

Monthly Review

FEDERAL RESERVE BANK OF ATLANTA

Volume XXVIII

Atlanta, Georgia, May 31, 1943

Number 5

Agricultural Prospects

An unusually cold spring, marked by late freezes, seriously reduced prospects for a record wartime agricultural output in the District for this year. Late freezes caused severe damage to fruit buds and to early vegetables. Cold weather retarded plantings of cotton, corn, and tobacco, and some acreages of these crops had to be replanted. In some sections of the District small grain acreages were left with thin stands.

Sweet potato acreage is being expanded sharply in the District. Present estimates indicate a planting in Georgia of 125,000 acres, or an increase of 25 per cent; in Louisiana, 100,000 acres, or an increase of 14 per cent; and in Mississippi, 78,000 acres, or an increase of 15 per cent. Tennessee and Florida grow smaller crops of sweet potatoes but are recording substantial percentage increases in sweet potato acreage this year. Tennessee farmers plan to plant 48,000 acres to sweet potatoes, an increase of 20 per cent in a year, while Florida farmers will plant 20,000 acres, an increase of 18 per cent.

War industrial needs promise an additional market for sweet potatoes. Recently a ton of sweet potato meal was shipped to Seagram's laboratory in Louisville for experiments in the development of a method for producing alcohol from the meal to be used in synthetic rubber manufacturing. Dr. Paul Kolachov, a Russian scientist now employed as technical adviser by Seagram's, has progressed in his research from preliminary experiments to the pilot plant stage. His preliminary experiments on sweet potato meal indicated that sweet potatoes yield at least as much as and perhaps slightly more alcohol than corn.

Corn is an important crop in all states of the Sixth Federal Reserve District, although it is less important in Florida than in the other five states. In Georgia 3.6 million acres were planted to corn in 1942. Alabama farmers planted 3.2 million acres to corn; Mississippi farmers, 2.9 million acres; and Louisiana farmers, 1.4 million acres last year. In Florida 711,000 acres were devoted to corn. The Crop Reporting Board of the United States Department of Agriculture forecasts only unimportant changes in 1943 corn acreage in these states as compared with 1942.

Alabama stands of corn are mostly in good condition. In Georgia planting of corn continued in May and some replanting was necessary. The corn crop in Louisiana is making good progress; its condition is irregular but mostly good. Planting of corn is well advanced in Mississippi with the stands being generally in good condition. Corn planting is progressing rapidly in Tennessee as well with the ground in fine shape generally,

although the soil has been too wet for planting in some parts of the state.

The production of oats in the Six States for this year will probably be about the same as for last year. Total estimated acreage is somewhat less than last year, but the condition as of May 1 this year was better on the whole than the condition as of May 1 last year. Indicated plantings of oats in Tennessee will total 207,000 acres, 15 per cent above 1942. Alabama farmers, on the other hand, are planning to plant but 270,000 acres to oats this year, 80 per cent of their 1942 acreage. Georgia with 724,000 acres in oats this year is devoting 5 per cent less land to the crop than in 1942, while Louisiana with 131,000 acres and Mississippi with 347,000 acres in oats are devoting 5 and 3 per cent more land, respectively, to oats than last year.

Alabama oats are in fair to good condition. Some of the Louisiana crop is ready for harvesting and some oats are heading in Mississippi. Winter oats in Tennessee are in fair condition, while spring oats are in good condition.

Rice is an important crop in Louisiana but not in the other five states of the District. Last year 638,000 acres were planted to rice in that state and indications are that 625,000 acres will be so used in the current season. Rice planting is proceeding rapidly in Louisiana, some fields being flushed to stimulate germination. The stands of early planted rice are reported uniformly good.

Barley is another crop that is important in only one state of the District. Tennessee farmers raised barley on 133,000 acres in 1942 and their reported intentions for this season indicate no change from that figure.

Tame hay is grown on a large scale in Georgia, Tennessee, Alabama, and Mississippi. Last year Georgia farmers harvested 1.6 million acres; Tennessee farmers, 2.0 million acres; Alabama farmers, 1.2 million acres; and Mississippi farmers, 925,000 acres. Apparently there will be no substantial changes in tame hay acreage this year.

The soybean is a strategic war crop and great effort has been made to increase production in recent years. In Mississippi 500,000 acres of soybeans were planted in 1942. Mississippi and North Carolina are the most important soybean-producing states outside the Midwest. Mississippi farmers are planning to grow 525,000 acres of soybeans in 1943. Georgia and Louisiana farmers, while producing a much smaller crop than is grown in Mississippi, are stepping up their planned acreage sharply this year, indications being that soybean acreage will be 20 per cent greater in both states this



year than last. Alabama, where 298,000 acres were planted to soybeans in 1942, anticipates a 10 per cent increase this year. In Tennessee 235,000 acres are being planted to the crop this year, an increase of 5 per cent over 1942.

In North Georgia the recent large expansion in chicken raising has been handicapped by shortages of feed. At a recent conference of the regional Feed Industry Council representing Alabama, Georgia, Florida, Tennessee, and South Carolina, it was estimated that to feed poultry and livestock in this group of states will require a minimum of 297,000 tons of soybean meal.

A program has been presented in Washington asking for an immediate prohibition of further shipments of soybean meals out of the Southeast and for additional shipments of soybeans into this area for crushing. Withdrawal of the regulation prohibiting shipments of soybean oil meals from the Decatur, Illinois, producing area into the South was also requested. In addition, it was proposed by the producers that importation of animal proteins from South America be renewed and shipping be provided for a substantial increase in importations of molasses from the Caribbean area.

