MONTHLY REVIEW

District farms produce 20% of the nation's broilers.

FEDERAL RESERVE BANK OF RICHMOND MAY 1958

The Agricultural Scene

Taking a trip to some Fifth District tourist attraction this summer? Is your itinerary planned? No? Then this travelogue may help you to decide just what route you will take. It carries you on an extensive tour of the five-state Fifth District, featuring side views of the farming areas —scenes you will encounter as you travel. These on-the-farm scenes will give you an idea of just what Fifth District agriculture is like, and the narrative accompanying these panoramic shots points up interesting side lights of the agriculture of this five-state area.

By the time we have finished our tour we shall have enjoyed some of the most beautiful scenery in the country and visited areas steeped in the history of the nation. In fact, the birthplace of the nation's history is in this District, and much of the country's subsequent history was made here. As we have already indicated, however, our main concern in this travelogue is economic—the agricultural pattern of this District.

MANY TYPES OF FARMS One of the most outstanding features noticed as the travelogue unfolds is the diversity of agriculture in the District. Starting our tour on the Eastern Shore of Virginia, we find poultry and truck farming, along with small grains, potatoes, and sweet potatoes. The upper Eastern Shore of Maryland, on the other hand, is one of the state's three important dairy regions.

Moving across the flying roadbed of the Chesapeake Bay Bridge, we pass through the tobacco country of southern Maryland into northern Virginia. Here is a heavy concentration of dairy and beef cattle farms. According to our tour narrator, it is Virginia's leading cattle area. As would be expected with large numbers of cattle, there are also thousands of acres of pasture land and hay crops.

From northern Virginia, the roving camera tour moves over to the Shenandoah Valley—to the northern end of Virginia's fruit belt where acres and acres of apple and peach orchards stand in review. Here, too, are the Shenandoah Valley's well-known commercial broiler and turkey farms with their characteristic long and low poultry houses. "Rockingham County," comments the narrator, "produces more turkeys than any other county in the nation. And, of course, it is famed for its broilers." As the camera carries us still farther south on U. S. Route 11, large apple and peach orchards continue to stand out as important income producers, but beef cattle and dairy farms are also numerous.

Southwest Virginia comes into view, and we still notice large numbers of beef and dairy cattle. A good-sized sheep population also dots the hillsides, for this is Virginia's leading sheep-producing area. Field-crop farms predominate, however, with burley tobacco being chief among the crops. As the tobacco fields flash by, the narrator notes, "Burley is one of the light air-cured tobaccos used in making cigarettes. It is also important in the manufacture of smoking tobacco for pipes and 'roll-your-own' cigarettes."

AN ALTERNATE ROUTE At this point, the narrator states: "Should you prefer another route, turn northwestward after crossing the Chesapeake Bay Bridge." The camera then shifts from southwest Virginia to the alternate route through Mary-

land and West Virginia. As we travel by camera through the gently rolling countryside of Maryland's Piedmont Plateau, we readily notice that dairying is the most important agricultural enterprise. Beef cattle compete with dairy herds for the pasture land, however, and wheat is the prevailing cash crop.

Westward into the Hagerstown Valley, dairying continues to be a leading means of livelihood. Fruits, however—particularly apples and peaches—become big business as the camera carries us farther west through Washington County, Maryland, into the valley area of West Virginia.

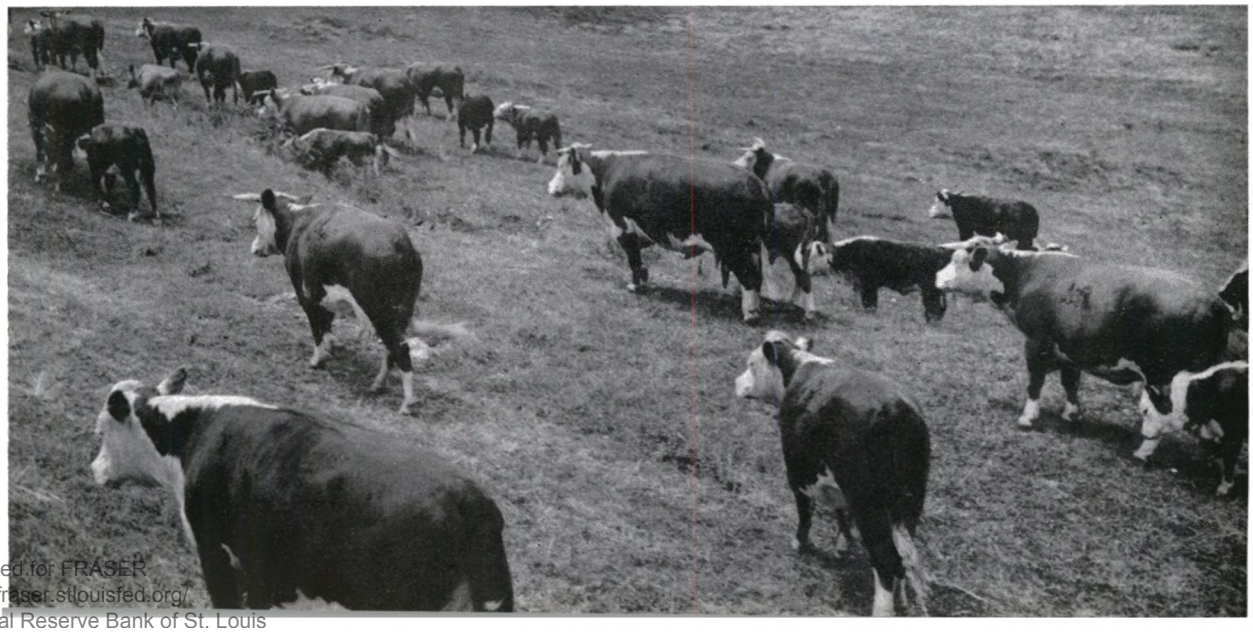
Leaving the northern end of West Virginia's valley area and heading south through the South Branch, Tygarts, and Greenbrier River Valleys, it is soon apparent that livestock is the most important source of farm income. Specialized commercial broiler and turkey houses are numerous, and large numbers of sheep, beef and dairy cattle graze the highland pastures. As would be expected with such large numbers of livestock, hay and small grains are the principal crops.

