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New Plan Promises Higher Farm Support

EARLY in 1920, after World War I, the bottom fell out of farm prices. Bankers and farmers alike remember that experience and it has made them cautious the last few years.

As a matter of fact, farmers had been through a postwar deflation three times before 1920, each time after a major war. These experiences taught that a postwar deflation hits farmers first and it usually hurts them most.

During the early stages of the recent war, Congress recognized what might happen again to agriculture at the end of the war. In order, therefore, to insure adequate food production and at the same time give agriculture temporary protection from postwar deflation, Congress passed legislation giving major farm commodities price protection at 90% of parity for two years after the war's end.

By now, however, it is increasingly evident that the nation's price support policy for agriculture has gone far beyond postwar price insurance of a temporary character.

Agriculture is rapidly becoming accustomed to government assistance in one form or another. Farmers, like other groups, appreciate this assistance, and once they have had a taste of it apparently they do not want to give it up.

One example will illustrate this trend of thinking. When wheat prices were first supported by government loans back in 1938, the rate was only 54% of parity (59 cents per bushel). Since then, the rate gradually has been increased to the current 90% of parity level. There are powerful groups in our Midwest area today who say wheat should have full 100% of parity support and that anything less is not giving the farmer his fair share.

In fact, a major issue in new farm legislation hinges on whether price

Brannan Proposal Would Promote Livestock Enterprises and Give 'Break' to Consumers of Surplus Non-storable Farm Commodities

By FRANKLIN L. PARSONS

support shall be in terms of a rigid high 90% of parity, or even higher, or whether supports shall be flexible at 60% to 90% of parity depending on supplies of individual farm products.

MANY ADVANTAGES TO HIGH LEVEL FARM SUPPORTS

The advocates of a relatively high level of price and income supports to agriculture cite certain advantages, namely:

1. Stabilized farm prices and incomes tend to stabilize the rest of the economy. In the past, according to this reasoning, agriculture has often been the culprit in leading the country into depressions. Therefore, it is in the public interest to maintain a prosperous agriculture.
2. Support of farm prices insures abundant production at all times with fair prices to consumers from year to year. Furthermore, support measures along with a feed-grain storage program promote stabilized livestock production operations.
3. The farmer is entitled to a fair share of the national income. Because of the peculiar characteristics of agriculture and the extremely competitive forces in agriculture, the farmer can get this fair share only with government assistance.
4. The farmer is up against rigid and administered costs at every turn. Examples of this are in fuel oils, machinery, labor,

transportation, and equipment costs of all kinds.

OTHERS SEE DISADVANTAGES IN HIGH LEVEL FARM SUPPORTS

On the other hand, some of the farm groups, some economists, and others, see certain disadvantages or pitfalls in price supports at relatively high and rigid levels. These groups advance their arguments about as follows:

- 1) The costs of a high-level support program may extend into many billions of dollars. To meet this cost, wealth must be taken from the pocket of one group and transferred to the pockets of another.
Even today in spite of unprecedented prosperity and almost full employment, prices of wheat, corn, flax, butterfat, potatoes, certain fruits, and some other farm products, are supported by government non-recourse loans, purchase agreements, and purchases for export or domestic disposal.
- 2) Support prices at levels above the free market price are feared as only the forerunner to a seriously regulated and controlled agricultural economy. If farm production is to be controlled artificially, it raises questions whether resources may be used to the best advantage. For example, price supports for potatoes resulted in overproduction in recent years. Favorable price support levels for wheat and flax has brought out a 1949 acreage much in excess of recommended goals.

There tends to be more or less waste of land, labor, and capital resources when unneeded production takes place in response to artificially high support prices.

- 3) If price supports are granted, what is to stop price-ceiling legislation? After all, agriculture is a minority group—less than 19% of the total population. There are only 5½ million farm operators against 16 million labor union members. Government by pressure groups may not always be in the farmer's interest.
- 4) The efficient farmer may find that controls are to his disadvantage. After all, approximately one-third of all farmers produce 85% of marketed food. The other two-thirds produce the remainder of 15%, but this group has the most votes. The larger and more efficient farmer may eventually find himself hemmed in by regulations which tell him what to produce, how much, and how to produce it.
- 5) High level price supports may materially reduce the export market on crops such as wheat, cotton, and tobacco. If exports of these "surplus crops" are subsidized, other nations may accuse the U. S. of "dumping." They undoubtedly would find means of retaliation. In any event the U. S. would soon find it necessary to prevent such exports from finding their way back into the domestic market. This would not promote international economic cooperation. Rather it would promote economic nationalism.

BRANNAN PROPOSAL PROMISES HIGH SUPPORTS TO FARMERS, BUT LOWER FOOD PRICES

In the light of these arguments for and against high farm support prices, it is interesting to note the principal features of agriculture's newest farm plan which was presented to Congress in early April by Secretary Brannan.

In the Secretary's words the purpose of this plan is to protect farmers by giving them a fair, stable income and at the same time give consumers "a real break" on food prices.

Under the new proposal, prices of perishable or non-storable commodities such as livestock and livestock products, poultry and eggs, milk and butterfat, and fruits and vegetables, would be allowed to seek their natural market level. The difference between the average market price and the support price would be paid by government check direct to the producer.

Under this plan, the government would make no effort to store, loan, destroy, or purchase supplies of these commodities. The market would simply go low enough to clear.

On the other hand, producers of storable commodities such as wheat, corn, and flax would have their prices supported as at present by loans, purchase agreements, and purchases for export.

Presumably, however, there would be measures to restrict output.

OLD PARITY PRICE FORMULA WOULD BE SCRAPPED

The new plan proposes to do away with the old parity price formula based for most commodities on 1910-14 price relationships.

In its place a new formula is substituted which sets up an "income support standard" as the goal.

