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Bankers Have Place in Program

GRASSLAND FARMING

Can Mean More Meat and Dairy Products

THERE can be more meat, butter, milk, and cheese on everyone's table over a period of years if the trend to grassland farming continues.

Since the Ninth Federal Reserve district is predominantly agricultural and produces these commodities in large volume, the new techniques in pasture and forage management are important—not only to farmers but also to bankers and businessmen, who have a stake in farm prosperity.

Grassland farming has significance for the entire district, but it is especially important in the eastern part, where moisture is not such a limiting factor. In this area, particularly, there is much pasture and hay land that could be made more productive by using the new methods.

Designed to use both grass and forage more efficiently, this program can be regarded as one answer to the ever-increasing need for meat and dairy products, but its effects can be more widespread. For one thing, it can result in a tremendous increase in agricultural productivity per acre. It also can add organic matter to the soil, prevent erosion, improve soil tilth, and increase net returns to the farmer over a period of time.

Grassland farming does not mean that the entire farm should be planted to grass and legumes. It does mean, however, that grasses and legumes should receive a much more important place in the crop rotation pattern.

It also means a change in many farmers' concepts of pasture management. In fact, in this program as much care and planning is given to pastures and forage production as is given to grain crop production.

Now that the general purpose of grassland farming is understood, a further analysis, briefly undertaken here, can deal with three aspects: (1) the need for better pastures and forage; (2) some of the procedures and methods involved; and (3) the banker's place in promoting grassland farming in his local community.

More Food Needed

As time marches on there is bound to be an ever-growing need for more meat, butter, milk, eggs, cereals, fruits, and vegetables. However, the number of crop acres in the U. S. cannot be expanded much. Each acre of farm land and each farm animal must therefore produce more to keep up with the rapid population growth.

Meat provides a good example of the problem. The high price of meat is of concern to the consumer and producer alike. It is a result of there not being enough livestock to meet the larger demand for meat. But can farmers expand meat production to meet this demand? It wouldn't seem likely in view of the fact that livestock consumed more feed-grain in 1951 than was produced. Feed-grain reserves had to be used.

One alternative of this problem—not a desirable one—is to reduce livestock numbers in line with existing feed supplies. This means less meat and dairy products over a period of years in the face of a population which has been growing rapidly.

▶Potential increase in total agricultural production lies in better grass and forage management.

▶Grassland farming can reduce costs per unit of output, improve yields, boost income, check soil erosion.

Another alternative—which is desirable—is to get more meat and dairy production out of existing grassland. This is feasible and possible. This is the direction the farmer takes when he adopts the new grassland farming methods.

We tend to forget that pastures and forage provide large percentages of nutrient requirements—two-thirds for dairy cows, three-fourths for beef cattle, and more than nine-tenths for sheep.

Grassland improvement therefore offers a great opportunity to expand the capacity for food output.

Experiments Prove Value Of Grassland Farming

Agricultural experiment stations are just beginning to come up with data indicating the results of high grade forages and pastures in rotations.

Some studies have been made along this line at the University of

Wisconsin, as well as at the USDA experiment station at Huntley, Montana. The University of Minnesota will present some research data next summer from its Rosemount station.

From experimental work already done, it is known that big increases in feed nutrients per acre at relatively low costs of production are possible.

It is reported that at Pennsylvania State agricultural college unimproved pastures produced 1,000 rounds of dry matter per acre. After three years of lime and fertilizer applications, the yield per acre was trebled. When the land was renovated, tilled, fertilized, and reseeded to suitable grass and legume mixtures, the yield was increased six times.

In the Wisconsin experiment, a renovated bluegrass pasture produced three times as much as unrenovated pasture.

In a New Jersey experiment, renovated pastures produced feed nutrients equivalent to 110 bushels of corn per acre.

In a North Carolina experiment, it was reported that 100 pounds of total digestible nutrients from improved pastures cost 58 cents. This compared with the cost of $1.77 for an equal amount of nutrients from corn, and $2.07 from oats.

