Monthly Review

FEDERAL RESERVE BANK OF ST. LOUIS

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New Credit For a Developing Agriculture

In the past fifty years many changes have taken place in American agriculture—including changes in farming techniques and marketing practices, in size of farm, in amount of fixed and working capital requirements. These changes have brought about changed needs for farm credit, in amount, in type and in terms. At the middle of the twentieth century the types of loans and the procedures involved in extending credit are considerably different from those in existence at the close of the nineteenth century. In addition, new types of credit granting institutions have appeared.

It probably can be said fairly that farm credit practices of many lending institutions have kept pace with the needs resulting from the changes in farming generally. But also it must be said that a number of credit granting institutions have not brought their lending techniques up to date with recognized and existing practices of the more progressive institutions. In such cases the primary results have been missed opportunities for sound credit extension with attendant missed opportunities for earnings from such loans, and the rise of competing lending institutions in those communities.

The average American farm today is a commercial enterprise, appreciably larger and more specialized than the essentially self-sufficient unit of fifty years ago. Capital requirements, both fixed and working, of the modern farm are substantially heavier than those of the farm of 1900. Free land is no longer available—the farm unit must be purchased and the hired hand or tenant has to command more funds to become an owner. Frequently investment in machinery and livestock exceeds that in land and buildings. Soil rebuilding, in many cases an absolute necessity after years of exploitation, requires substantial capital input. Rural electrification has made it desirable to add living and working comforts not possible a half century ago. And, in addition, day to day need for cash has increased with the growth in specialization and rise in operating costs.

A rise in capital requirements ordinarily means a rise in demand for credit. This has been true of agriculture in the past and, as it returns to a more normal situation, it probably will be true in the future. In other words, the total volume of farm credit may be expected to increase materially over the long pull ahead. And probably the rise in production or operating credit will be greater relatively than the increase in farm mortgage credit.

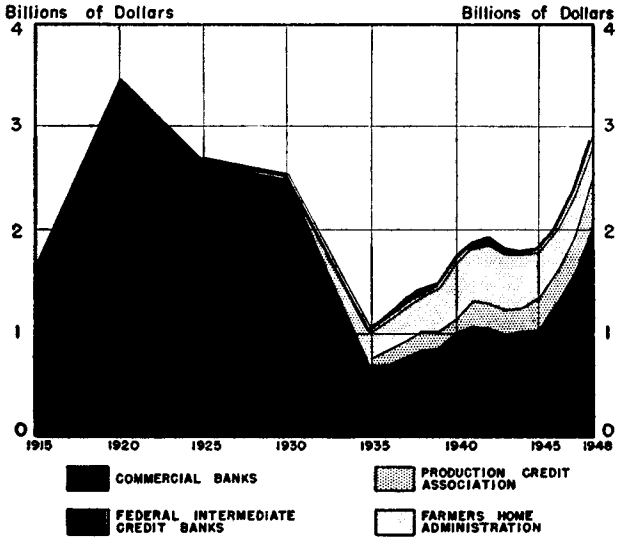
These are the two basic types of farm credit extended—short-term or production credit which is expected to be liquidated fully in one production cycle as the farmer produces and markets his output, and longer-term credit ordinarily secured by a mortgage. The latter, of course, also has to be liquidated out of income but over a longer period of time than one production cycle.

PRODUCTION CREDIT

Farmers' non-real estate loans (short-term credit mostly) totaled over $6 billion at the beginning of 1949. Of this amount almost $1.2 billion represented Commodity Credit Corporation price support loans, which are not liabilities of farmers in the usual sense. About $2.2 billion represented both credits and loans from merchants, dealers, finance companies, private lenders, etc. Much of this was "convenience" credit.

The major institutional supplier of farm production credit has been and still is the commercial

OUTSTANDING NON-REAL ESTATE LOANS TO FARMERS HELD BY PRINCIPAL CREDIT INSTITUTIONS
UNITED STATES, 1915-1948



bank. As of January, 1949, commercial banks held more than $2 billion in outstanding non-real estate loans to farmers. In addition, of course, the banks held much of the loans guaranteed by the Commodity Credit Corporation. Of the 13,354 insured banks in the United States, 12,301 reported having loans to farmers as of January, 1947. While these included both non-real and real estate loans, practically all of these banks had some farm production credit extended. On the same date, only 141 of the seven district states' 2,957 banks reported no farm loans.

Credit extension to farmers thus is an important and widespread commercial banking activity. In this region it accounts for a substantial share of bank earnings. In 1948, the banks in the seven states of the Eighth District held almost $500 million in farm loans (of all types)—a figure which represented more than one-fifth of their total loan portfolio. Farm loans were just about twice as important in bank loan portfolios in this area as in the nation as a whole.

TOTAL FARM LOANS HELD BY COMMERCIAL BANKS AND PERCENT OF FARM LOANS TO TOTAL LOANS, 1940 AND 1948
(Thousands of dollars)

	1940		1948	
	Farm Loans	% of Total Loans and Discounts	Farm Loans	% of Total Loans and Discounts
Arkansas	$ 21,397	33.6%	$ 30,959	43.9%
Illinois	99,580	10.3	114,300	19.5
Indiana	49,545	17.7	84,296	25.6
Kentucky	37,577	17.1	69,682	25.8
Mississippi	17,917	27.3	27,330	21.6
Missouri	78,116	16.6	113,341	14.9
Tennessee	60,472	23.7	54,743	31.2
Eighth District States	364,604	15.7	494,651	21.3
U. S. Total	1,628,562	9.7	2,403,148	11.1

It should also be pointed out that the relative importance of farm loans to the district's banks has increased in the past few years. In 1940, farm loans made up 16 per cent of total loans in banks in the seven district states. In 1948, the figure was 21 per cent.

Government Credit Sources—An appreciable amount of farm production credit is supplied by Government credit agencies. In their present form these are relative newcomers to the short-term farm credit field. Government got into farm finance with the Federal Farm Loan Act of 1916. After the severe post-World War I depression which hit agriculture particularly hard, this Act was amended in 1923. Ten years later the whole Government farm finance organization was revamped. That in existence today is essentially the same as was created in the reorganization of the 1930's.

Operating in the same field as the commercial banks in making funds available for farm production and operation are the Production Credit Associations, cooperatives composed of farmer borrowers who elect their own boards of directors and appoint an executive officer, the secretary-treasurer. These Associations are scattered across the nation. At mid-1948 they had $460 million outstanding in loans—less than one-fifth of the amount of bank-extended farm credit. The Associations are supervised by twelve Production Credit Corporations, one in each farm credit district. The Corporations were created in 1933 and supplied then and later with a total of $120 million in capital in Government funds.

In 1944 a revolving fund program for returning the funds to the Treasury was begun. The Government Appropriations Act of 1949 required an additional $30 million to be returned during fiscal 1949. As a result of these two actions the amount of government capital outstanding has been reduced to $46 million.

No interest is paid on these funds, and so, in effect, earnings from them amount to a subsidy. The Corporations in turn supply much of the initial capital for the Associations and help them get started. Neither the capital of the Corporations nor of the Associations actually is used for lending to farmers. It is mainly invested in securities to provide income over and above that from other sources. Some capital is available to the Associations from their members. Any borrower is required to purchase $5 in Association stock for every $100 borrowed.