Shortly after leaving the lower Greenbrier Valley, our alternate camera route converges with the main route at the Virginia-North Carolina border. Traveling eastward across the mountains of the Tar Heel state from this point, we notice that here, too, burley tobacco is one of the principal crops. Commercial truck crops are grown extensively, and there are large apple orchards in the foothills and on the tablelands of the plateaus. Poultry farming is a major enterprise. Not only is there a heavy concentration of commercial broiler farms, but there are also many farms which specialize in flocks for the production of hatching eggs. Beef and dairy cattle are other major income producers.

From the mountains of North Carolina, the filmed tour moves southward through the North and South Carolina Piedmont. Here dairying provides a regular means of support for many farmers, while tobacco is a big money-maker for others. There are large acreages of cotton in North Carolina's southern Piedmont and in the South Carolina Piedmont, and commercial turkey production is concentrated in the border counties of both states. There are also huge specialized peach farms in Spartanburg and Greenville Counties, South Carolina.

CONTRACT FARMING "Production of commercial broilers has become a major enterprise on many Piedmont farms," comments the narrator.

Beef cattle, long important in some areas, are now cushioning losses in income resulting from cuts in tobacco and cotton acreages.



Flue-cured tobacco—the principal kind used in cigarettes—is the chief money crop in Virginia and North Carolina.

"Faced with the need for adding to their income because of cuts in cotton acreage and encouraged by the contract financing arrangements of feed dealers and poultry processors, farmers have gone into the broiler business in a big way. North Carolina has rapidly become a major broiler-producing state and now ranks third in the nation in total output. In fact, with Maryland and Virginia standing seventh and ninth, the Fifth District can claim title to three of the top ten broiler states in the nation.

"Contract arrangements differ, of course, but they usually provide financing for the grower. Such arrangements greatly reduce a grower's financial risks and involve joint production decisions between the grower and the dealer or processor. These decisions include the selection of chicks, kinds of feeds to use, weights at which the broilers will be marketed, and market outlets. Usually the dealer or processor has fieldmen who furnish technical supervision or advice."

As the travelogue moves southeastward across the sandhills, cotton continues to dominate the farm scene. But here in the sandhills, as in the Up Country, peaches and broilers are important enterprises on many farms.

Across the narrow sandhill region into the South Carolina coastal plain, known locally as the Low Country, cotton is the big money crop. Commercial production of vegetables is significant, and watermelons are a specialty. There is some dairying, but other livestock are of more significance.

At this point, our travelogue circles north to pick up Highway 301 near Lake Marion. Traveling north on 301 we soon notice tall distinctive-looking barns. The older ones, many of which are still used for curing tobacco, are made of logs and chinked with mud. Large acreages of tobacco, somewhat different from that seen earlier, are growing in the fields. "This," says the narrator, "is the land of the famous flue-cured tobacco. Here in the warehouses at Dillon, Smithfield, Wilson, and Rocky Mount rings the auctioneer's chant as he sells some of the world's finest cigarette tobacco grown on nearby farms."

Cotton no longer reigns as king of the District's agriculture but it still has an important place in many farm plans.

As we continue northward through the Tar Heel state, cotton appears to be second to tobacco as a major crop. Because of small-sized farms, nearly all cotton is picked by hand rather than by the machine-monsters used on the huge farms out west.