A study of similar nature at the experiment station at Huntley, Montana, on relative costs of digestible nutrients paralleled the North Carolina findings.

The evidence is already impressive, and it may eventually be conclusive, that good pasture and forage management will produce more total digestible nutrients. This can be achieved at less cost, and with greater returns per man-hour of labor compared with feed rations involving heavy grain supplements.

A further need for grassland farming is indicated by the fact that crop rotations can support a large proportion of legume pastures. This increases soil fertility and organic matter content, and thus increases the yield and value of cash and feed crops that follow.

There is, therefore, real promise and hope in this program that meat and dairy production may be expanded at relatively low costs to meet the growing demand.

Dr. W. W. Myers, director of field crops research for the USDA, has this to say: ". . . grasslands of the U. S. are the greatest potential resource we have for increased production of livestock feed, and hence of meat and dairy products. Grassland improvement . . . is a necessity if we are to provide the feed for the increasing livestock numbers that will be necessary to meet our demands for meat and dairy products in the years ahead."

Program Minimizes Use of Supplements

Dr. W. E. Peterson of University Farm, St. Paul, Minn., an internationally known expert in the field of animal nutrition, has said repeatedly that a cow should be fed concentrates **only** to make up for roughage deficiencies.

Dr. Peterson believes that the rumen type animals (cattle, sheep, and goats) if fed on proper roughages would produce close to the maximum of their inherited potential without supplements of any kind. He states that in New Zealand, where grassland agriculture is practiced on a wide scale, very little if any grain is used in dairy production.

ANNOUNCEMENT

A technical study, "The Development of Bank Debits and Clearings and Their Use in Economic Analysis," by George Garvy, of the Federal Reserve Bank of New York, is now available. You may write to The Federal Reserve Bank of Minneapolis if you desire a copy.

This study combines a statistical review of debits and clearings statistics in the United States with a critical review of their use by economists and monetary analysts to interpret and project economic developments.

The purpose is to provide the basis for better understanding of debits and the velocity of deposits, and hence of the appropriateness of these series for different types of economic analysis.

Pastures should be planted to legume and grass seed mixtures that are adapted to the soil and climatic conditions of a locality. Such mixtures permit a utilization of soil resources at different depths, and hence a dense concentration of grasses and forage occurs above the ground.

Recommendations for typical seed mixtures may be obtained from the local county agricultural agent or from the state agricultural colleges.

Under-grazing Worse Than Over-grazing

Dr. Peterson emphatically declares that one of the biggest mistakes in pasture and forage management is permitting legumes and grasses to develop too far before being utilized. His analysis indicates that once the plant passes a certain stage in its growth, the stems become increasingly "woody," and more or less indigestible.

The all-important secret of good pasture management is to keep the grass grazed down or to clip it for silage or hay in the early stages of plant growth — or before lignin appears in the plant stems. Dr. Peterson stresses that livestock can digest cellulose which is in plant stems in the early growth stages but not lignin, which appears quickly after the budding stage.

Rotation Grazing of Paramount Importance

Full utilization of pastures and forage in the early stages of plant growth presents a problem in management. If cattle are turned out in one big pasture, it is impossible to prevent some areas being over-grazed and some under-grazed.

The answer to this problem is rotational grazing. New Zealand farmers have proved conclusively that such a practice is practical, according to Dr. Peterson in his report on a recent trip to New Zealand.

Briefly, it consists in dividing the pasture into a number of units or subdivisions and pasturing only one unit at a time. Modern electric fencing makes this a fairly easy task. It means moving only one cross fence every few days, and with lightweight, easily placed metallic posts and snap-on

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They Paid Much Higher Taxes, but . . .

BANKS IMPROVED EARNINGS

in the Ninth Reserve District in 1951

LAST year Ninth district member banks reported a bigger take for Uncle Sam than in any previous year —48 per cent more income taxes than in 1950. At the same time they expanded services to customers through more loans and the servicing of more deposit accounts.

