

## monthly statistical report

# NINTH DISTRICT CONDITIONS

## federal reserve bank of minneapolis



### 1969 FARM INCOME REGISTERS MODEST GAIN, LIVESTOCK PRINCIPLE SOURCE OF INCREASE

Gross farm income in 1969 was better than the year before in the Ninth District. This estimate of a modest improvement is based upon eleven month data recently released by the U. S. Department of Agriculture.

Latest monthly estimates show a total of more than \$3.9 billion for January-through-November in the four complete states of the Ninth District. This can be compared to slightly less than \$3.7 billion in the corresponding eleven months of 1968. The difference represents an increase for the district of 6.5 percent over the one-year interval. The national increase over the same period was 6.6 percent.

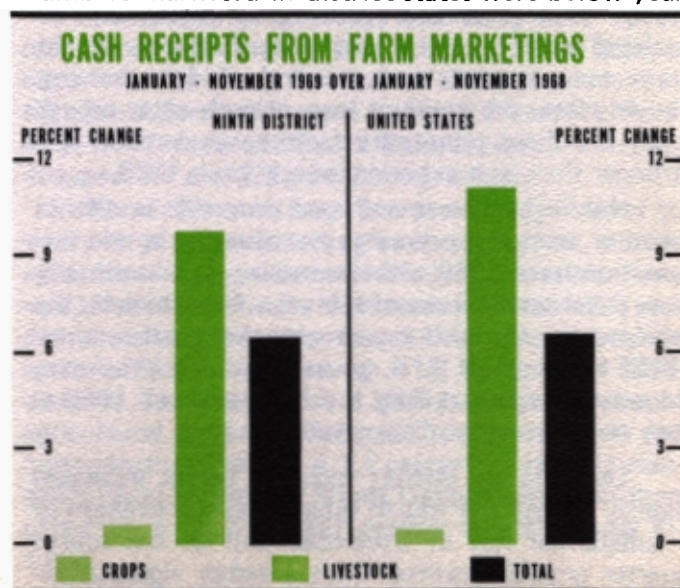
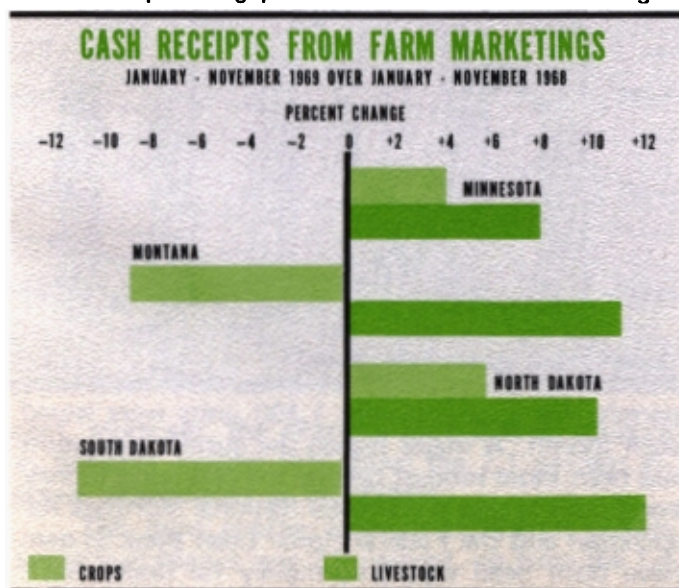
Practically all of the increase came from larger sales of livestock and livestock products. Livestock prices last year were up from the preceding year while prices of Ninth District crops were lower to about the same. In addition, sales of livestock and livestock products accounted for about two-thirds of total Ninth District farm income.

Receipts from livestock sales in the first eleven months of 1969 were \$233 million greater than in the corresponding period of 1968. Minnesota regis-

tered the largest dollar increase, \$92 million, followed closely by South Dakota with an \$84 million increase. South Dakota had the largest percentage increase in livestock sales at 12 percent while Montana followed closely with 11 percent.

The strong livestock sector will be about the only factor contributing to growth in farm income when 1969 data are completely available. Receipts from sales of crops were little changed. Total crop sales for the eleven-month period show that a modest gain in Minnesota, which produced the more valuable feed grains heavily in 1969, was almost exactly offset by lower sales in South Dakota which had smaller acreages and weather problems. The significant improvement in North Dakota resulted from better yields of higher quality wheat. In Montana there were smaller acreages and weather problems.

