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AGRICULTURE

Farm Outlook for 1948 Seen as Favorable

Marshall Plan Aid, Declining Supplies of Livestock Expected to Sustain Prices

FARMERS in the Ninth District can reasonably expect another good year of favorable prices, according to a U. S. Department of Agriculture spokesman at the recent annual farm outlook conference.[1]

This forecast was based on the assumption that both domestic and foreign demand for farm products would continue unusually strong during most or all of 1948.

It was the opinion of speakers at this conference that an increase in new construction, continued large federal spending, and large expenditures for new equipment would support a high level of employment and spending. It is because of this expected maintenance of purchasing power that the average person may continue to consume approximately 17% more food in 1948 compared with pre-war. The 8 to 9% increase in population from pre-war also means just that much additional demand for farm products.

Food exports during the fiscal year ending last July 1 took an estimated 9% of U. S. food supplies. At the same time, food imports were less than pre-war. The need for American food abroad during the next six to seven months probably will be greater than ever, because of extremely bad crops in 1947 in most of Europe. Population growth has also added to the need for more food in Europe and in other parts of the world. The real key to much of the favorable farm price picture is exports. Without the enormous grain exports, most observers think grain prices would be down sharply. Livestock prices also would soon be lower as favorable feeding ratios encouraged increased production instead of the current reduction.

[1] A report on the 25th annual Agricultural Outlook Conference held at the U. S. Department of Agriculture, Washington, D. C., Nov. 3-7, 1947.

There is an apparent need for much more food than U. S. farmers can readily supply in 1948. The extent to which this need is translated into actual purchases of American farm products depends to a large degree on the development of U. S. foreign policy in general. The action of Congress in regard to interim aid to Europe and the Marshall plan program will be major factors affecting both farm prices and incomes.

MARSHALL PLAN AID HAS TWO-EDGED EFFECT ON FARM PRICES

Countries that would come under the Marshall plan have indicated a need in excess of $6 billion worth of supplies of all kinds for 1948, over and above what they can finance from their current meager exports. About a fourth, or $1½ billion, would be used for food, feed, and fertilizer. Of course, it is not known as yet how much Congress may appropriate for foreign aid and reconstruction.

A foreign aid program, such as the Marshall plan contemplates, would be of great significance to domestic farm prices and incomes in 1948 and subsequent years. It does this in two ways: First, directly, by exporting large quantities of farm products that otherwise would seek a domestic market; and second, indirectly, by increasing purchasing power, since the money spent in the production of all items to be exported remains at home and competes for other domestic goods and services.

In other words, the American public have more money in their pockets without an offsetting supply of goods on which to spend it. People, therefore, bid against each other for meat, eggs, and butter as well as for other goods and services.

The desirability for farmers and others to keep posted on developments in foreign relief and reconstruction aid programs cannot be overstressed, since these will be a major factor in future price and income trends of farm products.

The need for American food and supplies will extend beyond 1948, according to several observers at the Agricultural Outlook Conference. Sir John Boyd Orr, president of the Food and Agriculture Organization, was reported as saying, "We must not deceive ourselves by assuming that the present food shortage will end with the 1948 harvest, even if it is a bumper crop. The shortage will continue for many years. It is estimated that in taking account of the anticipated increase in population of the world, food production would need to be increased 110% in the next 25 years . . ."

The Orr statement also contemplates improvement in diet as well as increase in population.

In another recent report by the Harriman committee of 19 business men and economic advisers, it was suggested that the U. S. will be required to supply approximately 10 million tons of food and feed grain annually for the next four years, and even by that time European nations will have only brought their food consumption up to slightly less than its pre-war level.

MEAT SUPPLIES MAY BE CURTAILED SHARPLY

The U. S. went into the war with a huge carryover of food and feed

grains. In the early years of the war, much of this grain was used to increase cattle, hog, and poultry numbers to all-time record highs.

In recent years, however, surplus grain has been used up or exported and livestock numbers have been reduced. As livestock numbers were being reduced, the increased slaughter provided meat supplies at record levels. The per capita meat supplies this year are at an all-time high. These large supplies are moved at record high prices. This is due to the high level of consumer purchasing ability.

Consumers, however, are eating into the breeding herds and flocks, or, in other words, living in part off capital. Meat supplies per capita in 1948 are estimated at 146 pounds, 10 pounds less than in 1947, but still above the 134-pound 1937-41 average.

