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War Program Creates Fertilizer Problem

Important changes are taking place with respect to the wartime supply of commercial fertilizers that have so long been the mainstay of southern agriculture. While the supplies of such basic fertilizer materials as potash, phosphate rock, and sulphur are ample for all foreseeable needs, there is a real transportation problem. The shipping shortage and the danger of submarine sinkings compel movement of the materials by rail for the most part instead of by coastwise ships, hitherto the main carriers. The lack of available ocean shipping facilities and the demand generated by munitions manufacturing have seriously affected the available supply of nitrogen carriers. In fact, the nitrogen supplies, instead of moving freely into the market as formerly, are now under direct allocation by the War Production Board. As an accompanying control, ceiling prices have been established by the Office of Price Administration upon retail sales of certain fertilizer materials.

▶ The Sixth District, as illustrated by Table I, is an extensive user of commercial fertilizers and will therefore be vitally affected by any interruption in supply made necessary by wartime changes. Much of the area has been under long-term cultivation, so that original plant foods in the soil have long since been exhausted, necessitating constant replacement. The District lacks the rich, glaciated soils of the North and Middle West that have made it possible for these regions to defer the extensive use of artificial fertilizers. Southeastern farmers have concentrated upon the production of cash crops at the expense of livestock production, so that animal manures are not plentiful in the District. The acreage of legume crops has likewise been limited because of the reliance upon cash crops such as cotton and tobacco.

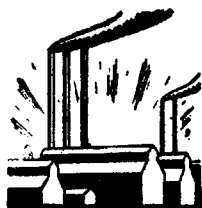
In spite of known needs, the extent to which commercial fertilizers are used is largely determined by anticipated profit margins. With prices of most farm products now offering profitable opportunities, it is expected that the demand for fertilizer will expand considerably, even though the supply problem already offers difficulties. This dependence of fertilizer demand upon the relative prosperity of agriculture is illustrated by data shown in Table II. When agriculture, for example, reached the depression lows of 1932, the consumption of commercial fertilizers dropped to a low point of 4,385 thousand tons. On the other hand, during the relatively prosperous year of 1941, fertilizer consumption reached an all-time high with 9,254 thousand tons. Fertilizer sales for the year 1942 are at very near the level attained in the record year of 1941. Sales for the first five months of the year for the United States as a whole, as based upon reports of tax tag sales, amounted to 4,681 thousand tons, as compared with 4,684 thousand tons for the year 1941. For the six

states of the District, however, sales for the first five months of the year 1942 were somewhat below sales for the same period a year ago (an indicated sale of 2,115 thousand tons as compared with 2,167 thousand tons). It is highly improbable that marketing of fertilizer at such high levels can be consistently maintained in view of the present supply problem.

▶ The commercial fertilizer supply problem is especially related to the movement and processing of the three basic materials—(1) phosphate, (2) potassium, and (3) nitrogen. So far as phosphate is concerned, continental United States is self-sufficient. As early as the year 1868, South Carolina deposits were placed in production, and some twenty years later numerous phosphorous rock deposits were opened up for commercial production in nearby Florida and Tennessee. Phosphorous rock reserves in Florida alone are estimated to be in excess of three billion tons, while reserves in the United States as a whole are known to be more than ten billion tons. At the present rate of consumption, these reserves, it is estimated, will last more than three thousand years.

While phosphorous rock exists in more than sufficient quantities, the necessary processing presents certain problems. First of all, the railroads of the country are faced with the task of transporting thousands of tons of phosphorous rock that formerly moved by coastwise ships. Whether or not the railroads can handle this tonnage in addition to all of the other wartime tonnage they now must haul remains to be seen. Plant capacity does not appear to be much of a problem, for it is estimated that existing processing plants, especially for the production of superphosphate, are able to produce quantities equal to double any annual consumption of recent years. Sulphuric acid is used in great quantities by the fertilizer industry in extracting phosphates from phosphorous rock. Sulphuric acid is also in great demand for munitions purposes. Any conflict in the demand for the available supply of sulphuric acid seems to be remote, however, because the acid can be recovered from munitions plants as spent acid and be used again in the superphosphate plants.

With respect to the supply of potassium, the second principal component of commercial fertilizers, the situation is at least as favorable as it is in the case of phosphorus. It is only since the close of the first World War that the United States has become self-sufficient in potassium, known in the trade as potash. The two principal producing areas are at Searles Lake, California, and at Carlsbad, New Mexico. Reserves in these areas are estimated at well over 100 million tons, sufficient to last over 200 years at the present rate of consumption. As in the case of phosphorus, therefore, the principal supply difficulties will be found in the lack of transportation facilities for distributing available sup-



plies to the areas where they are most needed and in the possibility of a restricted labor force.

The present potash situation is in sharp contrast to that prevailing during the first World War. At that time, Germany was our chief source of potash and with the prompt application of the English blockade, the supply was abruptly cut off. Domestic sources of potash were then resorted to and limited quantities of potash were obtained from by-products of blast furnaces, cement mills, and distilleries; and from processing seaweed, cottonseed hulls, and certain sand deposits. These makeshift sources of supply, however, did not prevent the price of potassium chloride from rising from \$38 a ton to \$500 a ton.

It is in the supply of nitrogen carriers that the war has created serious difficulties. Supply problems are particularly noteworthy in the case of sulphate of ammonia and nitrate of soda, the two most widely used nitrogen fertilizer materials. Although supplies of sulphate of ammonia, which is a by-product of the coke ovens of steel plants, are increasing as the result of increased steel production, the increased quantities will not be sufficient to make up for the deficiencies now becoming apparent in other sources of production. Further, there has been a considerable diversion of ammonia solutions to the munitions industry. Unlimited quantities of nitrate of soda are available from Chilean sources, but scarcity of ocean shipping and the submarine menace offer a most difficult problem in transportation. Moreover, part of the imported Chilean nitrates must be diverted to the manufacture of explosives.

