

FEDERAL RESERVE BANK OF ATLANTA

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Sixth District Livestock Industry: An Appraisal of Efficiency

THROUGH the development of pastures and new combinations of grazing crops many District farmers are increasing their income from livestock. Only in recent years have either research institutions or individual farmers capitalized on the full feed-producing potentialities of the District states. The long mild winters and the abundant rainfall can be assets in the production of feed and grazing crops. In fact the records of experiment stations and some farmers indicate that a greater weight of grazing material can be grown during the six fall and winter months than can be grown during the six spring and summer months.

The advantage in the production of livestock feed that District farmers may have over farmers in more northerly latitudes does not lie in higher yields of a single crop but in the almost continuous production possible with an efficient combination of grazing crops and pastures. Since the combinations of feed crops are almost limitless, many farmers are experimenting to find the most efficient system for their own particular operations. Experiment stations in District states also are conducting a wide variety of tests on feed crops, and most of the results offer encouragement to District producers.

Just recently the Bell Mina Substation of the Alabama Experiment Station released information on an experiment it had conducted with the feeding of beef cattle on a combination of two soil-building legumes, reseeding crimson clover and Lespedeza sercica. This combination, the results showed, may provide year-round grazing of high feeding value from the same land year after year—lespedeza in the spring and summer and crimson clover in the late fall and winter. This forage system promises the production of high-quality feed without the annual work of preparation and re-seeding. As stated in the first progress report, covering the five months May-September 1947, this combination produced 417 pounds of beef to the acre. In terms of the number of feed units required to produce that amount of beef, the combination was the equivalent of almost 80 bushels of corn.

At the West Tennessee Experiment Station at Jackson, another experiment was conducted to determine the results of feeding producing Jersey cows on an all-roughage ration and the effect that would be produced by adding full-grain feeding to such a ration. The herd, mostly purebred, was divided into two groups. One was given pasture, hay, and silage, and the other the same ration with grain added at a rate of one pound to each three pounds of milk produced

daily. Midway in the four-year test the ration was reversed for these groups, the grain being discontinued for one group but added to the other. Preliminary results show that the cows when fed grain averaged 10,579 pounds of milk per cow per year and those receiving no grain averaged 8,043 pounds. Roughage feeding alone thus produced 76 percent as much milk as combined roughage and full-grain feeding did.

In both of these experiments, the one with beef cattle and the one with dairy cattle, excellent livestock were grazed on productive pastures and crops under superior management. It is, therefore, improbable that state or District average rates of production could in the near future approach the rates obtained in these experiments. Nevertheless, high and efficient milk and beef production can be obtained from recommended grazing and roughage programs.

As a result of the increased productivity of pastures and land devoted to grazing crops, District farmers have shown an increasing interest in expanding livestock production on their farms. The trends are shown more clearly when the various classes of livestock are converted to animal units. One animal unit is taken as the equivalent of a mature cow or horse in the consumption of feed. The number of such animal units on the farms of District states in 1947 was 23 percent larger than the average number on farms during 1930-39. In 1930-39, 62 percent of the animal units in District states was composed of cattle and calves, but in 1947 this percentage had risen to 70. These figures indicate that livestock development in the Southeastern states is taking a definite trend toward cattle and calves or, in other words, animals which can utilize grazing crops most efficiently. The number of hogs had increased 15 percent, or less than half the rate of increase for cattle. The number of chickens on farms increased about 7 percent, and that of turkeys declined 33 percent. Sheep numbers, long on the wane, were down 22 percent.

Not only has there been a significant increase in the total number of animal units on District farms, but apparently there has also been an increase in the production rates of most classes of livestock. Unfortunately no production-rate data on meat animals are available because of the many different weights and ages at which these animals are sold. Data are available, however, for dairy cows and chickens, although chickens are negligible with respect to their consumption of feed from pastures and grazing crops. Of all

the measures of the efficiency with which feed crops are being converted into income, milk production is therefore probably the best that is available.

The average milk production per cow in District states during 1947 was 11 percent above the 1930-39 rate, but the total production was 18 percent greater than the 1930-39 average. Florida showed the greatest gain in production per cow, 25 percent, and Louisiana the smallest, 3.5 percent.

TOTAL ANIMAL UNITS ON FARMS IN DISTRICT STATES

Livestock	1930-39	1947	Percent Change
Cattle and calves.....	6,001,000	8,337,000	38.92
Hogs and pigs.....	1,137,200	1,311,000	15.29
Chickens.....	408,320	436,730	6.95
Sheep and lambs.....	102,240	79,560	-22.19
Turkeys.....	3,210	2,140	-33.34
Mules and colts.....	1,557,000	1,245,000	-20.04
Horses and colts.....	471,000	528,000	12.10
Total.....	9,679,970	11,939,430	23.34
Percent of cattle in total.....	62	70	—

In part these gains in numbers of livestock and in production per animal come from the increased production of feed. In 1947 the production of feed units was 55 percent greater than the 1930-39 average. This estimate, however, is necessarily rough because there is no accurate way of measuring how much came from pastures.

Low Livestock Production Rates

The increased amount of feed available during recent years together with high prices for milk and milk products during and since the war has resulted in District dairymen doing two things: first, feeding their cows more heavily, as is indicated by an increase of 11 percent in 1947 over the 1930-39 average in the amount of milk produced per cow; and, second, adding more cows to their herds. The latter is evident from the fact that total production of milk in District states in 1947 had increased by 18 percent over the 1930-39 average, or at a faster rate than the increase in production per cow. The gains made in District states, however, were exceeded by the gains made by dairymen throughout the nation, showing that District farmers have merely shared in the increased demand for dairy products rather than that they have made inroads on that part of the milk market usually supplied by dairy farmers outside the area. In 1947 the average production of 3,284 pounds of milk per cow in Sixth District states was only two thirds of the national average.

MILK PRODUCTION PER COW IN DISTRICT STATES FOR SELECTED YEARS

State	Yearly Production (Pounds)					Percent Increase 1947/1930-39
	1930-39	1941	1943	1945	1947	
Georgia.....	3,137	3,240	3,200	3,200	3,340	6.47
Florida.....	3,034	3,300	3,750	3,900	3,800	25.24
Tennessee.....	3,352	3,510	3,570	3,640	3,820	13.96
Alabama.....	3,103	3,260	3,200	3,350	3,430	10.53
Mississippi.....	2,673	2,500	2,580	2,730	2,840	6.24
Louisiana.....	2,309	2,250	2,340	2,324	2,390	3.50
Six States Average.....	2,953	3,038	3,076	3,160	3,284	11.21
United States Average.....	4,355	4,741	4,604	4,797	5,000	14.81

One reason often given for the low rates of production of livestock and livestock products in District states is that most farmers keep only enough livestock for their families' use. Where a farmer has no more than one or two cows on his farm and sells no dairy products he has little incentive

to feed his cows for high production or to breed them for that purpose. Although the reason is a plausible one, it is only partly correct. In Alabama, for example, more than a third of all the cows in 1939 were family milk cows and produced at a rate 15 percent above the state average for all cows. Compared with the five-to-nine-cow group, the one-cow group alone produced at a rate 60 percent higher in Florida, 54 percent higher in Alabama, 52 percent higher in Georgia, 30 percent higher in Louisiana, 21 percent higher in Tennessee, and 20 percent higher in Mississippi.

