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Cottonseed in the Southern Economy

IN THE midst of a lively national concern with the fate of cotton as a textile fiber, little attention has been given the economic importance of cottonseed in the Southern economy. However experts may differ on many aspects of a workable cotton program, they are all agreed on one, namely, the desirability of reducing the cost of growing cotton in an effort to strengthen its competitive position.

Because cottonseed is a by-product of cotton culture and has no separable cost of production of its own, the value that cottonseed returns to the farmer in one way or another is a credit against the gross cost of producing cotton lint. The effect of this credit, therefore, is to reduce the net cost of producing the lint.

During the crop year 1942-43, for example, when the upland varieties of cotton yielded an average of 284 pounds of lint per acre for the nation as a whole, the gross cost of production—cost of preparation and planting, cultivating and hoeing, harvesting, fertilizer and manure, seed, ginning, and miscellaneous expense and land rent—amounted to \$45.82 per acre, or 16.1 cents per pound of lint. In that year, however, the credit for cottonseed was \$11.42 per acre, the net cost of producing lint being reduced by that amount to \$34.40 per acre, or 12.1 cents per pound. Obviously at any given level of gross cost, therefore, the higher the credit for cottonseed, the lower will be the net cost of the lint and the stronger will be the competitive position of cotton fiber. Conversely, the less the credit for cottonseed, the higher will be the net cost of the lint and the weaker will be cotton's competitive position.

Some indication of the importance of this credit is given by the value of cottonseed production. The 10-year average farm value of cottonseed for the period 1930-39 amounted to 121.9 million dollars. This amount was almost 10 per cent of the figure for the country's corn crop, 42 per cent of that for the oats crop, 24 per cent of that for the wheat crop, and 128 per cent of that for the barley crop, and it was more than four times the value of the soybean crop. By 1942, wartime influences had almost doubled the value of cottonseed production, raising the figure to 237 million dollars. Of this total value 38.8 per cent, 92.5 million dollars, accrued to cotton farmers in Sixth District states where 38.3 per cent of the seed, approximately two million tons, was produced in 1942.

The magnitude of these figures would justify some consideration of cottonseed as a major Southern crop irrespective of its effect upon the position of cotton.

Cottonseed appears first as a merchantable commodity at the cotton gin, where it is separated from the fiber. Ten thousand active cotton gins, of a total of about 12,000 in the country, performed this function in 1943 and, in addition, served as initial points of collection for the seed. Approximately 13 per cent of the seed separated at gins is returned to farms for use as seed and, to a small extent, as feed and fertilizer. The remainder of the seed, 87 per cent of it, finds its way directly or through various intermediate marketing channels to the oil mills, where it is broken down into its constituent parts.

According to the latest census figures 394 mills in the United States crushed cottonseed during the crop year ended July 1, 1944. Of these, 28 were in Alabama, 43 in Georgia, 41 in Mississippi, 18 in Louisiana, and 13 in Tennessee. In addition to the mills that actually crushed cottonseed in the crop year 1943-44, 52 mills possessed the necessary equipment but did not crush any seed. The total number of available mills was therefore 446.

From year to year for almost a quarter of a century the number of mills crushing cottonseed has declined. Compared with the 394 active mills on July 1, 1944, 410 were active on the corresponding date in 1943, 426 in 1942, 446 in 1941, 446 in 1940, 462 in 1939, 466 in 1938, 557 in 1928, and 763 in 1917.

Four characteristic products of cottonseed emerge from the oil mill—linters, hulls, oilcake or meal, and oil. Each of these, after going through further processing stages, may reappear in a very wide variety of end products.

Linters, the short cotton fibers adhering to the seed after ginning, are removed in the first major operation at the oil mill. Linters enter into the manufacture of such things as cotton batting, wadding, stuffing material, felt, absorbent cotton, low-grade yarns, and cellulose. Modern chemistry converts cellulose in turn into a myriad of other things, some of which are writing paper, guncotton, smokeless powder, plastics, varnishes, artificial leather, celluloid, artificial silk, and photographic film.

Hulls that are stripped from the kernels or meats of the



seed are used as cattle feed, fertilizer, and packing material. The fiber can be converted into a stuffing; a base for explosives, such as dynamite; pressed-paper products; and blotting paper. During the present war, cottonseed hulls are an important source of furfural, which is used in the manufacture of synthetic rubber.

After hulling, the seed meats are passed through heavy rollers, and the resulting flakes are fed into a cooker. From the cooker they pass to a machine called a "former," in which they are spread over a mold, wrapped in press cloths, and pressed lightly into cakes. These cakes are then ready for the press, where they are subjected to pressure that is increased gradually to about 4,200 pounds per square inch. Pressure is maintained for 20 to 30 minutes. This process results on the one hand in solid slabs of cottonseed cake that may subsequently be reduced to cubes or pellets or be ground into meal, and, on the other hand, in the crude cottonseed oil that is pressed from the meats.

Cottonseed cake or meal has some importance as a fertilizer and in the manufacture of dyestuffs, but it is chiefly important as feed for cattle, poultry, swine, sheep, and horses and mules. To a small but growing extent flour made from cottonseed meal, high in protein and vitamin B content and low in starch, is being used in bread, cake, and crackers.

Crude cottonseed oil appears, after refining and further processing, in a great variety of other products, such as cosmetics, baking and cooking oil, salad oil and mayonnaise, vegetable shortening and margarine, and medicinal oil. It also enters into the manufacture of soap, roofing tar, linoleum, waterproofing material, a base for cheap paint, artificial leather, and phonograph records.

The four basic products of the cottonseed-oil mill are, of course, not all of equal importance. For the period 1930-39, crude cottonseed oil accounted for an average of 53.9 per cent of the total value of cottonseed products. Ninety per cent of this oil ultimately appeared in the form of food products. Cottonseed cake and meal in the same period accounted for 30.8 per cent of the total value, linters 10.2 per cent, and hulls 5.1 per cent. Food for human consumption and feed for livestock are clearly the two most important uses of cottonseed products. All other uses, although far from negligible in the aggregate, are individually of quite minor importance.

Competitive Markets

Each of the four basic cottonseed products enter, by way of their various uses, highly competitive markets. Linters compete with cotton lint itself and with wood pulp as a source of cellulose. Hulls compete with hay and silage as cattle feed. Oilcake and meal compete with many other protein concentrates in the feeding of livestock and with other fertilizers in that particular use. Various domestic and foreign fats and oils, such as linseed, peanut, soybean, and coconut oils and lard can easily replace or be replaced by cottonseed oil in many uses.

When different commodities can be readily substituted for one another, as is the case with cottonseed products, their prices in a competitive market tend to be tied closely together. A small unfavorable differential in the price of one of the competing products will lose for that commodity a disproportionate share of the total sales. Conversely, a small favorable price differential will win for it a disproportionate share of the total sales. For example, in the case of cotton-

seed oil, the most important product of the oil mill, the average wholesale price for the period 1931-40 was 6.1 cents per pound while that for peanut oil was 6.5 cents per pound, and that for soybean was 5.8 cents.

In every year from 1931 through 1943 the price of cottonseed oil was below that of peanut oil, but in no case by as much as one cent. During that period the factory production of peanut oil never amounted to more than 5 per cent of the total of cottonseed, soybean, linseed, and peanut oils.

In those 13 years the average wholesale price of soybean oil did not vary by more than 1.1 cents per pound from that of cottonseed oil. The price of cottonseed oil in this case, however, was sometimes below that of the competing oil but more often above it. In the years 1931-34 the price of cottonseed oil was less than that of soybean oil, and in those same years the factory production of the latter never rose above 2.1 per cent of the total production of cottonseed, soybean, linseed, and peanut oils. The price of cottonseed oil in 1935, however, was 1.1 cents higher than that of the competing oil, and in that year the proportion of soybean oil manufactured more than doubled, rising to 5.7 per cent of the four-oil total. When, in 1936, the price of cottonseed oil was again above that of soybean oil, the factory production of the latter once more almost doubled, rising to 11.3 per cent. The year 1937, however, saw the price of cottonseed oil fall 0.1 cent below that of soybean oil. This drop was accompanied by a decline in the factory production of soybean oil to 7.7 per cent of the four-oil total. In every subsequent year the price of cottonseed oil was higher than that of soybean oil, and the production of soybean oil rose to 12.8 per cent of the four-oil total in 1938 and then, with some fluctuations, to 34.2 per cent in 1943.

Factors in Pricing

The movements just described were undoubtedly the result of many factors, among which were the restriction of cotton production and the wartime official encouragement of the growing of soybeans. They nevertheless illustrate the tendency for the prices of substitutable competing products to cling together and for the share of the market obtained by each to vary inversely with its price.

The prices of cottonseed products as made in such competitive markets go far to determine how much an oil mill can afford to pay for cottonseed without incurring loss. Two other factors entering into the price that the oil mill can pay are the manufacturing costs and the yields of various constituent products per ton of seed.