Vegetable organics to some extent will be available as a source of nitrogen materials. Increased acreages of oil production crops such as peanuts and soy beans may lead to an increased production of oil meals with a possibility that some of the increase will be left over for commercial fertilizers. Farmers have also been advised by the Department of Agriculture to plant legumes and thus to obtain nitrogen by atmospheric fixation of plant nutrients in roots.

Any deficiency in nitrates will have a depressing effect upon crop production in the Sixth District. It is estimated that approximately one-third of the total cotton production and more than 10 per cent of the corn production in the Atlantic coastal area arises from the application of nitrogen fertilizers.

► In spite of all measures that can be taken, there seems little prospect that fertilizer materials will be available in unrestricted quantities. Recognizing the problem, various governmental and private agencies have taken steps to augment the supply of nitrogenous fertilizer materials and to utilize the available material as efficiently as possible.

The imposition of price control was an early step. The Office of Price Administration established temporary maximum prices on mixed fertilizer for retail sale on February 27, 1942. On March 19, 1942, maximum margins were fixed for charges made by mixers and retailers to farmers for nitrate of soda, sulphate of ammonia, and cyanamide. Mixed fertilizers, sulphates and potash were also brought under price control as of April 30, 1942. Meat scrap and tankage, representing organic fertilizer materials, were placed under a zone pricing system as of June 5, 1942.

The establishment of direct control over existing supplies was another step. The War Production Board placed the more important nitrogen supplies completely under allocation orders. Synthetic nitrogen was withdrawn from sale for ordinary industrial and agricultural uses. Sodium nitrate was brought under allocation by a general preference order taking effect January 15, 1942. By-product ammonia, sulphate of ammonia, and synthetic ammonia were similarly placed under allocation control as of July 1, 1942.

Nitrogen supplies that are allocated to agriculture by the War Production Board are, in turn, to be allocated to particular crops in accordance with the recommendation of the United States Department of Agriculture. So far, the problem of rationing fertilizer materials has been avoided, but the Department of Agriculture is working out, in cooperation with the states, the grades of fertilizers for each crop that will make the most efficient use of the available supplies of nitrogen. Under consideration also is the establishment of priorities for crops on the basis of their need for and consumption of fertilizers. Already it has been ruled that fertilizers containing nitrogen may not be sold in the Middle West for grain crops to be sown during the coming autumn.

► By and large, the fertilizer supply problem promises to be one of ever-increasing stringency, and while the problem is not one of immediate urgency, the long-term outlook offers no grounds for optimism, particularly if the war is to be of long duration.

Material for this article has been drawn from publications of the National Fertilizer Association, United States Department of Agriculture, and from the *Commercial Fertilizer*, and the *Journal of Commerce and Commercial*. In addition helpful suggestions and assistance have been given by the following individuals:

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TABLE I
Number of Farms Using Commercial Fertilizer and the Tonnage and Dollar Value of Fertilizer Used for the Year 1939

	Number of Farms	Per Cent Using		Tonnage of Fertilizer Used		Dollar Value Fertilizer Used	
		Fertilizer	Fertilizer	Total	Per Farm	Total	Per Farm
Alabama...	231,746	196,515	84.8	525,977	2.7	13,405,411	68.21
Florida....	62,248	42,086	67.6	419,356	9.9	13,072,255	31.06
Georgia....	216,033	193,643	89.6	700,044	3.6	18,647,880	96.30
Louisiana..	150,007	78,808	52.5	129,212	1.6	3,956,530	50.20
Mississippi	291,092	178,206	61.2	305,926	1.7	8,883,948	49.85
Tennessee..	247,617	111,909	45.2	136,971	1.2	3,405,875	30.43
District....	1,198,743	801,167	66.8	2,217,486	2.8	61,371,899	76.60
U. S.....	6,096,799	2,337,031	38.3	7,003,826	3.0	195,927,959	83.84

Source: U. S. Bureau of the Census, Census of Agriculture 1940.

TABLE II
United States Fertilizer Consumption

Year	Fertilizer Consumption (In Thousands of Tons)	Year	Fertilizer Consumption (In Thousands of Tons)
1925.....	7,334	1934.....	5,583
1926.....	7,329	1935.....	6,276
1927.....	6,844	1936.....	6,931
1928.....	7,986	1937.....	8,247
1929.....	8,012	1938.....	7,571
1930.....	8,222	1939.....	7,789
1931.....	6,354	1940.....	8,317
1932.....	4,385	1941.....	9,254
1933.....	4,908		

Source: National Fertilizer Association.

Interpretations of Regulation W

Of interest to cash lenders are the following interpretations of Regulation W issued by the Board of Governors since the publication of the June *Review*:

Section 2 Definitions: The Board has recently considered several cases that relate to the differences between (1) "instalment sale" (which, by definition, relates only to listed articles), (2) instalment sale of an unlisted article or a service, and (3) "instalment loan."

When listed articles involved: Sometimes the seller of a listed article does not take a note payable to himself, but instead, according to arrangements with a financial institution, takes a note payable to the financial institution. Such a transaction involving a listed article is an instalment sale whether the note is made payable to the seller or to a financial institution, since Section 2(e) specifically states that, so long as the extension of credit is made "by any seller" of any listed article and "arises out of the sale of such listed article," the definition applies whether the seller provided for the credit "as principal, agent, or broker." Such a transaction does not constitute an instalment loan and hence does not require a Statement of Borrower, since under Section 2(h) an instalment loan includes only specified transactions "other than an instalment sale."

