MONTHLY REVIEW

Annual Report Issue

FEDERAL RESERVE BANK OF MINNEAPOLIS

JANUARY 1962

District developments in 1961

You might best characterize 1961 as a year of "parts"—part good and part bad, part recovery and part faltering. Our own district showed a remarkably mixed pattern, and that will be the chief topic for discussion in this review of the year's business, banking and agriculture in the Ninth district.

The impact of drouth was a key one, as you'll read in the section on agriculture, but even this didn't keep us from reaching record abundance in some crops. Some sections of mining—notably iron ore—operated at historically low output and sharply reduced employment levels. Of course, the resulting effect of the mining sector on district aggregate income is a relatively small one. In manufacturing, 1961 was a year of slow though spotty recovery. An unusual development on the banking front was the unexpected rise of bank liquidity as loans leveled off and deposits built up.

On balance, the most general measures of district economic performance showed that the district had not quite held its own relative to the movements of the national economy during 1961—and perhaps had lost much of the ground it gained relative to the nation during 1960. But here is the story in more detail:

Business

Economic recovery in the Ninth district has been concentrated in the industrial areas and in the commercial centers serving rural areas where there was sufficient moisture for agricultural crops during the growing season. The volume of business activity turned down in Montana and North Dakota where farm income was seriously reduced by summer drouth. Depressed economic conditions continued in the iron ore mining regions of northeastern Minnesota, northern Wisconsin and Upper Michigan.

Manufacturing on upswing

Industrial output, seasonally adjusted, declined to a low in February 1961, in the district as it did in the nation. It then rose rapidly through June when it leveled off based on indexes of kilowatt hours of electrical energy used for industrial purposes. The adjusted index rose by 8 percent from February to October. As a result of the expanding output, employment in district manufacturing firms, on an adjusted basis has risen since February, and beginning in July has equaled or exceeded the year-ago level. The rise in the number of factory workers has been concentrated in durable goods industries which, in this district, are located largely in Minnesota. In the soft goods industries, the rise in employment has been at a slower rate and by November had not reached the prerecession level.

Not only has there been an over-all rise in manufacturing employment, but also the workweek has been lengthened from an average of 40.0 in February to 41.4 hours in October. As a result of the rise in weekly hours and some increases in hourly rates, weekly earnings in the district have averaged from $1.75 to $2.50 higher in September and October respectively than in February when they were $96.87.

Mining trends mixed

In the mining regions trends were mixed in 1961. Copper production was at a fairly normal level, while iron ore production continued to decline.

During the first nine months of 1961, 129,280 tons of copper were produced compared with 103,860 tons in the corresponding period of the preceding year. The increase, however, does not indicate a marked expansion in the industry but largely reflects a low volume of output in January and February 1960, due to a work stoppage among some producers. In the months following the strike, the monthly output averaged 13,954 tons compared with 14,364 tons in 1961.

Iron ore shipments from U. S. ports in the Lake Superior region were at a relatively low volume in 1961. To December 1961, only 53.8 million long tons had been shipped compared with 65.9 million tons in the same period a year ago. This decrease of 18 percent is even more striking considering that 1960 was a recession year. In the boom year of 1957, 81.2 million long tons were shipped.

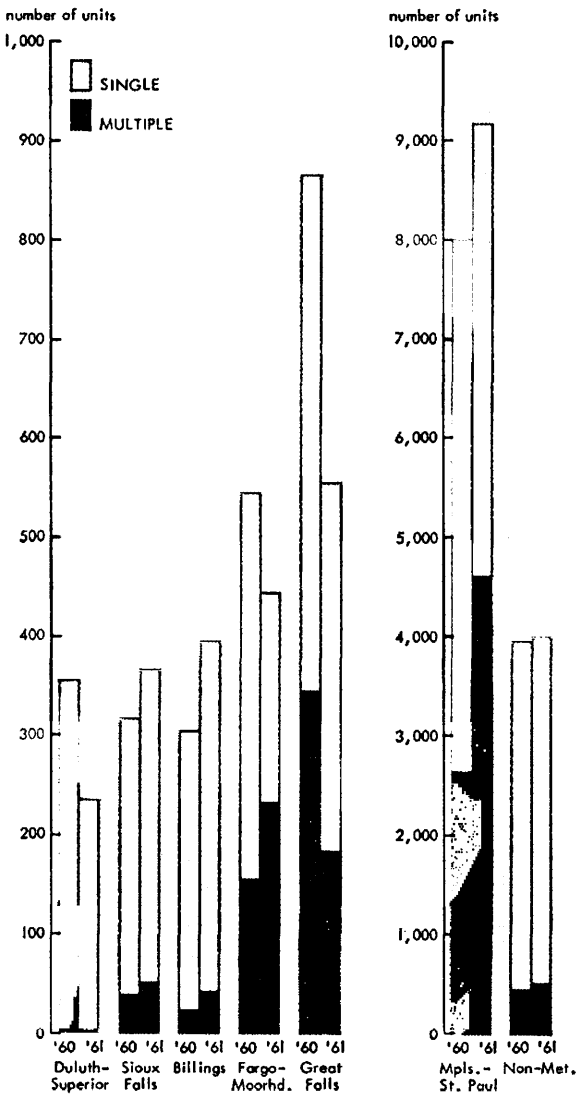
As a result of the low output of iron ore, employment in district mining has been low. During the first ten months of 1961, monthly employment averaged 5,000 workers less than in the corresponding period of the preceding year.

