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SPECIAL ARTICLE

Farm Outlook for 1946 Reported Good

THE "Go" signal has been given farmers to produce almost to the limit again in 1946, according to U. S. Department of Agriculture reports. Recently announced total production goals for 1946 are almost as large as for 1945. If the weather man smiles on us again in the Northwest as he has for several years past, it looks like another prosperous year ahead.

It takes full farm production plus favorable prices to make high cash farm income. Prices of farm products in 1945 averaged nearly double the prewar 1935-1939 average. A recent Department of Agriculture report states that farm product prices in 1946 may be slightly below 1945 record levels but high enough to assure farmers a net income double the prewar average and higher than any year prior to 1943.

During 1945 approximately 80 percent of total food production was taken by civilians, 9 percent went to the military and 11 percent was lend-leased or exported. In 1946, civilians will get a larger share as military needs are reduced, but there is a desperate need in many war ravaged countries for relief feeding, particularly during the first half of 1946 or until agricultural production in these countries can be rehabilitated.

In announcing food needs for 1946, the Secretary of Agriculture stressed that there was a need for continued high production of many farm commodities while shifts to peacetime levels for others were desirable. Some of the recommended food production goals in 1946 were as follows:

Dairy Products: A continued high level of production was requested with some shift from the production of dried milk to the production of butter and cheese and other dairy products.

Poultry and eggs: Since more red meat would be available, it was suggested that farmers should reduce poultry and egg production 15 to 18 percent below 1945 levels. A surplus of eggs was predicted in the spring of 1946, unless exports were stepped up.

Wheat: There is a need for another record billion bushel wheat crop in 1946, since the demand for wheat for relief feeding is expected to be large. Overproduction of wheat in 1947 and 1948 is a possibility unless wheat exports greatly exceed the level of prewar years.

Population Growth, Greater Exports, and Expansion in Per Capita Food Consumption Expected to Take Up Increased Agricultural Production

Feed grains: The need for corn, barley, oats, and grain sorghums is expected to equal or exceed that of 1945, therefore acreage goals are increased slightly from those of last year. The carry-over of grain feeds at the end of the present feeding season is expected to be less than it was for the prewar average.

Cattle, hogs, and sheep: The production needs are about the same as in 1945. Meat requirements by the military and for exports will probably be substantially below the 1945 total of 6 billion pounds but above prewar levels. Civilians are expected to eat more meat in 1946—about 150 pounds per capita compared with 126 pounds for the 1935-1939 average.

The Bureau of Agricultural Economics estimates that, at the prospective level of consumer expenditures in 1946, the meat supply will be about in balance with demand at 1945 retail price levels. This doesn't preclude the possibility, however, of sharp seasonal swings in prices as supplies change. A drought in the summer of 1946 would most likely result in a heavy run of livestock to market.

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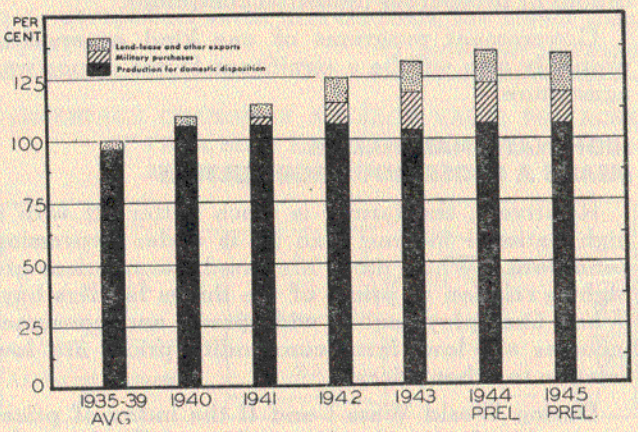
CHANGES IN TOTAL FOOD PRODUCTION, AND PROPORTION TAKEN FOR MILITARY AND LEND-LEASE[1]



[1] Data from United States Department of Agriculture

Flaxseed: The demand for this product will be high in 1946 and the production goal is slightly above 1945. The supply of flaxseed and other oil bearing crops may be more plentiful by 1947 with favorable prospects for additional supplies from world sources.

AGRICULTURAL PRODUCTION UP SHARPLY FROM PREWAR

Total food production in recent years is up about a third from the prewar five-year average, 1935-1939. This record food production has been accomplished in spite of a sharp reduction in number of people on farms and material shortages. We may well examine how this record production was achieved and its significance to the period ahead of us.