The chief sources of loanable funds for the Associations are the Federal Intermediate Credit

Banks which lend to and discount paper for the Associations. In turn this paper is used as security behind annual issues of debentures of the Intermediate Credit Banks. The debentures are obligations of all the Banks and are not Government-guaranteed. The Bank discount rate cannot be more than 1 per cent higher than the yield on the immediately previous debenture issue, except with the permission of the Governor of the Farm Credit Administration. Since 1940 face rates have varied from a high of 3.39 per cent to a low of 0.71 per cent. That for 1948 was 1.53 per cent.

The Intermediate Credit Banks have the power to lend to or discount paper for almost any type of institution that makes short-term loans to farmers. As originally set up in 1923 it was anticipated that they would work with commercial banks. There were so many restrictions in the way of banks' borrowing from them, however, that they were little used by the banks.

The Intermediate Credit Banks charged the Associations a 2 per cent discount rate from the time they were created until 1939, when rates were reduced to 1½ per cent. The discount rate started upward again in 1947 and by July 1, 1948 stood at 2 per cent throughout the country, except in the Omaha and St. Louis districts, where the rates were 1½ and 1¾ per cent, respectively. The Omaha rate went to 2 per cent last fall. Banks in two districts have raised their rates to 2½ per cent in 1949.

For some years, the rate of interest which the Associations could charge farmers on loans discounted at the Intermediate Credit Banks was limited to not more than 3 per cent above the discount rate of the Intermediate Credit Banks. This regulation was amended June 1, 1948, permitting the Banks to discount paper on which interest charged borrowers was not more than 4 per cent above the discount rate. By June 30, 1949, the interest margin had been increased above 3 per cent in 290 Associations to meet higher operating costs and accumulate resources more rapidly. Most Associations also charge loan service fees which represent costs of reviewing borrowers' operations, drawing up loan papers, searching lien records and recording security instruments. These fees amounted to 0.33 per cent of loans during 1948.

Another Government agency in the production credit field is the Farmers Home Administration which in its original form began in 1918 with the purpose of making Government loans to distressed farmers. These activities were on a small scale until the 1930's. In 1946 such lending activities were combined with the Farm Security Administration's rehabilitation loan function.

COMPETITION BETWEEN COMMERCIAL BANKS AND GOVERNMENT CREDIT AGENCIES

The commercial bank and the Production Credit Association have tended to be directly competitive for short-term farm loans. The Farmers Home Administration lending program generally is regarded as non-competitive with the banks, since it aims at distress cases which most banks believe are ineligible for typical bank credit.

The PCA brought with it two major developments in short-term farm credit. While some commercial banks had employed similar practices prior to this time, the establishment of the PCA's made them nationwide in scope. Its secretary went out to the farmer and almost literally brought farm credit facilities to his front door. And in extending credit a definite attempt was made to tailor both advances and repayments to suit the particular type of farm operation. In addition better farm credit files were developed.

Progressive commercial bankers soon recognized that these two developments were desirable and moved to meet the new competition. In sections where the bankers were active in farm credit the banks maintained competitive positions. In other areas they lost ground. On balance, however, the commercial banks more than held their own. The proportion of total non-real estate farm credit supplied by the banks has grown, particularly in recent years.

There are very natural reasons for this. Given use of the newer techniques and procedures the bank is in even better competitive position. The farmer is used to dealing with the banker who is conveniently located for him in most cases. And many banks have been adding farm credit specialists to their staffs. These men go out to the farms and get first hand knowledge of the operations and management character which are vital in credit extension.

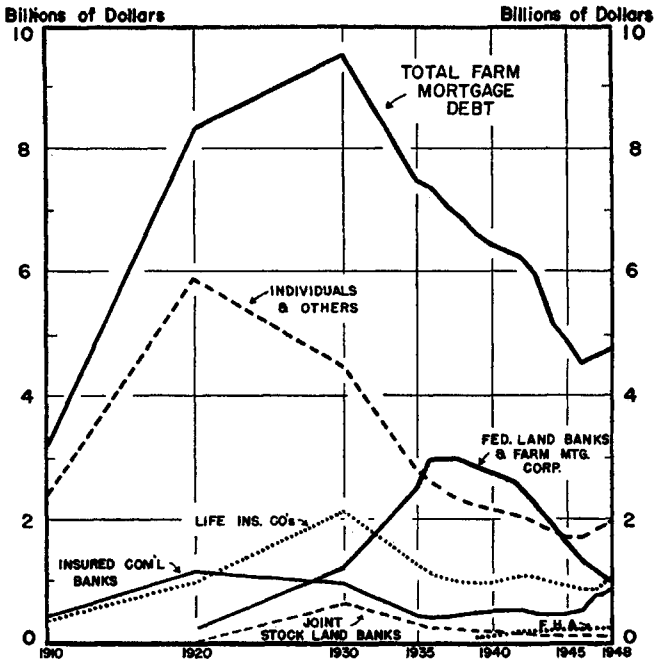
FARM MORTGAGE LOANS

Commercial banks are not equally important in the farm real estate loan field. Currently, in this district the banks hold about one-fifth of the farm mortgage debt. On a national scale, at the beginning of 1949, insured banks held about one-sixth of the $5.1 billion in farm mortgage debt

PERCENT OF TOTAL FARM MORTGAGE DEBT HELD BY COMMERCIAL BANKS, 1940-1948

	1940	1945	1946	1947	1948
Arkansas	4.8	5.3	7.7	11.6	12.1
Illinois	5.7	7.6	8.7	11.4	13.5
Indiana	9.2	14.1	16.6	21.3	23.8
Kentucky	20.6	24.7	28.9	38.4	43.3
Mississippi	8.1	6.6	7.7	11.0	11.2
Missouri	8.3	11.3	12.5	16.1	17.3
Tennessee	12.8	19.3	24.1	31.7	34.8
Eighth District States	8.8	11.6	13.7	18.2	20.4
United States	8.1	9.1	10.8	14.3	16.3

FARM MORTGAGE DEBT
HELD BY PRINCIPAL LENDER GROUPS
UNITED STATES, 1910-1948



outstanding. The principal lenders in this field are life insurance companies, government credit sources (each group with about $1 billion in farm mortgage debt in 1949) and individuals and others (with about $2 billion in 1949).

Farm real estate loans are an important source of commercial bank earnings, however, and have grown in importance over the past few years. After the widespread difficulties with farm mortgages of the early depression years, many people thought commercial banks would not again become a significant source of farm mortgage credit. The banks have increased their loan volume in this field by almost 60 per cent in the past ten years, despite the general downward trend in total farm mortgage debt outstanding, off 22 per cent since 1940. Except for the Farmers Home Administration, commercial banks constituted the only important lender group whose outstanding farm real estate loans were substantially larger in total in 1949 than in 1940. Life insurance loans were up just 5 per cent, those made by individuals and others were down 10 per cent, and Federal Land Bank and Federal Farm Mortgage Corporation loans off 65 per cent, 1949 relative to 1940. As a result, commercial banks in the United States increased their share of the farm mortgage debt outstanding from 8 per cent in 1940 to 17 per cent in 1949. The gain at Eighth District banks was even more striking—from 9 per cent to over 20 per cent.

