the type of goods usually purchased on credit have declined even more.

Some pickup has occurred in sales since the first of the year as economic recovery has gotten underway. So far, however, the District consumer has not yet shown an inclination to increase his borrowing enough to turn outstanding credit in the upward direction so characteristic of the period from early 1958 through mid-1960. Nationally, there has been some tendency in the past year or so for debt repayments to stabilize in relation to income. To the extent that this proves to be true in the District, therefore, incomes would have to continue improving for a sustained rise in consumer borrowing to occur.

Over the past three years, repayment periods for credit granted by most District lenders have lengthened about one month. The average repayment period at commercial banks, however, has not changed, remaining at about nineteen months. For the other lenders, where automobile lending is less important or is not a factor at all, average repayment periods are shorter, ranging from about twelve months for department stores to seventeen months for furniture stores and consumer finance companies. Still longer repayment periods might encourage more borrowing by reducing monthly payments, but the trend in the past three years has not been such as to suggest any appreciable stimulus to borrowing from this source.

PHILIP M. WEBSTER

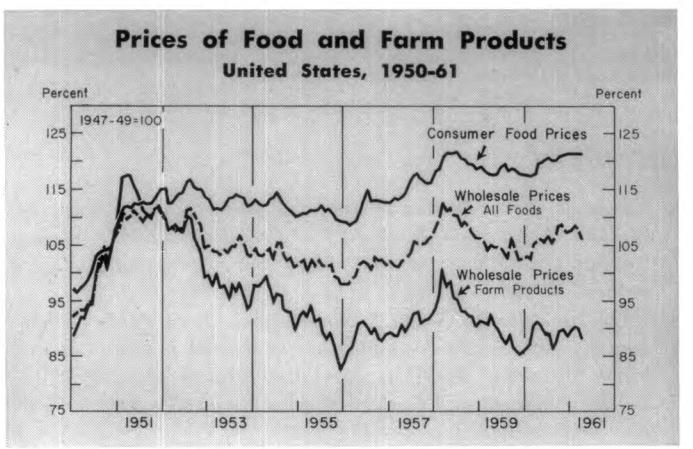
Behavior of Consumer Food Prices

We had 28 million more people to feed in the United States in 1960 than we had in 1950. Taken alone, this population explosion could have had an appreciable impact on consumer food prices. But an added factor, a rise in income, had its effect on prices too. Family earnings in the nation increased two-thirds from 1950 to 1960, thus there was more money to spend for new forms of food and special food services.

One would have expected such an increase in population and income to lift consumer demand and prices for food during the 1950's. Retail food prices, as measured by the consumer price index, did increase 18 percent from 1950 to 1960. This increase, however, was relatively mild compared to rises in prices for other consumer items. In the same period, prices for medical and personal care and for transportation rose 47, 32, and 31 percent, respectively, and the overall consumer price index increased 23 percent.

Although prices for most consumer goods rose quite steadily during the 1950's, retail food prices declined appreciably at times, despite their overall modest increase. These frequent downward movements indicate that demand for food was not the sole influence on food prices. Changes in the supplies of some foods certainly affected prices during the 1950's too.

As shown in the chart, both wholesale and consumer prices for foods fluctuated widely in almost every year, largely because food supplies varied from spring to winter months. Prices also changed from year to year because weather influenced crop and livestock yields, and production cycles affected meat and egg marketings. Cyclical upswings in cattle and hog production depressed prices significantly in 1953 and 1955, and in 1959 prices declined because of a cyclical increase in hog and poultry output. Food prices began to rise, however, in early 1960, partly because farmers had reduced their swine herds and poultry flocks and were marketing fewer hogs and eggs.



It is true that at times in recent years, farmers' bountiful harvests and marketings pushed retail food prices down. During the 1950's, however, farmers' greatly increased productivity merely offset somewhat the upward pressure on retail prices from the long-run increase in demand by enlarging our food supplies. Farmers boosted total farm productivity an average 6.2 percent a year from 1950 to 1960, a remarkable feat that enabled them to increase national farm output about one-fourth. Meanwhile, wholesale prices for all farm produce—mostly foods and food materials—declined 9 percent, and wholesale prices for livestock and poultry products dropped 17 percent. Lower wholesale prices for livestock and poultry products apparently had a major role in restraining the rise in consumer food prices, because the retail price index for meats, poultry, and fish increased only 4 percent from 1950 to 1960. In contrast, retail price indexes for cereal and bakery products and for fruits and vegetables increased 31 percent.