The goal is to insure for agriculture the same purchasing power it enjoyed during the 10-year period, 1939-48, which is probably the most favorable period to agriculture on record. In other words, the objective would be to give farmers as a group the same purchasing power in 1950 that they enjoyed in the base period, 1939-48. The farm purchasing power is estimated at \$18.2 billion for the average of the 1939-48 period. However, on March 15, 1949, the prices paid by farmers were 1.44 times the 1939-48 period. Therefore, the income standard should be 1.44x18.2 billion or \$26.2 billion. After this minimum income goal is set for the year ahead, it is translated back into prices of individual farm commodities.

This works out about like this: The income goal for 1950 (\$26.2 billion) divided by the estimated average cash farm receipts for the preceding 10-year period, 1940-1949 (\$20.9 billion). This results in a so-called adjustment factor (1.25) which in turn is multiplied by the average price received for a farm commodity

for the immediate preceding 10-year period, 1940-1949.

NEW FORMULA WOULD RAISE SUPPORT ON MOST LIVESTOCK AND LIVESTOCK PRODUCTS

The technique used in arriving at the income support standard and the method of translating this into the support price of a particular commodity is illustrated here for 1950 with wheat as an example.¹

- 1) Estimated average farm purchasing power, 1939-48—in millions of dollars.....\$18,218
- 2) Prices paid by farmers, including interest and taxes, March 15, 1949 (1939-48=100) 144
- 3) Income support standard for 1950—in millions of dollars (1) × (2)..... 26,234
- 4) Estimated average cash farm receipts from marketings 1940-49—in millions of dollars 20,980
- 5) Ratio of Income support standard to 1940-49 average cash receipts (3) ÷ (4)..... 1.25
- 6) Average prices received by farmers for wheat 1940-49.... \$1.50
- 7) Price support standard for wheat in 1950 (5) × (6).... 1.88

¹ Data from statement by Secretary of Agriculture Charles F. Brannan at a joint hearing of the House Committee on Agriculture and the Senate Committee on Agriculture, Thursday, April 7, 1949.

This suggested support price for wheat of \$1.88 under the Brannan plan compares with \$1.95 under the old parity price formula. Most farm products, however, under the proposed formula would have higher support levels than they have under the old parity price formula (see table). In fact, most livestock and livestock products would have considerably higher support levels. It is one of the professed aims of this new proposal to encourage a livestock economy by planning favorable livestock-feeding ratios.

Price Support Under 3 Plans

at March 15, 1949, Prices

Commodity	Present Law	Aiken Law Maximum	Brannan Plan
Wheat	\$ 1.95	\$ 1.85	\$ 1.88
Corn	1.42	1.35	1.46
Flaxseed	3.74	3.74	4.30
Soybeans	2.12	2.21	2.54
Hogs	16.10	16.60	19.00
Beef Cattle.....	12.00	14.80	16.90
Butterfat .....	.58	.58	.67
Eggs .....	.47	.45	.46

Another important feature of the proposal is that to be eligible for support the individual farmer must agree to carry out certain designated con-

Continued on Page 689, Column 1

BUSINESS

Contraction in Business Arrested

IN THE general business picture, April has been looked upon as a key month. It is usually the turning point from winter sluggishness to summer briskness. As a result of the transition from a sellers' to a buyers' market bringing about fundamental adjustments in inventory and pricing policies, many individuals have doubted that the usual upward trend in business activity will occur this year.

The information available at the present time indicates that a turning point following the winter slump has been reached in that the contraction in business activity has been arrested. It is doubtful, however, that the pick-up has been sufficient to employ the labor force as fully as has been the case in former summer months.

DEPARTMENT STORE SALES EXPANDED

Retail sales generally expand for the Easter season. Last year Easter was on March 28 and all of the buying for this event took place in that month. Since Easter was on April 17 this year, practically all of the Easter buying was postponed until April.

March department store sales in this district fell nine per cent below the dollar volume of a year ago. The decrease is exaggerated somewhat due to the later Easter date this year. For the first quarter, sales averaged seven per cent lower as compared with the preceding year—which is a better comparison.

Preliminary figures for the first two weeks of April indicate that dollar sales have again risen above last year's total. Stores are featuring special sales to increase their volume, which affects the weekly percentage change from a year ago for this district. Consequently, a four-weeks' figure portrays more accurately the actual level of sales. For the four weeks ending April 16, sales in the four large cities of this district were four per cent below those of last year.

The index of department store sales adjusted for seasonal variation, such as Easter buying, is the best measure of the trend. According to the index, the trend in March turned up again. A low point was reached in Febru-

ary when the index stood at 262 per cent of the 1935 to 1939 average. For March it rose to 267 per cent. Sales during the first part of April exceeded last year's volume, but it is still difficult to estimate the volume of sales for the month. Last October, before the slump in sales began, the index stood at 311 per cent of the pre-war average.

Retail prices have declined for several months. According to the Fairchild Publications Retail Price Index, prices on April 1 had receded approximately to the level of February 1, 1948. Thus, a rise in sales at the present time reflects a larger physical volume of merchandise sold.

GREATEST SLUMP IN HOUSEFURNISHINGS

Among the various types of merchandise sold by department stores, the sales of major household appliances have lagged most of all. For a sample of stores in this district, February sales were 37 per cent less than in the corresponding month of 1948. The sales of other items under housefurnishings also are down significantly. The construction of homes has fallen off, which in turn has a bearing on the demand for such items.

