Employment near seasonal low

Business sentiment in the Ninth district continues in recent weeks to exude a measure of optimism. However, most of the available current economic indicators have been registering no particular advance in strength either in January or early February. Actually, the rate of recovery appears to have slackened somewhat since last December. This is not an unusual phenomenon in the Ninth district as employment normally slides off to a seasonal low point in February.

This year's seasonal employment pattern appears to be no exception to the rule; in fact, employment and business activity in general may have been dulled more than otherwise by severe cold weather which has gripped the region since the year's beginning. Temperatures in the Twin Cities have averaged 10 to 12 degrees below last year and 3 to 4 degrees below normal. At International Falls, Minnesota, January average temperatures were the lowest on record. Temperatures in the Dakotas have also ranged from 3 to 6 degrees below normal. The frost line has been unusually deep this winter and this has retarded the development of some construction work according to the views of contractors.

Retail sales, even though up slightly from year-ago levels, have been on the slow side since January 1. This may be due largely to people's reluctance to venture out freely on shopping trips in the severe cold. Nevertheless, the record shows

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that district employment in nonagricultural establishments reached year-ago levels in December. Preliminary January employment figures show a slight gain from January of 1958. However, January of 1958 was in a recession period. Assuming that the 1959 seasonal low in employment is reached in February, a moderate improvement above the usual seasonal trend is foreseen during the next several months. This assumption is based on a heavy volume of construction contract awards and building permits in recent months and the fact that construction was retarded by the cold and by the abnormally low frost line.

Furthermore, both livestock and crop inventories, as well as cash farm income, are at or near peak levels. This would presuppose that farmers will be inclined this season to purchase needed equipment and machinery on a liberal scale. Current reports of farm machinery sales indicate a 10 to 15 percent increase above year-ago levels. Bank debits, too, were up 6 percent in January from the same month a year ago.

On the national economic scene, industrial production and construction activity have continued to expand and retail sales in January through mid-February were at record levels. Nonfarm employment increased somewhat while unemployment rose about seasonally. From mid-January to mid-February wholesale prices of industrial products advanced slightly while prices of farm and food products were on the weak side. Overall, wholesale and consumer prices have changed little from January to February.

The following selected topics describe particular aspects of the district’s current economic scene:

**DISTRICT BANKING CONDITIONS**

In the first six weeks of 1959, loan and deposit movements at the district’s city banks have generated somewhat less pressure on reserves than was true in the same period last year. In the 1959 period loans declined by slightly more and deposits by significantly less than a year earlier. The tabulation below reveals the change in selected assets and liabilities at the city banks during the two periods measured in millions of dollars.

### SELECTED CHANGES AT DISTRICT CITY BANKS

<table>
<thead>
<tr>
<th></th>
<th>1959</th>
<th>1958</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business loans</td>
<td>$17</td>
<td>$15</td>
</tr>
<tr>
<td>Real estate loans</td>
<td>2</td>
<td>+2</td>
</tr>
<tr>
<td>Other loans*</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Total loans*</td>
<td>25</td>
<td>22</td>
</tr>
<tr>
<td>Demand deposits</td>
<td>-135</td>
<td>-173</td>
</tr>
<tr>
<td>Time deposits</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td>Total deposits</td>
<td>$-137</td>
<td>$-159</td>
</tr>
</tbody>
</table>

*Minus loans to banks

During January, borrowing by the city banks from the Federal Reserve averaged $1.7 million or about two-thirds of the year-ago figure. Country member banks, however, borrowed more than three times as much in January than they had a year earlier. And in the first half of February, country bank borrowings rose to the highest level since November of 1957. In January and the first half of February country member banks accounted for 70 percent of average total borrowings.

**CONSTRUCTION AWARDS, PERMITS**

Since February is the month that district construction activity usually begins to pick up, it is an opportune time to examine the outlook for the construction industry this spring and summer.

