# Monthly Review
## FEDERAL RESERVE BANK OF ATLANTA

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# *Outlook for Cattle Raising in the Sixth District*

A CONSIDERABLE increase in the number of cattle in the Sixth District has come about in the last few years. In some places where cotton was once the chief product of the farm, cattle have now come to be most important. Observers vary in their expectations for the future of this activity, but in general they are very hopeful that the present increase in cattle numbers is something more than a temporary reaction to wartime demands. Although there may be some reason for this hopefulness, there are also some factors in the situation that should temper hope with caution. An effort to appraise the probable future of cattle production must take into account both sets of facts.

The period of greatest growth in cattle numbers for the District was that of 1930-35 when all cattle, including those kept for milk, increased from approximately 5.0 million head to approximately 6.8 million head, an increase of 36.0 per cent. During this same period, the corresponding increase for the nation was 12.3 per cent. Two circumstances were responsible for bringing about this disproportionate increase in the District during this period. One of these was the release of a great many counties from cattle tick quarantine. In 1906, some 480 counties in the District were in quarantine, but as of December 1, 1935, 420 were rated tick free and only 32 had not yet been released from quarantine. Today all counties in the District are either rated tick free or are released from quarantine.

The other circumstance that stimulated cattle raising in the 1930-35 period was the agricultural adjustment program of the Federal Government. This program, which took cotton acreage out of production and encouraged the planting of cover crops for soil conservation purposes, led indirectly to an enlargement of cattle numbers.

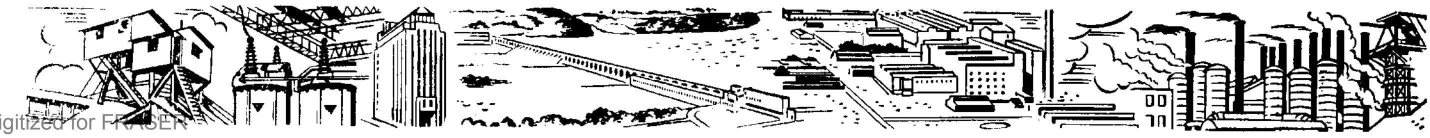
Cattle numbers, as is well known, exhibit a tendency to increase and decrease in alternating periods of time, giving rise to what is known as the cattle cycle. After 1935, there was a cyclic decline in cattle numbers to the most recent low point in 1938. Since 1938, both the nation and the District have experienced a cyclic upswing of cattle numbers. In the period 1938-43 (1944 estimates not yet available) the cattle population of the nation increased by 19.8 per cent, while that of the District increased somewhat less, 18.6 per cent. The individual states varied with respect to their increases, three of them exceeding the national percentage increase, and three of them falling short of the national figure. The three states in which cattle population increased faster than in the nation or in the District as a whole were Florida, 33.6 per cent; Tennessee, 27.9 per cent; and Alabama, 22.1 per cent. The three states in which the increase was less than in the nation and District were Georgia, 15.2 per cent; Louisiana, 12.4 per cent; and Mississippi, 7.7 per cent. The apparently abnormally low increase for Mississippi is to be explained by the fact that the percentage change was computed from an already high base, for Mississippi has been the largest cattle producer of all the District states for many years.

The grounds for hoping that these increases in cattle numbers are a permanent development and are not entirely a cyclic phenomenon lie in a number of factors to which attention is called by the agricultural authorities in the various states.

In Florida, the state having the largest percentage increase in cattle numbers in the period 1938-43, the Florida State Marketing Bureau stresses several such factors. For one thing, a steady increase in the quality of herds has occurred ever since 1934. At least 80 per cent of the state's cattle have by now shown some improvement in quality, according to the Marketing Bureau, while "40 per cent show very definite improvement." Whereas in 1930 there were only about 325 improved beef-type bulls in the state, there are now at least 8,500 registered beef-type bulls, and many cattlemen who were formerly using scrub bulls are now using grade bulls. Much still remains to be done in this direction in spite of the improvement already made, for the Bureau estimates that the herds of the state could profitably use 20,000 purebred bulls.

In addition to improvement in quality, the Florida Bureau mentions certain other factors of improvement. The area in pasture has increased. A larger number of the cattle have been placed behind fences. A growing interest in improved feeding has been shown by cattlemen. In 1937, Florida possessed approximately 50,000 acres of improved pasture but now has some 600,000 acres. The Bureau estimates that possibly 80 per cent of the state's cattle are now fenced. Moreover, the establishment in the state of 18 livestock auction markets, none of which were in existence in 1936, is viewed as a recognition of the permanent nature of the growth that the state has experienced.

In Tennessee, the State Commissioner of Agriculture calls attention to the mushroom growth of cattle raising during the first World War. This growth received a serious setback after the war because, as the Commissioner says, "it was not founded on the right basis." The current increase, however, is seen as something more permanent, for the present cow and calf program encourages the raising and feeding of live-



stock without importing either the cattle or the feed. This self-sufficiency is made possible by an abundance of good grazing land that is being improved gradually year by year and by the ready availability of cottonseed meal for supplementary feeding. A large acreage is now sown to alfalfa. Here, as in Florida, improvement in the quality of herds is also stressed.

In Alabama, the Bureau of Agricultural Economics believes that a permanent increase in cattle numbers is taking place. Alabama farmers have begun to learn the profitability of a diversified agriculture.

In all the District states, including those showing an increase in cattle population that was less than the national increase, improved quality of herds and especially the presence of good pasture possibilities are emphasized as the foundation for the permanent growth of the cattle industry. Cattle raising in the Southeast must be based largely on grass feeding, and any livestock project based upon the purchase of any considerable amount of feed is almost foredoomed to failure.

