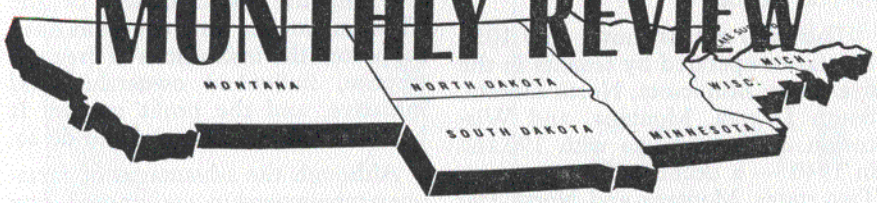
FEDERAL RESERVE BANK OF MINNEAPOLIS

MONTHLY REVIEW



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They Like to Own Their Farms

Increase in Operator Ownership In the 9th District Means Gains In Social and Economic Progress

A LARGER proportion of Ninth district farms are now operated by owners and fewer by tenants than ever before. This is shown by an analysis made of changes in farm ownership and farm size in the district during the 1940's.

Also evident is the fact that farms have become fewer in number and considerably larger in size.

By actual census count, the total number of farms in the district was at a peak in 1935 at almost 500,000 units. By 1950, the number of farm units totaled only about 403,000. This was a decrease of almost 20 per cent.

Mechanization, of course, is a primary reason for the fewer but larger farms. This has been true particularly in western areas of the district, where mechanization of wheat farming has been developed on a large scale.

In the Dakotas, for example, farms by 1950 averaged nearly a fourth larger compared with 1940. In Montana, farms are now more than half again as large as they were in 1940 (see table on next page).

Even though farms are now fewer in number and larger in size, there are more full-owner operators in the Ninth district today than ever before. A full owner is defined as a farmer who actually owns all the land that he operates.

Actually, the total number of full-owner-operated farms increased by over 8,000 units during the 1940's—despite the fact that the total number of farms was substantially less.

The greatest increase in farm ownership during the 1940's, however, occurred in the group classified as part owners. By census count, there were 22 per cent more part-owners in 1950 compared with 1940. A part-owner is defined as one who operates his own farm as well as some additional land that is rented.

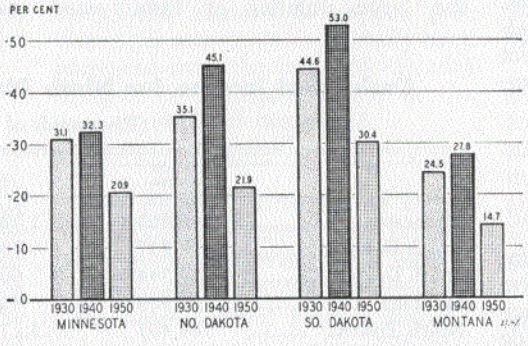
There are several important reasons for the increase in full-ownership as well as part-ownership of farms in the Ninth district in recent years. The most important reason is that farmers became able to afford ownership, either in full or in part.

Farm operators were able to buy land because of generally favorable net farm incomes during the war and postwar emergency periods. Farm prices in relation to costs were also unusually favorable during much of this period.

In addition, agricultural production was unusually good in the Upper Midwest for about a dozen years, principally because of a relatively favorable period in the weather cycle. In other words, rainfall was adequate or it came at strategic times during the crop seasons in these years.

Few young farmers are fortunate enough to achieve full

PROPORTION OF ALL FARMS IN NINTH DISTRICT STATES OPERATED BY TENANTS 1930, 1940, 1950



FAVORABLE farm incomes during the Forties were responsible for reducing farm tenancy to near-record lows by 1950. (Chart source: USDA census.)

Farm Tenancy Can Be a Step Toward Farm Ownership

ownership at the beginning of their careers. Out of economic necessity most young men must work and save for several years before they can finance the purchase of a farm. Some start out as farm laborers. Others may have sufficient money to buy machinery and equipment and start off by renting a farm from a retired farmer or other landlord. For many, this is a sort of apprenticeship period during which the farmer acquires skills and capital to insure successful farm ownership at a later time.