Cottonseed is a highly variable raw material. Its yield of oil, cake, and linters per ton varies widely from season to season, from region to region, and from one lot of seed to another. Within a single state in a single season the oil content of seed has been found to vary from as little as 145 pounds to as much as 395 pounds per ton. Oilcake has sometimes varied from 693 pounds per ton of seed to 1,036 pounds. Moisture content may vary from 5 per cent to as much as 30 per cent in a single season, all moisture in excess of 7 per cent being valueless. Seed is therefore bought by an oil mill on the basis of grades established by the United States Department of Agriculture in co-operation with the oil mills. Bids for cottonseed are based upon an average grade, with premiums and discounts for seed that grades high or low in comparison with the average official grade.

The gross price, or value, that an oil mill can afford to pay for a ton of cottonseed is therefore made up of the sum of the yields of the various products multiplied by their prevailing market prices. The net price that the mill can pay is the difference between the gross value and the cost of processing the seed.

Since cottonseed is produced as an inevitable by-product of the production of cotton lint, at the rate of approximately 2 pounds of seed to each pound of lint, and since the seed must find a market at the oil mill or remain relatively valueless, the price that the oil mill *must* pay for seed is not likely to vary a great deal from what it *can* pay. Therefore the price of cottonseed is largely a demand-determined price. The size of the credit that receipts from cottonseed provide as an offset against the cost of growing cotton thus depends, in the first instance, on what happens in the competitive markets for cottonseed products and, in the second, on the amount of cotton that is grown and ginned, for this amount determines the quantity of seed. It would be hazardous to predict with any great certainty what the postwar situation may be with respect to these two factors.

Postwar Supply and Demand

On the demand side, cottonseed products will most likely be under considerable competitive pressure. The end of the war will find the country in a surplus position with respect to fats and oils, a condition that will be further accentuated when foreign oils again come on the market. Even without this foreign competition, however, cottonseed would be hard pressed by the war-expanded production of soybeans and, to a lesser extent, of peanuts. Other cottonseed products will be under similar but less definable competitive pressure.

The supply of cottonseed that will be available for crushing is also a matter of conjecture. To a large extent, it will depend upon the general policy that will be followed by the Federal Government with respect to cotton. Clearly, any policy that involves any direct restriction on the production of cotton would have the effect of depriving oil mills of raw material. Such a policy would make it difficult for cottonseed products to win as large a share of the market as they otherwise could at low competitive prices. Moreover, although farmers might gain some advantage from an artificially supported price for lint, this advantage would be diminished to some extent by reduced receipts from the sale of cottonseed if less seed were available because of crop restrictions.

A cotton program will necessarily be concerned primarily with cotton lint rather than with the by-product, cottonseed, but such a program should certainly not overlook its possible effects on the position of cottonseed in the total cotton economy. Nor should a cotton program be oblivious to the role that cottonseed might play in the development of a better-balanced agriculture in the cotton belt, as well as in the industrial development of the South.

Cotton has long been decried as a soil-depleting crop, and the restoration of soil fertility by crop rotation and the balancing of cotton with livestock enterprises have been important phases of every program for the rehabilitation of Southern agriculture. In carrying out any such soil-building program, cottonseed could be an important factor. Most of the plant-food elements lost by the soil in the production of cotton are fixed in the seed and not in the lint. These elements

could be restored to the soil by the direct or indirect use of cottonseed products as fertilizing agents. During 1942 more than 9,000 tons of cottonseed meal were applied as fertilizer on cotton farms in Sixth District states. What is generally considered a better practice, however, is to feed cottonseed meal to cattle and other livestock as a high-protein supplement to other feeds and then to recover the animal manure for use on the soil. In this way from 65 to 85 per cent of the plant-food elements would be returned to the soil and, in addition, the diet of the region could be improved by an increased consumption of dairy and livestock products.

In the opinion of some experts, the dietary level of the population would be improved if a much larger proportion of the fluid-milk supply were consumed as whole milk instead of as butter, with the skim milk being fed to hogs and other livestock. The butter that would be lost thereby could easily be replaced by margarine which, when enriched with vitamin A, is said to be the equivalent of butter in food value and is almost indistinguishable from butter in taste. Cottonseed oil is the most important fat used in the manufacture of margarine, although during the war soybean oil has reached a place of almost equal importance. Even though it is not the most productive vegetable-oil crop per acre, cottonseed nevertheless surpasses the dairy cow as a producer of fat on a per acre basis. A dairy cow, according to a Department of Agriculture study, will convert the feed crops on an acre of land into an average of 46 pounds of butterfat, whereas the cottonseed from one acre of land will yield, on the average, 65 pounds of fat.

Millions of persons have become familiar with margarine during the war when butter has been in short supply for civilian use. When the war is over, margarine will undoubtedly continue to be found on many tables where it was previously unknown. The possibility of expanding the margarine market for cottonseed oil, however, is hampered by state and Federal laws that impose discriminatory taxes and burdensome coloring provisions on this product that is derived to such a large extent from Southern cotton farms.

Questions concerning the most desirable combination of farm enterprises, the best ways in which to rebuild the soil, and the best means of improving the national and regional diet are technical and complex to a high degree. The answers must be given by the agronomist, the nutritionist, and the farm-management expert. Here it is only meant to suggest that cottonseed products, because they are involved to some extent in the solution of most of these problems, can be an important factor in developing a better-balanced agriculture in the South.

In addition to playing an important role in the rehabilitation of agriculture in the South, cottonseed may well contribute substantially to the region's industrial structure. The many end products into which cottonseed can be ultimately converted could apparently offer opportunities for a considerable increase in the number of plants engaged in the utilization of cottonseed, or its products, as raw materials.

Certainly the 21 refineries, the 3 margarine plants, the 16 shortening plants, and the 42 mixed-feed plants in the Sixth District would not seem to exhaust the possibilities in this direction. Businessmen and bankers might therefore serve not only themselves but their communities and the whole region as well by being on the alert for such industrial opportunities.

EARLE L. RAUBER.

New Member and Par List Banks

THE Federal Reserve System in March gained two new member banks in the Sixth District, in one instance by the conversion of a nonmember state bank to a National bank and in the other by the admission of a state bank to membership. One bank was also added to the Par List in March, and two others will be added on April 1.

Admission of New Members

Effective March 10, 1945, the Citizens Bank and Trust Company, Houma, Louisiana, a nonmember state bank, was converted to a National banking institution, by authority of the Comptroller of the Currency, and became the Citizens National Bank and Trust Company. This institution was originally organized in 1919 as the Bourg State Bank, of Bourg, Louisiana, which is located about nine miles from Houma. It was moved to Houma in 1924 where it continued operations until 1928, when it was succeeded by the Citizens Bank and Trust Company. Five years later it was reorganized under the title of the Citizens Bank and Trust Company.

The new member bank's capital is \$150,000, its surplus is \$100,000 and its deposits exceed \$3,000,000. M. L. Funderburk is president of the bank and is actively assisted by Louis E. Routier, first vice president and cashier, and Leo J. Caballero, assistant cashier. Two other active officers, Roland J. Champagne and Warren H. Bourgeois, both assistant cashiers, are at present on leave with the armed forces. Leopold Blum, second vice president, and Harry Bourg, third vice president, are inactive. In addition to Messrs. Funderburk, Routier, Blum, and Bourg, the board of directors includes Alphonse J. Cenac, Albert Champagne, R. W. Collins, H. Depont, Lee P. Lottinger, D. C. McIntire, J. J. Munson, William Price, H. P. St. Martin, and Sam Scurto.

Houma is a community of approximately 13,000 population and is in the center of Terrebonne Parish. It is the trading center for the entire parish and some parts of the surrounding parishes. The industries of Terrebonne Parish are well diversified, consisting primarily of the production of oil; the growing and processing of sugar cane; the catching and processing of seafoods, including shrimp, oysters, and fish; and the trapping of muskrats. The parish also raises an appreciable amount of vegetables for shipping, including potatoes and shallots.

The second bank to be admitted to membership during the month of March was the Security Savings Bank, Birmingham, Alabama. It was admitted on March 13, 1945. This bank's capital is \$200,000, and its surplus and undivided profits are in excess of \$200,000. Its deposits approximate \$1,300,000.

A. M. Shook is president of the bank, Alton P. Barr is vice president, and Joseph Steiner is cashier and secretary. In addition to Messrs. Shook and Barr, the board of directors includes Leo E. Bashinsky; C. C. Blackwell; J. E. Chappell; Needham A. Graham, Jr.; C. E. Ireland; and J. A. Norman.

The city of Birmingham, with a population estimated to be in excess of 300,000, is a leading industrial city in the Southeast and is the largest iron and steel center in the South.

With the admission of the Security Savings Bank, the city of Birmingham now has three Federal Reserve member banks, the other two being the Birmingham Trust and Savings Com-

pany and the First National Bank of Birmingham, which has six branches located in and around Birmingham.

Additions to Par List

The Lincoln County Bank, Fayetteville, Tennessee, was added to the Federal Reserve Par List on March 21, 1945. Beginning on that date the bank will remit at par for checks that are drawn upon it and routed for collection through the Nashville Branch of the Federal Reserve Bank of Atlanta.

