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The 1968 Harvest: So? or So-So?

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Corporate Treasurers Look Ahead To '69

by Edward G. Boehne

What's the outlook for corporate liquidity? For financing plant and equipment expenditures? For corporate profits in 1969?

To shed some light on these perennially important and frequently asked questions, the Federal Reserve Bank of Philadelphia again has surveyed treasurers of the nation's largest corporations.

The survey indicates an ongoing concern for liquidity by treasurers in 1969, but also expectations of continued improvement in the liquid positions of corporations.

For profits, the outlook is more favorable than might be expected. While anticipating a general slackening in the pace of economic advance and rising costs, the treasurers expect after-tax profits to remain at 1968's record level.

They plan only a modest increase in plant and equipment expenditures in 1969. With internally generated funds at about the 1968 level, financing capital expansion should cause few strains. In addition, financial market conditions, say the treasurers, should ease by early 1969 followed by little or no change for the rest of the year. Accordingly, they predict a relatively favorable outlook for raising funds in the capital market.

In a nutshell, that's what corporate treasurers see ahead for 1969. Financial expectations, however, do not emerge in a vacuum. They depend in large measure on the general business climate. As a background to the profit, liquidity and financing outlook, we take up first the economic environment as the treasurers see it for the remainder of 1968 and 1969.

General economic environment

Corporate treasurers expect a general slowing in the rate of economic growth for the remainder of 1968. As indicated in Chart 1, nearly three-quarters of the respondents accept this view

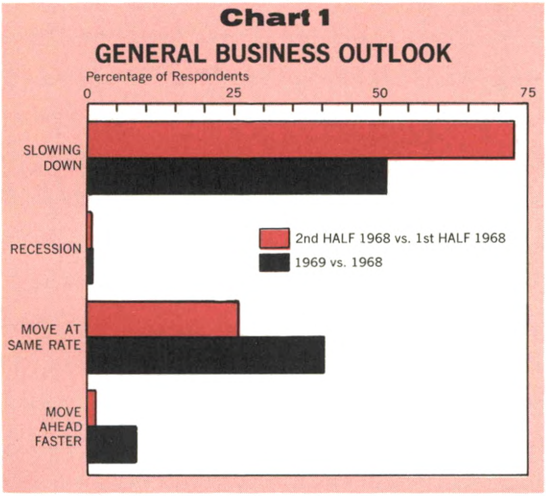
ABOUT THE SURVEY

Questionnaires were sent to **Fortune's** largest 500 manufacturing and 150 non-manufacturing corporations in early August. The overall response rate was 60 per cent with no question answered by less than 40 per cent of the sample.

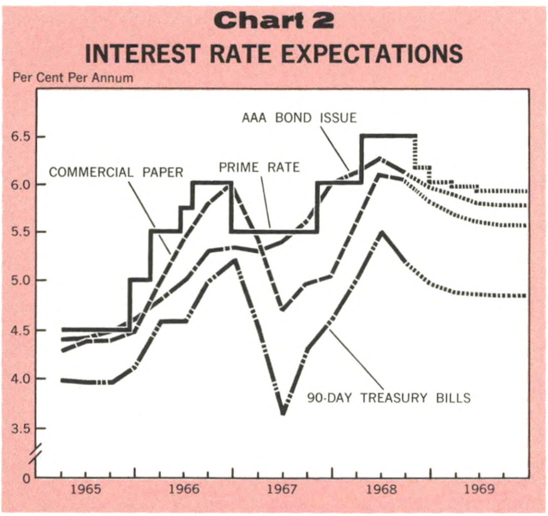
The survey is not intended to reflect financial expectations of all corporations because only the largest firms were included in the sample. However, those corporations which responded account for about 40 per cent of total plant and equipment expenditures. Thus, while these firms certainly affect the total of corporate investment, for example, as a group they may differ from the expectations of all corporations.

A second caveat is that probing the expectations of the corporate financial mind on a comprehensive basis is still experimental. Last year's survey marked the first such attempt.

There is reason, nonetheless, to put some stock in what treasurers tell us about the corporate sector of the economy. The 1967 survey, for example, suggested that the internal flow of funds, particularly from profits, would be higher in 1968 than most people thought at the time and that this would lead to considerable easing in corporate needs for outside financing. Similarly, the survey pointed towards substantially improved liquid positions of corporations. Both of these forecasts are turning out to be correct.



while about 25 per cent anticipate about the same rate of growth in the second half of 1968 as was experienced in the first half. Looking ahead to 1969, however, there is a more even division between those expecting the slowdown to continue and those expecting no further decline in the rate of economic advance. Fifty per cent anticipate even more slowing in the rate of advance, while 40 per cent look for a return to the pace of economic activity experienced in 1968 as a whole.