FARMS WITH MILK COWS IN SIX DISTRICT STATES AND TOTAL IN UNITED STATES, 1939

Area	Number of Farms with Cows	Farms with Fewer Than Three Cows	
		Number	Percent
Georgia.....	158,226	137,092	86.64
Florida.....	26,924	21,921	81.41
Tennessee.....	195,157	145,125	74.36
Alabama.....	181,579	161,597	88.99
Mississippi.....	191,907	146,988	76.59
Louisiana.....	103,600	81,740	78.89
Six States.....	857,393	694,463	80.99
United States.....	4,663,431	2,358,606	50.57

Dairymen who have large herds and who sell milk for Grade "A" use have production rates considerably higher than the state averages. The farmers most in need of increasing their rate of production, therefore, are apparently those who sell milk to processing plants that make cheese, butter, evaporated milk, and other products. For the most part these five-to-nine-cow herds belong to the operators of family-sized farms who are seeking to supplement their crop income with income from livestock, and it is these farmers who could utilize improved pastures and grazing crops to the best advantage. Their units are too small to afford the high investment in equipment necessary for the production of Grade "A" milk. Moreover, in addition to having problems of producing feed, they face problems in breeding for higher-capacity production because they do not have enough cows or sufficient income to justify their keeping a bull that would improve the quality of herd replacements. This problem has been reduced somewhat in recent years, however, with the establishment in some of the District states of artificial-breeding associations that offer farmers with small herds an opportunity to improve their cattle strains at a reasonable cost.

MILK PRODUCTION PER COW IN DISTRICT STATES IN 1939 BY SIZE OF HERD (Pounds)

State	Size of Herd				All Cows in State
	One Cow	Two Cows	5 to 9 Cows	50 to 74 Cows	
Georgia.....	3,731	2,928	2,461	5,083	3,323
Florida.....	3,039	2,221	1,896	4,691	3,494
Tennessee.....	3,793	3,260	3,138	4,978	3,463
Alabama.....	3,823	3,005	2,478	4,458	3,337
Mississippi.....	3,114	2,672	2,588	4,072	2,834
Louisiana.....	2,715	2,342	2,084	3,997	2,571

Low production rates seem to constitute one of the most serious handicaps to dairymen in District states. In part the increase in total milk production has come from more low-capacity cows on rather poorly developed pastures.

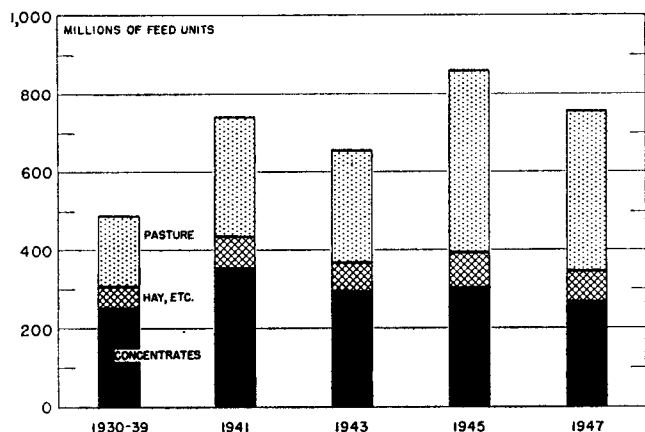
There is a definite relation between the rate of production and the efficiency of production. Of all the various factors affecting milk costs, the rate of production per cow is perhaps the most important. One reason is that as milk production increases, the percentage of feed required by the cow for her body maintenance declines and, as a consequence,

more of her feed is converted into milk. A nation-wide study of milk-production cost records revealed that the returns over feed cost became steadily greater as the yield of milk increased. By increasing their milk cows' present average production, 3,284 pounds, to 4,000 pounds District farmers would reduce their feed cost per unit 14 percent. If District dairy farmers brought their production up only to the national average of 5,000 pounds, they could reduce their feed cost per 100 pounds of milk 21 percent. If they could increase it to 7,500 pounds, their reduction in feed cost would total 38 percent.

Feed Production Up

Since most feed crops are harvested in bushels, pounds, or tons, they can be converted readily into feed units. For estimating District production a bushel of corn was chosen as a standard feed unit because the acreage devoted to corn in the Six States is by far the largest of any other feed crop. All hay and concentrate feeds produced by farmers in the Six States can then be reduced to their feeding value in terms of bushels of corn, or feed units. Where such a crop as alfalfa or lespedeza is grazed, the acreage can be assumed to produce the same number of feed units it would yield if it were harvested for hay.

An assumption used by the Alabama experiment station, namely that an acre of pasture should produce as many feed units as an acre of tame hay would, facilitates an estimate of the number of feed units produced on pasture acreage. The acre of tame hay used was a weighted composite of all the tame hays grown, which resulted in an estimated feed value per acre of pasture slightly more than that of a ton of tame hay, or about the feed equivalent of 15 bushels of corn. An acre of improved permanent pasture should produce more than the feed equivalent of 15 bushels of corn, but, on the other hand, there are large unimproved pasture acreages in the Six States that will not produce a feeding equivalent of 15 bushels of corn.



Most of the 55-percent difference between the 1947 production of feed units and the 1930-39 average came from the increase in pasture. Feed units supplied by pasture alone were more than double the 1930-39 average; feed units supplied by hay and roughage increased 38 percent, and those by concentrates, that is corn, small grains, and peanuts, increased 7 percent. When it is applied to the total acreage of open pasture in District states the assumption that one acre

is equal to an acre of tame hay may exaggerate the feeding value of pasture. But even if the assumed value were cut in half the production of total feed units would show a gain of 39 percent over the 1930-39 average.

DISTRICT STATES FEED UNITS BY SOURCE, FOR SELECTED YEARS

Year	Concentrates		Roughages		Pasture	
	Number (Ths'nds)	Per-cent	Number (Ths'nds)	Per-cent	Number (Ths'nds)	Per-cent
1930-39 Average	250,896	100	55,662	100	182,445	100
1941	351,692	140	82,573	148	307,678	169
1943	291,040	116	77,592	139	286,650	157
1945	301,578	120	89,932	162	469,442	257
1947	268,811	107	77,113	138	411,993	226

Feed Units Increase Faster than Animal Units

With the 23-percent increase in the number of livestock on District-state farms by January 1, 1947, and the 55-percent increase in 1947 feed production, there was about 25 percent more farm-produced feed per animal than there was during the 1930's. Measured in terms of feed units relative to the number of animal units, the 1947 production of concentrates was down 13 percent from the amount available during the base period, hay and roughage combined was up 12 percent, and pasture was up 84 percent. The increase in feed units per animal does not mean that District livestock are now being given as much feed as they can utilize efficiently. Indeed, the continued low rates of livestock production indicate that a greater quantity and a better quality of feed would be profitable for most District producers.

FEED UNITS AND ANIMAL UNITS IN DISTRICT STATES FOR SELECTED YEARS

Year	Feed Units ¹		Animal Units		Feed Units per Animal Unit	
	Number (Ths'nds)	Percent	Number (Ths'nds)	Percent	Number (Ths'nds)	Percent
1930-39 Average	489,003	100	9,680	100	50.5	100
1941	741,943	152	10,455	108	71.0	140
1943	655,282	134	11,623	120	56.4	112
1945	860,952	176	12,309	127	69.9	138
1947	757,917	155	11,939	123	63.5	126

¹Each acre of pasture is counted as an acre of tame hay.

An evaluation of progress in total feed production and in the amount produced per animal unit must include the consideration that the Sixth District states do not make up a natural livestock area in the sense that they have abundant native grasses, that grains can be produced at low cost, or that land is low priced in relation to its productivity. Neither is the area "naturally" adapted as far as the background of its farm people is concerned; for only a fraction of District farmers have had experience in producing livestock and livestock products for market. Moreover, until recently there were comparatively few markets of that type.

The two basic feeds in livestock production are grass and grain. Although grasses grow well in most of the District states, there are only a few areas of prairie where nutritive grasses do not have to be planted and cared for. The Black Belt of Alabama and Mississippi is one of the main exceptions. Though there are, of course, native grasses which will take over abandoned fields, few of them are nutritious; and in pastures that are not seeded or given other care broom sage is likely to predominate. In comparison with yields in other sections of the United States, District grain yields are low, with corn averaging only about 60 percent of the nation's average production rate. The 1930-39 average yield of corn in Georgia, for example, was less than 10 bushels an

acre, and the 1947 yield was only 15 bushels, whereas the United States figures were 23.5 and 28.6 bushels per acre. Low grain yields have discouraged many farmers from increasing their livestock numbers. Although some grain is needed in feeding most classes of livestock, it has been found that a much larger portion of the total feed requirements of beef and dairy cattle than was previously thought possible can be obtained from grazing crops. The goal of livestock researchers is a system that will furnish year-round grazing from a minimum number of crops, preferably perennial or reseeding crops.

