SIXTH FEDERAL RESERVE DISTRICT

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Monthly Review

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Also in this issue:

Federal Reserve Bank of Atlanta

Some Measures of the Quality of Credit in Agriculture

Farmers in the United States owed a large debt at the end of 1963—$33 billion to be exact. This was a record amount that topped the previous peak in 1922 by $18 billion and stood $25 billion above the low point in 1946. Farmers had pushed their debt to this height by borrowing substantial amounts during the post-World War II period, especially in the 1950's. Moreover, for the past three years, they have evinced a willingness to take on even more debt.

Judging from the low farm mortgage foreclosure rate in the nation, repayments of farm debts have generally kept pace with the borrowing expansion. Nevertheless, the record size of the debt, its rapid growth in recent years, and recollections of extensive farm foreclosures and other farm financial strains in the late 1920's and 1930's have led some persons to question farmers' ability to pay their debts in the future. In effect, these persons are asking, "What is the present quality of credit used in agriculture?"

What Is "Quality"?

"Quality" in farm loans or farm credit frequently means different things to different persons. As a general proposition, however, most persons would probably agree that the critical element in loan quality is risk. The relationship is inverse: As the risk on a given loan increases, its quality decreases. When a loan is made, a high degree of risk may be inherent if its terms do not fit the borrower's earning capacity, net worth, or the structure of his business. Risks may also be inherent in the borrower himself if he is profligate, in ill health, or financially strained by family troubles. Moreover, the risks from unknown future events, such as changes in technology, transportation, and world trade patterns, can, and often do, have considerable influence on the quality of loans repayable at a future time. Because weather is highly unpredictable, it can have an especially potent influence on the ultimate quality of farm loans, while future trends in farm income must also be counted as an important determinant of credit quality.

To assess credit quality, both the lender and analyst must weigh the risks inherent in a loan. They must consider not only the types of risks that may be incurred, but how formidable they are and how persistent they seem to be. The inquirer may appropriately ask several questions: Have farm debts risen excessively in relation to farm assets and income? How sound are farm borrowers' repayment potentials? Were the farm loans made on suitable terms? Were they made for legitimate reasons? Were farm assets satisfactorily appraised? Answers to these questions, as well as a final estimate of the quality of credit, depend heavily on subjective judgment bolstered by past experience, but there are certain measures that the inquirer may consult in forming his judgment.

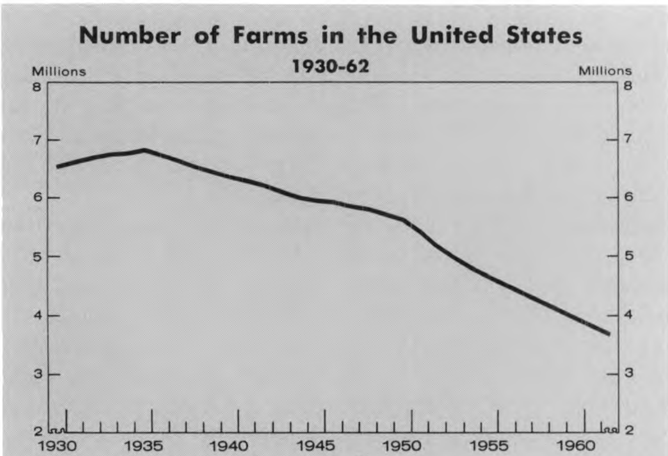
Growth in Farm Assets, Income, and Debt

A substantial rise in farmers' assets and equities accompanied the growth in farm debt in the 1950's and early 1960's. Farm assets on

January 1, 1963, were valued at about $216 billion in the aggregate, two-thirds more than in 1950, according to the United States Department of Agriculture. However, liabilities against assets more than doubled from the $12-billion total in early 1950 to about $30 billion on January 1, 1963. Farmers' total equity rose 56 percent in the period to $186 billion. At the beginning of 1963, the farm economy's debt-equity ratio was 16, higher than the post-World War II low of 9 in 1946 but below the ratio of 23 in 1940. These ratios were much lower than similar ratios for nonfarm industries. In 1962, for instance, the debt-equity ratio for chemical manufacturers was about 64; it was 48 for drug manufacturers and 46 for lumber manufacturers. Even though farm debt remained relatively small when cast against farm assets, it had risen more rapidly since 1950 than had asset valuations.

As farmers' economic status improved, farm incomes also expanded substantially. In the nation, gross farm income excluding Government payments rose from about $32 billion in 1950 to about $41 billion in 1963, a 28-percent gain. Gross farm income in the District states —Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee—rose from about $3 billion in 1950 to $4 billion in 1962. Government payments to farmers in the nation, including those for price support programs designed to stabilize farm incomes, totaled about $1.7 billion in 1963, well above the $283-million total in 1950. Farmers' off-farm income in the nation also rose 17 percent during this period. This rise in farmers' gross incomes occurred despite a 6-percent decline nationally in prices for farm products from 1950 to 1963. However, total net farm income—the return to the farmer and his family from their labor, management, and capital investment—dropped from about $13.2 billion in 1950 to $12.8 billion in 1963 principally because farming costs increased.

