THE BUSINESS REVIEW

FEDERAL RESERVE BANK
OF PHILADELPHIA

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CROSSROADS FOR AGRICULTURE

Agriculture is entering a crucial period. Events of the near future will have an important influence on farm conditions for years to come. The time is ripe, therefore, to reappraise past trends, take stock of the present situation, and sift out the many factors which will bear upon the future. The turning point involves not only the problems faced by farmers in reconverting to peace, but also questions of farm loan policy which confront banks. These problems are interrelated. The use of bank credit, provided it is extended under proper safeguard, can strengthen both agriculture and banking.

Agriculture Reconverts To Peace

Agriculture has remained on a war footing longer than other segments of our economy. World-wide scarcity of food and the depletion of stocks have required that there be no let-up in farm production. But now the signs of reconversion are beginning to appear. The farmer faces them while standing atop a pinnacle of prosperity, the height of which is far greater than any he has attained in past years. His problems are not so much concerned with a physical changeover to different products, though this may be important in some areas; they are mainly the problems of adjusting existing techniques to changes in his economic environment. The nature of those adjustments will depend upon long-term trends in the development of agriculture and upon the effects of wartime conditions and the special problems raised by them.

The Long-term Trends

Agriculture as an industry contains elements of both expansion and decline. Its physical output has risen rather steadily; during the forty years preceding World War II it increased by 50 per cent. Yet the expansion of physical output did not keep pace with population growth. This was possible not because people have learned to eat less nor because net exports were much smaller in 1940 than they were some decades earlier, though exports have been a factor. It

happened mainly because farmers have been producing more food relative to non-food crops and different kinds of foods with higher nutritional value. Poultry, eggs, and milk have accounted for a growing share of farm output. Cotton, grains, and meat animals have become less important.

Farm output might have had room for further expansion if higher incomes had allowed more people to have better diets. It must be recognized, however, that the rate of agricultural expansion is closely tied to population growth. While a higher level of income does induce greater expenditures for food, especially the higher priced foods, it is clear that the food capacity of the human being is limited. Agriculture cannot possibly expand in the manner of the manufacturing industries, the desire for whose varied and changing products is practically unlimited.

The number of persons occupied in farming has declined steadily since 1910 except for a temporary rise during the thirties. In thirty years—from 1910 to 1940—the farm population declined by 2 millions. It took one-third of the population of the United States to feed the nation in 1910, only one-fourth in 1940. From the standpoint of jobs it may be said that the relative importance of agriculture is declining.

A larger volume of production with a smaller work force has been made possible by greater productivity. From 1910 to 1940, output per worker increased 70 per cent. This was due mainly to mechanization and partly, especially in later years, to increased yield per acre and per animal.

Despite steady emigration from the farms, income figures imply that they have been overcrowded. In 1940, a year which is fairly typical of the thirty years that preceded it, U. S. Department of Commerce data show that farm income per capita was only $185, compared with $711 for non-farmers. Of course, this is not a complete measure of the comparative well-being of farm and nonfarm families. Because there are certain intangibles which might be included in agricultural income, the farm figure may be comparatively understated. The gap between farm and non-farm income per capita is so large, however, that there can be little doubt as to its implications. The average farmer has not been able to buy much of the physical goods that are usually thought of as part of the American standard of living. His earnings have fluctuated widely but they have been much smaller than those of city people for many years.

The Impact of the War

The most striking feature of the war period for agriculture has been the great increase in gross farm income—from $10 billion in 1940 to over $24 billion in 1945. The biggest factor in the increase was the doubling of prices, but the physical volume of production actually rose 20 per cent. Costs shot up, too. In 1945, wage rates were 175 per cent above the 1939 average, and the annual wage bill had risen from $1 billion to $2.3 billion. Machinery prices—for machinery that was available—increased 40 per cent. Fertilizer jumped 90 per cent. This is, of course, a familiar picture in every part of the economy. It is of special significance for agriculture only because in that industry costs lagged considerably behind farm prices. Net income of farmers rose from $6 billion in the pre-war period to $17 billion in 1945. Agriculture's share of the national income, which had been cut nearly in half during the twenty years between the two world wars, rose from 7.2 per cent to 9.2 per cent.

Despite increased income, farm population continued to decline during the war; in fact, high wages at war plants accelerated migration. The farms had lost 2 million people in the preceding thirty years: from 1940 to 1945 they lost 5 million. In the latter year only 18 per cent of our total population remained on the farms and agricultural employment had declined by a million workers to 8.1 million.

How did 11 per cent fewer workers produce 20 per cent more? By an accelerated increase in output per worker. In contrast to an average gain of about 2.5 per cent a year in the pre-war decade, output per worker shot up 35 per cent in five years during the war period. This was made possible by three factors: first, longer hours of work for those who remained; a shakeout of farm unemployment which had been hidden by part-time work and "subsistance" farming; second, greater yields per acre and per animal due to good weather and im-

proved farming practices—greater use of fertilizer and hybrid seeds, better balanced feeding; third, continued mechanization of farm operations. The last is probably the most important. The value of farm machinery and attachments produced in 1941—$460 million—was a new record, half again as large as the 1935-1939 average. Production of farm machinery was reduced when the United States entered the war, but machinery on farms continued to increase, particularly such units as combines, pick-up balers, and milking machines. Another factor making for greater efficiency was the elimination of many small, marginal farms. The number of farms declined—in some areas as much as 10 per cent—and the average size of farms increased.

Higher profits and fewer farmers meant greater per capita farm income. From $185 in 1940 it rose to $587 in 1945, advancing, proportionately, two and a half times as fast as nonfarm incomes, though remaining less than half as large. Of course, these income figures are national averages, and there is considerable regional disparity. Delaware farm operators, for instance, averaged $3,972 per farm compared to an average of $1,375 for Georgia in 1945. But it would be unrealistic to exclude the low income areas from consideration, since most of the nation's farmers live within them.

Prosperity has placed the farmer in a strong financial position. During the war he reduced the size of his mortgage indebtedness; he quadrupled his holdings of liquid assets. As a consequence of higher prices, his land is worth more. By the end of 1945, farm land had risen in value by an average of almost 60 per cent over 1940. But this position has not been gained without sacrifice. In some areas the soil is tired, worked out. War programs required more intertilled crops. Soil-conserving crops gave way in some instances to oil-bearing or high protein products. Flaxseed acreage tripled. The production of hemp, an urgently needed fiber, expanded more than a hundredfold. In many cases war requirements upset crop rotation systems. A large quantity of machinery and equipment is obsolete or rundown by years of hard use without adequate replacement. In other words, though the amount cannot be measured, a portion of the new "savings" has arisen out of depletion of assets, and money must now be set aside to replenish the soil and renew equipment.

Agriculture in the Third Federal Reserve District

It is easy to overlook the importance of agriculture in Pennsylvania, New Jersey, and Delaware because these states are so prominent in the Middle Atlantic industrial area. In the Third Federal Reserve District agricultural products accounted for only 9 per cent of the area's total output, which stands in marked contrast to the importance of agriculture on a national basis—21 per cent. But percentages sometimes conceal as much as they reveal. In 1939 this district had 132,000 farms. It employed 170,000 farm workers and it produced $200 million worth of agricultural products. Furthermore, numerous communities and even whole counties within the district are almost wholly dependent upon agriculture for their livelihood.

Agriculture in this area may be characterized as general farming with dairying and poultry raising predominating. This type of agriculture is an adaptation of local resources to local conditions. The farmers in the hinterland of the heavily populated North Atlantic Seaboard produce those products which yield the highest value in relation to the high costs incurred. Land values are comparatively high and so are labor costs, since farmers must compete for labor with nearby industries. Farm labor must be used to best advantage the year round, an important factor in the area's diversified agricultural activities.