Adequate feed is of paramount importance, but the production of livestock and livestock products to obtain maximum net income involves a combination of many factors, including breeding and management. Moreover, the efficiency of any one of these factors is partly dependent on the efficiency of the combination in which they are all used. By emphasizing one part of his livestock program without giving adequate attention to its effect on the whole, a farmer may reduce the efficiency of the entire operation by throwing it out of balance. The unbalance may minimize the value of feed crops and thus engender a pessimistic attitude toward them when, in reality, it may be other factors that are responsible for his less-than-expected returns.

Therefore it may be timely for farmers to check on their pasture yields and on the number and quality of the livestock being used to convert forage into cash receipts. Animals lacking the capacity to make efficient use of grass and legumes may be uneconomical, especially on highly developed pasturage.

There are, of course, many reasons why attempts to increase livestock production in District states have not met with greater success. A lack of experience, the small size of the farms, a high percentage of tenancy, higher acre income from cotton and tobacco, and an apathy toward the confining requisites of livestock production are some of them. Each of these limiting factors has been a serious handicap to many farmers. Perhaps the most basic and continuing problem has been that of providing various classes of livestock with feed and pasture, but for those farmers who can adopt new systems of forage crops the problem is becoming much less acute.

Excessive Feed Costs

With the production of feed units apparently increasing at a faster rate than animal units are, it would seem that the relative cost of the feed purchased would decline, but that has not happened. Farmers in District states spent 30 percent of their receipts from livestock and livestock products for purchased feed in 1929, 27 percent in 1939, and 39 percent in 1944. It may be that feed prices have increased faster than the prices of livestock and livestock products or that there has been a qualitative increase in the type of feed purchased, but it is surprising to find an increase in feed units being accompanied by an increasingly larger percentage of livestock receipts spent for feed. During 1944 farmers in four of the District states spent more than two out of each five dollars they received from livestock for feed. There are instances in which it is more profitable to buy feed than raise it, and many District farmers will probably always purchase feed from one another and from farmers in other areas. It is unlikely, however, that the region will perma-

nently expand its livestock numbers until this upward trend of high cash costs of feed is reversed.

In the District states, compared with established livestock-producing states, the amount of money spent for purchased feed per dollar of livestock receipts is relatively higher. For example, in 1929 when District states spent about 30 percent of their livestock receipts for feed, Colorado spent 12, Wyoming 11, Wisconsin 9, and Minnesota 6 percent. Ten years later the District states were spending 27 percent of their livestock receipts for feed while Colorado was spending 12, Wyoming 9, Wisconsin 11, and Minnesota 8. Even in two of the New England states, where most of the feedstuff must be imported from the Midwest, the amount of money spent for feed during 1939 was only 42 percent of livestock receipts, in Massachusetts, and 37 percent, in Connecticut.

PERCENT OF LIVESTOCK RECEIPTS SPENT FOR FEED
IN DISTRICT STATES, 1929, 1939, 1944

State	1929	1939	1944
Georgia.....	28	26	44
Florida.....	44	43	44
Tennessee.....	16	16	30
Alabama.....	31	27	39
Mississippi.....	48	29	40
Louisiana.....	48	40	54
Six States Average.....	30	27	39

The large percentage of their cash receipts that District farmers spent for feed may indicate the livestock industry is in a precarious position. Ordinarily it is only in the special areas where market conditions permit, as they do in the fluid-milk regions of the Northeast, that farmers can depend profitably on purchased hay and concentrates. It is doubtful if the Southeast is a special area in the same sense that New England is.

Perhaps the efficiency of the small number of commercial livestock producers in the Southeast tends to be lost in the District average figures, and even in the state averages. Doubtless many of the District farmers rival the Midwestern or Mountain-State stockmen in efficiency, but as a group they have not displayed the efficiencies in production which would enable them in times of severe regional competition to hold on to their present gains.

Efficiency in Dollar Terms

On a majority of the District farms, land is the most limited resource; and therefore a paramount need of most District farmers is to increase their income per acre of farm land. Where small- and medium-sized farms have been shifted to livestock operations, high production is necessary to maintain incomes as high as those afforded by cotton and tobacco growing. Even where no such shift has been made, the possibilities of obtaining higher farm income are greater when pastures and livestock both produce at high rates.

As with physical gains, an exact measure of the money returns from pastures is impossible. The subtraction of known costs from income, however, gives some rough measure of the cash contribution they make.

In 1944 farmers in District states received 359 million dollars from the sale of livestock and livestock products but spent 141 million dollars for feed. Even if all of the 218-million-dollar difference could have been imputed to pasture, it would have meant a cash income of only \$10 an acre. Obviously, this cash-income figure does not represent the full value of livestock and livestock products produced on pastures and feed crops since about half of the milk and pork and about a third of the eggs produced by District

farmers are consumed on the farms where they are produced. But these figures do indicate that District pastures are returning a low average rate of cash income and, thus, further illustrate the need to increase the quality of pastures.

The cost of establishing an acre of permanent pasture ranges from \$35 to \$45, and annual maintenance costs range from \$6 to \$8. If the pasture did not need to be re-established for five years, the yearly cost of an acre of improved pasture would be about \$15. Returns from the sale of livestock and livestock products obtained with the use of improved pasture and grazing crops should at present prices range from about \$30 an acre for beef to \$75 for Grade "A" milk. Some farmers find the initial cost of establishing pastures a real barrier, but over a period of time the investment of those who can surmount it should be a profitable one.

In 1947 the low milk production of 3,284 pounds per cow may have been attributable to the low capacity of the cows as much as to the poor quality of pastures and feed crops in District states. With that yield the sale of milk for Grade "B" uses, at \$3.30 a hundred pounds, would total only \$108 per cow per year and that for Grade "A" purposes, at \$5.50 a hundred pounds, would total \$180. The high rate of 8,043 pounds of milk per cow obtained at the West Tennessee station from roughage feeding alone would, at these prices, have returned \$265 if it had been sold for Grade "B" use or \$440 if sold for Grade "A" purposes.

Need for Increased Capacity of Pastures

There were available to each animal unit in 1945 only 1.75 acres of open pasture. This high ratio of livestock to total pasture may be one of the factors that are limiting the production rates of District livestock. Only pastures that have been greatly improved can efficiently carry so heavy a rate of grazing. Pasture, though, is a very general term that means little unless it refers to a specific pasture. Some of them, particularly abandoned fields which may have been fenced, will furnish very little grazing, but some improved pastures to which minerals and the full rate of recommended seed have been applied will produce at a high rate—high enough at times to support more than one animal to the acre.

Highly productive pastures usually produce feed most efficiently. It costs no more to fence a good pasture than it does to fence a poor one, and other overhead costs per unit of feed decrease with greater production per acre. Moreover, an improved pasture will provide needed minerals and proteins that unimproved pastures will furnish only to a limited extent or not at all. Doubtless there are many acres of unimproved pasture on land on which it would be uneconomical or unwise in other respects to attempt the building of high-capacity pastures. Some of the lighter, sandy soils in the District fall in this category, but the capacity on fertile soils that will respond to minerals and seeding could be raised by fertilization, seeding, and good management.

It may be that District farmers have not obtained the maximum grazing from their pastures. The ideal pasture management would be that which would make young growing grasses and legumes available to livestock. Overgrazing cuts down on the amount of feed an acre will produce, and undergrazing results in more fibrous plants of lower feeding value. Moreover, there should be a balance between feed from pasture and feed in the form of concentrates, such as corn.

