MONTHLY REVIEW

of Ninth District Agricultural and Business Conditions

FEDERAL RESERVE BANK OF MINNEAPOLIS

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AGRICULTURE

Farm Income May Approximate 1945 Record

CROP prospects are good to excellent, considering the dry early season period. Many crops at mid-June were on the brink of disaster, but generous rains and seasonable temperatures at the eleventh hour resulted in a remarkable recuperation of crops, pastures, and meadows.

Thus far in July, showers have been frequent, the nights have been cool, and the days not excessively hot. This period is probably the most critical for most of the crops grown in the district.

With the exception of northeastern Montana and northwestern North Dakota, precipitation in most of the Ninth District from early March to July 10 totaled as much or more than it did a year earlier. In parts of western South Dakota and southeastern Montana, rainfall has been 50 to 100 percent above the previous year, with conditions the best on record.

It now seems almost certain that another bumper crop is to be harvested. Corn prospects in the district appear the best in several years. At this writing corn is two to three feet high, of excellent color, and the stand is good. Based on the Department of Agriculture's July 1 estimates, the corn crop in the district may be the largest on record, nearly 20 percent above last year's crop, and more than double the prewar 1935-1939 average. Timely rains and continuation of good growing weather, however, are still important for this crop.

By the latter part of July and the first week in August the wheat harvest will be well under way. There is much variation, however, from field to field and in different areas. Hot, dry winds would, of course, advance the date, while cool, wet weather would delay harvesting. In general most of the wheat crop is on short straw this year, which should make harvesting easier and quicker. Total wheat production in the district is estimated at 228 million bushels this year, compared with last year's record of 294 million bushels and the 1935-39 average of 141 million bushels.

The oats crop in the district is estimated at 25 percent below last year's record crop, but the crop will be substantially above average. Oats were damaged by the mid-May freeze and early drouth and did not recuperate as well as wheat and flax in late June and early July. The straw is particularly short this year, but the heads appear well filled.

The barley crop appears to be of unusually fine quality. Weather conditions in recent weeks were ideal for making plump kernels of good malting quality.

SMALL grain prospects excellent, considering early drouth conditions.

Corn crop may be a new record.

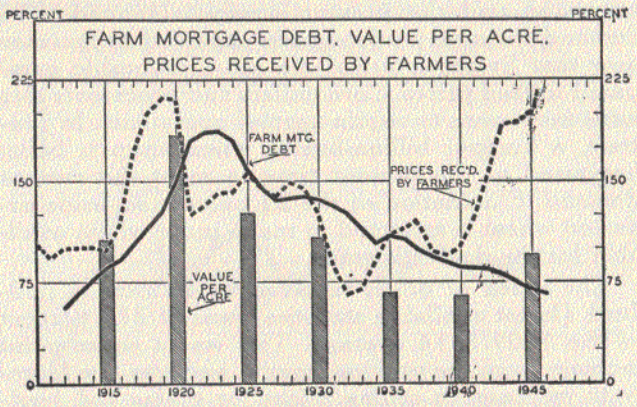
Prices of farm products near all-time high.

Farm mortgage debt decrease leveling off.

The flax crop will be shorter than it was in 1945, principally because of a 13 percent decrease in flax acreage. Flax made an excellent recovery from the drouth and freeze, and yields, although varied from place to place, should average as high as last year.

Sugar beets have made a marvelous growth in recent weeks. Prospects in the Billings area are reported as about the best on record. Beet conditions at Sidney and in the East Grand Forks area are also reported excellent.

Crop hazards this year are probably near a minimum. Very little stem rust is reported, and leaf rust, although fairly prevalent, apparently came too late to seriously damage the crop. Grasshopper damage has not been reported except in a few small areas. Sawfly damage to wheat in northwestern North Dakota and northeastern Montana apparently is not as serious as a year ago. Hail storms have been fairly frequent in many areas, but apparently



(1) Farm mortgage debt—data for Minnesota, North Dakota, South Dakota and Montana, 1935-1939 = 100.