Apparently, the shortage of soybean feed in the Southeast has been caused in part by the decision of soybean producers in the area to hold 1942 crops for higher prices, the 1943 official support price having been raised to \$1.80 a bushel for green and yellow soybeans grading U. S. No. 2 or better, with a moisture content of 14 per cent. The war food administrator has recently appealed to Mississippi farmers to sell their holdings of 1942 soybeans, pointing out that the 1943 support price applies only to beans actually grown in 1943.

The peanut is another farm product with special wartime uses. Last year Georgia devoted 1.3 million acres to peanut production, an acreage greater than that of any other state. This acreage represented a doubling of the average peanut acreage during the preceding 10 years, but in 1943 a further 8 per cent increase in peanut acreage in Georgia is indicated. Alabama is also a large producer of peanuts. Indications are that 810,000 acres will be planted to peanuts in Alabama this year, an acreage double the 10-year average of the prewar decade. A 10 per cent increase in peanut acreage in Florida to 292,000 acres is predicted for this year, while Mississippi and Louisiana are planning to increase acreage as well, although each state has less than 100,000 acres devoted to the crop.

Despite the upward surge of new war crops such as soybeans and peanuts, tobacco remains a top-rank money crop of the Sixth Federal Reserve District. Roughly the same acreage is being planted to tobacco in 1943 as last year. In Tennessee 94,000 acres are being devoted to tobacco; in Georgia, 68,800; and in Florida, 15,600. In Georgia the tobacco crop is in fair to good condition with transplanting about finished. Tennessee tobacco beds are reported mostly in good condition.

The Department of Agriculture is planning for increased potato production in 1943 and all states in the District, with the exception of Alabama, are planting more acres of potatoes this year than last. In Mississippi 43,515 acres were planted, an increase of 65 per cent over 1942. In Louisiana planting is up 17 per cent to 49,000 acres. Florida and Tennessee are each planting 12 per cent more acreage to potatoes this year; in Florida 31,400 acres and in Tennessee

49,000 acres of potatoes are indicated. Georgia farmers are planting 30,000 acres of potatoes, an increase of 11 per cent over 1942. The potato crop is in good condition in most parts of Georgia and is doing well in Mississippi and Tennessee. Digging of early commercial potatoes began about May 1 in North Florida, Alabama, and Louisiana.

Prospects for cotton are generally favorable. In Alabama cotton is in fairly good condition and progress is being made in planting. Some replanting of cotton was made necessary in Georgia by the freeze of early spring and good progress was made in planting during May. Chopping has begun in the southern part of the state and favorable temperatures were experienced in early May. While cotton planting has been completed in most sections of Louisiana, germination is slow. Some chopping has been begun and the early planted cotton is in good condition. Cotton planting is progressing rapidly in Mississippi. Although by early May the lack of rain was being felt, temperatures were mostly favorable. Good progress has been made in cotton planting in Tennessee.

While the remnants of fruit crops in Georgia are in good condition, very great loss was sustained in the unfavorable weather of early spring and, indeed, the 1943 peach crop is estimated at something less than half the 1942 yield. The unfavorable spring also greatly reduced the production of strawberries in the Louisiana area. By mid-May fewer than 1,100 cars had moved as compared with more than twice as many on the comparable date of 1942. The dollar volume of the crop, however, was above that of any previous year with the 1943 price the highest on record.

In spite of an unfavorable early growing season, the income derived from 1943 crops will remain far above that of the prewar decade because prices of the major crops are now so much higher than they were a few years ago. In March 1943, the latest month for which data are available, cash income from farm marketings was substantially above that received in March 1942 in all states of the District. Florida recorded a 74 per cent increase in cash farm income over the period; Georgia cash farm income rose 64 per cent; the Mississippi figure was 55 per cent larger than in March 1942; and the Alabama figure was 51 per cent larger. In Tennessee cash farm income in March was 44 per cent above the corresponding month of last year, while Louisiana farm income rose 16 per cent.

Prospects for increased District farm income are favored by an expansion of poultry and beef cattle production. A considerable part of the increase in poultry production in Georgia has been brought about under the sponsorship of the Farm Security Administration. The FSA clients in Georgia are now growing more than 8 million baby chicks, an increase of more than 200 per cent over the 1942 production.

In connection with the meat shortage, it is worthy of note that the production of beef in Florida is making rapid progress. In fact, in 1942 Florida cattle herds increased more rapidly than those of any other state. It is estimated that Florida ranges, concentrated in the Everglades area centering around Kissimmee, now contain 1,500,000 head worth approximately 50 million dollars.

While the farm labor situation remains tight in most portions of the District, the deferred draft status recently granted many agricultural workers has apparently retarded the withdrawal of labor from District agriculture and may indeed avoid an acute shortage for the 1943 crop season.

Finance, Production, and Trade

THE course of production and trade within the Sixth District continues to be determined by the character of military demand. The normal inflow and outflow of banking funds, reflecting this factor, was somewhat disrupted by the Treasury's highly successful Second War Loan Drive; but in spite of the vast sums that were raised in the Sixth District during the drive, no net outflow of funds has occurred or need be immediately anticipated. Because of its wartime industries, strategic location for troop training, and advantageous prices for agricultural products, the District continues to have a favorable balance of payments.

Second War Loan: The April war loan drive, for which a District nonbanking quota of 250 million dollars was fixed, passed the goal by 210 million dollars, sales amounting to 184 per cent of the assigned quota. Total sales in Alabama amounted to 78 million dollars, 154 per cent of the quota; the corresponding figures for Florida were 97 million dollars, or 216 per cent of the quota; for Georgia, 120 million dollars, or 198 per cent; for Louisiana, 60 million dollars, or 160 per cent; for Mississippi, 24 million dollars, or 139 per cent; and for Tennessee, 80 million dollars, or 209 per cent.