Construction activity down

In the district, 1961 construction activity fell short of the 1960 volume, while in the nation it exceeded the volume of the preceding year.

The value of new construction put-in-place in the nation during the first eleven months of 1961 was 3 percent above the comparable period of last year. Private construction was up only slightly, about 2 percent, as the expansion in commercial, educational and hospital building and in public utility and farm construction was offset by a decline during early 1961 in residential building. On the other hand, public construction rose by 6 percent with an expansion occurring in nearly all cate-

Chart 1—Ninth district dwelling units authorized by permit in standard metropolitan areas and in other centers in the first ten months of 1960 and 1961.



gories. The more significant increases were in residential and educational building, highway, municipal sewer and water system construction and in conservation and river basin development.

For the district, no estimate is made of total construction put-in-place. However, such measures as the amount of construction contracts awarded and employment on projects indicate that the activity in 1961 fell below that of the preceding year.

The amount of contract awards made for all types of construction in the district during the first ten months of 1961 was down 2 percent from the same period of last year. The decline in residential building and heavy engineering projects such as highways, other public works and private and public utility construction more than offset the 9 percent increase in the amount of awards made for other nonresidential building.

The recent trend toward the building of more apartment houses has created a major transition in residential construction. Although the amount of contracts awarded for residential building was down in 1961, the number of dwelling units built was up. In the district, the number of dwelling units authorized by building permit during the first ten months was 6 percent above the comparable period of a year ago. In this total, the multiple units authorized were up 52 percent and the single units were down 10 percent. The building of multiple units has been concentrated in the Twin Cities. In the first ten months of 1961, over half of the units authorized were multiples. In the district outside of this area, they constituted only 17 percent of the total. As may be observed on the chart in some of the district's standard metropolitan areas, few multiple units were built last year.

In this district, the number of people employed in the construction field has lagged in the current recovery. From January through April 1961, employment exceeded the year-ago figures. However, beginning in May, the seasonal rise was small. From May through October, average monthly employment was down by 5,280 workers from the same period of a year ago.

Retail sales lag

In the Ninth district, no current estimate of total retail sales is available. The Bureau of Census' sample of sales of retail stores, which excludes sales of large retail chains, is the broadest coverage available. From January through September, the latest figures available, sales were down 6 percent here compared with 4 percent in the nation. In the district, there was a substantial decrease in the following business groups: automotive, apparel, general merchandise and lumber.

District department store sales, on a seasonally adjusted basis, during the first half of 1961 rose slightly and since June have declined. The adjusted index in January stood at 134 percent, and in November 147 percent of the 1947-49 average. In the nation, the adjusted index rose from 142 percent to 153 percent in the same period.

Employment and unemployment

During the past recession, as in previous ones, district nonfarm employment declined considerably less than nationally. As a result, such employment in the aggregate generally rises more slowly here during a recovery period than in the nation, and, by October, had not equaled the prerecession high of 1960. The resistance to the cyclical contractions of employment in the district is due to the larger proportions of workers employed in the relatively stable trade and service type industries and smaller proportion in manufacturing here than in the nation. For instance, only 20 percent of total nonfarm workers are employed in manufacturing, whereas, in the nation it is close to 30 percent.

The rate of unemployment in the district has remained quite high in the present recovery period as it has in the nation. The causes are found in both the demand and the supply of labor. On the demand side, there has been a steady decline in the number of workers employed in manu-

facturing firms due to the introduction of electronic computing equipment into office procedures as well as labor saving devices in plant operations. Furthermore, the hiring of labor in the trades and services has been slow. In the Twin Cities, retailers have commented on the narrowing margin of profit which is forcing them to reduce labor costs. On the supply side, there has been a rapid increase in the number of secondary workers coming into the market.