The aggregate data reveal some sharp adjustments in the overall farm financial structure, but they partially obscure the widespread structural changes on individual farms. Because the number of farms declined more than

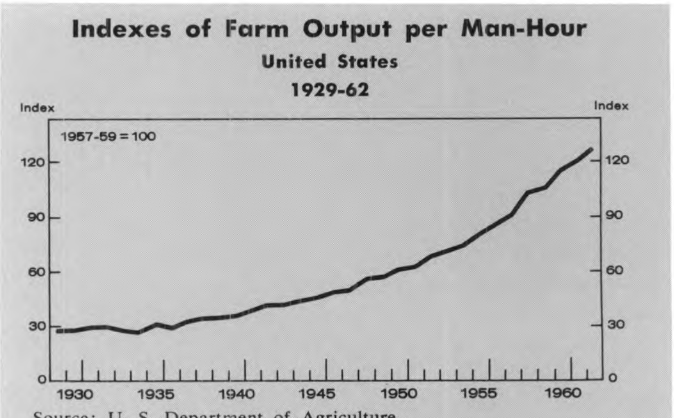


Source: U. S. Department of Agriculture.

a third during the 1950-63 period, the average farmer operated a much larger unit and, consequently, received a higher farm income. Total assets per farm climbed from about $17,000 in 1950 to about $51,000 in 1963; average gross income per farm increased from about $5,700 to about $11,500; and net income per farm rose from about $2,300 to about $3,400. The average farmer, however, also borrowed more money. In 1963, he obtained farm real estate loans averaging $14,000, compared with $4,700 in 1950.

Structural changes in farm businesses during the 1950-63 period have also heightened farmers' debt repayment ability. The rapid decline in the number of farms and the growth in their size imply that more of the farm debt now outstanding is owed by operators of larger, more productive farms than in previous years.

Another development that has strengthened farmers' debt repayment ability since 1950 is the gain in farm productivity and, hence, in profit potential. Nationally, output per man-hour on farms in 1962 was double the level in



Source: U. S. Department of Agriculture.

1950, and total farm output was 24 percent larger, according to the USDA. In the major regions of the Southeast and the Delta, delineated by the USDA in its farm output statistics, output per man-hour grew 146 percent and 177 percent, respectively, during the 1950-62 period, while total output expanded about one-third.

Adjustments in Credit Procedures

Growth in farm assets, incomes, and productivity during the period of rapidly rising farm debt since 1950 has been accompanied by changes in farm lending procedures and in the administration of farm credit. Loan amortization, a plan devised several decades ago to assist farmers in systematically liquidating their mortgage debts, is more widely used by long-term lenders today. Among other things, loan amortization, which allows a farmer to spread long-term farm debt repayment over a 10- to 30-year period, reduces the risk from unexpected adversities in farming in a given year. Then, too, it is an explicit recognition that farming is a long-term business with a slow capital turnover. Federal land bank farm mortgage loans, which totaled 20 percent of the farm mortgage debt outstanding on January 1, 1963, are usually amortized loans with maturities extending to forty years for certain enterprises. Life insurance companies, which hold about 22 percent of the farm mortgage debt outstanding, also provide amortized long-term farm loans. The proportion of farm real estate loans written with long maturities has risen in recent years, reflecting in part more widespread use of the amortization principle.

Meanwhile, procedures in lending for farm operating purposes have evolved to such an extent that advancing funds to farmers solely on short-term notes has assumed a more subordinate role. Lenders now make more intermediate-term loans for working capital purposes. Typically, they relate a farmer's debt repayment schedule closely to his farming needs for supplies, machinery and other working capital, and to his cash receipts. This technique entails a detailed analysis of farm operating budgets, but it facilitates a more systematic repayment of loans. Production credit associations have utilized this budgeting procedure extensively in past years and, in 1961, they were authorized by Federal legislation to make term loans with maturities extending to seven years.

Commercial banks also have adopted lending procedures for term loans that afford farmers flexibility in financing their businesses and promote successful loan repayment. According to the Federal Reserve System's agricultural loan survey on June 30, 1956, about 14 percent of farmers' non-real estate bank loans had maturities exceeding one year, compared with 6 percent in 1947.

Few Loan Delinquencies and Foreclosures

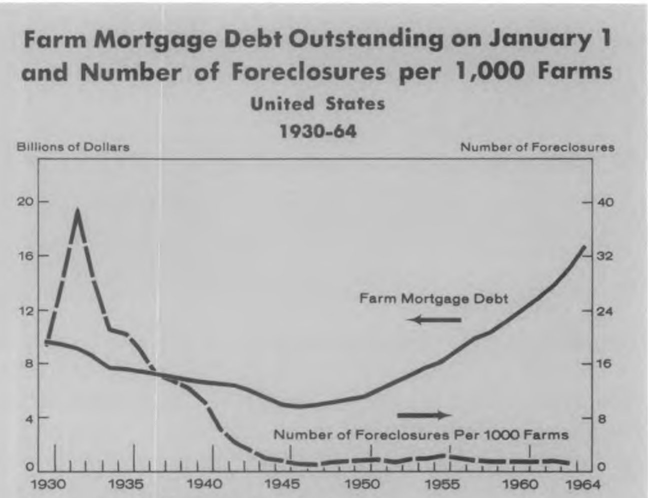
Although farm financial developments since World War II have been characterized by an expansion in farm debt, farm creditors report favorable trends in the traditional indicators of farmers' financial health. Typically, the current record of borrowers is measured from two vantage points—loan delinquencies and loan repayments. The longer-term record of debt repayment is measured by repossessions and foreclosures.

According to data from twenty life insurance companies published quarterly by the USDA, 591 farm mortgage accounts had interest payments that were three months overdue in the quarter ending on June 30, 1963. This was about the same number as a year earlier and amounted to only a small fraction of the 192,000 loans in their portfolios. Delinquencies did not rise in the fourth quarter last year, although some loans in Florida had been jeopardized by freezing temperatures earlier in the year. At Federal land banks, the number of loan delinquencies and extensions, which has been small in recent years, declined somewhat from the year-earlier level in the last half of 1963. The Farmers Home Administration also reported few current delinquencies in its portfolio.