The consensus among treasurers is that the anticipated slowdown in the pace of economic activity will be largely attributable to a combination of restrictive monetary and fiscal policy. Nearly 80 per cent of the respondents, however, expect that the tax surcharge and reduction in Government spending will precipitate an easing of monetary policy. For example, on average the respondents projected a one-half point drop in the bank prime rate by early 1969 with perhaps another one-quarter point decrease by the end of next year.* Comparable easing is also anticipated for commercial paper, new bond issues and Treasury bills (Chart 2). Expected easing of monetary policy may have prompted more of the treasurers to foresee a more rapid pace of economic activity in 1969 compared to the less buoyant outlook for the rest of this year. Correspondingly, the "overkill" argument, i.e., that in combination existing fiscal and monetary restraints may end the boom and cause a recession, is given little weight by respondents in light of expected monetary ease.

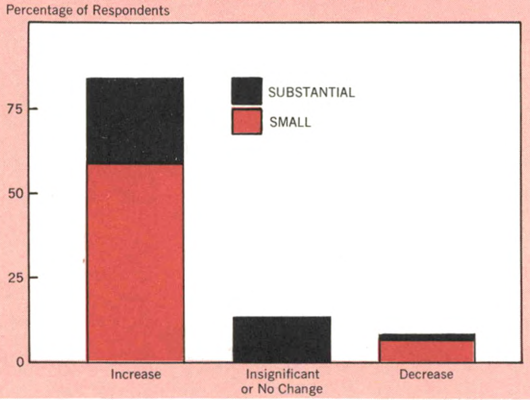
The outlook for prices is for continued inflation. When asked if they expect the monetary-fiscal restraining package to have a significant anti-inflationary effect, only about 45 per cent of the responding treasurers thought it would. Businessmen apparently feel that pressures from the supply side, notably rising unit labor costs and declining utilization of plant capacity, will keep prices moving upward despite an expected slower rate of economic growth.

In short, treasurers see no recession in the cards, but they do expect a general slowing in

In the last two weeks of September, most large banks reduced their prime rate from 6½ per cent to 6¼ per cent. The notable exception was Chase Manhattan Bank which lowered its prime rate ½ per cent to 6 per cent.

Chart 3

PROFIT EXPECTATIONS



the forward motion of the economy to take hold in the latter part of 1968. For 1969, they are about equally divided between those who expect a quickening in the rate of economic advance and those who see a continuation of late 1968's anticipated dampened pace.

The outlook for profits

The treasurers' outlook for after-tax profits is mildly encouraging but somewhat perplexing. On the one hand, when questioned qualitatively about their expectations for after-tax profits, they answered with an unexpected air of optimism. As shown in Chart 3, nearly 80 per cent of the respondents foresee their individual firms showing a profit increase in 1969; of these 80 per cent, about 20 per cent anticipate a large increase. Twelve per cent expect no change, while less than 8 per cent indicate a decrease.

On the other hand, when asked to quantify their profit projections on a flow of funds statement, treasurers' replies point toward an aggregate profit figure equal to the record level of 1968, i.e., no change in after-tax profits between 1968 and 1969.

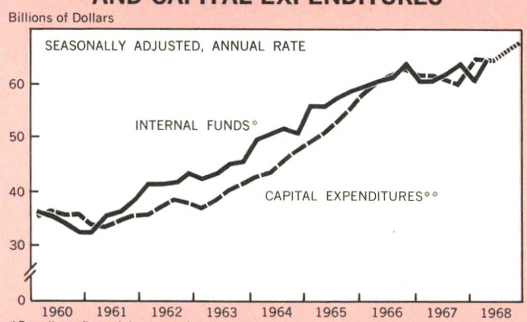
In the context of a generally less buoyant economy with rising costs chipping away at profit margins, the quantitative profit outlook is much more plausible than the qualitative one. However, even a "no change" outlook for profits may be viewed as favorable in light of anticipated cost pressures and lower plant utilization. Against a background of potential declines in profits, therefore, the outlook for "no change" in 1969 is not an unfavorable projection.

Financing plant and equipment expenditures

For the past two years, as shown in Chart 4, internal funds and capital expenditures have been about equal to each other and have risen only moderately. The prospect for 1969 is for a continuation of this pattern. Plant and equipment expenditures, according to our survey, should rise within a range of 3 to 5 per cent. Internally generated funds, say the treasurers, are expected to be about the same as in 1968. On balance, then, weighing total sources of funds against total uses, treasurers project a modest increase in the need for external funds to finance capital spending in 1969.

