FEDERAL RESERVE BANK OF MINNEAPOLIS

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The Advent of STRONGER COMPETITION Is Creating

Changes in the Distribution of Income

Proprietors of small businesses and those on commission have lost ground, whereas wage and salary workers are regaining their former income position

As the output of both agriculture and industry has gradually caught up with the demand for their products and shortages have disappeared from retail markets, more rigorous competition has changed the distribution of income among economic classes.

The net income realized by owners of unincorporated businesses in this district has declined in recent years. Likewise, individuals employed on a commission or fee basis have realized fewer or smaller commissions or fees.

On the other hand, wage and salary workers have maintained their incomes. In fact, the latter are slowly regaining the relative income position they occupied prior to World War II despite the small rise in unemployment.

Proprietors' income, of which the net incomes of unincorporated businesses and farmers are the chief components, established a peak in some district states as early as 1947 and in others as late as 1951. However, as a percent of total income payments to individuals there was no state where this type of income stood at a peak later than in 1948, and since that time it has declined as a proportional share.

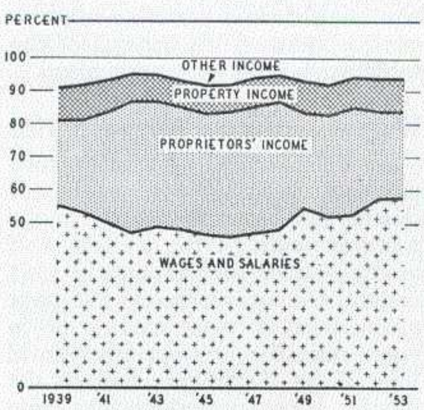
By 1953, proprietors' income constituted about the same proportion of the total income payments to individuals as in the years immediately prior to World War II.

Farm income important

The net income of farm operators constitutes a significant part of total proprietors' income in this district. As a source of income to the economy, agriculture is about three times as important in this region as in the nation as a whole.

Farm income in the states of this district reached a peak in 1948, and the decline in subsequent years by 1953 had brought the income from one-fourth to one-third below that record level. In the first half of this year, farm income has held up well as the cash income from farm marketings indicated. Thus it can be seen such income in this district still is close to the level of a year ago.

INCOME PAYMENTS BY TYPE OF PAYMENT, 1939-1953 FOUR FULL STATES IN THE 9TH DISTRICT



Source: U. S. Department of Commerce.

Profits down for most business firms

According to figures released by the Securities and Exchange commission for the nation, the giant manufacturers (assets of $100 million or more) realized larger profits after taxes in the first quarter of this year than in the corresponding quarter of 1953. At the same time, the small manufacturers realized smaller profits. Since the latter weighed more heavily in most industry groups, in general profits after taxes were down from a year ago.

Information available for this district points to the conclusion that only those firms whose products or services enjoy consumer preference have realized larger profits in the first half of this year than in the same period of last year. For many firms the receipts from sales were down.

Despite reduced sales, a few firms still ended up the first half of this year with increased profits. Some executives were able to reduce costs to more than compensate for the drop in sales. Expiration of the excess profits tax on December 31, 1953, reduced the federal income tax liability for corporations in the excess profits bracket. For a few firms, the smaller deductions for federal taxes were sufficient to raise profits above last year's figures.

Failures at postwar high

That more business firms have been operating at a loss this year is reflected in the growing number of business failures. In this district, failures in the first half of this year were at a postwar high and were edging up rapidly to the total for the years prior to World War II.

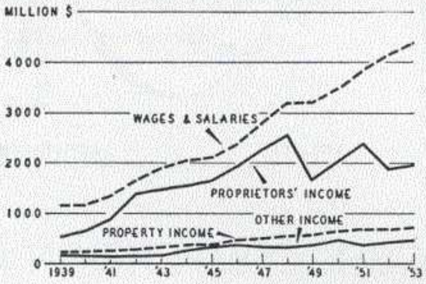
A comparison of the current rate of failures with that prior to the war provides some evidence that risks involved in operating a business today again are approaching those faced by businessmen in the late Thirties.

A total of 82 business failures in the first half of this year in this district equaled the number in the first half of 1942. In the late Thirties, failures were higher, totaling over one hundred in a half-year period.

