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Monthly Review

OF THE FEDERAL RESERVE BANK OF MINNEAPOLIS

Economic trends point upward

The majority of the district's economic indicators in recent weeks have continued to register further modest gains. The early Easter and possibly the fear of a steel strike later in the year may have had some influence on spending and inventory accumulation in some lines, but these factors are difficult to measure accurately. All that can be said at the moment is that business sentiment in the Ninth district is one of cautious optimism and that the district's economy as a whole on balance has a slight upward tilt.

Indications are that nonfarm employment reached its usual seasonal low point in February and that a moderately strong improvement in the employment picture is currently underway. Construction contract awards and the valuation of new building permits for several months have been running substantially ahead of the year-ago figures. Therefore, as the season develops, an unusual amount of construction activity is in prospect. The delay in some outside construction work this past winter because of the unusual cold and low frost-line may further add to the amount of construction this spring.

Department store sales have moved erratically in recent weeks but have averaged above year-ago figures. New car sales in recent weeks have been particularly good as have also farm machinery sales. Dealers in farm equipment and machinery expect sales to farmers over the next few months to continue good in view of district farmers' relatively

In this issue

strong financial position and the fact that livestock and grain inventories are high. After about mid-year, however, the new 1959 crop prospects will be a determining factor in farm spending.

Bank debits, running 7 to 10 percent above those of a year ago, are another indication of strong current business activity as is also the demand for bank loans which has shown some moderate improvement recently.

It is, of course, hazardous to describe the movement of business activity in the Ninth district as if it represented a single trend. Actually, it represents a composite. Adjustments among industries and cross currents in employment and rates of activity are almost constantly occurring. For example, activity in district mining industries is being expanded as the nation's industrial production index approximates new record proportions. This is of particular significance in the important iron ore producing areas of northeastern Minnesota and Upper Michigan, hard hit by unemployment during the 1957-58 recession. Recent information indicates that management in the iron ore industries is quite optimistic about 1959 shipments.

Offsetting to a greater or lesser degree the improvement in mining and manufacturing is the current unfavorable trend and outlook for prices of most farm products. This is of major significance to the economy of most of the Ninth district — farmers, bankers and businessmen alike. Agriculture provides a major share of the economic lifeblood of the region, and a decline in farm income, should it occur, would be widely felt.

A much smaller winter wheat crop is now in prospect for 1959 in South Dakota and Montana because of dry weather and poor emergence last fall and an anticipated heavy winter kill. District wheat production and other grain crops totaled a new record last year. Only spectacularly favorable weather conditions could bring about a matching trend for 1959.

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

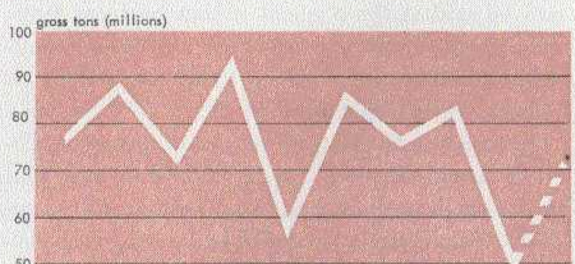
OUTLOOK BRIGHTENS FOR MINING REGIONS

Since the first of the year, large expenditures have been made by iron ore mining companies in preparation for the 1959 ore shipping season. Plants to upgrade the quality of ore have been improved and enlarged. A number of mines closed last year have been reopened. Heavier than usual stripping programs have been carried out. Most companies have operated crews on a five-day-week basis and several have worked around the clock seven days per week.

The vigorous activity on the iron ore ranges points to an optimistic feeling among ore producers. According to current estimates, 75 million tons or more may be shipped this year from Minnesota, Wisconsin and Upper Michigan mines in the Lake Superior region. This would be a sharp increase from the 20-year low in 1958 of 53 million tons but still materially below the 85 million tons shipped in 1957.

The consumption of iron ore at steel mills has risen sharply. The threat of a possible strike has increased the orders for steel. For the second week of March, mills had scheduled the production of 2,610,000 tons of steel which was an all-time weekly record output. In that week, steel mills were operating at 92 percent of capacity. The Duluth plant of the American Steel and Wire Division of U. S. Steel in the latter part of February went

Lake Superior iron ore shipments



*Current estimate for 1959.

on a five-day work week after being on a four-day week for most of the past year. At this plant, 2,850 individuals are employed.

