MONTHLY REVIEW

of Ninth District Agricultural and Business Conditions

FEDERAL RESERVE BANK OF MINNEAPOLIS

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BANKING

Bank Ratios in '49 Continued Postwar Trend

WHILE net profits of Ninth district member banks rose 21% in 1949, the ratio of net profits to capital accounts fell 3%, continuing its declining trend of the past three years.

The Operating Ratio study made annually by the Federal Reserve Bank of Minneapolis[1] revealed that net profits after taxes averaged 10.8% of total capital accounts in 1949, compared with 11.1% the year before, and the peak of 12.2% in 1946.

Most of the district's member banks strengthened their capital accounts in 1949, largely through retention of profits. At the same time they realized smaller relative gains in net profits, or declines in some cases, resulting in the drop in the net profits-capital ratio.

- ***The ratio of net profits to capital fell slightly this year as district member banks increased capital accounts with retained earnings.***
- ***Additions to capital were also a factor in the rise of the capital-deposit ratio.***
- ***The past three years have witnessed a steady growth in the contribution of loan earnings to total current earnings.***

Nonetheless, the return on capital in 1949—as in previous postwar years—was above pre-war levels, reflecting the steady rise which took place from 1942 through 1946.

PROFIT RATIOS VARIED IN BANKS OF DIFFERENT SIZES

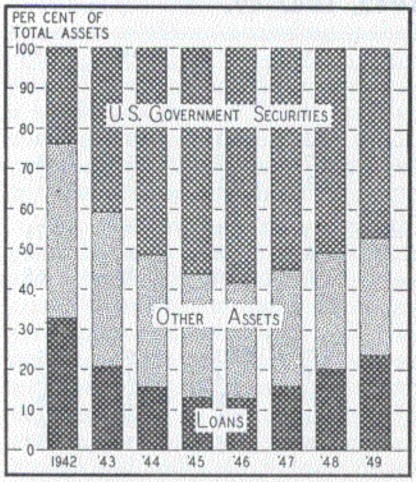
An analysis of the bank profits' picture discloses two features. First, the return on capital in 1949 compared with 1948 varied somewhat in banks of different sizes. The net profits to total capital accounts ratio improved from 1948 to 1949 in both the district's smallest member banks—with deposits of less than $2 million—and the largest—with deposits of more than $25 million.

Almost two-thirds of the district's member banks fall between these two groups, with deposits ranging from $2 million to $25 million. In these banks net profits averaged a lower percentage of capital accounts in 1949 than in the preceding year. (See table showing net profit to total capital account ratios in Ninth district member banks, by size.)

Secondly, in 1948 and 1949 net profits in many banks were diminished by sizeable transfers to reserves for bad debts. These transfers, made under the Treasury ruling dated December 1947, were charged against net current income, thereby scaling down net profit figures and, accordingly, net profit ratios.

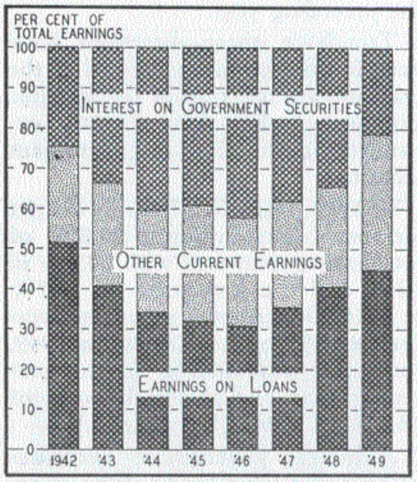
This development should be kept in mind when comparing profit ratios of the past two years with earlier years and also when comparing figures for the district as a whole with those of individual banks.

I. DISTRIBUTION OF ASSETS OF NINTH DISTRICT MEMBER BANKS, 1942-49



THE IMPORTANCE of loans to total assets has steadily risen since 1946, while that of government securities has declined.

II. SOURCES OF CURRENT EARNINGS OF NINTH DISTRICT MEMBER BANKS, 1942-49



EARNINGS on loans have been re-established as the major source of current income.

Note: Interest on U. S. government securities in 1942, '43, and '44 includes interest and dividends on other securities.

[1] Ratios in this study are simple averages of the ratios of individual banks rather than single ratios of aggregate dollar amounts. Ratios are computed on the basis of annual earnings data and an average of the balance sheet figures reported December 31, 1948, June 30 and November 1, 1949. A more detailed presentation of the ratios, including a breakdown by bank size group, is available from this bank on request.

Net Profits As a Percentage of Total Capital Accounts in Ninth District Member Banks, by Size, 1948-1949

Banks with Average Total Deposits [1] (In Thousands)	1948	1949	% Change
Under $1,000	8.9	9.9	+11
$1,000-1,999	11.8	12.1	+ 2
$2,000-4,999	12.3	11.5	— 6
$5,000-9,999	10.4	9.3	—11
$10,000-24,999	8.9	8.5	— 4
Over $25,000	6.5	7.5	+15
Total District	11.1	10.8	— 3

[1] Average deposits of 1949 based on balance sheet figures reported December 31, 1948, June 30, and November 1, 1949.

INCREASED LOAN EARNINGS BOOSTED GROSS EARNINGS TO TOTAL ASSETS RATIO

From an earnings point of view, bankers also look at the ratio of gross earnings to total assets. Since the end of the war this ratio in Ninth district member banks has moved upward. In 1949 gross earnings averaged 2.71% of total assets, compared with 2.50% in 1948, the rise reflecting mainly increased earnings on loans.