Farm mortgage loan repayments in 1963 were being maintained, although there were more long-term farm loans outstanding than in earlier years. Farmers' repayments to insurance companies flowed in at a rate of 2.1 percent of the loans outstanding during the second quarter of 1963. This repayment rate was slightly higher than the 2.0-percent rate a year earlier and in mid-1961.

Comprehensive statistics from short- and medium-term creditors covering loan renewals, repossessions of equipment, sales of chattels, the write-off of bad debts, and the like are not available. Financial magazines, trade creditors, and official Government statements on farm finance, however, report a minimum of such credit distress signals. A stepup in loan renewals was reported for late 1963 in the Midwest primarily because cattle marketings were delayed, while adverse weather conditions in Florida were responsible for an upsurge in that area.

An exceptionally low farm foreclosure rate has persisted from 1947 through 1963. In the nation, the number of foreclosures per 1,000 farms, after reaching a peak of about 39 in 1932, declined to one in 1947 and has hovered about that rate ever since. The latest available data on foreclosures for twenty life insurance companies holding about 192,000 farm loans indicate a continued low level of farm foreclosures during the quarter ending on June 30, 1963. At that time, 74 mortgages were in the process of foreclosure, somewhat fewer than the number a year earlier. Federal land banks, with about 379,000 loans outstanding, reported 254 loans called for foreclosure in the last half of 1963. A year earlier, 248 loans had been foreclosed. The Farmers Home Administration, which held 96,517 farm mortgage loans in its portfolio on December 31, 1963, reported that it had acquired 23 farm properties by foreclosure in the last quarter of 1963, the same number as a year earlier.



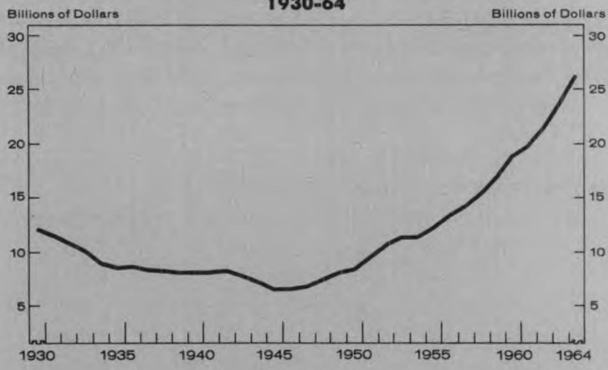
Source: U. S. Department of Agriculture.

Possible Weaknesses

Whether farmers will maintain the debt-repayment record established since World War II cannot, of course, be determined. Although past trends in farmers' incomes and changes in lenders' techniques for extending credit are elements that have tended to minimize risks and maintain the overall quality of farm loans, some recent developments cast a shade of doubt, at least over farmers' ability to settle their debts as quickly as they have in the past few years.

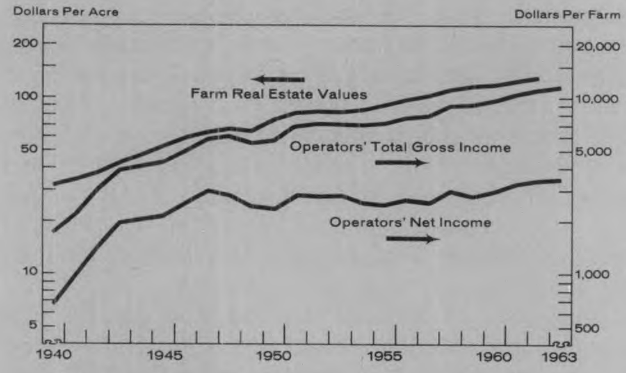
Farmers augmented their debts quite rapidly in 1962 and 1963. In the nation, non-real estate debt outstanding at all operating banks and production credit associations, the principal short-term farm creditors, rose 14 percent in 1963 in contrast with more moderate gains of 9 percent and 5 percent in 1962 and 1961, respectively. This upsurge in farm loans outstanding occurred partly because farm production expanded. In the Sixth Federal Reserve District, where extensive gains in loans occurred last year, some impetus also came from credit advanced to citrus growers in Florida whose groves required rehabilitation and from loan extensions granted to growers and their suppliers.

Farm Mortgage Debt and Farm Non-Real Estate Debt* Outstanding on January 1
United States
1930-64



*Excludes loans guaranteed by the Commodity Credit Corporation.
Source: U. S. Department of Agriculture.

Farm Real Estate Values per Acre and Operators' Income per Farm
United States



Source: U. S. Department of Agriculture.

Farm mortgage debt outstanding with all long-term lenders rose at a steeper rate in 1963 than in the preceding three years. On January 1, 1964, the total in the nation was about a tenth more than a year earlier, according to the USDA. Gains in 1960, 1961, and 1962 had been 6, 8, and 9 percent, respectively. At commercial banks, farm real estate loans outstanding increased about 15 percent in 1962 and probably by a similar amount in 1963, contrasting sharply with the 6-percent rise in 1961 and the 4-percent gain in 1960. These loans, however, have been for relatively small amounts. In the first half of 1963, the average commercial bank loan in the nation was about $9,000, well under the $31,000 average for farm mortgage loans made by life insurance companies.

Although farm debt expanded substantially in 1963, reflecting especially farmers' demand for long-term farm loans, the average interest rates farmers paid on loans differed little from the rates paid in 1962 and 1961. The supply of loanable funds, however, became more plentiful, partly because the national monetary authorities acted to provide the economy with ample funds during the 1960-63 period. With an ample supply of funds to lend, long-term farm lenders competed more vigorously for loans, especially in 1962 and 1963. Some marginal borrowers could have obtained excessively large credit advances.

