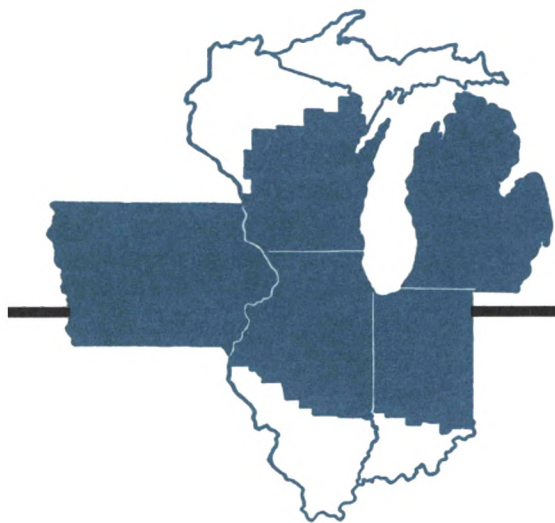


Business Conditions

1966 December



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Trends in banking and finance

During 1966 the economy has experienced inflationary pressures and a continued deficit in the nation's balance of international payments. Monetary actions in the past year have been directed primarily toward moderating these developments. At the same time, however, policy officials devoted attention to other problems incident to the growing pressures in financial markets.

Savings inflows declined sharply at savings and loan associations and mutual savings banks while life insurance companies experienced a sharp rise in loans on life policies. These financial institutions reduced their new loan commitments on residential and other construction, and housing starts declined sharply.

Manufacturing corporations reduced their liquidity as they boosted investment in new plant and equipment and inventories and as current operating expenditures rose. Businesses turned to banks for additional credit, as well as to the capital markets for additional long-term financing. Banks undertook to accommodate these credit demands by seeking deposits aggressively, curtailing purchases of

Treasury and municipal securities, and, in many instances, reducing their investments in such securities. Interest rates rose and by mid-summer expectations of additional increases, among other factors, set the stage for possible disorderly conditions in securities markets.

As these developments unfolded, the Federal Reserve undertook a number of actions: additions to bank reserves were provided less liberally than in 1965; ceilings for interest rates on time deposits at commercial banks were adjusted; reserve requirements were increased on time deposits at some banks, and an administrative technique was announced as a means of restraining the liquidation of securities and the growth of business loans.

Against this background of policies influencing credit availability and of shifting demands for credit, a number of changes occurred in the assets and liabilities of banks. Some of the major features of these changes are briefly described in this article.

Bank credit growth slower in 1966

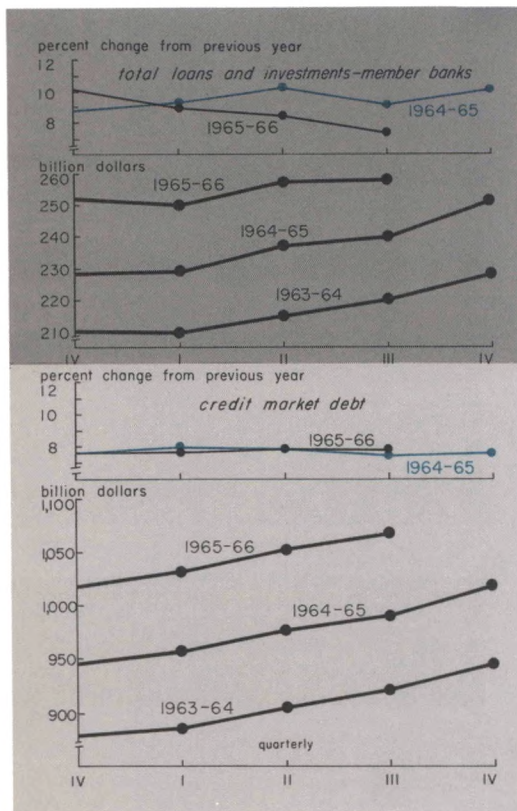
In broad outline, *bank credit*—as meas-

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ured by the total of bank loans and investments—continued to grow in 1966, but at a slower rate than in 1965. In the third quarter, it also grew at a somewhat slower rate than *credit market debt*—as measured by total loans, debt-type securities and mortgages. Therefore, banks recently have accounted for a smaller proportion of total credit.

chart 1
**Bank credit declines
in 1966 relative to
total market debt**



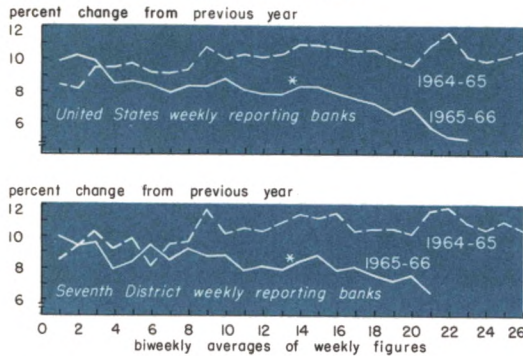
Changes in growth rates of bank credit and total credit market debt are illustrated in chart 1. (The underlying data are not adjusted for seasonal changes. Because they represent a succession of percentage changes from the same period of the preceding year, however, these series are not affected greatly by seasonal influences.) The levels of total loans and investments of member banks and credit market debt for 1964, 1965 and the first three quarters of 1966 are illustrated also, together with quarterly observations of percentage changes from comparable dates of the previous year. The year-to-year percentage increases in credit market debt in the first half of 1966 are about the same as in 1965 while the percentage increases in loans and investments by member banks during the first three quarters of 1966 declined and fell below those for 1965. At city banks the 1965-66 percentage increases in loans and investments were smaller in both the nation and the Seventh Federal Reserve District than the corresponding 1964-65 gains, and diminished quite steadily through mid-November (see chart 2).

