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DEPOSITS AT "agricultural" member banks in the Seventh Federal Reserve District have continued to rise relative to year-earlier levels during the first four months of 1966. Demand deposits, while declining seasonally, have posted the largest year-to-year gain in recent years, and time deposits have continued their accelerated rise that began in 1962.

Deposits at "Agricultural" Banks Show Sharp Rise*

	Increase, April 1965-66	
	Demand (percent)	Time
Illinois	6	11
Iowa	7	16
Indiana	10	21
Michigan	12	12
Wisconsin	6	11
District states	8	14

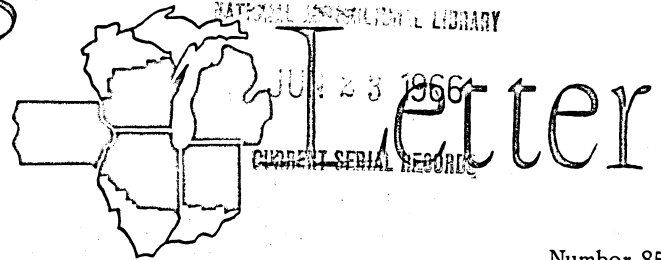
*Agricultural banks are those in which farm loans account for a relatively large proportion of total loans and are located in towns with a population of less than 15,000.

Demand deposits at these banks in April showed an 8 percent gain from the level 12 months earlier, compared with an average annual increase of about 2 percent during the preceding five years. Prior to last year, of course, livestock prices had reached very low levels, and incomes of many District farmers were curtailed which tended to hold demand deposit growth to relatively small gains. During 1965, however, prices of livestock, as well as those of most other important Midwest agricultural commodities, rose substantially. As a result, cash receipts from farm marketings in the Seventh District states rose about 10 percent from the year-earlier level. Moreover, this situation has continued thus far this year. Prices received by farmers during the first quarter averaged more than 3 percent above those during the comparable 1965 period and cash receipts during January through March in the District states were more than one-fifth above the year-ago level.

Seasonal declines in demand deposits at "agricultural" banks generally occur during the first part of the year in the Midwest because of the seasonally large cash demands for machinery purchases and expenses of planting and fertilizing crops. While deposits at these banks have declined since the beginning of this year, the decline has been smaller than usual. This probably reflects the improved farm income situation as well as the generally inclement weather which delayed farm work this spring.

Time deposits at agricultural banks in the District have continued to rise at about the same rate as in the past four years. Time deposits at these banks have shown a steady uptrend since 1955 with the exception of a leveling off at the end of 1959 and the beginning of 1960. However, since early 1962, following the general movement to higher interest rates paid by banks and the continued upswing in business activity, time deposit

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growth has been at the rate of 13 percent a year, about double the average rate of increase in most other years since 1955. In April of this year, time deposits at agricultural banks in the Seventh District were about 14 percent greater than the year-earlier level and more than double the 1957-59 average.

With forecasts for the remainder of the year indicating that continued improvement in incomes relative to a year ago may be expected in both the farm and nonfarm sectors of the economy in the Midwest, the pattern of change in deposits at these banks achieved during the first quarter would appear likely to be extended through the remainder of the year.

Farm population has continued to decline both in total and as a percent of the nation's population. Government estimates placed the farm population at 12.4 million persons in 1965—down from nearly 13 million in 1965 and 15.7 million in 1960. People living on farms now account for only slightly more than 6 percent of the total population, compared with nearly 9 percent in 1960.

Farm Population Declines Further

Age (years)	1960 (thousands)	1965	Decline (percent)
Under 14	4,995	3,647	27
14-19	1,868	1,553	17
20-24	763	604	21
25-44	3,264	2,404	26
45-64	3,453	2,930	15
65 and over	1,326	1,225	7
Total	15,669	12,363	21

While declines have occurred in all age groups since 1960, the largest decreases were for those adults 25 to 44 years of age and for children 14 (whose parents, by and large, are in the 25-44 age range). In the group over 45 years, the migration rate drops sharply. As a result of the rapid rural to urban shift which has persisted among young adults for the past several years, farm persons of late middle age or older considerably outnumber young adults. In farming as in most occupations, the older one is, the less likely he is to shift to another type of work.

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