"Truck farming," the narrator notes, "is a leading enterprise in the Tidewater sections. Throughout the coastal plains and Tidewater counties, farmers are attempting to offset the losses in income resulting from reduced acreages of the big money crops. As a result, hogs and beef cattle are rapidly gaining in importance as sources of cash income, and the poultry business—both broilers and turkeys—is booming."

Leaving Highway 301 just before reaching the Virginia border, the camera swings farther east into the Virginia-North Carolina coastal plains. "This area," remarks the narrator, "is the oldest and most intensive peanut-producing area in the country. It is here that most of the large-sized salted nuts and the roasted-in-the-shell ball park peanuts are grown."

It is quite evident, however, that peanuts are in keen competition with cotton and flue-cured tobacco. And there are large acreages of corn and soybeans. "Hogs," remarks the narrator, "also add substantial sums of money to farmers' pockets."

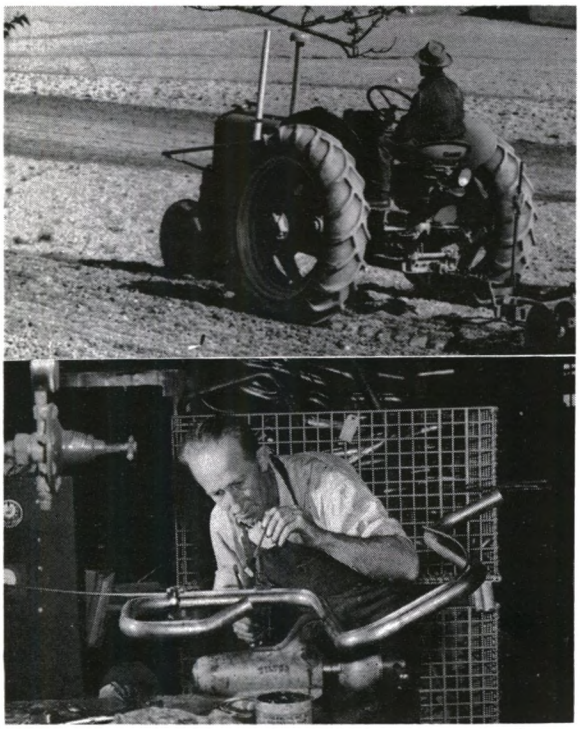
PART-TIME AND RESIDENTIAL FARMS A map of the entire five-state area flashes on the screen to show the location of noncommercial farms—those part-time and residential farms which generally contribute little to the market place. It also highlights the areas where off-farm employment is heaviest. "A significant fact about Fifth District agriculture," comments the narrator, "is that two-fifths of all farms are operated as part-time or as residential farms. In actual numbers this means about 260,000 out of the approximately 630,000 farms enumerated by census takers."

Focusing close attention to the map, it is evident that part-time and residential farms are not necessarily associated with the large metropolitan areas. They are widely distributed, in fact, and their concentration tends to be heaviest in areas where manufacturing, mining and forest-product industries are located. A case in point is the South Carolina Piedmont, with its many textile mills, where nearly 60% of all farms—far more than anywhere else in the state—are classified as either part-time or residential. A similar situation exists in the coal mining areas of southwest Virginia. Fewest noncommercial farmers, on the other hand, are found in the tobacco-growing coastal plains of the Carolinas.

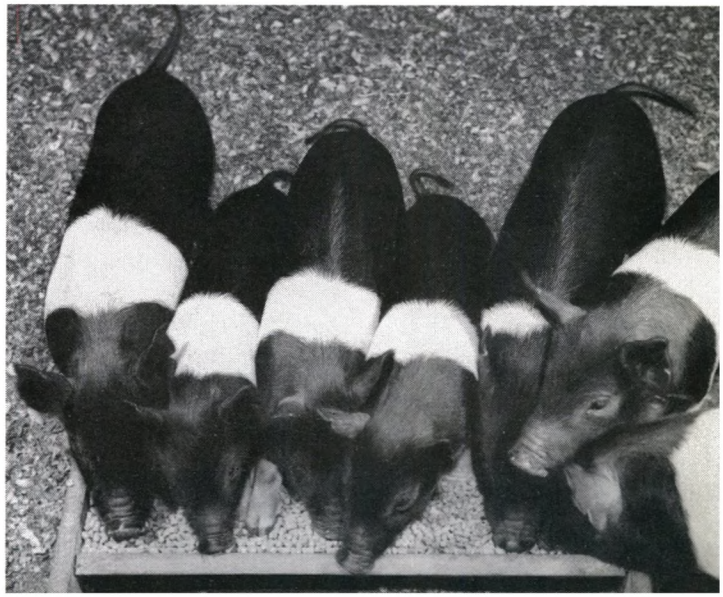
"Of even more significance," notes the narrator, "is the fact that nearly half—some 293,000—of the District's farm operators work off their farm, either at a nonfarm job or on someone else's farm for pay. Two-thirds of these farmers are employed in nonfarm work for 100 days or more during the year. Still another indicator of the importance of off-farm work to today's District farmer is that 35% of all farm families are receiving more than half their income from nonfarm sources.

