# Monthly Review

## FEDERAL RESERVE BANK OF ATLANTA

Volume XXIX | Atlanta, Georgia, July 31, 1944 | Number 7


# Petroleum Prospects

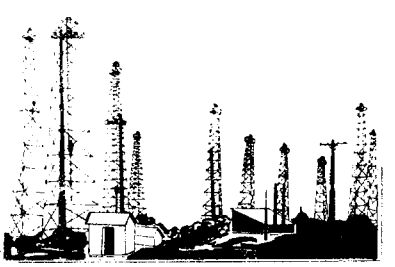
PROSPECTS for petroleum production have widened in recent years so that now a great part of the area embraced by the Sixth Federal Reserve District may be regarded as potential oil-producing territory. For many years, Louisiana has been a leader among the petroleum-producing states. It now ranks third, after Texas and California. In August 1939, production of petroleum in commercial quantities began in Mississippi, and since that time, additional discoveries of importance have been made in the state. It now ranks twelfth among the oil-producing states. Recent discoveries in the Heidelberg Field in southeastern Mississippi promise to push the state much nearer the top of the list in the near future.

Within the past year, wells of commercial importance have been discovered in south Florida and in southwestern Alabama. For some time a small amount of petroleum has been produced in Tennessee in conjunction with the natural gas development in that state. In Georgia, a great deal of activity is currently under way in leasing of oil lands and in drilling of wells, although no commercial discoveries have yet been made in the state.

The coastal plain of Mississippi, Alabama, Florida, Georgia, and South Carolina contains 155,000 square miles of possible oil lands—some 10 per cent of total possible oil lands in the United States. This geological province is similar to that in Texas and Louisiana, where 14 billion barrels of oil have already been discovered in an area of 130,000 square miles. It is believed that the area east of the Mississippi River in this belt does not have as favorable conditions as that west of the river, but geophysicists and geologists feel certain that further large-scale discoveries of oil will be made in the Southern states to the east of the Mississippi. This view has been given a large measure of substantiation in 1944 by the discovery of the Heidelberg Field in southeastern Mississippi.

Production of oil in Louisiana, the dominant oil state of the District, began in 1902. The original field was the Evangeline Field, now known as the Jennings Field. By January 1, 1944, Louisiana wells had produced approximately 1,281 million barrels of crude oil. In addition, about 95 million barrels of distillate and natural gasoline had been produced, most of this being from gas wells. Thus, production of liquid hydrocarbons in Louisiana up to 1944 total 1,376 million barrels.

Geologists agree that prospects for future production of liquid hydrocarbons in Louisiana are extremely good, although they are divided in their opinions as to whether large undiscovered deposits are still available. Opinion also differs among the technical men as to the depth from which mediocre deposits may be profitably produced in the future.



The first well in Louisiana in 1902 had prolific production at relatively shallow depth in sands overlying the salt core. Discovery in Louisiana followed shortly upon the heels of the discovery of the Lucas gusher at Spindletop, Texas, where production was obtained from shallow cap rock. In the first 15 years of the oil industry in south Louisiana, as a result, most of the wells drilled had as their objective cap rock or shallow superdome sands.

This drilling procedure began to change after 1914 when flank production was secured from the Sour Lake and Humble domes of coastal Texas. The search for flank production in Louisiana has gone on continuously since that time. Production was found below 5,000 feet in 1926 in Texas on the sands of the Spindletop dome. Recognition of a salt overhang on the southeast flank of the Jennings dome was made in the early 1930's with production below 7,000 feet.

Later in the 1930's, development of the so-called deep domes or domes on which salt is not encountered began. In 1934, production was obtained in Louisiana at Bosco and Roanoke between 7,600 and 9,000 feet. Many Louisiana wells have since been brought in below 10,000 feet.

Louisiana has developed gas deposits as well. Casinghead gas production in north Louisiana up to 1944 amounted to 320 billion cubic feet. Casinghead gas production in south Louisiana reached 743 billion cubic feet by 1944. Natural gas production in north Louisiana up to January 1 of this year totaled 5,485 million cubic feet. In south Louisiana, production of natural gas to January 1, 1944, was 272 million cubic feet.

Petroleum and gas are widely spread in Louisiana. Casinghead gas production has been obtained in no less than 39 parishes, while natural gas production has been reported from 44 of Louisiana's 64 parishes. In 1943, oil production, including condensate, was reported from 46 Louisiana parishes.

The Louisiana Constitution prohibits the state from divesting itself of any of its mineral interests. It so happens that a great deal of the oil and gas production in Louisiana is obtained from marsh lands and water bottoms. To these the state usually holds title. The marsh lands and water bottoms, including the coastal waters in the Gulf out to the three-mile limit, contain millions of acres of potential oil lands.

The first geological work indicating the presence of petroleum in Mississippi was recorded in 1860, the year before the beginning of the Civil War, but it was not until 1939, the year in which World War II began, that oil was first produced in commercial quantities in the state. Eugene W. Hilgard, Mississippi State geologist, in 1860 published a book entitled *Geology and Agriculture of the State of Mississippi* in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which he called attention to the first recognized uplift in the state of Mississippi, the Jackson dome.

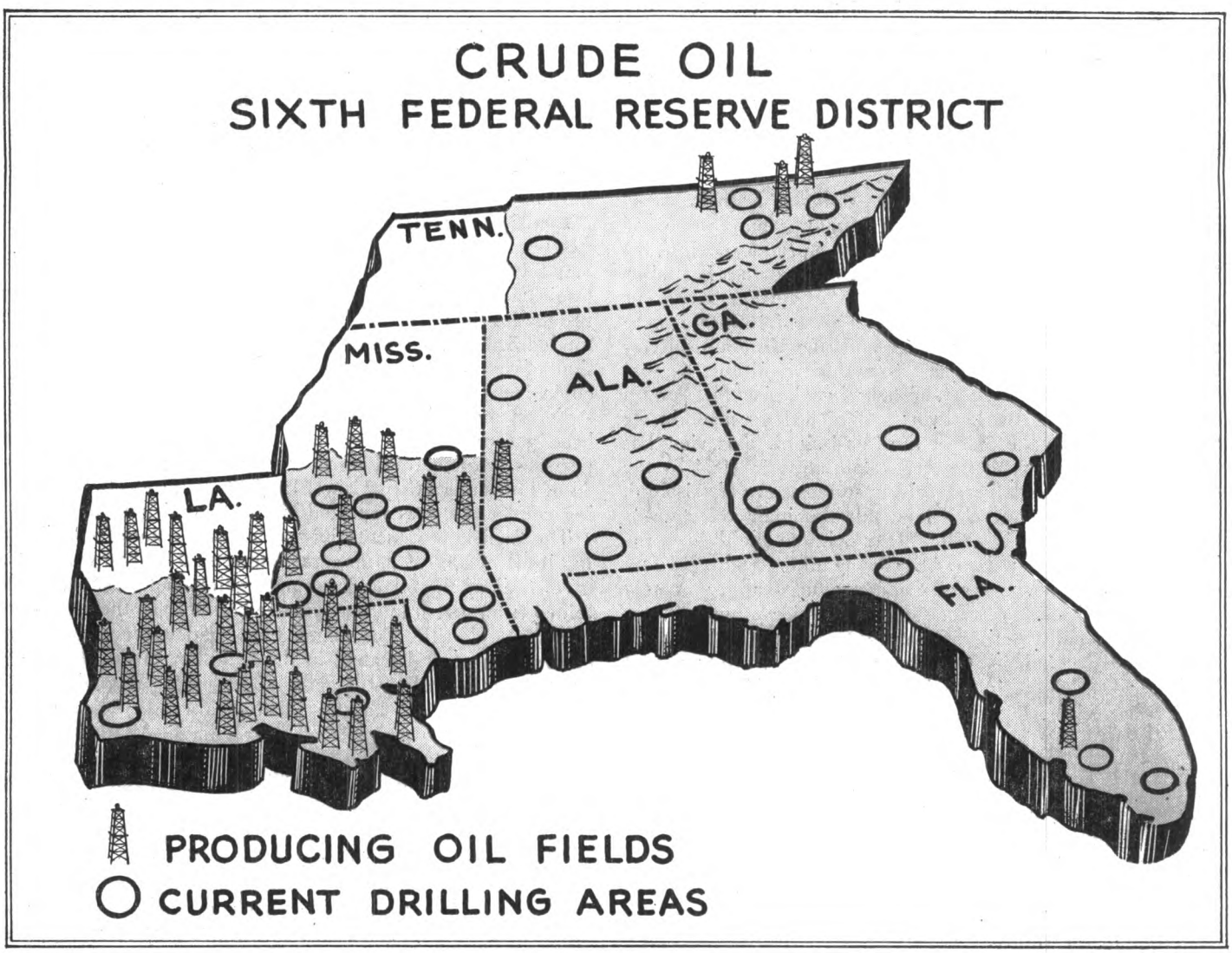
As early as 1901, an oil well was drilled in Mississippi at Bay St. Louis and from that time until the first commercial discovery in August 1939, more than 200 wells were drilled in the Jackson area. These produced gas and some 15,000 barrels of dead oil. Approximately 260 wells were drilled outside the Jackson area in the period of 38 years and, with the exception of three gas wells in the Amory Gas Field, produced nothing.