When unlisted article involved: When such transactions involve an unlisted article or a service (including an insurance policy) instead of a listed article, the rule is somewhat different. If the seller takes a note payable to himself the transaction is exempt from the Regulation as a sale of an unlisted article or a service, and the note may be purchased by a bank or other financial institution without regard to the requirements of the Regulation, on the other hand, when the seller takes a note payable to a financial institution instead of to himself, the transaction (if for \$1,500 or less) is subject to the Regulation as an instalment loan and a Statement of the Borrower is required. The controlling factor in such cases involving an unlisted article or a service is whether the note is made payable to the seller, in which case the trans-

action is exempt, or is made payable to a financial institution, in which case the transaction is subject to the Regulation as an instalment loan. Note, however, that the word "service" as used herein, does not include any service connected with the acquisition of a listed article.

The differences between the status of transactions involving listed articles and those involving unlisted articles and services flows from the fact that the definition of instalment sale in Section 2(e) is by its terms specifically confined to transactions involving listed articles. When an unlisted article or a service is involved and the note is made payable to a financial institution instead of to the seller, the transaction on its face is a loan by the financial institution and (if for \$1,500 or less) is subject to the Regulation as an instalment loan.

Statement of certain other interpretations: This covers the questions considered in W-16, 119 and 124 and takes the place of those interpretations.

Section 6(b) Instalment Loans Not to Purchase Listed Articles: Board has been asked whether under Regulation W a Registrant may make an instalment loan with a maturity of twelve months to retire a charge account arising in whole or in part from the sale of a listed article, if the Registrant accepts a Statement of Necessity in accordance with the provisions of Section 10(d). The answer to this question is that the loan may have a maximum maturity of twelve months from the date of the loan whether or not the charge account was in default under the provisions of Section 5(c).

Board has also received an inquiry as to the maximum maturity of a single-payment loan to retire a charge account. Such a loan must of course have a maturity not in excess of 90 days, but, if a Statement of Necessity is taken from the obligor when the loan matures, the Registrant may renew the entire amount on an instalment basis under Section 7(c)(1) for as long as twelve months from the date of renewal, or the Registrant may make extensions in the manner provided in Section 7(c)(2) if the maturity of the last single-payment obligation is not later than twelve months from the date of the first one. See footnote 5.

Sixth District Business Conditions

Business activity in the Sixth District continues to respond to a number of divergent influences. Restraining influences are (1) the wartime limitations upon the production and sale of civilian goods, (2) the continued induction of men into the armed services, (3) rising prices and the uncertainties that always accompany a major upheaval in economic relations such as that engendered by wartime activities and controls, and (4) technological unemployment that has come with the disruption or termination of many peacetime activities and services. Expanding influences are (1) further increases in output of military products, (2) the fears of further shortages and price rises (fears that are translated into further forward buying), and (3) the continued increase in mass purchasing power that is the result of wartime activities and

services. Many other factors and influences are of course at work in affecting business trends. There remains, however, a fair balance between the restraining and expanding factors so that business activity in the District may be said to be more than holding its own as compared with last year.

Agriculture: Larger yields than a year ago are estimated for most 1942 crops in the District, and with farm prices expected to continue at their present level, the heavy volume of farm marketings should result in high farm income during the remainder of the year. The Department of Agriculture estimates that total cash farm income, including Government payments in the United States probably will exceed \$14.5 billion in 1942. The 1942 gross farm income would thus exceed that of 1941, which in turn was the largest since 1920.

Demand for farm products by both domestic consumers and military and lend-lease authorities continues to increase. However, partly because of broadened price controls, advances in prices received by farmers will be less than would otherwise be the case.

Increased income to the farmers in the Sixth District may be expected as a result of the larger cotton crop this year. On August 1 it was estimated to be 31 per cent larger than in 1941. The high percentage increase in the District as compared with a 22 per cent increase for the United States as a whole is largely due to better weather conditions and in part to the fact that the cotton crop was short in Georgia and Louisiana last year. Acreage planted to cotton in the District is about the same this year as last.

TABLE I
Cotton Crop Estimate — August 1, 1942

	Indicated Crop — 1942 (thousand bales)	Crop — 1941 (thousand bales)	Per Cent Change
Alabama.....	895	790	+ 13.3
Florida.....	19	17	+ 11.8
Georgia.....	933	624	+ 49.5
Louisiana.....	684	313	+ 118.5
Mississippi.....	1,833	1,424	+ 28.7
Tennessee.....	581	598	— 2.8
District.....	4,945	3,766	+ 31.3
United States.....	13,085	10,744	+ 21.8

The ten-market average of spot prices on August 14 was 18.53 cents a pound. This price, although slightly below the August 1 parity price of 18.85 cents, compares very favorably with the 1941 price of 15.74 cents. The new average loan rate of 16.02 cents a pound on seven-eighths inch middling, announced by the Commodity Credit Corporation and based on 85 per cent of parity, represents an increase of 2 cents a pound over last year's rate. Increased demand for long-staple and better grades of cotton in general are such that farmers by careful picking and grading may benefit from price premiums.

Other increases in farm income may be expected from this year's larger acreages of tobacco, peanuts, rice, and sugar cane. An average price of \$31.17 per hundred pounds for the season through August 15 was reported for the tobacco markets of Florida and Georgia. This price, which is considerably above the 1941 price, should increase greatly the income of tobacco growers, since the 1942 production of flue-cured tobacco in the Georgia-Florida belt was estimated on July 1 at 71.6 billion pounds, an increase of about 9.5 billion pounds over last year. Peanut growers have been assured of a minimum price of \$82 a ton on nonquota peanuts. It is expected that a loan rate of \$133 per ton will be adopted for quota number 1 Spanish peanuts. Because of increases in foreign and domestic requirements for rice, there is every prospect that the present relatively high rice prices will be maintained in the coming season. Higher prices are also in prospect for the 1941 sugar cane crop.

