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BUSINESS REVIEW

Six Decades of Debt Management—Part III

The Businessman-Farmer in a Cost-Price Squeeze

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BUSINESS REVIEW

is produced in the Department of Research. Clay J. Anderson was primarily responsible for the article "Six Decades of Debt Management"—Part III, and D. Russell Connor, of the Department of Bank and Public Relations, for "The Businessman-Farmer in a Cost-Price Squeeze." The authors will be glad to receive comments on their articles.

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SIX DECADES OF DEBT MANAGEMENT

Part III

This is the third and final article in a series on debt management during the past six decades. The first (*Business Review,* May 1961) dealt mainly with techniques employed to offset the disturbing effects of Treasury operations on the money market and policies pursued in financing World War I. The second article (*Business Review,* July 1961) was concerned primarily with debt reduction in the twenties and financing an extended period of deficits during the severe depression of the thirties and World War II. This final article considers policies and techniques during the fifties—in some respects an unusually difficult period for debt management—and takes a brief look at the six decades in retrospect.*

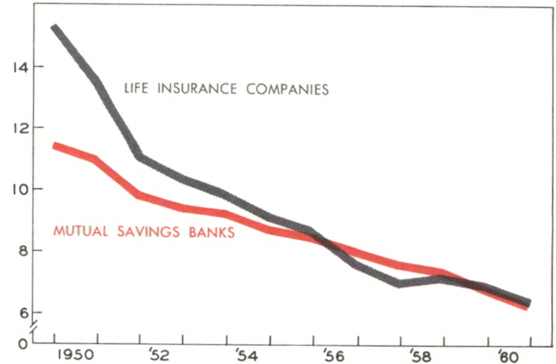
There was a short period of debt retirement following the end of World War II; however, hostilities in Korea and the cold war resulted in a greatly enlarged defense program. The Federal Government operated at a cash deficit in six out of ten years in the decade of the fifties. The net deficit for the decade exceeded $16 billion and outstanding federal debt rose $34 billion.

In addition to the upward trend in the debt, other factors complicated debt management during the decade. The Federal Reserve-Treasury accord in the spring of 1951 restored flexible interest rates after almost two decades of unusually low market rates. A weak private demand for credit, a substantial inflow of gold, and a generally easy monetary policy in the thirties resulted in low market rates and a strong demand for Government securities, especially short maturities. To facilitate financing World War II, prices of Government securities were supported to maintain about the same rate structure that prevailed when the United States entered the war. The support policy was continued, with minor changes, until the accord in the spring of 1951.

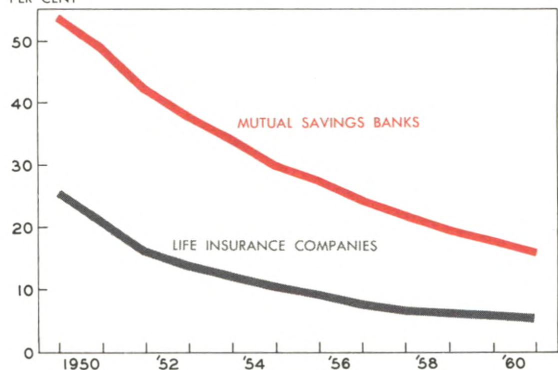
* This article and the previous articles are based on statements of Treasury officials and official publications of the Treasury and do not necessarily reflect the views of present Treasury officials.

In the fifties, however, Government securities, especially the longer maturities, faced strong

HOLDINGS OF GOVERNMENT SECURITIES



GOVERNMENT SECURITIES AS PER CENT OF ASSETS



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competition from alternative investments. There was a substantial increase in corporate, state and municipal securities, and in Government agency issues and Government insured and guaranteed mortgages. Lending and investing institutions came out of the war with a much larger proportion of their resources in Governments than in the pre-war period. An ample supply of high-yielding investments encouraged these institutions to increase substantially the proportion of their resources held in loans and investments other than Governments. Thus the fifties, characterized by sharp rate fluctuations and strong private demands for credit, provided a markedly different environment for debt management than the thirties and forties.

OBJECTIVES AND POLICIES

Wartime objectives of a stable market for Government securities, low interest rates, and keeping as much of the debt in the hands of nonbank investors as possible continued to guide debt management operations until the early fifties. The transition from a supported to a free market for Government securities and a change in Treasury officials resulted in some significant shifts in the goals of debt management.

