

MONTHLY

REVIEW

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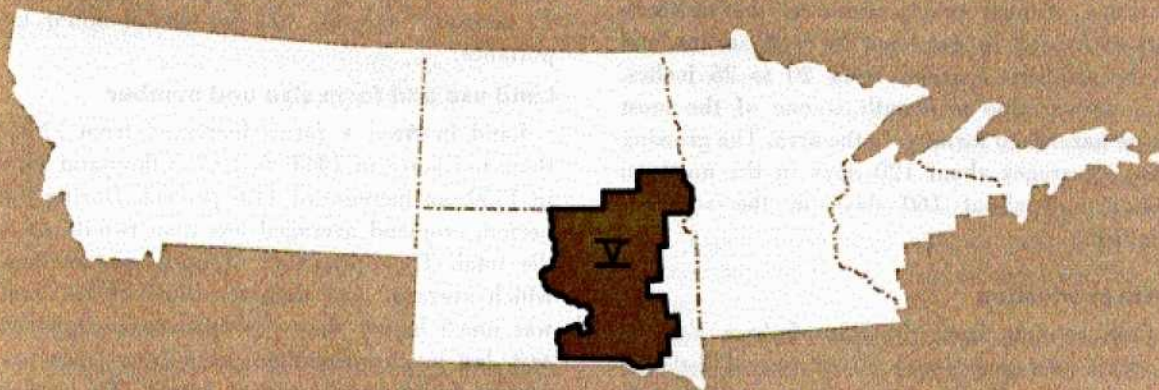
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FEDERAL RESERVE BANK OF MINNEAPOLIS

JULY 1962

This article is the fourth in a series concerning agriculture in the Ninth district. The material used as a basis for this article is taken from the research that is in progress in conjunction with the

Upper Midwest Economic Study. Each article discusses a particular "type-of-farming" area as delineated in the study. In the current issue, the economic picture in Area V is discussed.



The central prairie area

Agricultural activity in the Ninth district includes a broad spectrum of farming patterns. In the eastern parts, intensive operations such as dairy and corn-livestock feeding farms are dominant, while in the western prairies, land is used more extensively in large wheat farms and cattle ranches. Between these extremes the diverse patterns of production merge, and both intensive and

extensive cultural methods are used. Such a middle ground is typified by Type-of-Farming Area V.

This area, defined as a small grain-corn transitional area, covers much of the eastern half of South Dakota, stretching from the Missouri River to the extreme eastern tier of counties. It also includes a small section of southeastern North Dakota. Its distance from north to south ranges from

200 to 250 miles, and from east to west about 150 miles.

Wide variations in soil type, topography and climate are characteristic of Area V. The terrain varies from level to rolling, and it becomes rather rough, particularly around the tributaries of the Missouri River. The eastern half of the area consists of the dark colored soils of subhumid grasslands, in contrast to the dark brown soils of the western semiarid grasslands. These factors give rise to marked variations in crop adaptation.

While the soils are fairly fertile, the yields of crops are dependent to a large degree on available moisture. Annual precipitation in the northern part of Area V ranges from 18 to 22 inches, and in the southern counties from 20 to 25 inches. Crop failure due to drouth is one of the most severe hazards to farming in the area. The growing season averages about 120 days in the northern section and about 160 days in the southern counties.

Farm production

Cash receipts from the sale of Area V farm products averaged almost 10 percent of the total receipts in the district during the period 1954-58. This amounted to \$353 million in 1959. The sale of livestock accounted for 53.6 percent of the total, reflecting the importance of livestock. Crop sales accounted for 38.3 percent, with dairy and poultry products making up the remaining proportion.

While the number of the various kinds of livestock on farms in any one year is influenced by seasonal and cyclical fluctuations, some distinct trends are evident. The number of cattle and calves shows a definite upward trend, having doubled in number between 1939 and 1959. The number of hogs on farms in 1959, was more than four times the number in 1939. An opposite trend is found in milk cows, where the number declined about 38 percent during the 20-year period.

