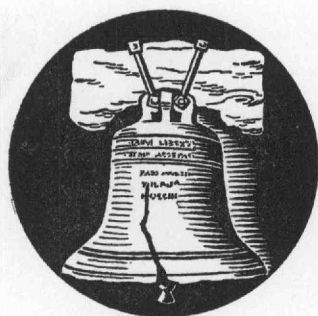


THE

# BUSINESS REVIEW

FEDERAL RESERVE BANK OF PHILADELPHIA



## TOBACCO: WEED OF WEALTH

*This article is about tobacco, its cultivation and sale, as practiced in Lancaster County, Pennsylvania.*

*No state in the Union produces more cigar tobacco than Lancaster County.*

*Yet agriculture in the county is diversified, and the area is noted for its manufactures, which create more than twice the income produced on the farms.*

*Cultivation of the crop requires good land, though not great acreage, and hard work the year 'round. The market for cigar tobacco is the farmer's barnyard. Growing tobacco is a science; selling it is an art.*

## THE MONTH'S STATISTICS

*Nondurable lines made the best gains as the downtrend in business activity was halted.*

*Bank loan expansion continued, and price indexes leveled off.*

## TOBACCO: WEED OF WEALTH

The after-dinner cigar you smoked last night burned into ashes in less than an hour, but it was long in the making. The chances are that it was manufactured last month out of tobacco that had been aging in the warehouse since 1947, bought from the farmer in the spring of that year, cured by the farmer in the fall of 1946, harvested in the late summer, and planted in the spring from seeds sown before all of the 1945-1946 winter snow had melted. The chances are that the cigar contained Lancaster County tobacco, for the county grows a substantial part of the country's annual output of cigar leaf. To the Lancaster farmer, it is a \$15 million crop, to the botanist it is *nicotiana tabacum*, to the consumer it is a "smoke." But it is only a weed.

Over 90 per cent of the tobacco produced in Pennsylvania grows in Lancaster County. The reason why is difficult to explain, other than to say the county has just what it takes to grow U. S. Type 41—a heavy-bodied, large leaf tobacco used as a filler, the bunched leaves making up the body of a cigar. Lancaster has a good climate which very, very seldom lets the farmer down. It has an exceptionally good limestone soil, which has not as yet yielded all of its secrets to the soil analysts. Above all, the county has able farmers who know good soil and who practice good soil management so that it yields more and more year after year.

The people who make the county what it is are a typical Americanized mixture of foreign origins—Scotch, Irish, English, Pennsylvania "Dutch," and Huguenots—a blend of temperaments, faiths, and vitality. The county is not predominantly Amish, as is popularly supposed; in fact, the Amish are very much in the minority. They are a picturesque, rural people who wear plain clothing without adornment, shun all forms of commercial entertainment, prefer to send their children to their local schools, and they do not paint the gatepost blue to indicate the place of residence of a marriageable daughter. They are solid, substantial, hard-working citizens, farmers all, and for the most part able tillers of the soil who likewise grow tobacco. Most of the so-called "plain people" live in the better tobacco land of the county—north of the Pennsylvania Railroad tracks.

In recent years, tobacco growing has been spilling over into the neighboring counties—Berks, Chester, and Lebanon, and into Maryland—for Amish reasons. Partly, if not wholly, it is because of their religious faith; they prefer to follow agricultural pursuits to the exclusion of all others. Consequently, Amish farmers give their sons financial assistance in acquiring farms after they grow up and marry, and there are not enough farms for sale in Lancaster County.

Tobacco is the big money crop. It pays the farmers' big expenses—the new tractor, another automobile, the hospital bill, or a big slice off the mortgage. Yet, tobacco is a minor crop in terms of acreage—about one out of four or five acres tilled. Drive through the county in mid-summer—not on the Lincoln Highway where you have to keep your eyes glued to the road, but on byways like the road to Reamstown or Silver Spring or Manheim, and you will see some of the country's tallest corn, reddest tomatoes, largest potatoes, greenest pastures, golden wheat, and the fattest cattle. And what yields! The figures are in the almanac, the color in the fields.

Lancaster has the largest cattle market this side of Chicago and, believe it or not, the reason is—tobacco, at least in part. Farmers buy and fatten cattle not primarily for additional farm income, as you might suppose, but for the cattle manure to fertilize the soil. For some farmers, the profit derived from taking cattle as boarders on their way to the abattoir is only incidental.

Lancaster ranks right up with the wealthiest agricultural counties of the country's more than 3,000 counties. The Garden of Eden may have surpassed Lancaster County as an agricultural paradise, but it had no manufacturing, according to the records. Lancaster's agriculture, for all of its wealth, is far surpassed by its manufacturing industries that produce two and a half times the wealth created on the farms. The county has a watch factory that produces watches just as good, if not better than, Swiss watches. It is the home of one of the world's largest linoleum factories, and other industries turn out leather products, textiles, ball bearings, television tubes, clothing, candy, jewelry, and cigars. Here is diversity aplenty and the stability that goes with it.

You can imagine the condition of the bank vaults, the checking accounts, the strong boxes. One local bank that erected a new building just a few years ago is already confronted with the need for doubling the number of strong boxes for rental to its customers. But to get back to tobacco.

### LANCASTER TOBACCO IS DIFFERENT

Lancaster's tobacco crop is a small, a very small, part of the country's tobacco crop—about 55 million pounds a year out of 2,000 million pounds, less than 3 per cent. Most people who smoke, smoke cigarettes; but tobacco is also used in the pipe, in cigars, or for chewing or snuff. Lancaster grows chiefly cigar tobacco.

There are many kinds of tobacco, and most of it is grown in the South. With some minor exceptions, Virginia, the Carolinas, Maryland, Georgia, Florida, Tennessee, and Kentucky grow practically all of the cigarette and other non-cigar types of tobacco. Most of these tobaccos are flue-cured, that is, cured or dried in barns equipped with flues to distribute the heat from a central fire-place. Approximately one-third of the big flue-cured crop is exported, and most of the remainder is blended with a small amount of imported "Turkish" tobacco for manufacture into more than 350 billion cigarettes for American consumption. Nearly 140 million pounds, or roughly 7 per cent of the country's crop, are cigar tobaccos which are grown, for the most part, in three rather restricted areas. Pennsylvania produces 40 per cent of the total; Wisconsin and the Connecticut Valley grow most of the remainder, with smaller quantities from Ohio and the South. A cigar has three parts, requiring three different kinds of tobacco. Pennsylvania grows the filler, as mentioned above. Wisconsin grows the binder, which binds together the loosely packed filler to give shape to the cigar. The Connecticut Valley grows both binder and wrapper tobacco, the latter the outside layer requiring almost a perfect leaf of proper color. Some Cuban and Sumatra wrappers are imported.