Savings, Credit Figure In Achieving Ownership

At first, the farmer may find it possible to purchase only part of the land he operates. As additional savings are made, however, the farmer finally works into a position to acquire full ownership of all the land he operates.

It usually works out that considerable credit is involved as the farmer climbs from the first rung of the ownership ladder, first as a worker for wages, later as a tenant, and thence to the top of the ladder as a full owner.

To achieve full ownership and freedom from debt is the ultimate goal of all good farmers. For many it takes a lifetime to achieve such a goal.

The exceptionally favorable farm price and income situation that prevailed during most of the 1940's fortunately has hastened the trip up the farm-ownership ladder for many. In fact, the proportion of farm ownership is higher today than it has been for a quarter of a century or longer. This is a good development, especially in view of the fact that total district farm mortgage debt is now substantially below what it was in 1940.

Farm Tenancy Shows Sharp Decline

A corollary to increased farm ownership is, of course, decreased farm tenancy. The decline in farm tenancy of over 45 per cent during the decade of the 1940's in the Ninth district is phenomenal in view of the nearly steady year-to-year increase in tenancy that prevailed during the previous 40-year period.

The 1950 census shows only 103,338 farms operated by tenants in the five states; Minnesota, North Dakota, South Dakota, Montana, and Wisconsin. This compares with 190,162 in 1940 — a decline of 46 per cent. Two states, Montana and North Dakota, both important wheat producing states, had reductions of 56 per cent and 57 per cent respectively in the number of tenant-operated farms. In Minnesota the figure was 42 per cent and in South Dakota it was 48 per cent.

Average Size of Farms, In Acres

	1940	1950	% Increase
Minnesota	165	184	11%
North Dakota	513	630	23
South Dakota	545	674	24
Montana	1,111	1,689	51
Wisconsin (26 counties)	122	148	12

Source: USDA Census.

Another way of measuring the change in farm tenancy in the Ninth district is to indicate the number of tenant-operated farms in per cent of the total number of farms. This is shown graphically in the accompanying chart.

Significance of Increase In Farm Ownership

It has long been recognized that the large number of family-sized farms in the United States is consistent with the American way of life. These millions of farm operators have supported the institutions of free enterprise, individual ownership and initiative, and the profit motive. It has been to their advantage to do so.

Although the advantages of farm-operator ownership are granted, few thinking farmers will belittle the institution of tenancy, because it is one of the stepping stones to ownership. Without tenancy as an intermediate step, many farmers could not have exercised initiative and accumulated savings to the point where they are owners today. Many would have remained as wage earners simply because they could not bridge the gap from that of a laborer to a farm owner.

But the fact that farmers are able to move from the position of wage earner to that of a tenant partner, and on to full ownership, especially in a favorable economic period, is good not only for him but also for the community.

It is good for him because he becomes more independent and perhaps, by good management, his economic returns are larger.

It is good for the community, too, because people who own their own farms and places of business become vitally interested in the long-term welfare of all kinds of community institutions.

It would appear, therefore, that the trend toward increased farm ownership which has occurred in recent years throughout the district represents a step forward in social as well as economic progress. END

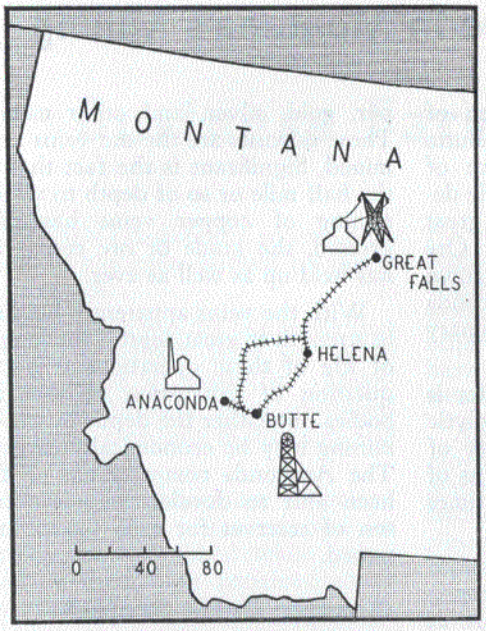
Cash Farm Income for Ninth District — January-December*