First of all, we have been blessed for several years with excellent weather conditions. This has been particularly significant in this district. For the country as a whole, however, not more than a third of the increased production may be attributed to weather. Increased farm mechanization, greater use of fertilizers, improved crop varieties, better soil conservation and production methods, and some increase in crop acres, have all played a part in increased production.

These factors also are expected to become increasingly important in the years ahead. The plant and animal scientists and other agricultural experts are ever working to increase the productivity and efficiency of agriculture. Even with average weather conditions, total agricultural production in the years immediately ahead may be a fourth to one-third above prewar levels.

How can this increased food supply be moved at satisfactory prices when the demand for farm products is no longer heavily influenced by military purchases, lend-lease, and relief shipments?

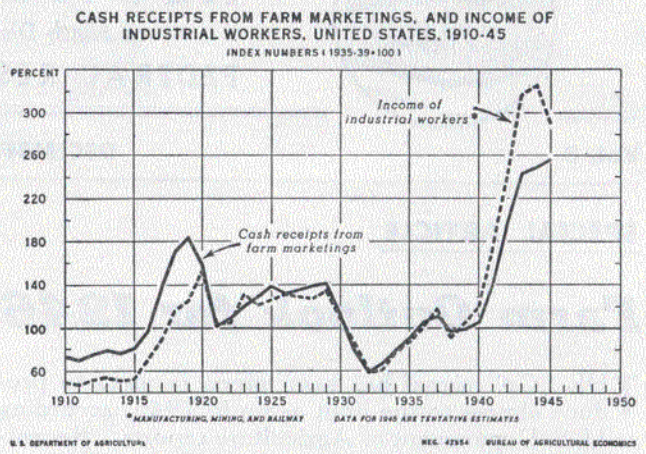
Three developments will help to provide a demand for this added production: a substantial growth in population from prewar levels (up about 9 million since January 1, 1939); an expected increase in agricultural exports from the level of the 30's; and increased per capita food consumption under conditions of prosperous industrial conditions.

Government programs of one kind or another probably also will be a significant factor in postwar agriculture.

HIGH NATIONAL INCOME MEANS A PROSPEROUS AGRICULTURE

Relatively, the farmer is much better off with a high national income than he is under depression conditions. When times are good, farm prices are high in relation to prices of the things farmers buy. When unemployment is widespread and consumer incomes are low, farm commodity prices are low relative to other prices.

During World Wars I and II the index of prices received by farmers has been substantially above the



index of prices paid for things farmers buy. These two price indexes were fairly close together in the late 1920's, when business activity and employment were at high levels.

In the depression of the early 1930's, however, the index of prices received by farmers was about 70 percent of the base period, 1910-1914=100. At the same time, prices paid by farmers for things used in their operations were 120 percent of the base period.

Agriculture's Stake in Full Employment*

National Income	1944	Full Employment	Intermediate Employment	Depression
(In mil.)	$155,000	$150,000	$105,000	$57,500
Cash Farm Inc. (In mil.)	20,500	17,000	12,500	6,500
Agr. Production [1]	134	135	130	120
Prices Received by Farmers [2]	196	165	125	75
Prices Paid by Farmers [2]	170	165	140	120
Parity Ratio	115	100	89	62

[1] 1935-1939 = 100
[2] 1909-1914 = 100

*Data from Bureau of Agricultural Economics, U.S.D.A.

At the present time, December 1945, farm commodity prices are more than double the 1910-1914 base while prices paid by farmers are only 175 percent of the base period. Agricultural prices are now at 117 percent of parity compared with only 84 percent of parity in the prewar 1935-1939 period. It has been estimated by Department of Agriculture officials that under conditions of full employment the ratio of prices received by farmers to prices paid might be expected in normal production years to be at or near 100 percent or at full parity levels. Under conditions of depression, with say 15 million people unemployed such as we had in 1932, the parity ratio might be as low as 62 (see table). Agriculture does have a stake in full employment and the incomes of industrial workers.

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AGRICULTURE

Land Values Up, Farm Income at New High

LAND value increases reflect war years of high prices and favorable farm income. Montana shows sharpest increase, Dakotas the least.

Farm product prices up slightly—117 percent of parity.

Food demand high in early 1946.

Cash farm income in 1945 promises to be 2 to 4 percent above 1944.

Continued high rate of farm marketings seen during early 1946.

