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## Soft Coal in the Eighth District

More than a year ago American industries began to meet problems incidental to a gradual shift from a sellers' to a buyers' market. Industry after industry was faced with the hard necessity of adjusting operations to a level that was steadily receding from postwar peaks. For some industries the shift in market conditions came earlier than for others. Similarly, the specific factors that touched off the transition were seldom the same in different industries. But whatever the immediate causes for the leveling off or decline in demand for an industry's product, the fact remained that economic times were changing. The lush and eager postwar market was being gradually exhausted.

The soft coal industry, like many others, is confronted with this condition. Its market today is not what it was a year or more ago. While the present downturn in itself would give the industry many problems, the headaches in soft coal are caused by more than these immediate difficulties. For many years changes have been taking place in the industry, and particularly in its markets, which tend to intensify the troubles resulting from recurrent short-term fluctuations in the demand for coal. Consequently, the present situation in bituminous coal differs somewhat from that faced by many other industries.

What happens to the soft coal industry is important to the Eighth District because soft coal is the principal source of employment and income in a sizable portion of the district. About one-fifth

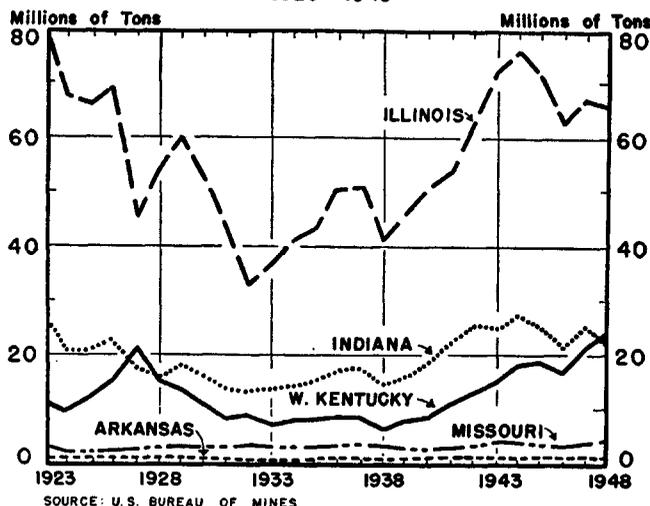
of the nation's production comes from mines in this area. While less important to the district as a whole than some other industries, coal mining in 1940 provided direct employment for about 40,000 of the nonagricultural workers in the district. In some localities the employment ratio is quite large — for example, in southern Illinois, portions of southern Indiana and western Kentucky — and the larger the ratio, the greater is the community's dependence upon coal for its economic well being.

This is particularly evident in the principal producing area in the district—central and southern Illinois, where about 56 per cent of the region's output and 11 per cent of the nation's soft coal is mined. Within most of the counties of this area there is a high degree of dependence upon the mining industry, and a number of communities have begun to feel the pinch of a tightening market for coal. In some of them there is pessimism with respect to the future. In other localities community leaders have begun to renew efforts to broaden the base of the local economy—to reduce their dependence upon the production of coal. But in most of the cities and towns in the Illinois coal mining area, the decline in the industry is being felt, and there is concern with the outlook for the future.

### THE PRESENT SITUATION IN SOFT COAL

Uneasiness over the coal industry's present outlook is by no means confined to the Eighth District. From January, 1949 through the first week

CHART I  
**COAL PRODUCTION**  
**EIGHTH DISTRICT STATES**  
 1923 - 1948



in July, production of soft coal in the whole nation was about one-eighth less than it was the same time last year. In other words, only seven tons have been mined this year for every eight tons taken from the ground in the first six months last year. Compared with the anthracite industry, however, where production is off 27 per cent, the decline in soft coal looks almost like prosperity. In some respects, for example in terms of employment cutbacks, the bituminous coal industry has suffered less than manufacturing industries since last fall's peak. Nevertheless, operations currently are somewhat below last year's levels, and the decline is being felt in the mining portions of the district.

Part of the trouble at the present time arises out of abnormal war and postwar conditions. During the war the pressure for production was tremendous. Huge quantities of coal were needed here and abroad, and the industry met the challenge. Production, which had averaged 385 million tons annually during the 1930's and which amounted to 461 million tons in 1940, climbed during the war years to a peak of 620 million tons in 1944. Output declined during the next two years but in 1947 jumped to an alltime peak of 631 million tons. Last year production fell only slightly from this level, totaling 594 million tons for the year.

Production at this rate largely reflected the enlarged fuel requirements of American industry. By 1947 manufacturing industries were using almost as much coal in the production of civilian goods as they had at the peak of the war. Consumption by electric power utilities that year was nearly

9 per cent larger than at any time during the war. The increased demand from this source in part offset the decreased consumption by railroads and by customers of retail dealers. Although data are not yet available for 1948 it is likely that these trends continued and hence that industrial demand remained a principal support for the high level of coal production in that year.

In addition to meeting the postwar requirements of domestic consumers, the coal industry also had to meet commitments which called for the shipment of a substantial volume of coal abroad. Exports in 1947, totaling more than 68 million tons, were two-thirds larger than in 1946, nearly five times larger than in 1939-1940 and represented about 11 per cent of total output that year. By the close of 1947 the soft coal industry was thus geared to an abnormally high level of demand, both domestic and foreign.

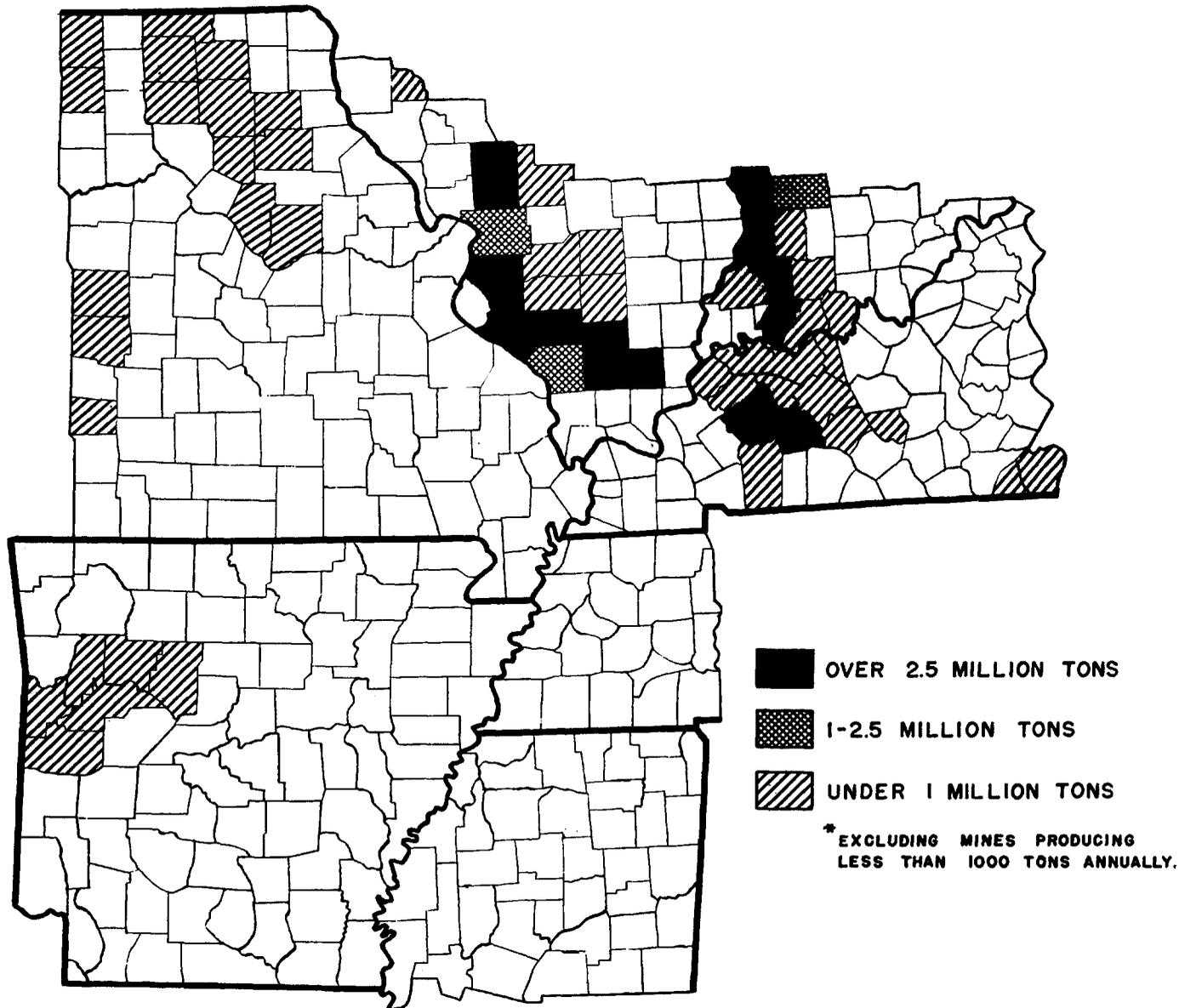
With the recovery in production abroad, the export market declined sharply, and by the end of 1948 shipments were running about 40 per cent less than in the closing months of 1947. Coinciding with this decline came a weakening in the domestic market. In some industries, a decline in sales and hence in production resulted in smaller fuel requirements. In others, the high price of coal provided the manufacturer with an incentive to convert equipment to competitive types of fuel. This was true also of residential consumers. In each category of coal user the decision to convert was often stimulated by periodic curtailment in coal production which endangered a steady flow of fuel to the consumer. Finally, the mild winter last year enabled many consumers to hold their purchases to a minimum. As a result of the interplay of all these forces, supplemented by the fact that during the year stocks of coal above ground were steadily increased to a postwar high in December, the soft coal industry began to experience its postwar recession.