The current forecast of the opening date for lake shipping at the Sault Ste. Marie locks and Lake Superior ports is about April 20. U. S. Steel company's subsidiary, Pittsburgh Steamship company, announced recently its plans to operate more vessels this year and to begin the season at an earlier date. Last year the first boat was loaded with iron ore in Duluth on April 20 but a very small tonnage was shipped in that month. Only 63,000 tons were shipped as compared with 4 million tons in April 1957 and 5.6 million tons in April 1956.

UNEMPLOYMENT REMAINS HIGH

In spite of expansion in district lumber production and in some types of manufacturing plus stepped up activity in iron ore mining, the rehiring of workers has lagged during the current recovery period. As a result, unemployment in some regions of district states is quite high. Of course, a large part of the unemployment during the first quarter of each year is seasonal due to the termination of outdoor work on account of inclement winter weather.

In the nation as a whole, 7 percent of the civilian labor force was unemployed in January and February. In all but two district states, the percent unemployed during these same months was larger than in the nation. However, the seasonal rise in unemployment during the winter is much greater for the district than for the nation.

In Upper Michigan, over 15 percent of the total labor force was unemployed in December, and due to seasonal layoffs in retail establishments at the end of the year, the figure was higher in January and February. In the northern section of Wisconsin, unemployment is also high but no figures are available for this part of the state. In Minnesota, unemployment in January constituted 8.7 percent of the civilian labor force. In Montana, the work-applicant count (a measure of the number of individuals seeking jobs) was an estimated 8.8 percent of the labor force in January and rose in February to 9.1 percent.

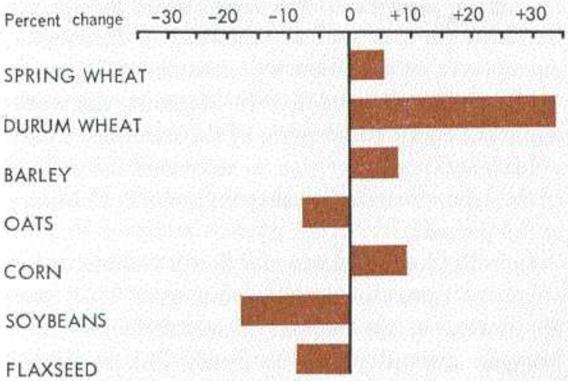
In both North Dakota and South Dakota unemployment rates during the summer of 1958 were the lowest in the nation. Seasonal factors have brought unemployment in South Dakota during February up to 6.9 percent of the labor force. North Dakota, undoubtedly, has experienced a similar rise.

1959 CROP PLANS

District farmers plan to increase wheat acreage this spring, according to the U. S. Department of Agriculture's March 1 survey of farmers' planting intentions. Spring wheat acreage excluding durum will be increased 6 percent, according to the survey. In Montana there was a definite shift from winter wheat to spring seeded small grains. Winter wheat acreage seedings in Montana were reduced 338,000 acres compared with a year ago largely because of a soil moisture shortage during the fall seeding period. This spring Montana farmers indicate they will increase spring wheat seedings by 265,000 acres, barley seedings by 353,000 acres, and increase durum and oats acreage slightly. In the other district states both winter and spring wheats are slated for increased acreages as is barley acreage; in contrast, oats seedings will drop somewhat in Minnesota and the Dakotas. Durum wheat acreage in the district, which is largely in North Dakota, is expected to be increased 34 percent above a year ago; last year sharp cuts were made in durum acreage in response to a change in the wheat acreage allotment program.

Prospective changes in crop acreages in the Ninth district*

1959** compared with 1958



*Includes the four full states of Minn., N.D., S.D. and Mont.
**1959 based on USDA's March 1 estimates of farmers' planting intentions.

Termination in 1958 of the Acreage Reserve portion of the Soil Bank program increased the Ninth district acreage available for cropping in 1959 by 2,564,000 acres. It is likely that a part of this acreage will go to increased seeding and a part will shift to the remaining Conservation Reserve provision of the Soil Bank.

Corn acreage is going to be increased 9 percent in the district with the major change occurring in Minnesota. Minnesota farmers plan on a 13 percent, or 750,000 acre, increase.

In contrast, soybean acreage is going to be decreased this year by 18 percent. In Minnesota, the major soybean state in the district, acreage is going down 19 percent, or 595,000 acres.

It is likely that the changes in corn and soybean acreage are in response to changes in the price support program on corn. Corn will be supported at $1.12 per bushel under the new program and there will be no acreage allotments in effect. Soybeans will be supported at $1.85 in 1959.

