

MONTHLY REVIEW

of Ninth District Agricultural and Business Conditions
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SPECIAL ARTICLE

Beef Cattle Situation Suggests Caution

FROM a short-term viewpoint it appears the beef producer is in a favorable situation. Meat supplies are short relative to the demand. Cattle prices would likely be higher if there were no ceilings on beef or live animals. The high purchasing ability of consumers is well distributed and they would buy much larger quantities of beef if it were available to them. The supply of pork, a competitive product, has been sharply reduced, which strengthens the price position of beef still further.

The Department of Agriculture reports that total meat production for 1945 probably will be about 10 percent smaller than the record production in 1944 largely because of reduced numbers of hogs and chickens on farms. The department forecast that prices of meat animals will tend to hold to the maximum levels permitted by price controls throughout the spring and summer at least.

Approximately one-third of the total supply of meat produced in the past two years has gone to our armed forces and to our allies. At the present time 60 percent of the three upper grades of steer and heifer beef, 70 percent of utility beef, and 80 percent of canner and cutter grade beef from all classes of cattle produced under federal inspection are required to be set aside for Government use.

It is not known, of course, when these beef set-aside orders will be reduced or to what extent. Some reductions undoubtedly will occur soon after the European phase of the war is ended.

Shorter Term Situation Favorable; High Cash Farm Incomes from Beef Promised by Record Cattle Numbers, Adequate Feed, and Unfilled Demand

Are beef cattle numbers in the district too high in relation to the long-time carrying capacity of farms and ranches? Would a drouth in 1945 or 1946 send large numbers marketward, resulting in sharply lower prices? These questions cannot be answered with certainty but the situation will bear careful watching over the next several months. Perhaps more attention to feed production and carryover and the desirability of a better livestock-grain balance in many parts of the district would indicate the desirability of larger cattle numbers compared with the prewar average.

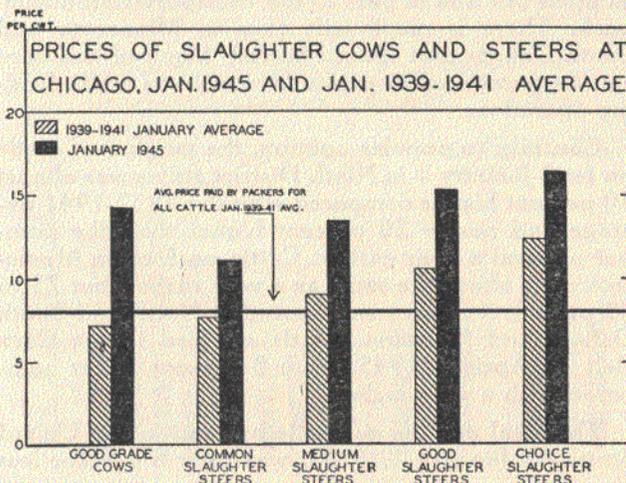
When World War I ended, the number of beef cattle on farms was too high for domestic needs. As a result, prices dropped about 50 percent within two years after the war's end. Cattle prices at present are about 66 percent above the 10-year prewar average. Will the situation be different after this war? Will prices be maintained at or near present levels?

It would appear that if people could maintain their purchasing power at wartime levels the price of meat might remain at or near present levels even though military and lend-lease meat requirements are eased. Therefore, in the final analysis, the price of cattle in the postwar period will be greatly influenced by employment and payrolls.

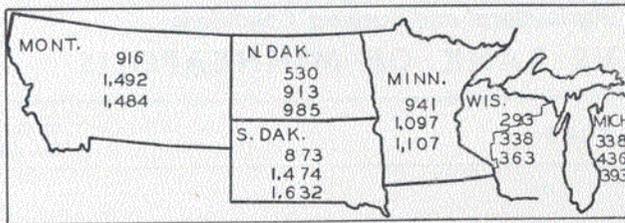
Could a reduction in Government set-aside orders have an unfavorable effect on cattle prices? It might if sharp reductions occurred late in the summer when cattle marketings off grass increase seasonally, and especially if pasture and feed conditions were unfavorable. However, early reports indicate favorable range and crop prospects because of ample subsoil moisture in almost all parts of the district.

LONGER TERM VIEWPOINT LESS FAVORABLE

From a long-term viewpoint the beef cattle situation is less favorable. Cattle numbers are at record highs in the Ninth District. For several years range and feed conditions in this district have been good to excellent, but a return to average weather conditions or to a drouth situation might necessitate some liquidation of cattle numbers. (Continued on Next Page)



BEEF CATTLE NUMBERS IN THOUSANDS OF HEAD



Source: United States Department of Agriculture Bureau of Agricultural Economics.

First number 1939-1941 average cattle numbers.

Second number 1944 cattle numbers.

Third number 1945 preliminary cattle numbers.

BEEF CATTLE NUMBERS AT RECORD HIGH IN NINTH DISTRICT

Beef cattle numbers on farms in the Ninth District January 1, 1945, were at a new high—5 percent higher compared with a year earlier and 60 percent above the 1939-1941 average. In the Dakotas, numbers were 8 to 11 percent higher than a year earlier and 87 percent above the 1939-1941 average. Montana beef cattle numbers were 62 percent above the average but down slightly from January 1, 1944. In Minnesota, numbers were up only 16 percent from the 1939-1941 average.

Cattle numbers for the entire United States were down slightly from the previous year and only 28 percent above the 1939-1941 average. If 1944 was the turning point in the current cattle numbers cycle, as now seems probable, the trend is expected to be downward for a 6 to 8 year period if history repeats itself. During the downward swing of numbers, cattle slaughter is relatively large because of the added breeding stock liquidation.

Beef Cattle and Calves on Farms January 1, 1945 With Comparisons (Milk Stock Excluded)

	Number of Head January 1, 1945 ¹	Percent Change from	
		1944	1939-1941 Average
Michigan	393,000	-10	+16
Minnesota	1,107,000	+1	+18
Montana	1,484,000	-1	+62
North Dakota	985,000	+8	+86
South Dakota	1,632,000	+11	+87
Wisconsin	363,000	+7	+24
United States	41,222,000	-1	+28

Source: United States Department of Agriculture Bureau of Agricultural Economics.

¹ Preliminary figures.