The objectives of interfering as little as possible with monetary policy and of contributing to price stability and sustained economic growth were significant influences in shaping debt management policies. Other objectives were to achieve a more balanced maturity structure of the debt and to borrow at a reasonable cost.

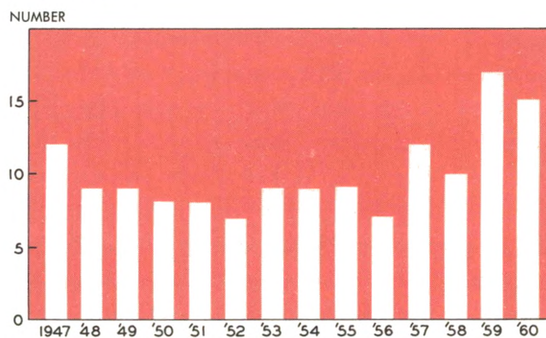
Freedom for monetary policy

Considerable stress was placed on minimizing interference of debt operations with monetary policy. In a free market this meant that new Treasury offerings had to be priced competitively in order that new issues could be sold without central bank assistance. Adjusting prices and terms of new offerings to the market was quite a departure from the days when the support policy, in effect, guaranteed the success of any issue.

Restructuring the debt to reduce frequency of refinancings was another method of affording more freedom for the execution of monetary policy and of reducing disturbing effects on the money market. In the latter part of 1958, the Treasury initiated a program designed to get the short-term debt on a more orderly and easily manageable basis. A cycle of six-month Treasury bills was established to supplement the cycle of three-month bills already outstanding. In the spring of 1959, a program was initiated providing for $1.5 billion to $2 billion of one-year bills maturing quarterly in January, April, July, and October. Regular cycles of three-month, six-month, and one-year bills put refunding of a large volume of short-term debt on a routine basis and minimized its impact on the money market.

The Treasury also tried to group maturities of short-term issues other than bills as far as possible at quarterly dates in February, May, August, and November. The purpose was to reduce the

NUMBER OF OFFERINGS OF UNITED STATES SECURITIES*



* Marketables other than regular weekly Treasury bills.

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number of refunding operations which in turn would facilitate execution of monetary policy, diminish churning in the money market on major quarterly income tax payment dates, and interfere less with other major market borrowers, such as states, municipalities, and corporations.

Efforts of Treasury officials to reduce the frequency of trips to the money market were successful mainly in that trips would have been more frequent otherwise. The volume and frequency of Treasury debt operations are partially the result of fiscal policies. Deficits mean more trips to the market to raise cash; they also increase the amount of outstanding debt and the volume of refunding operations. The increase in the number of Treasury financings—cash and refundings—in 1959 and 1960 reflected largely new borrowing required to meet substantial deficits.

Stability and growth

Price stability and sustained growth were also important goals of debt management. According to some theories, these goals would call for confining debt operations to short-term issues in periods of recession and to long maturities in periods of expansion when rising business activity threatens to outrun productive capacity and push up prices. Treasury officials have pointed out, however, that it is feasible to apply this type of theory only within limits.

Complete reliance on long-term securities in periods of expansion and inflationary pressures might produce such sharp rises in long-term rates that private demand for investment credit would be too severely restricted. Moreover, a pressing need for cash may dictate sale of short maturities despite inflationary pressures. Neither is it always feasible in recession to limit new offerings to short maturities. Confining debt operations to short maturities may build up excess liquidity and impair the effectiveness of restrictive actions in a subsequent period of expansion.

The Treasury avoided these extremes by relying heavily on intermediate-term issues in recessions and the early stages of recovery. These maturities are bought mainly by commercial banks, thus resulting in an expansion of the money supply with little direct reduction in funds available to private borrowers. An additional advantage is that in a period of expansion and rising rates, banks are more reluctant to sell intermediate than short maturities in order to shift to loans. Thus, use of intermediate maturities in recession and early recovery tends to reinforce a restrictive policy in subsequent periods of inflationary pressure as well as contribute to the objective of lengthening the debt. Most of the debt lengthening in the fifties was achieved during periods of recession.

Reasonable cost

Borrowing at a reasonable cost to the taxpayer was another goal of debt management; however, Treasury officials recognized that pursuit of this objective could easily conflict with the other two. Short-term issues can usually be sold at lower cost, but excessive use increases the frequency of Treasury refunding operations, builds up too much liquidity, and complicates both debt management and monetary policies. Central bank assistance to maintain artificially low rates or to guarantee success of new Treasury issues priced too low results in money creation and, except in periods of business slack, contributes to inflation. Borrowing at low cost, although in itself a desirable goal, should not be permitted to interfere with or take precedence over economic objectives such as stability and sustained economic growth.

