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Agricultural Price Support Programs

PPRICE support programs for agricultural commodities are likely to be of increasing interest and importance in the early postwar period.

Congress has passed legislation which provides for support prices on agricultural commodities during the war period and for two full calendar years after Congress or the President declares hostilities to have ended. This legislation appears in the Agricultural Adjustment Act of 1938 as amended by the Act approved October 2, 1942, and by the Steagall Amendment to that act.

Crops covered under this legislation fall into two groups: one group includes the so-called basic agricultural commodities — corn, cotton, wheat, rice, tobacco, and peanuts when raised for sale as nuts. The other group includes those commodities for which substantial increases in production have been formally requested — soybeans, flaxseed, peanuts for oil, potatoes, and sweet potatoes, American-Egyptian cotton, hogs, eggs, chickens (excluding chickens weighing less than three pounds and all broilers), turkeys, milk and butterfat.

The commodities listed above in the two groups include about 65 per cent of total agricultural production. Commodities not covered by mandatory price support provisions include fruits, vegetables, beef cattle and veal calves, sheep and lambs, and wool. However, even on these commodities the Congress has directed that as far as possible prices shall also be supported at a fair parity relationship.

Price guarantees for the commodities covered under the price support legislation are at not less than 90 per cent of parity, except for cotton with 92½ per cent and 85 per cent in the case of feed crops. These guarantees are to remain in effect for two full calendar years after the end of the war. The next three years are therefore likely to be covered. These guaranteed prices for the postwar period would be about 25 per cent below present prices.

A higher price support of a more temporary nature is indicated in Section III of the Stabilization Extension Act of 1944, where there is a provision which directs the President, acting through any department, agency, or office of the Government, to take all action to assure that the farm producers of basic commodities and the so-called Steagall commodities (those upon which farmers have been asked to increase production), receive either parity price or the highest price prevailing between January 1 and September 15, 1942.

Acting under this provision the War Food Administrator stated in late September that the Com-

modity Credit Corporation would offer to buy all cotton in the hands of growers at 100 per cent of parity and would at the expiration of the loan next spring, offer to purchase at parity all wheat under government loan. This Act expires June 30, 1945.

Several methods of supporting prices may be used:

1. Nonrecourse loans which have been used to support prices of the basic crops and other commodities which are easily stored and marketed in their original form.

2. Direct purchases from farmers of commodities that can be easily stored, such as wool, peanuts, soybeans, and flaxseed.

3. Purchases from processors or dealers of graded or processed commodities provided specified minimum prices are paid to producers of raw material. Recent Government purchases of eggs, hogs, and vegetables for canning are examples.

4. Supplemental payments to producers. Under this plan the farmer would market through normal channels and receive the market price but would receive in addition a supplemental payment. Dairy payments to producers are an example. Supplemental payments to meat packers to effect a roll-back in meat prices to consumers is an example of supplemental payments to processors which indirectly support livestock prices.

Food production was about a third larger in 1943 compared with the 1935-1939 average and will be even larger this year. Part of this increase was due to favorable weather and part to better seeds, fertilizers, and methods. Increased prices and acreages also played an important part.

With improvement in agricultural technology and efficiency, there is every reason to believe that in the postwar period the output per acre, per animal unit, and per agricultural worker will continue to improve. The natural tendency in agriculture is to produce to the limit of capacity.

Can prices be supported? This, of course, will depend on a number of factors. First, much will depend on the quantity of agricultural commodities produced and how much food is consumed. Expansion of exports and revival of the food-stamp and school-lunch programs would aid in surplus disposal.

Some commodities may need no price support. Certainly full employment and a high national income would tend to minimize price support problems.

Second, if price support programs are to be effective, funds will need to be appropriated. Nobody knows how much may be needed or how much

Congress would be willing to set aside for this purpose but the Director of War Mobilization is reported to have requested \$2 billion for price support in 1945. At best the amount needed can only be a rough guess at this time.

Third, will production controls be reestablished? Without controls agricultural production might be stimulated by an artificially high support price level. The result might easily be huge surpluses supported at a large cost in Government funds.

With controls, some leverage over production

Business activity in the Ninth District approximates the summer level.

An expansion in private bank deposits resulted in larger reserves.

Cash income from farm marketing dur-

ing and total price support costs is possible. In the case of the basic crops the law now provides that when surpluses become too large, price-support loans will not be available if producers turn down marketing quotas.

There is no specific limitation of this kind on the crops upon which increased production has been requested but the Solicitor of the Department of Agriculture has expressed the opinion that the law implies the Department may request production adjustments as a prerequisite to price support.

ing the first 7 months was 11 per cent above the same months in 1943.