(Thousands of Dollars)

	1935-39 Average	1951	1952	1952 in Per Cent of 1951
Minnesota	$ 346,863	$ 1,287,034	$ 1,300,656	101%
North Dakota	113,247	583,835	523,216	90
South Dakota	110,244	600,607	553,730	92
Montana	92,904	435,221	391,855	90
Ninth District [1]	744,407	3,172,738	3,037,524	96
United States	8,476,000	32,621,748	33,125,399	101

*Source: USDA "Farm Income Situation," Dec. 1952-Jan. 1953.

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



Greater Butte Project to Increase and Extend COPPER PRODUCTION IN MONTANA

Low-grade ores previously uneconomical to mine are being utilized through the 'block caving' method

STRONG demand for copper since the end of World War II is being met in part by the copper mining industry in the Ninth district. Reflecting the growing defense and non-defense needs, new ore bodies are being brought into production and new methods are being applied to increase production from mines already being worked.

One of the largest copper reserves in the world is that which lies beneath the Butte district of Montana. Rising costs and depletion of relatively accessible ores have, however, lessened the locality's importance in copper production in recent years.

Since copper mining is a key economic activity in western Montana, the low-grade ore project undertaken at Butte during 1952 has important implications for the future of the area.

U. S. Copper Output Based on Low-grade Ore

Among metals, the tonnage of copper produced is second only to that of iron. Domestic ore is generally low grade, averaging less than one per cent copper, so less than 900,000 tons of metallic copper is derived from the 90 million tons of copper ore removed annually from mines in the United States.

Even this large tonnage of copper is not sufficient to meet the country's annual consumption. Nearly 600,000 additional tons must be made up yearly through imports and scrap recovery.

The great bulk of domestic ores comes from large-scale open pit mining operations in Arizona and Utah. Montana's underground mines placed it fourth among producing states during 1952 with 7 per cent of total production.

Perhaps all but 5 per cent of this country's copper reserves are to be found in a dozen locations. Because of this concentration of great amounts of copper in a few places, large-scale operations have been permitted that enable working extremely low-grade ores. Through mass methods of handling, the amount of copper produced per man-hour has actually been increased over the past few decades in spite of a steady decline in the average grade of ore mined.

THIS ARTICLE, a survey of Montana's copper industry, is the first of two on the position of copper mining and processing in the economy of the Ninth Federal Reserve district. A brief survey of the copper industry of Upper Michigan will appear in the April issue.

Copper Use Increases Despite Substitutes

Biggest customers for copper are the electrical, automotive and building construction industries, in that order. In recent years there has been a trend toward substitution of the lighter metals (aluminum and magnesium) and plastics for copper in many of its traditional uses. In spite of the inroads made by other materials, per capita use of copper in the United States has actually increased since the 1920's.

Under a defense economy it is certain that the critical nature of this metal will keep domestic copper production at high levels. Marginal sources are brought into production through price and purchase guarantees in defense or war emergencies.

Even under a peacetime economy it is felt that the long-run demand for copper will be upward, although substitutions will probably continue. The many useful properties of the metal are counted on to add new markets. (Tubing used in radiant heating is given as an example).

Copper production, like that of most raw materials, has been sensitive to changes in industrial activity and price fluctuations. These factors can be expected to affect the level of operations of copper mines and pro-

Copper Leads in Economic Importance in Montana's Mining

cessing plants—especially the higher-cost undertakings.

When prices are favorable, many marginal copper sources are brought into production. Recently it was found profitable to ship the waste dumps from Butte copper mines to Anaconda for processing. Low-grade ore that had been formerly by-passed was in this way salvaged. Under less favorable cost-price relationships, this type of operation would likely cease.

Both Smelting, Refining Done in Montana

From mine to manufacturing plant is ordinarily a three-step process for copper ore—concentrating, smelting, and refining. Concentrating is a mechanical procedure (usually done at the mine site) in which the ore is ground into fine particles and waste rock is discarded. "Enriched" ore from the concentrator is then sent to a smelter.