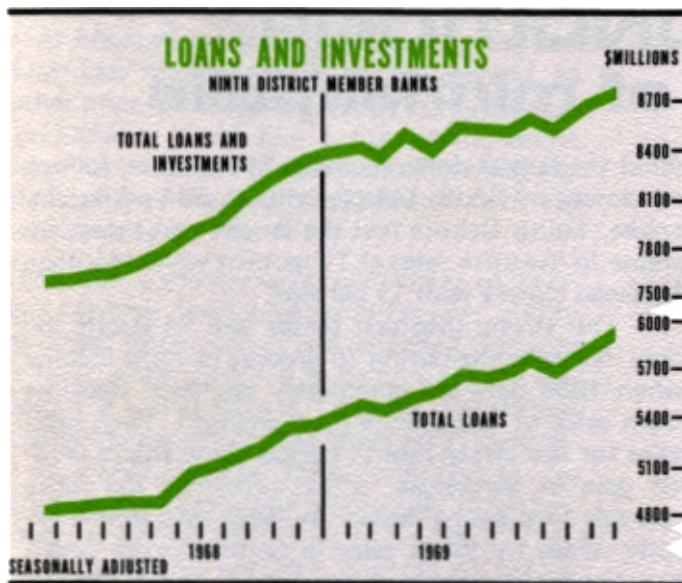
December 1969 data on marketings are not expected to drastically alter the present picture of the entire year. Cattle prices and numbers marketed in the district were both above year earlier figures, and about on a par with district marketing and pricing conditions prevailing during the preceding months. Hog prices increased sharply in December but the numbers marketed in district states were below year



earlier levels. December may, however, have produced some improvement in crop income. Such improvement could be the result of the slowly improving price of wheat which encouraged somewhat larger marketings. This would not, however, be expected to have a heavy influence on the overall totals.

#### BANK CREDIT RECORDS YEAR-END SURGE; LOANS AT RESERVE CITY BANKS MAIN FACTOR

Loans and investments at district member banks rose sharply in December continuing the strong upward movement exhibited during November. The increase in total bank credit during the final two



months of 1969 was the largest two-month increase recorded during the year. This was a somewhat surprising development since district banks experienced a decline in liquidity throughout last year.

Loans accounted for most of the increase in total credit during the November-December period, and most of this growth occurred at reserve city banks. Loan expansion at country banks continued to slowdown, paralleling the slowing of time deposit net in flow. The large increase in loans at reserve city banks partially reflected bookkeeping entries and a greater than usual short-term demand for loans associated with quarterly corporate dividend and income tax payments and year-end window dressing. Nonetheless, the residual loan growth after adjustment for these temporary factors was considerably stronger than that experienced earlier in 1969.

Holdings of state and local securities at district member banks also rose rather sharply in the last two months of 1969, after increasing at an unusually slow pace during most of the year. Nevertheless, the increase for the entire year was the smallest since 1963. Holdings of U. S. government securities continued to decline during the latter part of 1969 as they had throughout the year.

Deposits at district member banks increased slightly during the fourth quarter on the strength of a substantial rise in December. All of the fourth quarter growth resulted from a rather vigorous ex-

pansion of demand deposits which in turn partially reflected an unusually large increase in government demand deposits associated with heavy Treasury financing operations. Time deposits continued to decline during the fourth quarter, although at a slower rate. The moderation in losses was primarily due to the fact that a large portion of large certificates of deposit had already flowed out of district banks by the end of the third quarter. These certificates are considered to be highly sensitive to market rates of interest.