Farm crop yields promise to be the largest on record. Grain movements into markets have increased.

Business

THE volume of business transacted in the Ninth Federal Reserve District continued through September approximately at the high level reached during the summer months.

Bank debits in the city banks increased as compared with those reported for August, while debits in country banks decreased slightly.

Retail sales as measured by department store receipts declined.

Some expansion occurred in freight movements as revealed by the number of cars loaded.

Electric power production in the four states of the District has again equaled last year's peak production.

The volume of bank debits normally expands during September as compared with the previous month. The increase in the amount of checks drawn on city banks this year was more than usually occurs.

The banks located in the Great Lakes ports, in Minneapolis, in South St. Paul, and in St. Paul reported increases of 19, 16, 12, and 8 per cent respectively. As a result, the index for bank debits of city banks in the District, adjusted for the normal monthly variation, moved up by 9 points during September.

The expansion in these bank debits reflects some rise in the volume of business activity. Drafts drawn on grain during September aggregated \$3,800,000 more than during the preceding month. The larger amount of drafts indicates a significant rise in the movement of grain into markets. However, the quarterly payment of the income tax which is not withheld at the source was due on the 15th of the last month. These tax payments account for a part of the greater volume of checks written during the month but do not add to the amount of business transacted in the District.

In the rural centers of the District, the volume of checks drawn by individuals, firms, and corporations on checking accounts during September increased by almost the normal amount over the previous month. The adjusted index for bank debits of banks located in these centers declined by only 2 points.

The normal expansion, however, did not occur uniformly over the rural areas of the District. Most of the increase in debits was concentrated among banks located in the wheat and range regions of Montana and in the mining and lumber regions of northern Minnesota, of northwestern Wisconsin, and of the Upper Peninsula of Michigan.

Banks in the former region reported an increase of 20 per cent in debits over the previous month and those in the latter regions an increase of 16 per cent. In the other rural areas of the District an average increase of 8 per cent was reported.

Since a much smaller proportion of the personal income tax is paid by individuals residing in rural communities than by those residing in urban centers, the volume of bank debits in the former areas was less affected by the quarterly tax payment. Consequently, these debits reflect more accurately the amount of business transacted.

Department store sales for September contracted among city stores in the District according to preliminary figures. Sales normally increase significantly during the month as a result of the purchases made for those entering school. This increase did not materialize this year. The preliminary adjusted index for city department store sales is 18 points lower for September as compared with the preceding month.

The country department stores experienced almost the normal increase in sales for the month. The preliminary adjusted index decreased only a few points between August and September.

Throughout the year, department store sales over the District have exceeded those of a year ago. For

the first four months the dollar volume was 6 per cent larger as compared with the corresponding months of last year. During May the sales expanded rapidly, which boosted the volume at the end of the fifth month to 8 per cent over the same period of a year ago. Since May, sales have expanded more gradually. For the first nine months they exceeded those of the previous year by 9 per cent.

Sales at Department Stores

	Number of Stores Showing		% Sept. 1944 of Sept. 1943	% Jan.-Sept. 1944 of Jan.-Sept. 1943
	Increase	Decrease		
Total District	203	69	111	109
Mpls., St. Paul, Dul.-Sup....	19	2	112	110
Country Stores	184	67	110	109
Minnesota	42	33	105	106
Central	5	3	109	114
Northeastern	6	1	110	102
Red River Valley	4	1	107	109
South Central	7	13	100	107
Southeastern	10	4	113	109
Southwestern	10	11	99	102
Montana	31	8	109	109
Mountains	11	0	110	108
Plains	20	8	108	110
North Dakota	45	6	119	117
North Central	9	2	109	115
Northwestern	6	0	129	122
Red River Valley	16	1	117	117
Southeastern	12	3	122	115
Southwestern	*	*	—	—
Red Riv. Val.-Minn. & N.D.	20	2	115	115
South Dakota	20	8	107	109
Southeastern	4	2	101	106
Other Eastern	11	2	116	116
Western	5	4	104	105
Wisconsin and Michigan	46	12	111	106
Northern Wisconsin	11	5	114	110
West Central Wisconsin	26	6	108	105
Upper Pen. Michigan	9	1	117	103

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

The department store sales in North Dakota continue to expand more rapidly than in the other states of the District. The September dollar volume was 19 per cent larger as compared with the same month of last year. The accumulated monthly sales for the year are 17 per cent larger than for the same period of a year ago.

Stores located in the Upper Peninsula of Michigan reported an increase in September sales of 17 per cent over last year's amount. However, the accumulated monthly total for the year is only 3 per cent greater.

A similar trend in this year's sales is reported by stores located in northwestern Wisconsin. Stores located in the other states of the District reported increases of less than 10 per cent over last year's figures.