▶ **April department store sales turned up noticeably.**

▶ **Urban unemployment has shown signs of slackening.**

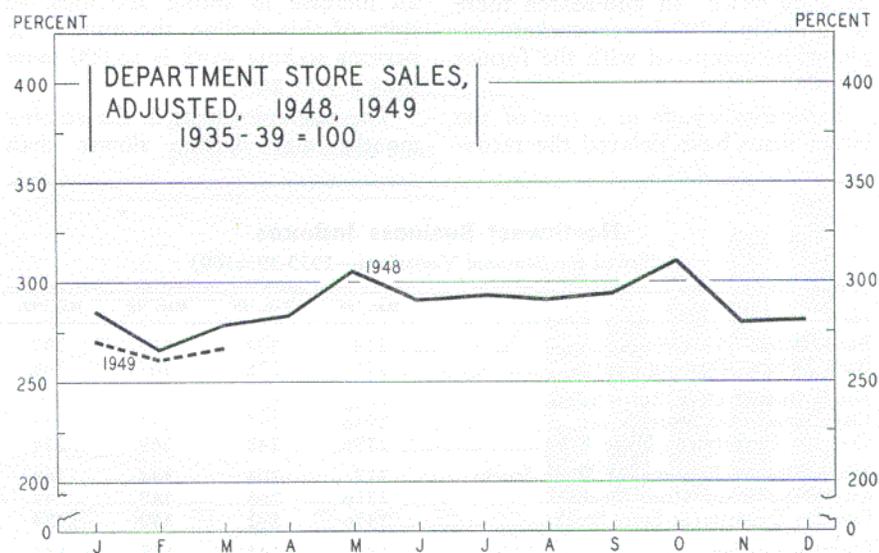
▶ **Public building is supporting construction activity.**

Moreover, the replacement demand created by the shortages during the war has been mostly satisfied.

NON-AGRICULTURAL EMPLOYMENT INCREASED

On the basis of the data now on hand, it appears that the seasonal turning point in employment in non-agricultural industries probably was reached in this region during March.

In Montana, non-agricultural employment in March was one per cent higher than in February. The Unemployment Compensation Commission reports that "despite the fact that the spring upswing in employment is just getting underway, there are now as many persons holding wage and salary jobs in the state as there were in early summer a year ago when employment was approaching its seasonal high."



FIRST QUARTER department store sales in the district have averaged four per cent below the 1948 level, which was exceptionally high.

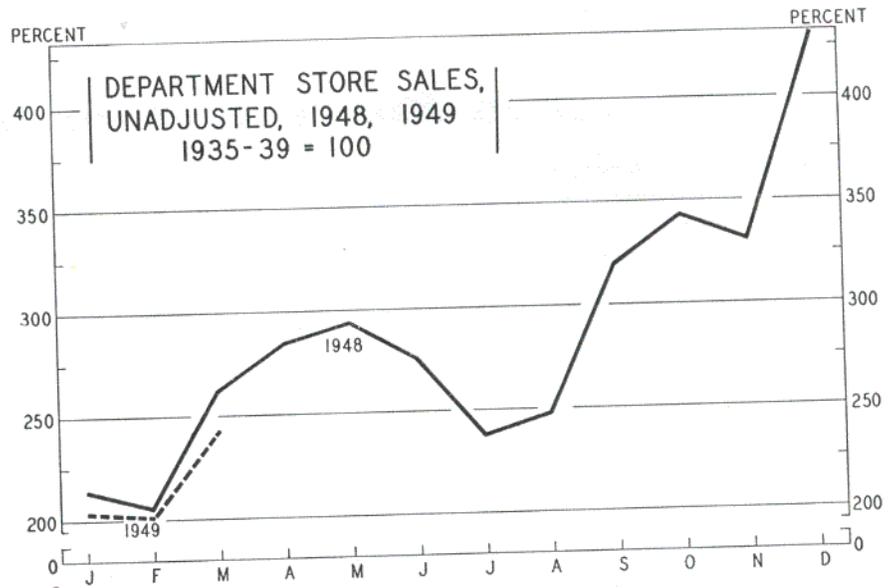
Since the labor force in Montana is growing rapidly, total employment must climb substantially above last year's figure to absorb all of those seeking jobs. Insured unemployment during the first week in April dropped by more than 900 individuals, but there were still nearly 9,000 workers unemployed. This was about 30 per cent more than in the corresponding week in 1948. It is doubtful that unemployment will be reduced to as low a figure as in former summers.

In Minneapolis, employment continued to decline in March, but at a slower rate than in former months, according to the report released by the local office of the Minnesota Division of Employment and Security. In March, there were 427 fewer workers employed than in February.

An optimistic note in recent weeks is the decline in the number of persons seeking work. The number of jobless workers in the city reached a peak of 22,000 by mid-March, and by the first of April it was down to 20,000. At this time, however, unemployment is still two and one-half times as great as a year ago. The decline in unemployment was traced to the rehiring of workers laid off by manufacturing firms during the winter and the resumption of construction work.

St. Paul employment also continued to decline during March, according to the report released by the St. Paul office. In mid-March there were nearly 1,700 fewer workers employed as compared with the former month.

Extensive layoffs in a few of the larger firms have delayed the recovery



DISTRICT department store sales, as evidenced by the first quarter figures, are returning to the pre-war seasonal pattern.

ery in the over-all employment picture. Many firms have started to rehire some of their laid-off workers, but the effect of the few larger firms has over-shadowed the picture.

The trend of employment seen for the Twin Cities is repeated in the state as a whole. Unemployment in Minnesota declined 10 per cent from the middle of March to the middle of April. The drop in the number of unemployed is attributed largely to an increase in spring activities. In spite of this decline, the number of persons seeking work is 18,000 more than a year ago.

The unemployment in the coming months may decline slower than

Index of Department Store Sales by Cities (Unadjusted 1935-39=100)

	March 1	Per Cent Change ² From Year Ago	
		March	Jan.-Mar.
Minneapolis	272	-6	-5
St. Paul	227	-13	-10
Duluth-Superior ..	243	-7	-3
Aberdeen	361	-6	-10
Bismarck	262	+17	-5
Fairmont	245	-13	-9
Grand Forks.....	310	-1	-3
Great Falls.....	241	-17	-17
La Crosse.....	218	-16	-11
Mankato	255	-15	-8
Minot	253	+1	-15
Rapid City.....	315	-10	-13
Rochester	233	-5	-3
St. Cloud.....	315	-6	-9
Sioux Falls	352	-8	-4
Valley City.....	190	-1	-2
Willmar	310	+8	+2
Winona	242	-3	-8
Yankton	244	-29	-23

¹ Based on daily average sales.

