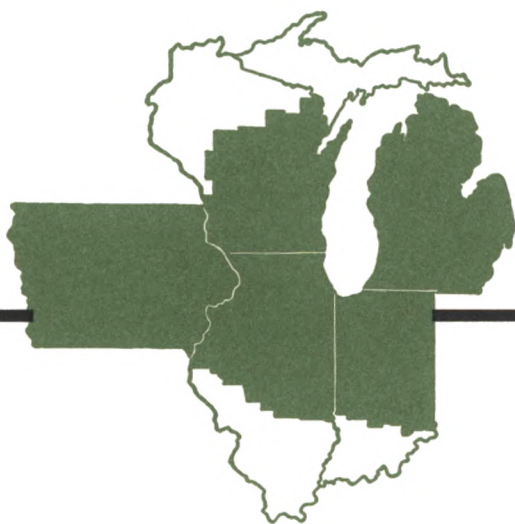


*A review by the* **Federal Reserve Bank of Chicago**

# Business Conditions

**1966 June**



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# Rising prices—a sign of stress

A widespread, gradual, but persistent, up-trend in the general price level spotlights one of the nation's most pressing domestic problems. With most labor markets tight and most industries utilizing their capacity fully, any excess of demand relative to current output tends to put upward pressure on prices.

While the labor force has been growing and industrial capacity has been augmented steadily, the economy has been operating near practical limits. Under these circumstances, the supply-demand balance is delicate.

## Tale of the indexes

In April average prices of goods and services purchased by consumers—as measured by the consumer price index of the Bureau of Labor Statistics (BLS)—were almost 3 percent higher than a year earlier. Much of this year-to-year rise was accounted for by food prices, especially meats. The Commissioner of Labor Statistics, however, has commented that the large number of recent increases in prices of non-food items “gives ground for concern.”

Average prices of commodities at wholesale in April—as measured by the BLS wholesale price index—were almost 4 per-

cent above a year earlier. Similar to consumer prices, farm products and foods have accounted for a large share of the rise in the wholesale price index. The average of non-farm wholesale prices was up more than 2 percent from a year ago in April, and virtually all the major groups of commodities have risen.

The BLS also publishes a daily spot market price index—an average of 24 basic commodities, including such items as hogs, wheat, hides, lead scrap and tin, most of which are traded on organized exchanges where prices are sensitive and free to move in response to changes in supply and demand. In mid-May the spot commodity price index was more than 4 percent higher than a year earlier with some commodities up sharply. For example, copper scrap was more than 30 percent above a year earlier and hides were 23 percent higher. Unlike the consumer and wholesale price indexes, the spot price index has declined since reaching a peak in February, when it was 10 percent higher than a year earlier, mainly because of lower livestock prices.

## The recent surge

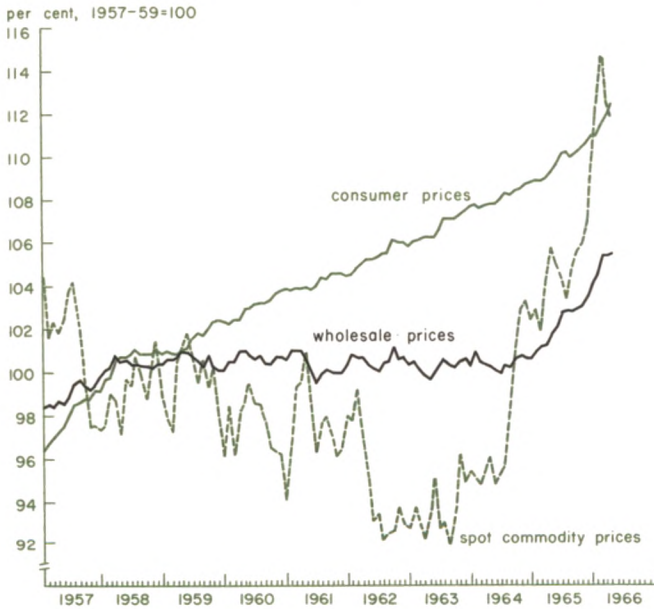
Businessmen know that actual transactions

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**Consumer prices** continue to rise while some commodities, principally hogs and cattle, decline in the spring



often are concluded at prices appreciably different from those used in calculating official price indexes. Charges for transportation, installation and other extras and quantity and trade discounts vary as market conditions change. Moreover, individual consumers may buy many items more cheaply through intensive shopping or by concentrating purchases at sales featuring price reductions.

Although subject to a number of limitations, the official price indexes provide reasonably satisfactory general indications of price movements. While sluggish and relatively unresponsive at times of fairly rapid or widespread price movements, these indexes can be counted upon to reveal substantial changes in trend. Such a development became clear during the past year.

During the period 1961-64, the consumer price index rose by an average of 1.2 percent each year. Last year the index averaged 1.7 percent more than in 1964, but this comparison does not fully reflect the extent of the acceleration in price increases during the year. From December 1964 to December 1965, consumer prices rose more than 2 percent, and there was a further spurt in the early months of the current year. Food was most important in this increase, but clothing and shoes, rent and some services also moved up.