Applying current corn and soybean support prices to the 1958 average yields of corn and soybeans in Minnesota, the gross income per acre would be $61.04 and $39.78 for corn and soybeans, respectively. A net income per acre estimate for corn and soybeans can be made using historical production costs. During the period 1951-1953, total cropping costs in southern Minnesota averaged $25.96 per acre for corn and $18.45 per acre for soybeans.[1, 2] Subtracting these cropping costs from gross incomes, the net per acre income for corn and soybeans would be $35.08 and $21.33, respectively. Production costs are currently higher than was true during the period 1951-1953; however, with one exception—fertilizer—production costs for corn and soybeans have likely increased proportionately. The use of fertilizer has increased more for corn than for soybeans because better fertilizer response is realized on corn; therefore, fertilizer costs for corn have risen relatively more.

The net income advantage of corn over soybeans combined with the termination of acreage allotments under the current corn program largely accounts for the shift of acres from soybeans to corn.

Copies of the **1958 Annual Statistical Review,** presenting data for principal statistical series relating to the Ninth Federal Reserve district, are now available from the Research Department of this bank.

BANKS REPORT LOAN GROWTH

In the month ended February 25, 1959 loans of district member banks totaled $2,068 million, up $13 million for the month and $129 million above the comparable figure a year earlier. Seasonal deposit losses in February, especially at country banks and from their accounts at city banks, coupled with loan expansion gave rise to a $40 million net liquidation of government securities. Other security holdings declined by $7 million for the month.

Weekly reports of the city banks in the district

[1] Engene, S. A., "Corn is King for Profits," **Minnesota Farm Business Notes,** No. 360, May 31, 1955, Page 1.

[2] These cropping costs exclude a land charge.

reveal some recent shifts in the demand for credit. In January the total loans of the 19 weekly reporting banks in the district dropped at about the pace reported for the like period a year earlier—but in February and early March loan growth has more than matched the year earlier pace. Loan expansion was particularly evident in the week ended March 11, during which time loans increased a notable $20 million, possibly because of tax borrowing. In the like week last year loans increased by only $4 million. All of the $20 million loan expansion was accounted for by $10 million increases in business loans and in 'all other' loans (includes loans to individuals, nonbank financial institutions and nonprofit institutions).

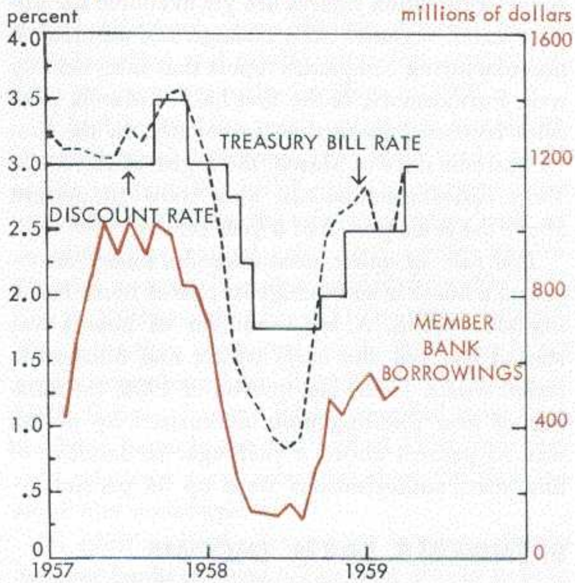
Substantial increases in these classes of loans at the weekly reporting banks have also been the principal factors behind the loan expansion for the year through March 11. Loans in the 'all other' category have increased $8 million in the first two and one-half months of 1959, thus reversing declines recorded in the comparable periods of 1957 and 1958. Business loans have risen $6 million during this period in contrast to a drop in the like period of each of the three preceding years. Since these loans are often secured by inventory, the recent increases may be related to inventory accumulation in the district. In the nation as a whole inventory liquidation bottomed out in November and December 1958 and accumulation was reported for January this year.

DISCOUNT RATE INCREASES

The Federal Reserve Bank of Minneapolis raised its discount rate from 2½ percent to 3 percent effective March 16. As of that date all 12 Reserve banks charged that rate on loans to member banks. The recent change was the third successive increase from the 1¾ percent recession low point.

Prior to the discount rate changes, average Treasury bill yields had been above the discount rate as is shown on the accompanying chart. Also, member banks had sharply increased their borrowing in the final months of 1958 and in early 1959 from reduced recession levels. During January and February 1959 borrowing from Reserve banks amounted to only half the average level recorded in 1956 and 1957, but it was almost double the 1958 average.