The number of heifers one to two years of age on farms January 1, 1945, in the Ninth District is particularly high, ranging from a 31 percent increase in Minnesota over the 1939-1941 average to a 123 and

129 percent increase in South and North Dakota respectively. Calves were down in numbers only slightly on January 1 in all states of the district except South Dakota, where a 3 percent increase occurred. Both beef heifer and calf numbers were much higher in the Ninth District relative to the 1939-1941 average than the increase for the United States as a whole.

HEAVY CATTLE SLAUGHTER EXPECTED IN 1945

Total cattle slaughter in 1944 was at a new high but may be even larger in 1945. Approximately 34 million head of cattle and calves were slaughtered in 1944, and 35 million will be killed in 1945 if the Government's 1945 beef production program is achieved. Calf slaughter under federal inspection during 1944 was nearly 50 percent larger than that in the preceding year and about 37 percent larger than the 1935-1939 average. The Government expects as many calves will be slaughtered this year as in 1944. This extremely high level of calf slaughter is a result of large calf crops, a weak demand on the part of feeders, and relatively high prices for veal.

The large percentage of cows, heifers, and veal calves in total slaughter, and the larger than normal marketings of steers of common and medium grade during 1944 reduced the dressing percentage from 54 percent for the 1938-1941 average to 51.9 percent in 1944. Average weights of cattle slaughtered have also dropped to a considerable extent. This trend is expected to continue in 1945, and would, of course, be accentuated if feed and pasture conditions are poor.

NEAR RECORD CATTLE NUMBERS ON FEED

The feed situation is favorable in the Ninth District for the spring and early summer period. Range and pasture condition is generally above that of last year and it is materially above normal. Feed grain supplies on farms the first of the year were at record highs and less than the usual amount has been shipped out due in part to the transportation bottleneck. There is much soft corn in Minnesota and South Dakota that should be fed. Much of this corn can be purchased at prices favorable to cattle feeding operations.

Contrary to popular opinion, the number of cattle on feed January 1 in Ninth District states was almost 50 percent higher compared with the 1932-1941 average and nearly 20 percent higher than the number on feed a year earlier. Cattle on feed in Minnesota were about the same as a year earlier, but 25 to 35 percent increases were noted in North and South Dakota and Montana. Cattle on feed in the Corn Belt on April 1, 1945, were 8 percent larger compared with a year earlier.

The total number of cattle on feed in the United States on January 1, 1945, was only 6 percent less

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AGRICULTURE

Bumper Winter Wheat Crop in Prospect

FARMERS' cash income in the Ninth District during January 1945 totaled approximately 143½ million dollars compared with 149 million in January of 1944 and 50 million for the January 1935-39 average.

For the United States as a whole, cash farm income during January this year was 3 percent up from a year earlier. Preliminary estimates from the Department of Agriculture indicate that total cash farm income for the first quarter of 1945 may be slightly below the same period a year earlier.

SUMMARY

CROP prospects in general appear favorable in the Ninth District.

January cash farm income was up in North Dakota and Montana but down in Minnesota and South Dakota compared with a year earlier.

Prices received for most farm products in mid-March were slightly higher compared with the previous month and a year earlier.

Land values continued to rise, with sharpest increases from prewar levels occurring in Montana.

January Cash Farm Income¹

State	(Thousands of Dollars)			1945 in Per-cent of 1944
	1935-1939 Average	1944	1945	
Minnesota	\$ 26,141	\$ 71,171	\$ 64,451	91%
North Dakota.....	5,421	22,178	22,768	103
South Dakota.....	8,378	27,216	25,988	95
Montana	4,306	13,635	15,502	114
Ninth District ²	50,300	149,142	143,641	96
United States.....	604,258	1,605,000	1,658,000	103

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

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

In Minnesota and South Dakota, January cash farm income was substantially lower compared with January 1944. This reflects a sharp drop in hog marketings from the hog producing areas of these states. Receipts of hogs at the St. Paul market in recent weeks have been only about a third as large as a year earlier.

In Minnesota and South Dakota, roughly three-fourths to four-fifths of total cash farm income in recent years has been derived from the sale of livestock and livestock products (see accompanying

chart). In contrast, North Dakota and Montana get more than 50 percent of their farm income from the sale of crops, principally wheat. It is interesting to note, also, that Government payments have made up approximately 4 to 5 percent of cash income to farmers of the Ninth District.

Farm income prospects for the next two or three months are favorable, since livestock numbers on farms are at high levels.

Storage stocks of corn, oats, and wheat on January 1 in the four Northwest states were at record high levels.

Grain receipts at Minneapolis for the first three months this year have been only about half that of a year earlier. The car shortage has materially slowed up the movement of large quantities of grain to market. This grain will move as quickly as transportation facilities are available and will be reflected in cash farm income in the months ahead.

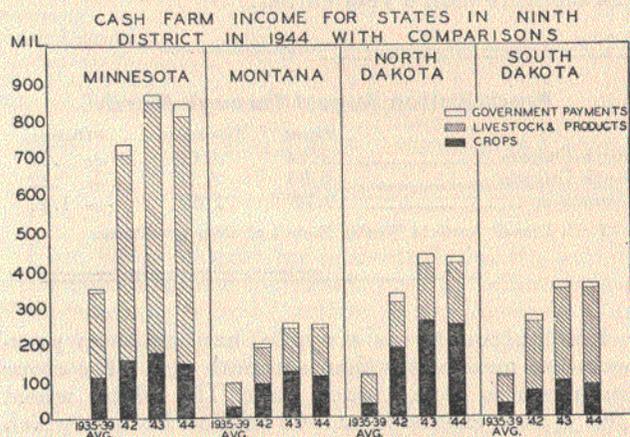
Prices received by farmers in the Ninth District in mid-March for most farm products were slightly higher compared with a month earlier and March a year ago. Corn prices were sharply below a year earlier, which reflects the low quality this season. Grain and livestock prices were seasonally higher in March. Milk and egg prices were slightly lower, reflecting seasonal increase in supplies.

For the United States as a whole, prices received by farmers during the month ended March 15 declined one point to 198 percent of their 1909-1914 average. Prices of farm products as a whole were at 114 percent of parity—down two points from a month earlier.

Prices of things farmers buy for use in production and family living increased from 172 percent of the 1909-1914 base on February 15 to 173 on March 15.

Prices of most farm products probably will remain at or near ceilings through most of 1945, and

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demand at these prices is likely to exceed the supply of many farm products, according to a recent report from the Department of Agriculture.