Relative stability of prices of consumer durable goods in the face of strong demand during the past several years has been noteworthy. Although modest year-to-year variations have occurred, the average price of all consumer durables was almost exactly the same in March as the average for 1959. Prices of consumer durables were about 1 percent less than a year earlier in March, partly because of the elimination of the manufacturers' excise tax on appliances and the reduction of the tax on autos in mid-1965.

Most important among consumer durable goods, of course, is the automobile. When measuring new auto prices, the BLS makes adjustments for changes in size, equipment and certain performance characteristics. On this basis new auto prices have declined each year since 1959. In early 1966, new auto prices were almost 4 percent lower than a year earlier. Doubtless this recent development reflects both the excise tax cut and the more ample supply of new cars this year.

Each year since 1955, the total consumer



price index has averaged higher. The steady uptrend in rent and prices of such services as medical care, public transportation and restaurant meals—all heavily influenced by rising wages, salaries and professional fees—have been largely responsible. The rise in the consumer price index in recent years has been small, however—even during 1965 and 1966—compared to increases of 8 percent in 1948 and 1951.

From 1958 until 1965, the wholesale price index had been stable within a range of plus or minus 1 percent. Last year it averaged 2 percent higher than a year earlier. As in the case of consumer prices, the rise in the wholesale index from December 1964 to December 1965 was greater—3.4 percent. In

recent months higher industrial prices have offset the tendency of reduced livestock prices to depress the index.

Prices of a wide variety of manufactured products have risen in recent months. Many types of electrical and nonelectrical components and machinery have been marked up 2 to 5 percent or more. Prices of building materials and certain copper, aluminum, chemical, paper and rubber products also have risen. In most cases these industries have reported growing order backlogs and lengthening delivery schedules and have been operating at practical capacity.

Steel prices had been stable or soft from 1958 through early 1963. Since then selective increases have raised average steel prices

about 3 percent. A reduced volume of new orders and larger imports have been cited by one steel executive as a basis for believing that additional increases in steel prices are unlikely in the near future.

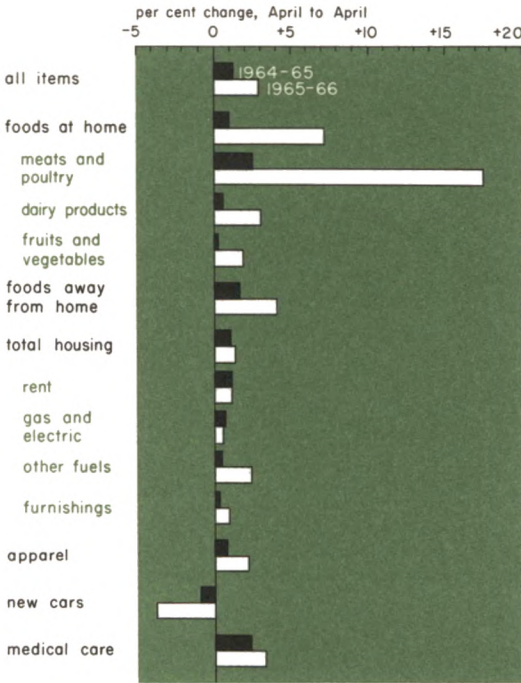
Perhaps copper provides the most dramatic example of a commodity for which demand has outrun the increase in supply. Nevertheless, the full impact of this development has not been reflected in the official price indexes. Since May 1965 the domestic producers' price of copper has been 35.8 cents per pound.

A substantial pro-

### Selected spot commodity prices, 1964-66

	Low price	High price	Mid-May
		(dollars)	
<u>Foods</u>			
Coffee (per pound)	.41 (May 1966)	.52 (February 1964)	.41
Hogs (hundredweight)	14.25 (March 1964)	29.75 (January 1966)	25.00
Steers (hundredweight)	20.38 (May 1964)	28.88 (February 1966)	27.50
Sugar (100 pounds)	6.15 (June 1964)	9.50 (January 1964)	6.90
<u>Metals</u>			
<u>Scrap</u>			
Copper (pound)	.28 (January 1964)	.67 (April 1966)	.57
Lead (pound)	.05 (February 1964)	.08 (March 1966)	.07
Steel (ton)	29.00 (February 1964)	42.00 (November 1964)	30.00
Tin (pound)	1.33 (March 1964)	2.19 (October 1964)	1.71
<u>Others</u>			
Burlap (yard)	.11 (May 1964)	.17 (March 1966)	.16
Hides (pound)	.12 (January 1964)	.26 (March 1966)	.22
Print cloth (yard)	.18 (May 1964)	.21 (July 1965)	.20
Rubber (pound)	.23 (January 1964)	.28 (April 1965)	.24
4 Wool tops (pound)	1.59 (May 1965)	1.88 (January 1964)	1.77

**Lower new car prices contrast with increases for most items**



portion of the copper purchased by United States fabricators in recent months from dealers has cost 60 to 80 cents a pound or more, and copper scrap has been quoted as high as 64 cents. A large proportion of copper used in the United States comes from foreign sources. The official price set by the government of Chile was recently raised to 62 cents, although some Chilean copper will continue to be available to domestic fabricators at substantially lower prices.

Each month since October, 50 percent or more of the members of the Purchasing Agents Association of Chicago have reported paying higher prices for materials and supplies than in the preceding month, while hardly any have reported paying lower prices.