Only in fairly limited areas is the South well adapted by nature to the growing of forage grasses that, under proper management, will provide for summer grazing and can be made to yield the silage needed to carry herds through the winter. The mildness of the climate, of course, makes possible a longer grazing season than in more northern areas, and there is a direct relationship between the profitability of a cattle project and the length of the grazing season.

Over against these factors, however, must be set the high cost of preparing pasture in many parts of the region because of the leeching of the mineral content of much of the soil. Unless this disadvantage, in turn, is overcome by careful scientific pasture management, the rather limited natural advantages in themselves may not prove decisive for the long-term growth of the cattle industry.

Everyone is now quite well aware that it is not enough merely to fence off a cotton field and allow the grasses already there to seed themselves by natural processes to provide pasture for profitable cattle grazing. Nor is it enough merely to adopt a feeding program suitable to some other cattle area. A painstaking effort must be made to find the grasses best adapted to the climate and to the farmer's particular soil types. A careful building up of supplementary pasture must be made against drought where drought is a hazard. Where soils are depleted, adequate applications of fertilizer must be made. Mowing and clipping must be done at the proper time in order to realize the maximum feeding potential from a given acreage. Finally, a careful integration of the cattle program with a farmer's other enterprises must be worked out so that they will mutually support each other.

Although much improvement has taken place during the last decade in providing these permanent foundations for a profitable cattle industry, the current increase in cattle numbers is not to be attributed solely to such factors. Many short-run influences are also at work. The increase in the price of beef cattle during the war has been important in the enlargement of herds, although the present shrinking of price margins through rising feed costs and the ceiling on beef may now be discouraging further expansion. No alleviation of this situation seems to be in sight for 1944, according to the Department of Agriculture, either by way of much higher prices for beef or lower feed prices.

Another factor stimulating cattle raising at the moment is the shortage of farm labor. Since less labor is required for the production of cattle than for field crops, the production of cattle shows a tendency to expand and the production of field crops shows a tendency to contract in many parts of the Sixth District. The labor shortage, moreover, affects unevenly the two main branches of the cattle industry—beef cattle and dairy cattle. Inasmuch as the management of dairy herds involves more labor than does the management of beef herds, beef cattle numbers tend at present to grow more rapidly than dairy cattle numbers.

To the extent that present cattle numbers are the result of such cyclic or temporary factors, cattle raising will be vulnerable to adverse cyclic changes. In other words, if herds have been built up beyond a level justified by the permanent underlying conditions in response to temporary influences, any future break in prices is likely to force the liquidation of herds under disadvantageous conditions. Such liquidation has happened more than once in other cattle areas. A great temptation exists to enlarge cattle numbers when prices are high, or are rising, in the hope of selling at still higher prices later on. Wiser cattlemen, however, tend to cull their herds when prices are good and to build them up when prices are low. In 1920-21, when cattle slaughter had fallen substantially below its wartime peak in 1919, the break in cattle prices from $13.30 a 100 pounds live weight (1920 annual average at Chicago) to $8.20 (1921 annual average at Chicago) caught many cattlemen overstocked and cattle had to move to slaughter at low prices when they might better have done so at higher prices. A great danger attends the holding of excess cattle too long.

No one, of course, can prophesy with certainty when the cattle cycle will change from its present upswing to a downswing. Much depends upon the course of the war. While somewhat variable, the intervals between the high points or between the low points of the cycle are from 13 to 16 years. The year 1938 marked the preceding low point as far as numbers are concerned. The current upswing has therefore lasted for a little over six years, and the time may not be far off when a reversal of the cycle may force cattlemen to make important marketing decisions and may force equally important decisions upon agencies financing the cattle industry. The present squeeze between the price of feed and the ceiling price on beef, the occasion of a great deal of complaint in some quarters because it is forcing cattle to slaughter, may prove to be a good thing in the end if it discourages the holding of excess cattle too long and thus avoids liquidation on a falling market.

In view of the complicated interrelationships of the long-term and short-run factors, any long-range forecast of trends in the District cattle situation is difficult to make. Certainly the opinion that has been expressed by some observers that a great and revolutionary change is coming over the economy of the Southeast—cotton shifting to the Southwest and cattle raising moving eastward—seems to be an exaggeration. All factors taken together, those making for permanent growth and those that are temporary in character, have not served to alter to any great extent the proportion of the nation's cattle found on farms in the states of the Sixth District. In 1910, these states had 9.2 per cent of the total number of all cattle on farms. After falling to a low point of 8.2 per cent in 1930, this ratio climbed to its highest point, 9.9 per cent, in 1935. By 1938, it stood at 9.1 per cent and, after some fluctuations, reached 9.3 per cent in 1943—nearly the same relative position as in 1910. This fairly constant proportion of the Sixth District cattle population to that of the nation certainly indicates no great regional boom. It indicates, rather, a tendency to conform quite closely to the national trend.

The opinion has also been expressed that, as the United States becomes increasingly an industrial nation, more meat will be consumed and cattle raising will correspondingly expand. An examination of cattle population figures for the past 70 years, however, does not seem to confirm this opinion. During that period, the United States made great strides as an industrial nation, but the cattle population, while exhibiting an upward trend, has shown a tendency since 1900 to grow at a markedly decreasing rate. Moreover, since about 1909 a sharp secular decline has been apparent in the consumption of beef per capita—a decline from 74 pounds in 1909 to approximately 54 pounds in 1939. Instead of consuming more beef per capita, the nation is consuming less as it becomes more industrialized. Any long-range hopes built upon the future expansion of cattle raising for the nation as a whole, or upon an increasing propensity to consume meat, are, therefore, very likely to prove unjustified.

The long-run outlook for cattle raising in this District thus seems to be one of steady growth but at a diminishing rate. Future growth will be possible, however, only if whatever natural advantages exist in the region are carefully exploited; for, if the growth of the industry is really at a declining rate, competition from older cattle-raising areas may be expected to sharpen with the passage of time. Under such conditions it becomes more than ever necessary to avoid speculative overexpansion, for the reaction to any unwarranted overexpansion may permanently impair the prospects of the industry.