Failures in most types of businesses are currently at a postwar high. More construction firms failed in the first half of this year than in any comparable period since 1939. Failures in retail trade also were numerous in the first half of this year as compared with any previous postwar year. However, failures in this classification still were less frequent than in the years prior to 1943.

In manufacturing and in commercial and service establishments, failures were high in the first half of this year, but they were no higher than in some other comparable postwar periods.

DISTRIBUTION OF INCOME—FOUR FULL STATES IN THE 9TH DISTRICT



Source: U. S. Department of Commerce.

The inflation of the past decade obviously is reflected in higher assets and therefore higher liabilities of business firms. Consequently, the current liabilities of firms failing now are larger than they were in the Thirties.

In the first half of this year, current liabilities of the 82 firms in this district aggregated $3.8 million, which was larger than in any previous comparable postwar period and decidedly higher than in any comparable prewar period.

Fewer on commission basis

Individuals working on commissions have experienced some contraction in their incomes. Even though activity in the housing market has held up well, some realty companies have cut their sales forces. Likewise, some new and used automobile dealers have reduced their sales forces because of the decrease in sales. Furthermore, some salesmen on their own volition have sought more lucrative employment in other fields because of the substantial drop in commissions.

Wages, salaries continue rise

As a proportion of total income payments to individuals, wages and salaries have grown steadily in the postwar years. In the western half of the district, such income in 1953 constituted approximately the same proportion of total income as in years immediately preceding World War II. In the eastern half of the district, it constituted a larger share of the total than in the late Thirties.

Some of the growth in wages and salaries is traced to the industrial development of this region. For example, the number of workers employed in manufacturing plants in Minnesota in the first half of this year averaged 211,650 per month, whereas in 1939 the average was only 92,084.

In some years since 1946, wages and salaries lagged behind the general rise in prices, although they increased annually. In 1953, the income paid in wages and salaries was higher than in any previous year. Furthermore, in most district states this type of income continued to rise in the first half of this year.

Average hours worked in manufacturing plants reached a maximum of almost 43 per week in 1952. In the first half of this year, the average weekly hours worked were down to 41 per week, indicating that most overtime has been eliminated. On the other hand, average hourly earnings have risen annually. Apparently the increase in hourly rates has more than offset the loss of overtime pay and slight rise in unemployment.

Property income down

Property income includes dividends, interest, net rents, and royalties. With the exception of Montana and North Dakota, this type of income was a smaller share of the district states' totals in 1953 than in years before World War II. In these states the discovery of oil boosted income from royalties materially.

Federal disbursements up

Other income includes social insurance benefits, relief payments, veterans' pensions and benefits, and allotment payments to dependents of military personnel. This type of income grew steadily in the postwar years and in most district states was a larger percent of total income payments to individuals than in 1947. However, it has remained a smaller share of the total than it was in the late Thirties, when the relief load was high. • • •

A REVIEW OF POLICY CHANGES
of the Agricultural Adjustment Act of 1954

Variable Support Levels Feature New Legislation

Among its other provisions are a gradual transition to 'modernized' parity, and set-asides of surplus commodities

To most students of agricultural policy the new Agricultural Adjustment Act of 1954 represents an important change in *principle*, but the practical effect on farmers may be relatively minor.

Farmers producing basic crops—mainly wheat and corn in the Ninth district—will be directly affected by changes in the method of computing the level of price support. Also, their farming operations will continue to be influenced by acreage restrictions and other provisions of the law necessary to implement the price support program. Most of these implementations, however, do not represent important changes from previous legislation. Thus there will be little apparent change in the operation of the law as far as practical farming operations are concerned.

The outstanding feature of the new agricultural legislation, of course, is the change from price support levels fixed mandatorily at 90 percent of parity for basic commodities to a variable level of support, adjusted each year according to the over-all level of supply and the probable demand for each commodity.

Supply to determine parity

As a result, the mandatory supports at 90 percent of parity now in effect for the six basic commodities—wheat, corn, cotton, rice, tobacco and peanuts—will be allowed to expire with the marketing of 1954 crop. For subsequent crop years, then, flexible price supports ranging from 75 to 90 percent of parity according to supply conditions will go into effect. That is the principle of the new law. But for the 1955 crop, actually, the minimum level of price supports for basic commodities will be 82½ percent of parity instead of 75 percent.