The slowing growth of bank credit during the 1966 period reflected the exercise of restraint by the Federal Reserve System in supplying additional reserves to member banks. It paralleled the slower growth in time deposits and the continued rise of interest rates through the late summer and early fall. The rise of interest rates during this period indicated that the demand for credit continued strong.

Time deposit growth slows

Changes in member bank reserves, time deposits at commercial banks and the money supply are shown in chart 3. The relatively rapid growth of money supply in the spring of 1966 partially reflected the drawing down

chart 2
Loans and investments of city banks rose at a slower rate in 1966



*Series revised. Data after June 22, 1966, adjusted to maintain comparability with earlier years.

of Treasury deposits at commercial banks and a concurrent rise of private deposits. (Treasury deposits are not included in the privately held money supply.) In contrast, Treasury deposits in 1965 rose strongly in the spring compared with the preceding year.

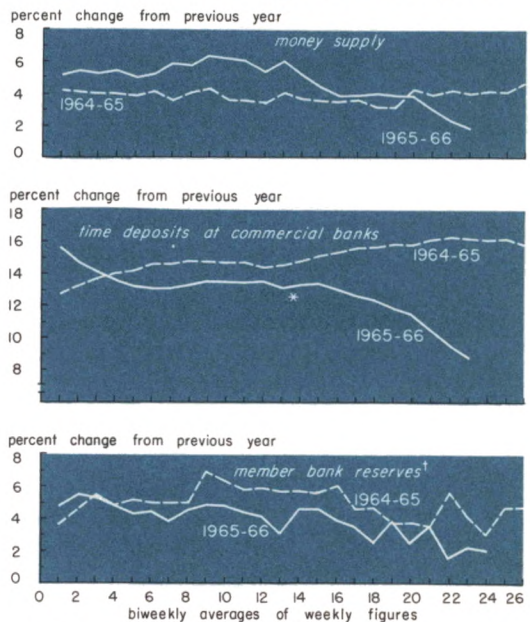
The diminishing rate of growth of time deposits in 1966 reflected the policy actions undertaken both to strengthen the competitive positions of some nonbank financial institutions and to ease pressures on the mortgage market as well as the high yields available generally on marketable securities. The growth of time deposits and inflows of funds to nonbank financial intermediaries had slowed similarly in other periods of strong and rising credit demand and rising interest rates but not so sharply as in the 1966 phase of the 1964-66 boom.

Market yields on three-month Treasury bills, long-term Government bonds and Aaa-rated corporate bonds for the 1964-66 period are shown in chart 4. Rate increases accelerated in August as credit markets became

very tight under the influences of both strong demand and credit restraint. The weekly average rate on the Treasury bills reached a maximum of 5.52 percent in the week ended September 23, 1966. The averages for the long-term Governments and the Aaa-rated bonds reached maximums of 4.87 and 5.52 percent, respectively, in the weeks ended September 2, and September 9, 1966.

The maximum rate banks were permitted to pay on all maturities of time deposits other than savings was advanced to 5.5 percent in December 1965. That action was taken so that banks could regain their competitive position following the rise in market interest

chart 3
Increases from year ago in money, time deposits and reserves have been shrinking since midyear



*Series revised.
 †Data adjusted to eliminate effects of changes in percentage reserve requirements in July and September 1966.

rates during the preceding months and thus continue to supply moderate amounts of credit. Both credit demand and interest rates continued to rise in succeeding months with yields on market instruments again becoming relatively attractive in comparison to yields that banks were permitted to offer on certificates of deposit. Moreover, there was a tendency for corporations to reduce their holdings of negotiable time CDs in relation to total assets as they reduced liquidity in order to obtain funds for additional expenditures.

The slower growth (and then actual decline) in large denomination CDs at commercial banks (see chart 5) paralleled the decline in the growth of time deposits (see chart 3) and accounted for a substantial por-

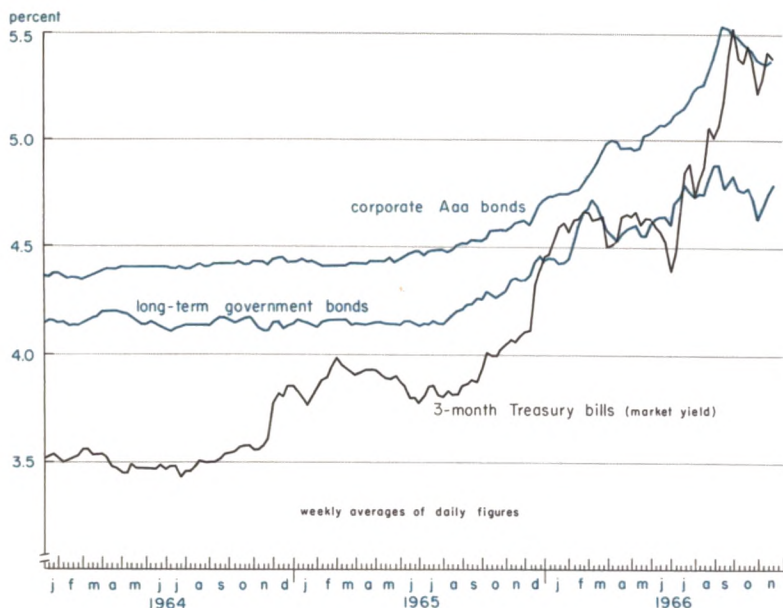
tion of that decline. The pattern of change in the large denomination CDs of the Seventh District weekly reporting banks differed in some respects from that for all weekly reporting banks in the United States. In 1965, District banks showed a smaller relative growth over prior-year levels than did the national figures, but after the first quarter of 1966, the experience was similar, with both groups showing sharp declines in the year-to-year increases from September through mid-November.