Ever since 1944, cattle numbers have been declining. Slaughter this year may take 4 to 5 million more cattle than is replaced by the calf crop. With the short corn crop, unfavorable feeding ratios, and government efforts to reduce grain feeding, there is little likelihood of a reversal in cattle numbers in the immediate future.

Considerably fewer cattle may be grain fed for market in the next 12 months than during the past year, according to the Department of Agriculture. Reduced supplies and high prices of both corn and feeder cattle discourages feeding.

When grain supplies again become available at favorable prices for feeding, farmers will tend to build up breeding stock. When this occurs, slaughter supplies may be reduced temporarily at a time when consumers are still financially able to buy above average quantities of beef. Beef production cannot be expanded quickly, as it takes several years to produce a beef animal to market weights.

HOG AND SHEEP NUMBERS BELOW PRE-WAR

If adequate feed were available, hog numbers might be increased within a year's time. This would ease the pressure on declining beef supplies. Unfortunately, however, hog numbers on farms last January 1 were 5 million head below pre-war and the decline is expected to continue at least until more is known about 1948 corn supplies and the probable hog-corn feeding ratios at that time.

In view of the high price and scarcity of corn, it apears reasonably certain that the 1948 spring pig crop will be smaller than the average 53 million spring crop in 1947. Since livestock numbers are being reduced sharply, a large 1948 corn crop, based on past relationships, would indicate the possibility of more favorable feeding ratios late next year.

Some observers from the corn-belt states suggested that hog growers in their area might find it profitable to raise the usual number of hogs in 1948. At best, however, it might well be late 1949 or 1950 before pork supplies show much increase. In the meantime, pork supplies in relation to pre-war may be reduced still further.

Sheep numbers on farms are the lowest on record. Lamb and mutton production during 1948 is expected to be below 1947, when it was the smallest in 18 years.

January-September Cash Farm Income[1]

(Thousands of Dollars)

State	1935-1939 Average	1946	1947	1947 in Percent of 1946
Minnesota	$ 247,481	$ 696,733	$ 929,443	133%
North Dakota	77,025	328,870	490,850	149
South Dakota	77,530	338,500	495,621	146
Montana	57,857	169,176	233,005	138
Ninth District[2]	516,913	1,640,065	2,350,155	143
United States	5,684,905	15,726,680	20,409,524	130

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

NUMBERS OF HENS AND PULLETS MAY BE REDUCED 20%

The Department of Agriculture has recently asked for a reduction of one-fifth in the number of hens and pullets on farms November 1. This would mean marketing of 40 million more birds than normally would be culled. To prevent undue losses to farmers from the sale of these additional birds, the government has agreed to purchase poultry at designated support levels. The purpose of this program is, of course, to save some 30 million bushels of grain for export during the remainder of the feeding year.

A reduction in poultry numbers seems assured in view of the extremely unfavorable feeding ratios at present. A pound of chicken, live-weight, on October 15 was equivalent in price to only 5.6 pounds of grain compared with 8.4 pounds for a long-time average. The egg-feed ratio is also unusually unfavorable.

With smaller supplies of red meats in prospect for next year, the demand

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Average Prices Received by Farmers, Ninth District[1]

Commodity and Unit	October 15, 1937-1941 Avg.	October 15, 1946	October 15, 1947	Parity Prices[2] United States October 15, 1947
Crops				
Wheat, bushel	$0.69	$ 1.90	$ 2.78	$ 2.11
Corn, bushel	.43	1.68	2.11	1.53
Oats, bushel	.24	.72	1.04	.954
Potatoes, bushel	.40	1.10	1.36	1.78
Livestock and Livestock Products				
Hogs, 100 lbs	7.80	21.31	27.57	17.40
Beef Cattle, 100 lbs	7.41	16.87	19.75	13.00
Veal Calves, 100 lbs	9.09	16.01	22.72	16.10
Lambs, 100 lbs	7.99	16.57	20.27	14.10
Wool, lb.	.28	.43	.43	.437
Milk, wholesale, 100 lbs	1.66	4.23	3.93	4.08
Butterfat, lb.	.31	.92	.80	.649
Chickens, live, lb	.125	.306	.213	.272
Eggs, dozen	.221	.445	.467	.596

[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.

BUSINESS

Retail Sales Hold at Record Level

ALTHOUGH some consumer resistance has appeared on articles of inferior quality and on others with prices attached which appear to consumers to be out of line, consumer purchases are continuing at a record level.

