MONTHLY REVIEW

of Ninth District Agricultural and Business Conditions

FEDERAL RESERVE BANK OF MINNEAPOLIS

Vol. 8 | December 28, 1944 | Serial No. 36

The Agricultural Outlook

FOOD PRODUCTION IN 1944 UP ONE-THIRD FROM 1935-1939 AVERAGE

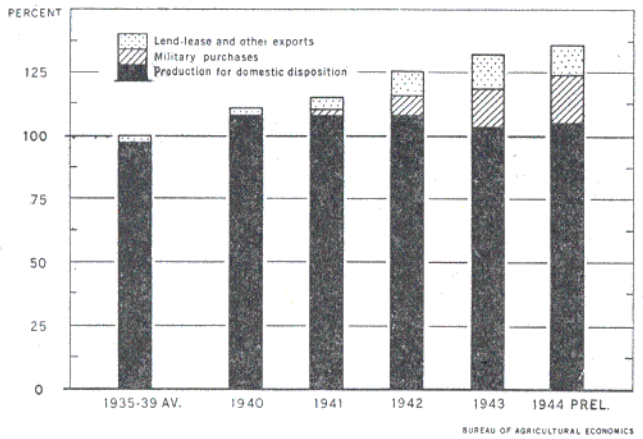
FOOD production has increased steadily during the war years. This year, 1944, it is estimated to be one-third higher than the five-year 1935-1939 average. This is a wonderful record and it has come at a most opportune time in our history.

This unprecedented increase in food production has occurred even though the average annual number of workers employed on farms declined 6 per cent from 1940 to 1944. Output per agricultural worker in 1944 was probably 50 per cent above prewar and nearly double what it was in 1910.

This tremendous increase in production is the result of several factors. First, the weather has been excellent. We have been favored with eight good crop years in a row. The Department of Agriculture estimates, however, that not more than a third of the increased production may be attributed to favorable weather.

Other factors include an increase in total crop acres from summer fallow, idle land, and pastures of around 11 million acres. Livestock output has been increased by feeding accumulated feed reserves

CHANGES IN TOTAL FOOD PRODUCTION AND PROPORTION TAKEN FOR MILITARY AND LEND-LEASE USER



and larger imports of feed. Rapid advances in mechanization, increased use of lime and fertilizer, and improved crop varieties have all contributed to the increase.

United States Department of Agriculture experts have reached the conclusion that with improved production practices now being followed and with average weather our crop yields are likely to average 20 per cent above the 1923-1932 period. In 1944 they were 30 per cent higher.

ABOUT ONE-FOURTH OF FOOD PRODUCTION TO MILITARY AND LEND-LEASE

Purchases for our armed services, lend-lease, and other exports have taken an increasing share of our food production since the war started. In 1944 approximately 9 per cent will be taken for lend-lease and other exports and 14 per cent for military purposes. This is nearly a fourth of all food production.

Huge quantities of food will continue to be used as long as both wars are in progress and probably for a short time thereafter for rehabilitation in some countries.

Total crop goals for 1945 are about the same as in 1944. Goals for livestock and livestock products are the same or slightly higher except for chickens, eggs, beef cattle, and sheep and lambs. With the average weather conditions, food production may be somewhat less than in 1944 but substantially above the five-year prewar average.

CIVILIANS EATING BETTER THAN EVER BEFORE

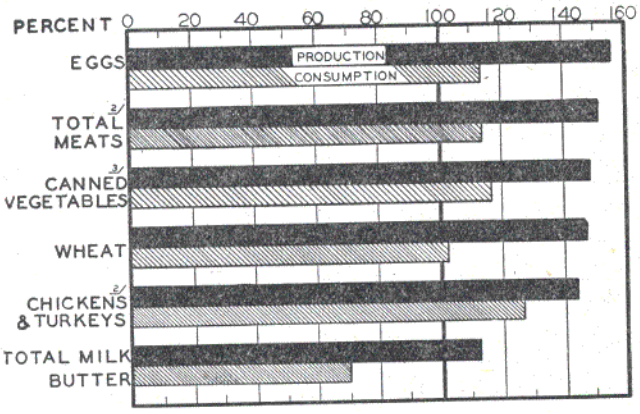
Although food consumption is relatively stable, people do eat more food when their incomes are high. Civilian per capita food consumption in 1944 is estimated to be 7 per cent higher compared with the prewar 1935-1939 period. Civilians probably are eating more and better than ever before.

Such evidence as is available indicates civilian food consumption might be approximately 15 per cent higher than today were it not for rationing. Civilians would probably buy more meat, a fourth more butter, and twice as much canned fruits if it were not for rationing of these items.