² Based on total dollar volume of sales.

usual, for some companies have adopted a shorter work week. As production is expanded, the present employed workers, in most instances, will again work the usual hours before additional workers are hired.

INVENTORIES CONTRACTED

With the reappearance of a buyers' market for most types of merchandise, inventories have been reduced. Stocks in department stores have been cut. The index adjusted for sea-

Continued on Page 687, Column 1

Northwest Business Indexes

(Adjusted for Seasonal Variations—1935-39=100)

	Mar. '49	Feb. '49	Mar. '48	Mar. '47
Bank Debits—93 Cities.....	314	307	315	295
Bank Debits—Farming Centers.....	375	378	367	348
Ninth District Dept. Store Sales.....	267p	262	278	279
City Department Store Sales.....	274p	275	287	283
Country Department Store Sales.....	259p	248	269	274
Ninth District Department Store Stocks.....	312	308	344	268
City Department Store Stocks.....	271p	266	287	249
Country Department Store Stocks.....	345p	342	389	284
Country Lumber Sales.....	154p	145	135	144
Miscellaneous Carloadings	130	133	132	138
Total Carloadings (excl. Misc.).....	93	75	87	110
Farm Prices (Minn. unadj.).....	232	226	270	258

p—preliminary.

BANKING

Instalment Lending Grows in District Banks

CONSUMER instalment financing by commercial banks has come of age. Little more than 25 years ago this type of lending was frowned upon by commercial bankers and banking authorities. It was considered an unsound investment for bank funds and a threat to the thrift habits of consumers. Today consumer instalment financing is recognized as an integral part of our credit structure—as an essential cog in the machinery of mass production and distribution of durable consumer goods.

Currently, a majority of commercial banks throughout the country engage in some form of consumer instalment lending. At year-end 1948, consumer instalment loans of commercial banks totaled over \$3½ billion—the largest volume on record.

In the Ninth district, at the close of last year, all but three per cent of this area's member banks were carrying consumer instalment loans. Amounting to \$123.8 million, these loans represented almost one-seventh of total loan portfolios. Moreover, in the three and one-half years since the end of World War II, Ninth district member bank consumer instalment loans experienced a five-fold increase.

INSTALMENT LENDING, DOWN DURING THE WAR, ROSE SHARPLY IN POSTWAR

The war and postwar experience of Ninth district member banks in consumer instalment lending paralleled that of the nation as a whole. During the war years, consumer lending activity was sharply curtailed. In our district member banks, consumer instalment loans dropped from \$37.4 million in December 1942 (earliest district data available) to a low point of \$22.8 million in December 1943, rising to \$25.3 million by the end of 1945.

The diminished availability of durable consumers goods and the wartime increase in incomes which enabled consumers to buy for cash instead of credit were major factors in the decline of consumer lending. Moreover, instalment credit controls ordered in 1941 under Regulation W,

setting maximum maturities and minimum down payments, exercised a restraining influence in this credit area.

One of the few "selective" instruments of national credit policy, Regulation W was aimed directly at holding down the volume of consumer debt, thereby restraining demand for scarce consumers durable goods.

The postwar readjustment and expansion of the economy resulted in the gradual return of automobiles, household appliances, and other durable consumers goods to the market at considerably increased prices. This provided the basis for the rapid expansion in consumer instalment credit. Moreover, with the end of the war, consumers were increasingly disposed to make use of credit and lenders actively promoted instalment borrowing.

Rising at an average semi-annual rate of about 35 per cent, consumer instalment loans in Ninth district member banks increased \$90.3 mil-

▶ **Consumer instalment loans of district banks totaled \$123.8 million at year-end 1948 — a five-fold increase since the end of World War II.**

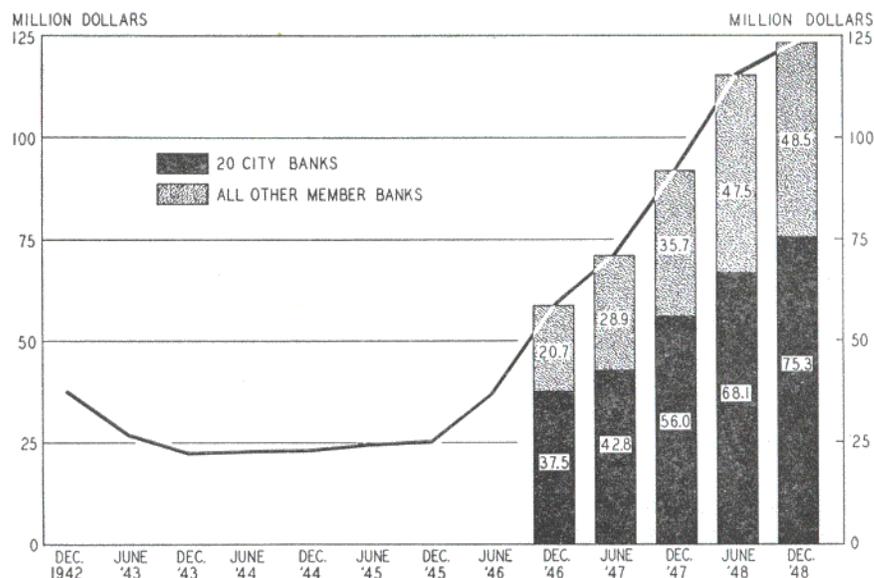
▶ **Member bank consumer instalment loans, which increased at a slower rate in the last half of 1948, declined in January and February of 1949.**

▶ **City banks have accounted for about 60 per cent of the district's member bank consumer instalment lending in the postwar period.**

lion from December 1945 to mid-year 1948, reaching a total of \$115.6 million.

The postwar upward surge of instalment lending, however, was dampened by two major influences. First, many durable consumer goods continued, until very recently, to be in short supply. Secondly, Regula-

CONSUMER INSTALMENT LOANS OF ALL NINTH DISTRICT MEMBER BANKS, 1942-1948



THE POSTWAR YEARS have witnessed a rapid expansion of consumer instalment lending by member banks, as durable consumer goods have returned to the markets and lenders have promoted instalment credit.