Originally national banks were not permitted to make real estate loans. That provision was gradually relaxed after 1913, and today national banks may lend on improved real estate. If the loan is amortized, it may be made for a longer period than an unamortized one.

The creation of the Federal Land Banks in 1916 brought Government into the field of farm real estate finance. Going through much the same process of reorganization as Government short-term farm credit institutions, the Land Banks today are a major factor in financing farm real estate. Loan volume has been declining since the 1937 peak of almost $3 billion, however, and at the beginning of 1949 outstandings were below $900 million. Two major factors account for this development: (1) The general drop in farm mortgage debt as farmers used high incomes to pay off debt, and (2) increased competition.

The Farmers Home Administration also makes long-term loans to farmers but again these are mainly distress and rehabilitation cases not regarded as directly competitive by banks. Loans are made up to 40 years in term.

Life insurance companies historically have been a major source of farm mortgage loans, but their total outstandings have shown relatively little change over the past several years—holding at about $1 billion. About 40 per cent of farm real estate loans are made by individuals and a host of various types of financing agencies.

NEW LENDING PRACTICES

To meet the changed farm credit requirements lending policies and procedures have had to be changed—both in respect to short-term and long-term farm credit. Longer-term loans, lower interest rates, budgeted disbursements and amortized payments, variable payments and prepayments, closer managerial supervision, better credit records and many other developments have occurred. Generally speaking, new techniques have been developed to meet the needs; the problem has been mainly one of getting the new techniques adopted on a widespread scale. Progressive lending institutions have made use of differing procedures and have done a good job in meeting the farm credit needs of their communities.

Long-Term Lending—The Farmers Home Administration contributed to improved farm mortgage lending practices. This organization, originally called the Farm Security Administration, was set up in 1933 to help low income farm families and included a tenant purchase plan. Local operations are carried on by a county committee of three farmers who make all tenant selections. Prior to the granting of credit, the tenant, assisted by

trained technicians, has to work out a complete farm and home management plan and agree to keep a complete record of his business. Credit is then extended both for the purchase of the farm and for building up the soil. An optional variable payment plan is presented to borrowers, with payments based on the amount of net cash income available after necessary business expenses are deducted. Those not electing the variable payment plan may make as many and as large prepayments as they wish. By the second plan, however, extra principal payments do not place the borrower ahead of schedule.

A second progressive step has been made by a number of insurance companies and the Federal Land Banks, which permit borrowers to build up reserves for making later payments. This method allows farmers to accumulate payments during high income years for paying off or reducing debts and to forego payments during low income periods. Either the variable repayment system or the built up reserve system seems superior to the regular amortization plan. Farm income is irregular and debts can be paid much more easily at one time than at another. Regular amortization very well might be supplemented by prepayment privileges for best results both to lender and farmer.

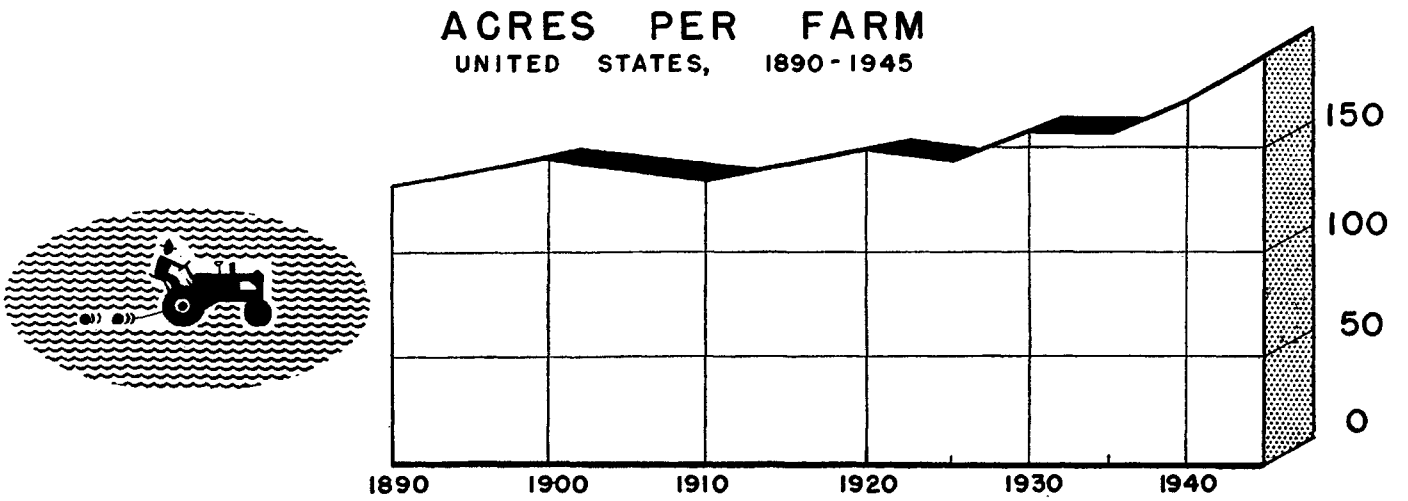
Another area in which progress has been made is in credit for land improvement. Many good native soils have been depleted and now have low productivity. Others have been eroded and need erosion controls, seeding and sodding as well as fertilizers. Some land needs drainage. Other needs also are pressing. The problem is particularly important in the southern portion of the Eighth District where soils have been cropped for a longer time without attention. Much ground has suffered from soil erosion and the other wastes of poor soil management.

Conventional farm mortgage lending techniques are not suited very well to furnishing credit for a soil rebuilding program or for shifts in type of farm output over a period of time. A new technique has been developed, however, that makes possible adequate financing of such a program. It was originally developed at St. Joseph, Missouri, where the local bankers and the county farm agent, with the help of the agricultural economist of the Federal Reserve Bank of St. Louis, worked out a program that offers great promise.

The program consists of a series of steps. First, a complete water and soil management plan is drawn up for the farm. Both the banker and the farmer rely on technically trained men for this job—either a trained man already employed by the bank, or a county agent or soil conservation technician. Second, an appraisal system that recognizes improvements is established. Thus, instead of appraising the farm unit before the program is begun and holding that appraisal constant throughout the life of the loan, the bank gives recognition to the capital input and rise in productivity as the program advances. Third, disbursement is made to the farmer over the life of the improvement program rather than in a lump sum. Scheduled improvements thus are matched with scheduled disbursements, in each case with supervision from the technical man. Finally, repayments are scheduled out of the increased production resulting from the improvements—a substantial portion of that increase going to liquidate the loan.

Such a loan thus is a modification of a conventional farm mortgage. It is amortized but payments are varied in anticipation of probable increased production—a reasonably accurate estimate of this usually can be made. Technical management is tied in.

The advantages of this type of credit are obvious. First, there is little danger that the burden of debt



will impair the productivity of the farm, and, incidentally, impair the borrower's ability to pay debts and destroy the lender's collateral. Second, it provides for gradual repayment in line with production and income, thereby permitting the farmer to enjoy a reasonable standard of living while repaying the debt and a higher standard of living after the debt is repaid.

