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Bank Credit for Farm Production

FOR MANY years commercial banks have supplied the Sixth District farmers with most of their production credit. Although production-credit associations and retail merchants and other persons are important sources of short-term loans for some farmers, they provide only about 40 percent of the total production credit used by farmers.

At the middle of this year District banks had outstanding more than 200,000 loans to farmers that were not secured by farm real estate. Although these loans amounted to almost 85 million dollars, they constituted only 5 percent of the total loans outstanding at all insured commercial banks. The aggregate figures obscure the importance that non-real-estate farm loans have for some of the banks. They constitute, for instance, a large portion of the total earning assets of many small banks.

The total amount of non-real-estate farm loans that District banks held was about 9 percent larger in mid-1947 than it was a year earlier. This increase is part of a trend that began during the war. During the past few years farmers' production costs have increased steadily. Furthermore, since the end of the war more production goods, such as machinery, have again become available. As a result farmers are borrowing larger amounts at a time and more of them are apparently using short-term credit. Despite the recent increase in total volume of farm-production loans, the volume of non-real-estate farm debt is low in relation to farm income and value of assets. In fact the entire debt position of District farmers is relatively favorable. The bankers and farmers, of course, concern themselves with problems other than those which might arise from an over-extension of farm-production type of credit. Particularly to the small banks in rural areas are the farmers the most important group of customers. In order to serve adequately their farm customers and to meet competition for this loan business from other sources, they must be prepared to provide production credit in the amounts and under the conditions needed. To farmers in general production credit is a means of obtaining the working capital they need. For the individual, the amount of such credit available and the terms and conditions under which it can be obtained may vitally affect his success in the way that the amount and quality of land or the amount and cost of labor does.

The problem of production credit is a dynamic one for Sixth District farmers. Compared to farming in the rest of the nation, District agriculture is characterized by a low productivity per worker and a small amount of capital per worker. Evidence that farmers are beginning to substitute

capital for labor in more-extensive farming systems is growing. If a really prosperous agriculture is to be attained, the trend toward more capital per worker must continue and much of the new capital must come from the banks in the form of farm-production loans.

In evaluating bank credit for farm production from the bankers' and farmers' standpoint as well as its ability to facilitate needed changes in farming systems more detailed information is needed than that given in routine reports. An understanding of development in non-real-estate farm lending requires, among other things, information on the characteristics of short-term loans to farmers and typical lending practices in farm financing. Present lending practices also may give some indication of the ability and willingness of banks to meet anticipated changes in farm credit needs. To supply some of this information needed for a better understanding of short-term production credit for farmers the Federal Reserve Banks and the Federal Deposit Insurance Corporation conducted a joint survey as of June 30 at a sample group of member and nonmember banks.

These figures show that small banks supply farmers with most of their bank credit that is not secured by farm real estate. Of the total number of farm-production loans held by banks, more than a third was held by banks with deposits of less than two million dollars. These and other banks with deposits of less than 10 million dollars held four fifths of all reported farm-production loans. Since the average size of the loans held by all sizes of banks was virtually the same, banks with total deposits of less than 10 million dollars held also about four fifths of the total dollar volume outstanding on these loans.

In the number of loans the District's large banks, those having total deposits in excess of 10 million dollars, are more important sources of farm-production credit, however, than are the large banks over the nation as a whole. The latter held only 8 percent of the total number of farm-production loans outstanding, whereas the former held 20 percent of the total number in the District. Although the loans held by small banks over the entire nation were relatively small, in the District the size of the loans appeared to have little or no relationship to the size of the bank. Apparently the smaller District banks are making loans in a wide range of sizes on terms that are competitive with those of the larger banks.

For both the District and the nation, however, there were tendencies for small farmers to borrow at small banks and large borrowers at large banks. These tendencies were much

**FARM PRODUCTION LOANS OF INSURED COMMERCIAL BANKS OUTSTANDING IN MID-1947
BY NET WORTH OF BORROWER AND SIZE OF BANK**

Net worth of borrower	Size of bank (Deposits in millions of dollars)							
	All Banks				All Banks			
	Less than 2	2 to 10	10 and over	All Banks	Less than 2	2 to 10	10 and over	
	Number				Amount (Thousands)			
Under \$2,000.....	103,666	37,980	48,638	17,048	\$19,422	\$ 7,415	\$ 9,101	\$ 2,906
\$2,000-\$9,999.....	73,057	25,500	32,396	15,161	30,082	11,458	13,763	4,861
\$10,000-\$24,999.....	15,951	4,664	6,809	4,478	15,709	5,425	7,737	2,547
\$25,000-\$99,999.....	6,671	1,714	3,071	1,886	12,837	3,767	6,289	2,781
\$100,000 and over.....	975	69	578	328	6,141	717	4,361	1,063
Not classified.....	1,956	483	312	1,161	469	43	88	338
ALL BORROWERS.....	202,276	70,410	91,804	40,062	\$84,660	\$28,825	\$41,339	\$14,496
	Percentage Distribution							
Under \$2,000.....	51.2	54.0	53.0	42.6	22.9	25.7	22.0	20.1
\$2,000-\$9,999.....	36.1	36.2	35.3	37.8	35.5	39.8	33.3	33.5
\$10,000-\$24,999.....	7.9	6.6	7.4	11.2	18.6	18.8	18.7	17.6
\$25,000-\$99,999.....	3.3	2.4	3.4	4.7	15.2	13.1	15.2	19.2
\$100,000 and over.....	0.5	0.1	0.6	0.8	7.3	2.5	10.6	7.3
Not classified.....	1.0	0.7	0.3	2.9	0.5	0.1	0.2	2.3
ALL BORROWERS.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

more pronounced over the nation than they were in the District. At banks with deposits of less than two million dollars 25 percent of the farm-production loans in the nation were made by borrowers whose net worth was less than \$2,000. This proportion declined to 16 percent at banks with deposits of 10 million dollars and more. In the District the proportion of loans made to borrowers with a net worth of less than \$2,000 ranged from 43 percent of all loans at the large banks to 54 percent at the small banks. At the large banks 20 percent of the number of loans and 46 percent of the amount outstanding involved borrowers with a net worth of \$10,000 and more, compared with 10 percent and 35 percent at the small banks. Throughout the country farm-production credit is mainly local in nature, but in the District this local aspect is even more marked. Most District farmers, regardless of the size of their operations, apparently are able to obtain the needed production credit from smaller banks at terms comparable to those they can get at the larger banks.

The survey shows also that a large proportion of farm-production loans were extended to small farmers. More than half the number of production loans at District banks, representing one fourth the total amount of such loans, were made to farmers with a net worth of less than \$2,000. The District's proportion of total loans made to small farmers was about double the nation's. Since small-scale farming predominates in the District's agriculture, it determines to a large extent the nature and the problems of farm-production credit. And since most of the farm borrowers have very limited financial resources, most of their loans are small with a relatively high degree of risk to the banks. The effect on terms and conditions of loans is to make production credit relatively inflexible and costly for the small-scale operator, the very farm borrower who has by far the greatest need for more capital. Most farmers have found it difficult to break out of the circle of low incomes, low rates of savings, and limited capital accumulation. Many bankers who serve farmers may, therefore, be faced not only with the problem of meeting their customers' present needs but with that of helping to bring about changes in farming that will permit a more effective use of capital.

Bank credit to finance District farm operations is concentrated in relatively few types of farming. Almost half the short-term production loans outstanding were made to farmers who receive at least 50 percent of their income from cotton. Only a twentieth of all production loans were made to farmers who received at least 50 percent their income from livestock or livestock products. General farms accounted for about 25 percent of total loans.

More than two fifths of all production loans and a fifth of the amount outstanding were to farmers with less than 70 acres of land each. About one in every 10 of the farm-production loans outstanding was made to a cotton farmer with less than 30 acres of land. Farmers with more than 500 acres of land each had, on the other hand, only a twentieth of the loans but more than a fourth of the total amount of outstanding loans.

