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Farm Forestry in the Sixth District

DESPITE their rapid exploitation forest lands now cover more than half the total land area in the Sixth District states. Favorable climatic and soil conditions combine to make this extensive region ideal for timber growing. Much of its economic progress has come from a natural wealth of merchantable-timber stands. So rapidly has the timber been depleted, however, that its management must be improved and the forest lands rehabilitated if the District's forest resources are to continue in their important economic role. Federal and state agencies, the larger timberland owners, and the wood-using industries have taken active measures to remedy the situation. But, though good progress has been made in placing the large timber holdings on a sustained-yield basis that will insure future timber production, most of the small timberland owners continue to follow inefficient and wasteful practices.

Since about two thirds of the District's commercial forest lands are in small holdings, tracts of less than 5,000 acres, the small woodland owner has been called the key to better forest management. The most important class of small woodland owners is made up of farmers, who have about one third the commercial woodland area in their farms. For that reason the improvement of farm woodlands is an important part of any comprehensive forest-improvement program.

Inadequate farm incomes have long been considered a barrier that must be surmounted before the Sixth District can attain its maximum economic development. Although the District farmers' cash income exclusive of Government payments increased on the average from $560 a year in 1940 to $1,880 a year in 1946, it is still far below the national average. In great measure this disparity is caused by the small size and the relatively low productivity of most District farms. Since farm-woodland improvement will help maintain the timber industry and will, at the same time, increase farm productivity, better forestry on farms has an especial effect on the District's economic progress.

Almost 600,000 District farmers, according to 1945 agricultural census releases, had some woodland on their farms. Less than 10 percent, however, reported any sales of forest products for 1944. Despite its total value of more than 19 million dollars, the per-acre return on forest products sold of about 50 cents was disappointingly low. Though farmers in a sense realized some returns from their woodlands in the form of such home-use products as fence posts, fuelwood, and lumber, if the products so used were given a monetary value, total returns from farm woodlands would still be extremely low. Farm woodlands now produce only about one third the income they are capable of under good forest management.

At Crossett, Arkansas, in 1937 the Southern Forest Experiment Station set aside a 40-acre tract of second-growth shortleaf pine to be managed as a farm woodland and gave it the name "Farm Forestry Forty". A fairly well-stocked area was selected in order to demonstrate just what returns could be expected on farm forest land that has been built up to a productive condition. The tract received no special treatment other than fire protection and good practical management. In each of the nine years 1938-46 a cutting approximately equal to the annual growth was made, and at present the total timber volume is almost what it was at the beginning of the period. In addition the quality of the stand has improved. During the period forest products valued at slightly more than $1,500 on the stump were harvested at an average annual rate of more than four dollars an acre. The annual value of these products delivered at the market averaged higher than $14 an acre. Moreover, professional foresters regard these experiments as practicable on any farm woodlot. Therefore the results show clearly that timber growing can and should be as much of an annual farm crop in this area as cotton or corn.

The estimates of financial possibilities in farm forestry that were prepared by the Southern Forest Experiment Station for the Pace Cotton Committee show that in the major cotton-producing regions farm woodlands that are fairly well stocked could yield annual gross incomes of one to two dollars an acre from stumpage. Once the growing stock has been built up to the practical maximum, stumpage returns should range from two to four dollars an acre. If the farmer himself harvested the timber products and delivered them to the mill, he would more than double his income. The quality and the quantity of timber stocks, growing conditions, availability of markets, and other circumstances vary so widely over the District that general estimates of the financial returns possible with better farm-woodland management have only a limited value. It is certain, however, that probable monetary benefits alone justify a much more intensive management of farm woodlands than they now receive.

The income received from stumpage only partially indicates the value that farm woodlands have in the farm economy. An underlying cause of the relatively low incomes Southern farmers receive is the low ratio of physical resources to the number of farm workers. Many farmers are underemployed in the sense that their farms fail to provide them with adequate opportunity for productive work. Some of them get outside employment during slack periods on

their own farms. Although this work augments their income considerably, it is at best only a partial solution. Farm woodlands offer one of the best opportunities for the profitable employment of farm labor that would otherwise be unproductively employed. To provide labor with good returns, however, they must be capable of producing a fairly large volume of valuable products. The results on the "Farm Forestry Forty" show that the labor returns possible on well-stocked and well-managed farm woodlands are large. In the cutting and the delivery of its 1946 timber crop, this tract provided 414 man-hours of work. Gross returns for the labor and equipment used averaged more than a dollar an hour, a figure comparable to labor returns on other farm crops.

FARMERS' WORK OFF FARMS

Place	Percent of All Farmers				Days Worked Per Farmer			
	1930	1935	1940	1945	1930	1935	1940	1945
Alabama	29	25	24	28	78	88	109	168
Florida	32	37	33	29	152	142	178	220
Georgia	25	21	22	18	90	109	123	164
Louisiana	30	22	23	25	81	91	113	150
Mississippi	30	22	22	19	72	71	99	111
Tennessee	38	27	31	26	94	106	139	179
SIX STATES	30	24	25	23	86	97	122	161

Productive farm woodlands also contribute to farm business stability. Natural hazards, such as adverse weather and insect infestations, often severely reduce farm incomes. Where it is conducted on an annual-yield basis, timber production can provide badly needed income in poor crop years.

Social and economic benefits other than an increase in the farmers' income will accrue from farm-woodland improvement. For one thing, when the productivity of a large portion of its land area is increased the economic status of the entire community is certain to be improved. The Sixth District timber industry employed 245,000 persons in 1946 and produced products valued at 1.2 billion dollars. More valuable farm woodlands will tend to furnish more employment in the timber industry and to increase that industry's importance in the regional economy.

In view of the need for higher incomes and the possibilities for them in good management of farm woodlands, it is somewhat surprising that farmers take very poor care of their timber tracts. According to a recent survey, good cutting practices were being followed on only 2 percent of the commercially operated farm woodlands. Only 3 percent of all the commercial farm woodlands were receiving good fire protection.

Application of Better Forestry

In the long run, farm-woodland improvement will undoubtedly involve activity within all such fields as education, marketing, research, credit, and land tenure. Since the nature and immensity of the task limits the effectiveness of public agencies, its successful performance must depend largely upon private initiative. Certainly the contribution that farm-woodland improvement can make toward a solution of the District's agricultural problems justifies continuing efforts to make this great natural resource fully productive.

It is probably the farmers' general lack of appreciation of timber values and income possibilities that is primarily responsible for the inefficient management now practiced. Trees have not been regarded as a crop in the sense that cotton and corn have. In other words, timber harvesting has usually taken the form of clear cutting, or stripping all merchantable trees from the ground at one operation, instead of selective cutting, or the removal of only an amount equal to the annual growth. Where clear cutting is practiced, many years must elapse between each harvest. During that time the farmer loses sight of timber values. Therefore he may not realize that he has a valuable timber crop until a forest-products buyer makes him an offer for it. If, on the other hand, the farmer manages his timber stands so as to maintain a productive growing stock from which timber crops may be taken as a regular part of the farm business, he is likely to appreciate the value and income-producing capabilities of his woodlands.

As the first step in attaining good farm-woodland use, farmers must be educated in the value of their timber, with emphasis on sustained-yield management. Various agencies are now performing such educational work, the most extensive of the programs being conducted under the provisions of the Norris-Doxey Act. This act provides for co-operative action between the Federal and state governments to give farmers technical assistance on timber-products marketing and forest management. During the 1946 fiscal year 31 professional foresters gave assistance to about 2,500 farmers in all the District states except Georgia. Although this program has achieved marked success, obviously the task of reaching more than a half million farm-woodland owners is far beyond its scope. Some of the agencies that are promoting better farm-woodland use are the Forest Service, the Soil Conservation Service, the Production and Marketing Administration, the Farm Credit Administration, the Farmers Home Administration, the Tennessee Valley Authority, and the state forestry departments.