The Lincoln County Bank was organized in January 1934. Its capital is \$50,000; it has surplus and profits of \$50,000; and its deposits amount to more than \$1,500,000. T. D. Sugg is president, Fred Rawls is cashier, and C. E. George is assistant cashier. In addition to Messrs. Sugg and Rawls, the board of directors includes O. H. Higgins, H. M. Sherrell, and P. A. Twitty.

Fayetteville is a town of approximately 4,700 people, according to the 1940 census. It is located in the south central part of the state not far from the Alabama line.

The South Side Atlanta Bank, located in Lakewood Heights, Atlanta, Georgia, will be added to the Federal Reserve Par List on April 1, 1945. Beginning on that date checks drawn on this bank and routed through the Federal Reserve Bank of Atlanta will be remitted for at par.

This institution originally opened for business in 1912 at Rex, Georgia, as the Bank of Rex, with a capital of \$15,000. It moved to its present location in 1929 and became the South Side Atlanta Bank. With a capital of \$25,000 and a surplus of \$35,000, the bank has undivided profits amounting to approximately \$28,000. Its deposits total more than \$2,500,000.

Walter Estes is president of the bank; E. J. Striplin is executive vice president; T. M. Longino is vice president; E. Cowan is cashier; and W. L. Williamson is assistant cashier. In addition to Messrs. Estes, Striplin, Longino, and Cowan, the board of directors includes George Braungart, Jr.; B. M. Clay; Dr. Z. S. Cowan; Dr. D. R. Longino; S. C. McWilliams; S. L. Nelms; and J. P. Starr.

Effective also on April 1, 1945, the Florida Bank and Trust Company, Winter Park, Florida, will be added to the Federal Reserve Par List. Checks drawn on this bank and routed for collection through the Jacksonville Branch of the Federal Reserve Bank of Atlanta will be remitted for at par.

The Florida Bank and Trust Company was originally organized in 1917 under the name of Union State Bank. In May 1930 the name was changed to Florida Bank at Winter Park. Upon qualifying for trust powers in February 1945, the bank changed its title to Florida Bank and Trust Company.

Officers of the bank are W. R. Rosenfelt, president; H. W. Barnum, vice president; P. E. Davis, vice president and cashier; and E. M. Baldwin, assistant cashier, who is at present on leave with the armed forces. In addition to Messrs. Rosenfelt, Barnum, and Davis, the board of directors includes Joshua C. Chase, B. R. Coleman, Homer Gard, Rockwell C. Osborne, and W. E. Winderweedle.

Deposits of the bank amount to \$4,800,000. Its capital is \$100,000, and it has surplus and undivided profits of \$127,000.

Winter Park is located near Orlando and is the site of Rollins College. The city's 1940 population was 4,715.

Member Bank Operations for the Year 1944

GOVERNMENT security financing continued to be the dominant factor in Sixth District banking during 1944. Earnings, in large measure from holdings of Government securities, were the highest in recent years. For the first time, in fact, the earnings of the banks from interest and dividends on securities exceeded the earnings on loans. Average holdings of securities for the year moved up to almost one half of total assets and to almost one half of total deposits. Such holdings at the end of the year, in contrast to the average, were actually more than one half of total deposits — 2.6 billion dollars in Government securities for 309 banks against 4.9 billion dollars of deposits. In spite of record-breaking profits, the banks have tended to follow conservative policies, keeping dividend payments at normal levels and writing down or disposing of real estate assets.

Tabulations, which were compiled by this bank, set forth these developments in detail on pages 26-28. They were prepared as a part of the Research Department's annual study of operating ratios of member banks, a study first made for the year 1937 and continued ever since. The ratios, it should be explained, are simple arithmetic averages of ratios as computed from the financial reports of individual member banks.

The financial reports used were the condition reports as of December 31, 1943, June 30, 1944, and December 30, 1944, and the earnings and dividends reports for the year of 1944. Asset, liability, and capital items used in calculating the ratios were averages for the three condition-report dates. Though there were 316 member banks at the close of the year, the ratios were calculated only for the 309 member banks that were members of the Federal Reserve System throughout the year. In order to recognize differences arising from size, the banks for purposes of comparison were divided into seven groups — the smallest group consisting of those banks having deposits of less than \$500,000 and the largest group of those having deposits in excess of 75 million dollars.

Perhaps the most striking feature of Sixth District member-bank operations during 1944 was the degree to which higher profits on invested capital were attained. The average ratio of net profits after taxes to total capital accounts was 11.2. This ratio was the highest reached in any of the past eight years. The previous high was for the year 1943, with an average ratio of 8.8, and the previous low was for the year 1942, with an average ratio of 6.0.

Almost all banks, regardless of size, experienced an increase in profits. The average ratio of net profits after taxes to total capital accounts was 11.8 for banks with deposits in excess of 75 million dollars. It was 12.3 for banks with deposits between 15 million and 75 million dollars, 11.2 for banks with deposits between five million and 15 million dollars, and 11.5 for banks with deposits between two million and five million dollars. For the 82 banks with deposits between \$500,000 and two million dollars, the ratio was 10.3. With an average ratio of 7.3, only the six banks with deposits of less than \$500,000 fell below the 10 per cent capital-return ratio. This group of small banks, however, for the year 1944 had an increase of 35.8 per cent over the profits realized for 1943. This percentage increase in profits compares with 27.4 per cent for banks in the seven groups as a

whole and was exceeded only by the gain of the Group C banks, those having deposits between one million and two million dollars.

Another striking feature of member-bank operations during 1944 was the fact that, for the first time, interest and dividends on securities surpassed earnings on loans. For the year 1944, the average ratio of security earnings to total earnings was 43.3, compared with 36.4 for earnings on loans. These two ratios were almost exactly the reverse of what they were in 1943, when security earnings provided an average of 35.9 of total earnings and loan earnings provided an average of 42.8. In 1941 the average ratio between security earnings and total earnings was 20.5 and between loan earnings and total earnings 62.7.

In general the larger the bank, the greater was the percentage of security earnings to total earnings. For the group of largest banks, those with deposits of more than 75 million dollars, these two ratios were 52.1 and 25.8, respectively. In contrast, the two ratios for the 24 banks with deposits between \$500,000 and one million dollars were 32.6 and 49.6.

The proportion of total earnings represented by service charges declined for the year 1944, compared with that for 1943. The ratio of such earnings to total earnings for the year, however, was higher than that for any year during the period 1938-42. It remains true, however, that most of the banks, regardless of size, are now drawing their principal earnings from the same source, namely, Government securities.

The switch in the principal source of earnings was, of course, the direct result of a change in the character of the principal earning assets of the banks. As recently as 1941, the average ratio of securities to total assets was 22.0. This ratio for 1944 was 49.5. Loans to total assets, on the other hand, declined from a ratio of 35.5 in 1941 to 15.4 in 1944.

On their holdings of securities, the banks earned an average net return of 1.8. On their loans, in contrast, the average ratio was 5.2. The lower rate on loans largely reflects the decline in interest rates that has been taking place since 1940. While the return on securities is low in comparison with that on loans, the potential loss in earnings has been more than offset by a much greater volume of security investments. Moreover, during the past three years, the banks have tended to become more and more fully invested. The average ratio of cash assets to total assets, for example, for 1944 was 34.0. This is the lowest ratio experienced in any year since 1939, and the average for that year was 33.9.

As should be expected with a wider margin between earnings and expenses, the ratio of the various expense items to total earnings showed a decline for the year 1944. The average ratio of salaries and wages to total earnings was 30.5 for 1944 against 32.2 for the previous year. The average ratio of interest on time and savings deposits to total earnings has shown the greatest decline of any of the expense items. For the year 1944 this ratio was 8.2; for the previous year it was 8.9; and for 1937, the highest point during the last eight years, it was 15.3. This decline is largely a reflection of the reduction in interest rates that has taken place during the past several years. The average ratio of interest on time and savings deposits to total time deposits for the year 1944 was