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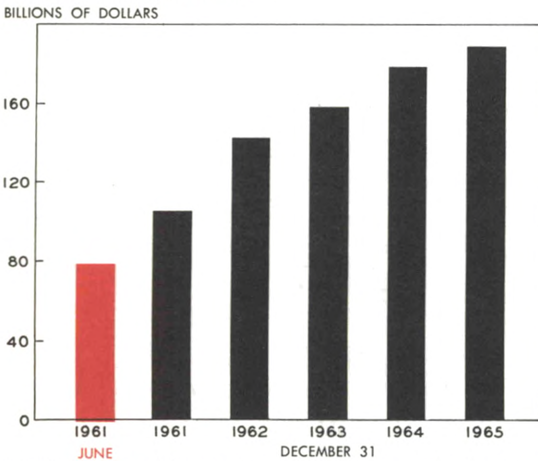
"RUN TO STAND STILL"

Despite efforts to lengthen it, average maturity of the marketable debt decreased during the fifties—from six years and four months at the beginning to three years and four months at the end of the decade. The rate of decrease, however, slowed considerably after 1951. Several factors complicated the task of lengthening the debt.

POTENTIAL GROWTH OF SHORT-TERM UNITED STATES DEBT*

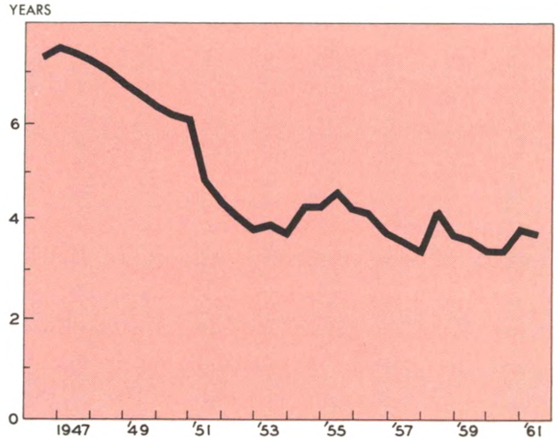


* Debt maturing within one year assuming all maturing issues are refunded into securities maturing in less than one year.

For one thing, passage of time is constantly shortening outstanding debt. This is the reason some have said the Treasury must "run to stand still." Impact of the passage of time on debt maturity is illustrated by the fact that debt maturing in one year or less would rise from $81 billion to $191 billion by the end of 1965 if there were no increase in outstanding debt and if all maturing issues were refunded into new securities maturing within one year. Determined efforts are required merely to prevent shortening of the debt.

Another problem, as stated earlier, was that there seemed to be no good time to sell long-

AVERAGE MATURITY OF UNITED STATES MARKETABLES OUTSTANDING
(Call dates)



term securities. When money is tight and market rates are rising, unusually high interest rates are required to dispose of a significant amount of long-term bonds in competition with strong private credit demands. When money is easy and rates are low, longer maturities can be readily sold. But absorption of long-term funds and upward pressures on long-term rates tend to offset policies to promote recovery. The fact that savings institutions—the principal holders of long-term Governments—were reducing their Government portfolios in order to acquire other investments and make loans added to the difficulty of marketing substantial quantities of long-term Treasury securities except in periods of easy money and weak private demands for credit.

The 4¼ per cent ceiling on Treasury bonds was another barrier to lengthening the debt in the latter part of the decade. When market rates on long-term issues were above or even near the ceiling, as during much of 1959 and the first part of 1960, the Treasury was unable to offer long maturities either for cash or in refundings.

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NEW TECHNIQUES

Difficulties encountered by the Treasury in managing a large and growing debt in the environment of the fifties led to a search for new techniques. Advance refunding, non-par pricing, and more extensive use of auctioning new issues were among the more important methods tried in an effort to facilitate debt management operations.

Advance refunding

Refunding in advance of maturity is a recent device used by the Treasury in an effort to maintain a larger volume of longer maturities outstanding and to lengthen average maturity of the debt. In 1951 and 1952, the Treasury offered to exchange some of the outstanding 2½ per cent bonds for a 2¾ per cent nonmarketable bond, but the purpose was to reduce the large volume of long-term marketable bonds overhanging the market and thereby facilitate the transition from a supported to a free market—not to lengthen average maturity of the debt.