**FARM PRODUCTION LOANS OF INSURED COMMERCIAL BANKS
OUTSTANDING IN MID-1947
BY TYPE OF FARM**

Type and size of farm	Number	Amount (Thousands)	Percentage Distribution		Average Size
			Number	Amount	
Cotton—all sizes.....	97,626	\$28,867	48.3	34.1	296
Small—under 30 acres..	19,778	2,732	9.8	3.2	138
Medium—30-69 acres..	42,210	8,334	20.9	10.4	209
Large—70 acres & more.....	33,448	16,854	16.5	19.9	504
Unclassified—all sizes.....	2,190	447	1.1	0.5	204
General—all sizes.....	55,861	23,706	27.6	28.0	424
Small—under 70 acres..	16,045	2,891	7.9	3.4	180
Medium—70-259 acres..	22,632	8,567	11.2	10.1	379
Large—260 acres & more.....	7,456	9,569	3.7	11.3	1,283
Unclassified—all sizes..	9,728	2,679	4.8	3.2	275
Other crops—all sizes....	31,899	21,338	15.8	25.2	669
Livestock & livestock products—all sizes.....	9,638	9,368	4.7	11.1	972
Not classified—all sizes	7,252	1,381	3.6	1.6	190
ALL BORROWERS.....	202,276	\$84,660	100.0	100.0	419

Production loans to District farmers averaged about \$400 in size, and those to farmers over the nation about \$700. Most District farmers are engaged in small-scale types of farming. About three fifths of the loans were for less than \$250 each. Less than \$500 was the most common size of loan for all types of farms, but otherwise there was considerable variation among the different types. Although about two

PERCENTAGE DISTRIBUTION OF FARM PRODUCTION LOANS OF INSURED COMMERCIAL BANKS
OUTSTANDING IN MID-1947
BY TENURE OF BORROWER AND SECURITY FOR LOAN

Tenure of borrower	Security for loan							Total
	Not Secured Not Endorsed	Not Secured Endorsed	Livestock	Growing crops	Machinery	Combination of Crops Livestock or Machinery	Other Security	
	Number of Loans							
Owner, no mortgage	19.8	7.5	12.0	3.3	5.1	46.9	5.4	100.0
Owner, mortgage	12.9	10.3	15.4	1.9	3.9	49.5	6.1	100.0
Tenant or cropper	6.7	14.2	17.2	4.6	2.9	49.6	4.8	100.0
ALL BORROWERS	12.4	11.2	14.8	3.6	4.3	48.6	5.1	100.0
	Amount of Loans							
Owner, no mortgage	18.2	5.1	9.8	2.8	7.3	42.6	14.2	100.0
Owner, mortgage	10.3	3.9	13.3	0.6	4.0	57.6	10.3	100.0
Tenant or cropper	4.1	10.0	11.2	4.0	6.0	59.1	5.6	100.0
ALL BORROWERS	11.6	6.5	10.8	2.4	6.2	52.2	10.3	100.0

FARM PRODUCTION LOANS OF INSURED COMMERCIAL BANKS OUTSTANDING IN MID-1947
BY NET WORTH OF BORROWER AND INTEREST RATE

Net worth of borrower	Interest rate												Total	
	Under 5	5-5.9	6-6.9	7-7.9	8-8.9	9 and Over	Total	Under 5	5-5.9	6-6.9	7-7.9	8-8.9		9 and Over	Total
	Number						Amount (Thousands)							
Under \$2,000	729	902	23,002	3,850	47,816	27,367	103,666	\$ 209	\$ 295	\$ 4,917	\$ 1,204	\$ 9,220	\$ 3,577	\$19,422
\$2,000-\$9,999	871	2,066	26,840	3,587	28,086	11,607	73,057	1,026	1,984	11,196	1,492	11,448	2,936	30,082
\$10,000-\$24,999	236	913	9,320	936	3,486	1,060	15,951	205	1,391	10,696	582	2,257	578	15,709
\$25,000-\$99,999	560	1,104	4,206	69	732	0	6,671	2,322	1,472	7,825	420	798	...	12,837
\$100,000 and over	256	252	378	0	89	0	975	3,138	842	2,000	...	161	...	6,141
Unclassified	44	415	507	0	921	69	1,956	10	71	233	...	152	3	469
ALL BORROWERS	2,696	5,652	64,253	8,442	81,130	40,103	202,276	\$ 6,910	\$ 6,055	\$36,867	\$ 3,698	\$24,036	\$ 7,094	\$84,660
	Percentage Distribution													
Under \$2,000	0.7	0.9	22.2	3.7	46.1	26.4	100.0	1.1	1.5	25.3	6.2	47.5	18.4	100.0
\$2,000-\$9,999	1.2	2.8	36.7	4.9	38.5	15.9	100.0	3.4	6.6	37.2	4.9	38.1	9.8	100.0
\$10,000-\$24,999	1.5	5.7	58.4	5.9	21.9	6.6	100.0	1.3	8.8	68.1	3.7	14.4	8.7	100.0
\$25,000-\$99,999	8.4	16.5	63.0	1.0	11.1	...	100.0	18.1	11.5	60.9	6.3	6.2	...	100.0
\$100,000 and over	26.3	25.8	38.8	...	9.1	...	100.0	51.1	13.7	32.6	...	2.6	...	100.0
Unclassified	2.3	21.2	25.9	...	47.1	3.5	100.0	2.1	15.1	49.8	...	32.4	...	100.0
ALL BORROWERS	1.3	2.8	31.8	4.2	40.1	19.8	100.0	8.2	7.1	43.5	4.4	28.4	8.4	100.0

FARM PRODUCTION LOANS OF INSURED COMMERCIAL BANKS OUTSTANDING IN MID-1947
BY NET WORTH OF BORROWER AND SECURITY FOR LOAN

Net worth of borrower	Security for loan							Total
	Not Secured: Not Endorsed	Not Secured: Endorsed	Livestock	Growing Crops	Machinery	Combination of Crops, Livestock, and Machinery	Other Security	
	Number of Loans							
Under \$2,000	6,507	12,791	17,039	4,205	2,191	55,302	5,631	103,666
\$2,000-\$9,999	11,156	6,566	10,703	2,710	4,615	34,407	2,900	73,057
\$10,000-\$24,999	4,517	1,972	1,520	128	1,015	5,832	967	15,951
\$25,000-\$99,999	2,183	528	488	133	255	2,460	624	6,671
\$100,000 and over	360	41	41	89	...	247	197	975
Unclassified	376	717	166	41	545	...	111	1,956
ALL BORROWERS	25,099	22,615	29,957	7,306	8,621	98,248	10,430	202,276
	Percentage Distribution							
Under \$2,000	6.3	12.3	16.4	4.1	2.1	53.4	5.4	100.0
\$2,000-\$9,999	15.3	9.0	14.6	3.7	6.3	47.1	4.0	100.0
\$10,000-\$24,999	28.3	12.4	9.5	0.8	6.4	36.5	6.1	100.0
\$25,000-\$99,999	32.7	7.9	7.3	2.0	3.8	36.9	9.4	100.0
\$100,000 and over	36.9	4.2	4.2	9.1	...	25.4	20.2	100.0
Unclassified	19.2	36.7	8.4	2.1	27.9	...	5.7	100.0
ALL BORROWERS	12.4	11.2	14.8	3.6	4.3	48.6	5.1	100.0

FARM PRODUCTION LOANS OF INSURED COMMERCIAL BANKS OUTSTANDING IN MID-1947
BY TYPE OF FARM AND SIZE OF LOAN

Type of farm	Size of loans													
	Under \$250	250-499	500-999	1,000-1,499	1,500-2,499	2,500 and Over	All Sizes	Under \$250	250-499	500-999	1,000-1,499	1,500-2,499	2,500 and Over	All Sizes
	Number of Loans						Amount of Loans (Thousands)							
General	32,584	9,918	6,671	2,916	1,770	2,002	55,861	\$ 3,336	\$ 3,074	\$ 4,078	\$ 2,988	\$ 2,891	\$ 7,449	\$23,706
Cotton	63,256	21,822	8,330	1,828	1,208	1,182	97,626	7,302	7,158	5,125	1,871	2,069	5,343	28,867
Other Crops	15,017	5,393	4,721	2,360	2,106	1,302	31,899	1,877	2,085	2,862	2,580	3,888	8,046	21,338
Livestock and livestock products	2,956	1,690	1,762	1,306	884	1,040	9,638	341	533	1,006	1,226	1,379	4,883	9,368
Not classified	5,738	789	484	134	44	43	7,252	551	232	267	122	80	129	1,381
ALL BORROWERS	119,571	40,612	21,968	8,544	6,012	5,569	202,276	\$13,407	\$13,082	\$13,339	\$ 8,687	\$10,296	\$25,850	\$84,660
Percentage Distribution														
General	58.3	17.8	11.9	5.2	3.2	3.6	100.0	14.1	13.0	17.2	12.2	12.1	31.4	100.0
Cotton	64.8	22.4	8.5	1.9	1.2	1.2	100.0	25.3	24.8	17.7	6.5	7.2	18.5	100.0
Other crops	47.1	20.0	14.8	7.4	6.6	4.1	100.0	8.8	9.8	13.4	12.1	18.2	37.7	100.0
Livestock and livestock products	30.7	17.5	18.3	13.5	9.2	10.8	100.0	8.7	5.7	10.7	13.1	14.7	52.1	100.0
Not Classified	79.4	10.9	6.7	1.8	0.6	0.6	100.0	40.0	16.8	19.3	8.8	5.8	9.3	100.0
ALL BORROWERS	59.1	20.1	10.9	4.2	3.0	2.7	100.0	15.8	15.5	15.7	10.3	12.2	30.5	100.0