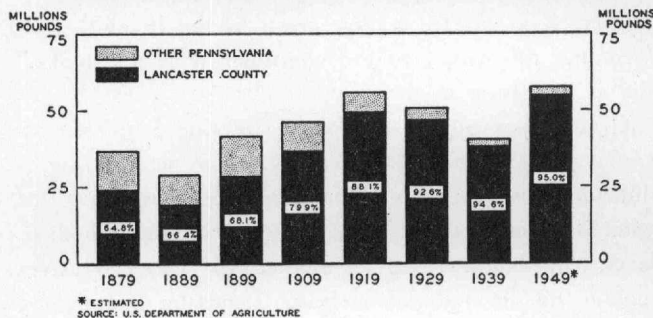
The cigar differs from the cigarette in a variety of ways, ranging from sowing the seed to brushing up the ashes after the banquet. The cigar is a big smoke made by a little industry; the cigarette is a little smoke made by a big industry. Cigar tobacco is grown and manufactured chiefly in the North; cigarette tobacco is grown and manufactured chiefly in the South. The plants are different in appearance, and the leaves are marketed in

different ways. Cigar leaf is sold slowly at the farm; cigarette leaf rapidly at a central auction. Large quantities of cigarette leaf are exported; very little cigar leaf goes abroad. Cigarettes are taxed heavily; cigars relatively less. The cigar is a man's smoke, and consumption has apparently passed its peak; the cigarette is a universal smoke, with no apparent limit to consumption.

### TOBACCO IN THE RURAL ECONOMY OF LANCASTER

Lancaster has been growing tobacco for over a century, but the crop did not play a big part in the local economy until after the Civil War. The post-war upsurge was caused by several developments, perhaps chiefly the shift

### PENNSYLVANIA TOBACCO PRODUCTION



in demand by cigar smokers for the type of tobacco the county could grow. The farmers were quick to seize upon the opportunity and made the most of it. Production and acreage increased over the years from that time until the post World War I period, when cigar consumption hit the peak.

### Crop Rotation Spells Prosperity

Crop rotation spells soil conservation and prosperity. Last year, Lancaster farmers harvested 36,000 acres of tobacco. Most farmers use the four-year cycle, which goes something like this: a particular field in which tobacco was grown this year will be sown to wheat next year; grass will be grown there the following year; and corn the year after that; then the cycle starts all over again with tobacco. This system not only preserves the fertility of the soil but also helps to prevent the soil from being blown over into New Jersey or washed down the Susquehanna River. Moreover, it has other advantages. The corn provides both grain and fodder to feed the cattle, the wheat provides bedding for the cattle, and



the cattle provide manure for the fields.

The acreage given over to tobacco in any one year is governed not only by crop rotation, but also by prospective opportunities of making more money by producing other things, such as tomatoes or potatoes. If the farmer was disappointed by the price received for last year's tobacco crop and gratified by the price received for his tomato crop, he will naturally contemplate reducing the tobacco acreage and increasing the tomato acreage. However, the decision is not quite as simple as that. The farmer must also anticipate what prices will be next year, and he knows that several thousand neighboring farmers are confronted by similar decisions. If most, or all, should decide to switch acreage from tobacco to tomatoes, they might be no better off than they were the year before. Furthermore, the decision is not solely a matter of disposition of acres; the farmer also has to consider his other resources, such as labor, machinery, and capital requirements.

### Money and Sweat

Although the tobacco farmer has a considerable investment in sheds and barns, raising tobacco requires more sweat than money. It is almost a year-round job. Ordinarily, late in March or early April, sometimes before the preceding year's crop has been sold, the soil bed must be prepared for seeding the current year's crop. After the seedlings have been carefully nursed into tender plants about five to eight inches high, they are transplanted from the seed bed to the field, a process which is now done largely by machine. This usually occurs in late May or early June. Then comes the endless battle against weeds, worms, and all manner of tobacco diseases. Still more sweat is required for topping and suckering the plants to assure a good crop of tobacco leaf. About the latter part of August comes the job of harvesting. With long-handled shears, the farmer and his helpers cut the stalks and slip them on spear-pointed laths, which are loaded on wagons fitted with racks to haul the tobacco to the sheds. Then starts the curing, a process during which the green leaf loses more than 80 per cent of its weight.

Curing is a delicate operation, requiring the supervision of an expert farmer and several weeks' time. To all outward appearances, curing is essentially a drying process. Actually, it is more than that. During this period, when the leaves change in color from green to brown, chemical changes also take place which call for

careful handling and ventilation. Only expert farmers know just how to stack the racks in the tobacco sheds; just how much air should be allowed to circulate through the barn, depending upon the condition of the outside atmosphere which varies from day to day and from hour to hour. The sheds, or barns, are equipped with ventilators which are opened, closed, or regulated as changing atmospheric conditions require. Nor is this the end of the job. By Thanksgiving time other field work is complete, and from then until early March the farmer works in the stripping cellar. The leaves are removed from the stalks and graded for length, freedom from imperfections, and other qualities. Finally comes the packing, where the various-sized leaves are compressed into 70-pound bales for sale.

This somewhat abbreviated description of the process reveals, perhaps, how the growing of tobacco both complicates and facilitates the labor problem on the farm. Tobacco adds to the labor requirements during the summer when the farmer is already over-worked with spraying potatoes, hastily harvesting rapidly ripening tomatoes, cutting hay, cultivating corn, milking cows, together with all of his other mid-summer duties. Between Thanksgiving and Easter, however, which is a slack period, tobacco assists in the profitable utilization of farm labor. This helps to cut down the labor overhead.

Tobacco, as it is raised in Lancaster, is not well adapted to the specialized type of financing required by a crop like cotton in the South. This is not to say that Lancaster farmers never borrow money to finance tobacco growing; they sometimes do, just as they borrow to finance the growing of potatoes or tomatoes, or the purchase of tractors and machinery. The purchase of cattle for winter fattening is often financed by borrowing in the fall, and such loans are usually paid off when the livestock goes to market. Thus, interest payments fertilize the soil. Money received from the sale of tobacco is used to repay other indebtedness.

### MARKETING THE TOBACCO

The auctioneer you hear on the radio is selling southern tobacco—cigarette leaf; it has nothing whatsoever to do with the way Pennsylvania tobacco is sold. Lancaster tobacco is not sold at auction; it is sold by the country sales method. Here tobacco does not go to market; the market comes to the farmer's barnyard.

Although both the farmer and his tobacco have already

done plenty of sweating by the time the crop is packed in bales ready for sale, the farmer has one more "sweat" to go through before he turns his tobacco into money, namely, the selling process itself. Growing tobacco is hard on the back; selling it is hard on the nerves. "Marketing is our big problem," is what every Lancaster farmer says when you engage him in a discussion on tobacco.

### The Sellers

The sellers are, of course, the farmers—about 6,000 of them in Lancaster County. By and large, they are like any other group of citizens: intelligent, industrious, independent, and shrewd—on the lookout for low prices when they buy and high prices when they sell. This is best illustrated by observing how they act when they have tobacco for sale.