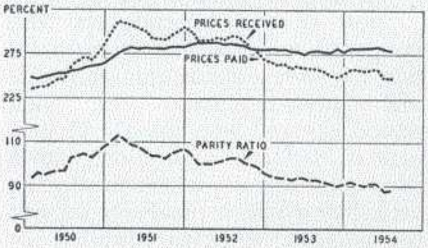
After the 1955 crop year, the flexible range of price supports for the six basic commodities will then be from 75 to 90 percent of parity, as prescribed in the new law.

(The act does not alter the level at which tobacco will be supported, since tobacco is required to be supported at 90 percent of parity as long as marketing quotas are in effect—and they are in effect.)

In effect, the new law re-establishes the principle already set forth in our basic farm legislation, the Agricultural Act of 1949 (originally adopted as a feature of the Act of 1938). That legislation provides for the flexible determination of parity support levels through a formula based on a consideration of the supply of each product. That act has remained our basic agricultural support legislation even though it has been superseded by temporary legislation each year setting the level support at a fixed 90-percent of parity for basics and some other commodities.

INDEX OF FARM PRICES RECEIVED, PRICES PAID BY FARMERS AND PARITY RATIO BY MONTHS

(1910-14=100)



Source: U.S.D.A.

Modernized parity used

The new agricultural act also provides that the modernized parity formula shall be used in computing the price support levels for all commodities. Up to the present time, all but the basic commodities have been figured according to the modernized parity formula. But basic commodities have been figured according to either the modernized or the old parity formula, whichever was higher. Actually, wheat, corn, cotton, and peanuts are the commodities which have continued to be supported on the basis of the old parity formula.

Modernized parity will go into effect on a gradual basis, however. The act provides for a gradual transition in support level from the old parity formula, where that is now being used, to the modernized parity formula at a rate of not more than 5 percent per year beginning in January, 1956.

This gradual transition to a modernized parity is no change from the old law, which also provided for the gradual shift to modern parity.

Wheat and corn are the two Ninth district commodities which will be affected by this change. At present a full change from the old parity formula to the modern formula would reduce the parity price of wheat about 40 cents, corn about 22 cents.

The modernized parity formula is the formula which takes into account changes in price relationships during the most recent 10-year period. It thereby adjusts for long-run shifts in the demand for various farm commodities and also for changes in the relative efficiency with which different products can be produced. Modernized parity is already in effect for the non-basic commodities.

$2.5 billion set-aside

The new farm act also provides for establishing a special set-aside of farm commodities now in surplus and currently held by the Commodity Credit Corporation to the amount of $2.5 billion. The commodities involved and the amounts of the set-asides provided are as follows:

	Max. Quantity	Min. Quantity
Wheat (Bushels)	500,000,000	400,000,000
Upland Cotton (Bales)	4,000,000	3,000,000
Cottonseed Oil (Lbs.)	500,000,000	0
Butter (Lbs.)	200,000,000	0
Nonfat Dry Milk Solids (Lbs.)	300,000,000	0
Cheese (Lbs.)	150,000,000	0

These are the commodities that will be "insulated" from the market. This so-called insulation will take effect in two ways. First, the products will not be allowed to move in normal trade channels but must be disposed of in other ways. Also, the commodities in the set-aside program will not be included when figuring the "normal carryover" for purposes of determining the price support level.

These set-aside commodities will be included, however, as part of "total supplies" when determining marketing quota and acreage allotment restrictions.

Commodities set aside in this way may be disposed of in the following ways:

- For foreign relief purposes
- To develop new or expanded markets
- Donation to school lunch programs
- Transfer to the national stockpile
- For use in research, experimental or educational purposes
- Disaster relief within the United States
- Sales to meet the need for increased supplies — in which case the sales price shall not be less than 105 percent of parity

Thus the act provides specifically for disposal of this $2.5 billion of surplus commodities in ways which will not move directly into the market. This does not insure that the "insulated" commodities may not have some effect indirectly on the market itself. But it does seem to insure that uses which would directly depress the market are to be avoided.

The act also provides for the turnover of such commodities held in storage, selling old-crop supplies and replacing them with new.