FARM PRODUCTION LOANS OF INSURED COMMERCIAL BANKS OUTSTANDING IN MID-1947
BY PURPOSE AND SIZE OF LOAN

Purpose of loan	Size of loan						
	Under \$250	\$250-499	\$500-999	\$1,000-1,499	\$1,500-2,499	\$2,500 and Over	All Sizes
	Number						
Pay production or living costs	96,530	81,296	15,002	4,822	3,253	3,587	154,490
Buy or improve land or buildings	1,234	663	552	437	164	354	3,404
Buy machinery or livestock	11,279	6,243	5,171	2,814	2,054	1,419	28,980
Repay debts	2,740	832	483	86	42	209	4,452
Not known	7,788	1,518	760	385	499	...	10,950
ALL BORROWERS	119,571	40,612	21,968	8,544	6,012	5,569	202,276
Percentage Distribution							
Pay production or living costs	82.4	20.3	9.7	3.1	2.1	2.4	100.0
Buy or improve land or buildings	36.3	19.5	16.2	12.8	4.8	10.4	100.0
Buy machinery or livestock	38.9	21.5	17.8	9.7	7.1	5.0	100.0
Repay debts	81.6	20.0	10.9	1.9	.9	4.7	100.0
Not known	71.1	13.9	6.9	3.5	4.6	...	100.0
ALL BORROWERS	59.1	28.1	10.9	4.2	8.0	2.7	100.0

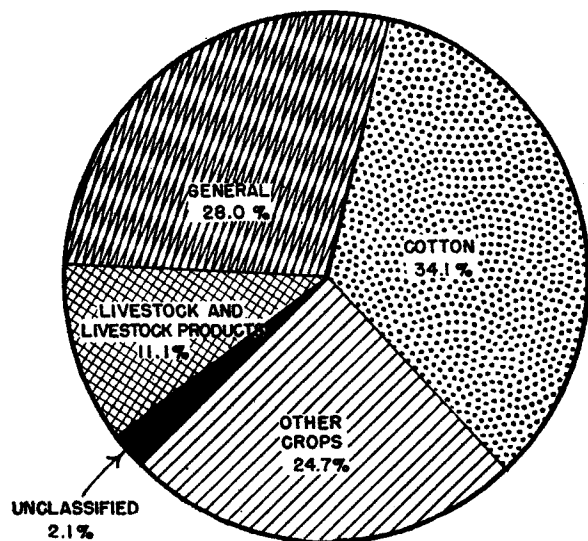
FARM PRODUCTION LOANS OF INSURED COMMERCIAL BANKS OUTSTANDING IN MID-1947
BY SIZE OF FARM

Size of farm (Acres)	Number Loans	Amount of Loans (Thousands)	Percentage Distribution		Average Size of Loan	Average Rate of Interest
			Number	Amount		
Less than 10	3,427	\$ 1,107	1.7	1.3	323	6.9
10-29	24,116	3,851	11.9	4.5	160	8.1
30-69	61,017	18,449	30.2	15.9	220	8.1
70-139	46,571	15,182	23.0	17.9	326	7.5
140-259	24,340	15,081	12.0	17.8	620	6.5
260-499	11,115	8,526	5.5	10.1	767	6.8
500 and more	10,684	22,251	5.3	26.3	2,083	8.0
Unclassified	21,006	5,213	10.4	6.2	248	6.6
ALL BORROWERS	202,276	\$84,660	100.0	100.0	419	6.9

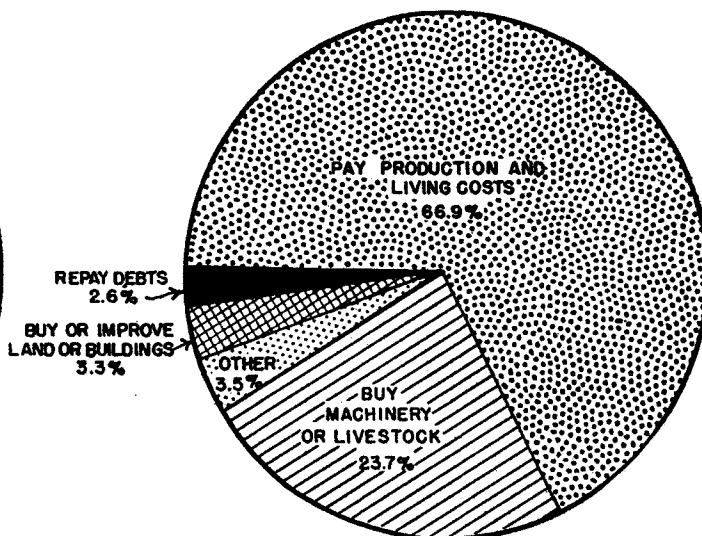
FARM PRODUCTION LOANS OF INSURED COMMERCIAL BANKS OUTSTANDING IN MID-1947
BY PURPOSE OF LOAN AND MATURITY OF LOAN

Purpose of loan	Maturity of loan								
	Demand	3 Months and Less	3 to 6 Months	6 to 9 Months	9 Months to 1 year	1 Year and Over	Unclassified	Past Due	All Maturities
	Number								
Pay production or living costs	2,138	20,455	42,524	64,854	16,413	984	5,056	2,074	154,490
Buy or improve land & buildings	162	1,060	1,378	250	426	128	...	...	3,404
Buy machinery or livestock	591	5,913	8,994	4,922	6,140	1,280	538	602	28,980
Repay debts	44	1,602	1,094	530	778	362	...	42	4,452
Not known	202	4,497	3,048	1,200	1,246	130	247	380	10,950
ALL LOANS	3,129	33,527	57,098	71,756	25,003	2,884	5,841	3,098	202,276
Percentage Distribution									
Pay production or living costs	1.4	13.2	27.5	42.0	10.6	0.6	3.3	1.4	100.0
Buy or improve land & buildings	4.8	31.1	40.5	7.4	12.5	3.7	0	0	100.0
Buy machinery or livestock	2.0	20.4	31.0	17.0	21.2	4.4	1.9	2.1	100.0
Repay debts	1.0	36.0	24.6	11.9	17.5	6.1	0	0.9	100.0
Not known	4.8	41.1	27.8	10.9	11.4	1.2	2.3	3.5	100.0
ALL LOANS	1.5	16.6	28.2	35.5	12.4	1.4	2.9	1.5	100.0

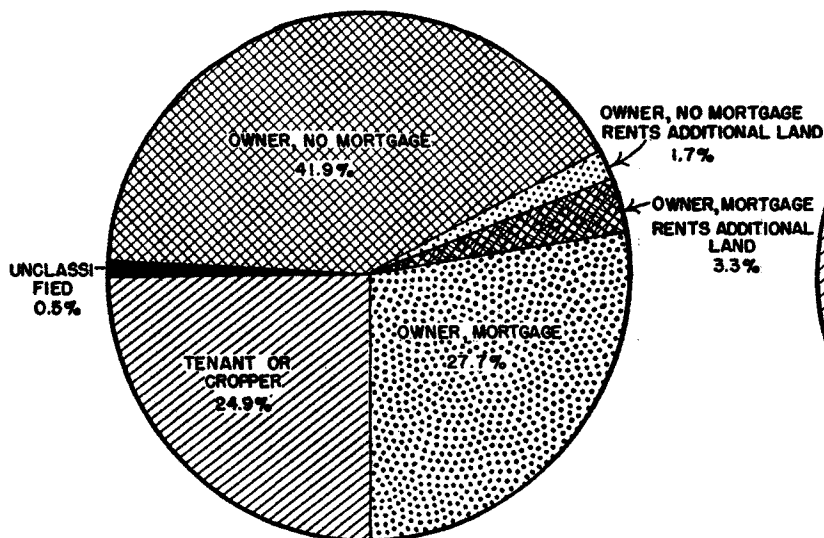
DISTRIBUTION OF TOTAL DOLLAR VOLUME OF FARM PRODUCTION LOANS OUTSTANDING IN MID-1947 BY SELECTED CHARACTERISTICS