Also important, the widespread acceptance of balanced farming can have a tremendous effect upon the local business life of any community. On the basis of studies of balanced farm programs throughout the Eighth Federal Reserve District, it can be said safely that a sound balanced farm plan put into operation on at least one-third of a county's land could bring the county, at average prices, about $1 million yearly in new income. This would be the same as acquiring a new factory which would employ 480 workers at an average pay check of $40 a week. Progress of this sort for the rural community as well as for the individual farmer greatly depends upon a new and flexible procedure for extending agricultural credit. The banker as well as the farmer will find such a forward step profitable.

Short-Term Credit—In the non-real estate credit field a number of commercial banks and the Production Credit Associations have started using a budgeted loan system. This type of loan usually covers the farmer's entire credit needs for the year. The funds are disbursed to the farmer as needed for carrying out farming operations and repaid as crops and livestock are marketed. Interest is usually charged on each dollar borrowed for the actual number of days it is outstanding. The farmer thus saves by paying interest only on money actually used and the lender can spread his available funds out to more customers. This type of loan is generally made on one note with one chattel mortgage covering the entire amount to be disbursed to a customer during the season.

Probably farm credit requirements will continue to change in the future as they have in the past. In most cases the problems involved probably will be those of procedures and techniques rather than the making of large additional volume available even though total requirements seem likely to show some increase over the future. In other words what is and will be needed in the farm credit field is what has been needed in the past—imagination and willingness to fit the credit to the needs of the borrower who has a sound proposition.

Clifton B. Luttrell

Survey of Current Conditions

In August and early September the national economy continued to show signs of recovery from the mid-year low, and prospects for a stable fourth quarter are encouraging. The Eighth District economy was lagging a little, however, as a relatively short cotton crop and a major railroad strike apparently were offsetting other factors of strength.

In part the upturn from the low point reached in mid-year is seasonal, just as the decline in many individual industries probably was influenced by seasonal factors. But the recovery also is receiving additional impetus from nonseasonal forces. The apparent resumption of inventory buying to rebuild depleted stocks, for example, is providing a considerable amount of upward pressure on the level of operations in a number of industries.

The drive to replenish stocks in some lines has resulted from the fact that consumers' purchases throughout the year held at a level somewhat higher than was expected by most retailers and manufacturers. Expenditures for furniture and household equipment, for example, leveled off in the first half of 1949 following the decline from an annual rate of $12.1 billion in the third quarter of 1948 to $10.4 billion in the fourth quarter. Through June, 1949 these expenditures were virtually unchanged from the rate in the fourth quarter of 1948. Aggregate purchases of other durable goods, excluding automobiles which increased during these nine months, also held steady. In the nondurable goods lines, most of the decline in consumers' expenditures has been in outlays for clothing, shoes, food and drink—where lower prices largely account for the decrease in aggregate expenditures. Yet in the face of continued demand at a relatively high level, inventories underwent substantial liquidation. Now, with income and expenditures continuing to be maintained, stocks once more are being replaced, and the resulting orders are reflecting in increased output and employment at the manufacturing level.

In general, there is little likelihood that the recovery movement will fail to carry through the fourth quarter—provided it is not interrupted by work stoppages in major industries where collective bargaining problems now exist. Even a brief cessation of operations in the steel industry would be

expected to have repercussions throughout the nation's economy, and a prolonged shutdown of this basic industry would seriously threaten the recovery trend.

The changed relationship between the American dollar and principal currencies outside the United States is not likely to have an appreciable effect on the domestic economy during the remainder of the year. Whatever effect it does have would be expected to be deflationary. In principle, the devaluation of these currencies, relative to the dollar, should result in lower raw material costs for those manufacturers whose raw materials are largely imported—for example, producers of woolen textiles, rubber and tin products. However, many complicating factors are involved and in practice, prices of such commodities may or may not decline automatically as a result of devaluation. If they do decline, the reduction may vary considerably—from a small decrease to one equal to the full rate of reduction in the value of the producing country's currency. Whether, in the longer term future, imports of raw materials and finished products from foreign countries expand substantially will depend upon many contingencies. In the main it will depend upon the willingness and ability of American consumers to absorb not only the present volume of these products but an increased amount as well. The principal effect, both in the near future and in the longer run, is likely to result from a reduction in foreign demand for goods produced in this country. As a result of devaluation, these goods become relatively more expensive to foreign buyers then competing goods produced in countries whose currencies were devalued.

EMPLOYMENT

Total employment in the nation in mid-August was at the highest level since last October, climbing to within 2 per cent of the figure for August, 1948. The increase in August—the first in six years between July and August—reflected a relatively large increase in nonagricultural employment that more than offset a decline of 1 million in the number of farm workers.

Although seasonal in character, the absolute gain in nonagricultural employment in August was three times as large as the increase between July and August last year and was the largest monthly gain since mid-1946. Adults as well as younger persons were added to pay rolls, in contrast to the gain in July which was due mainly to increases in the lower age groups. Despite the sharp increase in August, however, nonfarm employment was about 3 per cent below the level of last August. But the gap between employment this year and last narrowed; in June it was 4 per cent below June, 1948 and in July 4.5 per cent. During the first eight months it averaged 2 per cent less than in the same period of 1948.

Agricultural employment declined seasonally in August but continued higher than last year. Most of the decline in August was among the self-employed and unpaid family workers on the nation's farms.

In the five major district cities nonagricultural employment increased slightly in August, according to preliminary indications, after remaining fairly stable between June and July. Compared with a year earlier, employment in July in these cities was off about 4 per cent as against a national decline of 5 per cent. Nonmanufacturing employment was off less than nationally, while the percentage decrease in manufacturing employment was about the same as in the nation as a whole. Declines were largest in Louisville and Evansville, on a percentage basis, followed by those in Little Rock, Memphis and St. Louis.

The number of persons involuntarily working part time in the nation showed little change in August from the two preceding months. However, about two and one-fourth million persons worked part time but wanted full-time jobs in August—or about twice as many as in September, 1948. The proportion of employees working less than 35 hours a week (21 per cent) was about the same this August as a year ago, although relatively fewer persons were working more than 40 hours a week.

Unemployment declined in August for the first time since March; the decrease was the first of any size since last October. Largely seasonal, the reduction in unemployment rolls principally reflected the withdrawal of teen-age and college-age persons from the labor force, many of whom were in the labor market only for the summer months. The number of unemployed adult workers in August was about the same as in July. A smaller percentage of all workers in the labor force were unemployed

PRICES

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100)	Aug.,'49	July,'49	Aug.,'48	Aug.,'49 compared with July,'49	Aug.,'49 compared with Aug.,'48
All Commodities	153.0	153.4	169.4	— 0.3%	— 9.7%
Farm Products	162.3	165.8	191.1	— 2.1	—15.1
Foods	160.6	161.3	189.5	— 0.4	—15.3
Other	145.1	145.0	153.0	+ 0.1	— 5.2

RETAIL FOOD PRICES

Bureau of Labor Statistics (1935-39=100)	Aug. 15, 1949	July 15, 1949	Aug. 15, 1948	Aug. 15,'49 compared with July 15,'49	Aug. 15,'49 compared with Aug. 15,'48
U. S. (51 cities)	202.6	201.7	216.6	+ 0.4%	— 6.5%
St. Louis	210.6	206.8	225.3	+ 1.8	— 6.5
Little Rock	201.6	196.8	212.4	+ 2.4	— 5.1
Louisville	192.4	189.4	207.4	+ 1.6	— 7.2
Memphis	214.3	217.1	227.1	— 1.3	— 5.6

in August than in July—5.8 per cent as compared with 6.4 per cent—but a larger proportion than in August, 1948 when the unemployment rate was 3.1 per cent.