Underlying bank earnings is the shifting pattern of earning assets. In 1949, loans accounted for a larger share of total assets in district member banks, and government securities accounted for a smaller share than in the preceding year.

Trends in these directions have been in progress since the end of the war, and are reversals of the wartime experience when banks vastly expanded their holdings of government securities.

In 1949, loans in all Ninth district member banks averaged 23.8% of total assets, compared with 20.2% in 1948, and the low point of 12.7% in 1946. Government securities averaged 47.3% of total assets in 1949, compared with 50.9% in the preceding year and the high point of 58.5% in 1946. (See chart I.)

Although government securities still account for a larger share of total assets, income on loans is currently the major source of bank earnings, with interest on government holdings running second.

Moreover, reflecting the trend in the composition of assets, earnings on loans have contributed a growing share of total income in the past three years, while interest on government securities has contributed a shrinking portion.

Earnings on loans accounted for 44.8% of total current earnings in 1949, compared with 40.6% in 1948; interest on government securities represented 31.4% of total current earnings in 1949 as against 34.4% in the preceding year. (See chart II.)

The over-all rates of return on both loans and security holdings showed some improvement in 1949, with banks averaging 5.3% on their loans in 1949 compared with 5.2% in 1948 and 1.7% on government securities in 1949 compared with 1.6% in 1948.

The slightly higher rate of return on loans was due in part to the increased importance of consumer paper and real estate loans in loan portfolios.

CAPITAL-DEPOSIT RATIOS STRENGTHENED IN 1949

Bankers also watch closely the ratio of capital accounts to total deposits—the barometer of the capital margin of safety afforded bank deposits.

In 1949, Ninth district member banks strengthened their capital cushions to the extent that total capital accounts averaged 6.4% of total deposits, compared with 5.8% in 1948.

During the war the capital-deposit ratio declined steadily. Although bankers added to their capital struc-

Continued on Page 34, Col. 1

Current Earnings and Expenses As Percentages of Total Current Earnings in All 9th District Member Banks in 1942, 1947-1949.

	1942	1947	1948	1949
Percentage of Total Earnings				
Interest on U. S. Government Securities	24.8	38.2	34.4	31.4
Interest and dividends on other securities		4.7	5.0	5.1
Earnings on loans	51.4	35.4	40.6	44.8
Other current earnings	23.8	21.7	20.0	18.7
Total earnings	100.0	100.0	100.0	100.0
Salaries and wages	31.9	28.4	28.6	29.4
Interest on time deposits	16.3	14.3	13.2	12.5
Other current expenses [1]	27.0	22.9	23.3	22.7
Total expenses [1]	75.2	65.6	65.1	64.6

[1] Includes charge-offs on banking house, furniture and fixtures.

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

Selected "Operating Ratios" of All Ninth District Member Banks in 1942, 1947-49.

	1942	1947	1948	1949
SUMMARY RATIOS				
Percentage of Total Capital Accounts				
Net current earnings before income taxes	9.2	16.3	16.9	16.9
Net profits	8.7	11.7	11.1	10.8
Cash dividends declared	3.3	3.1	3.3	3.2
Percentage of Total Assets				
Total earnings	3.3	2.3	2.50	2.71
Net current earnings before income taxes	.8	.8	.87	.96
Net profits	.8	.6	.59	.63
DISTRIBUTION OF ASSETS				
Percentage of Total Assets				
U. S. Government Securities	23.7	55.2	50.9	47.3
Other securities	9.5	5.4	6.4	6.6
Loans	32.6	15.8	20.2	23.8
Cash assets	32.4	23.0	21.9	21.6
Real estate assets	1.6	.5	.5	.5
OTHER RATIOS				
In Percentages				
Capital accounts to total assets less government securities and cash assets	23.1	28.3	22.7	21.2
Capital accounts to total deposits	10.5	5.5	5.8	6.4
Time to total deposits	39.9	35.9	36.2	36.6
Number of Banks	450	471	474	478

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

AGRICULTURE

Livestock Numbers Declined Further in '49

DROUTH, poor pasture and range conditions, and short feed crops during 1949 contributed to further declines in livestock numbers on Ninth district farms. This is in sharp contrast to a general increase in livestock numbers for the country as a whole.

Livestock inventory reports from the Dakotas and Montana as of January 1, 1950, read as follows:

North Dakota—"The downward trend for most species of livestock which started in 1944 continued through 1949."

South Dakota — "Fewer cattle, hogs, sheep, horses and mules . . . reported on farms and ranches."

Montana—"Cattle, sheep and hog numbers were down sharply."

Only in Minnesota and Wisconsin did livestock numbers show an increase this past year. Dairy cow numbers in Minnesota, however, were 2% less compared with a year earlier.

Poultry, including chickens and turkeys, showed a substantial increase in inventory in all states of the district during 1949 except Montana, where a moderate decline in turkey numbers occurred.

U. S. LIVESTOCK, POULTRY INVENTORIES SHOW NET GAIN

When the different species of livestock are combined according to their relative economic importance, the general increase for the country as a whole was about 2% last year, according to reports from the U. S. Department of Agriculture. For poultry, the increase was about 7%.