Some of the sharpest increases in land values during the war occurred in 1944. In War I the sharpest increases in land values came in the 18 months after the Armistice.

Average Prices Received by Farmers¹

Commodity and Unit	Ninth District			Parity Prices ² United States March 15, 1945
	March 15, 1937-1941 Avg.	March 15, 1944	March 15, 1945	
Crops				
Wheat, bushel	\$.82	\$ 1.42	\$ 1.43	\$ 1.53
Corn, bushel .....	.55	1.01	.83	1.11
Oats, bushel .....	.30	.70	.66	.69
Potatoes, bushel .....	.67	1.10	1.50	1.25
Livestock and Livestock Products				
Hogs, 100 lbs.....	7.30	13.01	13.91	12.60
Beef cattle, 100 lbs.....	6.93	11.84	11.91	9.38
Veal calves, 100 lbs.....	8.41	12.89	13.17	11.70
Lambs, 100 lbs.....	8.16	12.97	13.27	10.20
Wool, lb. ....	.26	.41	.42	.....
Milk, whole., 100 lbs.....	1.52	2.68	2.65	2.73
Butterfat, lb. ....	.30	.53	.52	.462
Chickens, live, lb.....	.118	.205	.215	.197
Eggs, dozen .....	.153	.290	.309	.312

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.

A continued high level of income to industrial workers and virtually full employment has been the most important factor in maintaining prices of farm products at about double the 1909-1914 level. In recent months average weekly earnings per factory worker have been about 4 percent above that of a year earlier.

Farm land prices continued to rise during the year ended March 1, 1945. Compared with the prewar 1935-1939 average, land prices were up 68 percent in Montana, 34 percent in Minnesota, 19 percent in South Dakota, and 17 percent in North Dakota.

Rampant speculation was an important factor in the War I situation. So far in this war there is little evidence of land speculation as such. It is hoped farmers and others will remember the disastrous consequences of the land boom in 1919-1920 and buy land only on the basis of its earning capabilities.

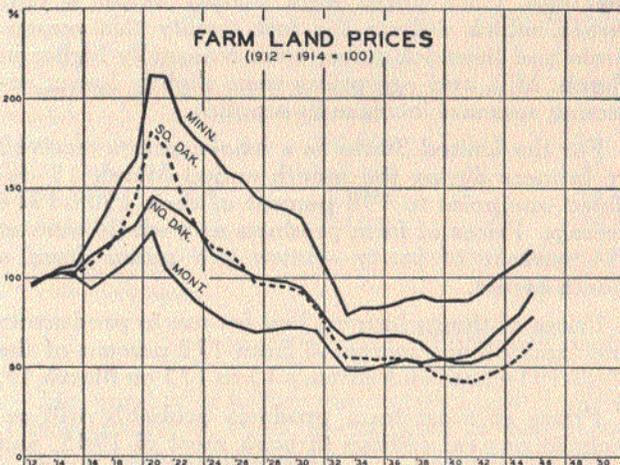
Although land values are now high, relative to the 1935-1939 period, it must be remembered that this five-year prewar period was an abnormally low one for most states in this district.

Crop prospects in practically the entire district continue promising. The April crop report of the Montana agricultural statistician points out, "Montana's 1945 crop outlook is now better than it was a month ago as a result of good precipitation in March, which was the first month since August 1944 to have above normal precipitation. The April 1 outlook, in the case of winter wheat, was for a 1945 crop of 28,899,000 bushels compared with 25,806,000 bushels in 1944 and the 10-year (1934-1943) average of 17,379,000."

Field work got off to an early start but storms and cold weather in early April have slowed operations.

In South Dakota, winter wheat production is expected to set a new record in 1945 with production now estimated at 3,510,000 bushels, according to the Crop Production report of April 10. Farm stocks of grains were much higher on April 1 this year than on that date last year. Spring work is reported as ahead of last year at this time and early season conditions are favorable for another good crop year.

In North Dakota and the Red River Valley, conditions are good but some warm, dry weather is needed to permit timely seeding, according to the weekly report of crop conditions by F. H. Peavey and Company. Too much rain is reported in many sections of northwestern Minnesota. Southern and southwestern Minnesota on the other hand have had less moisture than a year earlier.



Precipitation August Through March¹

	Normal	This Season	Difference
North Dakota	5.34	6.00	+ .66
South Dakota	6.05	6.27	+ .22
Minnesota	9.30	7.89	- 1.41

¹ F. H. Peavey April 14 Weekly Report of Crop Conditions.

For the country as a whole, national crop prospects are now better than a month ago. Hay crops and pastures have a good start. The winter wheat crop is now estimated at 863 million bushels which

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BANKING

Quota for Individuals Half of Bond Goal

NINTH District State War Finance Committee members and their assistants face the task of achieving a total goal of \$364.5 million for the Seventh War Loan. Of that amount, \$247.6 million represents the goal set for subscriptions by individuals.

The total goal for Series E bonds in this drive has been substantially increased from the Sixth War Loan, and the quota for the forthcoming drive is set at \$152.1 million in the Ninth District. The total quotas for nonbank investors other than individuals of \$116.9 million represents a substantial reduction from both the quotas of and sales to these purchasers during the previous drive.

In all cases except Montana and North Dakota the actual quotas for sales to individuals are materially higher than the actual sales achieved during the Sixth War Loan. The same comparison is true for the Series E savings bonds.

The major changes nationally in the plans for the Seventh War Loan are in the direction of encouraging larger sales of securities to individuals rather than to other nonbank investors.

Ninth District Seventh War Loan Quotas

State	(In Million Dollars)				
	Total Quota	Individual	Series E	Other Individual	Other Nonbank
Minnesota	\$224.0	\$140.0	\$ 80.0	\$ 60.0	\$ 84.0
Montana	35.0	25.0	16.0	9.0	10.0
North Dakota	33.5	26.5	18.5	8.0	7.0
South Dakota	34.0	27.0	18.0	9.0	7.0
Michigan U. P.	13.8	8.9	6.6	2.3	4.9
Wisconsin (N. W.) ..	24.2	20.2	13.0	7.2	4.0
Total	\$364.5	\$247.6	\$152.1	\$ 95.5	\$116.9

Ninth District Sixth War Loan Sales

State	(In Million Dollars)				
	Total Sales	Individual	Series E	Other Individual	Other Nonbank
Minnesota	\$399.1	\$124.8	\$ 62.1	\$ 62.7	\$274.2
Montana	50.2	26.1	16.0	10.1	24.1
North Dakota	47.0	27.9	19.9	8.0	19.1
South Dakota	46.9	23.9	14.7	9.2	23.0
Michigan U. P.	17.6	6.0	3.8	11.6	2.3
Wisconsin (N. W.) ..	32.4	16.4	9.4	7.0	16.0
Total	\$593.2	\$225.1	\$125.9	\$108.6	\$358.7

First, the total goal for individuals for the nation as a whole has been increased from \$5 billion in the Sixth War Loan to \$7 billion in the Seventh War Loan, although the total overall quota of \$14 billion remains the same as for the previous drive.