For the long pull, the prospects for dairy cattle seem to be somewhat better than for beef cattle. The labor shortage that is now providing a disproportionate stimulus to beef cattle production is a wartime phenomenon. In the postwar period, the South will probably again find itself to be an area of surplus population. The abundance of farm labor that will exist under such conditions will then work to the advantage of dairy herd development and at the expense of beef cattle. Indeed, the reappearance of an abundant labor supply will tend to increase the competition of field crops with the cattle business.

Caution in making present marketing decisions and very careful planning for the future, therefore, seem to be two important prerequisites for the future growth and prosperity of cattle raising in the District. Hopes for a spectacular development in this activity do not seem to rest upon a foundation of fact.

## Sixth District Indexes

**DEPARTMENT STORE SALES***

| | Adjusted** | | | Unadjusted | | |
|---|---|---|---|---|---|---|
| | Jan. 1944 | Dec. 1943 | Jan. 1943 | Jan. 1944 | Dec. 1943 | Jan. 1943 |
| DISTRICT | 219 | 208 | 190 | 176 | 336 | 152 |
| Atlanta | 201 | 196 | 194 | 148 | 316 | 143 |
| Baton Rouge | 236 | 318 | 249 | 157 | 358 | 166 |
| Birmingham | 243 | 197 | 207 | 172 | 321 | 147 |
| Chattanooga | 224 | 207 | 183 | 177 | 335 | 145 |
| Jackson | 231 | 191 | 190 | 158 | 310 | 130 |
| Jacksonville | 316 | 254 | 254 | 226 | 427 | 183 |
| Knoxville | 300 | 208 | 195 | 222 | 354 | 144 |
| Macon | 235 | 211 | 212 | 162 | 371 | 146 |
| Miami | 183 | 161 | 146 | 206 | 298 | 164 |
| Montgomery | 251 | 180 | 175 | 157 | 321 | 131 |
| Nashville | 267 | 201 | 196 | 191 | 373 | 140 |
| New Orleans | 207 | 183 | 186 | 159 | 300 | 143 |
| Tampa | 270 | 241 | 220 | 223 | 408 | 181 |

**DEPARTMENT STORE STOCKS**

| | Adjusted** | | | Unadjusted | | |
|---|---|---|---|---|---|---|
| | Jan. 1944 | Dec. 1943 | Jan. 1943 | Jan. 1944 | Dec. 1943 | Jan. 1943 |
| DISTRICT | 182 | 179r | 148 | 176 | 160r | 139 |
| Atlanta | 246 | 260r | 187 | 216 | 211r | 165 |
| Birmingham | 133 | 136 | 140 | 115 | 119 | 121 |
| Montgomery | 170 | 200 | 168 | 151 | 170 | 149 |
| Nashville | 303 | 270 | 234 | 247 | 230 | 191 |
| New Orleans | 158 | 140 | 141 | 138 | 123 | 122 |

**MANUFACTURING EMPLOYMENT*****

| | Dec. 1943 | Nov. 1943 | Dec. 1942 |
|---|---|---|---|
| SIX STATES | 166 | 165r | 153 |
| Alabama | 202 | 195 | 199 |
| Florida | 193 | 186r | 125 |
| Georgia | 150 | 149 | 141 |
| Louisiana | 176 | 177r | 153 |
| Mississippi | 156 | 154r | 139 |
| Tennessee | 142 | 143r | 142 |

| | COTTON CONSUMPTION* | | | COAL PRODUCTION* | | |
|---|---|---|---|---|---|---|
| | Jan. 1944 | Dec. 1943 | Jan. 1943 | Jan. 1944 | Dec. 1943 | Jan. 1943 |
| TOTAL | 162 | 159 | 183 | 183 | 171 | 163 |
| Alabama | 167 | 164 | 188 | 185 | 177 | 171 |
| Georgia | 162 | 158 | 183 | ... | ... | ... |
| Tennessee | 136 | 142 | 159 | 177 | 152 | 146 |

| | CONSTRUCTION CONTRACTS | | | GASOLINE TAX COLLECTIONS*** | | |
|---|---|---|---|---|---|---|
| | Jan. 1944 | Dec. 1943 | Jan. 1943 | Jan. 1944 | Dec. 1943 | Jan. 1943 |
| DISTRICT | 72 | 169r | 293 | 99 | 96 | 86 |
| Residential | 71 | 145r | 260 | ... | ... | ... |
| Others | 72 | 181 | 309 | ... | ... | ... |
| Alabama | 88 | 44 | 592 | 107 | 105 | 77 |
| Florida | 80 | 294 | 228 | 87 | 82 | 86 |
| Georgia | 30 | 223 | 308 | 96 | 89 | 86 |
| Louisiana | 100 | 93 | 223 | 103 | 102 | 63 |
| Mississippi | 110 | 94 | 625 | 111 | 71 | 85 |
| Tennessee | 46 | 68 | 184 | 102 | 126 | 113 |

**COST OF LIVING**

| | Dec. 1943 | Nov. 1943 | Dec. 1942 |
|---|---|---|---|
| ALL ITEMS | 128 | 128 | 122 |
| Food | 143 | 144 | 135 |
| Clothing | 134 | 133r | 127 |
| Rent | 114 | 114 | 113 |
| Fuel, electricity, and ice | 109 | 108 | 105 |
| Home furnishings | 125 | 124r | 121 |
| Miscellaneous | 121 | 120 | 114 |

**CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI***

| | Jan. 1944 | Dec. 1943 | Jan. 1943 |
|---|---|---|---|
| Unadjusted | 195 | 192 | 177 |
| Adjusted | 191 | 199 | 174 |