In the spring of 1939, Frederic Francis Mellen, then assistant state geologist, was acting as supervising geologist of a mineral survey sponsored jointly by WPA, Mississippi State Geological Survey, and the Yazoo County Chamber of Commerce. In the course of this work, he made the stratigraphic discovery of the Tinsley dome in Yazoo County, northwest of Jackson. On August 29, 1939, the Union Producing Company brought in the first commercial oil well in Mississippi, the G. C. Woodruff No. 1, on the Tinsley dome. By June 1944, less than five years later, Mississippi had 8 producing oil fields and 388 producing wells. Production through March 1944 had reached 71.4 million barrels. In June 1944, 64 new wells were being drilled in 21 Mississippi counties.

To date, over 90 per cent of total Mississippi oil production has come from the Tinsley Field. Fields discovered in recent months, however, give indications of being as large as or larger than Tinsley. Discovered in August 1939, by 1942 the Tinsley Field was the third largest producer in the United States. This was due, in part, to the fact that Mississippi has no proration law and other major oil producing states do, so that Tinsley was producing all out while other fields were controlling production. In June 1944, 329 wells were producing in the Tinsley Field and 4 additional wells were being drilled in Yazoo County.

On July 31, 1941, in Sharkey County the Carey Field came in. The discovery well in the Carey Field was the H. B. Houston No. 1, drilled by the British-American Oil Producing Company. It was not finally completed until September 16, 1941. In June 1944, 2 wells were producing in the Carey Field, and production in the field through March 1944 totaled 34,283 barrels of oil.

The Vaughn-Pickens Field was located in Madison and Yazoo Counties in 1942. The first producing well, Sinclair Wyoming Oil Company Wilburn No. 1, came in on March 29,

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1942, and by June 1944, 36 wells in the field were producing. Through the first quarter of 1944, production in the field totaled 2,871,135 barrels.

A year later, on March 10, 1943, the California Company brought in the G. T. Smith Well No. 1 in Brookhaven Field in Lincoln County. By March 1944, this well had produced 16,872 barrels of oil and one additional well was being drilled in the field.

In Wayne County the Eucutta Oil Field was located in September 1943, with the first well, the Aden Davis No. 1 of the Gulf Refining Company, being brought in on the third of that month. By the end of June 1944, 4 wells were producing in the Eucutta Field and 12 additional wells were being drilled in Wayne County. From September through March 1944, production in the field totaled 6,979 barrels.

Just four days after the Eucutta Field's first well was brought in, the Flora Field in Madison County found its first producing well. This was the J. R. Anderson No. 2 well of the Love Petroleum Company. By June 1944, 3 wells were producing in the Flora Field and 2 additional wells were being drilled in Madison County. A total of 8,450 barrels of oil had been produced by April 1, 1944.

Although described and recommended more than a year earlier by F. E. Vestal of the Mississippi State Geological Survey, the Cranfield Oil Field in Adams County did not find its first producer until October 4, 1943. By the end of March 1944, the field had produced 51,027 barrels of oil. The National Gasoline Company of Louisiana brought in the first producer in the field, and by June 1944, 4 additional wells were producing while 6 more were being drilled in Adams County.

On January 27, 1944, the Gulf Oil Company brought in its Helen Morrison No. 1 well in Jasper County, thus proving the Heidelberg Oil Field. In its first two months, this field produced 20,743 barrels of oil, and by June 1944, 8 wells were producing in the field with 21 additional wells being drilled in Jasper County.

At the beginning of 1944, Mississippi had less than 50 million barrels of proved oil reserves. This figure has been increased since then by subsequent discoveries, and proved reserves are being added almost continuously.

Summing up, 8 oil fields, located in Yazoo, Sharkey, Madison, Lincoln, Wayne, Adams, and Jasper Counties, are now producing in Mississippi. These fields are dominated at the moment by the Tinsley Field with its 329 wells that have produced over 70 million barrels but at least 1 and probably 3 of the other fields seem likely to equal Tinsley's record. These other 7 fields have 59 producing wells. These fields have not yet produced major amounts of oil, chiefly because they have only recently been brought into production. Wartime restrictions and the desire of the larger companies to utilize earlier discoveries first also played a part.

The discovery of natural gas in commercial quantities preceded the discovery of oil in Mississippi by some 13 years. The discovery well for natural gas was the Carter No. 1 of the Amory Petroleum Company, which brought in the Amory Gas Field on October 6, 1926. The field consisted later of 3 wells and produced 1,448 billion cubic feet of gas by June 30, 1937. After that date, the field rapidly declined and two years later was dead.

On February 28, 1930, the second natural gas field in Mississippi, the Jackson Field in Hinds and Rankin Counties, was brought in. The discovery well was the Mayes No. 1 of the Jackson Oil and Gas Company. This well produced 15 million cubic feet a day. In March 1930, the second well in the field, the Love Petroleum Company's Mendoza No. 1, came in with an estimated flow of 50 million cubic feet daily. Of 196 wells eventually drilled in the Jackson Field, 146 proved to be of commercial value.

The field is now a minor one. By July 1, 1941, only 23 wells were still producing and 15 were making salt water. By the end of June 1943, only 19 wells were left in the field. From the time of discovery through June 30, 1943, a total of 131 billion cubic feet of gas had been produced. Perhaps the greatest benefit of the Jackson Gas Field was an indirect one. The existence of this field and the quest for other gas wells in the vicinity led to the discovery of oil in the Tinsley Field.

Besides the 8 producing oil fields and the 2 gas fields that have been discovered in Mississippi up to the present time, 22 additional salt domes have been located in 14 counties: (1) Brunisburg in Claiborne County; (2) Allen and (3) Sardis Church in Copiah; (4) Bird in Greene; (5) Edwards and (6) Halifax in Hinds; (7) Carson, (8) Prentiss, and (9) Oakuale in Jeff Davis; (10) Leddo in Jefferson; (11) Moselle in Jones; (12) Midway and (13) Tatum in Lamar; (14) Arm and (15) Monticello in Lawrence; (16) Ruth in Lincoln; (17) Lampton in Marion; (18) Dlo in Simpson; (19) Stringer (New Home) in Smith; and (20) Glass, (21) Newman, and (22) King in Warren County. Past experience in Texas and Louisiana indicates that some of these 22 salt domes will probably prove to be productive oil fields.

In June 1944, 64 wells were being drilled in 20 Mississippi counties. Twenty-one wells were being drilled in Jasper County; 12 in Wayne; 6 in Adams; 4 in Yazoo; 3 in Smith; and 2 each in Jeff Davis, Jones, and Madison Counties. Single wells were being drilled in Claiborne, Clarke, Copiah, Franklin, Greene, Jefferson, Kemper, Lawrence, Lincoln, Rankin, Simpson, and Warren Counties.

The Tinsley Field in Yazoo County is declining. Its production is now down to a level of some 35,000 barrels daily from its 1942 peak of 96,000 barrels and production in the field is expected to fall below 10,000 barrels a day within the next four years. Nevertheless, prospects for Mississippi oil production are extremely bright. The Heidelberg Field in Jasper County is a major producer now, and the Cranfield Field in Adams County and the Eucutta Field in Wayne County are almost certain to become major producers.

In 1943, 58 wildcat wells were drilled in Mississippi; 4 of these were producers while 54 were dry holes. In the first quarter of 1944, drilling in the state proceeded at a rate 50 per cent higher than in the first quarter of 1943, and 27 wells were completed.

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At present, more than 8.5 million acres are under lease for oil in Mississippi, 29 per cent of the entire surface of the state. Three fourths of the entire state of Mississippi is possible oil territory, while half of the state is believed by geologists to be definitely favorable territory for the accumulation of petroleum in segregated geologic structures.

Petroleum production in the District outside the states of Louisiana and Mississippi is as yet in very modest quantities.

Florida has at present but one producing well, Humble Oil and Refining Company's Gulf Coast Realties Corporation No. 1. This well is located at Sunniland, Collier County, in the Everglades northwest of Miami. It is producing 35 barrels of 24-degree gravity oil daily. By mid-May, this well had produced 10,000 barrels of oil.

Test drillings are under way elsewhere in Florida, spurred by the Sunniland production. The Humble Company is drilling another well one mile west of their Number 1 that has reached a depth of 12,480 feet without obtaining commercial production. The Humble Company is also preparing to drill in Dade County and in Highlands County. The Pure Oil Company has a location in Gulf County; the Hunt Oil Company is drilling in Madison County; and the Miami Shipbuilding Corporation is drilling in Dade County, as are William C. Blanchard and associates.

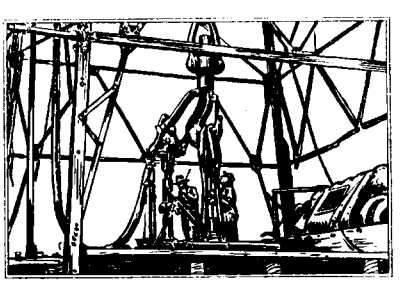
Alabama now has four wells producing in Choctaw County. All of these wells are within a mile of one another and all are owned by H. L. Hunt or by the Hunt Oil Company. Together they are producing some 200 barrels daily.

