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FEDERAL RESERVE BANK OF MINNEAPOLIS

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OPERATING RATIOS SHOW TREND CONTINUES

Bank Earnings and Expenses Up in 1953

Profits as a proportion of earnings were down at typical member bank

RETURN on earning assets—on both loans and investments—was higher last year at the typical Ninth district member bank* than it had been the previous year.

This was shown by two of the 37 "operating ratios" computed from figures appearing on 1953 call reports of condition and earnings statements of each member bank in the district.

The increased rate of return on loans and investments last year represents the continuation of a trend which has existed, in the case of loans, since 1948, and, in the case of investments, since 1947. There was a tendency for larger banks to earn a lower rate of return on both loans and investments than smaller banks.

A similar tendency was observed for the ratio of total earnings to total assets, which was also higher last year at the typical bank than in 1952.

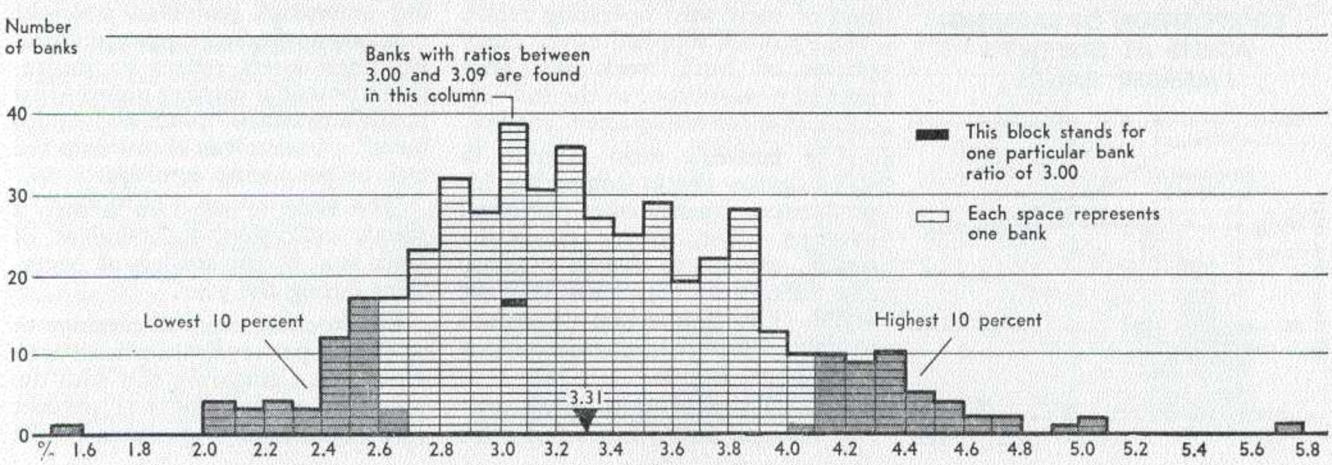
A more fully invested condition was partly responsible for the gain in the ratio of total earnings to total assets. The proportion of cash assets to total assets declined from 22.2 percent to 20.8 percent; doubtless part of this decline resulted from a reduction of member bank reserve requirements in July last year.

Costs also were up

While the most important component of total costs—wages and salaries—absorbed a slightly smaller share of total earnings last year than in the year before, this decline was more than offset by an increase in the share of earnings which went to pay interest on time deposits and other current expenses. In consequence, the proportion of earnings

*The "typical bank," as used here, refers to a simple average of ratios of 470 Ninth district member banks regardless of size. Thus each bank has equal weight in the determination of ratios for the "typical" bank.

CHART 1 DISTRIBUTION OF RATIO, TOTAL EARNINGS TO TOTAL ASSETS, FOR 470 MEMBER BANKS, 1953



Studying ratios shows banker where he stands in relation to other banks

absorbed by current expenses rose from 64 percent in 1952 to 65.4 percent in 1953.

Thus, while the rate of return on total assets has been rising, the fraction of that return going to expenses has also been rising. Between 1952 and 1953 for example, the proportion of gross earnings to total assets rose from 3.18 percent to 3.31 percent while at the same time earnings after current expenses—as a proportion of total assets—rose only from 1.14 percent to 1.15 percent.

