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Food Relief and 9th District Agriculture

Food Exports Stimulate Domestic Farm Prices, Bringing Record Prosperity to U. S. Farmers

HOW serious is the world food crisis? Who are the peoples that are ill fed? Just what is the United States doing about world food shortages? How do our efforts to alleviate world food problems affect Ninth District agriculture?

These are not easy questions to answer. Viewpoints are different, as might be expected. There is even disagreement as to how many people are actually starving. Exaggerated statements undoubtedly have been made. Exaggerations get the headlines and there is a tendency to generalize from the unusual.

Some reports say many millions in the European area alone are starving. Others say only a fraction of this number are actually starving but that many are living on dangerously low diet levels. It is difficult to know the full truth, because statistics and information covering the situation are not always up to date or the most reliable.

The Food and Agriculture Organization of the United Nations since its organization in October, 1945, has concerned itself with present food shortages as well as long-range problems of food and agriculture the world over. In fact it is the only international agency set up specifically to deal with these problems. It has gathered much information not only on current world food problems but also on long-range food needs.

WORLD FOOD RESERVES DANGEROUSLY LOW

In a recent bulletin the FAO reports that a major food crisis still confronts the world in 1947. Nutrition and health conditions are reported little better than last year, and in some countries they are worse. Food production in the war-damaged areas is beginning to recover, but only slowly. Serious drouth conditions have occurred in many countries of the world in recent years.

All this, together with war dislocations, shortages of labor, equipment, fertilizer, draft power, and a serious breakdown of transportation, distribution, and marketing machinery, has contributed to the present food crisis.

Reserves of grains and other world food stocks have practically disappeared. Our own grain reserves may be relatively small next July 1. Cattle numbers in western European countries are 80 to 90 percent of pre-war, but they are only about 50 percent in the east. Numbers of hogs and poultry are sharply down from pre-war, and recovery is slow. Production or yield per animal unit is low. Grain must largely be used for human food, not feed for livestock.

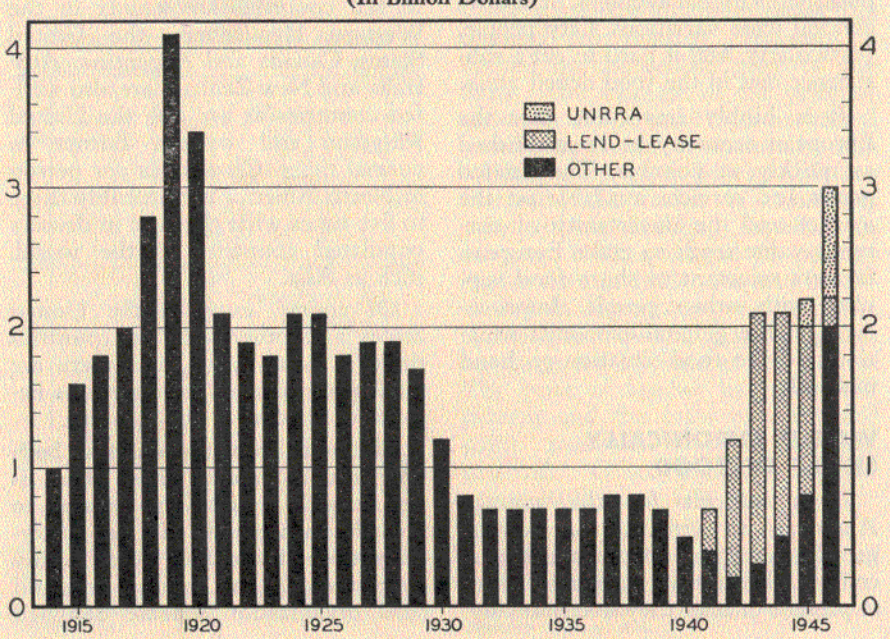
The North American continent, Australia, New Zealand, and Argentina are islands of plenty in a hungry world. Australia and Argentina are normally exporters of huge quantities of surplus agricultural products—particularly wheat. Drouth, however, has plagued these countries since 1943, and exports have been reduced. Even though United States food exports have been enormously increased since the war ended, total supplies of foodstuffs in world trade are sharply below pre-war. (See accompanying table.)

EUROPE ON TIGHT RATIONS

Basic foods still are rationed in most of Europe. Some increases in rations have occurred, but they are far less common than generally supposed, according to the FAO. In Britain, particularly, the food situation has become worse. Bread ration-

DOMESTIC AGRICULTURAL EXPORTS, UNITED STATES 1914-1946

(In Billion Dollars)



Supplies of Major Foodstuffs Entering World Trade — Pre-War, 1945-46, and 1946-47[1]

(Million Metric Tons)

Commodity	Pre-war	1945-46	1946-47 (Est.)
Cereals (excluding rice)	29.4	26.0	25-26
Rice (milled)	7.8	2.0	2.7
Fats and Oilseeds (fat content)	5.9	2.7	2.8-3.0
Sugar (raw basis)	11.5	7.3	8.0
Meat	1.9	2.8	1.8-2.0

[1]Source: "World Food Appraisal for 1946-47," Issued December 26, 1946, Food and Agriculture Organization of the United Nations, p. 8.

ing was instituted last summer for the first time in history. Rations of fat and bacon have been reduced. And to top it off, Britain and the rest of Europe have experienced the worst winter in more than 50 years.

Crop conditions in most of Europe in 1946 were better than the extremely short 1945 crop but still below pre-war. Southeastern Europe, particularly Rumania, suffered one of the worst drouths in history. To meet the situation, the United States Army recently diverted enough food into Rumania to relieve famine for about 500,000 people. This demonstrates the emergency demands that are being made on United States food supplies.

Malnutrition is common in Europe at the present time. It is common all the time in some Oriental countries. In the worst areas of Germany and Austria, current calorie intake is said to be about 2,000 per day, or 30 percent below pre-war. Over all of continental Europe it is 15 percent less than pre-war, with the Scandinavian countries in the best position. National averages, of course, conceal wide variations. City people, particularly, find it hard to get a subsistence diet in the food deficit areas.

It is highly important that the European economy be re-established as quickly as possible. The limited goods and services available on the market and the uncertainty of currency value tends to make European farmers reluctant to share food supplies with urban people. Improvement in the general economic situation and the food situation go hand in hand.

WORLD CHRONICALLY SHORT OF FOOD

It is difficult for the average American to visualize or become greatly concerned about how 90 percent of the human family is living at present or how they live normally. We are far more fortunate than most realize or appreciate.

A World Food Survey by the FAO, published last July, gave a number of striking facts about the world food situation in pre-war or **normal** times.

It was reported that five out of 10 people never get enough food for health and growth and full physical vigor. Another two out of the 10 do a little better, but they are not as well nourished as they should be.

Only three out of 10 are said to be really well fed—that is, get more than 2,750 calories a day. We do better than 3,000 in the United States on the average.

It is significant, also, that the ill-fed are the poor whose diet consists of the cheaper foods—grain and starchy roots and tubers. The better fed get more fruits, vegetables, and livestock products that are rich in vitamins and minerals needed for health.