More than 3 million acres of land are under lease for oil in Alabama. Choctaw and Washington Counties are leased solid and Clarke and other southeastern counties are heavily leased. Some territory is under lease in northwestern Alabama in Fayette, Tuscaloosa, Walker, and Lamar Counties. Leases are bringing from 25 cents to $2 an acre.

Several test drillings are under way in Alabama. H. L. Hunt is drilling 3 wells in Choctaw County; E. C. Johnston is drilling a well in Marengo County; Stanolind, in Lamar County; Humble Oil and Refining Company, in Escambia County; Bob Burch, in Morgan County; Texas Company, in Washington County; and local people are drilling 2 wells in Bullock County.

Production of crude oil in Tennessee is now about 10,000 barrels a year, a very minor quantity. The state has in all 27 wells, located in Scott, Morgan, Clay, and Fentress Counties. Approximately 500,000 acres are under lease in the following Tennessee counties: Cumberland, Scott, Morgan, Fentress, Bledsoe, Dickson, Pickett, Lauderdale, Dyer, and Stewart. Oil leases are bringing from 10 to 25 cents an acre.

Some test drillings are under way. The Kingwood Oil Company is drilling in Cumberland County, 7 miles southwest of Crossville. The Dickson County Oil and Gas Trust is drilling in that county 3½ miles east of Charlotte. The Clock Oil Company is drilling 3 miles west of Oneida in Scott County and Fred Conn is drilling 5 miles northwest of Oneida. Koger and York are drilling in Pickett County, 1 mile east of Static. Overstreet and Sparks are drilling in Clay County, 4 miles north of Celina.



In Georgia, more than 8 million acres of land have been leased by a dozen oil companies and independents. Most of these leases are in the lower half of the coastal plain. Rather extensive geophysical prospecting is under way to determine the most promising locations at which to drill test wells. Two years ago the prevailing annual rate was 5 to 15 cents an acre, with royalties selling from 25 to 50 cents an acre. In the spring of 1944, however, the rental price jumped up to 25 cents, while royalty interests advanced in proportion.

Drilling of test wells is now under way or imminent in the Georgia counties of Lowndes, Mitchell, Decatur, Early, Seminole, Wayne, and Laurens. The first 2 deep wells ever drilled in Georgia were drilled in 1938 near the town of Offerman, in Pierce County. These reached granite at approximately 4,375 feet. Two more deep wells were drilled a year ago and went to 5,012 and 5,300 feet, respectively, without encountering any granite or other crystalline rocks. In 1943, a well was drilled to 7,320 feet near Cedar Springs in Early County without reaching granite. The Hassie Hunt oil interests have more recently drilled near Homerville in Clinch County to about 4,200 feet. At the present time, a well is being drilled near Jesup in Wayne County. A number of shallower wells have been drilled in Clinch, Coffee, Telfair, Ware, Wayne, and Montgomery Counties, Georgia. All of these wells were dry holes.

Actual petroleum production within the states of the District has been materially affected by war emergency measures. On July 1, 1944, the Petroleum Administration for War relaxed Federal restrictions on the drilling of oil and gas wells in Louisiana, Mississippi, Arkansas, New Mexico, and Texas. Since shortly after the entrance of the United States into the war, Federal restrictions have operated to control the distance between wells drilled and the distance between wells drilled and property lines. Furthermore, the new policy eases restrictions on the reworking, deepening, or recompletion of wells into another pool to bring these activities into line with policies permissible in the drilling of new wells. Restrictions on the installation or reinstallation of pumping or other artificial equipment have also been removed in Louisiana and Mississippi. Operators must, of course, still abide by state regulations.

In December 1941, Louisiana production of crude oil averaged 360,000 barrels daily. After the declaration of war, the Petroleum Administration for War curtailed production in all oil-producing states as a war conservation measure. The Louisiana allowable was set at some 30,000 barrels a day under the rate then current. In April 1942, the assigned allowable was made to include all liquid hydrocarbons, such as condensate or distillate, and natural gasoline. The minimum allowable for Louisiana was reached the following month at 298,600 barrels of liquid hydrocarbons, a net production of 279,600 barrels of crude oil a day.

After August 1943, the PAW asked that oil production be expanded as far as possible without injury to wells and reserves, except where transportation problems prevented expansion. Production of crude oil in Louisiana in 1942 was 117 million barrels and in 1943 it was 120 million barrels. Natural gas production in 1942 was 464

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billion cubic feet; in 1943, it was 515 billion cubic feet.

In June 1944, the latest calendar month for which such figures are available, the daily average production of crude petroleum in coastal Louisiana was 289,000 barrels. The daily average production in Mississippi for the same month was 44,000 barrels. The seasonally adjusted index, based on the 1935-39 combined figures for these two oil-producing areas in the Sixth Federal Reserve District as 100, was 200 for May. In June 1943, the index stood at 180; in June 1942, at 184. Coastal Louisiana production far exceeds that of the north Louisiana fields, which lie outside of the Sixth District. In the week ended June 24, 1944, daily average production of crude petroleum in north Louisiana was 74,200 barrels. Oil production for that week in coastal Louisiana averaged 288,750 barrels daily. The total for the state was thus 362,950 barrels. In the four weeks ended June 24, 1944, total Louisiana production averaged 361,700 barrels daily, as compared with 325,550 barrels in the corresponding weeks of 1943.

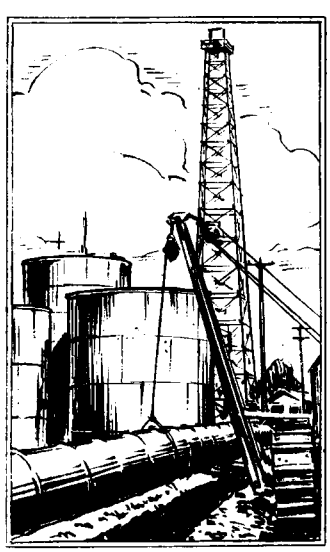
Mississippi petroleum production in the week ended June 24, 1944, averaged 45,350 barrels daily. In the four weeks ended June 24, daily average production was 43,400 barrels, an amount substantially under the 53,100-barrel daily average in the corresponding four weeks of 1943. Production in Alabama in the week of June 24, 1944, averaged only 100 barrels a day; oil production in Florida for that week averaged but 50 barrels daily. Both amounts are insignificant in the oil picture.

On July 8, 1944, stocks of crude petroleum from northern Louisiana stood at 3.6 million barrels and from the coastal Louisiana fields, at 9.7 million barrels. On the same day, stocks of Mississippi crude petroleum were 873,000 barrels.

It is an erroneous idea, widely held, that petroleum is found in pools under the earth. As a matter of fact, crude oil exists underground in porous rock. The permeability of this rock varies and this factor accounts for the different physical rates at which oil may be drawn from the earth in different fields. The oil itself contains no inherent energy; either gas or salt water must be present to displace the oil from the porous rock. As a result, the slower the rate at which an oil field is produced, the greater will be the total quantity of oil recovered.

Because oil is a commercial product, costs and prices must be taken into account along with the physical factors in a particular producing field, in determining the economic optimum rate of production for the particular field. Where a field is owned by a number of different individuals or companies, optimum production is rarely obtained without overall Government supervision. This supervision usually takes the form of setting "allowables" —daily production quotas for each well in the field.

It is obvious that the setting of the allowables may be dominated by price policy; or the governing factor may be physical; in any event, the actual rate of production of oil in a particular field is usually the result of a compromise between price policy and the engineering optimum.



Because petroleum and natural gas are exhaustible resources, it is now widely accepted in the oil-producing areas that questions of public policy are involved in the development of oil and gas deposits. In Mississippi, there is now a widespread feeling that the crude oil produced in Mississippi must be refined within the boundaries of the state, if the people of Mississippi are to secure the fullest benefits from this natural resource. Up to the present, however, only one small refinery is operating in Mississippi.

The major oil companies are disinclined to erect refinery facilities in Mississippi. This attitude is apparently based on several considerations. There is a feeling that when the unusual war demands for petroleum products are passed, the industry may find itself with excess refining capacity. Another reason advanced for the failure to construct refinery facilities in Mississippi is that to date discoveries in Mississippi do not assure sufficient crude oil to operate a large-scale modern refinery and it is argued that a small-scale refinery could not compete costwise with the larger units in Louisiana and elsewhere.

The state government's attitude is that the important income-creating part of the oil business is refining. Thus, it is argued, if Mississippi's crude oil is transported elsewhere for refining, the major economic benefits of the exploitation of this irreplaceable resource will be lost to the people of the state.

Louisiana is a major refining center so that this particular problem does not arise there. A similar attitude may be discerned in Louisiana with respect to the natural gas deposits of the state, however. There is currently a great deal of discussion going on in Louisiana about the exportation of natural gas beyond the state boundaries. One argument is that Louisiana has no coal deposits nor water power and its industrial future is dependent, therefore, on natural gas as a cheap industrial fuel. Much of the Louisiana natural gas is piped into states with adequate coal supplies and many people in Louisiana feel that when the natural gas is exhausted, industry in these states can turn readily to local coal, whereas Louisiana itself, then faced with the cost of bringing coal into the state, will be under a severe handicap.