To moderate the aggressive bidding for smaller time deposits, the Board of Governors of the Federal Reserve System issued regulations in July reducing the maximum rate payable by member banks on multiple maturity deposits. Effective September 26,

the Board reduced to 5 percent the maximum rates commercial banks were permitted to pay on time deposits under \$100,000. These actions reinforced the effects of other factors tending to slow the growth in time deposits.

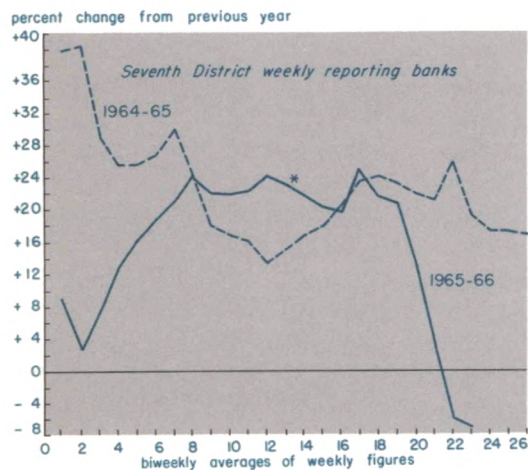
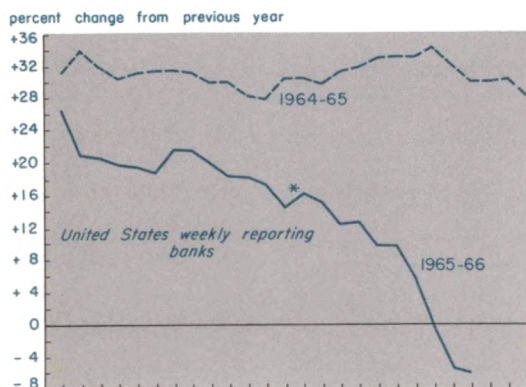
The September 21 action was taken under a new law signed by the President on that date. The law provided broader and more flexible authority to the Federal Reserve System and to the Federal Deposit Insurance Corporation in establishing maximum interest rates on time and savings deposits

chart 4
Interest rate rise
 accelerated through summer of 1966



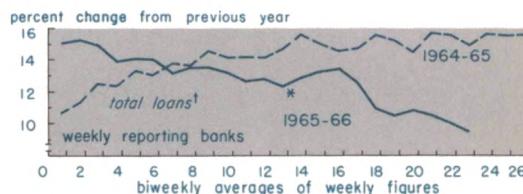
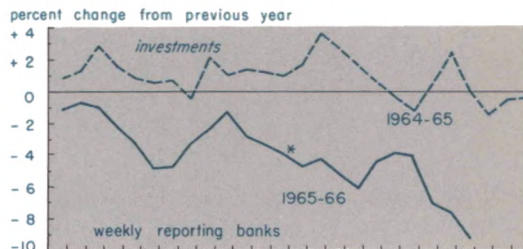
at commercial banks. It also gave the Federal Home Loan Bank Board and the Federal Deposit Insurance Corporation authority to regulate the maximum interest rates on accounts at savings and loan associations and mutual savings banks. All acted on September 21 to establish new maximum rates that

chart 5
CDs of \$100,000 or more decline sharply



*Series revised. Data after June 22, 1966, adjusted to maintain comparability with earlier years.

chart 6
Changes in asset components reflect reduced availability of funds in the nation



*Series revised. Data after June 22, 1966, adjusted to maintain comparability with earlier years.

†Total loans are net of interbank loans and valuation reserves.

could be paid on selected classes of deposits and share accounts.

Bank investments decline

Weekly reporting banks in the United States increased their investments during most of 1965 but reduced them in 1966 as loan demand strengthened further and monetary restraint limited the growth of total bank credit (see chart 6). In the year ended September 28, 1966, reporting banks increased total loans and investments, but their investments during the period were reduced while their loans (net of valuation reserves and interbank loans) were increased. Investments declined during the year from 30 percent of earning assets to 27 percent.

Seventh District weekly reporting banks also decreased investments in relation to

loans in the 1965-66 period (see chart 7). Their investments declined relatively more and their loans increased relatively more than for the reporting banks in the nation, especially in 1964-65. However, in 1965 and 1966 both the percentage decreases in investments and the percentage increases in loans by the District banks continued to be somewhat larger than those for banks in the United States.