Good pasturage and grazing crops generally supply the most economical feed up to a certain capacity, and the efficient livestock manager uses concentrates to supplement grazing rather than the other way around.

Grains are necessary in the ration because the maximum amount of roughage an animal can hold provides less feed units than a high-production animal can utilize efficiently. Moreover, certain classes of animals, such as poultry and hogs, require most of their feed in concentrate form. But even with these two groups the feed units supplied from pasture are important in reducing costs. Farmers sometimes fail to consider that young, growing pasture grasses and legumes have a high protein content and that supplementing them with a concentrate or grain mixture high in protein may not result in higher yields, and therefore may be uneconomical. The Alabama and Tennessee experiments clearly show that pastures and grazing crops can produce sufficient feed for high rates of production of some classes of livestock, even without the addition of concentrates.

Summary

District farmers are increasing their numbers of livestock and the acreage planted to pasture and grazing crops, but few of them have achieved maximum efficiency in the production of livestock and livestock products. It has been widely demonstrated that farmers in the Southeast can achieve efficiency in the production of feedstuffs. In recent years a system of forage production that will yield abundant grazing throughout the year has been virtually attained, with some grazing programs yielding a total production of feed units that far surpasses that which can be obtained from annual hay and grain crops. But apparently the prevalent practice has been to add more poor-quality animals to pastures that are producing at only a fraction of their capacity. Unless farmers in the District states improve their efficiency by increasing the production rates of livestock and by increasing the carrying capacity of pastures and grazing crops, recent gains in livestock development may be jeopardized. The economic security of District stock farmers lies in the efficiency of their operations rather than in an increase in the number of animals alone.

JOHN L. LILES

Bank Announcements

On June 1 the Farmers and Merchants Bank, Piedmont, Alabama, began remitting at par. This bank, which was organized in 1915, has at present capital stock amounting to \$30,000, surplus and undivided profits to \$40,484, and deposits of \$1,026,670. C. W. Thompson is president, J. S. Tole vice president, and Miss Myrtle Fain cashier.

Growth and Prospects of Bank Real Estate Lending

ALTHOUGH difficulties in financing, rather than shortages of materials, many observers believe, set the limit to future residential construction in the Sixth District, the reports of Sixth District member banks as a group give no indication that their expansion in real-estate lending has stopped. By the first of the year their aid in financing the recent residential-building boom had raised their total real-estate loans 155 percent since the end of 1945, when heavy postwar construction got under way. Real-estate loans at the member banks had grown so much that, even though the banks' total loans had increased 43 percent, their real-estate loans were almost twice as important in relation to their total loans as they had been two years earlier. Moreover, the weekly reports of member banks in leading District cities show no sign that the trend has reached its peak. During the first five months of 1948 real-estate loans at those banks increased 11 percent, whereas total loans declined 3 percent.

At the nonmember banks, reports of the insured banks in the Sixth District states indicate, the rate of expansion in real-estate lending was not quite as great. Their real-estate loans increased 117 percent between the end of 1945 and 1948. Such loans of all insured banks rose 166 percent in Alabama, 128 percent in Florida, 125 percent in Georgia, 150 percent in Louisiana, 107 percent in Mississippi, and 136 percent in Tennessee.

The banks classify their real-estate loans into three general types: loans on farm land, loans on residential real estate, and those on other nonfarm real estate. Residential real-estate loans exceed the combined totals of the other two types, and their growth during the two-year period accounted for three fifths of the 129-million-dollar increase in Sixth District member-bank real-estate loans. On a percentage basis the increase in residential real-estate loans at the District's member banks, 187 percent, was greater than that of the member banks in any of the other Federal Reserve districts.

The unprecedented residential construction explains the large demand for such loans. According to F. W. Dodge Corporation figures, contracts awarded for that type of construction in the Sixth District rose from 62 million dollars in 1945, to 331 million in 1946, and to 374 million in 1947. In 1938 they had amounted to only 81 million dollars. The District's 1947 contracts exceeded its 1945 contracts 504 percent, whereas the increase for the Eastern states covered by the F. W. Dodge figures was 459 percent.

How much of the demand for home financing in the District was met by total mortgage credit or what part of this total was made up of member-bank credit cannot be exactly determined. Traditionally, however, banks have not been the chief source of residential-construction financing. National data compiled by the Federal Home Loan Bank Administration show that in the two years of 1946 and 1947 home loans on one-to-four-family residences made by all types of lending institutions increased more than 10 billion dollars. Commercial banks accounted for approximately 2.8 billion dollars of that amount. Their mortgage loans increased at greater rates than those of the other lending institutions did, but amounted to only 17.5 percent of all the mortgage

loans outstanding at the end of 1947, compared with 12.9 percent at the end of 1945. Even if none of the increase resulted from loans made for the purchase of old houses, real-estate loans at the District's member banks could have financed no more than 18 percent of the total residential construction in the District during that period and the loans of both members and nonmembers no more than 20 percent.

Of much more importance in the nation, and probably in the District, are the loans made by savings-and-loan associations. In the United States those outstanding at the end of 1947 on one-to-four-family residences made up about 30 percent of the total mortgages of that type. Insurance companies and mutual savings banks held around 10 percent each, and individual and other lenders about 30 percent.

This district's member banks have been consistently less active in real-estate lending than banks in other sections of the country have. In 1928, the first year for which statistics were collected, member banks in the District had real-estate loans amounting to only 9.7 percent of their total loans, whereas the member banks throughout the country had a proportion of 12.4 percent. Ten years later the real-estate loans of all United States member banks made up 20.5 percent of their total loans, but those of the Sixth District member banks accounted for only 13.4 percent of their total. At the beginning of the present loan expansion the District ratio was only 8.3 percent; the United States ratio was 15.2. Despite the striking expansion in District member-bank loans since 1945, the 1947 ratio of real-estate loans to total loans is significantly lower than the ratio of 21.9 for all member banks. It is smaller than that in all but two of the other Federal Reserve districts.

Banks are limited in their real-estate lending by the statutes of the governmental unit under which they are chartered. The amount a National bank can lend on real estate, for example, is limited to its total unimpaired capital or 60 percent of its time deposits, whichever is greater. In most cases the latter is the larger. Similar limitations are imposed on State banks. But in addition to limiting the total, at many banks the amount of time deposits otherwise influences real-estate lending. These deposits, composed to a considerable degree of savings deposits, are generally regarded as providing better opportunities for bankers to make longer-term loans, such as real-estate loans, than demand deposits provide.

Although at the larger member banks of the District time deposits constitute in general a greater proportion of total deposits than they do at the small banks, real-estate loans make up a smaller proportion of total loans. They compose 39 percent of total loans at banks with deposits of less than a million dollars and only 7 percent at banks with deposits of more than 100 million. One reason for the apparent anomaly is that the smaller banks often require real-estate mortgages as security even for commercial and industrial loans. There is, however, a general tendency for banks of the same size to have a greater proportion of real-estate loans when their time deposits are high than they do when their time deposits form a small proportion of their total deposits.

Bankers do not make decisions about the loans they grant, of course, simply by consulting ratios or other mechanical

guides. They base their decisions on the best alternative use of funds from the standpoint of profitability and risk and a number of other intangible factors. The possible future expansion in their real-estate lending cannot, therefore, be predicted merely from a determination of their legal limit. The legal provisions of the banking acts do, however, in addition to setting a limit upon lending, influence the attitude that bankers may take.

At one out of every 10 member banks in the District there was no possibility of real-estate-loan expansion at the beginning of the year. In other words, it was "loaned up." The use of the limitations imposed by the National Banking Act as the only criteria shows that about a fourth of the banks had either exhausted their real-estate-lending capacity or used all but 25 percent of it. On the other hand, more than half had used up less than 50 percent of their legal maximum. In general, the smaller the bank was, the greater the proportion of its lending capacity that had been utilized. Moreover, conditions varied from state to state, even among banks of similar size.

