

Commodity Financing at District Banks

Seasonal influences usually cause loans at District banks to rise about 7 percent from the end of August to the end of the year. One contributing force is the expansion of credit needed to finance the marketing of crops. Substantial amounts of credit are used to finance the movement of tobacco, peanuts, and rice, but the financing of cotton marketings overshadows all other types of commodity financing.

The same small country bank that provides the cotton farmer with production credit usually finances the first stage in the marketing process. This may consist of financing cotton held by the ginner pending sale to a cotton merchant, or it may consist of financing cotton held by the farmer in anticipation of a more favorable price.

After the cotton is shipped from the local producing area, most of the funds required to finance its movement to the mills or into export trade come from banks in the larger population centers. Except for the small portion of the crop marketed co-operatively by farmers and that purchased by mills directly from ginner and farmers, most of the cotton passes through the hands of cotton merchants. These merchants accumulate and store the cotton and deliver it at the time and to the place required by mills and exporters. A large share of the loans to commodity dealers at District banks are to these cotton merchants.

The volume of bank credit outstanding at a particular time and the seasonal pattern of that credit depends, among other things, upon the weather, the size of the crop, trends in the price of cotton, farmers' expectations about future price movements, and the outlook for cotton exports. The relative importance of these factors varies, of course, from season to season.

Favorable weather for harvesting tends to shorten the marketing period. This year the weather has been unusually favorable, with the result that 90 percent of the crop had been ginned by December 1, the highest percentage on that date since 1943. Total production this year is now estimated at 15,038,000 bales, compared with 15,140,000 in 1951. From the beginning of the current cotton season on August 1 to the middle of December, prices declined nearly 20

percent, in contrast to the 20-percent increase during the comparable part of last season.

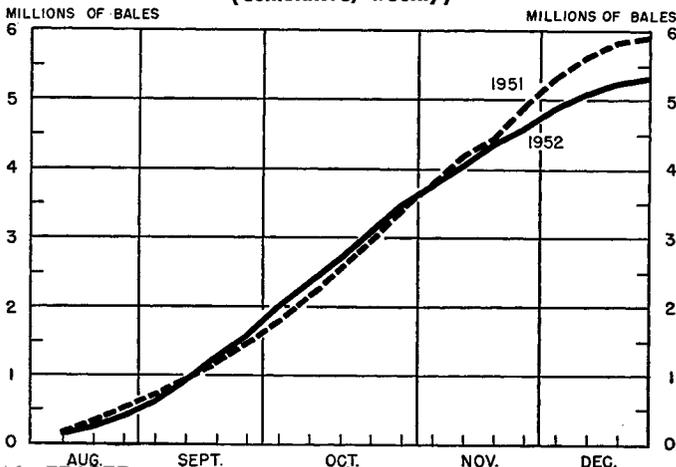
Although there are no statistical measurements of farmers' expectations about future price movements, the rate of entry of cotton into the CCC loan affords one clue. From the beginning of the 1951 season to November 1, nearly 700,000 bales were placed in the loan, compared with only 100,000 bales during the comparable part of the current season. Entries for the month of November, however, totaled 200,000 bales in 1951 and 300,000 bales in 1952. Loan entries for the week ending December 19, 1952, amounted to 155,900 bales, the largest weekly total for the season. During the early part of the 1951 season, many farmers apparently expected prices to go higher and held part of their cotton. During the early part of the current season, on the other hand, farmers sold freely and apparently did not expect higher prices later in the season. The rising rate of entries into the loan indicates that farmers' expectations have changed, particularly in November.

Most early season estimates of the volume of exports centered around 4.5 million bales, or about one million less than was exported last year. There is considerable doubt, however, that this level will be reached, since exports through the early part of December totaled about one-half as much as those for the comparable part of the 1951 season.

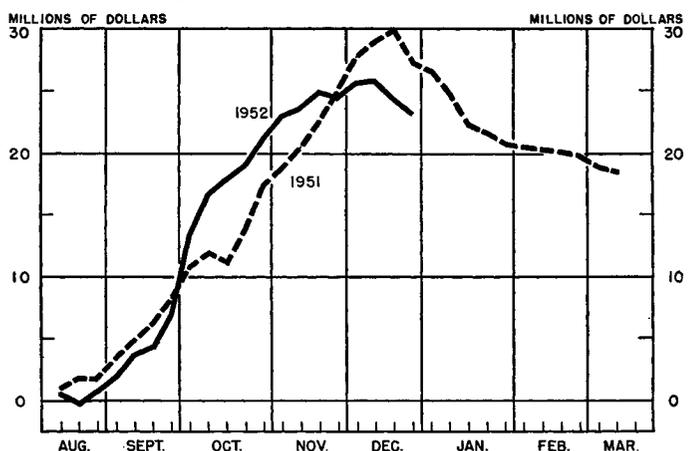
Although the combined effect of these forces on cotton loans at the country bank level cannot be accurately measured, it is known that many farmers have borrowed money from country banks in order to be able to hold their cotton for higher prices. Other loan demands at these banks are usually relatively low at this season of the year and deposits are relatively high. These funds used to finance cotton inventories now will be needed later to finance next season's crops. The volume of commodity loans at these banks, therefore, probably has already reached or passed its peak. Some of the increase in CCC loans may represent a refinancing of these cotton loans at country banks.