#### COAL MINING IN THE EIGHTH DISTRICT

The same forces that led to a decline in demand and production nationally have been at work in this district. Among the first to feel the effects were the large number of marginal producers, whose mines came into production during the period of inflated demand and high coal prices during and after the war. But the pinch also has been felt by some of the larger and more efficient producers as well.

The long-run problems of the coal industry in the Eighth District can be best understood if one

# COAL PRODUCING COUNTIES\* EIGHTH DISTRICT 1947



SOURCE: U. S. BUREAU OF MINES

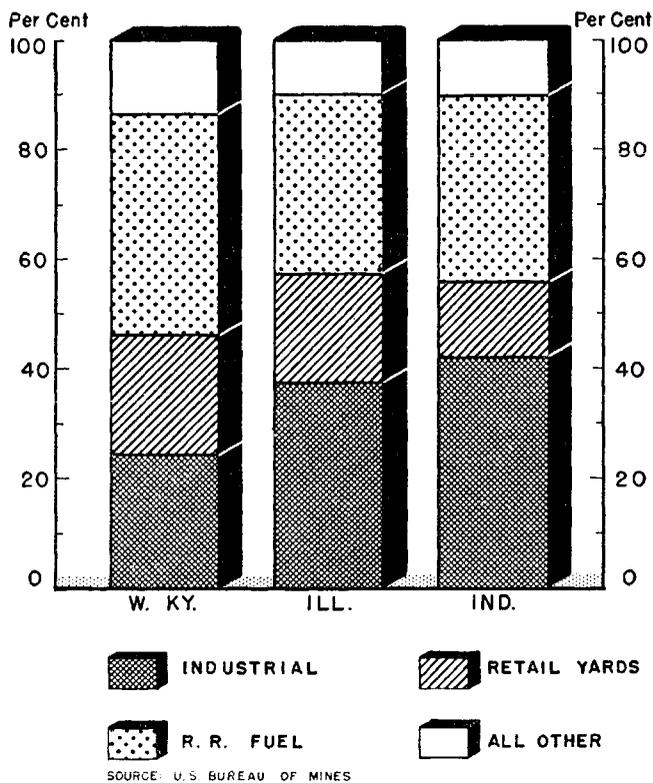
has a concept of the industry's setup: where coal is produced, where it is marketed, how it is mined and what the capital requirements of the industry are.

Coal deposits are fairly well distributed throughout the district states.<sup>1</sup> Last year output in the

In this article, the coal producing district states include Arkansas, western Kentucky, Missouri, Illinois and Indiana, although parts of the producing areas of the latter three states lie outside the district boundaries.

district amounted to about 119 million tons and averaged about 20 per cent of the total tonnage of soft coal produced in the United States. Most of the district's soft coal is mined in Illinois; last year the amount was approximately 56 per cent. In the same year, mines in Indiana and western Kentucky accounted for 19 and 20 per cent respectively of the district's production. Prior to the war, however, as indicated in Chart I, twice as

CHART II  
**COAL CONSUMPTION**  
 PERCENTAGE DISTRIBUTION OF COAL  
 PRODUCED IN SELECTED DISTRICT STATES  
 1946



much coal was produced in Indiana as in western Kentucky, where output has increased sharply during recent years. The remaining coal is produced in Missouri, whose mines accounted for nearly 4 per cent of the district's output last year, and in Arkansas, where tonnage was equal to slightly more than 1 per cent of the total.

The map on page 111 shows the district counties in which more than 1,000 tons of coal were produced in 1947. According to the United States Geological Survey about 392,000 million tons of bituminous coal and lignite lie under the district states, or about 86 times as much as has been taken out of the ground since the first mine was opened in the district.

**Markets.**—The market for the district's coal is fairly well concentrated in the district states themselves and in the states adjoining the district to the north and west. In 1946, over three-fourths of Illinois coal shipped by rail and by river (excluding that used as locomotive fuel and used at the mine) went to district states and nearly two-thirds (23 million tons) remained in Illinois. Iowa represented a substantial market for Illinois

coal, taking nearly 11 per cent (4 million tons) and Missouri—with slightly less than 10 per cent—ranked third as a market. Considerable amounts of Illinois coal were also shipped to Indiana, Wisconsin and to Minnesota. Much of the coal moving to the latter two states was shipped by river or lake barges.

The extent of the market for the bulk of Indiana coal is even more limited. In 1946, 85 per cent of the coal shipped by rail and water was consumed in two states, Illinois and Indiana, with 59 per cent remaining in Indiana. The only other markets of any consequence were Wisconsin and Iowa, each of which accounted for considerably less than a million tons. The coal of western Kentucky is more widely distributed than that of either of the other two states. Although 80 per cent of the 7 million tons distributed was shipped to district states, it was distributed throughout all seven states. Tennessee, consuming 2.2 million tons, was the largest buyer, with 1.7 million tons remaining in Kentucky. A fair portion of western Kentucky coal moves south and east, finding markets in Mississippi, Alabama, Virginia, Arkansas and Florida.

About 85 per cent of the total district coal output in 1946 was used by three major consuming groups—railroads (as fuel), industry (including utilities) and retail yards. The only major consumer which uses relatively small amounts of district coal is the by-product furnace (coke). Chart II shows the distribution of Indiana, Illinois and western Kentucky output in 1946 among these and other users. There is also a considerable amount of the output shipped by truck. A large part of this ends up in retail yards of smaller towns in areas within a relatively short distance from the mines.

**Types of Mines.**—There are three major types of coal mines in the district—shaft, slope and strip mines. Most of the coal is produced by the shaft mine method, the oldest employed in removing coal from the ground. The fact that an estimated 60 per cent of the district's output is mined in shaft mines is important. It is expensive to sink shafts, maintain operations underground, including timbering the roof of the mine, haul coal long distances in tunnels and then lift it to the surface. In a highly competitive market, mines of this type are apt to suffer first in a period of declining demand—particularly if they are old mines. Coal mining operations of this type are the classic examples used in elementary economics textbooks to illustrate the effect of the principal of increasing costs and

diminishing returns. In other words, as a mine grows older a point may be reached where the value of the coal above ground is less than the cost of getting it to the surface.

It should be noted, of course, that not all shaft mines in the district are relatively high cost operations. Whether they are depends to a large extent upon the degree to which they have been mechanized. For the most part the district's underground mines are rather highly mechanized insofar as the use of standard equipment is concerned. Nevertheless, there are many shaft mines in the area that could be classed as marginal operations and some of these already have shut down.

With the development of the stripping shovel in the early 1920's strip mines first began to be significant in the district. Since that time, production by this method has had fairly steady growth, reaching a peak in 1947. Most of the increase in the past decade is due to substantial increases in strip mine output in western Kentucky. Today strip mines account for about 37 per cent of total output in the district states, although their importance varies in different states. In Missouri about 90 per cent of the coal is strip mined. Chart III shows the total mined underground and in strip pits in the district states. Since the shallow deposits available for stripping are limited, the present rate of exhaustion of strippable reserves is greater than that of the underground reserves.

There are a number of advantages to this method. Strip mining is basically a less complicated operation than shaft mining (although it is by no means a simple one) and usually results in relatively lower unit production costs. Larger units of machinery are utilized, thereby reducing unit labor costs. In addition, a larger percentage of the coal seam can be mined—75 to 100 per cent as compared with 40 to 60 per cent in underground operations. Other savings result from the fact that the equipment is mobile and has a potential use other than for coal mining. The stripping shovels, handling the overburden, can scoop as much as 40 cubic yards in one bite and large drag lines can scoop about the same amount. Smaller drag lines and power shovels are used to load the coal into trucks of 25 to 40 ton capacity.