Money market rates and borrowings



Member bank borrowings (measured on the right scale of the chart) have recently increased relative to most of 1958. This fact indicates some tightening of member bank reserve positions. Supporting evidence is the increased cost of Treasury short-term borrowing. Also evident from the chart is the fact that discount rate changes have followed such market conditions.

RETAIL SALES IMPROVE

During the second week of March, department store sales in the four large cities of the district began to show some improvement. In Minneapolis, St. Paul, Duluth and Superior, sales for the week ending March 14 were up 9 percent from the corresponding week of last year. In the preceding week ending March 7, they were still down 5 percent. In both January and February, district department store sales had receded from the record volume in December. During the winter, consumer spending for many items had been conservative.

The sale of new passenger cars has improved since the beginning of the year. During January sales in this district were substantially above a year ago on the basis of registrations. For instance, in North Dakota and South Dakota, registrations were as much as 21 percent and 12 percent, respectively, above a year ago. Although no February registration figures are yet available for district states, regional sales managers of automobile manufacturing companies report that sales held up well. Furthermore, in the first half of March, local sales increased more than seasonally. In the first 12 business days of March, the registrations in the Twin Cities metropolitan area were 18 percent above the same period of a year earlier.

The sale of other consumer durables has received a boost from the highest rate of home building since 1955. A large number of houses was started last fall and early winter and finished in recent weeks. In the last quarter of 1958, the number of new dwelling units authorized by permit was 45 percent above a year ago. In January of this year, authorizations were up 84 percent.

SPENDABLE FARM INCOME REACHES 10-YEAR HIGH

'Spendable' income per farm in 1958 reached 10-year highs in all four Ninth district states, according to preliminary U. S. Department of Agriculture estimates.

'Spendable' or net 'realized' income is the amount of income available for family living; it represents the residual of money and nonmoney incomes remaining after production expenses have been paid. Realized net income does not take account of changes in the values of inventories held on farms.

REALIZED NET INCOME PER FARM

	1957	1958	Percent change
Minnesota	$2,926	$3,070	+ 5%
North Dakota	$3,682	$5,250	+43%
South Dakota	$2,618	$4,150	+59%
Montana	$5,143	$7,848	+36%

Realized net incomes in 1958 were substantially above 1957 levels in the Dakotas and Montana and up slightly in Minnesota. Increased cash receipts and a continuation of the downward trend in farm numbers contributed to the rise in per farm net incomes. Record or near record small grain crops and favorable livestock prices boosted cash receipts in the western district states. Cash receipts from farm marketings in Minnesota failed to show an increase comparable to that experienced in the other district states mainly because corn and soybean output was less than expected on account of unfavorable weather. However, cash receipts in all district states rose sufficiently to more than offset the increases experienced in production expenses.

Security profits swell bank earnings

Record increases in deposits supported record growth in earning assets at Ninth district member banks during 1958. As a result, both revenues and costs increased. But, reflecting the sharp jump in bond prices early in the year, profits from the sale of bonds climbed substantially to account for most of the record gain in over-all profits. Banks belonging to the Federal Reserve System transferred much of their record gain in profits into bank capital. The close of the recession was thus accompanied by strength in the banking sector of the district economy.

Revenues of district banks

Member banks in all parts of the Ninth Federal Reserve district experienced increased earnings in 1958. Greater earnings on investments accounted for over a third of this increase. Yields were lower on new investments during most of the year but this was more than offset by an expanded volume of securities. The average return on Treasury bills declined from 3.2 percent in 1957 to only 1.8 percent in 1958. Yields on long-term governments maturing or callable in 10 years or more dropped from 3.47 percent to 3.43 percent. District member banks more than matched yield cuts by adding 17 percent to the dollar value of their government securities in 1958. And 'other' security holdings scored a 7 percent gain. The net result was a growth of 7 percent and 24 percent in earnings on governments and other securities, respectively. In South Dakota, financially fat with farm prosperity, earnings on governments advanced 12 percent while earnings on other securities advanced 32 percent. In contrast, member banks in Upper Michigan, more directly affected by the manufacturing and mining recession, reported almost no gain in security earnings in 1958.

A highlight of the year's operations was the reduced demand for funds plus their ready availability in early 1958 which drove up security prices and afforded banks the opportunity to 'cash in' securities at a capital gain. Thus, profits and recoveries on securities skyrocketed from $1.3 million in 1957 to a significant $18.9 million in 1958. This more than accounted for the total gain in net profits experienced by district member banks in 1958. District country banks benefited most from the bond boom in the first half of 1958 since they held relatively more securities than did their reserve city counterparts.

