FEDERAL RESERVE BANK OF MINNEAPOLIS

MONTHLY REVIEW

MONTANA NORTH DAKOTA SOUTH DAKOTA MINNESOTA WISC. MICH.

Vol. 11 MAY 29, 1953 Serial No. 5

ON THE INSIDE:

√ Farm Income Slides Off

√ Economy Stays 'Uncertainly' At High Level

DISTRICT TOTALS UP, OWNERSHIP SURVEY SHOWS

Deposit Gain Tops National Average

Decrease in farmers' demand balances was more than offset by the gains in other classifications

DEMAND deposits owned by individuals, partnerships and corporations increased proportionately more in the Ninth district last year than in the nation as a whole.

The annual survey of these deposits also disclosed that, in this district, demand balances owned by non-financial business corporations and by non-profit institutions increased the most last year—in absolute terms—while balances owned by farmers and non-corporate manufacturing and mining establishments were drawn down the most.

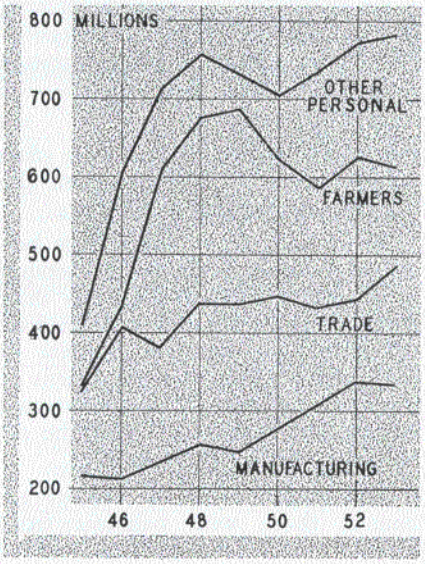
The direction taken by the various deposit classifications was the same in the Ninth district as it was in the rest of the country except for deposits owned by manufacturing and mining establishments and for deposits owned by farmers.

Manufacturing and mining establishments, in the nation as a whole, enlarged their deposits somewhat more rapidly than other holders last year, while in the Ninth district these concerns drew down their balances slightly in the same period.

Deposits of farmers, in the nation as a whole, remained unchanged between survey dates while in the Ninth district such deposits were drawn down. These deposits did, however, make a weaker showing than any other classification last year both here and in the rest of the nation.

Although "trade" deposits moved up both in this district and in the rest of the country last year, the survey disclosed a rather significant difference in the rates of increase, 9.5 per cent and 1.9 per cent respectively. Other differences between deposit movements in this district and the rest of the country last year were minor.

PRIVATELY HELD DEMAND DEPOSITS IN THE 9TH DISTRICT BY VARIOUS TYPES OF HOLDERS 1945-1953



Worthy of note, it seems, is the fact that the total of privately held demand deposits in this district does not reflect the deterioration which occurred last year in the economic position of farmers, who comprise this district's most important single producer group. The withdrawal of farmer-owned deposits in 1952 was more than offset with gains scored by depositors whose prosperity in many cases is closely associated in this area with that of farmers. Depositors classified "trade," for example, scored larger gains than any other non-financial business group.

Changes in the amount of deposits owned do not always reflect changes in the prosperity of particular enterprises. Perhaps the "trade" gain last year represents the proceeds of inventory liquidation rather than a larger volume of business transacted. This observation indicates that caution must be employed in appraising the changes disclosed by the survey.

Spending Was Factor in Deposit Gain at District Banks

Farmer Deposits Most Important in West

While the farmer's share of the privately held deposit pie was reduced slightly in this district last year, the percentage of the total held by farmers remained much larger here than in the rest of the country. The respective shares of 21 per cent and 7.5 per cent attest to the importance of farming in this region.

Even within the district the importance of farmers' accounts to bankers varies considerably. In general, the proportion of farmers' accounts at banks is lower in the eastern part of the district than in the western part. Also, the proportion tends to be lower at the larger banks than at the smaller banks.

Because of these patterns, and because farmer accounts tended to be withdrawn, net, last year, banks in the west and smaller banks generally failed to enlarge their deposits as much as did the eastern banks and the larger banks. This is as true of total deposits as it is of privately held demand deposits.

