Monthly Review

FEDERAL RESERVE BANK OF ATLANTA

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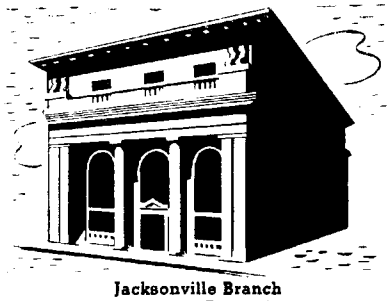
Postwar Prospects of District War Plants

WHILE major industrial facility expansions have taken place in the District as a result of the war, many of the new war plants have dubious prospects for the postwar period. The new munitions plants must almost certainly turn to an entirely different production after the war. So too, in large part, must the new shipyards and, though to a lesser extent, the new aircraft plants. Only so far as the new facilities are represented in new metallurgical capacity, in electric power production and distribution, and in industrial chemicals are postwar survival prospects encouraging. But even in these fields, severe adjustments will be necessary when the war is brought to a close.

The new plants have been erected at impressive cost figures, but they are not dispersed evenly in the District. Up to May 1, 1943, war industrial facilities in the Sixth District had been authorized in the amount of 1,443 million dollars. Slightly more than one-third of the total District expansion, measured in dollars, has taken place in Alabama. About one-fourth of the District total represents facility expansions in East Tennessee, and another one-fourth is concentrated in South Louisiana. The remainder of the new industrial facilities in the District are located as follows: 9 per cent in Georgia, 6 per cent in Florida, and 1 per cent in South Mississippi. First among the District states in aircraft manufacturing capacity expansion is Georgia with 53 per cent of total new District facilities. Florida received the largest amount of new shipbuilding facilities, 33 per cent. South Louisiana obtained the bulk of the new chemical facilities, 68 per cent. Alabama has 60 per cent of the new munitions facilities and 48 per cent of the new metallurgical facilities. South Louisiana has 38 per cent of the new transport facilities. East Tennessee has 70 per cent of the new electric power facilities.

Of total war facilities authorized prior to May 1, 1943, in the Sixth Federal Reserve District, 75 per cent were publicly financed and 25 per cent were privately financed. Publicly financed facilities include those financed by the British Government, the War and Navy Departments, the Maritime Commission, the Reconstruction Finance Corporation, and the Defense Plant Corporation, and projects authorized by means of Emergency Plant Facility contracts. Contracts for the construction of all the publicly financed facilities, with the exception of Emergency Plant Facility contracts and Reconstruction Finance Corporation commitments, provide for retention of title by the Government. Included in the privately financed expansions of capacity are those expansions financed by state and local governments.



Jacksonville Branch
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The largest single field of new industrial construction in the District is that of munitions, including facilities for the manufacture of shells, howitzer charges, percussion primers, gunpowder, incendiary thermite, bombs, grenades, fuses, small arms ammunition, projectiles, and TNT. Total munitions facilities in the District authorized prior to May 1, 1943, were constructed at a cost of 452 million dollars, 31 per cent of total District facility expansion cost. Of this amount, 60 per cent was spent in Alabama and 37 per cent, in East Tennessee.

The second most important type of industrial expansion resulting from the war program in the District is represented by new metallurgical capacity. Substantial additions to the District's iron and steel capacity have been made and, in addition, important new facilities have been added for production of aluminum and magnesium. The new metal capacity has cost 279 million dollars, 19 per cent of total facility expenditures in the District. Alabama also has the largest proportion of the new metallurgical facilities—133 million dollars, 48 per cent of the District total. Some 26 per cent of the new metal capacity is in South Louisiana and a similar proportion is in East Tennessee.

The third most important addition to the District's industrial production facilities, measured in terms of construction costs, consists of shipyards. More than 10 million dollars has been spent in each of the five seaboard states of the District on shipyard facilities. These new shipyards have cost 152 million dollars, 11 per cent of total facility expenditures.

Major facility expansions have also been made in electric power, aircraft, and chemicals. The great increase in industrial activity and the construction of many military training establishments of city size in this area have resulted in tremendously expanded electric power consumption. As a result, it has been necessary to spend 133 million dollars on extension of power lines in the District and on installation of new generating facilities. The bulk of this expansion, 70 per cent, has taken place in East Tennessee, the TVA area.

Georgia and South Louisiana have received the bulk of the new aircraft manufacturing facilities located in the Sixth District. Of total new capacity valued at 120 million dollars, Georgia has received 53 per cent and South Louisiana, 26 per cent. The new facilities are designed for the production of heavy bombers, flying boats, transport planes, dive bombers, parts, and instruments.

Rapid technological progress and higher levels of industrial production have created great new markets for industrial

chemicals. South Louisiana has long been an important producer of industrial chemicals based on sulphur and chlorine in particular. Sulphuric acid and hydrochloric acid are basic in many important chemical reactions. Of the new chemical production capacity in the District, 73 million dollars' worth, 68 per cent, has been located in South Louisiana. Relatively large expansions of industrial chemical capacity have taken place as well in Alabama and in East Tennessee. The new facilities in the District's chemical industry are designed for the manufacture of oxygen, acetylene, nitrogen, hydrogen, sulphate ammonia, aluminum chloride, calcium carbide, anhydrous ammonia, and many other products.

In no other category of industry has wartime expansion in this District reached the level of 100 million dollars. Expansion of capacity in munitions, metals, shipbuilding, electric power, aircraft, and chemicals together accounts for 86 per cent, measured in dollar costs, of total new industrial facilities authorized in the Sixth District prior to May 1 of this year. Fairly substantial expansions have also been made in the following industries: petroleum, timber products, synthetic rubber, and railway transportation.