Interest on time deposits, which accounted for most of the jump in expenses last year, has been moving up for the same reason that yields on loans and investments have been moving up—namely, more intense competition for lendable funds. Average ratio of interest to time deposits last year was 1.25 percent, compared to 1.12 percent the year before.

Comparison of the disposition of earnings for 1953 with that for the year previous showed the following: taxes took the same share; operating expenses took a bigger bite; with the result that the proportion of earnings remaining after taxes (19.9 percent) was less than the previous year's 20.5 percent.

The typical bank held capital amounting to 6.9 percent of total assets and 7.5 percent of deposits. Comparable ratios for 1952 were 6.8 percent and 7.3 percent respectively. During the same period the proportion of time deposits to total deposits rose from 35.6 percent to 36.8 percent.

History of earnings since World War II shows their upward trend

■ Broadly, two developments have been mainly responsible for the upward trend of bank earnings in recent years.

The first development became visible shortly after World War II and related to the composition of bank assets. During the war years the proportion of bank assets invested in government securities had been rising constantly; since 1946 the reverse has been true. As banks liquidated investments these assets were replaced with loans. Because loans yield a substantially higher rate of return than do investments, the over-all rate of return on earning assets benefited from this shift out of investments into loans.

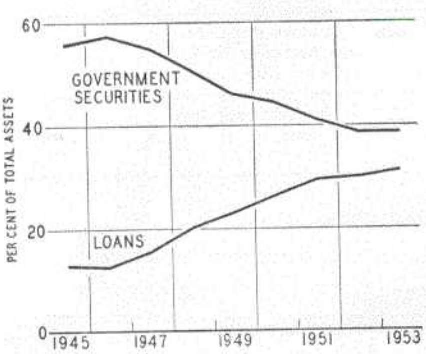
In 1946 the proportions of total assets in the form of loans and investments at the typical bank amounted to 12.7 percent and 58.5 percent respectively; in 1953 the respective proportions were 31.3 percent and 39.6 percent. Thus it is seen that considerable shifting has occurred.

The second major development responsible for the upward trend of bank earnings in recent years has been a rising level of interest rates. Although interest rates had been rising before 1951, this movement was accelerated in that year when a more restrictive monetary policy was adopted. The most dramatic evidence that credit was less freely available than formerly occurred in the bond markets, where quotations edged downward after 1951.

As bond yields rose, so did interest charges on bank loans. In the Ninth district the average return earned on member bank loans rose from 5.5 percent in 1951 to more than 5.7 percent last year.

The tendency for higher interest rates together with the tendency for more loans in relation to investments has boosted the ratio of gross current earnings to total assets from 2.2 percent in 1946 to 3.31 percent last year.

COMPOSITION OF EARNING ASSETS AT DISTRICT'S MEMBER BANKS



Operating ratios valuable in management analysis

■ Each year, officers of member banks receive a confidential tabulation of their own operating ratios. The 37 ratios supplied cover many phases of bank work and have proved a useful tool to the individual banker for management analysis.

The banker's main interest in these figures lies in comparing his own ratios against the published averages — first, to see where he stands; second, to decide whether the differences that exist warrant action. The comparison procedure may be illustrated by examining a few sample ratios.

One particular ratio, *total earnings to total assets,* is studied with a great deal of interest. Total earnings are the "intake" of the banking enterprise, and in a way the equivalent of sales in other businesses. Total assets reflect an institution's potential earning power—that is, the amount of "funds and equipment" a banker can throw into the task of producing earnings.

The ratio of the two is then a rough indication, independent of bank size, of the success of operations during the year.

Suppose the ratio of earnings to assets at a particular bank is an even 3 percent. Comparing this with the published average of 3.31 percent (see accompanying table), the banker can see that his earnings relative to assets are below average.

Recognition of variability required for interpretation

In addition, however, to determining merely that his bank is below average, it would be useful for the banker to know whether his deviation from the average is large or small. The answer to this question requires a knowledge of the extent to which individual ratios tend to "cluster" about the average, and this clustering effect is shown graphically in the front page chart.

The positions of the highest and lowest 10 percent of the banks are indicated by shading. Any particular banker, knowing his ratio of *total earnings to total assets*, may easily find his relative place on the chart.

