

Tufted Textiles

Rapid Development of a Local Industry

Southern industrial development is thought by many to have been achieved almost solely through the transfer of industry from other sections of the United States. Although this has occurred to a certain extent, other types of industrial development undoubtedly have been of greater importance. The establishment of branch plants by national firms in recent years has been more often in the nature of a general expansion of these companies than a transfer of their operations.

A considerable amount of native industrial development has taken place. Local entrepreneurs using local capital have organized many manufacturing firms in the District, and these have merely grown along with the economy of the region and with the national market. A striking example of an industry that originated in the District and developed in this manner, but which has recently begun to lose some of its local, small-size characteristics, is the tufted textile business.

The origin of the tufting industry can be traced to 1900, when a Dalton, Georgia, farm girl who had revived the art of hand tufting sold her first tufted (chenille) bedspread. For the next twenty years, neighboring housewives preoccupied themselves with the tufting of bedspreads for sale. The commercial success enjoyed by these women induced their husbands to form tufting businesses, and individuals who had manufactured textile products elsewhere in the District and outside the region were also attracted to the industry. Hand tufting, however, in the homes of nearby mountain people remained the principal method of manufacturing until minimum wage and hour laws were enacted in the early 1930's, which made such operations unprofitable and hastened the introduction of machinery and a change to the factory system. Tremendous strides in the development of machinery since then has made possible an increasing variety of tufted products.

Rapid Growth Since World War II

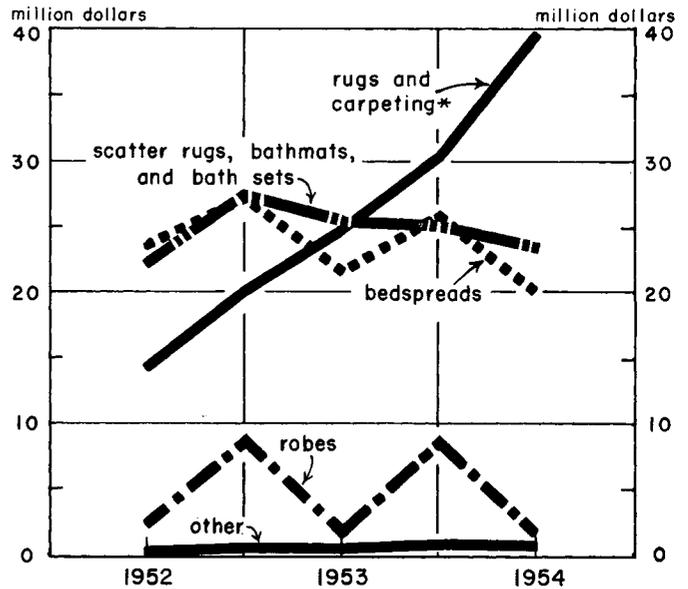
The principal expansion of the industry, therefore, is of recent origin. As late as 1939, for example, manufacturers' shipments totaled only 15 million dollars, according to the Tufted Textile Manufacturers Association. Bureau of Census data indicate that shipments of tufted products in 1953 amounted to about 165 million dollars, and in the first half of 1954, such shipments were 16 percent above the like period of 1953.

Although shipments of tufted robes and bedspreads declined in 1953, the latest year for which data are available, the value of shipments of floor coverings increased sharply. Rug production did not exceed 3 million square yards before World War II, and most of that consisted of bathmats and bath sets, but with the introduction of scatter rugs, total output rose considerably. More recently room-size rugs and wall-to-wall carpeting brought total production of tufted floor coverings to more

than 29 million square yards in 1952. The value of shipments of tufted carpeting and rugs in the first half of 1954 accounted for about three-fourths of all tufted product shipments during that period.

There are probably no more than 20,000 employees engaged in tufting production in the nation, but this industry is of considerable importance in northern Georgia and to a lesser extent in eastern Tennessee, where most of the plants in the nation are located. In Georgia, in Whitfield County alone, of which Dalton is the county seat, more than 8,300 covered workers were employed in tufting factories and finishing plants in September 1954.

Shipments of Tufted Textile Products, f.o.b. Plant U. S. Manufacturers



* Rugs larger than 4' x 6'

That geographical concentration continued in or around the industry's birthplace reflects various economic forces. During the early stages of development, availability of low-cost labor in the area and the native handicraft tradition induced tufting firms to locate there. Subsequently, manufacturers of tufting machines, suppliers of yarn and other materials, and eventually finishing plants began to locate in the same general area, with the result that tufting firms already there remained and new ones moved in.