Higher gross income and a 7 per cent increase in net profits enabled the banks to perform these services and to pay slightly higher dividends. Also, they bolstered their capital and added to reserves against possible future losses.

This record of noteworthy achievement has been revealed by tabulations of earnings and dividend reports covering 1951 operations submitted to the Federal Reserve Bank of Minneapolis.

The most substantial boost to earnings came from the acceleration of a trend which has prevailed since the end of World War II—namely, an increasing proportion of assets in the form of loans accompanied by a declining proportion of assets in the form of government securities.

Between 1950 and 1951, average monthly loan volume was up 20 per cent while holdings of government securities declined 15 per cent. In terms of dollar change the liquidation of governments was slightly greater than the increase in loans.

In addition to a shift from low-yielding assets to high-yielding assets, the rate of return on **all** types of earning assets increased in 1951.

While loan volume was up 20 per cent, earnings on loans climbed 24 per cent: at the same time holdings of government securities declined 15 per cent, income from government securities was down only 11 per cent.

As a percentage of average loans outstanding*, earnings on loans amounted to 4.75 per cent in 1951 as opposed to 4.60 per cent in 1950. Likewise, the average return on governments was 1.74 per cent in 1951 from 1.65 per cent in 1950.

*Total of loans at end of each month ÷ 12.

Credit Tighter in 1951

The higher return on all types of bank credit in 1951 is one consequence of the reduced availability of credit resulting from the withdrawal of support from the government securities market by the Federal Reserve System. Previously, support purchases had provided the banks with reserves sufficient to permit the supply of bank credit to increase with the demand for it. The price of credit, like the price of anything else, can be expected to respond to shifts which occur in supply and demand.

Data from the Earnings and Dividend Reports of U. S. Member Banks and Ninth District Member Banks

Items	Percentage Change All Member Banks	Percentage Change Ninth District Member Banks
Earnings	+13	+11
On U.S. Govt. securities	— 3	—11
On loans	+24	+24
All other	+ 9	+ 4
Expenses	+11	+ 8
Net Current earnings before income taxes	+16	+16
Recoveries, transfers from reserves, and profits	—32	+ 7
Losses, charge-offs, and transfers to reserves	+ 8	— 6
Profits before income taxes	+ 9	+20
Taxes on net income	+35	+48
Net Profits	— 3	+ 7
Cash dividends declared	+ 8	+10

▶ Member banks in other districts, on the average, reported a decline in profits after taxes.

▶ Increased earnings were chiefly the result of greater loan volume.

▶ Salaries and wages accounted for almost 70 per cent of the increase in expenses.

The total of all current earnings was 11 per cent higher in 1951 than in the preceding year.

All "current expenses" registered advances in 1951. Almost 70 per cent of the increase in total current expenses went for wages and salaries, which accounted for about half of all current expenses.

Although it is of relatively minor importance, the expense item "interest on borrowing" sustained a larger percentage increase than any other item on the earnings and dividends reports. This development is another consequence of the reduced availability of reserves via the government securities market mentioned earlier.

The lower prices and higher yields of government securities have undoubtedly provided a greater inducement for bankers to borrow rather than to sell governments in order to adjust reserve positions. Also, some provisions of the Revenue Act of 1951 enable certain banks to reduce their tax liability by borrowing.

Since current expenses increased by a lesser percentage than current earnings—8 and 10 per cent respectively—net current earnings increased by 16 per cent, or $5½ million dollars.

Uncle Sam Benefited More than Stockholders

Because of the 48 per cent increase in income taxes amounting to $4.8 million, stockholders participated only to a very limited extent in the addition to net current earnings.

Net profits after taxes, that amount which is available for distribution to stockholders or for transfer to capital, amounted to $20.8 million in 1951, up $1.4 million from 1950.

Profits after taxes would have been smaller were it not for a decline in charges to earnings resulting from net losses on securities and loans, net charge-offs, and net transfers to reserves. The most important of these charges arises from the accumulation of bad debt reserves rather than actual losses; that is, debits to the loan loss account are offset by credits to the bad debt reserve rather than to the loan accounts.