**ELECTRIC POWER PRODUCTION***

| | Dec. 1943 | Nov. 1943 | Dec. 1942 |
|---|---|---|---|
| SIX STATES | 248 | 261 | 225 |
| Hydro-generated | 178 | 217 | 249 |
| Fuel-generated | 341 | 318r | 193 |

**ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS**

| | Jan. 1944 | Dec. 1943 | Jan. 1943 |
|---|---|---|---|
| Unadjusted | 19.0 | 18.9 | 21.7 |
| Adjusted** | 17.1 | 16.4 | 19.5 |
| Index** | 66.1 | 63.6 | 75.4 |

*Daily average basis
**Adjusted for seasonal variation
***1939 monthly average = 100; other indexes, 1935-39 = 100
r = Revised

# *Improvements in the District Wage Situation*

CONTRIBUTING importantly to the rise in per capita income in the Sixth District has been the rise in total wage disbursements of the District's employing industries. Such disbursements increased from $308,923,727 in the second quarter of 1940 to $738,500,977 in the corresponding quarter of 1943, a gain of 139 per cent. The number of wage-paying jobs in manufacturing, mining, construction, trade, transportation, financial concerns, and the various service occupations increased for the same period from 1,277,942 to 1,848,435, or by 45 per cent. Average weekly wage payments increased from $18.60 to $30.73 a week, or an increase of 67 per cent for the corresponding period.

These data, which include all states of the Sixth District except Louisiana, are based on employers' returns for unemployment compensation purposes. They omit the smallest concerns but constitute approximately an 80 per cent sample of all non-agricultural employment in business and industry. The rise in total wages has been continuous, the average of $18.60 in 1940 becoming $20.79 in 1941, $24.80 in 1942, and $30.73 in 1943 (second quarter of each year). The second quarter of 1940 provides a convenient base because this was the last period prior to the defense emergency and reflected the average wage as it had been for a year or more past.

By far the most important reason for the average worker's increased weekly earnings has been constant employment at long hours, involving extra overtime pay. This situation has existed in almost all industries, including some, like construction work, that formerly were largely on part time. A second significant factor has been the entry into the District of entirely new war industries, usually of types that employ larger proportions of skilled labor and pay generally higher wages than the prewar industries of the South. A third but relatively minor factor has been the upward adjustment of wage scales. This adjustment has affected some occupations more than others and has been curbed to a considerable degree by the anti-inflationary wage controls. All three causes have combined to enable the average District worker to take home more dollars a week, to increase his purchasing power and living standards, and to give rise in some quarters to the rumor that the worker was "squandering his pay" or, on the other hand, saving so greatly as not to require relief after the war.

Exceptions undoubtedly exist, but on the average the wage earner of the Southeast cannot be considered to be "rolling in wealth." Broken down by major industry groups and subindustries, the available data indicate that the increase in wages has been extremely uneven. A considerable spread exists between the highest average wage, paid in the manufacture of transportation equipment, and the lowest, paid in basic lumbering.

The District wage-earning level has risen, but the national level has risen even more. In total manufacturing, for example, while the District weekly average ascended during the 1940-43 period from $17.43 to $32 a week, or by 84 per cent, the national average climbed from $25.79 to $43.35, or by 68 per cent. As in the case of the general per capita income, the increases in wage earnings in the District have usually, during the war, exceeded the increases for the nation in percentage rate; but the District base was much lower at the outset, and a considerable differential still remains. This differential may be roughly described as a two-year lag: that is to say, in the second quarter of 1943 the over-all average weekly job earning in this District was $30.73, whereas for the nation, it was $28.91 in the second quarter of 1941.

Important offsets must be recognized in considering the average wage picture. First, the general cost of living advanced between 25 and 30 per cent while the average wage was advancing by 67 per cent. Second, the workers in shipyard centers and other war-work areas, and in the construction industry in general, have faced special living costs, high migration expenses, and costs of individual and family dislocation, the only precedent for which is found in the period of the First World War. The industries having the very highest weekly earning averages are the industries in which the worker has had the highest extra expenses to meet. They are also the industries that have had the highest rates of labor turnover, so that the figures for average job wage disbursement considerably overstate the actual amount that each employed person has taken home. And, finally, while the average wage data for the United States as a whole are not strictly comparable to the District data, it remains apparent that the South, for all its rapid increase in average weekly earnings, has not yet overcome its traditional differential in wages below the general levels of the nation.

Nor does the increased purchasing power of the wage earner in this District have the promise of permanency that might be desired. Broken down by occupational groups, the wage data indicate that the industries most responsible for an upward trend in the wage average are those most evidently slated for postwar declines. If these higher-paying industries diminish or disappear, the average weekly earning will again fall. The mere reduction in overtime operations of the lower-wage industries would exert the same effect. This picture may be considered in some detail, since it brings out the probable temporary nature of the current earning levels and helps to identify those occupations in which the District's income problem of the future will probably center.

First among the higher wage paying industries is the transportation equipment manufacturing group. This group includes the shipbuilding, aircraft, and railroad car manufacturing companies. Its numerical employment in the District has multiplied by 25 times since 1940 and its average weekly wage disbursement has risen from $23.64 in 1940 to $33.61 in 1941, $42.74 in 1942, and $52.10 in 1943 (second quarterly periods). Yet the national weekly average wage in this industry has remained higher than the 1943 District figure, having been $56 in June 1943. Nearly 10 per cent of all workers included in the reported total are today employed in this industry, which is not expected to survive on anything approaching the present scale.

Second among the higher wage paying industries is the construction industry, with a current average weekly wage payment of $41.44. In 1940, the average was but $16.75 a week. At that time, the construction worker was usually resident instead of immigrant and was employed on a part-time basis.