Some commodities are much more in demand than others when incomes are high. For example, civilian per capita consumption of meats increased from 126 pounds during the 1935-1939 period to an estimated 137 pounds in 1944—a 14 per cent increase, and nobody knows what it might have been if rationing had not been in effect.

Chickens were not rationed and per capita consumption increased 27 per cent. Egg consumption increased 16 per cent, citrus fruits 34 per cent, fluid milk and cream 21 per cent (milk and cream were

1944[1] PRODUCTION AND CIVILIAN CONSUMPTION OF CERTAIN FOODS
(1935-39 Average = 100)



[1] Preliminary, [2] Dressed weights, [3] Pack year.

rationed indirectly), and frozen vegetables 200 per cent.

Civilians, in general, tend to increase consumption of meats, eggs, fluid milk and cream, and fresh fruits and vegetables when their incomes are relatively high.

On the other hand, the consumption of wheat, potatoes, beans, and some other foods are relatively stable regardless of changes in income. Over a long period of time, the per capita consumption of wheat has declined.

It is obvious from a study of the chart below that the farm price outlook will depend to a considerable extent on the level of consumer purchasing power. If consumer incomes remain high, more meat, dairy products, and fresh fruits and vegetables will be needed than would be the case if incomes were low.

Production of certain commodities have been expanded much more than others during the war period. Egg production is about 55 per cent larger. Meats, chickens and turkeys, canned fruits and vegetables, and wheat have been expanded between 35 and 50 per cent. Total milk production has only expanded approximately 13 per cent.

Postwar readjustments for each of these commodities will, of course, depend on the extent of expanded production for that commodity, and in the case of the so-called "protective foods", at least, the level of consumer purchasing ability.

AGRICULTURAL PRICE LEVEL MAY DEPEND ON CONSUMER PURCHASING ABILITY

When the war is over and lend-lease and military purchases of food are sharply reduced, will agricultural production be in excess of civilian requirements and possible exports? It is this possibility that leads many economists to believe food surpluses with consequent lower farm prices are inevitable after the war.

It seems reasonably certain that the agricultural plant will be able with average weather conditions to produce approximately 25 per cent more food compared with the prewar level. An estimated 9 per cent increase in population by 1946 over 1935-1939 will take up part of the increased food production.

If a high level of employment can be secured in the postwar period, possibly 10 to 15 per cent more food may be required than in the 1935-1939 period.

Export possibilities of surplus food production are not known but if prewar statistics are any guide the amounts will be small. On the other hand, if world trade channels are developed or expanded in the postwar period, agricultural exports might be increased and might have an appreciable influence.

More than anything else, however, agricultural prosperity will depend on incomes of industrial workers. There is a remarkably close correlation between cash income from marketings and income of industrial workers (see chart below). Changes in the purchasing power of industrial workers greatly influence the demand for, and consequently the price of, farm products.

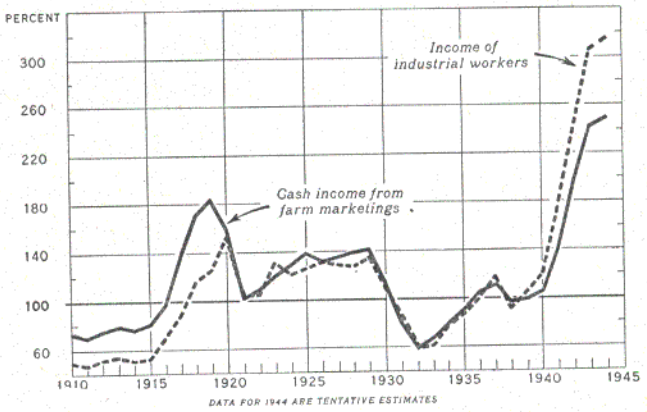
Two other factors that will be important if farm prices are to be maintained at satisfactory levels are: first, increased consumption of food by the lower income groups; and, second, shifts from production of commodities that tend to accumulate as surpluses to the production of other products that are more in demand.

AGRICULTURAL PRICES TREND DOWN AFTER MAJOR WARS

Historically, agricultural prices have declined sharply within a year or two after the end of a major war. This happened after the War of 1812, the Civil War, and World War I (see chart below).

The situation at the present time is interesting in that agricultural prices are about double the 1910-1914 average while nonagricultural prices are only about 50 per cent higher. So far in this war, the price level of agricultural and nonagricultural products has not reached the peaks attained during or right after other major wars. Prices undoubtedly would be higher if it were not for economic controls that have been applied.