The Treasury has made four advance refundings in the past two years; each involved an exchange of outstanding marketable issues for new marketable securities of longer maturity. In so-called "junior" advance refundings, as defined by the Treasury, holders of securities maturing in one to five years are offered an opportunity to exchange into bonds maturing in five to ten years. A "senior" advance refunding is one in which holders of intermediate maturities are given an opportunity to exchange into long maturities. Both junior and senior types are needed to best achieve the objectives of advance refunding. Most holders of Government securities maturing within five years are not interested in long-term bonds. A junior refunding, in addition to moving securities from the short to intermediate maturity range, paves the way for a senior refunding. Holders of intermediate maturities are more likely to accept an offer to exchange for long maturities than holders of short-term issues.

Refunding in advance has several advantages. It helps to keep holders of long-term Governments in such issues. Long-term securities, as they approach maturity, generally move into the portfolios of short-term investors. Short-term investors are unlikely to accept a long-term bond offered in an exchange. Hence an attempt to refund a maturing issue into a long-term security is likely to be successful only as the "rights" are sold to investors willing to take a long maturity. Refunding into a long maturity is more likely to be successful, therefore, if the offer is made while the issue is still held by long-term investors. An additional advantage of advance refunding is that it results in less shifting of rights and churning in the market. Advance refunding also enables Treasury officials to select a time when market conditions are favorable.

Non-par pricing

Non-par pricing is another device that has been found useful. For many years the Treasury followed the policy of offering new securities at par. Issuance at par, however, impedes adjusting the yield of a new security to the market, especially if the Treasury wants to reopen an issue already outstanding. Reopening an outstanding security is often desirable, helps to keep down the number of different issues and, by avoiding issues with only small amounts outstanding, facilitates a broader market for Treasury securities. Since mid-1958 the Treasury has made several offerings of coupon securities at prices above or below par.

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Auctioning longer-term bills

For many years, the three-month Treasury bill was the only Treasury security auctioned at competitive bidding. When the six-month and one-year bills were introduced, these securities were also offered at auction. Proposals have been made in recent years that the auction technique be extended to intermediate and longer maturities. Although the Treasury has not rejected the idea, officials have expressed reservations.

Experiments with auctioning Treasury bonds in the mid-thirties indicated that this technique tended to narrow the market for Government securities. Smaller investors, being unfamiliar with the market and the auction technique, were reluctant to submit competitive bids. As a result, the bulk of the original issue usually went to large institutional investors. Managers of institutional portfolios also expressed dislike for the auction device because it compelled them to submit a bid at a specific price. If they bid high enough to be sure to get the new issue, they might find themselves being criticized by their superiors for having paid more than the average price of accepted bids. Submitting a low bid in order to get the security at less than the average price involved the risk of not getting any of the issue. These difficulties are not so serious for bills, according to the Treasury, because the bulk of these securities is held by large institutions whose portfolio managers are familiar with the Government securities market.

Treasury officials also pointed out that auctioning longer maturities would make it much more difficult to control amounts issued to different classes of investors. In offerings of long-term securities, savings type investors are usually given preferential allotments and small subscriptions are usually allotted in full. Commercial bank subscriptions, on the other hand, are usually limited to a certain percentage of capital and surplus.

SIX DECADES IN RETROSPECT

Debt management during the past six decades lends support to the adage that necessity is the mother of invention. Policies and techniques of debt management responded, somewhat tardily at times, to the changing needs of a dynamic and growing economy.

In the first decade of the present century, Treasury officials were concerned about periodic financial crises. In the absence of a central bank, they attempted to use Treasury operations to prevent or alleviate these disturbances. In periods of stringency, Treasury powers were used to increase reserves and the supply of funds in the money market. Among the devices used were shifting cash from subtreasuries to deposits in commercial banks, suspension of reserve requirements against Government deposits, and prepayment of interest and principal on Government bonds. To offset too much ease in the market, the Treasury accumulated cash if possible and shifted funds from commercial banks to the subtreasuries. Central bank functions performed by the Treasury became the responsibility of the Federal Reserve System when it began operation in 1914.