The application of good forestry practices differs in one important respect from that of other good agricultural practices. The farmer's knowledge of applied agriculture with respect to good field-crop-production practices comes from two main sources. First, there is a generally accepted tradition of good husbandry that is handed down from father to son and the practice of good management on neighboring farms, which the farmer can observe. Second, information regarding the latest development in agricultural research is made available to him through a number of public and private agencies. Since timberland uses have been largely exploitative, with little effort made to develop the farm woods as an annual crop, there are, however, no generally accepted traditions about what constitutes good husbandry. Education regarding timberland management, therefore, must be accomplished primarily by a use of this second source of knowledge. The limited resources of public agencies appear inadequate for reaching the District's many farm-woodland owners within a reasonable period of time. For this reason alone it would seem clear that the responsibility for the fullest development of farm woodlands would have to rest upon private initiative.

Private industry in the District is being gratifyingly aggressive in its promotion of better woodland use. Wood-using industries practice good forestry on their own lands simply because it is a good business proposition. They realize, however, that the adequacy of future timber supplies will depend on how the many small owners use their woodlands. To convince small woodland owners of their timber values private industry has attempted several programs, one

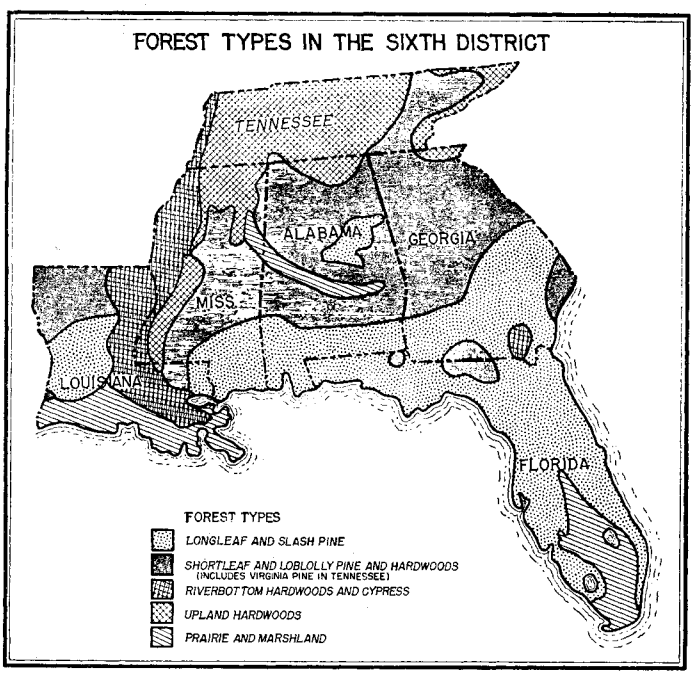
of the best known being the "Tree Farm" movement, which is sponsored by the Southern Pine Association. A tree farm is a privately owned forest-land area that is devoted primarily to a continuous growth of merchantable products under good forest practices. This movement, which has been organized in all the District states except Georgia and Louisiana, includes almost 500 timberland owners.

The Southern Pulpwood Conservation Association's members have for their objective the practice of good forestry on their own lands and on other private lands upon which stumpage is produced. The association retains foresters to develop sustained-yield plans for company land and to provide private-timberland owners with free management services. Though the pulpmills conduct the most aggressive educational campaigns, the sawmill industry is also interested in obtaining good management of private timberlands. The larger firms, with their heavy plant investments, also require continuous and adequate saw-timber supplies. The sawmill operators' educational-and-assistance program is similar to the pulpmill operators' program in that it encourages private owners to put their woodlands on a highly productive basis.

Marketing

Like the profitable production of any farm crop, successful timber growing requires a readily available market and favorable prices. Inadequate markets and low prices undoubtedly account, in part, for the farmers' general lack of interest in their woodlands. Lump-sum timber sales, which are closely related to the "cut and get out" policy often followed by small sawmill operators, are the most serious obstacles to good marketing practices. Since farmers usually have little ability for accurately appraising either the volume or the value of standing timber, they are at a decided disadvantage when they sell on that basis.

To make accurate estimates of standing-timber values is so difficult that buyers usually include a safety margin in their bids. Appraisal of timber values involves consideration of many factors, such as the kind of timber, logging costs, the distance to market, and the total volume. The experienced buyer knows how to give each factor its proper weight and still make a profit. Usually the farm owner, on the other hand, can only compare the offer made for his tract with the prices he knows other tracts have been sold for. Since the operators try to offset possible losses on tracts of marginal value by buying the better stands at prices below their actual value, the farmer's comparison of tracts is not a reliable means of evaluation.



Typical farm woodlands can be put to their most efficient use only if a variety of their products are harvested and sold. Management for saw timber alone, for example, results in considerable waste, and even in expense because of the necessary removal of undesirable trees. Fortunately District timber owners have several market outlets. The sensational development of the Southern pulp-and-paper industry has resulted in an important outlet for forest products other than saw timber. Demand for paper and other manufactures of the pulpwood industry continues strong, with a prospect of even greater demands in the immediate future. Pineland areas are, of course, best suited for pulpwood production. Thinning and improvement cutting, which are essential in the good management of these lands, provide pulpwood and, as a result, extra income instead of expense. Fuelwood, poles, piling, crossties, fence posts, and a variety of miscellaneous items also are important market outlets.

The profitable marketing of farm-woodland products first depends on educating the farmer to market a wide variety of products at regular intervals instead of making infrequent lump-sum sales. In the second place it requires that outlets be provided for many low-grade products, particularly in those areas with a large proportion of hardwood trees.

Although District timber owners have a variety of market outlets a large part of their production is incompletely utilized. The small timberland owners need to have contact with a market that uses all types of timber products. Frequently this contact might be accomplished by means of a marketing agency that would concentrate the small quantities of products, grade and sort them, and offer larger quantities of each product for sale. Relatively large volumes of a particular product are generally more attractive to buyers than are the small quantities that most individual farmers have to sell. An increase in the number of small specialized wood-processing plants at strategic locations seems to offer possibilities for greater market outlets. Often such plants could convert lower-grade timber into finished consumer goods. By making use of the by-products wasted in the usual timber-product manufacture, wood-processing plants that are equipped to utilize several types of forest products could also furnish greater market outlets.

Forestry research promises to open new markets for a number of timber products with no present market value. Many farm-woodland stands contain a large proportion of species that must be removed before the stands can attain their maximum productiveness, and the development of new commercial uses for this low-value timber growth would do much to speed up woodland improvement.

To some extent, mainly outside the Sixth District, forest co-operatives have been able to attain more favorable markets. Frequently the individual farmer will find it impractical to acquire the knowledge necessary to efficient marketing. By

co-operative action he can entrust his timber-marketing problems to a trained forester, who can bargain effectively with buyers. As it has been developed in some areas, co-operative ownership of wood-processing facilities enables the member farmer to carry the production process one stage further and thus obtain additional profits.

FOREST PRODUCTS SOLD BY FARMERS IN 1944

Place	Total Farms	Farms Reporting Woodland	Farms Reporting Some Forest Products Sold	Dollar Value of Forest Products Sold	
				Total	Per Acre of Woodland
Alabama	223,369	129,040	10,207	4,079,153	0.54
Florida	61,159	29,831	1,981	1,352,480	0.23
Georgia	225,897	141,135	11,284	6,439,062	0.60
Louisiana	129,295	46,624	3,721	1,010,136	0.35
Mississippi	263,528	108,236	12,266	3,859,482	0.56
Tennessee	234,431	136,355	9,993	2,749,068	0.54
SIX STATES	1,137,679	591,221	49,452	19,489,381	0.50

Expansion of Farm Woodlands

Where the farm woodland is extremely small its efficient use may be impossible. In such cases it may be necessary to expand the areas by incorporating adjacent woodlands into the farm units. These small nonfarm tracts are closely intermingled with farm woodlands over most of the District. Frequently the owners live some distance from their property. The present cutting practices and the inadequacy of fire control indicate that their management is as poor as that of farm woodlands. Since these small woodland owners

CHARACTER OF TIMBER CUTTING PRACTICES ON PRIVATELY OWNED FOREST LANDS - 1945

Ownership Class	Operating Commercial Forest Area (Thousand acres)	PERCENT OF CUTTING				
		High Order	Good	Fair	Poor	Destructive
Farm	33,060	0	2	25	65	8
Nonfarm	56,563	2	12	27	49	10
Tracts less than 5,000 acres	60,777	0	2	25	65	8
Tracts 5,000 to 50,000 acres	15,156	2	9	26	46	17
Tracts over 50,000 acres	13,690	7	35	31	21	6
Total	89,623	1	8	27	55	9

usually cannot combine timber production with their other activities, however, it is doubtful that their tracts could ever be as profitable as the farm woodlands are. The small nonfarm owner seldom has the equipment or extra labor to do his own harvesting and therefore usually sells on a stumpage basis. Thus he is unable to get the considerable labor income that the farmer can derive from his timber work. Furthermore fire control is more difficult and more expensive for him than it is for the farmer who lives on his own property.