It can be seen that any bank with a ratio above 4.1 or below 2.6 finds itself in the extreme high or low tenth of the banks. This suggests a simple rule of thumb: If a bank deviates more than *three-fourths of a percent* on this particular ratio, it falls into one of the "extreme" groups—"extreme" groups being arbitrarily defined as the upper and lower 10 percent of the banks.

Based on this rule, our hypothetical banker may then decide as follows: "Although my bank is below average by .31 percent, this is not extreme; in fact it falls well within the main clustering of banks."

Studying his ratios will show the banker where he stands in relation to other banks on several phases of bank operation. From then on, it's up to bank management to decide whether anything will be done about it.

Ratios of study are not necessarily a goal

The published ratio is only an average—not necessarily a desirable goal or a standard. Wide deviations can definitely suggest places to look, but an "extreme" bank may decide that it prefers its existing way of doing business, while a "typical" bank may decide it wants to change.

RETURN ON U.S. GOVERNMENT SECURITIES

In the case of return on U.S. government securities, there is a very pronounced clustering around the average rate of 2.09 percent, due to the universality of interest rates on governments. It takes only a small deviation in this particular ratio to place a bank in one of the "extreme" groups—*one-fourth of a percent* difference from the average will do it.

(Keep in mind that "extreme" groups are defined in this discussion as the upper and lower 10 percent of the 470 banks comprising the report.)

RETURN ON LOANS

Return on loans shows more variation from bank to bank than either of the foregoing ratios. Average return was close to 5¾ percent. Any bank whose ratio differs from this average by more than *one percent* is in one of the two "extreme" groups.

DIVIDENDS TO CAPITAL ACCOUNTS

Dividends to capital accounts, which averaged 3.4 percent during the year, varied noticeably from one bank to another. A bank would have to differ from average by about 2½ percent in order to fall in the highest or lowest 47 banks. In other words, about a tenth of the banks had a declared dividends ratio greater than 6 percent, while another tenth declared less than about 1 percent of total capital accounts.

LOANS TO TOTAL ASSETS

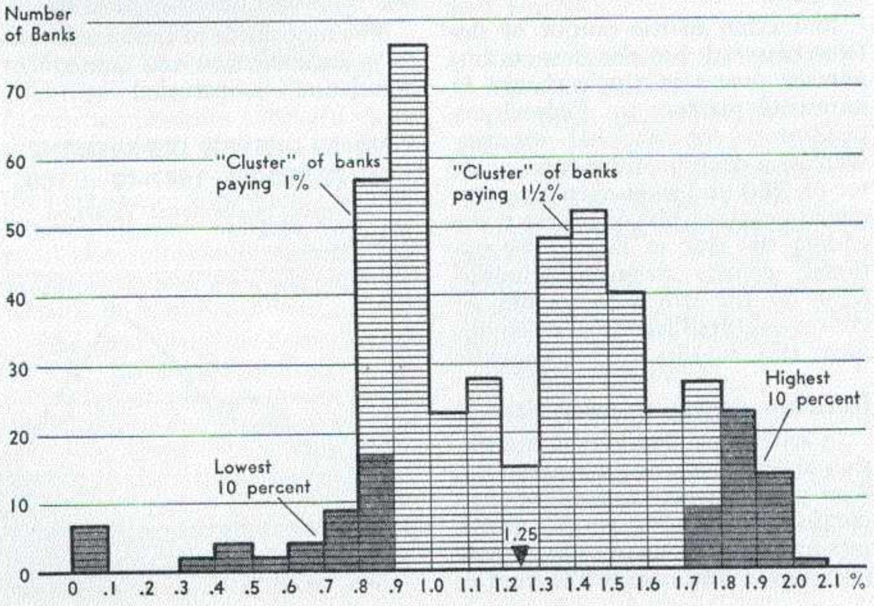
This ratio, measuring the proportion of bank's assets placed in loans, is highly variable. Differences of 5 or 6 percent from the average (31.3 percent) may not mean much here,

Selected Operating Ratios* of 9th District Member Banks, 1953

Total earnings to total assets	3.31
Net before taxes to total assets	1.15
Net profits to total assets	.65
Cash dividends to capital accts.	3.4
Total expenses to total earnings	65.4
Income taxes to total earnings	11.3
Net profits to total earnings	19.9
Rate on U.S. Gov't securities	2.09
Rate on loans	5.74
U.S. securities to total assets	39.6
Loans to total assets	31.3
Cash assets to total assets	20.8
Interest to time deposits	1.25

*All ratios expressed as percentages.