World War I brought a tremendous increase in the volume of Treasury operations. The federal debt soared from a little over $1 billion in 1916 to nearly $27 billion in 1919. The vast increase in Treasury receipts and disbursements emphasized the need for alleviating the impact of Treasury operations on bank reserves and the money market. Treasury certificates, mostly ranging in maturity from one to three months, were issued in anticipation of bulges in receipts at tax payment dates and war loan drives, much as

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tax anticipation bills are used today. In order to spread receipts from Liberty Bond drives over a longer period and smooth out their impact on the money market, subscribers were permitted to pay for their bonds in several installments. The system of special depositary banks was another technique used to alleviate the disturbing effects of Treasury operations. Deposit of Treasury receipts in commercial banks resulted only in a shift of ownership of deposits, not a reduction in reserves or in total deposits. Reserves were reduced when the Treasury transferred funds from the commercial banks to the Reserve Banks; they were restored when Treasury checks drawn on the Reserve Banks in meeting disbursements were deposited in commercial banks. Transferring funds from commercial banks to the Reserve Banks only as needed for disbursement minimized the impact on bank reserves.

The decade of the twenties afforded relief from pressing debt management problems generated by the war. The principal objectives were to retire as much of the debt as possible, to refund the remainder into a more manageable pattern of maturities, and to refinance at lower rates in order to reduce the interest burden of the debt.

The thirties ushered in what turned out to be an extended period of deficit financing. Debt management policies were directed mainly toward restoring the money supply which had been reduced by deflation and depression, to promoting lower interest rates in order to stimulate investment and general economic activity, and to broadening ownership of Government securities. Several techniques adopted have since become standard practice in handling debt operations.

World War II expenditures dwarfed those of World War I, and the federal debt jumped from $58 billion at the end of 1941 to $269 billion in mid-1946. Economic considerations played a more influential role in fashioning debt management policies in World War II than in World War I. Treasury officials recognized the serious inflationary threat inherent in financing a major war, and vigorous efforts were made to sell securities to nonbank buyers in order to diminish the inflationary impact of debt operations. Other goals pursued during the war and early postwar periods were tailoring securities to meet the needs of various investor groups, borrowing at low interest rates, and maintaining a strong and stable market for Government securities.

The Federal Reserve-Treasury accord in the early fifties ushered in an era of variable interest rates and an unsupported market in Government securities. Business expansion, interrupted only by relatively short and mild recessions, resulted in strong private demands for credit. States and municipalities borrowed increasing amounts to meet the needs of a growing population. The trend in the federal debt was upward, reflecting mainly international tension and a substantial increase in defense spending. Strong private demand for credit, recurring periods of inflationary pressure and fluctuating interest rates were characteristic of most of the fifties—an unfavorable environment for management of a large and growing federal debt.

Noninterference with monetary policy and lengthening maturity of the debt were dominant influences in formulating debt management policies in the fifties. Competitive pricing and restructuring of maturities provided more leeway for the execution of monetary policy. Efforts to lengthen average maturity of the debt encountered serious obstacles. Passage of time never ceases to shorten the maturity of outstanding debt. A shift in investor attitude toward

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Governments—reduced demand for permanent investment and increased demand for liquidity purposes—tended to narrow the market for longer maturities.

Difficulties encountered in managing the debt led to some new techniques. Non-par pricing permits reopening of outstanding issues and better adjustment of yields to market rates. Advance refunding shows promise as a method of maintaining a larger amount of longer-term maturities outstanding. If history is an accurate guide, debt management problems of today are forerunners of new and improved techniques of tomorrow.

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THE BUSINESSMAN-FARMER IN A COST-PRICE SQUEEZE

In addition to the usual things being grown on farms in Pennsylvania, New Jersey, and Delaware, we see the continuing growth of a new breed of farmer—the businessman-farmer. For profit margins have so narrowed in recent years, that the mere ability to grow an abundant crop, raise high-grade cattle, or produce a quantity of eggs is no longer a criterion of certain success. Given this basic ability, today's farmer must also be an expert and sensitive marketer; an astute tax accountant; a knowledgeable user of credit; a labor relations diplomat; an adept operator of complex machinery; an able salesman; and something of an expansionist for greater operating efficiency.

While county agricultural agents in the Third Federal Reserve District report abundant crops this year, they also cite soft prices in several areas of the farm economy. They continue to stress the need for more efficiency on the farm, relay the farmers' growing concern over rising expenses, particularly taxes, and mention competition from other areas where labor costs sometimes are lower. They also note a continuing trend toward larger farms but fewer farmers as more small, marginal operators liquidate their business.

An excellent growing season

Following an unusually severe winter, which cut drastically into peach and blueberry yields and killed off some ornamentals, this year's growing season was the equal of any in the past decade. Extensive snow cover and wet soil delayed planting for several weeks but conversely helped produce some record crops. During most of the growing and harvest seasons, temperatures moved through moderate ranges; moisture was ample, over-all, excessive only in isolated locales; dry spells were infrequent and of short duration. Even September's Hurricane Esther fortunately veered out to sea and did not damage late crops.

