MONTHLY REVIEW

of Ninth District Agricultural and Business Conditions

FEDERAL RESERVE BANK OF MINNEAPOLIS

Vol. 8 APRIL 30, 1946 Serial No. 52

SPECIAL ARTICLE

*Food Shortages Affect Agricultural Trends**

Good Farm Product Market Indicated by World Food Famine; Drought Would Upset Livestock-Grain Balance; Stabilizing Factors in Longer View

THERE has been a lot of discussion in recent years about postwar agriculture. In general this discussion has been on the pessimistic side as far as farm prices and income are concerned. In fact some have predicted an agricultural depression or, in lieu of that, government farm programs costing in the billions. Very few, however, have indicated just when this might happen.

We are now nearly nine months along in the postwar period, and as yet there is no sign of an agricultural depression. Instead, the opposite is true. Most farm prices are wedged tighter than ever against ceilings. Farmers are being encouraged to produce more than ever in 1946. Acreage goals have been increased until they are higher than in any war year. Cash farm income continues to show a slight increase over a year ago.

Right now we are in what may be termed an intermediate phase in agriculture, or a period of adjustment from war to peace. This is a phase of large but decreasing military demands for food, but offsetting this there is a tremendously large demand for food exports for relief. In fact the demand for our agricultural products abroad to feed starving millions has, suddenly it seems, assumed gigantic proportions. If the foreign relief food program is carried out as now contemplated there may be few, if any, farm surpluses this year, and the fear of any agricultural deflation may be postponed another 12 months and possibly longer.

The world food crisis and our efforts to alleviate it should be understood if we are to get a clear picture of agricultural trends in 1946 and possibly 1947.

WORLD DROUGHT CAUSES FOOD SHORTAGES

At the same time that the North American continent has been enjoying record high crop production, much of the rest of the world has been experiencing widespread drought.

In cold statistics, the world during the past crop year produced 12 percent less food per capita than in the prewar years. Averages, however, may not indicate the severity of the world food shortage. War and its aftermath have greatly disrupted normal channels of food distribution as well as supplies of fertilizer and farm equipment. As a result, the food situation is more acute in some areas than the averages would indicate.

Three years ago North Africa had its first drought and crops have been short there every year since. Normally this area exports wheat to Europe, particularly to France. In 1943 and again in 1944 it was necessary to import wheat to North Africa.

In 1944, drought spread to southern hemisphere countries. Australia and Argentina, which normally export huge quantities of wheat, were hard hit. Australia's wheat crop in 1944 was estimated at only 52 million bushels compared with 155 million bushels for the 1934-1939 average. For the first time in its history, Australia had to import wheat from Canada. Crops were again below normal in 1945. The wheat crop in Argentina the last two years is estimated to average only about 150 million bushels compared with a prewar average of around 225 million bushels.

European wheat crops last year are said to be the lowest in 50 years. In fact, total food supplies in Europe on a per capita basis are estimated at 20 percent below prewar with wheat alone down 36 percent.

World wheat production in 1945 is estimated by the United States Department of Agriculture at 5.2 billion bushels, the smallest since 1929 and 8 percent less than 1944.

In Japan the food situation is desperate. General MacArthur has asked for a million tons of wheat to prevent disease and unrest. Domestic food production there is said to be only sufficient to provide city people with half as much food as they were eating before the war.

In India, wheat and rice shortages may mean death to 10 to 15 million people in the next 12 months unless food imports are provided. Secretary Anderson said in a recent talk that cereal rations in India were cut from 16 to 12 ounces per day, and even this smaller ration cannot be maintained unless India gets imports. This is only about a third of the average American's cereal ration.

(*) Address delivered at the recent F. R. bank conference in Minneapolis.

When drought first hit the rest of the world in 1943 there were huge carry-over stocks of grain. In wheat alone, carry-over was estimated as the highest on record for the principal wheat exporting countries. Before 1946 harvests, the world wheat carry-over is expected to be the lowest in modern times. World surplus wheat and other food and feed grains have largely disappeared. The people of the world can eat only what is actually produced in 1946. A drought would be most disastrous.

WHEAT THE ANSWER TO WORLD FAMINE

The emphasis today is on wheat because to sustain life for so many millions in the next few months a first requirement is bread. Wheat can be shipped, stored, and rationed to large numbers of people more readily than any other food.