Chart 4

INTERNAL FUNDS AND CAPITAL EXPENDITURES



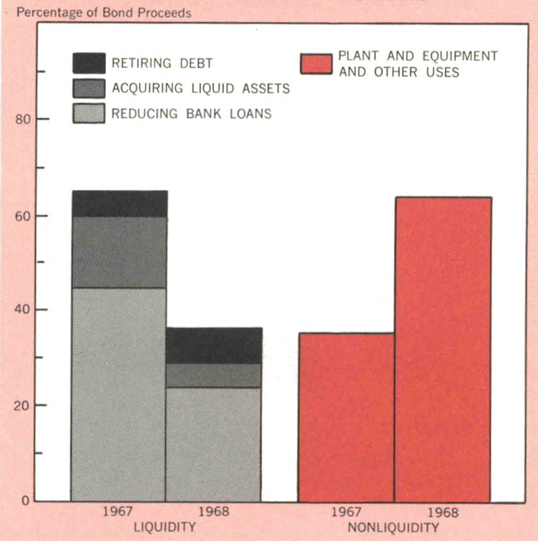
*For all nonfinancial corporations.
**Includes total business plant and equipment expenditures except those in agriculture.
Source: Board of Governors, Federal Reserve System, Department of Commerce, S.E.C.

The penchant of businessmen for internal financing is well-known. Increased dependence on external financing, therefore, usually is met with less than jubilation. Indeed, when asked to identify major problems they expect to be confronted with in 1969, the treasurers most often cited financing plant and equipment expenditures as their chief concern.

In light of the fact that only a small increased reliance on external financing is contemplated, the frequent mention of capital financing as the primary area of concern in 1969 probably reflects the absence of any special or particularly critical issues in the year ahead. To the treasurers who lived through the credit "crunch" of 1966 and the bond "binge" of 1967, the absence of special problems in 1969 may prove a welcome relief.

Chart 6

USES OF BOND PROCEEDS

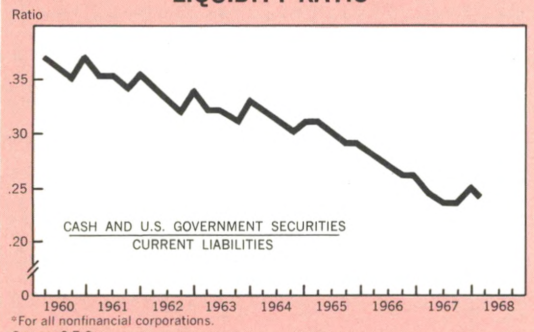


Liquidity: background and outlook

Corporate liquidity, as measured by the ratio of cash and U.S. Government securities to current liabilities, has been of particular concern to financial managers for the last several years. Much of the decline in corporate liquidity over the last decade is attributable to the use of liquid assets to finance receivables. Liquid assets, therefore, have not been able to keep pace with current liabilities. The result, shown in Chart 5, has been a steadily declining liquidity ratio for non-financial corporations.

Chart 5

LIQUIDITY RATIO*



*For all nonfinancial corporations.
Source: S.E.C.

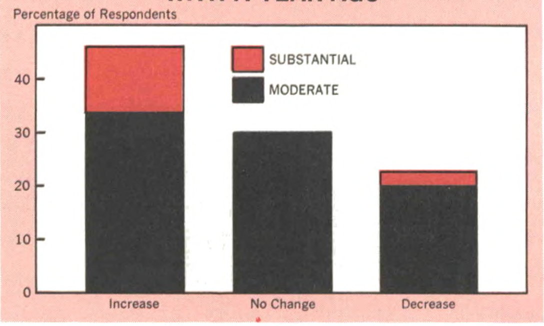
With the sting of the 1966 credit "crunch" still much in evidence, corporations attempted to stave off a further worsening of liquidity in 1967 by going into the capital market. As indicated in Chart 6, nearly 65 per cent of the proceeds of bond sales during the first nine months of 1967 was earmarked for liquidity purposes. This contrasts sharply with the first six months of 1968 when only a third of bond proceeds was used for liquidity purposes. In addition, of course, issues this year are off the torrid pace of 1967.

A year ago corporate treasurers expected that there would be some easing of liquidity pressures in 1968. Indeed, this expectation has turned out to be valid. With rising profits, the liquidity ratio is about where it was early last year after bottoming out late in 1967. In addition, and not reflected in the liquidity ratio, is the "reserve" liquidity which corporations have obtained in the form of loan commitments from commercial banks to be used in a "crunch."

Nearly half the respondents indicate (Chart 7) that their liquid positions have improved over a year ago, although for the most part only modestly. Slightly under 30 per cent indicate little or no change, while less than one in four indicates a worsening of liquidity over the past year.

Chart 7

COMPARISON OF CORPORATE LIQUIDITY WITH A YEAR AGO

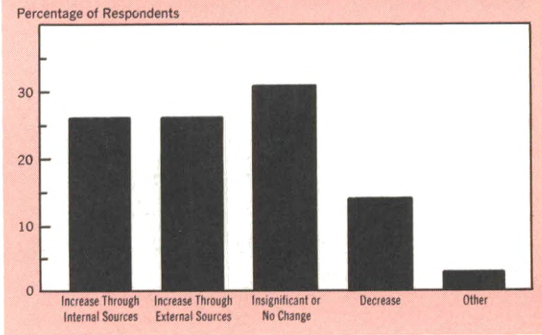


Outlook. Despite noticeable improvement over the past 12 months, just under 50 per cent of the responding treasurers indicate their firms' liquidity position to be below desired levels, while 40 per cent feel liquidity is adequate. Of more significance, however, is what corporations intend to do about their inadequate liquid positions. Chart 8 provides the answer. About 50 per cent of the firms responding plan to improve their liquid positions—half through external sources, half from internal funds flows. Nearly one-third anticipate no change, while the remaining firms expect a decrease in liquidity.