Second, the largest relative increase has occurred in the case of Series E savings bonds where the quota this time is \$4 billion for the nation as a whole

SUMMARY

NINTH District quotas for Seventh War Loan are set at \$364.5 million. Sales to individuals will constitute a larger proportion of the total than for any drive to date.

Bank deposits again declined as a result of reduction in war loan accounts.

Total assets at all Ninth District member banks on March 20 were \$2,838 million, a decrease of \$127 million from the year-end total.

as compared with \$2.5 billion during the previous drive. Achieving this goal will be materially assisted by the provision which allows all savings bonds and savings notes processed through the Federal Reserve Banks between April 9 and July 7 (13 weeks) to be credited to the Seventh War Loan quota.

Because these securities sold originally to nonbank investors other than individuals were subsequently sold to banks in substantial volume, the previously popular two percent unrestricted bonds have been eliminated. In other drives there has been some tendency on the part of nonbank investors to purchase these securities for later sale to the banks. The two longterm securities (a 2¼ percent 14-17-year bond, and a 2½ percent 22-27-year bond) are not eligible for bank ownership until 10 years before maturity.

The issues to be included in the Seventh War Loan are Series E, F, and G savings bonds, Series C savings notes, 7/8 percent 1-year certificates of indebtedness, 1½ percent 5½-year bonds, 2¼ percent 14-17-year bonds, and 2½ percent 22-27-year bonds. While banks will be given an opportunity to subscribe for limited amounts of Series F and G savings bonds, 1½ percent 5½-year bonds, and 7/8 percent one-year certificates of indebtedness during the drive, such subscriptions will not be counted as a part of the quotas. Subscriptions from each bank for savings bonds must be limited to \$100,000 (issue price), and the total subscriptions for the above securities limited to the smaller of 10 percent of time deposits or \$500,000.

The banking picture in the Ninth District has exhibited little change during the last month. Total deposits of the 20 reporting city banks declined another \$31 million. This decline was made up by a \$38 million reduction in war loan accounts and a \$7 million increase in other types of deposits. This movement from war loan accounts to other types of deposits between drives is a normal one and has been commented on here before at various times.

Borrowings declined by \$2 million and excess reserves remained constant. The decline in deposits

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Assets and Liabilities of Selected Ninth District Member Banks

	(In Million Dollars)		Change
	3/14/45	4/11/45	
Assets			
U. S. Treasury bills.....	\$ 11	\$ 7	\$— 4
U. S. Treasury Certificates of Indebtedness.....	227	212	—15
Other U. S. Government securities.....	656	649	— 7
Total U. S. Government securities	894	868	—26
Other investments.....	43	44	+ 1
Loans.....	206	200	— 6
Cash and due from banks.....	328	330	+ 2
Miscellaneous assets.....	16	13	— 3
Total	1487	1455	—32
Liabilities			
Deposits of U. S. Government.....	220	182	—38
Deposits of individuals & businesses.....	817	817	0
Other deposits.....	352	359	+ 7
Total deposits	1389	1358	—31
Borrowings.....	11	9	— 2
Miscellaneous liabilities.....	7	7	0
Capital accounts.....	80	81	+ 1
Total liabilities and capital	1487	1455	—32
Excess reserves.....	3	3	0

was largely offset by a decline in U. S. Government securities and loans and discounts. Most of the decline in U. S. Government securities occurred in bank holdings of certificates of indebtedness which were reduced by \$15 million during the month ending April 11. A further reduction in Treasury bills of \$4 million accounted for some of this, but holdings of Treasury bills had reached such a level that no great degree of elasticity was available there.

Total deposits of country member banks averaged \$1,285 million during the last two weeks of March, a decline of \$16 million from the similar period in February, a decline of \$20 million in demand deposits being slightly offset by a \$4 million increase in time deposits. Aggregate reserves required increased slightly, while actual reserve accounts were increasing \$2.3 million, effecting a net increase in excess reserves of \$1.6 million for the period. Earning assets were only \$6 million greater in the last two weeks of March than in the last two weeks of February, although they remained over \$200 million greater than in the March period of 1944.

Daily Average Reserve Position for All Ninth District Member Banks for the 16-Day Period Ending March 31, 1945

Type of Bank	Average Reserves Carried (000)	Average Reserves Required (000)	Average Excess Reserves (000)
Reserve City Banks.....	\$151,684	\$149,723	\$ 1,961
Other City Banks.....	24,695	21,311	3,384
Total City Banks.....	176,379	171,034	5,345
Total Country Banks.....	167,902	134,252	33,650
Total Ninth District—1945.....	344,281	305,286	38,995
Total Ninth District—1944.....	281,241	244,848	36,393

According to a preliminary tabulation of the condition reports as of the March 20, 1945, call date, total assets of Ninth District member banks were \$2,838 million, a decrease of \$127 million from the last call report date of December 30, 1944. The accompanying table presents these tabulations in more detail.