All this is reflected in the accompanying table showing sources of farm income in this area contrasted with those of United States agriculture generally. Agricultural land in the district has

SOURCES OF FARM INCOME—1939

	Counties in			Third District	United States
	Pennsylvania	New Jersey	Delaware		
Livestock	12.9%	3.8%	3.7%	10.6%	26.5%
Dairy products	32.9	19.8	13.7	29.2	16.7
Poultry and poultry products	18.8	26.8	51.4	22.7	8.3
Other livestock products	1.2	.4	.3	1.0	1.6
Total livestock and products	65.8%	50.8%	69.1%	63.5%	53.1%
Field crops*	20.1%	13.8%	11.3%	18.4%	37.0%
Vegetables	4.0	23.1	9.1	7.6	3.0
Fruits and nuts	4.0	8.1	6.6	4.9	4.4
Horticultural specialties	5.6	4.1	3.6	5.2	1.9
Forest products	.5	.1	.3	.4	.6
Total crops	34.2%	49.2%	30.9%	36.5%	46.9%

*Includes Irish and sweet potatoes.
Source: Census of Agriculture, 1940

to be utilized intensively. Relatively few farmers specialize in field crops such as wheat or potatoes; they utilize their capital and labor to best advantage by producing that combination of field and animal products which yields a large net income per acre.

The proximity of large metropolitan markets puts a premium on high-grade products which are perishable, such as fluid milk, eggs, and fresh vegetables. Some farmers within the area increase their revenue by the production of "fancy" products commanding premium prices. Such products have a ready market in New York and Philadelphia among income groups which demand quality regardless of price.

Development of Third District agriculture since 1900 reflects the industrialization and urbanization of the area. Land in farms has been decreasing steadily while acreage devoted to agricultural products throughout most of the country has been increasing. In this area the number of farms has declined so that the average size of farms has remained practically unchanged. The size of farms throughout the country has been increasing. In 1940 farms in this district averaged 86 acres in contrast to 174 acres for the United States.

During the first two decades of this century farm employment in the district declined more rapidly than elsewhere. Workers left the farms in large numbers for jobs in the cities. With this marked migration came a shift from field crops to livestock products. Of course, similar production changes took place throughout the country as a whole, but it was accentuated in this area because of the rapid strides in industrialization. Farmers adapted shrinking labor and land resources to market opportunities.

Wartime changes within the district did not quite parallel those of the nation in that the increase in agricultural production here did not keep pace with the rest of the United States. Wheat, corn, cattle, and fruit production declined in Pennsylvania, New Jersey, and Delaware in the early years of the war, but increases in truck crops, fluid milk, eggs, and poultry paralleled gains in the larger agricultural areas of the country. This is evidence of a continuing concentration on the production of products of high unit value. Farm wage rates in the three states did not increase as much as in the larger agricultural areas partly because they had already been relatively high before the war.

Changes During the First Year of Peace

Huge domestic demand for farm products at home and hoards of hungry people overseas, kept agriculture in a state of war during 1946. The agricultural situation during the first year of peace remained substantially unchanged. Land rehabilitation generally had to be postponed. In 1946 the physical output of agricultural products is expected to be only slightly below that of 1945. Crop production is expected to be about 3 per cent above the peak year of 1942 and livestock production only a little below the 1943 record. Exports rose almost a billion dollars during the year and domestic consumption of most foods remained close to wartime levels. Surplus stocks of basic staples are small.

Farm prices continued to rise during the year —faster than nonfarm prices. Prices received by farmers in November 1946 were 28 per cent above last year's level. The Department of Agriculture estimates average prices for the whole year at 15 per cent above 1945. Prices of commodities which farmers sell have risen faster than prices of things which farmers buy. In November 1946 farm prices were soaring at an altitude 24 per cent above parity, the 1910-1914 relationship between prices received and paid by farmers. However, the removal of all price controls last October has made the future trend of the parity ratio uncertain. Despite recent advances in farm prices generally, weaknesses have developed in cotton, corn, butter, and poultry. Potatoes and peanuts have touched support levels. These developments have convinced some observers that farm prices have already reached their peak. If this is true, then agricultural reconversion is at hand.

During the first year of peace the downward trend of farm population was reversed. Employment began to show an increase in April 1946 and is still above the level of last year. The number of family workers has increased more consistently than the number of hired workers. One million veterans have returned to the farms. These men not only are swelling the total farm labor force but also are replacing many older farmers seeking retirement. It appears that the return of farmers who had found industrial employment during the war is as yet a minor factor. In the Middle Atlantic states, contrary to the situation for the nation as a whole, the number of persons employed on farms is now greater than the 1935-39 average.

Wage rates for hired farm workers in the United States continued to rise during 1946. In October farm wages were 10 per cent above the preceding year and about triple the pre-war level. Although wages have risen substantially percentagewise the average wage rate for farm workers in the United States is still less than $5 a day.

With production continuing at a high level and prices still rising, farm operators' income in 1946 is expected to be more than 10 per cent above last year—a continuation of the trend of the last seven years. Of course, production expenses are up also, but gross farm income of $27 billion will allow net income of about $15 billion —an all-time high.

The farm income pattern in Pennsylvania, New Jersey, and Delaware differs from that of the country. Both gross and net income appear to have increased only slightly in Pennsylvania from 1945 to 1946; and in New Jersey and Delaware it is estimated that there has been a decline —substantial in the case of Delaware.

GROSS AND NET FARM INCOME
PENNSYLVANIA, NEW JERSEY, AND DELAWARE

	1940	1945	1946 (Estimated)
	Millions		
Gross income*			
Pennsylvania	$352	$ 705	$ 721
New Jersey	121	230	226
Delaware	37	108	89
Total gross income	$510	$1,043	$1,036
Net income			
Pennsylvania	$126	$ 302	$ 309
New Jersey	38	75	74
Delaware	12	37	31
Total net income	$176	$ 414	$ 414

*Includes Government Payments.

Pennsylvania, New Jersey, and Delaware are in an area which produces less feed than it uses, and the tight feed situation which prevailed during 1946 undoubtedly contributed toward the reduction of gross farm income. In an area where more than half of the value of agricultural products is derived from livestock products such as milk, eggs, and poultry, feed prices are crucial. Both the milk-feed ratio and the egg-feed ratio were lower during 1946 than in the preceding year—it took more eggs to buy a given amount of feed this year than last. This is particularly important in the case of Delaware, where over half of the farm income is derived from poultry and poultry products. Nationally the number of chickens raised on farms fell 18 per cent during 1946 and the cow population declined 4 per cent.

The production of farm machinery for the year ending June 30, 1946 was about 5 per cent below that of 1945. As in the case of most durable goods, and particularly automobiles, material shortages and labor difficulties have kept the farmers waiting for machines they want to buy, even though they are able and willing to pay high prices. Production of agricultural machinery is increasing but there is still too little available.

In view of the difficulties confronting farmers in making improvements in buildings and machinery and the natural desire to take advantage of high agricultural prices by expanding production, there is considerable danger that savings of farmers will continue to overflow into farm real estate. Land values continued to rise after the end of the war and the number of voluntary sales rose. There is some indication also that the average size of farms sold is decreasing. The implications of a continuation of a land boom are serious. Wartime savings which should be set aside for improving buildings, soil, and equipment can be dissipated quickly by land purchase at inflated prices. Many farmers may assume debt burdens which cannot be supported if and when prices of farm products decline.