Loans to commodity dealers at 22 weekly reporting member banks in leading District cities have reflected closely the changes in cotton marketing activity during the

SPOT MARKETS SALES OF COTTON
(Cumulative, weekly)

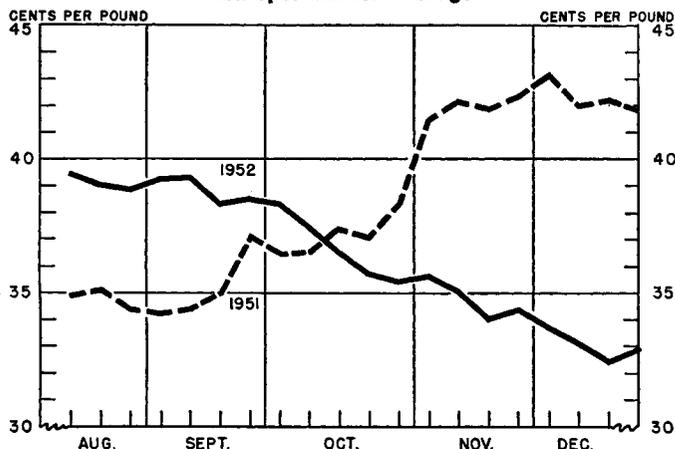


CUMULATIVE CHANGES IN LOANS TO COMMODITY DEALERS AFTER AUGUST 8 AT LEADING DISTRICT BANKS



current season. From mid-September to mid-October, prices were fairly steady, which contributed to the rapid movement of cotton. Sales on the spot markets increased more rapidly than during the comparable period of the 1951 season, and loans to commodity dealers at banks in the larger cities also increased more rapidly than in 1951. The decline in cotton prices that began in the early part of October was accompanied by a decline in market activity, as is indicated by sales in the spot markets, and a corresponding decline in the rate of lending to commodity dealers. From the beginning of the cotton season on August 1 through December 24, total cumulative sales

COTTON PRICES, MIDDLING 15/16"
Ten Spot Market Average



on the spot markets were 10 percent less than in the 1951 season, and cumulative changes in loans to commodity dealers showed a 16-percent drop from that part of the 1951 season.

Upward revisions in the estimated size of the crop and a disappointing start on the export movement have been the most obvious reasons for the declines in cotton prices and marketing activity. Since no further official estimates of the size of the crop will be made until May, this factor will have no influence in the coming months. Despite the slow start on exports, the need for cotton in the principal importing countries is still fairly large and more funds to finance the movement of this cotton may become available through the Export-Import Bank. Any strengthening of cotton prices and a resulting increase in marketings probably would cause loans to commodity dealers to follow a somewhat different pattern than they followed last year. Instead of declining rapidly after mid-December as it did in 1951, the volume of such loans might well remain relatively high in the early part of 1953.

BROWN R. RAWLINGS.

Bank Announcements

On January 1, 1953, The Farmers Bank of Pompano, a nonmember bank in Pompano Beach, Florida, will remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers of the bank are W. L. Kester, President; C. O. Stubbs, Vice President and Cashier; and Stanley E. Stubbs and Samuel L. Geer, Assistant Cashiers. It has capital of \$100,000 and surplus and undivided profits of \$200,000.