In view of the slight decline in aggregate net farm income in 1963, the sizable rise in farm real estate values that also occurred in that year must be considered a further cause for uneasiness about the quality of credit. In November 1963, the value of farm land and buildings for the nation rose 6 percent above the year-earlier level. This gain further extended the almost uninterrupted rise since the 1930's in farm real estate valuations. The upward trend in values had been checked by a decline in 1949 and had been slowed in 1959 and 1960, but its advance quickened again in 1961 despite stability in net farm income per acre, which had held for several years at about $13.50 nationally.

Loan Standards Under Pressure?

These farm financial developments in 1963 led some analysts to inquire whether farmers' favorable loan experience since World War II and the expanded supply of loanable funds in recent years have not tended to draw lenders into competing for loans by reducing their lending standards and accepting more risks in their loan portfolios. Loans made by long-term farm lenders are heavily influenced by their overall appraisal and loan policies. If farm land appraisals are raised and loan-to-value ratios are liberalized, a new and higher element of risk may be inherent in the loans. Such changes in these key policies may cause lenders to relax their selectivity among farm borrowers and allow an uneconomical amount of credit to flow to marginal borrowers without a compensating buildup in their reserves for losses. With farm land values rising disproportionately to farm income, the dangers from unhealthy credit extensions based on higher appraisals may increase.

Another hazard crops up when competitive urges among farm lenders cause them to make farm loans that are not closely related to farmers' needs. They may make excessively large loans or they may make loans whose proceeds are used for speculation in land or other farm assets.

This Bank obtained some evidence pertinent to these points in September 1963 from a survey of farm loan appraisers, farm real estate dealers, and farm lenders in the District states. Most of the respondents said that long-term lenders in the region had tended to lift their appraisals of farm land somewhat in the past two years and to lend a moderately larger proportion of the appraised values. This reflected, in the respondents' views, both an increase in loanable funds and greater competition for productive farm loans. The respondents believe that farm land values in District states have increased in the past decade primarily because relatively little farm land was offered for sale, while commercial farmers, the most numerous and insistent bidders, sought land to enlarge their units.

Several respondents in the survey said that some speculative activity in the farm land market had probably occurred near communities that are growing rapidly and have a substantial base for future economic development. They cited the Florida Peninsula and the coast along the Gulf of Mexico as areas in which some speculative use of farm credit might have occurred.

In their analysis of current developments in the farm land market, however, the respondents subordinated changed appraisal and loan policies. Few respondents suggested that the policy changes were unsound when measured against the long-term production and income prospects of the individual farms involved. They suggested that a stepup in appraised values for well located, easily operated farms in good repair and with fertile soils would be justified under present and foreseeable farming conditions. In their view, many of the farms that changed hands or were mortgaged in the past decade had increased in value as a result of improvements made on them or increased production potential.

Future Trends Affect Quality

Whether the evaluations of the respondents in the survey prove correct hinges to a great extent upon how well farm lenders have judged the future. The quality of farm credit they extend now depends greatly upon developments in years ahead, especially the course of farmers' income. Although income projections can be highly undependable, it is often useful to assess the possible trend.

The USDA in a recent projection of the farm economy to 1968 suggests that farmers as a group may fare reasonably well through that year at least. This projection, which assumes a continuation of present farm programs, anticipates further growth in population and consumer incomes and a small decline in prices of farm products.

According to the USDA, a further enlargement of farms is also in prospect, as are increased farm mechanization and efficiency. Farm output in the nation may increase about 11 percent from the 1963 level. Net farm income per farm is expected to rise, perhaps by a tenth, if the number of farms continues to shrink at the present rate.

A continued marked decline in the number of farms in the next decade will tend to reinforce these expectations because the management and control of the nation's farms will shift further to commercial farmers through farm transfers and consolidations. This process also may generate some upward pressures on the level of farm land values.

Summing Up

Looking back over the record of farm loans made in the 1940's and 1950's, the evidence does not show clearly that their quality fell below a desirable level. Most farmers repaid their loans promptly or at least within extended time limits satisfactory to their creditors, and farm foreclosures held at a low point for a prolonged period. Many farmers probably used their borrowed funds to increase their earnings.

Unwise credit practices today, however, can reduce the quality of lenders' loan portfolios and lead to future loan delinquencies and foreclosures. If loan appraisals overstate the real worth of farms, if farm credit is widely applied to speculative uses, and if marginal borrowers are encouraged to invest excessively, the quality of credit will deteriorate even if farm income in the nation does not move lower. If income does decline, this deterioration could cause trouble, especially among the less efficient farm borrowers.

ARTHUR H. KANTNER

District Member Banks Still in Cost Squeeze

High operating expenses plagued District member banks again in 1963. Dollar operating revenue rose appreciably during the year, but expenses drained off a larger share than in 1962—75.2 percent, compared with 74.0 percent. This marks the third consecutive year in which operating expenses have outpaced gains in total revenue of member banks. As a result, net current earnings declined from 26.0 percent of total revenue in 1962 to 24.8 percent.

Net income (after taxes and adjustments to reserves) dropped from 15.7 percent to 14.9 percent of total revenue. Both the ratios of net income to total capital accounts and to total assets were fractionally lower in 1963 than in the previous year.

These and other ratios measuring the performance of member banks were calculated from regular reports of condition and the report of income and dividends for the year 1963. The ratios, which are shown in the table on Page 6, represent simple averages of individual bank ratios, *i.e.*, each bank's ratios are weighted equally.

The continuing competition for time and savings deposits contributed heavily to the rise in operating expenses in 1963. Interest on these accounts increased from 22.5 percent of revenue in 1962 to 24.1 percent in 1963. The average rate paid moved up from 3.12 percent to 3.29 percent. Total time deposits, moreover, represented a larger proportion of total deposits than in the previous year—37.9 percent, compared with 36.3 percent.