Much of the new industrial capacity built in the Sixth District so far in the war promises to be of doubtful usefulness in the postwar period. Almost one-third of the total expenditure on new industrial capacity has been in the munitions industry. Probably little of this capacity will remain in use in the postwar years. To be sure, munitions production seems likely to taper off gradually rather than to stop abruptly, because it seems likely that the war in Asia will end later than the war in Europe. Furthermore, American military and naval forces will almost certainly be maintained on a large scale in the foreseeable future so that some munitions capacity will be needed to supply the postwar military and naval establishments. However, it is probable that only a small fraction of total munitions capacity will be required to fill this demand.

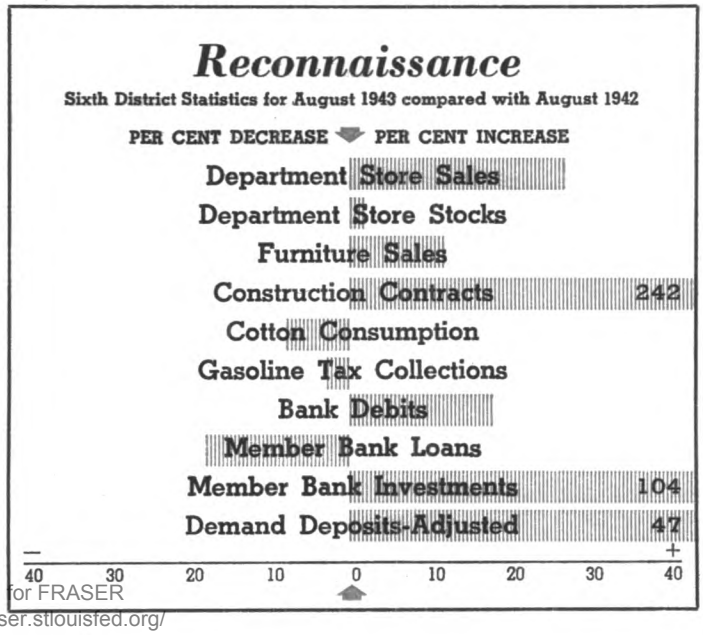
Shipbuilding capacity is almost certain to be largely idle in the postwar years. If the shipbuilding program of the United States should continue on present schedules through 1944, for example, about 5,000 ships, aggregating about 52 million dead-weight tons, will have been constructed in a five-year period. Allowing for earlier heavy submarine losses and transfers of ships to other flags, it seems likely that the United States Merchant Marine will total about 50 million dead-weight tons at the end of 1944. The American Bureau of Shipping has estimated that in 1939 world merchant shipping totaled about 80 million dead-weight tons, of which over 66 million dead-weight tons were foreign-owned. A rough estimate is that at the end of 1944 foreign-owned merchant shipping will amount to 50 million dead-weight tons. This fleet, added to the United States Merchant Marine of 50 million tons, will mean a total world shipping pool of 100 million dead-weight tons, a tonnage 25 per cent larger than in 1939. Further, it must be remembered that in 1939 about 4 million dead-weight tons of United States ocean-going ships were laid up and that several million tons of foreign-owned ships were idle. It thus appears that there will be almost no demand for new ships from District yards after the war.

Over the long run, the new aircraft production facilities in the District have a somewhat brighter future than seems to be in prospect for the shipbuilding industry, but in the immediate postwar years the outlook is about as bad for aircraft as for ships. In prewar America the aircraft engaged in commercial transportation of passengers and express were numbered in the hundreds. At the present time total output of aircraft, chiefly of military types, of course, is in excess of 7,500 a month. Furthermore, in peacetime, planes can be adequately serviced and are not destroyed through enemy action so that the average life of a plane in commercial transport service is far longer than that of a plane in military service. It would seem, therefore, that there will be enormous excess capacity in the aircraft industry in the years immediately following the war, unless military demand for aircraft remains near wartime levels, an eventuality that seems most unlikely. Even if we maintain our air force at wartime strength indefinitely, replacement of combat losses will, of course, no longer be necessary. Only accident, depreciation, and obsolescence losses will need to be replaced.

Latest available schedules of the War Production Board indicate that in 1943 production of aircraft will be valued at 20,100 million dollars, which is about one-fourth of the total war budget and almost one-seventh of the total national income. By comparison, it should be remembered that automobile production at its peak never exceeded 4,000 million dollars a year in value. In 1941, the all-time peak, the figure was 3,700 million dollars.

While statements have been made forecasting a very much larger role for aircraft in the future, in transporting both passengers and freight, recent statements by aircraft executives do not bear out the prediction of the most optimistic of the forecasters. For one thing, the rate of growth must be simply fantastic to approach the present aircraft production capacity, for in 1941 there were only 362 commercial transport airplanes on all air lines in the United States.

In November 1942, W. A. Patterson, president of United Air Lines, in an address on postwar aviation prospects, concluded that, while the future of the aircraft industry was bright, there was no possibility of air freight superseding a large portion of surface freight movement in the immediate



postwar years. Indeed, said he: "The combined effect of all the presently contemplated engineering advances plus a hundredfold increase in volume might be expected to reduce over-all ton-mile costs from their present average of around 40 cents to levels somewhere in the neighborhood of 10 cents per ton-mile, still many times the cost of surface transportation which measures its ton-mile costs in *mills*."