Since 1947 the Treasury has permitted banks to charge earnings for amounts transferred to bad debt reserves until such time as the reserves amount to three times the 20-year average annual loss experience. In the years immediately prior to 1947 most banks showed credits resulting from net recoveries.

An increase in losses on securities suggests that the declining bond market was felt at the banks in 1951.

In contrast to an increase in profits after taxes at Ninth district banks, a preliminary tabulation of reports from other districts indicates that banks elsewhere sustained a slight (3 per cent) decline in profits after taxes.

Although the net current earnings of those banks were comparable to Ninth district banks, net profits (earnings after taxes and "non-current" charges) compared unfavorably with banks here because of increased charges for losses, charge-offs, and transfers to reserves at the other banks.

In consequence of these differences, Ninth district member banks paid 48 per cent more income taxes in 1951 as opposed to an increase of 38 per cent nationally. END

SUBSTANTIAL TIME DEPOSITS GAIN MARKS JANUARY BANKING ACTIVITIES

OPERATIONS of Ninth district member banks in January were characterized by a fairly large seasonal withdrawal of deposits which gave rise to the liquidation of assets worth $68 million.

Deposits—Net withdrawals of demand deposits amounted to $86 million between the end of December and the end of January. Offsetting these withdrawals somewhat was the most impressive monthly increase in time deposits recorded in recent years.

Time deposits, up $11 million in January, are at a level now almost equal to the level of mid-1950, when large withdrawals began. Banks in other districts have long since recovered the withdrawals which followed the war scares.

Assets—The largest offset to deposit withdrawals in January was provided by cash and due from banks, which was down by $49 million.

Government security holdings were $15 million less at the end of Jan-

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Assets and Liabilities of Member Banks in the Ninth Federal Reserve District

(In Millions of Dollars)

Item	All Member Banks		City Banks (weekly reporting)		Country Banks (non-weekly reporting)	
	Jan. 30, 1952	Change Since Dec. 26, 1951	Jan. 30, 1952	Change Since Dec. 26, 1951	Jan. 30, 1952	Change Since Dec. 26, 1951
Loans and Discounts	1,218	—11	588	—17	630	+ 6
U. S. Government Obligations	1,434	—15	548	— 5	886	—10
Other Securities	284	+ 6	133	+ 4	151	+ 2
Cash and Due from Banks	899	—49	461	—33	438	—16
Other Assets	35	+ 1	17	+ 1	18	....
Total Assets	3,870	—68	1,747	—50	2,123	—18
Due to Banks	378	—19	333	—11	45	— 8
Other Demand Deposits	2,293	—67	1,039	—40	1,254	—27
Total Demand Deposits	2,671	—86	1,372	—51	1,299	—35
Time Deposits	923	+11	240	+ 2	683	+ 9
Total Deposits	3,594	—75	1,612	—49	1,982	—26
Borrowings	4	....	2	— 1	2	+ 1
Other Liabilities	33	+ 3	23	+ 1	10	+ 2
Capital Funds	239	+ 4	110	— 1	129	+ 5
Total Liabilities and Capital Accounts	3,870	—68	1,747	—50	2,123	—18

Reporting bank data are from balance sheets submitted weekly. Non-reporting bank data are 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 in the process of collection, and data on deposits are largely taken from semi-monthly reports which member banks make to the Federal Reserve bank for the purpose of computing required reserves.

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

1951 CONTRIBUTIONS SIGNIFICANT

Non-Ferrous Metal Mining Important in Ninth District

THE important role the Ninth district plays in supplying agricultural "raw materials" to fill the nation's food needs is well known. It is also common knowledge that ores from the district's Lake Superior mines have long stood first in supplying the steel industry with its most important basic raw material—iron ore.

Perhaps it isn't so well known, however, that Ninth district mines contribute significantly to satisfying national requirements for a number of mineral materials produced on a smaller scale. These metals are gold, silver, copper, lead, and zinc.