(2) Value per acre—West North Central States, Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska and Kansas, 1912-1914 = 100. (Data from U. S. Department of Agriculture.)

(3) Prices received by farmers, U. S., 1910-1914 = 100. (Data from U. S. Department of Agriculture.)

Crop Estimates for the Ninth District[1]

(Thousands of Units)

Crop	1945	1946[2]
Corn, bu.	383,549	441,204
Total Wheat, bu.	294,668	227,996
Winter Wheat, bu.	37,541	34,766
Spring Wheat, bu.	257,127	193,230
Oats, bu.	522,589	374,870
Tame Hay, tons	10,776	9,089
Potatoes, bu.	52,596	41,713

[1] Data from the Department of Agriculture.

[2] Based on July 1 estimates.

no large areas have been destroyed.

Prices received by farmers advanced sharply when price controls were removed July 1. Most food subsidies were removed at the same time. The loss of subsidies means that food prices had to advance to the amount of the subsidy before the farmer received any price increase. For example, before the farmer received more income, retail milk prices had to increase about two cents a quart, cheese nine cents a pound, and retail beef prices at least five cents a pound.

However, the accelerated domestic demand for food products plus tremendous shipments of food to foreign countries has put demand for farm products far in excess of supply. As a result, farm price increases more than offset the loss of subsidies.

Cattle prices at the St. Paul market in mid-July were at a new all time high. Hog and sheep prices also marked up 25 to 33 percent price gains from the June 30 level.

Corn prices went up 71 cents the first day of a free market to $2.17 a bushel on the Chicago market, which is higher than it was during the World War I period. Wheat prices went up less than corn, only about 20 cents the first two days. Corn and wheat prices were at about the same level in early July. If current prospects for bumper wheat and corn crops are fully realized and distribution is governed by free prices, wheat prices may be expected to regain its historic premium over corn as soon as new corn comes on the market.

It will be about three months before new corn is harvested and the present supply is limited. The demand for corn by feeders is expected to increase now that livestock prices are more favorable compared to feed prices. Corn millers and processors also want more corn to regain normal operations. In contrast, a bumper billion-bushel wheat crop is being harvested at the present time to meet the current demand. Elimination of the 25 percent set-aside order on wheat is expected to make more wheat available for the domestic trade.

The index of **prices received by farmers** in mid-June (latest available statistics) was at 218 percent of the 1909-1914 average. This was a seven-point increase from the previous month and was due largely to increases in ceiling prices for grains and feedstuffs. At 218 the level of prices received by farmers is the highest since July, 1920, and only about 18 points below the peak established in the spring of 1920.

During the 60 days ending June 15 the level of **prices paid by farmers** increased seven points, as much as in the preceding seven months, according to estimates by the Department of Agriculture. At 195 percent of the 1910-1914 base, prices paid by farmers for commodities used in production and for family maintenance averaged 15 points higher than a year ago.

The ratio of prices received to prices paid (including interest and taxes) is called the parity ratio. This ratio was at 117 in mid-June, two points above a month earlier, but two points below a year ago. During practically the entire inter-war period this parity ratio was considerably below 100. In 1932 it was near 60.

Farm mortgage debt in the Ninth District on January 1, 1946, was estimated at $627 million. This compares with $827 million on January 1, 1940, and $1,745 million at the peak in 1923.

The rate of decrease in farm mortgage indebtedness is tending to level off. The future trend will depend much upon the farmer himself and his financial advisors. They undoubtedly will remember the boom and crash following World War I, which should temper the tendency to increase land values and debt in the years ahead.

Cash farm income in the Ninth District continues above the same period a year earlier and more than three times the 1935-1939 average.

Bonus payments for wheat and corn during April and May, substantially higher farm prices with the expiration of OPA on June 30, and prospects for another excellent crop indicate that cash farm income in 1946 may approximate last year's record high level.