Adding to the continuing concern for liquidity is the recently imposed corporate tax surcharge retroactive to January 1, 1968. Estimates are that

Chart 8

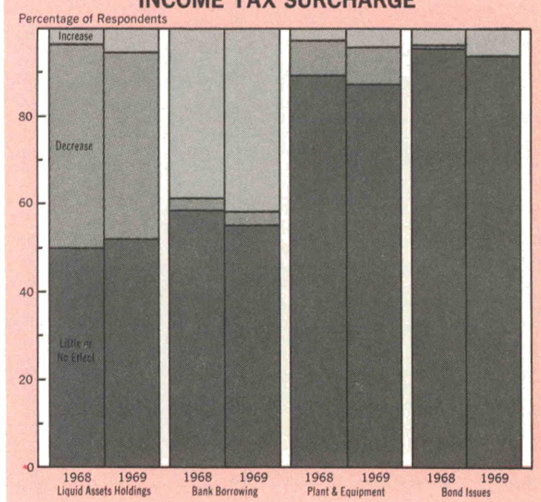
INTENDED CHANGES IN CORPORATE LIQUIDITY THROUGH 1969



the surcharge will cost all corporations about $3.5 billion per year more in taxes. In addition, certain "speed ups" in tax payments are mandated in the Revenue and Expenditures Control Act of 1968. Even though the surcharge is scheduled to expire in mid-1969, nearly two-thirds of the respondents do not believe that it will—with the expectation, therefore, that the added tax liability will exist throughout 1969.

Chart 9

IMPACT OF CORPORATE INCOME TAX SURCHARGE



To find out the impact of the surcharge on corporate planning in general and corporate liquidity in particular, we included a question on the effects of the surcharge in our survey. Responses are summarized in Chart 9.

The dominant effect of the surcharge is expected to be on liquidity. Between 40 and 45 per cent of the firms surveyed anticipate a decrease in their liquid asset holdings, while the same percentage expects an increase in bank borrowings to meet increased tax obligations. In contrast is the very small effect of the surcharge on plant and equipment spending and bond issues.

In a related matter there has been speculation among some financial analysts, based on corporate tax collections prior to passage of the surcharge, that the ratio of estimated corporate tax payments to actual tax liabilities was on the low side for the first half of 1968. The implication is that reconciliation payments next spring will be heavier than usual even after taking into consideration surcharge payments, thereby creating additional liquidity pressures for corporations.

Not much support for this view can be found in our survey. Only between 10 and 15 per cent of the firms surveyed indicate a lower ratio of estimated tax payments to tax liabilities than last year. We found this to be true for the very large firms in the survey as well. If, indeed, corporate tax payments are lagging more than usual this year, with larger than usual reconciliation payments due next year, the lag must be with the nation's smaller firms and not with the largest 650 corporations.

The outlook for liquidity, therefore, is one of continued but diminishing concern. The prospects are for further improvement and increased tax payments appear to be well in hand.

Conclusions

All in all, the lot of the corporate treasurer is not expected to be an unfavorable one in 1969. While the gap between internally generated funds and the total demand for funds will widen somewhat, the modest increased reliance on external financing should be easily accommodated with no great pressures on financial markets.

Financial markets, of course, are not affected solely by the corporate sector. For example, the impact of the governmental and mortgage sectors as well as the actions of the Federal Reserve are all important. But the treasurers foresee some easing of monetary policy in 1969 with the prospects of lower interest rates.

In short, if corporate treasurers are at all accurate in forecasting the future—and last year's survey suggests they are in some important respects—the financial environment in 1969 should be generally favorable to the relatively modest credit demands of corporations.

Although it's really no secret, most people do not know that Philadelphia banks have a unique program for . . .

Moving Money Into Ghetto Businesses

by Susan R. Robinson

Robert Johnson is the new proprietor of Betty's Dress Shop, at 13 South 60th Street in West Philadelphia. Mr. Johnson had worked in another dress shop for a dozen years. The owner of Betty's Dress Shop, who had been in business for thirty-two years, offered to sell out to him. With the help of an authorization by Job Loan Corporation, Mr. Johnson borrowed from a commercial bank to make the down payment on the shop and to boost his working capital.