At the smelter, the concentrates are charged into a furnace. Molten copper containing some iron and sulfur (called "matte") is later drawn from the furnace while most impurities are captured as slag. The molten "matte" is further purified by forcing thin streams of air through it, and the resultant product is called "blister copper."

Blister copper may contain from 95 per cent to 99 per cent copper, but is still too impure for use in manufacturing and therefore requires a further step—refining. Though Montana is an exception, blister copper from most smelters in western states is shipped to the east coast for refining.

Refineries in which the electrolytic process is used require large amounts of electric power and are therefore usually constructed close to power sources. But flame-heated furnaces are also used to help purify blister copper. After impurities and valuable metals (such as gold and silver) have been removed, the refined copper is cast into bars or other suitable shapes.

Operations of the Anaconda Copper Mining company, Montana's leading producer, illustrate each of these phases. The company's Butte Hill mines (already the source of more copper than any other single deposit on earth) produce the great bulk of copper ore in Montana. Ore mined at Butte is hauled to the town of Anaconda, site of the Anaconda company's concentrator and primary smelter. (See chart.)

Blister copper from the smelter is refined in the company's electrolytic refinery at Great Falls. Capacity of the refinery is about 150,000 tons of copper a year — close to three times Montana's current production.

At Great Falls a large portion of the production of refined copper is turned into copper rod and wire at the plant of the Anaconda Wire and Cable company, adjoining the refinery.

Copper Activity Important in Montana

Employment in metal mining and processing in Montana is nearly 10 per cent of the non-agricultural labor force in the state. The industry is even more significant in terms of income to residents of the state because of its relatively high wage level. Of the various metals produced in Montana, copper is the most important in value (though currently second to zinc in tonnage). Production amounts to $25-$30 million a year.

The level of copper production is obviously of some economic importance to the Butte, Anaconda, and Great Falls areas in view of the centering of activity in those localities.

Montana's production is not so great now as it was formerly. At peak output (during World War I) copper production in Montana was over three times its present levels, and during World War II it reached 141,000 tons a year, to contribute materially to the satisfaction of high war demands.

Butte Copper Ore in No Danger of Being Exhausted

The mass of copper-bearing rock that underlies the Butte district is veined with mineral deposits of copper, gold, silver, and other metals. These deposits are the ore veins now mined. Significant is the fact that in the half mile or so of depth to which mining of copper veins has progressed, the grade of ore recovered has held up as well as ever.

With the veins apparently holding in strength to great depths, the length of life of these operations is not a question of exhaustion of the ore bodies but rather the depth to which mining may be economically carried. The Anaconda company has so far been able to develop an additional ton of reserves for each ton of ore mined.

Greater Butte Project A Substantial Addition

The $27 million greater Butte project of the Anaconda Copper Mining company will materially augment copper operations in Montana. In the extensive copper-bearing formation surrounding the veins is an estimated 130 million tons of rock that averages approximately 20 pounds of recoverable copper per ton.

By applying mass methods to the underground mining of this low-grade ore deposit, Anaconda company expects to produce 1.3 million tons of copper (plus important amounts of gold and silver) over the life of the operations.

In spite of the low grade nature of this ore, it is expected that increased productivity from the use of "block caving" will lower the cost per pound of copper produced.

"Block caving" is a method of mining whereby great volumes of shattered rock formation are forced to cave in deep underground toward specially prepared openings. Gravity feeds the broken ore into ore cars waiting in tunnels beneath the openings, while a network of iron grates controls the rate of discharge.

The project began about a year ago and when brought into full yield is expected to add 45,000 tons of copper a year to Anaconda company's output in Montana. The company expects that the project will extend its operations at Butte by decades. END

Business Fares Better Than Farming

THE NINTH district's economy recently has been marked by divergent trends.

Agriculture was the one sector that suffered a setback from previously higher levels of prosperity. Meanwhile, the business sector continued to expand, especially in the cities and larger towns.

These observations are supported by reports that prices received by farmers have declined while prices paid by them have remained about constant. The ratio of the one to the other — the parity ratio — has declined from 100 in February 1952 to 94 this year.