CLASS OF FIRE PROTECTION ON PRIVATELY OWNED FOREST LANDS - 1945

Ownership Class	Commercial Forest Area (Thousands of acres)	Percent in Protection Class			
		Good	Fair	Poor	None
Farm	36,103	3	24	40	33
Nonfarm	61,319	3	29	41	27
Tracts less than 5,000 acres	67,081	2	25	42	37
Tracts 5,000 to 50,000 acres	16,207	2	30	36	32
Tracts over 50,000 acres	14,134	7	36	39	18
Total	97,422	3	28	40	29

In many cases the incorporation of these small nonfarm timber tracts into farm units would provide a partial solution to the low-farm-income problem as well as to the private-woodland-management problem. It would have to be brought about slowly and probably preceded by a fairly general improvement of the woodlands now in farms. As present farm woodlands become more valuable under wise management farmers will appreciate the advantage of owning adjacent woodlands. Such adjustments in land ownership could be made best in a period when land values are less inflated than they are at present. Because mechanization may force large upland areas out of cotton production, measures for supplementing farm income in these areas must be considered. Along this line the expansion of farm-woodland acreage offers possibilities that should be fully explored.

Financing

Credit, which has been called the lifeblood of business, can play an important role in the development of farm woodlands to their maximum productive capacity. The woodland owner's credit needs fall into two general categories—the financing required to rehabilitate unproductive timber stands and the credit necessary to prevent liquidation of stands already productive.

Much of the District's farm woodland is in such poor condition that a great deal of time will be required to place it on a profitable basis. Tree planting or other means of restocking is necessary in many cases. During the relatively long period that must elapse before returns begin to come in, various costs, such as fire protection, taxes, pruning, and improvement cuttings, will accrue. Often considerable work and cash outlay will be required. The farmer cannot afford to sink cash in an investment that will yield no returns in the immediate future. Pressure for current income may require the utilization of any extra labor in work off the farm rather than on his timber stand, since the latter will yield no immediate labor return. Therefore, in order to extend him the necessary cash and encourage him to use his extra labor for woodland improvement, credit for forest-land rehabilitation would have to be at low interest rates for long periods.

Public credit may be necessary in the degree to which legal restrictions prevent commercial banks from providing the credit needed for farm-woodland improvement. Credit regulation and subsidization are now widely used instruments of public policy. Many people advocate their extension to the improvement of farm woodlands. It would seem in any case that the benefits which would accrue in the form of more-nearly adequate timber supplies, soil and water conservation, and reductions of flood hazards, would justify some measure of public subsidization.

Generally, however, the commercial banks could probably handle credit problems related to such improvement, if they were allowed to do so, better than public agencies could. Woodlands in the District's large pine areas are in a particularly favorable position with regard to the use of commercial credit. In the improvement of stands on most of these woodlands it will not be necessary to start from the beginning. There is already much growing stock which will bring in returns soon after stand improvement is begun. Southern pines grow so rapidly that credit may be needed only for relatively short periods.

The liquidation of forest growing stock frequently occurs when the pressure of indebtedness or other financial necessity impels the farmer to sell all his merchantable growth in

order to get immediate cash returns in the largest amount possible. This conversion of capital values into cash reduces the farm's earning capacity. Stand management on the particular sustained-yield basis that has been found to be most profitable is thus made impossible for many years.

A report prepared by the Bureau of Agricultural Economics and the Pack Forestry Foundation with data compiled in 1942 shows how a farmer who had a hardwood stand containing about $1,200 worth of merchantable timber could, with the use of credit, prevent such liquidation of forest values. The farmer could clear his timber stand to obtain $1,200 cash for meeting a debt payment, if he needed it, but he would receive no additional timber income for at least 40 years. If, on the other hand, the farmer could borrow on his timber stand, he could by practicing sustained-yield management receive more uniform returns, totaling about $1,450 during the first 30 years, and have left growing stock with a liquidation value of about $1,150. Selective cutting would allow amortization of the debt and provide additional income greater than the interest charges. It would also leave a growing stock that would provide continuous and increasingly valuable timber production. Since the clear-cutting alternative calls for removal of all the timber in a year's time, there would be so much work the farmer could not do it with his regular labor and equipment. With selective cutting, on the other hand, he could integrate the timber harvesting with his regular farm work and thus receive a labor income of at least $800.

In such a case, it is clear that credit could prevent the liquidation of woodland values and have very profitable results. In the Southern pine regions where timber grows rapidly it should be possible to use credit even more advantageously than it would in the Northern hardwood regions.

FOREST LAND AREA

Place	Total Land Area (Millions of acres)	FOREST LAND		FARM WOODLANDS	
		Area (Millions of acres)	Percent of Total Land Area	Area (Millions of acres)	Percent of Total Forest Land Area
Alabama	32.7	18.8	58	6.6	39
Florida	34.7	21.8	63	3.9	18
Georgia	37.5	21.1	56	9.6	49
Louisiana	28.9	16.2	56	2.3	18
Mississippi	30.4	15.9	52	5.8	40
Tennessee	26.9	11.8	44	4.8	44
SIX STATES	191.0	105.6	55	36.1	34

Lending on farm woodlands, like lending on most enterprises, would entail certain safeguards to make the principal secure and to insure the successful liquidation of the loan. To make a timber loan sound, adequate fire protection, the maintenance of sufficient growing stock, good management and harvesting practices, and the maximum use of farm labor might be required. Both the lender and the borrower should regard the growing stock as productive capital and the annual growth from the timber stand as the crop. This viewpoint involves, of course, a fundamental change from the prevalent attitude that the timber stand itself is the crop.

Once the proper attitudes and safeguards are acquired, however, loans on farm woodlands will appear comparable to farm loans for other productive purposes. Ordinarily it is poor economy for the owner of valuable cattle to sell his herd, which is his income-producing capital, in order to meet a financial obligation. Except in unusual cases he borrows what he needs and retains his income-earning property. Credit used in this manner has an essential economic function. The owner of a highly productive timber stand who sells his revenue-producing capital in the form of timber growing stock is like the cattle owner who liquidates his herd to obtain ready cash. By helping to preserve income-producing assets, credit could have the function in timber production that it has in other forms of agricultural production.

The importance of credit to timber production has been recognized by the Farm Credit Administration in the lending activities of the Federal Land Banks. At present both the Federal Land Banks of Columbia, South Carolina, and New Orleans, Louisiana, lend to District farm-woodland owners. Their loans, which are based on the long-time earning capacity of farm woodlands under good management, consider timber stands a form of productive capital. Professional foresters are retained to evaluate the inherent capital values and income-producing possibilities of timber stands. The banks, of course, stipulate certain safeguards. One of them is a requirement that the land owner obtain the bank's permission before he cuts and sells his timber. Because of a need for additional loan services to timberland owners, particularly in the South, the establishment of a special division within the Farm Credit Administration to make loans on forest lands is now being considered.

Even if public credit institutions do expand their lending activities on timber lands, they probably will be unable to provide the credit needed by farm-woodland owners. Therefore, the commercial banks must be allowed to extend such credit if all the financial needs for farm woodlands are to be met.

There are other important considerations which make the action of private lending institutions seem desirable. Farm-woodland-financing problems are closely related to other farm-financing problems. The country bankers, for example, are already familiar with the farmers' credit problems. These private lenders have much valuable knowledge of the prospective borrowers' personal characteristics and an intimate knowledge of community problems. Their experience in handling the farmers' other credit problems would be invaluable in the making of similar loans on farm woodlands. The relatively costly investigations that are frequently required by public agencies could be reduced to a minimum. Because of the leading position which he often occupies, the country banker could also be an effective force in the promotion of better farm-woodland use. This approach has been successfully tested in the case of soil-conservation problems.