Unemployment in the Ninth district is subject to a much greater seasonal swing than in the nation because of the severity and length of the winters. Whereas, in the nation, the unadjusted rate of unemployment peaked at 8.1 percent in February 1961, the rate in the district then was 10.4, with Montana up to 14.4 and Upper Michigan to 16.1 However, when the unemployment rate declined to 5.7 in the United States in September, it declined to a low of 3.9 in the district.

District unemployment during the first two-thirds of 1961 was above the level prevailing in the previous year, but the gap was narrowing steadily and in September was less than 1 percent above the twelve months earlier rate. In the United States, the rate was 5.5 in October compared with 5.0 a year ago.

Personal income rises

District income in 1961 rose slowly during the summer and more rapidly during the autumn. From January to October inclusively, it rose by 3.1 percent in the four states entirely in the district, compared with 5.3 percent in the nation. The slower growth was due to the decrease of 6 percent in farm income caused by summer drouth over large agricultural areas, especially in Montana and North Dakota. Total personal income has continued to rise in South Dakota and Minnesota, although income in the iron mining region of the latter state has remained at a relatively low level.

Banking

District bankers will probably remember 1961 as a year of substantial deposit growth coupled with unusually modest loan demands. These trends were reflected not only by a reduction in the ratio of loans to deposits at the typical district member bank, but also by sizeable additions to holdings of short term government securities and by a virtual disappearance of banks from the discount window of the Federal Reserve.

Total member bank loans in the district rose only $58 million—the smallest yearly loan increase since 1949. At the city banks, loans fell $3 million, making the first yearly decline since 1949, and at the country banks loans rose $61 million, making the third smallest annual increase since 1949. Loan growth at district banks was also relatively less than that for all member banks in the nation. Nationally, city (weekly reporting) and country member bank loans rose 3.5 percent and 7.4 percent respectively, in contrast with a decline of .2 percent at district city banks and an increase of 4.4 percent at district country banks.

A comparison of the autumn call reports for 1961 with those of other years indicates that city bank loans to commercial, industrial and financial firms declined by more in the year after September 1960, than in any comparable twelve month period since before 1950. This decline more than offset small gains in other types of loans. Real estate loans at the city banks in the district have been virtually the same on every call date for more than two years.

Real estate loans at the country banks were $20 million higher than a year earlier on the autumn 1961 call reports. This was the same increase as that registered in the year before but well under the increase of previous years. Non-real estate loans to farmers were up $11 million from a year earlier—in contrast with gains of $16 million in 1960 and $39 million in 1959. Loans secured by the Commodity Credit Corporation fell $16 million, while all other country bank loans than those

mentioned above were unchanged in amount during the year ended autumn 1961. In every previous period since 1950 these "other" loans had increased substantially—by $24 million a year on the average.

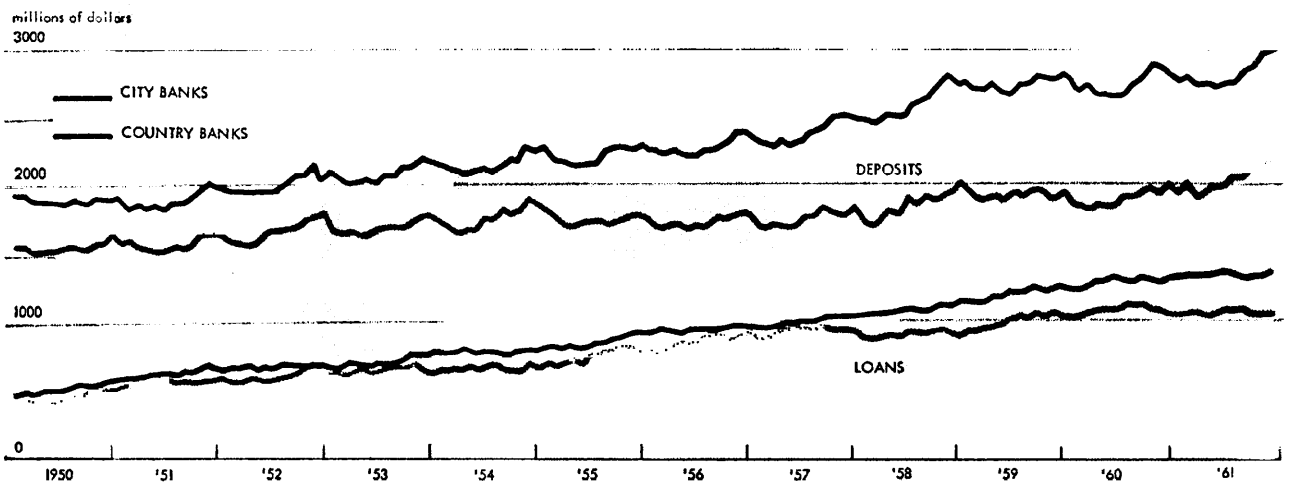
At both city and country member banks in the Ninth district, the twelve month deposit gains registered through November 1961, were larger than the gains for any comparable period since World War II, with the exception of the year ended November 1958.