The great rise in the average has come primarily from longer hours, including overtime work, and from higher wages paid to meet union scales. As in the case of the shipyard worker, the construction worker has had abnormal living and migration costs to pay, and his high average earning cannot be considered "net." Employment in construction has been declining during the past 18 months.

Third highest in average wage payments is the nonferrous metals manufacturing industry, including aluminum and magnesium producing companies. This industry is important to the District and shows a good prospect of postwar survival, inasmuch as transportation and power situations and labor costs are favorable. For the District, the average wage payment in 1943 was $39.02, an amount roughly comparable to a national average weekly wage of $47.47; the national average, however, is "loaded upward" by a greater inclusion of the finished forms of metal processing that require higher skills.

The District's chemical industry ranks fourth in average wage disbursement and has undergone a significant change. In 1940, when the average was but $23.81 a week, the industry consisted largely of oil-crushing and fertilizer plants. Today, new and more complicated forms of chemical manufacture have been added, and the latest average wage figure was $37.61. Permanency of the new chemical plants is among the possibilities, though on a reduced basis of employment.

The iron and steel industry ranks fifth in average wage payments and is the first of the older District industries to assist in elevating the over-all level of wage disbursements. Its average weekly wage payment was $23.98 in 1940, $27.78 in 1941, $32.34 in 1942, and $37.31 in 1943 (spring quarters). The influence of steadier work with overtime pay was the primary factor in the rise—based upon a demand for steel that is largely in balance with supply at the present time. Nationally, the average weekly wage in iron and steel was $48.08 in June 1943, but, again this figure is affected by more elaborate forms of steel manufacture and is not strictly comparable to the District figure.

Paper and pulp manufacture, in the District, paid virtually the same average wage as did steel manufacture, namely $37.28 in 1943. In 1940, the average was $24. Munitions manufacture, which did not exist in the District prior to the war, ranked next among the war industries, with a $35.66 average weekly wage disbursement in 1943. Two civilian industries, printing and the finance, insurance, and real estate group, paid averages of $36.29 and $34.19, respectively, in 1943.

The nine industries and occupational groups thus far listed are the only groups for which the average weekly wage payment exceeded the over-all District average of $30.73. Together, they employed an average of 586,732 wage workers for the second quarter of 1943, or 32 per cent of all reported nonagricultural workers. The remaining 68 per cent of job holders earned less than the District average. This fact indicates that wage prosperity is by no means general among District workers. In particular industries, wage prosperity is enjoyed by the higher-paid skill groups. If entire industry groups are considered, however, more than two workers out of three are in those categories in which the average wage is below the District average.

Most of the District's older and more permanent industries are in the below-average category. Mining—principally coal mining—is only slightly below the District average, with an average of $30.43 a week in 1943, contrasted with $19.34 in 1940. Coal mining paid a national average wage of $37.38 in June 1943. The group that includes transportation (except railroads), communication, and public utilities had a District average of $29.82 in 1943, but no national comparison is available. Two fundamental lines of District industry come next: the manufacture of stone, clay, and glass products, with a 1943 average of $29.23 that is roughly comparable to a national average wage of $36.46, and the manufacture of food products—a growing industry—with an average wage of $27.34 for the District and $36.05 for the nation.

Wholesale and retail trade in the District employed, in 1943, more than 350,000 workers in concerns having eight or more employees. This largest of all employing categories averaged but $19.96 in weekly wage disbursement in 1940, but the figure had risen to $26.14 in 1943. This disbursement was little if any below the national average, which was $25.13 in retail and $39.22 in wholesale trade in 1943. The trade group in the District may thus be considered an exception to the general trend of a lower wage differential in the region.

A national comparison is not available for the service group, which was almost the lowest among wage-paying categories in the District in 1943, with an average weekly payment of $21.31. In 1940, in contrast, the average was only $15.82.

Basic textile manufacture, largest of District manufacturing industries in employment and exceeded numerically only by the trade group, has increased its average weekly wage outlay from $14.55 in 1940 to $17.48 in 1941, $20.92 in 1942, and $23.95 in 1943. The current figure is still behind the national average, which was $27.66 in June 1943, but the effect upon

## *Announcement*

*On January 28, 1944, the Progressive Industrial Bank, of New Orleans, Louisiana, was admitted to membership in the Federal Reserve System.*

*The Progressive Industrial Bank is a new institution. It was organized in 1943 and opened for business on October 11. It is situated in the heart of the financial district of New Orleans. Its capital is $200,000; it has a surplus of $20,000, and its deposits on December 31, 1943, amounted to $784,000.*

*William J. Fischer is president; James H. Groetsch is executive vice president; Olinn Linn and Richard M. Nash are vice presidents; Carlos A. Casler is cashier; Mrs. Katherine Ebrenz is assistant cashier; and H. I. Lill is manager of the New Business Department.*

*In addition to Messrs. Fischer, Groetsch, Linn and Nash, the board of directors includes Leon E. Ber, Edward L. Chapotel, Bert Flanders, Jr., William C. Fletcher, Clifton L. Ganus, Robert Lienhard, Robert J. Paterson and Louis H. Yarrut.*

## Sixth District Statistics

**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 January 28, 1944; for country banks they are averages of sixteen-day period ending January 31, 1944.

| 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 | 456 | 3 | 263 | 241 |
| B | 18 | 37 | 3,781 | 266 | 1,837 | 186 |
| C | 37 | 715 | 11,980 | 1,425 | 5,821 | 140 |
| D | 65 | 2,912 | 35,327 | 7,167 | 19,236 | 152 |
| E | 62 | 8,826 | 62,563 | 20,624 | 39,152 | 136 |
| F | 31 | 33,194 | 52,364 | 27,409 | 43,785 | 125 |
| G | 41 | 626,257 | 275,654 | 223,097 | 396,783 | 110 |
| Total | 259 | 671,941 | 442,125 | 279,991 | 506,877 | 115 |

*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.