The amount of contracts awarded and the valuation of building permits issued is a measure of the future rate of construction activity. This is especially true of the amount of contracts awarded as this is the equivalent of new orders placed with manufacturers. Of course, the interval of time elapsing between the granting of contracts and the beginning of projects is occasionally extended by unfavorable weather conditions, by material shortages or by labor disputes, and a few
contracts are cancelled. This winter the lack of snow cover in many areas and the unseasonably long period of cold weather beginning in December, has driven the frost to an abnormal depth of five feet or more in many localities in the district. As a result, many building projects are being held up because the low frost line would make excavation costs excessive. It may also hold up new highway construction as well as repairs on old roads this spring.

The amount of contracts awarded in this district rose substantially during 1958. In comparison with the corresponding period in 1957, the total was up 12 percent in the first half of the year, 32 percent in the last half or an average of 22 percent for the year. Contractors in this district have a substantially larger backlog of awards than those in other parts of the nation. The 1958 increase in awards in the nation as a whole was only 9 percent.

Building permits are issued only for construction undertaken in the incorporated centers. Consequently, construction such as highways, federal dams, etc., are not included in these figures. A tabulation of the valuation of building permits issued by economic regions within the district reveals that the largest increases in construction last year occurred in communities serving agricultural areas and in the Twin Cities metropolitan area. On the other hand, the aggregate valuation of permits issued in the mining and pulpwood regions was down from the preceding year.

**Public works and utilities**

The amount of awards made in public works and utilities (heavy engineering) in this district was up 16 and 108 percent, respectively, in the first and last half of 1958 from the same periods in 1957. For the year, the increase was 51 percent compared with 21 percent in the entire nation. From July through November, a large amount of contracts was awarded for highway construction. The Federal Aid Highway Act of 1958 provided for a special authorization of $600 million of which $400 million was available only for contracts awarded on work commenced prior to December 1, 1958 with construction scheduled for completion not later than December 1, 1959. Last December, the amount of awards in public works and utilities was down materially.

**Nonresidential building**

In this district, the decline in the rate of expansion of manufacturing plants during the past year was offset by a growing amount of awards for other types of buildings. Industrial building, of course, is a much smaller proportion of the total here than in the heavily industrialized areas of the nation. The awards made for commercial, educational, hospital, religious, public and numerous other types of nonresidential buildings rose materially in 1958. Compared with the same period in 1957, the amount was up 19 percent in the first half of the year, 12 percent in the last half or an average of 16 percent for the year. In this field the awards fell off more in the latter half of 1958 than in the preceding year.

**Residential building**

An important part of the expansion in construction activity is due to the housing boom. Within this district, the contract awards made for resi-
dential building rose sharply in the latter half of 1958. However, for the year the awards were up only 6 percent compared with 13 percent for the nation. The number of new dwelling units authorized by permit in the incorporated centers totaled 23,580 in 1958 and 18,086 in 1957, an increase of 30 percent in 1958. In the nation, nonfarm housing starts rose to about 1,201,700 in 1958 from 1,041,900 in 1957, an increase of 15 percent.

Most builders in this region have commitments from financial institutions to provide financing for the sale of their houses which will carry them through the first half of this year. However, last fall terms on mortgage loans were tightened somewhat and yields rose slightly. The steady rise of interest rates on long-term securities very likely is making future commitments for the acquisition of mortgages less attractive.

LIVESTOCK AND FEED GRAIN INVENTORIES INCREASE

Beef cattle inventories in the hands of Ninth district farmers and ranchers on January 1 were estimated at 8,029,000 head according to the U. S. Department of Agriculture; this was 6 percent above a year ago. All of the district states reported increases in beef cattle numbers on hand January 1 as compared with a year ago. Minnesota farmers reported the sharpest increase; they had nearly 14 percent more cattle than a year ago. South Dakota followed with 7 percent, while North Dakota and Montana had relatively small increases.

District inventories of beef cows and heifers approaching breeding age increased 17 percent over a year ago. Female stock increased substantially in every district state, indicating the intentions of beef producers to build herds in response to the favorable beef prices which have prevailed.