"Since the number of farmers who engage in off-farm work is some 33,000 more than the number of part-time and residential farmers, this points up the fact," the narrator adds, "that a substantial number of commercial farmers—probably those with the smallest sales—also have nonfarm jobs at some time during the year." This is a significant feature of today's farm scene, for it tells much of the changes now taking place.

The lure of extra cash income provided by off-farm work is encouraging thousands of farm people to farm only part time.



Commercial production of hogs, important income-producers for years, is fast becoming a major enterprise on many farms.



FEDERAL FUNDS—A UNIQUE

WHAT THEY ARE The Federal funds market is made up of lenders and borrowers of reserves which member banks have on deposit with Federal Reserve Banks. These deposits are Federal funds—a special, unique kind of money, for they are the only kind of money which can be used by member banks to meet legal reserve requirements. One way banks with a reserve deficiency may obtain additional reserves is to "buy" Federal funds from banks wishing to "sell" reserves. Actually, of course, these purchases are borrowings and these sales, loans. Many transactions in Government securities are settled in reserve funds, and nonbank Government securities dealers sometimes also have Federal funds to sell or wish to buy them.

HOW THE MARKET WORKS Banks wishing to trade in Federal funds may find buyer through direct contact with other banks, through a correspondent relationship, or services of a broker in New York City. Although this broker neither buys nor sells Federa arranges a sufficiently large number of the Federal funds transactions to be accepted as th on the going price for them. This price is the Federal funds rate quoted among money ra papers.

Once a transaction is arranged between two commercial banks, usually by telephone, of reserves on the books of the Federal Reserve from one to the other is a simple matter. are within the same Federal Reserve district, a phone call, followed by a confirming le Federal Reserve Bank is usually sufficient. If the banks are in different districts, funds ar over the System's wire transfer service. In the reversing transaction on the following move in the same manner. A slightly different procedure is used for a transaction betw and a nonbank Government securities dealer; the dealer, having no account at a Fede Bank, has to arrange for a bank to handle the transfer.

About three-fourths of all Federal funds transactions are in the form of "straight" Fede unsecured overnight loans. However, in the Fifth District, and in several others, repurc ments and buybacks are more popular; essentially they both involve acquiring Federal fu the sale of securities and repayment through the repurchase of these securities. The typ funds trading unit, regardless of the form of the transaction, is $1 million or some multip

THE NEW YORK TIMES, SATURDA

KIND OF Money

Friday, April 11, 1958

Federal Funds:

Open.	High.	Low.	Final.
1¾%	1¾%	1½%	1½%

Call Loans to Dealers: On Governments ..2% @ 2¼%

Call Loans to Brokers: Stock Exch. Collateral..3¾%-4%

Time Loans:
30-90 days 3¾%-4%
4-6 months 3¾%-4%
Effective Jan. 22, 1958.

Commercial Paper:
4-6 months ..2%-2⅝%
Effecti

Mays
6 mos. to Jan
*Net sales..
Net income.
Shr. earns..
Shrs. outstd
*Excludes
Miller
Year to Fel
Net sales..
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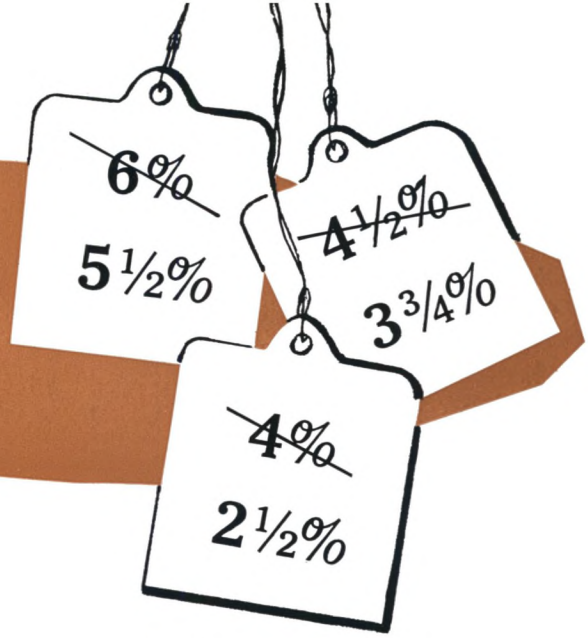
WHEN THE MARKET BEGAN The Federal funds market originated in New York City during the early '20's, only to become inactive when the large excess reserves of the '30's appeared. It did not revive until after 1951, when more restrictive credit policies forced member banks to rely to a greater extent on borrowings and higher interest rates encouraged banks with excess reserves to sell them for the income. New York City is the hub of the present national Federal funds market, but Chicago dealers also handle a sizeable share. Both centers, on balance, generally acquire funds from the rest of the country. Without any formal structure or organization of dealers the 150 banks which participate actively in the Federal funds market have had a daily average trading volume in recent years of an estimated $800-$1,100 million.