CASH INCOME FROM FARM MARKETINGS, AND INCOME OF INDUSTRIAL WORKERS, UNITED STATES, 1910-44
Index Numbers (1935-39 = 100)



A continuation of these controls as long as needed will be helpful in postwar adjustments. This is especially important to agriculture since agricultural surpluses are likely to develop much more quickly in the postwar period than are industrial products.

If price controls were removed too soon, the prices of things the farmer buys would probably increase much more than prices of farm products. This would probably place the farmer in a relatively unfavorable price position.

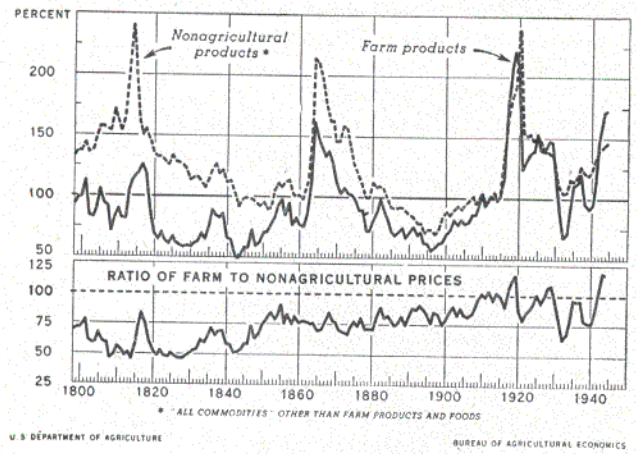
FARMER IN BEST FINANCIAL POSITION WHEN EMPLOYMENT IS HIGH

Under conditions of full employment the farmer is relatively much better off than in a depression period. When times are good there is a tendency for farm prices to increase faster or to reach a level high in relation to prices he pays for things he needs.

During most of this war and the last war the index of prices received by farmers has been substantially above the index of prices paid by farmers. At the present time farm prices are about 96 per cent higher than during the base period 1909-1914, while prices the farmer pays for things he needs average only 71 per cent above this base period.

During the 1920's and 1930's, this relationship was substantially reversed.

WHOLESALE PRICES OF FARM AND NON-AGRICULTURAL PRODUCTS, UNITED STATES, 1798-1944
Index Numbers (1910-14 = 100)



PRICE SUPPORT PROGRAMS MAY PROVIDE A CUSHION AGAINST DRASTIC DECLINE OF AGRICULTURAL COMMODITIES IN IMMEDIATE POSTWAR PERIOD

Congress has passed legislation providing that prices of certain agricultural commodities be supported at not less than 90 per cent of parity for two full calendar years after the end of the war. These price support guarantees apply to the so-called "basic" and "Steagall" commodities which include about two-thirds of total agricultural production.

The purpose in providing price guarantees for certain commodities named in the "Steagall" bill was to encourage farmers to expand production of these commodities that were needed in the war effort. It is assumed that during the two-year period the farmer will readjust his farm operations in line with longer time market needs.

As to whether the farmer will readjust his operations during this period or try to perpetuate the potential or actual subsidy is another question not dealt with here. The fact is that the guarantees have been made and an effort will probably be made to prevent agricultural prices from falling below a certain level during this period.

Price support is a definite factor in the agricultural outlook for 1945 and 1946 and possibly later years. The effects of such a program may extend much beyond this two-year period especially if prices are supported at an artificially high level with resultant surpluses.

High prices may not necessarily mean favorable farm incomes if the government should find it necessary to institute large scale production control measures.

Summary of Business Conditions

Northwest business activity expanded during November.

Department store sales reached a new peak.

The Sixth War Loan drive dominated banking and credit conditions.

Cash farm income in 1944 will equal approximately the 1943 income.

Business

BANK debits for November in the Ninth Federal Reserve District were more than double the 1935-39 average even after an adjustment is made for the normal increase which usually occurs during the month. This is an amount significantly larger than the monthly volume of debits for the past several months. Such a rise in the amount of checks debited to demand deposits indicates an observable expansion in the volume of business transacted.

The debits of banks located in farming centers have risen faster than those of city banks. From October to November the former increased 24 points, whereas the latter increased only 19 points. The marketing of livestock during the past month has had a significant bearing on the larger volume of debits in the beef and pork raising regions.

On the basis of the accumulated purchasing power and the pent-up demand for goods and services, farmers after the war will purchase a substantial share of the nation's total output, according to a study made by the Bureau of Foreign and Domestic Commerce. Unless unforeseen economic events arise, this group very likely will purchase the largest volume of merchandise per capita in the postwar years. Their spending will include outlays for the maintenance of land and buildings, for motor vehicles and other farm machinery, and for household equipment and furnishings. This is of special interest to businessmen in the Ninth District where farm income during the past few years has risen even faster than in other areas over the United States.