Calf numbers on January 1 in the district were 6 percent above last year. Increases in calf numbers were recorded this year in Minnesota and South Dakota, while North Dakota and Montana
farmers and ranchers held slightly fewer calves now compared with a year ago. Similarly, the number of steers one year old and over was up 6 percent and 10 percent, respectively, in South Dakota and Minnesota this year while North Dakota and Montana livestock producers reduced steer holdings. These changes reflect the increased number of cattle on feed this year. Minnesota and South Dakota each had 9 percent more cattle on feed January 1 than a year ago.

Dairy cattle numbers in this district continued to decline. The January 1 estimate of Ninth district milk cow numbers at 2,203,000 head was 5 percent below the level of January 1, 1958. Favorable beef prices favored heavy culling of dairy herds this last year. Dairy cow numbers dropped 4 percent this year in Minnesota, the major dairy state in the district.

Hog producers in the district had 5,963,000 head on hand this January; this was 21 percent more than their inventory of a year ago. Minnesota, which usually accounts for two-thirds of the hogs produced in the district, increased hog inventories by 18 percent. Montana, a relatively minor hog producing state, recorded inventories 47 percent above a year earlier. The sharpest increase in hog numbers in the district occurred in the age group under six months old; this group increased 32 percent, a reflection of the substantial rise in farrowings during the last few months of 1958.

Ninth district sheep and lamb inventories on January 1, at 5,038,000 head, were 4 percent above last January. The increase in sheep numbers occurred in stock sheep; ewe lambs increased 11 percent and ewes, one year and older, were up 3 percent over a year ago. A buildup in sheep numbers was indicated in all of the district states. The buildup of stock sheep in Minnesota, an exclusively farm flock state, was less than the increases experienced in the other district states; Minnesota registered a 2 percent increase, while Montana, North Dakota and South Dakota had increases in stock sheep of 4, 4 and 6 percent, respectively.

Throughout the range areas in the United States, stock sheep numbers are increasing. The range flock areas increased stock sheep 5 percent for a second consecutive year of increase. The farm flock states or native states recorded a 2 percent increase in stock sheep this year—the fifth consecutive year of increase.

Feed grain inventories in the Ninth district reflect the favorable cropping season of 1958. Stocks of feed grain totaled 1,055 million bushels* on January 1; this was 9 percent above a year ago. Heavy feed grain supplies are likely to continue to exert downward pressures on feed grain prices, and induce further expansion in livestock production in the future.

**RETAIL SALES SLUMP**

Although December department store sales in the district exceeded earlier expectations, January sales again were on the weak side. Sales in December, at 136 percent of the base 1947-49 period, on a seasonally adjusted basis were almost equal to the 1958 high point in August. The index declined 7 percent from December to 127 index points in January. In the nation, a similar decline occurred but the decrease was not quite as great. The index fell 5 percent, from 144 for December to 137 for January.

In the district, department store sales in January receded almost to the volume of a year earlier; they were only 1 percent above 1958. Although January sales in the nation also were down from December, they still remained 5 percent above the year-ago volume.

The 1957-58 recession in this district as a whole was moderate since agriculture and the food processing industry were not affected. This raises questions about the level of department store sales in January 1958. Did sales hold up better here than in the highly industrialized areas of the nation where the recession was severe? As a result, are sales now being measured against a relatively

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*Includes shelled and ear corn, oats, barley and rye.
high volume of a year ago in this district and a relatively low volume in the nation? 

Despite the moderate nature of the recession in this district, department store sales declined almost as much in this region as in the nation as a whole. In August 1957, before the recession set in, department store sales both in the district and in the nation were at the high point of the year. From August to January 1958, sales in the district declined by 9 percent and in the nation by 10 percent. For the entire year of 1958, despite a small rise in retail prices, district department store sales just equaled the 1957 figure and the national index was down 1 point.

General retail sales, as measured by the Bureau of Census, were down somewhat more in 1958 in this district than in the nation. According to the Bureau's sample (which excludes sales of large retail chains) district retail sales were down nearly 5 percent in 1958 from 1957 while national retail sales were down only 2 percent.

The moderate impact of the recession on the economy of this district makes it difficult to account for the slump in retail sales. (Of course, the recession was severe in the mining areas, sharply reducing both employment and income.) The psychological effect of the recession apparently has caused consumers to turn conservative.