The ill-fed countries are mostly in the Eastern Hemisphere—China, India, and eastern Europe. The better-fed countries are mainly in the Western Hemisphere—the United States, Canada and Argentina. Australia and New Zealand are also well-fed countries as are also the United Kingdom and western Europe in normal times. Crop acres per person in North America are probably three to five times what they are in densely populated countries of the world, such as Asia.

Of course, even in the United States and other well-fed countries there is malnutrition, and there are inadequate diets in some sections because of ignorance and poverty.

The point to be made is that both now and in normal times there is not enough food to go around to provide an adequate diet for everybody even if the food were evenly distributed. In any national or world food organization scheme designed to improve diets, this fact is important to United States agricultural economy. **Any project to do something about inadequate diets and malnutrition could affect considerably the general economy of the Ninth Federal Reserve District.**

POPULATION GROWTH UP

Even a return to normal world agricultural production will not end the food shortage. In spite of the tremendous slaughter of war, disease, and malnutrition, the world population is said to be 8 percent above pre-war.

India alone must fill 50 million more mouths now than in 1939. Even in the United States, population has increased 10 million since 1939. One population expert said India or China alone could populate five earths in a century if present birth rates were continued and if their death rates were comparable with that of the United States.[1]

The English economist Malthus made the statement more than 100 years ago that there is a tendency for the human population to increase faster than the food supply. Man is little different from other animals in that respect. Like them, he multiplies so long as food is plentiful but dies when it fails. This tendency, however, has thus far been obscured in some countries largely because of technical advancements, abundant resources, or perhaps for some other reasons.

In the United States our resources and technical skills on the one hand, and a tendency to smaller families on the other, have been sufficient to neutralize Malthus' law so far. Agricultural production here has outrun population growth, and food surpluses have been common. Here, the problem has been producing too much—not too little. That is, too much is produced so far as the farmer's pocketbook is concerned. No scheme has yet been devised to get farm surpluses to the world's hungry people and at the same time return a fair price to the producer.

However, in eastern Europe, and more particularly in Asia, it is true that the high birth rate keeps most of humanity on the borderline of want.

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[1]**American, The World Has Too Many People,** by Guy Irving Burch, p. 38, May 1946.

BUSINESS

Construction Can Bolster Business Activity

HOUSING is in short supply, while demand has increased.

Of total postwar construction in the nation, Ninth District has more than its pre-war share.

Prices of new housing have been increased by construction costs, delay in materials, and some speculation.

●

In terms of the pre-war relationship, stocks are high in relation to sales.

WITH the return of favorable weather for outdoor work, on-site construction is expected to expand rapidly. According to present indicators, construction activity may play a prominent role in the business picture of the coming months.

Shelter is still a very scarce commodity. It is the foremost concern of a large number of families, especially veterans who are forced to seek new accommodations.

The present housing shortage is the outcome of a number of circumstances. First, the supply of available houses is inadequate due to the low level of residential construction since 1929. During the Thirties there was little residential building due to the generally depressed business conditions, and during the recent war years construction was held down by the Governmental restrictions placed on residential building.

Second, the demand for housing during the recent war rose sharply as a result of the increase in the number of families. According to a U. S. Census estimate, families are increasing by more than 485,000 annually. The rise in the per capita income, moreover, has made it possible for many families to move out of cramped quarters into larger ones.

The effect of the rise in marriages and the spreading out of families in the available dwellings is revealed in U. S. Census reports. The medium size household declined from 3.3 persons in 1940 to 3.1 in November 1945. There were more two-person households in the United States in the latter part of 1945 than householders of any other size.

Households of one and two persons were using 37 percent of all the dwelling units in the nation, and households of four persons or less were using about three-fourths—78 percent—of all the dwelling units.

CENSUS SHOWS EXISTING HOUSES IN GOOD REPAIR

In spite of the shortages of materials and the restrictions placed on repairs and modernization during the war, the existing houses are now in better repair than prior to the war. According to a U. S. Census report, only 11 percent of the occupied dwelling units in November 1945 were in need of major repairs as compared with 18 percent in 1940.

In the urban areas the percentage of houses in need of major repairs was even smaller—only 8 percent in November, 1945, as compared with 11 percent in 1940.

The number of building permits issued reflects the strong demand for new housing. The number of permits issued in representative cities of the Ninth District during January of this year was almost double—90 percent above—the number issued in January, 1939.

The recent relaxation of governmental regulations on residential construction may result in the building of larger units as well as of more rental units. On December 24 a permit system was substituted for the priorities. Under this system contractors must meet certain conditions in order to secure permission to build from the Federal Housing Administration. These conditions have been summarized as follows:

"(1) Dwellings must be suitable for year-round occupancy;

(2) Total floor area of a dwelling, measured to the outside of exterior walls and garages, may not exceed 1,500 square feet;

(3) Only the number of fixtures normally used in equipping one bath room may be used after completion;

(4) Builders of dwellings for sale to veterans must hold them for veterans for 60 days after completion; rented properties must be held for 30 days for veterans' preference;

(5) The average of the rental in any one project must not exceed $80 a month per unit. To the rental ceiling can be added charges for services, not exceeding $4 per room per month." [1]

It is evident from this set of regulations that contractors are now free to build almost any type of house the public may desire.

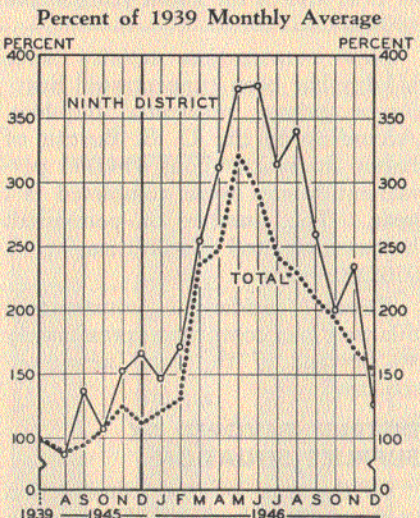
As is true for all commodities, the demand for housing obviously is limited by the selling price of the units. The increase in the price of materials and of wage rates has raised construction costs substantially. According to the U. S. Bureau of Labor Statistics, the index of wholesale prices of all building materials in January, 1947, averaged 88 percent higher than in 1939. As may be observed in the accompanying table, the rise in building material prices has been led by lumber and paints. The price of lumber has risen 168 percent and the price of paint and paint materials has more than doubled. Other building material prices have risen less than 50 percent.

The average hourly earnings of skilled construction workers in De-

[1] U. S. Department of Labor, Construction, January 1947, p. A-5.

CONSTRUCTION CONTRACTS AWARDED

Percent of 1939 Monthly Average



*"TOTAL" includes the 11 districts east of the Rocky Mountains.

Source: Federal Reserve Bulletin—Estimated from figures reported by the F. W. Dodge Corporation.

cember, 1946, were 59 percent higher than in 1939, and the earnings of the unskilled workers were 29 percent higher than in the pre-war year.

According to a number of construction cost indexes,[2] costs in December, 1946, were 59.5 percent above the 1939 average. This increase was less than the inflation in wholesale prices in general. It approximately equalled the rise in wholesale prices, other than farm products and food, which was 55 percent over the same period.

The rise in construction costs, however, does not reflect all of the inflation in the selling price of houses to ultimate users. The shortage of building materials has caused many delays in on-site construction, adding greatly to the cost. Newly built homes, moreover, have been subject to speculation which has raised further the selling price to the ultimate purchaser.