FARM real estate values in the Ninth District have continued to advance through 1945. Land values in the Dakotas on November 1, 1945, were 23 percent above the pre-war 1935-1939 average and about 5 percent up from March 1, 1945.

Land values in Montana have advanced more than in any other state in the district—82 percent up from the pre-war period and 14 percent up from last March.

The increase since pre-war in land prices in Montana is larger than for the United States as a whole.

In other sections of the district the increase has been less than for the country as a whole, but there has been a tendency for increased land activity in recent months.

The volume of voluntary sales of farms apparently is increasing. The volume of recorded voluntary sales in the United States has been greater since March, 1945, than it was a year earlier, according to a recent report from the United States Department of Agriculture. Activity has been particularly noticeable since July 1, compared with the previous year.

Federal land banks, life insurance companies and other corporations that acquired farms during the depression have just about sold out their relatively extensive holdings. This means that individual farmers are now the principal sellers. It also means that the supply of farms for sale may be curtailed except at higher prices.

Reports to the Department of Agriculture state that returning veterans have started purchasing farms and that some purchases have been made by farmers buying land for sons returning from military service.

About half of all land transfers have been for cash during the last two years, according to data from the Department of Agriculture, but on farms that are credit financed the proportion of debt to equity is high in many cases. It has been estimated that a current debt of 64 percent or more of present average values would equal or exceed average land values prevailing in 1941.

Increases in land prices during the recent war have closely paralleled the trend of land values during World War I, but at a lower level if the 1912-1914 period is used as a base.

After World War I, land prices continued to advance until about March, 1920. In fact, the sharpest increases in the World War I period occurred during 1919, the first post-war year.

The disastrous deflation in land values during the early 1920's is still so vivid in people's minds that many believe land values in 1946, the first post-war year, will advance only moderately. The Department of Agriculture has forecast that, for the country as a whole, land values may increase approximately 5 to 10 percent. Such an increase would be far less than the increase following World War I.

Another factor that will tend to hold land values within reasonable levels is the tremendous educational effort on the part of the Department of Agriculture, agricultural colleges, bankers and others in warning prospective buyers of inflated values.

On the other hand, there are several factors working toward further land price increase. These may be listed briefly as follows:

- Favorable farm prices and high production for several years past.
- Government price support program for the next three years at least.
- Plenty of credit at relatively low interest rates.
- Accumulated savings in cash and bonds.
- Relatively few farms for sale except at higher prices.

Prices received by farmers in the Ninth District advanced slightly in recent weeks. The general farm commodity price level for the United States advanced from 199 to 205 percent of the 1909-1914 average from mid-October to mid-November. A year ago the price index was 196. Most farm products, except beef cattle and chickens, are higher than a year ago.

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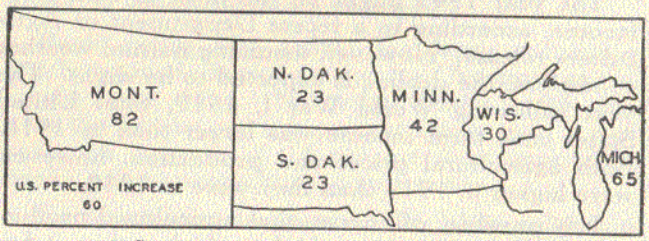
PERCENTAGE CHANGE IN AVERAGE VALUE PER ACRE OF FARM REAL ESTATE FROM 1935-39 AVERAGE TO NOVEMBER, 1945



Source: U. S. Department of Agriculture

The demand for farm products is likely to continue at nearly its present high level through the winter, states a recent release from the Bureau of Agricultural Economics. Reduced income tax rates and a tendency to reduce to some extent the rate of saving from high wartime levels will offset to some extent expected reductions in non-agricultural income payments.

There is some indication that per capita food consumption may be even larger in 1946 than it was in 1945 as veterans return to civilian life and with food rationing a thing of the past. Some observers also think that food expenditures will remain high in 1946 because people have purchasing power and many consumer goods will not be available.

Another thing that will tend to maintain farm prices will be large shipments of food to Europe and other war ravaged countries during the next several months. This may offset, in part at least, the decline in military purchases.

Prices of most crops continue slightly below parity levels, as of November 15, with most livestock and livestock product prices above parity. For the United States as a whole, wheat, corn, oats, and barley prices were 99, 99, 97, and 97 percent of parity respectively. Hogs and beef cattle, on the other hand, were 112 and 120 percent of parity. Milk and chickens were 109 and 120 percent of parity with eggs at parity.