The dollar volume of sales of 2 per cent Treasury bonds amounted to 122 million dollars, or 26 per cent of the total securities sold in the District; series E savings bonds amounted to 88 million dollars, or 19 per cent of total sales; $\frac{7}{8}$ per cent certificates, 86 million dollars, or 19 per cent of the total; $2\frac{1}{2}$ per cent Treasury bonds, 63 million dollars, or 14 per cent of the total; series C tax notes, 61 million dollars, or 13 per cent of the total; and series F and G savings bonds, 41 million dollars, or 9 per cent of the total.

Excluding series E savings bonds, the most widespread public participation in the purchase of securities offered during the drive, as measured by number of sales, occurred in connection with series F and G bonds. Of 31,353 sales in the District, 16,911 were of F and G bonds. In Alabama, the sale of these bonds accounted for 3,204 sales out of a total of 5,850; in Florida, 3,526 out of 6,406; in Georgia, 2,882 out of 6,094; in Louisiana, 3,324 out of 5,648; in Mississippi, 2,087 out of 3,321; and in Tennessee, 1,888 out of 4,034.

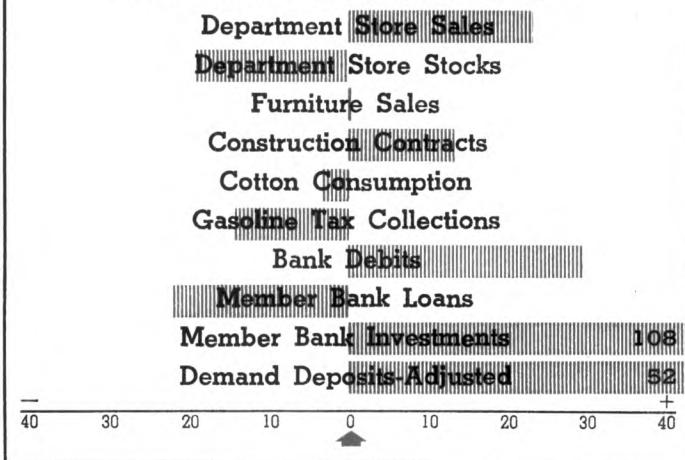
One aim of the April drive was to bring about a wider distribution of Government securities than heretofore as a means of checking inflationary tendencies by absorbing excess purchasing power in the hands of the public. This aim was realized only in part. For the nation as a whole, only 13 per cent of the dollar volume of sales made outside the banking system came from the sale of series E, F, and G savings bonds. The showing made in the Sixth District, however, was substantially better than for the country as a whole, for in this District 28 per cent of all sales to nonbanking investors were of E, F, and G savings bonds.

Compared with the results of the Victory Fund Drive last December, the April drive, of course, showed larger dollar totals. While the percentage of total sales to nonbanking investors represented by E, F, and G savings bonds showed some improvement for the nation and the District, the necessity for more general participation by the public, especially by persons in the middle and lower income brackets, in the absorption of Government securities remains as great as ever.

Reconnaissance

Sixth District statistics for April 1943 compared with April 1942

PER CENT DECREASE ▼ PER CENT INCREASE



War Loan Accounts: In order to minimize the work and inconvenience of making frequent small percentage withdrawals from banks holding small balances in war loan accounts, the Treasury this month announced a new policy for making such withdrawals. For the purpose of the new procedure, banks are classified into two groups. Those banks having war loan account balances of less than \$300,000 as of the close of business on May 11 are put into Group A. Those banks having balances exceeding \$300,000 are put into Group B. The new procedure affects only those banks in Group A and involves setting a schedule of repayment dates so that withdrawals will be fewer in number, while the percentage of total balances withdrawn will be larger than heretofore.

According to the announced schedule, the total balances of war loan accounts as of the close of business on May 11 for Group A banks will be withdrawn in approximately equal instalments on May 25, June 8, June 29, July 13, July 27, August 10, and August 31 of this year. Notice of the exact dollar amount for each withdrawal will be mailed to Group A banks on the Wednesday preceding the Tuesday when payment is due. The total amount due from Group A banks in the Sixth District from May 25 to August 31 is 41 million dollars. In addition to this, there was due from Group B banks 19 million dollars scheduled for payment on May 20, 21, and 22.

As of May 18, out of 1,048 commercial banks in the District, there were 617 qualified depositaries for war loan accounts, with total designations of 571 million dollars. Of these qualified depositaries, 555 held active war loan accounts.

War Contracts: The region's climatic advantages led early in the war program to the designation of the Southeast as a principal region for troop training. Of all contracts for airports, cantonments, and supply depots let in the United States from June 1940, when the war program started, to the end of February 1943, 15 per cent were awarded in the states of Alabama, Florida, Georgia, Mississippi, North and South Carolina, and Tennessee. With regard to other types of con-

Sixth District Indexes

Department Store Sales*						
(1935-39 Average = 100)						
	Adjusted**			Unadjusted		
	Apr. 1943	Mar. 1943	Apr. 1942	Apr. 1943	Mar. 1943	Apr. 1942
DISTRICT.....	188	182	153	195	171	149
Atlanta.....	157	156	131	170	145	128
Baton Rouge.....	204	210	148	224	179	148
Birmingham.....	173	158	153	173	150	139
Chattanooga.....	186	179	168	198	167	162
Jackson.....	181	210	184	199	196	191
Jacksonville.....	264	239	123	268	226	117
Knoxville.....	166	166	159	172	149	152
Macon.....	223	236	180	253	224	195
Miami.....	160	129	128	162	162	130
Montgomery.....	197	220	174	219	193	179
Nashville.....	157	152	121	163	149	119
New Orleans.....	153	161	143	166	145	150
Tampa.....	220	224	168	250	221	181