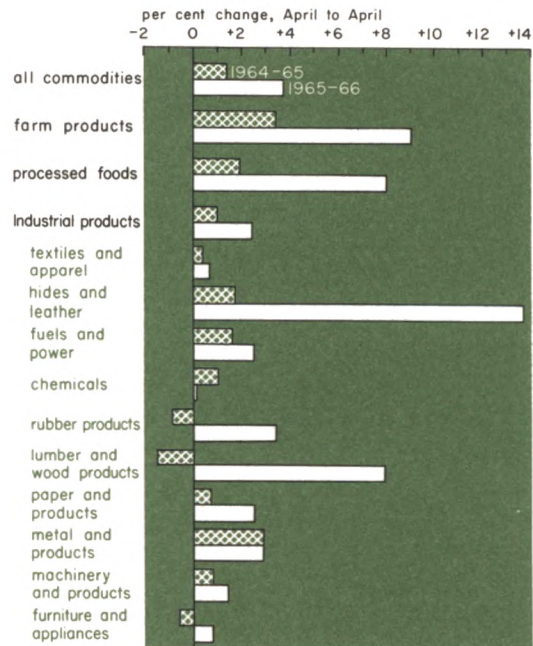
This experience has had no counterpart since 1955. Almost 60 percent of these agents reported in April that they were ordering 60 days or more ahead, a somewhat higher proportion than at the peaks of demand in 1955 and 1956.

**Pricing restraint**

Further lengthening of lead times and the continued increase of order backlogs provide impressive evidence of the vigor of business activity in 1966. Unfilled orders of durable goods producers amounted to 2.9 times current sales in March, compared to a ratio of 2.6 a year earlier.

Rising backlogs, like price increases, denote pressures on capacity. Under these conditions it is likely that some firms are order-

**Farm products led the recent rise in wholesale prices**



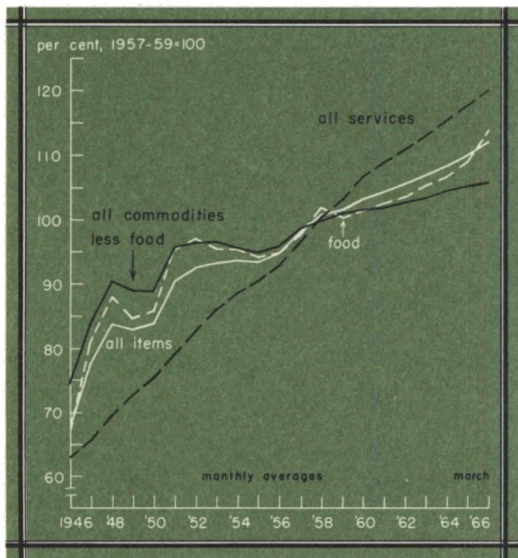


ing certain supplies and components in excess of current needs, partly to assure adequate stocks and partly to avoid paying higher prices later.

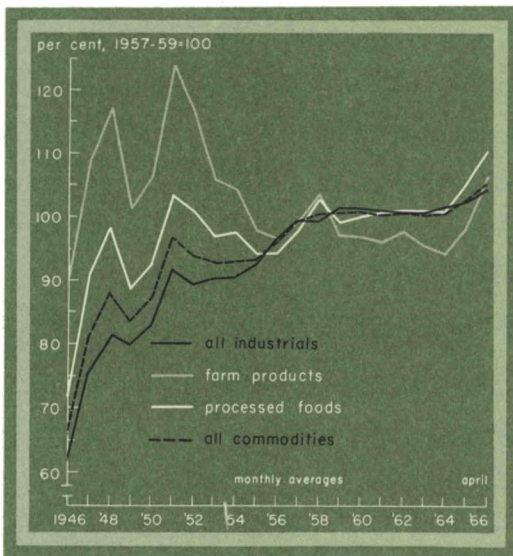
Many producers of both hard and soft goods have been following their usual practice of not raising prices as much as current market conditions would permit. Instead of using prices to channel their products to those willing and able to pay the most, they have allocated limited supplies to customers, usually on the basis of past purchases and trade relationships.

Probably voluntary price restraint reflects, in part, the desire of corporate management to heed the Administration's request that price advances be avoided. The practice of allocating supplies in tight markets, however, has many precedents earlier in the postwar

**Prices of consumer services have risen steadily during the postwar period**



**After seven years of stability average wholesale prices began to rise in 1965**



period when Government activities played a lesser role in the pricing process.

Business firms place a high value on existing customer relationships and are hesitant to risk upsetting these by overly aggressive pricing policies. In addition, it is feared that customers might locate alternative sources of supply abroad or develop the use of substitutes. Furthermore, many firms are pleased with current profit margins—slightly higher for most major companies than a year earlier. Still higher profits might increase pressures for greater worker compensation and larger dividends that could prove burdensome in less profitable years in the future. Also there is concern that pressure for higher taxes or price controls would be strengthened. Right or wrong, many business executives do not believe that charging all that the traffic will bear in periods of high level prosperity is the

best policy for their companies in the long run.