The pipe-line companies, on the other hand, feel that natural gas is a marketable product and if Louisiana industrial and domestic consumers do not stand ready to take all the production, there is nothing wrong in selling the gas elsewhere in the United States. How these conflicting views of the proper utilization of irreplaceable natural resources will eventually be reconciled cannot now be predicted.

In any event, the petroleum already discovered in the Sixth Federal Reserve District has proved to be a major factor in the economic progress of those areas where commercial production is already under way. With exploration being intensified over wide additional areas of the District, it seems likely that further reserves of petroleum will be recorded and a very welcome additional source of income made available to the people of the District.

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# *Banking Policy and the Postwar Period*

BANKERS in the Sixth Federal Reserve District are following fairly uniform policies in preparing their institutions to meet the demands and problems of the early postwar period. In large measure they are confining their investments to assets that can be readily converted into cash. They are preparing to meet decreases in deposits that they expect to come with the termination of war activity. They are searching with much concern for possible new outlets for loanable funds. These policies, as revealed by personal conferences during the month of June with the top executives of 24 member banks in the District, place the matter of bank earnings in a subordinate position. In summary, current banking policies in the District represent, as one banker expressed it, a "general mobilization against all manner of unforeseeable contingencies."

Current bank investment policies in the Sixth District indicate a strong preference for short-term United States Government securities. In the words of one banker, "We are investing most of our assets in Government securities and we aim to have few of them that will mature more than six months away, for the end of the war is getting too close and we cannot be tied up in the long-term issues."

The desire for a high degree of liquidity in bank investment rests upon a number of factors. The most important factor is the fear of a loss of deposits once the war ends. A typical attitude of caution in this respect is that of one banker who said, "I saw my deposits run way up in the First World War and then they dropped in 1921. I saw them run way up again and then they dropped after 1929. Now, they are running away again and they will drop again. I run my bank in my own way and I'll be ready for the drop when it comes."

One banker, and he appears to be the exception, has worked out an investment policy designed to maintain more or less closely a given ratio of cash, Government securities, and other investments to various categories of deposits. Against demand deposits, for example, this banker holds 25 per cent of the total in cash, 25 per cent in United States Government securities, 10 per cent in state and local government securities, and 40 per cent in loans. Against total bank deposits in excess of 3.5 million dollars, he holds 60 per cent in cash and 40 per cent in liquid commercial paper.

A second major factor in directing bank investments into short-term, low-yield Government securities is the matter of taxes. For banks in the excess profits tax brackets, or on the verge of moving into the higher tax brackets, the question of tax exemption is a fairly important consideration. Banks that are in a lower tax bracket and wish to avoid moving into a higher tax bracket are naturally content with low-yield investments. Banks that are concerned with avoiding high taxes show a strong preference for the older state and municipal bonds because these carry a fairly high rate of interest and in addition are tax exempt.

A third important reason for the preference District bankers are showing for short-term Government securities is the uncertainty they feel about future market trends for the long-term issues. Apparently many of the bankers feel that the market for long-term Government bonds might not be well supported in the postwar period. They are willing, therefore, to forego the higher yields of the longer term issues in order to avoid borrowing on their securities or selling them on the market. On the other hand, some bankers have no misgivings about the future of the Government bond market. "We are not particularly concerned about getting tied up with long-term issues," said one banker. "We don't see how the Government can fail to keep up the long-term issues at par no matter what happens."

Banking policy in the Sixth District is thus largely dominated by preparations to meet the reduction in deposits that many bankers expect to take place with a resumption of more normal trade relations in the postwar period. While general opinion appears to hold that no reduction in deposits is likely to occur in deposits of banks for the United States as a whole, so long as no substantial reduction in public debt occurs, the individual banker, for the most part, expects total deposits of his own bank to range downward as war activities and war spending are curtailed. Local factors are expected to govern the deposit situation. In some instances, the increase in deposits has had its origin in high farm prices and in a succession of good crop years. In the event of lower farm prices and poor farm crops, such deposit balances, it is anticipated, will be drawn down.

In other instances, the increases in deposits have had their origin in some specific and probably temporary war activity in the trade area served by the bank. Numerous military and naval installations, which are widely scattered throughout the District, have been large factors in building up the balances of mercantile depositors. Shipbuilding firms, aircraft assembly plants, boat builders, and munition manufacturers have built up large deposits of their own and, indirectly, by their payments to labor and to suppliers of materials and equipment, have contributed to the building up of substantial balances by other members of the business community.

Bankers in the smaller cities appear to be especially apprehensive about deposit decreases because so often their increases in deposits have come from a single war activity such as a shipbuilding plant or an establishment of the Army or Navy. When such single activities cease, these bankers anticipate an abrupt decline in deposits. "Suppose we have a crop failure," said one banker, "or low farm prices for a couple of years. Pile on top of that the closing up of the camps and shipyards. Our deposits might drop to what they were at the end of 1941. It is a drop like that that I am getting ready for. It might not happen but we can't go blindly ahead and act as if it were not going to happen."

Bankers in the larger and more diversified centers, such as New Orleans, Atlanta, Chattanooga, Mobile, Miami, Jacksonville, and Savannah, while expecting deposit reductions in the postwar period, are inclined to be somewhat optimistic about retaining a part of their war-born deposits. Peacetime industrial plants are expected to give employment to a considerable part of the workers who may be discharged when activities strictly dependent upon the war cease.

Some District bankers, because of quite exceptional local conditions, have in mind the possibility that their deposits may actually increase in the postwar period. The current oil

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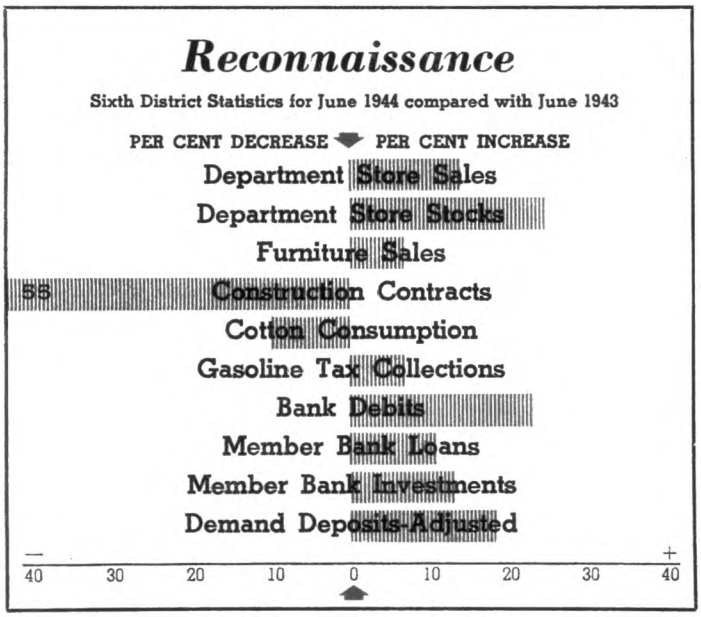


boom in Mississippi, for example, is expected in large part to prevent a decline in deposits of some Mississippi banks, if not actually to bring about an increase. In Mobile, Alabama, the industrial development that took place prior to the outbreak of the war is expected to continue in the postwar period and is regarded as being capable of more than offsetting any tendency for deposits to decline with the cessation of strictly war work. In Nashville, Tennessee, the general importance of the city in industry, insurance, and construction is expected to continue to attract deposits. In Anniston, Alabama, the part the area plays in heavy industry is locally regarded—apparently despite the great amplitude of economic fluctuation characterizing heavy-industry regions —as a safeguard against any great tendency for deposits to decline.

In meeting a possible decline in deposits in the postwar period, bankers of the District are fairly well agreed on the procedure to be followed: First, they would utilize the receipts from their maturing short-term Government securities. Second, they would draw upon their cash assets. Third, if additional funds were needed, they would sell Government securities. Fourth, and finally, if still more funds were needed, they would resort to borrowing from the Reserve Bank.

Most bankers appear to believe that they have arranged the maturities of their short-term Governments so that receipts from currently maturing holdings will be sufficient to meet any likely decline in demand deposits. "It is the settled policy of this bank to meet all deposit losses by maturing securities," said one banker. "We will not have to sell any Government securities for it is our policy to buy nothing that cannot be held to maturity."

If it becomes necessary to sell Government securities, most bankers apparently will sell the shorter term securities first and will hold the longer term issues for their higher yields. Opinion on this matter, however, is by no means clear cut. "Outside of meeting our war loan account with maturing certificates and other securities," said one banker, "we like the longer term securities because of their higher yields. At present we see no reason to borrow either to increase our lending capacity or to meet deposit withdrawals."

Borrowing was almost unanimously considered as the last resort in meeting a serious loss of deposits. The reluctance to borrow, however, apparently varies widely in intensity from one bank to another. At one policy extreme was the banker who said, "If I held long-term bonds and had to borrow to carry them, my directors would fire me. We haven't had any bills payable for 20 years and we don't want to have to start." At the other end of the scale was the banker who said, "I hope we will never have to borrow, but we have no particular objection to doing so if we have to."