### The Buyers

The buyers, sixteen in number, are listed in the classified section of the Lancaster telephone directory, plus a few unlisted. Three big cigar manufacturers buy most of the tobacco; some of it is bought by several smaller cigar manufacturers, some by independent tobacco dealers, and a small part is sold through the cooperative. The big buyers, of course, exert the biggest influence on the price.

Whether large, medium, or small, the buyers or their representatives drive out into the country and buy the tobacco from each individual farmer, one at a time. The buyers also cruise through the county during the growing season for the purpose of sizing up the general condition of the crop and spotting the best stands of tobacco. The big buyers employ local representatives who live at various places throughout the tobacco-growing section of the county, each covering his own small territory.

### How the Tobacco Is Really Sold

The Lancaster County tobacco market is best described in the words of one of the big buyers who said: "It is the most organized, disorganized market in existence." That is the best description in the fewest words. The market is disorganized in the sense that there is no gong to indicate when trading shall start or stop, no regular place of trading, no well-recognized unit of trade, no

commonly accepted grades, no published prices; in fact, practically none of the commonly accepted characteristics of a commodity market.

Nevertheless, it is a market highly organized in a very informal way and it has been working for years. To both the farmer and the buyer, the most important part of the transaction is, of course, the price. The farmer wants the highest possible price and the buyer, naturally, wants the lowest possible price. How they get together bears little resemblance to anything ever described in an economics textbook. Eventually each farmer sells his lot of tobacco to a buyer at a certain price, and that is all there is to marketing.

Some time in the late winter or early spring a buyer calls upon a farmer and makes him a specific offer for his tobacco—let us say 30 cents a pound. Unless the farmer is unusually hard up for money, he is almost sure to refuse that price, thinking his tobacco is of superior quality and certainly worth more money. No respectable buyer will increase his offer on his first visit. As soon as the buyer leaves, the farmer is on the telephone. If that telephone call is made at 7:29 a.m., the other 6,000 farmers throughout the county will know about it before the dew is off the grass. Then the marketing season is on. Other buyers are in the field almost instantaneously, also offering 30 cents. Farmers congregate in the local store or the gas station or the bank lobby, and the talk is tobacco prices. "Thirty cents! Not on your life. That's ridiculous." "They're all offering 30 cents. It's conspiracy!" "Do they think we're growing tobacco just for fun?" One farmer who called his neighbor for consultation said: "I have just been offered 30 cents for my tobacco, which I refused. What would you have done?" To which the neighbor, known for his sagacity, replied: "That's a good price to refuse." Of course, the farmer knows that if he does not sell for 30 cents, he may have to take twenty-seven tomorrow or next week or next month, and his tobacco loses weight the longer he holds it. But there is always the possibility of getting 35 cents if he holds out a little longer.

The buyers are not all equally eager. One may have substantial inventories and will buy only if he can get tobacco at his price. Another buyer with low inventories is likely to raise his offering price. If the farmers do not sell, the buyers sometimes withdraw from the market for a week or two, pretending to be uninterested in tobacco at any price. When that happens the farmers just wait. The independent tobacco dealers may likewise withdraw

or may seize the opportunity to buy. Such buying by the independent dealers is likely to precipitate a hasty return of the big buyers into the market.

It is apparent that the Lancaster tobacco market is somewhat akin to a county-wide poker game, characterized by bidding, bluffing, withdrawing, re-entering, with alternate showing of weakness or strength. This is not to say that it is a mere game or gambling. On the contrary, it is serious business—very serious business, both to the farmer and to the buyer.

## REFLECTIONS ON THE MARKETING SYSTEM

### The Farmers' Attitude

All of the farmers interviewed in Lancaster regard the tobacco marketing system as unsatisfactory. The farmer thinks he is a victim of big business. In the first place, he is critical of the identical prices offered by buyers. In the second place, he feels his bargaining power is inadequate to match that of the big buyers. In the third place, he thinks the system is unsatisfactory because the same price is paid for obviously different grades of tobacco. The farmer who takes great pains in growing and curing a superior crop naturally resents the fact that he gets no more than his neighbor who grew and cured his crop carelessly. Actually, the good farmer frequently gets a better price for his good crop than does the poor farmer for his poor crop, but there are differences of opinion about the justice of price differentials.

### The Manufacturers' Attitude

The manufacturers vigorously deny that identical bids are the result of agreement. They point out that identical prices are the inevitable result of the bargaining process. The argument runs something like this: if one buyer offers 30 cents, it is foolish for a competing buyer to offer more which would unnecessarily run up his costs, and it is equally foolish to offer less because no farmer will take less than the best offer. The manufacturer also points out that he is always in that uncomfortable middle position, that is, between the farmer who always wants more for his tobacco and the smoker who will not buy cigars if the price is too high. In other words, the manufacturer tells you that he is no magician, that he cannot make low-priced cigars with high-priced tobacco.

The manufacturer also reports that not only have his tobacco prices doubled over prewar levels, but also his

labor and other costs whereas the farmers' cost of producing tobacco has not doubled. Furthermore, the manufacturer can probably be forgiven for pointing out that the farmer is given some protection against loss by the Government price support program, whereas he, the manufacturer, has no such insurance.

These are the arguments, and we let the reader be the judge.

### Would Some Other Marketing System Be Better?

Would some other form of marketing be better in view of the obvious dissatisfaction over the present system? Frankly, we do not know, but there is considerable doubt whether any other system now being practiced would be better. There are other methods, such as cooperative marketing, the auction market, and contract buying.

Cooperative marketing is an old, old story. It has been tried at various times in various places with various commodities, including tobacco, and with various results. The Lancaster County Tobacco Growers' Cooperative Association, the fourth in that area, was created to help the farmers to get more money for their tobacco. Unfortunately, only a small percentage of the farmers joined up. Among reasons cited are the alleged activity of non-member farmers acting as buyers for other interests, and the characteristic independence of farmers—each preferring to rely upon his own bargaining sagacity. The Association manufactures cigars to absorb some Lancaster tobacco, but marketing cigars is perhaps more difficult than marketing tobacco.

Another form of marketing is the auction market. This system is used in the big tobacco-growing area of the South. Investigation discloses that the auction market is not all "sugar and cream" either. Southern farmers are dissatisfied with numerous aspects of the auction market, particularly the speed with which it sells their tobacco. The farmers bring their tobacco to a central auction market where it is neatly arranged in piles, weighed and ticketed ready to be examined by prospective buyers. The buyers and sellers accompany the auctioneer up and down the aisles, and an individual farmer's tobacco may be sold in six seconds. While the farmer has the opportunity to refuse the sale, he runs the risk of taking a lower price on a re-sale. Whether the sale is made in six seconds, as in the South, or six months, as in the North, the farmer is never quite sure that he got a fair deal.



Moreover, there is a technical difficulty in selling cigar tobacco by the auction method. The auction market unavoidably entails a great deal of handling of the tobacco by buyers, inspectors, weighers, draymen, etc., which does no damage to cigarette leaf because it has to be shredded for manufacturing into cigarettes, whereas much handling of cigar leaf would result in considerable spoilage to the disadvantage of all parties concerned.