On the revenue side, interest and dividends on other securities, expressed as a percent of total revenue, rose slightly from the 1962 level. Interest and discount on loans also increased, reflecting both a larger portfolio and a higher average return. Service charges on deposit accounts, however, dropped slightly after hovering at the 8.0-percent level during the two previous years.

Member banks shifted their assets in the direction of higher-yielding loans and other securities during 1963. U. S. Government securities, as a percent of total assets, fell only slightly from the 1962 level, while a significant decline occurred in cash assets.

Total capital accounts improved in relation to other balance sheet items between 1962 and 1963. The ratio to total assets increased from 8.6 to 8.8 percent, and the ratio to total deposits rose from 9.6 to 9.8 percent.

W. M. DAVIS

Average Operating Ratios of Individual Member Banks in the Sixth Federal Reserve District

	1959	1960	1961	1962*	1963
SUMMARY RATIOS:					
Percent of total capital accounts:					
Net current earnings	16.5	16.9	14.3	14.5	14.4
Net income before taxes	11.9	14.8	12.6	12.6	12.1
Net income	8.2	10.6	8.2	8.6	8.5
Cash dividends declared	3.0	3.1	2.9	3.0	3.0
Percent of total assets:					
Total operating revenue	4.24	4.55	4.52	4.70	4.85
Net current earnings	1.25	1.36	1.21	1.21	1.19
Net income	.62	.86	.70	.72	.71
SOURCE AND DISPOSITION OF INCOME:					
Percent of total operating revenue:					
Interest on U.S. Gov't. securities	21.5	21.7	20.5	20.7	20.5
Interest and dividends on other securities	6.9	6.9	7.0	7.1	7.2
Interest and discount on loans	59.5	59.2	60.5	60.3	60.5
Service charges on deposit accounts	7.1	7.3	8.0	8.0	7.7
Trust department revenue[1]	2.5	2.6	2.9	2.8	3.0
All other operating revenue	5.0	4.9	4.0	3.9	4.1
Total operating revenue	100.0	100.0	100.0	100.0	100.0
Salaries and wages	28.7	28.3	29.2	27.9	27.0
Pension, hospitalization, and other benefits	n.a.	n.a.	2.6	2.6	2.7
Interest on time and savings deposits[2]	18.2	18.0	19.2	22.5	24.1
Net occupancy expense of bank premises	n.a.	n.a.	5.1	4.5	4.4
All other operating expenses	41.7	41.6	36.2	39.0	41.1
Total operating expenses	70.4	69.9	73.1	74.0	75.2
Net current earnings	29.6	30.1	26.9	26.0	24.8
Net losses (or recoveries and profits +)[3]	6.5	.9	1.0	.6	1.5
Net increase (or decrease +) in valuation reserves	1.5	2.5	1.8	2.5	2.1
Taxes on net income	6.7	7.5	8.5	7.2	6.3
Net income	14.9	19.2	15.6	15.7	14.9
RATES OF RETURN ON SECURITIES AND LOANS:					
Return on securities:					
Interest on U.S. Gov't. securities	2.95	3.39	3.22	3.33	3.44
Interest and dividends on other securities	2.87	3.09	3.03	3.23	3.29
Net losses (or recoveries and profits +) on total securities[3]	.50	+.21	+.21	+.17	+.10
Return on loans:					
Revenue from loans	6.90	6.91	6.83	7.07	7.10
Net losses (or recoveries +)[3]	.18	.22	.27	.20	.21
DISTRIBUTION OF ASSETS:					
Percent of total assets:					
U.S. Gov't. securities	29.8	28.0	27.9	28.0	27.5
Other securities	10.4	10.3	10.6	10.6	10.9
Loans	36.9	39.2	40.3	40.2	41.6
Cash assets	21.1	20.5	19.0	19.0	17.8
Real estate assets	1.6	1.7	1.9	1.9	1.9
All other assets	.2	.3	.3	.3	.3
Total assets	100.0	100.0	100.0	100.0	100.0
OTHER RATIOS:					
Total capital accounts to:					
Total assets	8.0	8.4	9.0	8.6	8.8
Total assets less U.S. Gov't. securities and cash assets	17.0	16.8	17.5	16.8	16.7
Total deposits	8.9	9.3	10.1	9.6	9.8
Time deposits[4] to total deposits	32.1	33.0	35.0	36.3	37.9
Interest on time deposits[4] to time deposits	2.51	2.63	2.68	3.12	3.29
Number of banks	399	402	418	416	426

*Figures for 1962 have been recomputed and may differ from those published in the April 1963 *Monthly Review*.
[1] Banks with none were excluded in computing this average. Ratio included in "All other operating revenue."
[2] Banks with none were excluded in computing this average. Ratio included in "All other operating expenses."
[3] Includes recoveries or losses applied to either earnings or valuation reserves.
[4] Banks with none were excluded in computing this average.
n.a. Not available.

Bank Announcements

On March 2, The American National Bank in Cypress Gardens, Cypress Gardens, Florida, a newly organized member bank, opened for business and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers include Andrew P. Ireland, President; and Lex Hood, Executive Vice President and Cashier. Capital is $150,000, and surplus and other capital funds, $150,000, as reported by the Comptroller of Currency at the time the charter was granted.

The Central Bank and Trust Company, Birmingham, Alabama, a newly organized nonmember bank, opened for business on March 2 and began to remit at par. Officers are Harry B. Brock, Jr., President; Lloyd G. Rains, Vice President; and Floyd L. Jones, Cashier. Capital is $500,000, and surplus and undivided profits, $500,000.