**UNITED STATES TREASURY BILLS**

| Dated | Tenders | Allotments |
|---|---|---|
| February 3, 1944 | $7,675,000 | $7,521,000 |
| February 10, 1944 | 12,858,000 | 12,533,000 |
| February 17, 1944 | 15,145,000 | 15,078,000 |
| February 24, 1944 | 16,340,000 | 11,225,000 |

**DEBITS TO INDIVIDUAL BANK ACCOUNTS**
**(In Thousands of Dollars)**

| Area | Jan. 1944 | Dec. 1943 | Jan. 1943 | Per Cent Change Jan. 1944 from Dec. 1943 | Per Cent Change Jan. 1944 from Jan. 1943 |
|---|---|---|---|---|---|
| **ALABAMA** | | | | | |
| Anniston | 16,886 | 18,883 | 14,023 | — 11 | + 20 |
| Birmingham | 197,395 | 203,750 | 166,392 | — 3 | + 19 |
| Dothan | 7,891 | 8,825 | 7,203 | — 11 | + 10 |
| Gadsden | 9,962 | 11,239 | 9,389 | — 11 | + 6 |
| Mobile | 116,850 | 124,302 | 105,573 | — 6 | + 11 |
| Montgomery | 38,064 | 43,232 | 36,272 | — 12 | + 5 |
| **FLORIDA** | | | | | |
| Jacksonville | 165,406 | 182,980 | 141,219 | — 10 | + 17 |
| Miami | 135,603 | 123,613 | 78,341 | + 10 | + 73 |
| Orlando | 28,874 | 29,519 | 29,412 | — 2 | — 2 |
| Pensacola | 23,065 | 26,447 | 18,190 | — 13 | + 27 |
| St. Petersburg | 23,177 | 25,000* | 17,421 | — 7 | + 33 |
| Tampa | 79,709 | 79,829 | 65,306 | — 0 | + 22 |
| **GEORGIA** | | | | | |
| Albany | 11,046 | 13,062 | 9,336 | — 15 | + 18 |
| Atlanta | 437,647 | 509,613 | 372,916 | — 14 | + 17 |
| Augusta | 37,079 | 39,176 | 30,464 | — 5 | + 22 |
| Brunswick | 15,502 | 18,806 | 9,950 | — 18 | + 56 |
| Columbus | 39,228 | 38,387 | 32,245 | + 2 | + 22 |
| Elberton | 1,661 | 1,987 | 1,523 | — 16 | + 9 |
| Macon | 36,979 | 46,702 | 33,017 | — 21 | + 12 |
| Newnan | 4,436 | 5,260 | 4,476 | — 16 | — 1 |
| Savannah | 83,014 | 89,116 | 66,085 | — 7 | + 26 |
| Valdosta | 6,848 | 8,562 | 5,242 | — 20 | + 31 |
| **LOUISIANA** | | | | | |
| Baton Rouge | 39,898 | 42,400 | 41,056 | — 6 | — 3 |
| Lake Charles | 23,672 | 23,927 | 17,136 | — 1 | + 38 |
| New Orleans | 405,892 | 456,415 | 355,549 | — 11 | + 14 |
| **MISSISSIPPI** | | | | | |
| Hattiesburg | 12,493 | 12,250 | 11,909 | + 2 | + 5 |
| Jackson | 49,930 | 59,579 | 62,464 | — 16 | — 20 |
| Meridian | 15,319 | 15,323 | 14,718 | — 0 | + 4 |
| Vicksburg | 22,109 | 20,921 | 21,477 | + 6 | + 3 |
| **TENNESSEE** | | | | | |
| Chattanooga | 108,397 | 96,039 | 90,438 | + 13 | + 20 |
| Knoxville | 98,058 | 103,842 | 54,894 | — 6 | + 79 |
| Nashville | 174,787 | 192,784 | 138,954 | — 9 | + 26 |
| **SIXTH DISTRICT** 32 Cities | 2,466,877 | 2,671,770 | 2,062,590 | — 8 | + 20 |
| **UNITED STATES** 334 Cities | 71,888,000 | 76,499,000 | 57,972,000 | — 6 | + 24 |

*Estimated

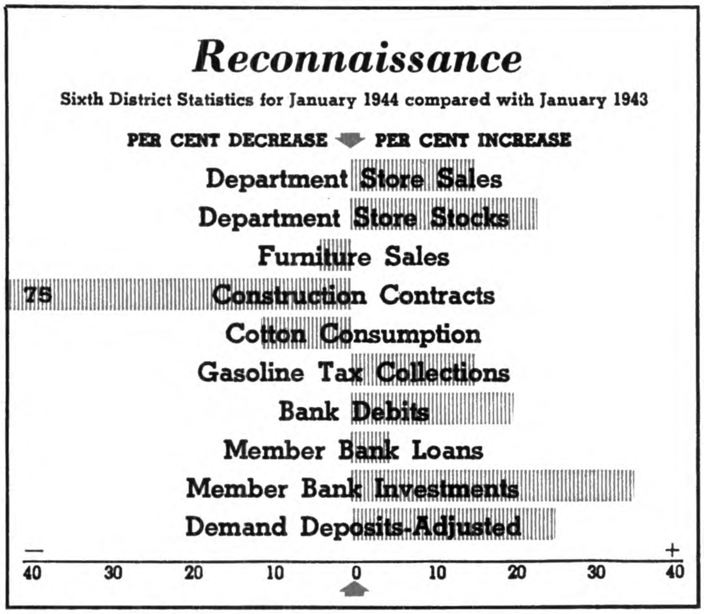
the income of families has been more beneficial than the average figures show. In the textile industry of the District, added workers are frequently members of the same resident families as are the workers who were already employed. This industry has good postwar prospects for a considerable period, owing to the large backlog of unfilled consumer demand.