In addition to the rising proportion of costs to their incomes, farmers are at present concerned over the weather, since they are nearing the spring planting season with a great moisture deficiency in the soil.

Attesting to the relatively better performance of manufacturing and retailing businesses are rising employment, higher weekly earnings by wage earners in factories, and slightly higher department store sales for March.

BUSINESS

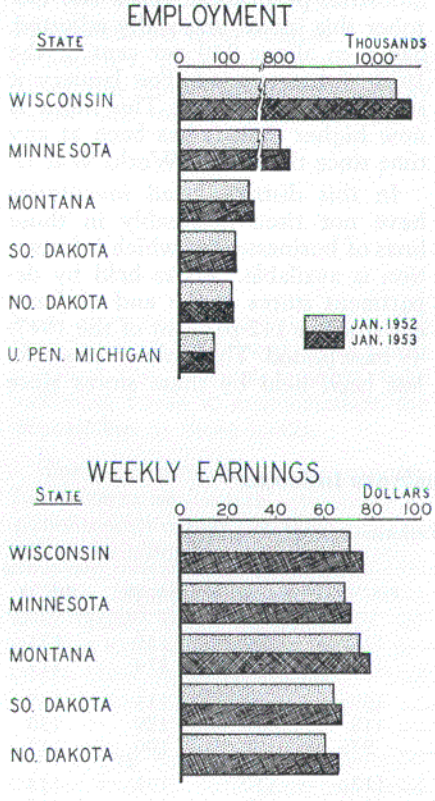
- ***Employment in the Ninth district has set records in past winter months.***
- ***Earnings of nonfarm workers in general have been up.***
- ***Department store sales have been running ahead of year-ago volume.***

Employment—Non-agricultural employment in the Ninth district, as in the nation, set a new record in the past winter months.

The usual seasonal low point in employment occurs in February. This year, however, the contraction in winter employment was less than that of former years. Contributing to this development was the strong demand for new construction which caused builders to take advantage of the mild weather. Many continued to work on projects under construction, while others started new units which would have been postponed had more severe weather prevailed.

Another factor favoring high employment was the large orders held by manufacturers. Wholesale and retail trades, where employment always declines following the Christmas season, also contributed to the record level through a relatively small contraction.

EMPLOYMENT AND EARNINGS GROWTH IN NINTH DISTRICT



NON-AGRICULTURAL employment and average weekly earnings set new records in past winter months.

Source: State employment and security division reports.

Note: Average weekly earnings for the Upper Peninsula of Michigan were not available for January 1952 and 1953.

The record high employment for this time of the year is best revealed by a comparison with that of a year ago. In Montana, employment in January and February was 7 per cent and 6 per cent higher respectively than in the corresponding months of last year. The monthly increases in Wisconsin have been 3 per cent and 4 per cent. Employment has been 2 per cent higher in Minnesota and about 1 per cent in both North and South Dakota.

SOME FIRMS CUT OUTPUT

Only on the Upper Peninsula of Michigan has employment this winter fallen consistently below the level of a year ago. The loss in employment was caused by some firms reducing their output and by a few others moving out of the area.

It now appears that this decline in employment will be temporary. Last fall, new firms were moving into industrial buildings which had been left vacant in Kingsford. The Michigan Employment Security commission recently reported the return of former workers to seek employment in the newly located firms. Wood workers also migrated back to the Upper Peninsula to secure work in the expanding lumber industry.

Average Weekly Earnings—Average weekly earnings have risen more than employment, percentagewise. In all states of this district, with the exception of the Upper Peninsula of Michigan, earnings in manufacturing plants were up by 5 per cent or more from a year ago. Last November and December, they averaged from 4 per cent to 9 per cent larger as compared with those in the same months of the preceding year. January weekly earnings in manufacturing plants averaged $78.49 in Montana, $75.90 in Wisconsin, and $71.56 in Minnesota.

In North and South Dakota, where money wages are lower than in the other states, a similar rate of increase was gained by nonfarm workers. In January they averaged $66.37 in

South Dakota and $65.00 in North Dakota.