When prices received by farmers are compared with prices paid by farmers for products used in family living and farming operations, the ratio in mid-November was 117. This may be compared with 115 a year ago and 84 for the pre-war five-year average of 1935-1939. This so-called parity ratio was below 100 during practically all of the 1920's and 1930's.

Cash farm income in the Ninth District during the first nine months of the year was 104 percent of a similar period a year earlier and almost three times the pre-war five-year average, 1935-1939.

Record crop production and large numbers of livestock on farms, coupled with high prices, indicates that when farm income data for 1945 are finally tabulated, it will be a new high record.

Farm income during the early months of 1946 should be favorable as the Department of Agriculture forecasts about the same level of prices. Marketings should continue large, as there are indications many farmers have delayed selling some of their grain until 1946 for income tax and other reasons.

The year 1945 might be the peak in cash farm income, according to a recent Department of Agriculture release. However, assuming normal weather conditions, the decline is expected to be slight. The year following World War I, 1919, total United States cash farm income was larger than in 1918. Both agricultural prices and production, however, were higher in 1919 than they were in 1918.

It is possible, of course, that agricultural production in 1946 may be as high or higher than it has been in 1945. There seems to be a general feeling, however, that the weatherman has been unusually kind to us during the war years, and that to expect a continuation of such favorable conditions would be highly optimistic. Then, too, farm commodity prices are at or near ceiling levels and unless price controls are removed, the agricultural price level should be no higher than it has been in 1945. The Department of Agriculture has estimated a slight price decline in 1946.*

Even if price control is eliminated on agricultural commodities by mid-1946, it should be remembered that there has been a tremendous reduction in demand for farm products from the military and lend-lease. Agricultural exports as a total or partial offset to military and lend-lease requirements are as yet most uncertain.

The farmer has been in a favorable position during the war years. Crops have been good and prices rose faster and higher than production expenses. As a result the realized net farm income has been favorable. This is a usual phenomenon on sharp upswings of the business cycle.

When prices level off or decline, farm production expenses tend to catch up and net farm income is relatively less favorable. On the downswing of the cycle, agricultural prices in the past have tended to drop more sharply and further, compared with production expenses.

Average Prices Received by Farmers[1]

Commodity and Unit	Ninth District Nov. 15, 1937-1941 Avg.	Ninth District Nov. 15, 1944	Ninth District Nov. 15, 1945	Parity Prices[2] United States Nov. 15, 1945
Crops				
Wheat, bushel	$0.70	$1.39	$1.50	$1.55
Corn, bushel	.42	.90	.98	1.12
Oats, bushel	.26	.54	.63	.698
Potatoes, bushel	.44	1.21	.96	1.28
Livestock and Livestock Products				
Hogs, 100 lbs.	7.15	13.45	13.95	12.70
Beef Cattle, 100 lbs.	7.22	10.97	10.27	9.48
Veal Calves, 100 lbs.	8.69	12.63	13.00	11.80
Lambs, 100 lbs.	7.99	11.47	12.57	10.30
Wool, lb.	.27	.44	.44	.32
Milk, wholesale, 100 lbs.	1.73	2.77	2.77	3.08
Butterfat, lb.	.33	.52	.52	.489
Chickens, live, lb.	.119	.215	.209	.20
Eggs, dozen	.253	.366	.40	.47

[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.

January-September Cash Farm Income[1]

(Thousand of Dollars)

State	1935-1939 Average	1944	1945	1945 in Percent of 1944
Minnesota	247,481	599,074	605,345	101%
No. Dakota	77,025	261,185	288,595	110
So. Dakota	77,530	259,002	267,850	103
Montana	57,857	147,444	151,756	103
Ninth Dist.[2]	516,913	1,403,399	1,458,636	104
United States	5,684,905	14,507,000	14,907,000	103

[1] Data from "The Farm Income Situation," United States Department of Agriculture.

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

*See the special article on page 283 for a further analysis of the 1946 agricultural outlook.

BUSINESS

Retail Sales Go to Record Levels

BUSINESS activity in the Ninth Federal Reserve District continues at a brisk tempo. Christmas buying was at a record volume. The decline in employment and the greater decrease in income, due to the elimination of over-time pay, apparently have been offset by other factors which have maintained business volume.

Department store sales for the four weeks ending December 15 were 14 percent above a year ago. This percentage is based on the weekly sales reported by stores in Duluth, Minneapolis, St. Paul, and Superior.