Corn—a paradox

County agricultural agents express surprise at the large number of farmers who participated in the 1961 Feed Grain Program. In our area where most corn is used for silage and grain, farmers

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withdrew from production approximately one-sixth of their 1960 acreage and thereby qualified for subsidy payments. Despite this significant reduction, 1961's estimated corn production in Pennsylvania, New Jersey, and Delaware will come close to 1960's unusually large crop. The reasons for this seeming paradox appear to be:

1. Nearly ideal growing weather helped compensate for the reduction in acreage.
2. Much of the land held out of production was below average quality.
3. Land kept in corn production was more intensely fertilized and cultivated—in some instances with advance funds provided by the Feed Grain Program.
4. Some farmers not in the program planted new corn acreage this year with the mistaken idea that such land would qualify under the 1962 Feed Grain Program.

Other field crops equal 1960's

Field crops other than corn were equally abundant. Hay yields approached record proportions, and barns are filled; but excessive moisture in some cuttings posed curing problems, consequently the quality is not as exceptional as the yield. Oats, wheat, rye, and barley should approach 1960's high yields, as insect and disease damage was negligible. Soybean production will exceed last year's, although the intrusion of the Mexican bean beetle reduced original expectations. More soybean acreage was planted than heretofore, particularly in Delaware where this crop is assuming ever greater importance. White potatoes of good yield and quality will be in lower volume than last year because of reduced plantings.

Another big tobacco crop

Tobacco, the major cash crop of the Pennsylvania Dutch in Lancaster County, is yielding higher than estimated and could top last year's bumper crop. Once again the leaves are large and laden with moisture, therefore much care will be needed in curing to avoid damage in the drying sheds. As always, there is some apprehension over prices but the farmers collectively seem financially able to resist price pressures.

Vegetable yields high, prices up

Vegetables generally yielded well and were of good quality. An exception was the abundant tomato crop which in some areas lacked quality because of excessive moisture. Moreover, tomatoes ripened almost at one time, making them difficult to pick without some losses. Yields of early peas and limas were light but later plantings more than made up the difference. Green beans, squash, sweet corn, peppers, and cabbages were plentiful; asparagus and celery about equaled 1960's yields.

Vegetables for processing brought fractionally higher contract prices than a year ago. Fresh market prices, too, generally averaged higher, save for tomatoes in late summer. Irrigation and spray control needs were modest because of favorable weather conditions, so production costs were held down.

Fruit prospects are mixed

Winterkill raised havoc with peach production this year, reducing the yields from one-tenth to one-half, depending on location. Over-all, county agents estimate the crop to be one-third less than 1960's. The harsh winter destroyed a number of trees, while late frosts also nipped many buds and blossoms of those remaining. Quality of the fruit also suffered in some cases. Peach prices were relatively high but not sufficiently so to offset crop losses.

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Apples are a completely different story. Nationally, the apple crop is estimated to be 15 per cent above last year's; locally, the increase may be much greater. The fruit is heavy, has good color, is meaty and solid. Because of excellent quality, fresh market prices for local apples are expected to be satisfactory. But because of big crops in competing areas, processors anticipate paying less than last year. Already, prices paid for earlier maturing Virginia apples are depressed.

New Jersey's blueberry crop suffered similarly to the peach crop as the winter cold cut yields almost in half. Resultant prices were good although quality was off. On the other hand, favorable growing conditions have helped increase New Jersey's cranberry crop one-fifth over last year's and the quality of the berry is higher. Prices are expected to equal or better the 1960 level, partly because of a smaller crop expected in Massachusetts, our nearest competing area.

Dairy trend continuing

There has been no abatement this year in the tendency toward fewer dairymen, larger herds, and increased use of machinery. More stringent health and storage requirements call for larger capital outlays which the small operator can scarcely afford. Accordingly, he either gets out completely or specializes in raising calves and heifers. Increased emphasis is being placed by county agents and improvement associations on better quality cows and more efficient milking operations. Thus, the yield per cow is rising although this year, for the first time in many years, the total number of milk cows in the Third Federal Reserve District has declined.