AVERAGE OPERATING RATIOS OF MEMBER BANKS GROUPED ACCORDING

GROUPS WITH AVERAGE DEPOSITS OF..... NUMBER OF BANKS IN EACH GROUP.....	Up to \$500,000		\$500,000 to \$1,000,000		\$1,000,000 to \$2,000,000	
	Average of Group	6 Range within which fell middle 50% of the banks	Average of Group	24 Range within which fell middle 50% of the banks	Average of Group	58 Range within which fell middle 50% of the banks
PERCENTAGE OF TOTAL CAPITAL ACCOUNTS :						
Net current earnings.....	8.3	4.0— 9.3	10.0	7.2— 11.6	11.3	7.4— 14.0
Profits before income taxes.....	8.3	5.0— 8.5	11.9	7.2— 15.0	11.6	9.0— 13.8
Net profits after taxes.....	7.3	4.0— 8.0	10.3	6.3— 11.7	10.3	7.8— 12.5
Cash dividends declared.....	3.2	3.1— 4.0	3.6	2.8— 3.9	4.0	2.5— 4.0
PERCENTAGE OF TOTAL ASSETS :						
Total earnings.....	2.9	2.7— 3.0	2.2	2.0— 2.3	2.2	1.9— 2.4
Net current earnings.....	.9	.9— 1.0	.8	.6— .9	.8	.5— 1.0
Net profits after taxes.....	.8	.7— .9	.8	.5— 1.0	.7	.5— .8
PERCENTAGE OF TOTAL EARNINGS :						
Interest and dividends on securities.....	29.6	18.9— 32.4	32.6	15.2— 44.5	35.6	26.2— 44.9
Earnings on loans.....	53.7	44.3— 50.0	49.6	37.6— 66.3	44.7	35.5— 53.4
Service charges on deposit accounts.....	9.8	4.4— 9.5	8.3	4.1— 9.2	7.2	3.5— 9.5
Trust department earnings.....	1.0	.....	.....	.....	.....	.....
All other earnings.....	5.9	3.2— 5.2	9.5	6.3— 12.0	12.5	5.8— 15.8
Total earnings.....	100.0	X X X X	100.0	X X X X	100.0	X X X X
Salaries and wages.....	32.4	26.6— 29.8	33.2	30.5— 34.2	32.4	27.5— 35.8
Interest on time and savings deposits.....	11.2	7.9— 9.7	5.2	.6— 7.5	8.4	5.9— 10.8
All other expenses.....	25.3	20.7— 28.5	25.4	21.4— 29.6	24.4	20.6— 27.8
Total expenses.....	68.9	59.7— 69.3	63.8	56.0— 68.7	65.2	57.9— 71.1
Net current earnings.....	31.1	28.8— 39.3	36.2	31.3— 44.0	34.8	28.6— 41.9
Net losses or recoveries.....	+ 2.0	— 4.3— + .6	+ 6.8	— .5— +8.4	+ 1.4	— 2.3— +5.4
Taxes on net income.....	4.5	...— 1.8	5.6	1.6— 8.2	4.3	3.5— 6.8
Net profits after taxes.....	28.6	23.7— 31.8	37.4	26.7— 43.7	31.9	24.4— 37.9
PERCENTAGE OF TOTAL SECURITIES :						
Interest and dividends on securities.....	2.3	2.1— 2.2	1.7	1.4— 1.8	1.8	1.4— 2.0
Net losses or recoveries.....	+ .2	— .1— ...	...	...— + .1	...	...— + .1
PERCENTAGE OF TOTAL LOANS :						
Earnings on loans.....	8.2	7.4— 8.3	6.7	5.1— 7.4	6.0	5.0— 6.5
Net losses or recoveries.....	...	.....	+ .8	...— + .3	...	...— + .1
PERCENTAGE OF TOTAL ASSETS :						
Government securities.....	30.2	27.6— 32.5	34.6	21.7— 42.2	36.4	31.2— 43.7
Other securities.....	5.8	.8— 5.0	5.0	1.4— 4.6	5.8	1.6— 6.9
Loans.....	19.7	15.2— 16.6	19.3	10.4— 25.2	18.8	11.0— 22.3
Cash assets.....	43.1	37.2— 48.0	40.3	31.6— 46.7	38.0	30.4— 43.4
Real estate assets.....	1.2	.4— 1.1	.7	.4— 1.0	.8	.4— 1.1
All other assets.....	...	.....	.1	.....	.2	.....
Total assets.....	100.0	X X X X	100.0	X X X X	100.0	X X X X
CAPITAL AND DEPOSIT RATIOS : (In Percentage)						
Cap. accts. to total assets.....	13.1	9.6— 11.4	8.5	6.5— 9.6	7.1	3.3— 8.3
Cap. accts. to total assets less gov'ts and cash assets.....	50.1	39.9— 58.7	40.0	28.5— 48.9	31.9	22.1— 38.4
Cap. accts. to total deposits.....	15.5	10.7— 12.9	9.5	7.0— 10.6	7.7	5.7— 9.1
Time to total deposits.....	25.8	18.0— 23.9	13.5	4.1— 20.3	19.2	11.6— 26.6
Interest to time deposits.....	1.4	.9— 1.6	.7	.1— 1.1	.9	.9— 1.0
RATIO TO TOTAL DEPOSITS :						
Government securities.....	34.5	30.5— 36.7	37.7	23.5— 46.3	39.2	33.3— 46.8

**IN THE SIXTH FEDERAL RESERVE DISTRICT IN 1944
TO SIZE OF DEPOSITS**

<u>\$2,000,000 to \$5,000,000</u>		<u>\$5,000,000 to \$15,000,000</u>		<u>\$15,000,000 to \$75,000,000</u>		<u>Over \$75,000,000</u>		<u>All District Member Banks</u>
94		72		38		17		309
Average of Group	Range within which fell middle 50% of the banks	Average of Group	Range within which fell middle 50% of the banks	Average of Group	Range within which fell middle 50% of the banks	Average of Group	Range within which fell middle 50% of the banks	Average of Group
%	%	%	%	%	%	%	%	%
13.2	10.0— 15.5	12.4	9.4— 15.1	14.6	11.3— 17.2	14.7	13.1— 16.3	12.6
13.6	10.0— 15.8	14.2	10.8— 15.9	16.4	11.6— 17.1	15.8	12.4— 18.6	13.6
11.5	8.9— 13.7	11.2	8.4— 12.7	12.3	8.5— 13.8	11.8	8.9— 13.0	11.2
3.7	2.6— 4.4	3.2	2.4— 3.9	2.4	1.7— 3.1	3.4	2.6— 3.9	3.4
2.0	1.7— 2.2	1.9	1.6— 2.0	1.8	1.7— 2.0	1.7	1.5— 1.8	2.0
.7	.5— .9	.6	.5— .7	.7	.6— .8	.7	.6— .8	.7
.6	.5— .7	.6	.4— .7	.6	.4— .6	.6	.4— .6	.6
42.1	30.2— 52.9	49.8	41.9— 58.8	50.3	43.4— 55.4	52.1	43.5— 58.6	43.3
38.7	27.6— 52.8	29.5	20.9— 37.4	25.0	18.2— 29.5	25.8	21.5— 30.3	36.4
7.4	3.3— 8.4	9.0	5.3— 11.7	7.9	5.6— 9.6	4.7	3.1— 6.5	7.8
.7	.....	1.1	.9— 1.8	2.8	.1— 4.0	3.6	1.8— 4.7	1.0
11.1	6.7— 14.6	10.6	7.1— 12.1	14.0	8.2— 17.3	13.8	9.8— 16.5	11.5
100.0	X X X X	100.0	X X X X	100.0	X X X X	100.0	X X X X	100.0
30.6	26.3— 34.4	30.2	27.1— 33.8	28.9	24.8— 31.9	24.3	22.6— 27.2	30.5
9.1	5.0— 10.0	9.0	5.7— 11.8	6.2	4.1— 7.8	6.1	4.8— 7.7	8.1
24.7	20.1— 27.2	27.1	21.9— 30.6	28.5	24.7— 30.8	29.6	28.0— 32.6	26.0
64.4	58.4— 70.0	66.3	69.4— 72.0	63.6	58.9— 69.7	60.0	54.1— 65.5	64.7
35.6	29.8— 41.5	33.7	28.8— 39.5	36.4	30.1— 40.3	40.0	35.5— 45.9	35.3
+ 2.1	-1.2— +5.6	+ 5.1	+ 3.8— +10.6	+ 5.2	- 2.4— +5.1	+ 3.0	- 3.2— +4.8	+ 3.4
5.6	2.0— 7.6	7.5	3.6— 10.9	9.7	4.6— 13.7	10.0	7.2— 12.4	6.5
32.1	25.8— 37.9	31.3	22.0— 40.1	32.0	22.8— 34.4	32.8	22.0— 40.5	32.2
1.7	1.4— 1.9	1.6	1.3— 1.8	1.7	1.4— 1.9	1.6	1.5— 1.7	1.7
+ .1	...— + .1	+ .1	+ .2— + .3	+ .1	...— + .2	+ .1	...— + .1	+ .1
5.6	2.4— 6.5	4.6	3.8— 5.3	3.7	3.1— 4.1	3.0	2.4— 3.5	5.2
+ .1	...— + .2	+ .1	- .1— + .1	+ .1	- .1— + .1	- .1	...— + .1	+ .1
43.0	35.8— 50.7	49.4	42.0— 56.6	49.6	43.5— 53.6	50.2	44.7— 55.2	43.5
5.8	1.7— 8.2	6.8	2.6— 9.3	5.9	3.0— 7.8	5.2	2.3— 6.2	6.0
15.0	8.1— 20.1	12.9	7.5— 17.1	13.1	9.4— 16.3	15.4	10.8— 19.5	15.4
35.4	29.6— 39.0	29.7	24.6— 33.5	30.0	25.1— 33.1	27.8	25.0— 29.6	34.0
.7	.4— 1.1	.9	.5— 1.1	1.2	.5— 1.5	1.0	.8— 1.2	.9
.1	...— .1	.3	.2— .3	.2	...— .3	.4	.2— .6	.2
100.0	X X X X	100.0	X X X X	100.0	X X X X	100.0	X X X X	100.0
5.8	4.4— 6.8	5.4	4.1— 6.1	4.8	3.8— 5.6	4.7	4.1— 4.7	6.1
32.8	21.0— 36.8	32.7	21.4— 36.1	26.0	17.8— 31.5	24.8	15.5— 28.9	32.2
6.2	4.7— 7.3	5.7	4.3— 6.0	5.1	4.0— 6.0	5.0	4.2— 5.0	6.6
20.2	11.9— 25.3	20.4	14.5— 25.7	15.0	11.2— 17.7	12.1	9.6— 14.0	18.5
.9	.8— 1.0	.0	.8— .9	.8	.7— .9	.9	.8— .9	.9
45.6	38.7— 54.3	52.3	43.8— 60.3	52.2	47.4— 56.4	52.9	48.4— 58.0	46.3

0.9. This average ratio was reached by successive declines in every year following 1939. In that year the average ratio was 1.8; in 1940 it was 1.7; and in 1943 it was 1.0.