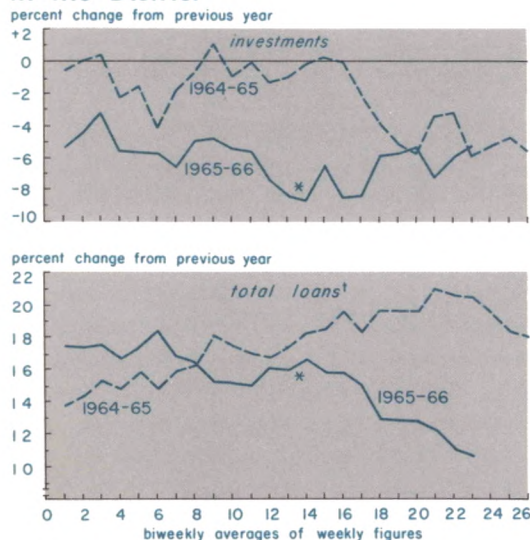
Real estate and business loans rise

Real estate and business loans by banks increased sharply as economic activity continued to rise. The 1964-65 and 1965-66 percentage changes in real estate loans followed similar patterns at weekly reporting banks in the nation and the Seventh District

(see chart 8). The year-to-year percentage gains increased during 1965 and declined during 1966, but the overall expansion continued to be large. Similar to the comparison for total loans, year-to-year gains in real estate loans by the Seventh District banks were considerably larger than those for the United States.

Business loans rose rapidly at reporting banks in both the District and the United States in the 1964-66 period, but, once again, the percentage changes at the Seventh District banks exceeded those for the nation (see chart 9). The year-to-year percentage changes increased rapidly until mid-1965, then tended to stabilize at high levels until recent months. Since August the relative decline has been sharper at the weekly reporting banks in the nation than in the District.

chart 7
Loan gains from last year diminished in recent months in the District



*Series revised. Data after June 22, 1966, adjusted to maintain comparability with earlier years.

†Total loans are net of interbank loans.

More restraint on business loans

On September 1 the Federal Reserve Bank Presidents sent letters to all member banks calling attention to the needs for credit restraint and suggesting moderation in the liquidation of investments and in the rate of expansion in business loans. Factors giving rise to the letter included concern over the rapid growth of loans to commercial and industrial firms and the declining liquidity of banks. Sales of Treasury and municipal securities by banks and some other institutions were helping to push up market rates and increased the possibility of disorderly markets for securities, particularly municipal securities.

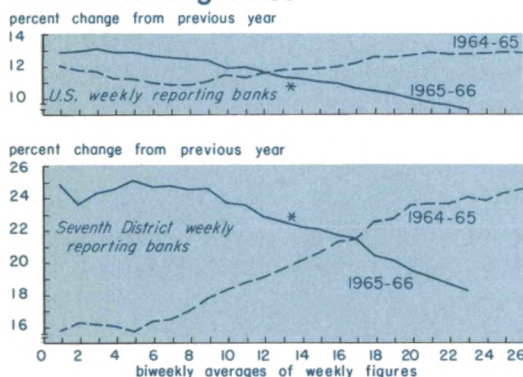
The letter noted that the growth of business loans would “be kept in mind by the Federal Reserve Banks in their extensions of credit to member banks through the discount window” and recognized that “banks adjusting their positions through loan curtailment may at times need a longer period of

discount accommodation than would be required for the disposition of securities." By this technique, the monetary officials sought to spread the impact of general credit restraint. They also sought to avoid, for the time being, the further use of general credit measures and to control, by selective means, the tendency for banks to effect "further substantial adjustments through bank liquidation of municipal securities or other investments."

Banking trends: an overview

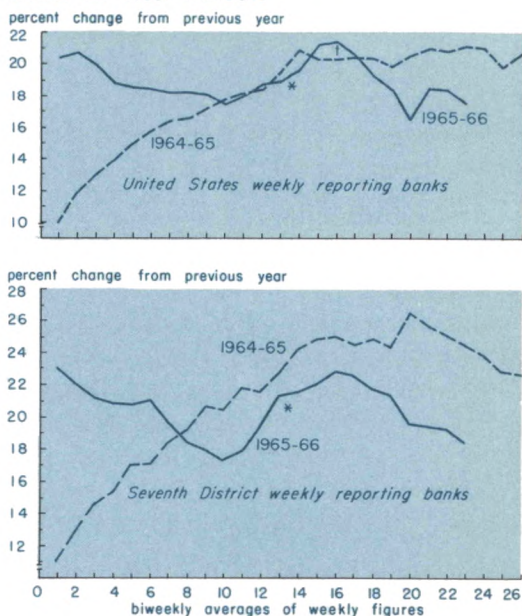
Trends in banking during the past several years, and especially in 1966, have reflected the long sustained expansion in economic activity and the associated demands for credit. Once the unused labor and industrial facilities had been largely absorbed—around mid-1965—the need to undertake to restrain the growth of demand to about the rate of growth of the labor force and the net increase in industrial facilities became apparent. However, demand for goods and services received an additional strong boost as a result

chart 8
Real estate loans
 continue to rise at city banks
 but at slowing rates



*Series revised. Data after June 22, 1966, adjusted to maintain comparability with earlier years.

chart 9
Business loans at District banks
 showed greater year-to-year changes
 than in the nation



*Series revised. Data after June 22, 1966, adjusted to maintain comparability with earlier years.
 †Peak: period 16 (year-ended with statement dates July 27 and August 3, 1966)

of rising defense requirements. In combination with other factors, the associated surge in the demand for credit to finance increases in expenditures by businesses, consumers and government resulted in large increases in interest rates and sizable reallocations of funds among the potential users and among the financial institutions providing credit services to these users. The period has presented a succession of challenges to borrowers of funds, managers of banks and other financial institutions. Furthermore, there is no basis at this time to assume that either patterns or levels of interest rates or credit flows have stabilized.