Under the heading of "precious and base metals" reported monthly by the Bureau of Mines are production figures which indicate how much and where these metals are produced. The importance of Ninth district states—particularly Montana—in the national production scene is shown by a brief review of 1951's mining activity.

Gold—Two Ninth district states figure in gold production: South Dakota is the country's leading producer, and Montana ranks ninth among the gold-producing states. Gold production throughout the country during 1951 was below that of 1950 by nearly 20 per cent.

South Dakota's output of 29,000 fine ounces was only about half of its 1950 production figure, due primarily to a shortage of underground miners. But the two Ninth district states together produced about 28 per cent of the nation's output of gold during 1951, or more than $18 million worth.

Silver—Nine-tenths of the district's 1951 silver production came from the Butte Hill properties in Montana where lower silver content of the ores reduced output by 8 per cent from the 1950 level.

Montana, which ranks third among the silver-producing states, had a 1951 output of better than 6 million fine ounces, while South Dakota, where silver production is largely incidental to gold production, mined about 140,000 fine ounces.

Altogether, the Ninth district's production during the year was about 16 per cent of the total U. S. output.

Copper—The two main copper-producing centers in the Ninth district—separated by over 1,000 miles—accounted for close to 9 per cent of the country's output of copper last year. Output in Upper Michigan was about 25,000 short tons, while Montana's 56,000 short tons placed it fifth among the copper-producing states. (The leading state, Arizona, mined about 417,000 short tons.)

The Ninth district's gradually declining copper output is expected to get a shot in the arm this year. Commencement of operations at Anaconda's Greater Butte project in April should add several thousand tons to the 1952 production figure for the state.

▶Montana holds position as the leading zinc-producing state in the country.

▶District's copper centers to increase output of critical material.

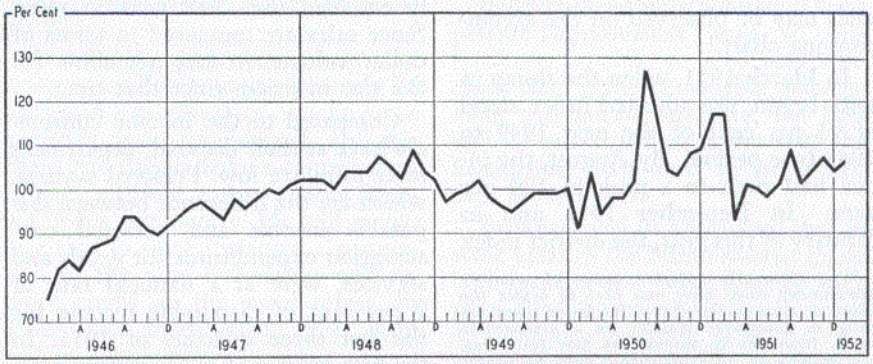
▶South Dakota ranks first in nation in gold production.

The White Pine copper properties in Upper Michigan, to which the RFC granted a $57 million loan last year, should add to production on the peninsula by 1953 or 1954. These properties have an estimated production potential of around 35,000 tons a year.

Lead—The Ninth district's relatively small lead production during 1951 (5 per cent of U. S. output) came solely from Montana, where Anaconda's Butte Hill mines ac-

NINTH DISTRICT DEPARTMENT STORE SALES

(Adjusted for Seasonal Variation 1947-49=100)



THE TREND in department store sales shows a gradual recovery since March 1951. Barring the two periods of concentrated buying following the outbreak of the Korean war, current sales are close to the 1948 peak. (See next page.)

counted for three-quarters of the state's output.

A larger output of zinc-lead ores placed 1951's lead production at about 22,000 short tons — some 11 per cent greater than 1950. (Missouri dominates lead production with around 130,000 tons annually.)

Zinc—The leading zinc-producing state of the United States last year was Montana. Its output of 84,000 short tons last year represented about one-eighth of the nation's total—and told the complete story of zinc production in the Ninth district. END

BUSINESS IN WINTER DOLDRUMS, BUT VOLUME NEAR THAT OF OTHER YEARS

BUSINESS activity in the Ninth district, now in the midst of a winter contraction, compares favorably with that of former winter seasons. Some of the expansion which took place last summer and fall has carried over into the winter months.