Largest Accounts Increased the Most

The proportion of private demand deposits located in accounts with balances of more than $25,000 is one-third. Even so, gains in these accounts amounted to more than half the total increase in private demand deposits last year. In other words, the large-size deposits grew more rapidly than the smaller.

More than 80 per cent of the balances which exceed $25,000 are owned by business organizations; the remaining 20 per cent are classified "personal" and represent the accounts of farmers and others.

The ownership of these large balances contrasts with the ownership of balances amounting to less than $10,000 which in total contain half of all private demand deposits in the district. More than two-thirds of the total amount in these accounts is classified "personal," with the remainder owned by business.

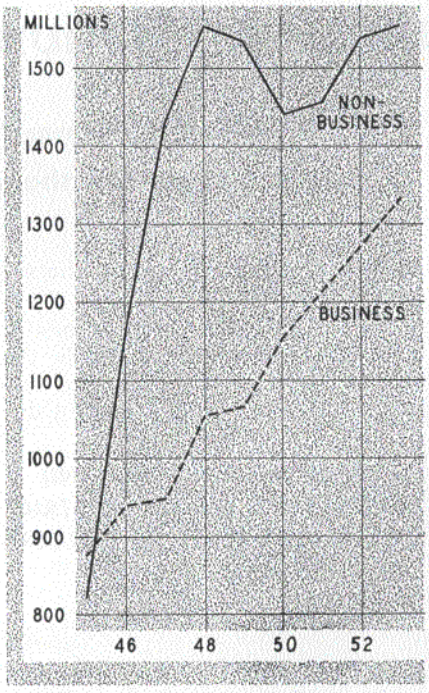
The middle range of deposit accounts, those with balances from $10,000 to $25,000, total less than 17 per cent of deposits surveyed, and ownership is about evenly divided between "business" and "personal." This division also holds for the grand total of all private demand balances in the district.

Ownership of Demand Deposits in Ninth District January 31, 1953

(Estimates in Millions of Dollars)

Type of Holder	Total Deposits	$ Change from 1-31-52	% Change from 1-31-52
Manufacturing & Mining	335	— 4	— 1.0
Transportation and Public Utilities	132	+ 6	+ 5.0
Trade	486	+42	+ 9.5
Other Non-Financial	188	+17	+ 9.9
Insurance	56	— 6	—10.3
Other financial	136	+ 8	+ 6.2
Trust funds	31	0	.....
Non profit	131	+20	+18.2
Farmers	611	—14	— 2.2
Other Personal	782	+11	+ 1.4
Total	2,889	+81	+ 2.9

PRIVATELY HELD DEMAND DEPOSITS IN THE 9TH DISTRICT BY VARIOUS TYPES OF HOLDERS 1945-1953



Business Deposits Continued Upward

Since the end of World War II every annual survey of privately held demand deposits has shown larger "business" deposits than in the previous year. The two most important components of "business," trade and manufacturing, each participated in this growth to about the same extent.

On the other hand, "non-business" deposits expanded in each postwar year until 1948, when a downtrend set in which wasn't reversed until 1950. The sensitivity of these deposits to changes in farm income is illustrated by the coincidence of the peak deposit year with 1948, the peak year for farm income.

Spending Restraint Boosts Deposits

Other things constant, if the customers of a bank spend less their deposits will grow the more rapidly. Of course, "other things" never remain unchanged, but evidence exists that residents of the Ninth Federal Reserve district increased their spending by less in 1952 than did the residents of any other Federal Reserve district.

Debits statistics show the Minneapolis district at the bottom of a range of increases last year extending from + 2 per cent here to as much as +11 per cent in other Federal Reserve districts.

Translated into bookkeeping terms the restraint displayed by district bank customers last year gave rise to more credits than debits in their collective accounts. Accordingly, this year's deposit survey shows an increase in their balances which compares most favorably with the national average. END

FARMERS ARE FEELING PRICE SQUEEZE

Agricultural Income Slides Off

THE decline in farm prices and smaller grain marketings had the effect of depressing district farm income 6 per cent during the first two months of this year, compared with the same period of 1952.

