in 1951. Even in 1953, after one of the sharpest cattle-price breaks in history, this ratio is estimated at 119, which is higher than that of either the 1930-34 period or the 1935-39 period. (See chart.)

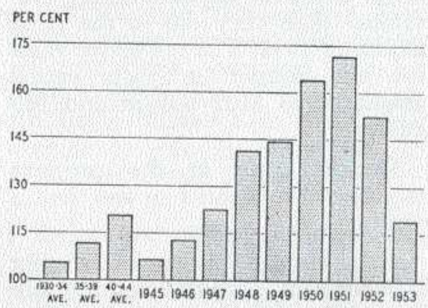
Steer prices low in relation to hog prices

Since 1948 and until this year, beef-steer prices at Chicago have been unusually high in relation to those for hogs. In 1953, the steer-hog price ratio at 111 is somewhat below the long-time average of approximately 130. (See chart.)

This means that, normally, choice slaughter steer prices at Chicago are 30 per cent above prices received by farmers for hogs. In 1952, when hog prices were severely depressed because of heavy marketings, this steer-hog ratio was at an all-time peak of 186.

Steer prices at Chicago currently are also low in relation to lamb compared to recent years or the longer term averages. (See chart.)

RATIO OF BEEF CATTLE PRICES TO PRICES RECEIVED FOR ALL FARM PRODUCTS



EXCEPT for 1953, beef cattle prices in recent years have been unusually high in relation to all prices received by farmers.

Source: USDA "Livestock Situation," October-November, 1953.

Cash Farm Income for Ninth District—January-October

(Thousands of Dollars)

State	1935-39 Average	1952	1953	1953 in Percent of 1952
Minnesota	$ 281,466	$ 1,042,086	$ 1,007,957	97%
North Dakota	92,795	423,705	420,761	99
South Dakota	89,304	457,594	421,723	92
Montana	73,817	292,635	264,786	90
Ninth District[1]	584,578	2,439,098	2,317,702	95
United States	6,683,437	26,119,545	24,729,105	95

[1] Includes 15 counties in Michigan and 26 counties in Wisconsin.
* Source: "Farm Income Situation"—Nov.-Dec., 1953.