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District farm income at new high

Cash receipts from the sale of Ninth district* farm products at $3.2 billion reached a new high in 1958; this was 12 percent above 1957, and 2 percent above the previous record receipts of 1948.

Livestock and livestock product sales netted district farmers $1.9 billion in 1958 which was 13 percent above the level of livestock income in 1957. Favorable livestock prices and relatively high volumes of livestock marketings contributed to the sharp increase in income from livestock sales. Milk and wool prices were the only livestock product prices in 1958 that were below 1957 levels.

The proportion of total sales of agricultural commodities accounted for by livestock and livestock product sales declined for several years prior to 1956. Livestock income accounted for 72 percent of the total agricultural income during the period 1930-34, 61 percent during the period 1950-54, and 57 percent in 1956. Since 1956, livestock has increased in relative importance as a source of the district's agricultural income; livestock and livestock product sales comprised 60 percent of the total agricultural income in 1957, and 61 percent in 1958.

The district's 1958 crop income at $1.2 billion was 5 percent above last year. Record outpourings of small grain crops throughout the district last year pushed crop incomes above 1957 levels despite the fact that crop prices were generally lower. Wheat, which is the principal cash crop in the district, was produced in record abundance—329 million bushels—in spite of a reduced planted acreage. Yields and production of other small grains were at or near record levels.

*Figures based on the four full states of Minnesota, North Dakota, South Dakota and Montana.
Growing conditions were less favorable for the district's row crops; the cool weather, coupled with a summer drought period, dampened the output of corn and soybeans.

Minnesota, which accounts for a little less than one-half of the district's farm income, recorded a 2 percent increase in cash receipts from marketings over 1957. Crop income in Minnesota was down 1 percent because of lower crop prices, a reduced output of corn and a slightly lower output of soybeans. However, Minnesota's livestock income, which was up 4 percent, more than offset the decline in crop income. Montana farmers realized a 3 percent drop in crop receipts last year, but in view of favorable livestock prices they netted 42 percent more on livestock sales than they did in 1957. North Dakota and South Dakota farmers realized increases in receipts from the sale of both crops and livestock in 1958 compared with 1957 because of record crop outputs and favorable livestock prices. North Dakota farmers received 23 percent more crop income and 14 percent higher livestock income, while South Dakotans experienced increases in crop and livestock income of 32 and 19 percent, respectively.

Government payments show slight increase

Government payments to district farmers under the soil bank program, the wool program, the sugar program and the agricultural conservation program totaled $111.2 million in 1958, $1.3 million more than the payments of 1957. In addition, some relatively minor payments were made to district farmers under the potato diversion program.

Soil bank payments at $82.3 million accounted for nearly three-fourths of total government payments received by district farmers in 1958. Government payments to Minnesota farmers were up $9.2 million, while payments to North Dakota, South Dakota and Montana farmers were down $9.2, $3.4 and $5.4 million, respectively. The changes in government payments in the individual states is mainly attributable to changes in soil bank program participation in 1958.
TABLE 1—GOVERNMENT PAYMENTS TO NINTH DISTRICT* FARMERS BY PROGRAMS

<table>
<thead>
<tr>
<th>Program</th>
<th>1957</th>
<th>1958**</th>
</tr>
</thead>
<tbody>
<tr>
<td>(millions)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural conservation program</td>
<td>$18.2</td>
<td>$19.4</td>
</tr>
<tr>
<td>Sugar program</td>
<td>4.9</td>
<td>6.0</td>
</tr>
<tr>
<td>Wool program</td>
<td>7.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Soil bank program (acreage and conservation reserve)</td>
<td>79.3</td>
<td>62.3</td>
</tr>
<tr>
<td>Total</td>
<td>$109.9</td>
<td>$111.2</td>
</tr>
</tbody>
</table>

*Includes only the four full states
**Estimated

Production expenses increase

Prices paid for items included in production expenses increased about 3 percent during 1958. The average index of prices paid in 1958 was 264 (1910-14=100) compared with 257 in 1957. Assuming no change in the pattern of production expenses, and also assuming that the prices paid by district farmers for production items increased by an amount equal to the national average, the cash production expenses for 1958 can be estimated.