In addition to the investment increase, district member banks enjoyed a 7 percent growth in their loan portfolios. In contrast, member bank loan growth in the nation as a whole amounted to only 4 percent. Within the district, loan volume and loan earnings advanced most in the Dakotas and Montana and least in Upper Michigan. At district reserve city banks loans continued to contribute a greater fraction of the current earnings than at country banks. But the gap narrowed as country banks added 10 percent to loan earnings in 1958 while reserve city banks added only 1 percent. On the other hand, securities, especially nongovernment securities, were notably more important relative income sources for country banks in the district.

Costs of bank operations

Turning next to the expense side of the picture, we find that member banks in this upper midwest

EARNINGS AND DIVIDENDS

OF NINTH DISTRICT MEMBER BANKS BY STATE FOR THE YEAR ENDED DECEMBER 31, 1958
(in thousands of dollars)

	MINNESOTA	MICHIGAN	MONTANA	N. DAK.	S. DAK.	WISCONSIN
Interest and Dividends on:						
Government Securities	2,046	18,882	6,007	3,429	4,243	2,480
Other Securities	674	7,153	1,830	957	1,085	564
Interest and Discount on Loans	4,946	69,332	17,031	8,078	11,512	5,098
Services Charges and Fees on Loans	74	848	386	114	171	81
Service Charges on Deposit Accounts	429	7,102	2,261	1,006	1,312	632
Other Charges	196	4,323	862	740	1,071	196
Trust Department Earnings	40	4,622	164	113	178	19
Other Current Earnings	227	2,985	884	399	320	267
TOTAL CURRENT EARNINGS	8,632	115,247	29,425	14,836	19,892	9,337
Salaries—Officers	1,239	12,312	3,594	1,674	2,912	1,423
Salaries and Wages—Others	1,114	21,175	4,636	2,161	2,688	1,278
Directors fees	138	650	149	94	141	119
Interest on Time Deposits	1,487	17,470	4,093	2,693	3,345	2,012
Interest on Borrowings	5	427	30	5	14	3
Taxes (Excluding Income)	310	1,563	1,566	242	255	151
Depreciation	192	1,971	645	323	411	179
Other Current Expenses	1,534	21,196	5,250	2,411	3,243	1,657
TOTAL CURRENT EXPENSES	6,019	76,764	19,963	9,603	13,009	6,822
NET CURRENT EARNINGS	2,613	38,483	9,462	5,233	6,883	2,515
Recoveries on Securities	32	222	2,314	11	14	40
Profits on Securities	648	10,401	2,044	1,494	916	769
Recoveries on Loans	34	917	512	21	82	7
All Other Recoveries	65	1,325	217	80	123	98
TOTAL RECOVERIES	779	12,865	5,087	1,606	1,135	914
Losses on Securities	422	1,836	641	613	568	132
Losses on Loans	216	2,357	1,302	434	935	380
All Other Losses	48	825	320	146	191	101
TOTAL LOSSES	686	5,018	2,263	1,193	1,694	613
Profits Before Taxes	2,706	46,330	12,286	5,646	6,324	2,816
Taxes on Net Income	789	19,225	3,925	2,193	2,554	812
NET PROFITS	1,917	27,105	8,361	3,453	3,770	2,004
Dividends—Preferred Stock	0	9	0	0	0	0
Dividends—Common Stock	562	10,004	2,305	1,240	1,461	613
Total Dividends	562	10,013	2,305	1,240	1,461	613
NET PROFITS AFTER DIVIDENDS	1,355	17,092	6,056	2,213	2,309	1,391

region spent more, too. Banks, like any other business, have expenses related to their volume of operations. Making additional loans, buying additional investments, servicing additional deposits, etc., added directly to costs. To illustrate, wage and salary expense increased in 1958 but still accounted for only a little over $4 of each $10 in total current expenses—resembling the pattern displayed in recent years.

During the year 1958, the bankers' basic 'raw material'—deposits—expanded sharply at district member banks. Time deposit growth in particular was unusually great. In large part, it stemmed from the increased attractiveness of yields on time deposits relative to alternatives during 1958. And, in general, uncertainty about the future course of the recession may have prompted many people to step up their savings rate during the year. In any case, time deposits accounted for almost half of total district deposit growth in 1958. Thus, interest on time deposits cost district member banks $31 million in 1958, up 24 percent from the year-earlier figure. As a result, interest on time deposits accounted for 24 percent of total current expense, while as recently as 1955 interest on time deposits accounted for only 16 percent of total current expense.