If deposits in the postwar period should actually increase instead of decrease, most of the bankers apparently feel that the capital positions of their banks would not act as limiting factors on their ability to expand loans. The general opinion seems to be that capital stock of an individual bank can easily be increased if such a step is necessary. Because of greater tax liabilities involved, however, an increase in bank capital will be made by some banks only with reluctance. Other banks, in contrast, have already made or are preparing to make capital stock increases.

Outlets for loanable funds in the postwar period are being studied by bankers of the Sixth District with widely diverse expectations. In general, prospects for the revival of business loans in the early postwar years are regarded with pessimism. A large number of bankers, apparently a majority of the group, expect little increase or no increase whatsoever in any kind of postwar business borrowing. "Balances of our business firms are so large that few of them will need to borrow for some time to come," said one banker. "When these balances have been used, there may be some increase but this is doubtful." Another banker said, "We want any kind of paper that is good but our loan volume is considerably less than it was three years ago and we don't see much chance of increasing the present volume with the end of the war. Our local businesses will need seasonal funds but probably not in such volume as they once did. They have big deposit accounts to draw on as well as bonds to sell."

Other bankers, and these appear to be in the minority, confidently expect some increase in business borrowing. One banker expects borrowing on medium-term and long-term notes to increase for plant modernization and other improvements. Another banker expects little increase in business loans during the first five postwar years but after that period a considerable increase in long-term and equity capital borrowing to make good the obsolescence of plant and machinery occurring during the war and early postwar periods. Still another banker expects that business concerns will shortly run through their cash balances and will quickly be in the market for a considerable volume of short-term money. At still another bank, a large increase in business borrowing is anticipated after the war, mostly in the form of long-term capital loans. "We are not afraid of long-term loans," said the loan officer at this bank, "even though banks have usually stayed out of this field. Balances carried by business concerns," he added, "are not sufficient to do the volume of business that is expected after the war."

Policy on the part of the larger banks with respect to agricultural loans is somewhat obscure. Officers of large city banks make few farm loans and hence not many felt able to

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## Sixth District Statistics

**RETAIL FURNITURE STORE OPERATIONS**

| Item | Number of Stores | Per Cent Change June 1944 from | |
|---|---|---|---|
| | | May 1944 | June 1943 |
| Total Sales | 101 | — 7 | + 7 |
| Cash Sales | 88 | — 12 | + 8 |
| Instalment and Other Credit Sales | 88 | — 7 | + 9 |
| Accounts Receivable, end of month | 99 | + 1 | — 15 |
| Collections during month | 99 | + 4 | — 0 |
| Inventories, end of month | 77 | — 8 | — 45 |

**CONDITION OF FEDERAL RESERVE BANK OF ATLANTA**
**(In Thousands of Dollars)**

| Item | July 19 1944 | June 21 1944 | July 21 1943 | Per Cent Change July 19, 1944, from | |
|---|---|---|---|---|---|
| | | | | June 21 1944 | July 21 1943 |
| Bills discounted | 925 | 850 | ..... | + 9 | ... |
| Industrial advances | 33 | 40 | 235 | — 17 | — 86 |
| U. S. securities | 712,968 | 652,892 | 266,202 | + 9 | + 168 |
| Total bills and securities | 713,926 | 653,782 | 266,437 | + 9 | + 168 |
| F. R. note circulation | 1,092,177 | 1,077,202 | 726,407 | + 1 | + 50 |
| Member bank reserve deposits | 540,611 | 566,775 | 476,806 | — 5 | + 13 |
| U. S. Gov't deposits | 16,010 | 1,080 | 17,506 | +1382 | — 9 |
| Foreign bank deposits | 45,716 | 49,000 | 35,046 | — 7 | + 30 |
| Other deposits | 4,505 | 6,526 | 2,605 | — 31 | + 73 |
| Total deposits | 606,841 | 623,382 | 531,963 | — 3 | + 14 |
| Total reserves | 972,614 | 1,031,179 | 977,882 | — 6 | — 1 |

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

| Area | June 1944 | May 1944 | June 1943 | Per Cent Change June 1944 from | |
|---|---|---|---|---|---|
| | | | | May 1944 | June 1943 |
| ALABAMA | | | | | |
| Anniston | 20,137 | 17,156 | 13,818 | + 17 | + 46 |
| Birmingham | 196,797 | 177,225 | 170,630 | + 11 | + 15 |
| Dothan | 7,828 | 6,283 | 6,171 | + 25 | + 27 |
| Gadsden | 11,227 | 9,515 | 9,450 | + 18 | + 19 |
| Mobile | 134,982 | 111,112 | 113,657 | + 21 | + 19 |
| Montgomery | 38,630 | 37,115 | 33,144 | + 4 | + 17 |
| FLORIDA | | | | | |
| Jacksonville | 203,772 | 182,381 | 165,504 | + 12 | + 23 |
| Miami | 136,166 | 119,778 | 105,373 | + 14 | + 29 |
| Greater Miami* | 183,368 | 162,406 | 127,852 | + 13 | + 43 |
| Orlando | 32,455 | 29,602 | 22,901 | + 10 | + 42 |
| Pensacola | 22,509 | 20,359 | 21,427 | + 11 | + 5 |
| St. Petersburg | 24,146 | 24,910 | 17,619 | — 3 | + 37 |
| Tampa | 88,601 | 80,033 | 62,214 | + 11 | + 42 |
| GEORGIA | | | | | |
| Albany | 9,696 | 8,600 | 7,355 | + 13 | + 32 |
| Atlanta | 491,174 | 454,048 | 392,692 | + 8 | + 25 |
| Augusta | 37,094 | 32,762 | 39,368 | + 13 | — 6 |
| Brunswick | 13,624 | 14,594 | 12,841 | — 7 | + 6 |
| Columbus | 38,304 | 32,201 | 34,367 | + 19 | + 11 |
| Elberton | 1,801 | 1,736 | 1,427 | + 4 | + 26 |
| Macon | 40,485 | 38,451 | 36,353 | + 5 | + 11 |
| Newnan | 4,845 | 4,271 | 4,296 | + 13 | + 13 |
| Savannah | 91,360 | 79,383 | 91,171 | + 15 | + 0 |
| Valdosta | 6,454 | 6,609 | 5,176 | — 2 | + 25 |
| LOUISIANA | | | | | |
| Baton Rouge | 39,720 | 38,306 | 36,614 | + 4 | + 8 |
| Lake Charles | 19,749 | 20,961 | 19,992 | — 6 | — 1 |
| New Orleans | 474,121 | 404,515 | 378,801 | + 17 | + 25 |
| MISSISSIPPI | | | | | |
| Hattiesburg | 13,416 | 12,183 | 12,489 | + 10 | + 7 |
| Jackson | 63,741 | 45,339 | 50,106 | + 41 | + 27 |
| Meridian | 19,069 | 16,142 | 14,168 | + 18 | + 35 |
| Vicksburg | 18,253 | 16,329 | 17,387 | + 12 | + 5 |
| TENNESSEE | | | | | |
| Chattanooga | 100,271 | 79,399 | 82,228 | + 26 | + 22 |
| Knoxville | 110,713 | 103,405 | 58,146 | + 7 | + 90 |
| Nashville | 195,882 | 179,373 | 166,011 | + 9 | + 18 |
| SIXTH DISTRICT 32 Cities | 2,707,022 | 2,404,076 | 2,202,896 | + 13 | + 23 |
| UNITED STATES 334 Cities | 83,853,000 | 67,269,000 | 66,894,000 | + 25 | + 25 |

* Not included in totals

express an opinion. Some of the bankers said, however, that farmers have used their current funds, which in large part are derived from favorable price situations, for the reduction of old debts and will probably go on borrowing for current production in the postwar years on a scale about the same as that reached in the prewar years.

Preparations for handling an increase in personal loans in the postwar period offer the most optimistic note in the anticipated postwar loan situation. Bankers of the District appear to be confidently expecting an increase in personal loans. This expectation is based upon the existence of a large deferred demand for consumers' durable goods—a demand created by wartime restrictions on production and distribution. Funds derived from the cashing of savings bonds are not expected to be large enough to satisfy consumer demand for goods. To make such demands effective people are expected to buy durable goods on credit as they habitually did before the war. Some individuals, too, are expected to borrow funds to make these purchases rather than to cash in their war savings bonds or close out their savings accounts.

Prospects for real estate loans are regarded with pessimism. Most of the larger cities in the District have experienced a considerable expansion in low-rent housing facilities. Some bankers in the war centers frankly say that their cities are already overbuilt. Other bankers are just as frank in saying that they want nothing to do with real estate loans.

On the whole, the prospects for an early expansion of bank loans in the postwar period are not regarded favorably by District bankers. This situation is not accepted with complete resignation. One banker expressed his irritation by saying, "The only sound loan is one that follows merchandise from purchase to sale and when you lend on such security you are banking. When you buy bonds and hold them for interest, you aren't banking any more; you are just doing an office boy's job." On the other hand, there is the banker who said he was "quite content to continue in the position of riskless banking."

Overriding all other considerations in current banking policy looking towards the postwar period is the matter of bank solvency. Besides being reflected in investment and loan policies, this concern for solvency assumes complete priority over the concern for earnings. At only a few banks are earnings avowedly given any status at all as a factor in investment policy, and even in these banks the matter of earnings occupies a distinctly subordinate place.