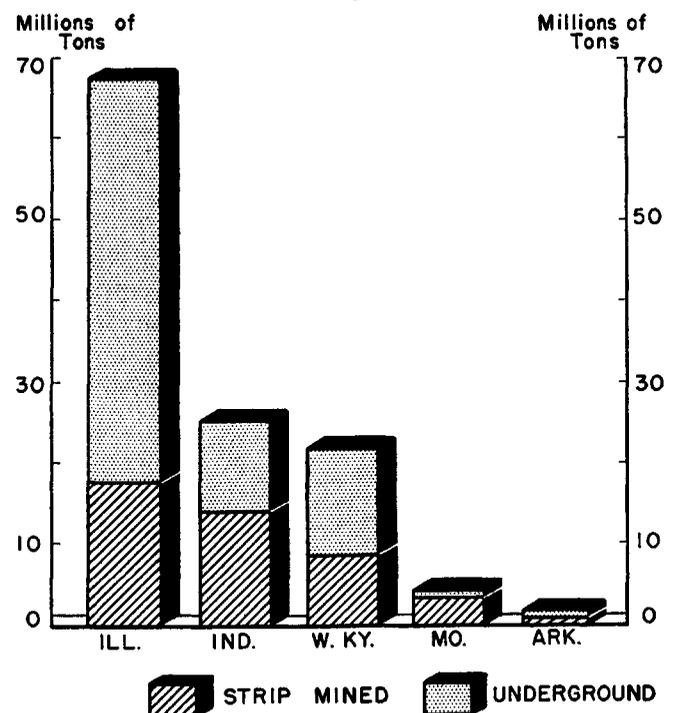
Slope mining, the third method used to extract coal, is not a new idea. However, it has received considerable impetus as a result of advances made during the war in the use of conveyor belts, which have been adapted to coal mining. In the newest slope mines, this continuous moving belt hoists the coal from the mine. In some mines it is also

used to do underground hauling whereas in others mine cars are used. In order to use the conveyor belt effectively the slope is dug at an angle of about 14 to 18 degrees. A slope mine is not limited to shallow deposits of coal. One in Franklin County, Illinois, for example, has a slope 2,800 feet long reaching coal about 800 feet below the surface.

This type of mine has essentially the same underground expense as a shaft mine. The additional cost due to the distance which must be dug at an angle is offset by a saving in the cost of sinking the slope. Slope mines, however, are expected to achieve relatively lower total operating costs by using less manpower. Underground loading and unloading, for example, are almost completely automatic.

**Investment.**—Implicit in most of the preceding discussion is the fact that coal mining today requires a relatively large capital investment for efficient operations. A fully equipped large shaft mine whose daily production might total as much as 6,000 tons is estimated to require an investment of 6 to 8 million dollars, including above-ground and underground facilities. A mechanical cleaning and preparation plant alone, which in the present market is almost a necessity, may cost from

CHART III  
COAL PRODUCTION BY TYPE  
1947



SOURCE: U. S. BUREAU OF MINES

\$750,000 to \$2.5 million. The essential underground equipment includes loaders, hauling equipment, cutting machines, and smaller items such as rock drills. One shaft mine in southern Illinois with a daily output of about 6,000 tons has 23 loading machines in use, each of which costs about \$15,000. The investment in a slope mine is about the same as in a shaft mine. In a large strip mine total capital investment is comparable to that of the other types since the individual pieces of equipment are costly. A stripping shovel may cost as much as \$1 million and a drag line may run as high as \$900,000. It is not uncommon for an operator to have three stripping shovels in operation. Smaller loading shovels cost from \$50,000 to \$100,000.

Today there is a great need for capital in the industry. This need springs from many sources. Principally it reflects the obvious fact that production costs have risen largely because of increased labor costs. Although in the industry as a whole, output per man hour has increased some 20 per cent since 1939, according to the Bureau of Labor Statistics, the unit labor costs involved in mining coal have increased more than 70 per cent during the same period.

In a period of inflated demand and high prices for coal, producers operating at a relatively higher cost can exist. But with increased competition for markets in a period of declining demand, such operators become hard pressed. Many of them can hope to continue operations only so long as prices paid by consumers can be maintained at a relatively high level. At the same time, however, high prices provide the consumer with an incentive to shift to competitive, lower cost fuels.

As noted, mines in some parts of this district, particularly in southern Illinois, are rather highly mechanized. In other portions of the area mechanization is much less highly developed. While a degree of mechanization gives no positive assurance that a producer will be able to compete in today's market—and tomorrow's—the fact remains that the outlook is considerably brighter for the community dependent upon the mechanized operation.

#### COAL AND THE ECONOMY OF SOUTHERN ILLINOIS

The current status of coal production in the district can be seen in the case of southern Illinois. As one of the older coal mining areas of the nation southern Illinois is now facing problems inherent in an extractive industry. As noted previously, Illinois mines currently account for about 11 per cent of the nation's soft coal production and for 56 per cent of the district's output. Since the all-

time peak of 90 million tons produced in 1918, production has trended downward, the decline being interrupted occasionally by periods of enlarged output. Not since 1920, however, has tonnage been as high as 80 million tons, and during World War II peak production (in 1944) was only 77 million tons.

Accompanying the long-term decline in tonnage mined there has been a downward trend in the industry's employment in Illinois. Early in the 1920's employment was at its peak of 104,000 workers. By 1928 it was down to 66,000 and in 1947 to less than 32,000. In the 16 southernmost counties the percentage decline during the past two decades was slightly less than that in the state as a whole. It should be noted that percentagewise the long-term downtrend in employment has been greater than the decline in tonnage produced—both in the state and in the southern counties.

For a group of counties, or for the state as a whole, the long-term decline in employment probably has been offset in large part by the increase in wage rates. Data are not available for this area alone, but on a national basis average weekly earnings in the soft coal industry have increased from less than \$24.00 in 1939 to more than \$72.00 in April of this year. Although employment is less than 5 per cent larger than in 1939, the total production worker weekly payrolls in the industry is about three and one quarter times as large as in 1939.

Aggregates and averages for large areas often fail to portray what happens in specific localities. That is true in this case. The present situation in coal has affected individual communities in the district much more adversely than national or state-wide figures suggest. In part this reflects the fact that many of the mines in the district are relatively old.

In general, the longer a mine is in operation the more expensive it becomes to bring the coal to the surface. As operations are carried on farther away from the foot of the shaft or slope, expenses such as hauling and maintenance of air, electric power and timbering are increased. A point may be reached where extraction would actually be unprofitable. Often a mine will continue after this point because of the effect on the economy of the area and because the large capital investment becomes a complete loss if there is a shutdown. Sometimes increased efficiency of labor and mechanization can offset the losses.

In competition with newer mines, however, a long established operation finds it increasingly

difficult to maintain markets and hence production. The shift that develops subsequently as the newer mines increase their proportion of the market may have, and usually does have, a profound effect on the communities dependent upon the older mine for employment and income.

This long run shifting in the relative importance of mining areas is one reason some southern Illinois communities are having trouble. Local mines in these areas are relatively old and through the years have gradually lost ground as newer mines elsewhere in the state came into production. Not only are the new mines fewer in number, but they are mechanized to the fullest extent; therefore the tonnage mined is not affected, but fewer miners are needed. The effect on employment in such localities may not be immediately noticeable. Miners have become accustomed to commuting long distances to the mines—a round trip of forty to fifty miles a day is not uncommon—and as production and employment decline in the local mine, part of the workers displaced there find employment at the newer mines. But over a period of time, the effects of this type of change become apparent. In some areas where mines once furnished employment for several thousand miners, employment is now measured in hundreds.

When demand is reduced, as during the last few months (in some areas beginning nearly a year ago) marginal operators are the first to feel the pressure. Not only have some of the smaller mines in southern Illinois been closed, but also some which were once among the largest. In recent months a mine near Herrin, Illinois closed down—the third major mine in southern Illinois to shut down—making a total employment loss of nearly 1,000 persons in three months.

Developments in some of the southern Illinois communities are illustrative of what happens frequently in a mining community as the industry moves through its cycle. Following the opening of a mine there is increased business activity and construction, real estate increases in value, schools are built and perhaps the town assumes a fairly high bonded debt to provide the necessary public facilities. A peak of output and prosperity is reached and a gradual decline sets in, disrupted only by periods such as the war which temporarily bring back the peak of the cycle. Although in the case of the coal industry the cycle is rather long (perhaps several decades) the time comes when the mines approach the point of diminishing returns.

The decline in mining employment is keenly felt in southern Illinois because of the large pro-

portion of families directly and indirectly dependent on the industry for income. In the 16 counties of southern Illinois, 44 per cent of the nonagricultural workers covered by the State Unemployment Act in 1946 were in the mining industry, and in some specific areas the ratio was even larger. This compares with 24 per cent employed in manufacturing, 20 per cent in the wholesale and retail trade, and 12 per cent in other nonfarm employment.

#### POSSIBLE SOLUTIONS TO THE PROBLEMS OF THE SOUTHERN ILLINOIS COAL INDUSTRY

Since there are ample reserves of high quality coal in the state, the immediate concern of the industry appears to be the declining market. One method of increasing the market area might be to increase the use of water transportation in an effort to achieve lower delivered costs. A great deal of Illinois coal is now shipped on the waterways, moving, for example, by rail from the coal fields to loading docks at Alton and from there by barge to Iowa and Minnesota markets. Shipments are also loaded onto lake barges at Chicago, destined for consumers in the upper lake states and Canada. Besides giving the advantage of relatively lower water rates these shipments are important in ironing out seasonal fluctuations in output. Water shipments are largely a summer movement because of the freezing of the routes, and therefore would help to increase output and employment during the normally slow season.

Among the plans set forth to facilitate water shipments are mechanized loading docks on the Mississippi River nearer to the coal fields, and (more important) unloading docks along the upper Mississippi River. A more efficient, larger capacity coal dock in Chicago has also been suggested. The present dock has been adequate in the past but an improved dock handling a large volume at reduced cost would enable the southern Illinois mines to compete with Appalachian coal which is shipped to some of the same markets.