In spite of their higher earnings the banks have tended to follow conservative dividend policies. The average ratio of cash dividends declared to total capital accounts for each of the past seven years has been between 3.1 and 3.5. This ratio for the year 1944 was 3.4.

Another sign of conservative banking practices is the very considerable reduction that has taken place in the average ratio of real estate assets to total assets. For the year 1939 this average ratio was 3.6. Successive declines were recorded in this ratio, year by year, until for 1944 the average was 0.9.

So long as the Government continues its policy of raising a large part of its war funds by borrowing, there seems little reason to anticipate any sharp reversal in the bank operating trends that have characterized the war period. Deposits will continue to rise, bank holdings of Government securities will continue to increase, and profit margins will tend to become wider.

The continued growth in bank profits presents problems of its own. Since these profits will be derived in large part from interest on the public debt, the public itself will hardly con-

tinue to disclaim concern if they are used for purposes other than that of strengthening the banking system. No objection can be made if the banks continue to follow conservative dividend policies and thus improve their capital positions. Nor can objection be legitimately made if an increasing portion of bank earnings is used to raise salaries of the lower-paid employees where such action is consistent with wage-stabilization procedures. The banks have a reputation, whether justified or not, of paying low salaries, and no harm would be occasioned if salary equality with other related employment were attained.

Though it is true that income and excess-profits taxes will operate to restrain any undue profit accumulations, such draining off of profits should not be permitted to weaken unduly the competitive position of the commercial banks with other financial agencies. An important means of strengthening this position is through the cultivation of greater public good will. The performance of additional free public services, the encouragement of time deposits of the smaller savers, and a reduction in service and exchange charges will all serve to achieve this end. Any reduction in tax receipts thus occasioned would be welcomed rather than censured by the public.

SUMMARY TABLE									
Operating Ratios of All Member Banks in the Sixth Federal Reserve District 1937 - 1944									
	1937	1938	1939	1940	1941	1942	1943	1944	
Number of banks.....	320	318	313	314	315	315	312	309	
RATIOS:									
TO TOTAL EARNINGS									
Interest and dividends on securities.....	27.5	24.7	23.6	21.6	20.5	25.0	35.9	43.3	
Earnings on loans.....	55.4	59.1	60.3	62.3	62.7	55.0	42.8	36.4	
Service charges.....	**	4.8	4.9	5.1	5.4	6.6	8.1	7.8	
Trust department earnings.....	*	*	*	*	1.0	1.0	9	11.0	
All other earnings.....	17.1	11.4	11.2	11.0	11.4	13.4	13.2	11.5	
Total earnings.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	
Salaries and wages.....	28.6	29.1	29.6	30.1	30.4	32.5	32.2	30.5	
Interest on time and savings deposits.....	15.3	15.2	14.7	14.4	13.6	12.8	8.9	8.2	
All other expenses.....	25.8	25.7	25.9	27.1	28.1	28.0	27.9	26.0	
Total expenses.....	69.7	70.0	70.2	71.6	72.1	74.0	69.0	64.7	
Net current earnings.....	30.3	30.0	29.8	28.4	27.9	26.0	31.0	35.3	
Net recoveries.....	-3.6	-4.6	-2.9	-3.7	-3.2	-2.1	+ .8	+3.4	
Taxes on net income.....	*	*	*	*	*	3.6	3.7	6.5	
Net profits.....	26.7	25.4	26.9	24.7	24.7	20.3	28.1	32.2	
TO TOTAL CAPITAL ACCOUNTS									
Net current earnings.....	9.4	9.0	9.0	8.7	8.9	8.0	9.9	12.6	
Profits before income taxes.....	*	*	*	*	*	*	10.0	13.6	
Net profits.....	8.0	7.6	8.0	7.4	8.0	6.0	8.8	11.2	
Cash dividends declared.....	*	3.3	3.4	3.4	3.5	3.1	3.3	3.4	
TO TOTAL ASSETS									
Total earnings.....	4.1	4.1	3.9	3.8	3.6	2.8	2.2	2.0	
Net current earnings.....	1.2	1.3	1.2	1.1	1.0	.7	.7	.7	
Net profits.....	1.1	1.0	*	.9	.9	.6	.6	.6	
Securities.....	*	*	25.0	23.0	22.0	27.4	42.6	49.5	
Loans.....	*	*	37.2	36.5	35.5	27.2	17.4	15.4	
Real estate assets.....	*	*	3.6	3.2	2.7	2.1	1.3	.9	
Cash assets.....	*	*	33.9	37.0	39.5	43.1	38.4	34.0	
All other assets.....	*	*	.3	.3	.3	.2	.2	.2	
Total assets.....	*	*	100.0	100.0	100.0	100.0	100.0	100.0	
TO TOTAL DEPOSITS									
Total capital accounts.....	*	*	17.1	16.1	14.7	11.5	8.4	6.6	
Time deposits.....	*	*	35.2	34.6	32.6	26.0	19.8	18.5	
TO TIME DEPOSITS									
Interest on time and savings deposits.....	*	*	1.8	1.7	1.6	1.5	1.0	.9	
TO SECURITIES									
Interest and dividends on securities.....	3.7	3.6	3.5	3.3	3.2	2.4	1.7	1.7	
Net losses (or rec. and pr.) on securities.....	5	.6	.9	.7	.8	.0	.1	.1	
Net return on securities.....	4.2	4.2	4.4	4.0	4.0	2.4	1.8	1.8	
TO LOANS									
Earnings on loans.....	6.5	6.5	6.5	6.6	6.5	6.0	5.7	5.2	
Net losses (or rec.) on loans.....	-.4	-.4	-.4	-.4	-.2	-.1	+.0	+.1	
Net return on loans.....	6.1	6.1	6.1	6.2	6.3	5.9	5.7	5.3	

* Not computed

** Included in "all other earnings"

SIXTH DISTRICT MEMBER BANK CHANGES IN DEPOSITS, EARNING ASSETS, AND PROFITS FOR THE YEAR 1944**					
(In thousands of dollars)					
Group*	Number in Group	Year Ending Dec. 1944	Year Ending Dec. 1943	Change Amount	Per Cent
Deposits					
A	6	2,584.6	2,047.2	+ 537.4	+26.3
B	24	21,658.7	16,457.2	+ 5,201.5	+31.6
C	58	102,765.5	77,017.7	+ 25,747.8	+33.4
D	94	344,146.2	258,352.7	+ 85,793.5	+33.2
E	72	641,777.7	508,114.0	+ 133,663.7	+26.3
F	38	1,311,440.2	1,031,861.5	+ 279,578.7	+27.1
G	17	2,447,369.2	2,060,160.0	+ 387,209.2	+18.8
Total	309	4,871,742.1	3,954,010.3	+917,731.8	+23.2
Government Securities					
A	6	1,025.2	676.5	+ 348.7	+51.5
B	24	8,368.2	5,757.7	+ 2,610.5	+45.3
C	58	42,428.2	27,832.6	+ 14,595.6	+52.4
D	94	165,427.3	110,569.6	+ 54,857.7	+49.6
E	72	349,831.6	250,822.4	+ 99,009.2	+39.5
F	38	712,336.7	539,997.6	+ 172,339.1	+31.9
G	17	1,336,141.2	1,003,833.4	+ 332,307.8	+33.1
Total	309	2,615,558.4	1,939,489.8	+676,068.6	+34.9
Loans					
A	6	447.4	445.0	+ 2.4	+ .5
B	24	3,910.4	3,613.5	+ 296.9	+ 8.2
C	58	18,809.0	16,836.7	+ 1,972.3	+11.7
D	94	49,356.8	44,412.0	+ 4,944.8	+11.1
E	72	82,039.4	76,513.9	+ 5,525.5	+ 7.2
F	38	161,201.4	139,117.5	+ 22,083.9	+15.9
G	17	381,735.3	381,085.2	+ 650.1	+ .2
Total	309	697,499.7	662,023.8	+ 35,475.9	+ 5.4
Profits					
A	6	22.0	16.2	+ 5.8	+35.8
B	24	163.6	123.2	+ 40.4	+32.8
C	58	663.5	473.1	+ 190.4	+40.2
D	94	2,007.9	1,511.2	+ 496.7	+32.9
E	72	3,527.4	2,764.7	+ 762.7	+27.6
F	38	7,259.0	5,733.3	+ 1,525.7	+26.6
G	17	12,759.6	10,098.2	+ 2,661.4	+26.4
Total	309	26,403.0	20,719.9	+ 5,683.1	+27.4
*Average Deposits					
Group A—		Up to \$	500,000		
Group B—		\$	500,000—	1,000,000	
Group C—		1,000,000—	2,000,000		
Group D—		2,000,000—	5,000,000		
Group E—		5,000,000—	15,000,000		
Group F—		15,000,000—	75,000,000		
Group G—		Over	75,000,000		

**The banks in each group are identical for both years, the classification of each bank being determined by its average deposits for 1944.