The outstanding feature of the general upturn was a 3% increase in all cattle numbers and the first increase in milk cow numbers in five years, although it was only 1%. Hog numbers were up for the second straight year, chicken and turkey numbers were up sharply, but sheep and lamb numbers were smaller. Horses and mules also became fewer, continuing a trend of many years.

For the country as a whole, abundant feed supplies and generally favorable livestock prices in relation to feed prices prompted farmers to build up herds and flocks.

With tremendous adjustments in acreage allotments on crops just around the corner under price support programs, it would seem that there may be more and more interest in livestock production. One of the factors pointing in this direction is the record number of breeding cows on farms and ranches — 5% above last year and 57% above pre-war and the largest on record.

More sows, about 7%, were held back to farrow the 1950 spring pig crop, and there is a substantial increase in the number of dairy heifers and calves held for milk cow replacement. Interest in sheep is also increasing, as indicated by a 3% increase in ewe lambs on January 1. The Department of Agriculture also reports a record number of cattle and calves on feed January 1, 1950.

All this points in the direction of larger accumulation of livestock for the country as a whole in 1950, assuming, of course, that weather conditions are normal and average crops are produced.

▶ Compared with 1940, there are 17% fewer dairy cows, 3% less hogs, and 51% fewer sheep and lambs on district farms.

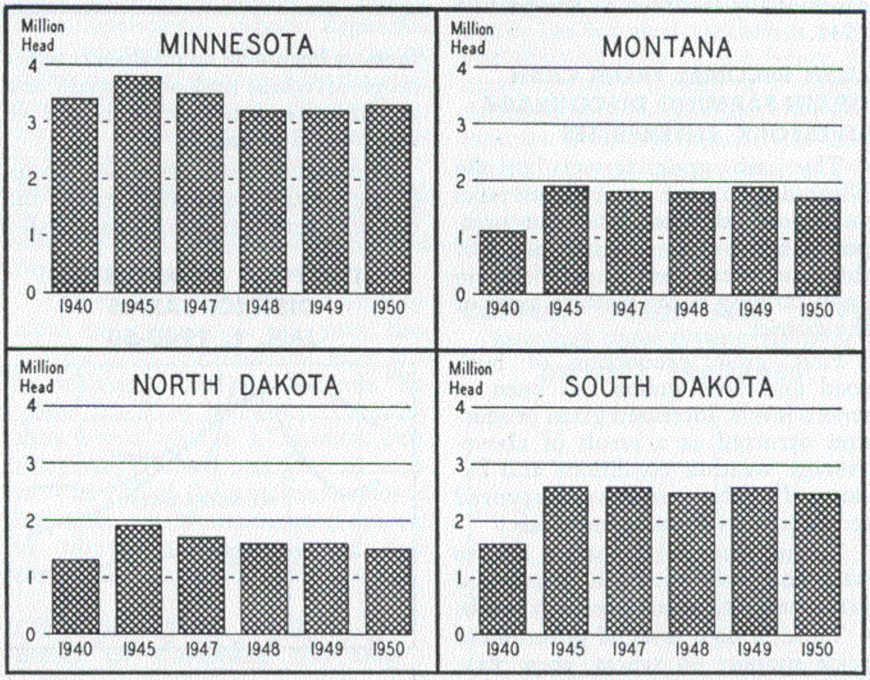
▶ Favorable returns from cash grain farming have been a factor in reducing livestock numbers.

▶ Good pasture and range conditions have boosted beef cow numbers above pre-war.

10 YEARS OF GOOD GRASS INCREASE CATTLE NUMBERS

The decade of the 1940's was, for the most part, a favorable one for the

CATTLE AND CALF NUMBERS ON NINTH DISTRICT FARMS ON JANUARY 1, OF RECENT YEARS



CATTLE NUMBERS became fewer in the Dakotas and Montana during 1949, but were increased slightly in Minnesota. Cattle numbers in the district are high compared with 1940.

Source: USDA **Livestock on Farms.**

semi-arid areas of the Ninth district. Rainfall was above average and it was fairly well distributed during most growing seasons. The 1940 decade saw a return to lush pasture and range conditions in the Dakotas and Montana compared with the "dirty Thirties," as they are sometimes called.

It is not surprising, therefore, that cattle and calf numbers increased sharply on western farms and ranches during this period. In Montana, for example, cattle and calves almost doubled in numbers up to 1949 and, even after last year's livestock liquidation as a result of drouth, numbers were still 70% above pre-war.

Cattle numbers in both Dakotas increased more than 50% during the 1940's. South Dakota has held on to this higher cattle inventory, but in North Dakota a substantial reduction has occurred during the last five years. (See chart on page 29.)

As might be expected, cattle and calf numbers in Minnesota and the eastern part of the district in general fluctuated less than in the western areas. Minnesota was the only state which registered an increase in numbers this past year. Even in Minnesota, however, cattle numbers are substantially less than at the peak in 1945.

January Cash Farm Income*

(Thousands of Dollars)

State	1935-39 Average	1949	1950	1950 in Pe of 194
Minnesota	$ 26,141	$ 105,357	$ 101,458	96%
North Dakota	5,421	49,813	28,781	58
South Dakota	8,378	49,791	42,792	86
Montana	4,306	25,929	20,672	80
Ninth District [1]	50,300	248,803	210,545	85
United States	604,258	2,279,173	2,238,255	98

* Data from The Farm Income Situation, dated February 1950.