In some instances, local communities are developing plans for improving the mining situation in their area. In one small town in the heart of the coal mining area, the bank has been instrumental in developing a plan to organize a number of small nonshipping mines into a marketing unit. Heretofore these mines shipped some coal by truck to local and southern markets in Missouri and Arkansas. Under the pressure of a buyers' market it has become more difficult to sell this mine-run coal without preparation. If the mines were to wash and otherwise prepare the coal it could compete in a

much wider market, particularly that of the St. Louis area.

This plan calls for the businessmen of the town to help finance the washer, which will cost an estimated \$800,000. A 60 per cent down payment is to be made, on a preferred stock basis, by fairly small subscriptions. The bank estimates that at the present time there are only about 100 men working in the mines under consideration, whereas several years ago there were 1,000. It is believed that the washer will be paid for by profits of the cooperative effort, and the increased employment and pay rolls and the greater stabilization of the economy of the area will mean enough to the merchants to warrant the investment.

**Production of Liquid Fuels From Coal.**—A potential, if long range, development that may become important to the industry is the use of coal in the production of synthetic fuels. The plant set up in Louisiana, Missouri, by the Department of the Interior is past the pilot plant stage and is actually a demonstration plant. Gasoline and other liquid fuels can be made from coal by several processes, but so far production is not feasible on a competitive commercial basis. While a final answer is yet to be reached, the consensus seems to be that, except under emergency conditions, the manufacture of synthetic fuel from coal at a competitive price will not come about for another 25 years. This is based on the high production costs, the fact that oil reserves in recent years have increased faster than consumption and the belief that liquid fuel from oil shale will be cheaper than fuel produced from coal.

The coal requirements of this process would be tremendous. The Department's program calls for an eventual production volume of one-half million barrels a day output by each of two methods—the direct hydrogenation by the Bergius process and the indirect method (coal first converted into gas) by the Fischer-Tropsch synthesis. Total coal requirements would be approximately 200 million tons annually, or about one-third of the present national output. This does not include the coal requirements for making hydrogen or for generation of power used in the synthetic fuel process, the total of which is estimated to be nearly as great as for the raw material requirements.

**Developments in Coking Coal.**—There is one use of coal for which there is no competition from other materials—its use as metallurgical coke. This is used in smelting many metals, primarily in blast furnaces in the manufacturing of pig iron. At the present time only a relatively small portion of

Illinois coal is used for this purpose because it is not considered the best quality coking coal. In 1946 about 1 million tons were used for blast furnaces. There is a good market, close to the fields, in the St. Louis and Chicago areas so that if the coal could be used it would be delivered at a substantially lower cost than that from the Appalachian fields which is now primarily in use. At the present time research is being done by the Illinois State Geological Survey in order to develop this market. A blend of Illinois and Appalachian coal has yielded results, and work is also being done to replace part of the eastern coal with a material called char made out of low volatile Illinois coal. This would be mixed with the higher volatile coal. Thus, there appear to be some possibilities in the development of new or wider markets for Illinois coal.

**Further Industrial Development.**—While such developments as these open possibilities for the industry, they do not appear likely to solve the basic problem of individual mining communities. Fundamentally, these communities need to broaden the base of their economies—to decrease their dependence upon the mining industry. Some towns in southern Illinois are attempting to do just that. Efforts are being made, and with some success, to attract new industries into the area. Prominent in this move is Southern Illinois, Incorporated, a non-profit organization backed by the business and professional men of Southern Illinois and working in cooperation with the chambers of commerce and other civic organizations in the region. This organization has been instrumental in organizing the unused Crab Orchard Ordnance Plant into an industrial incubator. The Ordnance Plant, which employed 6,000 at the wartime peak, closed down shortly after the war. A dozen manufacturing plants are already operating in the plant and negotiations for others are under way. The labor surplus, availability of coal and transportation facilities and availability of industrial floor space provide the area with some of the prerequisites for industrial growth.

#### THE PRESENT OUTLOOK SUMMARIZED

Specific mining communities may well be able to improve their own position by working toward a better balanced economy in their areas. Such activity is highly desirable if not actually necessary. But this sort of development is no solution to the problems of the coal industry itself. As long as a community is even partly dependent upon soft coal for its livelihood, its people will feel the effects of the industry's ups and downs.

If the present decline in the soft coal industry reflected nothing more than the normal seasonal de-

cline and the recession in business activity generally, the outlook would be somewhat brighter than it is. Then the industry could anticipate a revival of operations when the economy as a whole turns upward. The picture is complicated by the fact that the demand for coal also is affected by some long standing and fundamental trends in the industry itself, and particularly in its markets.

One of these is the increasing competition from other fuels. While it is difficult to measure the actual amount of energy either required or used in the country in a given year, estimates are available which indicate the trend. The U. S. Bureau of Mines estimates that in 1947 coal contributed about one-half of the nation's energy supply, petroleum and natural gas about 46 per cent and water power about 4 per cent. Coal is thus still the principal source of energy. But it is much less important than it was in the early years of this century when it accounted for 80 to 90 per cent of the total. In the past two decades coal's ratio has dropped from about 65 per cent to the present 50 per cent of total energy supplied, and is now slightly less important, relative to other fuels, than it was in 1939 and 1940.

Part of the relative decline in coal simply reflects increased production and consumption of competitive fuels through the years. But the fact that coal has lost ground is indicative of the industry's apparent inability to compete successfully with these other fuels in a number of markets. This is probably due to the relative prices—and production costs—of coal and competing fuels. Without attempting a detailed cost-price analysis, it is evident that many fuel users—industrial and residential—find other types of fuel less expensive than coal.

But competition from other fuels is not the whole answer. Some of the principal coal consuming industries, through technological improvements, have increased the efficiency of their coal using equipment. This has happened in railroads, electric utilities, iron and steel plants, and in other industries as well. In competing for the railroad market for example, the coal industry not only is faced with the increased use of diesel locomotives which use no coal, but also with the fact that steam locomotives are more efficient than formerly and require less fuel per ton mile than in earlier years.

In order to offset these long run trends the coal industry needs to reduce its costs and prices to a competitive basis. Part of the answer to this prob-

lem lies in increased mechanization to reduce unit labor costs. In 1947, unit labor costs in soft coal were 73 per cent larger than in 1939, after increasing each year in the interim, according to U. S. Bureau of Labor estimates. The increase in these costs more than offset the 21 per cent increase in output per man hour from 1939 to 1947. Rising unit labor costs, together with the increase in equipment and other costs raise some doubt as to the industry's ability, currently, to reduce prices sufficiently to reverse the basic trends in coal consumption. Yet until they are reduced it is apt to be difficult for the industry to attract the capital it needs to improve its status.

Inherent in the situation, too, is the fact that there is a considerable amount of over capacity in the industry. When production was at an all-time peak in 1947, output represented only 75 to 90 per cent of estimated capacity—depending upon the number of working days used in estimating capacity. Since 1939 the industry's operations have averaged considerably below capacity.

There are some potential developments that may provide a major stimulus to the industry—such as the use of coal in producing synthetic liquid fuels. Nevertheless, the fundamental forces at work make it clear that the industry should not rely entirely on such possible developments. Intelligent and aggressive programs will be necessary to enable coal to improve its relative position among the major fuels. As efficiency in fuel consumption increases in industry, new markets for coal must be developed and cost reductions achieved which will enable coal to compete.

A major factor favorable to the industry is the country's enormous reserves of coal. The coal underground is many hundred times as large as the quantity already mined and estimated by the most conservative sources to be sufficient for 1,000 years at the present rate of use. The relatively limited resources of natural gas and oil as compared with coal reserves also are an important factor in coal's outlook. Experiments in burning coal in the mine as a source of gas and other materials are being attempted and may prove beneficial to the industry.

The manufacture of electric power at or near the mine site also has been advanced as a means of increasing the use of coal. These are favorable factors and the future for soft coal is not without hope, provided the existing potentials are translated into actualities.

Jack Hunstein

# Survey of Current Conditions

At the end of the first half of 1949 there were few indications that the downward drift in industrial activity has been reversed. Caution continued to dominate the thinking and actions of buyers everywhere—at the manufacturers' as well as at the consumers' level. Lacking any tangible evidence of an upturn in demand, industry apparently reduced production schedules during June to the lowest level since mid-1946 according to preliminary estimates based on the Federal Reserve Board's seasonally adjusted index.

The total volume of goods flowing from the nation's mines and factories has been shrinking for seven consecutive months. Output was about 15 per cent less in June than it was at the peak last year on a seasonally adjusted basis. The over-all decline has been greater in durable goods than in non-durable goods industries. In each, however, the downturn by June had dropped production to about the mid-1946 level as measured by the Board's index.

The decline in production in part reflects the fact that manufacturers' sales, on a value basis, in recent months have dropped well below last year's peak and in the second quarter averaged about three to five per cent below the second quarter last year. Although shipments of durable goods so far this year were valued higher than in the comparable months last year, factory sales of non-durables con-

sistently have been less than in the first part of 1948. Part of the decline reflects price reductions, but most industries also have experienced a decline in the physical volume of sales as well.