The volume of unemployment compensation claims declined with the increase in employment. Insured unemployment dropped about 15 per cent between July and August both in the nation and in the Eighth District states. Decreases in the district states ranged from 10 per cent in Arkansas and Illinois to 25 per cent in Indiana.

The number of claimants in August was still considerably larger than last year. In the district states the 70 per cent increase over last year was somewhat smaller than the national average of 80 per cent. In Illinois and Indiana, the only district states with a larger than national increase, more than twice as many persons as a year earlier were collecting compensation checks in August. The increase was about 50 per cent in Tennessee, Mississippi and Indiana, about 25 per cent in Arkansas and about 10 per cent in Missouri.

One reason the increase in claims was relatively smaller in the district states is that the peak claims load here was reached earlier than in the nation. The claims load in all district states except Kentucky and Illinois peaked in February and March as compared with July for the nation as a whole. June was the high month in Kentucky, while Illinois reached its peak in July.

INDUSTRY

Industrial activity in the district in August was at a slightly higher level than in July. The increase reflects in part the longer work month in August as well as some seasonal factors. Total manufacturing activity increased over July as did production in the district's coal and crude oil industries.

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	No. of Customers*	Aug., 1949 K.W.H.	July, 1949 K.W.H.	Aug., 1948 K.W.H.	August, 1949 compared with July,'49	August, 1949 compared with Aug.,'48
Evansville	40	9,094	8,753	9,201	+ 3.9%	— 1.2%
Little Rock	35	5,159	5,596	5,065	— 7.8	+ 1.9
Louisville	80	70,471	68,441	71,385	+ 3.0	— 1.3
Memphis	31	5,129	3,347	5,315	+53.2	— 3.5
Pine Bluff	26	4,160	4,672	5,259	—11.0	—20.9
St. Louis	139	89,593	80,369	85,594 R	+11.5	+ 4.7
Totals	351	183,606	171,178	181,819 R	+ 7.3%	+ 1.0%

* Selected industrial customers.
R—Revised.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

Aug., '49	July, '49	Aug., '48	First Nine Days Sept., '49	First Nine Days Sept., '48	8 mos. '49	8 mos. '48
105,285	102,544	118,930	28,921	32,711	837,984	961,605

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thousands of bbls.)	Aug., 1949	July, 1949	Aug., 1948	August, 1949 compared with July, 1949	August, 1949 compared with Aug., 1948
Arkansas	73.1	72.6	82.2	+ 1%	—11%
Illinois	181.9	178.6	177.9	+ 2	+ 2
Indiana	27.4	26.9	21.4	+ 2	+28
Kentucky	23.0	23.3	25.2	— 1	— 9
Total	305.4	301.4	306.7	+ 1%	0 %

Construction contracts awarded in August increased over the July volume, and on-site construction activity remained high.

Total electric power consumption by industries in the district's leading manufacturing centers in August reached a peak for the year. Total consumption was 7 per cent larger than in July and 1 per cent larger than in August, 1948, with increases over July shown in four of the six reporting cities. The largest gain, 53 per cent, was registered in Memphis whereas there were decreases in Pine Bluff and Little Rock. However, the gain in Memphis largely reflects an increase from an unusually low level in July. On a working day basis, consumption in August, declining in each of the cities except Memphis, was off 7 per cent from July for the district as a whole. Relative to last year, slight decreases in Memphis, Louisville, Evansville, and a considerable decline in Pine Bluff were offset by increases in consumption by industries in Little Rock and St. Louis.

Manufacturing—Manufacturing output in August in nearly all lines was larger than in the previous month. Increases over July in aggregate output were indicated in production of automobiles, beer, chemicals, electric manufactures, food and kindred products, iron and steel, lumber, machinery, metals and metal products, rubber products, shoes, stone, clay and glass products and transportation equipment. In some parts of the district production of food and kindred products and textiles was off slightly.

Steel—The basic steel industry in the St. Louis area in August operated at 71 per cent of capacity. This was 7 points higher than in July and 3 points above the rate in August, 1948. Operations during the last three weeks of August were at a very high level. According to trade reports demand in this area continues to increase, being particularly good at this time in certain lines such as roofing and stovemaking. It is also reported that the backlog of pig iron orders is at the highest level since April and if continued may lead to a pick-up in pig iron production. During July and August output was held at a 500 ton per day rate—one-half of capacity.

Lumber—Basic lumber output in the district in August increased considerably over July. While production remained lower than year ago levels, the decrease was less than in previous months. The lumber market has continued to improve and prospects for the fall appear good, particularly in the softwood lines. Hardwood buying by furniture makers has improved but is still not heavy. At a recent furniture show fall buying was termed

"highly satisfactory". Oak flooring continues to move rapidly.

Reporting southern hardwood producers operated at 71 per cent of capacity in August compared with 62 per cent in July and 103 per cent in August, 1948. Southern pine operations in August were 8 per cent higher than in July but 3 per cent lower than a year ago.

Meat Packing—Meat packing operations in the St. Louis area in August increased slightly from the low point reached in July and were considerably higher than in August, 1948, which was the low month for last year. In August 376,000 animals were slaughtered under Federal inspection compared with 355,000 in July and 310,000 a year ago. Killings of cattle were 18 per cent higher than in July whereas only slight gains were shown in hog, sheep and calf slaughter. The year-to-year increase was largely due to hog slaughter, which increased 55 per cent.

Whiskey—At the end of August, 18 of Kentucky's 63 distilleries were in operation. This was three more than a month ago and one less than a year ago. In July production of whiskey in Kentucky totaled only 2.8 million tax gallons. Although this is in part a seasonal decline, it is less than half of last year's July output and about 1.5 million gallons less than the June output. While whiskey stocks are high and large quantities of bonded whiskey are coming of age, only two major companies have announced price reductions.

Shoe Production—Shoe output in the district showed a year-to-year gain in July for the first time in 1949, and preliminary reports indicate that output in August also will exceed that of the previous year. Several large companies have announced an all-time high output for August. Increased orders received by manufacturers in the last few months apparently reflect the rebuilding of retail inventories for fall sales. So far consumer buying has not shown the same increase.

According to preliminary estimates production in the district in July totaled 6.9 million pairs or about 3 per cent more than in July, 1948 and only one per cent below the June total.

Oil and Coal—Daily average crude oil production in the district was up about 1 per cent in August and equalled that in August a year ago. Slight gains over July occurred in Arkansas, Illinois and Indiana which offset a 1 per cent decline in Kentucky. On a year-to-year basis substantial decreases occurred in Arkansas and Kentucky which were offset by a 2 per cent increase in Illinois and a 28 per cent increase in Indiana.