Mr. Patterson made the point that a great part of the war expansion of air transport services has been carried through without regard to economic costs. Obviously, in time of war anything that will contribute to the winning of that war is economical. In peace, however, the relative advantages of air transport as against older types of transportation must be measured in accounting costs. There are four conditions that must be met either in whole or in part for shipment of freight by air to be justifiable under competitive peacetime conditions, according to Mr. Patterson: "(1) An emergency has to be met. (2) An opportunity must exist for a substantial saving in warehousing and inventory costs. (3) Commodities must have a value per pound sufficiently high to make possible worthwhile savings in financial and insurance costs. (4) Surface transport must be inadequate or non-existent."

Wartime transportation developments are not all favorable for air transport. Thus, in Alaska, where airplanes have hitherto furnished virtually the only form of transportation over vast areas, roads and railroads are being constructed which will take some business away from the air lines. Again, in Central America, where railroad and highway facilities have been extremely inadequate, much use was made in prewar years of the transport plane. Here again, however, under the stress of wartime necessity, highways and railroads are being constructed and they will no doubt take away from the airplane a good part of its former freight business in that area. Much of the present air-borne freight across oceans will be replaced by merchant shipping when time is no longer so important a factor.

The great immediate postwar future of the aircraft industry lies in the field of passenger transportation. In 1932 the air lines of the United States carried 474,000 revenue passengers; in 1941 they carried 3,769,000. In 1932 they flew 127 million revenue-passenger miles; in 1941 they flew 1,370 million such miles. Their passenger revenues rose from $4,901,000 in 1932 to $59,814,000 in 1941. This increase in revenues was accompanied by a decrease in average passenger fares from 6.1 cents a mile to 5.0 cents a mile.

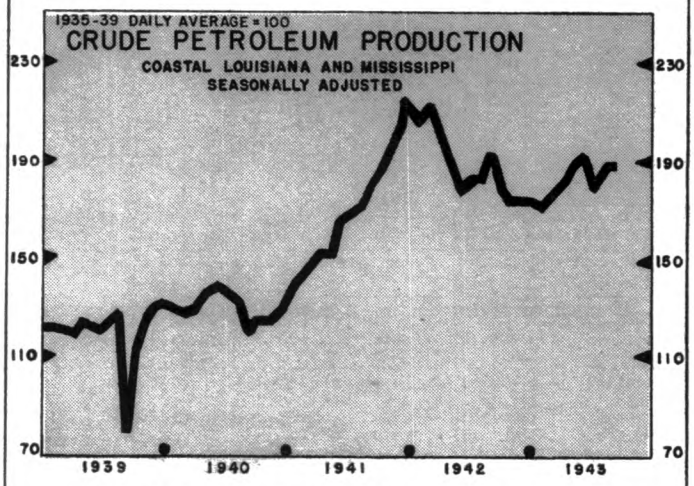
Already on many routes, air transport is cheaper than first-class rail fare. In 1932, air lines carried only 1.88 per cent of the number of passengers carried by Pullman trains, but in 1941, they carried about 13.59 per cent. Day-coach fares are now about 1.7 cents a passenger-mile, and bus rates are 1.5 cents. When air passenger fares can be reduced to a level making competition with these rates more intense, an enormous expansion of passenger travel by air will result.

However, even if an increase in commercial air-line travel of 1,000 per cent is attained in 1946 as compared with 1941, it seems unlikely that more than 5,000 commercial aircraft —a few weeks' production—would be needed to handle the traffic. Again, the conclusion is that there will be much excess aircraft manufacturing capacity in the United States in the immediate postwar years.

The new metal capacity in the District may be fairly well employed in the postwar years. It must be remembered, however, that the tremendous aluminum and magnesium capacity in the District depends for its chief market upon the aircraft industry, and if the aircraft industry is to be seriously curtailed in the postwar years, the demand for aluminum and magnesium will suffer a sharp decline. Such a decline might continue for several years. New markets for aluminum and magnesium may develop later partly at the expense of the District's iron and steel industry.

South Louisiana has been more fortunate than other areas of the District in securing new industrial facilities that appear to have great postwar usefulness. About three-fourths of the total expansion in South Louisiana is in industries that seem likely to be readily converted to peacetime production. Of the 352 million dollars' worth of new industrial capacity in South Louisiana, 27 per cent is in the petroleum industry, 21 per cent is in the metal industries, and a like amount is in the chemical industry. In contrast, 54 per cent of the authorized expansion in Alabama is in the munitions industry; 61 per cent of Florida's new facilities is in the shipbuilding industry; 51 per cent of Georgia's new capacity is in the aircraft industry; 66 per cent of South Mississippi's expansion has taken place in the shipbuilding industry; and 46 per cent of the expansion in East Tennessee has been in the munitions industry.

The wartime additions to manufacturing capacity in the Southeast have been planned for a war economy. While some of the new capacity, undoubtedly, will fit readily into the postwar economic structure of the region, most of it will not. It would seem, therefore, that a soundly based regional economy should be related to the region's own great resources and to a peacetime market structure rather than be tied, as a result of uneconomic conversions of war plants, to capacity designed for a totally different economic situation.



Crude petroleum production within the Sixth District in Coastal Louisiana and Mississippi is currently the basis not only for the production of fuel for transportation and war industries but also for the production of munitions and an entirely new product—synthetic rubber. Comparatively new to the District, the petroleum industry promises to make a continued contribution to postwar income. Back figures and a description of the new monthly index of crude petroleum production are available on request.