The reversal of these trends, of course, is contingent upon the resumption of buying—by producers, distributors and consumers. Retail sales volume in May was about the same as in May last year. Consumers spent more money for durable goods this year than in May, 1948, but most of the increase again was concentrated in the automobile outlets. Purchases of non-durables totaled about 5 per cent less than a year earlier. The tightening in demand for the so-called soft goods has led retailers to take strong measures to reduce inventories. At the beginning of June, the value of non-durable goods inventories in the hands of retailers was 5 per cent less than at the same time last year. Total business inventories held by retailers, wholesalers and manufacturers were about \$1.3 billion greater than at the beginning of June, 1948—with all the increase concentrated at the manufacturing level.

Among the encouraging developments in May was the slight increase in the value of new orders received by manufacturers. After trending downward since late in the third quarter last year, the volume of new orders received by manufacturers of non-durable goods increased for the first time since October. In the heavy goods industries, new orders for machinery and other durables—excluding iron, steel and their products, and transportation equipment—were larger than in April. Whether these increases prove to be indicators of a leveling off or an upturn in demand remains to be seen.

## PRICES

CONSUMER PRICE INDEX					
Bureau of Labor Statistics (1935-39=100)	June 15, 1949	March 15, 1949	June 15, 1948	June 15, '49 compared with	
				March 15, '49	June 15, '48
United States.....	169.6	169.5	171.7	+ 0.1%	- 1.2%
St. Louis.....	169.8	169.0	172.1	+ 0.5	- 1.3
Memphis.....	173.5	173.3	174.7	+ 0.1	- 0.7

WHOLESALE PRICES IN THE UNITED STATES					
Bureau of Labor Statistics (1926=100)	June, '49	May, '49	June, '48	June, '49 compared with	
				May, '49	June, '48
All Commodities.....	154.4	155.7	166.2	- 0.8%	- 7.1%
Farm Products.....	168.5	171.2	196.0	- 1.6	-14.0
Foods.....	162.4	163.9	181.4	- 0.9	-10.5
Other.....	145.5	146.7	149.5	- 0.8	- 2.7

RETAIL FOOD					
Bureau of Labor Statistics (1935-39=100)	June 15, 1949	May 15, 1949	June 15, 1948	June 15, '49 compared with	
				May 15, '49	June 15, '48
U. S. (51 cities)....	204.3	202.4	214.1	+ 0.9%	- 4.6%
St. Louis.....	212.8	207.8	222.0	+ 2.4	- 4.1
Little Rock.....	204.2	201.9	210.0	+ 1.1	- 2.8
Louisville.....	194.1	189.4	203.8	+ 2.5	- 4.8
Memphis.....	215.3	215.6	226.7	- 0.1	- 5.0

## EMPLOYMENT

The five month downward trend in nonagricultural employment in the nation was halted in June, and total employment continued the upward trend evident since last February. Total nonagricultural and agricultural employment increased between May and June principally as the result of seasonal factors. The large numbers of young persons seeking either summer or permanent jobs during June increased both employment and unemployment.

As is true in many other fields, the labor market has definitely shifted from sellers' to a buyers' market. For almost seven years, jobs were plentiful and workers were at a premium. The first indications of a reversal of this situation became apparent last fall.

Since then workers, especially those with no experience, have been finding it increasingly difficult to locate jobs. The ease with which jobs were secured during the past few years, however, has made the present situation seem much more difficult.

Unemployment in the nation reached a seven year peak in June as large numbers of students added to the already swollen unemployment ranks. The unemployment rate (the proportion of persons in the labor force who are seeking work) jumped from 3 per cent in June, 1948 to 6 per cent this June. This 6 per cent rate, however, is still below what is generally considered the danger point. Not only are more persons looking for work this year than last, but the length of time the average person had been unemployed was considerably longer.

One out of every four persons unemployed in June was under 20 years of age; and almost half the unemployed were under 25 years of age. The under 25 age group has by far the largest proportion of unemployment. Thus 16 per cent of those 14-19 years of age and 9 per cent of those 20-24 years of age who are in the labor force are looking for work. Less than 5 per cent of those over 24 years of age who are in the labor force are unemployed.

Much emphasis has been placed on the fact that fewer persons were employed in nonagricultural industries this June than a year ago. Nineteen hundred forty-eight was the only year, however, in which June employment was higher than it was this year. In addition, the decline from a year ago was fairly well concentrated in the younger age groups.

During the first half of 1949, nonagricultural employment averaged slightly more than half a million lower than in the corresponding period of 1948. Practically all this decline occurred among non-veteran men, a good percentage of whom were teen-agers. Veteran employment has been slightly higher so far this year, while the number of women employed was about the same as last year.

Employment in the major Eighth District cities, as indicated by preliminary figures, followed the national pattern and increased slightly between May and June. An increase in non-manufacturing employment—notably in the construction, trade, service and public utilities fields—offset a small drop in manufacturing employment, which appears to be leveling off in the district.

In May (the latest month for which detailed information is available) non-agricultural employment was slightly lower than the year-ago level. A decline in manufacturing employment was almost entirely responsible for the decrease. Memphis was

the only major district city in which employment was as large as in May, 1948.

During the past year, the major district cities have fared better on the average than has the nation. Nonagricultural employment in the district dropped 1.6 per cent during the year as compared with the national average of 2.1 per cent. St. Louis had the smallest decline, followed by Little Rock, Evansville and Louisville. The district cities also had a smaller proportionate decline in manufacturing employment than did the nation (4.2 per cent for the district cities as compared with 5.5 per cent for the nation).

In the St. Louis area the decline in employment from last year was due to a large drop in manufacturing and small losses in the mining, construction, public utilities and trade industries. The service and finance industries employed a few more people than in 1948, while government employment remained constant. In the Louisville area, employment in all the major industries except finance and government declined between May, 1948 and May, 1949. The largest decline occurred in manufacturing, particularly in the furniture and primary metals industries.

In the Memphis area increases in employment in the mining, construction, finance and service industries offset declines in the manufacturing and trade industries during the past year. In the Evansville area, the nonelectrical machinery, fabricated metal products and furniture industries were the hardest hit by employment lay-offs. In the Little Rock area during the last year, declines in food, lumber, furniture and instrument manufacturing, construction and railroad industries were larger

## INDUSTRY

CONSUMPTION OF ELECTRICITY							
(K.W.H. in thous.)	No. of Customers*	June, 1949 K.W.H.	May, 1949 K.W.H.	June, 1948 K.W.H.	June, 1949 compared with		
					May, '49	June, '48	
Evansville ....	40	8,290	8,169	9,887	+ 1.5%	-16.2%	
Little Rock..	35	5,142	4,547	4,566	+13.1	+12.6	
Louisville ....	80	61,814	54,985	56,411	+12.4	+ 9.6	
Memphis .....	31	4,875	5,731	5,547	-14.9	-12.1	
Pine Bluff ....	26	6,023	4,629	6,290	+30.1	- 4.2	
St. Louis.....	139	81,484	80,811	80,967 R	+ 0.8	+ 0.6	
Totals .....	351	167,628	158,872	163,668 R	+ 5.5%	+ 2.4%	
*Selected industrial customers. R—Revised.							
LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS							
First Nine Days							
June, '49	May, '49	June, '48	July, '49	July, '48	6 mos. '49	6 mos. '48	
103,244	104,513	116,666	29,647	32,834	630,155	724,915	
Source: Terminal Railroad Association of St. Louis.							
CRUDE OIL PRODUCTION—DAILY AVERAGE							
(In thousands of bbls.)	June, 1949	May, 1949	June, 1948	June, 1949 compared with			
				May, 1949	June, 1948		
Arkansas .....	76.4	80.3	82.8	- 5%	- 8%		
Illinois .....	176.5	177.4	171.7	- 1	+ 3		
Indiana .....	25.0	24.5	20.0	+ 2	+25		
Kentucky ... ..	23.9	23.7	24.4	+ 1	- 2		
Total .....	301.8	305.9	298.9	- 1%	+ 1%		

than the increases in the electrical machinery, chemicals and government industries.

### INDUSTRY

Industrial activity in the district apparently declined in June and was lower than a year ago. Seasonal factors and work stoppages were important factors in the decline. Manufacturing activity remained at about the same level as in May, if the slightly longer work month is taken into consideration. Construction activity increased seasonally and dollar volume of new contract awards was up considerably. Production of basic fuels, crude oil and coal decreased, as did basic steel operations.

Total electric power consumed by industries in the district's major manufacturing centers increased 6 per cent over May but on a daily average basis the increase was fractional. Sizable increases in total consumption were registered in Pine Bluff, Little Rock and Louisville, while only slight gains were indicated in St. Louis and Evansville. Consumption by Memphis industries was off 15 per cent.

**Manufacturing.**—There were divergent trends in manufacturing operations in the district's major cities and among the various lines of industry. In general, increases over May were registered in the manufacture of automobiles, electrical products, food, stone, clay and glass products, chemicals, transportation equipment, rubber products, machinery, and in the brewing industry. Decreases were indicated in operations in the metals and metal products, iron and steel, textiles, distilling and the

lumber and allied products industries. In some parts of the district decreases were noted in the manufacture of chemicals, stone, clay and glass products, and electrical products.