The disappearance of some commodities from the market, shortages, and rationing of others has changed the buying pattern of consumers. The composition of department stores' sales from January through August for the last three years is shown by the accompanying table.

A comparison of the distribution of sales among the various departments indicates that the type of articles purchased has changed considerably. A decided increase has occurred in the women's and misses' apparel sales. Whereas in 1942 these sales accounted for 42 per cent of the total sales, the proportion has increased to 46.3 per cent.

Composition of Department Store Sales in the Ninth District

Departments	Per cent of Total Sales January through August		
	1942	1943	1944
Main Store	88.1	88.3	88.4
Women's and Misses'	42.0	45.7	46.3
Home Furnishings	21.1	18.0	17.1
Small Wares	11.2	10.7	11.0
Miscellaneous	5.2	5.0	5.0
Men's and Boys'	5.3	5.0	4.9
Piece Goods	3.3	3.9	4.1
Basement	11.9	11.7	11.6
Grand Total	100.0	100.0	100.0

The piece goods sales, although they comprise a small proportion of total sales, have increased steadily in importance during the war years. They are now approximately 4 per cent of a much larger volume of dollar sales while in 1941 they constituted a little over 3 per cent of a smaller total volume. The shortages or deteriorations in the quality of ready-to-wear apparel apparently have prompted some women to make clothing for their family needs.

Home furnishings sales declined in importance. In 1941 these sales constituted 21.1 per cent of the total volume, while now they are only 17.1 per cent of aggregate receipts.

The ratio of men's and boys' wear sales to the total declined much less. The induction of men into the armed forces has decreased the demand for men's wear, but it has been offset in part by the increased purchasing power of war workers.

One of the principal factors which has brought about the change in the consumer buying pattern is the available stock of merchandise. Stores have been able to keep better stocks on hand of women's and misses' wearing apparel than of home furnishings. Moreover, the latter type of articles available is often of inferior quality. Consequently, women have used their larger purchasing power to buy furs, coats, dresses, and piece goods instead of articles for the home.

Carloadings show some increase in the movement of freight during September. The adjusted index for miscellaneous carloadings declined one point between August and September but the adjusted index for total carloadings rose 4 points. The movement of livestock, grain and grain products into markets accounts for all of the increase.

As compared with August figures, 26 per cent more cars were loaded with livestock and 7 per cent more cars were loaded with grain and grain products. The shipment of all other types of commodities

dropped. The number of cars loaded with forest products, with merchandise in less than carload lots, and with ore declined by 11, 10, and 8 per cent respectively.

As compared with September of last year, the adjusted indexes for the same month of this year show a decrease in miscellaneous carloadings and an increase in total carloadings. Cars loaded with coke, with merchandise in less than carload lots, and with livestock increased by 13, 8, and 5 per cent respectively. On the contrary, cars loaded with ore, with coal, with grain and grain products, and with forest products decreased by 11, 10, 8, and 6 per cent respectively.

Consumer credit has remained quite stable. Twenty-five commercial banks reported a very slight decline in the volume of loans outstanding at the end of September as compared with the end of the previous month. Some expansion occurred in the amount of repair and modernization loans outstanding, but the amount of personal instalment cash loans outstanding contracted by a slightly larger figure.

Industrial banks and state-chartered credit unions reported a slight increase in the volume of loans outstanding, while federal-chartered credit unions reported some decline. Personal finance companies indicated no change.

Northwest Business Indexes

Adjusted for Seasonal Variation—1935—1939=100

	Sept. 1944	Aug. 1944	Sept. 1943	Sept. 1942
Bank debits—93 cities.....	184	175	207	150
Bank debits—farming centers.....	189	191	204	163
City department store sales.....	161	179	145	129
City department store stocks.....	160	165	147	153
Country department store sales.....	164	167	149	143
Country lumber sales.....	91	110	130	136
Miscellaneous carloadings.....	119	120	114	127
Total carloadings (excl. misc.).....	131	127	141	136
Farm prices—Minn. (unadj.).....	164	177	169	138
Employment—Minn. (unadj. 1936=100).....	142	143	151	135
Payrolls—Minn. (unadj. 1936=100).....	235	237	238	188

Electric power production in Minnesota, North and South Dakota, and Montana was again equal to last year's production, according to figures released by the Federal Power Commission. For the preceding months the production was somewhat below the peak output recorded for last year.

Construction activity during the past summer months began an upward trend from the very low level of activity during the past few years which has been the result of wartime restrictions. In 63 cities of the Ninth District, from April through September, building permits were issued with a valuation which was 160 per cent larger than for the same months of last year.