Coal production in the district states in August totaled 7.1 million tons. This represented an increase of 29 per cent from July when operations were curtailed by the short work week during part of the month and by vacations in the industry. August was the first complete month of the three-day week. Output was 31 per cent less than in August, 1948. Year-to-year decreases ranged from 35 per cent in Illinois to 20 per cent in western Kentucky. Compared with production in July substantial increases were registered in each state with Arkansas output more than doubling the unusually low July production.

The increase in the district during the month was larger than seasonal. Daily average production rose from 100 per cent of 1935-39 in July to 107 per cent in August. Last year the adjusted index was at 162 per cent of 1935-39.

Construction—The total value of construction authorized by building permits awarded in the major district cities in August totaled $10.5 million, a gain of 33 per cent over July and of 44 per cent over a year ago. Awards increased in each reporting city except Louisville during the month and except in Little Rock were at a higher level than in August, 1948.

New construction increased 31 per cent in these cities in August because of gains in nonresidential awards which were more than double the July total as against a 6 per cent decline in residential permits. Total new construction authorized amounted to $9.4 million which was evenly divided between residential and nonresidential building. Residential awards were off in St. Louis, Louisville and Memphis. These declines more than offset gains reported in Little Rock and Evansville.

Construction contracts awarded in the Eighth District were up 43 per cent in August and were

CONSTRUCTION

BUILDING PERMITS
Month of August

(Cost in thousands)	New Construction Number 1949	New Construction Number 1948	New Construction Cost 1949	New Construction Cost 1948	Repairs, etc. Number 1949	Repairs, etc. Number 1948	Repairs, etc. Cost 1949	Repairs, etc. Cost 1948
Evansville	75	33	$ 640	$ 155	96	131	$ 142	$ 89
Little Rock	90	86	584	559	274	224	128	278
Louisville	164	230	1,685	1,360	90	111	69	86
Memphis	2,480	681	4,692	2,407	186	207	223	160
St. Louis	271	334	1,773	1,742	325	304	532	457
August Totals	3,080	1,364	$9,374	$6,223	971	977	$1,094	$1,070
July Totals	1,863	1,527	$7,161	$6,804	958	948	$ 709	$1,398

WHOLESALING

Line of Commodities Data furnished by Bureau of Census, U. S. Dept. of Commerce*	Net Sales Aug., 1949 compared with July, 1949	Net Sales Aug., 1949 compared with Aug., 1948	Stocks Aug. 31, 1949 compared with Aug. 31, 1948
Drugs and Chemicals	+12%	+ 4%	—15%
Dry Goods	+70	— 2	.....
Groceries	+12	— 5	— 3
Hardware	+ 6	—10	+11
Tobacco and its Products	+ 1	— 1	— 8
Miscellaneous	+16	—15	— 8
**Total All Lines	+29%	— 6%	— 9%

* Preliminary.
** Includes certain items not listed above.

RETAIL TRADE

DEPARTMENT STORES

	Net Sales August, 1949 compared with July, '49	Net Sales August, 1949 compared with Aug., '48	Net Sales 8 mos. '49 to same period 1948	Stocks on Hand Aug. 31,'49 comp. with Aug. 31,'48	Stock Turnover Jan. 1 to August 31, 1949	Stock Turnover Jan. 1 to August 31, 1948
8th F. R. District	+17%	— 4%	— 5%	—10%	2.55	2.53
Ft. Smith, Ark.	+16	— 2	+ 2	—22	2.61	2.37
Little Rock, Ark.	+24	— 6	— 3	— 6	2.66	2.71
Quincy, Ill.	+10	— 3	— 5	— 5	2.19	2.29
Evansville, Ind.	+11	—10	—12	—24	2.31	2.35
Louisville, Ky.	+16	— 3	— 4	— 4	2.77	2.83
St. Louis Area [1]	+19	— 4	— 6	—13	2.53	2.52
St. Louis, Mo.	+21	— 4	— 7	—13	2.54	2.54
E. St. Louis, Ill.	— 3	— 2	— 4	.....	.....	.....
Springfield, Mo.	+ 2	—11	—15	— 9	2.17	2.29
Memphis, Tenn.	+18	— 3	— 1	— 5	2.64	2.50
*All other cities	+ 5	— 6	— 4	—12	2.05	2.03

* El Dorado, Fayetteville, Pine Bluff, Ark.; Harrisburg, Mt. Vernon, Ill.; New Albany, Vincennes, Ind.; Danville, Hopkinsville, Mayfield, Paducah, Ky.; Chillicothe, Mo.; Greenville, Miss.; and Jackson, Tenn.

[1] Includes St. Louis, Mo.; Alton, Belleville, and East St. Louis, Ill.

Outstanding orders of reporting stores at the end of August, 1949, were 24 per cent less than on the corresponding date a year ago.

Percentage of accounts and notes receivable outstanding August 1, 1949, collected during August, by cities:

	Instalment Accounts	Ex. Inst. Accounts		Instalment Accounts	Ex. Inst. Accounts
Fort Smith	...%	48%	Quincy	21%	56%
Little Rock	18	47	St. Louis	22	57
Louisville	23	48	Other cities	15	58
Memphis	23	42	8th F. R. Dist.	21	52

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

	Aug., 1949	July, 1949	June, 1949	Aug., 1948
Sales (daily average), unadjusted [2]	280	254	283	305
Sales (daily average), seasonally adjusted [2]	326	325	314	354
Stocks, unadjusted [3]	287	278	280	318
Stocks, seasonally adjusted [3]	264	268	280	292

[2] Daily Average 1935-39=100.

[3] End of Month Average 1935-39=100.

SPECIALTY STORES

	Net Sales August, 1949 compared with July,'49	Net Sales August, 1949 compared with Aug.,'48	Net Sales 8 mos. '49 to same period 1948	Stocks on Hand Aug. 31,'49 comp. with Aug.31,'48	Stock Turnover Jan. 1 to August 31, 1949	Stock Turnover Jan. 1 to August 31, 1948
Men's Furnishings	—12%	—12%	— 3%	—10%	1.71	1.77
Boots and Shoes	+ 8	— 2	— 2	+ 8	2.84	2.85

Percentage of accounts and notes receivable outstanding August 1, 1949, collected during August:

Men's Furnishings..... 52% Boots and Shoes..... 45%

Trading days: August, 1949—27; July, 1949—25; August, 1948—26.

RETAIL FURNITURE STORES*

	Net Sales August, 1949 compared with July,'49	Net Sales August, 1949 compared with Aug.,'48	Inventories August, 1949 compared with July,'49	Inventories August, 1949 compared with Aug.,'48	Ratio of Collections Aug.,'49	Ratio of Collections Aug.,'48
8th Dist. Total [1]	+22%	— 2%	— 1%	—16%	22%	26%
St. Louis Area [2]	+34	— 8	+ 1	—15	30	33
St. Louis	+34	— 8	+ 1	—15	30	33
Louisville Area [3]	+15	— 1	+ 1	—20	16	18
Louisville	+16	-0-	+ 1	—21	16	17
Memphis	—10	+ 6	— 5	-0-	14	19
Little Rock	+24	+23	— 4	— 6	19	24

[1] In addition to following cities, includes stores in Blytheville, Fort Smith and Pine Bluff, Arkansas; Hopkinsville, Owensboro, Kentucky; Greenville, Greenwood, Mississippi; Hannibal and Springfield, Missouri; and Evansville, Indiana.