Department Store Stocks						
(1935-39 Average = 100)						
	Adjusted**			Unadjusted		
	Apr. 1943	Mar. 1943	Apr. 1942	Apr. 1943	Mar. 1943	Apr. 1942
DISTRICT.....	142	146	176	148	149	182
Atlanta.....	154	172	204	164	176	218
Birmingham.....	128	133	153	133	136	159
Montgomery.....	160	145	139	173	153	150
Nashville.....	170	189	192	188	197	214
New Orleans.....	110	109	189	117	115	201

	Cotton Consumption*			Coal Production*		
	(1935-39 Average = 100)			(1935-39 Average = 100)		
	Apr. 1943	Mar. 1943	Apr. 1942	Apr. 1943	Mar. 1943	Apr. 1942
TOTAL.....	178	177	183	150	171	171
Alabama.....	183	178	194	152	174	177
Georgia.....	178	178	178	..	..	..
Tennessee.....	163	158	174	146	165	158

Construction Contracts				Gasoline Tax Collections			
(1923-25 Average = 100)				(1939 Monthly Average = 100)			
	Apr. 1943	Mar. 1943	Apr. 1942		Apr. 1943	Mar. 1943	Apr. 1942
DISTRICT.....	118	123	104	DISTRICT.....	95	83r	110
Residential.....	88	49	64	Alabama.....	101	88	121
Others.....	138	172	131	Florida.....	86	67	118
Alabama.....	84	134	107	Georgia.....	85	68r	114
Florida.....	118	161	140	Louisiana.....	98	80	89
Georgia.....	125	91	125	Mississippi.....	92	88	105
Louisiana.....	268	93	43	Tennessee.....	110	118	110
Mississippi.....	119	180	3				
Tennessee.....	142	159	219				

Cost of Living				Electric Power Production*			
(1935-39 Average = 100)				(1935-39 Average = 100)			
	Mar. 1943	Feb. 1943	Mar. 1942		Apr. 1943	Mar. 1943	Apr. 1942
ALL ITEMS.....	125	123	117	SIX STATES.....	****	235	197
Food.....	142	137	122	Hydro-generated.....	****	248	187
Clothing.....	129	127r	125	Fuel-generated.....	****	219	211
Rent.....	114	114r	119				
Fuel, electricity, and ice.....	106	105r	104				
Home furnishings.....	122	122r	120				
Miscellaneous.....	115	114	111				
*Indexes of department store sales, electric power and coal production, and of cotton consumption are on a daily average basis.				Annual Rate of Turnover of Demand Deposits***			
**Adjusted for seasonal variation.					Apr. 1943	Mar. 1943	Apr. 1942
***New series. Back figures on request.				Unadjusted.....	20.2	18.6	24.1
****Data not yet available.				Adjusted**.....	20.5	19.0	24.5
or Revised.				Index (1935-39 = 100).....	77.5	73.5	94.8

tracts, however, these states fared less well, so that only 5 per cent of all contracts for the period were awarded in this region. In January and February of this year, however, contracts placed in the region for aircraft and shipbuilding were 13 per cent above the dollar volume for December 1942, an increase greater than for the nation as a whole.

Of District states, Alabama ranked first in contract awards with a total of 1,135 million dollars. Georgia ranked second with 1,127 million dollars. Alabama led the list in industrial facilities contracts with a total of 380 million dollars; Florida led in nonindustrial facilities contracts, 463 million dollars, largely for airports and cantonments; Georgia was first in aircraft contracts, 343 million dollars; and in contracts for ships, Florida outstripped all the Southeastern States with 421 million dollars, followed by Alabama with 277 million dollars. Tennessee had miscellaneous awards of 313 million dollars, including textile and chemical contracts.

The housing of war workers in congested areas in the neighborhood of war industries is still a major problem. More than 123,000 accommodations have thus far been scheduled for the Southeast, financed partly by private capital and partly by the Government. The National Housing Administration now schedules privately financed war housing projects wherever there is a permanent need for family accommodations and where private builders can meet the necessary wartime restrictions. The National Housing Administration confines its own building largely to the provision of temporary housing that will be subject to demolition at the end of the war.

Prospects for considerable construction and related activity in Florida are found in the naval appropriation bill for the year beginning July 1 next. This bill provides for a 21-million-dollar expansion of naval facilities in Florida. About 10 million dollars of this expenditure is scheduled for the Miami area, and about 2 million dollars each for the Key West, Jacksonville, and Pensacola areas. These sums are to be spent for the expansion and development of naval air stations; for the erection of naval hospitals, chapels, recreation centers, and accommodations for officers; and for other miscellaneous developmental work.

Contracts awarded in Florida in April totaled 34 million dollars. Awards for the first quarter of this year amounted to 74 million dollars. April awards were 145 per cent higher than those for March and 144 per cent above those for April of last year. Approximately 99 per cent of the April contracts were for Government purposes, chiefly construction for the Army and Navy.

Among construction projects now in progress, the three barge terminals being built by the Tennessee Valley Authority at Chattanooga, Tennessee, and Decatur and Guntersville, Alabama, are far advanced. The Authority has announced that it will file a request with the War Production Board for materials with which to construct the Knoxville terminal. Considerable interest is being shown by shippers in these new facilities. When completed, the facilities are expected to increase greatly the utility of the District's navigable inland waterways and thus to add appreciably to the general economic welfare of the region.

Coal and Iron: The walkout of coal miners near the end of April caused a sharp decline in the output of coal in Alabama and Tennessee for the week ending May 1. For that week the output for Alabama was 178,000 net tons, an output that was

198,000 tons less than that of the preceding week and 194,000 tons less than that of the corresponding week last year. The Tennessee output for the week ending May 1 was 112,000 net tons, which was 25,000 tons less than that of the preceding week and 42,000 tons less than that of the corresponding week last year. In the week ending May 8, however, production rose to 321,000 net tons in Alabama. In that same week Tennessee output was 109,000 net tons.