May restrict diverted acres

The 1954 act provides that the Secretary of Agriculture may issue regulations to restrict the use of acres diverted out of price-supported crops. These restrictions may be issued on "an appropriate geographical basis." This allows for such possibilities as (1) the production of forage crops for future use in areas where good husbandry requires a feed reserve, and (2) special adjustments to permit the restoration of a normal pattern of agricultural production in disaster areas.

Full supports limited to commercial wheat area

Full price supports for wheat will be extended only to producers in the so-called commercial wheat-producing area. A lower level of support is set for producers who cooperate with the acreage program but who are outside this commercial wheat-producing area. Such producers will receive only 75 percent of the level of support within the commercial wheat-producing area. For a wheat producer outside to qualify for price supports he need comply only with the "conditions of eligibility prescribed by the Secretary."

Effective in 1955 and subsequent years, the act provides for establishing a commercial wheat producing area by authorizing the Secretary to eliminate any state where the allotment would be 25,000 acres or less. If a state is eliminated from the commercial wheat growing area, the allotment for other states will not be increased to adjust for its removal.

Corn quotas abolished

The 1954 act repeals the provisions of existing law for corn marketing quotas. This was done because it was considered impractical to establish marketing quotas for a crop three-fourths of which is normally fed to livestock on the farm.

The act amends the definition of "normal supply" of corn to increase the carryover allowance from 10 percent of the domestic consumption and exports to 15 percent. It also reduces the period of years for determining the average yield of corn (for computing national acreage allotments) from 10 to 5 years, and the trend adjustment in computing such yields is eliminated.

The act also amends the amount of "normal supply" of wheat when figuring acreage allotments. It increases the carry-over allowance from 15 percent of the domestic consumption and exports to 20 percent.

Dairy products at 75-90%

In the case of dairy products, the act continues present provisions of the law for price supports "at such levels, not in excess of 90 percent of parity or less than 75 percent of parity, as the Secretary determines necessary in order to assure an adequate supply."

Until March of 1956, surplus stocks of dairy products owned by the Commodity Credit Corporation may be disposed of by any method determined necessary by the Secretary. In addition, the Commodity Credit Corporation is directed to use not more than $50 million a year for the next two years to increase consumption of fluid milk by children in non-profit schools.

Continued on page 184

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

Three-quarters Mark Finds Economy at Early '54 Pace

■ THE LAST LAP (fourth quarter) of the economic race in 1954 is now immediately ahead. Thus far in 1954—the first three quarters—the Ninth district appears to have held the position it had at the beginning of the year as shown by the trend in several important economic indicators.

Department store sales in this area, in relation to a year earlier are equal to or better than those in any other Federal Reserve district. Sales for the first three quarters are approximately 101 percent of those in 1953.

Bank debits (dollar volume of checks written) for all states in the district except the Wisconsin area are ahead of a year ago. The total for 138 cities through August was 103 percent of the same period in 1953.

Construction activity has been excellent in both residential and non-residential categories. Recent data on "new building permits" in the district indicate a continued high level of activity in construction work during the last quarter. Lumber sales in recent months have been substantially above those of a year earlier.

The volume of agricultural marketings during 1954 appears now to be the second largest on record. Crops, with the exception of the spring wheats, have been excellent. Good pastures and adequate feed have stimulated livestock production. As a result, cash farm income has been well maintained for the district as a whole.

The economic scene, like the weather, has two aspects. One, which is favorable or optimistic, has been described. The other, which is less favorable, includes such factors as a generally lower level of farm prices; some unemployment, particularly in manufacturing and mining areas; and rigorous price competition both in agriculture and business.

On balance it appears, however, that enough "push" was generated during the first three quarters of the year in the aggregate volume of business transacted to bring the Ninth district through with a record that will be second only to that of 1953.

BUSINESS

► *Summer retail sales in the aggregate were up*

In general, district retail sales during July were up 4 percent from a year ago, according to figures now available from the Bureau of the Census.

Food sales in July were higher than last year. Receipts at eating and drinking establishments were up markedly, reflecting more business in the resort areas. Receipts at gasoline service stations were up materially, this also being attributable to increased travel in conjunction with the resort business.

Lumber, builders supplies, and hardware sales were high, due mainly to the brisk residential building.