Also on March 2, the South Cobb Bank, Mableton, Georgia, a newly organized nonmember bank, opened for business and began to remit at par. Officers include J. G. Lundy, President; S. C. Cole, Vice President; and Phillip E. Johnson, Cashier. Capital is $250,000, and surplus and undivided profits, $250,000.

The Central Bank of North Dade, Miami, Florida, a newly organized nonmember bank, opened for business on March 3 and began to remit at par. Officers are Jacques Mossler, Chairman of the Board; Stanley H. Wolff, President; and Ed R. Schulte, Vice President and Cashier. Capital is $300,000, and surplus and undivided profits, $125,000.

On March 6, the Northeast National Bank of St. Petersburg, St. Petersburg, Florida, a newly organized member bank, opened for business and began to remit at par. Officers include Morgan L. Smith, President; H. E. Thomas, Executive Vice President; Frank L. Olson, Vice President; and John E. Burke, Cashier. Capital is $250,000, and surplus and other capital funds, $250,000, as reported by the Comptroller of Currency at the time the charter was granted.

The Riverlands National Bank in Laplace, Laplace, Louisiana, a newly organized member bank, opened for business on March 9 and began to remit at par. Officers are Remy F. Gross, President; Arthur G. McDowell, Executive Vice President and Cashier; J. Oswald Montegut, Vice President; and Charles S. Macaulay, Vice President and Assistant Cashier. Capital is $100,000, and surplus and other capital funds, $200,000, as reported by the Comptroller of Currency at the time the charter was granted.

On March 10, the Key Biscayne Bank, Key Biscayne, Miami, Florida, a newly organized nonmember bank, opened for business and began to remit at par. Officers include C. G. Rebozo, Chairman of the Board; Ira F. Willard, President; Thomas H. Wakefield, Vice President; and Byron A. Sperow, Executive Vice President and Cashier. Capital is $200,000, and surplus and undivided profits, $90,000.

The Jefferson National Bank of Miami Beach, Miami Beach, Florida, a newly organized member bank, opened for business on March 16 and began to remit at par. Officers are Arthur H. Courshon, Chairman of the Board; Thomas E. Mottola, President; Jack R. Courshon, Louis J. Orloff, and Jack Brunton, Vice Presidents; and J. W. Carter, Cashier. Capital is $500,000, and surplus and other capital funds, $500,000, as reported by the Comptroller of Currency at the time the charter was granted.

On March 16, the Tennille Banking Company, Tennille, Georgia, a nonmember bank, began to remit at par. Officers include W. B. Smith, President; Mrs. Erin H. Smith, Vice President; and Charles V. Smith, Executive Vice President and Cashier.

The Liberty National Bank of St. Petersburg, St. Petersburg, Florida, a newly organized member bank, opened for business on March 20 and began to remit at par. Officers are Morgan L. Smith, President; William E. Bell, Executive Vice President; Frank L. Olson, Vice President; and K. Kenneth Barzler, Cashier. Capital is $250,000, and surplus and other capital funds, $250,000, as reported by the Comptroller of Currency at the time the charter was granted.

On March 23, the American Bank of Atlanta, Atlanta, Georgia, a conversion of Southern Savings Bank, Atlanta, Georgia, opened for business and began to remit at par.

The Halifax National Bank of Port Orange, Port Orange, Florida, a newly organized member bank, opened for business on March 23 and began to remit at par. Officers are John R. DeBerry, Chairman of the Board; Wayne A. Campbell, President; and Carl A. Cunningham, Vice President and Cashier. Capital is $350,000, and surplus and other capital funds, $175,000, as reported by the Comptroller of Currency at the time the charter was granted.

Sixth District Statistics

Seasonally Adjusted

(All data are indexes, 1957-59 = 100, unless indicated otherwise.)