Source: Call report data.

tion W, which remained in effect to November 1947 and was reimposed in September 1948, had some slowing effect on the rate of instalment credit expansion.

RATE OF CONSUMER CREDIT GROWTH DECLINED IN LAST HALF OF 1948

In the last half of 1948, the rate of growth of consumer instalment loans in commercial banks slackened considerably. In the Ninth district member banks instalment loans, registering a 7 per cent increase from June 1948 to December 1948, increased only \$8.2 million, compared with an average semi-annual increase of \$18.1 million in the preceding two and one-half years.

Moreover, in January and February of 1949 the almost uninterrupted rise of consumer instalment loans was halted. Estimates made by the Board of Governors of consumer instalment loans in Ninth district commercial banks indicated a decline of about 3 to 4 per cent in the first two months of this year. Presumably this current decline largely reflects an abatement of buying pressure for durable consumers goods and a reappearance of seasonal fluctuations in demand for instalment credit.

In recognition of the changing conditions in the instalment credit field, as well as in the economy generally, the Board of Governors since the first of the year has twice amended the terms of Regulation W. Effective March 7 and April 27, maturity and down payment requirements were considerably relaxed.

CONTROLS AIM TO SMOOTH WIDE FLUCTUATIONS IN CREDIT OUTSTANDING

When originally enacted in 1941, consumer credit controls had the wartime purpose of aiding the direction of resources into vital war industries, as well as heading off inflationary pressures.

In the post-war period, characterized by ready purchasing power and tight supplies of goods, labor, and material, consumer instalment credit controls have been a part of the overall anti-inflationary program.

Generally speaking, the need for controls in this credit area arises from the fact that historically consumer instalment credit has fluctuated in wide swings—rising sharply in boom times,

falling rapidly when employment, production, and income contract. While consumer instalment credit is not the sole or perhaps even a major cause of business fluctuations, it has been an accentuating factor. Thus controls are designed to restrain "excessive" expansion and subsequent "depressive" contraction in this credit area.

CITY AND COUNTRY BANK LENDING PATTERNS DIVERGE

A major share of consumer instalment financing in Ninth district member banks is concentrated in the 20 weekly reporting banks, which include the nine reserve city banks plus 11 additional selected larger city banks. During the post-war period, these city banks have accounted for about 60 per cent of the district lending. It is true, however, that because of the ready accessibility of collateral to farm borrowers, many country bank loans which are for consumer purposes are classified as "loans to farmers."

In December 1948, of total consumer instalment loans amounting to \$123.8 million, the 20 city banks held \$75.3 million, while all other member banks (456 in number) held \$48.5 million.

Furthermore, the pattern of consumer instalment financing differs considerably between the 20 city

banks and the country banks. At year-end 1948, 44 per cent of city bank instalment loans represented repair and modernization loans, whereas in country banks such loans represented only 14 per cent of total instalment financing. Moreover, while all but one city bank engaged in this type of lending, less than half of the country banks were extending such credit. The importance of repair and modernization loans in city banks is, in part, a by-product of the urban housing shortage which has necessitated continued use of older properties.

The lion's share of country bank consumer instalment loans is in automobile paper. Amounting to \$21.8 million in December 1948, this paper represented 45 per cent of total country bank instalment loans. In the city banks the amount outstanding was \$14.6 million—a 19 per cent share of the total. The relatively greater importance of automobile paper in country areas presumably reflects less intense competition from nonbank lenders as well as less demand for other types of credit.

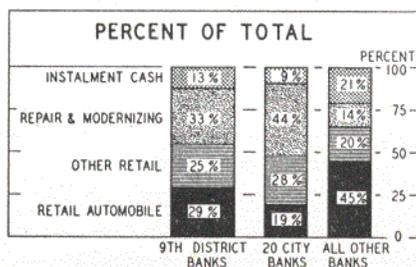
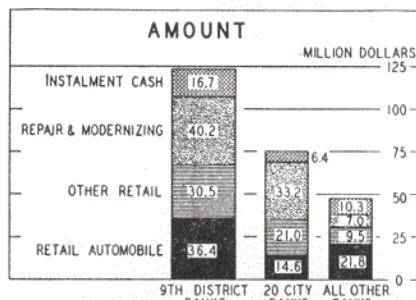
Other retail instalment paper—which arises from instalment purchases of household appliances, furniture, jewelry, etc.—accounted for 28 per cent of total instalment financing in city banks and 20 per cent in country banks. Instalment cash loans—which generally are used for consolidation of debts, medical expenses, taxes, etc.—represented close to one-tenth of city bank consumer instalment credit and about one-fifth in country banks.

April Banking Developments

MARCH tax collections, which cut sharply into private demand deposits, and the seasonal rise in demand for farm credit, highlighted Ninth district member banking developments this month.

TOTAL LOANS increased \$18 million in March—\$8 million in city member banks and \$10 million in the country. Data for the 20 city banks suggest that the increase was concentrated in commercial, industrial, and agricultural loans. This spurt in Ninth district lending contrasts with the rest of the nation, where commercial, industrial, and

CONSUMER INSTALMENT LOANS OF ALL NINTH DISTRICT MEMBER BANKS, DEC. 31, 1948



Source: Call report data.

agricultural loans in reporting banks of leading cities persistently declined during March.

Our divergence from the national trend reflects to a large extent the dominance of agriculture in this area. During March country banks moved into "productive" farm loans in a rather substantial way. In many cases this necessitated shifting previously acquired C.C.C. loans to city correspondent banks. Thus city bank loan totals were also boosted.

TOTAL DEMAND DEPOSITS in all Ninth district member banks declined \$58 million during March, with most of the drop occurring in deposits of individuals, partnerships, and corporations. Income tax payments, which characteristically bulk around the March 15 deadline, were the major factor creating a drain on bank deposits.