Willis Redmond, a former bartender, and his wife wanted to get into business for themselves. The Redmond's originally leased a building at 52nd and Locust Streets which they are converting into a luncheonette and drive-in. After they had spent several thousand dollars of their savings rehabilitating the building, it was nearly sold out from under them. But legal assistance and a loan through Job Loan Corporation enabled them to purchase the property, preserve their investment and continue their plans for self-employment.

Money may not be everything, but it's an overwhelming necessity for a man who wants to start his own business. Experience, ideas, location, timing, contacts, determination, hard work and even luck are important ingredients for success. But most ventures can't get off the ground without an adequate amount of money. For a ghetto-dweller, money usually is an especially scarce commodity. He is not likely to have much of his own capital to sink into a business. What's more, he probably won't find it easy to get a loan because he usually has little collateral, a paucity of business experience, a poor credit rating and maybe even a police record. Typically, he won't bother trying to get financing through a bank because a widespread feeling in the ghetto is that commercial banks don't care about lending in the black community.

But Philadelphia banks are becoming more involved in poverty areas because their own future welfare depends heavily upon the socioeconomic environment in which they will be existing. They see a tremendous potential market in the ghetto for bank services like checking accounts, savings accounts, commercial loans. Realizing their stake in the future of the city, Philadelphia banks have set up a number of programs to aid the black community. One of these, Job Loan Corporation, was established last April to help disadvantaged businessmen start or expand an enterprise.

What is Job Loan Corporation?

Job Loan Corporation is a private corporation which acts as an intermediary between the black and Spanish-speaking communities and eight large Philadelphia commercial banks. It was organized by these banks, leaders in the black community and Southeastern Pennsylvania Development Fund. Job Loan Corporation does not actually make loans; it processes credit applications and decides whether a loan should be made. When an application is approved, the borrower goes to any one of the eight participating banks where he is guaranteed to get a loan. Currently, loans are being made at 6 per cent simple interest (the Pennsylvania usury limit for unsecured loans to unincorporated enterprises), which is less than the 6¼ per cent prime rate charged the best credit risks. Most of the loans run for five years and are unsecured. In case of default, the loss is spread among the eight banks in proportion to their capital stock and surplus. All together, the eight participating banks have pledged initially a total of only $2 million to the program. This amount appears meager when compared with total business loans of about $2.3 billion currently on the books of the eight banks. Should the program prove successful, however, the banks probably will make more money available. Job Loan Corporation also has a grant of $93,000 over two years from the Economic Development Administration of the Department of Commerce to help pay for administrative costs.

In the first five months of operation, JLC authorized eighty-three loans totaling about $880,000. Although there is no stated maximum amount of credit available to a given borrower, most loans have been fairly small. As of mid-September, about four out of ten loans outstanding were for less than $2,500. Roughly one-fourth of all loans involved from $2,500 to $5,000 and another fourth of the outstanding loans were for amounts ranging from $5,000 to $10,000. Less than 1 out of 10 loans were for more than $25,000.

Banks are not the only institutions in the predominantly white "establishment" which have indicated interest in the program. The Philadelphia Bar Association, the Philadelphia Institute of Certified Public Accountants and the Greater Philadelphia Chamber of Commerce have offered free or inexpensive assistance to loan recipients. This assistance is particularly valuable to small businessmen because they often lack basic business skills.

Why Job Loan Corporation?

Since commercial banks have been making business loans for years, one may ask why Job Loan Corporation got into the act. Basically, banks were inexperienced in lending to potential businessmen in minority groups and they believed a vehicle like JLC would be useful in channeling funds into the ghettos. JLC, in effect, is needed to bridge the wide gulf between Philadelphia's banks and the black community. It is hoped that over time increased contact via JLC between minority groups and bankers will lead to better understanding, better communications and greater mutual trust so the liaison activities of JLC will become obsolete.

Who gets loans through JLC?

Potential ghetto businessmen have been referred to Job Loan Corporation by civic associations, lawyers, ministers, the Black Coalition, Greater Philadelphia Economic Development Corporation, members of JLC's Board of Directors and banks in the five-county Philadelphia area. An applicant must present background information, references and a proposal for a specific project. He is interviewed by the JLC staff, and then a field representative investigates the area around the proposed business site. Loans up to $25,000 can be approved by Job Loan's vice-president.

Larger loans, as well as every one which has been turned down, must be reviewed by the executive committee or the board of directors. Both of these bodies are made up of an equal number of bankers and representatives of the black and Spanish-speaking communities.

In reviewing loan applications, JLC does not apply fixed or traditional credit standards. Rather, motivation and determination, knowledge of the particular business and prospects for success weigh more heavily than credit rating, past performance and collateral. JLC discriminates in favor of Negroes and Puerto Ricans who show promise for business success but can't get financial help elsewhere.

People from many areas of Philadelphia, and a few from surrounding counties as well, have received loans through JLC. Between 40 and 50 per cent of loan recipients reside or have their businesses in West Philadelphia. About one out of four are in the north or north-central areas of Philadelphia, and roughly 15 per cent are in South Philadelphia. The remainder are located in other areas of the city and in neighboring counties.