The job of supplying Europe with wheat is pretty much up to the United States and Canada. Argentina's exportable surplus may not amount to over 25 million bushels. Australia's surplus will likely stay in the Orient to ease the rice shortage.

The United States has agreed to send 225 million bushels of wheat to the needy countries in the first half of 1946. About 2.8 million tons were shipped in the first quarter against a goal of 3 million tons. Recent wheat regulations and a new plan to encourage farmers to deliver wheat now with the privilege of accepting a price on any day prior to April 1, 1947, should enable the export commitment to be met. The April 10 Government report on wheat storage stocks and crop conditions in the United States indicates wheat export commitments may be met. Wheat stocks on farms of 204 million bushels were larger than expected and prospects are for another billion bushel wheat crop.

In any event, wheat producers in this country for the first time in many years will be going into the new crop year without a heavy wheat carry-over acting as a weight to pull prices down. The demand for wheat may be expected to remain high until the rest of the world is able to get back to normal food production and grain bins are again filled.

These unprecedented world demands for food and our efforts to do something about it have tended to hold farm prices at ceiling levels since the shooting stopped. They have caused the Administration to "about face" on earlier proposals to eliminate price ceilings on farm products and food subsidies this spring and early summer.

WEATHER THE KEY TO AGRICULTURAL TRENDS

Weather, always important to Northwest farmers, is doubly so this year. Short crops here or abroad might seriously affect farm management patterns. A hint of what might be in store if world food shortages persist are the recent regulations limiting the feeding of livestock to certain grades or weights. If the world food situation should become worse instead of better, additional regulations tending toward a "grain economy" might be expected. Under such conditions the effect on livestock operations would be far reaching.

It is hoped that 1946 crops here and abroad will be enough improved that the balance between our livestock and grain economy will not be disturbed. The development of crop conditions during 1946 will be watched with more than usual interest by consumers and producers alike during the next several months.

WARTIME AGRICULTURAL EXPANSION TENDS TO STAY

In trying to look ahead at the longer term picture it is interesting first to look behind and see what has been happening to our agriculture.

During the war, agricultural production in the United States increased about one-third in spite of equipment and labor shortages and 16 percent less people on farms. This is probably the greatest expansion in such a short time in our history.

This phenomenal increase in farm production is due to several factors. The weather, of course, has been most spectacular. Several other factors taken together may be even more important, however, than the weather, and it is these that are significant for the future. One of these is the sharp increase in farm mechanization. More tractors, combines, hay balers, milking machines, etc., are on farms than ever before and they are steadily being improved in efficiency.

Many new crop varieties have been introduced in recent years. Hybrid corn which has vastly increased corn production, Vicland oats, Pawnee winter wheat, Newthatch spring wheat, Lincoln soybeans, Ranger and Lodek alfalfa are just a few that may be mentioned. Plant breeders are literally making "two blades of grass grow where one grew before."

Livestock breeders are taking a chapter from the plant breeders' notebook and we are beginning to hear about hybrid hogs and "inbreeding" of livestock. We will likely hear much about this in the years ahead.

The use of fertilizer has about doubled during the war years and much of this expansion will be maintained. Soil conservation practices are becoming more and more common, tending to increase productivity.

When all these factors are added together it means a high farm production potential in the years ahead. Once agriculture has expanded, it is exceedingly difficult to shrink it. It is this fact that leads many people to believe that now the war is over farm surpluses will eventually develop and prices may fall.

AGRICULTURAL DEPRESSION AFTER WAR I

It will be recalled that farm prices almost trebled during and immediately following World War I. Then as now we were engaged in world relief feed-

(Continued on Page 330)

BUSINESS

Rate of Sales Expansion Leads Nation

RETAIL sales for the four weeks ending April 13 were 40 percent larger than a year ago. Since the first of the year, sales in the Ninth District have expanded faster than for the nation as a whole.

Consumer purchases are financed primarily out of current earnings.

Consumer credit is expanding.

Savings bond sales are larger than a year ago.

THE rapid expansion in retail trade continues to highlight the business picture.