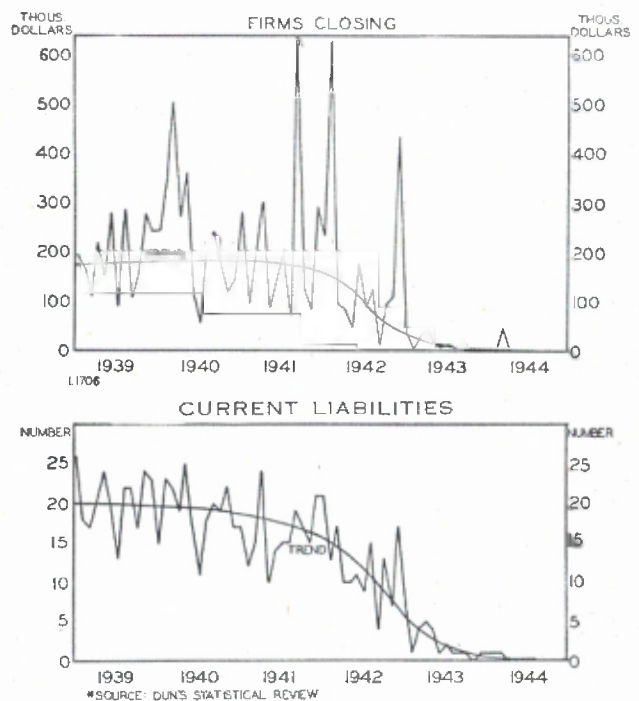
The largest expansion occurred in North Dakota, according to the per cent of increase in building permit valuations reported by six cities. Cities located in Minnesota and in Montana also reported large percentage increases. In terms of absolute volume,

decidedly more than one-half of the construction work in the District was done in Minnesota.

Business failures: With rationing of commodities, price ceilings, the rolling back of some price increases, rising operating costs, and increasing labor shortage, much concern has been voiced in regard to the small business man and especially the retailer. Are they continuing their businesses in the face of such wartime difficulties or are they forced to close their doors?

The accompanying chart shows for the Ninth District the number of business concerns closing and their current liabilities from 1939 through August of this year. As may be observed from the chart, the closings were in the early war period and no closings have been recorded for this District since last March. A steep downward trend began in the number of business closings during the latter part of 1941. According to this evidence, only a few business men have been forced to close their doors due to wartime difficulties.

Business Closures
Ninth Federal Reserve District, 1939-44*



The number of new enterprises established has declined even faster than the closing of old ones. The downward trend began during the middle of 1940 when the Selective Service act was introduced into Congress and the rearmament program was launched. Obviously, the energetic young men who would ordinarily start new enterprises are now in the armed forces or in war plants.

As a result of the drop-off in new business concerns, there is now a significantly smaller number of retail establishments. A sharp decline occurred among retailers of radios, household appliances, general merchandise stores, filling stations, and motor vehicle dealers.

Civilian supplies: ⁽¹⁾At the beginning of the war the American people were warned of impending privations. Some of these privations have materialized. However, available statistics indicate that they have not resulted in any significant lowering of the standard of living. Most non-durable goods and services have been available on markets in expanded volume. In spite of the shortages in durable goods, the aggregate volume of goods and services enjoyed by civilians in the nation has increased rather than decreased during the war years.

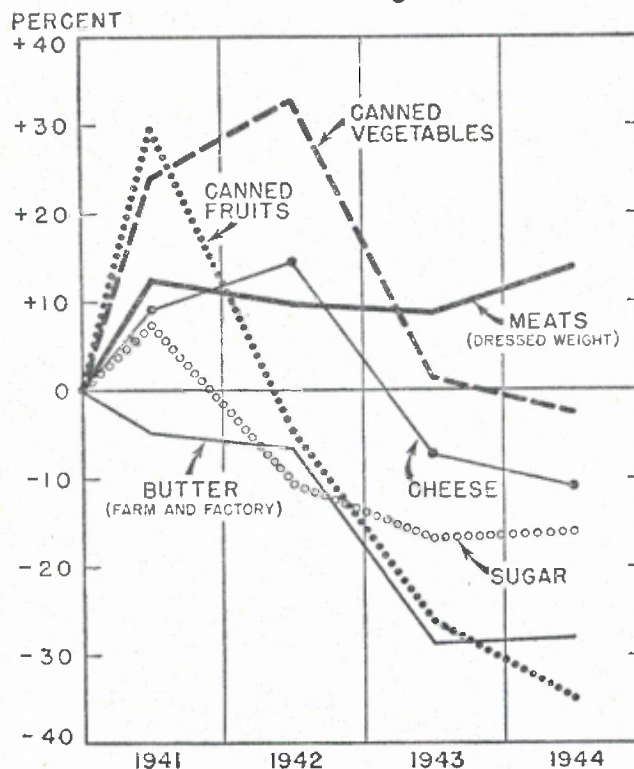
Civilians now are consuming, on a per capita basis, 7 per cent more food than they ate during the prewar years from 1935 through 1939. Shortages, nevertheless, have developed among a number of food items. As a result it has been necessary to ration them.