Still another form of marketing is what might be called "contract" buying, widely used in the case of vegetables grown for the canning and quick freezing industries. Applied to the tobacco industry it would work briefly as follows: in February or March the manufacturer would enter into a contract with the individual farmer, agreeing to buy his entire crop of a specified acreage to be planted that spring at an agreed-upon price for an agreed-upon quality of tobacco, along with a scale of lower prices for sub-standard grades. In other words, the processor buys acreage before it is planted. This system appears to work well with respect to asparagus, peas, tomatoes, etc., why not tobacco? This system also has its disadvantages. As one Lancaster farmer pointed out, it would be easy for the unethical grower, when prices are high, to sell his crop by night out from under the agreement. It would be just as easy, when the market price falls below the contract price, for the unethical processor to delay acceptance of the crop, causing loss to the farmer because of tobacco shrinkage. There is a further technical difficulty in attempting to apply this to cigar-leaf tobacco, namely, the grading of cigar-leaf tobacco satisfactorily to all parties concerned.

### The Late 1948 Crop

The 1948 crop of tobacco was marketed in the usual way, but unusually late. The crop is customarily sold before Easter, but last year selling dragged on until Memorial Day. The late disposition of the crop, however, was due not so much to a delayed opening of the market as it was to the fact that the bargaining process was a long drawn-out affair. After a great deal of pulling and hauling, one of the big buyers finally jumped his bid to 30 cents. This act, which occurred about mid-May, broke the "log-jam." Farmers snapped up the bids, and tobacco began to move in large quantities into the hands of this buyer. The reason prompting him to take such action is not known, but it is a reasonable presumption that his warehouses were low and, according to press reports, he laid

in a two years' stock of tobacco.

Another explanation for the delayed action in the marketing of last year's crop arises from simultaneous developments in the Connecticut Valley and Wisconsin cigar-leaf areas. Last year, Pennsylvania had a good crop when both the Connecticut Valley and Wisconsin crops were somewhat below standard, so that the cigar manufacturers scrutinized the Pennsylvania crop for choice lots to eke out their binder requirements. The Pennsylvania farmers, knowing this, naturally expected to profit by the situation and hoped to obtain a good price for their crop.

A further explanation for the delayed marketing was the reluctance of Lancaster growers to enter a declining market. They had received an average price of 34 cents for their 1945 crop, which was the highest ever obtained. Since that year, prices have been receding. The average price received for the sale of last year's crop was 27 cents, a price still comfortably above the parity price of 23 cents and the loan level of 21 cents.

As a result of the prolonged marketing season, farmers had to call on the banks for more than the customary financial assistance. Some additional loans were made, but most of the aid was in the form of loan renewals. Many farmers who had borrowed were unable to pay up on schedule and therefore had to have their loans extended.

### From Five Cents to Thirty-four Cents

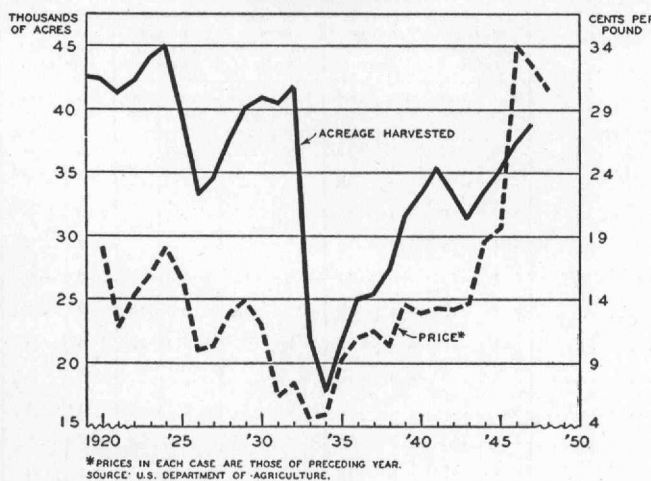
In our time, the price of Lancaster County Type 41 tobacco has fluctuated from a low of 5 cents in 1933 to a high of 34 cents in 1945. What determines the price of tobacco? The simple and obvious answer is, of course, supply and demand. Elements entering into supply are such things as the acreage planted, weather, pests, farm management, and other factors. Among the other factors are the prices of tomatoes and potatoes, because they influence the allocation of tobacco acres with which they must compete. Elements of demand are such things as the size of tobacco stocks on hand, the manufacturers' costs other than tobacco, and the demand for cigars which, unfortunately, is no longer expanding. Rising tobacco prices usually stimulate an expansion in acres planted to tobacco, and falling prices cause a contraction. This is revealed in the accompanying chart, where acres harvested in each crop year are lined up with prices received for the preceding year's crop. The size of the 1949 crop will be known soon, but the price at

which it will sell will not be known until some time in 1950—March or April or May or June. With a smaller harvest, it might be presumed that the farmers will get better than 27 cents, but the ultimate size of the harvest depends upon how it will cure out.

Further downward pressure may be exerted by the cigar manufacturers, who are apparently facing more price-conscious smokers. Recent cigar sales reveal a trend toward lower-priced smokes. This is in harmony with changing buying habits of consumers in other lines.

Lancaster farmers will doubtless continue to grow tobacco as long as people smoke cigars. While year-to-year changes in tobacco acreage are influenced largely by tobacco prices, the long-run trend in acreage is likely to be downward because yield per acre is on the increase and cigar smoking is not. Farmers are ever on the alert to improve yields, and last year the yield of 1,575 pounds per acre moved Massachusetts out of first place. In their efforts they are assisted by the U. S. Department of Agriculture's experimental laboratory in Lancaster. The laboratory is an experimental farm supervised by scientists engaged in all manner of tests to conquer tobacco pests, to develop disease-resistant strains, to discover the best fertilizers, and to improve the techniques of planting, suckering, cultivating, and curing—but not marketing. Marketing of tobacco is not a science; it is an art.

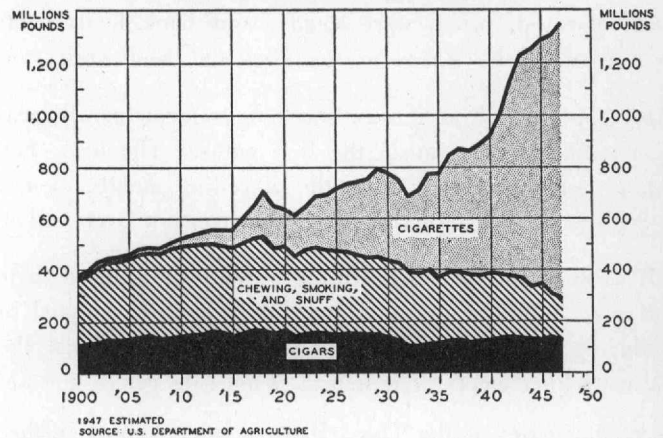
### PENNSYLVANIA TOBACCO ACREAGE AND PRICES



Marketing cigars is also an art. In 1920 the industry produced 8 billion cigars, an amount never equalled before or since despite an ever-growing population and despite all merchandising efforts. The accompanying chart

shows the long-run trends in tobacco consumption. The use of pipe, snuff, and chewing tobacco is contracting; cigarette smoking is on the increase, and the cigar is just about holding its own.