CHART II DISTRIBUTION OF RATIO, INTEREST TO TIME DEPOSITS, FOR 470 MEMBER BANKS, 1953



since a bank would have to vary from average by more than 12 percent in order to be in one of the "extreme" groups.

INTEREST TO TIME DEPOSITS

Interest to time deposits is one ratio where the average is not "typical." That's because there is a marked division of Ninth district banks into two main groups. These are apparent in chart II. One of these groups had a nominal interest rate of 1 percent, while the other group had a nominal interest rate of 1½ percent.*

It can be seen from the foregoing comments that a knowledge of the way in which individual bank ratios tend to bunch up around the published averages is useful in interpreting their meaning to a particular bank. For most of the 37 ratios appearing on the report this clustering effect is similar in form to that shown in chart I, although the last ratio considered *(interest to time deposits)* is an interesting exception. • • •

*Actual interest payments average slightly less than the nominal rates, because some balances included in calculating each bank's "average outstanding time deposits" are withdrawn before interest payments are made.

LESS DEFENSE WORK IN THE PICTURE

Shrinking Inventories Primary Cause of Business Recession

Slower consumer sales, with stocks already high, touched off inventory liquidation

CONSIDERING the extent of inventory liquidation since the beginning of the fourth quarter of 1953, the current business recession has been a moderate one in most areas of the economy.

Liquidation of inventories, to which the recession is being mainly attributed, brought about the cutbacks in production — which had led, last fall, to the elimination of overtime paid to workers and in the past winter to some laying off of workers.

Reduction in the output of defense materials has also been an important factor in the cutbacks in industrial production. Federal expenditures for national security were at a peak in the second quarter of 1953 and since then have declined considerably. With the truce ending the war in Korea, the national security program administered by the armed forces has, of course, required less military equipment and supplies.

Durable goods in surplus

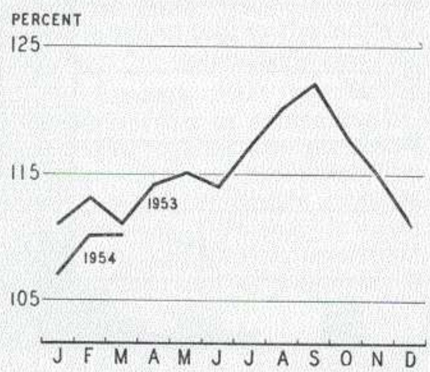
Industrial production in the nation in 1953 exceeded consumption. This was especially true in the production of durable goods, which was expanded substantially above sales in the first half of the year in the rebuilding of inventories depleted by the steel strike in the summer of 1952.

Although consumer incomes were at a record level during the summer, spending by consumers for goods was noticeably off. This leveling off in consumer demand with stocks of merchandise already high touched off a liquidation of inventories in the fourth quarter. This development added to the cutbacks already begun in production due to lower defense spending.

The magnitude of business inventory accumulation and subsequent liquidation is revealed by U.S. agency figures. In the first three quarters of 1953, total book value of nonfarm business inventories rose by $4.9 billion on a seasonally adjusted basis, as compiled by the U.S. Department of Commerce. In the fourth quarter, about $930 million were liquidated because of cutbacks in production.

NINTH DISTRICT DEPARTMENT STORE STOCKS, 1947-49 = 100

Adjusted for Seasonal Variation



Liquidation of manufacturers' inventories gained momentum in the first quarter of 1954. These inventories declined in January by $334 million—with approximately $200 million of this being durable goods and $100 million nondurable.

Manufacturers' inventories declined at about the same rate in February. A decrease of $300 million in durable goods was the largest monthly drop since the liquidation began. Inventories of nondurable goods held steady. Those held by distributors remained virtually unchanged. Higher stocks of automobiles and clothing offset decreases in most other trades.