It Costs Less to Borrow



In early April, the U. S. Treasury offered to pay an annual interest rate of 2⅝% for the use of $3.5 billion for four years and ten months. Investors and dealers were so eager to provide funds at these terms that they put in subscriptions for over four times the amount the Treasury wanted. Just six months earlier, the Treasury had to pay 4% for a loan with an almost identical maturity.

An even more spectacular drop in borrowing costs has occurred in the very short-term Treasury bill market. Last November the Treasury paid 3.47% for $1.7 billion maturing in 91 days. Borrowing with an issue of bills dated April 24 cost the Treasury only 1.05%.

Similar reflections of increasing availability of funds were apparent in the long-term capital markets between late summer 1957 and the end of this January. A state guaranteed tax-exempt bond issue with Aaa rating was sold in August 1957 at an interest cost of 3.60%; in January a state Aaa issue with a similar maturity sold at a cost of only 2.33%. A top quality corporate long-term bond issue was offered to the public last September at a yield of 4.75%, while an equally high quality corporate issue was offered at only 3.65% in late January. The prices of long-term bonds weakened during February and March (that is, interest yields rose), this being in large measure a response to continuing very heavy demands for funds by corporations and state and local governments. Since late March, however, the cost of borrowing in the long-term capital markets has again edged lower.

NEW EASE IN BANK RESERVES In addition to these signs of increased availability of funds in the money and bond markets, the nation's commercial banks have experienced a considerable relaxation in recent months in the pressure against their reserves. Reserve requirements of member banks were reduced in late February, again toward the end of March, and yet again in the last half of April. These reductions freed approximately $1,440 million of reserve funds. It is estimated that these freed reserves could support as much as $9 billion of additional bank credit. During this period, the banks experienced a relatively weak loan demand, and a large share of their funds, consequently, has been diverted to the securities markets, thus contributing to the decline in yields experienced there. Federal Reserve Bank discount rate reductions since last November have brought the cost to member banks of borrowing from their Reserve Banks down from 3½% to 1¾%, and have also had repercussions in the money and bond markets.

Rising bond prices and more readily available bank credit directly affect the lending activities of other financial organizations. Sales finance companies, for example, rely on both the securities markets and the banks for a very large share of their lendable funds. When money becomes more readily available to them and at lower cost, they, and other lenders, tend to stimulate consumer borrowing by increased advertising and by altering the terms of the loans they make. The easing of credit conditions in the capital markets and in the banking system is already resulting in credit being offered to consumers on more attractive terms than just a few months ago, thus providing one offset to reluctance to go into debt to purchase automobiles, home appliances, and the like.

MORE MONEY FOR MORTGAGES Mortgage credit availability has also been strongly influenced by the changing conditions in the money and capital markets and in the banking system. As interest yields on bonds decline, investors find the return from mortgage loans more attractive. This is particularly true of Government guaranteed or insured mortgages which have maximum interest charges fixed by law, 5¼% in the case of FHA loans and 4¾% for VA loans. Until the recent declines in the money and capital market rates, these maximum mortgage rates, after allowance for the higher cost of making mortgage loans and the cost of monthly servicing of the loans after they are made, were just not competitive with the returns that investors could obtain elsewhere.

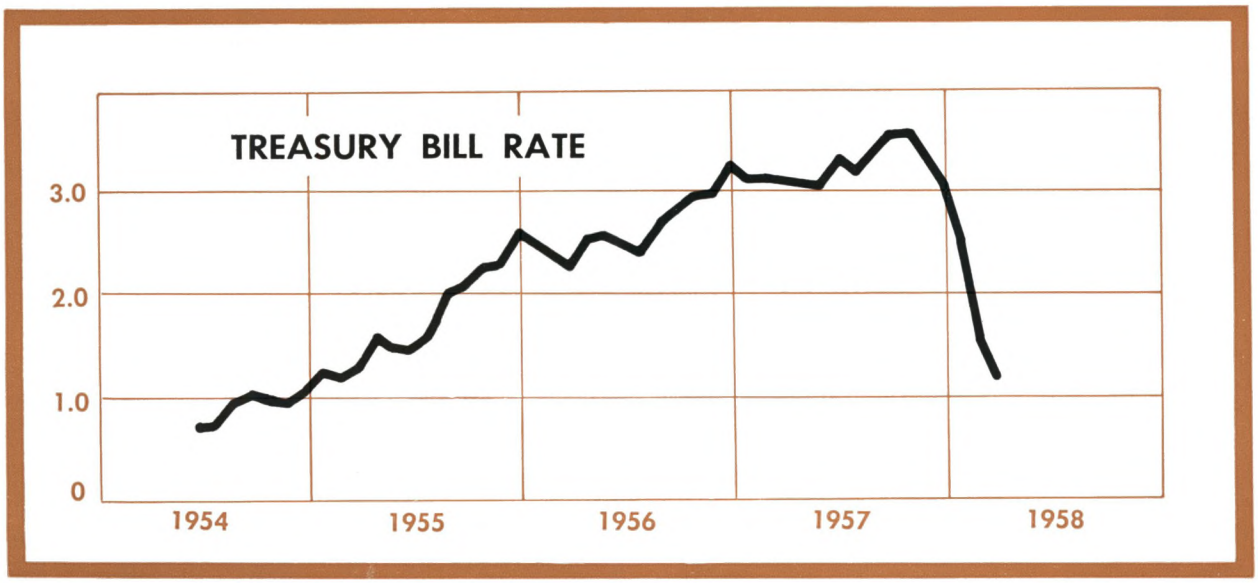
Now that other rates have declined, these mortgage rates are beginning to appear attractive and a greatly increased volume of funds is consequently being made available for this type of financing. Recent changes in the rates charged on conventional mortgage loans (not guaranteed or insured by the Government) reflect the increasing desire of investors for this type of investment. Six months ago, most conventional mortgage loans were being made at 6%—currently the average in the Fifth District is 5½% with "choice" loans, that is, those with high owner's equity and top credit rating, being made as low as 5%.