Farm production expenses, however, have increased sharply in recent years as a result of higher prices of things farmers buy and higher wage rates. In spite of this, however, gross farm income during the period 1940 to 1943 increased much more rapidly than farm expenses. During 1944 and 1945, for

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Average Prices Received by Farmers[1]

Commodity and Unit	Ninth District June 15 1937-41 Avg.	Ninth District June 15 1945	Ninth District June 15 1946	Parity Prices[2] United States June 15, 1946
Crops				
Wheat, bushel	$ .76	$ 1.49	$ 1.68	$ 1.65
Corn, bushel	.61	.97	1.26	1.20
Oats, bushel	.30	.59	.74	.746
Potatoes, bushel	.61	1.75	1.25	1.37
Livestock and Livestock Products				
Hogs, 100 lbs.	7.51	14.02	14.07	13.60
Beef Cattle, 100 lbs.	7.30	12.76	13.63	10.10
Veal Calves, 100 lbs.	8.36	13.65	13.90	12.60
Lambs, 100 lbs.	8.00	12.73	13.69	11.00
Wool, lb.	.26	.41	.42	.342
Milk, wholesale, 100 lbs.	1.44	2.57	2.96	2.66
Butterfat, lb.	.29	.52	.56	.451
Chickens, live, lb.	.124	.24	.224	.213
Eggs, dozen	.156	.329	.303	.350

[1] Data compiled from "Agricultural Prices," United States Department of Agriculture.

[2] The term parity as applied to the price of an agricultural commodity is that price which will give to the commodity a purchasing power equivalent to the average purchasing power of the commodity in the base period, 1910-1914.

BUSINESS

Business Activity Held Steady in June

BANK debits decline at metropolitan centers. Retail trade still brisk. Ore shipments 50 percent behind 1945.

THE sharp upturn in business activity evident in the Ninth District in April continued through May but showed some evidence of leveling off in the month of June. Preliminary sales reports from department stores for June signify a gain of 32 percent over June, 1945, whereas these stores for the same comparison in May had experienced a sales increase of slightly more than 40 percent.

City stores have consistently experienced greater sales increases than country stores, and figures for the first six months illustrate the difference. Country department and general stores reported uniformly over the district a sales increase of 32 percent for the six months as compared to 37 percent for city department stores.

The growth in dollar volume of sales at department stores in recent years has been phenomenal. Sales reports for the first half of 1946 total a larger dollar volume of sales than for the entire year 1940.

Despite record sales in the first half of 1946, store managers have added to the dollar volume of stocks on hand. The stock index for country department stores was 182 at the end of June as compared to 174 on January 31 this year. The index of stocks at city stores has registered a more marked increase from 157 at the end of January to 214 at mid-year. Although inventories have improved in recent months, stocks are still considered inadequate in view of the current high rate of sales. The stock-sales ratio at present is almost 50 percent below the pre-war level.

Bank debits at 132 cities in the Ninth District for the first half of 1946 totaled $11.5 billion, an increase of 14 percent from those months in 1945. The larger dollar volume of transactions at country points, reflecting higher farm prices and expanded farm income, was the dominant force responsible for the greater 1946 volume of debits. In June, banks in the larger centers, Minneapolis, St. Paul, and Duluth, reported debits off 5 percent from a year ago; however, for the first six months the increase was about 9 percent.

The Seventh War Loan drive was underway in June, 1945, and is one factor explaining the five percent decline in debits at larger cities in June this year.

In contrast, banks in the rural areas in June reported a debit volume 20 to 30 percent greater than in June, 1945, which was consistent with increases reported for earlier months of 1946. The reduced volume of debits at banks in the larger industrial centers in June may reflect in part the unsettled price situation then developing which culminated in the expiration of all price control on a national basis.