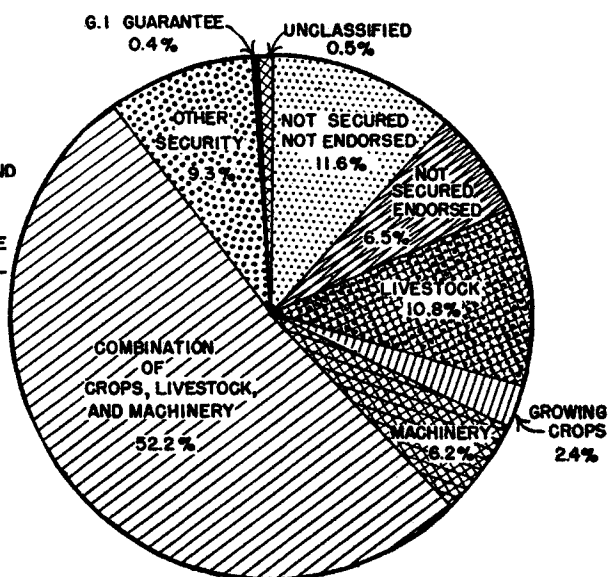
Type of Farm



Purpose of Loan

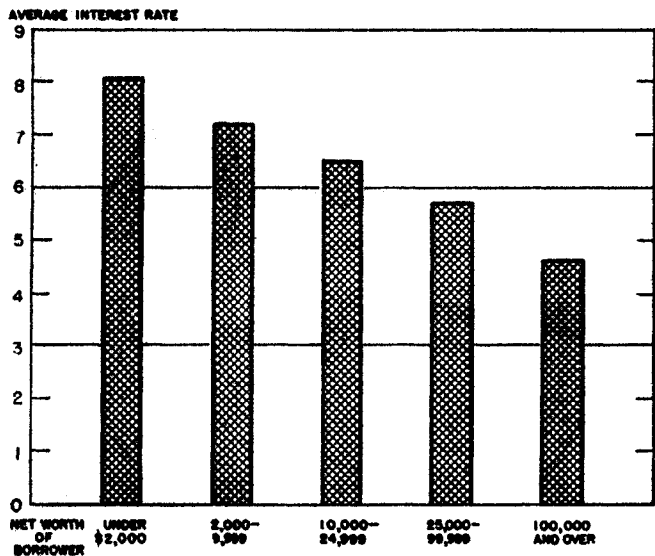


Tenure Status of Borrower

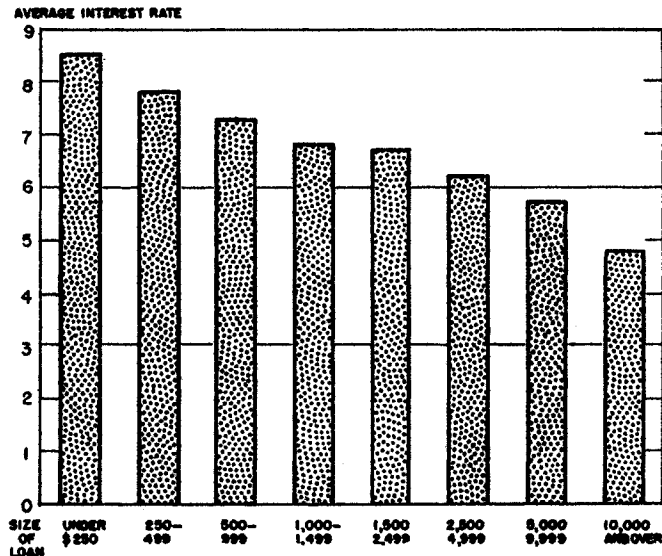


Security for Loan

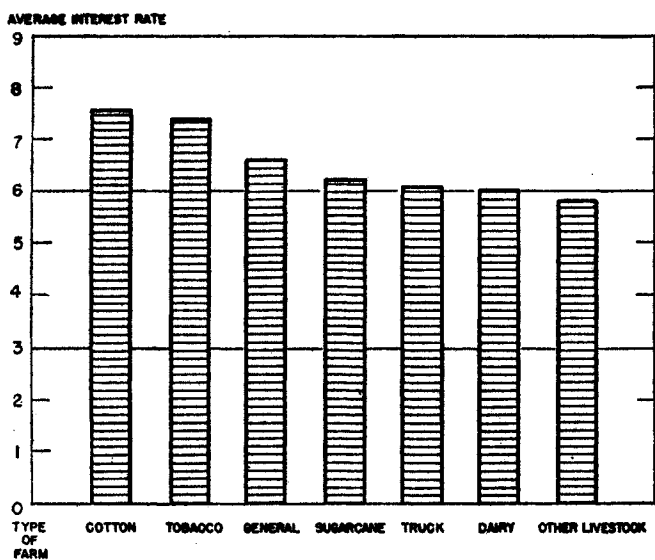
INTEREST CHARGED ON FARM PRODUCTION LOANS



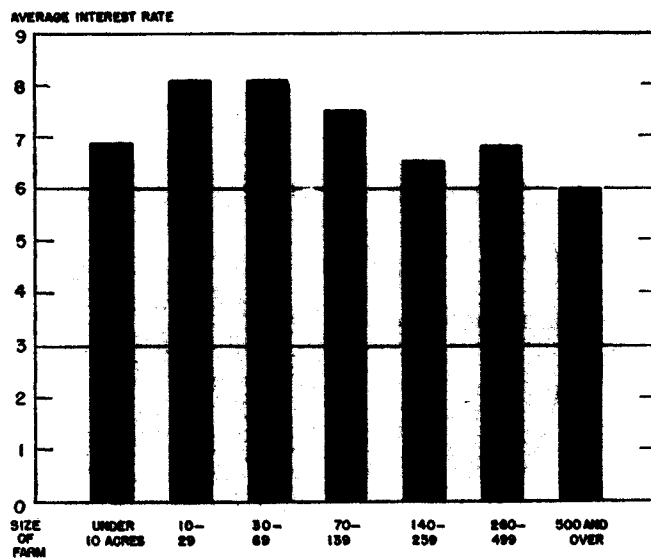
Production credit was obtained on relatively favorable terms by borrowers with large financial resources.



Farmers with large financial resources borrowed relatively large sums. Interest rates were relatively low.



Farmers who obtained most of their income from enterprises requiring large financial resources paid relatively low interest rates.



Large financial resources and low interest rates were associated with large farms.

thirds of the loans to cotton farmers were for less than \$250, less than a third of the loans to livestock farmers were that small. In fact the average loan to livestock farmers amounting to almost \$1,000 was about three times as large as the average loan to cotton farmers. Loans of less than \$250 made up about slightly more than a sixth of the total amount of loans outstanding. Loans of more than \$2,500, on the other hand, accounted for about a third. Of the total dollar volume of loans to livestock farmers, more than half was in loans that exceeded \$2,500 in size. Such large loans, however, comprised only about a fifth of the total dollar volume of loans made to cotton farmers.

Bank credit used to finance District farm operations was used mainly to pay production and living costs and to buy machinery and livestock. Three fourths of the total number of loans were made for the purpose of paying production and living costs, and about two thirds of these were in amounts of less than \$250. Less than a seventh of all farm-production loans were for the purchase of machinery or livestock. These loans were considerably larger than the loans made in order to meet costs of production and of living. Two fifths of the machinery and livestock loans were in amounts larger than \$500, as compared to one fifth of the production-cost and living-cost loans.

For the nation almost a third of all farm-production loans, comprising half the total amount of loans outstanding, were used for buying livestock and machinery. It would appear that, for the attainment of efficient farming systems, the need for this type of capital is greater in the District than it is in the nation as a whole. Despite the rapid strides that District farmers have made toward diversification and mechanization, the purposes for which they used bank credit indicate their heavy reliance on cash crops and hand labor.

Loans used to buy and improve land and buildings and to repay debts accounted for only 4 percent of production loans. Those in the former classification, of course, were for larger amounts than any other type of loan was.

Most of the farm-production loans held by District banks were for short terms. Loans with original maturities of six to nine months were the most common, comprising about 35 percent of all loans. Fewer than 2 percent of all loans were written for maturities of longer than a year.

Since an investment in livestock and machinery requires a relatively long period before it can be repaid out of current earnings, loans for this purpose would be expected to have long maturities. It is an interesting fact, however, that more than half these loans had maturities of less than six months. Although there appears to be little relationship between the purposes of loans and their original maturities, such a relationship may exist. In actual practice loans for durable capital, such as machinery and livestock, may be made with the understanding that they can be renewed if necessary.