The most important crops in the area are corn, oats, barley and wheat. Over the period 1954-58,

TABLE 1—CASH RECEIPTS BY SOURCE, AREA V, SELECTED YEARS

Year	All Products		Source				
	Millions of dollars	Per cent	Crops	Livestock	Dairy percent	Poultry	Forest
1939	52	100.0	39.7	40.0	11.8	8.4	.1
1944	193	100.0	43.1	40.8	7.1	8.9	.1
1949	283	100.0	33.9	54.9	5.1	6.0	.1
1954	291	100.0	43.9	46.8	4.7	4.5	.1
1959	353	100.0	38.3	53.6	3.8	4.3	—

Basic data source: Census of Agriculture and United States Department of Agriculture reports.

corn averaged about 20 percent of the crop acreage, oats and barley, about 21 percent, and wheat, 12 percent. Soybeans and flax are of minor importance.

Land use and farm size and number

Land in Area V farms increased from 17,051 thousand acres in 1911, to 19,763 thousand acres in 1959, an increase of 11.6 percent. During this period, cropland averaged less than two-thirds of the total. The proportion of open pasture land, which averaged less than one-third of the total, was much higher than prevailed in areas to the east, but much lower than the average open pasture land in the areas west of Area V. The amount of woodland was negligible, accounting for less than one percent of the total.

The total number of farms declined from 38,816 in 1919, to 34,854 in 1959, a drop of over 10 percent. The number of commercial farms (those with farm product sales of \$2,500 or more) declined 6.2 percent, and noncommercial operations (those with farm product sales of less than \$2,500) fell 23.1 percent. The decrease in farm numbers was greater proportionally in the Group II commercial farms (those with sales of between \$2,500 and \$10,000) and in the non-commercial farms. As shown in Table 2, the proportion of Group I commercial farms (those with farm product sales of over \$10,000) has increased steadily.

Average acreage size of farms and their economic classification generally are correlated

closely. The Group I commercial farm averaged 1,063 acres, while the smaller Group II farm averaged 480 acres, and the noncommercial farm averaged 239 acres. The decline in farm numbers was relatively greater among units with small acreages. In 1949, 20.2 percent of area farms were less than 220 acres in size. Ten years later the proportion had dropped to 17.4 percent. The proportion of farms 500 acres and over increased from 33.6 percent to 41.9 percent during the same period.

TABLE 2—NUMBER OF FARMS BY SIZE IN SPECIFIED SALES VOLUME GROUPS: SELECTED YEARS, AREA V

Year	All Farms		All Commercial	Commercial Group		Non-Commercial
	number	percent		I percent	II percent	
1949	38,816	100.0	76.5	13.6	62.9	23.5
1954	38,029	100.0	80.2	15.8	64.4	19.8
1959	34,854	100.0	79.7	22.9	56.8	20.3

Basic data source: Census of Agriculture.

Capital investment

Total investment in land, buildings, livestock and machinery averaged \$1~48,392 thousand per year over the period 1954-58. The larger Group I farms, 15.5 percent of all Area V farms, controlled 30 percent of the total; and Group II farms, almost ~3 percent of all farms, controlled about 59 percent of the total.

Land and buildings accounted for 65.1 percent of the total commercial farm investment; livestock claimed 14.8 percent, and machinery, 20.1 percent. Livestock investment was relatively more important than machinery in the extreme southwestern part of the area, and machinery investment was more than twice the livestock investment in the northeastern section. In general, only slight differences prevailed among Group I and Group II farms regarding the relative importance of capital items.

Of the total livestock investment of \$204,912 thousand on commercial farms, cattle and calves

accounted for 81.3 percent, hogs 12.6 percent, sheep, lambs and other stock, 6.1 percent.

The investment in machinery per crop acre on commercial farms averaged \$21.74; an average of \$23.24 was invested on noncommercial farms. Only slight differences were found in the per acre machinery investment between the Group I and Group II farms.

On a per farm basis, the total investment of the Group I farm amounted to \$70,883, while the Group II farm investment was \$34,656, and the noncommercial farmer invested \$19,101.