Carryover silage from last year, excellent pasturage, superior cows, and increased efficiency all have contributed to a milk surplus this year. Prices, consequently, have been depressed, particularly for milk sold to processing plants. On the plus side are the abundance of silage for dry feeding this winter and next spring, a seasonal rise in the price of milk, and the possibility of increased consumption of fluid milk, pending approval of gallon-jug sales in Pennsylvania.

A cost-price squeeze in beef cattle

Three major determinants largely decide the status of beef cattle operations: fat cattle prices, cost of replacement stock, and supply of feed on the farm. Sales of finished cattle this year have brought irregularly lower prices. Conversely, feeder cattle prices are high at present. These two factors together have discouraged head-for-head replacement as buyers hold off hoping for a price drop in feeder stock. The third factor, however—ample feed—may eventually encourage some stock replacement. Because of the slim price differential between fat and not-so-fat animals, finished cattle will continue to move to market at lower weights.

A difficult year for poultrymen

Last year's improved picture for Third District poultrymen, unfortunately, has not carried over into 1961. This has been especially true of those who raise broilers. On the average, broiler prices this year are as much as one-third under those of 1960, and in many instances returns are less than costs. Only the most efficient operators will be able to avoid sharp financial setbacks. This discouraging experience has limited chick placement, which may in turn have a salutary effect on the market in future.

Egg prices have fluctuated rather widely this year and on balance will probably be less than a year ago. In the interest of greater stability, producers have been forced to react quickly to

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prices by a downward adjustment in chick placements. But, since quality of the flocks has improved (more eggs per laying hen) and feed has been plentiful, egg production locally may exceed last year's. A prospective oversupply in our area coupled with increasing competition from the South and Midwest gives little promise of a significant price improvement.

Production costs still rising

Higher taxes this year caused more complaints from local farmers than ever before. A major factor underlying these increases is reassessment of property values, particularly in Pennsylvania. Numerous townships are said to be adding taxes on wages to their schedules, and school taxes almost everywhere are still going up. New Jersey farmers claim that since their state has no income or sales levies, additional real-estate taxation places a disproportionate burden on farm land owners.

While farm wages did not spurt upward this year, fringe benefits did. These were in the form of improved housing and health facilities called for by more stringent legislation in some areas. Thus the total labor bill was up, particularly where farmers were dependent on migrant workers. Looking to the future, farmers fear the increased minimum wage in industry will eventually push farm wage costs still higher.

Farmers are using more credit

Driving toward increased efficiency, farmers in 1961 spent more money for field equipment, barn building and remodeling, dairy bulk tanks and milking equipment, improved herds and flocks, fertilizer, and pest and blight control devices. In short, they took any reasonable measure that offered promise of increased production and lower operating expenses. To do this, they used other people's money—they borrowed. Their increasing sophistication in using borrowed funds is a tendency described as welcome to county agents, who long have championed judicious use of credit in financing farming operations.

Farm income—higher gross, lower net

Over the first seven months of 1961, cash receipts from the sale of crops, livestock, and livestock products ran close to the levels prevailing in each of the two preceding years. Although changes in income from these sources showed considerable month-to-month variations as compared with a year earlier, they were largely offsetting. In periods when crop sales were down, receipts from the livestock components were larger and vice versa. In the opinion of most county agents reporting to us, gross income of Third District farmers may be a little higher than in 1960 but net income may be somewhat less, largely because of rising production costs.

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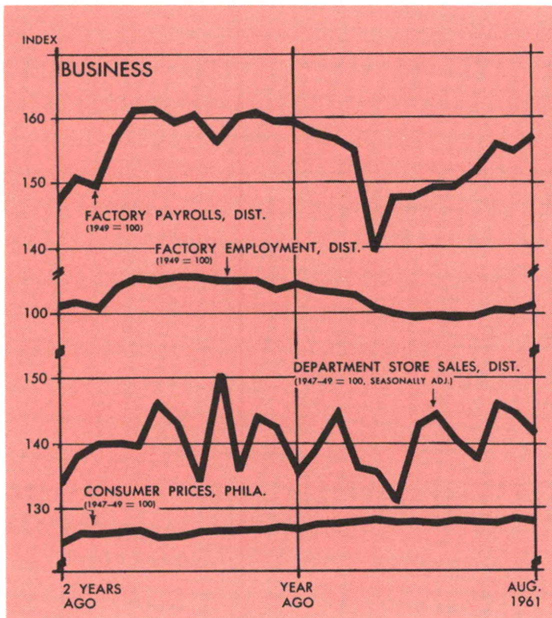