Sixth District Indexes

(1935-39 Average = 100)

DEPARTMENT STORE SALES*

	Adjusted**			Unadjusted		
	Aug. 1943	July 1943	Aug. 1942	Aug. 1943	July 1943	Aug. 1942
DISTRICT	215	233	169	183	166	144
Atlanta	189	221	148	182	152	143
Baton Rouge	204	241	170	177	187	148
Birmingham	191	187	164	175	146	150
Chattanooga	223	241	187	184	170	154
Jackson	270	273	198	217	191	159
Jacksonville	294	283	218	246	226	182
Knoxville	215	232	167	194	166	150
Macon	312	287	229	220	204	161
Miami	169	213	133	114	119	90
Montgomery	279	272	219	218	194	171
Nashville	191	198	138	162	140	117
New Orleans	176	192	157	162	146	145
Tampa	282	298	197	221	217	154

DEPARTMENT STORE STOCKS

	Adjusted**			Unadjusted		
	Aug. 1943	July 1943	Aug. 1942	Aug. 1943	July 1943	Aug. 1942
DISTRICT	199	198r	195	191	177r	188
Atlanta	249	225	229	243	218	224
Birmingham	154	162	177	155	147	178
Montgomery	217	259	155	215	207	154
Nashville	291	289r	217	291	250r	217
New Orleans	142	136	211	133	125	198

	COTTON CONSUMPTION*			COAL PRODUCTION*		
	Aug. 1943	July 1943	Aug. 1942	Aug. 1943	July 1943	Aug. 1942
TOTAL	158	163	171	163	162	162
Alabama	164	171	172	174	171	168
Georgia	157	161	173	...	...	...
Tennessee	138	146	151	139	139	146

	CONSTRUCTION CONTRACTS			GASOLINE TAX COLLECTIONS***		
	Aug. 1943	July 1943	Aug. 1942	Aug. 1943	July 1943	Aug. 1942
DISTRICT	1198	87	350	103	95	106
Residential	148	132	181	...	...	...
Others	1706	66	432	...	...	...
Alabama	135	89	166	107	105	127
Florida	163	103	285	86	82	86
Georgia	212	151	716	93	90	97
Louisiana	89	33	595	102	103	105
Mississippi	59	94	1451	87	94	108
Tennessee	5034	30	110	142	102	125

COST OF LIVING

	Aug. 1943	July 1943	Aug. 1942
ALL ITEMS	128	128	119
Food	146	147	130
Clothing	130	130	125
Rent	114	114	115
Fuel, electricity, and ice	107	107	104
Home furnishings	123	123	120
Miscellaneous	118	118	112

CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*

	Aug. 1943	July 1943	Aug. 1942
Unadjusted	190	187	192
Adjusted**	190	187	192

ELECTRIC POWER PRODUCTION*

	July 1943	June 1943	July 1942
SIX STATES	245	239	203
Hydro-generated	221	200	156
Fuel-generated	277	290	266

ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

	Aug. 1943	July 1943	Aug. 1942
Unadjusted	15.3	18.1	19.0
Adjusted**	17.4	19.2	21.6
Index	67.2	74.2	83.5

*Daily average basis.
**Adjusted for seasonal variation.
***1939 monthly average = 100.
r = Revised.

Business in September

DURING September the District business situation was dominated by the Third War Loan Drive in the financial sphere and by the beginning of the harvest season in the agricultural sphere. Employment was maintained at recent high levels and demand for District timber products continued to outpace supply. Retail sales continued to run well ahead of last year, department store sales in the four weeks ending September 18 being 27 per cent above those in the comparable period of 1942.

Agricultural Production: In the District as a whole, September found most crops in better condition than had been anticipated in early spring. While labor shortages are evident in various localities, still the volume of farm work completed by September was above that indicated by prospects last spring and, furthermore, weather conditions have been more favorable in the latter part of the season than in the earlier part. The net result has been a larger output of the major crops than was thought possible in early summer.

On September 1, the general crop prospects in the United States as a whole indicated that production this year would be 4 per cent above that of any previous year, excepting 1942. Total acreage is the largest in 10 years and near-record crop yields are indicated. The 1943 crops of beans, peas, soybeans, peanuts, rice, potatoes, flaxseed, and grapes promise to be the largest ever, while large crops of hay, corn, oats, barley, and grain sorghums are in prospect. The 1943 crops of wheat, rye, cotton, sweet potatoes, and sugar are about average.

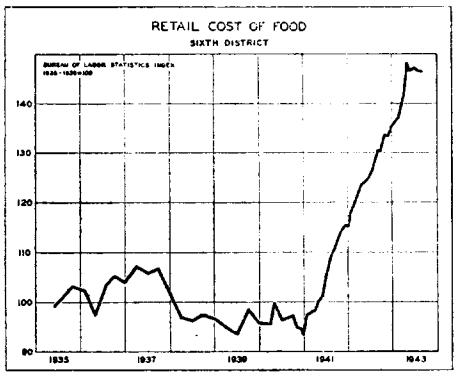
The official estimate of the total United States cotton crop on September 1 forecast production of 11.7 million bales. In Alabama, on September 1, a cotton crop of 940,000 bales was indicated. This is an increase of 15,000 bales over 1942. On September 1, the condition of the crop was 77 per cent of normal, whereas the 10-year average condition is only 66 per cent. Indications now are that acreage yield will be the largest of any year excepting 1937, an average acreage yield of 289 pounds of lint cotton.