In contrast to growing time deposit interest payments, interest on borrowed funds—for the most part from Federal Reserve banks and large money market banks—dropped by two-thirds from the like amount spent in 1957—a year when district member banks borrowed relatively heavy amounts.

Profits for the year

The final result of the interplay of cost and revenue forces was a tremendous jump in net profits of district member banks. Even after deducting taxes, member banks in the district could report that net profits swelled by almost one-half. And the net profits of the preceding year had been the highest up to that time. Accordingly, banks in the district paid out additional dividends. But most of their newly accumulated profits went into surplus accounts.

Cattle imports set new record

Over a million live cattle entered the United States in 1958; the U. S. Department of Agriculture reported this to be a record year for cattle imports. Cattle shipments into the United States began a sharp rise in 1957 which continued through 1958.

Comparisons of imports with previous years are difficult because of the import embargoes which have existed at times through past years. For example, Canada, as a war measure, imposed an export ban on live cattle to the U. S. from 1942 until 1948. The United States imposed foot and mouth disease embargoes on both Canadian and Mexican cattle in some past years; Canadian cattle were banned from February 1952 to March 1953, and Mexican cattle were banned from January 1947 to September 1952 and from May 1953 through December 1954.

Chart I—U. S. imports of cattle

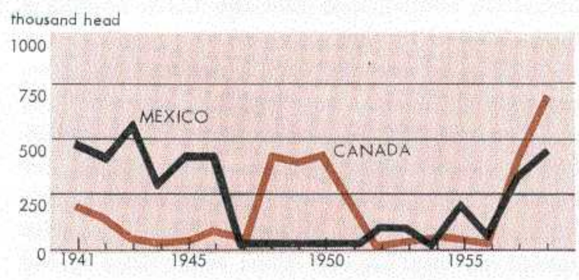
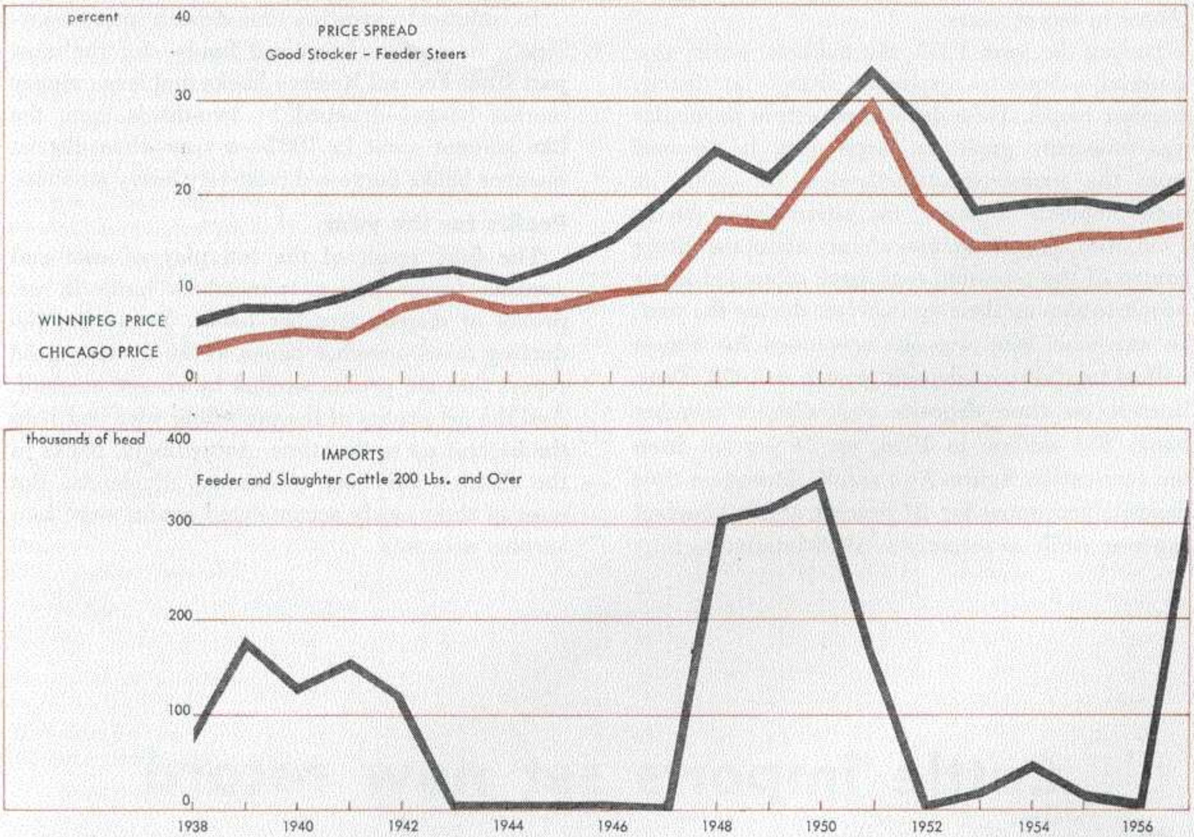