Forest financing by commercial banks has such obvious advantages that it is incumbent on these lenders to expand their activities in the field. Country bankers particularly have not only an opportunity to obtain these advantages for themselves and their communities but a responsibility to do so. In view of the farm woodlands' economic possibilities under sustained-yield management the legal restrictions on private lending that are based on traditional concepts need to be re-examined. Commercial banks have a vital interest in obtaining an early reconsideration and revision of present lending restrictions on timberlands.

BROWN R. RAWLINGS

Term Lending by District Member Banks

ONE of the most significant developments in commercial banking in the Sixth District during the postwar period has been the rapid expansion in term lending accompanying the general increase in bank loans. In contrast to the usual short-term, or so-called self-liquidating, long term loans are those loans which extend for a period of time longer than is necessary to produce or sell most types of goods. All loans made for more than one year are generally considered term loans.

Term loans to businesses create new sources of income for a community, region, or nation. Loans made for more than one year are usually for financing purchases of equipment or of other fixed assets such as business property and buildings. When used in this manner, they are as significant aids to industrial financing as are stock or bond issues. Term loans may also be used to enlarge the working capital of a business over a period of time, and thus they provide funds for a higher level of business activity. In addition, some term loans are made to refinance high-cost funded debt at a lower rate of interest. To the extent that term loans, however, are used for financing business development rather than for retiring previously incurred debt, the growth of productive capacity of private business may be especially influenced by the rate of term lending and the effects of term loans may be felt both regionally and nationally in long-term changes in employment and income.

Sixth District member banks increased their long-term lending at a greater rate than they did their short-term lending during 1946, according to the limited data available. The recent Federal Reserve business-loan survey showed that near the end of November 1946 the member banks of the District were lending 77.9 million dollars in term loans to businesses. Whereas only $14 out of every $100 loaned to businesses were for periods of more than a year, these loans made up firms more than have some of the medium-sized banks.

Identification of the principal term borrowers discloses the fields of business in which District banks are playing an important part in financing long-run developments in this region. Some types of businesses, such as manufacturing, require more long-term funds for financing equipment and building than do those that borrow proportionately more on short term for financing constantly turning-over inventories.

As might be expected, the heaviest long-term borrowers in the Sixth District, according to the survey, were public-utility and transportation companies, which have heavy fixed-assets requirements. Of the total amount of money borrowed by these firms from District member banks, 43 percent was for longer than a year. Although petroleum, coal, and chemical firms are comparatively light borrowers, these concerns also made many of their bank loans for more than a year. Other important term borrowers were food and metal-products manufacturers as well as construction firms and service establishments. Paradoxically, textile-manufacturing concerns, which make up the District's most important industry, did little term borrowing from District member banks probably because they borrow in large amounts that are obtained more cheaply from money markets outside the District.

How much a business uses term loans also depends on the size of the firm. According to the survey, big businesses made proportionately more of their borrowings from Sixth District banks in term loans than did small businesses. Companies having assets of more than five million dollars had 25 percent of the dollar volume of their loans maturing in more than a year. In contrast, medium-sized firms, those having assets of $50,000 to five million dollars, had only 12 percent of their total bank borrowings in term loans. Term borrowing by the smallest businesses, however, was more important than had been suspected. These firms, having assets of $50,000 and less, had approximately 16 percent of their dollar borrowings in term loans and therefore were actually heavier term borrowers in proportion to their total dollar borrowing than were the medium-sized firms.

DOLLAR VOLUME OF TERM LOANS TO BUSINESSES HELD BY SIXTH DISTRICT MEMBER BANKS ON NOVEMBER 20, 1946
(In thousands of dollars)

Assets of Borrower	All Member Banks	Banks with Total Deposits, in Millions, of:			
		Less Than $2	$2 to $10	$10 to $100	More Than $100
Less than $50,000.....	13,704	293	3,799	6,643	2,969
$50,000 to $250,000...	19,027	61	3,205	9,993	5,768
$250,000 to $750,000...	11,207	...	284	3,909	7,014
$750,000 to $5,000,000..	8,966	...	132	4,026	4,808
More than $5,000,000..	23,752	...	129	3,596	20,027
Total all borrowers*..	77,922	354	7,549	29,327	40,692

*Includes some term loans not classified by size of borrower.

Term loans made to small businesses differ sharply from those made to larger businesses, according to the survey. The average size of term loans of those firms with assets of $50,000 and less was only $3,064, compared with the $17,138 average for term loans made to businesses with assets of $50,000 to $250,000. Loans to small businesses rarely had maturities extending beyond three years. Although no data were gathered on the specific purposes of each loan, it may be possible to conclude from the types of security offered on term loans by small business borrowers that these loans were often made to finance purchases of specific items of equipment. In this respect many term loans made by small firms resemble consumer-installment loans more closely than they do general-purpose, business-financing loans.

Among member banks in the Sixth District term lending appears to be a fairly widespread practice because approximately three out of four of the surveyed banks reported some term loans to businesses in the recent survey. Almost 90 percent of the largest banks, those having total deposits of more than 100 million dollars, made some term loans, but proportionately fewer of the smaller banks reported term loans in the survey. Only 68 percent of the banks having from two to 10 million dollars in deposits had term loans outstanding at the time of the survey.

Banks differed not only in their willingness to make term loans but also in the proportion of their total loans which

were in term loans. Contrary to the usual assumptions, the larger banks as a group in the Sixth District did not engage more heavily in term lending in proportion to the dollar volume of their total business loans than did the smaller banks as a group. Although many of the smaller banks made no term loans at all, those that did make them had a greater proportion of business loans maturing in more than one year than did the average Sixth District bank.

The most frequent term lenders, in proportion to the total number of business loans made, were the two groups of banks at the opposite ends of the size scale, the largest and the smallest banks. Sixteen percent of the largest banks' business loans and 19 percent of the smallest banks' were in term loans against an average of only 14 percent for all sizes of member banks.

Much of the difference in the frequency with which banks of various sizes made term loans is accounted for by apparent variations in the policies regarding term loans to small businesses. The largest banks apparently make proportionately more term loans in low amounts to small businesses than do all but the smallest banks, those having assets of less than two million dollars in deposits. Or, stated in another way, medium-sized banks make term loans in larger amounts to small businesses than do even the large banks. This is shown by differences in the average sizes of term loans made to firms with assets of less than $50,000. These averages, according to the survey, were $2,632 for banks having deposits of more than 100 million dollars, $3,237 for banks having deposits of 10 to 100 million dollars, $3,361 for banks having deposits of two to 10 million dollars, and $1,443 for banks having deposits of less than two million dollars. It therefore appears that the larger banks in the District have developed their business of making term loans in small amounts to small firms more than have some of the medium-sized banks.

Despite evidence that term lending has been increasing in the Atlanta District, the member banks of the District lend proportionately less money in term loans than do banks in most other sections of the country. According to the survey, the District banks had outstanding 14 percent of their total business-loan funds in term loans, compared with a national average of 34 percent. In the New York District 44 percent of the dollar volume of business loans was in term loans and even in both the St. Louis and Kansas City Districts, which like the Atlanta District are predominantly agricultural, 25 percent of the amount of business loans was in term loans.

MATURITY OF MEMBER BANK LOANS ON NOVEMBER 20, 1946

MATURITY OF LOANS	SIXTH DISTRICT		UNITED STATES	
	Dollar Amount (in Millions)	Percent	Dollar Amount (in Millions)	Percent
Demand	187.4	33.2	2,074	15.7
Less than 90 days	172.4	30.5	2,436	18.4
90 days to 6 months	98.7	17.4	3,130	23.7
6 months to 9 months	7.4	1.3	546	4.1
9 months to 1 year	21.3	3.8	476	3.6
1 year to 2 years	12.1	2.1	647	4.9
2 years to 3 years	10.8	1.9	315	2.4
3 years to 4 years	6.1	1.1	217	1.6
4 years to 5 years	11.0	1.9	654	4.9
5 years to 10 years	33.2	5.9	2,312	17.4
Over 10 years and unclassified	4.8	.9	423	3.3
Total	565.2	100.0	13,231	100.0

That long-term loans are used less in the Sixth District than they are in other districts may be attributable to several factors. Apparently, however, difference in the sizes of banks between Districts is not one of them because banks in the Sixth District were lending a smaller proportion of money in the form of business term loans than were banks of the same size in other districts.