### **Has the danger passed?**

The experience of recent years has demonstrated again that some combination of monetary policy (to ease or tighten credit) and fiscal policy (adjusting tax rates and Government spending) can stimulate or retard the rate of growth of private demands when used with sufficient vigor. Each year since 1960 the Federal Reserve System has provided sufficient reserves to the banking system to permit a continued, substantial growth in money and credit. Concurrently, Federal spending has risen and tax rates have been adjusted downward, particularly in the spring of 1964. These programs stimulated and accommodated increases in private spending by consumers and businesses.

By mid-1965 the economy was approaching full utilization of resources and upward pressures on prices were becoming evident as demand continued to rise strongly. In the second half of 1965, the decision to increase the nation's military effort in South Vietnam boosted Government demands upon resources of men and equipment. The major price indexes soon reflected the resulting strain upon the economy. Output continued to rise rapidly, but total demands increased even faster. The disparity between demand and output became even clearer in the early months of 1966.

For several months monetary policy has been directed toward restraining the surge in spending. Interest rates have risen as credit demands were accommodated less readily. Certain fiscal policy actions also have worked

on the side of restraint. Some Federal construction projects have been postponed and some types of spending have been pared down; social security taxes have been raised; payments of personal and corporate income taxes have been accelerated and excise tax cuts on autos and telephone service—effective at the start of the year—have been restored.

Have these monetary and fiscal actions been sufficient to restrain excess spending? Some observers are certain that enough has been done, at least for the time being. Others are equally certain that these measures have been inadequate and urge higher taxes, reduced Federal spending and additional steps to tighten credit or a combination of these actions.

Cutbacks in auto output in May and June and a reduction in the rate of new steel orders since April indicate that these two major industries are capable of meeting current demands for their products. But order backlogs for machinery and equipment continue to rise, and facilities to produce most nonferrous metals and many soft goods, such as textiles, paper, petroleum products and chemicals, remain hard-pressed.

Capital expenditure programs now in process will alleviate stringencies in time, barring a substantial further step-up in hostilities. Private estimates suggest a rise in total industrial capacity of 8 percent this year and an additional large gain in 1967. During the next six months, the nation's ability to analyze its economic ills, to prescribe for them and to implement appropriate treatment will be tested. The price indexes will continue to play a vital role in this process.



# Time deposits— more large accounts

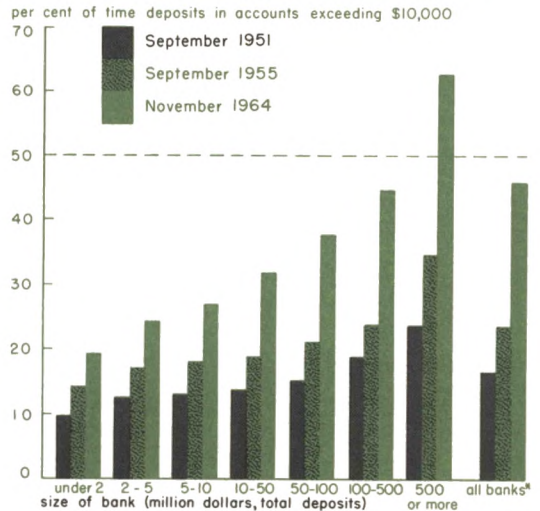
Most time and savings deposit accounts at commercial banks are relatively small. The average size of such accounts in November 1964 was \$1,617, according to a survey conducted by the Federal Deposit Insurance Corporation.<sup>1</sup> However, the relative importance of large accounts has increased in recent years as banks have acquired time deposits from corporations and other large holders of liquid assets.

Although large accounts remain a small proportion of the number of time accounts, they comprise a much larger proportion of total dollar volume. Less than 3 percent of the time accounts of individuals, partnerships and corporations at all insured commercial banks exceeded 10,000 dollars in 1964, but they included 46 percent of total volume.

Marked differences are found in the importance of large accounts between banks of different size. At the smallest banks (*total deposits under 2 million dollars*) 1.6 percent of time accounts exceeded 10,000 dollars. Such deposits, however, accounted for 19 percent of the total volume of time deposits at these banks.

At the nation's largest banks (*total deposits of 2.5 billion dollars or more*) time accounts of more than 10,000 dollars have climbed sharply in recent years. Amounting to 28 percent of all time deposits in September 1951 and 37 percent in September 1955, the proportion of such accounts reached 66

## Accounts exceeding \$10,000 provide large proportion of total time deposits at large banks



\*All insured commercial banks.

percent in November 1964. Nevertheless, at the recent date, less than 4 percent of the number of time accounts exceeded 10,000 dollars.

The sharp rise in the dollar volume of the large time deposits mainly reflects the growth of negotiable time certificates of deposit (CDs) of 100,000 dollars and more. In November 1964, accounts with balances exceeding 100,000 dollars represented only 0.1 percent of the total number of time accounts at

<sup>1</sup>Savings and time deposits of individuals and businesses at insured commercial banks.



the largest banks but 40 percent of their time deposits.

### Area differences

Relative importance of large time accounts varies greatly among areas and among banks within areas. In general it is the largest banks in the major centers that have the bigger accounts. At the three largest Chicago banks, according to the FDIC study, accounts of more than 100,000 dollars made up 47 percent of the time deposits of these banks. Chicago banks, other than the three largest, had only 8 percent in balances of more than 100,000 dollars.