TABLE II
FARM INCOME (In Thousands)

	June 1942	May 1942	June 1941	Year to Date 1942	1941
SIX STATES.....	\$59,961	\$71,430	\$48,268	\$428,510	\$306,167
Alabama.....	6,524	12,015	5,933	47,658	34,334
Florida.....	12,269	18,655	7,550	122,626	84,954
Georgia.....	10,866	9,770	8,041	56,214	40,531
Louisiana.....	7,304	8,698	7,731	59,047	45,138
Mississippi.....	9,090	8,890	7,704	55,658	39,757
Tennessee.....	13,908	13,402	11,309	87,307	61,453

A survey of crop conditions by states of the District indicates a generally favorable prospect. In *Alabama*, the July temperature and rainfall conditions were nearly normal, though far from uniform over the state as a whole. Many sections in the northern third of the state suffered from lack of adequate moisture, while some central, southern, and eastern areas experienced excessive rains. August crop estimates indicate decreases from last year of 23 per cent in corn, 9 per cent in hay, and 30 per cent in potatoes. The wheat crop harvest was estimated at 57 per cent larger than in 1941, while the peanut harvest is expected to show an 83 per cent increase, sweet potatoes 70 per cent, and oats 4 per cent.

In *Florida* unusually hot weather during the middle and latter parts of July, together with insufficient rain in many sections, appears to have had a somewhat unfavorable effect on most staple crops. The condition of corn deteriorated from the previous month, but the crop is still expected to be 26 per cent larger than last year. Although the yield per acre of peanuts is estimated to be somewhat lower than last year, an increase of 78 per cent in total production is expected because of greater acreage. August crop estimates show increases of 40 per cent in hay, 24 per cent in potatoes, 20 per cent in sugar cane, and 6 per cent in sweet potatoes. New crops of citrus fruits are not far enough along for quantitative estimates, but present indications point to record crops, since the condition of both oranges and grapefruit on August 1 was better than a year earlier.

In *Georgia*, most crops except corn, rye, peaches, and apples are expected to be larger than in 1941. General rains in the latter part of the month were helpful in overcoming adverse conditions caused by the hot dry weather in the early part of June. This year's peanut crop is placed at the all-time high of 779.5 million pounds, 64 per cent above last year's production. Record hay and pecan crops are also expected. The wheat crop was 15 per cent above that of 1941. Increases of 35 per cent in potatoes, 9 per cent in tobacco, and 10 per cent in sweet potatoes were indicated as of August 1.

Louisiana agriculture is expected to produce a larger-than-average output of most farm commodities. The rice crop is estimated at 27 million bushels, an increase of 36 per cent, the result of greater acreage and higher yield per acre. Production of sugar cane for sugar is forecast at over six million tons, a gain of 39 per cent. If the August 1 prediction is fulfilled, the production of over 17 million pounds of peanuts will be nearly six times that produced in 1941.

Tennessee crop prospects were reduced slightly in July. Corn and hay crops declined 4 and 5 per cent respectively, but small grains are expected to yield according to earlier predictions. Although the fruit crops are expected to be below the bumper crops of 1941, they are almost normal, except in the case of peaches. The wheat crop was estimated at 5 per cent smaller than in 1941. An increase of about one-third over last year in the oats crop is indicated. Barley production is expected to show an increase of 31 per cent over 1941, while decreases are indicated for hay of 11 per cent, potatoes 30 per cent, and sweet potatoes 25 per cent.

Gasoline Taxes: The index of total gasoline tax collections as shown in Table 2 in the six states of the District declined in July to a point lower than for any previous month since March, 1940. The decrease was particularly sharp in Florida

and Georgia, the two states where gasoline rationing is in effect. The decline in Florida's collections is partly due to seasonal influences, however, since collections in July during the past two years have been well below those of June. Restrictions upon gasoline deliveries and the difficulties in the way of tire replacement have severely curtailed automobile travel even in the unrationed states.

TABLE III
Gasoline Tax Collections
Average Monthly Collections 1939 = 100

	July 1942	June 1942	July 1941
Alabama.....	123	126	127
Florida.....	84	93	111
Georgia*.....	95	99	122
Louisiana.....	104	110	125
Mississippi.....	101	130	118
Tennessee.....	108	136	123
District.....	101	117	120

*Rationed states.

Money and Credit: Actual circulation of Federal Reserve notes of this Bank's issue reached the sum of \$395.9 million on August 26, 1942, as compared with \$230.2 million on the corresponding date a year earlier. This rise of 72.0 per cent in note circulation is in part the result of the general acceleration of business activity that has taken place throughout the District in response to wartime measures. A special factor perhaps in the expansion of currency circulation has been the more than proportional increase in money incomes of wage earners and farmers. A considerable proportion of such persons have never established banking connections or used checking account facilities extensively, and thus now hold cash balances that must be considerable in the aggregate.

Another special factor is the heavy demand for currency arising from Army payroll requirements. For a number of reasons—political, military, and climatic—the District contains a large military and naval population, so that demands for currency in meeting payrolls are very great as compared with peacetime conditions. Currency receipts and shipments handled by this Bank and its branches, for example, totaled \$173.9 million in July of this year, an increase of 38.7 per cent over July of 1941.

The rapid expansion in business activity during the past year in the District is also reflected in the greatly increased volume of check transactions. Checks handled by the Transit Department of this Bank and its branches in July 1942 amounted to a dollar volume of \$2,047 million, representing 5,254 thousand pieces. During the month of July a year ago, in comparison, the transit operation involved the handling of checks in dollar volume of \$1,540 million, representing 4,503 thousand pieces.