CONTRACTORS EXPECT TO SELL ALL HOMES BUILT

According to realtors and mortgage lending institutions in the Twin Cities, the real estate market has leveled off. The price of larger homes located in the less desirable residential areas has declined in recent months. Contractors, in some instances, have been forced to reduce their price on newly built homes in order to find buyers.

In spite of the levelling off trend in the real estate market, contractors anticipate that the effective demand for new housing will be sufficient for the industry to operate at full capacity during the coming building season. With the flow of materials to the construction site as they are needed, costs will be reduced materially, and, as the effective demand for new housing weakens, speculation also will subside.

These changes in the building situation may reduce the selling price sufficiently to bring enough buyers into the market to dispose of all the houses erected.

New construction for this year has been estimated by the U. S. Department of Commerce to exceed $15 billion, and the repairs and maintenance on old structures will range from $6½ billion to $7 billion. According to this estimate, the total expenditure for construction will be close to $22 billion, which represents an expansion close to 50 percent over the 1946 dollar total.

[2] U. S. Department of Commerce, **Construction and Construction Materials, Industry Report,** February 1947, p. 24.

Rise in Wholesale Building Material Prices, from 1939 to January, 1947

Type of Materials	Percent Increase Over 1939 Monthly Average
Brick and Tile	45
Cement	19
Lumber	168
Paint and paint materials	107
Plumbing and heating	48
All building materials	88

Source: U. S. Department of Labor.

The amount spent for new construction in 1946 totalled $10 billion, and for repairs and maintenance on old structures another $5 billion.

Due to the inflation in real estate values, the expected expansion in the physical volume of postwar construction is less impressive than the dollar volume. According to the U. S. Department of Commerce, the physical volume of construction in 1946 was about 10 percent more than in 1939 but only 60 percent of the peak volume in 1942.

Even though the estimated dollar volume for construction this year exceeds all previous records, the physical volume does not top the pre-war boom years. Allowing for a moderate rise in prices this year, the physical volume will probably be more than 20 percent below the peak reached in 1942 and about 10 percent below the physical volume of 1941 and of the boom years in the 1920's.

New construction activity since VJ-day has been concentrated heavily on private residential building. According to the U. S. Bureau of Labor Statistics, about 454,000 permanent homes were completed last year. The number of permanent homes completed this year may reach 950,000.

Private residential construction this year may comprise approximately 40 percent of the total new construction.

DISTRICT FAVORED BY SUPPLIES SITUATION

Of the total postwar construction in the nation, the Ninth District has had more than its pre-war share. The amount of construction contracts awarded, as reported by the F. W. Dodge Corporation, since VJ-day increased in this district more over the 1939 average than in the eleven Federal Reserve districts east of the Rocky Mountains. In only one month, December, 1946, was the percent of increase in the eleven districts larger than in the Ninth District, as may be observed by the accompanying chart.

The number of board feet of lumber sold by retail lumber yards in this district in February and March of last year reached a peak of 2½ times the monthly average number of board feet sold in the pre-war period from 1935 to 1939 inclusive. The number of board feet sold throughout the year was 55 percent more than in the pre-war period.

According to some men in the lumber business, the annual index grossly understates the increase in the amount of lumber sold. The keen competition among contractors for lumber since VJ-day has led to the sale of a substantial amount of lumber directly from sawmills to contractors.

The poor quality of some lumber sold is evidence of the strong demand. Lumber concerns often find it more profitable to sell it green than to season it in their drying kilns.

On the whole, building material shortages have eased considerably since a year ago. Some of the men in the business are of the opinion that the supply of most materials may be adequate for the demand in the coming season. Whereas last year the shortages were primarily in the basic building materials, the shortages are now concentrated in the finishing items, such as hardwood flooring, millwork, electrical equipment, and paints. Cast iron soil pipe, which has been extremely scarce, may continue to be scarce this year.

In view of the improved conditions in building materials, skilled labor may prove to be the bottleneck in this year's construction activity. Employment in the industry is still below the pre-war boom years. In 1946, monthly employment averaged 1,722,000 as compared with 1,806,000 in 1929. The Government's effort to stimulate private construction activity thus may be concentrated on the training of building trades apprentices.

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BANKING

Bank Earnings Leveling Off

NET earnings after taxes of Ninth District member banks in 1946 amounted to a record of $19,315,000. While this surpasses net earnings for any previous year, it exceeded by less than 2% the corresponding figure of $18,955,000 for 1945.

It is thus evident that the very rapid expansion in bank earnings, which came about largely as a result of war financing and the accompanying deposit increase, is exhibiting a marked tendency to reach its maximum. The less-than-two-percent increase for 1946 over 1945 is considerably smaller than the rate of increase during any of the previous war years.

This expansion in bank profits was by no means general. Member banks in Minnesota, Montana, and the Ninth District section of Wisconsin actually experienced smaller net profits after taxes in 1946 than in the previous year. Banks in South Dakota enjoyed the largest expansion, profits there aggregating 24 percent more than in 1945.

For about 60% of the banks in the district, 1946 net profits exceeded those for 1945, while the remaining 40 percent experienced no change or declines of varying amounts.

LOAN RISE EXPANDS GROSS EARNINGS

For some purposes, information on gross current earnings is more useful in judging the success of bank operations than net profits after taxes. The latter is after deductions for income taxes and allowances for bond profits, recoveries and losses on loans. Over many of these items the banks have little or no control. Gross current earnings, on the other hand, are the sum of earnings on investments, and service charges of various types.

Most of the 1946 expansion in gross current earnings is to be explained by the 25% increase in loan earnings, which rose to $19,137,000 in 1946. This very substantial increase arises largely from the rapid loan expansion which got under way about mid-year for banks in the Ninth District and pushed total loans and discounts up from $452 million at the beginning of the year to $593 million at the end. Almost all of this increase occurred during the latter half of 1946.

The average earnings on loans declined slightly during the year to 5.5 percent (as compared with 5.6 percent for 1945.) This occurred in spite of two other contradictory developments. First, higher rate commercial loans expanded, while lower rate loans on securities contracted. Furthermore, the loan expansion (25 percent) at the larger city banks was smaller than the loan expansion (40 percent) at the smaller banks.

In general the country banks average a higher rate of return on loans than the city banks. For example, banks with deposits under $1 million averaged about 6 percent on loans, while banks with deposits over $25 million averaged only 3.8 percent.

INTERMEDIATE ISSUES BOOST BOND YIELDS

Interest and dividends on securities actually increased from $30 million to $34 million. Since the debt redemption program of the Treasury during 1946 was concentrated largely in short term securities, the slight reduction in total bank investments during the year was more than offset by added earnings from the somewhat larger holdings of longer term

RECORD total of Ninth District member banks' net profits, near $20 million, less than 2% over 1945.

Country banks average higher rate of return on loans than city banks.

Reserve position of district member banks has eased considerably.