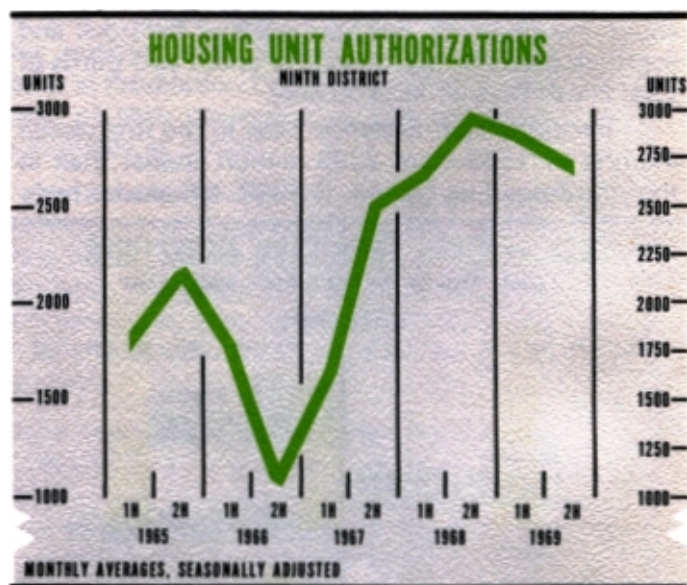
#### CONSTRUCTION

##### BUT HOUSING UNITS AUTHORIZED SLIP AGAIN

Tight money conditions continued to influence construction activity in December. Although construction employment, seasonally adjusted, edged upward in December, other statistical indicators suggest that further slackening occurred during the month.

The number of housing units authorized by building permits slipped again during December and continued the downward trend that was evident throughout 1969. At 2,463, seasonally adjusted, housing unit authorizations during the month were about 3 percent below November's pace. During the latter half of 1969, permits were issued for 6 percent fewer housing units than during the first half of the year.

Although housing activity eased substantially throughout 1969, the current downturn has not been nearly as severe as that which occurred in 1966. During the last six months of 1969, housing unit authorizations averaged about 2,700 units per month, seasonally adjusted. During the same period in 1966,



permits for approximately 1,100 units were issued each month. A major reason the current downturn has been more modest despite the restrictive money conditions is that the Federal National Mortgage Association and the Federal Home Loan Bank System have both been supplying money for home mort-



gages to a much greater extent than they did in 1966.

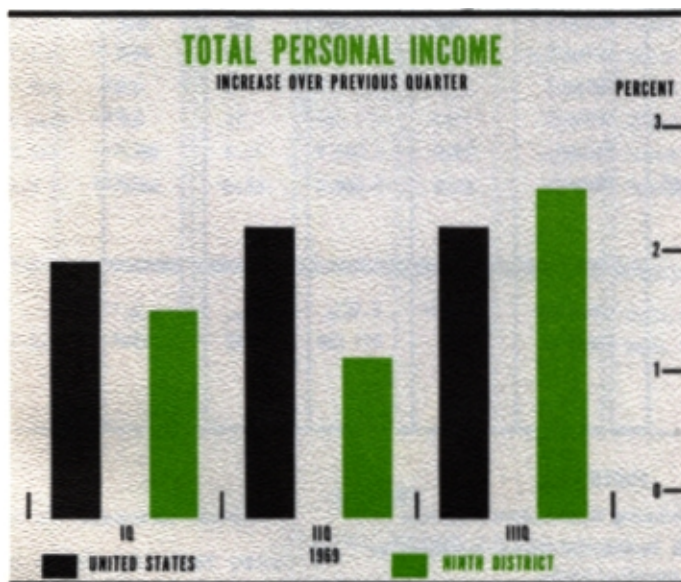
Construction contracts awarded in the district have displayed wide variations in recent months with no readily apparent trend. This is because contract awards for different types of construction have experienced diverging trends. Residential building and nonbuilding contracts have eased, but have been offset by nonresidential building contract awards which have tended to rise.

Mortgage market conditions in the Minneapolis-St. Paul metropolitan area remained very tight in November. According to the Federal Home Loan Bank Board, the average effective mortgage rate for a conventional home loan was 7.99 percent. Although this was slightly lower than during the preceding month, it was 93 basis points greater than during the preceding November. Nationwide, the average conventional home loan carried a mortgage rate of 8.13 percent, unchanged from the preceding month.

#### PERSONAL INCOME ADVANCES IN IIIQ 1969, MINING AND MANUFACTURING SCORE BIG RISES

Personal income, which is the most comprehensive measure of economic conditions in the Ninth Federal Reserve District, advanced 2.5 percent between the second and third quarters of 1969. The increase represented a rise of \$475 million in the four complete states of the district. This gain substantially exceeds those recorded during the first half of last year when district personal income increased 1.5 percent in the first quarter and 1.1 percent in the second quarter.