Maturities on loans to pay production and living expenses are longer for District farm-production loans than they are for loans of this type for the entire nation. About 42 percent of the loans obtained by District farmers to pay production and living costs were written to mature in six or nine months. For the nation's farmers only about 16 percent of such loans were for a six-month or a nine-month period. Apparently maturities for loans of this type are roughly adjusted to the time required for the production of the crops most commonly grown.

About nine tenths of the farm-production loans held at District banks were secured by specific assets or by endorsement. About half the loans and half the total amount of loans outstanding were secured by a combination of crops, livestock, and machinery. Livestock alone, which accounts for about 15 percent of the loans and approximately 11 percent of the amount of outstanding loans, is the second most important type of security. Only about 4 percent of all loans were secured by machinery alone, and growing crops held an even less important place.

The security for production loans varied significantly according to the tenure status of the farm operator. A fifth of the owners with no mortgages on their farms obtained their production credit without endorsement and without pledging any assets. Only 7 percent of the tenants or croppers obtained their production credit in that way. Endorsement alone was more common on loans made to tenants and croppers than it was on those made to other tenure groups. Landlords often endorse notes for their tenants or croppers to enable them to obtain the credit they need for producing a cotton crop.

District farmers obtain less of their production credit in the form of unsecured loans and loans secured by livestock than do farmers nationally. For the nation as a whole about 30 percent of the amount of production credit was unsecured, against 12 percent in the District. Livestock was the only security for about a quarter of the production credit used by the nation's farmers, whereas in the District it was the only security for no more than about 11 percent of the total amount of the production loans outstanding.

The average interest rate on loans made to finance District farming operations was 6.9 percent. Two fifths of the loans carried interest rates ranging from 8 to 8.9 percent. Since the larger loans are usually obtained at lower interest rates, only 28 percent of the total dollar volume carried interest rates ranging from 8 to 8.9 percent. The pattern of interest rates appeared to be related more closely to the net worth of borrowers than to other characteristics. For the borrowers with a net worth of less than \$2,000 more than a fourth of the loans carried interest rates of 9 percent and more. They obtained only about a fourth of their loans at rates lower than 7 percent. Borrowers with a net worth of \$10,000 to \$25,000, on the other hand, obtained 65 percent of their loans and 78 percent of the total dollar amount of their loans at rates below 7 percent.

Interest rates on farm-production loans are closely related also to the size of the loan and to the type of farming in which the borrower is engaged. Both, of course, bear close relationships to the net worth of the borrower. On loans of less than \$250 the farmers paid an average rate of 8.5 percent. As the size of loan increased the rate of interest decreased. On loans of \$2,500 and more the average rate was only 5.6 percent.

Cotton farmers paid an average interest charge of 7.6 percent, and livestock farmers an average charge of 5.9 percent. On loans of equal size, however, cotton farmers typically pay higher rates of interest than do livestock farmers.

Average interest rates on bank loans for farm production have, according to the survey, declined markedly since 1930. District farmers still pay slightly higher average interest rates—6.9 percent—than the nation's farmers who pay, on the average, only 6.2 percent.

BROWN R. RAWLINGS

District Business Conditions

Trade

BY THE end of October Sixth District department stores had sold goods only a little greater in dollar value than those they sold during the corresponding 10 months of 1946. Sales made in the first two weeks of November exceeded those of the corresponding weeks last year 11 percent. But, only if consumers do almost the same record spending for the remainder of the Christmas buying season that they did last year at this time will the record of year-to-year increases since 1938 be continued.

Although total sales this year have so far been at about the 1946 rate, the retailers' needs for working capital are higher than they have been for several years. Combined accounts receivable and inventories at credit-granting department stores reporting to this bank were 8 percent greater at the end of October than they were at the end of the corresponding month last year, and 69 percent greater than they were at the end of October 1945. Although inventories were larger than they were at that time last year, almost 85 percent of the combined increase was accounted for by greater accounts receivable.

Department stores normally expand their stocks during this time of the year because their heaviest selling months are usually September through December. In addition, a large proportion of this selling is made up of credit sales, with no corresponding increase in immediate cash receipts. Unless they have ample cash reserves, the stores may require short-term bank loans to finance the high inventories and accounts receivable until their goods are sold and their collections made.

In addition to periods of normal seasonal increase in inventories and accounts receivable, there may be periods, like one in 1946, during which merchants expand their inventories at rates greater than the seasonal influences justify and, like the present period, during which they make an increasing proportion of their sales on credit. Because of the wartime accumulation of liquid assets while inventories were low in relation to total sales and the proportion of cash sales was high, most of the stores were able to end the year 1946 without resorting to bank borrowing. During 1947, however, the stores' cash assets have probably been reduced by increased operation costs and by expenditures for the war-delayed construction of store additions and remodeling. Moreover, because sales during the first 10 months remained at approximately the 1946 level, the amount of cash receipts could not increase in accordance with the rise in accounts receivable. During the third quarter cash receipts were 5 percent less than they were during that period of 1946. At the same time inventories, although they have not accumulated as rapidly as they did in 1946, have not declined to the low ratio to sales that was characteristic of them in the war period. During the first three quarters of the year stocks on an average were 2.5 times the average monthly sales, whereas they were only twice the average value of sales in the corresponding period of 1946. Accounts receivable were 1.2 times, against nine tenths in 1946, the average monthly sales.

This combination of circumstances may partly account for the recent expansion in bank lending to businesses. With

minor variations, the pattern is characteristic of the other reporting retailers also. The furniture stores' October sales were 7 percent greater than they were in 1946, though their accounts receivable were up 33 percent. The jewelry stores' sales were up 3 percent, and their accounts receivable 42 percent. The household-appliance dealers had a 24 percent rise in sales and a 65 percent increase in their accounts receivable.

If the present high value of sales is maintained, inventories are sold, and collections are made on the accounts, retailers will pay off the loans they have made with the banks and, thus, their total loans will probably show the normal seasonal decline after the first of the year. On the other hand, if a great expansion of credit sales is induced by easier credit terms and a lengthening of the period over which the accounts are paid, bank loans to retailers may remain relatively high.

C. T. T.

Employment and Industry

Manufacturing employment in Sixth District states continued to rise in September for the second consecutive month. Although the number of workers employed by manufacturing industries in September was only slightly greater than the number employed in August, it was well above the figure for September 1946. Each of the states participated in the increase.

Unemployment decreased considerably during the same period. Approximately 184,500 persons were unemployed under the state insured-unemployment plans and the veterans' unemployment program in the last week of August. This total is a considerable decline from the figure for the last week in July but is not as low as the figure for the last reporting week of either May or June. Each of the Six States participated in the August decrease, with differences of course. Tennessee and Louisiana, for example, each reported a new postwar low for itself. In Mississippi the unemployment ratio dropped a full percentage point. Five of the Six States reported fewer continued claims in the last week of September than they had reported in the corresponding week of 1946. Florida, however, reported 7,000 continued claims more than the 9,000 it reported last year. Reports from state employment offices in key District cities indicate that in September the trend for all claims was still downward, and predictions from all state offices were that it would continue so through the end of the year.

The value of construction contracts awarded in the Sixth District states for the third quarter of 1947 was somewhat greater than that for the second quarter and considerably higher than the figure for the first quarter of the year. At \$269,613,000, the value set by the F. W. Dodge Corporation, it was, however, almost 20 million dollars below the figure for the third quarter of 1946. Residential construction continued at a high level in the District during that quarter, comprising about 45 percent of total construction.

The outstanding record for construction among the Six States was made in Florida, where the estimated value of contracts awarded during the third quarter came to \$106,380,000. This consisted of \$63,830,000 for residential construction and \$38,449,000 for other construction. The high residential figure represents 53.4 percent of this type of con-

struction in the Six States. It is explained by a program of increased home construction in Florida. In the Miami area alone 11,060 dwelling units were started in the first eight months of the year. Permits were issued for 2,020 dwelling units in August and for 1,838 in September. The total number of new dwelling units, according to estimates of the Bureau of Labor Statistics' Southeastern Regional Office, will exceed 16,000 this year in that area.

The population growth in Florida accounts, in part, for this increased construction activity. This growth is almost phenomenal compared with the national growth of 8.9 percent. A gain in population of 26.2 percent occurred between April 1940 and July 1947. Even for the year July 1946—July 1947, when many states had population losses, the gain was 3.6 percent. Florida has increased in popularity as a place for retirement, and the advancing age of the nation's population has in recent years accentuated this trend. Also, many veterans who were stationed there at the numerous military bases during the war decided to make the state their home. These factors combined with the need for increased facilities at the resorts of the state, which have always made it a mecca for tourists, have contributed to the great rise in real-estate values and made plausible the prediction that construction activity in the state for the year 1947 will surpass that of the boom year of 1925.