The credit structure of the member banks of the Sixth Federal Reserve District continues to show the effect of wartime financing. Of more significance, perhaps, than any other change is the shift in volume of loans as compared with the volume of investments of the weekly reporting member banks. Since August 1941, total loans of weekly reporting member banks in the District have fallen by 10 per cent, declining from \$377 million on August 20, 1941, to \$340 million on August 19, 1942. During the same period total investments of the weekly reporting banks increased by 68.7 per cent, growing from \$358 million on August 20, 1941, to \$604 million on August 19, 1942. The increased investment holdings are primarily the result of a rapidly enlarging participation by member banks in the war financing program. The holdings

by the reporting member banks of United States Government securities, either direct or guaranteed, rose by \$252 million in the last year alone.

Despite the net increase in the combined loans and investment holdings of weekly reporting member banks, and despite substantial increase of 6-F notes in circulation, excess reserves of all member banks in the Sixth District fell by only 8 per cent between June 1941 and June 1942. Reserve balances of member banks in the District have in fact grown greatly in recent months. On August 20, 1941, total reserve deposits of member banks in the District amounted to \$284.9 million, but by August 20, 1942, such deposits had risen to \$381.3 million, an increase of 33.8 per cent. Table 3 sets forth the reserve position of member banks of each state of the District.

TABLE IV
DAILY AVERAGE OF REQUIRED RESERVES, ACTUAL RESERVES AND EXCESS RESERVES OF MEMBER BANKS OF THE SIXTH DISTRICT FOR THE SEMI-MONTHLY PERIOD ENDED AUGUST 15, 1942*

STATE	Required Reserves	Actual Reserves	Excess Reserves	Percent of Actual Reserves to Required Reserves
Alabama.....	\$ 47,000,000	\$ 63,600,000	\$ 16,600,000	135.3%
Florida.....	51,200,000	63,100,000	11,900,000	123.2%
Georgia.....	73,400,000	99,400,000	26,000,000	135.4%
Louisiana.....	61,800,000	90,000,000	28,200,000	145.6%
Mississippi.....	7,800,000	12,400,000	4,600,000	159.0%
Tennessee.....	44,400,000	59,400,000	15,000,000	133.8%
DISTRICT.....	\$285,600,000	\$387,900,000	\$102,300,000	135.8%

*Partly estimated.

Treasury Issues: On August 3, 1942, the books were reopened on the issue of United States Treasury Bonds, due 1962-67, paying 2.5 per cent interest. Allotments in this District amounted to \$6.0 million. During the month the Secretary of the Treasury also offered for cash subscription 7/8 per cent Treasury certificates of indebtedness Series B—1943, dated August 15 and due August 1, 1943. Subscriptions in the Sixth District totaled \$117.7 million while allotments were \$59.0 million, or 50 per cent.

Treasury bills continue to be offered weekly. On the issue dated August 5, 1942, tenders amounted to \$4.5 million in the District, of which \$3.4 million were accepted. Total tenders in the District for the issue of August 12 amounted to \$6.0 million, of which \$3.4 million were accepted.

War Savings Bonds: The sale of War Savings Bonds continues at a high level in the District. In July this Bank, its branches, and its other authorized issuing agents (exclusive of post office) sold War Savings Bonds with an aggregate maturity value of \$42.8 million, representing a large increase over June, when the total sales were \$27.3 million in Maturity value. The maturity value of bonds redeemed during July was \$1.6 million, as compared with \$1.1 million in June. Table 4 compares the sales of War Savings Bonds in the first half of August with sales during the corresponding period of July.

TABLE V
UNITED STATES WAR SAVINGS BONDS ISSUED BY THE FEDERAL RESERVE BANK OF ATLANTA, ITS BRANCHES AND QUALIFYING AGENTS IN THE SIXTH FEDERAL RESERVE DISTRICT*

	Number		Per Cent Change	Maturity Value		Per Cent Change
	July 1-15 1942	Aug. 1-15 1942		July 1-15 1942	Aug. 1-15 1942	
Series E.....	199,400	202,700	-- 2	\$13,750,000	\$11,755,000	-- 18
Series F and G.....	6,787	5,765	-- 15	8,451,375	6,127,000	-- 25
Total.....	206,187	208,465	+ 1	\$22,201,375	\$17,882,000	-- 20

*These figures do not include bonds issued by postoffices.

Construction: In the second quarter of 1942 new construction activity in the United States appears to have reached a new high. According to estimates of the United States Department of Commerce, new construction activity in the United States was 25 per cent greater in the second quarter of 1942 than in the preceding quarter and 28 per cent above the same quarter in 1941. Estimated construction for the remaining six months is placed at \$5.8 million, compared with \$5.9 million for the first six months in 1941, and \$6.3 million in the last half of 1941. The value of private construction is expected to amount to only 36 per cent of that during the second half of 1941. These estimates, of course, may have to be revised if labor and material shortages continue to develop.

Warnings of labor and material shortages are already appearing. Stocks of southern pine are reported to have declined to the point where practically no pine lumber is available for civilian consumption. Even government contractors cannot buy timber as fast as they need it. Orders on hand for southern pine were reported by the Southern Pine Association on August 16, 1942, to be 15 per cent below the corresponding date last year, while shipments and production were down 18 and 19 per cent, respectively. Some relief from the material shortage may be expected when work begins on the cutting of 120 million feet recently sold by contract from the Bankhead National Forest in North Alabama. Labor and transportation equipment shortages are causing lumber mills to experience increasing difficulties in maintaining production.