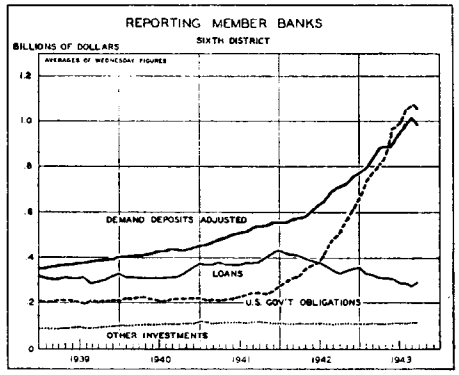
The cotton crop in Georgia, based on prospects as of September 1, is estimated at 845,000 bales, a production 2 per cent below the 1942 crop. However, the 1943 acreage is 8 per cent smaller than last year's, and the indicated yield is 258 pounds of lint an acre as compared with the 1932-41 average of 219 pounds.

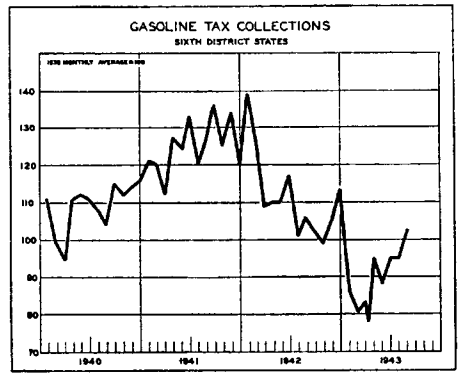
In Louisiana the indicated yield is 334 pounds of lint an acre, a substantial increase from the yield of 285 pounds an acre of 1942 and the average yield of 230 pounds an acre for the decade 1932-41. Total Louisiana acreage in cotton on September 1 amounted to 1.0 million acres, and the total crop indicated on that date was 700,000 bales as compared with 593,000 bales last year.

The Mississippi crop will probably be below the 2.0 million bales produced in 1942 but substantially above the 10-year average of 1.5 million bales. The forecast on September 1 was for an output of 1.9 million bales. The average yield in Mississippi this year is estimated at 362 pounds of lint cotton an acre, a decrease of 33 pounds an acre from 1942 but still an increase of 99 pounds above the average acre yield of the decade 1932-41.

An intense drought in Tennessee during August resulted in a decline in the condition of the crop to 65 per cent of normal on September 1 as compared with the 10-year average of 70







per cent on that date. Indicated production of cotton in Tennessee this year is 535,000 bales, an amount 15 per cent below production in 1942 but 11 per cent above the 10-year average production of 479,000 bales. Yield on an acre basis this year is estimated at 355 pounds, an amount substantially below the 420 pounds produced in 1942 but still 22 per cent above the 10-year average of 299 pounds an acre.

The outlook for income from cotton in this District remains very good. On September 24, the 10-market average price of middling 15/16 inch cotton was 20.45 cents a pound.

Employment Trends: The District's postwar employment problem has begun to take shape, as far as industrial employment is concerned. What is apparently the future pattern is suggested by what has happened in the construction industry. This industry hit an all-time peak in August and September 1942, when the total of cantonment construction and war-plant construction employed approximately three workers to one in comparison with the last predefense year. As projects were completed, or virtually completed, large numbers of workers were progressively released.

Employment in war production was available so that these workers quite generally found other occupations — in some cases after a brief period of unemployment, and in many cases with additional dislocation as to place of employment following previous dislocation in construction work itself. During the past year these releases of construction labor have been decidedly helpful to the war industries, especially shipbuilding, which simultaneously expanded. Thus total employment continues on its "plateau."

Looking ahead, similar releases may be foreseen from many or most of the war industries themselves, and the postwar question thus becomes the concrete one of what peacetime industries will be ready and waiting for expansion in order to take up the slack. The process of disemployment will likely be gradual, perhaps first affecting some shipyards and munitions plants, then other shipyards and plants, and extending over, as the war effort declines, into the aircraft industry and the industries supplying metals, fuel, and power to the war plants.

At present, it is easier to outline the process of decline than the process of peacetime expansion that must run simultaneously and commensurately if lags in total industrial employment, and an outright surplus of unemployment, are not to occur. The points of greatest probable incidence, obviously, are the present localities of greatest war employment, for it is into these focal centers that the war workers and, in many cases, their families have poured, and the dislocation involved implies the coming problem of relocation.

The War Production Board has virtually prohibited the letting of new contracts in critical labor shortage areas unless it is impossible to meet military time tables by scheduling production elsewhere. There are now 9 critical labor shortage areas in the Sixth District: Mobile, Alabama; Jacksonville, Panama City, Pensacola, and Tampa, Florida; Brunswick, Macon, and Savannah, Georgia; and Pascagoula, Mississippi.

Timber Products: The many uses of timber products in the war construction and production programs continue to put a strain upon the forest products industries. The Department of Agriculture has inaugurated a drive to increase production of forest products from farm woodlands. It is estimated that in the prewar years farm woodlands produced about one-third of the total output of forest products. The program will be pushed by the County War Boards in selected counties.

The War Production Board has issued a directive increasing by 20 per cent the allowable working stresses for graded lumber used in Government construction. This increase in allowable working stresses is tantamount to an additional output of 200 million board feet of structural lumber annually. Despite the fact that dry weather prevailed over most of the producing area in the past summer, mills were unable to get much lumber on inventory and, as bad weather in winter usually makes it necessary for mills to fill some orders from their stock piles, the lumber situation promises to become even tighter in the coming months. In the week ending September 18, for example, the production of southern pine was 29 per cent below the average production in the three-year period ending October 31, 1942.

From July 15 to September 15, gum rosin moved out of Government stock piles at a rapid pace. Since September 15, this movement has slackened considerably. Continuation of the previous heavy rate of consumption would have meant absorption of total Government holdings before the new crop moved next April.