As measured by the increase over a year ago, the sales in this district have risen more than the total for the nation. For the four weeks ending December 8, sales in this region exceeded those of a year ago by 12 percent, whereas the total sales in the nation were only 9 percent larger.

November sales over the district were 18 percent larger on the basis of November 1944. The rise in dollar receipts was quite uniform among the states. The stores in Montana reported the largest increase of 21 percent, and the stores in North Dakota reported the smallest increase of 14 per cent.

Greater variation occurred in the increase in sales over a year ago among the areas within the states. Stores on the Upper Peninsula of Michigan reported an increase of 28 percent, while the stores in the northwestern part of North Dakota reported an increase of only 3 percent.

DEPARTMENT store sales set a new record. Sales for the four weeks ending December 15 are 14 percent higher than a year ago.

Furniture store sales have risen sharply. Sales are about one-third higher than last year.

Reconversion is a time-consuming process. Durable consumer goods in large volume will not appear on the market for a few months.

Sales at Department Stores

	Number of Stores Showing Increase	Number of Stores Showing Decrease	% Nov., 1945 of Nov., 1944	% Jan.-Nov., 1945 of Jan.-Nov., 1944
Total District	225	32	118	114
Mpls., St. Paul, Dul.-Sup.	19	2	119	116
Country Stores	206	30	116	110
Minnesota	57	9	116	111
Central	6	1	115	120
Northeastern	3	1	108	95
Red River Valley	5	0	120	110
South Central	15	3	113	115
Southeastern	10	2	119	105
Southwestern	18	2	116	111
Montana	29	3	121	115
Mountains	7	1	126	115
Plains	22	2	118	115
North Dakota	41	3	114	111
North Central	9	0	110	101
Northwestern	3	0	103	113
Red River Valley	15	2	116	112
Southeastern	12	1	116	110
Southwestern	*	*	.....	.....
Red Riv. Val.-Minn. & N.D.	20	2	117	112
South Dakota	36	6	118	111
Southeastern	9	2	119	112
Other Eastern	20	2	120	112
Western	7	2	108	108
Wisconsin and Michigan	43	9	114	104
Northern Wisconsin	11	3	114	106
West Central Wisconsin	25	6	111	102
Upper Peninsula Mich.	7	0	128	120

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

The index of department store sales in the district for November was 222 percent of the 1935-39 average. This is significantly higher than at any other time during the war period. The previous high point was recorded for February of this year when the index stood at 208 percent of the prewar base.

As compared with the prewar five-year average, the sales in city stores—that is, the stores in Duluth, Minneapolis, St. Paul, and Superior—have increased decidedly more than the sales in stores located in the other cities and towns over the district. The city store preliminary index for November is 246 percent of the prewar average and the country store preliminary index is 196 percent of the former average. The differential between the two indexes represents a 25 percent larger expansion in the dollar receipts of city stores as compared with those of country stores.

Department store stocks at the end of November were 2 percent larger in value than a year ago. Since retail prices over the same period rose between 2 and 3 percent, one may infer that the physical volume of stocks at the end of November was about equal to those of a year ago.

Stocks, however, were poorly balanced among the departments. Stocks of men's clothing at the end of October were only 68 percent of those of the corresponding date in 1944. Stocks of piece goods were one-fourth lower than a year ago.

Furniture stores have reported a large increase in sales over a year ago. October dollar receipts over the district were 34 percent larger than in 1944. Minneapolis stores reported the largest increase of 41 percent.

Preliminary figures from Minneapolis furniture stores indicate that November sales were running about 32 percent above a year ago.

Bank debits also reflect the large volume of purchases made in preparation for Christmas as well as the bond drive. November debits in 93 cities over the district were 6 percent larger than a year ago. An increase of 14 percent was reported by banks serving agricultural communities.

Reconversion: In spite of the large volume of

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SPECIAL ARTICLE (From Page 284)

PRICE SUPPORT PROGRAMS MAY PREVENT SHARP PRICE DECLINES

Government price support guarantees may be an important factor in the farm outlook for the next three years. Congress has passed legislation which states that the so-called Steagall and basic commodities shall be supported at not less than 90 percent of parity (cotton at 92½ percent) . . . "until two years after the January 1 following the date on which the President or the Congress shall have proclaimed hostilities to have ended."