Most of this anticipated volume of business will be carried on through the merchants in small towns. For the most part, farmers tend to buy in business centers where they do their banking. Banks in small towns hold the majority of the farmers' accounts.

Sales at Department Stores

	Number of Stores Showing		% Nov. 1944 of Nov. 1943	% Jan.-Nov. 1944 of Jan.-Nov. 1943
	Increase	Decrease		
Total District	208	45	114	110
Mpls., St. Paul, Dul.-Sup.	21	0	116	111
Country Stores	187	45	110	108
Minnesota	59	14	110	106
Central	8	1	122	115
Northeastern	6	1	107	103
Red River Valley	4	0	106	108
South Central	15	5	110	106
Southeastern	10	3	104	108
Southwestern	16	4	108	102
Montana	25	3	115	110
Mountains	12	0	116	109
Plains	13	3	115	111
North Dakota	39	11	110	113
North Central	7	3	105	108
Northwestern	5	1	115	118
Red River Valley	14	3	111	114
Southeastern	11	4	106	112
Southwestern	*	*	.....	.....
Red Riv. Val.-Minn. & N.D.	18	3	110	113
South Dakota	21	5	114	109
Southeastern	4	1	113	107
Other Eastern	11	1	120	115
Western	6	3	103	103
Wisconsin and Michigan	43	12	106	105
Northern Wisconsin	13	2	108	108
West Central Wisconsin	23	9	104	105
Upper Pen. Michigan	7	1	113	100

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

According to a survey made on the ownership of demand deposits in the Ninth Federal Reserve District, about one-half of the demand deposits held by banks with total demand deposits of less than $500,000 are owned by farmers. As the size of the banks increases, the proportion of deposits owned by farmers decreases, as may be observed from the table. Since most of the small banks in the District are found in small towns, the merchants in these communities will be called upon to supply most of the postwar goods and services demanded by farmers.

Department store sales, according to preliminary estimates, surpassed all previous records. Dollar receipts in the Ninth District were 189 per cent of the 1935-39 average with an allowance for the normal increase in sales due to the approaching holiday season. The city stores, which comprise those in Minneapolis, St. Paul, Duluth and Superior, experienced a notably larger increase in sales than the country stores. Dollar receipts in the former stores were 207 per cent of the prewar average, whereas the receipts in the country stores were 169 per cent of the former average. According to these figures, the Christmas season may culminate in the largest amount of retail sales on record.

Farmers' Accounts as a Per Cent of Total Personal Accounts by Size of Banks in the Ninth District

Size of Banks[1]	Farmers' Accounts as Per Cent of Total Demand Deposits
Less than $500,000	49.7
$500,000 - $1,000,000	43.1
$1,000,000 - $2,000,000	39.1
$2,000,000 - $5,000,000	30.4
$5,000,000 - $10,000,000	25.8
$10,000,000 - $100,000,000	[2]
Over $100,000,000	[2]

[1] Classified by size of total demand deposits of individuals, partnerships, and corporations, June 30, 1944.

[2] Farmers' accounts were not classified separately.

All areas in the District are sharing in the large volume of business. However, as compared with the sales for November of last year, there is a decided variation in the expansion of dollar receipts. Stores located in the western part of the Red River Valley reported an increase of only 3 per cent in sales over the amount recorded for a year ago. Stores situated in the central part of Minnesota, on the other hand, reported an increase of 22 per cent in sales over the amount recorded for the same month of the preceding year. The per cent of increase reported by stores in the other areas of the District ranged between the two extremes.

Northwest Business Indexes

Adjusted for Seasonal Variation—1935-1939 = 100

	Nov. 1944	Oct. 1944	Nov. 1943	Nov. 1942
Bank debits—93 cities	216	197	189	169
Bank debits—farming centers	218	194	183	175
City department store sales	207	170	178	142
City department store stocks	144	154	138	134
Country department store sales	169	145	153	137
Miscellaneous carloadings	144	120	136	132
Total carloadings (excl. misc.)	122	126	145	137
Farm prices—Minn. (unadj.)	172	170	170	154
Employment—Minn. (unadj. 1936=100)	137	139	147	135
Payrolls—Minn. (unadj. 1936=100)	229	239	231	200

For the first 11 months of this year, department store sales in the District have averaged 10 per cent larger as compared with the sales for the corresponding months of the previous year. The expansion

in city stores has been about 3 per cent larger than in country stores. The steady rise in spendable consumer income has brought about this growth in department store business. It is estimated that the aggregate income paid to the American people from all sources in 1944 will approximate 158 billion dollars.