In contrast with an annual average deposit gain of $33 million in previous postwar years, the city banks added $167 million of deposits in 1961. The country banks added $171 million, in contrast with a postwar average increase of $72 million. Percentagewise, city and country bank deposits in the district grew by 8 percent and 6 percent respectively in the twelve months ended November 1961. These growth rates compare to the 6 and 8 percent registered nationally by city and country banks respectively.

Chart 2 indicates that total deposits of district city and country member banks grew to levels well above previous peaks. This growth was evident nationally, as mentioned before, and reflects, in part, a national monetary policy aimed at promoting economic recovery from recession by stimulating monetary expansion. Chart 3 shows that total member bank deposits in the district were well ahead of a year earlier in every month of 1961.

The larger proportionate gain in deposits than in loans, of course, brought the ratio of loans to deposits down in 1961. At the city banks this ratio fell from 55.1 percent in November 1960, to 50.7 percent in November 1961, while the country bank ratio fell from 47.4 percent to 46.8 percent in the same period. The November to November decline at the country banks was just the second for the

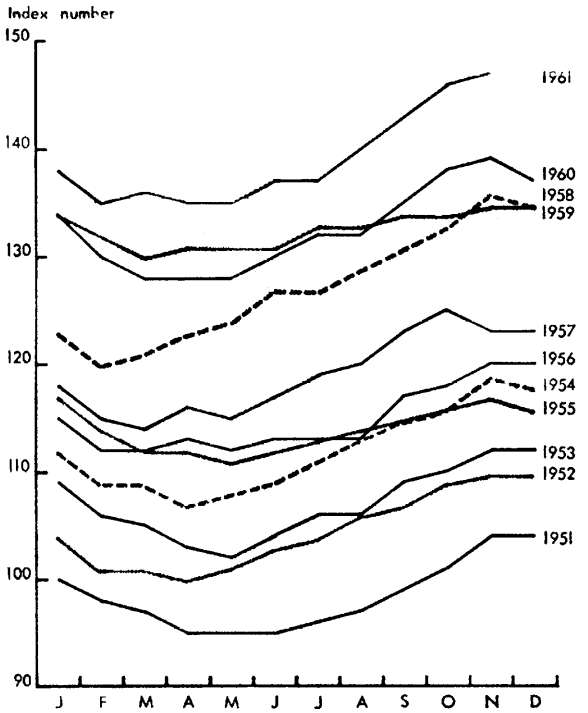
Chart 2—Deposits and loans* of city and country district member banks.



*Total loans after deducting valuation reserves and loans to other commercial banks.

Chart 3—Total deposits at district member banks

(Daily average)



entire postwar period; at the city banks, four such declines had been recorded previously since the war. The 50.7 percent loan-to-deposit ratio at district city banks compares with a national average at city banks of 53.9 percent, while the district country bank ratio of 46.8 percent compares with a national average of 48.3 percent.

TABLE 1: CHANGE IN DISTRICT MEMBER BANK LOANS AND DEPOSITS, NOVEMBER 1960-NOVEMBER 1961

	Loans	Deposits
	(percentages)	
Michigan	3.1	2.3
Minnesota	1.8	7.8
Montana	1.8	4.1
North Dakota	—3.4	5.0
South Dakota	7.5	9.2
Wisconsin	7.8	6.7

The table below records the percentage change in loans and deposits at member banks in each district state or part state during 1961. Only in Wisconsin and Michigan did loans rise proportionately faster than deposits.

Another indicator of improved liquidity at the district member banks was a 15 percent gain in holdings of governments coming due within five years. Between the autumn calls of 1960 and 1961, holdings of these securities by reserve city banks rose from $238 million to $331 million, and holdings of the country banks rose from $866 million to $938 million. The country bank figure was the highest for an autumn call since before 1950; the city bank figure was exceeded in 1954.

Reflecting the abundance of liquidity at district member banks in 1961 was a sharp drop in their borrowing at the Federal Reserve. From a daily average of $29.3 million in 1960, borrowing fell to an average of $1.7 million in 1961. The country bank average fell from $7 million to $1.5 million and the reserve city bank average fell from $22.3 million to $.2 million. Between June and November not one reserve city bank borrowed at the Minneapolis Federal Reserve Bank. The sharp reduction of borrowing as well as the reduction of the discount rate from 3½ percent to 3 percent on August 15, 1960, is reflected on this bank's earnings statement (see page 12) under the earnings from discounts and advances.