Decatur banks stand out among banks in smaller District centers as holders of time accounts with sizable balances. The three largest Decatur banks had 22 percent of their time deposits in accounts of more than 100,000 dollars.

Aside from Chicago and Decatur, only in Detroit, Indianapolis and Milwaukee did the three largest banks

## Comparison of size structure of time deposits in various areas, November 1964

Metropolitan area	Share of total time deposits*					
	Three largest banks			Other banks		
	\$10,001			\$10,001		
	\$10,000 or less	to \$100,000	More than \$100,000	\$10,000 or less	to \$100,000	More than \$100,000
	(percent)					
Chicago	22	31	47	60	32	8
Decatur	43	35	22	75	25	0
Peoria	51	39	10	74	24	2
Detroit	52	33	15	64	27	9
Indianapolis	58	28	14	74	24	2
Milwaukee	59	28	13	72	25	3
Lansing	60	32	8	77	21	2
Ann Arbor	62	33	5	70	28	2
Grand Rapids	62	33	5	77	22	1
Flint	63	31	6	73	25	2
Champaign-Urbana	64	35	1	65	32	3
Saginaw	64	31	5	78	22	0
Muncie	65	26	9	73	27	0
Muskegon	65	31	4	—	—	—
Springfield	65	38	5	71	28	1
Cedar Rapids	68	27	5	76	21	3
Des Moines	68	25	7	74	24	2
Rockford	68	28	4	80	20	0
Bay City	69	22	9	—	—	—
Fort Wayne	69	29	2	70	27	3
Kalamazoo	69	25	6	69	31	0
Green Bay	70	25	5	80	19	1
Sioux City	70	26	4	76	23	1
Gary-Hammond	71	27	2	76	23	1
Waterloo	71	24	5	85	15	0
Jackson	73	25	2	80	20	0
Kenosha	74	25	1	82	18	0
Quad Cities	76	23	1	76	23	1
South Bend	77	22	1	72	21	7
Terre Haute	77	23	0	80	20	0
Dubuque	78	16	6	79	21	0
Racine	79	19	2	82	17	1
Madison	80	20	0	81	17	2

\*Total time deposits of individuals and businesses at insured commercial banks.

have more than 10 percent of time deposits in balances in excess of 100,000 dollars. Banks in most centers held only small amounts of such time deposits in 1964 or none at all.

In most District centers, even the three largest banks had two-thirds or more of their time deposits in relatively small accounts. For several areas the proportion in accounts of 10,000 dollars or less was close to 80 percent.

For about one-third of the District centers, the distribution of time deposits by size of account was similar for the three largest banks and the other banks in the area taken as a group. This similarity suggests that average account size depends somewhat on local market factors. Small proportions of large accounts in some communities appear to have been associated with relatively low interest rates paid by the local banks on time and savings deposits.

**Small accounts at nonbank institutions**

Average account size at all insured savings and loan associations in November 1964 was \$2,649, about \$1,000 more than the average time deposit at insured commercial banks. At a representative group of savings and loan associations, for which information is available for 1960, 16 percent of share accounts were 5,000 dollars or more in size and these accounts represented 63 percent of aggregate savings capital.

Accounts at credit unions typically are quite small. The average balance in October 1965 was about \$620. At federally chartered credit unions, accounts of 5,000 dollars or more in 1965 constituted only 1 percent of all accounts and about 20 percent of total share capital.

Average holdings of U. S. Series E savings bonds also are relatively small. In recent years nine out of ten Series E bonds issued

have been in \$25 and \$50 denominations. The lowest denomination Series H savings bond is \$500, but these have represented less than 10 percent of total dollar sales of savings bonds in all series.

Information compiled by the Michigan Survey Research Center in 1963 indicates that most spending units hold only small amounts of savings balances, including time deposits and share accounts in banks, savings and loan associations and credit unions combined. Only 18 percent of all spending units held such assets in amounts of 2,000 dollars or more.

<u>Savings balances*</u> (dollars)	<u>Spending units</u> (percent)
None	47
1-499	19
500-1,999	16
2,000-9,999	15
10,000 or more	3
	<hr/> 100

\*Combined aggregate of savings at banks, savings and loan associations and credit unions.

**Interest and service costs**

While competition has stiffened for deposits and share capital balances of all sizes, the effect recently has been most apparent in the case of large negotiable time certificates of deposit, some of which have carried rates as high as the legal maximum of 5.5 percent in recent months. (One large New York bank has recently begun to advertise 5.5 percent interest on six-month time deposits of \$2,500 or more.)