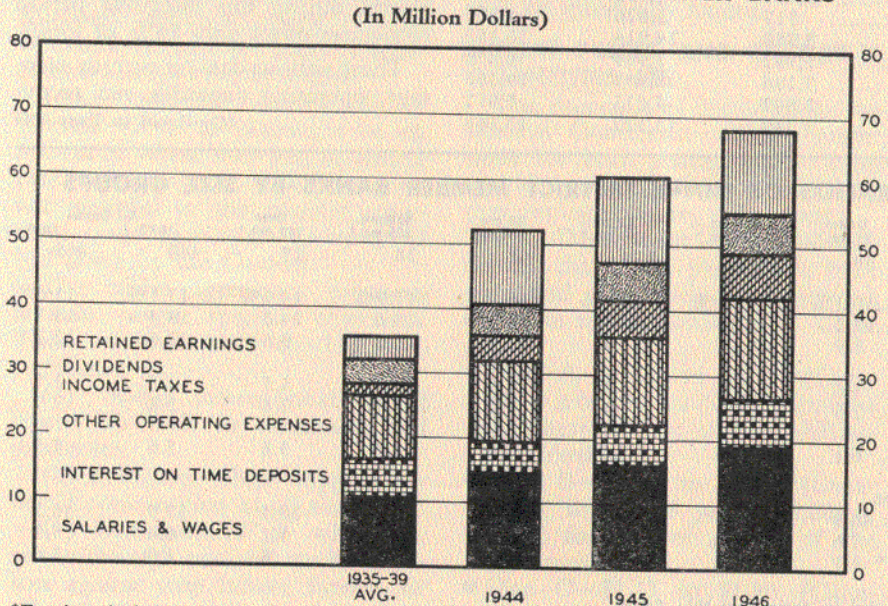
Gross Current Earnings of Ninth District Member Banks

(In Thousands of Dollars)

	1935-39 Average	1945	1946
Interest and dividends on securities	$12,922	$30,153	$34,642
Earnings on Loans	14,012	15,337	19,137
Service charges on deposit accounts	1,315	2,988	3,518
Other earnings	6,496	8,284	9,102
Total	$34,745	$56,762	$66,399

DISPOSITION OF EARNINGS, 9TH DISTRICT MEMBER BANKS*

(In Million Dollars)



*Earnings include gross current earnings plus net recoveries and bond profits.

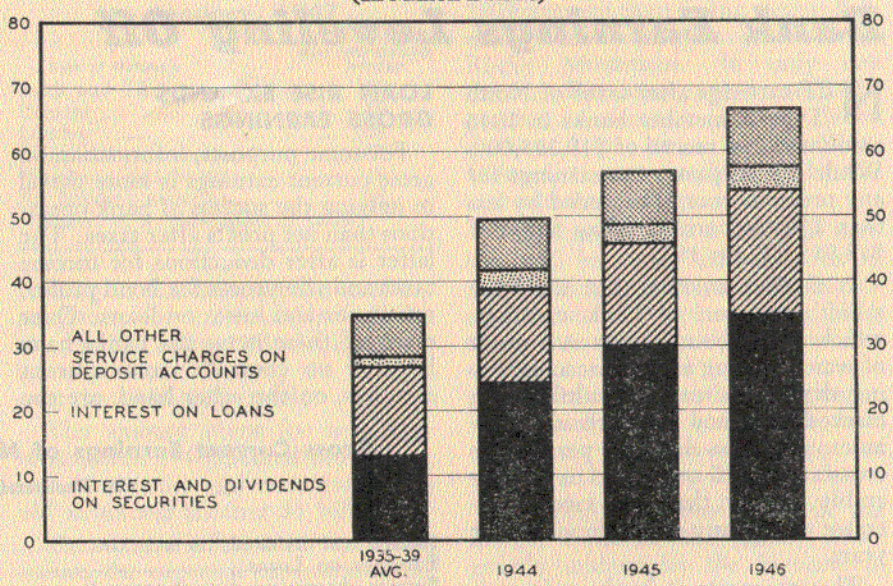
issues, together with a 15% increase in holdings of higher-yielding miscellaneous investments. Both service charges on deposit accounts and miscellaneous earnings also expanded slightly during the year.

Operating expenses increased somewhat more rapidly than earnings during the year. Approximately half of the increase is to be explained by a 19 percent rise in the bill for wages and salaries. Interest on time deposits and other operating expenses (excepting income taxes) combined to augment total operating expenses from $36 million in 1945 to $42 million in 1946.

One of the substantial contributors to bank earnings during many of the war years has been the large excess of bond profits and recoveries on charged-off notes over bad loans and losses on investments. In 1945, for example, this item alone contributed approximately 20% of net profits after taxes.

GROSS CURRENT EARNINGS, 9TH DISTRICT MEMBER BANKS

(In Million Dollars)



There are some indications that profits from this source are declining. In 1946 net recoveries and profits (gross recoveries and profits less losses) amounted to $1,867,000, less than half the corresponding figure for 1945.

It is important to keep in mind the non-recurring nature of net recoveries. During the 20-year period ending with 1941, for all member banks in the United States gross recoveries and profits were $4.5 billion, whereas total losses were $8.3 billion; in other words, during this inter-war period recoveries offset only 54% of losses.

These various data on current earnings, operating expenses, net recov-

(Continued on Page 436)

Operating Expenses of Ninth District Member Banks

(In Thousands of Dollars)

	1935-39 Average	1945	1946
Salaries and wages	$10,764	$15,927	$18,956
Interest on time deposits	5,816	6,234	7,400
Other operating expenses*	9,694	13,513	15,757
Total	$26,274	$35,674	$42,113

* Excludes income taxes.

Disposition of Ninth District Member Bank Earnings

(In Thousands of Dollars)

	1935-39 Average	1945	1946
Gross Current Earnings	$34,745	$56,762	$66,399
Less: operating expenses	26,274	35,674	42,113
Equals: net current earnings	8,471	21,088	24,286
Plus: net recoveries, etc.	517	3,826	1,867
Equals: net profits before income taxes	8,988	24,914	26,153
Less: income taxes	1,792	5,959	6,838
Equals: net profits after income taxes	7,196	18,955	19,315
Less: cash dividends declared	3,847	5,633	5,952
Equals: retained earnings	3,349	13,322	13,363

1946 SELECTED OPERATING RATIOS OF NINTH DISTRICT MEMBER BANKS BY SIZE GROUPS

	Under $1 mn.*	$1 mn.-$2 mn.*	$2 mn.-$5 mn.*	$5 mn.-$10 mn.*	$10 mn.-$25 mn.*	Over $25 mn.*	All Banks 1945	All Banks 1946
NUMBER OF BANKS	44	134	170	68	38	15	469	469
Percentage of total capital funds:								
Net current earnings	10.1%	15.1%	16.7%	16.1%	17.9%	14.1%	13.1%	15.6%
Profits before income taxes	11.2	15.3	16.4	16.3	16.6	14.3	14.4	15.5
Profits after income taxes	8.9	12.2	13.3	12.5	11.6	9.6	11.6	12.2
Percentage of total securities:								
Interest and dividends on U. S. Securities	1.6	1.5	1.5	1.6	1.5	1.5	1.5	1.5
Interest and dividends on other securities	2.8	2.9	2.9	2.7	2.8	2.6	3.2	2.9
Percentage of total loans:								
Interest and discounts on loans	6.1	5.9	5.6	5.0	4.8	3.8	5.6	5.5
Capital and deposit ratios—in percentages:								
Capital funds to total assets less government securities and cash assets	46.9	35.6	33.8	37.1	37.0	30.5	37.7	36.2
Capital funds to total deposits	7.6	5.8	5.1	5.0	4.5	5.1	6.0	5.5
Interest on time deposits to time deposits**	1.1	1.1	1.0	.9	.8	.8	1.0	1.0

* Banks classified by total deposits.