This is in contrast to the situation for the United States as a whole where there was almost no change in the farm income picture in early 1953, chiefly because of increased marketings of livestock and crops.

Total U. S. crop production in 1952 was the second largest on record despite drouth in some sections of the country.

In the Ninth district there has been very little if any livestock liquidation, which temporarily expanded income elsewhere in the early months of this year. Also, relatively small district wheat and small grain crops last summer resulted in a smaller grain carryover into 1953.

Both of these factors, together with a generally lower level of farm prices, help explain the 6 per cent decline in district farm income. (See table on farm income.)

Less Wheat in Storage

Stocks of wheat in district farm storage on both January 1 and April 1 were approximately one-fourth less compared with a year earlier. This was no surprise, since the wheat crop last summer was more than one-fourth smaller compared with the previous year.

District farm stocks of other feed grains—oats, barley, and rye, as well as flaxseed — also were smaller in early 1953, compared with a year earlier. With these crops, too, production was relatively small during 1952, and a smaller carryover into 1953 was to be expected.

Corn Stocks Much Higher

In contrast to the reduction in small grain stocks on district farms this spring, corn storage supplies were higher—much higher. In fact, farm stocks of corn on April 1 were more than twice as high compared with the previous year. This is because the 1952 corn crop was high in quality and a near-record in size. Much of it went under government loan.

Since the market price of corn has been substantially below the "loan" rate, there has been a tendency to put more 1952 corn into storage and to keep it there. However, it must be remembered that when corn is put under government loan the farmer receives income from it immediately. Hence, current large corn stocks on farms do not necessarily mean a corresponding increase in cash farm income from corn when such stocks are liquidated.

Income dip due in part to smaller wheat carryover

Although most grain is stored on the farms where it is produced, a substantial part, particularly wheat, is kept in off-farm positions. District wheat stocks in off-farm positions, April 1, were somewhat larger compared with a year earlier. On the other hand, feed grain stocks (corn, oats, and barley) were somewhat less. The total of all district grain stocks in off-farm storage this spring was slightly less compared with the previous year.

Farm Income Lowest In Wheat States

Wheat is the most important single cash crop in the district, and it is especially significant in North Dakota and Montana. These two states normally derive approximately 40 per cent of their total farm income from the sale of wheat.

In view of this, it is not surprising that the short wheat crop of 1952 has reflected a sharp decline in farm income in these two states in early 1953. Cash farm income during the first two months this year was down 20 per cent in North Dakota and 18 per cent in Montana, from a year earlier.

Big Corn, Soybean Crops Boost Minnesota Income

Minnesota farmers as a group have fared better in maintaining farm income in early 1953 compared with the rest of the district. Minnesota farm income, this year, was actually 8 per cent higher compared with the first two months of 1952.

This favorable situation in Minnesota, in spite of generally lower farm prices, may be attributed primarily to the large and excellent quality corn and soybean crops of 1952. A substantial part of these crops was marketed or put under government price support in early 1953, thus boosting farm income in this period. END

Stocks of Wheat and Feed Grains in Ninth District States on April 1
(Thousand Bushels)

	On-Farms		Off-Farms	
	1952	1953	1952	1953
Wheat	140,506	106,050	72,771	85,979
Feed Grains (Corn, oats, barley and rye)	326,573	368,500	112,569	96,904

Source: USDA Grain Stocks, April 1, 1953.

Cash Farm Income for Ninth District — January-February*

State	1935-39 Average	1952	1953	1953 in Per Cent of 1952
Minnesota	$ 49,432	$ 209,163	$ 224,980	108%
North Dakota	10,311	83,716	66,594	80
South Dakota	15,197	99,459	85,916	86
Montana	8,396	56,990	46,898	82
Ninth District[1]	94,875	489,842	462,291	94
United States	1,106,413	4,628,600	4,589,508	99

[1] Includes 15 counties in Michigan and 26 counties in Wisconsin.
* Source: "Farm Income Situation" — February-March 1953.