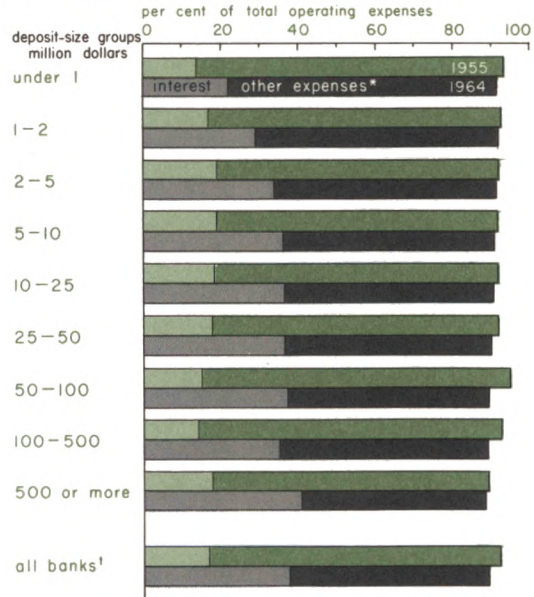
Some banks are prepared to pay high rates on large CDs, not only because large sums can be obtained for predetermined time periods but also because of transactions cost. Small accounts in passbook form are often extremely active, with numerous in and out transactions. According to one recent study,



deposit transactions cost about 42 cents to process and withdrawals about 45 cents.<sup>2</sup> A CD involves no “activity” until maturity date, when it may be automatically renewed. Some banks permit certificate redemptions prior to maturity, on 30-day written notice, but only at lower interest than otherwise would be the case. As with E bonds, the interest penalty is intended to deter early redemptions and to offset the additional handling costs such activity would involve.

The costs of issuing large denomination CDs relative to other time accounts are suggested by the adjoining chart. The ratio of interest on time deposits to total operating expenses for banks in the smallest size group averaged 22 percent in 1964, compared to 41 percent for the largest banks. “Other operating expenses,” also shown on the chart, include salaries and other costs, such as those incurred from servicing accounts, but exclude interest and occupancy expenses. There appear to be substantial operating economies at the larger banks, partly because of the greater size of the individual transactions processed.

### Interest on time deposits in 1964 rose to 33 percent of total operating expenses of total operating expenses



<sup>1</sup>All insured commercial banks.

As far as deposit size is related to differences in bank costs and earnings, the practice of paying higher interest rates on larger accounts than on smaller deposit balances makes economic sense. Rate differences that are not explained by cost and profitability differentials, however, may be inconsistent with the objectives of economic efficiency and equity among investors as well as indications of a lack of effective competition among the institutions serving a market area.

<sup>2</sup>Allan R. Drebin, “Savings Accounts and Commercial Bank Earnings,” Bureau of Business Research, Graduate School of Business Administration, the University of Michigan, Ann Arbor, 1963. The figures shown above, which are based on 1960 results for five large banks, do not include the costs of interest paid on deposits and of deposit insurance.

### Savings and time accounts of individuals, partnerships and corporations

Account size <sup>1</sup> (dollars)	November 18, 1964	
	Accounts (percent)	Deposits (percent)
10,000 or less	97	54
10,001 to 100,000	3	28
More than 100,000	*	18
Total	100	100

<sup>1</sup>Accounts at all insured commercial banks.

\*Less than 0.5 percent.

# Changing characteristics of Midwest farms

Preliminary results of the 1964 Census of Agriculture, now available for three of the states of the Seventh Federal Reserve District, show that economic and technological developments continue to exert a major impact upon the structure and organization of farming in the Midwest. The average size of farm has continued to grow. Larger amounts of machinery and equipment are being utilized and further shifts in the types of crops

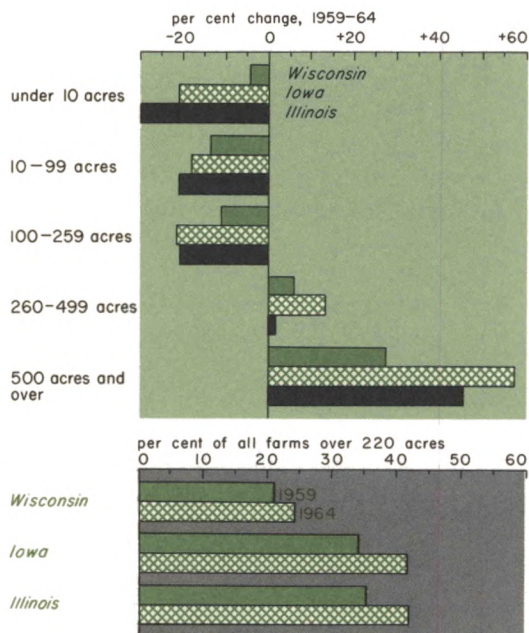
and livestock produced have occurred.

Since the 1959 Census, the number of farms has been reduced further while the average size of farm has increased nearly proportionately. Many smaller farms have been merged with other farms to permit more efficient operations. Between 1959 and 1964, the number of farms in the two Corn Belt states—Illinois and Iowa—declined 14 and 12 percent, respectively, while the average size increased from 196 to 226 acres in Illinois and from 194 to 219 acres in Iowa. In Wisconsin, where dairy farming predominates, the number of farms declined 9 percent and the average size rose from 161 to 172 acres.

The decline in the number of farms has been confined to the smaller units, most of which were not capable of producing a satisfactory level of income for their operators. For example, the number of farms under 260 acres declined in each of the states while those greater than 260 acres increased. Similarly, the number of farms selling less than 20,000 dollars worth of farm products declined in both Illinois and Iowa while those selling commodities in excess of 20,000 dollars increased in number. In Wisconsin the dividing line was 10,000 dollars—with the number of those having sales above this amount increasing and the number with sales under 10,000 dollars declining.