### U. S. TOBACCO CONSUMPTION



The popularity of the cigarette is due to a number of reasons. It is machine-made and therefore relatively inexpensive. It is small and easily packaged and therefore conveniently carried. It is a short smoke and therefore readily adaptable to the double-quick American pace of life. The cigar is also machine-made but, curiously, its market ceased expanding just about the time machine-made cigars appeared. By contrast with the cigarette, the cigar is still a more expensive smoke. Being a bigger smoke, it is less adaptable to packaging, carrying, and quick smoking. The commuter can light a "fag" for a "drag" while changing from the express to the local subway train, but a cigar is an appointment. Perhaps the cigarette has an aromatic appeal that the cigar can not attain. Sales of cigarettes virtually doubled when women entered the market—a stroke of luck the cigar manufacturers can scarcely hope for.

Does all this mean that the cigar is in permanent eclipse? Not necessarily. If the machinery people who lease their equipment to the cigar manufacturers do not design a machine that will make a faster selling cigar, the cigar manufacturer may do it. Cigar appeal, like cigarette appeal, is a compound of various characteristics like aroma, size, shape, color, burning qualities, and price. Improvements may occur in any one or all of these elements.

Come what may, the Lancaster farmer has little to worry about. Perhaps he can grow cigarette tobacco and if not, his is not a one-crop economy.



## THE MONTH'S STATISTICS

Statistics for the month of August indicate that the downtrend in business activity has been halted—at least temporarily. Manufacturing production, employment, and pay rolls in Pennsylvania were unchanged from the previous month, in contrast to the gradual declines that have persisted month after month since late last year. Department store sales improved, prices were steady, and bank loans continued the expansion begun in July. August figures, of course, do not reflect the effects of the steel and coal work stoppages.

The recovery, such as it was, was not uniform for all localities within the district nor for all industries. In general, the nondurable lines made the best gains. The basic heavy industries continued downward. Construction contract awards were off slightly from the preceding month, though preliminary information on building activity for the month of September points to continued improvement over earlier levels, particularly in residential building.

It is worth noting that department stores have reduced their stocks considerably more than sales have declined over the past year. Similar inventory policies have been adopted in recent months by manufacturers, particularly among those producing nondurables. There is some indication that the current spurt in production may be due in part to the need for restocking empty warehouses. Wholesale prices appear to have leveled off 10 per cent below those of a year ago.

In leading cities of the Third District banks report further expansion in deposits and in earning assets in September, despite the loss of funds through income tax payments in the latter part of the month. Additions to the investment portfolio again were chiefly in Treasury bills and certificates. The increase in business loans, which accounted for most of the increase in total loans during August, was much less of a factor in the further growth in loans reported in September. Latest reports show business loans in this district slightly under the mid-September peak.

| SUMMARY                           | Third Federal Reserve District |          |                           | United States   |          |                           | LOCAL CONDITIONS |  |  |  |                                |                                |                  |          |                |                                |
|-----------------------------------|--------------------------------|----------|---------------------------|-----------------|----------|---------------------------|------------------|--|--|--|--------------------------------|--------------------------------|------------------|----------|----------------|--------------------------------|
|                                   | Per cent change                |          |                           | Per cent change |          |                           |                  |  |  |  | Factory*                       |                                | Department Store |          | Check Payments |                                |
|                                   | Aug. 1949 from                 |          | 8 mos. 1949 from year ago | Aug. 1949 from  |          | 8 mos. 1949 from year ago |                  |  |  |  | Employment                     | Payrolls                       | Sales            |          | Stocks         | Per cent change Aug. 1949 from |
|                                   | mo. ago                        | year ago | ago                       | mo. ago         | year ago | ago                       |                  |  |  |  | Per cent change Aug. 1949 from | Per cent change Aug. 1949 from | mo. ago          | year ago | mo. ago        | year ago                       |
| <b>OUTPUT</b>                     |                                |          |                           |                 |          |                           |                  |  |  |  |                                |                                |                  |          |                |                                |
| Manufacturing production.....     | 0*                             | -17*     | -10*                      | + 7             | -10      | - 7                       |                  |  |  |  |                                |                                |                  |          |                |                                |
| Construction contracts.....       | - 1                            | - 8      | -14                       | + 1             | + 9      | - 2                       |                  |  |  |  |                                |                                |                  |          |                |                                |
| Coal mining.....                  | -10                            | -35      | -25                       | +23             | -32      | -18                       |                  |  |  |  |                                |                                |                  |          |                |                                |
| <b>EMPLOYMENT AND INCOME</b>      |                                |          |                           |                 |          |                           |                  |  |  |  |                                |                                |                  |          |                |                                |
| Factory employment.....           | 0*                             | -14*     | - 8*                      | + 3             | -10      | - 7                       |                  |  |  |  |                                |                                |                  |          |                |                                |
| Factory wage income.....          | 0*                             | -17*     | - 6*                      |                 |          |                           |                  |  |  |  |                                |                                |                  |          |                |                                |
| <b>TRADE**</b>                    |                                |          |                           |                 |          |                           |                  |  |  |  |                                |                                |                  |          |                |                                |
| Department store sales.....       | + 3                            | - 8      | - 5                       | + 1             | - 9      | - 6                       |                  |  |  |  |                                |                                |                  |          |                |                                |
| Department store stocks.....      | - 4                            | -13      |                           | - 1             | -12      |                           |                  |  |  |  |                                |                                |                  |          |                |                                |
| <b>BANKING (All member banks)</b> |                                |          |                           |                 |          |                           |                  |  |  |  |                                |                                |                  |          |                |                                |
| Deposits.....                     | + 1                            | 0        | 0                         | + 2             | + 1      | 0                         |                  |  |  |  |                                |                                |                  |          |                |                                |
| Loans.....                        | + 1                            | + 1      | + 6                       | + 2             | 0        | + 4                       |                  |  |  |  |                                |                                |                  |          |                |                                |
| Investments.....                  | + 2                            | + 2      | - 2                       | + 4             | + 4      | - 4                       |                  |  |  |  |                                |                                |                  |          |                |                                |
| U. S. Govt. Securities.....       | + 2                            | + 2      | - 3                       | + 4             | + 4      | - 4                       |                  |  |  |  |                                |                                |                  |          |                |                                |
| Other.....                        | + 2                            | + 5      | + 3                       | + 2             | + 8      | + 3                       |                  |  |  |  |                                |                                |                  |          |                |                                |
| <b>PRICES</b>                     |                                |          |                           |                 |          |                           |                  |  |  |  |                                |                                |                  |          |                |                                |
| Wholesale.....                    |                                |          |                           | 0               | -10      | - 5                       |                  |  |  |  |                                |                                |                  |          |                |                                |
| Consumers.....                    | + 1†                           | - 3†     | - 1†                      | 0               | - 3      | - 1                       |                  |  |  |  |                                |                                |                  |          |                |                                |
| <b>OTHER</b>                      |                                |          |                           |                 |          |                           |                  |  |  |  |                                |                                |                  |          |                |                                |
| Check payments.....               | + 1                            | -15      | - 4                       | 0               | + 1      | 0                         |                  |  |  |  |                                |                                |                  |          |                |                                |
| Output of electricity.....        | + 6                            | + 1      | - 2                       |                 |          |                           |                  |  |  |  |                                |                                |                  |          |                |                                |