In the past winter, average weekly earnings in iron mining were exceptionally high. In Minnesota, they averaged $93.31 in November and $94.71 in December — an increase of 22 per cent and 30 per cent respectively from the corresponding months of the former year. In January the average declined to $83.44, but it was still 13 per cent higher than January 1952.

Department Store Sales — Preliminary figures for March showed that sales again were running ahead of year-ago receipts. For the week ending March 7, sales in the four large cities of this district were up 5 per cent and for the week ending March 14 they were up 12 per cent.

Bad weather during the third week of March, 1952, coupled with the influence of an earlier Easter this year, explains why department store sales for the week ending March 21 were 35 per cent above a year ago.

With Easter Sunday falling on April 5 this year (last year it was April 13), more buying for Easter finery was being done in March. Sales as measured in terms of a per cent change from a year ago will reflect this increase. If Easter buying assumes the same buying pattern as it has in former years following World War II, the earlier date will add about 2 per cent to March sales in this district and will reduce April sales by a comparable per cent.

In this district February sales were down 6 per cent from February 1952 receipts. This year there was one less trading day. Blizzards which struck on business days and which covered most of this region were the chief cause of the lower sales.

Only in two Federal Reserve districts — Minneapolis and New York — did February sales fall below those for the same month of 1952. In some districts, however, there was a significant per cent increase in sales, and as a result those for the nation were up 4 per cent.

Inventories — The record output of manufactured merchandise has focused attention on inventories. The question remains whether sales are keeping abreast of the large output of factories or whether some of the merchandise is accumulating in inventories.

The large output of factories and mines in the nation is measured by the Federal Reserve Board index of industrial production. Since last October this index, seasonally adjusted, has been above 230 per cent of the 1935-39 base period. For January it stood at 237 per cent. This index is now higher than it has been at any time since the end of World War II.

In this district, retail inventories have not risen noticeably in those lines of businesses for which information is available. Stocks held by department stores at the end of January stood at 112 per cent of the 1947-49 base period. This volume of stocks has been held by these stores since last September. Only in December, when buying for Christmas was very heavy, did they decline by a few percentage points.

FURNITURE STOCKS DOWN

Stocks held by furniture stores since early last summer have been consistently below the volume held a year earlier. For instance, at the end of January stocks were down 2 per cent, and at the end of last December they were down 6 per cent.

Farm implement dealers' stocks have received an increasing amount of attention. During the winter months, they were higher than they have been in previous years.

Higher stocks at this time of year are attributable to changes in the market. First, farmers have returned to seasonal buying. They now buy equipment when they need it; they no longer buy it when dealers have it on hand as was the situation when there was a scarcity in new farm equipment.

Second, farmers again have become selective in their buying. They buy their favorite makes of tractors, drills, harrows, etc. Consequently, the makes of equipment which do not enjoy a preference among farmers are more difficult to sell.

IT'S COMPETITIVE AGAIN

These developments in the farm implement market merely point to a return of competition. Since World War II many new dealers have entered the business. Some may find it increasingly difficult to sell their equipment and a few may be forced to liquidate their businesses.

In general, farm equipment manufacturers and dealers are optimistic over the prospective demand this year. In those southern states where the current crop season has begun and where the outlook for a crop is favorable, dealers are reporting a strong demand for new equipment.

For the nation as a whole, substantial accumulation of business inventories occurred last fall, but there was little change in the over-all level of stocks in December and January. At the end of January (the most recent date for which figures are available), the book value of nonfarm business inventories was $700 million, or about one per cent higher than one year ago.

Ninth District Business Indexes

(Adjusted for Seasonal Variation—1947-49=100)

	Feb. '53	Jan. '53	Feb. '52	Feb. '51
Bank Debits—93 Cities	115	120	115	121
Bank Debits—Farming Centers	113	121	114	117
Ninth District Dept. Store Sales	109p	99	113	117
City Department Store Sales	118	99	120	120
Country Department Store Sales	95p	99	100	113
Ninth District Dept. Store Stocks	113p	110	102	113
City Department Store Stocks	116p	109	101	116
Country Department Store Stocks	109p	112	104	110
Lumber Sales at Retail Yards (Bd. Ft.)	77p	70	91	99
Miscellaneous Carloadings	107	111	105	91
Total Carloadings (excl. Miscl.)	79	81	93	88
Farm Prices (Minn. unadj.)	90	93	104	106

p—preliminary.