CURRENT *Business • Farming • Banking* TOPICS

Economy Stays 'Uncertainly' at High Level

MEASURED by all business indicators, except farm prices and income, the postwar boom in the Ninth district and the nation is still riding high. Many observers are now looking for signs of the "cresting" of the boom — about seven and one-half years old—or asking, simply, whether "the boom is getting tired."

Analysts are impressed by the strength of the demand factor in the current business situation. Consumers, well supplied with money income from more and better-paying jobs, seem still to be in a mood for buying. They want more of such good things as new automobiles and beef steaks.

Sales of new cars this spring are very high — some say surprisingly high—and beef cuts have displayed a high degree of elasticity or responsiveness to a price decline. Most retailers are finding it "not too difficult to move inventory by special sales."

Meanwhile the specter of surpluses in some farm products is facing farmers and the government. Stocks of corn are very high and threaten to rise, with only a fair 1953 crop, to levels difficult to manage. Wheat stocks on Ninth district farms have declined during the past year, but for the nation they have risen and have prompted widespread conversation regarding the possibility of quotas and allotments.

Stocks of other grains on Ninth district farms — oats, barley, and rye —have fallen along with wheat, giving our farmers less to sell for cash income until a new crop is harvested.

Demands for credit throughout the nation have been greater than the amount available recently. Rising interest rates have reflected this great credit demand in the face of a money supply (bank deposits and currency) which increased about $8½ billion (5 per cent) in the nation in the past year.

At the same time total output of the economy grew 6 per cent. Not the shortage in supply of funds but, rather, the great demand for funds has caused tightness in the money market during the past year, both in the Ninth district and the nation.

• • •

BUSINESS

- ***Demand for workers in basic industries and seasonal factors have sent employment to new peaks.***
- ***Industrial production in the district has accompanied the national rise.***
- ***New passenger car sales have continued at an exceptionally strong pace.***
- ***Divergent trends were apparent in department store sales, with rural centers showing a decline.***

Employment has set a new record in the first half of 1953. In the first quarter the number of workers employed reached new peaks in a number of cities and in some states of this district. More recently, employment offices have observed a continuing strong demand for labor in May and in the first part of June. In industrial and commercial centers, nearly everyone who has been interested in a job is at work.

Total non-agricultural employment in this district for the first quarter was 2 per cent higher than it was in the same period a year ago. The largest percentage increase was reported for Montana, where such employment was 5 per cent above the first quarter total of 1952. On the other hand, employment on the upper Michigan peninsula remained at the year-ago level. In the other states the increase was at or near the district's average of 2 per cent.

MANUFACTURING UP 4 PER CENT

The greater part of the growth in employment has been in manufacturing firms. For the district as a whole the increase was 4 per cent in the course of a year. In Minnesota, which is more industrialized than other states in this district, such employment in the first quarter had increased by 5 per cent from the same period of last year. In Montana and North Dakota the percentage increase was even larger.

Among manufacturing firms the increase in employment was concentrated in producers of durable goods. Makers of metal products have added many workers, with defense contracts playing an important part in this expansion. Also contributing to this result was the steady rise in civilian durable goods.

MINING EXPANDS 8 PER CENT

Mining firms have expanded their operations and have employed more labor than in the previous winter. In the first quarter, district employment in this industry was up 8 per cent from the number employed in the same period of 1952.

With more employment and larger payrolls in the basic industries, trade and service firms have had a larger volume of business. This in turn has led to more employment in these fields.

Beginning with the second quarter, the demand for labor normally increases with the return of mild weather. This year, the demand for farm workers came early, due to good weather which made it possible for farmers to start their spring work. At the same time, the demand for workers on outdoor jobs in cities created a shortage of unskilled workers in some areas.

EXPECTED TIGHT MARKET

As a result, many employment offices in this district have expected a tight labor market in May and the first part of June, until students became available for the summer work.

The large industrial centers may continue to draw workers from smaller centers, where the demand for labor is not so great. For instance, the

Michigan employment security commission recently pointed out that on the basis of the projected hiring schedules of major Michigan employers, there will be a critical labor shortage in that state. No doubt these employers will draw some of their additional workers from the upper Michigan peninsula and northern Wisconsin, as has been the tendency in the past.