SIXTH DISTRICT MEMBER BANKS WITH REAL ESTATE LOANS BELOW THE LEGAL MAXIMUM DECEMBER 31, 1947, BY AREA AND SIZE OF BANK (Percentages)

Ratio of Real Estate Loans to Legal Maximum* (Percent)	Area						
	Ala.	Fla.	Ga.	La.	Miss.	Tenn.	District
Below 100.....	85	99	89	94	100	84	90
Below 75.....	65	96	72	71	95	65	74
Below 50.....	45	81	43	52	63	47	54
Below 25.....	18	41	27	26	26	33	29

Ratio of Real Estate Loans to Legal Maximum* (Percent)	Size of Bank (Total Deposits in Millions)			
	Below 1	1 - 10	10 - 100	More than 100
Below 100.....	70	89	94	100
Below 75.....	60	68	90	100
Below 50.....	20	46	74	93
Below 25.....	10	22	44	73

*Based on maximum allowed National banks. State banking laws regulating State member banks differ somewhat from state to state.

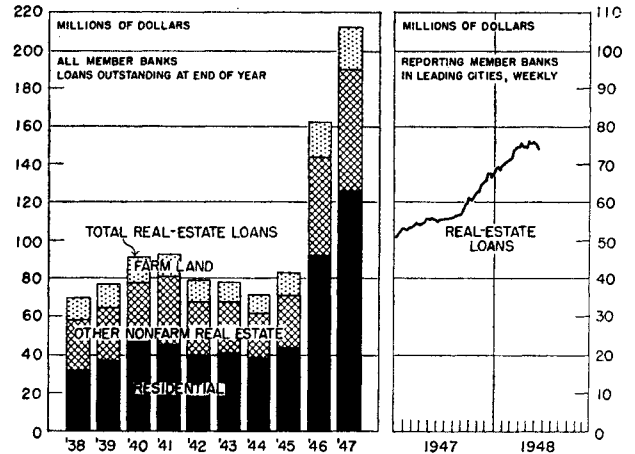
Apparently therefore it is not legal sanctions that have kept the real-estate lending in many banks down to modest proportions. The proportion of real-estate loans to total loans at individual member banks ranged from zero to more than 60 percent, but at half the banks real-estate loans amounted to less than 25 percent of total loans. Only 8 percent of the banks had a real-estate-loan proportion of more than 50 percent.

Opportunities to make other types of loans, of course, explain the relatively low rate of real-estate-lending activity of many bankers, but other bankers have developed a conservative attitude partly because they distrust the permanence of present high real-estate values, particularly those of residences. So long as they have opportunities to employ funds profitably in other types of lending, therefore, some bankers prefer not to make real-estate loans. When they do make them, according to reports, they are insisting that appraisals be considerably below the current selling price and that the potential buyer have a substantial cash equity in the home he is purchasing. Such attitudes as these seem more likely to set a limit to future real-estate lending by most of the District's banks than does any exhaustion of lending power.

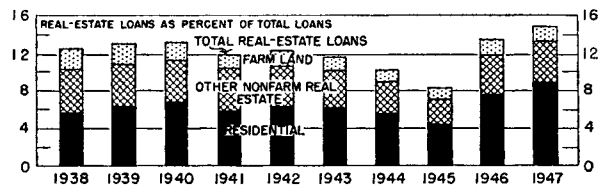
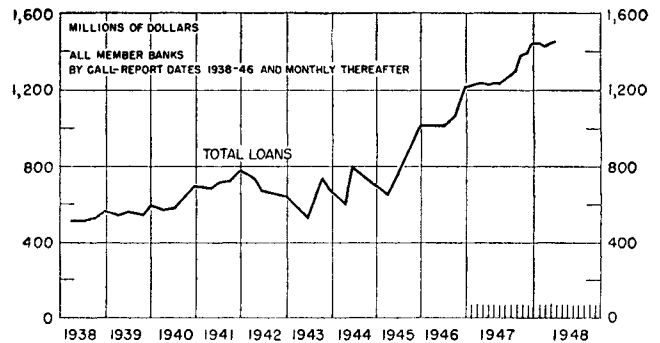
CHARLES T. TAYLOR.

REAL ESTATE LOAN EXPANSION SIXTH DISTRICT MEMBER BANKS

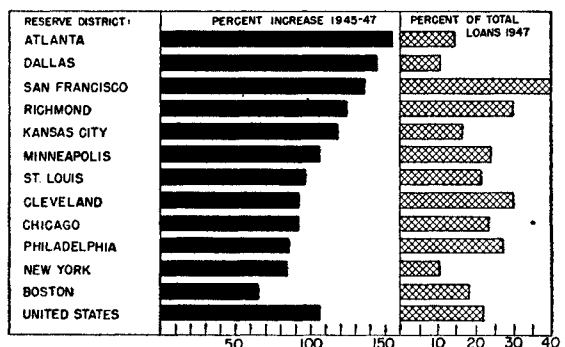
1. Real-estate-lending growth since the war's close has been caused chiefly by urban real-estate borrowing.



2. Other types of loans as a group also expanded rapidly, but the proportion of real-estate loans increased.



3. Although the rate of increase in member bank real-estate loans since 1945 has exceeded that in any other district, such loans constitute a smaller proportion of total loans than they do in all but two other districts.



District Business

Agriculture

Farmers throughout the District have followed with avid interest the efforts of Congress to pass new farm legislation to replace the existing statutes that expire at the end of the year. There have been few changes in farm legislation since the beginning of the war. For the past seven years the prices of most District crops have been supported at 90 percent of parity. Cotton prices have been supported at 92½ percent.

Since the nation is no longer at war, however, the need for farm legislation including price supports has changed. Improving production techniques and market opportunities probably call for a reevaluation of farm legislation and a redefinition of parity from time to time. In the upper House, Senator Aiken, of Vermont, sponsored a bill to alter price-support features of Federal farm programs and to reorganize action agencies in the Department of Agriculture. In the lower House, Representative Hope, of Kansas, introduced a bill calling for reorganization of certain agencies of the Department of Agriculture, but along quite different lines. Although price supports were not included in the Hope bill, it did not preclude them.

Of the many differences between these two long-range bills the greatest had reference to the level at which policy making and administration would take place. The Aiken Bill, among other things, provided for initiative and administration by local committees of farmers and professional agricultural workers, with the farmers outnumbering other representatives by at least one. On the other hand, the Hope Bill provided for the placing of initiative and administrative responsibility on the Secretary of Agriculture. Neither of these bills passed. A new bill calling for a continuation of present farm legislation and price supports to June 30, 1950, except that the price support level for cotton would be reduced to 90 percent of parity, was reported by the House Agricultural Committee in place of Mr. Hope's proposal.

The agricultural bill that was passed in the closing hours of the Eightieth Congress was a compromise between the House and Senate proposals. The new bill continues price supports until January 1, 1950, with the following provisions to take effect January 1, 1949: (1) Basic commodities, including 1949 cotton, are to be supported at 90 percent of parity; (2) Hogs, chickens, eggs, milk and its products, and 1948 crop potatoes are to be supported at 90 percent of parity. Other Stegall and nonbasic commodities supported

under the Act of July 1, 1941, will have a minimum support of 60 percent of parity and a maximum equal to the 1948 support levels.

Farm prices after January 1, 1950, will be supported within these revisions: (1) basic commodities—except tobacco—at 60-90 percent of parity, depending on supply—tobacco to be held at 90 percent of parity; (2) nonbasic commodities at levels from 0-90 percent of parity, at the discretion of the Secretary; (3) wool prices at 60-90 percent of parity until production reaches 360 million pounds; (4) potatoes supported at 60-90 percent of parity; (5) corn outside the commercial areas at 75 percent of the support level in the commercial areas.