** Banks reporting zero amounts were excluded in computing this figure.

NOTE: These are simple averages of the individual ratios computed for each bank.

AGRICULTURE

World Wheat Agreement Has Seven Aims

PROPOSALS under consideration in London by International Wheat Council important to wheat-producing Ninth District.

Stable prices, adequate production, wheat reserves, and avoidance of surpluses among objectives.

Three plans suggested for pricing wheat in world trade.

A CONFERENCE of unusual interest to the economy of the Ninth District is now in progress in London. This is the meeting of the International Wheat Council, a prewar organization, to consider proposals for a world wheat agreement.

This meeting is significant because agriculture is the principal industry in the Ninth District and wheat is the district's most important cash crop. Normally it accounts for approximately one-fifth of total cash farm income. Wheat is particularly important in the Dakotas and Montana. Farmers, bankers, and others are therefore keenly interested in the agreement proposals, since, if adopted, they would be a major marketing influence.

The Wheat Council, of course, may make many changes in the plan as it is now written during the current conference. Should the agreement proposals be adopted at London, it will be subject to Congressional approval before it becomes effective as to this country.

EXPORTING AND IMPORTING COUNTRIES REPRESENTED

The International Wheat Council includes representatives of both exporting and importing countries. The countries represented include the United States, Australia, Argentina, and Canada as the principal wheat exporting countries, and the United Kingdom, Belgium, Brazil, China, Denmark, India, Italy, and the Netherlands as importing countries.

Other countries substantially interested either as importers or exporters of wheat may join or participate in the program. Other countries not included in the original agreement could participate under terms laid down by the Council.

The wheat agreement proposals include seven specific objectives. These are outlined by the U.S.D.A. as follows:

(1) Stable international wheat prices fair both to consumers and producers;

(2) Adequate wheat supplies for world consumption at all times;

(3) Establishment of wheat reserves through national stocks to insure against crop failure, famine, or other contingencies;

(4) Avoidance of the accumulation of burdensome wheat surpluses;

(5) Security for efficient wheat producers, and encouragement of the use of areas unsuited to wheat production for more suitable products;

(6) Increased opportunities for satisfying world wheat requirements from sources from which such requirements can be supplied most effectively;

(7) Promotion of increased wheat consumption.

FOUR TO FIVE-YEAR AGREEMENT SUGGESTED

The agreement, according to the Department of Agriculture, is to become effective August 1, 1947, provided it is supported by at least three of the four major wheat exporting countries and six important importing countries, including the United Kingdom.

The agreement, if adopted, would remain in effect for four or possibly five years. As now written it may be changed or modified after two and one-half years, with renewal to be negotiated six months before expiration. The draft proposals as presented to the conference do not indicate what the penalty would be for a member country if the contract were breached. A country may presumably withdraw in case of war, and possibly other conditions which may be specifically named.

WHEAT PRICES AND EXPORT QUANTITIES SET

The proposals as presented to the London Conference include provisions for both setting price ranges and allocating the quantity of wheat that any one country may export.

The Department of Agriculture reports that three plans have been suggested for pricing wheat that moves in international trade. These are:

- Plan A—$1.25 to $1.55 (Canadian) a bushel for No. 1 Manitoba Northern Wheat at Ft. William-Port Arthur.
- Plan B—$1.25 to $1.55 (Canadian) for three years, $1.00 to $1.55 for rest of period of the agreement.
- Plan C—$1.25 to $1.80 (Canadian) for three years, $1.00 to $1.55 for rest of period.

Wheat prices for the United States and other exporters would be fixed in relation to the Canadian price. At present the price of No. 1 Heavy Dark Northern Spring Wheat at Duluth would be equivalent to the Canadian price. Export wheat prices, however, in Argentina, Australia, and the United States might be subject to change from the Canadian prices as conditions change. Pricing details will, of course, be given further study at the conference.

One of the most widely criticized features of the agreement proposals in domestic grain trade circles is the suggested export allocations. As now written, the United States export share on an annual basis would be only 16 percent. Canada would get 40 percent, Australia 19, and Argentina 25 percent. These shares would apply to the 500 million bushels.

This 500 million maximum may be compared to the 625 to 650 million bushels which approximated pre-war quantities of wheat in world trade. The United States maximum share would therefore be only 80 million bushels annually. This amount is substantially below the 300 million bushels exported from the United States in the last two years.

The quota probably is not large enough to prevent wheat surpluses from eventually piling up again in this country.

When export demand exceeds the 500 million bushel level, the excess would be apportioned among the several exporters on the basis of current considerations such as stocks, balance of payment position, and other factors.

A penalty is suggested if export

quotas are exceeded. If an exporting country exceeds its quota in any one year, the excess may be deducted from the following year's quota. If, however, exports exceed 3 percent of the quota, the deduction the following year is trebled on the quantity over the 3 percent. It is also suggested that no importing country may exceed its quotas by more than 5 percent.

PROVISION MADE FOR PRODUCTION CONTROLS

The agreement proposals provide for production and marketing management to keep stocks within agreed limits, according to the analysis of the Department of Agriculture.

Importers also would agree (a) to import certain quantities in addition to their minimum requirements, or (b) not to support domestic prices above import prices, or (c) to limit wheat production to a base period.

RELIEF WHEAT AT 'SPECIAL' PRICES

The Council may grant permission to exporting countries to sell at special prices where the wheat is to be used for relief purposes. Safeguards are suggested, however, to prevent misuse of such exports as might include resale at the "pegged" level, reduction in regular imports, or re-exports.

In addition to provisions for pegged prices, quotas, and production controls, the member countries might also fix minimum and maximum carry-over stocks of old wheat. Exceptions may be allowed, however, to take care of crop failures or other unusual conditions that are specified.

MANY CRITICISMS OF AGREEMENT PROPOSALS

The proposed agreement has not escaped criticism. If adopted by this country the wheat agreement in effect would be a treaty. As such the United States would no longer be free to handle its own "wheat problems" as it saw fit. It might set the pattern for other commodity agreements, which would further regiment the agricultural economy.

Many in grain trade circles have criticized the proposals because of the relatively low quota allocation to the United States and because prices are geared to Canadian price levels. Presumably this would mean subsidized exports, with the taxpayer footing the bill. The base period for determining export allocations was one of the most unfavorable on record, according to some authorities.

Although wheat surpluses may again be in the picture, they may not be burdensome until late 1948. Acceptance of the agreement before 1948 or before surpluses actually develop would therefore be to the disadvantage of United States wheat growers, since our quota of 16 percent is relatively small. It would benefit those countries with high quota allocations.

Some have condemned the wheat agreement proposal because it is a step away from America's traditional freedom of enterprise and initiative. If put into effect, the farmer may be told how much wheat to grow, wheat stocks would be regulated, and the United States price tied in closely with world prices.