Reduction was orderly

Ninth district retailers in most trades have reduced their inventories in an orderly manner. In accomplishing this, dealers of appliances and other durable goods gave

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CURRENT

TOPICS ☆ *Business* ☆ *Banking* ☆ *Farming*

Slackened Consumer Sales Reverse Trend

■ FOLLOWING favorable sales the first two months of 1954, consumer buying, as reflected in Ninth district department store sales, in March reversed itself in falling several percent below year-ago figures.

The poor showing has been attributed to such factors as weather (colder than last year), a later Easter that robbed the month of March of some of its seasonal sales, and anticipation of excise tax reductions.

Another possible explanation that could not be discounted was employment, which remained below last year's levels during March. If this was actually an active factor, it was the first month this year that the results of "recession" have been evident in district department store sales.

Considered a moderating influence on the recent slowing of economic activity—a slowing evidenced through unemployment in some areas of the nation's economy—is the fact that consumers have not reduced their purchases as sharply as production has been cut back.

Buyers, in general, have nibbled away at inventories of goods faster than "braked" production has added to them, with the result that a more workable inventory level has been accomplished without undue difficulty. For this reason the current "recession" has frequently been termed an "inventory adjustment."

Meanwhile, economic skies were being watched for signs that early reports of lessened unemployment and other indications of seasonal upturns presage a pickup in the economy to a tempo near that of other recent years. • • •

BUSINESS

► *Department store sales were down in March*

District sales in March dipped 14 percent below receipts for March 1953. This decline in sales can be attributed more to specific factors than to the beginning of a general falling off in consumer buying. In both February and January, sales were equal to or above corresponding receipts of a year ago.

The public's anticipation of a reduction in federal excise taxes undoubtedly caused customers to postpone some purchases. This reduction became effective on April 1. Excises on most household appliances and on some home furnishings were cut from 10 percent to 5 percent.

Preliminary figures on sales by departments show that major household appliances, furniture, and bedding sales were off in March.

Weather also had a bearing on sales this spring. In the Twin Cities, March temperature averaged three degrees below normal — probably causing some people to postpone the purchase of spring apparel. Preliminary figures indicate that apparel sales, especially women's and misses' coats and suits, were off materially in March.

The later date of Easter—April 18 this year as against April 5 last year—moved a larger proportion of the shopping for this festive occasion into April. The index of department store sales, adjusted for seasonal variation including an allowance for the later Easter, was 95 percent of the 1947-49 base period.

Last year the adjusted index for March stood at 108 percent of the same base period. Thus, allowing for the later Easter, district sales in March fell 12 percent short of year-ago receipts.

Department store sales in March were down in nearly all trading areas, but they were down decidedly more in the four large cities than elsewhere in the district. For example, in comparison with a year ago, sales in the four large cities dropped 16 percent, whereas in the rest of the district they were down by only 9 percent.

The larger decrease in sales of large city stores may reflect the decline in employment. Minnesota employment in non-agricultural establishments in March was down by 10,300 from the total employed in March 1953. Of this decrease in employment, 6,534, or 63 percent of the total, was reported by the employment offices in the three large cities—Minneapolis, St. Paul, and Duluth.

► *Automobile registrations showed seasonal gain*

The usual spring pickup in new and used car sales began in March. It still remains to be seen how extensive the seasonal rise will be.

In comparison with year-ago figures, registrations of new cars in the Twin Cities metropolitan area were up 3 percent in March. Registrations were down, however, in the first half of April.

► *Bank debits indicate business volume has held up.*

The general volume of business transacted in the Ninth district has held up well despite lower employment in industrial and in iron ore mining areas. The aggregate amount of bank debits for March was 6 percent above the total for March 1953.

Commercial banks have advertised extensively for new checking accounts. The success of this advertising campaign is reflected in the larger amount of debits. Nevertheless, some of the increase very likely reflects larger aggregate payments made for goods, services, debts, etc.

BANKING

► *Time deposit increase at member banks in March was greater than year ago*

The seasonal outflow of bank deposits from the Ninth district continued in March at about the same pace as a year earlier. City and country member banks paid net withdrawals amounting to $21 million and $34 million respectively.

These withdrawals, together with additional loans at both city and country banks, were financed by the liquidation of investments and by reductions of cash balances.

Time deposits at city and country banks increased by $1 million and $5 million respectively in March. This compares with a year earlier, when city banks reported no change for time deposits and country banks reported a $3 million gain.