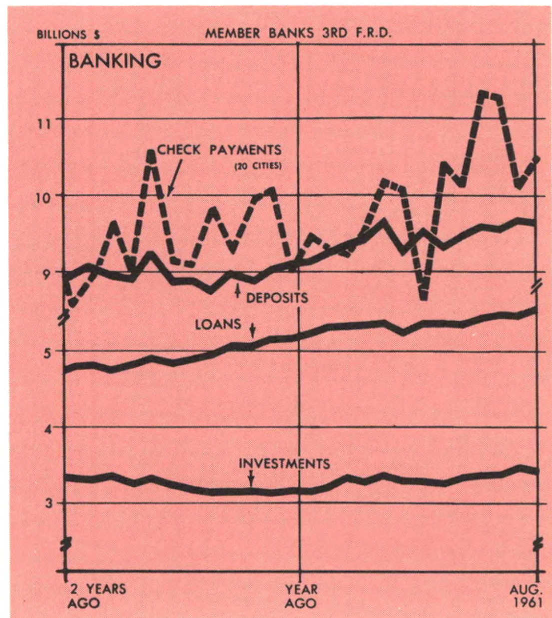

SUMMARY	Third Federal Reserve District			United States		
	Per cent change			Per cent change		
	Aug. 1961 from		8 mos. 1961 from year ago	Aug. 1961 from		8 mos. 1961 from year ago
	mo. ago	year ago		mo. ago	year ago	
MANUFACTURING						
Production	....	....	....	+ 5	+ 4	− 3
Electric power consumed	+ 9	+ 6	− 1	....	....	....
Man-hours, total*	+ 1	− 4	− 7	....	....	....
Employment, total	+ 1	− 3	− 5	+ 2	− 1	− 4
Wage income*	+ 2	− 1	− 5	....	....	....
CONSTRUCTION**	+ 2	+50	+11	0	+ 8	+ 3
COAL PRODUCTION	+27	+ 5	−11	+29	+ 2	− 8
TRADE***						
Department store sales	− 2	+ 3	− 1	− 1	+ 4	+ 1
Department store stocks	+ 1	+ 1	....	+ 2	0	....
BANKING (All member banks)						
Deposits	0	+ 6	+ 6	− 1	+ 6	+ 6
Loans	+ 1	+ 6	+ 7	0	+ 3	+ 4
Investments	− 1	+ 9	+ 6	0	+15	+12
U.S. Govt. securities	− 1	+12	+ 7	− 1	+16	+13
Other	0	+ 4	+ 2	+ 1	+14	+10
Check payments	+ 4†	+11†	+ 9†	+ 3	+ 6	+ 8
PRICES						
Wholesale	....	....	....	0	0	0
Consumer	0‡	+ 1‡	+ 1‡	0	+ 1	+ 1

*Production workers only.
**Value of contracts.
***Adjusted for seasonal variation.

†20 Cities
‡Philadelphia

LOCAL CHANGES	Factory*				Department Store†				Check Payments	
	Employ-ment		Payrolls		Sales		Stocks			
	Per cent change Aug. 1961 from		Per cent change Aug. 1961 from		Per cent change Aug. 1961 from		Per cent change Aug. 1961 from		Per cent change Aug. 1961 from	
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
Lehigh Valley	+ 1	− 3	+ 2	− 2	....	....	....	....	+ 3	+ 7
Harrisburg	0	− 7	+ 1	− 5	....	....	....	....	+ 5	+ 1
Lancaster	0	− 2	+ 1	0	− 2	+ 9	+ 3	+ 3	+ 7	+ 1
Philadelphia	+ 1	− 2	+ 1	+ 1	+ 2	+ 2	− 1	+ 1	+ 7	+10
Reading	0	− 4	− 1	+ 2	+ 2	+ 4	0	− 4	+12	+18
Scranton	+ 2	− 1	+ 2	− 1	+ 7	+ 8	− 3	− 7	+ 9	− 7
Trenton	+ 2	− 5	+ 2	− 3	− 5	+ 3	+ 8	+ 7	−22	+15
Wilkes-Barre	+ 2	− 5	+ 1	− 5	− 6	+ 3	+ 1	− 2	+ 1	+ 3
Wilmington	− 1	−10	0	− 1	0	+ 9	− 2	+ 4	− 1	+36
York	+ 3	− 2	+ 6	+ 4	−14	− 1	− 4	− 3	+11	+15

*Not restricted to corporate limits of cities but covers areas of one or more counties.
†Adjusted for seasonal variation.

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