The decline in coal tonnage did not seem to affect the output of steel in the Birmingham area. Steel ingot production, which stood at 102 per cent of capacity for the week ending April 29, showed no decline for the weeks ending May 6 and May 13. The maintenance of steel output in the face of the severe drop in coal production meant that stock piles at the mills were drawn upon. Depletion of the stock piles may lead to a fall in steel output later, however, if a breakdown in the present negotiations for settlement of the coal dispute causes another early stoppage in coal mining.

Petroleum: For the week ending May 1, 1943, the actual output of crude oil from the Louisiana fields averaged 346,850 barrels a day, an increase of 550 barrels over the previous week and 32,500 barrels over the corresponding week in 1942.

Output from Mississippi wells for the week ending May 1, 1943, averaged 55,800 barrels a day, an increase of 2,150 barrels over the previous week, but a decrease of 35,450 barrels from the daily average of the corresponding week in 1942. This decline is accounted for by the petroleum administrator's limitation of output to approximately 50,000 barrels.

During April and the first half of May of this year 44 new wells were added to the Louisiana fields, their estimated daily yield amounting to 10,941 barrels.

The role that the petroleum resources and refining facilities of Louisiana may possibly play in the future economic development of the District was foreshadowed on April 1 when the Copolymer synthetic rubber plant was put in operation at Baton Rouge. This plant has a capacity of 30,000 tons a year, an amount sufficient to manufacture between 4 and 5 million automobile tires, and secures its raw materials from Standard Oil Company butadiene plants. The Copolymer plant was the first of the big Government factories to produce synthetic rubber under the program recommended by the Baruch commission and is said to be one of the largest and costliest industrial undertakings in Louisiana. Two other synthetic rubber plants, located at Lake Charles, are also nearing completion and will be among the largest authorized in the Government program.

Naval Stores: The naval stores season for 1943 opened during the first week in April with the industry aiming to fulfill a goal of 350,000 units (a unit being 50 gallons of turpentine and 1,400 pounds of rosin). This goal was determined by agreement between the Department of Agriculture and the American Turpentine Farmers Association Co-operative. Of this total, Alabama is scheduled to furnish 25,000 units; Florida, 77,000; Georgia, 233,000; Louisiana, 1,000; and Mississippi, 9,000. South Carolina, the only state in the naval stores producing area lying outside the Sixth District, was allotted 5,000 units as its goal.

A major problem confronting producers at the very beginning of the season was the problem of storage capacity. Storage facilities were already filled with turpentine covered by Government loans or held for ammunition uses or lend-lease.

Sixth District Statistics

RETAIL FURNITURE STORE OPERATIONS			
Item	Number of Stores	Per Cent Change April 1943 from	
		March 1943	April 1942
Total Sales.....	114	+ 8	+ 0
Cash Sales.....	101	+ 15	+ 60
Instalment and Other Credit Sales.....	101	+ 6	+ 7
Accounts Receivable, end of month.....	112	- 2	- 41
Collections during month.....	112	- 3	- 9
Inventories, end of month.....	83	- 5	+ 7

SALES OF UNITED STATES SAVINGS BONDS IN THE SIXTH FEDERAL RESERVE DISTRICT

April 24-May 23, 1943, at Issue Price (in Thousands of Dollars)

Area	Series E	Series F and G	Total
DISTRICT.....	64,671	28,798	93,469
Alabama.....	14,061	6,363	20,424
Florida.....	13,960	6,776	20,736
Georgia.....	12,548	5,379	17,927
Louisiana*.....	11,698	4,540	16,238
Mississippi*.....	5,098	1,838	6,936
Tennessee*.....	7,306	3,902	11,208

*These figures apply only to that part of the state lying within the Sixth Federal Reserve District. Tennessee figures do not include Post Office sales.

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

	Apr. 1943	Mar. 1943	Apr. 1942	Per Cent Change Apr. 1943 from	
				Mar. 1943	Apr. 1942
ALABAMA					
Anniston*.....	14,340	14,849	.....	- 3	...
Birmingham.....	184,775	182,504	151,372	+ 1	+ 22
Dothan.....	5,904	7,130	7,487	- 17	- 21
Gadsden*.....	10,061	10,278	.....	- 2	...
Mobile.....	118,363	117,028	101,689	+ 1	+ 16
Montgomery.....	36,704	35,917	31,053	+ 2	+ 18
FLORIDA					
Jacksonville.....	164,797	154,293	114,543	+ 7	+ 44
Miami.....	98,840	95,021	66,439	+ 4	+ 49
Orlando*.....	26,585	26,202	.....	+ 1	...
Pensacola.....	20,450	21,756	14,130	- 6	+ 45
St. Petersburg*.....	22,048	25,479	.....	- 13	...
Tampa.....	81,319	81,375	48,156	- 0	+ 69
GEORGIA					
Albany.....	7,932	8,634	7,549	- 8	+ 5
Atlanta.....	357,232	369,446	301,080	- 3	+ 19
Augusta.....	33,810	34,210	35,908	- 1	- 6
Brunswick.....	12,518	11,796	4,246	+ 6	+ 195
Columbus.....	36,296	35,650	28,661	+ 2	+ 27
Elberton.....	1,581	1,658	1,621	- 5	- 2
Macon.....	38,926	37,562	29,927	+ 4	+ 30
Newnan.....	5,089	3,992	3,403	+ 27	+ 50
Savannah.....	78,702	73,791	43,076	+ 7	+ 83
Valdosta.....	5,023	4,990	5,704	+ 1	- 12
LOUISIANA					
Baton Rouge*.....	42,001	42,690	.....	- 2	...
Lake Charles*.....	19,795	19,535	.....	+ 1	...
New Orleans.....	371,479	376,676	301,886	- 1	+ 23
MISSISSIPPI					
Hattiesburg.....	13,350	12,643	10,484	+ 6	+ 27
Jackson.....	44,245	46,218	40,463	- 4	+ 9
Meridian.....	16,594	16,324	17,228	+ 2	- 4
Vicksburg.....	20,963	22,588	9,338	- 7	+ 124
TENNESSEE					
Chattanooga.....	85,187	82,923	69,636	+ 3	+ 22
Knoxville.....	54,726	52,219	42,933	+ 5	+ 27
Nashville.....	166,501	164,687	115,645	+ 1	+ 44
SIXTH DISTRICT					
26 Cities.....	2,061,306	2,051,031	1,603,657	+ 1	+ 29
UNITED STATES					
274 Cities.....	70,137,000	62,253,000	46,613,000	+ 13	+ 50