The Outlook

The implications of rising land values are most significant when viewed in the light of the future. Although several reversals of wartime trends have appeared during 1946, it is clear that the major problems of agriculture's readjustment to peace are still ahead. The physical changes such as the repair of equipment and the replanting of soil-conserving grass and legume crops can be accomplished gradually as materials become available and as stocks of certain foods are replenished. The method of accomplishing these tasks is clear. However, the economic problems that have to be solved—much less their solutions — are neither clear nor simple.

A problem of first magnitude is the probable readjustment of farm prices. As has been pointed out, the prices which farmers received for the goods they produced have increased about twice as much since the beginning of the war as the prices of commodities which they

have had to buy. Farm prices increased three to four times as much as those of manufactured goods. The farmer has gained a larger share of the national income.

To the extent that these gains are the result of a permanent enlargement of the demand for food and farm products, they may be retained. It seems, however, that the main factors responsible for the extremely high level of farm prices are wartime distortions which may soon disappear. The first of these concerns price control regulations. Farm prices were not controlled to the same extent as other prices. In some cases farm products were not regulated until late in the price control program. In others control was ineffective. In many instances certain statutory limitations applied which were frankly designed to bring farm prices into a more favorable relationship with nonfarm prices. In general, agricultural commodities were released from price control somewhat before manufactured goods. With virtually all prices now decontrolled, manufactured goods are free to rise, and it is entirely possible that the present relationship between farm and nonfarm prices will be changed.

Despite rationing, food was available in large quantities. During the war it seemed that consumers were willing to spend a disproportionately large share of their purchasing power on food since they were unable to buy durable goods. With refrigerators, furniture, and other hard goods back in the market, food will have increasing competition. Food budgets may not be drastically affected by this development, but even a small reduction in food expenditures by large numbers of people will bring strong pressure to bear on farm prices — especially the prices of relatively high-cost food.

A third wartime distortion took place in international trade. Agricultural exports rose from less than $1 billion in pre-war years to about $3 billion in 1946. Nearly half of current food exports are Lend-Lease and UNRRA shipments which are scheduled to end next year. Foreign nations will soon have to do their own buying and will have to use their own limited dollar resources. In the coming year exports will probably diminish only slightly, but they will decline further as foreign agriculture is rehabilitated. Ultimately American farmers will be in competition with world agriculture. If, as was the case during the pre-war decade, American prices are high relative to world prices, the prospect for large-scale export of farm products would not be favorable.

The supply of farm products is difficult to predict for any particular year, but all indications point to the fact that agricultural production will not decline in the near future. In all probability it will continue to increase. The same physical factors which permitted record expansion during the war are operative now. They may become even stronger. The supply of fertilizer, for instance, will be slightly larger next year; pre-war usage will be more than doubled. Farm management practices will continue to improve. Production of farm machinery is expected to lag for the next six months, but should improve rapidly after that. It is possible that there will be 2½ million tractors on farms in 1947 compared to 1½ million in 1940 and a little over 2 million in 1945. The farm labor supply will be larger and of better quality, including many veterans with mechanical know-how acquired in the service. It is true that wartime production incentives will be gone and that prices are generally expected to decline, but experience has shown that farmers tend to stay in full production regardless of business fluctuations.

The Department of Agriculture estimates that prices received by farmers in 1947 will average about 10 per cent below those of 1946, with a definite downturn taking place in the second half of the year. On the other hand, prices paid by farmers, according to the Department, will be higher next year and the parity ratio may fall from its present level of 132 to about 100—perhaps less in the second half of the year. Production expenses will be higher. Labor costs may continue to rise and property taxes may increase slightly. Net farm income in 1947, therefore, may be as much as 10 to 15 per cent below the current year.

The farmer will be a big customer for goods next year, but his income may be shrinking. A large-scale return of workers to the farm, though it is not imminent, would tend further to reduce per capita incomes and more farmers might drop out of the middle and high-income groups which buy large quantities of city-made products. The development of a back-to-the-farm movement would depend largely upon job opportunities elsewhere. If business is good,

workers will continue to leave full-time farming in conformance with the long-term trend. If it is bad, many will return—some to mere subsistence farming—despite lower prices for farm produce.

Farmers in the Third Federal Reserve District are particularly interested in the outlook for dairy and poultry products. Estimates of the Department of Agriculture indicate that there will be fewer milk cows and fewer chickens throughout the nation next year, but although egg production is expected to be lower, production per cow should increase and milk production should be maintained. Egg prices are quite likely to be higher than this year mainly because of support price commitments. Prices of dairy products and poultry are expected to be firm, but there will be a tendency toward a decline in the second half of the year. Large feed supplies will be a favorable factor in contrast to the tight situation this year. Third District farmers have already made a considerable adjustment to peacetime conditions and it is possible that changes that are yet to come will not be felt so sharply here as elsewhere.

However valid these forecasts for the coming year may be, predictions bearing upon the agricultural situation beyond next year would seem to border on pure conjecture. Our past experience and knowledge of trends, however, raise important questions concerning future developments. After the first world war, peak farm prices reached in 1920 were cut in half within a year with disastrous effect. The Government is now committed to the support of farm prices for two years after the end of the war emergency. But that support will not be forthcoming until prices decline to 90 per cent of parity—the support level. And this means that a decline in the general level of agricultural prices could not be stopped by Government intervention until a drop of nearly 30 per cent from November 1946 levels had occurred. If nonfarm prices should recede to the 1945 average, a drop of 40 per cent is possible before a parity ratio of 90 is reached. Present legislation does place a floor under farm prices; nevertheless, a fall from the present height, if it occurs, might cause considerable damage.

Even if farm prices do recede to support levels and the farmer adjusts to them, there is still the possibility that increasing production within the next few years may again build up large, chronic surpluses. This could occur if the general support level were too high or the relative prices of various farm products—based on a 1910-1914 pattern—were distorted. To the extent that surpluses are accumulated under such conditions, the immediate impact of drastic readjustments will be cushioned, but long-range problems of over-population and low income on the farm will not be solved.

The long-run decline in the share of national income going to agriculture—interrupted by the war, but now possibly resuming—reflects our ability to expand the nonagricultural industries and to spend a smaller part of our energies on the production of food and fiber. This need not spell disaster for the farmer. The events of the past five years have proved that he can increase his efficiency greatly. The acceleration of mechanization has enlarged the productive power of the farm family unit and placed a much higher standard of living within its reach. It will give the hired farm hand an opportunity to draw even with the city worker.

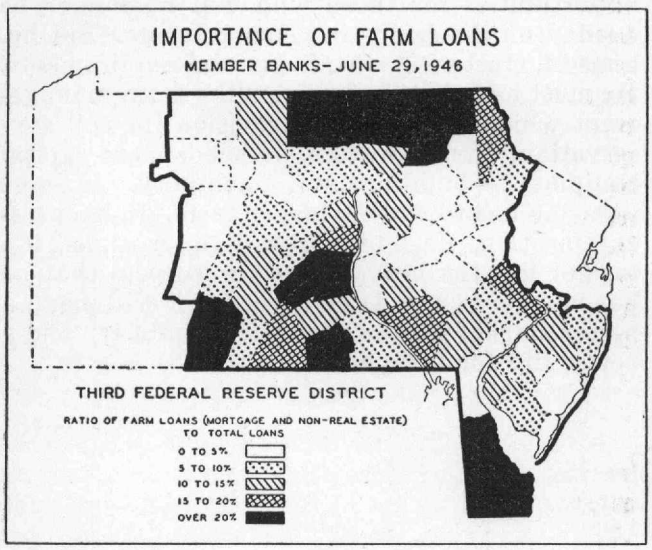
It is not up to the farmer alone to accomplish these things. He is dependent upon other segments of the economy for his market and for job opportunities for those who will no longer be needed on the farms in years to come. But he, himself, must meet certain general requirements. He must have better, businesslike farm management which will include provision for soil conservation. In many cases, he needs more capital equipment—buildings and machinery. In some areas he has to work a larger farm. In his present position, despite a few danger signs, the farmer has the best chance for success that he has had for years. If he succeeds it will mean a better market for the products of industry and a better life for farm families.