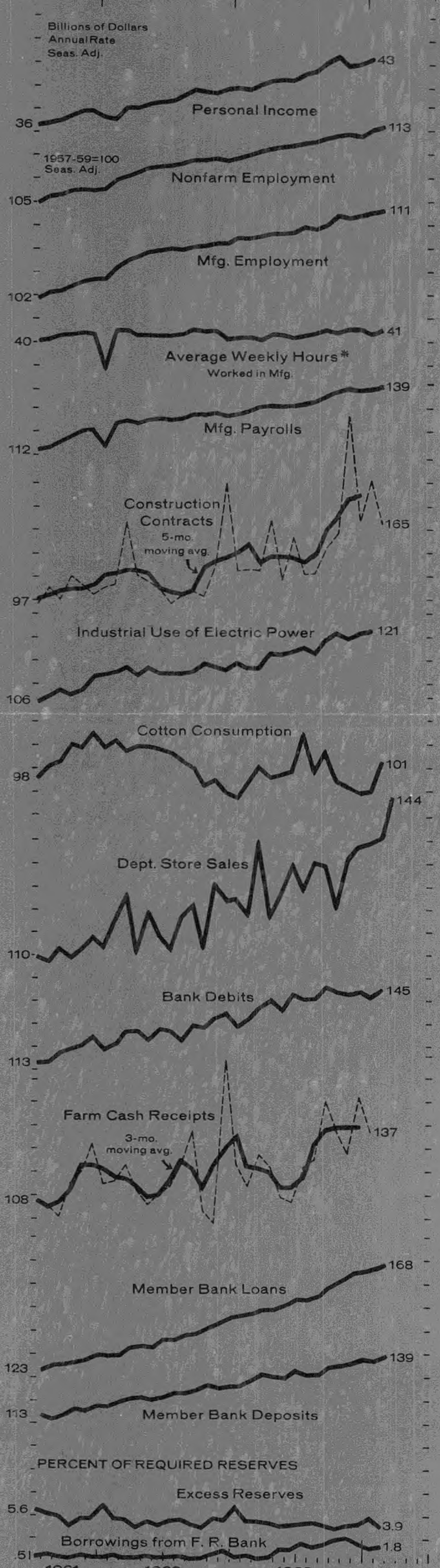
		Latest Month (1964)	One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Jan.	43,040	42,519r	42,352r	39,921
Manufacturing Payrolls	Feb.	139	138r	138	128
Farm Cash Receipts	Jan.	137	152	128	123
Crops	Jan.	149	177	132	130
Livestock	Jan.	122	109	120	115
Department Store Sales*/**	Mar.	144p	137	135r	135
Instalment Credit at Banks,* (Mil. $)					
New Loans	Feb.	180	184	189	188
Repayments	Feb.	158	175	168	151
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Feb.	113	113	112	110
Manufacturing	Feb.	111	111	111	109
Apparel	Feb.	132	132	131	129
Chemicals	Feb.	107	107	106	104
Fabricated Metals	Feb.	118	119	117	110
Food	Feb.	105	104	106	102
Lbr., Wood Prod., Furn. & Fix.	Feb.	94	95	94	93
Paper	Feb.	108	107	108	107
Primary Metals	Feb.	96	97r	98	96
Textiles	Feb.	95	94	94	95
Transportation Equipment	Feb.	116	118r	119	114
Nonmanufacturing	Feb.	113	113	112	110
Construction	Feb.	101	98r	99	98
Farm Employment	Feb.	84	82	80	83
Insured Unemployment, (Percent of Cov. Emp.)	Feb.	3.5	3.9	3.5	4.5
Avg. Weekly Hrs. in Mfg., (Hrs.)	Feb.	41.1	40.8	41.3	40.4
Construction Contracts*	Feb.	165	201	169	126
Residential	Feb.	156	165	165	132
All Other	Feb.	172	232	172	121
Industrial Use of Electric Power	Jan.	121	121	120	115
Cotton Consumption**	Feb.	101	95	95	96r
Petrol. Prod. in Coastal La. and Miss.**	Feb.	165	165r	160r	155
FINANCE AND BANKING					
Member Bank Loans*					
All Banks	Feb.	168	166	165	147
Leading Cities	Mar.	158	156	155	141
Member Bank Deposits*					
All Banks	Feb.	139	137	138	129
Leading Cities	Mar.	133	129	127	125
Bank Debits*/**	Feb.	145	142	144	132
ALABAMA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Jan.	5,927	5,837r	5,805r	5,547
Manufacturing Payrolls	Feb.	125	122	125	118
Farm Cash Receipts	Jan.	128	145	120	134
Department Store Sales**	Feb.	116	115r	114	104
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Feb.	108	108	107	106
Manufacturing	Feb.	103	103r	103	102
Nonmanufacturing	Feb.	110	110	109	108
Construction	Feb.	95	94r	94	91
Farm Employment	Feb.	86	84	79	88
Insured Unemployment, (Percent of Cov. Emp.)	Feb.	3.8	4.4	4.0	4.8
Avg. Weekly Hrs. in Mfg., (Hrs.)	Feb.	41.3	40.2r	40.9	40.1
FINANCE AND BANKING					
Member Bank Loans	Feb.	164	165	162	146
Member Bank Deposits	Feb.	140	141	136	128
Bank Debits**	Feb.	142	139	141	128
FLORIDA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Jan.	12,265	12,849r	12,414r	11,193
Manufacturing Payrolls	Feb.	165	164	165	152
Farm Cash Receipts	Jan.	134	168	128	112
Department Store Sales**	Feb.	171	167r	169	148
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Feb.	119	118	118	115
Manufacturing	Feb.	123	124	124	118
Nonmanufacturing	Feb.	118	118r	116	114
Construction	Feb.	93	92r	88	90
Farm Employment	Feb.	93	97	94	97
Insured Unemployment, (Percent of Cov. Emp.)	Feb.	2.7	3.0	2.8	3.9
Avg. Weekly Hrs. in Mfg., (Hrs.)	Feb.	41.4	40.5	41.1	40.9
FINANCE AND BANKING					
Member Bank Loans	Feb.	169	167	165	145
Member Bank Deposits	Feb.	142	140	141	130
Bank Debits**	Feb.	146	147r	148	134