The decline in wholesale prices, however, was not as sharply reflected in consumer food prices as we might have expected. According to the United States Department of Agriculture, the farm-retail price spread, or the difference between the prices farmers receive and prices housewives pay, increased each year in the 1950's and was a third larger by 1960. This food marketing margin widened mainly because expenditures for labor and transportation—the chief costs in assembling, preparing, packaging, and marketing foods—rose sharply. The labor component of the nation's food marketing bill rose 55 percent from 1950 to 1960, partly because more foods were marketed and partly because the labor cost more. Then too, rising freight rates boosted expenditures for rail and truck transport.

The margin also grew larger because the nation's people became wealthier, and when people earn more they typically spend more for food services and better quality food, rather than for much additional food. The USDA reports that when consumers' incomes change, their demand for food services is about five times more responsive than their demand for food *per se*. When consumers have more to spend for food, they buy ready-to-cook pies, frozen desserts, canned and boxed vegetables, and other foods that are easily stored. They also eat in restaurants more often.

New or expanded marketing services need not necessarily increase marketing costs for farm products. Food processors can reduce the farm-retail price spread for some farm products by making them less bulky and costly to transport. Processors also may reduce food waste and spoilage and expand their sales volume sufficiently to more than offset added charges for processing and marketing. Such marketing efficiencies, however, may not always be quickly reflected in wholesale and retail prices.

Although efficiencies achieved in the marketing system in the 1950's did not reduce or even stabilize the farm-retail price spread, they minimized its growth. Food processors conserved labor and used more and better machinery and improved techniques to check their rising costs. In so doing, they were able to pay hourly wages in 1960 that were almost two-thirds higher than in 1950, yet their unit labor costs increased only 23 percent.

On balance, however, growing marketing costs more than offset the decline in wholesale prices for farm products from 1950 to 1960 and contributed to the upward trend in retail food prices. Granting this, we must still admit that retail food prices in the 1950's mirrored a fabulous American success story. Because of advancements in efficiencies on the farm and progress in marketing foods more economically, the American consumer has had extraordinarily good buys in foods. The point is well illustrated with poultry meat, a highly processed and carefully handled food. In 1960, consumers could buy ready-to-cook fryers for a third less than they paid in 1950, and the fryers looked better and had a nicer flavor.

Consumers may become more numerous and much wealthier in the next decade, and the demand for foods may expand further. But continual improvements in farm productivity and in efficiencies developed by marketing firms should keep retail food prices from rising inordinately. With luck, retail food prices may even be reduced somewhat during the 1960's.