Assets and Liabilities of Ninth District Member Banks

	(In Million Dollars)						
	Number of Banks	Reserve City Banks 12/30/44 (9)	3/20/45 (9)	Country Banks 12/30/44 (458)	3/20/45 (457)	All Banks 12/30/44 (467)	3/20/45 (468)
Assets							
Loans and discounts (incl. overdrafts).....		\$ 206	\$ 178	\$ 202	\$ 197	\$ 408	\$ 375
U. S. Gov't obligations (direct and guaranteed).....		781	743	943	962	1724	1705
Other investments.....		31	33	74	75	105	108
Cash and due from banks.....		300	262	403	364	703	626
Other assets.....		11	11	14	13	25	24
Total Assets		1329	1227	1636	1611	2965	2838
Liabilities and Capital Account							
Demand deposits (Ind., Part., Corp.).....		\$ 494	\$ 500	\$ 758	\$ 749	\$1252	\$1249
Time deposits (Ind., Part., Corp.).....		120	127	466	496	586	623
Deposits of U. S. (Inc. Postal).....		309	194	148	98	457	292
Other deposits.....		334	310	170	173	504	483
Total deposits		1257	1131	1542	1516	2799	2647
Other liabilities.....		8	31	2	2	10	33
Capital stocks.....		22	22	39	39	61	61
Surplus and undivided profits.....		36	37	47	48	83	85
Reserves.....		6	6	6	6	12	12
Total Capital Account		64	65	92	93	156	158
Total Liabilities and Capital Accounts		1329	1227	1636	1611	2965	2838

BUSINESS**Construction Activity in Gradual Rise**

BUSINESS in the Ninth Federal Reserve District remained quite stable during March, according to the business indicators available at the present time.

Bank debits, the best indicator of over-all business activity, reveal little change. The index for March debits was only 4 points less than for the February volume after an allowance was made for the usual small rise in monthly debits.

However, some variation apparently occurred in the volume of business transacted in the various regions. For instance, in the farming centers over the district, the index for March debits was 9 points higher than for February. On the contrary, a decline occurred in the amount of debits reported from lumber and mining regions.

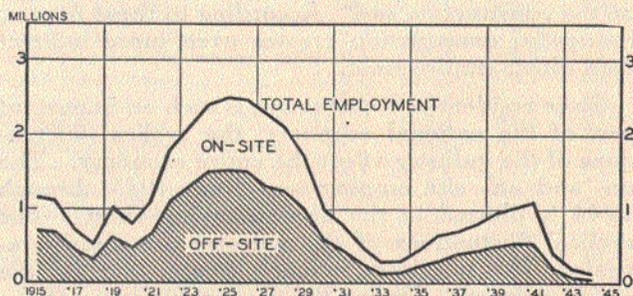
Department store sales for the four weeks ending April 7 exceeded by 15 percent those for the corresponding weeks of last year. The accumulated weekly sales since the beginning of the year are nearly one-fifth larger than those for the same period of 1944.

As compared with those of a year ago, March sales were 33 percent larger. The buying for Easter was concentrated into the March sales. Easter was on the first of April, and so all shopping for this occasion had to be done in the preceding month. Easter being on the ninth of April last year gave the public one week in April to shop for this event. About 2½ percent was added to March sales which last year was a part of April sales.

The favorable March weather also had an important bearing on the volume of sales. The early spring stimulated people to purchase their spring wearing apparel before the usual time.

Life insurance sales were somewhat larger for the first two months of this year than for the same period of last year. According to the figures compiled by

ESTIMATED ON-SITE AND OFF-SITE EMPLOYMENT IN NEW PRIVATE RESIDENTIAL BUILDING, 1915-1944*



* Source: United States Bureau of Labor Statistics, "Construction," December 1944, P. 8.

SUMMARY

BUSINESS activity continued at its former level. Some variation was observed among regions.

Department store sales for the four weeks ending April 7 were one-fifth larger than a year ago.

the Life Insurance Sales Research Bureau, sales in the four states wholly within this district were 3 percent larger.

Large differences were observed in the trend of the sales among the four states. In Montana and in North Dakota the sales were respectively 22 and 19 percent larger. In Minnesota the sales remained at the former level and in South Dakota they declined by 3 percent.

Construction activity has risen gradually from the low point reached during the fall and winter of a year ago. In the accompanying table are listed the dollar volume of building permits in representative cities of the states in the Ninth District for the six months period from October through March of this year and for the corresponding months of a year ago. In all but two of the states the value of building permits issued during the recent months was more than double the amount issued in the former period. The decline in the value of permits issued in the 26 Northwest counties in Wisconsin is due to a special construction project in Eau Claire for which a permit was issued during January of 1944. The exclusion of the permits issued in the above city to eliminate the unusual case reveals a material increase in the value of building permits issued by the other Wisconsin municipalities.

The decline in construction activity to the lowest level in the fall and winter of last year was due to the completion of publicly financed projects. Military, naval, and industrial construction essential to the war effort had been completed. The rise in the volume of construction during the past year has been the result of private expenditures. A large part of it was for repair work of the type for which building permits generally are issued.

There is a close relationship between postwar employment and the construction industry. In the resumption of prewar activities, the industry will reemploy a large number of the present war plant workers. During 1944 in the United States an annual average of 760,300 workers were employed as contrasted with 1,241,000 and 1,337,000 workers respectively in 1939 and 1940. Furthermore, in the present emergency a large demand for houses has developed which will tend to expand the indus-

try beyond the prewar level and in the process more laborers will be employed.

In peacetime residential housing is the largest single product turned out by the construction industry. In the prosperous years of the Twenties from two-fifths to one-half of the total construction expenditures were made for this purpose. Even in the depression years of the past decade the proportion of the total for residential housing never dropped below one-fifth.

BUILDING PERMITS ISSUED BY REPRESENTATIVE CITIES IN THE NINTH DISTRICT

Dollar Volume for Two Six-Months Periods:
October 1943-March 1944
and
October 1944-March 1945

	October, 1944- March, 1945	October, 1943- March, 1944
MICHIGAN		
Iron Mountain	\$ 650	\$ 320
Ironwood	17,220	8,860
Marquette	180	1,490
Menominee	6,050	880
Sault Ste. Marie	6,830	9,920
Total	\$ 30,930	\$ 21,470
MINNESOTA		
Austin	\$ 20,660	\$ 74,990
Barnesville	2,500	0
Bemidji	25,630	11,090
Crookston	120	19,100
Detroit Lakes	8,880	10,480
Duluth	286,610	226,480
Faribault	45,280	19,910
Fergus Falls	51,900	19,410
Hibbing	24,020	60,750
International Falls	7,900	2,000
Litchfield	39,300	1,900
Little Falls	9,310	7,740
Mankato	73,560	31,520
Marshall	30,430	23,750
Minneapolis	2,710,050	923,250
Montevideo	9,920	1,980
New Ulm	28,090	3,010
Owatonna	3,440	59,420
Red Wing	106,400	500
Rochester	223,420	39,250
St. Cloud	36,730	8,590
St. Paul	2,213,100	1,004,550
Rose Township	11,810	10,400
South St. Paul	243,150	57,820
Warren	0	3,980
Wheaton	20,000	1,800
Winona	22,510	46,160
Worthington	24,800	8,400
State Total	\$6,279,520	\$2,678,230
MONTANA		
Billings	\$ 299,300	\$ 13,240
Butte	12,220	5,450
Great Falls	153,740	335,780
Helena	81,290	12,260
Livingston	56,920	750
Malta	10,000	0
Miles City	32,490	2,130
Missoula	260,150	11,190
State Total	\$ 906,110	\$ 380,800