Beginning January 1, 1950, the method of computing parity prices will also be revised. Under the old method the parity prices of cotton, peanuts, and rice, for example, were determined by multiplying their 1910-14 average price by the current index of prices paid for items entering into family living expenses and farm-production costs. The new formula substitutes an adjusted base price for the 1910-14 average price. This adjusted price of the commodity is the average price for the last 10 years divided by the average index of prices received (1910-14 = 100) by farmers for all crops and livestock during the same 10 years.

Two of the District's important cash crops, tobacco and peanuts, are now at support levels, and therefore farmers are particularly interested in those provisions of the new bill that will affect the price levels at which these crops will be supported. After January 1, 1950, the prices of tobacco will continue to be supported at 90 percent of parity, but the support level on peanuts will drop to 75 percent of parity if the supply is normal. Moreover, the change in the method of calculating parity will lower support prices on most of the major cash crops grown by District farmers. The declines in price-floor levels caused by the new method of computation, however, will be cushioned by the provision that the decrease in parity prices shall not exceed 5 percent in any one year.

In general, the effect of lowering support prices on peanuts and cotton more than those on corn and hogs will be to favor Midwestern farmers over Southern farmers, as shown in the table. One effect of the new method, however, may be to accelerate the shift that many District farmers are making from the production of cotton and tobacco to the production of livestock and livestock products.

PARITY AND SUPPORT PRICES FOR SELECTED PRODUCTS AS THEY ARE AT PRESENT AND AS THEY WOULD BE UNDER PROVISIONS TO TAKE EFFECT JANUARY 1950

Commodity	Unit	Average Price Received by Farmers May 15, 1948	Parity Price		Price Floor			Actual Change	Percent Change
			Under Present Formula	Under New Formula	Under Present Formula at 90% of Parity	Under New Formula at 75% of Parity ¹			
Cotton.....	lb.	35.27¢	32.45¢ ²	27.00¢ ²	29.20¢ ²	20.25¢ ²	— 8.95¢	— 31	
Corn.....	bu.	\$2.16	\$1.60	\$1.55	\$1.44	\$1.16	—\$0.28	— 19	
Peanuts.....	lb.	10.40¢	12.00¢	9.46¢	10.80¢	7.10¢	— 3.70¢	— 34	
Hogs.....	cwt.	\$19.60	\$18.20	\$18.50	\$16.38	\$13.88	—\$2.50	— 15	

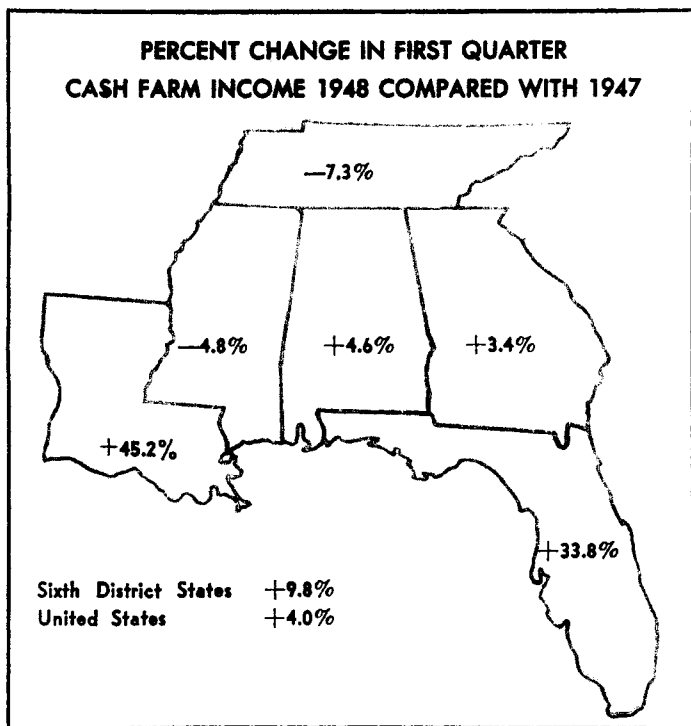
¹On a basis of 98-102 percent of normal supply.

²On a basis of 15/16 inch middling cotton.

Agricultural price legislation has benefited most District farmers in many ways. One of the most important of these benefits has been to reduce the uncertainty of income because of violent fluctuations in the price of the commodities they produce. Particularly during the war years, price floors gave farmers a great incentive to increase their production of food crops. In return for guaranteeing that prices would not decline below a reasonable level the nation was rewarded by the greatest production of food, feed, and fiber on record, at a time when they were most needed. A lowering of support levels, beginning in 1950, will merely return to the farmers a part of the price risk which the Government shouldered during the war and has continued to bear.

Even though the new farm bill continues price supports farmers should not overlook the fact that their income will be largely determined by their own industry and efficiency.

J. L. L.



Industry

Favorable weather conditions and a large volume of contract awards have combined in recent months to accelerate building and construction and to give promise of continued activity. During the first quarter of the year the total value of construction contracts awarded in this district, according to the F. W. Dodge Corporation figures, was 37 percent greater than it was in the corresponding period a year ago. An unusually large volume for April brought the total for the first four months up to 334 million dollars, which represents an increase of 52 percent over the total for that part of 1947. The April total this year was 95 percent greater than that last year. There have not been many months, even during the war years, when so large a volume of contracts was let. Residential contracts in April were up 52 percent from residential contracts in March and 56 percent from those in April 1947. Other awards were 77 percent greater than those in March

Sixth District Indexes

Place	DEPARTMENT STORE SALES*					
	Adjusted**			Unadjusted		
	May 1948	Apr. 1948	May 1947	May 1948	Apr. 1948	May 1947
DISTRICT	394	390	367	375	366	348
Atlanta.....	437	455	405	415	394	385
Baton Rouge...	428	407	390	424	391	386
Birmingham...	420	374	364	399	341	346
Chattanooga...	363	350	375	363	338	375
Jackson.....	347	374	328	326	358	308
Jacksonville...	457	437	425	434	411	404
Knoxville.....	422	450	370	401	416	351
Macon.....	319	284	329	310	276	319
Miami.....	382	352	350	336	359	308
Montgomery...	384	375	367	361	346	345
Nashville.....	502	396	470	492	395	461
New Orleans...	355	366	323	334	363	303
Tampa.....	467	478	428	467	485	428

Place	DEPARTMENT STORE STOCKS					
	Adjusted**			Unadjusted		
	May 1948	Apr. 1948	May 1947	May 1948	Apr. 1948	May 1947
DISTRICT.....	368	379	280	357	376	283
Atlanta.....	449	451	393	457	480	360
Birmingham...	278	305	225	285	316	211
Montgomery...	404	352	334	410	380	304
Nashville.....	537	531	445	545	589	415
New Orleans...	340	335	294	350	357	276

Place	GASOLINE TAX COLLECTIONS***					
	Adjusted**			Unadjusted		
	May 1948	Apr. 1948	May 1947	May 1948	Apr. 1948	May 1947
SIX STATES.....	188	182	166	189	187	168
Alabama.....	195	192	171	199	195	174
Florida.....	188	195	169	190	209	171
Georgia.....	181	171	162	181	176	162
Louisiana.....	179	167	152	176	164	149
Mississippi.....	192	171	164	188	175	160
Tennessee.....	204	191	186	204	193	186

Place	COTTON CONSUMPTION*			ELECTRIC POWER PRODUCTION*			
	May 1948	Apr. 1948	May 1947	May 1948	Apr. 1948	Mar. 1948	Apr. 1947
TOTAL.....	145	154	161	SIX STATES.. 344 341 303			
Alabama..	152	165	191	Hydro-generated 324 332 296			
Georgia...	146	152	152	Fuel-generated 371 353 312			
Mississippi	97	104	101				
Tennessee.	120	132	121				