These external economies are somewhat less applicable to the making of floor coverings than bedspreads so that the trend is toward slightly greater dispersion. Several woven carpet manufacturers who have recently gone into tufted rug making have located or are about to locate outside the traditional tufted textile area. Some conventional rug mills, however, either do their own producing or have it done at plants within a 75-mile radius of Dalton, where practically all tufted floor covering plants are found.

Economic Structure Changing

About two-thirds of Georgia's manufacturers of miscellaneous fabricated textiles, largely consisting of tufted bedspreads, employed less than 20 workers each as recently as 1947, an indication of the extremely small size of many manufacturers at one time. Today, the average company is apparently larger. Despite the entry of carpeting firms, the total number of tufting concerns has declined since 1946 from more than 300 to about 150, largely as a result of consolidations and failures. Total output has become more concentrated in the hands of fewer firms. According to persons intimately associated with the industry, less than twenty firms were responsible for about 50 percent of total output in 1953. The degree to which companies are locally owned has declined with the entry of national concerns.

Changes in the economic structure of the industry have occurred because the firms have been forced to adjust to technological advances and product diversification. A firm manufacturing carpets would have to be fairly large to succeed because of the intricate operations involved and the expensive machinery requirements. Less than 30 companies belonging to the trade association, which claims to represent producers of 80 percent of output of tufted carpets and rugs, were engaged in this activity last year, and only a handful of these were traditional carpet and rug manufacturers who had gone into tufting because their sales and profits had declined in the last few years. Other influences causing this shift undoubtedly included a change in consumer tastes toward tufted rugs and the low cost of producing a tufted carpet, compared with that of producing a woven one. Some observers estimate that sales of tufted carpets made up more than one-third of all carpet sales in 1954.

These changes in structure are impressive, but the industry is, nevertheless, still one of fairly small operations and is composed of a number of comparatively small firms. Even the largest company engaged solely in the manufacture of tufted products probably employs no more than 1,500 persons. Most firms still specialize in only one or two major products, and usually they do not spin the yarn or weave the duck and other backing.

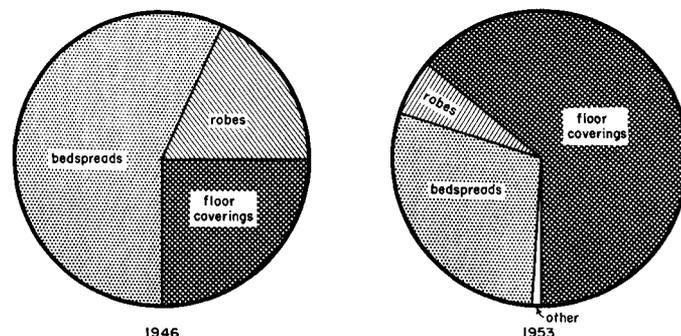
Capital Investment Rising

Costliness of the equipment naturally would be less of a handicap to an old, established, large rug concern, than to the typical tufted bedspread or bathroom-set manufacturer who considers going into carpet production. Frame-type or so-called yardage machines that can turn out tufted broadloom usually cost more than 10,000 dollars each, and often twice that much. Some machines tuft floor coverings up to 15 feet in width and contain as many as 1,200 needles. Once the roll of duck, or jute, is fed into the machine, these needles tuft either loops or cut pile into the backing at much greater rates than the looms that turn out woven carpets. The yarn that goes into the tufting machine comes from many spools mounted on a creel, a piece of equipment costing an additional few thousand dollars. The finishing of the carpet, however, involves the costliest investment, sometimes running

as much as several hundred thousand dollars. The necessary equipment is elaborate; in a sequence of principal operations, it washes and dyes the carpet, extracts moisture from it, rubberizes its underside, and dries the latex.

Making bedspreads, bathmats, and small rugs today involves a greater capital outlay than in years gone by, but the machinery used for this purpose is far less intricate and costly than that used for carpets, especially in the finishing process.

Floor coverings account for major proportion of total tufted production, whereas in 1946 bedspreads were most important, as measured by value of U. S. manufacturers' shipments



A typical medium- or large-size manufacturer today makes a bedspread on a smaller yardage machine than that used for carpets. The design is traced on an electric drum that then imprints it on a bolt of sheeting. The yardage machines produce the entire pattern or, if the design is complicated, a partial pattern, in which case, operators using punchwork or small table machines finish the job after the tufted cloth is cut into segments. The bedspread is later dyed, washed, extracted, and dried in a large laundry tumbler.