**Steel.**—During June, operations of the basic steel industry were scheduled at 60 per cent of capacity, one point below last month's two-year low and 25 per cent below the rate of June, 1948. Operations declined during the first half of the month but since then there has been some recovery, continuing into July. During the first six months of 1949 the average rate of operations was 5 per cent below that of the same period last year.

**Lumber.**—Basic lumber production in the district in June increased slightly over May but remained considerably below year-ago levels. Inventories are low and the market continues to be very slow with buying on a hand-to-mouth basis. The hardwood market is anticipating some increase based on sales at the recent Chicago furniture show but at the present time the buyers of box and container woods represent the only bright spot. Flooring buying continues very slow.

Reporting southern hardwood producers operated at 64 per cent of capacity, a 10 per cent gain over the May average but 29 per cent lower than a year ago. Production of southern pine decreased 2 per cent from the May level and 17 per cent compared with June, 1948.

**Whiskey.**—At the end of June, 23 of Kentucky's 63 distilleries were operating. This was somewhat fewer than at the end of May when there were 30 in operation, or a year ago when 33 were in production. Whiskey stocks continue at all-time high levels despite reduced production, and further declines in output are expected.

In May, whiskey production in Kentucky totaled 6.4 million tax gallons, about the same as in April but 30 per cent below May, 1948 output. United States output in May was 5 per cent lower than in April and 45 per cent below output in May last year.

**Shoes.**—Shoe production in the district in May totaled 5.7 million pairs, the smallest output since January, 1946. This represented a decline of 22 per cent from April and 20 per cent from the 7 million pair output in May, 1948. During the first part of July, International Shoe Company announced the closing of two plants in the district, one of which is to be converted into a welt manufacturing plant. Total United States production in May was 8 per cent less than in the previous month and 12 per cent below May output of last year.

### WHOLESALE

Line of Commodities	Net Sales		Stocks
	June, '49 compared with		June 30, '49 compared with
	May, '49	June, '48	June 30, '48
Drugs and Chemicals.....	+ 3%	- 1%	.....
Dry Goods .....	- 3	-25	-20%
Groceries .....	+ 6	- 6	-20
Hardware .....	+ 5	-11	+ 7
Tobacco and its Products	+ 4	+ 4	- 1
Miscellaneous .....	- 4	- 6	+ 5
**Total All Lines.....	0 -%	-12%	- 8%

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

### CONSTRUCTION

(Cost in thousands)	BUILDING PERMITS				Repairs, etc.			
	Month of June							
	New Construction				Number		Cost	
	1949	1948	1949	1948	1949	1948	1949	1948
Evansville .....	113	92	\$ 895	\$ 446	100	127	\$ 61	\$ 84
Little Rock.....	58	91	466	802	215	270	286	189
Louisville .....	299	170	964	1,136	76	101	80	106
Memphis .....	1,181	753	2,894	2,982	200	171	143	173
St. Louis.....	304	342	2,006	1,481	320	317	642	464
June Totals.....	1,955	1,448	\$7,225	\$6,847	911	986	\$1,212	\$1,016
May Totals.....	2,472	1,515	\$7,333	\$7,181	969	1,031	\$ 940	\$ 989

**Oil and Coal.**—Daily average crude oil output in June declined slightly from the May average but was slightly larger than that in June, 1948. Daily production averaged 302,000 barrels in June as compared with 306,000 barrels in the previous month. Increases in Indiana and Kentucky were more than offset by declines in Arkansas and Illinois. Production in the second quarter and in the first six months of 1949 averaged slightly higher than in the respective periods of 1948.

The seasonal decline in coal production in June coupled with the curtailment in operations due to labor difficulties (annual vacations and one week of "stabilized inaction") dropped the district's production to a three-year low in June. Output totaled only 6.8 million tons, the lowest output since the spring strike of 1946, and 14 per cent less than in May when production amounted to 7.9 million tons. Last June 10 million tons were mined. United States output in June was 28 per cent less than in May. Production in the district's three major producing areas—Illinois, Indiana and western Kentucky—was off 19, 10 and 6 per cent, respectively, whereas Missouri and Arkansas mines produced slightly more coal than in the previous month.

**Construction.**—Construction contracts awarded in the district in June totaled \$74 million, the largest monthly dollar volume of the year. This was 43 per cent above the May total and double that of June, 1948. Most of the month-to-month gain resulted from a 58 per cent increase in non-residential awards, which totaled \$52 million. Residential contracts increased 17 per cent to \$22 million. The increases over last year in the past few months have brought the total for the first six months to \$283 million or about \$12 million less than in the comparable period of 1948. Non-residential contracts in the six-month period totaled \$205 million, a gain of \$15 million over the same period of last year.

The dollar value of building permits issued in the major district cities in June increased 2 per cent from the previous month and was 7 per cent larger than in June, 1948. Total permits were valued at \$8.4 million, of which \$7.3 million was for new construction. The latter was slightly less than in the previous month, reflecting a decline of nearly 13 per cent in new residential permits. The dollar value of new non-residential permits increased considerably over that of the previous month.

### TRADE

June sales volume at the nation's department stores was smaller than last year's volume for the fifth consecutive month, on a seasonally adjusted

## TRADE

### DEPARTMENT STORES

	Net Sales			Stocks	Stock	
	June, 1949			on Hand	Turnover	
	compared with	6 mos. '49	June 30, '49	Jan. 1, to	June 30,	
May, '49	June, '48	to same period '48	June 30, '48	1949	1948	
8th F.R. District.....	-10%	-9%	-4%	-8%	1.92	1.91
Ft. Smith, Ark.....	9	+ 9	+ 3	-22	1.96	1.83
Little Rock, Ark.....	17	- 9	- 2	- 9	2.00	2.03
Quincy, Ill.....	15	- 5	- 6	- 4	1.65	1.76
Evansville, Ind.....	8	-15	-11	-20	1.70	1.80
Louisville, Ky.....	14	-12	- 3	- 3	2.08	2.13
St. Louis Area <sup>1</sup> .....	6	- 9	- 6	-10	1.91	1.91
St. Louis, Mo.....	6	-10	- 6	-10	1.91	1.92
E. St. Louis, Ill.....	4	+ 2	- 4	.....	.....	.....
Springfield, Mo.....	7	-13	-15	-10	1.58	1.69
Memphis, Tenn.....	17	- 4	+ 1	- 3	2.01	1.88
*All other cities.....	9	- 7	- 3	- 7	1.53	1.53

<sup>1</sup>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.

<sup>2</sup>Includes St. Louis, Mo.; Alton, Belleville, and East St. Louis, Ill.

<sup>3</sup>Outstanding orders of reporting stores at the end of June, 1949, were 31 per cent less than on the corresponding date a year ago.

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

	Instalment Accounts		Excl. Instal. Accounts		
	%		%		
Fort Smith.....	.....%	46%	Quincy.....	21%	61%
Little Rock.....	19	48	St. Louis.....	22	57
Louisville.....	22	48	Other Cities.....	17	53
Memphis.....	25	45	8th F.R. Dist.	22	52

### INDEXES OF DEPARTMENT STORE SALES AND STOCKS

#### 8th Federal Reserve District

	June, 1949	May, 1949	Apr., 1949	June, 1948
Sales (daily average), unadjusted <sup>2</sup> .....	283	328	327	311
Sales (daily average), seasonally adjusted <sup>2</sup> ....	314	335	321	346
Stocks, unadjusted <sup>3</sup> .....	280	296	321	302
Stocks, seasonally adjusted <sup>3</sup> .....	280	296	321	302

<sup>2</sup>Daily Average 1935-39=100.

<sup>3</sup>End of Month Average 1935-39=100.

### SPECIALTY STORES

	Net Sales			Stocks	Stock	
	June, 1949,			on Hand	Turnover	
	compared with	6 mos. '49	June 30, '49	Jan. 1, to	June 30,	
May, '49	June, '48	to same period '48	June 30, '48	1949	1948	
Men's Furnishings.....	-5%	-14%	-2%	-5%	1.36	1.43
Boots and Shoes.....	5	-5	+1	-6	2.26	2.19

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

Men's Furnishings.....	49%	Boots and Shoes.....	47%
Trading days: June, 1949—26; May, 1949—25; June, 1948—26.			

### RETAIL FURNITURE STORES \*\*

	Net Sales		Inventories		Ratio of Collections	
	June, 1949		June, 1949		June, '49	
	compared with	June, '48	compared with	June, '48	June, '49	June, '48
May, '49	June, '48	May, '49	June, '48	June, '49	June, '48	
8th Dist. Total <sup>1</sup> .....	-6%	-9%	-3%	-10%	25%	28%
St. Louis Area <sup>2</sup> .....	7	-12	-3	-12	32	35
St. Louis.....	6	-12	-3	-12	32	35
Louisville Area <sup>3</sup> .....	6	-18	-5	-14	18	19
Louisville.....	19	-19	-5	-15	16	17
Memphis.....	8	-9	-2	-3	16	22
Little Rock.....	2	+6	+4	+7	20	24
Fort Smith.....	+14	+11	*	*	*	*

\* Not shown separately because insufficient coverage, but included in Eighth District totals.