	October, 1944- March, 1945	October, 1943- March, 1944
NORTH DAKOTA		
Bismarck	\$ 46,350	\$ 2,580
Fargo	111,690	43,750
Grand Forks	69,350	22,290
Jamestown	8,730	16,950
Lisbon	1,300	3,450
Valley City	900	400
State Total	\$ 238,320	\$ 89,420
SOUTH DAKOTA		
Aberdeen	\$ 167,990	\$ 4,580
Brookings	10,790	940
Deadwood	10,000	0
Dell Rapids	2,690	0
Lead	0	0
Madison	11,700	1,000
Milbank	8,280	3,840
Mitchell	139,200	7,750
Pierre	5,660	150
Rapid City	101,600	26,430
Redfield	7,130	3,500
Sioux Falls	289,750	317,010
Watertown	107,350	35,890
Yankton	65,050	1,000
State Total	\$ 927,190	\$ 402,090
WISCONSIN		
Ashland	\$ 11,540	\$ 2,510
Chippewa Falls	29,450	5,700
Eau Claire	520,630	3,539,620
LaCrosse	87,210	51,490
Menominee	9,600	1,020
Rhineland	7,200	2,500
Superior	335,630	284,880
State Total	\$1,001,260	\$3,887,720
Total 68 Cities	\$9,383,330	\$7,459,730

Since the completed house is a composite of many industrial products—for example, stone, brick, cement, iron, steel, lumber, lime, glass, lighting fixtures, heating equipment, and many others—the construction industry creates a demand for the products of many other industries. Consequently, the industry provides decidedly more employment than its own figures indicate. Between 1936 and 1940 the industry employed an annual average of 377,000 workers.

The United States Bureau of Labor Statistics estimates that during the above years an annual average of 453,000 workers were needed to extract, process, fabricate, and transport the materials used by men on the construction site. According to these figures, residential construction creates even more indirect than direct employment.

Since residential construction is such an important part of the national economy, the cyclical fluctuations of the industry affect the entire economy. The on- and off- site employment from 1915 through 1944 is plotted in the accompanying chart. The cyclical fluctuations of the industry are clearly revealed. The amplitude is much greater than for the entire economy. During the prosperous years of the Twenties, the employment in the construction indus-

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SPECIAL ARTICLE

Retail Credit Stabilized, Survey Shows

THE third annual retail credit survey was conducted in the Ninth Federal Reserve District during February. This survey was a part of a nationwide survey conducted by the Board of Governors of the Federal Reserve System.

In the survey, information was gathered on the various aspects of retail credit and on several related items. Total sales were reported by the three customary transactions; namely, cash and C.O.D., open credit account, and instalment sales. Figures were secured on the amount of credit outstanding at the end of the year and the amount of instalment paper carried by the retail establishment or sold to financial institutions. The related items included figures on inventories, on current assets, and on current liabilities.

Even though the number of respondents in the survey is quite small, they are fairly representative of all retailers in the district. The results are quite comparable to those reported by department stores.

According to the survey, the 1944 total sales were nearly 10 percent larger than in the preceding year. This expansion is concentrated among certain types of businesses, as may be observed in Table I. The yearly receipts of household appliance stores were about one-fourth less than in the previous year. Automobile dealers also did a smaller volume of business than in 1943. On the other hand, automobile tire and accessory stores enjoyed an expansion of almost 20 percent in sales. The increase in sales among the others ranged from 5½ to 11 percent.

A slightly larger proportion of the total sales are now made for cash. During 1944, 66.0 percent of the total receipts were obtained from cash sales, 31.8 percent on the basis of open credit account, and only 2.2 percent from instalment sales. The division of

Total Sales Increase 10%; Retailers Still Accumulating Liquid Assets; Household Appliances Hit Low Mark

the 1943 receipts among cash sales, open credit account, and instalment sales was 64.7, 32.4, and 2.9 percent respectively. The contraction in the volume of retail credit stimulated by wartime conditions and regulations apparently has largely been stabilized.

The percent change in the three kinds of transactions for 1944 as compared with those for 1943 are listed in Table I. A larger increase occurred in cash and C.O.D. sales than in total sales among all types of businesses. Nevertheless, there were differences in amount. For instance, instalment sales declined decidedly more in some businesses than in others.

TABLE II

Inventories By Type of Business*

December 30, 1944, as a percent of December 31, 1943

Type of Business	Inventory at Retail Price
Automobile Dealers	53.3
Automobile Tire and Accessory.....	137.9
Department Stores	100.7
Furniture Stores	91.7
Hardware Stores	95.8
Household Appliance Stores.....	88.2
Jewelry Stores	114.7
Men's Clothing Stores.....	99.2
Women's Apparel Stores.....	104.3
All Businesses	99.3

*Source: Retail Credit Survey conducted in Ninth Federal Reserve District.

TABLE I

Cash and Credit Sales by Type of Business*

1944 As a Percent of 1943

Type of Business	Total Net Sales	Cash and C. O. D.	Open Credit	Instalment
Automobile Dealers	96.7	131.1	113.8	18.0
Auto. Tire and Accessory.....	119.3	135.5	109.3	151.3
Department Stores	110.2	111.1	108.7	93.9
Furniture Stores	105.5	106.7	105.3	92.5
Hardware Stores	107.7	117.1	100.3	92.7
Household Appliance Stores...	75.7	94.5	92.0	27.7
Jewelry Stores	111.4	115.2	113.7	91.5
Men's Clothing Stores.....	109.3	117.1	99.4	75.0
Women's Apparel Stores.....	110.1	113.4	107.7	99.6
All Businesses	109.6	111.9	107.3	81.8

*Source: Retail Credit Survey conducted in Ninth Federal Reserve District.