Finished textile industry in this District paid less than the basic textile industry, namely, an average wage of $12.62 a week in 1940, and $20.40 in 1943. This industry is at present affected by the decline in hosiery manufacture, which ordinarily elevates its average wage levels.

Basic lumbering is, and in the past consistently has been, at the bottom of the list in respect to its wage disbursements. This industry entered the defense period paying only $11.95 as a weekly job average. This average increased to $12.62 in 1941, $14.69 in 1942, and $18.73 in 1943, but remained far below the national average for the same industry, which was $32.81 in June 1943. Ceiling prices, equipment troubles, and failure of the low wage scales to attract the necessary number of workers caused this industry to become the weak spot in the District's war production.

Finished lumber processing paid a higher average wage, namely, $16.00 in 1940 and $24.35 in 1943, but the latter figure again was below the national average wage of $33 in finished lumbering. Production in the finishing processes has been restricted by the inadequate supply of logs.

While in some cases the increased wages in District industries have been paid hesitatingly, it is to be recognized that the rising indexes of sales in trade, the many evidences of an increased standard of living, and a greater vigor in production are either primarily or in considerable degree the direct results of the increased wage disbursements and of increased farm income. Peacetime prosperity for the District's economy rests in part upon the maintenance of a high level of employment. A continued endeavor on the part of the region to attain a productive efficiency and a competitive situation that will justify the payment of wages as high as those paid elsewhere in the country is also called for.



# *The District Economy in February*

DURING the past month there were further hopeful developments in the search for new petroleum supplies in the District. The situation in the lumber industry was little changed from recent months. Postwar planning made further progress. Farm income and retail trade remained at high levels.

***Petroleum Industry:*** Activity in prospecting for petroleum in the Sixth District continues. The U. S. Government has sent geologists into Georgia recently to make a subsurface investigation of Georgia's possibilities as an oil-producing area, the survey to include a study of fossils. Prospective oil lands have been leased in Georgia by most of the major oil companies and many exploratory wells are being drilled.

At Gilbertown in Choctaw County, Alabama's first oil well has come into production. The well is located about 75 miles northwest of Mobile and its capacity is estimated at 70 barrels a day.

An additional oil field, the Heidelberg, has been discovered in Jasper County, Mississippi. In addition, a new producing horizon has been located in the Cranfield Field in Adams County, Mississippi. The field offers the highest grade of oil so far produced in that state.

***Lumber Industry:*** During February, the demand for lumber from Southern mills—pine, hardwood, and cypress alike—continued strong.

Mills reporting to the Southern Pine Association for the week ending February 12 shipped only 18 million feet during that week as compared with shipments of 24 million feet in the second week of February last year. Orders on hand at the end of the week totaled 131 million feet, just about the same figure reported a year earlier. Production, shipments, and orders for Southern pine are now running between 20 and 30 per cent below the average of the previous three years.

***Postwar Planning:*** Planning for further industrialization of the South in the postwar period is making progress. In Alabama, for instance, the Alabama Research Institute has received initial capital pledges in excess of $230,000. The institute is designed to serve Alabama industries that lack their own research facilities. Through the technical research so provided, it is hoped that new products based on the state's abundant raw materials will be developed for local production.

A recent development of potential importance in Florida is the use in industry of the scrub palmetto that grows abundantly in the state. Wartime shortages of cork, balsa wood, and kapok have led to the use of the palmetto as a raw material in the manufacture of life preservers, floats, and life rafts. Persons in the Procurement Division of the Maritime Commission believe that important manufacturing operations based on the palmetto may result from this wartime development.

The Georgia State Agricultural and Industrial Board has elected Dr. L. V. Howard as executive director. The board is prepared to hire 100 experts and spend one million dollars a year if necessary to foster economic development in Georgia. The board is tied into the University System of Georgia and is thus able to obtain grants from the Federal Government and private foundations.

In Mississippi, the legislature is considering the revival of the plan by which a state industrial commission serves to foster the development of Mississippi industry. A historical study of the early experience with such a commission during the years 1936-1940 has recently been published by this Bank.

In Louisiana, a great deal of thought and effort is currently being devoted to the further enhancement of the port of New Orleans. International House at New Orleans is preparing to aid the city and the Mississippi Valley in realizing to the full the opportunities of postwar trade, particularly with Latin America.

***Farm Income:*** The latest available information on cash income from farm marketings indicates that income is running far ahead of the unusually high levels of a year ago. In Alabama, total cash farm income in December 1943 was 27.9 million dollars as compared with 21.8 million dollars in December 1942. In Florida, cash farm income in December was 30.2 million dollars, up from 24.2 million dollars a year previous; in Georgia, it was 29.3 and 20.9 million dollars in the same two months. In Louisiana, Mississippi, and Tennessee, cash farm income also rose over the year; in Louisiana, from 26.6 to 30.1 million dollars; in Mississippi, from 34.1 to 40.6 million dollars; and in Tennessee, from 37.7 to 46.6 million dollars.

***Retail Trade:*** Department store sales are always much lower in January than in December because of the Christmas trade in the latter month, but after adjustment for seasonal variations, department store sales in the Sixth Federal Reserve District were higher in January than in December. The adjusted index for January is 219 per cent of the 1935-39 average, while the adjusted index for December was 208. Actual sales in January were 49 per cent lower than in December, but 18 per cent higher than in January 1943.

In the week ending February 19, sales of 22 reporting firms were 2 per cent higher than in the corresponding week of 1943. Since the first of the year, with the exception of the week ending February 12, District sales have been higher than in the corresponding weeks of 1943. It must be noted, however, that the rate of gain has declined sharply. From the week ending January 1 through the week ending February 5, department store sales were from 16 to 33 per cent higher than in the corresponding week of the previous year. But in the week ending February 12 there was a decline of 4 per cent and in the week ending February 19 the increase was slight.