TABLE 2—FARM CASH PRODUCTION EXPENSES* IN THE NINTH DISTRICT**

<table>
<thead>
<tr>
<th>District</th>
<th>1957 (millions)</th>
<th>1958*** (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minnesota</td>
<td>$790</td>
<td>$813</td>
</tr>
<tr>
<td>North Dakota</td>
<td>309</td>
<td>318</td>
</tr>
<tr>
<td>South Dakota</td>
<td>337</td>
<td>347</td>
</tr>
<tr>
<td>Montana</td>
<td>206</td>
<td>212</td>
</tr>
<tr>
<td>Total</td>
<td>$1,641</td>
<td>$1,690</td>
</tr>
</tbody>
</table>

*Excludes depreciation expense
**Includes only the four full states
***Estimated

Net cash income higher in 1958

Increased cash receipts, coupled with slightly higher government payments, offset the increase in production expenses so that district net cash income in 1958 was $290 million or 23 percent above 1957.

TABLE 3—CASH RECEIPTS, GOVERNMENT PAYMENTS, PRODUCTION EXPENSES AND NET CASH INCOME BY DISTRICT STATES

<table>
<thead>
<tr>
<th>District</th>
<th>1957</th>
<th>1958***</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in millions)</td>
<td>Minnesota</td>
<td>No. Dak.</td>
</tr>
<tr>
<td>Cash receipts</td>
<td>$1,361</td>
<td>$674</td>
</tr>
<tr>
<td>+Govt. payments</td>
<td>47</td>
<td>26</td>
</tr>
<tr>
<td>=Total cash</td>
<td>1,408</td>
<td>700</td>
</tr>
<tr>
<td>—Production expenses*</td>
<td>813</td>
<td>318</td>
</tr>
<tr>
<td>Net cash</td>
<td>595</td>
<td>382</td>
</tr>
</tbody>
</table>

*Cash production expenses include only current expense; depreciation of capital equipment is not included.

Net cash farm income differs from total net income in three important respects. First, provisions have not been made for depreciation expense. Second, non-money income (the value of products consumed in the home, the rental value of farm dwellings) is not included. These two non-money items usually account for about 7 percent of total net farm income received in the district. And finally, net cash income does not include changes in the valuations of farm inventories.

The preliminary estimates of net cash income indicate increases in all four district states; the increases were 5, 33, 46 and 32 percent, respectively, in Minnesota, North Dakota, South Dakota and Montana.
Year-end member bank call reports in 1958 provided us with another detailed view of banking conditions in the Ninth district. The call reports reflected both farm prosperity and monetary policy. The former explains why district member banks reported deposit and loan growth that ranked high in comparison with loan and deposit changes in the rest of the nation, and also why the record in 1958 compared well with earlier district performances. In 1958 district member bank loans and deposits increased 7 percent and 8 percent, respectively. In the nation as a whole, comparable changes amounted to only 4 percent and 7 percent.

A second major influence on banking conditions in 1958 was the Federal Reserve's credit policy. Reduced legal reserve requirements on demand deposits provided member banks with more lending power in 1958 by releasing funds previously needed to satisfy legal requirements.

Bank credit expansion, even in the face of the recession, resulted in a sharp increase in the interest earnings of district member banks in 1958. Gross income from government and other security investments advanced 7 percent and 24 percent respectively, and income from loans, the principal money maker for our district banks, increased 7 percent.

In the following discussion we will look at the impact of the economic environment on the 1958 banking record of our district, placing special emphasis on comparing (1) banks in our various district states and regions and (2) reserve city (Twin Cities and Helena) and country banks.

State by state view

According to a state breakdown of the call report data, each district state and region enjoyed deposit and loan advances in 1958. The importance of farm prosperity to district banking conditions is illustrated by the record of the Dakotas.