		Latest Month (1964)	One Month Ago	Two Months Ago	One Year Ago
GEORGIA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Jan.	8,072	7,866r	7,986r	7,597
Manufacturing Payrolls	Feb.	141	140r	140	127
Farm Cash Receipts	Jan.	119	120	148	122
Department Store Sales**	Feb.	132	129	126	109
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Feb.	115	115	114	111
Manufacturing	Feb.	111	110	110	107
Nonmanufacturing	Feb.	118	117	117	113
Construction	Feb.	112	105	112	108
Farm Employment	Feb.	71	71	74	66
Insured Unemployment, (Percent of Cov. Emp.)	Feb.	2.8	3.1	3.0	3.4
Avg. Weekly Hrs. in Mfg., (Hrs.)	Feb.	40.7	40.8	41.1	39.9
FINANCE AND BANKING					
Member Bank Loans	Feb.	170	170	172	149
Member Bank Deposits	Feb.	143	140	144	132
Bank Debits**	Feb.	149	143	148	145
LOUISIANA					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Jan.	6,439	6,257r	6,251r	6,002
Manufacturing Payrolls	Feb.	131	132r	129	123
Farm Cash Receipts	Jan.	155	170	141	130
Department Store Sales*/**	Feb.	117	119r	116	111
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Feb.	105	104	103	102
Manufacturing	Feb.	103	102	102	100
Nonmanufacturing	Feb.	105	104	104	103
Construction	Feb.	95	94	98	89
Farm Employment	Feb.	84	81	81	84
Insured Unemployment, (Percent of Cov. Emp.)	Feb.	3.7	4.0	3.7	5.0
Avg. Weekly Hrs. in Mfg., (Hrs.)	Feb.	41.9	42.2	43.1	42.7
FINANCE AND BANKING					
Member Bank Loans*	Feb.	157	154	148	144
Member Bank Deposits*	Feb.	125	125	126	120
Bank Debits*/**	Feb.	132	129	128	112
MISSISSIPPI					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Jan.	3,236	3,120r	3,216r	2,988
Manufacturing Payrolls	Feb.	145	142r	141	134
Farm Cash Receipts	Jan.	122	203	140	149
Department Store Sales*/**	Feb.	111	105	99	108
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Feb.	115	115	114	114
Manufacturing	Feb.	119	119r	118	117
Nonmanufacturing	Feb.	114	113	113	113
Construction	Feb.	101	100	100	113
Farm Employment	Feb.	81	75	79	82
Insured Unemployment, (Percent of Cov. Emp.)	Feb.	4.4	5.2	4.8	5.2
Avg. Weekly Hrs. in Mfg., (Hrs.)	Feb.	40.7	40.4r	40.5	40.3
FINANCE AND BANKING					
Member Bank Loans*	Feb.	189	189	187	161
Member Bank Deposits*	Feb.	150	147	148	140
Bank Debits*/**	Feb.	156	150	149	140
TENNESSEE					
INCOME AND SPENDING					
Personal Income, (Mil. $, Annual Rate)	Jan.	7,101	6,590r	6,680r	6,594
Manufacturing Payrolls	Feb.	135	136	134	125
Farm Cash Receipts	Jan.	177	97	91	119
Department Store Sales*/**	Feb.	116	117	115	104
PRODUCTION AND EMPLOYMENT					
Nonfarm Employment	Feb.	113	113	112	110
Manufacturing	Feb.	113	114	113	111
Nonmanufacturing	Feb.	113	112	111	109
Construction	Feb.	133	125	123	123
Farm Employment	Feb.	91	91	81	93
Insured Unemployment, (Percent of Cov. Emp.)	Feb.	4.4	4.9	4.4	5.7
Avg. Weekly Hrs. in Mfg., (Hrs.)	Feb.	41.1	41.0	41.6	40.0
FINANCE AND BANKING					
Member Bank Loans*	Feb.	172	167	168	150
Member Bank Deposits*	Feb.	139	136	135	131
Bank Debits*/**	Feb.	150	141	149	131

*For Sixth District area only. Other totals for entire six states. **Daily average basis. p Preliminary. r Revised.

Sources: Personal income estimated by this Bank; nonfarm, mfg. and nonmfg. emp., mfg. payrolls and hours, and unemp., U. S. Dept. of Labor and cooperating state agencies; cotton consumption, U. S. Bureau of Census; construction contracts, F. W. Dodge Corp.; petrol. prod., U. S. Bureau of Mines; industrial use of elec. power, Fed. Power Comm.; farm cash receipts and farm emp., U.S.D.A. Other indexes based on data collected by this Bank. All indexes calculated by this Bank.

DISTRICT BUSINESS CONDITIONS



*Seas. adj. figure; not an index.

The District's economy has been moving ahead at a brisk pace. Increased spending, a decline in insured unemployment, and an active construction industry all signal general economic strength. Expansion in bank credit is also helping to sustain a high level of economic activity. Conditions in the farm economy were satisfactory by and large, although freezing temperatures severely damaged some crops.

Loan volume at District member banks advanced substantially between mid-February and mid-March. This extended the expansion in bank lending registered in February. District member banks, however, continued to exhibit relatively weak demand for U. S. Government securities. On the liabilities side, total deposits showed moderate gains, as U. S. Government demand deposits and time deposits surged ahead markedly. Private demand deposits declined, however, as they had during the month-earlier period.

Increased use of consumer instalment credit in February has provided a boost to District retailers. Consumer instalment credit outstanding at District commercial banks expanded by the largest amount since last summer. The credit expansion was associated in large part with an increase in the volume of new auto loans. Extensions for the purchase of other consumer durables, repair and modernization purposes, and personal loans were down slightly from the preceding month. Department store sales, according to preliminary data, moved up further during March, thus extending the February gain.

Nonfarm employment rose in February. A substantial gain occurred in construction employment, especially in Georgia and Tennessee, following slowdowns caused by bad weather in January. An increase in average weekly hours combined with an increase in manufacturing employment to boost manufacturing payrolls. Insured unemployment, up sharply in January, dropped back to the relatively low December level, reflecting improvement in all District states.

The District's spring planting season got off to a good start and farming activities gained momentum. Highlights of activity in the District's agricultural sector include tobacco transplanting and corn planting in the southernmost areas, continued vegetable harvests in Florida, and increased marketings of livestock and poultry products in most areas. Good news for farmers also arrived in the form of February advances in the index of prices they receive. Misfortune, however, struck the agricultural sector on March 29 when freezing temperatures ruined much of the peach crop in the northern sections of the region.

Residential construction contract awards are running well ahead of the year-ago period. Latest data, however, indicate a slight decline from the January volume. Nonresidential building contract awards spurted sharply over February 1963 volume, bringing the two-month total for this year well above that for the same period in 1963.

The supply of locally generated mortgage funds continued to expand through February, but at a rate sharply below the rate for the first two months of 1963. Savings and loan associations in District states recovered some of the ground lost in January in year-to-year net new savings growth but are still well below their January-February 1963 rate of gain. However, recent tendencies toward higher yields in the bond markets have not yet been reflected in the export market for the District's mortgages.

NOTE: Data on which statements are based have been adjusted whenever possible to eliminate seasonal influences.