Production expenses

Cash expenses on commercial farms averaged 75.8 percent of total production expenses. The proportions were higher on commercial farms than on the noncommercial, and they were higher also on Group I farms, compared with Group II farms. This means that depreciation, the non-cash expense, averaged slightly higher on non-commercial and Group II farms than on Group I farms.

The most important items of cash expenses are purchased feeds and petroleum products. These items together averaged around 25 percent of total production expenses on all farms.

Labor utilization

Area V represents one of the leading sections of the district in terms of farm labor utilization. The average farm utilized 83 percent of its available labor. This comparatively higher percentage is due to the operations of the commercial farms, particularly the large Group I farms. For commercial farms, the utilization rate averaged 89 percent, ranging from 84 percent on the Group II to 107 percent on the Group I. The high rate on the Group I farms, and to some extent on the Group II operations, is probably due to the farm size adjustments that have occurred in Area V, and to the balance between extensive and intensive farming patterns. Large operators frequently are in a position to handle acres and animal units in

fewer hours than standard labor requirements provide as determined by various farm management labor studies. Thus, utilization figures would and did exceed 100 percent. The levels, however, do indicate that, relative to other areas in the district, Area V farmers have made much greater advances in adjusting their operations to use available labor more fully.

The problem of underutilized farm labor still exists, however, especially on the noncommercial farms. On these farms only 49 percent of the available labor was utilized effectively. Although this rate compares favorably with noncommercial farms in other areas, it indicates the extent to which underemployment exists on many farms.

Production and farm product sales

As would be expected, cropping patterns in this area vary greatly from north to south. The patterns are much the same, however, between the commercial farm groups, and to a lesser degree on the noncommercial farms. Harvested corn acreage ranged from 36 percent of total crop acreage in the south, to 12 percent in the north. The reverse was true for harvested wheat acreage, which ranged from about 2 percent in the south to 19 percent in the north. Soybeans were relatively unimportant, except in that portion of North Dakota included in Area V, where the crop accounted for close to 5 percent of total harvested acreage. The highest proportion of flaxseed also was produced in that section of Area V.

Yields of the diverse crops also varied throughout tile area. For example, corn yields along the western edge averaged 20 bushels per acre compared to more than 30 bushels on the eastern boundary. In general, the highest yields were in the North Dakota part of Area V, which contains soils of high fertility somewhat comparable to those lying within the Red River Valley.

Comparisons of crop yields among groups of farms also revealed some significant differences. For example, corn yielded 25.9 bushels per acre on the Group I farms, 24.6 bushels per acre on

the Group II farms and 22.5 bushels on the noncommercial farms. For barley, the yields were 26.3 bushels, 21.9 bushels and 16.5 bushels, respectively.

Crops provided 38 percent of the total cash receipts on commercial farms, while livestock, e.g., cattle, calves, hogs, sheep and lambs, accounted for 49 percent, and livestock products for almost 18 percent. The relative importance of these categories varied greatly in the various parts of the area. In the North Dakota section, crops accounted for 56 percent, compared to only 26 percent in the southwest corner of the area.

TABLE 3—CASH RECEIPTS: DISTRIBUTION AMONG COMMODITIES, BY GROUPS OF FARMS, 1954-58, AREA V

	All Farms	Commercial		Non-Commercial	
		All Commercial	Group I	Group II	Commercial
		percent			
Cash receipts from	100.0	100.0	100.0	100.0	100.0
markings	100.0	100.0	100.0	100.0	100.0
Crops	38.1	38.5	36.8	39.7	30.8
Corn	9.3	9.5	8.4	10.3	6.1
Wheat	14.3	14.4	15.5	13.7	11.3
Oats	3.7	3.7	3.4	4.0	2.8
Barley	2.2	2.2	2.0	2.3	1.9
Soybeans	.9	.9	1.0	.9	.6
Flaxseed	3.9	3.9	3.1	4.4	5.1
All Other	3.8	3.8	3.5	4.0	3.0
Livestock and					
Livestock					
Products	61.9	61.5	63.2	60.4	69.2
Dairy products	5.4	5.2	2.8	6.9	10.0
Poultry products	6.3	6.0	4.3	7.2	12.7
Cattle & calves	30.8	30.9	37.0	26.6	28.4
Hogs	16.8	16.9	16.2	17.4	14.3
Sheep & lambs	1.6	1.6	1.9	1.3	1.6
Other livestock products	1.1	1.0	1.1	1.0	2.2

Farm income

Farmers in Area V averaged an annual gross income of \$338,235 thousand during the period 1954-58. Commercial farms, which constituted 80 percent of the total number of farms, contributed 94.1 percent of the gross farm income. The break-

Per farm gross income, expenses and net income, 1954 - 58 average, area V.