The district's third quarter gain was primarily attributable to a 9.8 percent gain in agricultural income. Non-agricultural personal income rose 1.9 -per

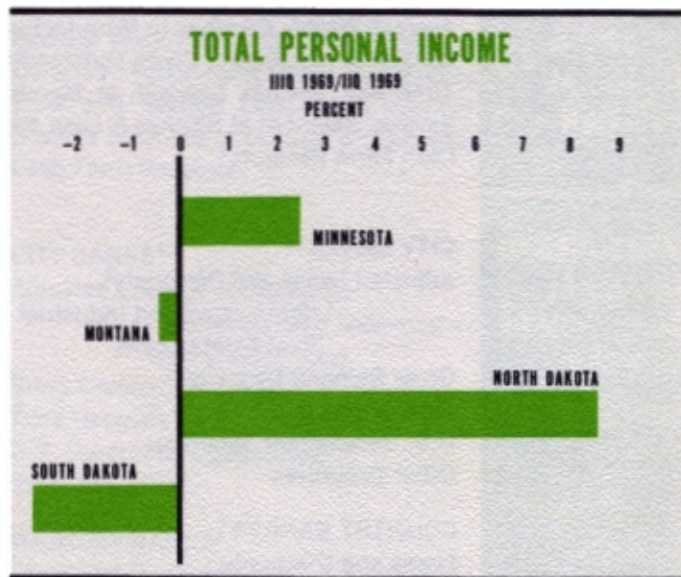


cent. Moreover, the district's third quarter advance in personal income was above the 2.1 percent increase experienced in the nation.

The third quarter increase in district private wages and salaries was 2.2 percent, up from the 1.4

percent advance in the second quarter. In the nation private wages and salaries expanded 2.5 percent in the third quarter.

The district's third quarter personal income increase can be attributed to especially large third quarter gains of 7.4 percent in mining and 4.1 percent in manufacturing. In the large trade and service sectors, personal income advanced 1.7 and 1.8 percent respectively. In the construction sector, however, personal income was down 3.0 percent; this was the second consecutive quarterly decline for this sector.



Personal income earned in the district's government sector was up 3.4 percent in the third quarter. This increase can largely be attributed to the federal pay raise that became effective last July. In the nation, personal income in the government sector advanced 4.2 percent. Property income, on the other hand, increased only 1.6 percent in both the district and the nation. Nonfarm proprietors' income in the district has not increased since the first quarter of 1969, whereas in the nation it has continued to advance modestly.

Third quarter personal income growth varied considerably among the district states. North Dakota experienced a sharp increase of 8.6 percent and in Minnesota personal income was up 3.0 percent. However, in Montana and South Dakota personal income dropped 0.4 and 2.5 percent respectively.

North Dakota's large increase can be traced to a very large expansion in agricultural income, as non-agricultural income increased only 1.1 percent. Non-agricultural income in Minnesota increased 2.1 percent between the second and third quarters while agricultural income was up 21.5 percent. In Montana, on the other hand, a 20.3 percent decrease in agricultural income offset a 2.2 percent gain in the nonagricultural sector. A 1.4 percent increase in non-agricultural income in South Dakota was more than offset by a 16.0 percent decline in agricultural income.