*Not included in totals

Sixth District Statistics

UNITED STATES TREASURY BILLS		
Dated	Tenders	Allotments
May 5, 1943.....	\$16,380,000	\$13,780,000
May 12, 1943.....	38,120,000	37,870,000
May 19, 1943.....	28,385,000	27,521,000
May 26, 1943.....	17,520,000	14,561,000

INSTALMENT CASH LOANS			
Lender	Number Reporting	Per Cent Change March 1943 to April 1943	
		Volume	Outstandings
Federal Credit Unions.....	47	— 32	— 6
State Credit Unions.....	34	— 27	— 6
Industrial Banking Companies.....	45	— 8	— 2
Personal Finance Companies.....	55	— 15	— 1
Commercial Banks*.....	36	— 6	— 5

*Two banks estimated

RESERVES AND RELATED ITEMS OF SELECTED SIXTH DISTRICT MEMBER BANKS						
(In Thousands of Dollars)						
For Reserve City banks figures are averages of seven-day period ending April 30; for Country banks they are averages of fifteen-day period ending April 30.						
Group*	No. of Banks	Deposits of Banks	Balances Due from Other Banks	War Loan Deposits	Actual Reserves	Per Cent Actual to Required
A	6	.....	476	4	247	255
B	21	92	4,177	452	1,484	187
C	50	417	17,516	1,732	6,428	177
D	75	3,952	43,119	6,193	19,404	177
E	71	10,039	79,304	14,798	37,895	159
F	30	20,766	58,687	20,532	38,538	152
G	42	670,364	312,530	218,049	400,412	126
Total	295	705,630	515,809	261,760	504,408	132

*Group A: 1942 average deposits up to \$250,000; Group B: \$250,000 to \$500,000; Group C: \$500,000 to \$1,000,000; Group D: \$1,000,000 to \$2,000,000; Group E: \$2,000,000 to \$5,000,000; Group F: \$5,000,000 to \$10,000,000; Group G: over \$10,000,000.

CONDITION OF 20 MEMBER BANKS IN SELECTED CITIES					
(In Thousands of Dollars)					
Item	May 19, 1943	April 21, 1943	May 20, 1942	Per Cent Change May 19, 1943, from	
				April 21, 1943	May 20, 1942
Loans and Investments—Total.....	1,407,815	1,256,357	874,104	+ 12	+ 61
Loans—Total.....	301,898	315,294	385,625	— 4	— 22
Commercial, industrial and agricultural loans.....	175,453	179,397	218,867	— 2	— 20
Open market paper.....	5,296	5,269	6,501	+ 1	— 19
Loans to brokers and dealers in securities.....	5,920	7,293	4,485	— 19	+ 32
Other loans for purchasing and carrying securities.....	11,789	11,245	8,252	+ 5	+ 43
Real estate loans.....	25,343	25,650	30,914	— 1	— 18
Loans to banks.....	458	376	1,388	+ 22	— 67
Other loans.....	77,639	86,064	115,218	— 10	— 33
Investments—Total.....	1,105,917	941,063	488,479	+ 18	+ 126
U. S. direct obligations.....	943,024	780,043	315,460	+ 21	+ 199
Obligations guaranteed by U. S.....	50,631	50,421	61,863	+ 0	— 18
Other securities.....	112,262	110,599	111,156	+ 2	+ 1
Reserve with F. R. Bank.....	258,270	292,150	205,516	— 12	+ 26
Cash in vault.....	24,052	24,278	18,961	— 1	+ 27
Balances with domestic banks.....	231,525	200,763	239,584	+ 15	— 3
Demand deposits—adjusted	885,997	868,882	604,418	+ 2	+ 47
Time deposits.....	218,174	214,145	190,615	+ 2	+ 14
U. S. Gov't deposits.....	230,474	99,474	44,963	+ 132	+ 413
Deposits of domestic banks	482,719	509,029	424,275	— 5	+ 14
Borrowings.....	.....	.....	.....	.....	.....

Treasury Bills at Fixed Price

A DEVELOPMENT of great significance to the smaller banks of the District occurred in early May when, in addition to the usual offerings on a competitive basis, the Treasury announced that it would sell Treasury bills weekly at a fixed price with allotments in full up to \$100,000 to any one bidder. The new policy in effect marks the final link in a procedure whereby the smaller banks may buy Treasury bills at weekly offering dates in amounts of \$100,000 or less at a fixed price and in turn may sell these or any other bills back to the Federal Reserve Banks at any time, in any amount, and at a fixed rate of discount. The advantages to the smaller banks of such an automatic market are particularly noteworthy.