| LOCAL CONDITIONS  | Factory*                       |                                | Department Store               |          | Check Payments                 |                 |
|-------------------|--------------------------------|--------------------------------|--------------------------------|----------|--------------------------------|-----------------|
|                   | Employment                     | Payrolls                       | Sales                          |          | Stocks                         |                 |
|                   | Per cent change Aug. 1949 from | Per cent change Aug. 1949 from | Per cent change Aug. 1949 from |          | Per cent change Aug. 1949 from |                 |
|                   | mo. ago                        | year ago                       | mo. ago                        | year ago | mo. ago                        | year ago        |
| Allentown.....    | 0                              | -13                            | + 2                            | -15      |                                | + 4 - 6         |
| Altoona.....      | + 2                            | -38                            | + 4                            | -48      |                                | + 6 - 2         |
| Harrisburg.....   | + 2                            | -10                            | + 4                            | -13      |                                | +10 + 4         |
| Johnstown.....    | - 1                            | - 9                            | - 3                            | -15      |                                | + 7 - 5         |
| Lancaster.....    | + 1                            | -11                            | 0                              | -12      | - 5 -11                        | + 5 -11 + 8 - 2 |
| Philadelphia..... | - 1                            | -13                            | - 1                            | -13      | +14 - 8                        | + 6 -15 0 -21   |
| Reading.....      | + 1                            | -10                            | + 4                            | -13      | - 5 - 7                        | + 7 -10 + 6 + 3 |
| Scranton.....     | + 4                            | - 8                            | + 4                            | -12      |                                | +11 + 2         |
| Trenton.....      |                                |                                |                                |          | + 9 - 3                        | + 3 -10 + 4 + 4 |
| Wilkes-Barre..... | - 1                            | -13                            | - 1                            | -14      | + 4 - 8                        | + 3 -22 +18 - 1 |
| Williamsport..... | - 1                            | -13                            | - 3                            | -13      |                                | + 1 - 3         |
| Wilmington.....   | 0                              | - 5                            | 0                              | - 3      |                                | -16 + 7         |
| York.....         | + 3                            | -15                            | + 6                            | -21      | + 2 -11                        | + 6 -13 + 6 -12 |

\* Pennsylvania. \*\* Adjusted for seasonal variation. † Philadelphia.

\* Not restricted to corporate limits of cities but covers areas of one or more counties.

MEASURES OF OUTPUT

|   | Per cent change  |          |                           |
|---|------------------|----------|---------------------------|
|   | August 1949 from |          | 8 mos. 1949 from year ago |
|   | month ago        | year ago |                           |
| <b>MANUFACTURING (Pa.)*</b>                               | 0                | -17      | -10                       |
| Durable goods industries                                  | -1               | -23      | -12                       |
| Nondurable goods industries                               | +1               | -9       | -9                        |
| Foods   | +1               | -3       | -5                        |
| Tobacco   | +4               | -15      | -13                       |
| Textiles  | +4               | -17      | -19                       |
| Apparel   | +2               | -2       | -6                        |
| Lumber  | +1               | -11      | -8                        |
| Furniture and lumber products                             | +7               | -19      | -20                       |
| Paper   | -2               | -15      | -13                       |
| Printing and publishing                                   | 0                | -3       | -2                        |
| Chemicals   | 0                | -15      | -6                        |
| Petroleum and coal products                               | -2               | -7       | -2                        |
| Rubber  | +11              | -26      | -20                       |
| Leather   | +2               | -1       | -8                        |
| Stone, clay and glass                                     | +4               | -17      | -11                       |
| Iron and steel  | 0                | -24      | -9                        |
| Nonferrous metals   | -2               | -25      | -16                       |
| Machinery (excl. electrical)                              | -3               | -28      | -17                       |
| Electrical machinery                                      | -1               | -20      | -11                       |
| Transportation equipment (excl. auto)                     | -13              | -19      | +1                        |
| Automobiles and equipment                                 | -2               | -17      | -29                       |
| Other manufacturing                                       | -2               | -22      | -16                       |
| <b>COAL MINING (3rd F. R. Dist.)†</b>                     | -10              | -35      | -25                       |
| Anthracite  | -14              | -32      | -25                       |
| Bituminous  | +26              | -47      | -20                       |
| <b>CRUDE OIL (3rd F. R. Dist.)††</b>                      | +5               | -11      | -11                       |
| <b>CONSTRUCTION — CONTRACT AWARDS (3rd F. R. Dist.)**</b> | -1               | -8       | -14                       |
| Residential   | -16              | -26      | -15                       |
| Nonresidential  | -4               | -7       | -29                       |
| Public works and utilities                                | +19              | +11      | +9                        |

\* Temporary series—not comparable with former production indexes.  
 \*\* Source: F. W. Dodge Corporation. Changes computed from 3-month moving averages, centered on 3rd month.  
 † U. S. Bureau of Mines. †† American Petroleum Inst. Bradford field.