Farm Lending by Banks

The revival of both short-term and mortgage farm loans since the end of the war brings banks face to face once again with peacetime problems involved in lending to farmers. As agriculture confronts its own peculiar post-war problems of production, markets, prices, and capital expansion, banks are concerned primarily with these questions: To what extent will farm loans provide an outlet for bank funds? What loan policies will bring most benefit to both banking and agriculture?

In some respects it might appear that these questions are of little importance to member banks in the Third Federal Reserve District. Farm loans constitute a small proportion of total loans. Except for New York and Boston, they are a smaller proportion of total loans than in any other Federal Reserve district.

But this over-all picture is heavily influenced by the industrial and trade activity of the thickly populated centers of the district. Farm lending problems are a primary concern in many sections, and the loan policies pursued by local banks will have a significant influence on the future of agriculture in those areas. In some farming counties, total agricultural loans of member banks represent as much as one-third (and in one case more than one-half) of total loans. As the map indicates, in ten counties they constitute more than 20 per cent of total loans. The small outlying banks of the district play an important part in the farm activities of their areas. In institutions with less than $2 million of deposits, farm loans account for one-fifth of total loan portfolios.



IMPORTANCE OF AGRICULTURAL LOANS
BY SIZE OF BANK
June 29, 1946

Third F. R. District Member Banks	Ratio to total loans		Percentage of Third District	
	Real estate	Non-real estate†	Real estate	Non-real estate†
Banks with total deposits of—				
$100 million or more	*	.....	0.6%	.....
$10 to $100 million	0.7%	0.4%	10.8	6.8%
$2 to $10 million	4.9	4.6	61.3	68.5
Under $2 million	11.7	8.9	27.3	24.7
Third F. R. District	1.8%	1.5%	100.0%	100.0%

† Includes loans to farmers directly guaranteed by the Commodity Credit Corporation.
* Less than .05 per cent.

Farm Mortgage Trends

Although in many respects the farm credit situation today differs substantially from previous boom periods, conditions are sufficiently similar to warrant drawing upon past experiences in determining post-war lending policies.

Total Mortgage Debt

The trend of total farm mortgage debt over a period of years indicates the over-all supply of mortgages for which banks compete. Between 1912 and 1922, the volume of farm mortgages in the United States rose rapidly with the general expansion of agriculture and with the sharp rise in commodity and real estate prices during and after the war. In Pennsylvania, New Jersey, and Delaware the increase in mortgages was considerably less rapid than in the nation. Agriculture was not growing as fast as in the South and West, land values rose less, and the proportion of mortgaged farms probably increased less.

The volume of farm mortgages in the United States reached a peak in 1923. But land values had begun to decline three years before, and income was considerably below the 1919 peak. The consequences of building up a heavy debt structure in expectation of continued high land values and continued high income were felt when farmers' ability to pay fell off. Voluntary transfers of real estate dropped precipitously

FARM MORTGAGE DEBT AND RELATED FACTORS

	Pennsylvania	New Jersey	Delaware	Three States	United States
Farm mortgage debt:*					
Per cent changes—					
1912 to 1922	+68	+64	+41	+65	+172
1922 to 1933	+ 5	− 1	−29	+ 2	− 19
1933 to 1939	−24	− 6	+ 1	−19	− 22
1939 to 1946	−11	− 8	+ 7	− 9	− 25
Farm land values:†					
Per cent changes—					
1912 to 1922	+22	+23	+19	....	+ 43
1922 to 1933	−35	− 9	−33	....	− 47
1933 to 1939	+13	+ 5	+11	....	+ 15
1939 to 1946	+48	+41	+54	....	+ 69
Farms mortgaged:					
Per cent of all farms operated by owners—					
1910	30.9	48.9	36.6	33.3	33.2
1920	31.6	46.1	33.6	33.4	37.2
1930	33.9	51.3	38.5	36.2	42.0
1940	34.0	50.8	38.1	36.3	41.0

* As of January 1.
† As of March 1.
Sources: U. S. Department of Agriculture;
U. S. Department of Commerce, Bureau of the Census.

and foreclosures and assignments mounted. Mortgage debt expanded between 1920 and 1923 mostly because of distress borrowing and refinancing of short-term debts. Land values settled down to a continuous decline until 1933. Farm income, after recovering during the twenties, fell off once more between 1929 and 1932. Foreclosures and assignments became even greater than during the difficulties of the early twenties. Mortgages continued the decline which had been practically continuous since 1923.

In contrast to the national picture, farm mortgages in this area increased slightly between 1922 and 1933. Land values declined less sharply and the proportion of mortgaged farms increased less noticeably. There probably were fewer distress sales and foreclosures of real estate, and there may have been less scaling down of debt inasmuch as the mortgage burden was not as high and incomes were more stable in this section than in most farming areas.

During the remainder of the thirties, mortgages declined at similar rates both locally and nationally. Land values rose, voluntary transfers increased, and foreclosures declined, but more farmers were able to reduce debt structures by prepayments of principal out of expanding incomes and by negotiating debt adjustments.

The wartime increase in agricultural earning power was reflected in a sharp rise of farm land values and more rapid turnover of property. But mortgages continued to decline. Contrary to the situation in World War I, a large proportion of the farm transfers were accomplished with cash. As the war progressed the proportion of cash purchases rose and down payments became larger. Moreover, farmers were steadily reducing debts incurred earlier. Probably because land values and farm incomes rose less rapidly in this area than nationally, the reduction of outstanding mortgage debt was smaller.

A new trend, possibly indicative of future movements in mortgage debt, became evident in the first half of 1946. For the first time in twenty-three years, farm mortgages in the United States increased. These changes resulted from lower debt payments and an increased volume of new debt.

Banks in the Mortgage Field

While the trend of total mortgages is important to banks, the answers to their post-war problems of farm lending will depend upon the manner in which they meet the competition of other lenders in the farm mortgage field. The past experiences of banks in this area have been relatively favorable. In the face of a declining volume of mortgages from 1930 to 1945, banks increased their holdings slightly. This is all the more remarkable in view of the greater role played by Government lending agencies. Whereas the share of total mortgages held by public lenders in 1930 was only 10 per cent, by 1941 the proportion had risen to 24 per cent. The experience of banks, as the chart on the following page shows, is also in direct contrast with that of "individuals and other" lenders.