# NINTH DISTRICT income and finance

I N D I C A T O R		UNIT	1970	1969		1968	Percent Change
			JANUARY	DECEMBER	NOVEMBER	DECEMBER	DEC to DEC
MEASURES OF CONSUMER INCOME & FINANCIAL POSITION	Total Personal Income*						
	Nonagricultural Personal Income*						
	Average Weekly Earnings in Manufacturing <sup>1</sup>	Dollars,	n.a.	138.44e	136.66e	130.95	+ 5.7
	Consumer Installment Credit Outstanding <sup>2</sup>	Million \$	n.a.	1,337	1,339	1,210	+10.5
	Time and Savings Deposits at Member Banks	Million \$	4,715	4,770	4,773	4,850	- 1.7
	Savings Balances at Savings & Loan Assoc. <sup>3</sup>	Million \$		n.a.	3,333p	3,233	
	Cash Farm Receipts <sup>3</sup>	Million \$			483	366	
MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS	CITY BANKS <sup>4,5</sup>						
	Adjusted Loans and Discounts <sup>6</sup>	Million \$	2,271	2,344	2,273	2,299	+ 2.0
	Commercial and Industrial Loans	Million \$	968	1,069	1,039	1,061	+ 0.8
	Real Estate Loans	Million \$	460	465	467	420	+10.7
	Gross Demand Deposits	Million \$	1,982	2,335	1,963	2,476	- 5.7
	Time Deposits	Million \$	1,171	1,237	1,238	1,532	-19.3
	U.S. Government Securities	Million \$	327	324	339	395	-18.0
	Other Securities	Million \$	530	540	519	549	- 1.6
	COUNTRY BANKS <sup>4,7</sup>						
	Loans and Discounts	Million \$	3,529	3,560	3,523	3,119	+14.1
	Gross Demand Deposits	Million \$	2,167	2,357	2,332	2,278	+ 3.5
	Time Deposits	Million \$	3,545	3,533	3,535	3,319	+ 6.4
	U.S. Government Securities	Million \$	994	1,014	1,065	1,185	-14.4
	Other Securities	Million \$	1,088	1,083	1,077	988	+ 9.6
MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS	Total Reserves <sup>8</sup>	Million \$	706	690	686	686	+ 0.6
	Required Reserves	Million \$	698	678	678	669	+ 1.3
	Excess Reserves	Million \$	8	12	8	17	-29.4
	Borrowings from FRB	Million \$	37	32	75	13	+146.2
	Ratio of Loans to Total Deposits—City Banks <sup>4</sup>	Percent	74.0	65.9	72.2	58.7	+12.3
	Ratio of Loans to Total Deposits—Country Banks <sup>4</sup>	Percent	61.8	60.5	60.0	55.7	+ 8.6
MEASURES OF PRICE LEVELS	Consumer Price Index <sup>9</sup> —Minneapolis	Index, sa	n.a.	n.a.	n.a.	n.a.	
	Prices Received by Farmers <sup>9</sup> —Minnesota	Index, sa	n.a.	128	125	114	+12.3

## NOTES

- e—Partially estimated; all data not available  
n.a.—Not available  
p—Preliminary; subject to revision  
r—Revised  
sa—Seasonally adjusted data  
\*—U.S. and District do not have comparable data  
saar—Seasonally adjusted annual rate

## FOOTNOTES

1. Excluding Northwestern Wisconsin
2. All commercial banks, estimated by a sample of banks
3. Excluding Northwestern Wisconsin and Upper Michigan
4. Last Wednesday of the month figures
5. City Banks—Selected banks in major cities
6. Net loans and discounts less loans to domestic commercial city banks
7. Country Banks—All member banks excluding the selected major city banks
8. Average of daily figures of the four or five weeks ending on Wednesday which contain at least four days falling within the month
9. Index: 1957-59 Base Period



# UNITED STATES income and finance

Percent Change DEC to DEC	1970	1969		1968	UNIT	I N D I C A T O R	
	JANUARY	DECEMBER	NOVEMBER	DECEMBER			
+ 7.5		769.7	767.4	716.0	Billion \$, saar	Total Personal Income	MEASURES OF CONSUMER INCOME & FINANCIAL POSITION
+ 7.4		747.7	745.1	695.9	Billion \$, saar	Nonagricultural Personal Income	
+ 5.0		134.15	132.36	127.82	Dollars	Average Weekly Earnings in Manufacturing	
+ 8.9		40.3	40.0	37.0	Billion \$	Consumer Installment Credit Outstanding <sup>2</sup>	
- 8.2		150.2	149.7	163.6	Billion \$	Time and Savings Deposits at Member Banks	
+ 3.0		135.5	134.4	131.6	Billion \$	Savings Balances at Savings & Loan Assoc.	
		n.a.	5.1	4.2	Billion \$	Cash Farm Receipts	
+ 8.8		176.0	168.5	161.8	Billion \$	CITY BANKS <sup>4, 5</sup>	MEASURES OF FINANCIAL CONDITION OF MEMBER BANKS
+10.3		81.6	78.0	74.0	Billion \$	Adjusted Loans and Discounts <sup>6</sup>	
+ 4.7		33.6	34.1	32.1	Billion \$	Commercial and Industrial Loans	
+ 4.8		151.2	135.7	144.3	Billion \$	Real Estate Loans	
-13.7		96.8	96.3	112.1	Billion \$	Gross Demand Deposits	
-18.7		23.9	23.9	29.4	Billion \$	Time Deposits	
- 8.2		35.8	35.7	39.0	Billion \$	U.S. Government Securities	
						Other Securities	
+10.7		61.1	60.6	55.2	Billion \$	COUNTRY BANKS <sup>4, 7</sup>	
+ 3.2		48.5	46.0	47.0	Billion \$	Loans and Discounts	
+ 3.7		53.4	53.3	51.5	Billion \$	Gross Demand Deposits	
-14.4		16.1	16.4	18.8	Billion \$	Time Deposits	
+ 8.0		19.0	19.0	17.6	Billion \$	U.S. Government Securities	
						Other Securities	
+ 3.2		28,072p	27,739	27,196	Million \$	Total Reserves <sup>8</sup>	MEASURES OF RESERVE POSITION AND "LIQUIDITY" OF MEMBER BANKS
+ 3.9		27,799p	27,508	26,752	Million \$	Required Reserves	
-38.5		273p	231	444	Million \$	Excess Reserves	
+49.2		1,110p	1,209	744	Million \$	Borrowings from FRB	
+13.2		72.8	75.2	64.3	Percent	Ratio of Loans to Total Deposits—City Banks <sup>4</sup>	
+13.9		63.9	61.0	56.1	Percent	Ratio of Loans to Total Deposits—Country Banks <sup>4</sup>	
+ 6.1		131.3	130.5	123.7	Index, sa	Consumer Price Index <sup>9</sup>	MEASURES OF PRICE LEVELS
+ 9.3		118	118	108	Index, sa	Prices Received by Farmers <sup>9</sup>	