Although employment may have reached a low point in January or February, more people are now employed than in the winter of 1951. Average weekly earnings are higher as a result of longer hours and higher hourly rates. Manufacturers have enough contracts, especially subcontracts, to assure a high level of urban employment and income. Although some consumers are using more credit, collections on instalment contracts and charge accounts remain high.

Department Store Sales — In this district sales have made a gradual recovery from the slump which followed the exceptionally high level in January and February 1951, when fears of shortages and of price rises spurred consumer buying. The gradual rise in the level of Ninth district sales may be observed on the accompanying chart.[1]

In March 1951, when the slump in sales began, the adjusted index stood at 93 per cent of the new 1947 to 1949 base period. By August, the index had risen to a peak of 109 per cent. In December 1951 and in January of this year, the district index stood at 104 per cent and 96 per cent respectively of the new base period.

Retailers prefer to measure current sales in terms of a per cent change of last year's dollar volume rather than by an index. On this basis, interpreting current data is difficult. As was pointed out in the previous issue of the Monthly Review, the wide variations in the per cent change figures do not reflect the ups and downs in current sales but in sales of a year ago.

In recent months, the per cent change in sales from a year ago fluctuated widely. For instance, December 1951 department store sales in this district were down only 2 per cent from the December 1950 volume, while January 1952 sales were down 14 per cent from the corresponding month of last year.

In comparison with the postwar level of sales, the current volume is good. Excluding the two periods of concentrated buying following the outbreak of the Korean war, sales in the last quarter of 1951 approximately equalled the 1948 peak in sales. Since sales are measured in terms of dollar volume, it does not allow for the rise in prices since that time.

Compared to the income consumers have at their disposal, department store sales are low. Personal savings, which are the difference between disposable income and personal consumption expenditures for goods and services, were at a national rate of 9 per cent of disposable income for the last three quarters of 1951. In the first quarter of 1951, savings were at a rate of only 4 per cent of disposable income.

The decline in consumer spending is attributed mainly to a tightening of credit which stabilized prices and to consumers having satisfied their wants during two periods of concentrated buying following outbreak of the Korean war.

Instalment Credit—Although consumers, in the aggregate, are saving a larger proportion of their disposable income than at any previous time since the end of World War II, some consumers are using an increasing amount of credit.

Instalment credit has risen each month since Regulation W terms were relaxed in July 1951. In the five-month period ending December 31, the amount outstanding in the nation increased by $585 million. The increase was smaller than in former postwar fall seasons. However, the expansion in credit is significant in view of the contraction in credit during the first seven months of 1951 before the instalment terms were liberalized. In those months, the amount outstanding declined by $557 million.

Financial institutions in this district—commercial banks, industrial loan companies, small loan companies, and credit unions—have extended a larger amount of instalment credit than was repaid on old contracts during the latter half of 1951.

In addition to the rise in instalment credit, more consumers are using charge accounts. In the last five months of 1951, credit outstanding on charge accounts in the nation increased by $844 million. This was a larger increase than in former postwar fall seasons.

Collections — Collection ratios are high. In department and general stores of this district, the amount paid on charge accounts and instalment contracts in December averaged 44 per cent of the total receivables outstanding at the beginning of the month. In furniture stores, collection ratios are lower than in department stores, since the credit on most accounts is extended for longer periods. In these stores in December, collections were 19 per cent of the receivables outstanding at the beginning of the month. In recent interviews, several credit men commented on the small per cent of past due accounts.

Employment — High employment and high wages account for the

[1]The seasonally adjusted index of monthly department store sales was used to depict the trend of sales on the chart. The index measures sales in successive months on a comparable basis. Increases in spring and late fall sales, attributable to seasonal events such as Easter and Christmas, are eliminated. Likewise, the slump in summer sales, attributable to the concentration of vacations in these months, is eliminated. With annually recurring ups and downs in monthly sales excluded from the figures, the trend in sales is revealed more clearly.

good collection rate which has been experienced by retail units during the winter season. In Minnesota, employment in December 1951 was 1.2 per cent above the December 1950 total, according to the state division of employment and security.