On the other hand, proponents of the plan claim that achievement of the agreement objectives, as outlined earlier, would bring stability of price and income to the wheat farmer. At the same time, world marketing and distribution of wheat would be improved to the benefit of people the world over.

Before the war, United States exporting of wheat below the domestic price level was often considered as "dumping" by other wheat exporting nations. This tended to encourage retaliatory trade practices to the disadvantage of United States foreign trade. Under the terms of the wheat agreement, wheat exporters abroad would not be so concerned with United States domestic wheat prices. They would expect the United States to sell its quota at the world price regardless of domestic price levels.

Agricultural economists in this country generally believe that, without a foreign market, domestic wheat surpluses might quickly depress prices. Proponents of the world wheat plan argue that it is one way of assuring ourselves a steady foreign market for at least a portion of the surplus wheat.

Proponents also feel that some form of domestic wheat program involving production and marketing control is unavoidable in the long run, and that it is advisable to tie such domestic programs in with world wheat marketing and distribution programs. In fact the two might well be synchronized. Furthermore, its advocates believe that agreements of the kind proposed are a step in the direction of world economic cooperation and world peace.

Average Prices Received by Farmers [1]

Commodity and Unit	Ninth District Feb. 15, 1937-1941 Avg.	Ninth District Feb. 15, 1946	Ninth District Feb. 15, 1947	Parity Prices [2] United States Feb. 15, 1947
Crops				
Wheat, bushel	$ .83	$ 1.50	$ 1.97	$ 1.95
Corn, bushel	.55	.93	1.05	1.42
Oats, bushel	.31	.67	.71	.882
Potatoes, bushel	.64	1.19	1.12	1.64
Livestock and Livestock Products				
Hogs, 100 lbs.	7.17	13.95	23.81	16.10
Beef Cattle, 100 lbs.	6.76	11.59	17.21	12.00
Veal Calves, 100 lbs.	8.65	13.33	19.47	14.90
Lambs, 100 lbs.	7.73	13.27	18.75	13.00
Wool, lb.	.26	.44	.42	.404
Milk, wholesale, 100 lbs.	1.57	2.75	3.73	3.64
Butterfat, lb.	.31	.53	.72	.596
Chickens, live, lb.	.116	.204	.207	.252
Eggs, dozen	.156	.293	.335	.428

[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.

January-December Cash Farm Income [1]

(Thousands of Dollars)

State	1935-1939 Average	1945	1946	1946 in Percent of 1945
Minnesota	$ 346,863	$ 858,647	$ 1,026,150	120%
North Dakota	113,247	456,073	544,382	119
South Dakota	110,244	414,605	567,261	137
Montana	92,904	236,569	287,183	121
Ninth District [2]	744,407	2,163,834	2,657,277	123
United States	8,476,000	21,552,000	24,972,000	116

[1] Data from "The Farm Income Situation," United States Department of Agriculture.
[2] Includes 15 counties in Michigan and 26 counties in Wisconsin.

BANKING (From Page 433)

eries, and income taxes combine to produce the figure in which the banker is finally most interested—net profits after taxes. After rising rapidly from an average of just over $7 million during the five years 1935 to 1939 to $18,955,000 in 1945, net profits after taxes in 1946 just pushed ahead of the preceding year to total a record $19,315,000.

Although cash dividends of $5,952,000 were approximately 6% above 1945, it is quite evident that the banks are pursuing a comparatively conservative dividend policy. This tendency to leave a major portion of net profits after taxes as retained earnings and additions to capital funds seems particularly desirable in view of the rapid expansion currently in the risk assets of member banks.

It is perhaps worthwhile to compare the earnings of Ninth District banks with other types of businesses during 1946. Since only very sketchy information is yet available for 1946, no very precise conclusions can be drawn. On the other hand, a tabulation of income statements from 840 major manufacturing corporations indicates 1946 net profits after taxes for these companies at an average rate of 11.9% of net worth.[1] This would compare roughly with approximately 11% for all member banks in the district.[2] Preliminary evidence suggests that retail and wholesale trade firms may have had net profits after taxes relatively higher than manufacturing and therefore much higher than the average for member banks in this area.[3] It is thus evident that the war-time tendency for the profitability of bank operations to outrun that of other industries is no longer so evident.

[1] Monthly Letter, National City Bank, New York, N. Y., March, 1947, p. 32.

[2] This 11 per cent is total net profits after taxes for all banks divided by aggregate capital funds for all banks. The "operating ratio" average of 12.2 per cent is the simple average of the ratios for each bank. Since the large banks had a lower rate of net profits to capital funds, the first method of computation produces a lower figure.

[3] Monthly Letter, National City Bank, New York, N. Y., November, 1946, p. 124.

Assets and Liabilities of All Ninth District Member Banks*
(In Million Dollars)

Assets	Feb. 26, 1947	Jan. 29, 1947	Change
Loans and Discounts	$ 619	$ 599	+ 20
U. S. Government Obligations	1,877	1,899	— 22
Other Securities	148	145	+ 3
Cash Items	810	796	+ 14
Other Assets	27	22	+ 5
Total Assets	$3,481	$3,461	+ 20
Liabilities and Capital			
Due to Banks	$ 386	$ 385	+ 1
War Loan Deposits	96	81	+ 15
Other Demand Deposits	1,880	1,882	— 2
Total Demand Deposits	$2,362	$2,348	+ 14
Time Deposits	890	886	+ 4
Total Deposits	$3,252	$3,234	+ 18
Borrowings from F.R.B.	29	29	....
Other Liabilities	16	15	+ 1
Capital Funds	184	183	+ 1
Total Liabilities and Capital	$3,481	$3,461	+ 20

* This table is in part estimated. Data for loans and discounts, U. S. Government obligations, and other securities are obtained by reports directly from the member banks. Reserve balances, cash items, and data on deposits are largely taken from the semi-monthly report which member banks make to the Federal Reserve Bank, for the purpose of computing reserves. Data for borrowings from the Federal Reserve Bank are taken directly from the books of the Federal Reserve Bank. Other liabilities, which may include some borrowings by banks from other banks, is largely estimated. Capital funds, other assets, and total assets and liabilities are extrapolated from call report data.

FEWER GOVERNMENTS PERMIT LOAN EXPANSION

AFTER some tightening following the turn of the year, the reserve position of member banks in the area has eased considerably. The continuing increase in loans and discounts has been more than offset by reduced holdings of U. S. Government obligations, with the result that the loan expansion has been no net strain on bank reserve resources.

At the same time, total deposits increased by $18 million during February, almost all of which is to be explained by the $15 million rise in war loan deposits. The deposit increase was accounted for entirely by member banks in Minnesota, Montana, and South Dakota. Wisconsin member banks represented no change during the month on balance, while deposits in North Dakota and Montana banks declined slightly.

Member bank borrowings from the Federal Reserve Bank of $29 million on January 29 were at the same level on February 26.

There is some evidence that the city banks were in a somewhat easier reserve position than the country banks. The 20 reporting banks in this district experienced during the month ending March 12 a deposit expansion of $55 million, which enabled them to eliminate their borrowings and at the same time increase loans by $13 million.

The $29 million decline in holdings of U. S. Government securities contributed materially to the easier reserve position.