Spring shopping began earlier than usual this year because of the exceptionally warm weather in March. Sales in 312 stores were 14 percent larger than last year. The expansion in sales was quite uniform over the district, with the percent of increase among the states ranging from 11 percent on the Upper Peninsula of Michigan to 17 percent in Minnesota and Montana.

Sales as compared with a year ago, however, varied widely among the five cities for which a percent change is computed. The stores in Minneapolis led the increase with 19 percent, whereas the stores in Duluth and Superior experienced a 3 percent decline.

As compared with the sales of a year ago, April sales are larger than March sales. A large portion of the buying for Easter was concentrated in April, whereas last year Easter was three weeks earlier and most of the buying for this occasion was done in March. For the four weeks ending April 13, sales were 40 percent above those for the corresponding period of a year ago.

During the war years, department store sales in the Ninth District did not expand as much as in most of the other districts. In August 1945, when hostilities ceased in the Pacific, department store sales in this district had increased 86 percent over the five-year prewar average from 1935 to 1939, whereas for the nation as the whole the sales had doubled.

The explanation of the smaller rise in the sales in this region can be traced partly to the population shifts brought about by the production of war materials. Even though this district had some war production centers, it was also a labor supply area for other centers. The decline in civilian population in this region and the rise in others and corresponding income shifts, accounts in a large measure for the differential rise in sales.

With the reconversion of the economy to peacetime production which has resulted in a reshuffling of this pattern, department store sales in this district have expanded faster than over the nation as a whole. In February of this year the expansion in sales over the prewar average in this district surpassed the average for the nation. The index, adjusted for seasonal variation, for the Ninth District had reached the peak of 265 percent, whereas the index for the nation stood at 255 percent.

The stocks in retail stores still determine the volume of sales on many items. Effect of the rapid rise in family formation and the increase in the birth rate during the war was reflected in the type of merchandise demanded by the public.

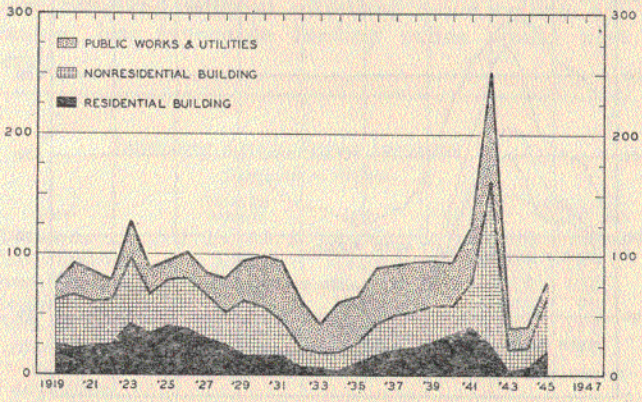
Furniture store sales are expanding much faster than retail sales in general. Preliminary figures for March indicate that the furniture sales in the states of this district ranged from 50 to 60 percent above those of a year ago. This large increase is quite universal and is not restricted to the larger urban centers.

According to department store reports, the greatest expansion in sales is taking place in home furnishings. Preliminary figures for March showed an increase of 64 percent over a year ago. The increase in the dollar receipts among the different items, of course, varied greatly. The sale of silverware was nearly 5½ times the amount a year ago, while the sale of sheetings, muslins, blankets, etc., was only 1½ times the former amount. Mechanical refrigerators and other major household appliances are appearing on the market in increasing numbers, boosting the total sales in this department.

The large volume of merchandise which is moving into the hands of consumers is financed heavily out of current earnings, as in other prosperous business periods, although consumer credit is expanding. This is evident from the large volume of business

CONSTRUCTION CONTRACTS AWARDED NINTH DISTRICT, 1919-1945*

(Millions of Dollars)



*Source: F. W. Dodge Corporation

Department Store Sales Indexes by Cities
(1935-1939 = 100 unadjusted)

	March 1946	March 1945	March 1944	March 1941
Minneapolis	261	211	154	104
St. Paul	224	196	143	113
Duluth-Superior	201	211	156	91

Department Store Sales, March, 1946
Percent increase over March 1945

Duluth-Superior	— 3
Mankato	+ 1
Minneapolis	+19
St. Cloud	+ 4
St. Paul	+ 9

NORTHWEST BUSINESS INDEXES
(Adjusted for seasonal variation 1935-1939 = 100)