GOVERNMENT SECURITY HOLDINGS of our district banks decreased \$32 million this month as banks sold short-term governments to meet, in part at least, the withdrawal of deposits. On the basis of the 20 weekly reporting banks, Treasury bills presumably bore the brunt of the decline. In addition, certificate and bond portfolios were slightly reduced. To some extent, the shrinkage of bill and CI holdings resulted from Treasury cash redemptions of a portion of maturing issues. Such cash redemptions paid to commercial banks returned to the banking system some of the funds taken from it through tax collections.

RESERVE POSITIONS of all Ninth district member banks were under heavy pressure, especially in the last half of March. Evidencing this was the decline in daily average excess reserves of \$4.7 million from the last half of February to the last half of March. With a daily average of \$26 million, excess reserves in district member banks in the last half of this month were about \$4½ million less than those of a year ago. END

*This table in part estimated. Data on loans and discounts, U. S. Government obligations, and other securities are obtained by reports directly from the member banks. Balances with domestic banks, cash items, and data on deposits are largely taken from semi-monthly reports which member banks make to the Federal Reserve bank for the purpose of computing reserves.

Reserve balances and data on borrowings from the Federal Reserve banks are taken directly from the books of the Federal Reserve bank. Data on other borrowings are estimated. Capital funds, other assets, and the other liabilities are extrapolated from call report data.

Assets and Liabilities of Twenty Reporting Banks

(In Million Dollars)

	Feb. 23, 1949	Mar. 30, 1949	Apr. 13, 1949	\$ Change Feb. 23-Mar. 30
ASSETS				
Comm., Ind., and Ag. Loans.....	\$ 247	\$ 253	\$ 246	+ 6
Real Estate Loans.....	64	63	64	- 1
Loans on Securities.....	13	14	13	+ 1
Other (largely consumer) Loans....	113	115	117	+ 2
Total Gross Loans & Discounts	\$ 437	\$ 445	\$ 440	+ 8
Less Reserves	5	5	5	.....
Total Net Loans & Discounts..	\$ 432	\$ 440	\$ 435	+ 8
U. S. Treasury Bills.....	18	7	18	-11
U. S. Treasury C. of I.'s.....	135	131	131	- 4
U. S. Treasury Notes.....	14	14	14	.....
U. S. Government Bonds.....	445	444	443	- 1
Total U. S. Gov't Securities....	\$ 612	\$ 596	\$ 606	-16
Other Investments	81	82	85	+ 1
Cash and Due from Banks.....	433	411	451	-22
Miscellaneous Assets	16	14	14	- 2
Total Assets	\$1,574	\$1,543	\$1,591	-31
LIABILITIES				
Due to Banks.....	\$ 246	\$ 240	\$ 257	- 6
Demand Deposits, Ind., Part., Corp.	766	699	736	-67
Demand Deposits, U. S. Gov't.....	36	45	36	+ 9
Other Demand Deposits.....	155	187	192	+32
Total Demand Deposits.....	\$1,203	\$1,171	\$1,221	-32
Time Deposits	256	257	257	+ 1
Total Deposits	\$1,459	\$1,428	\$1,478	-31
Borrowings	2	2	none	.....
Miscellaneous Liabilities	15	14	14	- 1
Capital Funds	98	99	99	+ 1
Total Liabilities and Capital....	\$1,574	\$1,543	\$1,591	-31

Assets and Liabilities of All Ninth District Member Banks*

(In Million Dollars)

	Feb. 23, 1949	Mar. 30, 1949	\$ Change Feb. 23, 1949 Mar. 30, 1949	\$ Change Mar. 31, 1948 Mar. 30, 1949
ASSETS				
Loans and Discounts.....	\$ 885	\$ 903	+18	+125
U. S. Government Obligations.....	1,589	1,557	-32	-121
Other Securities	200	199	- 1	- 15
Cash and Due from Banks & Res....	855	812	-43	- 4
Other Assets	30	28	- 2	+ 1
Total Assets	\$3,559	\$3,499	-60	- 14
LIABILITIES AND CAPITAL				
Due to Banks.....	\$ 279	\$ 273	- 6	- 18
Other Demand Deposits.....	2,113	2,061	-52	+ 17
Total Demand Deposits.....	\$2,392	\$2,334	-58	- 1
Time Deposits	941	940	- 1	+ 9
Total Deposits	\$3,333	\$3,274	-59	+ 8
Borrowings	3	2	- 1	- 29
Other Liabilities	20	19	- 1	+ 2
Capital Funds	203	204	+ 1	+ 5
Total Liabilities and Capital.....	\$3,559	\$3,499	-60	- 14

CONTRACTION IN BUSINESS ARRESTED

Continued from Page 683, Column 3

sonal variation reached a peak at the end of December of 335 per cent of the 1935 to 1939 average. At the end of March the index stood at 312 per cent, which reflects a substantial amount of liquidation. This has resulted in fewer new orders which has held back the expansion in numerous manufacturing firms in this district.

CONSTRUCTION TRENDS MIXED

The valuation of building permits issued in March for the first time this year fell below the total for the corresponding month of 1948. For the first quarter, the total valuation, nevertheless, was three per cent larger than the former year. An examination of the permits issued indicates that public building has held up the total. Schools, hospitals, churches, and community buildings have been appearing frequently. Residences, on the other hand, have decreased noticeably.

Bank debits provide further evidence that the contraction in business has been arrested. The adjusted index rose from 307 per cent of the pre-war average for February to 314 per cent for March. The debits for

Sales at Ninth District Department Stores¹

	% Mar. 1949 of Mar. 1948	% Jan.-Mar. 1949 of Jan.-Mar. 1948	Number of Stores ² Showing	
			Increase	Decrease
Total District	91	93	61	180
Mpls., St. Paul, Dul.-Sup.....	91	94	2	26
Country Stores	90	91	59	154
Minnesota	89	93	7	59
Central	86	89	0	8
Northeastern	101	103	2	2
Red River Valley.....	82	86	0	4
South Central	86	95	2	12
Southeastern	95	94	2	9
Southwestern	85	92	1	24
Montana	94	92	18	19
Mountains	100	97	7	5
Plains	91	90	11	14
North Dakota	95	89	24	24
North Central	97	85	4	6
Northwestern	98	84	3	3
Red River Valley.....	90	88	9	8
Southeastern	105	99	8	5
Southwestern	(3)	(3)	.....	.....
Red River Valley-Minn. & N. D.....	89	88	9	12
South Dakota	88	91	5	18
Southeastern	87	91	1	5
Other Eastern	89	90	1	10
Western	89	93	3	3
Wisconsin and Michigan.....	84	89	5	34
Northern Wisconsin	92	96	4	9
West Central Wisconsin.....	83	88	1	16
Upper Peninsula Michigan.....	79	87	0	9

¹ Percentages are based on dollar volume of sales.