The types of businesses which have received JLC loans vary greatly—from rubbish collection to jewelry repair and from beauty shops to service stations. But almost 90 per cent of the loans were equally divided between businesses in retailing and service categories. A few loans went to persons in construction and light manufacturing industries. Most of the businesses receiving help so far have been very small but Job Loan Corporation hopes to help some larger manufacturing concerns in the future.

View from the ghetto

Not everyone who comes to JLC, however, gets a loan. A number of loans have been turned down because applicants could get funds directly from banks or other sources, like the Small Business Administration. Other loans were refused because ventures were judged too risky even by JLC standards.

Applicants who are rejected and are unable to get financing elsewhere could easily feel bitter and further alienated, as we discovered through interviews. However, Job Loan tries to explain why loans are not approved and JLC's future plans include a program to work with those turned down to help them become eligible for a loan.

Several recipients of loans through Job Loan Corporation were interviewed. Each was enthusiastic about JLC and felt it was providing outstanding opportunities for persons with initiative and drive. Moreover, each person we talked with felt that the Negro community in general and his neighborhood in particular could benefit greatly by the encouragement and financing available to them through JLC. Finally, each one of the businessmen said that Job Loan Corporation was not well known yet, and that some form of advertising besides word-of-mouth is needed. A recent television documentary broadcast in Philadelphia showing how Job Loan Corporation helped a young man get into the paint business should help spread the word about JLC.

Businessmen we interviewed credited JLC for their loans, rather than the banks. A few were even hostile toward commercial banks in general, although most had no strong opinions. From this very limited sample, it would seem that better bank-black relations have not yet evolved, although banks are already taking on some riskier loans without the intermediation of JLC.

View from the banks

Interviews with several bank representatives to JLC revealed that bankers are quite pleased with progress made thus far. They are happy about the number of loan applications already received. Although there is no concrete evidence yet as to the progress made by borrowers, the bankers feel that in general borrowers are faring well.

Bankers pointed out that branch managers are largely responsible for the success of the program because many JLC-authorized loans require a great deal of time to service, especially relative to their size. Bankers also stressed the importance of auxiliary services, such as legal and accounting advice, in the success of the loan program.

Participating banks have high hopes for Job Loan Corporation. At present, they are not deterred by the prospect of some bad loans. As one bank executive put it, "Job Loan will have been a failure if there are no loan losses. We expect defaults; and if we do not have them it will mean we have been too cautious."

Those responsible for JLC—bankers and representatives of the black community on its board of directors, and its staff—realize that problems, such as a growing backlog of applications, must be tackled, and also that the program might eventually be expanded into such areas as commercial mortgages.

It is too soon to know if Job Loan Corporation is a success; there is no way to tell yet how effective loans have been. But if it does help build prosperous businesses in the ghetto, Job Loan will have made a contribution to the entire Philadelphia area. The future economic vitality of cities depends upon successful programs for bringing incentives and opportunities to people in poverty sectors.

The 1968 Harvest: So? or So-So?

by Evan B. Alderfer

The 1968 Harvest in the Philadelphia Federal Reserve District defies simple summarization. You see, the 1967 harvest was so very, very good and prior thereto the five consecutive drought-stricken years had been so disappointingly bad that we can't decide how to characterize the in-between '68 harvest. Should it be called the year that was better-than-bad, or worse-than-good?

Five lean years plus one fat year divided by six doesn't exactly make what is considered "average." Nor is it really "normal." Certainly not "modal," nor "median." Perhaps the 1968 harvest is best characterized as so-so, as one of our County Farm Agents called it.

Plants

Fireside farming is fun, but farming for a living is full of meteorological hazards. Take 1968, for example. Winter grains had some protective snow cover against the lowest winter temperatures but encountered some lodging (beaten down) difficulties. May turned out to be colder and wetter than usual, which left the heads of wheat and barley less than full in some areas; and wet fields delayed planting of corn throughout a large part of the region. In Delaware, early planted corn required replanting and some farmers replanted with soybeans. New Jersey field corn is also below par and production may be as much as a third below last year.

Midsummer brought a prolonged spell of very hot and very dry weather which stunted the growth of corn and other crops. In some sections, such as the Lehigh area and the north border dairy counties, it is feared that corn may not have enough time to mature unless rescued by a later-than-usual appearance of the first frost. Estimates of the year's harvest range from a fifth to a third below last year's record crop.

The double adversity of a cold, wet May and a hot, dry July has also had adverse effects upon other harvests. The early cut of tobacco in Lancaster County was heavy but later cutting yielded less. Hay harvested in Berks County was bleached out, and Lancaster hay left something to be desired. Hail inflicted damage to a fifth of the Adams County apple crop, and the cherry crop was reduced by frost. Fruit trees in Delaware also suffered spring hail damage. Early sweet corn in New Jersey was good; the later crop was too dry. New Jersey asparagus, always early, was excellent as were eggplants and greens but peppers were just fair.