Farms on which sales of grain accounted for the major source of income increased

## Large farms increase in number



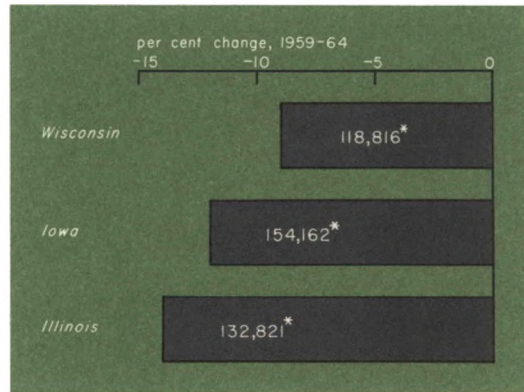


sharply from 1959 to 1964 while the number of most other types of farms declined. A variety of forces apparently contributed to this development. Government price support and income programs helped to boost incomes of grain producers even though total acreage of cropland was reduced through participation in these programs. Possibilities for greater mechanization of grain farms than of other farms doubtless also enhanced the trend.

Much of the farm consolidation since 1959 apparently has been achieved through leasing arrangements. The proportion of farmers working both owned and leased or rented land increased in all the states. Tenant operators declined sharply in numbers and as a proportion of the total while the proportion of operators owning all of their land showed little change.

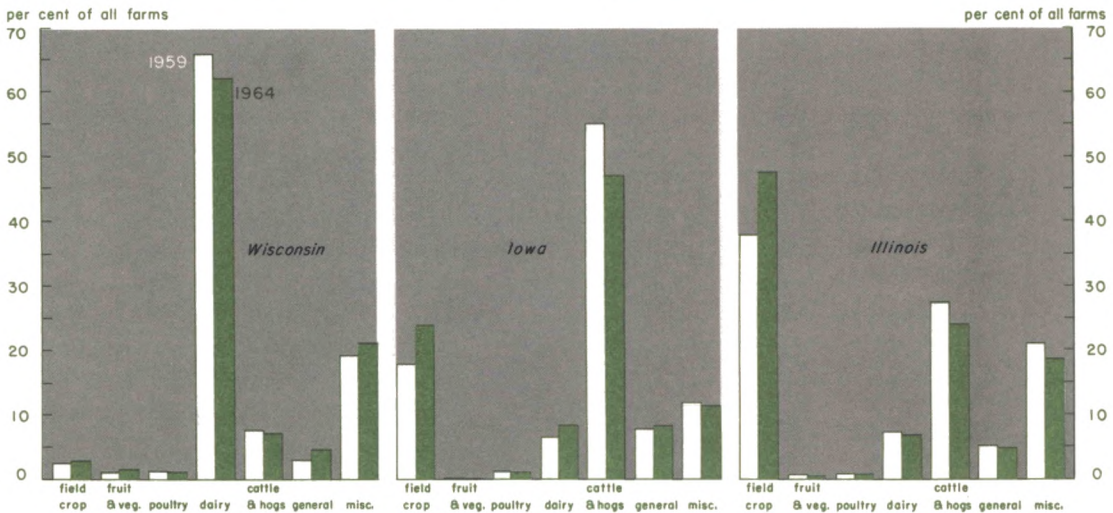
Since there are still large numbers of rela-

### Total number of farms declines further



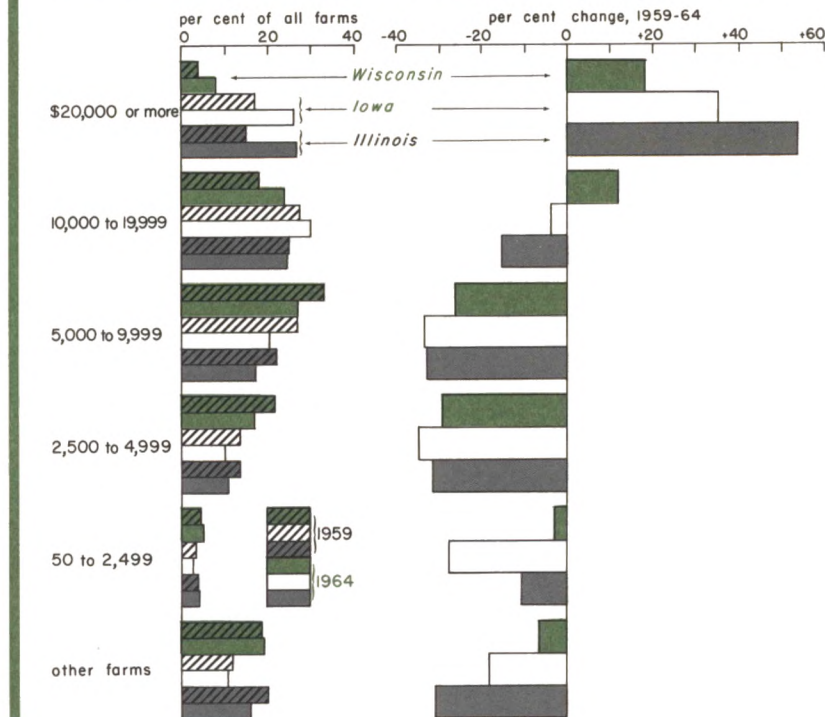
\*Number of farms, 1964.