	Mar. '46	Feb. '46	Mar. '45	Mar. '44
Bank Debits—93 Cities	242	248	204	205
Bank Debits—Farming Centers	300	300	240	216
City Department Store Sales	262	248	212	161
City Department Store Stocks	163	154	145	150
Country Department Store Sales	230	224	190	152
Country Lumber Sales	260	240	203	181
Miscellaneous Carloadings	130	119	138	127
Total Carloadings (Excl. Misc.)	103	97	94	136
Farm Prices—Minn. (Unadj.)	175	167	173	168

transacted at the present time. The expansion of credit and the cashing of war bonds constitute a relatively small secondary source of purchasing power.

Bank debits, an indicator of general business conditions, reveal a high level of activity. The amount of debits charged against the accounts of individuals, firms, corporations, and government accounts in the Ninth District during March was 19 percent larger than the amount of debits reported for the corresponding month of last year. For the first quarter of this year as compared with a year ago, debits were 18 percent larger. Thus the dollar volume of business transacted has expanded by nearly one-fifth in the course of one year.

Bank debits have been expanding faster in rural centers than in urban centers. Banks in towns and small cities primarily serving farmers in the surrounding countryside reported March debits 25 percent larger than a year ago. Among the farming areas, the largest increases were reported in the beef, pork, and dairy areas. Banks located in mining and lumber areas also reported a 25 percent increase in debits.

The expansion in the volume of business transacted in the agricultural communities, as indicated by bank debits, is confirmed by the rise in cash farm income. The income during January was 12 percent above last year.

Electric power production provides a rough measure of the industrial activity. In January the amount of kilowatt hours of electrical energy generated was about equal to that generated a year ago. For February the Federal Power Commission reported a 2 percent gain for this district. Preliminary figures for March and the first half of April indicate a very slight gain in the amount generated over last year. On the basis of the power consumed, industry during the first quarter continued to operate at a level of output comparable to the war years.

Packing plant slaughtering, an important industry in this region, is significantly below a year ago. According to the U. S. Department of Agriculture, the number of cattle slaughtered under federal meat inspection was 21.4 percent less in March than last year, and the number of calves and sheep slaughtered was 13 percent less than in the previous year. Hogs, on the contrary, have been coming on the market in larger numbers than a year ago; slaughtering in March showed an 11 percent increase. With the restitution of slaughtering quotas, packing plants may again receive a larger number of animals.

Flour milling in the northwest during the first quarter was approximately 5 percent larger than in 1945. The number of barrels milled in March was only slightly larger than in February and the gain over a year ago shrank significantly.

Construction activity is forging ahead in spite of the shortages of labor and materials.

Building permits issued during March in 65 cities of this district aggregated $17½ million, as compared with slightly less than $2 million in March, 1945.

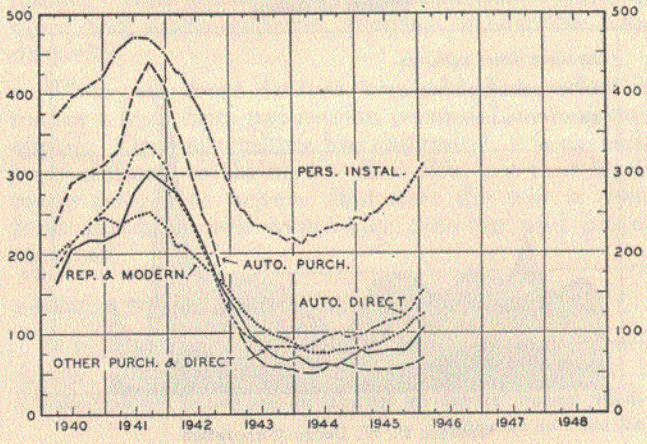
Residential building in this district is expanding steadily. In February, normally the lowest month of the year, the dollar volume of contracts awarded according to the F. W. Dodge Corporation was nearly 90 percent above the five-year monthly average from 1935 to 1939.

The dollar volume of contracts awarded during the first two months of this year were about equally distributed among residential, industrial, and public utilities. This provides some evidence of the type of construction activity carried on at the present time.