The leveling off in loan growth together with some softening of interest rates (since 1959) was evidenced in the first half earnings reports submitted by district member banks. Earnings statements for all of 1961 have not yet been received. Income from loans, which rose $10.9 million (18 percent) from first half 1959 to first half 1960, rose only $2.2 million (3 percent) from first half 1960 to first half 1961. Also reflecting lower interest rates was the fact that interest income on governments was down 2 percent in the first half of 1961 from a year earlier even though average holdings were up 1 percent.

The sum of earnings from all sources rose from

$117.8 million to $118.2 million in the period. Current expenses rose from $78.4 million to $79.4 million as time deposit interest rose $1.6 million (7.8 percent) and other expenses declined slightly. The resulting small decline of net current earnings contrasted sharply with the increases registered in most postwar years when a rising ratio of loans to deposits was associated with sizeable growth in bank income.

Agriculture

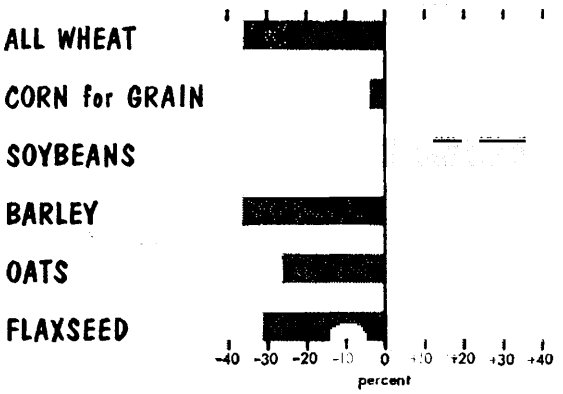
1961 was a year of marked extremes for Ninth district farmers. In short, the rains were adequate in about half the district and inadequate in the other half. In the dry areas, crop production suffered severely and livestock numbers were reduced because of forage and pasture shortages. In the more favored eastern areas, crops were produced in abundance and the general agricultural picture was better than in past years.

The impact of the past summer's drouth can most clearly be seen in its effect on per acre yields of crops. The average yield per acre of North Dakota wheat, the state's most important source of farm income, dropped from 19.8 bushels in 1960 to 11.9 bushels in 1961. This decrease in wheat yield was typical for the other states in the district. Yields of the other small grains showed similar decreases throughout most of the district.

Corn and soybean producing areas benefited from excellent growing conditions and generally broke production records. Corn yields per acre in Minnesota jumped more than 10 bushels, from 54 bushels in 1960 to 64.5 in 1961. Soybeans in Minnesota averaged 24 bushels per acre in 1961 compared with about 20 in 1960.

The increase in bushels per acre, together with an expansion of acres planted, increased total soybean output 37 percent over last year. The added output of corn per acre was not quite sufficient to offset the corn acres that were idled due to the feed grain program with the result that

Chart 4—Percent change in crop production, 1961 compared with 1960, district states*



*Minnesota, Montana, North Dakota and South Dakota

total corn output was 4 percent short of 1960's total. Total barley and wheat production was down more than 35 percent from last year in the district, while flaxseed and oat production slipped 31 and 25 percent, respectively.

The severity of the drouth on farm income was offset to some extent by higher crop prices. The average price per bushel for all wheat in the district was $1.90 during 1961, up 10 cents from 1960. The average for flaxseed was 20 cents higher, while soybean prices advanced from an average of $1.90 per bushel in 1960 to $2.48 per bushel in 1961. The average cash corn price was maintained at about the 1960 level but an increase in support prices provided eligible farms with much better returns than in 1960.

Cash receipts from marketings

Total cash receipts from farm marketings received by Ninth district farmers were about 2 percent below last year's levels. In North Dakota, cash receipts from crop marketings were down over 30 percent from 1960, while livestock marketings were maintained at 1960 levels. In total,

TABLE 2—YIELDS PER ACRE, 1960 AND 1961*

	Minnesota		Montana		North Dakota		South Dakota	
	1960	1961	1960	1961	1960	1961	1960	1961
				(bushels)				
All wheat	27.4	24.0	20.1	14.7	19.8	11.9	19.4	14.4
Corn for Grain	54.0	64.5	48.0	58.0	28.0	33.0	35.0	36.5
Soybeans	19.5	24.0	.....	.....	13.0	14.0	17.0	18.0
Barley	33.5	30.0	23.5	18.0	24.5	18.0	30.0	24.0
Oats	49.0	46.0	30.0	34.0	33.5	23.0	41.0	34.0
Flaxseed	13.0	12.0	6.5	4.0	7.7	6.2	8.5	9.5

*Preliminary

cash receipts were down more than 20 percent for the state. Cash receipts for crop marketings in Montana were down about 20 percent and livestock down 2 percent, resulting in a total decline in cash receipts of around 9 percent.