The value of construction contracts in the Sixth District declined 7 per cent in July from the all-time record in June of \$162 million. Residential awards were valued at \$22 million, a decline of 22 per cent from the previous month. The July total, however, is 380 per cent greater than that of July 1941, and brings the January-to-June total to \$561 million, 117 per cent larger than in the same period for 1941. As in the past, construction is confined principally to Government projects, defense plants, and defense housing projects.

Textiles: Under the impetus of war contracts, activity at cotton textile mills in Alabama, Georgia, and Tennessee reached another new high level in July, and the year that ended with July recorded the greatest consumption of cotton on record. In the cotton year August 1941 through July 1942, mills in the three states used a total of 3,786,460 bales of cotton, a total larger than has been reported for any previous year. This total is 15 per cent larger than consumption in the year ending July 1941, and is a little more than double the total for the 1937-38 season, four years ago. Mills in these three states used 13,069 bales of cotton for each of the 26 business days in July. This consumption represents an increase of 3 per cent over the June rate and an increase of 9 per cent over the rate for July last year.

Wholesale Trade: July sales by Sixth District wholesalers increased 12 per cent over June 1942 and 14 per cent over July 1941. According to the Bureau of Labor Statistics' price index, the general level of wholesale prices has recently been about 10 per cent higher than it was a year ago, so that a large part of the increase in sales must be attributed to the rise in prices. In the January-July period sales at wholesale have been 18 per cent larger than in the corresponding period of last year.

Wholesale inventories have registered small declines each month since February and in July, for the first time in many months, they were less than at the corresponding date a year earlier. The July collection ratio, at 78.1 per cent, is higher than it has been at any recent time.

Retail Trade: Department store trade in the District for August will apparently be at the 1941 level insofar as dollar volume is concerned. For the four weeks ending August 22, 1942, sales of 19 reporting stores were less than 1 per cent smaller than for the corresponding period a year ago. Percentage comparisons based on July 1942 for 80 department stores of the District are set forth in Table 5.

TABLE VI
PERCENTAGE COMPARISONS OF DEPARTMENT STORE SALES BY CITIES
IN THE SIXTH FEDERAL RESERVE DISTRICT

City	Number of Firms	Percentage Comparisons of Actual Sales		
		July 1942 With : June 1942	July 1941	Jan. - July 1942 Compared With Same Period 1941
Atlanta	6	— 0	+ 1	+ 3
Baton Rouge	3	— 6	+ 6	+ 7
Birmingham	5	— 6	+ 9	+ 24
Chattanooga	3	— 13	+ 12	+ 17
Jackson	4	— 12	+ 13	+ 13
Jacksonville	4	— 2	+ 16	+ 12
Knoxville	3	— 5	+ 6	+ 15
Macon	3	— 8	+ 28	+ 23
Miami	3	— 6	+ 7	— 6
Montgomery	4	— 7	+ 11	+ 13
Nashville	6	— 17	+ 4	+ 8
New Orleans	4	— 4	+ 14	+ 17
Tampa	5	— 14	+ 5	+ 13
Other Cities	27	— 7	+ 6	+ 7
DISTRICT	80	— 6	+ 8	+ 10

Changes in the volume of sales of individual items for July this year as compared with July last year reflect in some degree the application of wartime controls. Preliminary figures for a limited number of stores show percentage declines—for July of this year compared with July of last year—in the sales of furs; beds, mattresses and springs; mechanical refrigerators; linens, blankets and towels; china and glassware; woolen dress goods; and house furnishings. In contrast, notable increases were recorded in the sale of clothing of all kinds; pictures; kitchen utensils; cotton wash goods; jewelry; stationery; toys and games; candy and radios.

Total sales of reporting retail furniture stores in the District were larger for July 1942 than for the previous month of June, but were considerably smaller than for July a year ago. On the basis of reports from 120 outlets, preliminary computations indicate that July 1942 retail furniture store sales were 5 per cent greater than for June 1942, but were 30 per cent less than for July a year ago. Sales of reporting stores for July 1942 were \$1,522 thousand as compared with \$1,454 thousand for June 1942, and \$2,174 thousand for July 1941. Reflecting a change in purchase arrangements was an increase in the proportion of cash sales and a decrease in the proportion of instalment sales. For 97 reporting stores, July 1942 cash sales were 12 per cent greater than June 1942 sales and 79 per cent greater than July 1941 sales. Instalment sales of the same group of stores, on the other hand, were 5 per cent greater for July 1942 than for June 1942, but 36 per cent smaller than for July 1941. Retail furniture stocks continue at a high level with 44 reporting stores holding inventories 43 per cent greater as of July 31, 1942 than for the same date a year ago.

SIXTH DISTRICT BUSINESS INDEXES

Department Store Sales**
(1935-39 Average = 100)

	Adjusted***		Unadjusted			
	July 1942	June 1942	July 1941	July 1942	June 1942	July 1941
DISTRICT	162	143	151	116	124	108
Atlanta	141	116	138	100	100	98
Baton Rouge	165	158	155	128	136	120
Birmingham	143	134	138	111	120	108
Chattanooga				124	143	115
Jackson				133	153	122
Jacksonville				153	156	134
Knoxville				117	123	111
Macon				134	146	105
Miami				86	91	81
Montgomery				141	152	132
Nashville	124	119	127	87	107	89
New Orleans	156	136	139	119	124	106
Tampa				132	152	130

Department Store Stocks
(1935-39 Average = 100)

	Adjusted***		Unadjusted			
	July 1942	June 1942	July 1941	July 1942	June 1942	July 1941
DISTRICT	207	201	131	186	189	118
Atlanta	239	250	157	231	228	152
Birmingham	196	186	130	177	174	117
Montgomery	196	167	110	157	152	88
Nashville	240	223	125	207	208	108
New Orleans	200	228	132	183	214	121