On the accompanying chart is depicted the percentage change in per capita consumption of selected rationed foods. The consumption of some foods actually has increased over the 1935-1939 average as may be observed from the chart. On the other hand, the consumption of some standard foods which are found in practically every household has been reduced substantially from the former average. The abundance of substitutes has maintained the over-all standard of living.

A large share of the war materials are metal products. Because of the huge demand for such materials, the Government placed restrictions on the manufacture of most metal products for civilian use immediately after the incident of Pearl Harbor.

In the accompanying table is shown prewar and

Percentage Change in Per Capita Consumption of Selected Rationed Foods From 1935-39 Average; ⁽¹⁾



(1) Percentages based upon data for calendar year, except canned fruits and vegetables which are on a pack year basis.

Sources: U. S. Department of Commerce; based upon data published by U. S. Department of Agriculture.

Production of Selected Civilian Durable Goods

COMMODITIES	Unit	Estimated Production		Percentage change from 1941 ⁽¹⁾	
		Period	Quarterly Average	Quarterly Average 1943	Total 1st Quarter 1944
Automobiles	Thousand	1941	936	—100.0%	—100.0%
Electric ranges	Thousand	1941 ⁽²⁾	139	—100.0	—100.0
Flat irons, electric	Thousand	1940	1,138	—100.0	—100.0
Mechanical refrigerators, household	Thousand	1941 ⁽²⁾	926	—100.0	—100.0
Vacuum cleaners	Thousand	1941 ⁽²⁾	475	—100.0	—100.0
Sewing machines	Thousand	1940	143	—100.0	—100.0
Washing machines	Thousand	1941	567	—100.0	—100.0
Typewriters, portable	Thousand	1941	140	—97.1	—90.0
Bicycles	Thousand	1941	464	—95.3	—89.7
Radio receiving tubes	Million	1941	33.9	—78.8	—87.3
Mechanical pencils	Thousand	1941	15,166	—77.7	—83.4
Alarm clocks	Thousand	1936-41	2,550	—83.8	—76.1
Heating stoves, nonelectric	Thousand	1941 ⁽²⁾	1,070	⁽⁴⁾	—60.5
Cooking appliances, nonelectric	Thousand	1941 ⁽²⁾	1,146	⁽⁴⁾	—58.2
Drycell batteries	Million	1940	222	—34.7	—36.9
Baby carriages	Thousand	1941 ⁽²⁾	350	—12.9	—17.1
Cutlery	Thousand dollars	1941 ⁽²⁾	5,130	—54.8	—12.3
Automotive replacement storage batteries	Thousand	1941	4,401	—3.1	+ 2.2
Enameled ware	Thousand dollars	1941 ⁽²⁾	4,750	— .5	+ 4.9
Parts and accessories for automobiles ⁽²⁾	Million dollars	1941	150	—16.7	+ 7.3

(1) In some instances, 1940 was used.

(2) Represents value of sales as estimated by U. S. Dept. of Commerce, based on internal revenue collections of manufacturers' excise taxes.

(3) For fiscal year ended June 30.

(4) Data not available.

Source: Adapted from Survey of Current Business, September 1944, p. 5.

current production for 20 consumer durable goods which represent about one-half of the total value of output of consumer durable goods in 1939. The prewar years selected as a basis of comparison were the last period of production before curtailment orders were issued by the War Production Board.

The per cent of decrease in production in 1943 and in the present year from the prewar level reveals the impact of the curtailment orders. The production of seven important consumer durable items was eliminated entirely. These are articles which consumers will probably demand in large quantities after the war. The production of other articles, as may be observed from the table, was reduced to a small fraction of the prewar level.

Preliminary steps have been taken by the War Production Board to permit the resumption of production when it will not interfere with the output of military supplies. With practically no surplus supply of labor, it is expected that the above order will have little effect on the supply of durable goods in the near future.

Banking

THE financial operations of the Treasury continue to dominate the banking and credit conditions in the Ninth District.

During September and the first half of October the Treasury has reduced significantly its war loan accounts with the member banks. As the deposits were disbursed by the governmental agencies among firms and among individuals for war materials and services, the demand and time deposits of individuals and businesses expanded accordingly.

In spite of an increase in total deposits, the total volume of loans, discounts, and investments at city banks contracted according to the statement of 20 city member banks.