Seventh War Loan Drive

A GOAL of 14 billion dollars has been set for the Seventh War Loan Drive. This quota is divided equally between securities to be sold to individuals and securities to be sold to other nonbank investors. The drive to sell Seventh War Loan securities to individuals will begin May 14 and end June 30. Of the 7-billion-dollar quota for individuals, it is hoped that 4 billion dollars will be raised by the sale of Series E war savings bonds. This is the highest quota ever established for that security, and 7 billion dollars is the largest goal ever set for individuals.

Great stress will be placed on pay roll savings plans to raise the 4 billion dollars in Series E bonds. Beginning April 9 the millions of persons now buying Series E bonds through pay roll deductions will be asked to increase their deductions for the Seventh War Loan Drive. In tabulating sales of Series E, F, and G savings bonds and of Series C savings notes in the Seventh Drive all such sales processed through the Federal Reserve Banks between April 9 and July 7 will be credited to the drive.

Once again, the various state War Finance Committees will be in charge of the drive, and a market basket of securities will be offered, including, in addition to Series E, F, and G savings bonds and Series C savings notes, 2½ per cent bonds, 2¼ per cent bonds, 1½ per cent bonds, and ⅞ per cent certificates of indebtedness. Announcement of issue and maturity dates of the marketable securities to be sold during the drive was delayed in order to discourage speculation.

Subscriptions from nonbank investors, other than individuals, will be received only in the final phase of the drive from June 18 through June 30. These investors will be allowed to subscribe for the 2¼ per cent and 2½ per cent marketable bonds and for the ⅞ per cent certificates of indebtedness, but the 1½ per cent bonds will not be offered to corporations.

Banks accepting demand deposits will between June 18 and June 30 be given the opportunity to subscribe for Series F and Series G savings bonds, as well as for 1½ per cent bonds and ⅞ per cent certificates. But subscriptions from commercial banks will be limited to \$500,000 or 10 per cent of their time deposits, under the same formula used in the Sixth War Loan Drive. Securities so purchased by commercial banks will not, however, be counted toward any quota or included in the drive totals. The 2½ per cent and 2¼ per cent marketable bonds to be offered in the drive cannot be owned by commercial banks until within 10 years of their respective maturity dates.

Great stress will be placed on the objective of selling as many Treasury securities as possible outside the banking system in order to alleviate inflationary pressures. As he did in the Sixth War Loan Drive, the Secretary of the Treasury is again requesting banks to make no speculative loans for the purchase of Government securities and, in addition, to refuse to accept subscriptions from customers who seem to be subscribing for speculative purposes only. Furthermore, the Treasury will regard as an improper practice the acquisition by banks of outstanding securities on the understanding that a substantially like amount of the Seventh War Loan securities will be subscribed for through such banks and thus enable them to expand their war-loan deposit balances.

Sixth District Indexes

	DEPARTMENT STORE SALES*					
	Adjusted**			Unadjusted		
	Feb. 1945	Jan. 1945	Feb. 1944	Feb. 1945	Jan. 1945	Feb. 1944
District.....	274	268r	225	235	215r	194
Atlanta.....	302	300	227	265	220	199
Baton Rouge.....	325	258r	219	252	171r	170
Birmingham.....	265	285	215	221	201	179
Chattanooga.....	281	265	235	218	210	183
Jackson.....	294	286r	240	229	198	187
Jacksonville.....	368	387	298	303	279	246
Knoxville.....	327	363r	250	283	269r	217
Macon.....	267	236	236	204	163	180
Miami.....	201	201r	188	256	226r	240
Montgomery.....	274	285	205	218	212	163
Nashville.....	291	317r	240	248	227r	205
New Orleans.....	246	248	214	203	190	177
Tampa.....	314	309	270	282	255	242

	DEPARTMENT STORE STOCKS					
	Adjusted**			Unadjusted		
	Feb. 1945	Jan. 1945	Feb. 1944	Feb. 1945	Jan. 1945	Feb. 1944
DISTRICT.....	178	165	182	174	155	178
Atlanta.....	265	263	249	252	231	236
Birmingham.....	138	140	143	133	121	138
Montgomery.....	189	191	186	185	169	182
Nashville.....	282	316	244	276	258	239
New Orleans.....	111	130	130	111	113	130

	COTTON CONSUMPTION*			COAL PRODUCTION*		
	Feb. 1945	Jan. 1945	Feb. 1944	Feb. 1945	Jan. 1945	Feb. 1944
	TOTAL.....	165	166	158	162	117	179
Alabama.....	174	176	168	163	177	182
Georgia.....	162	164	156	158	158	171
Tennessee.....	144	139	134	158	158	171

	CONSTRUCTION CONTRACTS		
	February 1945	January 1945	February 1944
DISTRICT.....	70	140	119
Residential.....	42	86	62
Others.....	83	167	147
Alabama.....	74	354	58
Florida.....	99	94	185
Georgia.....	52	69	104
Louisiana.....	81	51	57
Mississippi.....	86	94	76
Tennessee.....	102	164	116

	MANUFACTURING EMPLOYMENT			GASOLINE TAX COLLECTIONS***		
	Jan. 1945	Dec. 1944	Jan. 1944	Feb. 1945	Jan. 1945	Feb. 1944
SIX STATES.....	154	155r	162	105	101	101
Alabama.....	187	183r	191	111	111	101
Florida.....	160	162r	187	101	102	91
Georgia.....	144	146r	151	91	98	90
Louisiana.....	166	168r	164	116	107	96
Mississippi.....	142	144	150	114	76	93
Tennessee.....	132	133	140	108	107	135

	COST OF LIVING			ELECTRIC POWER PRODUCTION*		
	Jan. 1945	Dec. 1944	Jan. 1944	Jan. 1945	Dec. 1944	Jan. 1944
ALL ITEMS.....	132	132	129	292	276	254
Food.....	145	145	144	277	242	201
Clothing.....	141	140	134	311	321r	322
Rent.....	114	114	114			
Fuel, electricity and ice..	109	109	109			
Home furnishings.....	142	141	125			
Miscellaneous.....	127	127	122			
CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*						
Unadjusted..	206	202	198	15.9	17.8	19.5
Adjusted**..	203	198	195	15.8	16.0	19.3
				61.1	61.9	74.6

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

Sixth District Statistics

Sixth District Business

DEPARTMENT STORE SALES AND STOCKS						
Place	SALES			INVENTORIES		
	No. of Stores Reporting	Per Cent Change Feb. 1945 from		No. of Stores Reporting	Per Cent Change Feb. 1945 from	
		Jan. 1945	Feb. 1944		Jan. 1945	Feb. 1944
ALABAMA						
Birmingham.....	5	+ 1	+ 19	4	+ 10	- 3
Mobile.....	5	+ 35	+ 3	..	..	..
Montgomery.....	4	- 5	+ 28	3	+ 9	+ 2
FLORIDA						
Jacksonville.....	4	+ 0	+ 18	..	..	..
Miami.....	3	+ 4	+ 1	..	..	..
Tampa.....	5	+ 2	+ 12	..	..	..
GEORGIA						
Atlanta.....	6	+ 11	+ 27	5	+ 9	+ 7
Augusta.....	3	- 2	+ 19	..	..	..
Macon.....	3	+ 15	+ 9	3	+ 29	- 11
LOUISIANA						
Baton Rouge.....	3	+ 36	+ 19	..	..	..
New Orleans.....	4	- 1	+ 10	3	- 2	- 19
MISSISSIPPI						
Jackson.....	4	+ 8	+ 17	..	..	..
TENNESSEE						
Chattanooga.....	3	- 4	+ 15	..	..	..
Knoxville.....	3	- 3	+ 25	..	..	..
Nashville.....	6	+ 1	+ 17	4	+ 7	+ 16
OTHER CITIES*	24	+ 8	+ 13	24	+ 20	+ 4
DISTRICT.....	85	+ 4	+ 16	46	+ 10	+ 1

*When less than 3 stores report in a given city, the sales are grouped together under "other cities."