With reference to this attitude towards earnings, one banker said, "The owners of this bank at present are not concerned about making money out of the bank." Another banker said, "This bank exists primarily to render a public service, not to make money for the stockholders." Still another banker said, "Sure, the owners of this bank are interested in earnings, even though we are more concerned with remaining liquid just now."

A concern for liquidity is all-pervading. This fact promises well for the soundness of District banks in the period of postwar readjustments. It may, however, reduce the share of the District banks in financing reconversion.

One aspect of the reconversion problem that is receiving increasing attention is that of loans to small business in the postwar period. Bankers' associations are already advocating to their members a more vigorous approach to this problem, urging that all loans of a bankable nature be accommodated.

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# *Bank Announcements*

***Gulf National Bank:*** On June 27, 1944, the Comptroller of the Currency granted a national charter to the Gulf National Bank of Gulfport, Gulfport, Mississippi. The date of opening for business, dependent upon the completion of installation of vault equipment and other fixtures, was set tentatively as July 31. The new bank, a primary organization, will be the second bank in Gulfport but will be the only national bank south of Hattiesburg between Mobile and New Orleans. The Gulf National Bank of Gulfport has capital of $100,000, surplus of $20,000, and undivided profits of $5,000.

Major W. C. Carter, president of the bank, was, prior to more than two years' active duty with the Army, vice president of the First National Bank of Kissimmee, Florida. Trafford Boyd, cashier, was for several years cashier of the First National Bank, Camden, Ohio. Gus D. Alfonso, assistant cashier, a resident of Gulfport, was formerly connected with the Gulfport branch of the Hancock Bank of Bay St. Louis. The board of directors includes Major Carter and Sam Alman, William H. Caraway, Thomas S. Clower, Lawrence James, and Webb M. Mize.

***Farmers and Merchants Bank:*** On July 18, 1944, the Farmers and Merchants Bank, Mount Pleasant, Tennessee, was admitted to membership in the Federal Reserve System. This bank was organized in July 1909. Its capital is $50,000; surplus, $2,000; and deposits, approximately $700,000. Clarence A. Whelchel became president of the bank in April of this year. Prior to assuming this position, Mr. Whelchel served as vice president with the Commerce Union Bank at Columbia, Tennessee.

C. A. Brownlow is chairman of the board of directors, W. H. Kittrell is vice president, and A. E. Smith is cashier. In addition to Messrs. Brownlow, Whelchel, and Kittrell, the board of directors includes C. Y. Clarke, W. G. Hardin, Ernest Irwin, Sr., Will H. Kittrell, T. G. Napier, and James H. Ward.

***First National Bank in Fort Lauderdale:*** On July 12, 1944, the Barnett National Bank of Fort Lauderdale, Fort Lauderdale, Florida, changed its name to The First National Bank in Fort Lauderdale. This change coincided with the purchase of a substantial interest in the Barnett National Bank by W. W. McEachern, who became president of the institution under its new name.

Mr. McEachern has had a distinguished career in Florida banking. He served for more than a decade as president of the Union Trust Company at St. Petersburg and continues to serve as vice chairman of the board of directors of that institution. He has served a two-year term as president of the Florida State Bankers Association and is active in the affairs of the American Bankers Association. He is chairman of the Florida War Finance Committee.

***First Hollywood Bank:*** On August 1, 1944, the First Hollywood Bank, Hollywood, Florida, will be added to the Federal Reserve Par List. Beginning on that date, this bank will remit to the Jacksonville branch of the Federal Reserve Bank of Atlanta at par for checks drawn upon it by its depositors.

The First Hollywood Bank was established in 1924 under a charter issued to it by the State Comptroller of Florida. Its capital is $50,000; its surplus, $70,000; it has undivided profits of $5,000; and its deposits exceed $3,000,000.

# Sixth District Statistics

**INSTALMENT CASH LOANS**

| Lender | Number Reporting | Per Cent Change May 1944 to June 1944 | |
|---|---|---|---|
| | | Volume | Outstandings |
| Federal Credit Unions | 42 | + 19 | + 4 |
| State Credit Unions | 26 | — 16 | + 7 |
| Industrial Banking Companies | 44 | — 3 | + 2 |
| Personal Finance Companies | 52 | + 9 | + 1 |
| Commercial Banks | 34 | + 2 | + 3 |

**CASH INCOME FROM FARM MARKETINGS***
(In Thousands of Dollars)

| | May 1944 | Apr. 1944 | May 1943 | January-May | |
|---|---|---|---|---|---|
| | | | | 1944 | 1943 |
| SIX STATES | 106,806 | 113,103 | 107,937 | 589,505 | 513,586 |
| Alabama | 11,466 | 10,335 | 12,442 | 62,447 | 50,612 |
| Florida | 33,488 | 43,578 | 30,933 | 189,100 | 167,621 |
| Georgia | 13,317 | 14,751 | 10,405 | 78,126 | 61,786 |
| Louisiana | 13,228 | 13,612 | 14,508 | 67,799 | 58,950 |
| Mississippi | 13,794 | 13,182 | 18,692 | 71,583 | 70,807 |
| Tennessee | 21,513 | 17,645 | 20,957 | 120,450 | 103,801 |

* Government payments not included

**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 June 30, 1944; for country banks they are averages of fifteen-day period ending June 30, 1944.

| Group* | No. of Banks | Deposits of Banks | Balances Due from Other Banks | War Loan Deposits | Actual Reserves | Per Cent Actual to Required |
|---|---|---|---|---|---|---|
| A | 9 | 0 | 1,214 | 75 | 502 | 162 |
| B | 27 | 730 | 5,905 | 617 | 2,934 | 143 |
| C | 54 | 1,219 | 19,762 | 5,157 | 11,976 | 138 |
| D | 74 | 6,204 | 57,233 | 21,035 | 33,448 | 133 |
| E | 52 | 30,980 | 80,967 | 49,468 | 62,097 | 127 |
| F | 29 | 183,592 | 159,811 | 121,644 | 170,209 | 128 |
| G | 12 | 441,682 | 108,666 | 175,577 | 254,499 | 107 |
| Total | 257 | 664,407 | 433,558 | 373,573 | 535,665 | 118 |

* Group A: 1943 average deposits up to $500,000; Group B: $500,000 to $1,000,000; Group C: $1,000,000 to $2,000,000; Group D: $2,000,000 to $5,000,000; Group E: $5,000,000 to $15,000,000; Group F: $15,000,000 to $75,000,000; Group G: over $75,000,000.

**CONDITION OF 20 MEMBER BANKS IN SELECTED CITIES**
(In Thousands of Dollars)

| Item | July 19 1944 | June 21 1944 | July 21 1943 | Per Cent Change July 19, 1944, from | |
|---|---|---|---|---|---|
| | | | | June 21 1944 | July 21 1943 |
| Loans and Investments—Total | 1,712,229 | 1,535,790 | 1,477,538 | + 11 | + 16 |
| Loans—Total | 314,075 | 283,651 | 283,154 | + 11 | + 11 |
| Commercial, industrial and agricultural loans | 163,630 | 164,188 | 169,226 | — 0 | — 3 |
| Loans to brokers and dealers in securities | 5,633 | 4,829 | 6,322 | + 17 | — 11 |
| Other loans for purchasing and carrying securities | 48,146 | 22,741 | 9,878 | +112 | +387 |
| Real estate loans | 25,949 | 26,536 | 26,860 | — 2 | — 3 |
| Loans to banks | 361 | 429 | 241 | — 16 | + 50 |
| Other loans | 70,356 | 64,576 | 70,627 | + 9 | — 0 |
| Investments—Total | 1,398,154 | 1,252,139 | 1,194,384 | + 12 | + 17 |
| U. S. direct obligations | 1,263,478 | 1,118,792 | 1,030,206 | + 13 | + 23 |
| Obligations guaranteed by U. S. | 24,370 | 23,842 | 50,939 | + 2 | — 52 |
| Other securities | 110,306 | 109,505 | 113,239 | + 1 | — 3 |
| Reserve with F. R. Bank | 297,769 | 302,480 | 271,161 | — 2 | + 10 |
| Cash in vault | 26,833 | 27,037 | 24,621 | — 1 | + 9 |
| Balances with domestic banks | 193,916 | 163,847 | 168,840 | + 18 | + 15 |
| Demand deposits-adjusted | 1,020,991 | 1,095,128 | 970,677 | — 7 | + 5 |
| Time deposits | 284,550 | 279,877 | 229,089 | + 2 | + 24 |
| U. S. Gov't deposits | 394,368 | 124,869 | 219,438 | +216 | + 80 |
| Deposits of domestic banks | 437,921 | 431,244 | 447,477 | + 2 | — 2 |
| Borrowings | 1 | 100 | ..... | — 99 | ... |

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# *Business and Agriculture*

AGAIN in July, Sixth District department store sales declined, on the basis of preliminary figures, much less than they usually do at this time of the year. Less than seasonal declines also occurred in the volume of wholesale trade and in sales by furniture stores. Cotton mills consumed slightly less cotton in the shorter month of June, but the daily rate increased. Coal output continued in June at the May rate and, except for the holiday week, steel mill activity in Alabama continued at near capacity levels. With the exception of a few areas where serious drought conditions prevail, the agricultural population of the District is well on the way to earning the largest income in its history.