In Montana, employment at the beginning of this winter fell below last year's figure, but the state employment service reported that the number of unemployed was smaller than at the same period last year and two years ago.

The migration of workers to defense jobs in other states accounted for the smaller seasonal unemployment. In Wisconsin, the seasonal trend was reversed; more labor was employed in December 1951 than in either November or October. On the Upper Peninsula of Michigan, seasonal unemployment has been low because of the migration of labor to the industrial centers in lower Michigan and Wisconsin.

Average Weekly Earnings — At Minnesota manufacturing concerns in the last quarter of 1951, average weekly earnings of employees increased rapidly and surpassed the national average of $67.36 in December. In October, factory employee earnings in Minnesota averaged $66.42 per week, and $68.78 in December. In Montana, factory earnings during this defense period have been continuously above the national average.

Growth of defense work in this district was slow as compared with that in the more industrialized areas. However, manufacturers now have enough contracts, especially subcontracts, to assure a high level of employment during the winter season. END

IMPROVED EARNINGS

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uary, which was the first month since June of last year that such holdings have not increased. City banks report that certificates and notes account for most of the liquidation there; no breakdown is available for the country banks, which report $10 million less government obligations.

The trend in holdings of governments is ordinarily roughly tied to the trend in deposits which is now declining seasonally and which had been rising seasonally.

Loans, which were up slightly at the country banks, declined by $17 million at the city banks. Almost all of the decline reported at the city banks was in the commercial, industrial, and agricultural category.

In contrast to the declines or slight increases reported by most district member banks, loans at Montana member banks registered a conspicuous 8 per cent increase.

A decline in required reserves was accompanied by a slight increase in reserve deposits at the Federal Reserve bank, thereby improving average reserve positions somewhat. END

GRASSLAND FARMING

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fasteners, labor is reduced to a minimum.

The secret of success is to utilize completely the grass in one small area at a time and to return again to the first unit when the grasses are six or eight inches high, or just at or before the "bud" stage appears.

The pasture units that are not needed for grazing in the spring or early summer may be clipped for silage or hay. Later in the summer as plant growth is slowed, all areas may be needed in the rotational grazing cycle.

The point is that the cows will be up to their eyes in clover from spring until late fall. The pay-off is a "full milk pail" throughout the lactation period at relatively low costs.

Soil Fertility Has Role

Pasture land can be starved for plant nutrients the same as crop land. When pastures are properly fertilized, vegetative growth is promoted. When this happens the flowering process is delayed, and hence there is a longer period during which the pasture may be utilized.

Another advantage that soil fertilization and heavy plant growth have is that cows travel only short distances to fill feed requirements.

Credit Needed in Shift To Grassland Farming

A change to new grassland farming techniques cannot be accomplished without some capital expenditures. Credit will be needed in some cases.

The banker who understands how grasses and forage may effectively be used is in a position not only to make a better loan for himself and his client but also to make a contribution to more efficient and profitable farming in his community. He will recognize that in some instances a conversion to the new techniques will require credit on the usual terms. In other cases, intermediate type credit will be a necessity.

In other words, the banker who understands the underlying purposes of grassland farming will set up repayment schedules to match the increased financial returns over a period of years. He will "go along" with the farmer in his shift to a grassland type of farming.

Bankers faced with a demand for a pasture-improvement loan to buy fertilizer, fencing, or seed may conclude that, given reasonable management and normal weather, the loan will be self-liquidating, but that the liquidation may need to be spaced over several years.