The construction cost of the average one-family house started in the Miami area in September is set at \$10,343 by the Bureau of Labor Statistics' Southeastern Regional Office. The figure, which is based on contractors' estimates, represents the cost of labor and materials and all subcontracted work but excludes the cost of land and development. Present real-estate prices in Florida are very high, a condition that would further tend to inflate the actual selling price. This figure is considerably higher than the average cost, \$5,008, of the one-family houses started in September in Memphis and the comparable figure, \$6,233, in Atlanta, but in Miami a much greater proportion of the total was for higher-cost housing.

L. C.

Finance

Private-credit expansion, which is evident in the recent growth of member-bank loans, continued during October and November to increase inflationary pressures. By the end of October all Sixth District member-bank loans had mounted to 1,378 million dollars. This record-breaking total is 153 million dollars greater than the amount at the end of June, when the present expansion began. The gain was more than twice the amount of the reduction, 70 million dollars, in the banks' holdings of Government securities during the period.

According to the experience of the weekly reporting banks, about four-fifths of the total expansion is in business loans. A growth of consumer loans and real-estate loans has contributed further to the increase.

Total loans for the Sixth District banks were about 23 percent greater at the end of September than they were a year earlier, and the rate of increase for the entire United States was 22 percent. Since June the District's loans have increased 5.9 percent, approximately the rate for all member banks in the United States.

Industrial production, on the other hand, was 2 percent lower at the end of the first nine months than it was at the beginning of the year. That this decrease in production was accompanied by an unprecedented rise in loans and by advances in wholesale prices, 13 percent, and consumer prices, 7 percent, has made the price structure particularly sensitive

Sixth District Statistics

Lender	No. of Lenders Reporting	Volume		Outstandings	
		Percent Change Nov. 1947 from		Percent Change Nov. 1947 from	
		October 1947	Nov. 1946	October 1947	Nov. 1946
Federal credit unions.....	43	+ 17	+ 58	+ 2	+ 52
State credit unions.....	25	- 3	+ 63	- 2	+ 54
Industrial banking companies.....	11	+ 9	- 5	+ 8	+ 20
Industrial loan companies..	19	+ 5	- 4	+ 0	+ 16
Small loan companies.....	53	+ 30	+ 23	+ 2	+ 15
Commercial banks.....	34	+ 2	+ 53	+ 8	+ 75

Item	Number of Stores Reporting	Percent Change Nov. 1947 from	
		Oct. 1947	Nov. 1946
		Total sales.....	93	+ 5	+ 7
Cash sales.....	85	+ 6	- 26
Instalment and other credit sales..	85	+ 5	+ 15
Accounts receivable, end of month	92	+ 4	+ 33
Collections during month.....	92	- 0	+ 9
Inventories, end of month.....	66	+ 9	- 0

Items	No. of Firms Reporting	SALES		INVENTORIES	
		Percent Change October 1947 from		Percent Change Oct. 31, 1947 from	
		Sept. 1947	Oct. 1946	Sept. 30 1947	Oct. 31 1946
Automotive supplies.....	8	+ 10	- 16	..	..
Clothing.....	8	+ 7	+ 16	..	..
Shoes.....	8	+ 23	+ 43	..	..
Drugs and sundries.....	7	+ 3	+ 4	..	..
Dry goods.....	7	+ 0	- 22	3	- 16
Electric wiring sup.....	4	+ 24	+ 53	4	- 5
Electrical appliances.....	4	+ 22	+ 34	3	+ 0
Farm supplies.....	3	+ 15	+ 27	..	..
Confectionery.....	4	+ 14	+ 12	..	..
Groceries.....	..	..	..	..	..
Full lines.....	30	+ 13	- 1	16	- 2
Specialty lines.....	5	+ 6	0	..	+ 30
Beer.....	3	+ 11	- 36	..	..
General hardware.....	5	+ 26	+ 16	5	+ 2
Industrial hardware.....	4	+ 1	+ 19	..	- 20
Jewelry.....	5	+ 16	- 16	..	..
Lumber and building materials.....	3	+ 9	+ 13	..	..
Tobacco products.....	11	+ 15	+ 1	3	+ 2
Miscellaneous.....	19	- 0	+ 42	25	+ 4
Total.....	122	+ 10	+ 10	59	- 3

* Based on U. S. Department of Commerce figures

Place	No. of Stores Reporting	SALES		INVENTORIES	
		Percent Change October 1947 from		Percent Change Oct. 31, 1947 from	
		Sept. 1947	Oct. 1946	Sept. 30 1947	Oct. 31 1946
ALABAMA					
Birmingham.....	5	+ 4	+ 2	4	+ 4
Mobile.....	5	+ 9	+ 9	..	..
Montgomery.....	3	+ 10	+ 1	3	+ 15
FLORIDA					
Jacksonville.....	4	+ 18	+ 0	3	+ 11
Miami.....	4	+ 25	+ 3	3	+ 21
Orlando.....	3	+ 43	+ 17	..	+ 1
Tampa.....	5	+ 13	+ 2	3	+ 7
GEORGIA					
Atlanta.....	6	+ 4	+ 1	5	+ 9
Augusta.....	4	+ 5	- 5	3	+ 22
Columbus.....	3	+ 6	+ 3	..	+ 1
Macon.....	4	- 1	- 7	4	+ 10
LOUISIANA					
Baton Rouge.....	4	- 3	- 6	4	+ 17
New Orleans.....	5	+ 10	+ 2	4	- 0
MISSISSIPPI					
Jackson.....	4	+ 8	- 4	4	+ 8
TENNESSEE					
Bristol.....	3	- 1	- 10	3	+ 6
Chattanooga.....	4	+ 6	- 7	3	+ 5
Knoxville.....	4	+ 9	- 3	..	..
Nashville.....	6	+ 9	- 3	5	+ 8
OTHER CITIES*	18	+ 17	- 3	22	+ 7
DISTRICT	94	+ 9	+ 0	73	+ 8

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

to any further increases in purchasing power that are not accompanied by production increases. Thus, the attitude private lenders take toward restricting their loans or expanding them helps to determine the direction that inflationary developments take.

The Board of Governors, in its statement issued in connection with the ending of consumer-credit control on November 1, emphasized that the responsibility for avoiding excessive consumer-credit expansion now rests primarily upon the banks, the finance companies, and the instalment sellers. Under present conditions of capacity production, the Board pointed out, expansion in purchasing power through increased lending and easier credit terms could only heighten demand and accentuate the upward pressure on prices.

The 11.2-billion-dollar total of consumer credit outstanding in the United States at the end of September exceeded the prewar peak, at the end of 1941, by 1.5 billion dollars and more than doubled the amount outstanding at the end of December 1943. Between the end of 1946 and September 30, total consumer credit expanded 1.3 billion dollars. By making instalment loans directly to consumers and by purchasing instalment paper, commercial banks have contributed more than half the total expansion in consumer credit since the first of the year. An increase in their single-payment loans to consumers has made an additional contribution to the total.

Commercial banks in the Sixth District had consumer instalment loans outstanding at the end of October that were estimated to be in the amount of 142.8 million dollars. The total of these loans increased each month after February 1944, when it was only 27.8 million dollars. For the first 10 months of this year the growth amounted to 46.5 million.

Great as the growth in consumer instalment loans outstanding at the Sixth District commercial banks was between September 1946 and September 1947, its rate of 72 percent has been exceeded in six of the 11 other Federal Reserve districts. In fact, the average for all the commercial banks in the United States was 75 percent.

Of the total consumer instalment loans outstanding at Sixth District commercial banks, about 39 percent were made for the purchase of automobiles and about 17 percent for the purchase of other goods. Repair and modernization loans amounted to 15 percent of the total, and personal instalment cash loans 29 percent. So far, the credit expansion has depended in large measure upon the increase in the supply of consumer durable goods. Future expansion will depend also on how greatly credit terms are relaxed.

C. T. T.

Agriculture

Sixth District farmers will find that their plans for next year's operations are going to be influenced by the shortage of commercial fertilizer. Normally they use 30 percent of the quantity produced in this country, since high yields of their principal cash crops require heavy applications. Nitrogen is the scarcest of all the fertilizer ingredients.

The shortage is relative rather than absolute, however, for current production rates are higher than they have ever been. In 1944, the last year for which complete figures are available, District farmers used 3,820,371 tons of commercial fertilizer, 65 percent more than their 1935-39 average. Farmers in other sections of the United States increased their use 81 percent. Thus the national output is now about 75 percent higher than the average for 1935-39.