## SOURCES

PERSONAL INCOME: U.S. Department of Commerce, Office of Business Economics

SAVINGS AND LOAN ASSOCIATIONS: Federal Home Loan Bank Board

CASH RECEIPTS FROM FARM MARKETINGS: U.S. Department of Agriculture

FINANCIAL DATA OF MEMBER BANKS: Federal Reserve Bank of Minneapolis and Board of Governors of F. R. System

CONSUMER PRICE INDEX: U.S. Department of Labor, Bureau of Labor Statistics

PRICES RECEIVED BY FARMERS: U.S. Department of Agriculture and Minnesota Farm Price Report

# NINTH DISTRICT production and employment

I N D I C A T O R		UNIT	1969		1968	Percent Change DEC to DEC
			DECEMBER	NOVEMBER	DECEMBER	
MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION	Total Industrial Production*					
	Electrical Energy Consumption: Mfg. and Mining <sup>1</sup>	Index, sa	254	265	244	+ 4.1
	Production Worker Manhours: <sup>1</sup>	Index, sa	125p	127	121	+ 3.3
	Manufacturing	Index, sa	134p	135	130	+ 3.1
	Mining	Index, sa	87p	87	80	+ 8.8
	Total Construction Contracts Awarded	Million \$, sa	n.a.	151.3	170.8	
	Residential Buildings	Million \$, sa	n.a.	50.4	91.4	
	Nonresidential Buildings	Million \$, sa	n.a.	80.2	61.9	
	All Other Construction	Million \$, sa	n.a.	20.7	17.5	
	Bldg. Permits: New Housing Units <sup>2</sup>	Number	1,724	2,487	2,722	-36.7
MEASURES OF MANPOWER UTILIZATION	Civilian Work Force <sup>3</sup>	Thousands, sa	2,599e	2,612p	2,540	+ 2.3
	Total Civilian Employment	Thousands, sa	2,513e	2,523p	2,456	+ 2.3
	Number Unemployed	Thousands, sa	86e	89p	84	+ 2.4
	Unemployment Rate <sup>3</sup>	Percent, sa	3.3e	3.4p	3.3	0.0
	Average Weekly Hours in Manufacturing <sup>3</sup>	Hours, sa	41.1e	41.0p	40.9	+ 0.5
EMPLOYMENT BY INDUSTRY SECTOR	Wage and Salary Employment, Nonfarm <sup>3</sup>	Thousands, sa	1,910p	1,911p	1,857	+ 2.9
	Manufacturing	Thousands, sa	382p	385p	378	+ 1.1
	Mining	Thousands, sa	34p	34p	34	0.0
	Construction	Thousands, sa	100p	97p	96	+ 4.2
	Transport., Comm., & Public Utilities	Thousands, sa	133p	134p	130	+ 2.3
	Trade	Thousands, sa	461p	464p	447	+ 3.1
	Finance, Insurance & Real Estate	Thousands, sa	86p	86p	84	+ 2.4
	Service Industries	Thousands, sa	311p	310p	298	+ 4.4
	Government	Thousands, sa	403p	401p	390	+ 3.3
MEASURES OF SPENDING	Total Retail Sales*	Thousands, sa	n.a.	18.6	19.4	
	New Passenger Car Registrations	Billion \$, saar	159.1	152.5	135.6	+17.3
	Bank Debits <sup>4</sup>					