SIGNIFICANCE OF EASIER CREDIT Recent credit developments highlight a very basic aspect of the nation's financial system—the absence of credit stringency as a cause or aggravating influence in recession. While the economy has been making its adjustments from the unsustainable rate of expansion of 1956-57, the credit mechanism has responded in a manner to help facilitate and cushion other adjustments in the economy as well as to promote recovery.

In the face of declining sales and cutbacks in production, the supply of lendable funds, from both commercial banks and savings institutions, has increased. This increasing availability of credit reflects a declining demand for some types of credit, an increasing supply of savings, and credit easing actions taken by the Federal Reserve System. These developments have greatly increased the liquidity of the country's financial organizations and are leading them to seek more actively means of profitably employing funds which have grown to exceed the liquidity requirements imposed on them by the nature of their liabilities. The highly competitive nature of the financial markets is making these funds available on terms to attract potential borrowers.

While ready availability of credit on attractive terms are not the only factors considered by potential borrowers, they do provide some inducement to utilize credit for the promotion of business and personal endeavors. To the extent that such inducement outweighs other considerations, increased availability of credit at lower cost during recession makes a positive contribution to economic recovery.

After rising almost steadily for over three years, the yield on 3-month Treasury bills has declined sharply since late fall of 1957.



The Fifth District

Recessionary forces are still strong in the Fifth District business picture, but some hopeful signs are now appearing. Final reports on March activity presented a better picture than was expected in view of the adverse weather that prevailed, and some April developments—notably in textiles, lumber, and department store sales—were improvements from the recent past.

The favorable aspects, while providing relief from widespread declines, cannot be taken as marking a turning point in the recession. Bituminous coal production lost further ground in April, and unemployment continued to number substantial, although widely varying, proportions of the labor force in each District state.

MANUFACTURING A number of manufacturing industries improved their operations between February and March, causing total manufacturing man-hour figures for March to show a better relation to February totals than had been true in the two preceding years. The situation was spotty, and many of the gains were due to seasonal forces.

There was an increase in man-hours worked in durable manufacturing industries in March as compared with February. The modest rise, less than 1%, compares with no change between the same months last year and a slight decline the year before. It stemmed from small gains in the lumber industry, electrical machinery, metal fabrication, and transportation equipment.

Among nondurable manufacturers, chemicals and apparel made the best showing in gains over the preceding month. Printing and allied operations posted a small gain, and in doing so, they almost recovered their year-ago position. For nondurables as a whole, total man-hours were down less than 1% from the preceding month and held within 6% of March 1957.

Textiles, currently accounting for nearly half of nondurable manufacturing man-hours in this District, slid off further in March. Since then, however, there have been signs of improvement in the making for this industry. The undertone of the cotton gray goods market, especially those unfinished fabrics intended for print cloth, was reported to have improved recently, with increased interest expressed in deliveries throughout the remainder of the year. This was reinforced by indications of a slow expansion in demand for print cloth for immediate or early delivery.

A pickup in demand was also reported for some lines of synthetic gray goods, particularly nylon but also acetate fabrics. This was accompanied by a firming of prices. The rise in demand for synthetic fabrics was particularly significant because it brought the first sizable forward buying of the year in these markets.