Assets and Liabilities of Twenty Reporting Banks
(In Million Dollars)

Assets	Mar. 12, 1947	Feb. 12, 1947	Change
Total Loans	$ 358	$ 345	+ 13
Total U. S. Government Securities	734	763	— 29
Other Investments	60	59	+ 1
Cash, Due from Banks, and Reserves	431	384	+ 47
Miscellaneous Assets	17	16	+ 1
Total Assets	$1,600	$1,567	+ 33
Liabilities			
Total Deposits	$1,495	$1,440	+ 55
Borrowings	.....	23	— 23
Miscellaneous Liabilities	11	11	....
Capital Funds	94	93	+ 1
Total Liabilities and Capital	$1,600	$1,567	+ 33

FOOD RELIEF AND 9TH DISTRICT AGRICULTURE

(Continued from Page 429)

From a long-time economic standpoint the world food situation looks dismal indeed. There are some three billion people in the world and only 140 million in the United States. We have plenty of food in the United States, but what we export is only a drop in the bucket when compared to world needs. More might be exported if United States consumers ate more cereals and gave up meat, eggs, and milk.

Cereals provide approximately seven times more food when consumed directly than is true when they are processed into meat or livestock products. Even this would not help for long unless population growth was held in check.

Perhaps the answer to the world food problem lies not alone in increased exports from the United States but also in the development of agricultural and industrial skills and techniques in the backward countries. In the long run, history has demonstrated that this is a most effective way to raise living standards. Immediately, however, little can be done unless there is an effective program to prevent population growth from offsetting gains either from international relief or greater production in the more backward countries.

U. S. FOOD EXPORTS BOOST FARM PRICES

Even though United States food exports are small in relation to total world needs, they have played a tremendously important part in the domestic farm product price situation. If a permanent export market for American agricultural products is not developed, it is questionable whether the present high price level for farm products can be sustained with production up a third from pre-war and consumption up perhaps 25 percent.

Wheat prices are at 28-year highs in spite of the fact three record crops of more than a billion bushels each have been produced concurrently. Domestically, we use between 700 to 750 million bushels of wheat annually. From 300 to 400 million bushels have been exported annually during the last few years. Before the war, less than 50 million bushels were exported annually.

If United States wheat surpluses fail to move in world trade, many competent observers feel that domestic prices will be affected adversely. During the inter-war period, when wheat exports were relatively low, even the most efficient producers were often hardpressed. Moreover, United States farm products that move in world trade are our largest crops. What happens to them affects all agriculture and the total economy as well.

Huge exports of grain, with resultant high prices, together with price ceilings on meat caused average or below average feeding ratios in late 1945 and early 1946. The hog-corn price ratio averaged 12.8 in 1945, and the ratio remained near that level in early 1946. Breeding of hogs was curtailed and pig production dropped. Hogs are now selling at new all-time highs—$30 at the peak in late February compared with about $9 for the 1935-39 average.

Meat exports in 1946 totaled around a billion pounds, about 5 percent of total production. Practically no meat was exported in pre-war years.

Exports of dairy products on a milk equivalent basis have averaged about 5 billion pounds since 1942. Before the war, less than one-third of a billion pounds was exported, and the United States was a net importer of cheese.

The U.S.D.A. announced December 16 that it was ready to purchase 10 million pounds of dried whole eggs for delivery to Britain in 1947. Contracts with other foreign countries are expected to be made also. In 1946 the Government purchased a total of 98 million pounds of dried whole eggs—most of which went into export channels.

The huge surplus of cotton, which for many years weighed so heavily on the cotton market, has disappeared—exported or moved into the expanded domestic market. Cotton is now about 30 cents a pound compared with 10 cents in the 1935-39 average.

These examples serve to illustrate the magnitude of recent agricultural exports and the part which exports, supplementing domestic demand, have played in boosting prices of farm products to new high levels.

The Current Tariff Rates on Certain Farm Products[1]

COMMODITY	Current Tariff Rates[1]
Dairy Products	
Butter	14c lb.
Cream	28.3c gal.[2]
Fresh Whole Milk	3.25c gal.[3]
Oleomargarine (excise tax)	15c lb.
Grains	
Wheat	42c bu.
Corn	25c bu.
Oats	8c bu.
Barley	15c bu.
Flaxseed	32½c bu.[4]
Wool	
In the grease or washed	34c lb.
Scoured	37c lb.
Livestock	
Hogs	1c lb.
Cattle (not for breeding except dairy cattle)	1½c lb.[5]

[1]There are many qualifications and minor exceptions to the listed rates. For complete information refer to "The United States Tariff Rates on Agricultural Products, Revised." U.S.D.A., Washington, D. C., August 1946.

[2]Annual quota 1,500,000 gallons. Higher rates apply after quota.

[3]Annual quota 3,000,000 gallons. Higher rates apply after quota.

[4]50c thirty days after emergency declared ended.

[5]After the emergency, quotas apply.

ARMY DISTRIBUTES FOOD IN OCCUPIED COUNTRIES

In addition to United States exports of farm products, a large amount of food is used by the United States Army in occupied areas. Military interests claim it is necessary to feed those who, without food, might endanger occupation forces and plans.

Expenditures by the War Department for foreign relief (food) for the 1946-47 fiscal year totaled $560 million. The estimate for the 1947-48 expenditures is $645 million. If Hoover's recent recommendations are adopted, an even larger quantity of food will be distributed as relief.

Sixteen million Germans are virtually boarding on Uncle Sam because of the disrupted condition of the German economy, according to an authentic source of information. The number of Japanese sitting around the table is unknown, but it is substantial.

In any event, the net effect of both export and relief feeding programs on United States agricultural

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BUSINESS

(From Page 431)

DISTRICT BUSINESS IN GENERAL NEAR CAPACITY

Although the rapid expansion in general business activity witnessed during the past year may have ceased, business in this district during the winter months has operated close to full capacity. Various business indicators reflect a levelling off, but at a very high level.

Department store sales in this district continued at a high dollar volume during February. After an adjustment was made for the usual small increase in sales during February as compared with January, the index for both January and February stood at 162 percent above the 1935-39 average. According to the index, department stores in this district had the largest February dollar volume on record. It was, however, 3 points below the peak reached in September, 1946, after an adjustment was made for seasonal differences.

Since department store sales reflect the trend of consumer spending, it is evident that such spending continues at a high level.

The levelling off in department store sales is reflected better in a comparison of the dollar volume in recent months with that in the corresponding period of a year ago. For the year 1946, sales in this district averaged 34 percent above those for 1945. In January of this year the sales were 25 percent above those in January 1946 and in February they were 11 percent above those in the same month of a year ago.

Preliminary figures for March indicate that the increase in sales over a year ago may again be somewhat larger than for February but significantly below the increase reported for January.

The levelling off in department store sales has been less pronounced in this district than in other districts. Since the latter part of January, the increase in the dollar volume over a year ago has been noticeably greater than in the nation as a whole.

Stocks held by department stores in this district at the end of February were smaller than at the end of January. However, in relation to sales, stocks were still higher than in the pre-war period from 1935 to 1939. Whereas sales during February were 162 percent above the pre-war base period, stocks were 176 percent above the base period.