FARMING

- ***Banks' credit policy has not caused recent decline in cattle prices.***
- ***Soil moisture in the district is below normal.***
- ***Lower farm prices and dry weather have caused land values to level off.***

Cattle Credit Survey — Credit stringency, as far as banks are concerned, seems not to have been a causal factor in the recent decline of cattle prices.

This general conclusion can be drawn from a survey of representative bankers in key agricultural areas of the Ninth Federal Reserve district. Their reports may briefly be summarized as follows:

1) Loans to livestock feeders and breeders were reported as being repaid in a normal way. A few bankers said they had extended loans to a few producers who hope to get higher livestock prices later.

2) All of the bankers surveyed reported no unusual bank losses on cattle loans.

3) It was the view of about one-third of the bankers that farmers and ranchers were currently asking for additional credit as a direct result of losses suffered on cattle operations. It was indicated that in most cases the requests for additional credit were granted.

4) The replies indicated that bankers were willing to finance new cattle loans secured on the basis of present cattle prices. Several asserted they preferred to lend money at present cattle prices because they are now in better relationship to other farm prices.

5) It was reported that there was no substantial amount of premature marketing or liqidation of herds due to inability to obtain credit or renew loans. The liquidation that has occurred was attributed to such factors as feed shortages, high costs, and panic selling on the part of producers.

Precipitation from August 1, 1952, to March 1, 1953, throughout almost all of the Ninth district was sharply below that of the same months a year earlier.

In Montana, the Dakotas, and Minnesota, precipitation during this period was in most areas less than half of what it was the previous year. It wasn't that much below normal, however, because 1951 was wetter than normal.

In almost all areas of the district during this 7-month period, precipitation was 2 to 6 inches below a recent 10-year average.

Although some snow and rain fell in March, soil moisture conditions were poor on April 1, and early and generous spring rains will be needed to get grass and spring crops off to a good start.

Land Values — Prices received by farmers for all crops in mid-February 1953 averaged 5 per cent below a year earlier. Prices received for all livestock and livestock products were down 12 per cent. Beef cattle prices, specifically, were down 31 per cent.

This decline in prices received by farmers and unusually dry weather since mid-1952 have been major factors in checking the rise in district land values in recent months.

BANKING

- ***Time deposits were down at country banks in February for the first time since May 1951.***
- ***District's smaller banks had largest increase in loans to assets ratio in 1952.***

■ NINTH district member banks sustained a seasonal deposit loss in February which amounted to $55 million. More than 60 per cent of the outflow originated at the city banks.

City banks financed withdrawals and added to loans by liquidating investments (mostly governments) and by drawing down balances at other banks. The funds thus realized were used to reduce borrowings from the Federal Reserve bank as well as to meet deposit withdrawals.

Country Banks — The proceeds of loan repayments together with the liquidation of balances at other banks supplied the country bankers with sufficient funds to accommodate the deposit loss at those banks.

Total investments at the country banks were unchanged, purchases of governments having been offset by reduced holdings of other securities.

Time deposits at country banks were drawn down in February for the first time since May of 1951. Between these dates such balances had been increased every month.

Operating Ratios — The proportion of loans to total assets increased in 1952 by more at the smaller banks than at the larger banks. This was revealed by the preliminary tabulations of operating ratios for individual banks located in this district.

The largest size-group of banks, in fact, showed a slight decline in the proportion of loans to total assets. Most other banks revealed increases in loans, which tended to be larger in the smaller banks.

The proportion of investments to total assets declined in all the size groups except the largest.

PROFITS-ASSETS RATIO VARIES

Net profits after taxes as a percentage of total assets were up from the previous year at the two largest size-groups and down at most of the smaller banks.