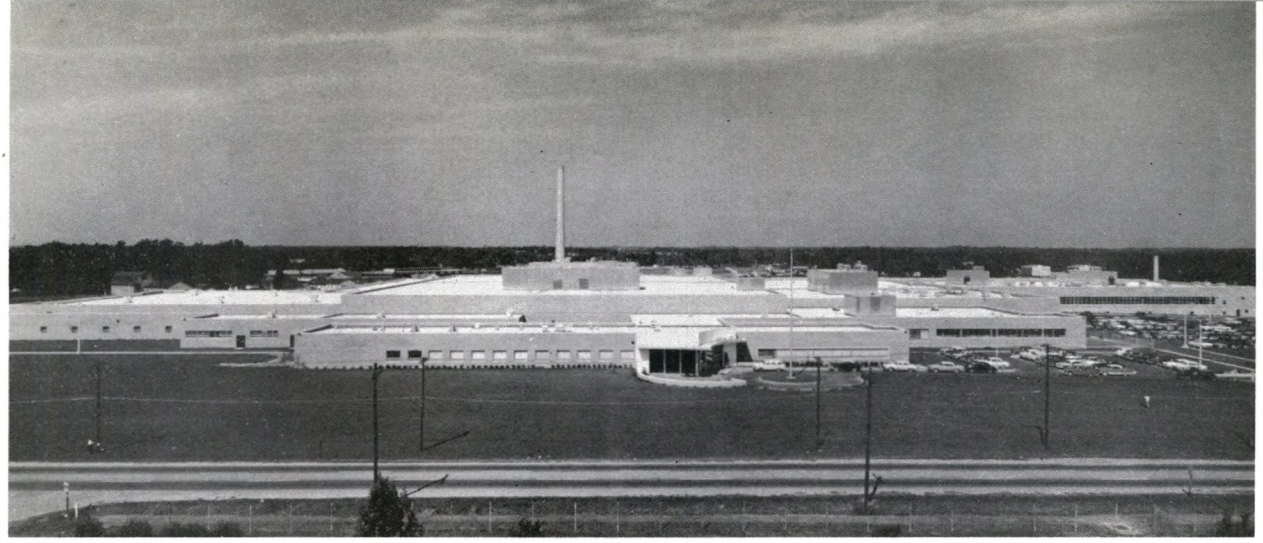
Shipments of southern pine lumber, an important product of District lumber mills, ran slightly ahead of a year ago during the first three weeks of April, with production reportedly in balance with shipments. New orders exceeded both production and shipments during the three weeks.

CIGARETTES Cigarette production alone among all District industries showed a year-to-year gain in man-hours in March. This is a capsule picture of an industry in which output is currently expected to exceed the record level of 1957.

The 1957 total and the current high rate of output are part of an interesting period in the history of cigarettes. The previous peak—which was bettered by nearly 2% last year—had come in 1952, and the two years following brought declines in output as widespread health fears cut consumption and domestic sales. Pessimists sketched a gloomy future for cigarette manufacturers, but domestic sales last year exceeded those in 1952 by 4% and are continuing strong. Exports were up similarly, and only sales to the armed forces overseas showed a decline from 1952.

Underlying this resumption of growth has been a product revolution of substantial magnitude. In just a few years the cigarette industry shifted from concentration on a relatively few brands of "standard" length, unfiltered cigarettes to numerous brands involving various combinations of lengths and filters. Of these the filter brands have shown spectacular growth. Accounting for little more than 1% of the market in 1952, they were 38% of last year's domestic sales.

King-size cigarettes, like filter tips, grew from a position of little importance to one of prominence, but the timing differed. First marketed on a broad scale after World War II, the longer brands had captured one-fourth of the domestic market by 1954. The growth of filters came partly at the expense of king-sizes, however, and



New capacity for a still-growing industry: P. Lorillard Company's recently opened cigarette plant at Greensboro, N. C.

last year's sales were down to 21% of the U. S. total.

In addition to the innovation of the filter-tip cigarette, the menthol cigarette has grown in popularity, and several new brands have come onto the market in the last few years. Menthol cigarettes are said to be likely to capture 8% or 9% of the market this year as compared with an earlier position of relative insignificance.

The revolution in the industry has extended also to the packaging of the product. New designs have been introduced by all the companies in the shape and appearance of containers. Such changes were undoubtedly inspired by the recent radical product changes, but competition in the cigarette industry appears to have brought forth every effort to increase the product's attractiveness to the consumer.