### Crop farms increase while most other types decrease



Note: Types of farms are classified as those with more than 50 percent of total sales from particular commodity groups.

**Farms with relatively large volume of sales increase in number as a proportion of all farms**



tively small farms that cannot use modern machinery and equipment efficiently, further consolidation is almost certain in the future. Substantially more than half of all farms consist of less than 200 acres. Similarly, at least one-half of the farms in each of the states reported less than 10,000 dollars gross receipts from sales of farm commodities.

Additional evidence that many farms are too small to provide adequate incomes for the operators is the sizable proportion of farmers who work part time at other jobs. Nearly two-fifths of Wisconsin and Illinois farmers held nonfarm jobs in 1964. More than one-fourth were employed in nonfarm jobs 100

days or more during the year.

The optimum size for most types of farms likely will continue to increase as the manufacturers of agricultural machinery and the suppliers of other equipment and materials develop new types and as farmers put them to use in their operations.

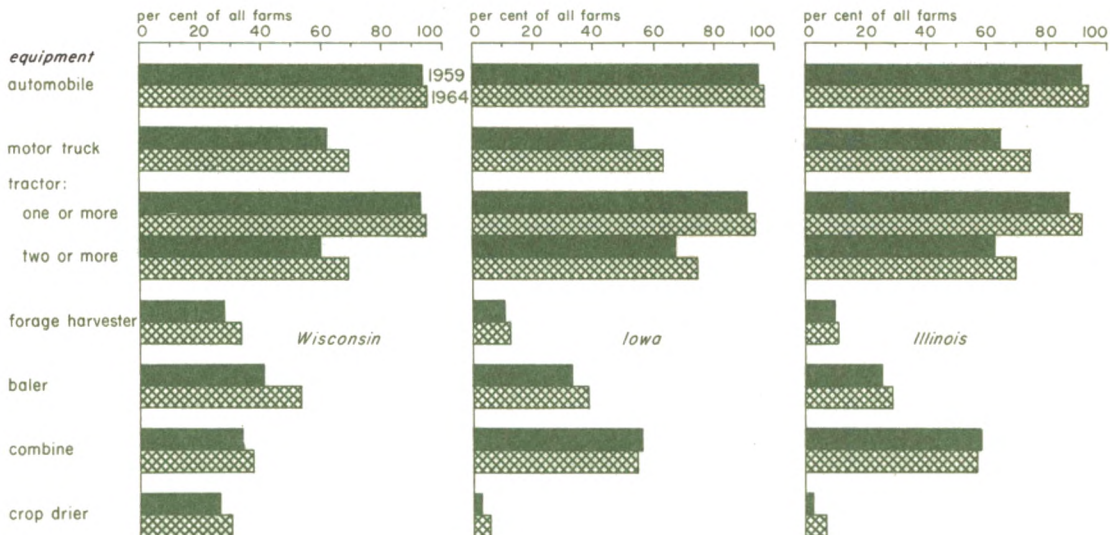
Between 1959 and 1964, farmers increased their purchases of many of the important machines and other production items even though the total number of farms and the crop acreage declined. The proportions of farms having tractors, forage harvesters and crop driers, for example, increased in each of the District states. Furthermore, most



**Larger proportions** of farmers hold nonfarm jobs, are over 65 years old and operate both owned and leased land



**Major equipment** acquired by more farmers in 1964



new machines have much greater capacity than earlier models.

The number of farms employing hired workers have declined sharply since 1959, partially reflecting further progress in mechanization. However, the total number of hired workers employed on farms more than 150 days during the year increased in each of the states between 1959 and 1964. The sharp increase in the number of large farms, the trend toward greater specialization and, possibly, the increase in number of farmers holding non-farm jobs all help account for this development.

Fertilizer purchases rose sharply in each of the states. Application of plant nutrients per acre and the proportion of all cropland and pastureland fertilized both increased. Purchases of other farm production items,

### Fertilizer application per fertilized acre

	Illinois		Iowa		Wisconsin	
	1959	1964	1959	1964	1959	1964
	(pounds per acre)					
Corn	250	309	176	215	211	242
Soybeans	234	188	195	159	185	194
Wheat	259	236	151	160	n.a.	n.a.
Potatoes	n.a.	n.a.	n.a.	n.a.	990	1,147
Pasture						
Hay and cropland	490	373	222	203	271	269
Other	392	294	197	193	279	279
All other crops	375	326	175	194	230	239
Total acreage	266	293	89	106	116	129

n.a. Not available.

such as feed, seeds and petroleum, were also larger than in 1959.

If, as appears likely, the trends revealed by the Census of Agriculture continue, the many individuals and firms dealing with farmers

will find it necessary, as in the past, to adapt their operations to the changing characteristics of the farm market. The number of farm customers can be expected to decline further while their requirements will increase in volume and complexity. Moreover, banks and other lenders to agriculture may find that the currently accepted methods of extending credit will need to be modified to accommodate farmers' needs.

### Usage of fertilizer has increased sharply