	Payrolls			Employment		
	July 1942	June 1942	July 1941	July 1942	June 1942	July 1941
SIX STATES	343	336	241	172	169	151
Alabama	569	576	360	214	209	168
Florida	143	142	103	108	112	98
Georgia	332	320	273	181	176	170
Louisiana	342	330	191	182	182	136
Mississippi	286	266	190	139	135	124
Tennessee	319	310	242	156	153	151

	Cotton Consumption**			Coal Production**		
	July 1942	June 1942	July 1941	July 1942	June 1942	July 1941
TOTAL	276	269	253	163	171	144
Alabama	335	323	305	171	177	147
Georgia	254	251	231			
Tennessee	241	223	249	146	158	139

	Wholesale Sales			Electric Power Production**		
	July 1942	June 1942	July 1941	July 1942	June 1942	July 1941
DISTRICT	87	78	87	203	201	170
Drugs	146	134	122	156	154	167
Dry Goods	79	60	66	266	263	174
Groceries	85	72	69			
Hardware	118	126	176			

BANK DEBITS TO INDIVIDUAL ACCOUNTS

(In Thousands of Dollars)

	July 1942	June 1942	July 1941	Per Cent Change	
				July 1942 from June 1942	July 1941
ALABAMA					
Anniston*	15,090	13,632		+ 11	
Birmingham	152,242	146,028	129,927	+ 4	+ 17
Dothan	5,992	5,170	4,073	+ 16	+ 47
Gadsden*	8,499	7,425		+ 14	
Mobile	103,798	93,904	62,913	+ 11	+ 65
Montgomery	33,983	31,641	27,532	+ 7	+ 23
FLORIDA					
Jacksonville	124,665	120,602	105,245	+ 3	+ 18
Miami	63,669	60,790	59,658	+ 5	+ 7
Orlando*	13,398	14,369		- 7	
Pensacola	18,976	17,324	13,060	+ 10	+ 45
St. Petersburg*	12,010	10,947		+ 10	
Tampa	51,279	51,608	39,083	- 1	+ 31
GEORGIA					
Albany	6,917	7,199	7,114	- 4	- 3
Atlanta	317,733	302,008	281,404	+ 5	+ 13
Augusta	29,115	30,095	26,274	+ 3	+ 11
Brunswick	6,370	5,595	3,525	+ 14	+ 81
Columbus	30,881	32,136	24,907	+ 4	+ 24
Elberton	1,366	1,373	1,357	- 1	+ 1
Macon	33,635	34,052	23,898	+ 1	+ 41
Newnan	3,613	3,416		+ 6	+ 26
Savannah	53,483	48,721	38,489	+ 10	+ 39
Valdosta	5,921	4,479	4,685	+ 32	+ 26
LOUISIANA					
Baton Rouge*	36,879	34,426		+ 7	
Lake Charles*	11,910	9,645		+ 23	
New Orleans	326,468	314,016	315,155	+ 4	+ 4
MISSISSIPPI					
Hattiesburg	13,557	10,648	10,094	+ 27	+ 34
Jackson	37,810	35,320	34,970	+ 7	+ 8
Meridian	19,881	16,152	18,135	+ 23	+ 10
Vicksburg	11,254	9,004	7,812	+ 25	+ 44
TENNESSEE					
Chattanooga	75,313	69,130	57,966	+ 9	+ 30
Knoxville	43,090	41,671	38,949	+ 3	+ 11
Nashville	143,350	144,468	116,644	- 1	+ 23
SIXTH DISTRICT					
26 Cities	1,714,361	1,636,550	1,455,729	+ 5	+ 18
UNITED STATES					
274 Cities	50,087,000	50,110,000	44,804,000	- 0	+ 12
Construction Contracts					
(1923-25 Average = 100)					
	July 1942	June 1942	July 1941		
DISTRICT	460	497r	95		
Residential	156	211	103		
Others	663	688r	91		
Alabama	335	817	99		
Florida	262	425	68		
Georgia	145	372	129		
Louisiana	456	595	140		
Mississippi	738	2077r	149		
Tennessee	1294	786	346		

* Not included in totals.
 ** Indexes of department store sales, electric power and coal production, and of cotton consumption are on a daily average basis.
 *** Adjusted for seasonal variation.
 r = Revised.
 Back figures for department store sales in the new series will be furnished upon request.

The National Business Situation

(Prepared by the Board of Governors of the Federal Reserve System)

Industrial activity increased further in July and the first half of August, reflecting continued growth in output of military products. Retail sales increased during this period, following a decline, on a seasonally adjusted basis, during the first half of the year.

Production: Industrial output rose further in July and the Board's seasonally adjusted index advanced from 176 to 180 per cent of the 1935-39 average.

Activity continued to increase in the machinery and transportation equipment industries and in other lines producing war products. Shipbuilding expanded further and 71 merchant vessels were delivered in July. These had an aggregate deadweight tonnage of 790,300 tons—an all-time record for a single month's deliveries. In the automobile industry armament production increased in July to an annual rate of about

\$5 billion as compared with a peak year's civilian output of \$4 billion. Iron ore shipments down the Great Lakes reached a new record of 13.4 million gross tons in July and plans were announced for improving rail and harbor facilities so that shipments next season could exceed considerably prospective shipments of 90 million tons or more this year. Last season 80 million tons were shipped.

In most other lines of manufacturing and mining, activity in July was maintained at about the levels prevailing in June. There were reports that some plants were forced to curtail operations owing to lack of certain materials, and further investigations were undertaken to determine present and prospective availability of material supplies.