This divergence probably reflects in part the fact that most of the large banks report taxes on an accrual basis, whereas the smaller banks report on a cash basis.

Thus, the small bank comparison reflects the large change in taxes between 1950 and 1951, while the large bank comparisons reflect the smaller tax changes between 1951 and 1952.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, MAR. 30, 1953

■ ECONOMIC activity rose further in February and March. Industrial output reached new postwar highs and construction activity increased somewhat from earlier advanced levels. Retail trade expanded as auto sales showed considerable strength and other lines generally gained somewhat. Wholesale prices continued at about the January level, while consumer prices were somewhat lower.

Industrial Production — The Board's industrial production index rose further in February to 239 per cent of the 1935-39 average. Output of both durable and nondurable goods increased moderately. The March index is estimated at 241, with the gain reflecting mainly greater activity in the automobile industry.

Production of passenger cars since mid-February has been at an annual rate of about 6.5 million units, close to 50 per cent above the reduced rate of a year ago; output for the entire first quarter was not far below the 1951 record for this period. Output of major household goods in February apparently changed little following the rapid expansion of last autumn and early winter. Activity in industrial and military equipment lines has continued at advanced levels.

Output of metals and building materials was maintained in February in unusually large volume, and in March steel ingot production rose to a new record level.

Activity in the cotton textile, leather, paper, and printing industries rose somewhat further in February. Production of shoes and of paperboard was in exceptionally large volume. Output of manufactured dairy products continued to expand and was considerably greater than a year ago owing mainly to a sharp increase in butter. Meat production in the first half of March was moderately above a year ago as substantially larger beef output more than offset a decline in pork.

Bituminous coal mining declined further in February and early March. Crude petroleum output was maintained in February but has been curtailed slightly in March.

Construction — Value of construction contract awards declined slightly in February, reflecting chiefly decreases in awards for public construction. Housing units started advanced to a seasonally adjusted annual rate of 1.23 million from 1.16 million in January. Total new construction activity declined less than seasonally from earlier advanced levels.

Employment — Seasonally adjusted employment in non-agricultural establishments at 47.9 million in February was up moderately from January. Hourly earnings and the average work week at factories remained at about the January level.

Unemployment, after a seasonal rise in January, declined to 1.8 million in February, a postwar low for this month.

Distribution — Total retail sales rose in February after seasonal adjustment and as in other recent months were substantially higher than a year ago. Sales by automotive dealers were up considerably and sales at other durable and most nondurable goods stores showed moderate gains. Seasonally adjusted sales at department stores increased somewhat in February and the first three weeks of March; during the corresponding period last year they had shown some decline. Stocks at department stores are estimated to have changed little in February, after rising in January, and at the end of the month were moderately higher than a year ago.

Commodity Prices — The average level of wholesale prices changed little from mid-February to the end of March. Following removal of controls, prices of coffee, cigarettes, and various industrial materials were raised. Grains also advanced, while rubber, hides, and some cotton textiles declined. Prices of passenger automobiles were reduced by a major producer.

The consumer price index declined somewhat further in February, reflecting chiefly further decreases in beef prices. Little change is indicated in March.

Bank Credit — Loans and investments at banks in leading cities increased somewhat in the first half of March following substantial reductions in January and February. The March rise was due in part to a sharp expansion in borrowing by businesses in a number of lines. Outstanding loans to commodity dealers and food processors, however, continued to decline seasonally. Consumer and real estate loans of banks rose further and bank holdings of U. S. government securities continued to decline.

Member bank reserve positions were generally tight in the first half of March, reflecting an increase in currency in circulation and a further outflow of gold. In the week ending March 11, member bank borrowing from the Federal Reserve averaged $1.4 billion, almost $900 million more than excess reserves.

After the middle of the month, however, there was some temporary easing in reserve positions due in large part to Treasury operations around the quarterly tax date.

Security Markets — Yields on intermediate and long-term Treasury bonds and on corporate bonds rose to new postwar highs during the first three weeks of March. Yields on Treasury notes and short-term bonds were relatively stable and bill rates declined somewhat. Common stock yields declined moderately as a result of a continued rise in stock prices.