Sixth District Indexes

Place	DEPARTMENT STORE SALES*					
	Adjusted**			Unadjusted		
	Oct. 1947	Sept. 1947	Oct. 1946	Oct. 1947	Sept. 1947	Oct. 1946
DISTRICT.....	348	361	348	372	368	372
Atlanta.....	403	423	401	432	448	429
Baton Rouge...	356	394	379	385	429	409
Birmingham...	333	363	321	363	376	350
Chattanooga...	343	351	369	360	365	387
Jackson.....	311	325	325	358	374	373
Jacksonville...	431	430	431	462	422	461
Knoxville.....	297	311	307	321	318	331
Macon.....	309	346	334	334	363	360
Miami.....	391	380	379	344	296	334
Montgomery...	333	352	328	330	373	374
Nashville.....	407	418	420	432	426	445
New Orleans...	299	306	290	332	327	322
Tampa.....	492	484	483	483	460	473

Place	DEPARTMENT STORE STOCKS					
	Adjusted**			Unadjusted		
	Oct. 1947	Sept. 1947	Oct. 1946	Oct. 1947	Sept. 1947	Oct. 1946
DISTRICT.....	300	282	297	335	311	333
Atlanta.....	387	392	411	454	418	482
Birmingham...	238	253	234	268	257	263
Montgomery...	313	276	322	355	308	365
Nashville.....	453	446	416	520	483	477
New Orleans...	238	256	248	269	269	280

Place	GASOLINE TAX COLLECTIONS***					
	Adjusted**			Unadjusted		
	Oct. 1947	Sept. 1947	Oct. 1946	Oct. 1947	Sept. 1947	Oct. 1946
SIX STATES.....	173	171	160	170	175	157
Alabama.....	191	179	165	189	189	163
Florida.....	167	159	147	152	156	133
Georgia.....	171	164	140	170	171	147
Louisiana.....	162	155	149	166	162	144
Mississippi.....	165	161	153	169	167	156
Tennessee.....	182	194	206	182	198	205

	COTTON CONSUMPTION*			ELECTRIC POWER PRODUCTION*			
	Oct. 1947	Sept. 1947	Oct. 1946	Sept. 1947	Aug. 1947	Sept. 1946	
TOTAL.....	148	136	172	SIX STATES....	296	285	269
Alabama...	156	144	183	Hydro-			
Georgia...	147	134	171	generated..	195	193	261
Mississippi...	108	91	132	Fuel-			
Tennessee...	137	126	141	generated..	427	406	279

Place	MANUFACTURING EMPLOYMENT***			CONSTRUCTION CONTRACTS			
	Sept. 1947	Aug. 1947	Sept. 1946	Place	Sept. 1947	Aug. 1947	Sept. 1946
	DISTRICT....				Residential..	312	475r	431
SIX STATES..	144	143	140	Other.....	459	714r	666
Alabama...	155	152	146	Alabama...	240	360	317
Florida...	114	112r	113	Florida....	317	585	639
Georgia...	131	130r	139	Georgia...	442	685	414
Louisiana...	144	144	130	Louisiana...	328	476	474
Mississippi...	165	162r	148	Louisiana...	126	241	171
Tennessee...	156	155	150	Mississippi...	386	317	89
				Tennessee...	300	317	541

Item	CONSUMERS' PRICE INDEX			ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
	Sept. 1947	Aug. 1947	Sept. 1946		Oct. 1947	Sept. 1947	Oct. 1946
ALL ITEMS...	168	166	149	Unadjusted...	19.0	17.5	18.9
Food.....	212	205	180	Adjusted**...	18.8	18.0	18.7
Clothing...	185	185	162	Index**.....	76.2	73.0	72.4
Rent.....	n.a.	n.a.	115	CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*			
Fuel, elec., and ice...	128	129	114		Oct. 1947	Sept. 1947	Oct. 1946
Home furnishings...	181	179	158	Unadjusted...	266	259	236
Misc.....	144	143	132	Adjusted**...	266	262	236
Purchasing power of dollar...	.60	.60	.67	r Revised n.a. Not available			

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

In the Southeast, as in other sections, high prices for the principal cash crops have resulted in farmers applying, or at least wanting to apply, heavier amounts of fertilizer materials. In the Midwest farmers used little commercial fertilizer before the war because of their area's natural fertility. With the rapid spread of high-yielding hybrid corn, however, a heavy drain was placed on the soils of the Midwest, and the farmers began to find its use very profitable. The 1935-39 average annual rate of use in Illinois was 44,000 tons; the 1944 figure was 411,000. In Iowa the 1935-39 rate was 9,000 tons and the 1944 amount 99,000. Though the prices have risen, they have not kept pace with farm-product prices. Thus the net gains from the use of commercial fertilizer have encouraged heavier applications throughout the country.

Foreign demand for fertilizers has also increased. Since the rebuilding of European agriculture depends to a large extent on an extensive use of nitrogen, each of the European countries requesting aid under the Marshall Plan has placed nitrogen high on its list of priorities. The Government has committed itself to making nitrogenous materials available to them and has requested that a certain percentage of each month's production be reserved for export. Present plans call for shipping about the amount of nitrogen that was exported last year, though the actual quantity will depend on the amount of aid granted under the Marshall Plan. Phosphate and potash, on the other hand, are not being requisitioned for foreign shipment.

Doubtless, at the time of planting, many farmers will apply materials low in nitrogen content with the hope of side-dressing or top-dressing during the growing season with nitrates, the scarcest of all the materials. Small-grain producers have been the growers hardest hit by the shortage of nitrates.

Although the price of commercial fertilizer has risen 10 to 12 percent in the past year, heavy use is still profitable. The consensus at the meetings of the National Fertilizer Association in Atlanta and the National Agricultural Outlook in Washington in November was that supplies of all fertilizers, with possibly one exception, will be about what they were last year. Supplies of super-phosphate will probably increase as additional plants are completed.

Farmers in the South are more fortunate than those in the Midwest, for they can produce much of their nitrogen by growing legumes in winter. Supplies of lime and phosphate for use under legumes are not scarce. Since there is little prospect that the nitrogen scarcity will be over in another year, Southern farmers should plan now to increase their acreage of winter legumes next year.

In the past a lack of farm power has, in many instances, limited the acreage of winter legumes which farmers could handle. Between 1940 and 1945, however, the number of farm tractors in the Six States increased from 56,538 to 117,279 and the number of farms with tractors from 47,214 to 92,683. The increased farm power together with the availability of minerals and legume seeds should enable many farmers to grow a sizable portion of their nitrogen requirements. Moreover, farmers will be reimbursed for a part of the cost by the Production and Marketing Administration.

November and December are the months of the heaviest fertilizer sales. The analysis and amount of fertilizer farmers can buy will influence next year's production.

Sixth District Statistics

CONDITION OF 28 MEMBER BANKS IN SELECTED CITIES (In Thousands of Dollars)					
Item	Nov. 19 1947	Oct. 22 1947	Nov. 20 1946	Percent Change November 19, 1947	
				Oct. 22 1947	Nov. 20 1946
Loans and investments—					
Total	2,383,333	2,371,973	2,452,953	+ 0	— 3
Loans—total	815,308	800,434	703,635	+ 2	+ 16
Commercial, industrial, and agricultural loans	494,544	472,426	404,450	+ 5	+ 22
Loans to brokers and dealers in securities	6,655	7,260	8,247	— 8	— 19
Other loans for pur- chasing and carrying securities	74,425	85,348	99,784	— 13	— 25
Real estate loans	64,784	61,462	49,540	+ 5	+ 31
Loans to banks	5,016	5,636	4,117	— 11	+ 22
Other loans	169,884	168,302	137,497	+ 1	+ 24
Investments—total	1,568,025	1,571,539	1,749,318	— 0	— 10
U. S. direct obligations	337,145	351,822	523,300	— 4	— 36
Obligations guaranteed by U. S.	1,038,070	1,024,943	1,030,669	+ 4	+ 1
Other securities	192,810	194,774	195,349	— 1	— 1
Reserve with F. R. Bank	469,101	464,948	446,684	+ 1	+ 5
Cash in vault	43,621	43,022	40,342	+ 1	+ 8
Balances with domestic banks	196,399	182,402	185,620	+ 8	+ 6
Demand deposits adjusted	1,794,039	1,779,016	1,716,864	+ 1	+ 4
Time deposits	548,552	549,458	538,287	— 0	+ 2
U. S. Gov't deposits	34,509	42,412	126,495	— 19	— 73
Deposits of domestic banks	537,299	518,373	558,843	+ 4	— 4
Borrowings	8,000	5,000	21,000	+ 60	— 62