Some contraction has taken place in inventories but it appears to be much less than had been surmised. According to the respondents in the survey, stock on hand at the end of 1944 was .7 of one percent less than at the end of 1943. As may be observed in Table II, a drastic decrease was reported by automobile dealers, and a smaller but significant decline by household appliance stores. On the other hand, an increase was reported by automobile tire and accessory, jewelry and women's apparel stores. A part of the larger figure on stock, however, is due to a rise in retail prices and not to a great volume.

Large and small retail establishments have been about equally successful in maintaining their stock. A separate tabulation was made for incorporated

and unincorporated firms. The inventories of the former declined one-half of one percent during the past year while those of the latter dropped 1.7 percent.

Business firms have continued to accumulate liquid assets in the form of cash, bank deposits, and United States Government bonds. During 1944 the respondents in the survey increased their cash and bank deposits by 22.2 percent. The holdings of government securities were raised by 60.7 percent.

The larger firms tend to hold their 1944 surplus earnings in cash and bank deposits while the smaller ones tend to invest them in Government bonds. The holdings of cash and of bank deposits by incorporated firms were 25.7 percent larger at the end of last year than at the end of the preceding year. The holdings of these assets by individual proprietorships and partnerships increased only 5.3 percent over the same period. The latter, however, enlarged their holdings of Government bonds by 79.3 percent while the incorporated firms added only 58.2 percent to their investment in such securities.

BUSINESS

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try rose to over 9 percent of the total nonagricultural employment, whereas during the depression years of the Thirties it fell to one percent of the total.

With the large postwar demand for housing, a large volume of residential construction is practically assured as soon as materials and manpower can be diverted from the production of war materials to this purpose. However, the problem of cyclical instability still remains.

Beardsley Ruml has suggested that public works could be used better to stabilize the construction industry than the entire economy. Publicly financed projects could provide the industry with a steady demand. To achieve this objective it would be necessary for federal, state, and local governments to draw up a large reservoir of optional projects.

Northwest Business Indexes

Adjusted for Seasonal Variations—1935-1939=100

	March, 1945	Feb., 1945	March, 1944	March, 1943
Bank Debts—93 Cities.....	204	208	205	178
Bank Debts—Farming Centers.....	240	231	216	189
City Dept. Store Sales.....	213	213	160	137
City Dept. Store Stocks.....	140	148	144	122
Country Dept. Store Sales.....	196	202	158	147
Country Lumber Sales.....	203	202	181	219
Miscellaneous Carloadings.....	138	156	127	119
Total Carloadings (excl. Misc.)	94	95	136	94
Farm Prices (Minn. unadj.)	173	168	168	173
Employment—Minn. (unadj. 1936=100)	136	135	137	138
Minnesota Payrolls. (unadj. 1936=100)	232	228	225	204

Retailers have continued to reduce their indebtedness. Notes payable to banks during the past year were reduced by 22 percent and other current liabilities by 28.9 percent. Trade credit has remained at the 1943 level.

The contraction in current liabilities was concentrated among the unincorporated firms. Incorporated firms actually increased their volume of notes payable to banks by 20 percent and their trade credit by 2½ percent.

Even though firms have accumulated assets during this war period, banks, nevertheless, will have an opportunity to extend credit to retailers so they can replenish their stock to meet the extraordinary postwar demand. The Committee for Economic Development has released an estimate of postwar consumer demand. For example, the American people have a deferred demand for about 23 million radio receiving sets, 10 million electric irons, 7 million electric clocks, 5 million electric refrigerators, 3 million washing machines, 1.5 million waffle irons and several million new automobiles.

Such projects would be initiated when the demand from the private sector of the economy slackens. In terms of employment the effect of such a program would be to level out the volume of construction employment which otherwise would be concentrated into the prosperous years of the business cycle.

Sales at Department Stores

	Number of Stores Showing		% of March, 1945	% Jan.-March, 1945
	Increase	Decrease		
Total District	214	14	133	123
Mpls., St. Paul, Dul.-Sup.....	20	0	136	126
Country Stores	194	14	128	117
Minnesota	65	3	128	118
Central	7	0	145	133
Northeastern	4	2	103	100
Red River Valley.....	5	0	127	118
South Central	19	0	136	126
Southeastern	11	1	120	111
Southwestern	19	0	131	117
Montana	21	1	123	120
Mountains	7	1	119	120
Plains	14	0	126	119
North Dakota	43	2	142	122
North Central	8	1	123	107
Northwestern	4	0	154	129
Red River Valley.....	17	0	148	127
Southeastern	12	1	126	113
Southwestern .....	*	*	.....	.....
Red Riv. Val.-Minn. & N. D.	22	0	145	125
South Dakota	21	0	133	123
Southeastern	4	0	136	123
Other Eastern	8	0	127	122
Western	9	0	135	124
Wisconsin and Michigan.....	44	8	120	109
Northern Wisconsin	12	3	114	109
West Central Wisconsin.....	26	5	116	107
Upper Peninsula Michigan	6	0	157	130

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

BEEF CATTLE SITUATION SUGGESTS CAUTION

(from Page 214)

than the record number at the beginning of 1943, according to the Department of Agriculture estimates.

Cattle and Calves on Feed in Ninth District States With Comparisons¹

State	1932-1941 Average (Thousands)	1944 (Thousands)	1945 (Thousands)	1945 as a percent of 1944 (Percent)
Minnesota	231	251	251	100
North Dakota.....	39	62	84	135
South Dakota.....	81	120	150	125
Montana.....	23	35	44	126
United States.....	3,136	3,967	4,173	105

Source: "Livestock and Wool Situation," January 1945.

¹ Estimates include only cattle being fattened for market as a more or less distinct agricultural enterprise, and exclude small operations incidental to dairy and general farming. Cattle thus fed are presumed to produce carcasses that will grade Commercial or better.

CONSUMERS WANT MORE BEEF

Total meat production in 1944 was estimated at a record of almost 25 billion pounds, which was 38 percent above the 1935-1939 average. Meat production in 1945 may decline to about 22¾ billion pounds largely because of the sharp reduction in the pig crop. But even this amount is large in comparison with the 16 billion pounds produced in the prewar period. Beef production during 1945 is expected to be about 8 percent larger but pork production may be down 18 percent. Mutton and lamb production is also expected to be about 13 percent less than it was in 1944.

Civilians have had to share the meat supply with the military and lend-lease get their share. But in 1944, the year of great meat shortages, each civilian

got an estimated 147 pounds of meat compared with 126 pounds for the 1935-39 average. During 1945, civilian meat supplies are estimated at slightly above the prewar average.