Value of construction contracts awarded in July showed a reduction of about 20 per cent from the record level reached in June, according to figures of the F. W. Dodge Cor-

poration. Declines were reported for most types of construction; awards for manufacturing buildings, however, increased further and constituted about one-third of total contracts let. As in June, publicly-financed work amounted to over 90 per cent of the total. In the first seven months of this year, awards were about 50 per cent larger than in the corresponding period last year.

Distribution: Distribution of commodities to consumers declined less than seasonally in July. The Board's adjusted index of department store sales, which had dropped from a peak of 138 per cent of the 1923-25 average in January to 104 in June, rose to 117 and sales by variety stores and mail-order houses also advanced, after allowance for usual seasonal changes. In the first half of August department store sales increased by more than the usual seasonal amount.

Railroad freight-car loadings increased more than seasonally in July and rose somewhat further in the first half of August. Shipments of miscellaneous merchandise, which include most manufactured products, and of forest products continued to rise. Grain shipments also increased but the rise was less than is usual at this time of year. Loadings of coal declined somewhat from the high level of other recent months.

Commodity Prices: Wholesale and retail food prices advanced further in July and the early part of August, while prices of petroleum products on the East Coast were reduced, and those for most other consumer goods continued to show little change. In raw material markets price declines occurred for cotton, inedible fats and oils, and some scrap items, particularly non-ferrous metals and paper. Demand for materials used more exclusively for war products continued strong and prices of these materials were sustained at ceiling levels.

Federal subsidies were arranged for additional commodities and Government war risk rates on shipments of imported commodities were reduced. These actions were taken to bring about price reductions, as in the case of petroleum products on the East Coast, and to prevent further price increases, particularly

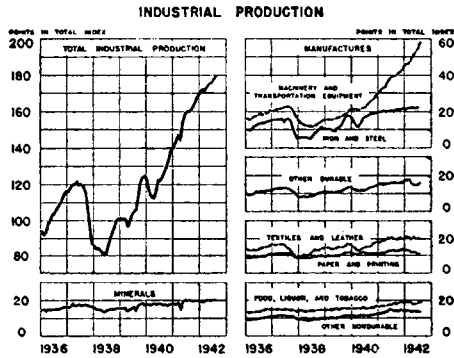
for imported commodities. About 30 new maximum price schedules were announced, chiefly for miscellaneous civilian products, and in some instances these schedules permitted substantial increases over ceilings set by the General Maximum Price Regulation.

Bank Credit: Excess reserves of member banks declined by about 200 million dollars in the four weeks ended August 19. An increase of about 400 million dollars of currency in circulation during this period was paralleled by a corresponding amount of Reserve Bank purchases of Government securities. There was an increase of 300 million dollars in required reserves resulting from a growth in deposits at member banks. Excess reserves in New York and Chicago reached the lowest levels since the third quarter of 1937. Effective August 20 reserve requirements on demand deposits at central reserve city banks were reduced from 26 per cent to 24 per cent by action of the Board of Governors of the Federal Reserve System. This had the effect of converting over 400 million dollars from required to excess reserves.

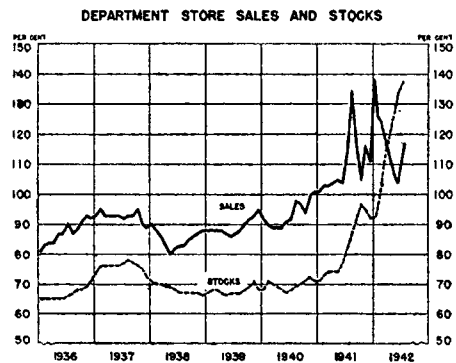
Member banks in leading cities continued to increase their holdings of United States Government securities, particularly in the week ended August 19, in which delivery of the new 11½ months' 7/8 per cent certificates of indebtedness was made. Loans, which had declined during the second quarter of the year, have recently shown little change.

Adjusted demand deposits continued to increase at reporting banks, although purchases of Government securities, particularly the 2½ per cent Treasury bonds of 1962-67, by investors other than banks temporarily reduced demand deposits of individuals and added to United States Government deposits.

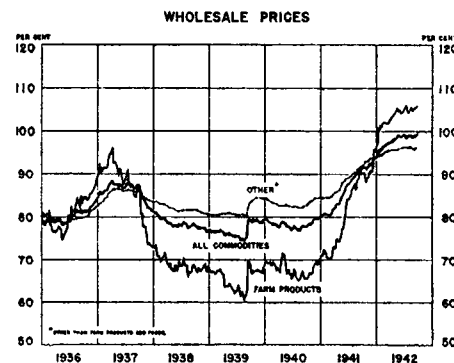
United States Government security prices: Prices of United States taxable bonds have shown little change during the past month. Taxable notes of 3- to 5-year maturity are currently yielding 1.26 per cent on the average as compared with 1.20 per cent in July. The rate of discount on new issues of Treasury bills has averaged 0.372 per cent for the past three weeks.



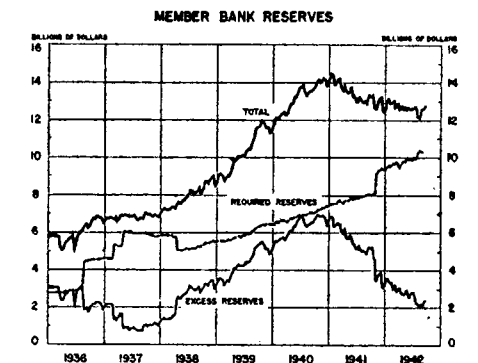
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation. 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. Latest figures shown are for July 1942.



Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation. 1923-25 average = 100. Latest figures shown are for July 1942.



Bureau of Labor Statistics' weekly indexes. 1926 average = 100. Latest figures shown are for week ending August 15, 1942.



Wednesday figures. Required and excess reserves, but not the total, are partly estimated. Latest figures shown are for August 12, 1942.