It appears that the 1943 turpentine stock pile, financed by the Commodity Credit Corporation, will not exceed 50 per cent of the 1942 accumulation of 154,000 barrels. While in part this smaller stock pile is the result of a lower production in the current season, it is in part the result of a better demand situation this year than last.

Third War Loan: Through September 23, total sales in Alabama of all issues offered during the drive reached 74.7 million dollars. By that same date, sales in Florida totaled 79.4 million dollars and sales in Georgia amounted to 79.0 million dollars. In the Sixth District portions of Louisiana, Mississippi, and Tennessee, sales totaled 59.0, 19.9, and 62.8 million dollars respectively.

Vegetable Dehydration Program

DURING the course of the summer that has just ended, more than one war production program reached its zenith. Among such programs was that of the War Food Administration for the setting up of vegetable dehydration plants. Since early summer no new applications for dehydration plants in the Southern region have been approved. Plants now in existence are considered adequate to supply the prospective needs of the armed services and to meet commitments under lend-lease. Private commercial ventures in this field are virtually impossible because of the difficulty of securing the necessary priorities for materials and equipment.

The wartime importance of vegetable dehydration developed from the shipping shortage that arose out of the magnitude of overseas operations as well as the inroads that were made on existing shipping by the submarine in the early period of the war. Since vegetables contain roughly about nine tons of water for every ton of solids, it was evident that great savings in weight and shipping space could be effected if vegetables were dehydrated before being exported. For example, a "ship's ton"—40 cubic feet of cargo space—will hold 920 pounds of canned potatoes. Into that same space, however, can be put dehydrated potatoes sufficient to produce 3,980 pounds of potatoes ready for cooking. Fifteen large heads of cabbage when dehydrated will ride in the space of one and one-half heads. Since approximately 40 per cent of all shipping tonnage used to supply the forces overseas and to meet lend-lease commitments is required for food, the saving in shipping space made possible by the prior dehydration of foods is obvious. This saving can be translated into steel tonnage: one ton of steel allotted for dehydration machinery is estimated to save 250 tons of steel used for shipbuilding.

With such considerations in mind, the United States Department of Agriculture on May 26, 1942, announced a program to encourage the conversion or expansion of food-processing plants into the field of vegetable dehydration. Contracts would be made, it was announced, with processors who met the requirements of the program for Government purchase of that part of their dehydrated vegetable output needed to meet domestic, lend-lease, and military requirements on both a current and future delivery basis. The department offered its assistance in securing priorities for materials and equipment to carry out the requisite conversion or expansion by the firms selected to participate in the program. It was made clear, however, that the program would be carried through with the minimum use of critical materials. Dehydrated white and sweet potatoes, onions, cabbage, carrots, beets, and rutabagas were the products for which contracts would be made.

With the announcement of this program, many inquiries were received from various interested parties. Some of these inquiries came from people who were merely desirous of having a dehydration plant established in their neighborhood and who thought that the Government itself was going to set up such plants. Other inquiries came from individuals or groups who had no facilities and sometimes no experience in food processing but who thought that the Government would set them up in this new industry. Inquiries of this kind bore little fruit, for it was the intention to use existing facilities and experience as far as possible.

The decision as to what firms would be approved for participation in the program rested with the Dehydration Committee in Washington. This committee was made up of representatives of the Food Distribution Administration and of the armed services. The decision of the committee was based upon answers given to questions on a special application form by the prospective processor. This form called for information regarding many phases of present and proposed operations: the location and present operations of the plant; the size of the plant, number of workers employed, shipping and power facilities, and the types of containers that could be packed; past experience in experimental or commercial dehydration; details concerning the extent of the proposed conversion or expansion and the types of equipment contemplated for use; the types of vegetables proposed for processing, the source of their supply, the method of buying the raw material, and the kind of transportation and length of haul from the source of supply to the plant; existing mechanical equipment and storage facilities; and proposed methods of financing the venture.

When such an application had been approved by the Dehydration Committee, the processor was in position to take steps in the conversion or expansion of his plant. After such work was under way, the Food Distribution Administration in the region issued a letter-purchase order contracting to take the output of the plant in whole or in part under certain schedules of delivery, price, terms, and conditions. On the basis of such a letter-purchase order, the processor could make any commitments, including contracting for the raw material, necessary to fulfill the contract. In case the contract was terminated, the Government protected the processor against loss by binding itself to assume all commitments and obligations undertaken by him on account of the contract provided they had been approved by the proper authorities.

The financing of such conversions and expansions could be accomplished in various ways. In the case of co-operatives, equipment loans could be secured through the Bank for Co-operatives. In other cases, the financing might come through the Smaller War Plants Corporation, through the Defense Plant Corporation under the Reconstruction Finance Corporation, or from local banks.

In furtherance of this program, the Food Distribution Administration in the Southern region placed letter-purchase orders with 11 approved firms. Four of these firms were located in South Carolina—in Lake City, Camden, Columbia, and Florence. Three were located in Georgia—in Augusta, Vienna, and Sylvester. In September a fourth Georgia plant was completed at Macon. Two were located in Florida—in Zellwood and Wauchula. Two firms were approved and received letter-purchase orders in Tennessee. One of these will be dropped, however, since it failed to get its plant in operation, and there is some question about the second.

Excluding contracts with the Tennessee firm to be dropped, the Food Distribution Administration has at present outstanding contracts for 8.5 million pounds of dehydrated sweet potatoes, 1.0 million pounds of dehydrated cabbage, 500,000

pounds of dehydrated beets, 1.3 million pounds of dehydrated white potatoes, and 175,000 pounds of dehydrated rutabagas.