Industrial Production—It is of special interest at this time to note the trend of industrial production. As in the nation, production has risen steadily in this district since last July, when it was cut back because of the steel strike.

In the first quarter the output was significantly above that of a year ago, as indicated by the 6 per cent increase in kilowatts of electrical energy used by industrial plants.

Since most industrial firms are now producing near reasonable limits of capacity and a tight labor market prevails, a further expansion in output may be limited to the increase from seasonal industries, such as food canning.

New Passenger Car Sales — New cars have been selling at an accelerated rate as manufacturers have expanded their output. Sales have exceeded by a sizeable margin those made in the same period of last year. For example, March registrations of new cars in this district were up 55 per cent.

April figures on new car registrations are available only for the Twin Cities metropolitan area. The number registered to individuals was 73 per cent more than were registered in April 1952. In the first 19 business days of May, registrations were up 74 per cent. Thus, spring sales have been very strong despite exceptionally high winter sales.

Department store sales in the district in April (adjusted for Easter, which was one week earlier this year than last) were about equal to last year's dollar receipts. In the week ending May 9, sales in the four large cities were up 13 per cent as compared with those for the corresponding week of a year ago.

Divergent trends in department store sales have been observed in the district. Stores located in some small centers serving farmers primarily have experienced a decline in sales. On the other hand, stores located in large industrial and commercial centers have had high sales.

Despite lower sales in rural areas, sales in this district since the first of the year have averaged one per cent higher than those in the same period of last year. With some decline in retail prices during the course of the past year, the large dollar sales definitely indicate that in the aggregate consumers have bought more merchandise so far this year.

FARMING

- ***More beef is in prospect with the cattle marketing cycle nearing its peak.***
- ***General rains have brightened the farm outlook in the district.***

Cash farm receipts from district marketings for January and February were 6 per cent less compared with the same two months in 1952. Lower farm prices and a smaller carryover of small grain into 1953 account for this decline.

In contrast to the district farm income picture, total U. S. farm income for these two months was about the same as in 1952.

Although district farm income was off 6 per cent, there were sharp variations between states. Minnesota farm income actually was up 8 per cent from a year earlier, reflecting heavy livestock marketings in early 1953.

North Dakota, on the other hand, saw cash farm income decline 20 per cent from 1952, reflecting the short wheat crop in 1952.

In general, those areas heavily dependent on wheat have been hardest hit, because 1952 wheat production was down more than one-fourth from the previous year—the smallest crop since 1941 with the exception of 1949.

Beef Marketings — In recent years of high cattle prices, approximately one-fourth of district cash farm income has been derived from the sale of cattle and calves. This year, because of lower prices, income from cattle may be reduced sharply unless feed and pasture conditions force unusually heavy marketings of livestock.

A cattle price decline of over one-third within the past year has been largely a result of increases in cattle marketings. Beef and veal consumption, which is approximately equivalent to production, totaled only about 62 pounds per person in 1951 and 68 pounds in 1952. This year it may average 78 pounds per capita. Some marketing experts predict that per capita supplies may average 80 to 84 pounds during the next few years as the peak in the cattle numbers cycle is passed.

With supplies of meat so large, any shrinkage in consumer purchasing ability may have the effect of exerting additional pressure on cattle prices.

Moisture Conditions — Excellent rains throughout most of the Ninth district in early and mid-May have changed the farm outlook from one of gloom to one of optimism.

Dry top and subsoil conditions which had prevailed generally since

Ninth District Business Indexes

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

	Apr. '53	Mar. '53	Apr. '52	Apr. '51
Ninth District Dept. Store Sales	96	106	98	101
City Department Store Sales	99	109	99	104
Country Department Store Sales	91	100	94	97
Ninth District Dept. Store Stocks	114	111	104	123
City Department Store Stocks	116	112	105	129
Country Department Store Stocks	111	109	103	116
Lumber Sales at Retail Yards (Bd. Ft.)	82	74	80	81
Miscellaneous Carloadings	109	103	102	107
Total Carloadings (excl. Misc.)	108	83	97	108
Farm Prices (Minn. unadj.)	90	90	101	108