Since there is much speculation over the accumulated demand for residential building, as well as construction in general, it is pertinent to examine

(Continued on Page 330)

CONSUMER CREDIT OUTSTANDING AT COMMERCIAL BANKS U. S. 1940-1946
(Millions of Dollars)



AGRICULTURE

Early Crop Prospects Promising

WHEAT acreage may exceed 1945, with seeding conditions favorable.

Farm prices wedged against ceilings.

Pressure on cereal grains makes livestock feeding rations less favorable.

Milk cow numbers down—dairy production declining.

January cash farm income up 12 percent from a year earlier.

UNUSUALLY favorable weather in March and early April has given spring wheat seeding an early start. Surface and subsoil moisture conditions are reported good in most areas with the exception of dry subsoils in some sections of the western Dakotas and eastern Montana.

The total acreage seeded to spring wheat is expected to exceed that of 1945 in view of favorable seeding conditions. Seeding conditions in the Red River Valley are reported particularly favorable this year compared with a year earlier.

Prices of most farm products are wedged tightly against ceilings. Grain prices are slightly higher, reflecting advances in parity. The crop price index reached 215 percent of the 1909-1914 average on March 15, 19 points higher than March 1945, and nearly three times the level in August 1939, the last prewar month.

The livestock and livestock product index continues to gain slightly. It was 205 on March 15 compared with 202 a year earlier and it is nearly double that of August 1939.

The demand for agricultural products has been stimulated by expanded foreign requirements and by continued high domestic demands. It is not known, of course, how long the foreign demand will continue to be an important market force, but a return to normal crop conditions the world over in 1946 would reduce present emergency requirements.

The pressure on food supplies and recent regulations governing the use of cereal grains suggest that producers of livestock may not enjoy during 1946 the relatively favorable position held during much of the war period.

At the present time livestock feeding ratios are less favorable than they were a year ago and much less favorable compared with the early war period.

The present world food situation indicates that if price ceilings were removed, grain prices might advance sharply and feeding ratios would become less favorable than at present. If processing subsidies were removed without offsetting price ceiling advances, less favorable feeding ratios would also result.

January Cash Farm Income (1)

(Thousands of Dollars)

State	1935-1939 Average	1945	1946	1946 in Percent of 1945
Minnesota	$ 26,141	$ 64,451	$ 67,672	105%
North Dakota	5,421	22,768	30,699	135
South Dakota	8,378	25,988	33,319	128
Montana	4,306	15,502	14,808	96
Ninth District (2)	50,300	143,641	160,907	112
United States	604,258	1,658,000	1,644,000	99

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

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

All in all it appears that feed grains will continue scarce in relation to demand even if another bumper crop is produced again this year. Reserve stocks of grains are also lower compared with that of recent years.

Dairy production is being affected by the tightening feed supply. Record milk production in recent years was partly due to intensive feeding. If more grain is to be used for human consumption and less for livestock feeding, the result will be less dairy production.

Milk production is reported as running under that of a year ago and at the lowest levels since 1941. Milk cow numbers are decreasing and the number of heifers one and two years old is 7 percent less than a year ago. Many of these replacement heifers and heifer calves are being diverted to beef herds. The decline in milk cow numbers in 1945 was equal to the record decrease which occurred during the drought year of 1934.

Milk producers will continue to supply the fluid market as long as the demand remains high because it is more profitable to do so. This means an even smaller proportion of milk diverted to the production of butter, cheese, and other manufactured dairy products.

Production of butter is running about 30 percent below a year ago and cheese 15 percent less. Cheese production is above prewar, but butter production is down about half. Evaporated milk production is also smaller than a year ago but above prewar.

Dairy products manufacturers have been complaining of unsatisfactory profit margins, and the prospects of declining milk production in the months ahead will bring pressure for higher prices or subsidies to maintain margins. The administration has promised that "unit returns to dairy producers in 1946 are to be maintained at 1945 levels. . . . This will be accomplished either by subsidy payments or by increases in price ceilings, should subsidies be eliminated. . . ."

Cash farm income in the Ninth District during January was 12 percent higher compared with Janu-

(Continued on Page 332)

BUSINESS

(From Page 328)

the trend of construction between the first and second World Wars.