Commercial, industrial, and agricultural loans to customers increased significantly. The volume of real estate loans expanded by a much smaller amount. The amount of commercial paper, and loans to brokers and commercial banks held during the second week of October was higher than for any week during the previous two months.

Holdings of securities, on the contrary, were re-

duced by a decidedly larger amount. As a result, total loans and investments were reduced materially.

Since legal reserve requirements do not apply to war loan accounts, the shift of funds from such government accounts to private demand and time deposits increases the reserve requirements. The reserves required for member banks in the Ninth District rose from \$275,715,000 for the 16-day period ending August 31 to \$289,658,000 for the 15-day period ending September 30.

In spite of the larger requirement the average excess reserves increased from \$34,516,000 to \$37,060,000 between the above two periods. Thus most of the rise in deposits has been allowed to accumulate in reserves, and earning assets did not exhibit a corresponding expansion.

Agriculture

FARMERS' cash income in the Ninth District during the first seven months of 1944 is estimated at \$1,014,660,000 as compared with \$913,856,000 during the first seven months of 1943 and \$355,582,000 for the 1935-1939 average. Cash receipts from farm marketings during the first seven months were 11 per cent above a similar period in 1943 with cash receipts from crops up sharply as a result of favorable crops. There is evidence of a declining trend in cash receipts from the sale of livestock and livestock products compared with a year ago. This probably is a result of the sharply reduced number of pigs farrowed in the fall of 1943 and a reduction in sheep and lamb and chicken numbers on farms. Butter marketings have also been less.

January-July Cash Farm Income (1)

State	1935-1939 Average	1943 (Thousands of Dollars)	1944 (Thousands of Dollars)	1944 in per cent of 1943
Minnesota	\$ 180,401	\$ 451,674	\$ 474,432	105 %
North Dakota	44,916	124,052	150,481	121
South Dakota	54,320	162,077	181,796	112
Montana	32,037	70,412	91,708	130
Ninth District ⁽²⁾ ..	355,582	913,856	1,014,660	111
United States.....	4,100,168	9,782,000	10,759,000	110

(1) Data from "The Farm Income Situation," United States Department of Agriculture.

(2) Includes 15 counties in Michigan and 26 counties in Wisconsin.

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

Type of Bank	Average Reserves Carried	Average Reserves Required	Average Excess Reserve
(Thousands of Dollars)			
Reserve city banks.....	\$151,128	\$148,982	\$ 2,146
Other city banks.....	22,234	19,918	2,316
Total city banks.....	173,362	168,900	4,462
Total country banks.....	153,356	120,758	32,598
Total Ninth District—1944.....	326,718	289,658	37,060
Total Ninth District—1943.....	273,508	227,656	45,852

Prices received by farmers in the Ninth District during the month ended September 15 were slightly lower compared with the previous month except for slight increases in prices received for eggs, hogs, and milk.

For the United States as a whole, lower prices for truck crops, fruits, and some feed grains caused a one-point decline in the index of prices received by farmers during the month ended September 15, while parity prices remained unchanged, the United States Department of Agriculture announced late last month.

At 192 per cent of the August 1909-July 1914 average, the index of prices received by farmers on September 15 was also one point lower than a year earlier. The report also stated that the parity index, although unchanged since June, was still six points above a year earlier. The ratio of prices received to prices paid was 113—down five points from September 1943.

A continued record high level of domestic demand for farm products is indicated by high average weekly earnings of factory workers and non-agricultural income payments.

Average Prices Received by Farmers (1)

Commodity and Unit	Ninth District		Parity Prices(2)	
	Sept. 15 1937-1941 Avg.	Aug. 15 1944	Sept. 15 1944	United States Sept. 15, 1944
Crops				
Wheat, bushel	\$.72	\$ 1.32	\$ 1.30	\$ 1.50
Corn, bushel .....	.57	1.01	1.01	1.09
Oats, bushel .....	.25	.62	.51	.678
Potatoes, bushel .....	.47	1.37	1.24	1.23
Livestock and Livestock Products				
Hogs, 100 lbs.....	8.53	13.30	13.50	12.40
Beef cattle, 100 lbs.....	7.73	11.63	11.26	9.21
Veal calves, 100 lbs.....	9.22	13.02	12.99	11.50
Lambs, 100 lbs.....	8.15	11.52	11.42	10.00
Milk, wholesale, 100 lbs.	1.60	2.71	2.72	2.80
Butterfat, lb.....	.30	.52	.52	.444
Chickens, live, lb.....	.133	.214	.212	.194
Eggs, dozen .....	.198	.302	.312	.403

(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.