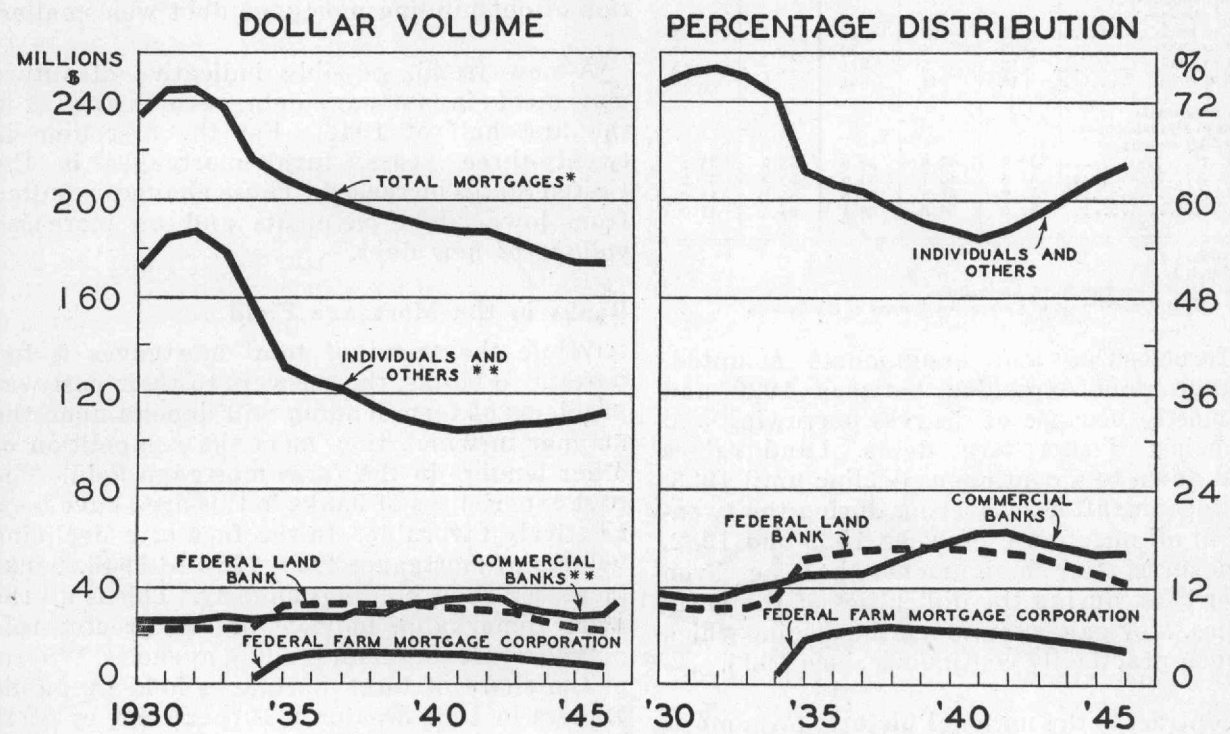
Compared with the competitive situation in the country as a whole, the position occupied by banks in this area is relatively much more important. Their share of total mortgages is more than half again as great. The proportion held by private lenders in general is larger. The growing importance of public agencies has not been so noticeable here, possibly because the mortgage situation during the depression was less acute, and there probably was less need for refinancing of debt and rehabilitation of farm areas, the principal purposes of Government credit.

Trends in Non-Real Estate Loans

Non-real estate farm loans were influenced by the same basic forces governing the trends of mortgages during the first world war, the 1920's, and the Great Depression. Loans for

FARM MORTGAGE LOANS OUTSTANDING PRINCIPAL LENDER GROUPS

PENNSYLVANIA, NEW JERSEY AND DELAWARE

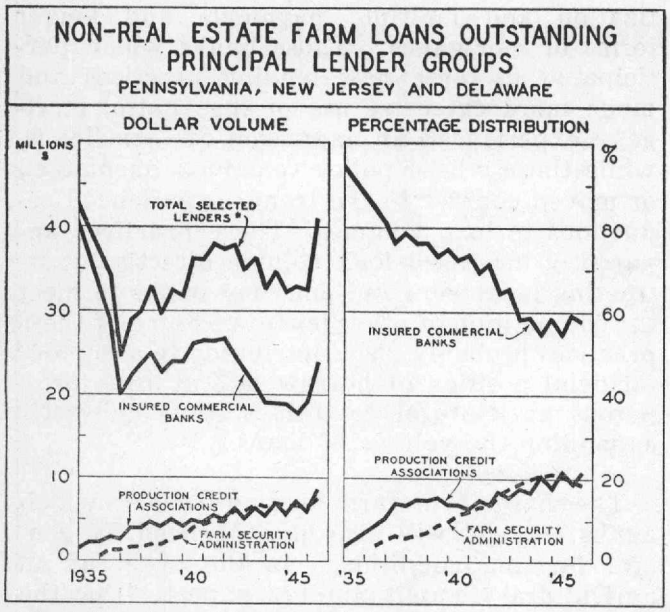


*Also includes loans of joint stock banks, Farm Security Administration, and life insurance companies not shown separately.
** Partly estimated before 1935.
Source: U. S. Department of Agriculture.

production purposes expanded rapidly during World War I and the boom which followed. Inflated farm commodity prices swelled the volume of farm loans. When prices broke and incomes fell, widespread liquidation of loans ensued. Some were refinanced into mortgages, but many banks found themselves with frozen loans and were obliged to charge them off. Bank failures mounted.

The limited information available suggests that during this period the loans of banks in this section of the country rose less in the boom and dropped less in the recession. Although the increase in farm prices in this area during World War I was about the same as for the rest of the country, average prices did not shrink as much later on. Bank failures were less numerous. When farm prices again declined after 1929 the drop was less severe in this area and it is probable that the volume of non-real estate farm loans of banks fell off less rapidly.

The rapid rise of federally-sponsored lending agencies dated from the agricultural recession of the early thirties. Prior to that time banks carried on the lion's share of short-term farm lending. As late as 1935 banks in Pennsylvania, New Jersey, and Delaware accounted for more than 90 per cent of the loans outstanding in the area. Until recently, contrary to experiences in mortgage lending, their share declined almost continuously. Moreover, the situation has been more unfavorable locally as far as banks are concerned, than in the rest of the country. In contrast to rapid growth nationally, banks in this region have not surpassed their 1935 short-loan volume in any succeeding year. Loans made in this area by Production Credit Associations and the Farm Security Administra-



*Also includes loans of Regional Agricultural Credit Corporation, Emergency Crop and Feed loans, and Federal Intermediate Credit Bank loans not shown separately.
Source: U. S. Department of Agriculture.

tion, on the other hand, increased constantly, and at a considerably more rapid rate than in the United States.

During the defense period, stimulated by greater demand, farm production expanded and prices and incomes rose. The expansion of non-real estate loans of member banks in this district was less rapid than in the country as a whole. Later, from mid-1941 to mid-1945, loan volume declined continuously here while rising in other areas. Agricultural production, prices, and incomes expanded less rapidly than elsewhere. In the United States much of the loan expansion was attributable to the rise in loans to farmers guaranteed by the Commodity Credit Corporation. The great bulk of these loans are made on cotton and other products not produced in this district.

From mid-1945 to mid-1946, for the first time in four years, the volume of non-real estate loans of member banks in this district moved upward. The increase was substantially greater than in other agricultural areas where loans guaranteed by the CCC fell off sharply because prices of many farm products were above support levels.

Prospects for Farm Lending

Keeping in mind past experiences in farm lending as well as expectations for the future of agriculture, what are the answers to the farm lending problems of banks in the post-war period? First of all, to what extent will farm loans provide an outlet for bank funds?

The future of farm loans will be governed fundamentally by two factors: (1) the volume of agricultural expenditures; and (2) the role which banks, other lenders, and the use of accumulated liquid assets play in financing the expenditures. The long-run trend toward greater mechanization of farm operations has revolutionized agriculture. But mechanization is still far from complete. In 1940, 68 per cent of the farms in the Third District had no tractors and 72 per cent were without motor trucks. Farmers were unable to replace much of their worn-out equipment during the war. New types of machinery will become available. There also exists a backlog of demand for repairs and improvements. In 1940, 27 per cent of the farm dwellings in the Third District needed major repairs, 60 per cent lacked running water, and 41 per cent were not wired for electricity. The wartime increase in farm real estate values was largely due to price increase; the physical condition of land and buildings probably declined.