On the opposite side of the ledger, automotive, furniture, furnishings, appliances, and apparel sales in July were down from those of a year ago.

► *Preliminary August sales figures also were above 1953*

According to preliminary figures collected by this bank, district furniture store sales in August again were above year-ago receipts. Furnishing of a large number of new houses being sold is giving furniture store men a lift.

District department store sales in August were up 4 per cent from a year ago. Sales were equal to or higher than last year's receipts in all but a very few trading areas of the district.

► *Vacation business shows improvement*

Resort and tourist business in the vacation areas of the district shows considerable improvement from a year ago, according to figures reported by a select group of resorts and motels in the district.

Reporting Minnesota resorts were 81 per cent occupied during July and 76 per cent occupied during August, and motels had occupancy rates of 87 per cent and 90 per cent respectively.

While slightly lower than in Minnesota, the occupancy rates at upper Michigan resorts and motels were also quite high. In these two states this was a distinct improvement from year-ago rates, which were at least 5 to 10 percentage points lower.

Similarly, highway traffic in South Dakota during the summer months was 3 percent greater than last year.

► District construction increases substantially

During the first seven months of 1954, district figures on the dollar valuation of construction contract awards as released by the F. W. Dodge corporation showed an increase of 32 percent.

This aggregate increase reflects a rise of 40 percent in non-residential contracts and a 15 percent increase in residential awards. The substantially larger increase in non-residential construction is attributable mainly to the large volume of public and institutional building.

An indication that this trend continued during August is obtained from figures on building permit valuation, which were up 25 percent.

FARMING

► District crop output large

Despite the smallest spring wheat crop since 1939, the four Ninth district states this year produced a total crop of grains that is the third largest of record.

The wheat crop, estimated by the USDA on September 1 at roughly 191 million bushels for the four states, was reduced by a three-way combination of acre restrictions, dry weather, and rust damage.

Durum wheat producers were again particularly hard hit. September 1 estimates put this year's durum crop at only about 8 million bushels, down from 12 million bushels estimated in August.

On the other hand, Ninth district corn output at 415 million bushels is the third largest for this area, an output exceeded only by the 433 million bushels of last year and the 432 million bushels produced in 1948. Total output of oats, barley, rye, flax, and soybeans are all substantially above last year.

As a result, total grain output of the Ninth district is currently estimated at 1,201 million bushels this year, compared with 1,189 a year ago and 1,226 in 1951.

Although the general crop output for the Ninth district is a favorable one, considerable variation exists among local areas. Feed supplies generally seem adequate in relation to livestock numbers, but many observers feel that feed reserves as a whole are barely adequate under present conditions.

► District farm loans in good condition

A survey of farm credit conditions throughout the Ninth district indicates that the financial position of farmers generally compares favorably with a year ago. Most lenders expect their farm loans to be paid off at least as well as last year, and in most cases somewhat better.

This favorable condition results from a combination of high level output coupled with conservative spending and attention to costs. Lenders indicate no change in the level of interest rates being charged, and no expectation of any increase.

Volume of farm loans compared with a year ago varies somewhat according to area, but in most cases it is reported about in line with a year ago or slightly smaller as lenders expect a higher payoff this fall.

Refinancing of short-term debts into long-term real estate credit is less common than during the past two years.

Repayment of loans has not been a problem generally throughout the area.

► Farmers get Social Security

With Congress having decided that farmers will come under the Social Security program starting next January 1, farm operators in 1955 who have net earnings of $400 or more will contribute 3 percent of their net earnings up to $4,200.

In return for these payments, farmers upon reaching age 65, if they retire having had at least 1½ years of coverage, will receive payments from a minimum of $30 per month up to a maximum of $108.50. This will depend on income during the working years and the amount of tax paid.

Maximal family benefits for a widow with children may go as high as $200 per month.

Farmers may receive Social Security benefits after retirement even though they continue to receive income from the farm. They must not, however, be actively engaged in operation of the farm.

► Stored grains up since year ago

Ninth district stocks of grain held by farmers and also in off-farm positions are substantially larger than a year ago.