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

Average Prices Received by Farmers in the Ninth District*

Commodity and Unit	Feb. 15, 1937-41 Avg.	Feb. 15, 1949	Feb. 15, 1950	Parity Prices [1] United States Feb. 15, 1950
Crops				
Wheat, bushel	$0.83	$1.94	$1.92	$2.13
Corn, bushel	.55	.99	1.04	1.55
Oats, bushel	.31	.60	.62	.914
Potatoes, bushel	.64	1.51	1.26	1.67
Livestock and Livestock Products				
Hogs, 100 lbs.	7.17	19.26	16.15	18.60
Beef Cattle, 100 lbs.	6.76	17.63	19.78	16.80
Veal Calves, 100 lbs.	8.65	24.90	25.02	18.90
Lambs, 100 lbs.	7.73	21.21	22.27	18.60
Wool, lb.	.26	.54	.47	.498
Milk, wholesale, 100 lbs.	1.57	3.15	3.14	4.29
Butterfat, lb.	.31	.68	.67	.687
Chickens, live, lb.	.116	.253	.172	.283
Eggs, doz.	.156	.366	.257	.492

* Source: Data compiled from U.S.D.A. Agricultural Prices—February 28, 1950.

1 The term parity as applied to the price of an agricultural commodity is that price which will give to the commodity a purchasing power equivalent to the average purchasing power of the commodity in the base period, 1910-14.

LUSH INCOMES FROM CASH GRAIN FARMING DISCOURAGE LIVESTOCK ENTERPRISES

The cash grain farmers in the Ninth district have just emerged from an almost fabulous decade of prosperity. Some of the characteristics of this past decade are unparalleled in grain farming in the western areas of the district.

First, grain production of both food and feed grains has been at record levels. Increased grain production occurred as a result of above-average weather conditions and because of mechanization and improved techniques in farming methods.

Second, unusual demands due to war and its aftermath stimulated grain prices to relatively high levels.

Third, a high level of government price support on wheat, corn, flaxseed, soybeans, and other crops, has been effective in stimulating production of these grain crops in recent years.

Never before in the history of Upper Midwest agriculture have farmers been able to produce bumper crops of wheat and other grain and at the same time realize record or near-record prices.

Heretofore, bumper grain crops in the western semi-arid areas of the district were customarily associated with sharply lower prices because of large grain supplies the country over.

Bankers, agricultural college authorities, and others have noted that this bulge in cash-grain farming of recent years has come partly at the expense of livestock production.

The livestock statistics of the last 10 years bear out this observation. With the single exception of beef cattle, which are largely produced on grass in this district, livestock inventories are less than they were 10 years ago.

There are approximately 17% fewer dairy cows on district farms now compared with 10 years ago. There are 3% less hogs and 51% less sheep and lambs. Even turkey numbers are down about half from 1940 levels.

The decline in grain-consuming livestock enterprises is particularly noticeable in the western wheat producing sections of the district, although in the more humid eastern part of the district it is more common now than it was 10 years ago

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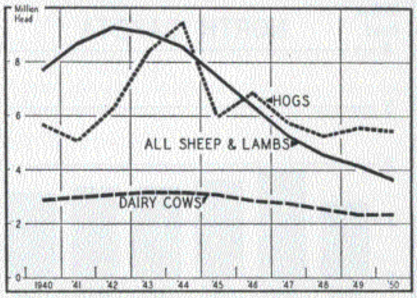
LIVESTOCK NUMBERS ON DISTRICT FARMS JAN. 1, 1940-50



NUMBERS of hogs, dairy cows, and sheep and lambs declined further during 1949. Numbers are fewer than in 1940.

Source: USDA Livestock on Farms.

BUSINESS

Coal Strike Had Little Effect in District

WITH bituminous coal again moving into industrial channels and into the homes of domestic coal users, the paralysis which had begun to creep over the national economy disappeared quickly from the scene.

Settlement of the coal dispute, however, was reached before industrial stagnation in any material way reached the economy of this district. While movement of freight had declined, stocks of coal in this region were sufficient to enable industry to maintain its normal output.

The smaller movement of freight resulted in the temporary layoff of a few railroad employees in January and, according to preliminary reports, a somewhat larger number in February.

Shipments of coal declined significantly in this area as a coal shortage developed in the eastern states. The number of railroad cars loaded with coal in the northwestern district from January 1 through March 4 totaled 60,000 cars as compared with 69,000 cars in the same period of 1949. Coke loadings of nearly 13,500 cars were down about 3,000 from a year ago.

Since the first of the year, total carloadings in this district, exclusive of miscellaneous, have fallen not only below the postwar volume but also below the pre-war volume. The January and February index for such loadings, adjusted for the usual seasonal variation, was 83% and 86%, respectively, of the 1935-1939 base period. Since the miners have returned to the coal pits and the steel furnaces are being unbanked, the freight movement may soon return to the former level.

THE ATTENTION of business people is called to the fact that the U. S. Department of Commerce has initiated a new information service for the purpose of giving equal opportunities in the competition for military and civilian procurement contracts.

Ninth district businessmen and bankers may consult lists of items to be purchased at the Minneapolis and Butte offices of the Department of Commerce and in the following cooperating Chamber of Commerce offices:

Greater North Dakota Association, Fargo, N. D.; South Dakota Secretaries' Association, Vermillion, S. D.; Rochester Chamber of Commerce, Rochester, Minn.; Duluth Chamber of Commerce, Duluth, Minn., and Billings Commercial Club, Billings, Mont.