<sup>1</sup>In addition to following cities, includes stores in Blytheville and Pine Bluff, Arkansas; Hopkinsville, Owensboro, Kentucky; Greenville, Greenwood, Mississippi; Hannibal and Springfield, Missouri; and Evansville, Indiana.

<sup>2</sup>Includes St. Louis, Missouri; and Alton, Illinois.

<sup>3</sup>Includes Louisville, Kentucky; and New Albany, Indiana.

\*\* 43 stores reporting.

### PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	June, '49	May, '49	June, '48
Cash Sales.....	13%	13%	15%
Credit Sales.....	87	87	85
Total Sales.....	100%	100%	100%

## BANKING

### PRINCIPAL ASSETS AND LIABILITIES WEEKLY REPORTING MEMBER BANKS EIGHTH FEDERAL RESERVE DISTRICT (In thousands of dollars)

34 banks reporting	Change from		
	July 20, '49	June 22, '49	July 21, '48
<b>Assets</b>			
Gross commercial, industrial and agricultural loans and open market paper .....	\$ 461,531	\$— 1,315	\$— 72,840
Gross loans to brokers and dealers in securities .....	7,627	+ 1,616	+ 722
Gross loans to others to purchase and carry securities .....	21,046	+ 397	— 10,964
Gross real estate loans .....	166,375	+ 1,814	+ 16,198
Gross loans to banks .....	645	— 2,825	— 1,550
Gross other loans (largely consumer credit loans) .....	211,721	+ 5,044	+ 15,556
<b>Total</b> .....	<b>868,945</b>	<b>+ 4,731</b>	<b>— 52,878</b>
Less reserve for losses .....	9,135	— 584	+ 1,897
<b>Net total loans</b> .....	<b>\$ 859,810</b>	<b>+\$ 5,315</b>	<b>— \$ 47,775</b>
Treasury bills .....	58,723	+ 4,729	+ 21,885
Certificates of indebtedness .....	196,994	+ 8,955	+ 66,200
Treasury notes .....	39,437	— 7,251	— 50,821
U. S. bonds and guaranteed obligations .....	773,165	+ 21,190	+ 60,448
Other securities .....	151,929	+ 11,230	+ 7,048
<b>Total investments</b> .....	<b>\$1,220,248</b>	<b>+\$ 38,853</b>	<b>+\$ 104,760</b>
Cash assets .....	743,786	+ 29,171	+ 14,276
Other assets .....	24,288	+ 676	— 275
<b>Total assets</b> .....	<b>\$2,848,132</b>	<b>+\$ 74,015</b>	<b>+\$ 63,986</b>
<b>Liabilities</b>			
Demand deposits of individuals, partnerships and corporations .....	\$1,445,820	\$+ 30,460	\$+ 35,003
Interbank deposits .....	560,907	+ 57,790	+ 17,154
U. S. Government deposits .....	17,520	— 8,331	— 17,581
Other deposits .....	131,349	+ 528	+ 9,847
<b>Total demand deposits</b> .....	<b>\$2,155,596</b>	<b>+\$ 80,447</b>	<b>+\$ 44,423</b>
Time deposits .....	487,229	— 406	+ 12,476
Borrowings .....	9,425	— 6,305	— 975
Other liabilities .....	17,385	+ 165	+ 1,918
Total capital accounts .....	178,497	+ 114	+ 6,144
<b>Total liabilities and capital accounts</b> .....	<b>\$2,848,132</b>	<b>+\$ 74,015</b>	<b>+\$ 63,986</b>
Demand deposits, adjusted* .....	\$1,379,726	\$+ 17,638	\$+ 58,481

\*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)	June, 1949 compared with			
	June, 1949	May, 1949	June, 1948	May, '49 June, '48
El Dorado, Ark. ....	\$ 22,256	\$ 21,619	\$ 22,284	+ 3% - 0%
Fort Smith, Ark. ....	39,409	37,650	37,786	+ 5 + 4
Helena, Ark. ....	5,639	6,386	6,482	—12 —13
Little Rock, Ark. ....	117,955	115,984	123,306	+ 2 — 4
Pine Bluff, Ark. ....	23,325	21,853	22,683	+ 7 + 3
Texarkana, Ark.* ....	10,294	9,615	10,330	+ 7 - 0
Alton, Ill. ....	24,677	20,826	27,033	+18 — 9
E. St. L.-Nat. S. Y., Ill. ....	108,570	100,600	130,003	+ 8 —17
Quincy, Ill. ....	28,353	27,726	30,002	+ 2 — 6
Evansville, Ind. ....	116,921	106,580	110,909	+10 + 5
Louisville, Ky. ....	530,383	466,912	540,388	+14 — 2
Owensboro, Ky. ....	29,136	26,061	27,632	+12 + 5
Paducah, Ky. ....	16,046	13,235	16,462	+21 — 3
Greenville, Miss. ....	16,050	15,771	14,696	+ 2 + 9
Cape Girardeau, Mo. ....	11,132	9,814	10,890	+13 + 2
Hannibal, Mo. ....	8,020	7,094	7,879	+13 + 2
Jefferson City, Mo. ..	34,619	51,387	30,641	—33 +13
St. Louis, Mo. ....	1,478,267	1,419,964	1,618,536	+ 4 — 9
Sedalia, Mo. ....	10,374	10,140	10,115	+ 2 + 3
Springfield, Mo. ....	53,419	50,946	60,425	+ 5 —12
Jackson, Tenn. ....	16,254	16,557	16,515	— 2 — 2
Memphis, Tenn. ....	435,705	448,055	444,438	— 3 — 2
<b>Totals</b> .....	<b>\$3,136,804</b>	<b>\$3,004,775</b>	<b>\$3,319,435</b>	<b>+ 4% — 6%</b>

\*These figures are for Texarkana, Arkansas only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to \$23,373.

basis. Sales were estimated at 284 per cent of the 1935-1939 average. This was the first month this year when volume was smaller than in the comparable month in 1947.

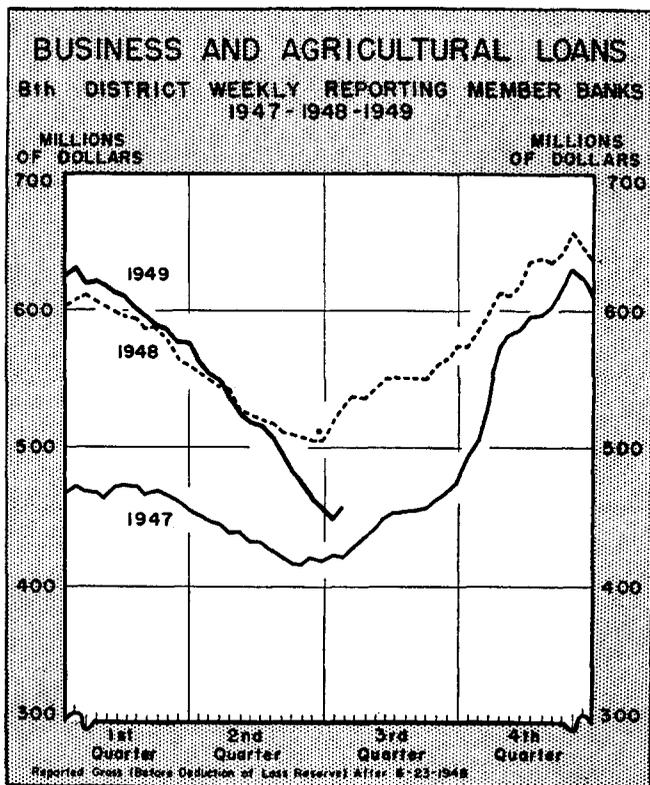
Nationally, consumers' purchases at department stores during June declined seasonally from May and averaged 7 per cent less than in June, 1948. Declines by Federal Reserve districts during the same period ranged from 3 per cent in Boston, Philadelphia, Richmond, Atlanta and Dallas to 10 per cent in New York.

The decline in the St. Louis district averaged 9 per cent, and reflected decreases ranging up to 14 per cent (in Evansville) in all individual cities except Fort Smith which registered an increase of 9 per cent. For the year to date, district volume continues about 4 per cent less than in the same period last year according to preliminary figures through mid-July.

At St. Louis stores which report data by departments, the individual departments showing a decline from last year again outnumbered those with increases. In the basement divisions, sales again gained more or declined less than in comparable departments upstairs, reflecting either relatively greater consumer demand for lower-priced merchandise or lessened purchasing power. For example, the basement men's and boys' wear division gained 12 per cent from June, 1948 as compared with an 11 per cent decline in the comparable main store division. Women's and misses' apparel and accessories sales in the basement division declined only 4 per cent from last June as compared with a 15 per cent decrease upstairs.

Inventories in district department stores continued to decline and on June 30 were 5 per cent less than a month earlier (seasonally no change is expected from May to June) and 8 per cent smaller than at the end of June, 1948. Outstanding orders increased substantially during the month, however, and at the end of June were 80 per cent larger than on May 31. Nevertheless forward buying continued below last year's volume as indicated by the 35 per cent decline in the volume of orders outstanding as compared with June 30, 1948.