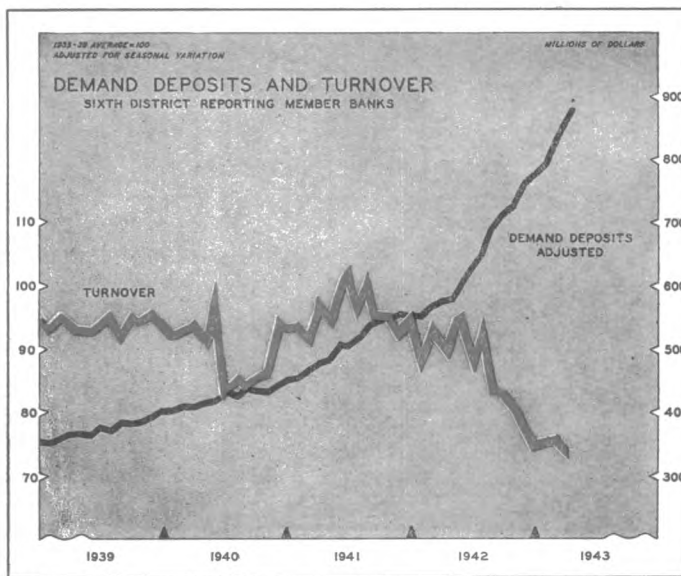
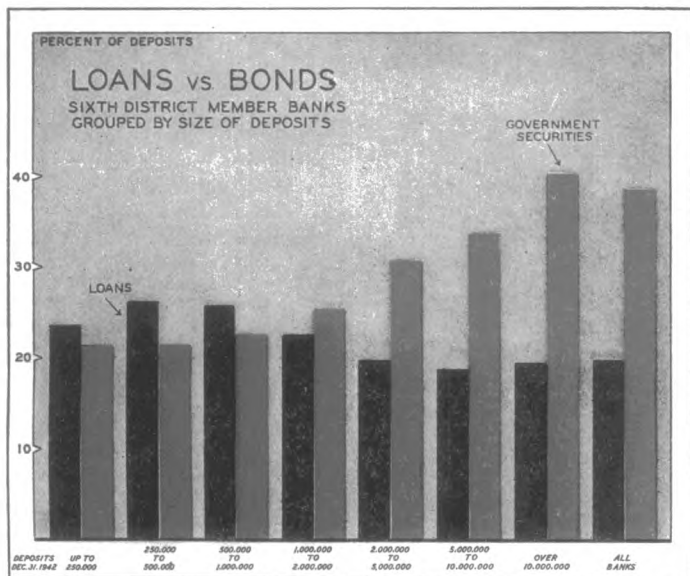
1. They can now avoid the perplexities and uncertainties of competitive bidding and still participate in the weekly offerings of Treasury bills. Many of the smaller banks of the District never became familiar with the competitive-bidding process and, in any event, did not like it. As a consequence these banks either refrained from entering bids or submitted bids that had small chance of acceptance.

The submission of tenders on a fixed-price basis is a simple procedure. The bidder indicates on the form "Tender for Treasury Bills on a Fixed-Price Basis" (the use of which is limited to tenders for \$100,000 or less) the total amount of Treasury bills in maturity value that he wishes to purchase. He then indicates his choice of payment, whether (a) by remittance or (b) by credit in his bank's reserve account, if the bank is a member of the Federal Reserve System. (Payment through war loan account is not currently permitted.) Next, the bidder specifies the denominations of the Treasury bills he wishes to purchase, the denominations in maturity value being \$1,000, \$5,000, \$10,000, and \$100,000. Finally, to complete the bid, he must mail the tender to reach his Federal Reserve Bank by the indicated closing hour. When necessary the bidder may submit his tender by telegram but the same closing hour must be observed.

The sale of Treasury bills on a fixed-price basis went into effect with the offering of May 12. The offering circular announced that, until further notice and subject to the usual right of acceptance or rejection in whole or in part, tenders of \$100,000 or less from any one bidder entered at 99.905 on a fixed-price basis would be accepted in full.

2. The smaller banks may now convert cash assets that might otherwise lie idle into a security that will give them a small return. The Treasury's announcement specified that the offering of May 12, as well as the offerings of the 12 successive weeks, would be issued on a 92-day basis. At a fixed price of 99.905 the new bills will thus yield approximately $\frac{3}{8}$ of 1 per cent on an annual basis. Expressed in another way, a purchase of bills at 99.905 would net the purchaser \$95 on each \$100,000 for a period of 92 days, or approximately \$1 a day or \$30 a month. This rate of return, of course, is considerably lower than that ordinarily received by the smaller banks on their investments. Nevertheless, whatever the banks earn from Treasury bills is likely to be a net addition to their revenues simply because they could not invest in any other security that would give them the required liquidity.

3. The smaller banks now have available an automatic and riskless Treasury bill market. They already have the



privilege of selling their bill holdings to the Reserve Banks at any time before maturity on a discount basis at the rate of $\frac{3}{8}$ of 1 per cent per annum. Any bank that invests in Treasury bills and finds itself, because of changed conditions, in need of funds may convert readily. It may sell the bills to a Federal Reserve Bank outright, or it may sell the bills and retain the option to repurchase them before maturity. Furthermore, in case the bank needs funds immediately to adjust its reserve position, the bills may be purchased by the Reserve Bank for cash delivery.

Bills purchased under the option to repurchase by a Federal Reserve Bank are retained in its portfolio until maturity. Thus, if the bank that sold Treasury bills to the Federal Reserve Bank finds itself once more in possession of excess funds, it may repurchase the same bills, with a loss of only the discount earned during the period that the bills were held by the Reserve Bank.

4. The banks now have available a hedge against any rapid runoff of deposits. Many bankers have felt it necessary to maintain their banks in an extremely liquid condition in order to be prepared to meet any sudden decrease in deposits either during or after the war. Some of the banks, for example, have experienced almost fantastic percentage increases in deposits and the very size of these increases has been disturbing to them.