DISTRICT INDUSTRIAL OUTPUT CONTINUED HIGH

Industry in this district escaped almost completely the effects of the coal strike. Stocks of coal in this area were sufficient to carry industry through the emergency, and the supply of steel was ample to maintain total industrial output.

A few metal-working firms were cut off from the particular type of steel required for fabrication, and consequently they laid off a few workers. However, while a few isolated firms were forced to reduce their operations, others expanded their operations. This was because shortages of steel created by the steel strike last fall eased up during January. In the aggregate, employment in Minnesota metal-working firms increased during February, according to the report issued by the Minnesota Division of Employment and Security.

The usual winter slump in employment has been small this year. Employment on construction sites and in wholesale and retail trade declined less from January to February than a year ago. In Minnesota, February employment had risen to within .4 of 1% of the number employed last year. In Montana, employment in non-agricultural industry continued to exceed the 1949 level.

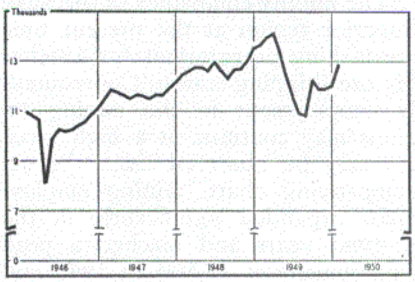
COAL AND STEEL STRIKES BUILD UP DEFERRED DEMAND

The work stoppages which have occurred in coal and steel since last October, together with such factors as high levels of output in the automobile and construction industries, have built up a backlog of demand for coal and steel products. Stocks of coal in the Lake Superior region at the end of the lake shipping season were below normal. Consequently, the coal shipments during the coming shipping season must be large enough to rebuild the stocks as well as supply the current demand.

Stocks of iron ore, exclusive of those at the mines, at the end of January were comparable to those in previous postwar years. The curtailed operations of steel mills in recent weeks has led steel executives to revise their estimate of the future demand for steel. Instead of a possible decline during the summer, they now estimate a strong demand for steel through the third quarter and possibly through the fourth quarter. On the basis of this estimate, the demand for iron ore will also remain strong.

- ***Stocks of fuel and steel were sufficient to maintain industrial output.***
- ***Winter slump in employment was less than normal.***
- ***Coal and steel work stoppages have built up a backlog of demand for these products.***
- ***February department store sales were up 7% in dollar volume.***

COPPER, GOLD, AND SILVER MINING EMPLOYEES IN 9TH DISTRICT, 1946-1950



MINING employment, which dropped off sharply in 1949, remains below the previous year's level.

MINING WAS SUBJECT TO MIXED TRENDS

The iron ore shipped from the Lake Superior region in 1948 totaled 82.9 million tons and in 1949 69.6 million tons, according to the reports issued by the Lake Superior Iron Ore association. In 1942 and 1943, when large quantities of steel were needed to fight the war, the ore shipments from this region reached 92.1 and 84.4 million tons respectively.

Even though recent iron ore shipments from the Lake Superior region have been large, nevertheless they have declined about 1% annually in relation to the total tonnage of ore mined in the United States. The 1949 ore shipments from this region constituted 81% of the total domestic production, while 1945 shipments were 85% of the total. The unprecedented peacetime demand for steel has led some steel companies to undertake mining operations in other regions. For instance, the regular sources of ore have been augmented by mining operations in the Adirondack region.

The dwindling supply of high-grade ore in the Lake Superior district has led the users of ore to explore ore deposits in foreign countries and to experiment with the beneficiation of low-grade taconite ores. Announcement has been made of the recently proven high-grade ore deposits in Venezuela and in Labrador. First shipments of these ores to United States steel mills will be made this year. Thus, a larger proportion of foreign ores may be used in the production of our steel.

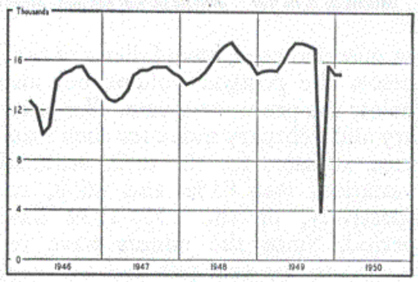
LAKE SUPERIOR DISTRICT ANTICIPATES BIG YEAR

The mining companies in the Lake Superior region at the present time are making preparations for another big ore shipping season. Consequently, employment in the mining regions may continue at a high level. As may be observed from the accompanying chart, mining employment expanded significantly in the postwar years and reached a peak employment of 17,500 in 1948 and in 1949.

Should the Lake Superior ore shipments continue to decline in relation to the total tonnage of ore consumed by steel companies, it does not necessarily follow that the employment in mining pursued in this region will decline. Beneficiation of taconite ore involves mining, crushing, and grinding to powder fineness of four tons of taconite ore for each ton of useable ore. Therefore, more labor is employed in the beneficiation of low-grade ores than in the mining of high-grade ores shipped in their natural state.

MINING EMPLOYMENT IN MINNESOTA

1935-39 = 100



EXCEPT for the strike in the fall of 1949, a high level of employment in iron ore mining has been maintained in postwar years.

Source: Minnesota Division of Employment and Security.