The basic commodities are corn, wheat, cotton, rice, tobacco, and peanuts for nuts. The Steagall commodities are hogs, eggs, chickens (excluding chickens weighing less than three pounds liveweight and all broilers), turkeys, milk and butterfat, specified varieties of dry peas and dry edible beans, soybeans and peanuts for oil, flaxseed for oil, American Egyptian cotton, and potatoes and sweet potatoes (when properly cured). This list covers about two-thirds of total agricultural production.

Important farm commodities produced in this district and not specifically covered by price support legislation include cattle, sheep and lambs, and some of the feed grains.

Farm Commodity Prices — Actual and Parity[1]

Commodity	Actual Price November 15, 1945	Parity Price November 15, 1945	Guaranteed Price 90% of Parity [2]	Actual Price As a Percent of Parity
Wheat, bushel	$ 1.53	$ 1.55	$ 1.40	99
Corn, bushel	1.11	1.12	1.01	99
Oats, bushel	.679	.698	[3]	97
Barley, bushel	1.05	1.08	[3]	97
Hay, ton	14.90	20.80	[3]	72
Flaxseed, bushel	2.89	2.96	2.66	98
Potatoes, bushel	1.31	1.28	1.15	102
Hogs, 100 lbs.	14.20	12.70	11.43	112
Beef Cattle, 100 lbs.	11.40	9.48	[3]	120
Veal Calves, 100 lbs.	13.40	11.80	[3]	114
Lambs, 100 lbs.	12.80	10.30	[3]	124
Wool, lb.	.412	.32	.29	129
Butterfat, lb.	.503	.489	.440	103
Milk, wholesale, 100 lbs.	3.35	3.08	2.77	109
Chickens, live, lb.	.239	.20	.18	120
Turkeys, live, lb.	.33	.252	.227	131
Eggs, dozen	.471	.47	.42	100

[1] Price data from United States Department of Agriculture.
[2] These prices fluctuate as parity changes.
[3] Not covered by specific price guarantees.

There is considerable discussion as to the methods that may be used in meeting the price guarantees should it become necessary. There are several alternatives which may be resorted to in the event farm prices dip to the support levels.

One alternative would be a return to acreage controls or production quotas. This method was used on some crops before the war.

Another alternative might be to devise programs to maintain or increase consumption of food. Such a plan might involve an expanded school lunch program, a food allotment program, or some other plan to insure proper nutritive diets to people, particularly those in the low income groups.

Still another alternative might be to increase foreign trade in such a way that price depressing surpluses will not develop. Although too early to say definitely, there are indications that foreign trade in the postwar period may be more of a market factor than it was during the period of the 1930's.

From Secretary Anderson's recent speeches it is evident that he favors a full production program for agriculture in the postwar period. This probably means a shift in emphasis to expanded food consumption plans or possibly expanded exports. Other high officials in the United States Department of Agriculture have also recently gone on record as favoring programs to expand food consumption as one way of keeping farm prices at favorable levels.

One speaker at the Agricultural Outlook Conference at Washington, D. C., in early December said that, in his judgment, under conditions of full employment most agricultural prices would be at favorable parity levels. He mentioned that if people have relatively high incomes they may eat 18 percent more food compared with prewar. This, together with an expanding population and larger exports, could easily absorb the expected increase in overall farm production in the next several years. However, he stated if we don't have full employment, the agricultural picture is not so bright.

It should be observed from the above table of actual farm prices and their relationship to parity that wheat and the feed grains are below parity levels at the present time. Support action would, therefore, become necessary if prices of wheat and corn dropped 10 to 15 cents per bushel from present prices.

Livestock and livestock products, on the other hand, with the exception of eggs, are above the parity level and prices could decline to a considerable extent for many of these commodities before support measures would become necessary.

One important question has been raised (but so far unanswered). Does the 90 percent parity price guarantee apply to the average price for the year or does it mean that prices at no time should be allowed to decline below this level? The legislation is not clear on this point and there has developed a sharp difference of opinion on this issue between the Department of Agriculture officials and certain congressional and farm leaders.

FARMERS' FINANCIAL POSITION BEST IN HISTORY

During and following World War I, farmers' debts rapidly increased. By 1923 farm mortgage debt was about triple the prewar level.

During this last war, farmers generally have sharply reduced their mortgage indebtedness—until on January 1, 1945, it was the lowest in 30 years. This trend has evidently continued during 1945. The trend in 1946 is questionable but barring a runaway land inflationary spree, any increase in indebtedness should be moderate.