Farm prosperity to continue, but unlikely to match 1966

Farm income in 1966 has climbed more than was expected at the beginning of the year and is at the highest level since the record in 1947. With the volume of marketings at a record high and prices averaging well above the preceding year, farmers' cash receipts are estimated to total 42.5 billion dollars, and with an increase of about one-third in Government payments, gross income from farming is estimated to rise nearly 4 billion dollars to a total of more than 49 billion.

Although substantially higher operating expenses have cut sharply into gross income, realized net farm income will total about 16.2 billion dollars—up from 14.2 billion in 1965. Moreover, with the continued decline in the number of farms, income per farm is ex-

pected to total around \$4,900 in 1966, compared with \$4,210 in the preceding year.

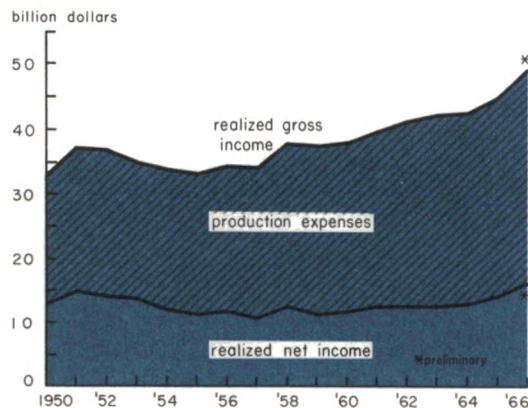
Slight decline expected in 1967

Net income in 1967 may fall somewhat short of the near record level in 1966 but probably will be higher than in any other year in the past decade. While cash receipts from marketings are expected to be maintained, if not increased, as a result of continued relatively high prices and a larger volume of marketings, cutbacks in Government payments and a further advance in expenses would reduce farmers' net income by "perhaps as much as 5 percent," according to the U. S. Department of Agriculture.

Livestock production in 1967 is expected to hold close to this year's level. Although larger marketings of hogs, poultry and eggs are anticipated, these are expected to be largely offset by smaller marketings of cattle and dairy products.

Hog production increased gradually in 1966 in response to extremely favorable prices during most of the year. The current fall pig crop will probably be about 7 percent above that farrowed in the fall of 1965; the spring crop may be 6 to 7 percent above the farrowings in the spring of 1966. This would result in a relatively moderate expansion in pork supplies in 1967. Although prices are likely to average well below the very high level of early 1966, they are expected to continue at profitable levels, well above those of most recent years. Also, prices

Net farm income highest in nearly two decades



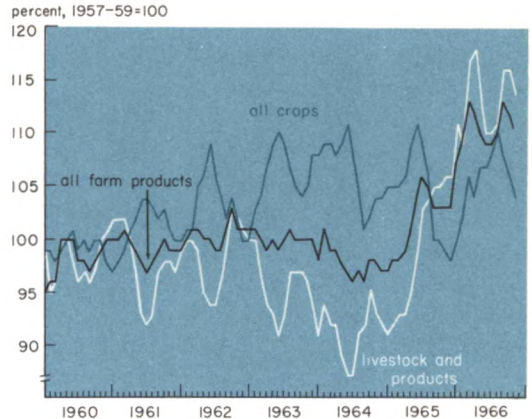
probably will follow a fairly normal seasonal course, rising to a summer peak then declining as the year closes.

The poultry expansion that has been under way during the past few years is expected to continue into 1967. Increases in output of both turkeys (up 5 percent) and broilers (up 5 to 10 percent) are indicated, reflecting the extended period of rather favorable prices. Poultry prices have trended upward over the past two years as consumers' incomes rose, particularly the lower-income groups, and because supplies of pork were at reduced levels during much of this period. However, prices of broilers and turkeys have declined in recent weeks as pork supplies have increased. Poultry prices are likely to continue to be under pressure during much of 1967 as production of both poultry and pork continues to expand; this could result in a slowdown in the rate of production expansion in the second half of 1967, permitting prices to recover somewhat.

Cattle and calf slaughter in 1967 is expected to drop off rather sharply from the high level in 1966 but prices are expected to rise only moderately because of prospective larger supplies of other meats. Nevertheless, beef prices are expected to improve from present levels, especially if farmers and ranchers withhold large numbers of cows and heifers for breeding purposes. The greatest upward pressure on prices should occur during the latter part of the year. The lower grades of slaughter cattle may show greater price strength than other classes.

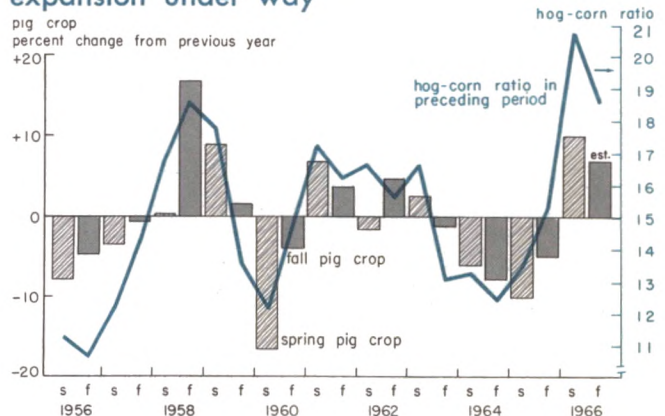
The number of cattle on farms is expected to decline further in 1967 even though the recent

Higher prices received for most agricultural commodities

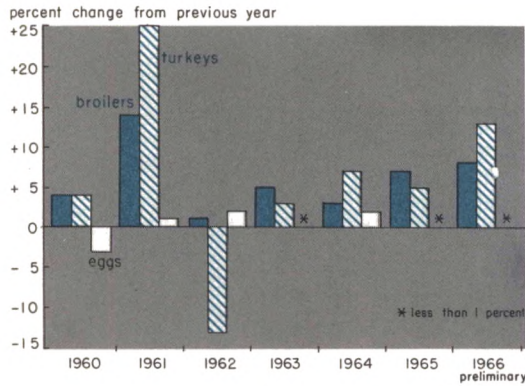


reduction in cow and calf slaughter indicates a buildup of breeding herds is beginning. The number on farms has been declining for two years and is now nearly 3 million head below the 1965 peak of 107 million.