Crop production in the Ninth District promises to be the largest on record this year according to crop estimates in the October 1 Crop Production report of the United States Department of Agriculture. Crop yields per acre are reported higher than in any past year except possibly 1942 and the total acreage harvested is also at a peak. A delay in killing frosts and favorable moisture conditions has aided materially in the maturing of late crops and has about offset late plantings of these crops.

A record yield of corn at 35 bushels per acre is estimated for South Dakota as of October 1, according to the South Dakota Crop Reporting Service. The total corn crop is expected to be the largest on record except for 1927.

Rainy weather during September interrupted combining and threshing of wheat in the Dakotas and parts of Minnesota and Montana. The rain damage was reported more severe on durum wheat than on other spring wheat.

Wet weather was also detrimental to the potato crop in eastern North Dakota and northwestern Minnesota. Many potatoes in storage are reported in poor condition and considerable loss is expected.

For the United States as a whole, bumper crops of wheat, grain sorghums, and possibly rice are as-

sured and it now appears that the corn crop will be the largest ever produced with the total production of all grains probably equal to the record tonnage of 1942 according to the October 1 Crop Production report of the United States Department of Agriculture.

Crop Production in the Ninth District (2)

	(Thousands of Bushels)				1944 in per cent of 1943
	1933-1942 Average	1942	1943	1944(3)	
All wheat.....	162,204	292,071	278,556	302,531	109%
Corn	220,584	343,204	323,751	401,164	124
Oats	220,447	363,211	302,975	364,449	120
Barley	102,542	189,475	137,648	120,129	87
Potatoes	35,765	41,876	51,996	42,112	81

(1) Source: Crop Production Reports, United States Department of Agriculture.

(2) Minnesota, North Dakota, South Dakota, and Montana.

(3) October 1, 1944, preliminary estimates.

The report continues that reports on crops harvested or in prospect indicate record crops of fruits, commercial vegetables, peanuts, and tree nuts and a tobacco crop approaching the high record set in 1939. Hay, beans, peas, soybeans, flaxseed, potatoes, and sweet potatoes show totals below production in some recent seasons but are at levels not often reached in prewar years.

The feed-grain supply for 1944-1945 is expected to total 129 million tons, only 2 million tons less than last year, according to the United States Department of Agriculture. With reduced numbers of grain-consuming animal units that will be on farms at the end of this year, the supply of feed grains including carryover per grain-consuming animal unit on farms may be 13 to 15 per cent larger than the supply for the past feeding year, and about equal to the average for the years 1938-1942, when feed-grain supplies were relatively large.

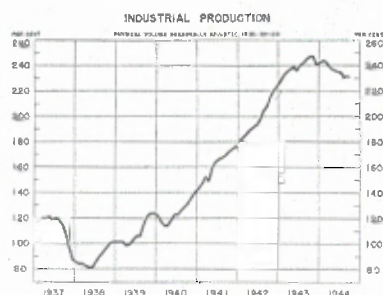
Hay supplies per animal unit are estimated slightly smaller than last year but larger than a recent ten-year average.

The cattle feeding situation is more favorable than appeared possible a few months ago. Prices of fat cattle are higher than a year ago while prices of feeder cattle are lower. Feed-grain supplies per animal unit are materially larger than last year.

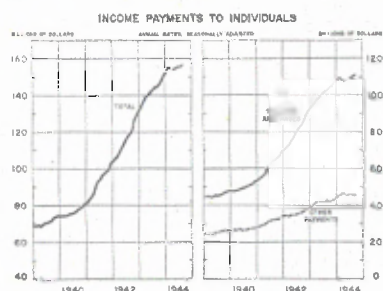
Supplies of both grains and roughages in Ninth District states are of record or near-record size and the present outlook for fall wheat pastures is good.

The Department of Agriculture reported on October 12 that the situation indicated a moderate increase in the number of cattle to be fed for market during the coming winter compared with a year earlier.

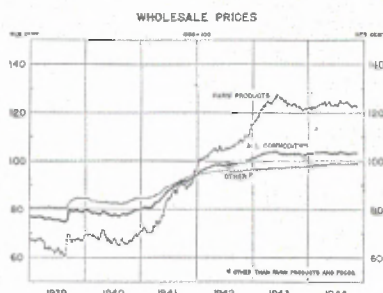
Western ranges are reported to have a good to very good supply of well cured feed in the northern and central Great Plains, with a marked improvement in feed conditions in the southwest due to August and September rains. The supply of range feed east of the Rockies is reported much better than a year ago.



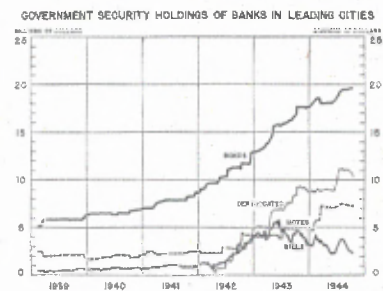
Federal Reserve index. Monthly figures, latest shown is for September 1944.