Stocks of wheat in the four Ninth district states on July 1 totaled 165 million bushels compared with an even 100 million bushels a year ago on that date. On the same inventory date, stocks of feed grains held within the four Ninth district states totaled 364 million bushels, compared with 307 million bushels a year ago. • • •

Ninth District Business Indexes

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

	Aug. 54	July '54	Aug. '53	Aug. '52
Bank Debits—93 Cities	134	128	128	122
Bank Debits—Farming Centers	128	127	120	121
Ninth District Dept. Store Sales	105p	105	102	108
City Department Store Sales	110	111	106	108
Country Department Store Sales	97p	96r	96	108
Ninth District Dept. Store Stocks	119p	113r	120	109
City Department Store Stocks	120p	113	120	110
Country Department Store Stocks	119p	112r	121	108
Lumber Sales at Retail Yards (Bd. Ft.)	104p	95	85	87
Miscellaneous Carloadings	98	97	113	110
Total Carloadings (excl. Misc.)	79	58	101	106
Farm Prices (Minn. unadj.)	84	83	90	108

p—preliminary
r—revised

THE NINTH DISTRICT FIRST-HALF STORY:

Member Banks Improved Earnings

Continued shift to higher-yielding loans rather than better return accounted for the gain made

District member banks held more earning assets and received a higher average rate of return on such assets in the first half of 1954 than was true in the same period of 1953. Primarily because of these developments, an improvement of earnings and profits occurred despite rising expenses and taxes since the earlier period.

The higher average rate of return on earning assets does not reflect changed interest rates as much as it does a continued shift from relatively low yielding investments to higher yielding loans by the banks. Indeed, the gain in revenue from loans was matched by a proportionate gain in the average amount of loans outstanding, thereby indicating no change in the average rate of return on loans.

Revenue from investments, on the other hand, was slightly larger in the first half of this year than in the first half of 1953 despite a minor drop in the average amount of investments held; yields had moved up slightly.

Interest uptrend levels off

The absence of important changes in yields on loans or investments was a striking feature of the most recent earnings period. For several years prior to 1954 such yields had been moving up with regularity.

From the first half of 1952 to the first half of 1953, for example, the rate of return on loans at district member banks went from 4.86 percent to 5.00 percent while the yield on holdings of government obligations moved from 1.74 percent to 2.00 percent.

Sources of income other than loans and investments provided district member banks with revenues of $10 million in the first half of 1953 and $11 million in the first half of this year. These amounts represent roughly 16 percent of total earnings and include such items as service charges on loans and deposit accounts together with various other minor sources of income.

Current earnings from all sources totaled $65.7 million this year as compared with $61.0 million in the same period last year.

While most major expenses moved up with earnings, less was added to expense than to earnings.

Wages and salaries, constituting the most important component of total expense for banks, absorbed almost half the addition to expense between first half 1953 and first half 1954. The balance of the addition to expense was divided evenly between interest on time deposits and other expenses.

Time deposits gave rise to more expense both by reason of higher average balances and by reason of higher interest rates paid on such balances. One relatively unimportant component of expense which has declined is interest on borrowings. Here is evidence of easier credit conditions this year than last, evidence which reflects less borrowing by banks and lower interest rates for such borrowing.

Most borrowing by district member banks is accommodated by the Federal Reserve. More than 80 percent of the $116 thousand reported as interest on borrowings for the first half of this year by member banks in the district went to the Federal Reserve Bank of Minneapolis as earnings on discounts and advances.

In the same period last year the Reserve bank earned $410 thousand on discounts and advances. Part of the decline since then is a reflection of a reduction of the discount rate.

Selected Items of Income and Expense for Ninth District Member Banks

(Millions of Dollars)

	1953*	1954*
Return on Investments	17.8	18.3
Return on Loans	33.2	36.4
Other Earnings	10.0	11.0
Total Earnings	61.0	65.7
Salaries	18.6	20.1
Interest on Time Deposits	6.1	6.9
Other Expenses	12.7	13.5
Total Expenses	37.4	40.5
Net Current Earnings	23.6	25.2
Recoveries Minus Losses	−1.6	1.4
Profits before Taxes	22.0	26.6
Income Taxes	11.1	12.6
Net Profits	10.9	14.0

*First half of year.