City department store stocks have declined since last September when the American people began their Christmas shopping for the personnel in the armed forces stationed overseas. The largest drop occurred during November with the amount on hand at the end of the month 10 points less than at the end of the preceding month. On the basis of the volume of business conducted during November, stocks are now approximately 30 per cent smaller than they were on an average from 1935-39.

As the war progresses, the supply of some civilian merchandise may be enlarged through the sale of government surpluses. During the three months of June, July, and August of this year, the Office of Surplus Property of the Procurement Division of the Treasury Department declared goods appraised at nearly $74,000,000 to be surplus. The largest item in these sales was a group of army trucks. Where the surplus of a particular item is very large, the supply is frozen in part so the sale will not disrupt the industry.

In the disposal of surpluses the governmental agency endeavors to show no bias as between small and big business. Any wholesaler can have his name placed on the Division's mailing list and receive notice of all sales.

Electric power production in the four states of Minnesota, Montana, North and South Dakota has reached a plateau. Prior to May 1944 monthly production was consistently above the amount produced during the corresponding months of a year ago, whereas subsequent to the above date it has been below the former year's production. Over the seven months' period from May through November production has averaged 97 per cent of the output during the same period of 1943. Even though the decline is small, the trend has been steadily in the same direction.

Imports of electric power into the four states have declined more than production. From July through October they have averaged 80 per cent of the previous year.

Carloadings indicate a small expansion has taken place during the present year in the aggregate volume of freight transported by railroads. Total carloadings, exclusive of miscellaneous loadings, for the first eleven months averaged 129 per cent of the pre-war base period from 1935-39; whereas last year the index averaged 126 per cent of the same base period. Miscellaneous carloadings have increased decidedly more than the total loadings. For the first eleven months of this year the index averaged 128 per cent while for the same months of 1943 it averaged 119 per cent of the prewar base period.

As compared with October figures November total loadings decreased and miscellaneous loadings increased. After an adjustment is made for the usual decline in carloadings during November the index for total carloadings decreased from 126 per cent for October to 122 per cent. Miscellaneous loadings expanded decidedly more than total loadings contracted. With an adjustment for seasonal variation the index rose from 120 per cent for October to 144 per cent for November.

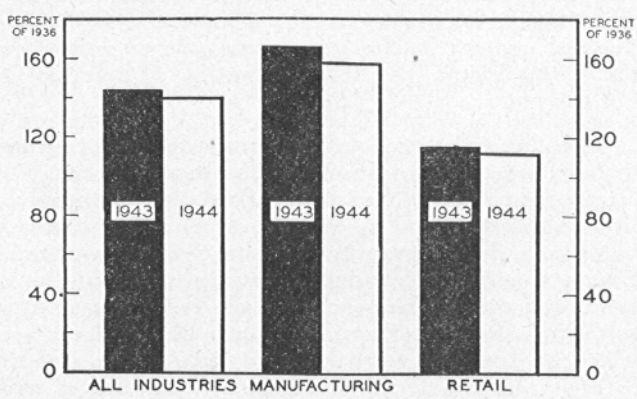
Flour production in the Northwest mills exceeded last year's output. For the first eleven months of this year monthly production averaged 5 per cent above 1943. The 5 per cent increase, however, is evidence of a tapering off in the expansion. During 1943 the production was 10 per cent larger than in 1942. Moreover, the November flour milling was actually 3 per cent below the output recorded for the same month of last year. According to a report in **The Northwestern Miller,** the milling industry as a whole may report another decrease for December as compared with the production of a year ago.

Mills in this section have expanded their production of flour more than the average for the whole industry. For the first ten months of this year the Northwest mills produced 6 per cent more barrels of flour than during the same period of 1943. All mills in the industry increased their output by only 4 per cent.

Employment in Minnesota during the past eight months has been consistently below the peak reached a year ago. From the latter part of February through June the number of individuals employed in industries covered by unemployment insurance declined steadily as compared with the number employed during the corresponding months of 1943. Since June employment has remained between 5 and 6 per cent below the monthly figures of last year.

Manufacturing industries and retail trades have accounted for nearly all of the decline in employment. Since May the number of individuals employed in manufacturing has been approximately 10 per cent less than for the same period of a year ago. The volume of employment in the retail establish-

MINNESOTA EMPLOYMENT—1943-1944*



*1944 includes first ten months only.

ments has fluctuated significantly as compared with the monthly figures for 1943. From April through June the number of individuals employed in such establishments was nearly 5 per cent less; during July and August there was no appreciable difference; and following these months there again has been a decrease of nearly 5 per cent as compared with the corresponding months of the previous year.