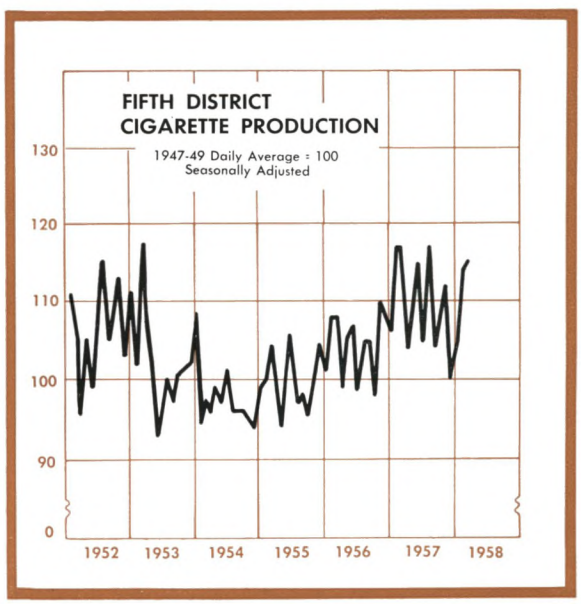
Despite the recent gains in production, average per capita consumption of tobacco in cigarettes has declined since its peak in 1953. Cigarette sales have not kept abreast of the growth in population of a smoking age, and the decline in the role of king-size cigarettes and the smaller tobacco content of filter-tip brands have cut back the tobacco content of the cigarettes sold. The smaller consumption, combined with lower exports, has been responsible for the substantial acreage reduction in District flue-cured tobacco planting last year.

Few geographic areas dominate an industry to the extent that North Carolina and Virginia stand out in cigarette output. Their production, concentrated in Richmond, Durham, Greensboro, Reidsville, and Winston-Salem, currently accounts for nearly 81% of total national output. It affords full-time employment to more than 25,000 workers and gives seasonal employment to an additional 20,000 workers in processing leaf tobacco.

Industry spokesmen have estimated that consumer expenditures for cigarettes in 1957 exceeded $5 billion, which is a new high level for the industry and compares with $4,765,000,000 reported by the Department of Commerce for 1956. Consumer expenditures for cigarettes accounted for 85% of all tobacco products, a new high after a continuous rise for many decades.

RETAIL TRADE Department store sales in April made a good showing. The estimated index for the month, after seasonal adjustments that include the shifting date of Easter, was up 11% from March, passing the year-before mark for the first

After a sharp decline from the 1952 peak, Fifth District cigarette output gained steadily to reach a new high in 1957.



time since August. Good weather and aggressive merchandising were both in evidence in April and both contributed to the higher volume of sales.

Furniture stores and appliance stores shared with department stores in a moderately good March volume. All three groups showed better-than-seasonal gains from February, despite the effects of bad weather during the month.

CONSTRUCTION Contracts for future construction awarded in March were 29% above those in February and only 7% short of March 1957. Residential construction contracts led the rise, gaining 71% from the previous month and exceeding the year-ago total. This is at least consistent with reports from District builders and lenders that easier mortgage terms and more ready availability of funds are being reflected in increased plans for home building.

Nonresidential building contracts still lag, despite a substantial increase in March. Awards for public works and public utility construction declined by one-fifth from February, reversing their good showing in that month.

BITUMINOUS COAL The early weeks of April cut short the improved District production of coal that appeared in March. Output declined, and the first three weeks of April fell short of the same weeks last year by one-third.

District mines have run somewhat behind those in other part of the country, in some measure because of their heavy reliance upon foreign sales. Foreign coal cargoes loaded at District ports since January 1 were down 28% from last year; this was reflected in the accumulated production figures for the period, which showed District mines lagging 1957 by one-fourth while the United States total was down slightly more than one-fifth.

EMPLOYMENT District employment responded mildly to upward seasonal pressures in March. The rise was less than that which occurred in the past two years, however, and it came entirely in occupations other than manufacturing. Contract construction increased its workers by 6% from the previous month, and trade employment was up seasonally.

The number of unemployed receiving compensation, the principal regional measure of unemployment, has recently shown a wide diversity among District states. The table gives a measure of the extent and progress of recession in each state.

INSURED UNEMPLOYMENT AS A PER CENT OF COVERED EMPLOYMENT

	Mid-April 1958	Mid-April 1957
Maryland	6.5	2.0
District of Columbia	1.9	1.2
Virginia	4.4	1.8
West Virginia	13.6	3.7
North Carolina	7.9	5.6
South Carolina	5.7	3.9
United States	8.1	3.7

West Virginia's sharp rise in unemployment resulted principally from declines in bituminous coal, steel, and glass. The resulting rate of insured unemployment was one of the five highest for the individual states of the country. Other District states were at mid-April doing somewhat or appreciably better than the national average.

BANKING Business borrowers, who figured prominently in the increased demand for loans at Fifth District member banks during the final month of the first quarter, did not maintain their demand. Early in the second quarter, emphasis shifted momentarily from business to bank and security loans, which shot upward to push total loans outstanding to their highest 1958 level. In subsequent weeks, however, sharp reductions in these two types of loans, supplemented by slight declines in commercial, industrial, and agricultural loans, brought loans outstanding on April 23 to 1.2% below their level at the beginning of the year.

The recent reductions in reserve requirements freed a substantial amount of bank funds which—in the absence of strong loan demand—were used primarily to purchase Government securities. Holdings of Governments on April 23 were more than 7% above the first of the year.

PHOTO CREDITS

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