In the first quarter of 1954, district member banks added $43 million to loan balances. This compares with additions amounting to $42 million in the same quarter of last year.

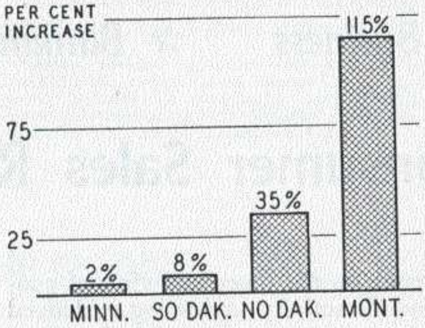
FARMING

► *Montana may double barley acreage*

Judging by March 1 intentions-to-plant, it appears that Dakota and Montana wheat farmers plan a substantial increase in barley plantings this spring. Farmers wish to plant more barley because of the 4 to 5 million acres of wheat that have been idled as a result of the wheat-quota program now in effect.

Montana farmers intend to more than double their barley acreage in 1954, compared with that of 1953. North Dakota farmers also plan a substantial increase in barley acreage, of approximately 35 percent.

PROSPECTIVE BARLEY PLANTINGS IN 1954, BASED ON MARCH 1 INTENTIONS, AS A PERCENT OF THE 1953 ACREAGE PLANTED



Source: USDA "Crop Production."

North Dakota, Montana, and Minnesota rank first, third, and fourth in the U.S. this year in barley planting intentions. California occupies second place.

With so much of the nation's barley produced in the Ninth district, a favorable barley growing season could easily result in unusually heavy market supplies by late summer and next fall.

► *More flax to be grown in 1954*

It is quite possible that Ninth district farmers may plant a near-record acreage to flax this spring. In North Dakota, where more flax is grown than in any other state, farmers planned a 26 percent increase based on March 1 conditions. South Dakota farmers also planned a 26 percent acreage increase.

Montana farmers may more than triple their flax acreage this year compared with 1953 plantings, but the total acreage is relatively small. Minnesota farmers, on the other hand, raise a lot of flaxseed and they may plant approximately 10 percent fewer acres.

For the district as a whole the number of acres seeded to flax may be increased approximately 19 percent over that of 1953, according to USDA estimates, based on farmers' planting intentions as of March 1.

This is significant when it is realized that approximately 95 percent of all 1953 U. S. flax acreage probably will be seeded in the Ninth district this year. Favorable weather might easily stimulate a record U.S. flax crop which could pose a surplus problem.

The explanation for the anticipated large increase in flax acreage in the Dakotas and Montana is the idling of large acreages of wheat under the acreage allotment program.

Flax Acreages in District States

	1953 Acres Planted	1954 Acres Intended
North Dakota	2,451,000	3,088,000
Minnesota	1,151,000	1,036,000
South Dakota	721,000	908,000
Montana	41,000	144,000
U. S.	4,560,000	5,383,000

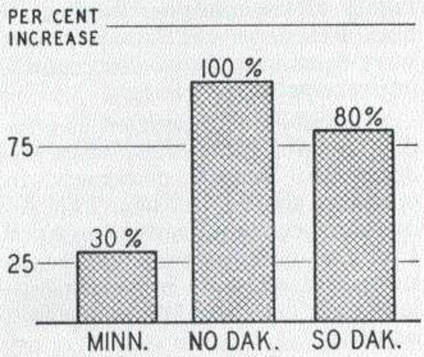
► *Soybeans to fill in idle corn acres*

The district's farmers intend to plant more acres to soybeans this year than ever before. In early March, Minnesota farmers were thinking in terms of a 30 percent increase in acreage over last year. Dakota farmers, too, have planned a sharp increase in soybean acreage —almost double that of last year. (See chart below.)

The sharp increase in intended soybean acreage in 1954 is partly a result of the corn acreage allotment program for 1954, which was announced in March. The idling of corn acres, however, only tends to enhance the upward trend in soybean production. Soybeans have been increasingly popular in recent years, as an alternate cash crop to corn.