The sharply expanded ammunition program may raise Minnesota employment to the former high level. The War Manpower Commission estimated that nationally more than 130,000 additional war workers will be needed to produce artillery and small arms ammunition now urgently needed at the fronts. The small arms ammunition plants in the Twin Cities area may need as many as 12,000 additional workers to reach present production goals.

The larger ammunition program will also boost the manpower needs in allied industries. More workers will be needed in industries which turn out the essential materials for ordnance concerns, such as copper and lead mines, brass and strip mills, forges and machine tool plants; and in plants producing explosives, shell casings, rifle and machine gun clips and cartridges, bullet cores, and packaging materials. Total labor requirements will be considerably higher than the estimate made for only the ordnance plants. The Army has estimated that the total manpower need for the recently announced ammunition program is in excess of 300,000 workers. Some of this demand for labor is found among industries in the Ninth Federal Reserve District.

The adequacy of the labor supply varies widely over the District. The War Manpower Commission has classified the Twin Cities as an area where labor shortages exist to such an extent that it may endanger essential production. At the same time industrial activity has fallen off in the Duluth-Superior area and a manpower surplus may arise.

The supply of labor is not quite so critical in the war production centers of Montana. Great Falls has been classified into the same group with the Twin Cities, but Billings and Butte have been designated as areas where the labor supply substantially balances the demand for essential production or a moderate labor surplus currently exists or is anticipated. However, in Butte there is a shortage of unskilled male labor for heavy work. Since the other industrial centers in the state were not classified by the Commission, the labor situation apparently is not serious.

The Commission has recommended a program to help meet the additional labor requirements. A large proportion of the jobs available in the ammunition industries can be filled by women. Consequently, a drive is made to secure women workers. Plants engaged in producing multiple war products are urged to transfer workers from less urgent work to the production of ammunition. Other plants are urged to transfer workers on a loan basis. Some foreign workers from the British West Indies and elsewhere may be employed where domestic labor is not available. Labor turnover is discouraged and a ban is placed on manpower authorizations for civilian production as long as urgent war production requires additional manpower.

Banking

THE most significant changes in the Ninth District banking picture have arisen out of the Sixth War Loan. Deposits of the U. S. Government (mostly in war loan accounts) have slightly more than tripled, with a considerable decline in other deposits. The reserve position of the banks has eased substantially, and borrowings have been virtually eliminated.

Ninth District City Member Banks

Assets	December 13, 1944 (Millions of Dollars)	November 15, 1944 (Millions of Dollars)
Loans for carrying securities	$ 49	$ 10
All other loans	196	192
U. S. Government securities	857	786
Other investments	89	60
Cash and due from banks	363	373
Other assets	15	15
Total	$1,569	$1,436
Liabilities and Capital		
U. S. Government deposits	$ 317	$ 101
Other deposits	1,166	1,230
Borrowings	1	20
Miscellaneous liabilities	7	7
Capital funds	78	78
Total	$1,569	$1,436
Excess Reserves	$ 8	$ 3

These movements are readily apparent in the accompanying table of the twenty reporting city banks. Loans for carrying securities jumped from $10 to $49 million during the month, although other loans outstanding remained essentially unchanged. Holdings of U. S. Government securities increased $71 million with over half of the increase centered in U. S. Treasury notes. Expanded holdings of bills and bonds accounted for the remainder of this increase.

The increase in deposits of $152 million was entirely centered in war loan accounts. In fact, deposits other than of the U. S. Government declined $64 million, as the table indicates.

Cash and balances held at other banks (including the Reserve Bank) increased $10 million. Since all of the increase in deposits occurred in war loan accounts (not subject to reserve requirements), excess reserves actually increased $5 million. Borrowings, which on November 15 amounted to $20 million, were reduced to less than $1 million by mid-December, also reflecting an easier reserve position.

Country member bank deposits during the last half of November averaged $1,243 million, $41

million above the previous month. Virtually all of the increase occurred in demand deposits. Reserves carried with the Federal Reserve Bank increased $8 million, and excess reserves increased $3 million. Funds available for earning assets were up $35 million over the last half of October and were $200 million above last year.

The reserve position of all Ninth District member banks is indicated by the following table.