Chart 2—Chicago and Winnipeg price spread and imports of Canadian cattle



U. S. cattle imports which originate almost entirely in Canada and Mexico increased sharply in response to the high U. S. cattle prices prevailing during the last two years. The price relationship between foreign and U. S. markets during 1957 and 1958 shifted such that the U. S. became a more favored market.

U. S. cattle imports, both feeder and fat cattle, respond to changing price spreads between U. S. and foreign markets. For example, chart 2 illustrates the Winnipeg-Chicago price spread for stocker feeder steers and imports of Canadian cattle for a number of years. When the price spread narrows, imports drop; as the price spread widens, imports increase. The sharp decline of cattle prices in the United States during 1956 caused the Winnipeg-Chicago price spread to narrow to less than $2.00 and imports fell off. As the price spread widened in 1957, U. S. cattle imports from Canada increased substantially (chart 2).

Favorable U. S. beef prices during the last two years combined with abundant supplies of cheap feed provided a sharp stimulus to an expansion of beef feeding in the United States and feeder cattle prices were bid up sharply. This particularly favored increased cattle imports because the bulk of the cattle imported into the United States is of the stocker and feeder classes. Imports from Mexico are almost exclusively stocker and feeder classes, while from Canada some slaughter cattle are received in addition to the stocker and feeder cattle shipments.

The Canadian cattle situation of the past months was in sharp contrast to the conditions found in the United States. Canadian cattle production reached record levels in 1958 and grain and forage production was below average; these conditions also contributed to heavy movements of feeder cattle to the United States in 1958.

Past imports of feeder cattle have not been large compared with supplies provided by U. S. cattle raisers. For example, shipments of feeder cattle into major U. S. feeding states were 5.2 million head in 1957 while total cattle imports amounted to .7 million head in 1957. Although cattle imports have not been large in relation to the total U. S. supplies of feeder cattle, they have had a sizable influence on some local markets during short periods. First, the imports from both Canada and Mexico are very seasonal. In addition to the seasonal factor, the imported cattle tend to concentrate in certain areas. Most of the Canadian imports enter the United States west of the Manitoba province and Mexican imports enter the West through El Paso and Nogales. As a result of the western concentration of imports, the impact of increased supplies is felt more and earlier at these points than in other parts of the country.

The U. S. import duties on slaughter and stocker and feeder cattle are 1½ cents to 2½ cents per pound depending upon weight of the animal.

In addition to tariff duties, transportation and marketing costs tend to limit inshipments. As a result, the price spread between the U. S. and its neighbors must be at least $3 to $4 per hundred weight before any large volume enters. Higher transportation costs, greater death loss and shrinkage, plus the likelihood of price changes serve to limit or prevent shipments of live cattle from nations other than Canada and Mexico.

TARIFF RATES ON U. S. IMPORTS OF CATTLE AND BEEF

Dairy cows (over 700 lbs.)	1½c per lb.
Breeding stock	Free
Other cattle up to 200 lbs.	First 200,000 head, 1½c per lb.[1] All over 200,000 head, 2½c per lb.
200-700 lbs.	2½c per lb.
over 700 lbs.	First 400,000 head, 1½c per lb.[1, 2] All over 400,000 head, 2½c per lb.

[1] Year beginning April 1.

[2] Only 120,000 head are allowed entry at the low rate during any quarter beginning April 1, July 1, October 1, or January 1.