Northwest Business Indexes

Adjusted for Seasonal Variations—1935-1939 = 100

	Feb. 1947	Jan. 1947	Feb. 1946	Feb. 1945
Bank Debits—93 Cities	304	314	248	208
Bank Debits—Farming Centers	370	392	300	231
City Department Store Sales	273	277	248	194
Country Department Store Sales	251	247	224	170
City Department Store Stocks	260 p.	261 p.	151	147
Country Department Store Stocks	289	298	169	172
Country Lumber Sales	199	147	240	202
Miscellaneous Carloadings	144	154	119	156
Total Carloadings (excl. Misc.)	100	100	97	95
Farm Prices (Minn. unadj.)	238	242	167	168

p.—Preliminary

Department Store Sales by Cities

	Percent One Year Ago Feb.	Percent One Year Ago Jan.-Feb.	Percent 1935-1939 Average
Minneapolis	106	115	227
St. Paul	119	123	210
Duluth-Superior	107	112	*
La Crosse	111	113	
Mankato	108	120	
St. Cloud	108	120	

* Insufficient number of stores.

Sales in Ninth District Department Stores

	Number of Stores Showing Increase	Number of Stores Showing Decrease	% Feb. 1947 of Feb. 1946	% Jan.-Feb. 1947 of Jan.-Feb. 1946
Total District	198	71	111	118
Mpls., St. Paul, Dul.-Sup.	17	6	111	118
Country Stores	181	65	112	118
Minnesota	52	22	109	116
Central	7	1	109	120
Northeastern	4	2	106	107
Red River Valley	3	1	112	114
South Central	13	7	110	122
Southeastern	11	2	118	123
Southwestern	14	9	101	110
Montana	24	10	111	116
Mountains	7	4	115	119
Plains	17	6	109	115
North Dakota	35	12	115	123
North Central	7	2	122	133
Northwestern	4	1	114	118
Red River Valley	12	4	117	128
Southeastern	12	3	117	119
Southwestern	*	*	.....	.....
Red River Valley-Minn. & N. D.	15	5	116	125
South Dakota	32	12	111	115
Southeastern	8	6	106	115
Other Eastern	19	4	117	116
Western	5	2	105	115
Wisconsin and Michigan	38	9	116	119
Northern Wisconsin	9	2	109	110
West Central Wisconsin	24	5	117	120
Upper Peninsula Michigan	5	2	115	120

* Not shown, but included in totals. Insufficient number reporting.

FACE LIFTING

Perhaps 90 percent of printed matter defies reading because an incorrect relationship between type size and column measure does not permit easy flowing reading.

With this issue, the Monthly Review shifts to a format of three 13-pica columns. Tests have established that for our type size the former two-column width was too wide for maximum readability.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, MARCH 27, 1947

INDUSTRIAL output and employment were maintained in February and the early part of March at the record peacetime levels reached in January. Value of department store sales has continued at a seasonally adjusted rate close to the level prevailing since early last summer. Wholesale commodity prices have advanced further.

INDUSTRIAL PRODUCTION—Industrial production, as measured by the Board's seasonally adjusted index, was maintained in February at the January rate of 188 percent of the 1935-39 average.

Output of durable manufactures was slightly above the January rate, owing mainly to increased activity in the automobile industry and to a somewhat greater than seasonal gain in production of lumber and other building materials. The number of automobiles and trucks assembled reached a new postwar peak which was about the same as the 1941 average.

The Board's index of steel production showed a slight gain in February as a 9 percent increase in output at electric furnaces more than offset a 2 percent decline in production at open hearth furnaces. In March, scheduled operations continued to advance, reaching a new postwar high of 97 percent of capacity in the last week of the month.

Minerals production was maintained at the January rate, as a 6 percent decline in coal output was offset in the total by increased production of crude petroleum and metals.

CONSTRUCTION—Value of construction contracts awarded in February was about the same as in December, according to the F. W. Dodge Corporation. Awards in January had been about one-fourth higher, owing mainly to several large public and private projects. Value of awards for private non-residential construction continued to show little change from the reduced levels reached in November. The maximum amount of this general type of activity permitted under federal orders was raised substantially on January 10.

DISTRIBUTION — Department store sales in February and the first half of March showed about the usual seasonal advance, and the Board's adjusted index of sales during the first quarter of the year is likely to be at about the same average level as during the fourth quarter of last year, when the index was close to 270 percent of the 1935-39 average. Value of department store stocks showed a greater than seasonal increase in February, and the preliminary adjusted stocks index reached a level of 280 percent of the 1935-39 average.

Shipments of coal and most other classes of revenue freight declined somewhat in February, owing in part to severe weather conditions, and then advanced during the first two weeks of March. Loadings of forest products, however, were considerably above the January rate throughout this period.

COMMODITY PRICES — Wholesale commodity prices continued to rise during February and the first half of March. The Bureau of Labor Statistics' index of wholesale prices at 149 (1926-100) was one-third above the level of last June. There were sharp increases to a new high level of 184 in the index for farm products, and the average of prices of commodities other than farm products continued to rise.

BANK CREDIT—Deposits of businesses and individuals at commercial banks declined sharply, and Treasury deposits at Federal Reserve banks increased in February as a result of large tax payments. This shift of funds to Treasury accounts at the Reserve banks put a drain on member bank reserves, which was offset in part by a decline in required reserves and in part by an increase in Reserve bank holdings of Government securities. In the first half of March, however, when Treasury deposits at the Reserve banks were drawn down in connection with cash retirement of about $3 billion of maturing securities, member bank reserve positions were eased considerably and Reserve bank holdings of Government securities declined sharply. Completion of the United States payment to the international monetary fund in February resulted in a decline in the total monetary gold stock of the Treasury and in offsetting changes in other Treasury and Federal Reserve accounts without affecting member bank reserve balances.

Commercial and industrial loans increased further at banks in leading cities. Real estate loans rose moderately. Holdings of Government securities were reduced further in February through sales to maintain reserve position and were increased somewhat early in March, as purchases of Treasury bills and certificates were larger than the amount of retired issues held by these banks.

FOOD RELIEF AND 9TH DISTRICT AGRICULTURE

(Continued from Page 437)

prices and incomes is much greater than generally realized.

There has been increasing interest recently in prospects for larger foreign markets for American agriculture. Exports of agricultural commodities have played a substantial part in sustaining prices during the war. The unhappy experiences of the Thirties also are not forgotten —a decade in which domestic surpluses were developing in part because the export market for American agriculture was drying up from the growth of discriminatory trade practices.

Whether any substantial export market for American agricultural products can be developed in the years ahead is not yet clear. It will depend on the answers to such questions as these:

What success will the United Nations have in modifying the restrictive, discriminatory trade practices which grew up in the Thirties? Will the rest of the world be able to sell the United States enough goods and services to have buying power for any substantial purchases of American agricultural products? Can American agriculture produce its surplus crops (such as wheat and cotton) as efficiently as other major producing areas?

The probability that relief demands within the next 18 months may decline materially underlines the need for careful consideration of these questions. If some measure of success can be achieved in reopening the export market for American agriculture, the spectre of either domestic surpluses depressing prices on the one hand, or widespread production controls on the other, may not haunt us to the same extent as in the prewar decade.

Important as world trade is to the American farm market, it is not the only issue for consideration. It may be equally important as a way to promote world cooperation and world peace.

—Franklin L. Parsons