The resistance, however, has apparently had a negligible effect on the dollar volume of sales. In the Ninth District, department store sales reached an all-time peak in September of 287 percent above the 1935-39 average with an adjustment made for the usual seasonal variation.

The adjusted index for October dropped 11 points from the September peak, but the level of sales was significantly above that reported for the summer months.

As compared with a year ago, department store sales in this district for the first 10 months were 10 percent higher. Preliminary figures for November indicate that the dollar volume for this month may show a comparable percentage increase over November of last year.

A NUMBER OF FACTORS CONTRIBUTE TO HIGH SALES

The larger dollar volume of department store sales during the past two months is attributed to numerous factors: unusual weather, sales promotion, and larger consumer incomes.

The unusually high temperatures during the summer months caused many families to postpone their purchases until September when the weather became comfortable. This contributed in a large measure to the peak in September sales.

Sales promoted by most stores have encouraged many individuals to replenish their low supply of many items. It has also encouraged early Christmas shopping. Special sales receipts have added significantly to the aggregate volume of monthly sales.

PAYROLLS EXPAND IN DISTRICT

The rise in non-agricultural employment has created larger payrolls. According to a report from the Unemployment Compensation Commission of Montana, non-agricultural employment in that state during September totaled 136,200. This represented an increase of 2.3 percent over a year ago. The largest percentage increases occurred in manufacturing and contract construction.

In Minnesota, manufacturing employment during September reached a peak of almost 210,000 workers, according to a report prepared by the Minnesota Division of Employment and Security. This represented a 4 percent increase over August and nearly 5 percent over September 1946. In October the number employed fell to 201,574, largely as a result of the completion of the corn pack in the canning industry. October employment was 1.5 percent higher than a year ago.

Employment in the Twin City area during October and November continued to expand over the September figure. In October, employment in St. Paul increased by 994 workers and in Minneapolis by 720 workers. The expansion was concentrated primarily in retail and wholesale trade and in manufacturing. In November, employment gains were expected to total about 1,500 in Minneapolis and 1,350 in St. Paul. The small supply of available labor is hampering the expansion plans of some concerns; workers with special skills have been difficult to obtain.

INDEX OF BANK DEBITS FOR 9TH DISTRICT AND U. S. 1945 = 100 (Unadjusted)

* Excluding New York City.

Source: Computed from basic data contained in "Bank Debits—Debits to Deposit Accounts Except Interbank Accounts," Board of Governors of the Federal Reserve System.

SALES promotion and drop in buying during hot weather boosted autumn sales.

Large payrolls and high employment sustain buying power.

Cashing of armed forces leave bonds adds to consumer purchasing power.

FARMERS BOOST RETAIL SALES

Larger purchases made by farmers have contributed greatly to the increased volume of retail sales. For instance, department store sales in the wheat raising areas have increased more than in other areas, especially some of the urban centers. Cash farm income in this district for the first 10 months totaled $1.9 billion—an increase of 38 percent over a year ago.

Northwest Business Indexes
Adjusted for Seasonal Variations—1935-39 = 100

	Oct. 1947	Sept. 1947	Oct. 1946	Oct. 1945
Bank Debits—93 Cities	363	332	275	212
Bank Debits—Farming Centers	389	373	307	224
Ninth District Department Store Sales	276	287	254	190
City Department Store Sales	291	287	264	202
Country Department Store Sales	261	287	244	178
Ninth District Department Store Stocks	251	246	244	160
City Department Store Stocks	223	218	240	155
Country Department Store Stocks	273	268	247	164
Country Lumber Sales	166 p	153 p	92	151
Miscellaneous Carloadings	127	97	127	113
Total Carloadings (excl. Misc.)	133	103	135	125
Farm Prices (Minn. unadj.)	300	305	253	170

ARMED FORCES LEAVE BONDS SWELL CONSUMER INCOMES

Armed Forces Leave bonds have been a supplementary source of income. In the Ninth District from September 2 to November 17 inclusively, nearly 169,000 bonds were cashed for a total of $36,762,000. Even though some of this money was used to liquidate debts, a substantial amount of it was used to purchase goods and services.

BANK DEBITS IN 93 CITIES 3.6 TIMES PRE-WAR VOLUME

Bank debits, which reflect primarily the payments made for goods at all stages of production from the producer to the consumer and for services rendered, have risen steadily in aggregate amount during the post-war period.