## NOTES

e — Partially estimated; all data not available  
n.a. — Data not available  
p — Preliminary; subject to revision  
r — Revised  
sa — Seasonally adjusted data  
\* — U.S. and District do not have comparable data  
saar — Seasonally adjusted annual rate

## FOOTNOTES

1. Index: 1957-59 Base Period
2. A sample of permit issuing centers
3. Excluding Northwestern Wisconsin
4. Six standard metropolitan statistical areas
5. A sample of centers blown up to represent total permits issued
6. 226 centers excluding the seven leading centers



# UNITED STATES production and employment

Percent Change DEC to DEC	1969		1968	UNIT	I N D I C A T O R	
	DECEMBER	NOVEMBER	DECEMBER			
+ 1.2	171p	171	169	Index, sa	Total Industrial Production	MEASURES OF PRODUCTION AND FACTOR INPUTS TO PRODUCTION
					Electrical Energy Consumption: Mfg. and Mining*	
	n.a.	116p	117	Index, sa	Production Worker Manhours: <sup>1</sup>	
	n.a.	119p	120	Index, sa	Manufacturing	
	n.a.	83p	84	Index, sa	Mining	
+14.4	6283.8	5037.3	5494.9	Million \$, sa	Total Construction Contracts Awarded	
- 0.3	2297.8	1823.6	2303.9	Million \$, sa	Residential Buildings	
+17.5	2462.2	1682.4	2095.6	Million \$, sa	Nonresidential Buildings	
+39.1	1523.8	1531.3	1095.4	Million \$, sa	All Other Construction	
	n.a.	85.5	99.2	Thousands	Bldg. Permits: New Housing Units <sup>5</sup>	
+ 2.8	81,589p	81,295	79,368	Thousands, sa	Civilian Work Force	MEASURES OF MANPOWER UTILIZATION
+ 2.6	78,779p	78,497	76,765	Thousands, sa	Total Civilian Employment	
+ 8.0	2,810p	2,798	2,603	Thousands, sa	Number Unemployed	
+ 3.0	3.4p	3.4	3.3	Percent, sa	Unemployment Rate	
- 0.5	40.6p	40.5	40.8	Hours, sa	Average Weekly Hours in Manufacturing	
+ 2.6	70,639p	70,653	68,875	Thousands, sa	Wage and Salary Employment, Nonfarm	EMPLOYMENT BY INDUSTRY SECTOR
+ 0.2	19,988p	20,018	19,958	Thousands, sa	Manufacturing	
+ 2.1	636p	632	623	Thousands, sa	Mining	
+ 3.5	3,446p	3,460	3,330	Thousands, sa	Construction	
+ 3.1	4,493p	4,488	4,360	Thousands, sa	Transport., Comm., & Public Utilities	
+ 3.6	14,785p	14,823	14,271	Thousands, sa	Trade	
+ 4.4	3,615p	3,610	3,463	Thousands, sa	Finance, Insurance & Real Estate	
+ 4.2	11,288p	11,265	10,838	Thousands, sa	Service Industries	
+ 3.0	12,388p	12,357	12,032	Thousands, sa	Government	
+ 4.4	29,581p	29,548	28,347	Million \$, sa	Total Retail Sales	MEASURES OF SPENDING
	n.a.	779.0	878.5	Thousands, sa	New Passenger Car Registrations	
+13.4	3147.9	3052.2	2776.6	Billion \$, saar	Bank Debits <sup>6</sup>	

INDUSTRIAL PRODUCTION: Board of Governors of F.R. System  
INDUSTRIAL USE OF ELECTRIC POWER: Federal Reserve Bank of Minneapolis  
PRODUCTION WORKER MANHOURS: Federal Reserve Bank of Minneapolis  
CONSTRUCTION CONTRACTS AWARDED: Board of Governors of F. R. System, F. W. Dodge Corporation data  
NEW HOUSING UNITS AUTHORIZED: Federal Reserve Bank of Minneapolis and U.S. Department of Commerce, Bureau of Census  
BANK DEBITS: Board of Governors of F. R. System