	All Farms	Group I	Group II	Non-Comm.
Cash receipts from farm mktg.	8070.00	20250.00	6948.00	2004.00
Government payments	331.00	655.00	308.00	145.00
Noncash income	493.00	578.00	471.00	497.00
Gross farm income	8894.00	21483.00	7727.00	2646.00
Cash expenses	5924.00	9018.00	3421.00	1496.00
Depreciation	1281.00	2267.00	1247.00	604.00
Production expenses	5205.00	11285.00	4668.00	2100.00
Net income	3689.00	10198.00	3059.00	546.00
Estimated costs of capital and operator's labor	4052.00	5789.00	3952.00	3092.00
Returns to management	-363.00	4409.00	-893.00	-2446.00
Net cash income	4970.00	11887.00	3835.00	653.00

down between Group I farms and Group II farms shows contributions of 38.2 percent and 55.9 percent respectively. In terms of net income their contributions were 43.6 percent and 53.4 percent. Net income of noncommercial farms contributed 3.0 percent.

Differences that exist between the groupings of farms are illustrated best in the per farm income summary (Chart). The net income per commercial farm averaged \$4,467 or about eight times that of the noncommercial farm. The net income of the Group I farm was more than three times that of the Group II farm. The contrast between the Group I and Group II farms becomes all the more evident when the returns to management are considered. The return to management was estimated by deducting a 5 percent capital

cost charge and an alternative wage for the operator's labor, from the net income figure. In the case of Group I, farm management received \$4,409 while both the Group II and the noncommercial farms showed negative returns to management.

The above analysis emphasizes the point that many operators of Group II farms would be ahead economically if their capital were invested elsewhere at 5 percent, and if the operator were employed at a wage equal to the hired farm labor rate. The relationship of returns and scale of operations to income indicates that the remedy for those who remain in farming is an increase in the size of their operations.

Cash income from farming may come closer to the income upon which decisions are made to

continue or to leave farming. The net cash income or the difference between cash receipts plus government payments and cash expenses is the income which must cover family living expenses, replace capital and repay debt. When cash income falls to a level at which debt cannot be serviced, the living standard falls to a minimum and capital equipment becomes inoperable, the farmer is likely to decide on alternative employment. Given the slow process of capital depreciation, many farms, though uneconomic, may be maintained for some time on the basis of cash income flows and capital depletion. This, however, is a noncontinuing process; and eventually the farm unit must be expanded into an adequate economic size or dissolved to become part of the farm consolidation process.

In Area V the net cash income of \$3,835 received per Group II farm was generally inadequate to promote expansion and development. It might be expected that some of the Group II farms which accounted for 60.7 percent of the land in the area, would be consolidated in the future.

TABLE 4—OFF-FARM EMPLOYMENT OF FARM OPERATORS, BY GROUPS OF FARMS, 1954, AREA V

	Working off-farm	Working off-farm 100 days or more	With off-farm income greater than farm income
	percent of operators		
Group I	23.4	2.8	1.2
Group II	25.9	4.6	2.5
Noncommercial	9.9	18.3	20.3

Area V is in general, poorly-situated in terms of providing off-farm employment opportunities for the operators of small units. Only 46 percent of Group II farm operators in the area worked off the farm 100 days or more during 1954. Off-farm incomes of 2.5 percent of these operators exceeded their on-farm incomes. Noncommercial operators relied more heavily on off-farm work as a source of income.