The peak of residential building in this district was reached in 1923 and in 1925, according to the volume of contracts awarded. Following 1925 the volume declined steadily through 1934, but in the subsequent years it again increased steadily, with the amount in 1941 falling short of the peak in the twenties by about $2 million annually. The small amount of home construction in the thirties did not keep pace with the rate of family formation. The rapid rise in marriages, increase in the birth rate, and higher incomes have accounted for the current severe shortages.

The other types of construction followed rather closely the trend of residential construction, with the exception of the very high peak reached in 1942 due to war plants construction.

Employment did not contract as much as usual during the winter months, but it is now expanding very slowly as compared with the usual spring increase in the labor force.

The number unemployed in the Twin City metropolitan area on April 15 was estimated at 56,000 by the state office of the U. S. Employment Service. Of this number 22,000 were World War II veterans. The unemployment in this area at the present time is approaching the prewar level. In April 1940, it was estimated that 57,800 were unemployed.

In the immediate future, firms in the area anticipate a very slow expansion in their labor force. According to the U. S. Employment Service, 229 firms employing 107,000 workers on March 15 anticipated an aggregated expansion in their labor force of only 1,650 workers by May 15.

Consumer credit continues to expand steadily. At the end of March the volume of credit outstanding at commercial banks was 6 percent larger than at the end of February. Repair and modernization loans constitute the largest volume outstanding. Personal instalment cash loans and retail instalment paper purchased, other than automobile paper, each constituted a volume approximately equal to one-half of the volume of repair and modernization loans.

Consumer Credit outstanding in commercial banks at the end of March was 37 percent larger than at the end of March 1945.

Consumer credit in other institutions revealed a similar trend. The volume of loans outstanding in industrial loan companies and in federal credit unions was 9 percent larger at the end of March as compared with the end of February; the volume in state credit unions was 6 percent larger; and the volume in small loan companies, 3 percent larger.

Savings Bond Sales in the Ninth District have held up remarkably well. The sales of E, F, and G bonds from January 1 through April 13 were 9 percent larger than for the same period of 1945.

SPECIAL ARTICLE

(From Page 326)

ing, much of it on the basis of credit. In early 1920, farm prices declined, and in a few short months wartime price gains were almost eliminated.

During the 1920's and 1930's farm surpluses and relatively low farm prices were common.

This would indicate a rather pessimistic agricultural picture if it can be assumed that history will repeat itself.

STABILIZING FACTORS IN PERIOD AHEAD

There are several things in the agricultural picture today that were not present following World War I. These taken together indicate a fair degree of optimism for the period ahead. These are:

- Farmers as a group are in the best financial position in history. Debts have been paid off or reduced. The farm mortgage debt today is less than half what it was at the peak in 1923 following World War I.

- The ratio of farm assets to liabilities is high—probably never higher.

- Land values in Ninth District states have increased since the war started, but in most areas at present they are not at unreasonable levels in view of the long-term earning power of the land. This is not true of some areas of the United States where land values have exceeded those of the World War I period. And the rising trend of farm land prices, if long continued, could push land prices above the outlook for normal earning ability.

- Farmers' bank deposits have nearly trebled during the war and bond savings are high.

- Significant, perhaps, are the various farm programs now in effect which work towards the farmers' interests. Price guarantees at 90 percent of parity until January 1, 1949, and possibly longer are an example.

- Total trade may be somewhat above the prewar average. This may mean some increase in world trade of our agricultural surpluses compared with the prewar period.

- Major effort will undoubtedly be made to maintain employment and insure a high national income. Under such conditions agriculture fares relatively well.

Adding up, it would seem that present day agriculture is in position to meet the problems as they come up much better than in the 1920's, when debts were high, savings small, and there were no farm programs. Barring drought, serious land inflation, or a major upset in our grain-livestock balance, the future of agriculture in the Ninth District seems better assured than at the close of World War I.

—Franklin L. Parsons.

BANKING

Individuals Hold Half of Demand Deposits

NINTH District demand deposits of individuals and businesses increased $294 million during the last half of 1945.

Deposits of individuals accounted for 60 percent of this expansion, with retail trade firms accounting for most of the remainder.