Sixth District Statistics

CONDITION OF 27 MEMBER BANKS IN LEADING CITIES
(In Thousands of Dollars)

Item	Dec. 24 1952	Nov. 26 1952	Dec. 26 1951	Percent Change Dec. 24, 1952, from	
				Nov. 26 1952	Dec. 26 1951
Loans and investments—					
Total	2,945,321	2,966,477	2,751,610	-1	+7
Loans—Net	1,224,994	1,211,527	1,105,374	+1	+11
Loans—Gross	1,245,665	1,232,144	1,124,180	+1	+11
Commercial, industrial, and agricultural loans	723,539	707,713	657,696	+2	+10
Loans to brokers and dealers in securities	13,183	15,455	12,692	-15	+4
Other loans for pur- chasing or carrying securities	38,923	40,202	35,525	-3	+10
Real estate loans	96,748	96,870	88,516	-0	+9
Loans to banks	2,073	7,166	5,339	-71	-61
Other loans	371,199	364,738	324,412	+2	+14
Investments—Total	1,720,327	1,754,950	1,646,236	-2	+5
Bills, certificates, and notes	751,059	786,469	782,390	-5	-4
U. S. bonds	706,334	699,330	627,899	+1	+12
Other securities	262,934	269,151	235,947	-2	+11
Reserve with F. R. Banks	549,832	543,226	512,148	+1	+7
Cash in vault	48,949	48,801	53,773	+0	-9
Balances with domestic banks	220,531	198,847	212,427	+11	+4
Demand deposits adjusted	2,117,450	2,109,693	2,022,619	+0	+5
Time deposits	555,116	558,947	527,825	-1	+5
U. S. Gov't deposits	109,061	157,018	75,671	-31	+44
Deposits of domestic banks	696,513	625,513	671,709	+11	+4
Borrowings	52,250	72,000	11,200	-27	*

*More than 100 percent.

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

Place	Nov. 1952	Oct. 1952	Nov. 1951	Percent Change		
				Nov., 1952 from 1951	Oct., 1952 from 1951	Yr.-to-Date 11 Mos. 1952 from 1951
ALABAMA						
Anniston	29,884	35,155	27,887	-15	+7	+7
Birmingham	431,199	445,503	426,530	-3	+1	+5
Dothan	18,102	23,506	18,995	-23	-5	+1
Gadsden	23,287	27,976	24,828	-17	-6	+2
Mobile	160,346	181,832	151,295	-12	+6	+5
Montgomery	97,279	114,626	100,724	-15	-3	+2
Tuscaloosa*	31,418	34,437	32,408	-9	-3	+0
FLORIDA						
Jacksonville	373,087	397,361	350,648	-6	+6	+6
Miami	304,351	329,693	303,493	-8	+0	+8
Greater Miami*	462,478	498,566	469,693	-7	-2	+8
Orlando	75,088	84,168	73,805	-11	+2	+11
Pensacola	52,320	54,429	45,358	-4	+15	+17
St. Petersburg	89,672	85,226	76,307	+5	+18	+12
Tampa	171,641	166,540	163,943	+3	+5	+6
W. Palm Beach*	51,332	52,186	53,402	-2	-4	+2
GEORGIA						
Albany	38,617	37,251	38,072	+4	+1	+6
Atlanta	1,053,149	1,255,394	1,119,673	-16	-6	+5
Augusta	96,452	107,526	83,116	-10	+16	+15
Brunswick	11,233	11,734	12,530	-4	-10	-1
Columbus	78,670	86,361	75,628	-9	+4	+8
Elberton	5,355	6,208	4,953	-14	+8	+8
Gainesville*	25,209	27,710	24,396	-9	+3	+13
Griffin*	13,807	15,890	13,320	-13	+4	+5
Macon	80,790	86,245	81,311	-6	-1	+3
Newnan	10,957	13,749	11,862	-20	-8	-1
Rome*	26,896	33,614	27,096	-20	-1	+3
Savannah	128,491	118,106	111,908	+9	+15	+5
Valdosta	16,407	16,484	14,634	-0	+12	+11
LOUISIANA						
Alexandria*	42,629	50,695	42,369	-16	+1	+10
Baton Rouge	119,081	134,231	115,124	-11	+3	+6
Lake Charles	52,736	57,904	50,045	-9	+5	+12
New Orleans	863,114	990,476	917,451	-13	-6	+6
MISSISSIPPI						
Hattiesburg	19,484	21,813	18,733	-11	+4	+6
Jackson	179,099	188,692	166,931	-5	+7	+6
Meridian	31,725	38,843	31,905	-18	-1	+3
Vicksburg	34,999	39,796	36,574	-12	-4	+10
TENNESSEE						
Chattanooga	222,896	201,604	190,816	+11	+17	+2
Knoxville	134,859	138,969	126,380	-3	+7	-5
Nashville	439,376	450,675	421,651	-3	+4	+5
SIXTH DISTRICT						
32 Cities	5,443,746	5,948,076	5,393,110	-8	+1	+6
UNITED STATES						
342 Cities	130,188,000	154,239,000	123,541,000	-16	+5	+7

*Not included in Sixth District totals.