Intro-group comparisons

Purposes of separating the commercial farms into two groups include determining how they differ and aiding in the discovery of solutions to their individual problems. To bring the differences out more clearly, Group I and Group II farms were compared regarding certain income and cost relationships. The ability to make more effective use of resources on Group I farms was reflected in the income levels generated by the two groups of commercial farms. As shown in Table 5, Group I farms expended about twice the input costs of Group II farms, but received more than three times the gross income.

TABLE 5—TOTAL COSTS* AND GROSS INCOME

	Group I	Group II	Ratio of I to II
Total costs	\$17,075	\$8,621	1.98
Gross income	21,483	7,727	2.76

*Includes production expenses and the imputed costs of capital and labor.

Labor also provided a means of comparing the farm groups. The efficiency of labor is related closely to the output per worker, as measured by the cash receipts attributable to each man employed on the farm. In the case of Group I farms, each man employed generated cash receipts of \$11,429, while on Group II farms, each man employed generated cash receipts of \$6,678. This productivity on the Group I farm gave rise to a net return of \$5,828 per man, compared to \$2,226 per man on the Group II farm.

Summary

Area V is an agricultural transition area where the extensive and intensive patterns of production found on the boundaries of the district tend to merge. Over the years livestock have accounted for between 40 and 50 percent of total cash farm receipts, and crops have claimed about 40 percent. The important crops are corn, oats, barley and wheat; flax and soybeans are also

grown to some extent in the area. Total cash receipts amounted to \$353 thousand in 1959.

Considerable adjustment toward larger farm units has taken place in the area. While farm numbers have decreased from 38,816 in 1949, to 34,854 in 1959, the proportion of larger farms has increased steadily in terms of acreage size and sales volume classification. Much of the decrease has been in the group of smaller commercial farms; however, in 1959, 56.8 percent of all farms were still in this category.

Several factors tend to indicate that the adjustment toward larger, more economical units will continue. On one hand, advantages of size are readily apparent in comparing differences in production, costs and incomes of the two groups of commercial farms. The greater productivity potential of the larger farms does not come from size alone, but from the ability to command more resources and to manage them better. Thus, the incentive to enlarge operations exists for many farmers. On the other hand, income data, particularly cash flow figures, show that over time,

many of the smaller commercial farms and non-commercial farms are likely to be in nonsustainable positions. Since these farms account for more than 60 percent of the total farm land, there is the likelihood of further farm consolidations.

In general, the farm labor utilization figures derived for Area V compare favorably with other district areas. On the Group II commercial farms and on the noncommercial farms a problem exists of underutilization of available farm labor. Added to this problem is the relatively poor off-farm employment situation found in the area. The data indicate that relatively few farmers work to any great extent on part-time jobs. This is due more likely to lack of opportunity than to lack of willingness. Thus, given the farm consolidation potential and the amount of underemployed farm labor, local employment opportunities should be encouraged. Otherwise, the area's population may continue to decline, and many of the farmers who remain and attempt to make a living on inadequately sized farms will face marginal living and operating conditions.



Current conditions . . .

Generous rains covering the Ninth district in recent weeks have greatly improved overall crop prospects. Both topsoil and subsoil moisture supplies now are described as adequate in former dry areas of the western part of the region; pasture and range areas are reported in excellent condi-

tion. In a few eastern areas, particularly the Red River Valley, the problem has been too much rain. In such areas crops are a week to two weeks behind schedule.

Employment, production and personal incomes continued marking up modest advances through

the first half of 1962. District employment in May was up 2.0 percent from May a year ago, and the number of persons drawing unemployment compensation was reduced substantially. Increases in manufacturing employment and in the industrial use of electric power in recent months suggest that nonagricultural production has been expanding. Total district personal incomes January through May, seasonally adjusted, exhibited a steady advance, with May personal incomes 6.4 percent higher than in May of 1961.