The typical small operator uses table machines that cost only several hundred dollars—in some cases even for making room-size rugs. Some firms arrange with others possessing yardage machines to tuft rugs for them. It is not essential, and in many cases it is uneconomical, for companies to have their own finishing plant because there are firms that specialize in this work. These outside facilities, however, are considered by many to be inadequate. Few large carpet manufacturers do their own finishing, but an increasing number of bedspread, bathmat, and scatter rug firms do so. One reason why so many small operators can survive is that labor and raw materials are such a large proportion of total costs, although growing mechanization is undoubtedly putting the smaller-size firm at an increasing disadvantage.

Other Distinguishing Characteristics

The tufting industry is a seasonal business, probably less so now than in the past because seasonal variations in consumer purchases of tufted rugs and carpets are not extremely pronounced. Skill requirements in general have diminished, yet they remain comparatively high. Because men are usually employed on yardage machines whereas women work on table models, the proportion of women

employed in the industry has declined, but it is believed that women still outnumber men. As the industry came to use more male labor and as rug production became more important, the average wage rate became larger. Hourly wages are probably not much different from those received by the District's textile workers, who averaged \$1.20 an hour last year.

Financing by Banks and Factors

Tufting firms meet some of their capital needs by borrowing from District financial institutions. Although several banks that are located in the principal area of tufting production have had little experience with lending to this industry, a small number of them have engaged in such financing to a considerable extent. Much of the credit extended has been for the purpose of satisfying working capital requirements, which are fairly considerable, not only because of the seasonal nature of both production and sales but also because tufting firms frequently offer longer credit terms than they receive from their own suppliers.

Some banks have extended lines of credit to selected manufacturers who used the borrowed funds primarily to buy raw materials or to build up finished goods inventories before the beginning of a season. A number of companies that do not have their accounts factored rely on banks to lend to them on receivables. Equipment financing is probably less common than accounts receivable financing. Some bankers have been reluctant to lend to tufting firms that have enjoyed such remarkable growth that their capital structure has become inadequate.

Factors are a fairly important source of short-term

capital. Although some of them have made loans to carry inventories, their principal activity is apparently the financing of accounts receivable. The factor commonly assumes the credit risk, does the collecting of invoices for the manufacturer, and pays him a large advance payment almost immediately after the merchandise has been shipped. For performing credit investigation, bookkeeping, and related services, the factor receives a commission. He also charges interest on the money given his client in advance of collections from the manufacturers' customers.

Future Is Bright

In view of the rapid development and tremendous changes in a comparatively few years, the industry may reasonably expect further expansion. Not only are new products being offered, of which tufted automotive floor coverings and tufted upholstery fabrics are the latest, but also the potential of some of the more familiar tufted articles has not been reached.

Much research by the companies and the industry's vigorous trade association has been directed toward further improvement of its products. Moreover, experiments with synthetics and various blends have been going on for some time, and these fibers are being used to an increasing extent in the making of tufted floor coverings. New machines and equipment are also continually being devised. Even though the trend toward geographic dispersion, mass production, and larger-size national concerns is expected to go on, this District will benefit from a continuing growth of the tufting industry.

HARRY BRANDT

Member Bank Earnings Down But Profits Up

Net profits after taxes at Sixth District banks in 1954 amounted to 55.6 million dollars, 13 million dollars more than the 1953 amount. Little of the increase in profits, however, came about because of an increase in operating income from such sources as loans and investments. Net profits from the sale of securities, together with recoveries, accounted for most of the growth in the banks' net profits.

The operating ratios for 1954, just completed by this Bank, help explain the seeming contradiction between the changes in net profits and operating earnings. The 1954 ratios were computed by using averages of data taken from reports of condition for December 31, 1953; June 30, 1954; and October 7, 1954, together with data from the banks' reports of earnings and dividends for 1954. The averages for 1954 and several preceding years are shown in the table on page 6.

The ratios reveal that in 1954 the banks earned a slightly greater return on total assets, 3.26 percent compared with 3.25 percent in 1953. For one thing, earning assets constituted a greater part of total assets in 1954. For another thing, banks shifted some of their earning assets from Government securities to loans and other securities, which normally yield higher average returns. Government security holdings in 1954 constituted 33.4 percent of total assets,

compared with 33.9 percent in 1953. The corresponding ratios for other securities and loans rose from 7.9 to 8.1 percent and from 30.8 to 31.5 percent, respectively.

Net profits at District member banks rose in 1954 primarily because of recoveries and profits from the sale of securities