Differences in economic characteristics between districts account for some of the variations in term-loan use. Whereas banks in the New York District are closely connected with manufacturing activity, making 47 percent of their dollar volume of business loans to manufacturers and mining concerns, Sixth District banks make only 27 percent of their business loans to these firms. In contrast, proportionately more of the customers of District banks are wholesalers and retailers who, because of the character of their business, need a smaller amount of long-term funds.

Apart from the differences in the customers of banks between districts, there is still an unexplained variation in the use of term loans in the Sixth District. Retailers in the Sixth District were borrowing a smaller proportion of long-term funds, for example, than were those in other Districts. This was not a result of differing sizes of business firms, since both large and small firms in the Sixth District had less of their borrowings in term loans than did those in other Districts.

Apparently a major part of the difference in the maturity of business loans is ascribable only to different regional attitudes regarding long-term debt. Of the total dollar volume of business loans held by member banks 33.2 percent were demand loans in the Atlanta District, whereas only 14.9 percent were of this type in the New York District. Similarly, 7 percent of the dollar volume of business loans in the Atlanta District had maturities running from one to five years against 13.8 percent with such maturities in the New York District. Finally, the survey showed the greatest difference between districts in the group of business loans maturing in from five to 10 years. Sixth District member banks had only 5.9 percent of their loan dollar volume in business loans, whereas the New York banks had more than 25 percent.

This attitude regarding long-term debt in the Sixth District is probably common to lenders and borrowers. Undoubtedly a high mortality rate among business firms in the District has much to do with it. In addition, during the two major depressions since the establishment of Federal Reserve System banks in agricultural districts had a faster run-off of deposits than did banks in industrial districts. The consequently heavier bank failures have left their mark on Sixth District banking policies. There is some belief, however, that even if the liquidity of bank assets is impaired, term loans may act to stabilize business conditions.

Although long-term bank financing of business is not yet as important in the Sixth District as it is in other sections of the country, there is evidence that the practice of making term loans is becoming relatively more prevalent. Any sizable expansion of term lending will nevertheless depend not only on the education of both bankers and businessmen in the methods of term lending but on the general economic stability of the country and the District.

THOMAS R. ATKINSON

The District Business Situation

Small-Town Unemployment and New Industries

IN THE midst of national "full employment" and record peace-time prosperity there still are pools of surplus labor in many smaller communities of the District. Unlike most major Sixth District cities, where business development since the war has usually meant abundant jobs, they continue to have heavy proportions of unemployment. In the Six States during February an estimated 217,000 workers eligible for unemployment insurance and veteran's benefits were out of work, 60 percent of them being veterans. This figure, however, understates the unemployment in small towns and rural areas, particularly since farm workers, who are not included in the estimates, are often partially idle or underemployed.

To complicate this picture, in some towns the serious unbalance between employment of men and women workers may mean that changes in the social structure are in the making. In some smaller communities the women are employed in the town's sole industry, an apparel factory or canning plant, while the men keep house and seek work. The Tennessee Department of Employment Security states in its market letter that most of the industries entering the state are apparel plants which employ an "overwhelming majority of women." "If industries employing men at a reasonably satisfactory wage rate are not located in certain sections," the letter concludes, "a large scale out-migration is sure to result." Apparently the problem in many small towns and rural areas seems to be one of unmeasured unemployment as well as one of unbalanced employment.

During the last three months of 1946 the number of new and enlarging businesses was growing faster in Sixth District states than in the rest of the country. There were 53,931 employers subject to unemployment-compensation laws in District states on October 1, and three months later there were 56,282, an increase of 4.4 percent against a national increase of only 3.4 percent. Though many of these firms may have been established in small towns, the need for employment opportunities in these towns is probably as great as ever.

To attract new industries many communities have offered suitable low-rent buildings to "outside" enterprises and others have used extensive campaigns of publicity and nonfinancial assistance. Because competition for the limited number of expanding plants is heavy, possibly some communities have spent money and effort out of proportion to the results obtained. Central industrial-development planning agencies, both public and private, when asked for advice, therefore, have found it increasingly necessary to recommend that small towns encourage the development of local business enterprises rather than count on outside firms to come in and relieve their unemployment hardships.

Apparently the difficulties which beset new business are still making many town-development groups hesitant about encouraging local enterprises, and many groups are still relying on the hope that some outside firms will solve their unemployment problem. The major traditional difficulty facing new business—that of raising capital—no longer seems, however, to be as important as it once was. Little difficulty has been encountered in raising funds among local residents to finance development corporations of the type described in the October 31 issue of the *Monthly Review*. Moreover, Sixth District banks have apparently made substantial loans to new firms, since near the end of 1946 approximately one third the dollar volume of loans to small manufacturing firms was made to companies that had been established in the preceding five years.

It is rather a lack of confidence in local managerial talent as well as the feeling that enough experienced workers are not available to staff a successful concern that may be the major reasons local enterprises are not given more encouragement by these development groups. Certainly personnel and managerial problems are important causes of business failures. A recent survey by the Department of Commerce discloses that the manufacturing firms which were sold or liquidated during the second quarter of 1946 listed the lack of competent employees next to temporary material and equipment shortages as the most important cause for their action. Moreover, the survey revealed that two fifths the sold or liquidated firms failed to keep the accounting records required for efficient business management. Only 10 percent of the surveyed manufacturing concerns considered the lack of capital an important cause of their failure.

Some writers have suggested that local development groups should survey the business talent in their community and when competent managers are not obtainable there hire them from some other locality. Still others have suggested that planned vocational-education programs might well be fitted around a specific new industry in order to provide it with a staff of skilled labor. Recently much emphasis has been placed on the obtaining of competent advice on scientific and business problems by new enterprises from public and private research agencies. These measures have possibilities of giving new, locally formed enterprises a better chance to succeed and thus relieve small-town unemployment.

T. R. A.

Finance

Little lending activity during April and the first half of May was indicated by the 20 Sixth District member banks that report weekly. Repayments exceeded borrowings, with the result that on May 14 total loans, amounting to 574 million dollars, were at their lowest point since November 13, 1946. Because total loans at the member banks outside reserve cities were higher at the end of April than they were at the first of the year, total loans of all member banks were up, but only 1.5 percent.

On the basis of figures gathered in the recent survey of the ownership of demand deposits that individuals, partnerships, and corporations have in Sixth District member banks, business and personal deposits at all commercial banks in the District, both member and nonmember, on February 27 amounted to 4.3 billion dollars. These deposits were approximately one percent less than they were on July 31, 1946, the last survey date, and 4 percent more than they were at the end of January 1946. The decline for the seven months ended in February of this year was the first that the District banks as a group had had since the semiannual survey was initiated in 1943. Chiefly it was the cessation of the Treasury's borrowing and spending for war purposes in the District, which had stimulated an expansion of total deposits, that caused the decline.

In an appraisal of postwar financial developments, of perhaps more significance than the change in the total amount of personal and business deposits is the shift of deposits from bank to bank and from one type of owner to another. Even though there was a small change from July to February there were a number of counteracting shifts from bank to bank. At six out of every 10 of those banks reporting in the deposit survey, business and personal deposits declined during the seven months following July 1946 at rates ranging from less than one percent to more than 30 percent. At the other banks the deposits either remained unchanged or increased at rates varying up to 25 percent. As groups both the largest and the smallest banks, which were classified by the amount of their demand deposits, were estimated to have greater amounts of business and personal deposits at the end of February this year than they had at the end of July, 1946. The group composed of banks with demand deposits of one million to 10 million dollars was the one that had a decline.