There are perhaps several reasons why meat is apparently scarce. One is because of poor distribution. Price ceilings and regulations undoubtedly interfere with a job that is extremely complicated. Normally the price mechanism under competition takes care of distribution among areas. For example, if meat is scarce in Minneapolis, prices are adjusted quickly and meat moves into the deficient area. Second, even with normal distribution there is still a shortage because so many people have sufficient incomes to buy more meat than they had before the war.

Per Capita Civilian Consumption of Meats

Commodity	1935-1939 Average		1943	Preliminary Indication for 1945	1945 As a Percentage of 1935-1939	
	(Pounds)	(Pounds)			(Pounds)	(%)
Meats (dressed weight)						
Beef	54.8	49.8	53.0	52	95	98
Veal	8.0	7.9	12.0	11	138	92
Lamb and Mutton	6.7	6.3	6.2	6	90	97
Pork (excluding lard)	56.1	72.6	75.8	63	112	83
Total Meats	125.6	136.6	147.0	132	105	90

Source: United States Department of Agriculture "National Food Situation," January 1945.

When people's incomes have doubled as they have in many instances during the war, it is estimated they would probably take about 50 percent more meat if prices were unchanged.

In peace times it is estimated that people in the \$5,000 income bracket and up consume a third more beef than people in the \$1,500-\$2,000 income group

Illustration of a Method of Calculating Maximum and Minimum Permissible Payments for Cattle at St. Paul Under the Price Stabilization Plan

Carcass Grade	Assumed Total Dressed Weight of Slaughter (Pounds)	Standard Dressed Carcass Yields (Percent)	Live Weight Equivalent of Slaughter (Pounds)	Stabilized Price Range, St. Paul		Permissible Cost to Packers		Subsidy to Packers Per Cwt.
				Maximum	Minimum	Maximum	Minimum	
Choice	1,875	61	3,074	\$16.70	\$15.20	\$ 513.36	\$ 467.25	\$2.00
Good	4,375	58	7,543	15.35	13.85	1,157.85	1,044.71	1.95
Commercial	3,750	56	6,696	12.60	11.10	843.70	743.25	.90
Utility	1,250	54	2,315	10.60	9.10	245.39	210.66	.50
Canner and Cutter.....	625	46	1,359	7.85	6.35	106.68	86.30	.50
Bulls, canners and cutters	625	53	1,179	9.10	7.60	107.29	89.60	.50
Total	12,500		22,166			\$2,974.27	\$2,641.77	

and almost double that of the \$500-\$1,000 income group. It is the upper income groups that feel most keenly meat rationing and meat shortages and as indicated above there has been a tremendous shift from lower to higher incomes.

CATTLE PRICES ARE REGULATED

A cattle price stabilization plan has been in effect since late December of 1943. Maximum and minimum limits were set at that time on beef cattle prices. These prices were changed recently for the top grades. Aggregate dollar amounts which packers may pay for all live cattle during a given period of time must fall within these limits to qualify for full subsidy payments for that period. Since January 1945, there is an overriding ceiling of \$17.70 per Cwt. at St. Paul for any cattle or calves.

Under the plan, the maximum and minimum prices as given below are not necessarily the top and bottom prices that must be paid for every individual purchase of cattle, but are approximately the prices that are to be paid over the accounting period—usually a month. Prices on a certain day or for a particular grade may be more or less than the indicated price range, but, unless the average prices for the period fall within the given price ranges, the packer will be penalized by proportionate deductions from his subsidy payments.

For purposes of illustration the accompanying table indicates how a packer might figure the amount of subsidy to which he is entitled. As long as he pays no more than \$2,974.27 and no less than \$2,641.77 in the example as given in the table, he is eligible for full subsidy payments. Nonprocessing packers receive an additional subsidy of 80 cents per Cwt. During April and possibly for some subsequent periods all packers receive an additional subsidy up to a maximum of 50 cents per Cwt. depending on the extent to which maximum prices are paid producers.

The theory of the meat subsidy is that it enables packers to pay higher prices to producers and at the same time keeps the retail price down and, therefore, helps keep the cost of living from increasing. It has been argued that subsidies should have been paid direct to the cattle producers rather than to the processors. However, the administrative problems involved in payment of subsidies to hundreds of thousands of beef producers caused the authorities to adopt the method in current use.

The profitableness of the beef cattle enterprise this year will be influenced by price regulations on cattle. Since price regulations became effective on beef, it has been more profitable to produce beef from grass and roughage with a minimum of grain. Generally it has been unprofitable to produce choice or prime grade beef.

Prices of the lower grades and of cattle off grass have been high relative to highly finished beef cattle. This situation may not continue to exist long in the

postwar period. Whether the price margins between the lower and better grades of cattle will widen because of lower prices for the lower grades or because of higher prices for good to choice grades will, of course, depend on many factors such as price regulations, employment, the size of the national income, the feed situation, and the extent of cattle liquidation.

IN SUMMARY

Beef cattle numbers in the Ninth District are at peak levels—60 percent above the 1939-1941 average compared with an increase of 28 percent for the entire country.

The feed situation appears favorable at the present time.

Ranges are in good condition, feed supplies are ample, and early crop prospects are excellent.

Cow prices are about double the average for the 1939-1941 period.

Slaughter steer prices are about 50 percent higher,

The seasonal high price for cull stock is usually in the spring of the year.

Common grade cattle and most cattle off grass are at seasonally low price levels in late summer and early fall.

Cattle slaughter this summer and fall could be at new peak levels should dry weather hit the Midwest.

Livestock experts agree that reducing indebtedness, shaping up the ages of the cow herd, and culling out old and undesirable types of cows appear desirable this year.

Emphasis should be put on feeding and marketing cattle as good quality. Feeding to choice or prime grade is not as profitable under existing price regulations.

Livestock numbers should be adjusted to the feed available so that drouths or other conditions will not force liquidation at a less opportune time.

AGRICULTURE

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would be a new high record according to Government estimates based on April 1 conditions.

Grazing conditions were generally good on western ranges and pastures during March, according to the April 1 Western Range and Livestock Report. The report stated that the condition of range feed is higher than a year ago and above the twenty-year average. Prospects for new feed are reported favorable. Soil moisture supplies are good, with new growth starting early throughout practically all sections of the district.