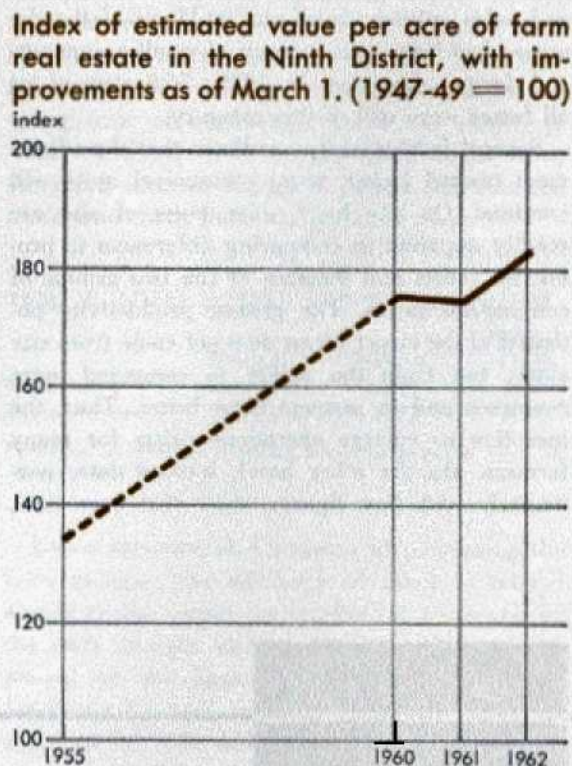
Department store sales since the first of the year have shown little spark, with particular weakness in this series in the Twin Cities area in recent weeks. The weakness may be attributed, to an unknown extent, to the loss in advertising resulting from the extended strike shutdown of the area's principal newspaper. Retail sales of automobiles have been excellent, however; for example, auto sales in the Twin Cities during the first half of June were reported up 37 percent from the same period a year ago. Shipments of iron ore from U. S. Lake Superior ports have been running about double that of a year earlier since the season opened, although substantially below a recent 10-year average.

In banking, a modest uptrend in demand deposits has occurred at district member banks since a year ago, with city banks, particularly, showing a very substantial increase in time deposit growth. Bank investments also have shown substantial gains, especially at city banks. The amount of outstanding loans has increased less percentagewise than have total bank deposits, with the result of a lower loan-deposit ratio and a slight improvement in bank liquidity. Member banks have been borrowing very little in recent months from the Federal Reserve bank, which is another indication of a relatively easy reserve position of member banks.

The following selected topics describe particular aspects of the district's current economic scene:

FARMLAND VALUES

Estimated value of farm real estate in the Ninth district reached an all time high during the past year. On March 1 the index of average farmland value was up nine points over last year at that date (chart).



Dollar value of farmland in South Dakota increased 6 percent during the past year to lead the other district states. Farmland values were up 5 percent in Minnesota and North Dakota. Record levels were reached in virtually all states throughout the country. Nationally, the index of farmland values was up nine points from last year.

ESTIMATED MARKET VALUE PER ACRE OF FARMLAND (INCLUDING BUILDINGS), MARCH 1

	1960	1961	1962
Minnesota	\$151.75	\$148.41	\$155.24
Montana	35.11	35.11	36.94
North Dakota	53.13	54.19	56.41
South Dakota	51.42	51.57	54.72

DISTRICT BANKING DEVELOPMENTS

According to reports in the financial press, bank investment policies have been modified in response to the payment of higher interest rates on time deposits this year. In particular, many banks are said to have become more aggressive buyers of municipal bonds and real estate mortgages. They also were reported lengthening maturities in government portfolios. The table below reveals the presence of all of these trends at city banks in the United States and, with the

banks during the same period. The much higher growth rate of commercial loans at district banks may have discouraged their acquisition of real estate loans. In just the five months preceding May, commercial loans at city banks in the district rose 12 percent in contrast to no change nationally.

Holdings of government securities maturing in more than five years increased in recent months both in the district and in the nation. Owing to quite small initial holdings of these securities,

SELECTED ASSETS AND LIABILITIES OF CITY BANKS

	NINTH DISTRICT			UNITED STATES		
	Dollars 5-30-62*	Percent 12-27-61	Change Since 5-31-61	Dollars 5-23-62**	Percent 12-27-61	Change Since 5-24-61
Total Loans	\$1,160	6%	6%	\$ 74.7	0%	7%
Commercial	544	12	11	33.0	0	4
Real Estate	200	— 2	— 1	14.0	5	9
Other	416	2	4	27.7	— 2	12
Governments	476	— 3	14	32.2	— 6	4
Under One	150	—13	33	12.7	— 2	21
One to Five	240	—14	0	14.5	—19	— 9
Over Five	86	120	32	5.0	47	11
Other Securities	186	18	40	13.8	11	27
Demand Deposits	1,540	— 9	0	88.7	—11	3
Time Deposits	614	30	39	46.3	12	19
Total Deposits	2,154	0	9	135.0	— 4	8

*millions

**billions

exception of added real estate loans, at Ninth district city banks as well.