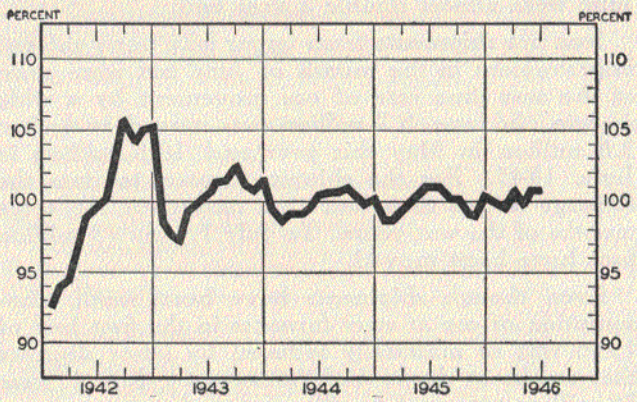
Employment in non-agricultural establishments in the Ninth District during the first half of this year has been at a level comparable to that in the same period of recent war years. This conclusion is based upon estimates of non-agricultural employment in Minnesota, Montana, North Dakota, and South Dakota made by the U. S. Bureau of Labor Statistics in cooperation with the state offices of the Division of Employment and Security.

During the first quarter of this year, the number of individuals employed in non-agricultural establishments exceeded the number employed during the same quarter of past years. In the second quarter, material shortages and work stoppages caused employment to decline in manufacturing industries. The late maturing of crops for canneries also has held back the usual seasonal expansion in manufacturing employment. As a result, employment expanded less than usual and the total number of individuals employed fell below that of previous years.

In the latter part of June non-agricultural employment began to rise rapidly to the usual summer peak. The labor force in May and June was swollen significantly by students, seasonal workers, and World War II veterans entering the labor market. A large number of these workers have been placed by the U. S. Employment Service. In June over 15,000 workers were placed in Minnesota alone. The number of placements made in June compares favorably with the number made a year ago when the demand for labor from war plants was still high.

The rate of labor turnover is still very high. In

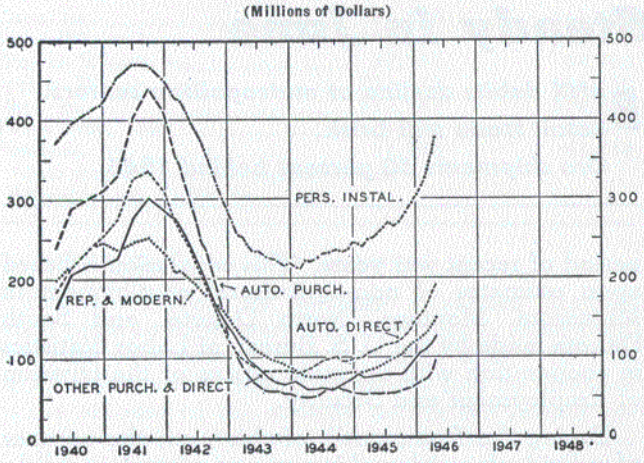
EMPLOYMENT IN NINTH DISTRICT NON-AGRICULTURAL ESTABLISHMENTS* 1942 = 100



*The trend is based upon employment in the four states wholly within the district.

Source: U. S. Bureau of Labor Statistics in cooperation with the state offices of the Division of Employment and Security.

CONSUMER CREDIT OUTSTANDING AT COMMERCIAL BANKS, U. S. 1940-1946



some months it approximated the rate in the spring of 1942 when industry was converting to the production of war materials. The turnover consists roughly of two-thirds voluntary separations and one-third involuntary lay-offs and discharges. The high rate of voluntary separations indicates a tight labor market—that is, job openings in many areas tend to equal or exceed the number of job seekers.

Consumer credit trends in June remained unchanged from earlier months this year as another 8 percent was added to consumer credit loans outstanding at commercial banks. The accompanying chart illustrates the very rapid expansion of consumer credit that has occurred at commercial banks in the last year. Consumer credit extended by small loan companies, industrial loan companies, and credit unions also increased somewhat over the same period, but total consumer credit outstanding is still short of the 1941 peak.

Commercial banks reporting in the Ninth District in June extended on new loans more than twice the volume of credit made in June, 1945. Repair and modernization loans accounted for most of the increase, although purchased automobile paper has expanded in recent months. Outstanding consumer credit loans at commercial banks at the end of June were almost double a year ago.

Iron ore shipments from upper lake ports showed improvement in the month of June but were short of the war time rate of ore movement by a wide margin. In June, 8.7 million tons moved as against 3.6 million in May this year and 10.6 million in June, 1945. For the shipping season to date the tonnage is less than half that moved in the same months of the war years. To July 1, only 13 million tons have been moved.