Daily Average Reserve Position for All Ninth District Member Banks for the Fifteen-Day Period Ending November 30, 1944

Type of Bank	Average Reserves Carried (000)	Average Reserves Required (000)	Average Excess Reserves (000)
Reserve City Banks	$163,575	$159,044	$ 4,531
Other City Banks	24,075	21,585	2,490
Total City Banks	$187,650	$180,629	$ 7,021
Total Country Banks	165,702	132,365	33,337
Total Ninth District—1944	353,352	312,994	40,358
Total Ninth District—1943	283,773	250,590	33,183

Agriculture

FARMERS' cash income in the Ninth District during the first nine months, January through September, is estimated at only 1 per cent above a similar period in 1943. For the country as a whole, the increase was 6 per cent. Cash farm income during September was lower in all states in the District compared with September, 1943, with cash receipts sharply lower in North Dakota and Minnesota. If this trend continues, total cash income in the Ninth District during 1944 may be slightly lower than 1943 income. However, good crops this year plus a fairly steady price level indicates cash farm income about the same as in 1943. A sharp reduction in hog marketings this fall has contributed to a considerable extent to recent declines relative to a year earlier. There is evidence also that many farmers are carrying a large quantity of wheat over into 1945 in order to equalize to some extent income tax payments in the event of a short crop next year.

Cash income to farmers in the Ninth District during 1944 will be approximately two billion dollars—two and one-half times as large as in 1939. For the United States as a whole, cash farm income is expected to approximate 20 billions of dollars. Gross farm income (includes value of farm products used on farms) in 1944 is estimated at 23½ billion dollars compared with $22.7 billion in 1943 and $10½ billion in 1939. Net farm income for 1944 (gross farm income less production expenses) is estimated at 12.4 billion dollars compared to $12 billion in 1943 and $4½ billion in 1939.

January - September Cash Farm Income[1]

State	1935-1939 Average	1943 (Thousands of Dollars)	1944	1944 in per cent of 1943
Minnesota	$ 247,481	$ 618,079	$ 599,074	97
North Dakota	77,025	273,511	261,185	95
South Dakota	77,530	238,450	259,002	109
Montana	57,857	130,301	147,444	113
Ninth District[2]	516,913	1,396,212	1,403,399	101
United States	5,684,905	13,624,000	14,507,000	106

[1] Data from "The Farm Income Situation," United States Department of Agriculture.
[2] Includes 15 counties in Michigan and 26 counties in Wisconsin.

The Department of Agriculture has estimated that the farm income in 1945 may be slightly less than in 1944. For the last year or two, nearly a fourth of total food production has been used for lend-lease and military purposes. This demand will continue large as long as the war lasts, and the demand for food for rehabilitation may continue for some time after the war ends. However, when war ends the quantity taken for their purposes is likely to be considerably less than at present. Farm prices and the level of farm income will then be dependent to a greater extent on the level of business activity and employment in this country.

Average Prices Received by Farmers[1] Northwest Business Indexes

Commodity and Unit	Ninth District Nov. 15 1937-1941 Avg.	Ninth District Oct. 15 1944	Ninth District Nov. 15 1944	Parity Prices[2] United States Nov. 15, 1944
Crops				
Wheat, bushel	$ .70	$ 1.36	$ 1.39	$ 1.51
Corn, bushel	.42	1.00	.90	1.10
Oats, bushel	.26	.54	.54	.682
Potatoes, bushel	.44	1.21	1.21	1.24
Livestock and Livestock Products				
Hogs, 100 lbs.	7.15	13.64	13.45	12.40
Beef cattle, 100 lbs.	7.22	11.23	10.97	9.27
Veal calves, 100 lbs.	8.69	13.06	12.63	11.50
Lambs, 100 lbs.	7.99	11.68	11.47	10.10
Milk, wholesale, 100 lbs.	1.73	2.76	2.77	3.02
Butterfat, lb.	.33	.52	.52	.478
Chickens, live, lb.	.119	.214	.215	.195
Eggs, dozen	.253	.334	.366	.471

[1] Data compiled from "Agricultural Prices", United States Department of Agriculture.
[2] The term parity as applied to the price of an agricultural commodity is that price which will give to the commodity a purchasing power equivalent to the average purchasing power of the commodity in the base period, 1910-1914.

Prices received by farmers in the Ninth District during the month ending November 15 fluctuated somewhat from mid-October levels. Wheat prices were up in response to a higher loan and ceiling level. Corn prices were down sharply because of much new corn with a high moisture content. Most livestock values were slightly lower as receipts increased seasonally. Prices for dairy products and poultry and eggs were seasonally higher. Grain prices were below the parity level but prices of livestock and livestock products, except eggs, were above parity.

For the United States as a whole, prices received by farmers averaged two points higher in mid-

November compared with a month earlier, according to data from the Department of Agriculture. Downturns in corn and hog prices were more than offset by increases in prices of most other farm products. Prices of farm products are now at 196 per cent, or nearly double the August 1909-July 1914 average. Farm products prices are more than double what they were in 1939.