A national survey of liquid assets and their probable use indicated that purchases of farm machinery and the construction and repair of buildings were uppermost in farmers' plans for 1946. Because of the unavailability of many materials, expansion and improvement may have to be postponed but the need still exists. In addition to capital and equipment expenditures, farmers plan to spend a substantial amount for automobiles and other consumer durable goods.

Expenditures for production will depend, to a large extent, on the trend of demand and prices. If inflation continues, operating costs will be larger. In the event of a general agricultural slump it is likely that the local situation will be less severe than in other farming areas. Past experiences have been favorable in this respect because production has moved increasingly toward those products with more stable prices.

How will farmers finance their expenditures? During the war the growth of liquid asset holdings of farmers was more rapid than that of other individuals and businesses. Bank deposits, cur-

rency, and U. S. Savings Bonds owned by the nation's farmers had risen to $19 billion by the beginning of this year. In the Third District, demand deposits owned by farmers in July amounted roughly to $160 million. If demand deposits constitute the same proportion of total liquid assets of local farmers as prevails in the country as a whole, the total holdings of liquid assets of farmers in this area may be as much as half a billion dollars.

The survey of liquid assets indicated that farmers not only plan to make relatively more extensive expenditures than the rest of the population but they expect to use more of their liquid assets. Except in the purchase of some farm equipment, the extensive use of instalment credit, a factor tending to sustain liquid asset holdings of urban consumers, will be less marked in farm communities.

There are several indications, however, that a large proportion of liquid assets is concentrated in a few large holders. A national survey made by the Bureau of Agricultural Economics revealed that 10 per cent of the farm operators held 70 per cent of all demand deposits owned by this group. About 10 per cent of the farm operators held three-fourths of the U. S. Savings Bonds; half of the farmers owned no bonds. Individual farmers may need credit even though aggregate liquid assets remain large. Moreover, many farmers may prefer to maintain savings intact until they can predict with greater accuracy the future trends of demand, prices, and income.

Whether a demand for credit will be reflected in a greater volume of bank loans to farmers will depend on the answers to the second question with which banks are concerned: What loan policies will bring most benefit to both banking and agriculture? The essential problem in the long run is to adapt lending operations to the changing needs of the farmer.

A study made by the Federal Reserve Bank of Cleveland in 1944 revealed several significant trends in farm lending practices over the preceding decade. There was a decided trend toward lower interest rates, greater use of amortization and multiple payments and longer terms of mortgages. Those banks which participated in these new lending practices and made more extensive use of the chattel mortgage experienced an expansion of farm loans, while those whose policy remained unchanged or moved counter to the trend, experienced reductions in loan volumes. These practices apparently increased loan volume directly by attracting borrowers and enabling banks to meet the competition of other lenders. Some of these practices probably also contributed to a sounder financial position of borrowers and more prosperous agricultural conditions, thus indirectly expanding the volume of loans.

The share of the farm lending business which banks will get will also be influenced by general farming conditions. In the event of an agricultural slump it might be expected that the importance of banks in the farm lending field would decline relative to public agencies. The objective of Government policy should be to provide credit under circumstances where risks are too great to be assumed by private lenders. Nothing like the situation after 1920 or in the depression is to be expected, however. Farmers are in better financial condition and the banking system is better able to withstand the pressure of deposit losses and distress borrowing. If banks can provide agriculture with dependable credit in both good times and bad, they will do much to strengthen their competitive position.

The policies which banks pursue now can have a decided influence on the future condition of agriculture—and, by the same token, the future of their own farm lending. By guarding against the excesses which prevailed after the first world war they can avoid the painful adjustment of the early twenties.

It is in this connection that the recent upturn of mortgage and non-real estate debt is significant. A readjustment of land values, farm prices, and incomes is highly probable. When that adjustment comes it will be important that farmers are not in debt out of all proportion to their ability to pay. By following a careful policy today banks can do much to assure a larger volume of farm loans in the future.

BUSINESS STATISTICS

Production
Philadelphia Federal Reserve District

Indexes: 1923-5 =100	Adjusted for seasonal variation						Not adjusted		
				Per cent change					
	Oct. 1946	Sept. 1946	Oct. 1945	Oct. 1946 from Mo. ago	Oct. 1946 from Year ago	1946 from 10 mos. 1945	Oct. 1946	Sept. 1946	Oct. 1945
INDUSTRIAL PRODUCTION	105p	107	102	− 1	+ 3	− 18	110p	109	105
MANUFACTURING	105p	107	103r	− 1	+ 3	− 19	110p	109	106
Durable goods	117p	120	126	− 3	− 7	− 41	.....	.....	.....
Consumers' goods	95p	94	85r	+ 1	+ 12	+ 9	.....	.....	.....
Metal products	128	131r	114r	− 2	+ 12	− 30	133	133r	118r
Textile products	70p	70	67r	+ 1	+ 6	+ 11	73p	71	68 r
Transportation equipment	165p	172	258	− 4	− 36	− 58	157p	163	247
Food products	108p	102	111	+ 6	− 3	+ 2	119p	113	121
Tobacco and products	109	102	97	+ 7	+ 12	+ 23	133	118	119
Building materials	47p	47	36	0	+ 31	+ 23	50p	51	38
Chemicals and products	145p	165	139r	−12	+ 5	− 11	147p	163	140r
Leather and products	73p	71	69r	+ 3	+ 5	0	78p	78	74r
Paper and printing	117	120	109	− 2	+ 7	+ 17	118	119	110
Individual lines									
Pig iron	94	101	87r	− 7	+ 8	− 11	93	95	86r
Steel	101	110	95r	− 9	+ 6	− 26	101	105r	95r
Iron castings	81	82	73	− 1	+ 11	+ 9	86	82	77
Steel castings	120	124	156	− 4	− 23	− 50	114	113	148
Electrical apparatus	194	184r	159	+ 6	+ 22	− 36	212	202r	173
Motor vehicles	24	26	43	− 7	− 44	− 45	22	22	39
Automobile parts and bodies	131	136	100	− 4	+ 31	− 10	124	129	95
Locomotives and cars	69	67	67	+ 3	+ 2	− 37	65	64	64
Shipbuilding	.....	.....	.....	− 5	− 50	− 65	.....	.....	.....
Silk manufactures	87	84	79	+ 4	+ 11	+ 5	89	84	81
Woolen and worsteds	68p	67	56r	+ 1	+ 22	+ 18	74p	74	61r
Cotton products	53	55	42	− 4	+ 27	+ 18	55	52	43
Carpets and rugs	72p	74	50r	− 2	+ 45	+ 36	79p	78	54r
Hosiery	70	74	61	− 5	+ 15	+ 16	77	74	67
Underwear	132	138r	126	− 5	+ 4	+ 6	143	138r	138
Cement	70p	71	45	− 1	+ 56	+ 87	78p	83	50
Brick	59	59	48	− 1	+ 22	+ 9	60	60	49
Lumber and products	27	27	24	+ 2	+ 13	− 11	29	28	25
Bread and bakery products	.....	.....	.....	−10*	− 18*	− 8*	104	116	126
Slaughtering, meat packing	95	32	93	+198	+ 2	+ 5	99	34	97
Sugar refining	46	47	68	− 2	− 33	− 15	38	40	57
Canning and preserving	157p	155	136	+ 2	+ 16	+ 14	202p	200	179
Cigars	109	102	96	+ 7	+ 13	+ 25	134	118	118
Paper and wood pulp	88	89	86	0	+ 3	+ 6	90	89	88
Printing and publishing	123	126	114	− 3	+ 8	+ 19	124	125	115
Shoes	101p	92	95	+10	+ 6	+ 6	109p	105	103
Leather, goat and kid	46p	51	45r	− 8	+ 4	− 10	48p	53	46r
Explosives	85	90	89	− 6	− 4	− 59	86	90	89
Paints and varnishes	91	105	85	−13	+ 7	+ 3	97	99	91
Petroleum products	194p	225	194r	−14	0	+ 1	196p	228	195r
Coke, by-product	162p	172	120	− 6	+ 35	− 16	159p	165	117
COAL MINING	80	82	73	− 2	+ 10	+ 8	81	82	74
Anthracite	78	79	75	− 1	+ 4	+ 9	78	79	75
Bituminous	99	107	58	− 8	+ 70	− 4	106	110r	62
CRUDE OIL	312	310	316	+ 1	− 1	− 6	312	310	316
ELECTRIC POWER	433	432	395	0	+ 9	− 1	446	423	407
Sales, total	433	434	396	0	+ 9	− 2	433	429	396
Sales to industries	317	321	291	− 1	+ 9	− 9	307	340	282
BUILDING CONTRACTS									
TOTAL AWARDS†	115	149	68	−23	+ 70	+132	118	145	70
Residential†	104	125	13	−16	+678	**	120	147	15
Nonresidential†	103	142	102	−27	+ 1	+ 70	99	134	98
Public works and utilities	147	176	155	−16	− 5	− 24	154	160	163