Even though shipments have been small, consumption of ore at steel furnaces in the first half of 1946 was so materially reduced by labor disputes that stocks at docks and furnaces on July 1 were 26 million tons or 1.6 million more than a year ago.

Building permits issued in 53 cities of the Ninth District totaled $63 million for the first half of 1946. This was five times the $12.1 million reported for the same months of 1945. Although the June volume exceeded by a wide margin June of 1945, the value

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Northwest Business Indexes

Adjusted for Seasonal Variation
1935-1939 = 100

	June 1946	May 1946	June 1945	June 1944
Bank Debits—93 Cities	248	225	237	208
Bank Debits—Farming Centers	241	221	232	203
City Department Store Sales	263	263	191	159
Country Department Store Sales	242	240	171	159
City Department Store Stocks	214	191	175	156
Country Department Store Stocks	182	110	180	185
Country Lumber Sales	107	148	110	104
Miscellaneous Carloadings	109	112	114	114
Total Carloadings (Excl. Misc.)	121	96	139	143
Farm Prices—Minnesota (Unadj.)	197	190	185	177

Department Store Sales Indexes by Cities

1935-1939 = 100 Unadjusted

	Month of June			
	1946	1945	1944	1941
Minneapolis	264	190	155	118
St. Paul	235	168	143	117
Duluth-Superior	250	198	166	111

Department Store Sales

Percent of One Year Ago

	June	Jan.-June
Duluth-Superior	118	115
Mankato	112	118
Minneapolis	133	135
St. Cloud	118	123
St. Paul	134	131

Sales at Department Stores

	No. of Stores Showing Increase	No. of Stores Showing Decrease	% June 1946 of June 1945	% Jan.-June 1946 of Jan.-June 1945
Total District	300	98	132	135
Mpls., St. Paul, Dul.-Sup.	21	6	132	137
Country Stores	279	92	132	132
Minnesota	99	28	126	132
Central	19	4	128	130
Northeastern	9	2	132	132
Red River Valley	9	0	136	143
South Central	21	9	113	122
Southeastern	11	7	133	145
Southwestern	30	6	126	128
Montana	26	21	156	139
Mountains	10	7	138	137
Plains	16	14	167	141
North Dakota	55	13	131	133
North Central	12	3	128	131
Northwestern	4	3	129	130
Red River Valley	21	3	133	135
Southeastern	15	4	132	131
Southwestern	3	0	139	142
Red River Valley—Minnesota and No. Dakota	30	3	133	136
South Dakota	44	15	134	133
Southeastern	8	6	135	133
Other Eastern	30	6	134	135
Western	6	3	128	122
Wisconsin and Michigan	55	15	119	124
Northern Wisconsin	17	2	112	129
West Central Wisconsin	25	10	116	123
Upper Peninsula Michigan	13	3	133	126

BANKING

Bank Holdings of Governments Decline

DEBT redemption largely accounts for reduced volume of government securities held by banks.

Debt redemption program reduces government deposits at member banks by 43 percent in first half of 1946.

Strong demand for private credit pushes commercial loans up.

COMPARISON of the recent call report with previous reports reflects the effect of the cash redemption of maturing U. S. Government securities, on the one hand, and the greater demand for credit from private enterprise, on the other.

The cash redemption of maturing U. S. Government securities over the past several months has reduced the Federal debt nearly $9 billion. The gross debt and guaranteed obligations, which aggregated $278.7 billion at the end of 1945, had declined to $269.9 billion at the end of June.

To redeem some of the maturing securities the Treasury has drawn on the war loan accounts held by banks. The U. S. Government deposits held by member banks in the Ninth District declined from $550 million at the end of last December to $315 million at the end of June.

The contraction in U. S. Government deposits was offset, in part, by an expansion in the deposits of individuals, partnerships, and corporations. Demand deposits totaled $1,594 million at the end of June as compared with $1,499 million at the end of December. Time deposits increased significantly more than demand deposits—from $760 million on December 30 to $871 million on June 30. As a result of the expansion in private deposits, total deposits declined only $95 million between the two call dates.