In addition to these firms that have contracts with the Food Distribution Administration, there are six others in the Southern region that have similar contracts with the Army—one each in Mississippi, Tennessee, Kentucky, Alabama, Georgia, and Florida.

Not only has the past summer seen the end of the expansion of facilities for the production of dehydrated vegetables, but there has also begun a cutback in Government takings of certain vegetables. By Amendment 1 to Food Distribution Order 30, dated June 7, 1943, carrots and sweet potatoes were eliminated from the list of required vegetables, although Government agencies continue to take 100 per cent of the dehydrated white potatoes, cabbage, beets, onions, and rutabagas.

It is quite evident that the time may not be far distant when the postwar future of these dehydration plants will become a matter of concern to their proprietors. A survey was conducted recently by a trade paper in the food-processing field among quick-freeze firms, wholesalers, retailers, and housewives to discover their attitude toward the postwar prospects of dehydrated vegetables. Reactions, as might be supposed, were mixed. The quick-freeze people, quite naturally, saw no future at all for dehydrated vegetables; wholesalers, who are constantly being bombarded with new ideas and new products, were somewhat skeptical and cautious although not unoptimistic; retailers were fairly optimistic but thought that considerable public education might be required before these products would "catch on." Housewives were mildly favorable.

Those intimately associated with this new industry say that its future will depend largely upon two conditions. The first of these is the reaction of the men in the armed forces to these products that have entered so conspicuously into their diets. If these men return with a well-developed taste for dehydrated vegetables, postwar marketing prospects may be bright; if, on the contrary, these men return with an aversion to these products, the outlook will be distinctly less favorable. The second condition is the development of research directed toward the improvement of the products with respect to color, taste, vitamin content, and nutritive value. Such improvements would be of great assistance in overcoming the initial bias of the public against unfamiliar products and in favor of vegetables in their natural state.

Among food processors themselves, there are some, especially large canning concerns in northern states, who have sufficient faith in the future of dehydrated vegetables to be making plans now for establishing dehydration among their other food-processing operations in the postwar period. No such planning for making dehydration a permanent function has been reported as yet by any plant in the Southern region. In this particular region, the future of the dehydration industry, as of the canning industry as a whole, depends in part upon the development of truck farming on a large scale. To provide a favorable competitive basis for the industry, such farming would have to be of a much more intensive nature than has been customary in the past. Acre yields would have to be measurably increased, and there would have to be a much more rigorous scientific control over the process to improve the quality of the finished product.

UNITED STATES TREASURY BILLS: SIXTH DISTRICT

Dated	Tenders	Allotments
September 2, 1943	$ 7,354,000	$ 6,796,000
September 9, 1943	10,410,000	9,373,000
September 16, 1943	22,165,000	17,055,000
September 23, 1943	16,580,000	11,925,000
September 30, 1943	5,330,000	4,999,000

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 September 3; for country banks they are averages of sixteen-day period ending August 31.

Group*	No. of Banks	Deposits of Banks	Balances Due from Other Banks	War Loan Deposits	Actual Reserves	Per Cent Actual to Required
A	5	0	527	10	136	160
B	19	86	3,192	493	1,360	157
C	38	106	11,551	1,740	5,526	159
D	65	1,935	31,758	6,166	16,045	146
E	63	7,042	57,255	14,209	33,596	129
F	31	26,868	56,851	19,261	38,558	128
G	41	583,820	247,106	166,800	381,637	109
Total	262	619,857	408,240	208,679	476,858	113

*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.

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

Area	August 1943	July 1943	August 1942	Per Cent Change August 1943 from July 1943	Per Cent Change August 1943 from Aug. 1942
ALABAMA					
Anniston	12,609	13,245	13,724	— 5	— 8
Birmingham	153,294	159,648	149,676	— 4	+ 2
Dothan	5,554	5,892	5,806	— 6	— 4
Gadsden	8,720	9,606	7,354	— 9	+ 19
Mobile	108,851	116,932	110,329	— 7	— 1
Montgomery	33,095	33,654	35,913	— 2	— 8
FLORIDA					
Jacksonville	167,605	159,141	126,897	+ 5	+ 32
Miami	90,380	89,672	60,148	+ 1	+ 50
Orlando	18,101	21,373	12,398	— 15	+ 46
Pensacola	21,172	25,008	16,325	— 15	+ 30
St. Petersburg	18,928	19,834	9,888	— 5	+ 91
Tampa	68,182	78,909	50,367	— 14	+ 35
GEORGIA					
Albany	7,484	7,155	7,123	+ 5	+ 5
Atlanta	405,203	422,109	352,754	— 4	+ 15
Augusta	29,557	30,730	28,148	— 4	+ 5
Brunswick	15,174	13,988	7,752	+ 8	+ 96
Columbus	31,854	32,540	28,641	— 2	+ 11
Elberton	1,457	1,427	1,288	+ 2	+ 13
Macon	42,811	37,680	34,133	+ 14	+ 25
Newnan	3,985	5,211	3,274	— 24	+ 22
Savannah	76,132	72,113	56,106	+ 6	+ 36
Valdosta	14,683	6,191	11,928	+137	+ 23
LOUISIANA					
Baton Rouge	37,179	41,462	36,200	— 10	+ 3
Lake Charles	18,332	20,126	10,081	— 9	+ 82
New Orleans	352,260	394,812	305,756	— 11	+ 15
MISSISSIPPI					
Hattiesburg	12,255	11,927	11,668	+ 3	+ 5
Jackson	42,622	43,378	39,521	— 2	+ 8
Meridian	14,426	14,348	18,493	+ 1	— 22
Vicksburg	16,033	18,370	12,461	— 13	+ 29
TENNESSEE					
Chattanooga	76,560	81,972	72,254	— 7	+ 6
Knoxville	63,961	69,290	40,480	— 8	+ 58
Nashville	164,844	191,146	137,683	— 14	+ 20
SIXTH DISTRICT 32 Cities	2,133,303	2,248,889	1,814,569	— 5	+ 18
UNITED STATES 334 Cities	60,614,000	65,348,000	51,989,000	— 7	+ 17

The National Business Situation

INDUSTRIAL activity and war expenditures were maintained in August at a high level. Commodity prices showed little change. Retail trade continued in large volume.