The sharp increase in soybean acreage, true for the Ninth district as well as the U.S., probably will

PROSPECTIVE SOYBEAN PLANTINGS IN 1954, BASED ON MARCH 1 INTENTIONS, AS A PERCENT OF THE 1953 ACREAGE PLANTED



Source: USDA "Crop Production."

be reflected in a proportionate increase in production this fall. This could mean an increase of approximately 12 percent in production over that of last year.

► *Most of commercial corn growing counties in Midwest*

The commercial corn growing area in the United States, for the purposes of 1954 corn acreage allotments as announced by the Department of Agriculture, includes 884 counties. As shown in the chart, most of these counties are in the Midwest, a few on the east coast. One North Dakota county—Richland—is included in the commercial area.

Farmers in these commercial counties are eligible for price support at 90 percent of parity—if they comply with acreage allotments. Those who do not comply are not eligible for supports, but are not penalized in any other way.

Outside this commercial area, corn prices will be supported at only 67½ percent of parity, with no restrictions on acreage. END

INVENTORIES

Continued from Page 133

buyers larger discounts through trade-ins or offered discounts for cash. A small volume of merchandise has been moved at prices ruinous to dealers.

Stocks held by district department stores in 1953 followed the general trend of a buildup and a reduction. As may be observed on the accompanying chart, stocks on a seasonally adjusted basis rose in most months through September and declined in the last three months of the year. By the end of December, stocks again were down to the volume held at the beginning of the year.

Department store stocks continued to decline in the first quarter of this year, but at a much slower rate. Liquidation of stocks was probably largely completed in the first quarter. Most department store merchants apparently had their inventories in a favorable balance with volume of winter sales.

Lumber stocks normal

Retail lumber yard stocks in this district likewise were built up in the early part of 1953 and reduced in the fall. Dealers had bought heavily in the winter of 1953 in preparation for the building season. Their stocks were quite heavy in spring and most of the summer.

Toward the latter part of the summer, however, many dealers became inventory conscious and began to liquidate. By the end of 1953, district lumber dealers in the aggregate held smaller inventories than at the end of the preceding year.

Dealers bought conservatively in the past winter for the current building season. At the end of both January and February, retail lumber yard stocks were down significantly from the board feet of lumber held in the corresponding months of 1953. As the building season got under way, some dealers requested immediate delivery when ordering stocks—which would indicate that they began to find their building materials in short supply.

Furniture, hardware dealers in satisfactory position

District furniture stocks were not built up in the first part of 1953. Nevertheless, there was some liquidation in the latter part of the year. A major liquidation of furniture store stocks took place in 1952 following a buildup occasioned by the Korean war.

A comparison of stocks with sales indicates that most furniture men apparently had their stocks in a favorable balance with sales this winter.

Hardware store stocks, as was true of furniture store stocks, were built to an excessive level in the first part of 1952. They were reduced slowly in the latter part of 1952 and in 1953. By the end of last year most hardware dealers were believed to be satisfied with their inventory position.

Sales in the first quarter of this year, according to preliminary estimates, were equal to or slightly above receipts of a year ago. With volume holding up well, inventories have remained in a favorable balance during the winter.

Farm implement sales hit

Farm implement dealers are in a less favorable position on inventories than dealers in most other trades. Dealers in this district reduced their orders last fall to await the outlook for crops. This spring, however, wholesalers and manufacturers report an increase in dealers' orders. In some instances the increase only offset the slump in orders received last fall.

Dealers' inventories of new equipment are described by men in the industry as at a normal level, but inventories of used equipment are very high. The latter stocks are higher than they have been at any time since 1939. Dealers now are doing business on a competitive basis as they did prior to World War II.

Some implement dealers have voluntarily closed their businesses. Especially do older men, who are looking forward to retirement, feel that this is a good time to close out. Nevertheless, there have been few involuntary liquidations.

The credit situation has reverted to that which existed prior to World War II. This finds wholesalers and manufacturers again financing many dealers. However, in spite of the fact that dealers are using more credit, they still are in a sound financial position.

New car stocks high

Automobile dealers have been holding heavy stocks of both new and used cars. "Automotive News" reported that new cars in transit or in the hands of the nation's dealers on April 1 averaged 14.3 cars per dealer as compared with an average of 12.0 cars per dealer on the same date in 1953. Used car stocks, of course, have been heavy for some time.