Generally it was the accounts of business depositors rather than nonbusiness depositors that decreased. Although nonbusiness deposits exclusive of farmers' deposits increased 2 percent, business deposits decreased 3 percent. A decline of 9 percent in the deposits of retailers and wholesalers accounted for the greater part of the decrease in total business deposits. Both retailers and wholesalers expanded their inventories during 1946 and, in addition, sold more of their goods for credit than they had formerly. There will probably be a further decline as more nearly normal practices with respect to inventories and credit are resumed. The other decline in business deposits, amounting to 6 percent for public-utility, transportation, and communication companies, may indicate the use of funds for postwar development programs. In contrast to these decreases, an increase of 5 percent took place in manufacturing deposits.

The deposits of persons other than farmers constituted 38 percent of total deposits in February 1947. At the end of February these deposits were not only 2 percent more than they were on the preceding survey date but three times as great as they were in 1943, in contrast with business deposits which were only about one and a half times as great. Small personal deposits are of course the type needed to supply the

ESTIMATED DEMAND DEPOSITS OWNED BY INDIVIDUALS PARTNERSHIPS, AND CORPORATIONS IN ALL COMMERCIAL BANKS IN THE SIXTH FEDERAL RESERVE DISTRICT
(In Millions of Dollars)

Type of Ownership	February 1947	Dollar Change July 1946-Feb. 1947	Percent Change July 1946-Feb. 1947	Percent Distribution Feb. 1947
Manufacturing and mining	475	+ 5	+ 1	11.0
Public utilities, transportation, and communications	226	— 21	— 9	5.2
Retail and wholesale trade	855	— 54	— 6	19.8
All other nonfinancial*	255	+ 7	+ 3	5.9
Total nonfinancial	1,811	— 63	— 3	41.9
Insurance companies	72	— 1	— 1	1.7
Trust funds of banks	51	+ 0	+ 1	1.2
All other financial**	222	— 5	— 2	5.1
Total financial	345	— 6	— 1	8.0
TOTAL BUSINESS	2,156	— 69	— 3	49.9
Nonprofit organizations	115	+ 17	+ 18	2.1
Personal				
Farmers	400	— 6	— 2	9.3
Others	1,648	+ 36	+ 2	38.1
Foreign	2	+ 1	+113	.0
TOTAL INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS	4,321	— 21	— 1	100.0

*Including construction-contracting establishments, theatres, and hotels, laundries, garages, repair shops, and other service establishments.
**Including investment, loan, and insurance agencies; real-estate businesses, etc.

Sixth District Indexes

DEPARTMENT STORE SALES*

Place	Adjusted**			Unadjusted		
	Apr. 1947	Mar. 1947	Apr. 1946	Apr. 1947	Mar. 1947	Apr. 1946
DISTRICT	353	346	327	350	346	336
Atlanta	409	374	383	366	392	376
Baton Rouge	390	356	339	383	362	362
Birmingham	343	331	317	322	332	318
Chattanooga	348	358	329	344	351	350
Jackson	333	322	319	324	311	325
Jacksonville	455	394	421	434	392	421
Knoxville	330	315	351	312	314	355
Macon	314	329	329	310	317	337
Miami	362	341	318	369	396	324
Montgomery	352	357	316	332	338	320
Nashville	400	412	377	406	407	399
New Orleans	318	317	294	319	301	302
Tampa	469	458	392	482	459	420

DEPARTMENT STORE STOCKS

Place	Adjusted**			Unadjusted		
	Apr. 1947	Mar. 1947	Apr. 1946	Apr. 1947	Mar. 1947	Apr. 1946
DISTRICT	320	321r	220	317	321r	217
Atlanta	371	405	317	395	413	337
Birmingham	237	227	161	246	233	167
Montgomery	322	315	199	347	334	215
Nashville	423	450	311	469	468	345
New Orleans	299	310	145	319	327	155

LUMBER PRODUCTION*

Place	Adjusted**			Unadjusted		
	Mar. 1947	Feb. 1947	Mar. 1946	Mar. 1947	Feb. 1947	Mar. 1946
SIX STATES	117	124	116	115	122	114
Alabama	124	144	137	124	144	137
Florida	70	78	48	73	81	50
Georgia	136	143	147	140	140	151
Louisiana	100	97	79	94	93	74
Mississippi	134	151	113	126	145	106
Tennessee	138	105	204	124	95	184

	COTTON CONSUMPTION*			COAL PRODUCTION*		
	Apr. 1947	Mar. 1947	Apr. 1946	Apr. 1947	Mar. 1947	Apr. 1946
TOTAL	169	170	159	117	173	12
Alabama	181	179	164	124	181	14
Georgia	167	171	160	...	...	..
Tennessee	133	129	128	101	155	8

	MANUFACTURING EMPLOYMENT***			GASOLINE TAX COLLECTIONS		
	Mar. 1947	Feb. 1947	Mar. 1946	Apr. 1947	Mar. 1947	Apr. 1946
SIX STATES	144	145	133	170	153	157
Alabama	154	155	137	175	161	155
Florida	127	129	119	187	179	164
Georgia	133	135	127	159	144	142
Louisiana	135	133r	132	152	142	137
Mississippi	157	159r	138	160	144	154
Tennessee	155	155r	140	180	140	184

CONSUMERS' PRICE INDEX

	Mar. 1947	Feb. 1947	Mar. 1946
ALL ITEMS	163	159r	134
Food	202	193	145
Clothing	180	177r	148
Rent	n.a.	n.a.	115
Fuel, elec. and ice	121	121	111
Home furnishings	177	172r	148
Misc.	141	140r	132
Purchasing power of dollar	.61	.63	.75

CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*

	Apr. 1947	Mar. 1947	Apr. 1946
Unadjusted	238	237	209
Adjusted**	234	236	205

ELECTRIC POWER PRODUCTION*

	Mar. 1947	Feb. 1947	Mar. 1946
SIX STATES	307	313	253
Hydro-generated	325	326	310
Fuel-generated	284	297	178

ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

	Apr. 1947	Mar. 1947	Apr. 1946
Unadjusted	18.4	18.7	16.1
Adjusted**	18.7	19.1	16.3
Index**	72.3	73.9	63.1

*Daily average basis
**Adjusted for seasonal variation
***1939 monthly average=100; other indexes, 1935-39=100
rRevised
n.a. Not available

Sixth District Statistics

RETAIL JEWELRY STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change April 1947 from	
		March 1947	April 1946
Total sales	19	— 5	— 3
Cash sales	19	— 3	— 28
Credit sales	19	— 3	+ 22
Accounts receivable, end of month	19	+ 0	+ 60
Collections during month	19	— 9	+ 9

INSTALLMENT CASH LOANS

Lender	No. of Lenders Reporting	Volume		Outstandings	
		Percent Change April 1947 from		Percent Change April 1947 from	
		March 1947	April 1946	March 1947	April 1946
Federal credit unions	41	+ 9	+ 63	+ 4	+ 63
State credit unions	24	+ 50	+ 65	+ 4	+ 58
Industrial banking companies	10	+ 1	+ 8	+ 1	+ 39
Industrial loan companies	19	— 2	+ 30	+ 1	+ 37
Small loan companies	54	— 1	— 5	+ 1	+ 18
Commercial banks	34	+ 4	+ 68	+ 6	+ 97

WHOLESALE SALES AND INVENTORIES*

Items	SALES			INVENTORIES		
	No. of Firms Reporting	Percent Change Apr. 1947 from		No. of Firms Reporting	Percent Change Apr. 30, 1947, from	
		Mar. 1947	Apr. 1946		Mar 31 1947	Apr. 30 1946
Automotive supplies	7	— 15	— 17	5	+ 9	+ 80
Clothing and shoes	6	— 9	— 17	..	.....	.....
Drugs and sundries	7	+ 1	+ 16	3	+ 2	+ 12
Dry goods	9	— 4	— 21	4	+ 11	+ 78
Farm supplies	3	+ 8	+ 76	..	.....	.....
Confectionery	5	— 6	+ 21	..	.....	.....
Groceries						
Full lines	34	— 2	+ 14	17	— 5	+ 68
Specialty lines	8	+ 2	+ 20	4	— 0	+ 66
Beer	3	+ 28	— 48	3	+ 14	+ 24
General hardware	12	+ 0	+ 34	6	+ 2	+102
Industrial supplies	4	+ 3	+ 36	..	.....	.....
Lumber and building materials	4	+ 3	+ 26	..	.....	.....
Machinery, equip., and supplies	3	+ 8	+ 45	..	.....	.....
Tobacco products	6	+ 22	+ 22	..	.....	.....
Miscellaneous	18	— 2	+ 41	19	— 6	+ 81
Total	129	— 0	+ 18	61	— 2	+ 73