In South Dakota and Minnesota, total cash receipts increased about 5 and 3 percent, respectively. In each state, both crop and livestock receipts were higher than in 1960. These increases, however, were not enough to offset the declines in North Dakota and Montana with the result that the district level was lower than in 1960. Nationally, receipts advanced from 2 to 3 percent over 1960 levels.

Production expenses

Some advance was apparent in the index of prices paid by farmers for production expenses during 1961. Farm wage rates continued to move upward along with higher prices for farm machinery. Other nonfarm produced inputs were steady or slightly higher in price.

Feed prices were higher in 1961 compared with 1960, with mill feeds and oil meals showing the largest advances. Prices paid for feeder and replacement livestock advanced slightly.

Other expenses such as interest, taxes and insurance continued to rise during the year.

Government programs

The feed grain program instituted last spring provided many district farmers with income during 1961. Because of the program, district farmers reduced corn acreages about 16 percent from 1960 and received direct payment for the retired acreages. Higher price supports for corn and small grains, as well as soybeans, provided a strong incentive for farmer participation. The extension of the program this past fall to include 1962 barley acreage and a similar program for wheat will add to the cash position of farmers in the western regions of the district.

TABLE 3—ESTIMATED 1961 CASH RECEIPTS FROM FARM MARKETINGS

(millions of dollars)

	Crops	Livestock	Total
Minnesota			
1960	$ 376	$1,047	$1,423
1961	385	1,083	1,468
Montana			
1960	$ 178	$ 227	$ 405
1961	148	225	373
North Dakota			
1960	$ 347	$ 170	$ 517
1961	239	170	409
South Dakota			
1960	$ 150	$ 451	$ 601
1961	166	463	629
4-State Total			
1960	$1,051	$1,895	$2,946
1961	938	1,941	2,879

Bank operations in 1961

Significant advances were made at the Ninth District Federal Reserve Bank in 1961 in planning for and adapting various tasks to high speed data processing machines. As with any institution that performs many services that require tabulations of facts and figures, much of this work has been done in the past by clerks using conventional business machines. Usually the desired results were obtained only after many manhours of employee time had been expended. By feeding data into high speed equipment from punched cards or other types of input, repetitive tasks can be performed with great speed and accuracy.

Early in the year, programmer aptitude tests were given to 62 employees to aid in selecting personnel to work in this area. In September 1961, an electronic computer was delivered to the bank. This was preceded by months of planning in order to be able to start using the equipment effectively shortly after delivery. By October, the bank was able to edit and prove with electronic speed and accuracy the money supply statistics furnished by member banks on their Reports of Deposits Subject to Reserve Requirements. By use of data processing, the Research Department can now furnish the Board of Governors of the Federal Reserve System figures on the money supply in the Ninth Federal Reserve District one week after the close of a reserve period. The banking system and the economy generally benefit by having such money supply data nationally available more quickly. The Accounting Department also benefits by having a rapid check on the computation of each member bank's required reserves. Similarly, the September Call Reports of Condition of member banks were checked and summarized and the results were available for analysis an hour after the last call report was received by the data processing section.

Starting in October the bank's payroll procedures, which were mechanized a year ago, were revised to take advantage of the greater capabilities of the computer. At the same time, steps were incorporated to make the necessary computation for the withholding of the Minnesota State Income Tax.

A significant programming task has been the conversion of the Treasury Tax and Loan accounts of depositary banks from manual procedures to electronic data processing. When completed, depositary banks will receive weekly, rather than monthly as at present, statements of their accounts. Also when calls against depositary accounts are issued by the Treasury Department, the related work can be completed in one hour instead of the day and a half required previously. Preparing for such a conversion requires that certain procedures be instituted in advance. During the year the Certificate of Advice form furnished depositary banks to report their Treasury Tax and Loan deposits was revised. An identifying code number, together with the bank's name, is now pre-imprinted on the form so that the data can readily be taken from the certificate and punched into cards.

One of the benefits of high-speed data processing is that improved procedures are often possible in related activities, for example Auditing and Accounting. The Safekeeping Department key punches into cards pertinent information about all securities held in custody. These cards are used in a proof of daily activity to insure accuracy in the department's custody ledger and to prepare advices of matured coupons. As a by-product, at the time of a department audit, either by the bank's audit department or by the Board of Governors' examination department, the punch cards can be processed to prepare complete detailed tracer lists. Printing and verification of

these tracers can be made in less time and more accurately than was possible before.

