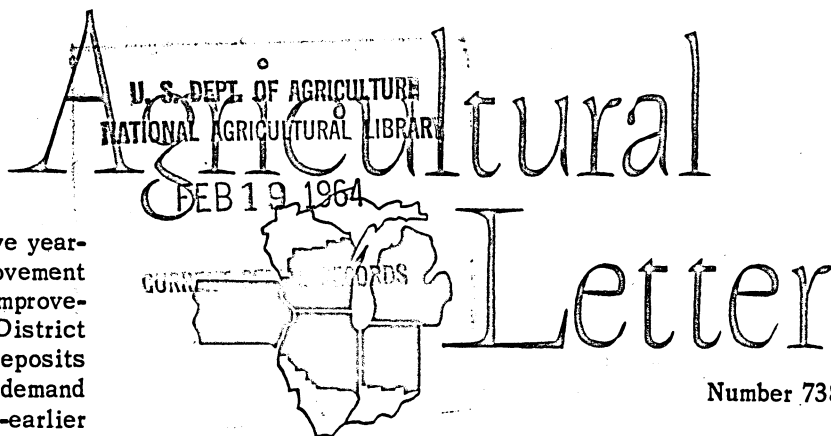


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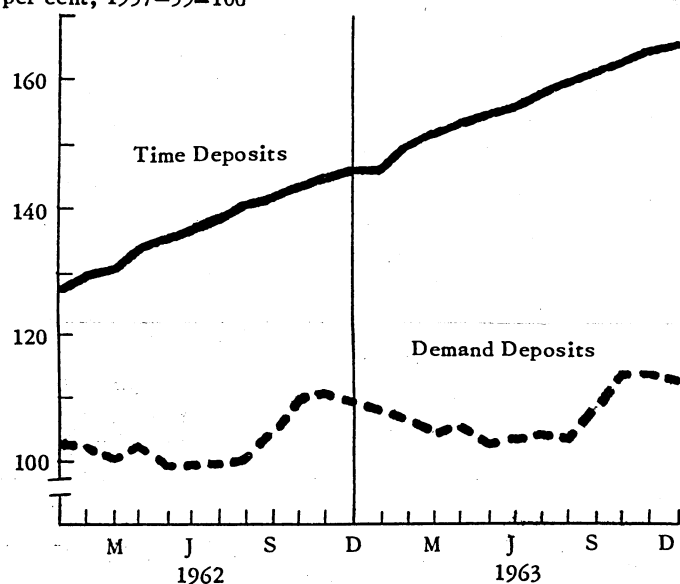
DEPOSITS at "agricultural" banks were above year-earlier levels throughout 1963. This upward movement occurred even though there was little marked improvement in the financial position of most Seventh District farmers during the year. The sharp rise in time deposits that began in 1962 continued during 1963, while demand deposits showed only modest gains over year-earlier totals.

Demand deposits at agricultural banks were up in all Seventh District states last year. In each state, however, the increase in demand deposits was at a slower rate than in the preceding year, apparently reflecting the lower net farm income that resulted from the extremely poor livestock returns.

Time deposits at these banks expanded during 1963 at about the same rapid rate as in 1962 and about twice the average rate of increase as in most other years since 1956. This reflects the higher rates of interest many banks began paying on time deposits in early 1962 and maintained through last year.

Deposits at "Agricultural" Banks in the Seventh District*

per cent, 1957-59=100



*"Agricultural" banks are those in which farm loans account for a relatively large proportion of total loan and that are located in towns with a population of less than 15,000.

In Indiana the gain in time deposits occurred at about the same rate as in previous years or about half the rate of increase for the entire Seventh District. Indiana banks were restricted by state regulation until recently from raising interest rates on time deposits above 3 per cent. This restriction was lifted as of January 1964 and Indiana banks can now pay up to 4 per cent on some forms of time deposits.

Following this change in the interest rate ceiling, numerous agricultural banks in Indiana have gone to higher rates. About 80 per cent of the Indiana agricultural banks reporting in a recent survey indicated they are offering higher rates than six months earlier. Nearly 70 per cent of Indiana agricultural banks are now paying 3.5 per cent or more on some form of time deposit.