*Based on U. S. Department of Commerce figures

DEPARTMENT STORE SALES AND STOCKS

Place	SALES			INVENTORIES		
	No. of Stores Reporting	Percent Change Apr. 1947 from		No. of Stores Reporting	Percent Change Apr. 30, 1947, from	
		Mar. 1947	Apr. 1946		Mar. 31 1947	Apr. 30 1946
ALABAMA						
Birmingham	5	— 3	+ 2	4	+ 6	+ 47
Mobile	5	— 5	— 3	..	.....	.....
Montgomery	3	— 2	+ 4	3	+ 4	+ 62
FLORIDA						
Jacksonville	4	+ 11	+ 5	3	— 1	+ 32
Miami	4	— 7	+ 14	3	— 6	+ 32
Orlando	3	+ 4	+ 9	..	.....	.....
Tampa	5	+ 5	+ 15	3	— 14	+ 16
GEORGIA						
Atlanta	6	— 7	— 3	5	— 4	+ 17
Augusta	4	+ 2	+ 13	3	— 9	+ 26
Columbus	3	+ 6	+ 12	..	.....	.....
Macon	4	— 2	— 8	4	+ 0	+ 47
LOUISIANA						
Baton Rouge	4	+ 6	+ 6	4	+ 1	+ 77
New Orleans	5	+ 6	+ 5	4	— 3	+107
MISSISSIPPI						
Jackson	4	+ 4	— 0	4	+ 2	+ 58
TENNESSEE						
Bristol	3	+ 4	+ 3	3	+ 1	+129
Chattanooga	4	— 2	— 2	3	+ 6	+103
Knoxville	4	— 1	— 12	..	.....	.....
Nashville	6	— 0	+ 2	5	+ 0	+ 36
OTHER CITIES*	18	+ 4	+ 10	22	+ 1	+ 46
DISTRICT	94	— 0	+ 3	73	— 1	+ 46

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

necessary power for the purchase of a large volume of consumer durable goods. Though such deposits, of less than $10,000 each, constituted about 45 percent of all personal deposits at the District banks, they increased less than one tenth of one percent. Deposits of $25,000 or more increased 5 percent, and deposits of between $10,000 and $25,000 increased 3 percent.

C. T. T.

Trade

The estimated 44 million dollars worth of goods sold during April in Sixth District department stores brought the seasonally adjusted index of District department-store sales to 353 percent of the 1935-39 average, compared with 346 percent in March and with 327 in April 1946. Sales during the first two weeks of May at the weekly reporting stores indicated that the final index for the month will be more than that for April unless reports for the latter part of May show marked declines in sales.

Furniture-store sales for April of this year were also up, 12 percent above the April 1946 level. At jewelry stores sales were down 3 percent, and at household-appliance stores they were 14 percent greater than they were in March.

Both the inventories and outstanding orders reported by District department stores at the end of April indicate that the period of inventory building may be coming to an end. There was little difference between the March and April seasonally adjusted indexes of department-store sales, with the index for April, at 320, one point below that for March. Although this figure was considerably more than that for April 1946, of 219, the changes from month to month during 1947 have not paralleled the rapid monthly increases during 1946. Last year the seasonally adjusted index for January was 184, rising each month until it reached the high of 363 in December. This year the index began falling in January, when it went to 341, and has declined each month since then.

During 1946, when sales were increasing spectacularly, the merchants were making every effort to expand their stocks. In April 1947, however, outstanding orders were at their lowest point in five years, only 36 percent of what they were in April 1946. If the stores had received immediately all the merchandise they had on order at the end of April 1946, they would have received three times as much as they sold in that month. In contrast, during April 1947 the value of these orders was less than that of the merchandise sold.

A corresponding decrease in goods being received, however, is not indicated, because of the prompter receipt of merchandise and the cancellation of past-due orders. In April of this year the department stores received merchandise worth almost 90 percent of the value of merchandise received during the same month in 1946.

C. T. T.

Agriculture

Above-normal temperatures during the latter half of the month were generally beneficial to farmers who were trying to overcome the delaying effects of the late, cool spring. In Georgia and eastern Tennessee and in southern Alabama, Louisiana, and Mississippi, however, a lack of rainfall retarded crop growth.

The May conditions indicate a record 25.5-million-bushel peach crop for the 10 Southern states that have an early season. Production in the Sixth District states accounts for almost 10 million bushels of the total. Prospective Georgia production, estimated at 6.5 million bushels, is 15 percent great-

er than last season's crop. Trees in the state bloomed about a month later than they did last year, and the time between blooming dates in the northern area and the southern area was much shorter than usual. The first commercial shipments of the Georgia crop will probably be made about June 1.

Florida growers' first reports on the 1947-48 citrus crop prospects indicate a favorable season next year. Since the trees bloomed about a month late this year, it is still too early to ascertain the set of fruit. Condition reports, however, point to an early and midseason orange crop at 71 percent of a full crop, Valencia crops at 74 percent, grapefruit at 70 percent, and tangerines at 72 percent. The condition on May 1 this year is about what it was on the same date last year.

District early-potato growers are harvesting a small crop compared with the crops of recent years. Though harvesting in the Hastings section of Florida reached its peak around the middle of the month, yields are light and the crop is of lower-than-average quality. Yields are poor in South Georgia and only fair in Alabama. Because of blight the crop is a near failure in some of the early areas of Louisiana. Movement of the crop in most District producing areas is later than usual because of cold wet weather in the early part of the season.

Potato prices to District growers were supported by government purchases during the month at amounts ranging from $2.60 to $2.70 a bushel for U. S. No. 1 grade potatoes. The price-support schedule for early potatoes calls for a gradual decrease in support prices to a minimum of $2.00 a bushel in August.

Prices received by farmers were generally lower than the peak reached in March. From 280 in mid-March the farm-price index for the nation dropped to 276 in mid-April. Prices received by District farmers were also slightly lower in April, and there was little change in May prices, according to early estimates, from the April prices. Lower prices for meat animals and dairy products more than offset the higher prices for most other commodities.

Prices paid by farmers were generally higher in April than they were in March. Though feed and building materials were primarily responsible for the higher level, the prices of almost all commodities were higher. The lumber-price decline, in May, is one of the first declines in farm-production costs since the rapid rise began. Fertilizer prices, however, are about 11 percent higher this spring than they were last year. Fertilizer-tag sales for April indicate that District farmers are using 19 percent more fertilizer now than they did in April of last year.

In the geographical areas including the Sixth District states the number of persons employed on farms was larger, seasonally, than the number last month but about equal to the number a year ago. A slight decline in the number of family workers was offset by an increase in the number of hired laborers. As a result of the short-spring vegetable harvest in Florida, migrant laborers began to move northward a little earlier than usual. B. R. R.