* Unadjusted for seasonal variation.
† 3-month moving daily average centered at 3rd month.
** Increase of 1000% or more from the low level.
p—Preliminary.
r—Revised.

Local Business Conditions*

Percentage change— Oct. 1946 from month and year ago	Factory Employment		Factory Payrolls		Building permits value		Retail sales		Debits	
	Sept. 1946	Oct. 1945	Sept. 1946	Oct. 1945	Sept. 1946	Oct. 1945	Sept. 1946	Oct. 1945	Sept. 1946	Oct. 1945
Allentown	− 1	+ 3	+ 1	+16	− 48	− 36	+ 8	+21	+11	+38
Altoona	− 2	+ 8	− 1	+17	− 40	− 67	+ 5	+28	+17	+48
Harrisburg	− 1	+12	+ 2	+29	− 95	− 86	− 4	+20	+ 1	+21
Johnstown	− 1	+15	+ 1	+32	+ 1	− 37	+ 5	+38	+ 7	+31
Lancaster	+ 2	+14	+ 6	+29	− 10	+ 24	+ 3	+19	+27	+45
Philadelphia	0	+11	0	+22	+133	+ 88	+ 6	+19	+11	+ 9
Reading	+ 2	+13	+ 7	+30	− 65	− 64	+ 1	+29	+11	+33
Scranton	− 1	+ 7	+ 6	+28	+131	+190	+ 1	+27	− 4	+29
Trenton	.....	.....	.....	.....	− 35	− 51	+ 1	+19	+25	+37
Wilkes-Barre	+ 2	+11	+ 8	+32	+ 96	+ 42	+ 3	+33	+11	+34
Williamsport	0	+14	+ 2	+32	0	+125	.....	.....	+ 7	+28
Wilmington	− 1	+ 3	+ 3	+13	− 55	− 72	+11	+37	−10	+31
York	+ 1	+19	+ 6	+37	+ 67	+ 19	+ 4	+25	+ 3	+23

* Area not restricted to the corporate limits of cities given here.

Employment and Income
in Pennsylvania

Industry, Trade and Service

Indexes: 1932 =100	Employment			Payrolls		
	Oct. 1946 index	Per cent change from Sept. 1946	Per cent change from Oct. 1945	Oct. 1946 index	Per cent change from Sept. 1946	Per cent change from Oct. 1945
GENERAL INDEX	131	− 1	+ 12	330	− 1	+ 28
Manufacturing	161	− 2	+ 8	430	− 2	+ 20
Bituminous coal mining	97	− 2	+148	538	+ 8	+373
Building and construction	69	0	+ 20	166	− 3	+ 26
Quar. and nonmet. mining	101	0	+ 29	399	+ 1	+ 60
Crude petroleum prod.	145	− 2	+ 8	268	− 3	+ 1
Public utilities	118	0	+ 19	191	+ 3	+ 24
Retail trade	138	+ 3	+ 8	223	+ 2	+ 26
Wholesale trade	121	+ 1	+ 13	198	+ 1	+ 22
Hotels	97	−25	− 13	202	−20	− 1
Laundries	99	− 6	0	220	− 2	+ 13
Dyeing and cleaning	102	+ 3	+ 5	254	+ 5	+ 25

Manufacturing

Indexes: 1923-5 =100	Employment*			Payrolls*		
	Oct. 1946 index	Per cent change from Sept. 1946	Per cent change from Oct. 1945	Oct. 1946 index	Per cent change from Sept. 1946	Per cent change from Oct. 1945
TOTAL	104	− 2	+ 8	176	− 2	+20
Iron, steel and products	106	− 3	+12	213	− 4	+21
Nonferrous metal products	197	+ 1	+11	411	− 4	+18
Transportation equipment	90	− 2	−12	164	− 1	+ 3
Textiles and clothing	84	+ 1	+14	161	+ 5	+33
Textiles	80	+ 1	+16	154	+ 5	+34
Clothing	103	− 1	+10	198	+ 2	+27
Food products	104	−13	−13	173	−15	− 7
Stone, clay and glass	107	0	+27	187	+ 1	+41
Lumber products	55	− 3	+25	105	+ 1	+49
Chemicals and products	119	0	+10	214	− 2	+18
Leather and products	83	− 1	+13	149	+ 3	+20
Paper and printing	121	− 1	+12	222	0	+25
Printing	117	− 1	+12	210	0	+28
Others:						
Cigars and tobacco	56	+ 3	+13	100	+ 6	+26
Rubber tires, goods	146	0	+24	361	+ 5	+36
Musical instruments	83	−25	−17	170	−15	+15

* Figures from 2715 plants.

Hours and Wages

Factory workers Averages Oct. 1946 and per cent change from year ago	Weekly working time*		Hourly earnings*		Weekly earnings†	
	Average hours	Ch'ge	Average	Ch'ge	Average	Ch'ge
TOTAL	39.6	− 4	$1.150	+13	$45.44	+ 8
Iron, steel and prods.	39.0	− 5	1.220	+12	47.42	+ 6
Nonfer. metal prods.	39.8	− 6	1.127	+16	44.79	+ 9
Transportation equip.	40.7	− 3	1.312	+13	53.32	+10
Textiles and clothing	39.2	− 1	.979	+17	38.35	+16
Textiles	40.0	− 2	1.007	+18	40.34	+16
Clothing	37.0	+ 1	.895	+14	33.75	+17
Food products	40.9	− 7	.937	+14	39.29	+ 8
Stone, clay and glass	39.0	− 4	1.110	+17	43.29	+11
Lumber products	43.1	0	.933	+21	40.00	+21
Chemicals and prods.	39.9	− 4	1.227	+ 7	48.94	+ 3
Leather and prods.	39.4	− 7	.914	+15	35.84	+ 7
Paper and printing	42.8	− 5	1.162	+18	49.83	+12
Printing	42.9	− 1	1.331	+17	56.88	+16
Others:						
Cigars and tobacco	38.4	− 9	.844	+23	32.41	+11
Rubber tires, goods	42.6	− 7	1.239	+12	52.74	+ 5
Musical instruments	47.8	+ 9	1.114	+28	53.28	+39

* Figures from 2570 plants. † Figures from 2715 plants.