***Retail Trade:*** Reports from about 30 stores in the larger cities of the District for the first two weeks in July show that their sales were 18 per cent greater than in the corresponding weeks last year. In the first half of July, the daily rate of sales was only a little more than 1 per cent lower than in June, and if this rate should continue throughout the entire month, when reports for the full month are received from the larger number of stores that report monthly, the adjusted index, which makes allowance for seasonal influences, would rise 10 per cent further for July.

In June, increases over June 1943 occurred at all reporting cities, although June sales were less than those in May. Knoxville had the largest increase, 36 per cent, over June last year and Montgomery, Atlanta, and New Orleans had gains that were larger than the average of 15 per cent for the District. Other reporting cities had increases less than the District average.

At those stores that classify their sales, June cash sales accounted for 62 per cent of the total this year and 58 per cent last year; open book credit sales accounted for 35 per cent, against 38 per cent a year ago; and instalment sales accounted for 3 per cent, against 4 per cent in 1943.

Inventories at the end of June averaged 8 per cent larger, in dollar value, than a month earlier and were 24 per cent greater than a year ago. All reporting cities shared in the increases.

***Wholesale Trade:*** Distribution of merchandise through the District's wholesale firms declined 5 per cent in June as compared with May but was 5 per cent greater than in June 1943. Most lines of wholesale trade had declines—not unusual for the season—from May, but increased sales of lumber and building materials, electrical goods, and fresh fruits and vegetables were reported. Compared with June last year, increases were reported except in clothing and furnishings, hardware, paper and paper products, and tobacco and tobacco products. In the first half of 1944, sales by wholesale firms have been about 10 per cent greater in dollar value than in that part of last year. June inventories were down 2 per cent from May but were 14 per cent larger than they were a year ago.

***Life Insurance:*** Sales of life insurance in the six states that are situated wholly or partly in the Sixth District were larger in June than they had been in any month since January 1942. Except in Alabama, where June sales were down 21 per cent, increases over June 1943 ranged from 11 per cent in Georgia to 36 per cent in Mississippi.

***Finance:*** In June, the net increase in circulation of Federal Reserve notes of this Bank's issue was approximately 23 million dollars, as compared with a rise of 31 million dollars in May. In the first three weeks of July, a net decline of about 5 million dollars occurred, but in recent years pay-roll demands for currency have always resulted in a rather substantial increase in the last few days of each month. The June increase was the smallest since February. Notes of the smaller denominations—fives, tens, and twenties—increased 11.9 million dollars, while those of fifty dollars and up increased 11.4 million dollars. In the first half of 1944, notes of the larger denominations increased by about 15 million dollars more than did those of the smaller denominations. The net increase in circulation in the January-June period this year was 142 million dollars, compared with a rise of 175 million dollars in the first half of 1943. In the latter half of 1943, however, circulation increased approximately 233 million dollars.

Demand deposits (adjusted) at the District's 20 weekly reporting member banks have declined somewhat from the all-time peak at mid-June, but time deposits have increased further. Loans reported by these banks increased the last week in June and the first week in July because of a substantial rise in loans on securities, but these have since declined considerably. Investments, on the other hand, have continued to increase. The banks' holdings of United States securities increased more than 152 million dollars between June 14 and July 19.

***Industry:*** The rate of activity at Sixth District textile mills advanced slightly in June. Actual consumption of cotton declined 2.4 per cent from May, but the number of working days was 4 per cent smaller, and so the daily rate increased nearly 1.5 per cent. June consumption was, however, 10 per cent below that in June 1943, and it was 19 per cent below the record that was reached in October 1942. Actual consumption in bales for June was 276,954, divided among Alabama, 96,309 bales; Georgia, 162,554 bales; and Tennessee, 18,091 bales.

Coal production in Alabama and Tennessee, on a daily average basis, was the same in June as it was in May, but was about three fourths larger than in June last year because in that month output was substantially curtailed by a work stoppage at the mines. Of the total June production of 2,317,000 tons, Alabama produced 1,700,000 tons and Tennessee, 617,000 tons.

The scarcity of manpower and the inefficiency of the available supply of labor continue to constitute the principal deterrents to lumber production. Orders and shipments at Southern pine mills have continued in recent weeks to exceed output.

Reports of the United States Maritime Commission indicate that 31 merchant vessels were launched in June at yards in the Sixth District. This total compares with 30 in May, 35 in December, and 19 in June of last year. Of the June total, 17 were Liberty ships. For the entire country the June total was 145, compared with 155 for May and 168 for June 1943.

***Cotton:*** Early in July, the Department of Agriculture released its first cotton report for the season. It estimates that the acreage of cotton in cultivation in the United States on July 1 was 20,472,000 acres. This acreage represents a decline

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of 7 per cent from last year and, according to press reports, is the smallest acreage since 1895. The reduction is attributed partly to excessive and continued rainfall and low temperatures at seeding time, particularly in the southern part of the belt, and to the shortage of laborers, which brought about a shift to crops requiring less hand labor. The reduction in cotton planting, the report states, appears to have been more pronounced on the larger farms, as many small farmers maintained or increased plantings except where adverse weather prevented them from doing so.

The total cotton acreage for the Six States, including those parts of Tennessee, Mississippi, and Louisiana that are not situated in the District, amounts this year to 6,906,000 acres, a drop of 9 per cent from 1943. Acreage is 14 per cent smaller in Georgia; 9 per cent smaller in Alabama and Louisiana; 7 per cent smaller in Tennessee; and 5 per cent smaller in Mississippi. Florida, which produces only a small amount of cotton, planted 20 per cent less acreage this year than last.

The Georgia acreage is the smallest since 1871 and, with average abandonment, that in Alabama is also expected to be the smallest since 1871. The Tennessee acreage is the smallest since 1907, and that in Louisiana is the smallest since 1915. Weather conditions have been favorable in most sections in recent weeks and the crop has made good progress. Cotton prices advanced in early July and on July 12 were the highest, at 22.11 cents a pound middling, since the middle of 1928.

***Crop Estimates:*** Because of the uneven distribution of rainfall during June, crop prospects improved in most states west of the Mississippi River and declined rather generally east of the Mississippi, according to the July Crop Report released by the Department of Agriculture. In portions of both areas, the changes were outstanding and the trends seem likely to have continued into early July. Good growing conditions now prevail in most of the West. In the Southeast, near-drought conditions late in June were damaging potatoes, tobacco, early corn, and vegetables and were threatening nearly all late crops. On July 1, the area seriously in need of rain stretched from the Gulf northward to northern Virginia, southwestern Ohio, and central portions of Indiana, Illinois, and Missouri. During the first week of July helpful rains occurred in the far Southeast, but the area in need of rain extended farther north into the eastern corn belt, for there was almost no rain along a strip running from northern New York into northeast Texas.

In the states of this District, the Department of Agriculture's July estimates indicate increases over last year of 59 per cent in the production of wheat, 28 per cent in oats, and 14 per cent in tobacco. Corn has apparently decreased 15 per cent; tame hay, 6 per cent; potatoes, 23 per cent; and sweet potatoes, 16 per cent. Fruit crops increased rather substantially over 1943.

The largest Florida citrus crop on record—that from the 1943 bloom—has been harvested. Forty-six million boxes of oranges were harvested compared with 37.2 million boxes last year, and 31 million boxes of grapefruit were produced compared with 27.3 million boxes in 1943. The total citrus crop, including oranges, grapefruit, tangerines, and limes totaled over 80 million boxes compared with 68 million boxes last year. The prospects for the citrus crop for the coming season are reported as very promising. The condition of oranges on July 1 was 77 per cent of normal compared with 71 per cent a year ago; tangerines, 75 per cent compared with 45 per cent; and grapefruit, 70 per cent compared with 56 per cent.