The flax situation and outlook is of particular interest in the Ninth District since approximately 85 per cent of the total flaxseed production is to be found in the four northwestern states of Minnesota, North Dakota, South Dakota, and Montana.

Supplies of domestic flaxseed for the 1944-1945 season are the smallest since 1940-1941 and only about two-thirds as large as last season, the War Food Administration states in its quarterly Flaxseed Market Review. Imports have been relatively small. Argentina and Canada are the only important outside sources of flaxseed. Canada's acreage is relatively small and the crop in Argentina that is being harvested now is reported as the smallest in 21 years. Furthermore, there is little if any shipping available to bring flaxseed from Argentina.

Flaxseed crushings in recent months have been running at record levels and it is feared that, by spring, available supplies will be pretty well used up. Flax production goals for 1945 are for 5 million acres. It is feared, however, that this goal may not be reached since under existing price ceilings of flax and alternative crops many farmers find it more desirable to produce crops other than flax.

Several suggestions have been proposed by individuals and organizations to encourage farmers to produce enough flaxseed to meet the expected needs. One is to increase the ceilings on flaxseed from the present $3.10 at Minneapolis. Another is to guarantee the farmer a certain payment per acre for planting flax plus an incentive payment of so much per bushel. What action, if any, that may be taken is not known at this writing, but a 30 million dollar appropriation to be used to stimulate flax production has received favorable Congressional action. The bill is attached to the Crop Insurance bill as a rider. Some action must be taken soon, however, if farmers are to be given time to make readjustments in their 1945 farm plans.

The wheat crop this year was the largest on record —over 1.1 billion bushels for the entire United States. Bumper wheat crops were harvested in states in the Ninth District. Canada also produced a big crop this year. The 1944 world wheat production, excluding Russia and China, is reported as the largest since 1939 even though the wheat crops in Argentina and Australia are estimated below average.

Carry-over of old wheat in the United States on July 1 this year was above average but only about half the record high of a year earlier. Carry-over of wheat in the other principal wheat producing countries was high on July 1, with world stocks approximating two-thirds of a year's needs or two and one-half times the average world carry-over of wheat.

In the United States during the ten-year prewar period, 1932-1941, the annual carry-over of old wheat averaged about 235 million bushels, production averaged 738 million, and domestic disappearance 677 million, of which 479 were food, 117 were feed, and 81 were seed, according to data from the Bureau of Agricultural Economics. In 1943-1944 the domestic wheat disappearance was reported as follows: food 543 million bushels; seed 79 million; industrial alcohol 108 million; and feed 503 million. The tremendous demand for grain for livestock feed during 1943-1944 was an important factor in reducing wheat surplus stocks by July 1, 1944, to about normal.

Better wheat varieties, more efficient production methods, and a guaranteed wheat price support for two full calendar years after the war are important factors in a potentially large wheat supply in the postwar period. If the weather continues favorable as in recent years, an annual surplus of 150 to 300 million bushels could easily result when wartime needs are diminished. Wheat exports might take up part of the excess production, but during the Thirties wheat exports averaged less than 50 million bushels annually. Relatively high wheat prices in this country, relative to other wheat exporting countries, makes it difficult to export without export subsidies. Under a world wheat agreement plan it is reported our share would be about 16 per cent of world wheat exports or in the neighborhood of 70 to 80 million bushels annually.

Cattle numbers increased steadily from 1938 through 1943. By January 1, 1944 it is reported about 82 million head were on farms. This is a record high and almost 8 million head more on farms than at the peak of the previous cattle cycle on January 1, 1934. The Department of Agriculture recently estimated that the extremely heavy slaughter of cattle this year, particularly cows and heifers, may have reduced cattle numbers by approximately 2 million head during 1944.

In some respects the cattlemen appear to be in a good short-term position. Pasture and range conditions are excellent. Farmers have been able to cull out old and undesirable cows and to shape up the ages of the cow herd. They are in a strong financial position. Purchases of beef by the armed services in the first half of 1945 probably will be larger than in the first half of 1944 according to the Department of Agriculture; and civilian demand for beef is likely to exceed the available supply. The Department of Agriculture has forecast in a late November report that prices for cattle and lambs in 1945 may average about the same as in 1944.

From a longer time viewpoint it may be well to keep in mind that we are closer to the end of the period of abnormal war demand; prices of cattle are about double the long-time average; and a reversal of good crops and favorable range and pasture conditions could force increased cattle liquidation. Also there is no specific price support under cattle prices as there is under many other farm products.