Farm income advanced much more, in relative terms, in South Dakota than in other district full states. South Dakota also led the district in percent rise in employment, construction and department store sales. And though new car registrations declined in all district states, the decline was smallest in South Dakota. Banking conditions in the farm-oriented South Dakota economy reflected its farm prosperity. Fifteen percent deposit and 12 percent loan increases at South Dakota member banks paced the deposit and loan growth in the district. Farm loans, especially Commodity Credit Corporation loans, increased at a notable rate during 1958 at South Dakota member banks. These banks continued to make relatively more farm loans than did banks in other district states.

Both farm and nonfarm activities were stepped up in North Dakota during the year 1958. Farm income rose proportionately more in North Dakota than in any district state save South Dakota. North Dakota shared with South Dakota the distinction of experiencing nonagricultural employment gains during the recession in 1958 while other district states suffered losses. Indicative of construction activity in North Dakota, building permit valuations as well as residential valuation of contract construction increased proportionately more in North Dakota than in any
other district state. Electric power production, which reflects a wide range of economic activity, increased more in North than in South Dakota in percent terms; the Dakotas led all of our district states with more power production in 1958 than a year earlier. Corresponding to these gains, North Dakota member banks experienced respective advances of 10 percent and 9 percent in deposits and loans in 1958. At the close of 1958 North Dakota member banks held, in relative terms, more government securities than did member banks in any other district state and more farm loans than in any state save South Dakota.

Mining and manufacturing account for somewhat more of total economic activity in other district states than they do in the Dakotas. The recession in mining and manufacturing therefore had greater impact on the economies and on banking conditions in Montana, Minnesota, northern Wisconsin and Upper Michigan than it had in the Dakotas. Department store sales decreased in Minnesota, Montana and northern Wisconsin, while in the Dakotas. Department store sales decreased in Minnesota, Montana, and northern Wisconsin, and other sections of Wisconsin and Michigan. The dollar amount of checks drawn on deposit accounts decreased in Upper Michigan in 1958 and rose far less in Minnesota, Montana and northern Wisconsin than in the Dakotas.

District employment losses in particular were more severe outside the Dakotas. Total nonfarm employment dropped 9 percent in Upper Michigan, 3 percent in Montana, and 2 percent in Minnesota in 1958. (It rose in the Dakotas.) Durable goods manufacturing employment fell by almost one-fifth in Upper Michigan which also suffered an one-fourth cutback in mining employment. Mining employment fell by about one-fifth in both Montana and Minnesota, the top district mining state.

Banking conditions reflected the sharpness of the 1958 reduction in employment and output in these states, but to a much smaller degree than you might expect. Deposit and loan growth in spite of the recession occurred in each district state. These gains were least in Upper Michigan. And such increases at Minnesota, Montana, and northern Wisconsin member banks also fell short of the increases recorded in the Dakotas with a single exception—loans increased at a somewhat greater rate in Montana than in North Dakota. A 14 percent increase in real estate loans, an 18

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State by state comparison of bank credit

*Specialy referred to in text.
percent increase in farm loans and a 40 percent increase in 'all other' loans led the loan surge at Montana member banks. 'All other' loans include such items as overdrafts, loans to nonbank financial institutions and loans, other than real estate loans, to nonprofit institutions.

At the end of the year 1958, Minnesota banks continued to make a far greater relative amount of business loans than did banks in other district states. Minnesota, of course, includes the district's largest industrial and financial center, the Twin Cities. Of Minnesota member banks' total credit as of December 31, 1958, one dollar in five went to a business borrower. In contrast, the member banks in other district states loaned less than one dollar in ten of earning assets to businesses. Real estate loans accounted for about one dollar of every four loaned or invested by member banks in Michigan. In fact, Michigan banks had more real estate loans than all other loans combined. Member banks in Montana and the Dakotas were preeminent in farm lending. They held from 10 to 15 percent of their earning assets in this form. Total loans accounted for from 43 to 47 percent of total earning assets at member banks in each district state save Minnesota where over 55 percent of earning assets were in loans. Wisconsin and North Dakota, on the other hand, led the district in the fraction of earning assets held in securities. The distribution of funds among various classes of loans and investments is shown by the chart on page 10.