Retail furniture sales in the Sixth District in January were 4 per cent smaller than in January 1943. Cash furniture sales, a minor portion of total sales, however, were up 15 per cent.

Inventories in retail furniture stores in the District at the end of January were 2 per cent larger than at the end of December, but 45 per cent smaller than at the end of January 1943. Department store inventories were 4 per cent larger at the end of January than at the end of December and 15 per cent above the level of January 1943.

# The National Business Situation

INDUSTRIAL activity was maintained in January following a decline from November to December. Commodity prices were steady and retail sales continued in large volume in January and the first three weeks of February.

***Industrial production:*** In January the Board's seasonally adjusted index of industrial production stood at 242 per cent of the 1935-39 average as compared with the peak level of 247 in October and November 1943.

Steel production increased 4 per cent in January and continued to rise in the first three weeks of February, reflecting large military requirements for landing craft and other invasion equipment as well as increasing use of steel for farm machinery and railroad equipment. Aluminum production was curtailed in January from the peak rate in the last quarter of 1943.

Activity in the transportation equipment group was 5 per cent lower in January than at the peak in November. The largest decline occurred in commercial shipyards, many of which were changing from the production of Liberty ships to Victory and other types of ships. In the automobile industry production of 3,000 trucks was reported during the month under the greatly enlarged civilian truck program for 1944 which calls for the production of 92,000 medium weight and 31,500 heavy trucks during the year.

Output of textiles, shoes, and manufactured foods rose slightly in January, following small declines in December. Chemicals production continued to decline, reflecting a further curtailment of small arms ammunition output. Output of petroleum and rubber products showed little change.

Production of coal increased and crude petroleum output continued at a high level in January and the early part of February. Sunday work was instituted in anthracite mines during February as a measure to increase production, and output for the week ending February 12 was 13 per cent higher than the preceding week.

The value of construction contracts awarded in January, according to reports of the F. W. Dodge Corporation, declined to the lowest level for the month since 1935.

***Distribution:*** Value of department store sales in January and the first three weeks of February was maintained at a high level for this season of the year. Sales in January exceeded the large volume of a year ago by about 6 per cent but in February sales were somewhat smaller than last year when a buying wave developed following the announcement of shoe rationing.

Freight carloadings declined less than usual in January and the first half of February, owing chiefly to the heavy volume of coal shipments. Movement of grain continued at the high level of last fall and livestock and lumber shipments were in large volume.

***Commodity prices:*** Wholesale prices of most commodities continued to show little change in January and the early part of February. Maximum prices for coke, wood pulp, furniture, and certain other products were increased moderately.

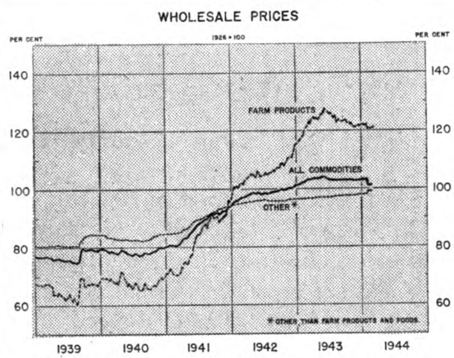
The cost of living index of the Bureau of Labor Statistics declined from 124.4 per cent of the 1935-39 average in December to 124.1 in January.

***Bank credit:*** Purchases of securities in the Fourth War Loan Drive by corporations and individuals resulted in a release of required reserves of member banks because funds were drawn from private deposit accounts, which require reserves, to the Government war loan accounts, which are exempt from reserve requirements. As a consequence, member banks repurchased bills from the Reserve Banks, and the latter's holdings of Government securities declined by 520 million dollars.

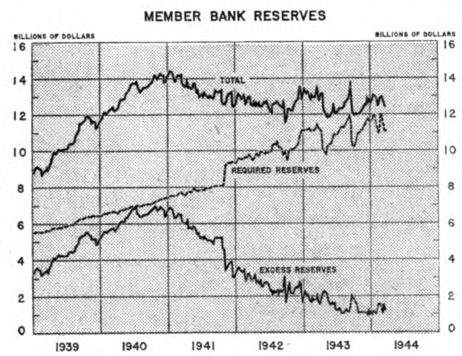
At reporting member banks in 101 leading cities, adjusted demand deposits decreased by 3.4 billion dollars in the four weeks ending February 16, while U. S. Government deposits increased by 6.9 billion, reflecting purchases of Government securities by bank customers during the war loan drive. Government security holdings at reporting member banks increased 2.8 billion dollars over the four weeks.

Loans to brokers and dealers increased by 320 million dollars during the drive which was substantially less than in the two previous campaigns. Loans to others for purchasing or carrying Government securities rose by about 610 million dollars, two-thirds of which was at New York City banks.

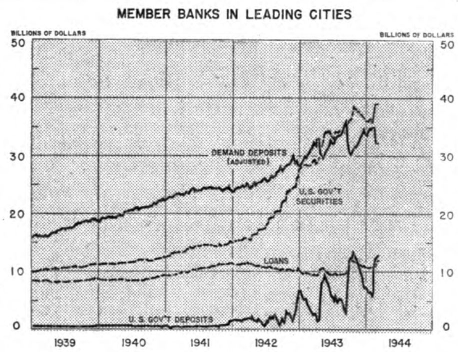
*(This page was written by the staff of the Board of Governors of the Federal Reserve System)*




**Bureau of Labor Statistics' indexes. Weekly figures, latest shown are for week ending February 19, 1944.**




**Breakdown between required and excess reserves partly estimated. Wednesday figures, latest shown are for February 16, 1944.**




**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 February 16, 1944.**