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Agriculture has increased from an industry with total assets of 53 billion dollars to one with total assets of 90 billion dollars during the five years ended January 1, 1945, according to data from the Bureau of Agricultural Economics. A doubling of prices as well as increased farm production has been responsible for the increase.

It is estimated that financial assets such as currency, deposits, and war bonds increased from an estimated 5 billion dollars on January 1, 1940, to nearly 17 billion dollars on January 1, 1945. In the same period, farm mortgage debts were decreased about 1⅓ billion dollars. The decline in farm mortgage indebtedness in this district has been more pronounced than it has been for the country as a whole, particularly in the wheat producing areas.

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BANKING

Victory Loan Colors Financial Picture

THE results of the Victory Loan campaign program are clearly evident in the banking statistics during the last month.

At the 20 reporting city banks, deposits of the federal government, almost entirely in war loan accounts, by December 12 had expanded to $394 million and accounted for 23 percent of all deposits at these banks. During the month ending December 12, war loan accounts at these banks had expanded $228 million. Part of this increase occurred at the expense of other deposits, which declined from $926 million in mid-November to $872 million four weeks later.

This type of shift is a regular feature of deposit movements at this stage of a loan campaign, when individuals and businesses, by purchasing securities, are drawing down their own balances. The Treasury's deposit balance in war loan accounts is built up accordingly.

Since the net reduction in deposits (other than in war loan accounts) was only $54 million, and war loan balances expanded $228 million, a large part of the latter increase must be explained elsewhere. About $48 million more has arisen indirectly from an expansion in loans to brokers and dealers in securities (which increased by $3 million) and loans to others for carrying securities (which expanded by $45 million during the month).

The great bulk of this increase occurred during the week ending December 5, with a smaller but substantial addition the following week. These developments are quite consistent with those in previous loan campaigns.

The remainder of the funds came directly or indirectly from a flow of funds into the district and an expansion of government security holdings. Holdings of U. S. Treasury bills doubled from November 14 to mid-December. An expansion was to be expected as the transfer of funds to reserve-free war loan accounts put the banks in possession of temporarily free funds. An additional $35 million of certificates of indebtedness pushed investments in these securities up to $209 million.

Holdings of other government securities (U. S. Treasury notes and bonds) exhibited the largest dollar increase, rising from $763 million in mid-November to $829 million a month later, an expansion of $66 million.

SUMMARY

WAR Loan deposits at city banks rise to $394 million and account for 23 percent of their deposits.

Loans for carrying securities triple during the month.

Minnesota accounts for half of $65 million expansion in country bank deposits. Montana and North Dakota account for most of the remaining country bank deposit expansion in the district.

Commercial, industrial, and agricultural loans fell off $4 million, and miscellaneous other loans (excepting those for carrying securities already discussed) held about even.

Borrowings by mid-December had been completely wiped out, further evidence of the easier reserve position which the banks were enjoying.

Deposits at country banks continued the strong upward trend, expanding another $65 million to average $1,598 million during the last two weeks in November. Minnesota country banks accounted for just under 50 percent of the increase, rising $29 million to $627 million during the last half of November. Montana country banks were second, accounting for $14 million of the increase; and North Dakota was just behind with $12 million.

Of the total deposit increase, $14 million was accounted for by expanded time deposits and $51 million by demand balances. Earning assets of these banks averaged $25 million above October and $227 million above the previous year.

Daily Average Reserve Position for All Ninth District Member Banks for the 15-Day Period Ending November 30, 1945

Type of Bank	Average Reserves Carried (000)	Average Reserves Required (000)	Average Excess Reserves (000)
Reserve City Banks	$179,159	$176,028	$ 3,131
Other City Banks	29,561	24,661	4,900
Total City Banks	208,720	200,689	8,031
Total Country Banks	179,096	137,554	41,542
Total Ninth District—1945	387,816	338,243	49,573
Total Ninth District—1944	329,277	291,410	37,867

SPECIAL ARTICLE

(From Page 289)

Farmers are looking forward, after years of wartime shortages, to getting many things they need and want in their farming operations. The return of servicemen to farming operations, and older farmers turning the farm over to younger operators now that the war has ended, indicates that many farms will change hands. Financing of these farm turnovers, together with the need for much new equipment, probably means an increase in both long and short-term credit requirements during 1946.