MINING OF COPPER AND SILVER WAS DOWN

Mining of other metals, such as copper and silver, fell off materially in this district during 1949, as may be observed by the accompanying chart on the trend of employment in such mining activities. Employment rose intermittently in the postwar years until a peak of over 14,000 employees was reached in March 1949. This peak was followed by a sharp contraction in employment, which reached a low point in July and August. Since that time, there has been a partial recovery.

The decline in domestic production is traced partly to larger imports. Copper imports in 1949 were approximately 15% larger than in the former year. The dollar amount of silver purchased from foreign countries was also up about 5%.

Sales at Ninth District Department Stores*

	% Feb. 1950 of Feb. 1949	% Jan.-Feb. 1950 of Jan.-Feb. 1949	Number of Stores[1] Showing Increase	Decrease
Total District	107	100	102	151
Mpls., St. Paul, Dul.-Sup.	112	103	20	7
Country Stores	96	94	82	144
Minnesota (city and country)	111	102	38	53
Minnesota	96	95	20	48
Central	101	94	1	8
Northeastern	99	100	4	1
Red River Valley	94	89	1	3
South Central	98	94	3	11
Southeastern	90	94	3	6
Southwestern	95	94	8	19
Montana	99	98	23	10
Mountains	88	90	6	5
Plains	106	103	17	5
North Dakota	98	95	19	24
North Central	110	106	5	3
Northwestern	107	108	4	2
Red River Valley	96	91	7	9
Southeastern	93	91	3	8
Southwestern	(2)	(2)	....	....
Red River Valley-Minn. & N. D.	96	91	8	12
South Dakota	87	87	4	41
Southeastern	91	89	2	12
Other Eastern	82	83	2	24
Western	89	93	0	5
Wisconsin and Michigan	98	95	16	21
Northern Wisconsin	110	103	10	3
West Central Wisconsin	97	95	4	9
Upper Peninsula Michigan	90	88	2	9

* Percentages are based on dollar volume of sales.
1 February 1950 compared with February 1949.
2 Not shown, but included in totals. Insufficient number reporting.

CONSUMER BUYING CONTINUED STRONG

For the first time since April 1949, February department store sales in this district exceeded significantly the dollar volume for the same month of a year ago. February sales were 7% larger, reflecting a material increase in the quantity of merchandise purchased by consumers, who had the benefit of lower prices.

Heavier buying in the larger urban centers is largely responsible for the gain in sales. In Duluth, Minneapolis, St. Paul, and Superior, February sales were 12% above those of a year ago, while the sales outside of these metropolitan centers were down 4% as compared with last year's sales.

Although sales in the rural centers are lagging somewhat, sales in the district, nevertheless, are at a high figure. The index of department store sales for February, adjusted for the usual seasonal variation, stood at 285% of the 1935 to 1939 base period. In 1948, a peak year in sales, the monthly index averaged 288% of the pre-war base.

DEPARTMENT STORE STOCKS REMAINED AT FORMER LEVEL

After an allowance is made for the usual seasonal variation in stocks, there has been practically no accumulation of stocks in the department stores of this district since last November. The adjusted index, with 1935-1939 equals 100, stood at 304% for November and at 302% for both January and February.

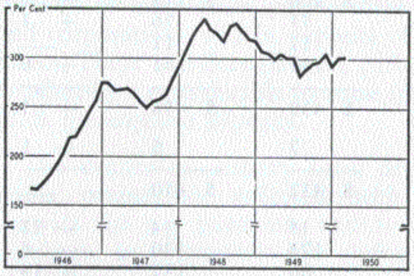
National figures on inventories reflect a similar trend. According to the U. S. Department of Commerce report, book values of manufacturers' inventories at the end of January were practically at the same level as at the end of the year.

Inventories of finished goods also remained close to the year-end figures. Inventories held by wholesalers and retailers were up slightly. After an allowance was made for seasonal variation, total business inventories in the nation were up only a fraction of a percent, which was less than the rise in January sales. END

INDEX OF 9TH DISTRICT DEPARTMENT STORE STOCKS

1935-39 = 100

Seasonally Adjusted



STOCKS of merchandise in the Ninth District have remained stable.

Index of Department Store Sales by Cities

(Unadjusted 1935-39 = 100)

	Feb. 1	Percent Change 2 Feb.	Jan.-Feb.
Minnesota			
Duluth-Superior	202	0	—2
Fairmont	181	—16	—13
Mankato	199	+4	—4
Minneapolis	275	+17	+6
Rochester	189	—12	—7
St. Cloud	209	—4	—12
St. Paul	206	+6	—1
Willmar	172	—9	—6
Winona	180	+2	0
Montana			
Great Falls	214	0	—4
North Dakota			
Bismarck	159	—6	—3
Grand Forks	197	—7	—7
Minot	153	+6	+8
Valley City	121	—11	—20
South Dakota			
Aberdeen	208	—27	—25
Rapid City	304	—4	—1
Sioux Falls	266	—5	—9
Yankton	182	—14	—13
Wisconsin			
La Crosse	166	—2	—3