A part of the increase in the deposits of individuals, partnerships, and corporations is traced to the redemption of government securities. A significant proportion of the securities redeemed were held by non-bank investors. As the securities were redeemed to these investors, a considerable amount of the war loan balances was transferred to private deposit accounts.

Some of the securities redeemed were held by the commercial banks themselves. The redemption of these securities from the war loan accounts tended to reduce the deposits by the amount of the securities redeemed. Some adjustments, of course, occurred among banks, since there is much variation between the war loan balances and the amount of redeemed securities held.

In addition to the securities redeemed, some of the securities held by commercial banks were sold to the Federal Reserve Bank to replenish reserves. The amount drawn by the Treasury from the war loan accounts was transferred from member bank reserves to the Treasurer's account.

In spite of this drain on securities, the amount held by member banks on June 30 aggregated $2,146 million as compared with $2,158 million on December 30. The small decline indicates the continued purchase of Government securities to mop up excess funds.

To the extent that the securities redeemed were held by the Federal Reserve Bank, the aggregate bank resources in the district tended to be contracted by a corresponding amount. Funds used in the redemption of the securities were transferred from the war loan accounts in the commercial banks to the Federal Reserve Bank. These deposits were cancelled in the redemption of the maturing securities.

As deficit financing during the war expanded bank resources, the debt redemption program of the Treasury is now contracting these resources.

A greater demand for credit from private enterprise has offset, in a measure, the contraction in bank resources traced to the debt retirement program of the Treasury. Loans and discounts at member banks in this district totaled $471 million on June 30 as compared with $452 million on December 30 and $369 million on June 30, 1945. According to the weekly report of city member banks, commercial, industrial, and agricultural loans have risen steadily since April. The volume of such loans was 18 percent larger in the middle of July than in the middle of April. The volume of real

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Assets and Liabilities of All Ninth District Member Banks, June 30, 1946,* and December 30, 1945

(Millions of Dollars)

	6/30/46	12/30/45
Assets		
Loans and Discounts	$ 471	$ 452
U. S. Government Securities	2,146	2,158
Other Investments	142	125
Cash and Due from Banks	797	849
Other Assets	26	26
Total Assets	3,582	3,610
Liabilities and Capital		
Demand Deposits (individuals, partnerships and corporations)	1,594	1,499
Time Deposits (individuals, partnerships and corporations)	871	760
U. S. Government Deposits	315	550
Other Deposits	608	618
Total Deposits	3,388	3,427
Capital Account	182	169
Other Liabilities	12	14
Total Liabilities and Capital	3,582	3,610
Number of Banks	468	467

*Preliminary tabulation.

AGRICULTURE

(From Page 352)

the country as a whole, the increase in net farm income has been relatively small.

In two farm management association studies in southeastern and southwestern Minnesota, net farm income in 1945 was more than in 1944 but substantially below either 1942 or 1943.

Over much of the Ninth District the trend of net farm income in 1946 will not only be dependent upon the price level for farm products and costs of production, but also it will be vitally affected by crop yields and total agricultural production. At present the outlook is optimistic.

January-April Cash Farm Income[1]

(Thousands of Dollars)

State	1935-1939 Average	1945	1946	1946 in Percent of 1945
Minnesota	$ 102,257	$ 248,117	$ 276,495	111%
North Dakota	23,566	87,152	96,316	111
South Dakota	30,533	91,853	148,873	162
Montana	17,082	56,136	50,735	90
Ninth District[2]	197,371	543,201	634,862	117
United States	2,238,447	6,072,000	6,055,000	100

[1] Data from "The Farm Income Situation," United States Department of Agriculture.

[2] Includes 15 counties in Michigan and 26 counties in Wisconsin.

BUSINESS

(From Page 354)

of permits in recent months has been short of the high peak registered in March.