NINTH District banks held $2,106 million in demand deposits of individuals and businesses January 31, 1946, according to a study jointly conducted by the Federal Reserve System and cooperating commercial banks. Half of these deposits are now held by individuals: two-fifths of these personal accounts are held by farmers and three-fifths by other individuals. Retailers and wholesalers owned about one-fifth of the total, and manufacturing and mining firms owned approximately one-tenth.

The balances of all types of owners with the exception of manufacturing and mining concerns increased since July 31, 1945, as is shown in the following table. Total demand deposits of individuals and businesses have increased $294 million, or 16 percent in this half-year period. Balances of personal accounts have increased $173 million, or 20 percent. Of this $173 million, farm balances increased $32 million, or 8 percent, and other personal $141 million, or 29 percent. Balances of retailers and wholesalers increased $57 million, or 16 percent. Balances of manufacturing and mining concerns exhibited a slight decline. Balances of other types of owners accounted for the remainder of the increase.

Substantial changes in the distribution of deposits according to owner have occurred during the last two years. Certain types of owners have expanded their deposits much more than have others. The total of these demand deposits of individuals, partnerships, and corporations increased 41 percent since February 1944. The greatest percentage increase was in the accounts held by nonprofit enterprises—80 percent—but this is relatively unimportant, as nonprofit enterprises held less than 5 percent of the total of these deposits on January 31, 1946. Next came accounts held by individuals with an increase in the last two years of 68 percent. Balances of retailers and wholesalers increased 40 percent during this same period. On the other hand, manufacturing and mining balances increased only 12 percent.

Estimated Ownership of Ninth District Demand Deposits of Individuals, Partnerships, and Corporations

(In millions of dollars)

	1/31/46	7/31/45	Change 7/31/45 to 1/31/46
1. Manufacturing and mining	$ 212	$ 220	$ — 8
2. Retail and wholesale trade	407	350	+57
3. Other nonfinancial businesses	208	177	+31
4. Financial businesses	132	106	+26
5. Personal accounts	1,056	883	+173
a. Farmers	435	403	+32
b. Other personal	621	480	+141
6. Others	91	76	+15
Total	$2,106	$1,812	$ +294

During the past year (from January 31, 1945 to January 31, 1946) total demand deposits increased 24 percent, personal accounts increased 42 percent, farmers accounts 31 percent, and other personal 51 percent. Trade accounts increased 25 percent, but manufacturing and mining accounts decreased 2 percent. The greatest increases during the past two years have consistently occurred in balances of individuals, retailers, and wholesalers.

The figures quoted above indicate that farmers' accounts have increased somewhat less than other personal accounts. On January 31, 1945, farmers' accounts were 45 percent of total personal accounts, while on January 31, 1946, their accounts were 41 percent.

One reason for the smaller increase in manufacturing and mining accounts is apparently the tendency for large manufacturing concerns to invest surplus funds in short-term marketable securities. Small retailers and individuals did not make large investments for two reasons. First, they considered their funds as being very temporary to be used subsequently for replenishing inventories or purchasing consumer goods. Second, they had not been accustomed to making frequent purchases and sales of securities in the past.

It is also interesting to note the differences in the ownership distribution of demand deposits of individuals and businesses in different sized banks. Two-thirds of these demand deposits of the small banks were held by individuals, compared with one-fifth for the larger banks. Over half the personal accounts in the smallest banks belonged to farmers; while, for all practical purposes, none of the accounts in the larger banks were farm balances. Less than 5 percent of the demand deposits of individuals, partnerships, and corporations held by the smallest banks were owned by manufacturing and mining firms, while over 20 percent of the deposits of the largest banks were owned by these concerns. Retail and wholesale traders owned approximately one-fifth of these deposits in all cases.

The last month has been essentially one of readjustment for the reporting city member banks in the Ninth District. There was virtually no change in the total assets and liabilities of these banks, the

Assets and Liabilities of Ninth District City Member Banks

(In million dollars)