Moderate hog production expansion under way

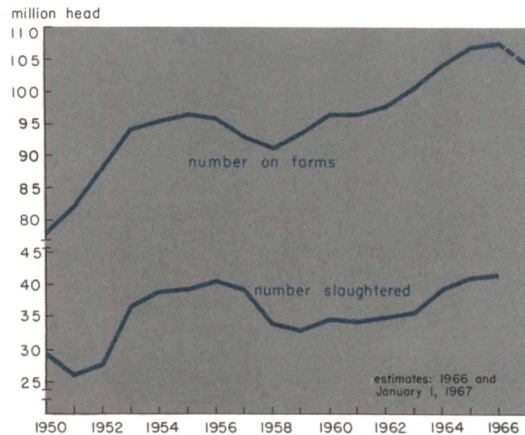


Broiler and turkey production increased further



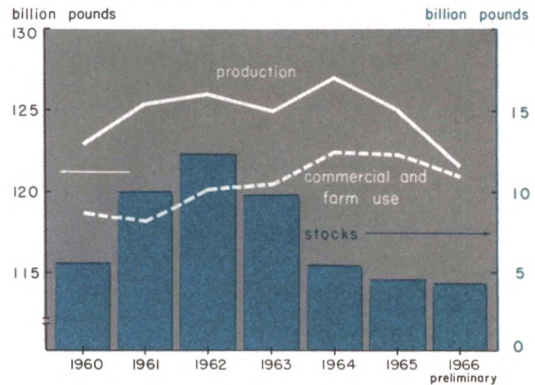
Milk production is likely to increase slightly from the reduced output in 1966. Even with a moderate expansion, however, the Government's price support of \$4 per hundred-weight ensures higher prices during the first half of 1967 than a year earlier. Increased domestic consumption is expected

Rising cattle slaughter reduces inventory



and prices may reach record levels during the latter part of 1967, depending in part on the level of imports. In spite of this prospective demand, the increased cost of producing milk coupled with the expected higher beef cattle prices is likely to result in a continued rapid decline in dairy cow herds.

Lower dairy production results in reduced stocks



Soybean production rose about 10 percent in 1966. Nevertheless, demand and supply are expected to continue in close balance because of the further sharp expansion in utilization. Although prices in 1967 will probably average well above the \$2.50 price support level, an increase similar to the \$1 per bushel advance during 1966 is not likely. With continued favorable prices, soybean acreage probably will be increased again in the coming year. However, farmers have had little success in boosting soybean yields over the years, and consequently production has risen at about the same pace as the rise in acreage.

Feed grain supplies in the feeding year beginning October 1966 will be about 15 million tons below the preceding year, reflecting a slight decline in output and a size-

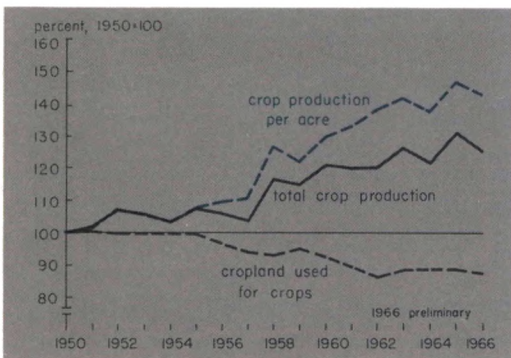
ble increase in consumption. Total utilization (including exports) again is expected to exceed production by a wide margin, resulting in a further sharp reduction in carryover stocks in the fall of 1967.

As a result of the further decline in stocks of feed grains, as well as wheat and rice, the Government has made a number of changes in its production and price control programs for next year. The changes, according to the USDA, are expected to bring 12 to 15 million acres back into production of feed grains and 13 to 15 million acres back into production of wheat and rice. While the current reduced supplies are likely to hold grain prices above year-earlier levels during much of 1967, the prospect of sharply expanded crop output will probably result in some downward pressure on grain prices during the latter part of the year.

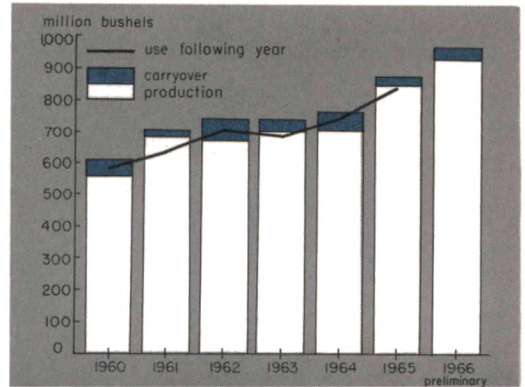
Farm debt to rise further

The agricultural outlook for 1967 has important implications for country bankers. The rising trend of farm income in recent years has helped push land values to new highs despite the more stringent credit con-