Agriculture's favorable financial position might easily be dissipated in the postwar years if, when price controls are removed, farmers and urban people start bidding against each other for scarce goods. The tremendous backlog of demand for industrial goods could then result in an upward pressure on the prices of these goods until production finally catches up with demand.

On the other hand, there is little if any backlog of demand for agricultural products—in fact, overall food demand may be less now that the war has ended. As a result, there could be a tendency for agricultural prices to decline in relation to other prices.

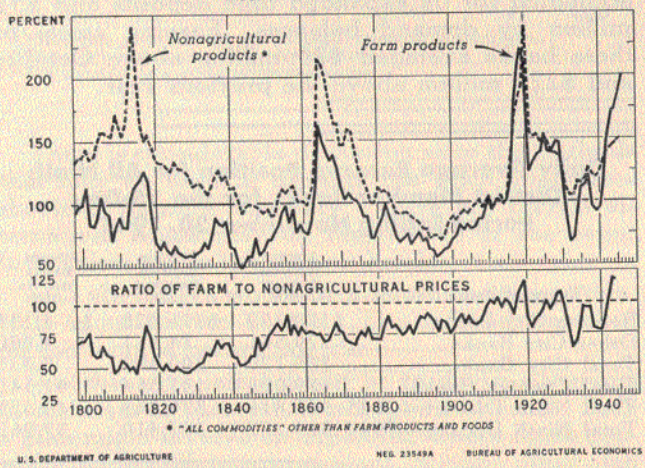
An attempt to appraise the agricultural situation ahead in the immediate postwar period would not be complete without referring to what has happened in the past after other great wars. A glance at the accompanying chart indicates what happened to prices of farm products within a year or two after the end of hostilities in the War of 1812, the Civil War, and World War I.

Will history repeat itself again in 1947 or 1948? Or will the situation be different this time with Government price support programs, controlled prices, reduced private debts, and a huge backlog of demand for most goods along with record high purchasing power.

—Franklin L. Parsons.

WHOLESALE PRICES OF FARM AND NONAGRICULTURAL PRODUCTS, UNITED STATES, 1798-1944

INDEX NUMBERS (1910-14=100)



Source: U. S. Department of Agriculture.

BUSINESS

(From Page 287)

purchases, consumers are registering some impatience over the seeming delay in the reappearance of merchandise which has been off the market during the war years. Five months have passed since hostilities ceased in the Pacific and the number of household appliances and automobiles distributed has been hardly large enough to influence total retail sales.

The manufacture of durable goods declined sharply following VJ-day due to the contraction in the production of war materials. These goods included the basic materials used in the manufacture of household appliances, automobiles and houses. They are iron, steel, machinery, nonferrous metals, lumber, stone, clay, glass and their various and sundry products.

The index of production for July was 293 percent of the 1935-39 average. For August the index dropped to 243. In the two subsequent months of September and October, it declined still further to 204 and 192 percent respectively. In November, production in the important basic industries increased again. Barring unforeseen events, the turning point may have been reached. If this proves to be the case, the output of these basic materials can be expected to rise rapidly.

It is well to recall that it took two years, from 1940 to 1942, to achieve mass production of war equipment and at that time every effort was made to deliver the goods as quickly as possible.

The production of new products follows a definite pattern as has been pointed out recently by the United States Department of Commerce. This pattern also holds in the present situation when the production of old products is resumed, although it may extend over a shorter period of time. In the initial stage which comes from three to six months, the firm spends most of its effort in organizing its plant. Output is negligible. After the initial phase, there is a period of six to nine months when there is a gradual gain in the number of units produced from month to month. In the last phase, which extends over another six months, a more rapid gain is made in each successive month. According to this pattern, another six months or more is required for a large volume of durable consumer goods to flow from the assembly lines.

Northwest Business Indexes

Adjusted for Seasonal Variations—1935-1939 = 100

	Nov. 1945	Oct. 1945	Nov. 1944	Nov. 1943
Bank Debits—93 Cities	229	212	126	189
Bank Debits—Farming Centers	248	224	218	183
District Dept. Store Sales	222	180	189	166
City Dept. Store Sales	246	197	210	178
City Dept. Store Stocks	147	156	144	138
Country Dept. Store Sales	196	161	169	153
Country Lumber Sales	.....	147	113	179
Miscellaneous Carloadings	128	113	144	136
Total Carloadings (excl. Misc.)	110	125	122	145
Farm Prices—Minn. (unadj.)	172	170	172	170