A small decline of real estate loans at district city banks in the first five months this year contrasts with a 5 percent gain at city banks outside the district; a 9 percent gain outside the district in the twelve months from last May through this, contrasts with a 1 percent decline at district city

banks during the same period. The much higher growth rate of commercial loans at district banks may have discouraged their acquisition of real estate loans. In just the five months preceding May, commercial loans at city banks in the district rose 12 percent in contrast to no change nationally.

Holdings of government securities maturing in more than five years increased in recent months both in the district and in the nation. Owing to quite small initial holdings of these securities,

term government securities, holdings have increased more rapidly at district banks than at banks outside the district. In spite of this, "other securities" amounted to better than 10 percent of deposits at city banks outside the district during May, but less than 9 percent at district city banks.

Despite the fact that the rate of time deposit growth at district city banks has been more than double that of the nation generally, the ratio of time to total deposits at district city banks, 28.5 percent, remained under the national average of 31 percent in May.

CONSTRUCTION PICTURE

Construction activity is an important segment

of the national economy. In recent months, expenditures in construction have stood at an annual rate of over \$57 billion, or about 9.5 percent of the Gross National Product.

In the current economic recovery, construction expenditures have not been as strong a force as in former post-World War II recovery periods. However, in the mild recession preceding the current recovery, these expenditures held up somewhat better than in former recessions. In May 1962, fifteen months following the beginning of the current recovery, construction expenditures had risen only 7 percent, whereas in the former three recovery periods, fifteen months after the trough of each postwar business cycle, the increase ranged from 12 percent to 48 percent. (See chart I.

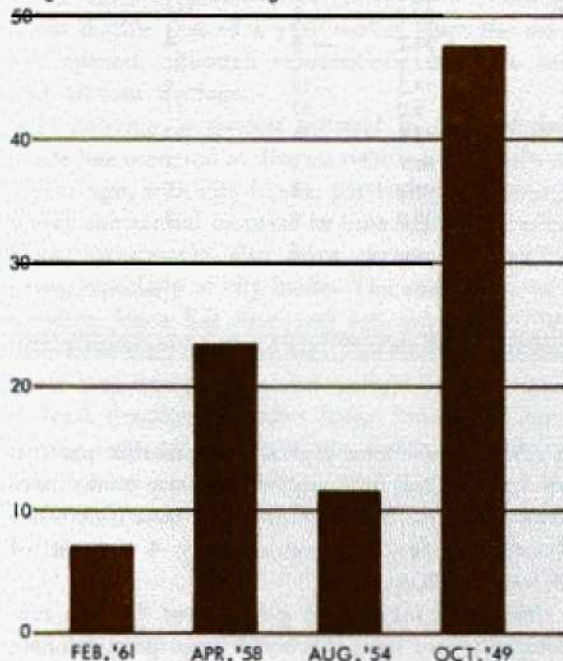
On a seasonally adjusted basis, as shown on chart II, the value of new construction put in place in the United States rose sharply from May through November 1961; it then declined materially through February of this year. Although the construction put in place rose again after March, by May it had not reached the former peak.

A slowdown in private residential building, which comprises about 40 percent of total construction, accounted primarily for the dip in activity during the winter. Various types of nonresidential building, which make up 32 percent, held up well.