Bankers need to appreciate that in some areas of the Ninth district grassland farming may come fast. To keep pace, they may need to re-tailor part of their loan program to fit the new requirements. Over the long run it should pay good dividends to understand the program and assist in its development. END

NATIONAL SUMMARY OF BUSINESS CONDITIONS

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, FEB. 29, 1952

● INDUSTRIAL and construction activity and retail sales continued to change little in January and February. The average level of wholesale prices decreased, reflecting marked declines in basic commodities. Bank loans were reduced owing mainly to decreases in loans for non-defense business purposes.

Industrial Production—Output at factories and mines in January, as measured by the Board's seasonally adjusted index, was 219 per cent of the 1935-39 average—little changed from the level of recent months and slightly below a year ago. Durable goods production was maintained at a level 5 per cent higher than a year ago, while output of nondurable goods continued about 6 per cent below the early 1951 record rate.

Activity in most munitions and producers equipment lines showed little change in January after increasing steadily in other recent months. Passenger auto assembly was curtailed further, owing in large part to additional model changeovers, but showed a substantial rise in February. Production of household durable goods rose somewhat in January, reflecting increased television output. Nonferrous metals production rose further to a new postwar high, owing mainly to expansion of aluminum capacity and output. Steel production changed little from December to January and in February was scheduled at a new record rate.

Nondurable goods output in January was at about the October-November rate after a slight dip in December. Changes in the index of nondurable goods production over this period reflected mainly fluctuations in the textile, leather, and paper industries. Petroleum refining and output of chemicals and rubber products were maintained in large volume. Meat production in January was close to year-ago levels. During the first three weeks of February, output of pork showed much less than the usual seasonal decline and was substantially larger than a year earlier.

Employment—Employment in nonagricultural industries, after adjustment for seasonal variation, continued in January at 46.5 million. Average weekly hours of work at factories, which rose considerably in December, declined again to a level only slightly above other recent months, while average hourly earnings changed little. Unemployment was reported at 2.1 million in early January, up 400,000 from the preceding month, owing mainly to seasonal curtailment of construction and other outdoor activities, but 450,000 below a year ago.

Construction—Value of construction contract awards in January was somewhat smaller than in other recent months, despite a slight increase in public works and utilities and a sustained volume of industrial awards, and was substantially below the year-ago total. January housing starts totalled 68,000 as compared with 62,000 in December and with 86,000 a year ago.

Distribution — Seasonally adjusted sales at department stores in January and the first half of February remained close to the December level. Retail sales of durable goods, seasonally adjusted, in January were generally above the reduced December level. Stocks held by department stores at the end of January were estimated to be little changed from December. Stocks of men's clothing and of some consumer durables remained somewhat high in relation to sales of these items.

Commodity Prices — The general level of wholesale prices declined moderately in February, reflecting continued weakness in the markets for basic commodities. The most marked declines were in prices of textiles and other materials used by the nondurable goods industries, but prices of scrap metals also eased. Livestock prices weakened further and were considerably below the peak year-ago levels as marketings, particularly of hogs, showed a much less than seasonal decrease. Wholesale prices of most metal products, on the other hand, continued at ceilings.

The consumers price index was unchanged in January as further declines in prices of apparel and house-furnishings were offset by increases in rents and miscellaneous services. Since mid-January, retail prices of foods have shown some declines, while prices of passenger automobiles have been raised.

Money and Bank Credit—Total loans at banks declined in January and early February, owing largely to a decrease in loans to business. Loans for commodity transactions and most other non-defense business purposes were sharply reduced while loans for defense and defense-supporting activities continued to increase substantially.

Member bank reserve positions were easy during most of January but tightened somewhat near month-end and in the first three weeks of February. A post-Christmas return flow of currency and a further gold inflow supplied reserves to member banks, while an increase in Treasury deposits at the Reserve banks and a substantial reduction in Federal Reserve holdings of government securities absorbed reserves.

Security Markets—Common stock prices declined moderately during the first two weeks of February and dropped more sharply during the third week.

Yields on short-term government securities declined slightly during the first three weeks of February, while yields on intermediate-term issues rose somewhat in anticipation of an increase in the supply of securities to be made available to this sector of the market through the Treasury offering of new issues announced on February 13.