D. E. MONCRIEF

## Sixth District Indexes

**DEPARTMENT STORE SALES***

| | Adjusted** | | | Unadjusted | | |
|---|---|---|---|---|---|---|
| | June 1944 | May 1944 | June 1943 | June 1944 | May 1944 | June 1943 |
| DISTRICT | 237 | 233 | 209 | 199 | 228 | 175 |
| Atlanta | 233 | 233 | 196 | 202 | 236 | 170 |
| Baton Rouge | 245 | 224 | 214 | 211 | 241 | 184 |
| Birmingham | 218 | 229 | 203 | 195 | 225 | 181 |
| Chattanooga | 205 | 232 | 182 | 200 | 239 | 178 |
| Jackson | 205 | 219 | 189 | 190 | 227 | 175 |
| Jacksonville | 303 | 279 | 269 | 268 | 295 | 238 |
| Knoxville | 254 | 266 | 196 | 229 | 278 | 176 |
| Macon | 220 | 227 | 205 | 198 | 237 | 184 |
| Miami | 229 | 222 | 204 | 156 | 182 | 139 |
| Montgomery | 225 | 208 | 176 | 195 | 214 | 153 |
| Nashville | 232 | 234 | 184 | 209 | 251 | 166 |
| New Orleans | 211 | 207 | 183 | 191 | 203 | 166 |
| Tampa | 285 | 292 | 262 | 249 | 276 | 228 |

**DEPARTMENT STORE STOCKS**

| | Adjusted** | | | Unadjusted | | |
|---|---|---|---|---|---|---|
| | June 1944 | May 1944 | June 1943 | June 1944 | May 1944 | June 1943 |
| DISTRICT | 214 | 185 | 172 | 201 | 186 | 162 |
| Atlanta | 279 | 244 | 211 | 255 | 248 | 193 |
| Birmingham | 188 | 138 | 146 | 176 | 142 | 137 |
| Montgomery | 247 | 203 | 224 | 225 | 206 | 205 |
| Nashville | 304 | 272 | 254 | 283 | 276 | 237 |
| New Orleans | 162 | 143 | 128 | 151 | 147 | 120 |

| | COTTON CONSUMPTION* | | | COAL PRODUCTION* | | |
|---|---|---|---|---|---|---|
| | June 1944 | May 1944 | June 1943 | June 1944 | May 1944 | June 1943 |
| TOTAL | 151 | 149 | 167 | 169 | 169 | 97 |
| Alabama | 160 | 152 | 173 | 177 | 177 | 101 |
| Georgia | 148 | 149 | 164 | ... | ... | ... |
| Tennessee | 130 | 126 | 158 | 152 | 152 | 89 |

**MANUFACTURING EMPLOYMENT*****

| | May 1944 | April 1944 | May 1943 |
|---|---|---|---|
| SIX STATES | 157 | 157 | 155 |
| Alabama | 185 | 185r | 195 |
| Florida | 175 | 176r | 163 |
| Georgia | 144 | 146r | 141 |
| Louisiana | 168 | 167r | 150 |
| Mississippi | 145 | 145r | 142 |
| Tennessee | 136 | 136 | 139 |

| | CONSTRUCTION CONTRACTS | | | GASOLINE TAX COLLECTIONS*** | | |
|---|---|---|---|---|---|---|
| | June 1944 | May 1944 | June 1943 | June 1944 | May 1944 | June 1943 |
| DISTRICT | 90 | 101r | 199 | 102 | 95 | 95 |
| Residential | 41 | 148r | 172 | ... | ... | ... |
| Others | 114 | 78r | 212 | ... | ... | ... |
| Alabama | 66 | 114 | 138 | 108 | 96 | 103 |
| Florida | 141 | 82 | 215 | 90 | 89 | 85 |
| Georgia | 123 | 71 | 66 | 94 | 95 | 89 |
| Louisiana | 61 | 161 | 143 | 101 | 94 | 103 |
| Mississippi | 50 | 30 | 39 | 92 | 79 | 92 |
| Tennessee | 54 | 38 | 388 | 131 | 113 | 102 |

**COST OF LIVING**

| | May 1944 | Apr. 1944 | May 1943 |
|---|---|---|---|
| ALL ITEMS | 129 | 128 | 129 |
| Food | 142 | 140 | 147 |
| Clothing | 136 | 136 | 130 |
| Rent | 114 | 114 | 114 |
| Fuel, electricity, & ice | 109 | 109 | 106 |
| Home furnishings | 136 | 133 | 123 |
| Miscellaneous | 124 | 124 | 117 |

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

| | June 1944 | May 1944 | June 1943 |
|---|---|---|---|
| Unadjusted | 198 | 194 | 179 |
| Adjusted** | 200 | 196 | 180 |

**ELECTRIC POWER PRODUCTION***

| | May 1944 | Apr. 1944 | May 1943 |
|---|---|---|---|
| SIX STATES | 259 | 262 | 235 |
| Hydro-generated | 292 | 310 | 253 |
| Fuel-generated | 215 | 199 | 210 |

**ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS**

| | June 1944 | May 1944 | June 1943 |
|---|---|---|---|
| Unadjusted | 18.4 | 15.5 | 18.4 |
| Adjusted** | 19.0 | 16.7 | 18.9 |
| Index** | 73.4 | 64.5 | 73.2 |

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

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# *The National Business Situation*

EMPLOYMENT and production at factories continued to decline slightly in June; output of minerals was maintained in record volume. Retail trade and commodity prices showed little change in June and the early part of July.

***Industrial Production:*** The Board's seasonally adjusted index of industrial production was 235 per cent of the 1935-39 average in June as compared with 237 in May and 243 in the first quarter of 1944.

Steel production declined 4 per cent from the rate in May, reflecting partly manpower shortages. Output of nonferrous metals dropped 8 per cent, largely owing to the continued planned curtailment of aluminum and magnesium production. The lifting on July 15 of some of the restrictions on use of these metals was the initial step in a program to prepare for limited reconversion to peacetime output. Activity in the machinery and transportation equipment industries in June was maintained at the level of the preceding month. Increasing emphasis was reported on output of heavy artillery and artillery shells and of tanks. Lumber production continued to decline and was approximately 10 per cent below June 1943.

Production of nondurable goods was maintained in June. Meatpacking activity declined further from the exceptionally high level in the first quarter, but output of most other food products continued to rise seasonally. Refinery output of gasoline advanced further and reached the earlier record level of December 1941. Activity in cotton textile mills and in the chemical and rubber industries showed little change in June.

Mine production of metals and coal was maintained in large volume, and crude petroleum production continued to rise to new record levels.

***Distribution:*** Department store sales declined more than seasonally in June, following a considerable increase in May, and the Board's index was 175 per cent of the 1935-39 average as compared with 183 in May and an average of 177 in the first four months of this year. Value of sales in the first half of 1944 was 7 per cent greater than in the first half of 1943. In the early part of July sales were 9 per cent larger than a year ago.

***Commodity Prices:*** Legislation extending Federal price controls for one year was enacted June 30; certain restrictive provisions were relaxed, especially those relating to prices of cotton products. Prices of most commodities in wholesale and retail markets have recently shown little change.

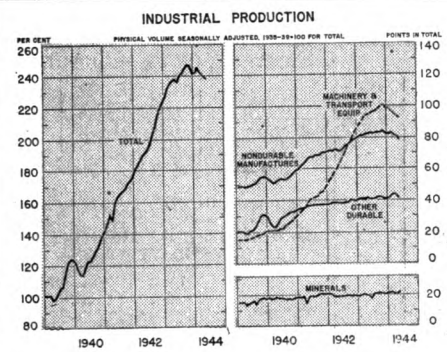
***Agriculture:*** Well over a billion bushels of wheat and almost 3 billion bushels of corn were in prospect on July 1. This estimate is an improvement over June 1 prospects, and aggregate crop production in 1944 may be about the same as in 1943 and larger than in any year prior to 1942.

The number of chickens raised this year was 19 per cent smaller than last year; the spring pig crop was 24 per cent smaller and the fall crop may be a third smaller than in 1943. Marketings of cattle, however, have been normal in relationship to the numbers, and unless marketings are increased during the rest of this year no material reduction of the large numbers of cattle on farms will occur.

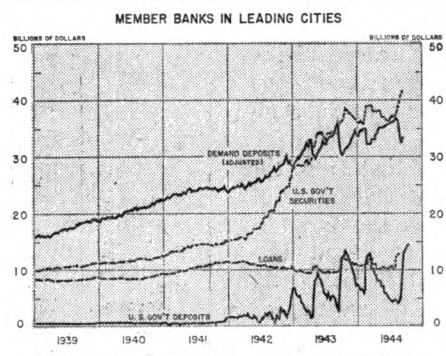
***Bank Credit:*** As payments for securities purchased during the Fifth War Loan Drive transferred funds from private deposits to reserve-exempt Government accounts, the average level of required reserves at all member banks declined by close to 1¼ billion dollars. Reserve balances were reduced by about 800 million dollars and excess reserves rose by around 400 million. Reserve funds were absorbed through declines in Reserve Bank holdings of Government securities, by a moderate increase in currency, and by temporary increases in Treasury deposits at the Reserve Banks. Over the four weeks ending July 12, money in circulation rose by 230 million dollars. This is a smaller rate of growth than prevailed in recent months and reflects the influence of the war loan drive.

During the Fifth War Loan Drive, between June 14 and July 12, Government security holdings at reporting member banks in 101 leading cities increased by 4.7 billion dollars. Additions to bank holdings resulted from purchases of securities from investors who were adjusting their positions prior to subscriptions during the drive, from increased purchases of Treasury bills, and from subscriptions to new securities in limited amounts.

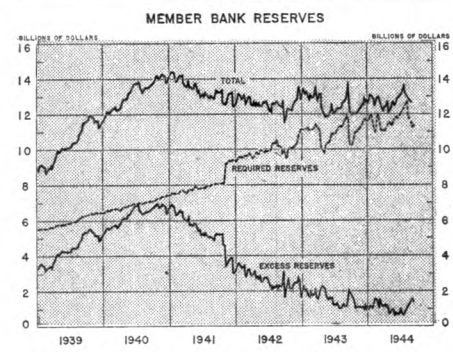
*(This page was written by the staff of the Board of Governors of the Federal Reserve System)*




Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for June 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 July 12, 1944.




Breakdown between required and excess reserves partly estimated. Wednesday figures, latest shown are for July 19, 1944.

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