1 Based on daily average sales.
2 Based on total dollar volume of sales.

Northwest Business Indexes

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

	Feb. '50	Jan. '50	Feb. '49	Feb. '48
Bank Debits—93 Cities	325	301	307	325
Bank Debits—Farming Centers	394	352	378	384
Ninth District Dept. Store Sales	285p	246	274	279
City Department Store Sales	316	273	282	295
Country Department Store Sales	255	219	266	264
Ninth District Department Store Stocks	302p	302	306	322
City Department Store Stocks	265p	268	266	277
Country Department Store Stocks	332p	329	338	358
Country Lumber Sales	163p	122	145	171
Miscellaneous Carloadings	115	116	117	128
Total Carloadings (excl. Misc.)	86	83	97	118
Farm Prices (Minn. unadj.)		210	226	268

p—preliminary

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

	Jan. 25, 1950	Feb. 22, 1950	Mar. 15, 1950	$ Change Jan. 25-Feb. 22
ASSETS				
Comm., Ind., and Ag. Loans	$ 214	$ 208	$ 218	— 6
Real Estate Loans	74	75	76	+ 1
Loans on Securities	11	11	11	......
Other (largely consumer) Loans	139	145	151	+ 6
Total Gross Loans and Discounts	$ 438	$ 439	$ 456	+ 1
Less Reserves	6	7	6	+ 1
Total Net Loans & Discounts	$ 432	$ 432	$ 450	......
U. S. Treasury Bills	38	15	14	— 23
U. S. Treasury C. of I.'s	180	174	120	— 6
U. S. Treasury Notes	72	86	132	+ 14
U. S. Government Bonds	438	438	422	......
Total U. S. Gov't Securities	$ 728	$ 713	$ 688	— 15
Other Investments	113	117	122	+ 4
Cash and Due from Banks	409	405	435	— 4
Miscellaneous Assets	15	16	15	+ 1
Total Assets	$1,697	$1,683	$1,710	— 14
LIABILITIES				
Due to Banks	$ 308	$ 282	$ 305	— 26
Demand Deposits, Ind., Part., Corp.	815	791	810	— 24
Demand Deposits, U. S. Gov't	57	92	72	+ 35
Other Demand Deposits	135	132	146	— 3
Total Demand Deposits	$1,315	$1,297	$1,333	— 18
Time Deposits	253	255	255	+ 2
Total Deposits	$1,568	$1,552	$1,588	— 16
Borrowings	10	11	3	+ 1
Miscellaneous Liabilities	17	17	16	......
Capital Funds	102	103	103	+ 1
Total Liabilities and Capital	$1,697	$1,683	$1,710	— 14

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

	Jan. 25, 1950	Feb. 22, 1950	$ Change Jan. 25, 1950 Feb. 22, 1950	$ Change Feb. 23, 1949 Feb. 22, 1950
ASSETS				
Loans and Discounts	$ 902	$ 912	+ 10	+ 27
U. S. Government Obligations	1,743	1,713	— 30	+124
Other Securities	243	248	+ 5	+ 48
Cash and Due from Banks and Res.	800	781	— 19	— 74
Other Assets	30	32	+ 2	+ 2
Total Assets	$3,718	$3,686	— 32	+127
LIABILITIES AND CAPITAL				
Due to Banks	$ 351	$ 320	— 31	+ 41
Other Demand Deposits	2,185	2,177	— 8	+ 64
Total Demand Deposits	$2,536	$2,497	— 39	+105
Time Deposits	934	938	+ 4	— 3
Total Deposits	$3,470	$3,435	— 35	+102
Borrowings	10	12	+ 2	+ 9
Other Liabilities	23	24	+ 1	+ 4
Capital Funds	215	215	......	+ 12
Total Liabilities and Capital	$3,718	$3,686	— 32	+127

BANK RATIOS IN '49 CONTINUED POSTWAR TREND

Continued from Page 28

tures, largely out of retained profits, deposits advanced at a much faster pace. In the postwar period the deposit trend flattened out, while capital accounts continued to rise. The result has been a steady increase in the capital-deposit ratio since 1946.

Opposite shifts, however, have taken place in the ratio of capital accounts to total assets less cash and government securities. Capital accounts increased relative to assets other than cash and government securities during the war, since the increase in bank assets occurred primarily in government securities. In the postwar period, however, the expansion of loans and concurrent reduction in government securities reduced this ratio. It reached a peak of 37.7% in 1945, falling to 21.2% by 1949.

Many bankers use the operating ratios summarized in this article as rough yardsticks against which to measure their own operations. These ratios do in fact clearly reflect banking developments. It is well to remember, however, that the ratios do not represent "ideals" but rather are **averages** giving a general picture of bank operations in this district.

February Banking Developments

THE consolidated balance sheets of Ninth district member banks in February were highlighted by (1) the continued decline in deposits of individuals, partnerships, and corporations, reflecting in part income tax payments, and (2) the beginning of the seasonal rise in country bank farm production loans.

Continued on Next Page

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

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

Total loans in country member banks rose $10 million this month as the advent of the new crop year, as well as continued purchases of household appliances and equipment of all kinds, created demand for short-term credit.

In city banks a seasonal decline of $6 million in business loans was offset by a like increase in other loans (largely consumer).

The Dakotas showed the sharpest increases in loans this month, comparing the states included in the Ninth district. Loans in North Dakota advanced 4% and in South Dakota 3%.

Total demand deposits declined $39 million in February, down $18 million in city banks and $21 million in country banks.

In city banks, declines occurred in deposits of individuals, partnerships, and corporations, and in deposits of banks. These withdrawals were partly offset by a considerable increase in U. S. government deposits.

The decline in country bank deposits presumably reflected withdrawals for tax payments and for purchases in preparation for spring planting.