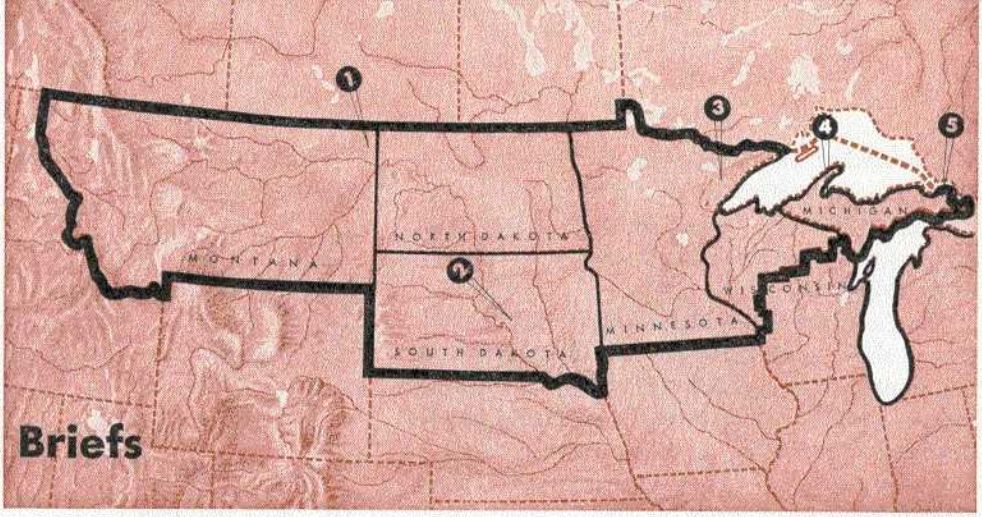
The outlook

In Canada the unfavorable weather in 1958 contributed to the large movements of cattle last year. Canadian inventories of beef steers and heifers were reduced 15 percent between 1957 and 1958. Cow and calf numbers were maintained in Canada, however; and it is possible that sizable supplies of feeder cattle will be available for U. S. destinations if the price relationships continue favorable. The USDA expects Canadian shipments in 1959 to be only moderately lower than in 1958.

Mexico had a favorable season in 1958 and ranchers there held back cattle to build herds. This somewhat reduced the potential U. S. imports from Mexico last year. The USDA expects feeder cattle imports from Mexico to remain fairly stable in the foreseeable future.

In 1958 the USDA estimated the combined imports of cattle and beef to be equivalent to about 8 percent of U. S. production; the previous record was 6 percent set in 1951.

On the basis of expected price relationships and estimates of 1959 beef and veal production, the USDA estimates that imports will remain large, but possibly not as large as in 1958. As U. S. beef production increases, the proportion of the total U. S. beef supply contributed by imports is expected to decline.



Economic Briefs

1. Safflower plant to be in Culbertson, Mont.

Culbertson, Montana has been selected as the site for a new $500,000 safflower oil processing plant. The plant will be built this spring by the Pacific Vegetable Oil corporation of San Francisco, California. The plant is expected to employ about 15 workers and operate on a 24-hour basis. The firm announced its selection after most of the needed 80,000 safflower acres had been contracted or pledged in the western North Dakota-eastern Montana area.

2. Plans for Big Bend dam enlarged

New plans for the Big Bend dam in South Dakota will increase the cost of the project from $85 to $137 million. The changes, which double electrical output of the proposed power plant, are in response to a much higher than anticipated demand for electricity in the area. The new plans call for a power plant with eight units providing 480,000 kilowatts of electricity. Erection of the dam between Pierre and Chamberlain, South Dakota will start this year if Congress appropriates funds. When completed Big Bend will fill in the gap between the Oahe and Fort Randall reservoirs.

3. Erie Mining Co. to expand taconite plant

Construction of a $4 million addition to the Erie Mining company's taconite plant at Hoyt Lakes, Minnesota is scheduled to begin this summer. The addition will house two experimental pelletizing furnaces. At present, the firm has two vertical shaft type pelletizing furnaces at Hoyt Lakes which agglomerate fine taconite concentrates before shipment to lower Great Lakes furnaces. Completion of the new facilities is set for 1960.

4. Celotex plant operation set for fall

Production of fiberboard at the Celotex corporation's new plant in L'Anse, Michigan is expected to get underway next fall. An estimated 125 men will be employed in producing 500,000 square feet of insulation board daily. Work is also progressing on the $5 million Upper Peninsula Power company's plant. The power plant will supply steam and power for the mill. It is expected to be completed in August.

5. Missile base to be built in Michigan

A $6,300,000 Bomarc missile base will be built at the Raco airport near Sault Ste. Marie. The project will be started late this summer and will require a year and a half for completion. The Bomarc missile is described as the most advanced, longest range air defense missile of the United States' arsenal of military weapons.