Index of Department Store Sales by Cities

(Unadjusted 1935-39 = 100)

	October [1]	Percent Change [2] From Year Ago October	Jan.-Oct.
Minneapolis	330	+12	+ 6
St. Paul	279	+ 7	+12
Duluth-Superior		+ 1	+11
Great Falls	334	— 6	+19
La Crosse	265	+ 8	+14
Mankato	300	+14	+ 5
St. Cloud	379	+ 0	— 0

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

Sales at Ninth District Department Stores[1]

	% Oct. 1947 of Oct. 1946	% Jan.-Oct. 1947 of Jan.-Oct. 1946	Number of Stores [2] Showing Increase	Decrease
Total District	109	110	168	86
Mpls., St. Paul, Dul.-Sup.	110	109	19	6
Country Stores	108	113	149	80
Minnesota	105	108	41	24
Central	101	100	3	6
Northeastern	95	106	1	4
Red River Valley	114	106	4	0
South Central	115	113	11	3
Southeastern	108	108	10	2
Southwestern	102	109	12	9
Montana	103	114	10	11
Mountains	110	116	7	3
Plains	98	113	3	8
North Dakota	117	116	39	9
North Central	106	112	6	2
Northwestern	114	111	5	1
Red River Valley	121	122	16	2
Southeastern	114	110	9	4
Southwestern	133	109	3	0
Red River Valley-Minn. & N. D.	120	120	20	2
South Dakota	106	111	23	21
Southeastern	108	113	7	7
Other Eastern	104	110	12	12
Western	108	111	4	2
Wisconsin and Michigan	106	115	36	15
Northern Wisconsin	111	118	10	2
West Central Wisconsin	112	116	23	8
Upper Peninsula Michigan	87	107	3	5

[1] Percentages are based on dollar volume of sales.
[2] October 1947 compared with October 1946.

As may be observed in the accompanying chart, October bank debits in this district were 86 percent above the 1945 monthly average. Since July 1946, debits in this district have risen much faster than in the nation as a whole.[1] This is due, in large measure, to the rise in farm products prices.

Total carloadings in October were approximately equal to the number loaded a year ago. END

[1] Figures for the nation exclude New York City.

FARM OUTLOOK FOR '48 SEEN AS FAVORABLE

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for chickens and turkeys may continue even larger than this year. As a result, 1948 average prices may be slightly higher than in 1947, according to one of the conference speakers from the Department of Agriculture.

SMALL WINTER WHEAT CROP MAY FOLLOW SHORT CORN CROP

The 1947 corn crop in the Ninth District is expected to be nearly a third smaller, compared with last year's crop. The U. S. corn crop may total about 800 million bushels smaller than last year's record crop, and slightly below a recent 10-year average.

Prospects are poor for another record high wheat crop next year. There has been a serious drouth in the big winter wheat growing areas of Kansas, Texas, Oklahoma, Nebraska, and eastern Colorado. Probably less than 75% of the intended acreage has been sown in this area, and much that was sown is reported in poor condition. Both topsoil and subsoil moisture supplies are reported deficient in this area, although rains in mid-November have relieved the situation in some parts.

Fortunately, most of the Ninth District farming area is going into the winter with generally favorable soil moisture conditions. This is insurance for a good start for early planted spring grains next year.

PRICES RECEIVED BY FARMERS AT AN ALL-TIME HIGH

Sparked by sharply rising wheat prices, the general level of farm prices reached an all-time high in mid-October at 289% of the 1909-14 base period. This upward trend in prices is a continuation of the rise which began in July, when it became obvious that European crops were to be seriously curtailed by drouth.

Wheat farmers in the Ninth District received an average price of $2.78 a bushel in mid-October. This compares with $1.90, a year earlier, and 69¢ for the 1937-41 average.

Soybeans, flaxseed, and other soil bearing crops, also set new high marks in recent weeks.

Dairy product prices were up seasonably, but both wholesale milk and butterfat prices were slightly below a year earlier.

Prices paid by farmers, including interest and taxes, also pushed up further in mid-October. At 239% of the 1909-14 base, the index was 17% over that of a year ago. Prices paid by farmers tend to lag behind prices received on the uptrend. However, when and if a sharp break occurs, the prices paid index may decline much slower than prices received by farmers. Historically, this has been true. Concluded on Page 515

BANKING

Loans and Deposits Still Rising

CONTINUATION of the increase in both loans and deposits marked the banking picture in the Ninth District during the last month. Loans and discounts of all member banks in the district rose from $732 million at the end of September to $759 million at the end of October.