Bond profits up

With current earnings of district member banks larger by $4.7 million in the most recent six-month period than a year earlier and with expenses larger by $3.1 million, net current earnings were up by $1.6 million.

Non-current charges and credits to income from losses and recoveries on loans and securities resulted in a net addition to current earnings of $1.4 million in the first half of this year compared to a net subtraction of $1.6 million in the first half of last year. All this difference can be explained with reference to the item "Profits on Securities," which last year amounted to $236,000 but which amounted to $4,869,000 in the first half of this year. The earlier period of course was characterized by falling prices for bonds while such prices were going up in the latter period.

While profits before taxes were higher in the most recent six-month period than a year earlier by $4.4 million, so too were income taxes higher. This levy removed $12.6 million from profits in the first half of 1954 in contrast to $11.1 million a year earlier.

Profits after taxes then were almost $14 million in the latter period compared to $11.1 million in the former.

Total dividends of district member banks, although increased in absolute amount from $4.7 million last year to $5.3 million this year, declined as a proportion of net profits from 42 percent last year to 38 percent this year. • • •

NEW LAW GIVES VARIABLE SUPPORTS

Continued from page 180

Act allows direct payments on wool

New price support legislation for wool goes into effect April 1, 1955. It will continue through March 1959. The law makes direct payments to producers a permissible method of support—to be financed by the import duties on wool. This also represents a change in principle—by allowing use of direct payments in supporting wool.

The price support for shorn wool is to be set at an "incentive level" to encourage production in this country. Such incentive may not be set to exceed 110 percent of parity, but up to that limit may be set as the Secretary determines necessary in order to encourage an annual domestic production of approximately 300 million pounds of shorn wool. When and if this goal is reached, the price of wool is to be supported at such level between 60 and 90 percent of parity to encourage 360 million pounds of wool annually. Pulled wool is to be supported at a level that will maintain a normal marketing relationship with shorn wool.

Potatoes up to 90%

The 1954 agricultural act gives the Secretary of Agriculture discretionary authority to support the price of potatoes at from 0 to 90 percent of parity.

Law provides for agricultural attaches

The 1954 agricultural act specifically directs the Secretary of Agriculture to make more intensive studies of the competition and demand for American-produced agricultural products in foreign countries. To carry out these responsibilities he may appoint agricultural attaches to work under his direct supervision in foreign countries.

The act makes clear the Secretary's authority to increase or to terminate acreage allotments as well as marketing quotas whenever national emergency or increased export demand may make such changes necessary. • • •

ECONOMIC *Briefs*

SIGNIFICANT HAPPENINGS IN THE NINTH DISTRICT

✓ N. P. gets more freight diesels

When five new diesel freight engines go into service at Glendive, Montana, in September, the Northern Pacific railroad will be completely "dieselized" from Glendive to Minneapolis. These new General Motors' Electro-Motive units, costing approximately $4,000,000, will replace 12 to 15 steam engines and will probably result in a cut in locomotive maintenance forces. The whole Northern Pacific system will eventually be dieselized.

✓ Anaconda strike affects 10,000

A strike called by the International Union of Mine, Mill and Smelter Workers against the Anaconda Copper company on August 23 has affected about 10,000 persons and closed mines in Butte, a smelting and refining plant at Anaconda and an electrolytic reduction plant at Great Falls. Workers are asking a 25c hourly increase and fringe benefits.

Nearly 1,000 resulting claims for jobless benefits were on file with the Montana Unemployment Commission at the start of September.

✓ Crookston sugar plant dedicated

A new plant of American Crystal Sugar company, built at a cost of $9½ million, was dedicated at Crookston, Minnesota, during the latter part of August. This plant will serve an area of six counties where 30,000 acres of sugar beets are under cultivation. Annual capacity of the new plant will be nearly 100 million pounds—enough sugar to supply yearly requirements of more than one-third the population of Minnesota.

✓ Taconite pellet plant ordered

Reserve Mining company has placed an order for design, engineering and material for a new heat-treating plant for taconite pellets at their E. W. Davids Works at Silver Bay. When in full operation the new plant, costing $19 million, will turn out 12,000 tons of pellets daily by a new process developed by Arthur G. McKee and Company at Cleveland, Ohio, and Allis-Chalmers Manufacturing company of Milwaukee, Wisconsin.