Crop production slightly down from year ago



Soybean supply and use continue in close balance

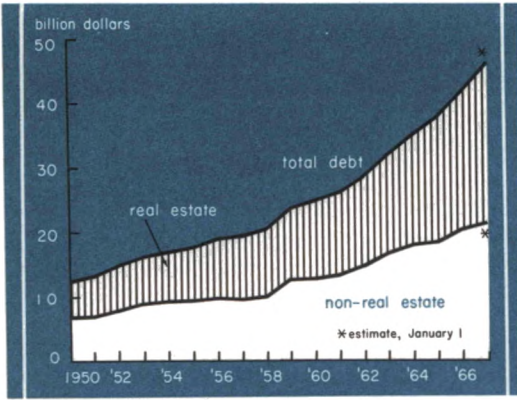


ditions in recent months. Those desiring to purchase farmland probably will not have the opportunity to acquire it much below present levels within the next few years.

The indicated expansion in crop acreage will result in large purchases of equipment and supplies used by farmers. Moreover, prices of these items are expected to be higher during 1967. With production expenses at higher levels, farmers may have greater need for credit, especially short-term credit. The extension of such credit, however, should involve no undue risk in 1967 as long as the borrower is a capable farmer and confines his operations to those enterprises in which he has demonstrated skill.

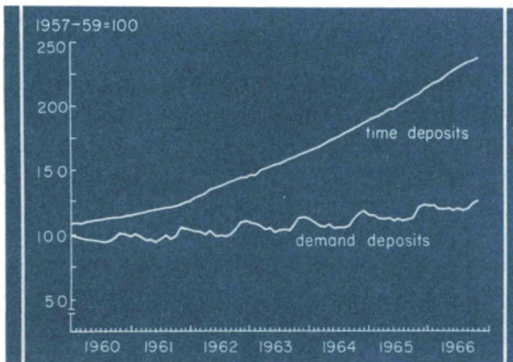
During 1966, loans secured by farm real estate rose about 11 percent, nearly equal to the sharp rise during the previous year. Non-real estate loans outstanding advanced about 13 percent compared with a rise of 11 percent a year earlier. Although the increase in credit has been large in 1966, loan repayments have been excellent. Marked improvement in farmers' repayment ability was indi-

Farm debt reached record level



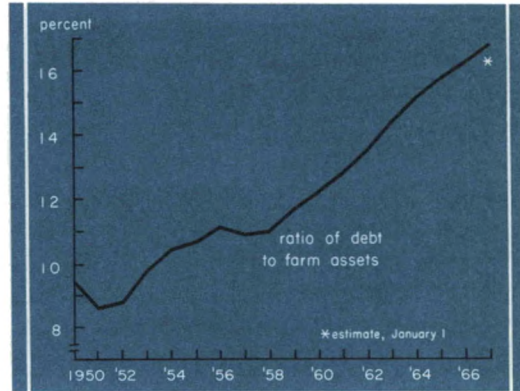
cated by an American Bankers Association survey of agricultural banks at midyear. Bankers responding to the survey indicated that less than one-fourth of their customers, compared with nearly one-third a year ago, would have any difficulty in meeting their debt repayment commitments. While credit

Deposits boosted at District agricultural banks by higher incomes



demands will probably increase further in 1967, continued favorable prospects for farm income should maintain the debt carrying capacity of most farmers at a high level.

Rising debt increases ratio of debt to assets



Credit conditions tightened considerably during 1966. Heavy demand from nonfarm sectors of the economy attracted large amounts of funds, especially mortgage funds, from some of the major farm lenders. Higher money market rates resulted in sharply increased rates charged by federally sponsored agencies. Interest rates charged by country banks also rose sharply. In the Seventh Federal Reserve District, for example, nearly three-fifths of the bankers responding to an October survey indicated they were charging rates of 6.5 percent or more on feeder cattle loans. Rapidly rising deposits at most country banks enabled most banks to handle the credit requirements of their regular customers. Deposits at country banks will probably continue to rise in 1967, permitting accommodation of farmers' essential credit requirements.

EDP, breakthrough for farm accounting?

Role of the country banker

The ways of the electronic computer may be weird and they certainly are wondrous. The influence of electronic data processing (EDP) continues to spread, affecting activities and relationships which only a few years ago appeared immune. One of these presumed "safe" areas was the long-standing relationship between farmer and country banker. An estimated 200 banks in agricultural areas are now offering electronic accounting services to farmers and business establishments according to a recent study by the American Bankers Association. Nearly 450 additional banks indicated they are considering the introduction of such service.

Better information needed

A dearth of financial records on farmer customers long has been the bane of agricultural lending according to many bankers. While a typical farmer stored an amazing amount of information "under his hat," this failed to provide records that could be evaluated by anyone else. As both banking and farming have become more complex, this situation has become increasingly less satisfactory.

One factor in the evolution of record needs has been Uncle Sam's annual demand for fairly detailed information on Form 1040A but innovations in technology have been the major underlying force in both farming and banking. However, since the turn of the century, technological improvements have resulted in rapid substitution of capital for

labor on American farms. The number of farms has declined and investment per farm has increased greatly. Furthermore, on many farms the adoption of new technology and associated advances in mechanization has promoted specialization in the production of a particular crop or livestock. Purchases of supplies and services have increased and the contribution of the farmers' land and labor to the production process has diminished in relative importance. These developments have placed premiums on timely and correct management decisions; poor decisions can bring financial disaster quickly.