Government security holdings dropped $30 million in the district as a whole, with city and country banks sharing evenly in the decline. To some extent government securities—primarily bills—were liquidated to meet deposit withdrawals.

In the 20 reporting banks, bill holdings were down sharply, certificates fell somewhat less, while notes increased and bonds were unchanged. The variations in certificates and note portfolios reflected in part the refunding of CI's due February 1 with new 1¼% 20-month notes.

END

LIVESTOCK NUMBERS DECLINED FURTHER IN '49

Continued from Page 30

for farmers to operate solely on a cash-grain basis.

1950 MAY SEE RENEWED INTEREST IN LIVESTOCK

There are at least two economic developments which may stimulate renewed interest in livestock production in the next several years. One is the anticipated forced reduction in grain production under price support programs. As acreage allotments and marketing quotas are put into effect, idle crop acres may be shifted over in part to grass and pasture or to the production of forage crops for livestock use.

The other factor is that the fabulous prices and incomes from cash-grain farming of the past several years may not be repeated. Grain prices are now at support levels, and they might have been considerably lower were it not for the government peg. There is no certainty that prices will continue to be pegged at the 90% of parity figure from year to year.

Summing up, it would seem that a moderate increase in livestock numbers and a renewed interest in livestock enterprises on Ninth district farms might be expected in 1950-51, assuming that near-normal weather and rainfall conditions prevail. END

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, MARCH 30, 1950

INDUSTRIAL production declined somewhat in February, owing to work stoppages, but recovered in March. The volume of construction work done and contracts awarded reached exceptionally high levels for this season. The number unemployed, however, was larger than last year. Personal income was at a new high as insurance dividend payments to veterans reached a total of over $2 billion by the end of March. Department store sales showed only the usual seasonal rise but demand for most consumer durable goods was strong.

Average prices of commodities in wholesale and retail markets continued to show little change; charges for rents and other services rose further. Common stock prices on March 27 were about 3% higher than at the beginning of February. Prices of long-term government bonds declined somewhat further. Bank loans to business declined less than is usual for this season.

INDUSTRIAL PRODUCTION—The Board's industrial production index declined 3 points in February to 180, owing chiefly to work stoppages in the coal and automobile industries which were only partly offset by rising output of building materials and machinery.

The coal dispute was settled on March 5, with an advance of about 5% in the daily basic wage rate and larger payments for welfare purposes and coal production increased sharply. As a result of larger coal supplies and heavy steel demand, activity at steel mills, which had been reduced to 74% of capacity in early March, has risen to 97%.

Automobile assemblies have been at a somewhat higher rate in March than in February, although 18% lower than in mid-January before being curtailed by labor disputes.

On the basis of indicated increases in most durable goods and in coal, the Board's index in March is estimated to be slightly above the January level of 183.

In February machinery production increased 4%, to the highest level since April 1949. While much of this rise reflected continued marked gains in refrigerators, television, and other consumer goods, advances were general in producers equipment. In some lines, however, such as agricultural machinery, increases were largely of a seasonal nature.

The exceptionally high level of construction activity has been an important factor in stimulating output in some machinery industries and in the furniture and building materials industries. Lumber production this year has been about one-fourth above the reduced level of a year ago.

In most non-durable goods industries, output in February was maintained at the high levels reached last autumn. Production of textiles, which by the beginning of this year was 11% above year-ago levels, declined somewhat in February, however, and apparently has been curtailed further in March, owing largely to the continued lag in retail sales of apparel.

DISTRIBUTION—Value of department store sales in February and early March was maintained at last year's level. Sales of most durable goods, especially television and furniture, continued substantially above year-ago levels. Retail apparel sales in recent months have been about one-tenth below the corresponding period a year ago, with not all of the reduction accounted for by lower prices. This reduced volume has apparently been below the advanced level of textile-mill output. In contrast, the number of automobiles sold has increased and has been about equal to the number produced.

COMMODITY PRICES — The general wholesale price index was at a slightly higher level during February and March, owing mainly to seasonal increases in prices of domestic farm and food products. Prices of imported foods declined and in the latter part of March hog prices decreased to levels somewhat below federal supports.

Prices of some industrial materials, particularly cotton and rayon gray goods, burlap, and lead, were reduced considerably in February and March. Rubber and tin, on the other hand, advanced, industrial alcohol was raised 17%, and coal and coke increased somewhat after the new wage contracts were signed. Lumber prices rose further and average costs of building materials were probably about 5% higher than last summer.

Consumer prices for carpets and furniture advanced in February, while prices for apparel, appliances, and foods were reduced.

BANK CREDIT—Reductions in Treasury deposits at the Reserve banks supplied reserves to member banks during February and the first half of March. These funds were absorbed only in part through net sales of U. S. government securities by the Federal Reserve, currency outflown and reduction in gold stock. Member banks reduced their borrowings at Federal Reserve banks and increased their reserve balances.

After mid-March, large tax payments shifted funds from private deposits at commercial banks to Treasury deposits at Reserve banks and member bank excess reserves declined sharply.

Loans to business by member banks in leading cities continued to show a less-than-seasonal reduction during February and early March. Banks made moderate increases in real estate and consumer loans and in holdings of corporate and municipal securities. U. S. government security holdings declined substantially, reflecting sales of bills and certificates both to the Federal Reserve and to non-bank investors.