Industrial Production: Output of manufactures and minerals showed little change in August and the Board's seasonally adjusted total index of industrial production remained at the July level. Production of durable manufactures increased. Output of iron and steel continued to advance and reached the peak levels achieved earlier this year. There were further slight increases in activity at war plants in the transportation equipment industries. Output of other durable products showed little change.

Production of nondurable goods declined in August, reflecting further decreases in output of textile, leather, and food products. Cotton consumption in August was about 15 per cent lower than the same period a year ago and was at the lowest level since the beginning of 1941. Leather output has also declined in recent months and is currently close to prewar levels. Activity at meat packing plants showed the usual seasonal decline in August but preliminary figures indicate that output was about one-fifth larger than a year ago. Output of most other manufactured foods declined somewhat further. Production of petroleum, coke, and rubber products continued to advance in August while chemical production showed little change. Production of crude petroleum continued to rise and in August was in the largest volume on record. Lake shipments of iron ore likewise reached a record level. Production of coal and metals was maintained in large volume.

Distribution: Department store sales continued large in August and the first half of September. Increases during this period were less than seasonal, however, following maintenance of sales at a comparatively high level during July. For the year to date value of sales at department stores has been about 13 per cent greater than in the corresponding period last year, reflecting in part price increases. Inventories at department stores have increased in recent months and are now somewhat higher than at the beginning of this year, indicating that receipts of new merchandise have been in excess of the value of goods sold.

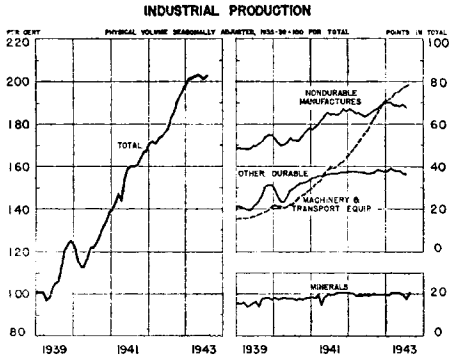
Total carloadings were maintained in large volume during August and the first half of September. Shipments of grain showed a less than seasonal decline from the peak reached in July and were one-fifth larger than August a year ago.

Bank Credit: In mid-September excess reserves of member banks rose sharply to about 2 billion dollars from the average level of about 1.1 billion which had prevailed in the latter part of August and early in September. This increase was due in part to the fact that the Treasury was making disbursements out of temporary borrowing from Reserve Banks on special certificates in anticipation of tax collections and receipts from the Third War Loan Drive. It also reflected in part a substantial decrease in required reserves at the middle of the month when funds from individual and corporate deposits were transferred to Government loan accounts which are not subject to reserve requirements. During the four weeks ended September 15 the Reserve System holdings of Government securities increased by about 1 billion dollars in addition to the special certificates taken directly from the Treasury. Most of the increase was in the form of Treasury bills sold to the Reserve Banks with sellers retaining the option to repurchase. Over this four-week period currency in circulation increased by about 560 million dollars to a total of 18.8 billion outstanding.

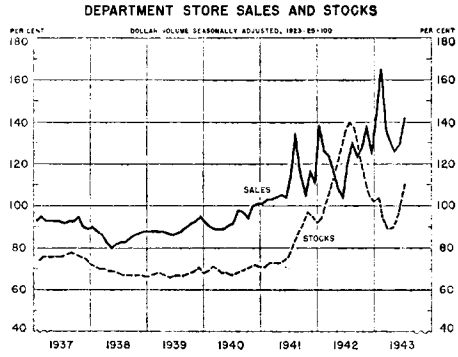
In the last two weeks of August and the first week of September, reporting member banks in 101 leading cities showed a net decline in security holdings as a result of the sale of bills to the Reserve System. In the week ending September 15, however, some nonbanking holders sold securities to the banks in anticipation of purchases during the Drive, and bank holdings also increased through repurchase of bills from the Reserve System.

Commercial loans, which had expanded by 100 million dollars in July and in August, increased by 250 millions during the week ending September 15. This increase in commercial loans was shared by both New York and other reporting member banks. In the week ending the 15th, loans to brokers and dealers in New York City increased 370 million dollars, most of which was for purchasing and carrying Government securities, and there was also an increase in loans on securities to others.

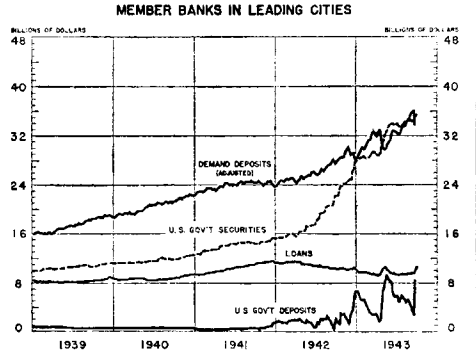
(This page was written by the staff of the Board of Governors of the Federal Reserve System)



Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for July 1943.



Federal Reserve indexes. Monthly figures, latest shown are for July 1943.



Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for September 15, 1943.