Automobile sales began to show more than a seasonal rise in February from the considerably reduced level of January. However, it still remains to be seen if the increase will be as great as in previous years. Even though sales rise, dealers' stocks of both new and used cars no doubt will remain heavy.

Continued

Recession relatively mild

Retail sales in general have declined in relation to the income that consumers have had at their disposal. However, with outlays for services continuing to show substantial gains, the ratio of total consumption expenditures to disposable income changed little in the first quarter.

The severity of a recession caused by inventory liquidation depends upon the shrinkage in sales. If sales drop faster than cutbacks made in production, then inventories will continue to rise despite efforts made by retailers, wholesalers, and manufacturers to reduce them. Such a situation sets the stage for a drastic contraction in the volume of business transacted.

Such a type of inventory contraction occurred in 1937-38. At that time consumer buying fell off sharply, which led to a continued accumulation of inventories. It was not until production was curtailed drastically that inventories returned to a manageable level.

Sales currently have declined only moderately. With the first cutbacks in production, inventories were reduced. As a result the outlook is for a more moderate readjustment than otherwise would be the case. • • •

ECONOMIC *Briefs* SIGNIFICANT HAPPENINGS IN THE NINTH DISTRICT

✓ Montana Power builds new line

Montana Power company has begun work on a 223-mile, 161,000 volt power line from Anaconda to Billings, Montana, which should be completed by October 8. Work will include a substation along the route to serve branch lines to Livingston and other nearby towns.

The company recently asked permission of the SEC and FPC to sell $6 million in first mortgage bonds and $6 million in preferred stock to finance this and other general improvements and acquisitions to the company's plant.

✓ Load first full taconite shipment

At Two Harbors, Minnesota, the first full cargo shipment of taconite pellets (18,000 tons) was loaded in an ore boat during the third week in April as the 1954 ore shipping season got under way on Lake Superior.

The pellets came from the Babbitt, Minnesota, installation of Reserve Mining company and are destined for the Armco Steel corporation plant at Middletown, Ohio.

✓ Suburban shopping units to begin

In the Minneapolis suburb of Bloomington, some 2,500 houses and a million-dollar shopping center are scheduled for construction during 1954. Total cost of the projects now under way or scheduled this year in that community is estimated to exceed $25 million.

In St. Louis Park, another suburb west of Minneapolis, construction was expected to begin on the Knollwood Plaza shopping center before May 1. It was announced that the original plans had been expanded after M. L. Rothschild company, Minneapolis department store, decided to join in the development.

Plans now call for 40 stores, 350,000 square feet of floor space, and parking space for 3,000 cars. Work on the $7 million project will require about a year. Preliminary plans for an "office city" south of the shopping center, with 200,000 square feet of office space, also were announced.

Another plan recently made public calls for a half-million dollar shopping center that will begin this summer north of Minneapolis.

✓ NSP expands electric facilities

The Northern States Power company plans to spend nearly $180 million for new construction through 1957, with some $52 million scheduled for this year.

Among projects planned, some of which have already begun, are two generating units (total capacity 190,000 KW) at the Black Dog steam electric plant on the Minnesota river, two major links of 115 KV transmission line, and a 100,000 KW generating unit at the company's High Bridge plant in St. Paul.

The company plans to raise $51.5 million in new capital through the sale of stocks and bonds to help finance the program.

✓ First S. D. oil well completed

South Dakota's discovery oil well, located 16 miles northwest of Buffalo in Harding county, was officially completed during the latter part of March as the state's first producing oil well.

Shell Oil company, now pumping 31° gravity oil (with some water) from 8,500 feet below the surface of its discovery, is preparing to rig a pump over its confirmation well one-half mile south of the discovery site.

✓ NN Gas eyes Duluth-Superior

Northern Natural Gas company filed application with the FPC to provide gas service to Duluth and Superior in 1955. This was announced by the company as its first step in plans to provide natural gas service to the Minnesota iron range.

The proposed line will take off from the company's facilities at Farmington in southern Minnesota and extend 167 miles to deliver a daily capacity of 13 million cubic feet to Duluth and a daily capacity of 4.7 million cubic feet to Superior. (Minneapolis gas consumption, by way of contrast, is about 240 million cubic feet daily at peak).

Cost of the line was estimated at $12.2 million.