**First Six Months, 1949.**—In the first six months department store sales in the nation averaged slightly lower than in the same period last year but were somewhat above those in the comparable period in 1947. Dollar volume through June was 4 per cent less than in the first half of 1948 but about 4 per cent larger than in the first six months of 1947. Only in the Boston district were six months' sales larger than last year (plus 1 per cent),



but that slight gain was erased by mid-July, according to preliminary figures. In the St. Louis district year-to-date sales in the six months showed a decline of 4 per cent from the same period last year.

At St. Louis stores scattered upstairs divisions reported dollar sales volume in the first half of 1949 larger than in the like period of 1948. Television sales led in percentage gain with an increase of 234 per cent over the six-month period in 1948. Liquidation of phonograph record inventories probably was responsible for the 12 per cent gain in that division. Of the major departments within the upstairs store, larger volume than a year ago was shown only in women's and misses' suits (plus 4 per cent), juniors' coats, suits and dresses (plus 2 per cent) and girls' wear (plus 1 per cent). Other departments registering increases from last year were costume jewelry (up 8 per cent), art needlework (up 6 per cent), books and magazines (up 3 per cent) and toilet articles and drug sundries (up 1 per cent).

The six-months' sales experience in the downstairs store was in almost direct contrast to that in the upstairs divisions. Most divisions in the basement stores show gains over the first half of 1948. Only in the piece goods and domestic and blanket divisions (down 5 per cent), miscellaneous women's and misses' ready-to-wear divisions (down 6 per cent) and the shoe division (down 1 per cent)

were sales in major downstairs lines under the comparable period in 1948.

#### BANKING

During the four weeks from June 15 to July 13 required reserves at member banks were reduced. Business loans declined sharply for three of the four weeks; in the final week they increased seasonally. The prices of Government securities rose substantially in response to an enlarged demand on the part of banks and a restriction of supply arising from a change in Federal Reserve Open Market policy. Deposit volumes remained practically unchanged.

**Decreased Reserve Requirements.**—Effective June 30 at reserve city banks and July 1 at non-reserve city banks, the Board of Governors of the Federal Reserve System reduced by one percentage point the reserves required to be held against demand and time deposits. This action put reserves at the maximum permitted under the Federal Reserve Act before the temporary increase granted in August, 1948. At central reserve city banks reserves required to be held against time deposits were reduced one percentage point, while those against demand deposits were allowed to stand unchanged, as the May, 1949 reduction had previously brought them within the maximum. Reserve funds amounting to \$800 million, it was estimated, were released to all the nation's member banks. In this district, the reduction in required reserves amounted to approximately \$41 million, \$20 million going to reserve city banks and \$21 million to non-reserve city banks.

**Continuation of Business Loan Decline.**—For the first three weeks after June 15, business loans of the district's weekly reporting member banks declined sharply, in contrast with their behavior in corresponding periods of 1948 and 1947. The volume of business loans by mid-July was 13 per cent below that of a year ago; it had been off only 6 per cent at mid-June. It should be noted, however, that a seasonal upturn took place in the week of July 13 at banks of all reporting centers except Evansville. The decline in business loans between June 15 and July 13, more than offsetting the \$2 million increase in loans on securities and the \$4 million increase in "all other" loans, was the principal cause of the \$13 million drop in total loans.

**Strength in Government Securities Market.**—As a result of the two factors noted—the reduction in reserve requirements effective June 30 and July 1 and the shrinkage in business loans—banks generally added U. S. Treasury obligations and, to a limited extent, other investments to their portfolios. Reporting banks in this district added

\$37 million to their U. S. Government holdings and \$10 million to their other investments in the four weeks to July 13.

In addition to the increased demand for investments from banks, the supply of bonds reaching the market was reduced by the decision of the Open Market Committee of the Federal Reserve System to gauge its market activity to the needs of industry, agriculture and trade and to maintain order in the market and confidence of investors in the Treasury's securities. Immediately following the Committee's announcement of change in policy, prices of all Treasury bonds rose sharply and yields on outstanding certificates of indebtedness and bills fell. The price change was greatest in the long-term issues. Bank-eligible 2½'s of September 1967-72 rose from 104½ on June 28 to 105¼ on July 15; the bank-restricted issues of June and December 1967-72 rose in the same period from 100¾ to 102¼. Intermediate and short-term bank-eligibles sold at proportionately higher prices. For example, short-term 2's of December 1952-54 rose from 102 to 102½.

**Stability of Deposits.**—Deposit volumes remained practically unchanged in the four weeks as a relatively small decline in demand deposits of individuals, partnerships and corporations was offset by an increase in interbank deposits. Demand deposits due the U. S. Government were reduced in the first two weeks in July to below mid-June levels and to almost half the level of mid-July, 1948. The all-time peak in U. S. Government demand deposits held by district weekly reporting member banks, one-half billion dollars, occurred at the end of February, 1946. Thereafter, Treasury policy of using the War Loan accounts to reduce outstanding debt resulted in a sharp reduction and at mid-July, 1946

## AGRICULTURE

CASH FARM INCOME						
		May, 1949,		5 month total Jan. to May		
		compared with		1949		
(In thousands of dollars)	May, 1949	Apr., 1949	May, 1948	1949	compared with 1948	
					1948	1947
Arkansas .....	\$ 26,221	-10%	+15%	\$ 177,569	+43%	+36%
Illinois .....	123,259	+ 4	-16	665,254	- 9	- 2
Indiana .....	70,738	+ 7	-21	339,859	+ 9	- 6
Kentucky ..	26,793	+28	-20	197,920	+ 6	-17
Mississippi..	20,840	-18	+18	204,940	+57	+57
Missouri ....	66,502	+10	-31	334,792	- 4	- 2
Tennessee ..	28,011	+34	-17	150,882	- 7	- 8
Totals ....	\$362,364	+ 3%	-18%	\$2,071,216	+ 4%	+ 1%

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS						
		Receipts		Shipments		
		June, 1949, compared with		June, 1949, compared with		
		June, 1949	May, '49	June, 1949	May, '49	June, '48
	June, 1949		June, '48			
Cattle and calves..	112,690	+15%	-19%	39,159	+26%	-26%
Hogs .....	249,918	+ 1	+ 4	78,327	- 3	+26
Sheep .....	58,224	- 4	-39	22,829	-41	-50
Horses .....	212	-74	-80	212	-74	-80
Totals .....	421,044	- 4%	-12%	140,527	- 7%	-13%

the volume of these deposits was \$234 million; by mid-July, 1947 it was down to \$20 million, rising in 1948 to \$35 million and declining this year to under \$20 million—a postwar low for mid-July.

Time deposits failed to gain in the four-week period, indicating at least a temporary halt in the trend of the first half year.

## AGRICULTURE

Crop production in 1949 is expected, on the basis of July 1 estimates, to be second only to the record output of 1948. Although estimated wheat production declined 148 million bushels between June 1 and July 1, the estimate on July 1 was for a 1.2 billion bushel crop, the third largest in history. Planted acreage of corn exceeds the acreage planted in 1948 which produced the record crop, only 120 million bushels more than the indicated 3,530 million bushel 1949 crop. Cotton acreage totals 26.4 million acres, 14 per cent more than the acreage in 1948, and the largest since 1937.

In district states, July estimates for wheat production were nearly 8 million bushels larger than the June estimate, in contrast with the decline in national expectations. In only two district states, Indiana and Arkansas, was the July estimate lower than that of June. The greatest deterioration of the wheat crop occurred in Kansas, Oklahoma, Nebraska and Texas.

With the smaller wheat crop, Secretary Brannan has announced that wheat marketing quotas would not be invoked for the 1950 wheat crop. But acreage controls will be in effect. Announced acreage allotments total 68.9 million acres, requiring a reduction of 14 million acres from the acreage in 1949.

### 1949 CORN ACREAGE AND PRODUCTION (July 1 Estimates)

	Acreage		Production	
	1949 (1000 acres)	Change from 1948	1949 (1000 bu.)	Change from 1948
Arkansas .....	1,134	-9%	29,484	-11%
Illinois .....	9,013	- 0 -	540,780	- 2
Indiana .....	4,616	-1	263,112	- 6
Kentucky .....	2,294	-6	91,760	- 8
Mississippi .....	2,142	-4	46,053	-14
Missouri .....	4,332	-2	160,284	-20
Tennessee .....	2,142	-5	57,834	-22
District States .....	25,673	-2%	1,189,307	- 8%
U. S. ....	85,780	- 0 -	2,530,185	- 3

Source: USDA Crop Production.

District corn acreage will be 2 per cent less than in 1948, although nationally a fractional increase is expected. The largest decline in acreage occurred in Arkansas, Kentucky, Tennessee and Mississippi. For the nation, production was estimated to be only 3 per cent less than the record crop of 1948. The decline in district production, however, is estimated to be 8 per cent. Largest reduction is expected in Missouri and Tennessee, where crops one-fifth less than in 1948 are forecast. Smallest production declines are indicated for Illinois and Indiana, the two most important district corn producing states.