IN MARCH, Sixth District business in general reached new high levels. In the first half of the month department store sales as reported by some 30 stores located in the principal cities of the District were 24 per cent higher than they were in March 1944. Indications are that such sales in the District during March were 16 per cent higher than they were in February of this year. Circulation of Federal Reserve notes issued by this Bank continues to rise, and on March 21 it totaled 1,305 million dollars, 313 million dollars higher than on the corresponding date last year.

Despite the fact that February 1944 had one more business day than February 1945, sales of 85 department stores in the District were 16 per cent greater this February than they were for the same month last year. Montgomery again recorded the largest increase, 28 per cent. Two other cities in the District recorded increases in excess of 20 per cent—sales were up 27 per cent in Atlanta and 25 per cent in Knoxville. Stores in Augusta, Baton Rouge, and Birmingham reported gains of 19 per cent. Sales in Jacksonville increased 18 per cent, and in Jackson and Nashville they were up 17 per cent. Somewhat smaller gains were recorded in Chattanooga, Tampa, New Orleans, and Macon, where percentage increases were 15, 12, 10, and 9 per cent, respectively. Small gains of 3 and 1 per cent were respectively reported by stores in Mobile and Miami.

Despite an unprecedented sales volume for the past 12 months, department store inventories at the end of February were 1 per cent larger than they were at the end of February 1944, and the increase from the end of January to the end of February this year amounted to 10 per cent. For both regular accounts and instalment accounts at department stores, the collection ratio was somewhat smaller in February than it was in January.

In sharp distinction to the retail sales experience, wholesale firms in the Sixth District reported that their sales in February were 16 per cent smaller than they were in January and were 6 per cent under the sales of February 1944. Exceptions to the general trend were automotive supplies, drugs, fresh fruits and vegetables, and industrial hardware—these lines showed increases this February as compared with last.

While residents of the Sixth Federal Reserve District are spending more money than ever before, they are buying more life insurance than at any time since 1930. In February 1945 life insurance sales in the states of Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee were 19 per cent greater than they were in February 1944. The Life Insurance Sales Research Bureau reported that 48 million dollars' worth of life insurance was sold in these six states in February, an amount not equaled in any February since 1930. Increases in life insurance sales in this area are running far ahead of those in the country as a whole, for which sales this February were only 6 per cent greater than those in February 1944. By states, increases in sales of life insurance from February 1944 to February 1945 ranged from 23 per cent in Tennessee to 3 per cent in Alabama.

The current high levels of business activity and income payments in the District continue to be reflected in increasing Federal Reserve note circulation. Outstanding notes issued by the Federal Reserve Bank of Atlanta increased 24 million dollars during February, and circulation has continued

DEBITS TO INDIVIDUAL BANK ACCOUNTS (In Thousands of Dollars)							
Place	No. of Banks Reporting	Per Cent Change Feb. 1945 from			Feb. 1944	Jan. 1945	Feb. 1944
		Feb. 1945	Jan. 1945	Feb. 1944			
ALABAMA							
Anniston.....	3	16,704	20,004	17,474	- 16	- 4	
Birmingham.....	3	185,165	217,428	173,961	- 15	+ 6	
Dothan.....	2	7,320	9,143	9,304	- 20	+ 21	
Gadsden.....	3	10,730	11,556	10,114	- 7	+ 6	
Mobile.....	4	108,285	122,658	108,859	- 12	- 1	
Montgomery.....	3	35,892	41,599	39,256	- 14	- 9	
FLORIDA							
Jacksonville.....	3	170,664	192,973	183,514	- 12	- 7	
Miami.....	6	129,662	145,152	140,165	+ 12	- 7	
Greater Miami*.....	10	176,340	201,068	184,936	- 12	- 5	
Orlando.....	2	29,453	37,232	27,153	+ 26	+ 8	
Pensacola.....	3	24,893	28,176	22,907	- 12	+ 9	
St. Petersburg.....	3	28,185	32,177	24,996	- 12	+ 13	
Tampa.....	3	79,659	94,531	77,632	- 16	+ 3	
GEORGIA							
Albany.....	2	8,729	11,861	9,318	- 26	- 6	
Atlanta.....	4	448,263	514,760	457,091	- 13	- 2	
Augusta.....	3	29,461	36,127	31,885	- 18	- 8	
Brunswick.....	2	13,931	16,312	13,978	- 15	- 0	
Columbus.....	4	37,495	39,728	32,892	- 6	+ 14	
Elberton.....	2	1,802	2,010	1,722	- 10	+ 5	
Macon.....	3	36,764	42,056	42,104	- 13	- 13	
Newnan.....	2	3,666	5,495	5,195	- 33	- 29	
Savannah.....	4	74,221	83,670	74,876	- 11	- 1	
Valdosta.....	2	5,918	6,858	6,118	- 14	- 3	
LOUISIANA							
Baton Rouge.....	3	46,649	48,266	41,485	- 3	+ 12	
Lake Charles.....	3	15,274	19,567	22,759	- 22	- 33	
New Orleans.....	7	397,138	476,205	427,149	- 17	- 7	
MISSISSIPPI							
Hattiesburg.....	2	11,991	14,132	12,992	- 15	- 8	
Jackson.....	4	56,792	71,435	66,705	- 20	- 15	
Meridian.....	3	15,598	17,566	18,328	- 11	- 15	
Vicksburg.....	2	16,966	20,445	26,702	- 17	- 36	
TENNESSEE							
Chattanooga.....	4	78,168	105,408	83,059	- 26	- 16	
Knoxville.....	4	121,854	133,443	94,677	- 9	+ 29	
Nashville.....	6	162,128	185,247	175,510	- 12	- 8	
SIXTH DISTRICT							
32 Cities.....	114	2,426,386	2,803,220	2,479,880	- 13	- 2	
UNITED STATES							
334 Cities.....		70,250,000	82,743,000	70,688,000	- 15	- 1	

*Not included in Sixth District Total

to increase during March. Over the 12 months from March 1, 1944, to March 1, 1945, circulation of Federal Reserve notes in denominations of \$50 and higher increased 53 per cent, while the circulation of the smaller notes increased by about 25 per cent. Total circulation at the end of February 1945 was more than five times as great as it was at the beginning of the war in December 1941.

In the 12 months ending February 28, 1945, the number of \$10,000 notes issued by this bank and in circulation increased 84 per cent; the circulation of \$100 notes increased by 55 per cent, \$500 notes by 54 per cent, \$5,000 notes by 53 per cent, \$50 notes by 52 per cent, and that of \$1,000 notes by 49 per cent. In contrast, \$5 notes in circulation increased by only 11 per cent, \$10 notes by 13 per cent, and \$20 notes by 39 per cent.

Steel production in the Birmingham-Gadsden area of Alabama increased somewhat in March and was 99 per cent of capacity during the first two weeks of the month. This rate compares with the February average of 97.5 per cent. Alabama mines produced 1,445,000 net tons of coal in February, and Tennessee mines 598,000 net tons.

Consumption of cotton by textile mills in Alabama, Georgia, and Tennessee declined slightly in February after an increase of 11 per cent from December to January. Nevertheless, cotton consumption in District mills is continuing above the levels of a year ago. In February 1945, Alabama mills consumed 97,074 bales, Georgia mills 163,904, and Tennessee mills 18,458.

The Southern lumber industry continues to be characterized by demands that, for most of its products, considerably exceed available supplies. Bad weather during the late winter and, more recently, floods in the lower Mississippi valley have handicapped the woods end of the industry to a considerable extent.

As Sixth District farmers begin a new crop year, they can look back on 1944 as the most successful year from the standpoint of total cash income that they have experienced for the last 20 years. Figures recently released by the United States Department of Agriculture reveal that the total cash income of farmers of Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee, derived from marketings of crops, livestock, and livestock products, reached 1,846 million dollars in 1944. The tremendous wartime changes in the District's farm-income picture are pointed up by the fact that the 1944 cash income of farmers in the area was almost twice as large as such cash income was in the last prewar year of 1941.

Price controls and shortages of manpower and equipment resulted in a 1944 cash income for farmers in the District only slightly larger than that attained in 1943. Indeed, in Alabama and Mississippi there was a slight decline for 1944. Cash income of Georgia farmers, however, increased 10 per cent, and that of Tennessee farmers 9 per cent, compared with that they received in 1943. Increases in Florida and Louisiana for 1944 over 1943 were smaller, 5 and 2 per cent, respectively.

The increase in cash receipts from livestock and livestock products for 1944 over 1943 was only nominal, but receipts from the sale of crops was up 6 per cent. Of the total cash farm income of 1,846 million dollars, crops yielded 1,323 million dollars and livestock and livestock products 523 million dollars.