F. W. Dodge Corporation has released figures for five months of 1946 to indicate the type of building undertaken in the Minneapolis territory. That source reported, for five months of 1946, construction contracts awarded totaling $100 million. Total building accounted for $70 million, with $40 million of residential and $30 million in non-residential building. Compared with those same months a year ago, non-residential building moved from $21 million to the current total of $30 million, while residential building, accounting for a large share of the increase over last year, moved from $4.5 million to $40 million.

One-family dwellings accounted for almost 80 percent of residential building. Apartment building, sorely needed to satisfy the great demand for rental property required by many new families formed since the war, has been a very minor part of the current building program.

Public works and public utilities construction was $30 million in five months of this year and $9 million for the same period in 1945.

Building Permits Issued by Representative Cities in the Ninth District

	January-June, 1946	January-June, 1945
MICHIGAN		
Escanaba	$ 276,660	$ 21,710
Iron Mountain	118,060	4,670
Ironwood	150,190	55,480
Marquette	378,790	7,580
Menominee	178,820	19,880
Sault Ste. Marie	230,930	20,240
State Total	$ 1,333,450	$ 129,560
MINNESOTA		
Albert Lea	$ 605,020	$ 29,680
Austin	1,169,410	38,590
Bemidji	327,800	41,260
Brainerd	289,610	112,400
Crookston	819,390	3,750
Duluth	2,353,570	408,470
Fairmont	300,320	18,970
Faribault	312,210	50,480
Fergus Falls	1,069,590	53,790
Hibbing	960,900	51,910
International Falls	327,600	7,300
Little Falls	158,240	16,810
Marshall	355,620	27,770
Minneapolis	15,899,420	3,405,930
Robbinsdale	1,194,680	250,910
St. Louis Park	2,919,290	462,650
New Ulm	258,510	33,770
Owatonna	317,420	27,130
Red Wing	181,860	113,000
Rochester	2,050,000	200,960
St. Cloud	675,150	113,900
St. Paul	12,147,150	2,192,590
South St. Paul	1,159,230	55,350
Winona	562,300	85,380
State Total	$46,414,290	$ 7,802,750
MONTANA		
Billings	$ 882,360	$ 754,890
Butte	150,840	4,390
Great Falls	1,017,570	394,960
Helena	307,800	98,790
Livingston	176,400	4,300
Missoula	532,790	264,840
State Total	$ 3,067,760	$ 1,522,170
NORTH DAKOTA		
Bismarck	$ 679,590	$ 118,630
Lisbon	64,130	2,020
Minot	798,970	78,150
State Total	$ 1,542,690	$ 198,800
SOUTH DAKOTA		
Aberdeen	$ 321,660	$ 29,470
Brookings	213,350	28,260
Milbank	85,270	36,340
Pierre	117,820	8,490
Rapid City	1,044,040	107,580
Sioux Falls	1,733,160	487,660
Watertown	315,350	97,480
Yankton	1,473,820	68,200
State Total	$ 5,304,470	$ 863,480
WISCONSIN		
Ashland	$ 58,500	$ 33,150
Chippewa Falls	181,490	17,350
Eau Claire	838,400	1,170,300
La Crosse	1,522,800	112,500
Rhinelander	281,100	15,430
Superior	2,114,820	214,960
State Total	$ 4,997,110	$ 1,563,690
District Total	$62,659,770	$12,080,450

NATIONAL SUMMARY OF BUSINESS CONDITIONS

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, JULY 26, 1946

WITH settlement of major industrial disputes, output at factories and mines increased sharply in June. Retail trade was in exceptionally large volume in June and the early part of July. Prices of agricultural commodities rose sharply in the first half of July following the lapse of Federal controls, and prices of industrial commodities showed some further rise.

INDUSTRIAL PRODUCTION—The Board's seasonally adjusted index of industrial production rose from 159 percent of the 1935-39 average in May to 170 in June. This compares with earlier postwar highs of 168 in November and in March. Most of the increase from May to June reflected sharp advances in output of coal and of iron and steel after settlement of the coal strike.