DEBITS TO INDIVIDUAL BANK ACCOUNTS (In Thousands of Dollars)						
Place	No. of Banks Report- ing	Oct. 1947	Sept. 1947	Oct. 1946	Percent Change Oct. 1947 from	
					Sept. 1947	Oct. 1946
ALABAMA						
Anniston	3	21,244	18,555	23,206	+ 14	— 8
Birmingham	6	325,734	289,303	287,013	+ 13	+ 13
Dothan	2	14,115	11,943	13,433	+ 18	+ 5
Gadsden	3	20,251	16,041	17,235	+ 26	+ 17
Mobile	4	129,935	114,270	105,877	+ 14	+ 23
Montgomery	3	86,454	70,265	70,126	+ 23	+ 23
FLORIDA						
Jacksonville	3	251,452	226,334	223,953	+ 11	+ 12
Miami	7	221,609	193,638	191,808	+ 14	+ 16
Greater Miami*	12	305,077	258,043	269,603	+ 18	+ 13
Orlando	3	43,660	39,007	43,793	+ 12	— 0
Pensacola	9	33,197	30,992	29,886	+ 7	+ 11
St. Petersburg	8	47,750	41,367	44,875	+ 15	+ 6
Tampa	3	103,274	91,233	97,269	+ 13	+ 6
GEORGIA						
Albany	2	18,181	15,328	16,394	+ 19	+ 11
Atlanta	4	814,398	722,327	716,613	+ 13	+ 14
Augusta	3	59,919	50,667	54,613	+ 18	+ 10
Brunswick	2	9,034	8,986	8,623	+ 6	+ 5
Columbus	4	58,317	53,577	56,855	+ 9	+ 3
Elberton	2	4,643	4,076	4,554	+ 14	+ 2
Gainesville*	3	15,848	12,672	13,654	+ 25	+ 16
Griffin*	2	11,787	10,326	10,961	+ 14	+ 8
Macon	8	60,040	60,427	58,027	— 1	+ 6
Newnan	2	9,604	8,075	9,782	+ 19	— 2
Rome*	3	29,360	20,840	22,321	+ 41	+ 32
Savannah	4	87,815	89,106	77,904	— 1	+ 13
Valdosta	2	10,938	10,747r	12,172	+ 2	— 10
LOUISIANA						
Baton Rouge	3	83,034	81,490	88,377	+ 2	+ 21
Lake Charles	3	31,077	27,504	24,979	+ 13	+ 24
New Orleans	7	679,476	591,378	696,749	+ 15	— 2
MISSISSIPPI						
Hattiesburg	2	17,284	15,137	20,323	+ 14	— 15
Jackson	4	115,473	110,789	97,858	+ 4	+ 18
Meridian	3	30,951	27,779	31,184	+ 11	— 1
Vicksburg	2	31,799	22,838	29,782	+ 39	+ 7
TENNESSEE						
Chattanooga	4	139,661	125,817	125,908	+ 11	+ 11
Knoxville	4	105,515	102,163	103,949	+ 3	+ 2
Nashville	6	306,081	262,335	269,364	+ 17	+ 14
SIXTH DISTRICT						
32 Cities	109	3,971,915	3,533,494r	3,632,484	+ 12	+ 9
UNITED STATES						
334 Cities		105,320,000	91,899,000	91,340,000	+ 15	+ 15

* Not included in Sixth District total.
r Revised.

National Business Summary

INDUSTRIAL output increased further in October. Department-store sales continued in large volume in October and the first half of November. The general level of wholesale commodity prices advanced slightly further.

Industrial Production

Production of manufactures and minerals continued to rise in October, and the Board's seasonally adjusted index of industrial production reached a level of 189 percent of the 1935-39 average. This was the same as the rate prevailing during the first quarter of the year and 4 percent above the third-quarter average.

Output of durable goods increased further in October to about the level that prevailed in the early months of this year, owing mainly to larger output of iron and steel. Operations at steel mills were at 97.6 percent of capacity, the highest rate since the end of the war, and this rate has been sustained in November. Activity in most branches of the machinery and transportation-equipment industries increased somewhat further in October.

Production of nondurable goods showed a slight advance in October to a level of 173 percent of the 1935-39 average, as compared with a rate of 176 at the beginning of the year. The rise in October reflected mainly increases in activity at cotton mills and in the printing and publishing industry. Cotton consumption in October was 10 percent above the reduced rate prevailing during the third quarter but 10 percent below the rate in October 1946. Newsprint consumption continued to expand and was 16 percent larger than a year ago.

Minerals output advanced somewhat in October, owing to further gains in fuel production and was about 5 percent above the level at the beginning of the year. Most of the rise this year has been due to a 10 percent increase in crude-petroleum output.

Employment

Nonagricultural employment continued to increase in October, owing mainly to the usual large pre-Christmas rise in wholesale and retail trade. In manufacturing, a seasonal reduction of nearly 150,000 workers in the canning industry largely offset further gains in most other lines.

Construction

Value of construction-contract awards, according to the F. W. Dodge Corporation, rose sharply in October following a decline in September and was only slightly below the August peak. Awards for residential building and utility construction showed the largest increase. The Department of Labor

AVERAGE INTEREST RATES ON FARM PRODUCTION LOANS OF INSURED COMMERCIAL BANKS OUTSTANDING IN MID-1947 BY TYPE OF FARM AND SIZE OF LOAN

Type of farm	Size of loan						
	Under \$250	\$250-499	\$500-999	\$1,000-1,499	\$1,500-2,499	Over \$2,500	All Sizes
	Average Interest Rate						
General.....	8.2	7.5	7.2	6.5	6.4	5.5	6.6
Cotton.....	8.7	8.1	7.3	7.1	6.3	6.1	7.6
Other crops.....	8.8	7.7	7.6	7.3	7.5	5.3	6.8
Livestock & livestock products.....	7.6	6.9	7.0	5.8	5.6	5.5	5.9
Not classified.....	6.2	6.0	6.1	6.7	6.0	6.0	6.2
ALL BORROWERS.....	8.5	7.8	7.3	6.8	6.7	5.6	6.9

estimated that work was begun on 92,000 dwelling units in October, the same number as in September, and 82,000 units were completed, as compared with 77,000 in September.

Distribution

Department-stores sales, according to the Board's seasonally adjusted index, were 278 percent of the 1935-39 average in October as compared with 290 in September and an average of 280 during the first three quarters of the year. In the first half of November sales showed more than the usual seasonal increase and were 11 percent larger than in the corresponding period of 1946.

Commodity Prices

The general level of wholesale commodity prices increased slightly further in October and the early part of November, reflecting advances in industrial commodities. Average price levels for farm products and foods were unchanged, as increases in cotton, cereal products, and fats and oils were offset by declines in prices of livestock products from the advanced levels reached in September.

Retail prices, according to the consumers' price index advanced 2 percent in September, reflecting a rise of 4 percent in foods, 2 percent in rents, and an average increase of one percent in prices of other items. In October retail prices of foods apparently declined somewhat while prices of various other items continued to advance.

Bank Credit

Rapid expansion in commercial and industrial loans continued at banks in leading cities during October and the first half of November. Real-estate and consumer loans also increased further.

Transfer of funds by the Treasury from war-loan balances at commercial banks to Treasury accounts at reserve banks, together with Treasury retirement for cash of Government securities held by reserve banks, resulted in a drain on member-bank reserves in late October and again in mid-November. Banks obtained reserves to meet this drain largely through further gold inflows and by selling Government securities to the reserve banks.

Interest Rates and Bond Yields

Prices of Treasury bonds declined considerably in October and November, following an earlier decline in corporate-bond prices. The yield on the longest 2½-percent issue rose to 2.44 percent, compared with a low point for this year of 2.28. Average rates on Treasury bills have risen gradually since last summer to .94 percent in November. A new 13-month 1½-percent Treasury note has been offered in exchange for the 7/8-percent certificates maturing December 1.

THE BOARD OF GOVERNORS

RETAIL JEWELRY STORE OPERATIONS			
Item	Number of Stores Reporting	Percent Change November 1947 from	
		October 1947	November 1946
Total sales.....	42	+ 5	+ 3
Cash sales.....	40	- 2	+ 15
Credit sales.....	40	+ 10	+ 17
Accounts receivable, end of month	40	+ 5	+ 42
Collections during month.....	40	- 1	+ 7