Sixth District Statistics

INSTALMENT CASH LOANS

Lender	Number of Lenders Reporting	Per Cent Change Jan. 1945 to Feb. 1945	
		Volume	Outstandings
Federal credit unions.....	43	+ 9	— 0
State credit unions.....	24	— 0	— 3
Industrial banking companies.....	9	— 14	+ 1
Personal finance companies.....	58	— 7	— 1
Commercial banks.....	34	— 2	— 4
Industrial loan companies.....	20	— 7	— 2

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores Reporting	Per Cent Change February 1945 from	
		Jan. 1945	Feb. 1944
Total sales.....	109	+ 2	+ 17
Cash sales.....	98	— 7	+ 27
Instalment and other credit sales.....	98	+ 4	+ 17
Accounts receivable, end of month.....	106	— 0	+ 10
Collections during month.....	106	— 8	+ 12
Inventories, end of month.....	84	+ 8	— 7

SELECTED ITEMS FROM STATEMENT OF FINANCIAL CONDITION.
FEDERAL RESERVE BANK OF ATLANTA

(In Thousands of Dollars)

Item	Mar. 14 1945	Feb. 21 1945	Mar. 15 1944	Per Cent Change Mar. 14, 1945, from	
				Feb. 21 1945	Mar. 15 1944
Bills discounted.....	700	700	550	+ 0	+ 27
Industrial advances.....	.....	19	106	....	....
U. S. securities, direct and guaranteed.....	953,544	947,825	508,158	+ 1	+ 88
Total bills and securities.....	954,244	948,544	508,814	+ 1	+ 88
F. R. note circulation.....	1,311,476	1,292,897	995,427	+ 1	+ 32
Member-bank reserve deposits.....	654,591	624,577	535,153	+ 5	+ 22
U. S. Gov't deposits.....	12,360	12,591	834	— 2	+ 48
Foreign-bank deposits.....	40,894	43,600	46,200	— 6	— 11
Other deposits.....	3,500	3,662	3,737	— 4	— 6
Total deposits.....	711,345	684,430	585,924	+ 4	+ 21
Total reserves.....	1,054,528	1,018,451	1,045,530	+ 4	+ 1

CONDITION OF 20 MEMBER BANKS IN SELECTED CITIES

(In Thousands of Dollars)

Item	Mar. 14 1945	Feb. 14 1945	Mar. 15 1944	Per Cent Change Mar. 14, 1945, from	
				Feb. 14 1945	Mar. 15 1944
Loans and investments—total.....	1,823,688	1,802,573	1,559,932	+ 1	+ 17
Loans—total.....	328,805	344,570	328,402	— 5	+ 0
Commercial, industrial, and agricultural loans.....	189,548	203,821	193,720	— 7	— 2
Loans to brokers and dealers in securities.....	6,623	5,814	6,913	+ 14	— 4
Other loans for purchasing and carrying securities.....	40,728	41,840	33,295	— 3	+ 22
Real estate loans.....	23,843	24,484	27,212	— 3	— 12
Loans to banks.....	1,234	2,608	1,478	— 53	— 17
Other loans.....	66,829	66,003	65,784	+ 1	+ 2
Investments—total.....	1,494,883	1,458,003	1,231,530	+ 3	+ 21
U. S. direct obligations.....	1,358,812	1,324,137	1,082,777	+ 3	+ 25
Obligations guaranteed by U. S.	6,302	7,259	39,629	— 13	— 84
Other securities.....	129,769	126,607	109,130	+ 2	+ 19
Reserve with F. R. Banks.....	347,437	345,950	288,008	+ 0	+ 21
Cash in vault.....	31,314	29,966	24,572	+ 4	+ 27
Balances with domestic banks.....	163,601	149,962	158,597	+ 9	+ 3
Demand deposits—adjusted.....	1,212,847	1,313,013	1,004,080	— 8	+ 21
Time deposits.....	343,498	339,268	257,588	+ 1	+ 33
U. S. Gov't deposits.....	186,441	221,248	229,046	— 16	— 19
Deposits of domestic banks.....	519,629	506,147	445,553	+ 3	+ 17
Borrowings.....	.....	.....	3,000	....	....

The National Business Situation

INDUSTRIAL activity continued to increase slightly in February and the early part of March. Value of department store sales was one-fifth greater than in the same period last year. Wholesale commodity prices generally showed little change.

Industrial Production

The Board's seasonally adjusted index of industrial production was 235 per cent of the 1935-39 average in February, compared with 234 in January and 232 in the last quarter of 1944.

Steel production, which declined further in the first part of February as a result of continued severe weather conditions, showed a substantial increase at the end of the month and in the first three weeks of March. Average output of open hearth steel during February was 2 per cent above the January rate, and electric steel production increased 7 per cent. Output of nonferrous metals continued to rise slightly in February, largely reflecting increased military demands. Activity in the machinery and transportation equipment industries was maintained at the level of the preceding month; a decline in ship-building offset a slight increase in output of most other munitions industries. Production of lumber and stone, clay, and glass products in February was at about the January level.

Production of most nondurable goods showed little change in February. Output of cotton goods and shoes, however, rose 5 per cent from the preceding month to a level slightly above that of a year ago. Output of explosives and small-arms ammunition showed further large gains. Activity at meat-packing establishments continued to decline, as pork and lard production dropped further and was 50 per cent below the peak level reached a year ago. In March it was announced that supplies of meat available for civilians in the second quarter of 1945 would be 12 per cent less than in the first quarter. Activity in rubber-products industries in January and February was 6 per cent above last autumn, reflecting chiefly a sharp increase in production of military truck tires.

Minerals output rose slightly in February, reflecting increased output of anthracite and a further gain in crude petroleum production. Anthracite production recovered in February and the first two weeks of March from a large decline during January. Bituminous coal production showed little change in February from the January level and declined slightly in the early part of March.

Distribution

Department store sales in February, which usually show little change from January, increased considerably this year. Value of sales in February and the first half of March was 22 per cent larger than in the corresponding period a year ago, reflecting the earlier date of Easter this year and continuation of the freer spending in evidence since the middle of 1944.

Freight carloadings, which had declined at the end of January and the early part of February owing to severe weather conditions, have increased since that time. Shipments of miscellaneous freight were in larger volume in the five-week period ending March 17 than in the corresponding period of 1944, whereas loadings of most other classes were less.

The cost of living index declined slightly in February from the January figure and in the latter month was at 126.8 per cent of the prewar average. Both clothing and food, however, remain well above the total cost-of-living average. In February, prices of the food components of the index were 36.5 higher than prewar, while clothing prices in the index were 43.3 per cent higher than the prewar average. Wholesale prices were, on the whole, unchanged from mid-February to mid-March.

Bank Credit

Treasury expenditures during February and the first half of March continued to increase the total volume of deposits and currency held by the public. Adjusted demand deposits at weekly reporting banks in 101 cities increased 1.4 billion dollars, and time deposits rose about 200 million dollars during the four-week period ended March 14. Currency in circulation increased 350 million dollars over the same period but declined somewhat in the week following. To meet the resulting increase in required reserves as well as the currency drain, Federal Reserve Bank holdings of United States Government securities increased 395 million dollars in the four weeks ended March 14 while reductions in nonmember and in Treasury deposits at the Reserve Banks supplied 450 millions of Reserve funds to member banks. Excess reserves have remained at an average level of about a billion dollars.

The increase in Federal Reserve holdings of Government securities roughly paralleled the decline in commercial-bank holdings. Reporting banks reduced their portfolios by 260 million dollars in the four weeks. Holdings of Treasury notes declined by 1.7 billion dollars while certificate holdings increased by 1.4 billion dollars, reflecting the March 1 Treasury exchange offer. Bill holdings were reduced by 210 million dollars. Bond holdings, however, continued to increase. Total loans for purchasing and carrying Government securities declined by 230 million dollars, and commercial loans by 185 million.

WHOLESALE SALES AND INVENTORIES*
SIXTH DISTRICT — FEBRUARY 1945

Item	No. of Firms Reporting	SALES Per Cent Change Feb. 1945 from		No. of Firms Reporting	INVENTORIES Per Cent Change Feb. 1945 from	
		Jan. 1945	Feb. 1944		Jan. 1945	Feb. 1944
Automotive supplies.	10	+ 12	+ 37	6	+ 1	+ 15
Drugs and sundries.	9	- 4	+ 3	3	+ 6	+ 2
Dry goods.	8	- 28	- 5	4	+ 5	- 30
Fresh fruits and vegetables.	5	- 19	+ 11	..	..	..
Confectionery.	6	- 6	- 25	..	..	..
Groceries—full line wholesalers.	31	- 20	- 11	15	- 6	- 20
Groceries—specialty line wholesalers.	10	- 22	- 4	5	+ 5	+ 7
Beer.	3	- 3	- 35	..	..	..
Hardware—general.	13	- 15	- 4	5	- 0	+ 4
Hardware—industrial.	5	- 21	+ 1	..	..	..
Machinery, equipment and supplies.	4	- 16	- 5	..	..	..
Paper and its products.	3	- 3	- 7	..	..	..
Tobacco and its products.	8	- 11	- 18	..	..	..
Miscellaneous.	21	- 14	- 4	19	- 6	- 23
TOTAL.	136	- 16	- 6	57	- 2	- 15

*Based on U. S. Department of Commerce figures

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