ARTHUR H. KANTNER

Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

	May 1961	Apr. 1961	May 1960	Percent Change May 1961 from Apr. 1961	May 1961 from May 1960	5 Months 1961 from 1960
ALABAMA						
Anniston	45,103	37,130	39,718	+21	+14	+2
Birmingham	970,794	762,176	829,991	+27	+17	+3
Dothan	38,963	35,060	35,110	+11	+11	+6
Gadsden	38,024	34,590	38,872	+10	—2	—5
Huntsville*	74,853	62,648	62,032	+19	+21	+11
Mobile	319,374	269,554	301,948	+18	+6	+1
Montgomery	201,993	154,691	176,993	+31	+14	+5
Selma*	26,799	23,756	24,968	+13	+7	+2
Tuscaloosa*	63,637	52,825	55,333	+20	+15	+2
Total Reporting Cities	1,779,540	1,432,430	1,564,965	+24	+14	+3
Other Cities†	821,965	646,594r	785,675r	+27	+5	+1
FLORIDA						
Daytona Beach*	56,895	56,315	57,760	+1	—1	—3
Fort Lauderdale*	217,090	217,123	208,077	—0	+4	—3
Gainesville*	43,481	42,497	40,891	+2	+6	+2
Jacksonville	884,036	802,362	834,042	+10	+6	+3
Key West*	17,672	18,103	15,571	—2	+13	+8
Lakeland*	83,671	77,292	80,642	+8	+4	+3
Miami	945,336	896,504	880,297r	+5	+7	+4
Greater Miami*	1,413,290	1,343,114	1,310,424	+5	+8	+3
Orlando	267,905	238,995	267,740	+12	+0	—3
Pensacola	88,961	81,799	89,952	+9	—1	—3
St. Petersburg	227,412	204,061	214,622	+11	+6	—6
Tampa	442,607	409,812	439,993	+8	+1	—0
W. Palm-Palm Bch.*	151,474	147,949	130,650	+2	+16	+6
Total Reporting Cities	3,894,494	3,639,422	3,690,364r	+7	+6	+1
Other Cities†	1,806,058	1,690,273	1,556,883r	+7	+16	+7
GEORGIA						
Albany	56,518	49,985	55,857	+13	+1	+1
Athens*	45,584	37,823	41,227	+21	+11	+4
Atlanta	2,250,295	1,965,841	2,103,734	+14	+7	+3
Augusta	110,229	99,905	108,468	+10	+2	—1
Brunswick	27,017	23,276	24,111	+16	+12	+6
Columbus	115,139	102,783	108,814	+12	+6	+4
Elberton	11,115	8,677	10,203	+28	+9	—2
Gainesville*	52,368	46,061	48,697	+14	+8	+4
Griffin*	20,386	17,510	19,972	+16	+2	+3
LaGrange*	17,202	16,302	21,545	+6	—20	—13
Macon	133,841	114,668	127,647	+17	+5	+1
Marietta*	31,339	31,540	32,698	—1	—4	—0
Newnan	18,745	19,072	18,546	—2	+1	—2
Rome*	51,001	45,238	53,921	+13	—5	+4
Savannah	201,161	178,859	204,998	+12	—2	—5
Valdosta	36,339	30,644	31,534	+19	+15	+1
Total Reporting Cities	3,178,279	2,788,184	3,011,972	+14	+6	+2
Other Cities†	1,002,102	911,806	928,853r	+10	+8	+4
LOUISIANA						
Alexandria*	68,947	68,354	72,155	+1	—4	—6
Baton Rouge	278,097	246,532	287,360	+13	—3	—6
Lafayette*	62,684	63,680	58,345	—2	+7	+2
Lake Charles	82,295	72,881	82,080r	+13	+0	—8
New Orleans	1,440,402	1,244,263	1,406,834	+16	+2	—1
Total Reporting Cities	1,932,425	1,695,710	1,906,774r	+14	+1	—2
Other Cities†	600,496	552,291	537,437r	+9	+12	+2
MISSISSIPPI						
Biloxi-Gulfport*	55,114	52,861	49,817	+4	+11	+8
Hattiesburg	38,985	36,428	36,190	+7	+8	+0
Jackson	323,925	297,448	281,403	+9	+15	+8
Laurel*	29,864	24,664	28,393	+21	+5	—5
Meridian	48,440	39,459	47,765	+23	+1	+0
Natchez*	23,170	22,242	23,135	+4	+0	—3
Vicksburg	22,879	19,011	20,740	+20	+10	+6
Total Reporting Cities	542,377	492,113	487,443	+10	+11	+5
Other Cities†	290,884	261,261	282,051r	+11	+3	—2
TENNESSEE						
Bristol*	48,008	55,117	46,473	—13	+3	+8
Chattanooga	351,016	300,671	316,996	+17	+11	+1
Johnson City*	41,281	37,738	41,223	+9	+0	—4
Kingsport*	85,233	78,775	82,194	+8	+4	—1
Knoxville	262,888	224,511	247,073	+17	+6	+4
Nashville	827,395	700,916	763,647	+18	+8	+5
Total Reporting Cities	1,615,821	1,397,728	1,497,606	+16	+8	+3
Other Cities†	607,827	590,806	539,506r	+3	+13	+10
SIXTH DISTRICT	18,072,268	16,098,618r	16,789,529r	+12	+8	+2
Reporting Cities	12,942,936	11,445,587	12,159,124	+13	+6	+2
Other Cities†	5,129,332	4,653,031r	4,630,405r	+10	+11	+5
Total, 32 Cities	11,107,229	9,702,564	10,433,278	+14	+6	+2
UNITED STATES						
344 Cities	268,932,000	241,082,000r	232,844,000	+12	+15	+7

*Not included in total for 32 cities that are part of the national debit series maintained by the Board of Governors. †Estimated. r Revised.

Bank Announcements

On June 12, the nonmember Bank of Fairhope, Fairhope, Alabama, began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are H. G. Bishop, President; John M. Beasley, Vice President and Cashier; W. L. Odom, Assistant Vice President; and Mrs. Mary F. Thomson, Assistant Cashier. Capital totals $150,000, and surplus and undivided profits $230,000.

The Morgan City Bank and Trust Company, Morgan City, Louisiana, a nonmember bank, began to remit at par on June 13. Officers include Joseph Finkelstein, President; L. F. Maraist, Executive Vice President; Jake J. Hebert, Vice President; William W. Haygood, Assistant Vice President; and E. J. Mayon, Cashier. Capital amounts to $200,000, and surplus and undivided profits $325,000.

On June 26, the South Seminole Bank, Fern Park, Florida, a newly organized nonmember bank, opened for business and began to remit at par. E. G. Banks is President, and J. P. Toole is Vice President and Cashier. Capital totals $350,000, and surplus and undivided profits $167,248.