EMPLOYMENT AND INCOME

| Pennsylvania Manufacturing Industries* | Employment        |                      |          |                   | Payrolls             |          | Average Weekly Earnings |                      | Average Hourly Earnings |                      |
|--|-------------------|----------------------|----------|-------------------|----------------------|----------|-------------------------|----------------------|-------------------------|----------------------|
|  | Aug. 1949 (Index) | Per cent change from |          | Aug. 1949 (Index) | Per cent change from |          | Aug. 1949               | % chg. from year ago | Aug. 1949               | % chg. from year ago |
|  |                   | mo. ago              | year ago |                   | mo. ago              | year ago |                         |                      |                         |                      |
| All manufacturing                      | 111               | 0                    | -14      | 250               | 0                    | -17      | \$50.46                 | -3                   | \$1.336                 | +1                   |
| Durable goods industries               | 128               | -2                   | -18      | 271               | -1                   | -21      | 54.96                   | -5                   | 1.468                   | +2                   |
| Nondurable goods industries            | 96                | +2                   | -8       | 224               | +2                   | -8       | 45.08                   | 0                    | 1.182                   | +2                   |
| Foods                                  | 121               | +3                   | -4       | 251               | 0                    | 0        | 46.43                   | +4                   | 1.140                   | +5                   |
| Tobacco                                | 85                | +3                   | -15      | 189               | +5                   | -14      | 29.45                   | +1                   | .777                    | +2                   |
| Textiles                               | 72                | +3                   | -15      | 181               | +4                   | -17      | 44.73                   | -3                   | 1.185                   | 0                    |
| Apparel                                | 88                | +2                   | -4       | 219               | +3                   | -5       | 35.19                   | -1                   | .929                    | -4                   |
| Lumber                                 | 88                | +1                   | -9       | 203               | +2                   | -6       | 43.22                   | +3                   | 1.091                   | +6                   |
| Furniture and lumber products          | 78                | +7                   | -17      | 182               | +8                   | -19      | 42.79                   | -2                   | 1.023                   | 0                    |
| Paper                                  | 110               | -3                   | -7       | 247               | -2                   | -8       | 48.43                   | -1                   | 1.204                   | +7                   |
| Printing and publishing                | 132               | 0                    | -3       | 288               | +1                   | +5       | 61.74                   | +8                   | 1.654                   | +10                  |
| Chemicals                              | 107               | +1                   | -13      | 227               | +1                   | -16      | 50.43                   | -3                   | 1.304                   | +1                   |
| Petroleum and coal products            | 147               | -2                   | -5       | 313               | -2                   | -4       | 64.61                   | +1                   | 1.669                   | +3                   |
| Rubber                                 | 119               | +2                   | -18      | 239               | +10                  | -23      | 49.83                   | -7                   | 1.444                   | +3                   |
| Leather                                | 87                | +3                   | 0        | 185               | +2                   | +4       | 36.43                   | +4                   | 1.032                   | +4                   |
| Stone, clay and glass                  | 114               | 0                    | -16      | 253               | +5                   | -17      | 51.04                   | 0                    | 1.269                   | +2                   |
| Iron and steel                         | 118               | -1                   | -16      | 242               | 0                    | -23      | 55.14                   | -8                   | 1.536                   | +2                   |
| Nonferrous metals                      | 112               | -1                   | -21      | 229               | -3                   | -24      | 53.16                   | -4                   | 1.418                   | +2                   |
| Machinery (excl. electrical)           | 161               | -2                   | -23      | 337               | -3                   | -26      | 52.96                   | -4                   | 1.407                   | +2                   |
| Electrical machinery                   | 187               | -3                   | -18      | 404               | 0                    | -19      | 60.18                   | -1                   | 1.557                   | +2                   |
| Transportation equipment (excl. auto)  | 197               | -14                  | -17      | 398               | -12                  | -16      | 61.64                   | +1                   | 1.590                   | +4                   |
| Automobiles and equipment              | 118               | 0                    | -19      | 264               | -5                   | -15      | 61.30                   | +5                   | 1.508                   | +3                   |
| Other manufacturing                    | 115               | +2                   | -13      | 216               | -1                   | -21      | 39.53                   | -8                   | 1.150                   | +2                   |

\* Production workers only.

TRADE

| Third F. R. District<br>Indexes: 1935-39 Avg. =100<br>Adjusted for seasonal variation | Aug. 1949 (Index) | Per cent change  |          |                           | Per cent change from year ago |
|---|-------------------|------------------|----------|---------------------------|-------------------------------|
|   |                   | August 1949 from |          | 8 mos. 1949 from year ago |                               |
|   |                   | month ago        | year ago |                           |                               |
| <b>SALES</b>  |                   |                  |          |                           |                               |
| Department stores   | 268               | +3               | -8       | -5                        |                               |
| Women's apparel stores  | 221               | -4               | -11      | -3                        |                               |
| Furniture stores  |                   | +17*             | -5*      | -5*                       |                               |
| <b>STOCKS</b>   |                   |                  |          |                           |                               |
| Department stores   | 216               | -4               | -13      |                           |                               |
| Women's apparel stores  | 187               | -2               | -18      |                           |                               |
| Furniture stores  |                   | +3*              | -17*     |                           |                               |
| <b>Recent Changes in Department Store Sales in Central Philadelphia</b>               |                   |                  |          |                           |                               |
| Week ended September 3  |                   |                  |          | -8                        |                               |
| Week ended September 10   |                   |                  |          | +6                        |                               |
| Week ended September 17   |                   |                  |          | -7                        |                               |
| Week ended September 24   |                   |                  |          | -10                       |                               |

\* Not adjusted for seasonal variation.

| Departmental Sales and Stocks of Independent Department Stores<br>Third F. R. District | Sales                          |                                  | Stocks (end of month)              |  |
|--|--------------------------------|----------------------------------|------------------------------------|--|
|  | % chg. Aug. 1949 from year ago | % chg. 8 mos. 1949 from year ago | % chg. Aug. 31, 1949 from year ago | Ratio to sales (month's supply) August |
|  | 1949                           | 1948                             | 1949                               | 1948                                   |
| <b>Total — All departments</b>   | -5                             | -5                               | -15                                | 3.2 3.6                                |
| <b>Main store total</b>  | -4                             | -6                               | -14                                | 3.4 3.8                                |
| Piece goods and household textiles   | -1                             | -4                               | -17                                | 3.1 3.7                                |
| Small wares  | +1                             | -3                               | -9                                 | 4.0 4.4                                |
| Women's and misses' accessories  | 0                              | -4                               | -14                                | 3.6 4.2                                |
| Women's and misses' apparel  | -8                             | -2                               | -13                                | 2.2 2.3                                |
| Men's and boys' wear   | -1                             | -2                               | -10                                | 5.5 6.1                                |
| Housefurnishings   | -8                             | -12                              | -18                                | 3.4 3.8                                |
| Other main store   | -2                             | -9                               | -18                                | 3.3 4.0                                |
| <b>Basement store total</b>  | -6                             | -3                               | -18                                | 2.2 2.5                                |
| Small wares  | -15                            | -5                               | -12                                | 2.5 2.4                                |
| Women's and misses' wear   | -6                             | -1                               | -21                                | 1.6 1.9                                |
| Men's and boys' wear   | -4                             | -3                               | -19                                | 3.0 3.5                                |
| Housefurnishings   | -19                            | -8                               | -25                                | 3.0 3.3                                |
| <b>Nonmerchandise total</b>  | 0                              | -1                               |                                    |  |