Reserve city and country banks

In many respects reserve city and country banks fared about the same during 1958. Demand deposits, for example, increased over 5 percent at reserve city banks and a comparable 6 percent at country banks. Time deposits increased 13 percent at reserve city banks and 12 percent at country banks. In some other respects, such as loan and investment growth, substantial differences appeared between the two classes of banks. In relative terms, reserve city banks bought more government securities while country banks extended more loans.

These changes affected the relative liquidity positions of district member banks. This fact is manifested in a number of 'liquidity ratios.' An example is the loan to deposit ratio. This ratio reflects in many ways the ability of banks to satisfy claims of their depositors without much risk of loss from forced sale of assets. In other words, the ratio reflects liquidity since loans may be difficult assets to turn into cash on short notice even though they are fundamentally sound. An increase in the ratio means that loans make up a larger part of earning assets.

In 1958 the ratio of loans to deposits fell at our district reserve city banks, indicating increased liquidity, while the ratio rose a bit at country banks. But the country bank ratio, with loans at 42 percent of deposits, remained more favorable, in liquidity terms, than the 46 percent ratio of the reserve city banks.

In 1958, further relative loss of liquidity at country banks resulted from their adding proportionately more long-term and less short-term government securities to their portfolios than did their reserve city counterparts. In addition, country banks, with respect to their size, added more municipal and corporate securities. These securities carry some but not much chance of default. Government securities, of course, are more liquid than private securities of comparable terms. For practical purposes, they carry no credit risk. And short-term securities are more liquid than long-term ones. They become more cash-like as their due dates approach.

Summary

The call reports of Ninth district member banks indicated the great importance of farm prosperity to district banking conditions. In the aggregate, district banks enjoyed record levels of deposits and loans at the close of 1958 even though the recession had a considerable impact on mining and manufacturing sections of our area.
1. Water flooding at Montana oil field

Water flooding of the Cat Creek oil field in Petroleum county, Montana is expected to increase production capacity from 120 to 2,110 barrels daily. About $2 million will be spent by Continental Oil company to flood 1,240 acres of the field. Water injection will be at the rate of 15,000 barrels daily. The field has produced 16.5 million barrels of oil since it was discovered in 1920.

2. Minnesota mine being developed

Stripping and development is underway at the Lind-Greenway iron ore mine near Grand Rapids, Minnesota, at the western end of the Mesabi range. The two separate open pits of the mine will produce approximately 700,000 gross tons of high-grade beneficiated ore per year. The mine and concentration plant, scheduled to begin operations in April 1960, will employ about 200 men when full production is reached. Employees will be transferred from other Jones & Laughlin Steel corporation mining properties in Minnesota.

3. Strutwear leaving Minneapolis

Strutwear, Inc., hosiery and lingerie manufacturer, is closing down its Minneapolis plant and moving to Clarksdale, Mississippi, where the firm opened a plant in 1951. Some of the company's 200 employees in Minneapolis are being transferred to Clarksdale. Operations will continue at the Glencoe, Minnesota branch plant which employs 80 persons. Strutwear has sold its eight-story, 225,000-square-foot building to a St. Paul group which plans to establish a merchandise mart.

4. Dredging work at Duluth-Superior

Dredging work to deepen the slips alongside grain elevators of F. H. Peavey & Co. in the Duluth-Superior harbor is scheduled to begin immediately after the ice breaks up this year. The grain firm plans to dredge to a 27-foot depth at both the 4-million-bushel Globe elevator in Superior and at the 4½-million-bushel Occident elevator in Duluth. This will enable the elevators to accommodate ocean-going ships which will enter the Great Lakes via the St. Lawrence Seaway.

5. Expansion underway at Michigan mine

Production capacity of the Humboldt Mining company near Marquette, Michigan is being doubled. The multimillion-dollar expansion program will boost output of the Humboldt plant to about 640,000 tons annually. Main feature of the program will be the addition of pelletizing equipment. When the program is completed in 1960, the Humboldt operations are expected to employ about 150 persons. Proven reserves of crude ore are estimated to be sufficient in the Humboldt area to yield 15 million tons of pellets.