² March 1949 compared with March 1948.

³ Not shown, but included in totals. Insufficient number reporting.

133 cities in the district were eight per cent higher than last year. With federal income tax payments aggregating less this year, payments made for goods and services were materially higher than in 1948. END

Food Processing and Wood Products Leading Industries in 9th District

IN THE past few years, occasional reference has been made to fundamental economic changes taking place in the Ninth district. During the war, agriculture was rapidly mechanized, which released farm labor for the non-agricultural industries. As the war was fought, much of this surplus labor migrated to the war production centers on the Pacific coast or in the Chicago and Detroit areas. In the postwar years, manufacturing wholesaling, retailing, and the service industries have expanded fast enough to absorb most of the surplus labor in this region.

From the information reported by employers to the Old Age and Survivors Insurance Program, the Social Security Administration has compiled statistics which may be used as a basis for a description of the post-

war economy. The relative size of broad industry groups and of industries within these groups as well as the size of business establishments can be readily deciphered from these tabulations.

The Old Age and Survivors Insurance Program covers most of the wage and salaried workers in the economy.¹ The employment covered under the Program in March 1947 was estimated at 75 per cent of total wage and salary workers. The workers not covered were mostly government, railroad, domestic service and agricultural employees.

DISTRIBUTION RIVALS MANUFACTURING IN IMPORTANCE

That this district is primarily agricultural, but is becoming industrial-

ized in certain areas is reflected by the per cent of covered workers in manufacturing. On the Upper Peninsula of Michigan over 47 per cent of the covered workers during the first quarter of 1947 were employed by manufacturing concerns as compared with 43 per cent for the nation as a whole. In the northwest 26 counties of Wisconsin, the proportion employed in manufacturing was equal to the national average. In Minnesota, this industry employed a third

¹The Social Security Act defines covered employment as services performed by a worker for an employer. The major exclusions from the Act are: self-employment; casual employment not in the course of the employer's trade or business; employment of a member of the employer's family; employment in agriculture, with minor exceptions; domestic service in a private home; employment by Federal, State, or local government, employment in certain types of non-profit organizations; railroad employment; and employment as a student nurse or interne.

U. S. Department of Commerce, **Business Establishment, Employment and Taxable Pay Rolls, Under Old Age and Survivors Insurance Program, Part I, p. 3.**

of the covered workers. In the western states, it accounted for less than 20 per cent of the total, as may be observed in the accompanying table.

Retail and wholesale trade, and the service industries, in terms of the labor they employ, are very important businesses in this district, for they serve a large rural population. In some states over half of the covered workers are employed in these businesses. For instance, in both North and South Dakota over one-third of the covered workers are employed in retail trade alone.

FOOD PROCESSING LEADING INDUSTRY

The type of manufacturing carried on in this district is revealed by listing the five industries in each state employing the largest number of covered workers. The manufacture of food and kindred products is first in three states and second in another one. Lumber and wood products is still an important industry in this region by the number of workers employed. In Montana it is in first place. The manufacture of all types of machinery, except electrical, and printing and publishing also employs large numbers of workers.

SMALL ESTABLISHMENTS PREVALENT IN THIS AREA

It has long been known that this is a region of small business establishments. These statistics add some information on the number of workers employed by business concerns. For example, in North and South Dakota, and Wisconsin, over 60 per cent of the firms employing labor employ only three workers or less. The table indicates that a relatively small number of firms employ 20 or more workers. **END**

The Covered Non-agricultural Employment by Percentage for the Ninth District and for the United States

Covered Employment by Industry	Michigan Upper Pen.	Minnesota	Montana	North Dakota	South Dakota	26 Counties Wisconsin	United States
Mining	11.7	2.3	10.0	.8	3.6	0	2.6
Contract Construction	3.1	5.4	6.1	5.0	5.6	3.5	5.1
Manufacturing	47.5	32.9	19.1	10.4	16.7	43.8	43.3
Public Utilities	4.7	7.3	7.9	8.8	8.4	7.4	7.4
Wholesale Trade	5.2	10.9	10.3	18.0	13.3	7.6	7.8
Retail Trade	17.2	24.5	28.3	36.5	33.6	24.0	18.4
Finance, Insurance and Real Estate.....	2.0	5.2	4.1	5.1	5.1	2.7	4.8
Service Industries	7.1	10.9	13.3	14.6	12.6	9.5	9.8
Total ¹	100.0	100.0	100.0	100.0	100.0	100.0	100.0

¹ Total may not add to 100.0 due to rounding and unclassified industries.