CONSUMER CREDIT

| Sale Credit<br>Third F. R. District | Sales                                      |  | Receivables<br>(end of month)              |
|-------------------------------------|--|--|--|
|                                     | % chg.<br>Aug.<br>1949<br>from<br>year ago | % chg.<br>8 mos.<br>1949<br>from<br>year ago | % chg.<br>Aug.<br>1949<br>from<br>year ago |
| <b>Department stores</b>            |  |  |  |
| Cash.....                           | - 4  | - 5  | .....                                      |
| Charge account.....                 | - 1  | - 1  | + 3  |
| Instalment account.....             | -10  | - 6  | + 5  |
| <b>Furniture stores</b>             |  |  |  |
| Cash.....                           | + 5  | 0  | .....                                      |
| Charge account.....                 | - 7  | -11  | .....                                      |
| Instalment account.....             | - 6  | -12  | + 6  |

| Loan Credit<br>Third F. R. District      | Loans made                                 |  |  | Loan balances<br>out-<br>standing<br>(end of<br>month) |
|--|--|--|--|--|
|  | % chg.<br>Aug.<br>1949<br>from<br>year ago | % chg.<br>8 mos.<br>1949<br>from<br>year ago | % chg.<br>Aug.<br>1949<br>from<br>year ago |  |
| <b>Consumer instalment loans</b>         |  |  |  |  |
| Commercial banks.....                    | +25  | + 5  | +19  |  |
| Industrial banks and loan companies..... | - 8  | - 7  | + 1  |  |
| Small loan companies.....                | +13  | + 6  | + 8  |  |
| Credit unions.....                       | +25  | +14  | +23  |  |

PRICES

| Index: 1935-39 average = 100                  | Aug.<br>1949<br>(Index) | Per cent change<br>from |             |
|---|-------------------------|-------------------------|-------------|
|   |                         | month<br>ago            | year<br>ago |
| <b>Wholesale prices — United States</b> ..... | 190                     | 0                       | -10         |
| Farm products.....                            | 214                     | - 2                     | -15         |
| Foods.....                                    | 203                     | 0                       | -15         |
| Other.....                                    | 179                     | 0                       | - 5         |
| <b>Consumer prices</b>                        |                         |                         |             |
| United States.....                            | 169                     | 0                       | - 3         |
| Philadelphia.....                             | 169                     | + 1                     | - 3         |
| Food.....                                     | 198                     | + 2                     | - 7         |
| Clothing.....                                 | 184                     | 0                       | - 5         |
| Rent.....                                     | 121                     | .....                   | + 1         |
| Fuel.....                                     | 143                     | 0                       | 0           |
| Housefurnishings.....                         | 192                     | 0                       | - 5         |
| Other.....                                    | 152                     | 0                       | + 2         |

| Weekly Wholesale Prices—U. S.<br>(Index: 1935-39 average = 100) | All com-<br>modi-<br>ties | Farm pro-<br>ducts | Foods | Other |
|---|---------------------------|--------------------|-------|-------|
|   |                           |                    |       |       |
| Week ended September 13.....                                    | 192                       | 218                | 208   | 179   |
| Week ended September 20.....                                    | 191                       | 215                | 206   | 179   |
| Week ended September 27.....                                    | 189                       | 210                | 201   | 179   |

Source: U. S. Bureau of Labor Statistics.

BANKING

| MONEY SUPPLY AND RELATED ITEMS<br>United States (Billions \$) | Aug.<br>31,<br>1949 | Changes in—   |       |
|---|---------------------|---------------|-------|
|   |                     | five<br>weeks | year  |
| Money supply, privately owned.....                            | 166.9               | + .6          | + .2  |
| Demand deposits, adjusted.....                                | 83.4                | + .3          | - .4  |
| Time deposits.....  | 58.3                | - .1          | +1.0  |
| Currency outside banks.....                                   | 25.1                | + .2          | - .5  |
| Turnover of demand deposits.....                              | 17.1*               | -7.6*         | -7.6* |
| Commercial bank earning assets.....                           | 117.9               | +3.2          | +2.8  |
| Loans.....  | 41.2                | + .8          | + .5  |
| U. S. Government securities.....                              | 66.7                | +2.2          | +1.6  |
| Other securities.....   | 10.0                | + .2          | + .7  |
| Member bank reserves held.....                                | 16.5                | -1.0          | -1.2  |
| Required reserves (estimated).....                            | 15.2                | -1.3          | -1.6  |
| Excess reserves (estimated).....                              | 1.3                 | + .3          | + .4  |

Changes in reserves during 5 weeks ended August 31, reflected the following:

|  | Effect on<br>reserves |
|--|-----------------------|
| Decline in Reserve Bank holdings of Governments..... | - .9                  |
| Net payments to Treasury.....                        | - .2                  |
| Increase of currency in circulation.....             | - .1                  |
| Increase in gold stock.....                          | + .1                  |
| Increase in loans to member banks.....               | + .1                  |
| Change in reserves.....                              | -1.0                  |

\* Annual rate for the month and per cent changes from month and year ago at leading cities outside N. Y. City.

| OTHER BANKING DATA  | Sept.<br>28,<br>1949 | Changes in—   |        |
|---|----------------------|---------------|--------|
|   |                      | five<br>weeks | year   |
| <b>Weekly reporting banks — leading cities<br/>United States (billions \$):</b> |                      |               |        |
| Loans —   |                      |               |        |
| Commercial, industrial and agricultural.....                                    | 13.4                 | + .4          | - 1.8  |
| Security.....   | 2.3                  | + .4          | + .6   |
| Real estate.....  | 4.2                  | 0             | + .2   |
| To banks.....   | .2                   | 0             | - .1   |
| All other.....  | 4.2                  | + .1          | + .3   |
| Total loans — gross.....  | 24.3                 | + .9          | - .8   |
| Investments.....  | 42.1                 | 0             | + 5.1  |
| Deposits.....   | 74.4                 | + .3          | + 1.1  |
| <b>Third Federal Reserve District (millions \$):</b>                            |                      |               |        |
| Loans —   |                      |               |        |
| Commercial, industrial and agricultural.....                                    | 475                  | + 2           | - 69   |
| Security.....   | 30                   | - 3           | 0      |
| Real estate.....  | 100                  | + 3           | + 12   |
| To banks.....   | 14                   | + 11          | + 10   |
| All other.....  | 293                  | + 10          | + 20   |
| Total loans — gross.....  | 912                  | + 23          | - 27   |
| Investments.....  | 1,793                | + 41          | + 159  |
| Deposits.....   | 2,980                | + 62          | + 5    |
| <b>Member bank reserves and related items<br/>United States (billions \$):</b>  |                      |               |        |
| Member bank reserves held.....  | 16.0                 | - .5          | - 3.9  |
| Reserve Bank holdings of Governments.....                                       | 17.9                 | 0             | - 5.4  |
| Gold stock.....   | 24.6                 | 0             | + .7   |
| Money in circulation.....   | 27.3                 | 0             | - .7   |
| Treasury deposits at Reserve Banks.....   | 1.2                  | + .7          | - .5   |
| <b>Federal Reserve Bank of Phila. (millions \$):</b>                            |                      |               |        |
| Loans and securities.....   | 1,225                | + 4           | - 470  |
| Federal Reserve notes.....  | 1,593                | - 11          | - 46   |
| Member bank reserve deposits.....   | 743                  | - 20          | - 205  |
| Gold certificate reserves.....  | 1,262                | + 12          | + 221  |
| Reserve ratio (%).....  | 51.0%                | + .2%         | +13.0% |