Based on Department of Commerce estimates. Wages and salaries include military pay. Monthly figures raised to annual rates, latest shown are for August 1944.



Bureau of Labor Statistics' indexes. Weekly figures, latest shown are for week ended October 21, 1944.



Excludes guaranteed securities. Data not available prior to February 8, 1939; certificates first reported on April 15, 1942. Wednesday figures, latest shown are for October 18, 1944.

National Summary of Business Conditions

COMPILED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM,
OCTOBER 27, 1944

Output at factories and mines in September and the early part of October was maintained close to the August level. Value of department store sales continued to show increases above last year. There were mixed movements in commodity prices with a sharp decline in the price of steel scrap.

INDUSTRIAL PRODUCTION: Industrial production in September was 231 per cent of the 1935-39 average, according to the Beard's seasonally adjusted index, as compared with 232 in August and 230 in July.

Activity in most industries manufacturing durable goods showed slight decreases in September and there were further large declines in production of aluminum and magnesium. Steel output averaged 93.4 per cent of capacity, somewhat below the August rate, but showed an increase during the first 3 weeks of October. Easing of military demand for steel led to some increase in allocations for civilian production during the fourth quarter. Aircraft production and output in the automobile industry were maintained during September at the level of the preceding month.

Output of textile and leather products continued to increase in September from the reduced July level. Shoe production advanced to the highest rate reached since the spring of 1942. Output of manufactured food products, as a group, was maintained at the level of the preceding month after allowance for seasonal change. Butter production continued about 15 per cent below last year. Hog slaughter declined further in September, while cattle slaughter continued to increase more than is usual at this season and reached a record rate for the wartime period—about 50 per cent above the 1935-39 average. Beverage distilleries resumed production of alcohol for industrial purposes in September after turning out an exceptionally large amount of whiskey and other distilled spirits during August.

Crude petroleum production continued to rise in September, while output of coal and other minerals showed little change.

DISTRIBUTION: Department store sales in September showed about the usual large seasonal increase and were 14 per cent larger than a year ago. In the first half of October sales rose sharply and were 16 per cent above the high level that prevailed in the corresponding period last year, reflecting in part the greater volume of Christmas shopping prior to the overseas mailing deadline.

Carloadings of railway freight during September and the first half of October were slightly lower than a year ago owing to decreases in shipments of raw materials, offset in part by increased loadings of war products and other finished goods.

COMMODITY PRICES: Prices of grains and some other farm products were higher in the third week of October than in the early part of September and there were scattered increases during this period in wholesale prices of industrial products. Prices of steel scrap and nonferrous metal scrap, however, declined; steel scrap was reduced from ceiling levels by 3.40 dollars per ton, or 18 per cent, to the lowest prices offered since August, 1939.

AGRICULTURE: Crop production in 1944 will rank with 1942 when the largest production in history was harvested. Corn production is estimated at 3.2 billion bushels; this, together with other feed grains, wheat, and good pastures, will go far to prevent too rapid marketings of livestock. Commercial truck crops for the fresh market will not only exceed 1943 production but appear likely to exceed the 1942 record by about 11 per cent; deciduous fruit production is about 20 per cent above 1943, and citrus fruit production may equal or possibly exceed that of last year in spite of recent storm damage.

BANK CREDITS: Expenditure by the Treasury of funds received during the Fifth War Loan Drive continued in large volume during the latter half of September and the first half of October, and United States Government deposits at banks declined. Time deposits at weekly reporting banks in 101 leading cities rose by about 300 million dollars in the five weeks ended October 18, and demand deposits of business and individuals, which decreased somewhat in the latter part of September partly as a result of tax payments, increased again in October. Currency in circulation increased by 660 million dollars in the five weeks ended October 18. This unusually large outflow of currency may have been associated with purchases of overseas Christmas gifts during the period.

Reporting banks in 101 cities reduced their Government security holdings during the five weeks ended October 18 by about 900 million dollars. Treasury bill holdings declined by 370 million dollars and certificate holdings by 530 million. These sales were largely made to meet the currency drain and increased reserve requirements. During the same period the Reserve Banks purchased 680 million dollars in Government securities. Excess reserves continued to fluctuate during this period at a level of close to a billion dollars.

Commercial loans at weekly reporting banks increased steadily during September and early October. Loans to brokers and dealers in securities increased somewhat, reflecting in part large flotations of new corporate issues during the period. Loans to others for purchasing and carrying Government securities, although declining steadily, were in mid-October still about 280 million dollars above their pre-drive level in June.