Place	MANUFACTURING EMPLOYMENT***			CONSTRUCTION CONTRACTS			
	Apr. 1948	Mar. 1948	Apr. 1947	Place	Apr. 1948	Mar. 1948	Apr. 1947
SIX STATES.....	144	146r	143	DISTRICT...	598	360r	307
Alabama..	155	160	154	Residential	731	482r	469
Florida...	122	125	120	Other.....	534	301r	228
Georgia...	133	135	134	Alabama...	854	282	466
Louisiana..	140	138	136	Florida...	780	365	427
Mississippi	149	153r	154	Georgia...	654	410	309
Tennessee.	155	156	154	Louisiana..	330	488	76
				Mississippi	191	193	172
				Tennessee.	432	497	256

Item	CONSUMERS' PRICE INDEX			ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
	May 1948	Apr. 1948	May 1947	May 1948	Apr. 1948	May 1947	
ALL ITEMS..	174	173	162	Unadjusted..	18.7	19.2	17.3
Food.....	215	214	197	Adjusted**..	20.1	19.5	18.6
Clothing...	201	201	181	Index**.....	81.5	79.2	71.9
Fuel, elec. and ice...	134	133	122	CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*			
Home furnishings...	192	196	174		May 1948	Apr. 1948	May 1947
Misc.....	148	148	144	Unadjusted..	285	283	253
Purchasing power of dollar...	.57	.58	.62	Adjusted**..	289	278	257

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

r Revised

Sixth District Statistics

CONDITION OF 28 MEMBER BANKS IN SELECTED CITIES (In Thousands of Dollars)						
Item	June 16 1948	May 19 1948	June 18 1947	Percent Change June 16, 1948, from		
				May 19 1948	June 18 1947	
Loans and investments—						
Total.....	2,296,863	2,300,577	2,312,129	— 0	— 0	
Loans—total.....	811,650	829,636	705,854	— 2	+ 15	
Commercial, industrial, and agricultural loans.....	497,002	512,660	404,506	— 3	+ 23	
Loans to brokers and dealers in securities.....	6,216	6,439	7,718	— 3	— 19	
Other loans for pur- chasing and carrying securities.....	58,970	58,145	81,798	+ 1	— 28	
Real estate loans.....	73,204	75,427	55,342	— 3	+ 32	
Loans to banks.....	5,639	5,964	4,425	— 5	+ 27	
Other loans.....	170,619	171,001	152,065	— 0	+ 12	
Investments—total.....	1,485,213	1,470,941	1,606,275	+ 1	— 8	
U. S. direct obligations.....	433,756	379,147	413,002	+ 14	+ 5	
Obligations guaranteed by U. S.....	864,751	905,089	1,005,828	— 4	— 14	
Other securities.....	186,706	186,705	187,445	+ 0	— 0	
Reserve with F. R. Bank.....	434,602	421,937	425,898	+ 3	+ 2	
Cash in vault.....	40,514	41,529	39,880	— 2	+ 2	
Balances with domestic banks.....	214,639	203,890	194,721	+ 5	+ 10	
Demand deposits adjusted.....	1,784,063	1,761,367	1,759,055	+ 1	+ 1	
Time deposits.....	341,140	544,567	546,141	— 0	— 0	
U. S. Gov't deposits.....	53,147	42,525	15,606	— 22	+ 112	
Deposits of domestic banks.....	451,467	445,224	479,061	+ 1	— 6	
Borrowings.....			7,000	.....	.....

DEBITS TO INDIVIDUAL BANK ACCOUNTS (In Thousands of Dollars)						
Place	No. of Banks Report- ing	May 1948	Apr. 1948	May 1947	Percent Change May 1948 from	
					Apr. 1948	May 1947
ALABAMA						
Anniston.....	3	20,394	19,904	19,824	+ 2	+ 3
Birmingham.....	6	307,473	303,512	278,657	+ 1	+ 10
Dothan.....	2	11,921	11,090	9,769	+ 2	+ 16
Gadsden.....	3	17,530	17,785	17,557	— 1	— 0
Mobile.....	5	137,158	139,550	126,476	— 2	+ 8
Montgomery.....	3	71,366	67,639	65,010	+ 6	+ 10
FLORIDA						
Jacksonville.....	3	253,305	253,407	232,211	— 0	+ 9
Miami.....	7	233,333	252,454	198,508	— 8	+ 18
Greater Miami*.....	12	322,606	356,246	281,993	— 9	+ 14
Orlando.....	3	52,184	54,833	43,459	+ 5	+ 20
Pensacola.....	3	31,422	30,745	31,585	+ 2	— 1
St. Petersburg.....	3	53,389	57,992	48,840	— 8	+ 9
Tampa.....	3	100,994	108,397	98,746	— 7	+ 2
GEORGIA						
Albany.....	2	16,270	17,086	13,637	— 5	+ 19
Atlanta.....	4	803,176	786,828	729,671	+ 2	+ 10
Augusta.....	3	51,233	57,534	49,268	— 11	+ 4
Brunswick.....	2	9,437	8,647	8,529	+ 9	+ 11
Columbus.....	4	53,285	54,972	57,302	— 3	— 7
Elberton.....	2	3,984	3,872	3,821	+ 3	+ 4
Gainesville*.....	3	14,209	14,002	12,662	+ 1	+ 12
Griffin.....	2	11,258	10,800	10,393	+ 4	+ 8
Macon.....	3	57,305	62,440	56,396	— 8	+ 2
Newnan.....	2	8,038	8,205	6,658	— 2	+ 21
Rome*.....	3	21,020	21,222	18,438	— 1	+ 14
Savannah.....	4	96,115	86,418	80,454	+ 11	+ 19
Valdosta.....	2	11,510	9,902	10,178	+ 16	+ 13
LOUISIANA						
Baton Rouge.....	3	90,706	88,517	74,528	+ 2	+ 22
Lake Charles.....	3	32,294	32,701	24,045	+ 2	+ 38
New Orleans.....	7	614,634	615,676	535,873	— 0	+ 15
MISSISSIPPI						
Hattiesburg.....	2	15,085	14,776	15,730	+ 2	— 4
Jackson.....	4	123,419	118,714	101,224	+ 4	+ 22
Meridian.....	3	26,289	29,974	23,770	— 12	+ 11
Vicksburg.....	2	22,766	23,593	20,727	— 4	+ 10
TENNESSEE						
Chattanooga.....	4	135,555	135,725	121,819	— 0	+ 11
Knoxville.....	4	109,241	107,981	101,042	+ 1	+ 8
Nashville.....	6	277,729	280,979	249,017	— 1	+ 12
SIXTH DISTRICT						
32 Cities.....	110	3,848,940	3,861,848	3,454,331	— 0	+ 11
UNITED STATES						
333 Cities.....		97,593,000	102,354,000	87,840,000	— 5	+ 11

* Not included in Sixth District total

and two and a third times as large as those in April last year. For the first four months this year residential awards were 43 percent greater than they were in that period last year and other contracts 59 percent greater.

Contract awards in April were larger than they were in April last year in all six states of the District, but the gains over the March figures and the major part of those over the April 1947 figures were in Alabama, Florida, and Georgia. An award of 13 million dollars for a manufacturing plant helped raise the April awards in Alabama to 24.5 million dollars. In Florida the total for April of 49 million dollars was more than double that for March. The Georgia total in April, 24 million dollars, represents a substantial increase over that for any other recent month.

Improved logging conditions have resulted in increased production and, therefore, greater consumption of lumber. There seems to be no lack of demand for the better grades of lumber; reports are that dealers are more cautious and selective in their buying.

Textile activity, as it is measured by the daily average rate of consumption of cotton, declined in the District during May. Cotton mills in the four Sixth District states for which figures are available used 6 percent less cotton than they did in April and 10 percent less than they did in May of last year; the consumption rate for the country was 3 percent below that in May 1947. From January to May this year the consumption of cotton in the District declined 13 percent and during that period last year 9 percent.