[2] Includes St. Louis, Missouri; and Alton, Illinois.

[3] Includes Louisville, Kentucky; and New Albany, Indiana.

* 39 stores reporting.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Aug., '49	July, '49	Aug., '48
Cash Sales	12%	12%	14%
Credit Sales	88	88	86
Total Sales	100%	100%	100%

60 per cent higher than a year ago. They were valued at $89.8 million as compared with $62.6 million in July and $56 million in August, 1948. Nonresidential construction accounted for most of the increase in each case, totaling 62 per cent more than in July and 86 per cent more than last August. Residential contracts were slightly above the July total and were about 12 per cent higher than in August of last year.

TRADE

In August consumers in the Eighth District increased their expenditures in department stores more than seasonally. Total purchases were up 17 per cent during the month and daily average volume, after allowance for seasonal influences, climbed to 326 per cent of 1935-1939. The increase in the adjusted volume was not spectacular, but it marked the second consecutive month in which sales increased more than seasonally. In June, daily volume was 314 per cent of that in 1935-1939; in July it averaged 324 per cent. However, expenditures continued below last year's volume—4 per cent in terms of total dollar outlays and 8 per cent on a daily average basis, seasonally adjusted. As in previous months this year, with the exception of February, adjusted sales were larger than in 1947. In August, 1947 daily sales averaged 307 per cent of 1935-1939.

In the first eight months of 1949 dollar volume totaled 5 per cent less than in the same period last year. This rate of decline apparently continued in September, judging by preliminary reports through the middle of the month. Of the major trading centers in the district, Fort Smith with a gain of 2 per cent showed the only year-to-date increase in sales volume. In Memphis, Louisville and Little Rock volume so far totals less than last year but by a smaller percentage than that for the district as a whole. In St. Louis, Evansville and Springfield dollar sales have declined more than in the district as a whole.

St. Louis stores reporting sales by departments show few increases relative to last August in any departments. Those increases which did occur were largely in the minor departments. In the upstairs store there were no volume gains in the major divisions. However, sales of housefurnishings and small wares were equal to last year's volume. The largest year-to-year decline occurred in the piece goods and miscellaneous departments. Television sales volume again showed the largest percentage gain, totaling almost six times the volume of last year. The silks, velvets and synthetic piece goods department experienced the greatest decline with sales

volumes more than one-third less than in August, 1948.

Basement store divisions showed a relatively better sales experience. Downstairs men's and boys' wear gained 13 per cent over last August as compared with a 14 per cent decline in the comparable division upstairs. Basement store shoe sales were up 10 per cent in contrast to a decline in the main store of 4 per cent in sales of women's and children's shoes and 11 per cent in men's and boys' shoes.

The value of inventories held by reporting stores on August 31 was 7 per cent larger than on July 31 but was 10 per cent less than on August 31, 1948. The increase in the dollar value of inventories during the month was slightly more than seasonal but stocks continued below the level of a year ago. Seasonally adjusted inventories on August 31 were 264 per cent of the 1935-1939 average as against 268 per cent on July 31 and 292 per cent on August 31, 1948.

Department stores continued their cautious buying policy, although in some lines of currently scarce merchandise orders are being placed to cover expected requirements in the early part of 1950. Outstanding orders increased 4 per cent between July and August—a smaller increase than last year but larger than in August, 1947. In earlier years, orders declined in August. Volume this year was off 24 per cent from that outstanding at the end of August, 1948.

BANKING

During September commercial, industrial and agricultural loans at the weekly reporting member banks in the Eighth District extended their third quarter gains, but remained substantially below the level of the comparable period in 1948. Real estate and "other" loans also continued to gain in September at the major city banks, and both of these classes of loans were well above their totals a year ago.

Business loans at reporting member banks in this district normally show a fairly strong seasonal movement—down in the first half of a year and up in the second half. The movement this year differs from the more typical behavior in that the upturn came appreciably later and on its face has not been as strong. The weaker upturn in 1949 apparently reflects in large part the effect of Commodity Credit Corporation price support loans which are included in the "commercial, industrial and agricultural" loan category when reported. While lack of available statistics, except at call dates, permits no

BANKING

PRINCIPAL ASSETS AND LIABILITIES FEDERAL RESERVE BANK OF ST. LOUIS

(In thousands of dollars)	Sept. 21, 1949	Aug. 24, 1949	Sept. 22, 1948
Industrial advances under Sec. 13b	$	$	$ .....
Other advances and rediscounts	5,804	+ 556	— 14,112
U. S. Securities	927,041	— 35,086	—252,385
Total earning assets	$ 932,845	$— 34,530	$—266,497
Total reserves	$ 756,618	$+ 3,044	$+ 97,527
Total deposits	620,468	— 25,497	—143,905
F. R. notes in circulation	1,067,972	+ 2,920	— 23,236
Industrial commitments under Sec. 13b	$	$	$ .....

PRINCIPAL ASSETS AND LIABILITIES WEEKLY REPORTING MEMBER BANKS EIGHTH FEDERAL RESERVE DISTRICT

(In Thousands of Dollars)
34 Banks Reporting

Assets	Sept. 21, 1949	Aug. 24, 1949	Sept. 22, 1948
Gross commercial, industrial, and agricultural loans and open market paper	$ 470,739	$+ 19,806	$— 94,931
Gross loans to brokers and dealers in securities	6,651	+ 77	+ 60
Gross loans to others to purchase and carry securities	20,987	+ 563	— 8,349
Gross real estate loans	178,806	+ 4,854	+ 24,753
Gross loans to banks	3,815	+ 2,212	— 694
Gross other loans (largely consumer credit loans)	214,593	+ 8,083	+ 15,593
Total	895,591	+ 35,595	— 63,568
Less reserve for losses	9,544	+ 409	+ 2,275
Net total loans	$ 886,047	$+ 35,186	$— 65,843
Treasury bills	52,692	— 33,408	+ 9,953
Certificates of indebtedness	249,223	+ 8,910	+128,738
Treasury notes	44,411	+ 2,879	— 55,169
U. S. bonds and guaranteed obligations	778,171	+ 53	+111,111
Other securities	163,404	+ 4,467	+ 19,714
Total investments	$1,287,901	$— 17,099	$+214,347
Cash assets	706,726	+ 16,941	— 51,527
Other assets	25,314	— 780	+ 906
Total assets	$2,905,988	$+ 34,248	$+ 97,883
Liabilities			
Demand deposits of individuals, partnerships, and corporations	$1,456,630	$+ 3,879	$+ 15,168
Interbank deposits	573,146	+ 22,099	+ 51,881
U. S. Government deposits	52,105	+ 7,970	+ 7,630
Other deposits	127,356	— 6,188	+ 299
Total demand deposits	$2,209,237	$+ 27,760	$+ 74,978
Time deposits	485,560	— 823	+ 10,784
Borrowings	9,250	+ 3,300	+ 1,690
Other liabilities	21,677	+ 3,281	+ 4,191
Total capital accounts	180,264	+ 730	+ 6,240
Total liabilities and capital accounts	$2,905,988	$+ 34,248	$+ 97,883
*Demand deposits, adjusted	$1,371,608	$— 46,706	$+ 24,179

* Other than interbank and government demand deposits, less cash items on hand or in process of collection.