Wholesale trade Unadjusted for seasonal variation	Per cent change: Oct. 1946 from Month ago	Oct. 1946 from Year ago	1946 from 10 mos. 1945
Sales			
Total of all lines	− 3	+27	+30
Boots and shoes	− 8	+80	.....
Dry goods	+27	+60	+42
Electrical supplies	+ 9	+79	.....
Groceries	−13	+26	+31
Hardware	+10	+58	+43
Jewelry	− 1	+32	+65
Paper	+ 8	+37	+19
Inventories			
Total of all lines	+ 4	+29	.....
Dry goods	+ 6	+74	.....
Electrical supplies	+16	+65	.....
Groceries	+ 7	+40	.....
Hardware	− 3	+23	.....
Paper	+ 3	+22	.....

Source: U. S. Department of Commerce.

Prices	Oct. 1946	Per cent change from: Month ago	Year ago	Aug. 1939
Basic commodities (Aug. 1939 = 100)	252	+ 5	+36	+152
Wholesale (1926 = 100)	134	+ 8	+27	+ 79
Farm	165	+ 7	+30	+171
Food	158	+20	+49	+135
Other	116	+ 3	+16	+ 44
Living costs (1935-1939 = 100)				
United States	148	+ 2	+15	+ 51
Philadelphia	148	+ 1	+16	+ 51
Food	178	+ 3	+29	+ 91
Clothing	163	0	+ 9	+ 64
Fuels	121	0	+ 7	+ 26
Housefurnishings	167	0	+14	+ 66
Other	128	+ 1	+ 6	+ 27

Source: U. S. Bureau of Labor Statistics.

Indexes: 1935-1939 = 100	Adjusted for seasonal variation: Oct. 1946	Sept. 1946	Oct. 1945	Per cent change: Oct. 1946 from Month ago	Oct. 1946 from Year ago	1946 from 10 mos. 1945	Not adjusted: Oct. 1946	Sept. 1946	Oct. 1945
RETAIL TRADE									
Sales									
Department stores—District	230p	241	184	− 5	+ 25	+ 28	259p	246	208
Philadelphia	218	220	182	− 1	+ 20	+ 26	245	227	204
Women's apparel	239	239	206	0	+ 16	+ 31	273	280	236
Men's apparel	243	264	232	− 8	+ 5	+ 31	260	244	248
Shoe	212p	212	166	0	+ 28	+ 35	225	251	176
Furniture	.....	.....	.....	+ 13*	+ 26*	.....	.....	.....	.....
Inventories									
Department stores—District	212p	210	149	+ 1	+ 42	.....	242p	231	170
Philadelphia	203p	198r	143	+ 3	+ 43	.....	234p	222r	164
Women's apparel	242	245	178	− 1	+ 36	.....	295	286r	217r
Shoe	83p	72	57	+ 16	+ 45	.....	85p	74	59
Furniture	.....	.....	.....	+ 13*	+ 55*	.....	.....	.....	.....
FREIGHT CAR LOADINGS									
Total	136	135	113	+ 1	+ 21	− 7	147	151	122
Merchandise and miscellaneous	130	128	110	+ 2	+ 18	− 6	138	139	117
Merchandise—l.c.l.	97	93	86	+ 4	+ 13	+ 8	102	96	91
Coal	144	156	107	− 7	+ 35	0	159	172	118
Ore	152	154	147	− 2	+ 3	− 27	218	248	211
Coke	165	180	87	− 8	+ 89	− 23	188	191	99
Forest products	90	88	89	+ 2	+ 2	− 4	105	110	104
Grain and products	140	107	170	+ 31	− 18	− 15	140	106	170
Livestock	132	42	111	+217	+ 19	+ 1	155	50	130
MISCELLANEOUS									
Life insurance sales	183	207	132	− 11	+ 39	+ 64	191	182	137
Business liquidations									
Number	.....	.....	.....	+ 98*	+693*	+165*	12	6	1
Amount of liabilities	.....	.....	.....	**	.....	+959*	56	4	0
Check payments	217	235	189	− 7	+ 15	+ 10	213	211	185

* Computed from unadjusted data.. p—Preliminary. r—Revised.
** Increase of 1000% or more from the low level.

BANKING STATISTICS

MEMBER BANK RESERVES AND RELATED FACTORS

Reporting member banks (Millions $)	Nov. 27, 1946	Changes in—: Five weeks	One year
Assets			
Commercial loans	$ 396	+$21	+$160
Loans to brokers, etc.	32	+ 1	− 9
Other loans to carry secur.	23	− 6	− 8
Loans on real estate	44	− 2	+ 11
Loans to banks	3	+ 1	+ 2
Other loans	166	+ 4	+ 37
Total loans	$ 664	+$19	+$193
Government securities	$1409	−$72	−$535
Obligations fully guar'teed	....	....	....
Other securities	211	+ 4	+ 16
Total investments	$1620	−$68	−$519
Total loans & investments	$2284	−$49	−$326
Reserve with F. R. Bank	422	− 3	− 33
Cash in vault	33	− 1	− 3
Balances with other banks	92	+ 6	+ 2
Other assets—net	48	+ 2	− 2
Liabilities			
Demand deposits, adjusted	$1836	+$44	−$100
Time deposits	265	− 6	+ 46
U. S. Government deposits	158	− 53	− 260
Interbank deposits	330	− 24	− 57
Borrowings	1	− 5	− 5
Other liabilities	26	− 1	+ 5
Capital account	263	....	+ 9

Third Federal Reserve District (Millions of Dollars)	Changes in weeks ended: Oct. 30	Nov. 6	Nov. 13	Nov. 20	Nov. 27	Changes in five weeks
Sources of funds:						
Reserve Bank credit extended in district	−16	+29	− 3	+ 5	+ 7	+22
Commercial transfers (chiefly interdistrict)	+21	+30	+27	− 2	+ 8	+84
Treasury operations	−10	−48	− 8	−21	− 4	−91
Total	− 5	+11	+16	−18	+11	+15
Uses of funds:						
Currency demand	− 2	+ 7	+ 6	− 7	+19	+23
Member bank reserve deposits	− 4	+ 5	+10	−11	− 9	− 9
"Other deposits" at Reserve Bank	+ 1	− 1	0	....	+ 1	+ 1
Other Federal Reserve accounts	....	....	....	....	....	....
Total	− 5	+11	+16	−18	+11	+15

Member bank reserves (Daily averages; dollar figures in millions)	Held	Required	Excess	Ratio of excess to required
Phila. banks				
1945: Nov. 1-15	$445	$435	$10	2%
1946: Oct. 1-15	410	403	7	2%
Oct. 16-31	409	402	7	2%
Nov. 1-15	412	406	6	2%
Country banks				
1945: Nov. 1-15	$357	$295	$62	21%
1946: Oct. 1-15	392	335	57	17%
Oct. 16-31	386	335	51	15%
Nov. 1-15	391	338	53	16%

Federal Reserve Bank of Phila. (Dollar figures in millions)	Nov. 27, 1946	Changes in: Five weeks	One year
Disc. and advances	$ 20	+$ 1	+$ 6
Industrial loans	1	.....	− 1
U. S. securities	1653	+ 34	+ 32
Total	$1674	+$35	+$37
Fed. Res. notes	1681	+ 24	+ 71
Member bk. deposits	787	− 9	− 20
U. S. general account	45	+ 17	+ 20
Foreign deposits	52	+ 10	− 21
Other deposits	3	+ 1	.....
Gold certificate res.	899	+ 2	+ 20
Reserve ratio	35.0%	− 0.5%	+ 0.1%