	3/20/46	4/17/46	Change
Assets			
Cash, due from banks, and reserves	$ 369	$ 370	+ 1
Commercial, industrial and agric. loans	111	103	— 8
Real estate loans	28	30	+ 2
Other loans	93	92	— 1
Total loans	232	225	— 7
U. S. Treasury bills	15	20	+ 5
U. S. Treasury certificates of indebtedness	238	227	—11
U. S. Treasury notes	149	146	— 3
U. S. Treasury bonds	664	672	+ 8
U. S. guaranteed obligations	.....	.....	.....
Total U. S. government securities	1,066	1,065	— 1
Other investments	55	58	+ 3
Miscellaneous assets	14	15	+ 1
Total assets	1,736	1,733	— 3
Liabilities			
Deposits of U. S. government	332	314	—18
Deposits of individuals, partnerships, and corporations	865	887	+22
Other deposits	438	429	— 9
Total deposits	1,635	1,630	— 5
Borrowings	6	6	.....
Capital accounts	87	88	+ 1
Miscellaneous liabilities	8	9	+ 1
Total liabilities and capital	1,736	1,733	— 3

figures being $1,733 million on April 17 as compared with $1,736 million a month earlier.

Some readjustments in their portfolios of government securities were evident, although total holdings of U. S. government securities remained approximately constant. U. S. Treasury bill holdings fluctuated materially during the month, but by April 17 were $5 million above March 20. On the other hand, holdings of U. S. Treasury certificates of indebtedness encountered a reverse movement, declining from $238 million in the middle of March to 227 million by mid-April. Treasury redemption of an issue of certificates of indebtedness in April figure heavily in explaining this movement. The largest increase was in bank holdings of the longer-term, higher-yielding U. S. Treasury bonds, although the relative expansion was still of very modest proportions.

Commercial, industrial, and agricultural loans declined $8 million during the month. Real estate loans were the only type which evidenced any expansion, and a $2 million increase in these loans was partially offset by a decline in miscellaneous loans, with the result that loans outstanding of these banks by the middle of April were slightly smaller than in the previous month.

There was some shift apparent of deposits to these banks from banks in other areas and from country banks. Deposits of the U. S. government, most of which are war loan accounts, of $332 million in the middle of March were reduced by $18 million in the succeeding month. This reduction was more than off-set by a $22 million increase in deposits of individuals, partnerships, and corporations, pushing this total to a high of $887 million. A decline in miscellaneous deposits actually pulled the deposit total for April 17 slightly below the level for the preceding month.

Borrowings, though fluctuating substantially during the period, stood at the same volume in mid-April as for mid-March.

After exhibiting a pronounced tendency toward expansion during the recent several months, country member bank deposits during the last two weeks of March averaged $1,696 million, off slightly from the preceding month's average of $1,753 million. Most of the decline in deposits was accounted for by a reduction of $47 million in demand deposits.

The deposit decline was quite general for all areas in the district. Minnesota country banks accounted for exactly 50 percent of the reduction, with the Dakotas together turning in an $18 million decline, and Michigan country banks accounting for the remainder. Wisconsin country bank deposits were maintained at the previous month's level.

AGRICULTURE (From Page 329)

ary 1945. Largest advances were registered in North Dakota and South Dakota with 135 and 128 percent respectively.

The new "wheat certificate" plan of marketing should draw out wheat from farm storage in the next few months. Wheat receipts at terminal markets have increased sharply in recent weeks. This together with probable increased livestock marketing as a result of the tightening feed situation should maintain farm marketings and cash farm income for the immediate future at least.

Average Prices Received by Farmers [1]

Commodity and Unit	Ninth District March 15 1937-1941 Avg.	Ninth District March 15 1945	Ninth District March 15 1946	Parity Prices [2] United States Mar. 15, 1946
Crops				
Wheat, bushel	$ .82	$ 1.43	$ 1.53	$ 1.58
Corn, bushel	.55	.83	.97	1.15
Oats, bushel	.30	.66	.69	.714
Potatoes, bushel	.67	1.50	1.29	1.30
Livestock and Livestock Products				
Hogs, 100 lbs.	7.30	13.91	14.04	13.00
Beef Cattle, 100 lbs.	6.93	11.91	12.41	9.70
Veal Calves, 100 lbs.	8.41	13.17	13.47	12.10
Lambs, 100 lbs.	8.16	13.27	13.45	10.50
Wool, lb.	.26	.42	.43	.328
Milk, wholesale, 100 lbs.	1.52	2.65	2.78	2.86
Butterfat, lb.	.30	.52	.53	.478
Chickens, live, lb.	.118	.215	.201	.204
Eggs, dozen	.153	.309	.304	.327

[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.