New Jersey tomatoes for the fresh market were of good quality but costlier to produce owing to the intensive irrigation required. Can-house tomatoes, for the most part, never left the fields because of a strike at the leading cannery. The tomatoes ripened before an accord was reached and had to be disked down. When it became apparent that the crop would not be processed, farmers cut their costs as much as they could by stopping irrigation, spraying, etc., and the cannery made payments to contract farmers on a sliding-scale basis to compensate for various growing costs and expenses.

Most Pennsylvania vegetable growers were short of rain in August and the deficiency is reflected in reduced September 1 estimates of snap beans, early fall cabbage, and other vegetables. Then on September 11, as if to make amends for their tardiness, heavy downpours of three to four inches drenched the middle and low Susquehanna Valley. Pastures again turned green but the heavy rains also cracked maturing apples and tomatoes.

Moisture in the right amount at the right time for each of the varieties of crops in the three-state area would call for a rather complex schedule of precipitation. Among growers of vegetables, greens, and fruits, irrigation is a frequent midsummer sight in Pennsylvania, New Jersey, and Delaware. Pennsyvania potato growers who used irrigation this summer are experiencing better yields than those who relied on rainfall. Because of the apparently greater frequency and long duration of dry spells in recent years, more and more farmers are going in for irrigation. Some are even considering it for corn.

One crop immune to the weather is mushrooms, which flourish best indoors in darkness. Moreover, Pennsylvania is the country's leading producer—the only crop, in fact, in which the Commonwealth enjoys that distinction. In the mushroom fiscal year (July 1, 1967 to June 30, 1968) Pennsylvania growers produced 113 million pounds, or 62 per cent of the nation's production. The Pennsylvania crop was worth almost $38 million—more than any other Commonwealth crop except hay and corn, which of course are not cash crops but are fed to livestock.

Animals

Animals and their products yield 70 cents of every dollar of regional farm income, and the cow is queen of the animals—for dairy products account for the largest source of revenue.

Dairy farmers are doing well for a change. They are getting good prices for milk, around $6 a hundredweight, and demand is holding up well. Sharp-pencil farmers keep meticulous input-output records of every cow in the herd, and as soon as a cow fails to earn her keep she goes to a bologna factory and her place in the herd is taken by a better milker. Furthermore, there is a continuing trend toward fewer but larger herds to get the benefits of lower unit costs that go with increased scale of operation. The small family farm with a dozen cows and a butter churn and a few pigs to swill the buttermilk is as obsolete as the village blacksmith.

Lancaster County is a great cattle cafeteria to which beef cattle from nearby states, and some not so nearby, are sent to be fattened for market. In the fall, Lancaster farmers step up their purchases of cattle for over-winter fattening with home-grown corn and subsequent sale as prime roast rib of beef on the hoof.

How many cattle a farmer buys depends upon a number of things such as the supply of grain, the cost of the cattle, the prices they will bring after fattening, and opportunity costs—that is, the prospects of making better use of capital tied up in the beef herd while on feed.

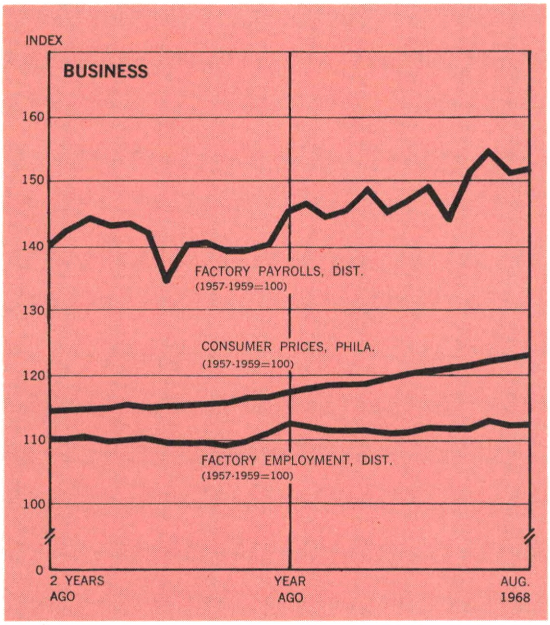
This fall the profit prospects for cattle feeders look favorable. Grain prices are cheap, owing to a big carryover from last year's cornucopia; beef prices are holding up, and people have the money it takes to eat well.