While this expansion of $27 million is slightly below the year's record monthly loan increase of $35 million in September, it is materially above the monthly average for the year.

Some of this expansion is seasonal in character, but its magnitude highlights the expanding volume of bank loans which has been in process since the middle of 1946. At that time (June 1946) Ninth District member bank loans outstanding were $459 million. In other words, by the end of October member bank loans were up 66 percent from the level in mid-1946, when the increase began. Since loans on securities during this period declined by 50 percent, the increase in loans to businesses and consumers has been proportionately higher.

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

	Sept. 24, 1947	Oct. 29, 1947	Change
Assets			
Loans and Discounts	$ 732	$ 759	+ 27
U. S. Government Obligations	1,810	1,864	+ 54
Other Securities	169	178	+ 9
Cash and Due from Banks	937	924	— 13
Other Assets	23	32	+ 9
Total Assets	$3,671	$3,757	+ 86
Liabilities and Capital			
Due to Banks	$ 437	$ 418	— 19
Other Demand Deposits	2,096	2,185	+ 89
Total Demand Deposits	$2,533	$2,603	+ 70
Time Deposits	918	926	+ 8
Total Deposits	$3,451	$3,529	+ 78
Borrowings	10	14	+ 4
Other Liabilities	16	20	+ 4
Capital Funds	194	194	.....
Total Liabilities and Capital	$3,671	$3,757	+ 86

*This table is in part estimated. Data on loans and discounts, U. S. Government obligations, and other securities are obtained by reports directly from the member banks. Balances with domestic banks, cash items, and data on deposits are largely taken from the semi-monthly report which member banks make to the Federal Reserve Bank for the purpose of computing reserves. Reserve balances and data on borrowings from the Federal Reserve Banks are taken directly from the books of the Federal Reserve Bank. Data on other borrowings are estimated. Capital funds, other assets, and other liabilities are extrapolated from call report data.

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

	Oct. 1, 1947	Oct. 29, 1947	Nov. 12, 1947	Change Oct. 1-Oct. 29
Assets				
Comm., Ind., & Ag. Loans	$ 250	$ 266	$ 258	+ 16
Real Estate Loans	51	52	52	+ 1
Loans on Securities	24	22	22	— 2
Other Loans	93	95	91	+ 2
Total Loans	$ 418	$ 435	$ 423	+ 17
Total U. S. Gov't Securities	714	725	730	+ 11
Other Investments	63	66	67	+ 3
Cash and Due from Banks	493	473	484	— 20
Miscellaneous Assets	14	15	16	+ 1
Total Assets	$1,702	$1,714	$1,720	+ 12
Liabilities				
Demand Deposits, Ind., Part., Corp.	$ 786	$ 808	$ 835	+ 22
Demand Deposits, U. S. Gov't	31	21	22	— 10
Due to Other Banks	383	367	353	— 16
Other Deposits	388	393	396	+ 5
Total Deposits	$1,588	$1,589	$1,606	+ 1
Borrowings	7	13	5	+ 6
Miscellaneous Liabilities	10	15	12	+ 5
Capital Funds	97	97	97	.....
Total Liabilities and Capital	$1,702	$1,714	$1,720	+ 12
Excess Reserves	10	1	—4	— 9

The October loan expansion was fairly general at all types of banks, although it was particularly marked at the larger banks. The larger weekly reporting banks account for 58 percent of all loans of member banks in the district, and they accounted for 63 percent of the October loan expansion.

Conversely, the other member banks, largely the smaller country banks, accounted for 37 percent of the October loan expansion, although they have 42 percent of all Ninth District member bank loans. The slightly larger relative increase at the larger banks is apparently to be explained largely by the seasonal demand for credit on the part of the grain trade.

Member bank deposits also ex-

EXPANSION in loans during October was above monthly average.

Member bank deposits increased $78 million, to total of $3,529 million.

perienced a considerable expansion during October, increasing $78 million to a total of $3,529 million at the end of the month. Virtually all of this deposit expansion was reported by the medium and small banks. Deposits in the 20 larger weekly reporting member banks in the district increased by only $1 million.

Cash reserves and due from banks declined $13 million in October. This was made up of a $20 million decline for the 20 weekly reporting banks and a $7 million increase at the other member banks.