## SOURCES

EMPLOYMENT, UNEMPLOYMENT, HOURS AND WAGES:  
Employment Security Departments; Minnesota, North Dakota, South Dakota, Montana, Michigan, and U.S. Department of Labor, Bureau of Labor Statistics  
RETAIL SALES: U.S. Department of Commerce, Bureau of Census  
NEW PASSENGER CAR REGISTRATIONS: Automotive News Magazine

# Ninth District Agricultural Credit Conditions Survey

## FARM INCOME CONTINUES IMPROVEMENT, BUT AG SPENDING LITTLE CHANGED

Again, farm income seems to be better than it was one year ago according to the Quarterly Ninth District Agricultural Credit Conditions Survey. The most recent mailing, requesting conditions on or about January 1, 1970, was answered by 136 agricultural lending bankers in the Ninth Federal Reserve District. Although there are indications that the better-than-last-year income situation represented an even further improvement over similar conditions reported on October 1 and July 1, the current results suggest that farmers' spending has not increased significantly and that the rate of debt repayment has slowed somewhat.

In addition, a slightly larger percentage of bankers expect adverse developments in farmers' ability to repay debts. Both current and expected demands for debt refinancing appeared to be up from the levels suggested in earlier reports. Likewise, the current and expected demands for new short-term loans increased somewhat. Interest rates continued to rise from October to January but less rapidly than they did during the period from July to October. It appears that the overall liquidity position of the responding banks improved slightly from October to January as the percent of banks actively seeking new farm loan accounts edged upward and more bankers rated their loan-to-deposit ratio "low" while fewer rated it "high."

Bankers who reported that farm income in their areas was greater than it was one year earlier generally cited higher livestock prices, particularly the recently increased price of hogs, as the reason. Expectations that the greater income would continue for the next three months were mostly based on anticipations that the higher prices would be maintained.

## DEBT REPAYMENT RATE SLOWS SOMEWHAT, INVENTORIES OF GOODS INCREASE

The current rate of debt repayment, which was described as "slow" by 11 percent of the respondents (up from 6 percent on October 1), was largely attributed to holding of product inventories in order to defer income into the 1970 tax year. This behavior also accounted for much of the increased current demand for debt refinancing. But the reported increase in expected demand for debt refinancing in the next three months seemed to be related to the desire to carry stocks of low-priced grains further into the future in the hope of price increases. Also, in some areas, grain farmers have been particularly disadvantaged by weather damage to last year's crop. In these areas in many cases, last year's farming opera-

tions were simply not sufficiently profitable to repay the normal, seasonal short-term loans.

Crops also seemed to be the central concern of bankers who reportedly expected adverse changes in farmer's ability to repay debts. It was pointed out that expiration or alteration of current federal programs could significantly reduce grain farmers' incomes since support prices and program payments are particularly critical now. Some bankers expressed concern with the weakening of land values since rising land values have, for sometime, been an important part of general business solvency for many farmers.

## SHORT-TERM LOAN DEMAND STRONG, BOTH CURRENT AND NEAR FUTURE

Both the respondents who reported the current demand for new short-term loans above year-ago levels and those who reported that they expected this demand to be above year-ago levels for the next three months cited two main reasons for these developments. First, many farmers are proposing short-term alterations to increase livestock production, such as increasing the number of animals on feed. This development is somewhat of a turn-about from the conditions reported previously (October 1) and is largely attributable to stabilizing cattle market conditions and a recent large price increase in the market for butcher hogs. Second, recent interest rate increases at Production Credit Associations have caused some of their customers to seek lower-cost financing available at banks.

The results indicate that during the recent period interest rate increases were widespread at agricultural-lending banks, also. But, although large by historical standards, the percent of bankers reporting upward movements in rates was less for both short-term and long-term rates than was the case on the previous survey.

A slight improvement in the liquidity position of banks responding to the survey was indicated by the modest increase from October 1 in the percent of respondents indicating their loan-to-deposit ratios as "low" while there was a slight decrease in the share rating it "high." Overall, the average loan-to-deposit ratio reported by respondents fell to 56 percent recently from 59 percent on October 1. The decrease was probably seasonal, or perhaps less than seasonal as a relatively large share (10 percent) of the bankers expected problems in meeting loan requests in the next three months.