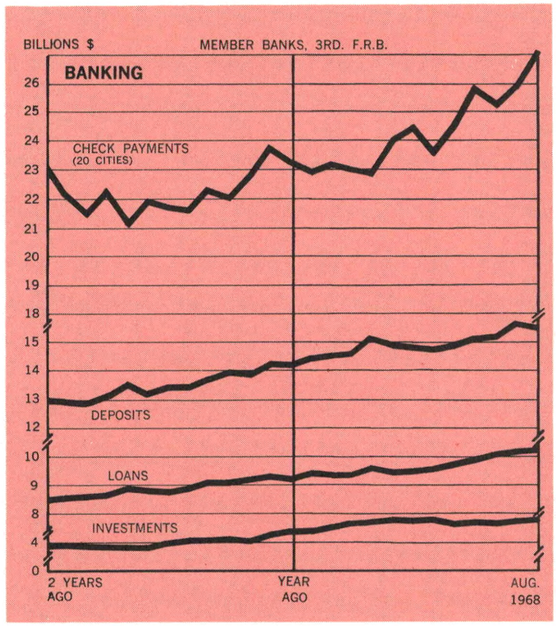
And now the chicken—that feathered biped which produces almost a quarter of the farm income of the region. The egg-producing poultrymen are doing a little better than a year ago. Prices of eggs are higher and for once, according to the latest report we saw, the rise in egg prices was not accompanied by a rise in the cost of chicken feed. Such a favorable change in the egg-feed ratio is what hennery enterpreneurs dream about, but they know it can't last long. The hen population can be expanded in a comparatively short time, and that is what inevitably happens when profits increase.

Broiler production, which is big business in southern Delaware, is also highly competitive. For the year as a whole, the broiler growers in that area did well. Compared with the year before, feed prices were lower, demand was sustained, and expanded dressing-plant capacity in the area brought about more vigorous bidding for the birds. Fierce price competition from Southern states is met by Delaware producers who stress quality products for discriminating markets.

So, all things considered, '68 looks better than so-so.

FOR THE RECORD . . .





SUMMARY

	Third Federal Reserve District — Per cent change — August 1968 from — mo. ago	year ago	8 mos. 1968 from year ago	United States — Per cent change — August 1968 from — mo. ago	year ago	8 mos. 1968 from year ago
MANUFACTURING						
Production	....	....	....	+ 1	+ 3	+ 4
Electric power consumed	+ 1	+ 7	+10	....	....	....
Man-hours, total*	+ 1	− 1	+ 1	....	....	....
Employment, total	0	0	+ 2	....	....	....
Wage income*	+ 1	+ 5	+ 6	....	....	....
CONSTRUCTION**	− 6	+ 5	+18	+ 6	+20	+14
COAL PRODUCTION	+34	+ 6	− 1	+22	+ 4	+ 1
BANKING						
(All member banks)						
Deposits	− 1	+ 9	+10	− 1	+ 8	+ 9
Loans	0	+12	+ 9	0	+10	+ 9
Investments	+ 1	+ 9	+15	+ 2	+ 8	+12
U.S. Govt. securities	+ 3	+ 2	+ 8	+ 2	+ 3	+ 7
Other	0	+16	+23	+ 3	+13	+17
Check payments***	+ 5†	+16†	+12†	+ 4	+21	+18
PRICES						
Wholesale	....	....	....	0	+ 2	+ 2
Consumer	0‡	+ 5‡	+ 5‡	0	+ 4	+ 4

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

†15 SMSA's
‡Philadelphia

LOCAL CHANGES

Standard Metropolitan Statistical Areas*	Manufacturing — Employment — Per cent change August 1968 from — mo. ago	year ago	Manufacturing — Payrolls — Per cent change August 1968 from — mo. ago	year ago	Banking — Check Payments** — Per cent change August 1968 from — mo. ago	year ago	Banking — Total Deposits*** — Per cent change August 1968 from — mo. ago	year ago
Wilmington	− 4	− 1	− 1	+ 9	+ 1	+10	− 3	+ 9
Atlantic City	....	....	....	....	+ 5	+12	+ 2	+ 6
Trenton	0	0	+ 3	+ 8	+ 1	+23	− 2	+11
Altoona	+ 1	+ 3	+ 3	+10	+ 3	+11	+ 2	+13
Harrisburg	0	+ 1	+ 1	+ 8	0	+ 8	− 1	+16
Johnstown	0	+ 2	−13	0	+ 2	+11	+ 1	+10
Lancaster	+ 2	− 1	+ 4	+ 3	− 6	+ 6	0	+ 7
Lehigh Valley	+ 1	0	− 2	+ 5	− 2	+13	0	+10
Philadelphia	0	− 2	0	+ 4	+ 7	+18	− 2	+10
Reading	+ 4	+ 2	+ 9	+11	− 4	+26	+ 1	−25
Scranton	+ 2	0	+ 2	+ 5	0	+15	+ 1	+10
Wilkes-Barre	+ 2	+ 3	+ 3	+ 9	+ 2	+13	+ 1	+12
York	+ 2	+ 1	+ 5	+ 8	+ 1	+ 9	0	+ 6

*Not restricted to corporate limits of cities but covers areas of one or more counties.
**All commercial banks. Adjusted for seasonal variation.
***Member banks only. Last Wednesday of the month.