Farmers in recent years have turned increasingly to credit as a source of capital. Agricultural lenders are asked to provide loans that are larger and have longer maturities. This requires bankers to have fairly comprehensive and up-to-date information on the financial condition and prospects of their customers. Information is needed to determine how much credit can be used profitably and to estimate the risk incurred by both borrower and lender. Farmers and bankers, therefore, have felt a growing need for accounting information which would be helpful in managing farms and providing a basis for prompt and efficient credit services.

Farmers' needs are greatest

The farmer, of course, needs much more comprehensive and detailed information than the banker. The banker's concern is largely to determine the appropriate amount and use

of credit while the farmer's objective usually is to maximize profits over a period of years. Moreover, the farmer needs detailed information for filing such Government report forms as income tax, social security, gas tax refunds and worker compensation.

Adequate farm records have been extremely difficult to obtain because of the substantial time and effort required to develop them. The task is complex; farming involves a type of activity which is not conducive to the development of detailed accounting records. Most farms are small businesses with a small, unspecialized labor force; therefore, the farmers' time and budget available for this purpose are relatively small. Diversified farms have many costs and receipts that cannot be allocated easily to individual crop or livestock enterprises, thereby complicating the accounting process.

Although substantial efforts have been made through the years by various institutions and organizations to achieve widespread adoption of farm accounting programs, the success of such efforts has been quite limited. It is estimated that only about 10,000 farmers—less than one-half of 1 percent of all farmers in the United States—are utilizing some form of accounting service that involves trained accountants. However, the potential widespread application of high-speed electronic data processing equipment to farm accounting may make it possible to provide needed information at a reasonable cost. If so, the benefits will be of great value to farmers and bankers alike.

Farm accounting services

Many of the land-grant universities currently offer automated record-keeping services to farmers. In the Midwest, such state universities as Michigan, Wisconsin and Indiana, for example, are operating or testing

electronic farm accounting systems. These systems are operated through either the extension service or a nonprofit corporation organized for the purpose. The justification for these institutions undertaking sponsorship or provision of the accounting service is basically the contribution such a project can make to research and education. The farmers participate in order to obtain information which will enable them to do a better job of managing their farms.

The programs operated by the land-grant colleges are generally detailed and require an extensive effort by the farmer in gathering and recording data. In most of these programs, farmers maintain detailed monthly records of cash receipts, expenses and physical amounts of items sold or purchased and mail them to a central office where the information is processed and various reports are prepared. The farmer receives a monthly report of his business transactions and a semi-annual or quarterly report of receipts and expenditures summarized for each major crop and livestock enterprise.

At the end of the year, most of the record systems provide information needed to file tax returns, to derive profit and loss statements, to estimate capital gains and losses and to compute investment tax credits. A complete depreciation record is maintained and updated each year.

To aid the farm operator in his yearly business review, most of the farm record services provide an annual farm business analysis. One such system provides various guides which are designed to measure the size of the business, production, intensity of resource use, productivity, cash income, labor income and feed utilization. These measures are compared with averages of other similar farms to help pinpoint strengths and weaknesses in management.

The value of the information is greatly enhanced by the educational programs undertaken in conjunction with most of these accounting programs. Either a professional farm manager or university representative confers with the farmer participants to explain and help interpret the data. Even though the accounting and educational programs are provided at fees usually below actual costs, efforts to extend these services to large numbers of farmers have been only partially successful. Part of the reason for the limited participation can apparently be attributed to the large amount of data that must be recorded by the farmer.

Breakthrough at banks?

Because of the growing need for financial information in the extension of credit, an increasing number of agriculturally oriented banks have become interested in providing an accounting service for their farm customers. Most of the systems operated by banks utilize information from the customers' checking account. The chief advantage of this is its simplicity—the farmer's task of recording each financial transaction is eliminated.

The program is merely an extension of the bank's check function. When the farmer writes a check or deposit slip, he includes a code indicating the category of expense or receipt. All expenditures and income flow through the customer's checking account. At the end of each accounting period (usually a month), the information obtained from the checks and deposit slips is transferred to punch cards and then is tabulated and analyzed by a computer. In future programs it is possible that checks and deposit slips will be directly coded thereby eliminating the transfer to cards. Reports are then provided for the farmer, listing the monthly income and expenses for each of the designated categor-

ies along with cumulative totals for the year. In addition, some of the programs provide supplemental reports, such as beginning and end-of-year inventories and depreciation schedules. A fee is charged for this service. Some banks also make a small charge for each check or deposit.

Although all bankers recognize the need for better farm records, a sizable proportion of the agriculturally oriented banks apparently feel that the record-keeping program should be handled by nonbanking institutions. More than two-fifths of the bankers responding to a survey conducted by the American Bankers Association at midyear felt that institutions, such as universities or service bureaus, were better suited to provide a farm accounting service than banks. An additional one-third stated that banks working jointly with such organizations possibly could provide the service.

More banks may offer various types of electronic accounting services (including farm record keeping) to customers as the use of computers increases. In many cases additional services will be offered to more fully utilize a bank's computer facilities. According to a recent study of bank automation conducted by the American Bankers Association, 36 percent of all banks are utilizing an electronic computer while an additional 10 percent are planning to use such equipment in the near future.

The introduction of electronic computers has vastly expanded the number of services which banks can provide. Commercial banks are in a unique position to gather income and expense data if the checking account transactions can serve as the basic information. The decision to provide new services (given the availability of computer facilities), of course, must take into consideration the potential demand in each community.



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Business Conditions

*a review by the
Federal Reserve Bank of Chicago*

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