Interest rates on savings deposits at agricultural banks in other District states were generally stable during the last half of 1963. Less than 5 per cent of the bankers reported any change. About half of the agricultural banks in Illinois are paying 3.5 per cent or more on regular savings deposits while about one-sixth of the agricultural banks in Iowa and Michigan are at or above that rate. In Wisconsin the number is about 5 per cent of the total. More than 3 per cent of the agricultural banks in the Seventh District that reported are paying less than 2 per cent on regular savings deposits.

DEMAND FOR FARM LOANS was strong throughout 1963. More than half of the bankers replying in a recent survey indicated a greater demand for credit by farmers than the year earlier, while less than 10 per cent reported less demand. The rapid growth of liquid savings during the past two years resulted in a greater availability of funds but some banks have imposed additional limitations on some types of loans, apparently reflecting greater caution on feeder cattle loans following some poor experiences in the 1962-63 feeding year. In Iowa nearly one-third of the agricultural banks reporting in the survey indicated that they were requiring additional collateral on non-real estate farm loans.

INTEREST RATES on farm mortgage loans have edged upward recently, reflecting both the high level of demand for farm loans and higher interest rates on other types of investments. About 10 per cent of the agricultural bankers in the Seventh District indicated they are now charging higher rates than a year earlier on farm real estate loans. Rates charged by insurance companies on commitments of new farm mortgage loans rose from 5.83 to 5.87 during the fourth quarter of 1963. If the expansion of activity in the business sector of the economy continues, and credit demands of business and consumers increase accordingly (as most economists are projecting), insurance companies and some banks will probably be under pressure to allocate more funds to these non-agricultural borrowers.

Roby L. Sloan
Agricultural Economist

FARM BUSINESS CONDITIONS

December 1963

I T E M S	1963		1962
	December	November	December
PRICES:			
Received by farmers (1957-59=100)	98	100	101
Paid by farmers (1957-59=100)	106	106	106
Parity price ratio (1910-14=100)	76	77	78
Wholesale, all commodities (1957-59=100)	100	101	100
Paid by consumers (1957-59=100)	108	107	106
Wheat, No. 2 red winter, Chicago (dol. per bu.)	2.20	2.17	2.13
Corn, No. 2 yellow, Chicago (dol. per bu.)	1.23	1.17	1.16
Oats, No. 2 white, Chicago (dol. per bu.) .....	.73	.70	.77
Soybeans, No. 1 yellow, Chicago (dol. per bu.)	2.78	2.79	2.53
Hogs, barrows and gilts, Chicago (dol. per cwt.)	14.49	14.85	16.45
Beef steers, choice grade, Chicago (dol. per cwt.)	22.30	23.51	28.91
Milk, wholesale, U. S. (dol. per cwt.)	4.41	4.47	4.29
Butterfat, local markets, U. S. (dol. per lb.) .....	.59	.58	.59
Chickens, local markets, U. S. (dol. per lb.) .....	.13	.14	.14
Eggs, local markets, U. S. (dol. per doz.) .....	.35	.36	.36
Milk cows, U. S. (dol. per head)	210	210	219
Farm labor, U. S. (dol. per week without board)	--	47.75 ^{a/}	--
Factory labor, U. S. (dol. earned per week)	--	101.09	98.42
PRODUCTION:			
Industrial, physical volume (1957-59=100)	127	127	119
Farm marketings, physical volume (1947-49=100)	158	188	147
INCOME PAYMENTS:			
Total personal income, U. S. (annual rate, bil. of dol.)	--	473	452
Cash farm income, U. S. (annual rate; bil. of dol.)	--	39	39
EMPLOYMENT:			
Farm (millions)	4.0	4.8	4.1
Nonagricultural (millions)	64.6	64.5	63.5
FINANCIAL (District member banks):*			
Demand deposits:			
Agricultural banks (1957-59=100)	112	114	109
Nonagricultural banks (1957-59=100)	110	106	108
Time deposits:			
Agricultural banks (1957-59=100)	165	164	146
Nonagricultural banks (1957-59=100)	178	177	155
¹ Based on estimated monthly income. ^{a/} October.			

Compiled from official sources by the Research Department, Federal Reserve Bank of Chicago.