High speed handling of checks under the Magnetic Ink Character Recognition program is most effective if all banks preprint their checks with their routing symbol-transit number. By year end, 99.8 percent of all par banks and 99.0 percent of all nonpar banks assured us that new orders of checks would be printed with magnetic ink. Because of this, the bank plans to install during 1962 one complement of electronic check processing equipment and will begin automatic handling of some checks. As part of the change-over to automatic handling, additional equipment will be installed to encode with magnetic ink the amounts of the individual checks. This will assure a sufficient volume of fully qualified checks to make the use of the equipment feasible.

Installation of the equipment will facilitate handling of the ever-increasing volume of checks. For instance, at this bank the volume of checks drawn on Minneapolis and St. Paul banks increased by 9 per cent over the previous year, and the over-all average increased by 5.1 percent.

In order to provide for continuation of essential services to the banking community in the event of an enemy attack, the bank continued to improve and make more complete its emergency plans. A set of emergency operating letters and instructions will be made available to all district banks early in 1962. An emergency relocation site for the Twin City Clearing House has been agreed upon, and a fallout shelter in the Federal Reserve Bank of Minneapolis is nearing completion. At the request of the Secretary of the Treasury and in cooperation with other bank supervisory agencies, our Bank Examiners, in examining state member banks, are emphasizing the importance of providing adequate preparedness measures at those banks that have not adopted programs sufficient in scope to assure continued operations in the event of an emergency.

At year end the chairman of the board of directors announced the election of three new officers and the promotion of another at the bank. John Gillette was promoted from assistant cashier to assistant vice president. Newly elected as assistant cashiers are Earl Beeth, Discounts, Howard Knous, Check, and John McDonald, Planning. During the year Dr. J. Dewey Daane, vice president and economic adviser, resigned to become the Deputy Under Secretary of the Treasury for Monetary Affairs in Washington, D. C. Following the death in May 1961, of Christian Ries, assistant vice president, John P. Olin was assigned his duties in Safekeeping.

At the end of the year an election was held for a Class A director and a Class B director of the Federal Reserve Bank of Minneapolis. Rollin O. Bishop, President of the American National Bank of St. Paul, Minnesota, was elected as Class A director, and T. G. Harrison of Minneapolis was re-elected as a Class B director. The Board of Governors of the Federal Reserve System reappointed John Warden as a Class C director for a three-year term and John Otten as director of the Helena Branch for a two-year term. The Board of Directors of the Federal Reserve Bank of Minneapolis reappointed O. M. Jorgenson as a director of the Helena Branch for a two-year term, and elected John A. Moorhead as its Federal Advisory Council member for 1962.

Volume of Operations

	Number of pieces handled		Amounts handled	
	1961	1960	1961	1960
Discounts and advances	341	1,084	196,975,000	$3,790,303,000
Currency shipments received	20,765	20,967	470,324,000	483,123,000
Coin shipments received	5,099	5,319	20,307,000	17,008,000
Checks handled, total	148,965,493	141,330,899	43,495,220,000	40,514,990,000
Collection items handled:				
U. S. Government coupons paid	382,080	408,203	81,936,000	83,300,000
All other	793,890	815,089	649,153,000	602,510,000
Issues, redemptions, exchanges of U. S. Government securities	4,224,447	4,598,635	7,378,706,000	6,693,231,000
Transfers of funds	86,149	86,601	35,843,000,000	45,289,000,000

Earnings and Expenses

	1961	1960
CURRENT EARNINGS		
Discounts and advances	51,912	$ 1,134,086
United States Government securities	21,648,273	24,971,838
All other	10,893	20,847
Total Current Earnings	21,711,078	26, 126,771
CURRENT EXPENSES		
Operating Expenses	6,198,860	6,049,673
Assessment for expenses of Board of Governors	144,000	148,600
Federal Reserve Currency	108,015	242,436
Total Current Expenses	6,450,875	6,440,709
Less: reimbursement for certain fiscal agency and other expenses	655,147	659,633
Net Expenses	5,795,728	5,781,076
CURRENT NET EARNINGS	15,915,350	20,345,695
NET ADDITIONS TO CURRENT NET EARNINGS		
Profits on sales of U. S. Government securities (net)	80,994	55,983
Transferred from reserves for contingencies (net)	-0-	294,453
All other	— 1,746	— 8,092
Total Additions		342,344
NET EARNINGS BEFORE PAYMENTS TO UNITED STATES TREASURY	15,994,598	20,688,039
PAID TO U. S. TREASURY (Interest on Federal Reserve Notes)	14,005,314	18,891,558
DIVIDENDS PAID	582,284	550,681
TRANSFERRED TO SURPLUS	1,407,000	1,245,800
SURPLUS January 1	18,825,500	17,579,700
SURPLUS December 31	20,232,500	18,825,500