Even more disturbing to some bankers of the District has been the apparent short-term character of their deposits. They have noted that their increases in deposits have largely been the result of Government expenditures on military and naval establishments and on ground and air force training. They have noted further that a large part of the increased inflow of funds has resulted from relatively high prices for agricultural commodities, particularly cotton. To the extent that these wartime deposits prove to be temporary in nature, the necessary liquidity can be provided by matching such increases with investments in Treasury bills.

Recognizing these advantages, the smaller banks of the District have already shown considerable interest in the purchase of Treasury bills on a fixed-price basis.

The increase from week to week in the percentage of

Treasury bills sold on a fixed-price basis is significant. In April, when Treasury bills were sold on a competitive-bid basis only, the amount of bills allotted to the smaller banks was less than 5 per cent of the total allotments for the District. For the offering of May 12, in contrast, the allotments on a fixed-price basis were above 10 per cent of the total. For the offering of May 19, fixed-price bids accounted for almost 20 per cent of the total.

Even more significant is the increase in the number of bids. The number of bids on a fixed-price basis for the offering of May 19 was almost six times as large as the average number of weekly bids made by the smaller banks during April. Many fixed-price bids were received from banks that previously had not submitted bids. As other banks become familiar with the new procedure, it is expected that the number of fixed-price bids will continue to increase.

If the purchase of Treasury bills on a fixed-price basis eventually encourages the smaller banks to invest their excess funds more completely, it may be anticipated that the present unequal distribution of reserves in the District will tend to disappear. An indication of this unequal distribution of reserves is provided by the table on the opposite page entitled, "Reserves and Related Items of Selected Sixth District Member Banks." As a general rule, the smaller the bank, the greater is its ratio of actual to required reserves. The six banks in the group having deposits of less than \$250,000 had a ratio of actual to required reserves of 255 per cent, while the 42 banks of the District with deposits in excess of 10 million dollars had a ratio of actual to required reserves of 126 per cent. But the ratio of actual to required reserves is not the entire story because, as is shown in the table, most of the smaller banks have very substantial deposits in other banks.

The difference between the investment position of the smaller banks as compared with the larger banks is further emphasized by comparing the relative percentages of their investments in Government securities to their total deposits. This comparison is graphically presented in the chart on this page. In general, the smaller the bank, the smaller is its percentage of holdings of Government securities to total deposits.

The National Business Situation

INDUSTRIAL activity in April and the early part of May increased somewhat further, and retail trade was maintained in large volume.

Industrial Production: The Board's index of total industrial output rose slightly in April, reflecting further increases in activity in war industries, while output in most other lines showed little change.

Production of armaments in the machinery and transportation equipment industries rose to new high levels. Activity at steel mills increased somewhat further. Lumber production showed the usual seasonal rise in April and was at a level about 10 per cent less than a year ago, when problems of maintaining an adequate labor supply in the industry began to develop. In the cement industry, where production usually advances sharply during the spring months, production has shown little change this year, reflecting chiefly the restricted volume of current construction activity.

Total output of manufactured foods in April continued below the seasonally adjusted peak level reached at the end of last year. Meatpacking and flour production showed decreases in April, while output of dairy products and other manufactured food products was maintained. Volume of output in chemical plants continued to gain. Production of other non-durable manufactures showed little change.

There was a decline in bituminous coal production in the last week of April, following the breaking-off of negotiations for a new wage contract, but output increased in the early part of May. Production of coal in March had been at an exceptionally high level. Stocks on May 1 were considerably higher than a year ago and for bituminous coal were estimated to be equivalent to 55 days' supply for industrial purposes. In May the Government took over the bituminous coal mines.

Value of construction contracts awarded declined in April, reflecting reductions in contracts for Federal work, according to the F. W. Dodge Corporation. Total residential awards in March and April were at the lowest levels for these months in a number of years.

Distribution: Sales at department and variety stores increased in April, but the rise was less than usually occurs

when Easter falls late in the month. Mail-order sales, principally to persons in small towns and rural areas, showed about the usual seasonal rise. Value of sales in April continued at a level substantially higher than a year ago but, with prices higher, the physical volume of goods sold was probably about the same as in the corresponding period last year.

Carloadings of revenue freight were maintained in large volume in April and the first week of May. Ore shipments showed a seasonal rise beginning in the last half of April, a month later than in 1942 when the movement was unusually early.

Commodity Prices: Wholesale prices of most commodities showed little change from the middle of April to the middle of May. Retail food prices continued to advance sharply in the latter part of March and the early part of April and the indexes showed increases of 6 per cent as compared with January. Retail prices of most other items in the cost of living showed smaller increases in that period. Plans for more effective enforcement of price ceilings have been announced.

Bank Credit: During May, as the Treasury made disbursements out of war loan accounts, which had been built up during the recent drive, there was a growth of bank deposits subject to reserve requirements and a decrease in member bank excess reserves. Continued withdrawals of currency also reduced bank reserves. Nevertheless, the reserves of member banks were sufficient to enable them to make substantial repurchases of bills which had been sold to the Reserve Banks under option. In addition, the Federal Reserve System sold some bonds in response to a market demand.

Government security holdings at reporting member banks in 101 leading cities increased by 4.3 billion dollars in the four weeks ending May 12. These increases reflected purchases of new issues during the War Loan drive, as well as substantial market purchases.

In New York City, loans to brokers and dealers for purchasing or carrying securities increased by 860 million dollars during the three weeks of the War Loan drive, and subsequently declined in the first three weeks of May.

(This page was written by the staff of the Board of Governors of the Federal Reserve System)