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change April 1947 from	
		March 1947	April 1946
Total sales	95	+ 4	+ 12
Cash sales	87	+ 8	— 18
Installment and other credit sales	87	+ 3	+ 20
Accounts receivable, end of month	94	+ 3	+ 37
Collections during month	94	— 4	+ 20
Inventories, end of month	74	— 4	+ 41

Sixth District Statistics

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

Item	May 21 1947	April 23 1947	May 22 1946	Percent Change May 21, 1947, from	
				April 23 1947	May 22 1946
Loans and investments—Total	1,905,810	1,909,497	2,214,435	— 0	— 14
Loans—total	572,718	574,732	496,305	— 0	+ 15
Commercial, industrial, and agricultural loans	331,061	333,937	235,135	— 1	+ 41
Loans to brokers and dealers in securities	5,115	6,822	11,353	— 25	— 55
Other loans for purchasing and carrying securities	72,272	72,034	124,518	+ 0	— 42
Real estate loans	46,422	45,758	28,232	+ 1	+ 64
Loans to banks	3,514	4,168	3,183	— 16	+ 10
Other loans	114,334	112,013	93,884	+ 2	+ 22
Investments—total	1,333,092	1,334,765	1,718,130	— 0	— 22
U. S. direct obligations	372,929	380,059	738,647	— 2	— 50
Obligations guaranteed by U. S.	800,880	796,645	821,101	+ 1	— 2
Other securities	159,283	158,061	158,382	+ 1	+ 1
Reserve with F. R. Bank	363,470	361,759	363,185	+ 0	+ 0
Cash in vault	31,209	32,107	29,178	— 3	+ 7
Balances with domestic banks	142,654	140,955	147,029	+ 1	— 3
Demand deposits adjusted	1,403,291	1,396,117	1,363,043	+ 1	+ 3
Time deposits	462,190	460,580	442,629	+ 0	+ 4
U. S. Gov't deposits	34,006	40,775	336,483	— 17	— 90
Deposits of domestic banks	414,799	417,929	490,361	— 1	— 15
Borrowing	1,000	2,000	1,500	— 50	— 33

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

Place	No. of Banks Reporting	April 1947	March 1947	April 1946	Percent Change April 1947 from	
					Mar. 1947	Apr. 1946
ALABAMA						
Anniston	3	19,383	21,350	22,356	— 9	— 13
Birmingham	6	274,089	298,214	225,572	— 8	+ 22
Dothan	2	9,201	10,824	8,165	— 15	+ 13
Gadsden	3	15,746	18,271	12,616	— 14	+ 25
Mobile	4	111,130	120,186	93,908	— 8	+ 18
Montgomery	3	63,144	67,362	52,367	— 6	+ 21
FLORIDA						
Jacksonville	3	233,998	247,365	202,061	— 5	+ 16
Miami	8	212,923	239,007	197,419	— 11	+ 8
Greater Miami*	13	306,039	343,252	289,919	— 11	+ 6
Orlando	2	42,893	49,807	45,437	— 14	— 6
Pensacola	3	30,609	30,215	27,755	+ 1	+ 10
St. Petersburg	3	52,628	55,846	46,072	— 6	+ 14
Tampa	3	102,357	108,904	97,631	— 6	+ 5
GEORGIA						
Albany	2	13,564	14,674	12,092	— 8	+ 12
Atlanta	4	696,947	719,437	586,495	— 3	+ 19
Augusta	3	53,542	51,964	45,776	+ 3	+ 17
Brunswick	2	8,379	8,873	9,640	— 6	— 13
Columbus	4	54,244	57,736	42,013	— 6	+ 29
Elberton	2	3,415	3,634	2,883	— 6	+ 18
Gainesville*	3	11,267	12,040	9,732	— 6	+ 16
Griffin*	2	10,072	10,108	8,341	— 0	+ 21
Macon	3	51,503	57,418	42,502	— 10	+ 21
Newnan	2	6,362	7,029	7,094	— 9	— 10
Rome*	3	18,422	19,942	16,520	— 8	+ 12
Savannah	4	76,503	78,946	78,658	— 3	— 3
Valdosta	2	11,401	11,460	9,414	— 1	+ 21
LOUISIANA						
Baton Rouge	3	67,507	74,394	55,785	— 9	+ 21
Lake Charles	3	24,420	25,378	20,032	— 4	+ 22
New Orleans	7	566,402	608,269	492,438	— 7	+ 15
MISSISSIPPI						
Hattiesburg	2	15,038	16,776	13,924	— 10	+ 8
Jackson	4	97,471	123,617	81,935	— 21	+ 19
Meridian	3	24,771	26,978	22,184	— 8	+ 12
Vicksburg	2	20,571	22,577	21,741	— 9	— 5
TENNESSEE						
Chattanooga	4	118,689	131,099	100,589	— 9	+ 18
Knoxville	4	100,150	105,476	96,423	— 5	+ 4
Nashville	6	261,432	262,845	227,174	— 1	+ 15
SIXTH DISTRICT 32 Cities	109	3,440,412	3,675,931	3,000,151	— 6	+ 15
UNITED STATES 334 Cities		87,766,000	93,319,000	87,532,000	— 6	+ 0

* Not included in Sixth District total

National Summary of Business Conditions

INDUSTRIAL output and employment declined slightly in April. The value of department-store sales continued to show the usual seasonal changes in April but increased somewhat in May. The general level of wholesale commodity prices declined somewhat in April and showed little change in the first three weeks of May.

Industrial Production

Industrial production declined slightly in April according to the Board's seasonally adjusted index, which was at a level of 187 percent of the 1935-39 average for April as compared with 190 in March. Output of both durable and nondurable manufactures and of minerals was below the March rate.

A slight decrease in activity in the durable-goods industries in April reflected mainly work stoppages at plants producing communication equipment and small declines in output of building materials after allowance for usual seasonal changes. Output of nonferrous metals and products declined slightly in April as decreases in some fabricating industries offset further gains in activity at smelters and refineries. Steel production was at 94 percent of capacity in April, as in March, and scheduled operations at steel mills during May have been maintained at this rate. Automobile output in April continued at an annual rate of about five million cars and trucks; and activity in other transportation-equipment industries increased somewhat. A decline in automobile production is indicated for May, largely as a result of shortages of steel sheets.

Production of nondurable manufactures was in somewhat smaller volume in April owing mainly to a decrease in output of textiles. Activity in the rubber products industry was slightly below the exceptionally high first-quarter levels when tires for passenger cars, trucks, and busses were being produced at an annual rate of 100 million, compared with about 60 million in 1940. Production of most other nondurable goods in April showed little change from the March rate.

Output of coal declined 20 percent from March to April, reflecting work stoppages at bituminous coal mines in the early part of the month. Production of crude petroleum and of metals continued to advance. Crude-petroleum output rose further in the early part of May to a new record rate.

Employment

Nonagricultural employment decreased by about 450,000 workers in April, according to the Bureau of Labor Statistics' figures as adjusted for seasonal variation by the Federal Reserve. This decline was due chiefly to work stoppages in the telephone, bituminous-coal, and electrical-machinery industries. Employment in industries manufacturing nondurable goods, chiefly textiles and apparel, also declined. The number of persons unemployed increased slightly in April.

Construction

Total value of construction contracts awarded, as reported by the F. W. Dodge Corporation, showed little change from March to April and was about one-fifth smaller than in April 1946. Private residential and nonresidential awards declined, although awards usually show a seasonal increase in April. Awards for publicly financed construction expanded further, reflecting chiefly a large increase in the volume of contracts for streets and highways.

Distribution

Department-store sales continued to show little change in April, after allowance for usual seasonal changes. The Board's adjusted index was 275 percent of the 1935-39 average in April, compared with 277 in March and an average of 271 in the first four months of this year. In May dollar volume of sales showed less than the usual seasonal decline and in the first half of the month was 12 percent larger than in the corresponding period of 1946.

Freight carloadings declined in April largely because of a sharp drop in coal shipments early in the month. Loadings of coal increased and shipments of most other classes of freight were maintained in large volume in the early part of May.

Commodity Prices

Prices of most basic commodities showed little change in the early part of May, following declines in April. Prices of feed grains and copper advanced, while prices of rubber, wool tops, paint materials, and lumber declined. The general level of wholesale prices, according to the Bureau of Labor Statistics' weekly index, has been at 147 percent of the 1926 average since the middle of April, compared with an average level of 149 percent in March.

Treasury Finance and Bank Credit

Treasury redemption for cash of part of the weekly maturing bill issues continued into May. Between April 17, when the program began, and May 22 one billion dollars of Treasury bills were retired. Largely as a result of these retirements Treasury war-loan deposits at commercial banks were reduced by about 800 million dollars in the five weeks ending May 21.

Although Federal Reserve banks held most of the retired securities, their holdings of Treasury bills declined by considerably less than the amount retired, as some commercial banks sold bills to maintain their reserve positions. A further increase in monetary gold stock of 300 million dollars during the five weeks and small inflow of currency from circulation supplied member banks with reserve funds and thereby reduced the need for additional sales of securities to the Reserve System.

Commercial and industrial loans, which had expanded rapidly from the middle of 1946 until March 1947, declined somewhat during April and the first half of May at banks in leading cities. Real-estate and consumer loans continued to increase. Government-security holdings declined between the middle of April and the middle of May.

THE BOARD OF GOVERNORS