Statement of Condition

ASSETS	Dec. 31, 1961	Dec. 31, 1960
Gold certificate account	$ 346,376,982	344,571,912
Redemption fund for Federal Reserve Notes	26,898,018	26,033,258
Total Gold Certificate Reserves	373,275,000	370,605,170
Federal Reserve Notes of other Federal Reserve Banks	17,931,500	19,713,500
Other cash	9,186,228	7,986,060
Discounts and advances		
Secured by U. S. securities	-0-	1,400,000
Other	345,000	184,000
United States Government securities	615,774,000	626,170,000
Total loans and securities	616,119,000	627,754,000
Due from foreign banks	313	327
Cash items in process of collection	199,663,497	181,133,720
Bank premises	4,629,742	4,973,935
Other assets	5,132,216	4,814,276
Total Assets	1,225,937,496	**1,216,980,988**
LIABILITIES		
Federal Reserve Notes in actual circulation	578,877,280	595,186,895
Deposits:		
Member bank—reserve accounts	443,282,324	418,678,811
United States Treasurer—general account	15,623,073	23,393,387
Foreign	6,095,000	4,922,000
Other deposits	893,902	1,941,763
Total deposits	465,894,299	448,935,961
Deferred availability cash items	148,271,847	143,476,468
Other liabilities	2,545,320	1,143,414
Total Liabilities	1,195,588,746	**1,188,742,738**
CAPITAL ACCOUNTS		
Capital paid in	10,116,250	9,412,750
Surplus	20,232,500	18,825,500
Total Liabilities and Capital Accounts	1,225,937,496	**1,216,980,988**
Ratio of gold certificate reserves to deposit and Federal Reserve Note liabilities combined	35.7%	35.5%

Officers of the Federal Reserve Bank of Minneapolis

Frederick L. Deming	President
Albert W. Mills	First Vice President
Kyle K. Fossum	Vice President
Clarence W. Groth	Vice President and Cashier
Melvin B. Holmgren	Vice President
Arthur W. Johnson	Vice President
Harold G. McConnell	Vice President and Secretary
Franklin L. Parsons	Vice President
Maurice H. Strothman, Jr.	Vice President and General Counsel
Roger K. Grobel	Chief Examiner
Arthur J. McNulty	General Auditor
Frederick J. Cramer	Assistant Vice President
Oscar F. Litterer	Assistant Vice President
Milford E. Lysen	Assistant Vice President
Orthen W. Ohnstad	Assistant Vice President
John P. Olin	Assistant Vice President
Carl E. Bergquist	Assistant Cashier
William C. Bronner	Assistant Cashier
John J. Gillette	Assistant Cashier
William A. O'Brien	Assistant Cashier
Marcus O. Sather	Assistant Cashier

Officers at the Helena Branch

Clement A. Van Nice	Vice President
John L. Heath	Assistant Cashier
Robert W. Worcester	Assistant Cashier

As of December 31, 1961.

Directors of the Federal Reserve Bank of Minneapolis

		Term expires December 31
Class A		
John A. Moorhead	President, Northwestern National Bank of Minneapolis Minneapolis, Minnesota	1961
Harold N. Thomson	Vice President, Farmers & Merchants Bank Presho, South Dakota	1962
Harold C. Refling	Cashier, First National Bank in Bottineau Bottineau, North Dakota	1963
Class B		
T. G. Harrison	Chairman of the Board, Super Valu Stores, Inc. Minneapolis, Minnesota.	1961
Alexander Warden	Publisher, Great Falls Tribune-Leader Great Falls, Montana	1962
Ray C. Lange	President, Chippewa Canning Company, Inc. Chippewa Falls, Wisconsin	1963
Class C		
John H. Warden	President, Upper Peninsula Power Company Houghton, Michigan	1961
Atherton Bean	CHAIRMAN AND FEDERAL RESERVE AGENT President, International Milling Company Minneapolis, Minnesota	1962
Judson Bemis	DEPUTY CHAIRMAN President, Bemis Bro. Bag Co. Minneapolis, Minnesota	1963

Directors of the Helena Branch

Appointed by Federal Reserve Bank		
O. M. Jorgenson	Chairman, Security Trust and Savings Bank Billings, Montana	1961
Roy G. Monroe	President, The First State Bank of Malta Malta, Montana	1962
Harald E. Olsson	President, Ronan State Bank Ronan, Montana	1962
Appointed by Board of Governors		
John M. Otten	CHAIRMAN Farmer and Rancher Lewistown, Montana	1961
H. K. Newburn	VICE CHAIRMAN President, Montana State University Missoula, Montana	1962

Member of Federal Advisory Council

Gordon Murray	President, First National Bank of Minneapolis Minneapolis, Minnesota

As of December 31, 1961.