Output of durable manufactures increased about 10 percent in June, reflecting chiefly the recovery of iron and steel output from the sharply reduced May rate. Steel mill activity advanced from 44 percent of capacity at the end of May to 87 percent of capacity at the end of June and in July rose somewhat further to a rate of 89 percent during the current week. Output of non-ferrous metals and of machinery showed moderate gains in June, largely reflecting settlement of wage disputes in these industries, and production of stone, clay and glass products recovered from the low May level. Lumber production showed about the usual seasonal increase.

Output of non-durable goods as a group showed little change from May to June, with a further decline in manufactured food output offset in the total by moderate gains in most other lines. Meat production under Federal inspection dropped further in June to a rate about 80 per cent of the 1935-39 average, but rose sharply after the lapse of price controls on June 30. Output at textile mills continued to advance slightly in June and was at a level 10 percent above a year ago. There were slight gains in activity in the paper, chemical, petroleum, and rubber products industries.

Minerals output rose 23 percent as coal and metals production showed sharp gains with the settlement of wage disputes, and crude petroleum production advanced further to a new record rate under the pressure of exceptionally large demand for petroleum products.

CONSTRUCTION—Value of construction contract awards, according to the F. W. Dodge Corporation, declined in June, following a sharp rise during the past year. Residential awards were reduced by one-fourth from the record level reached in May, while those for non-residential construction showed only slight declines.

EMPLOYMENT—Employment in non-agricultural establishments continued to advance in June, after allowance for seasonal changes, reflecting large increases in mining and construction and a slight gain in manufacturing. The number of persons unemployed, other than students looking for summer jobs, showed little change from May to June.

DISTRIBUTION—Department store sales in June, after allowance for seasonal changes, were the largest on record, and in the first half of July sales showed about the usual seasonal decline.

Loadings of railroad revenue freight increased sharply in June, following interruptions to shipments in April and May as a result of industrial disputes. All classes of freight shared in the rise. After a temporary decline in the week of July 4, there was a further rise, and in the middle of the month coal, livestock, forest products, and less than carload lot shipments exceeded those during the same period last year.

COMMODITY PRICES—Prices of farm products and foods advanced sharply during the first half of July after the lapse of Federal price controls. Subsequently prices of grains and some foods declined somewhat while prices of livestock advanced further. Prices of hides, cotton goods, newsprint, lumber, lead, and zinc also increased in July.

BANK CREDIT—Treasury operations in connection with retirement of maturing obligations and quarterly income tax collections dominated bank developments in June and the first half of July. Member bank reserve positions fluctuated somewhat as Treasury balances at the Reserve Banks were built up and drawn down around the security redemption dates of June 1, June 15, and July 1. Reserve positions tightened generally during the period as a whole, however.

Reflecting both the shift of deposits from Treasury balances to private accounts accompanying security retirement and cash redemption of about 800 million dollars of Government securities held by the Reserve Bank. Drains on bank reserves were met by purchases of about 1 billion dollars of Government securities by the Reserve system.

Holdings of Government securities at reporting banks declined further by 3 billion dollars in June and the first half of July, reflecting the sale of these securities to the reserve banks as well as cash redemption by the Treasury. Loans for purchasing and carrying Government securities showed further declines. Commercial and industrial loans expanded considerably at banks outside New York City, and real estate and other loans continued to increase.

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estate loans and of all other loans has risen more slowly.

As a result of the rise in the deposits of individuals, partnerships, and corporations, reserves required to be held against these liabilities also have risen significantly. The required reserves of member banks in this district averaged $354 million during the latter half of June as compared with $328 million during the latter half of December and $288 million during the same period in June, 1945.

Daily Average Reserve Position for All Ninth District Member Banks for the 15-Day Period Ending June 30, 1946

(Thousands of Dollars)

Type of Bank	Average Reserves Carried	Average Reserves Required	Average Excess Reserves
Reserve city banks	$177,997	$173,302	$ 4,695
Other city banks	30,306	26,638	3,668
Total city banks	208,303	199,940	8,363
Total country banks	186,944	153,725	33,219
Total Ninth District—1946	395,247	353,665	41,582
Total Ninth District—1945	338,066	287,952	50,114