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	Aug., 1949	July, 1949	Aug., 1948	Aug., 1949 compared with July, '49	Aug., '48
El Dorado, Ark.	$ 20,806	$ 23,355	$ 22,712	—11%	— 8%
Fort Smith, Ark.	36,749	35,781	37,013	+ 3	— 1
Helena, Ark.	5,777	5,544	5,744	+ 4	+ 1
Little Rock, Ark.	108,766	108,795	111,592	- 0 -	— 3
Pine Bluff, Ark.	22,248	24,093	19,711	— 8	+13
Texarkana, Ark.*	9,505	9,786	9,860	— 3	— 4
Alton, Ill.	22,420	21,647	23,151	+ 4	— 3
E.St.L.-Nat.S.Y., Ill.	113,014	105,403	116,719	+ 7	— 3
Quincy, Ill.	26,540	27,398	27,759	— 3	— 4
Evansville, Ind.	117,919	118,525	109,037	— 1	+ 8
Louisville, Ky.	479,288	441,402	468,502	+ 9	+ 2
Owensboro, Ky.	30,147	26,299	27,258	+15	+11
Paducah, Ky.	12,605	12,483	13,177	+ 1	— 4
Greenville, Miss.	15,372	15,771	14,108	— 3	+ 9
Cape Girardeau, Mo.	11,701	11,184	12,041	+ 5	— 3
Hannibal, Mo.	7,808	7,420	7,320	+ 5	+ 7
Jefferson City, Mo.	47,014	52,087	75,505	—10	—38
St. Louis, Mo.	1,453,767	1,393,771	1,452,445	+ 4	- 0 -
Sedalia, Mo.	9,546	9,004	9,885	+ 6	— 3
Springfield, Mo.	54,769	51,207	58,899	+ 7	— 7
Jackson, Tenn.	16,534	15,439	15,672	+ 7	+ 6
Memphis, Tenn.	426,315	399,077	407,786	+ 7	+ 5
Totals	$3,048,610	$2,915,471	$3,045,896	+ 5%	- 0 - %

* These figures are for Texarkana, Arkansas only. Total debits for banks in Texarkana, Texas-Texarkana, including banks in the Eleventh District, amounted to $21,988.

precise adjustment for CCC loans, a rough adjustment seems to indicate that the actual business loans are behaving in typical seasonal fashion nowadays—although as noted the upturn came later this year, and from a lower level than held in 1948.

Particularly in the southern part of the district, CCC loans on cotton account for a substantial volume of commercial, industrial and agricultural loans. Depending on the price situation, cotton flows into the loan after it is picked, ginned and compressed and comes out as it can be sold advantageously—in other words at a price better than the loan value plus charges. At the end of the crop year such cotton as remains in the loan has to be taken out or goes over to the CCC. In either case the loan is liquidated.

Much of the 1948 cotton crop went into the loan and at the final settlement date a substantial amount remained there. These loans were liquidated and pulled down loan totals at that time (August 1). The crop is late this year and not much has gone into loans held by district banks as yet. Consequently loan totals over the third quarter this year are not exactly comparable with those last year.

In summary then, when adjusted for the irregular effect of CCC loans, business loans at Eighth District banks in August and September seem to be showing the regular seasonal movement—not much different from 1948 or 1947 in direction or magnitude. At the same time their volume is below 1948 since the upturn started from a lower level.

AGRICULTURE

As a result of unfavorable weather and increased weevil infestation, prospects for the cotton crop in the Eighth District states declined during the month of August; the estimate as of September 1 was for a crop one-fourth smaller than that of 1948. In Mississippi the crop was expected to be 38 per cent less, and the lint yield per acre 42 per cent less than in 1948. Production in Arkansas is estimated at 1,600,000 bales, 382,000 bales less than last year. This is a reduction of 19 per cent in production and 25 per cent in yield.

Thus the district cotton crop will be substantially less than in 1948; with a lower support price in prospect, income from cotton will decline even more. The national crop plus carryover, however, will be substantialy larger than a year ago, so that cotton acreage quotas are almost certain and marketing quotas are likely for the 1950 crop.

The national estimate was for a crop of 14,943,000 bales—138,000 bales more than estimated on August 1, and 75,000 bales more than the total produced in 1948. The increase was accounted for largely by the estimated 550,000 bale increase in the size of the Texas crop. This increase would have raised the total crop in prospect even higher had there not been decreases in South Carolina and central states, including decreases of 150,000 bales in Mississippi, 50,000 bales in Arkansas, and 25,000 bales in Tennessee.

The index of prices received by farmers dropped four points to 245 from July 15 to August 15 (1910-14=100). The index of prices paid was 243, one point lower than a month earlier. Lower prices for meat animals, cotton and fruits caused the decline, partially offset by higher prices for cottonseed, soybeans and eggs. The parity ratio declined to 101, the lowest since December, 1941.

Cash farm receipts for the first three quarters of 1949 were estimated to be 11 per cent less than in the same period of 1948. Receipts in August and September were estimated to be 18 per cent less than a year earlier. For the first seven months of 1949, farm income in three district states, Mississippi, Arkansas and Kentucky, was running ahead of the 1948 income. As the 1949 cotton and tobacco crops are harvested, however, the 1949 income probably will fall below that of 1948.

The decline in farm income is not evenly spread among producers. Income from food grains declined 35 per cent, but income from feed grains rose 10 per cent for the first nine months. Income from meat animals and dairy products went down 15 and 17 per cent, respectively, but income from poultry and eggs went down only 2 per cent, compared with the first nine months of 1948. In the same period in 1949, farmers have received 30 per cent less for oilbearing crops, 15 per cent less for vegetables, 7 per cent less for tobacco and about the same amount for fruits.

AGRICULTURE

CASH FARM INCOME

(In thousands of dollars)	July, 1949	July, 1949 compared with June, 1949	July, 1949 compared with July, 1948	7 mos. total Jan. to July 1949	1949 compared with 1948	1949 compared with 1947
Arkansas	$ 22,900	+11%	—12%	$ 221,163	+28%	+30%
Illinois	146,187	+12	—24	942,425	— 7	— 6
Indiana	80,289	+20	—26	487,012	—15	—10
Kentucky	37,934	+22	— 5	266,950	+ 3	—13
Mississippi	17,699	+ 8	0	239,064	+44	+47
Missouri	88,414	+23	—31	494,882	—14	— 7
Tennessee	30,605	+ 9	— 8	209,508	— 9	— 8
Totals	$424,028	+16%	—22%	$2,861,004	— 4%	— 3%

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts			Shipments		
	Aug., 1949	Aug., 1949 compared with July, '49	Aug., 1949 compared with Aug., 48	Aug., 1949	Aug., 1949 compared with July, '49	Aug., 1949 compared with Aug., '48
Cattle and calves	154,238	+35%	+ 7%	58,256	+51%	+10%
Hogs	218,762	+ 9	+40	81,315	— 8	+52
Sheep	87,258	+22	— 8	35,750	+17	—10
Totals	460,258	+19%	+17%	175,321	%11%	+20%