Source: U. S. Department of Commerce, **Business Establishments, Employment and Taxable Pay Rolls.**

Relative Importance of Selected Manufacturing Industries in States of the Ninth District

Industry	Michigan ¹	Industry	Montana
Total	100.0	Total	100.0
Motor vehicles and equipment.....	40.4	Lumber and wood products.....	29.1
Machinery, except electric.....	14.5	Primary smelting	26.6
Food and kindred products.....	4.1	Food and kindred products.....	22.1
Chemicals and allied products.....	3.6	Printing and publishing.....	7.8
Metal stamping	3.5	Stone, clay, glass.....	2.9

Industry	Minnesota	Industry	North Dakota
Total	100.0	Total	100.0
Food and kindred products.....	21.7	Food and kindred products.....	65.1
Machinery, except electric.....	14.2	Printing and publishing.....	17.6
Printing and publishing.....	9.2	Fabricating structural metal.....	3.7
Lumber and wood products.....	6.3	Products of petroleum and coal.....	3.1
Stone, clay, glass.....	5.8	Stone, clay, glass.....	2.3

Industry	South Dakota	Industry	Wisconsin ¹	Industry	United States
Total	100.0	Total	100.0	Total	100.0
Food and kindred products	67.0	Machinery, except electrical	22.4	Machinery, except electric	10.3
Printing and publishing	10.1	Food and kindred products	11.4	Food and kindred products	9.1
Lumber and wood products	8.0	Motor vehicles and equipment	7.5	Textile mill products	8.9
Machinery, except electric	4.1	Paper and allied products	7.3	Apparel, fabrics	7.4
Stone, clay, glass.....	3.7	Electric machinery.....	5.5	Electric machinery..	6.0

¹ These percentages are based on figures for the entire state.

Source: United States Department of Commerce, **Business Establishments, Employment and Taxable Pay Rolls.**

Size of Establishments Measured by Number of Employees In Per Cent

	0-3	4-7	8-19	20-49	50-99	100 and Over	Total	Total Actual Numbers
Michigan	56.3	22.4	12.9	5.3	1.7	1.4	100.0	5,057
Minnesota	57.3	22.2	12.5	5.1	1.6	1.3	100.0	52,329
Montana	59.9	22.1	11.9	4.3	1.1	.7	100.0	11,683
North Dakota	62.5	21.9	10.5	3.7	1.0	.4	100.0	9,461
South Dakota	61.2	23.1	10.8	3.6	.9	.4	100.0	10,806
Wisconsin	62.3	20.1	11.1	3.9	1.2	1.4	100.0	9,511
United States	56.6	20.8	13.3	5.6	1.9	1.8	100.0	2,512,280

Source: United States Department of Commerce, **Business Establishments, Employment and Taxable Pay Rolls.**

NEW PLAN PROMISES HIGHER FARM SUPPORT

Continued from Page 681, Column 3

servation farming practices.

In addition, the farmer must comply with acreage and marketing quotas when applied in order to be eligible for assistance.

SUPPORTS SUGGESTED FOR FAMILY-SIZED FARMS ONLY

Still another important feature is the suggestion made in the original proposal to limit price support to family-sized farms. This was to be accomplished by limiting support to 1800 production units per farm. A production unit is 10 bushels of corn or its price equivalent in terms of other commodities.

Commodity	Quantity Equivalent to One Production Unit
Corn.....	10.0 bushels
Wheat.....	7.77 "
Flaxseed.....	3.40 "
Soybeans.....	5.75 "
Potatoes.....	9.18 "
Oats.....	17.70 "
Hogs.....	.76 cwt.
Beef Cattle.....	.86 "
Milk, whole.....	21.82 pounds
Butterfat.....	3.46 "

A farmer might figure out any combination of enterprises he chooses, but he is eligible for support on only 1,800 units worth of farm products. A producer of wheat would be eligible for price support on only 13,986 bushels, if he raised wheat only or if he chose to use wheat as the entire production unit base.

The difficulty of administering maximum supports and the fact only 2% of farms exceed 1,800 production units may eventually eliminate this provision for consideration. In fact, Secretary Brannan is reported to have backed away from it already.

January-February Cash Farm Income¹ (Thousands of Dollars)

State	1935-1939 Average	1948	1949	1949 in Per Cent of 1948
Minnesota	\$ 49,432	\$ 217,804	\$ 184,123	85%
North Dakota	10,311	101,462	61,088	60
South Dakota	15,197	102,949	86,808	84
Montana	8,396	49,498	40,135	81
Ninth District ²	94,875	512,652	406,993	79
United States	1,106,413	4,377,390	4,134,793	94

¹ Data from *The Farm Income Situation*, March 1949.

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

Average Prices Received by Farmers, Ninth District*

Commodity and Unit	March 15 1937-41 Avg.	March 15 1948	March 15 1949	Parity Prices ¹ United States March 15, 1949
Crops				
Wheat, bushel	\$0.82	\$ 2.32	\$ 1.96	\$ 2.17
Corn, bushel .....	.55	2.00	1.03	1.58
Oats, bushel .....	.30	1.13	.60	.982
Potatoes, bushel .....	.67	1.61	1.50	1.80
Livestock and Livestock Products				
Hogs, 100 lbs.	7.30	21.47	19.56	17.90
Beef Cattle, 100 lbs.	6.93	20.37	19.35	13.30
Veal Calves, 100 lbs.	8.41	23.27	24.67	16.60
Lambs, 100 lbs.	8.16	19.60	22.80	14.50
Wool, lb. ....	.26	.41	.52	.450
Milk, wholesale, 100 lbs.	1.52	4.15	3.03	3.94
Butterfat, lb. ....	.30	.85	.67	.647
Chickens, live, lb. ....	.118	.198	.261	.280
Eggs, doz. ....	.153	.374	.373	.529

* Data compiled from *USDA Agricultural Prices*, March 29, 1949.

¹ 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, 1910-14.

It is important, however, in that it indicates official thinking in terms of support for family-sized farms, and it may point in the direction of farm programs of the future.

MIXED REACTIONS TO PROPOSED NEW PLAN

In conclusion, it should be emphasized that this plan, at the present writing, is only a proposal. It may or may not be enacted into law. If it is, it may undergo considerable change and modification.

Currently, however, it does have considerable appeal to the farmer, who feels he is entitled to price and income support. It has great appeal

also to the labor-consumer group who see in it a chance for lower food prices.

Some of the large farm organizations oppose the proposal because it appears to them to fasten even more regimentation on agriculture. On the other hand, at least one important farm organization has put its stamp of approval on it.

The taxpayer, however, sees in the proposal the prospects of even higher subsidies of a more or less permanent character. He recognizes that the costs are likely to be measured in terms of many billions of dollars annually, especially in periods of less favorable economic activity. END