Public construction — projects undertaken by federal, state and municipal governments — comprise about 28 percent of the total activity. Since last November, the expenditures on such projects have declined slowly and, therefore, have not contributed to further strength in the economic recovery. The value of work put-in-place on government projects in the first half of this year barely has matched the same period of last year, when the value was placed at just under \$6 billion. Much less military construction has taken place; much of the work on missile and air force bases was completed by the end of 1961. Highway work has lagged. From January through May 1962, the estimated value of highway construction was

Chart I—Valuation of total new construction put in place in the United States. (seasonally adjusted)

percent increase from recession trough to 15 months after trough



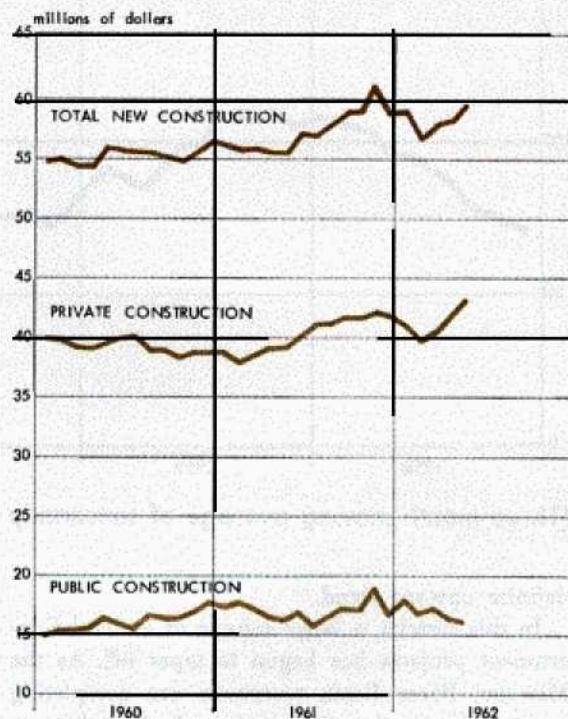
at a seasonally adjusted annual rate of \$5.7 billion, which fell considerably short of the \$6.1 billion predicted by Washington officials at the beginning of the year. The construction of elementary and secondary schools has remained at about year-ago levels. Moreover, little increase is anticipated for the latter half of this year, as many school bond proposals were defeated at the polls last November.

In general, the immediate outlook for construction is favorable in the nation at mid-year. Construction contracts—a key barometer of future construction activity—rose faster in the first four months of this year than during the same period last year. The F. W. Dodge seasonally adjusted index (1957.59 equals 100) advanced sharply from 115 percent in January to 131 percent in March; in April, the index stood at 121 percent. Contract awards compiled in the *Engineering News-Record*, which does not include the smaller projects, reveals a similar trend.

District construction

District construction activity has not expanded as much as national over-all construction in the current recovery, due to completion of air force bases, missile sites and some of the large federal projects on the Missouri River. As in the nation, residential building during the current recovery has fluctuated widely. A seasonally adjusted index (1959 equals 100) of housing units authorized by permit, declined sharply from a high of 123 percent in December 1960, to a low of 68 percent in August 1961; and it then rose to a new peak in February 1962, of 182 percent. In both March and April, the index again receded. A three months moving average of the seasonally adjusted index is plotted in chart III, which clearly reveals the wide swings. The first four months of this year showed the number of dwelling units authorized by permit at 13 percent above the total of one year earlier, in spite of the fluctuation. This increase indicated that an expansion has taken place in the housing field. The trend is still toward

Chart 2—Value of new construction put in place in the United States, 1960, '61 and '62 (seasonally adjusted—current dollars).



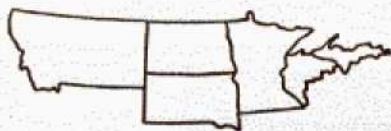
the building of more apartments; in this period, the number of apartment units authorized was up 17 percent, and the number of singles was down 4 percent.

Outlays for commercial construction have been at a high level since mid-1960. Loop redevelopment in large district cities and modernization in many small and large urban centers have contributed substantially to the volume.

On the other hand, outlays for industrial plant construction have declined intermittently from a peak reached back in September 1960. Although they rose sharply from a low in February, the gain has covered too short a period to indicate a

Statistical review available

Copies of the 1961 Annual Statistical Review, presenting data for principal statistical series relating to the Ninth Federal Reserve district, are now available from the Research Department of this bank.



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