For member banks as a whole, the increase in deposits combined with a reduction in member bank reserve balances put some pressure on their reserve positions. City banks particularly, which accounted for the decline in reserve balances, were under considerable pressure. For them, borrowings were almost doubled in October, rising from $7 million to $13 million, and excess reserves of $10 million on October 1 were almost entirely eliminated by the end of the month. END

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The parity ratio (prices received divided by prices paid, 289 ÷ 239) was 121 in mid-October. This ratio was only 84, for the 1935-39 average, and it was nearly 60 during the depression of the 1930's.

Cash farm income in the Ninth District continues to set new high marks. Income the first eight months totaled nearly $2 billion, counting government payments. This compared with about $1.4 billion last year, or a 38% increase. Cash farm income is approximately 4 times prewar.

The 38% increase in farm income over last year may not continue during the last part of 1947. Price control was in full force during the first half of 1946 and partially effective until late October. When price control was eliminated, farm prices immediately advanced and remained high during the final quarter last year.

However, on the basis of current information, it seems safe to assume that 1947 cash farm income for the district may be at least a fourth larger than last year's record amount. END

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, NOV. 27, 1947

INDUSTRIAL output increased further in October. Department store sales continued in large volume in October and the first half of November. The general level of wholesale commodity prices advanced slightly further.

INDUSTRIAL PRODUCTION—Production of manufactures and minerals continued to rise in October, and the Board's seasonally adjusted index of industrial production reached a level of 189 percent of the 1935-39 average. This was the same as the rate prevailing during the first quarter of the year and 4 percent above the third quarter average.

Production of non-durable goods showed a slight advance in October to a level of 173 percent of the 1935-39 average, as compared with a rate of 176 at the beginning of the year. The rise in October reflected mainly increases in activity at cotton mills and in the printing and publishing industry. Cotton consumption in October was 10 percent above the reduced rate prevailing during the third quarter but 10 percent below the rate in October 1946. Newsprint consumption continued to expand and was 16 percent larger than a year ago.

Minerals output advanced somewhat in October, owing to further gains in fuel production and was about 5 percent above the level at the beginning of the year. Most of the rise this year has been due to a 10 percent increase in crude petroleum output.

CONSTRUCTION—Value of construction contract awards, according to the F. W. Dodge Corporation, rose sharply in October following a decline in September and was only slightly below the August peak. Awards for residential building and utility construction showed the largest increase. The Department of Labor estimated that work was begun on 92,000 dwelling units in October, the same number as in September, and 82,000 units were completed as compared with 77,000 in September.

DISTRIBUTION — Department store sales, according to the Board's seasonally adjusted index, were 278 percent of the 1935-39 average in October as compared with 290 in September and an average of 280 during the first three quarters of the year. In the first half of November, sales showed more than the usual seasonal increase and were 11 percent larger than in the corresponding period of 1946.

COMMODITY PRICES—The general level of wholesale commodity prices increased slightly further in October and the early part of November, reflecting advances in industrial commodities. Average price levels for farm products and foods were unchanged, as increases in cotton, cereal products, and fats and oils were offset by declines in prices of livestock products from the advanced levels reached in September.

Retail prices, according to the Consumers' Price Index, advanced 2 percent in September, reflecting a rise of 4 percent in foods, 2 percent in rents, and an average increase of 1 percent in prices of other items. In October, retail prices of foods apparently declined somewhat while prices of various other items continued to advance.

BANK CREDIT—Rapid expansion in commercial and industrial loans continued at banks in leading cities during October and the first half of November. Real Estate and consumer loans also increased further.

Transfer of funds by the Treasury from war loan balances at commercial banks to Treasury accounts at Reserve banks, together with Treasury retirement for cash of government securities held by Reserve banks, resulted in a drain on member bank reserves in late October and again in mid-November. Banks obtained reserves to meet this drain largely through further gold inflows and by selling government securities to the Reserve banks.

INTEREST RATES AND BOND YIELDS—Prices of Treasury bonds declined considerably in October and November, following an earlier decline in corporate bond prices. The yield on the longest 2½ percent issue rose to 2.44 percent, compared with a low point for this year of 2.28. Average rates on Treasury bills have risen gradually since last summer to .94 percent in November. A new 13-month 1⅛ percent Treasury note has been offered in exchange for the ⅞ percent certificates maturing December 1.