During recent months employment in the construction industry has been increasing in all areas of the District and will, it is expected, continue to do so because of the large volume of work already in progress and that under contract. In other lines there have been reports of varying trends. Employment increased in the District's manufacturing industries between July last year and February but declined slightly in February, March, and April. Although factory employment increased slightly in Louisiana during April, decreases occurred, it was reported, in the other five states.

The District index for April this year is only slightly higher than that for April 1947; the indexes for Alabama, Florida, Louisiana, and Tennessee showed slight increases, and the indexes for Georgia and Mississippi decreases. In Georgia there was a decline in manufacturing employment during April of 1.9 percent below the March figure, with the principal decreases reported in the food and food-products group and the finished-textile-products group. The increases of 11.6 percent in printing and publishing, 14.1 percent in paper and paper products, and 7.4 percent in wearing apparel over April 1947 employment in those fields partly offset decreases in some other groups. In Louisiana employment increases in nondurable-goods industries more than offset decreases in the durable-goods industries. The principal gains occurred in the corrugated-carton, fiber-container, and paper-and-pulp divisions of the paper industry and in the sugar and canning divisions of the food industry. The major declines were in the transportation-equipment industry, for the most part in the shipbuilding division, and the lumber and timber-products industry. In Florida, April employment in lumber and lumber products showed an increase of 2.9 percent over March employment and was 13.4 percent greater than a year ago. There was an increase of 3.9 percent over the March total in the paper and paper-products industry, but there was a decline of 23.9 percent in the canning line, and a con-

siderable reduction in shipyard employment. Shipyard layoffs, owing to the expiration of contracts, were also reported in the Mobile area.

Weekly production figures in the statements issued by the United States Bureau of Mines show that coal output in Alabama and Tennessee averaged a little more in May than it did in either February or January. It was greater, by less than one percent, however, in May this year than it was in corresponding weeks a year earlier; a gain in Tennessee more than offset a slight decrease in Alabama.

Steel-mill operations in the Birmingham-Gadsden area have in recent weeks been reported at the level that prevailed during the first two and a half months of the year. At the time of the coal strike the rate of activity declined from 102 percent of capacity for the week of March 16 to 41 percent for the week of April 13, but with the ending of the strike steel-mill operations began the climb back to 102 percent, which they reached the week of May 18 and have maintained since that time.

May was the first month this year in which more cars of revenue freight were loaded by the Association of American Railroads' Southern district lines than were loaded in the corresponding period last year. The weekly statements of the association indicate that lines in the South loaded an average of 3 percent more cars in May this year. The average for the month was up 8 percent from that for April.

D. E. M.

Reconnaissance

Sixth District Statistics for May 1948 compared with May 1947

PERCENT DECREASE ← PERCENT INCREASE

Department Store Sales

Department Store Stocks

Furniture Sales

Gasoline Tax Collections

Cotton Consumption

Bank Deposits

Member Bank Loans

Member Bank Investments

Demand Deposits Adjusted

40 30 20 10 0 10 20 30 40

Sixth District Statistics

RETAIL JEWELRY STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change May 1948 from	
		April 1948	May 1947
Total sales.....	32	+ 23	- 10
Cash sales.....	32	+ 26	- 20
Credit sales.....	32	+ 22	- 2
Accounts receivable end of month.....	31	+ 1	+ 28
Collections during month.....	31	+ 1	+ 11

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change May 1948 from	
		April 1948	May 1947
Total sales.....	88	+ 6	- 5
Cash sales.....	80	+ 4	- 25
Instalment and other credit sales.....	80	+ 9	+ 0
Accounts receivable, end of month.....	87	+ 4	+ 36
Collections during month.....	87	+ 5	+ 2
Inventories, end of month.....	63	- 2	+ 15

INSTALMENT CASH LOANS

Lenders	No. of Lenders Reporting	Volume		Outstandings	
		Percent Change May 1948 from		Percent Change May 1948 from	
		April 1948	May 1947	April 1948	May 1947
Federal credit unions.....	46	- 5	+ 43	+ 4	+ 60
State credit unions.....	24	+ 16	+ 26	+ 5	+ 51
Industrial banking companies.....	11	- 7	+ 10	+ 0	+ 12
Industrial loan companies.....	20	- 3	- 6	- 1	+ 5
Small loan companies.....	44	+ 13	+ 10	+ 1	+ 9
Commercial banks.....	34	- 1	+ 35	+ 1	+ 49

WHOLESALE SALES AND INVENTORIES*

Item	No. of Firms Reporting	SALES		INVENTORIES	
		Percent Change May 1948 from		Percent Change from May 31, 1948, from	
		Apr. 1948	May 1947	Apr. 30, 1948	May 31, 1947
Automotive supplies.....	4	- 1	- 6	..	..
Electrical group.....	5	- 13	- 14	- 6	+ 16
Wiring supplies.....	6	+ 1	- 11	- 2	+ 25
Appliances.....	8	- 6	+ 7	+ 1	+ 20
General hardware.....	3	+ 3	+ 5	..	..
Industrial hardware.....	4	- 3	- 6	- 0	- 5
Jewelry.....	4	- 10	+ 41	+ 1	+ 73
Plumbing and heating supplies.....	4	- 0	- 3	..	..
Confectionery.....	5	- 4	+ 3	- 0	+ 5
Dry goods and sundries.....	9	- 1	+ 1	+ 1	+ 12
Groceries.....	18	- 3	+ 1	+ 1	+ 8
Full lines.....	43	- 0	- 2	- 2	+ 8
Specialty lines.....	7	- 7	+ 4	..	..
Tobacco products.....	7	- 0	+ 20	- 8	+ 41
Miscellaneous.....	12	- 2	+ 4	- 2	+ 18
Total.....	135	- 2	+ 4	- 2	+ 18

* Based on U. S. Department of Commerce figures

DEPARTMENT STORE SALES AND INVENTORIES

Place	No. of Stores Reporting	SALES		INVENTORIES	
		Percent Change May 1948 from		Percent Change from May 31, 1948, from	
		Apr. 1948	May 1947	Apr. 30, 1948	May 31, 1947
ALABAMA					
Birmingham.....	4	+ 17	+ 11	- 10	+ 26
Mobile.....	5	+ 6	+ 5	..	..
Montgomery.....	3	+ 4	+ 1	+ 8	+ 28
FLORIDA					
Jacksonville.....	4	+ 6	+ 4	- 13	+ 19
Miami.....	4	- 7	+ 1	- 1	+ 8
Orlando.....	3	- 4	+ 25	..	..
Tampa.....	5	- 4	+ 5	- 4	+ 37
GEORGIA					
Atlanta.....	6	+ 5	+ 4	- 5	+ 21
Augusta.....	4	+ 14	- 2	- 21	+ 8
Columbus.....	3	+ 8	+ 12	..	..
Macon.....	4	+ 12	- 6	- 5	- 9
Rome.....	3	+ 2	- 3	..	..
Savannah.....	4	+ 8	+ 24	..	..
LOUISIANA					
Baton Rouge.....	4	+ 8	+ 6	- 7	+ 25
New Orleans.....	5	- 8	+ 6	- 2	+ 15
MISSISSIPPI					
Jackson.....	4	- 9	+ 2	- 4	+ 20
Meridian.....	3	- 0	- 6	..	..
TENNESSEE					
Bristol.....	3	+ 4	- 9	- 4	+ 4
Chattanooga.....	4	+ 8	- 7	- 5	+ 12
Knoxville.....	4	- 4	+ 10	..	..
Nashville.....	6	+ 24	+ 3	- 7	+ 29
OTHER CITIES*.....	19	- 6	- 2	- 2	+ 17
DISTRICT	104	+ 3	+ 4	- 5	+ 19

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

National Business Conditions

INDUSTRIAL output and department-store sales increased in May and were maintained at advanced levels in the early part of June. The general level of wholesale commodity prices rose further in June, reflecting chiefly sharp increases in livestock. Substantial advances were announced in prices of automobiles and some other industrial products.

Industrial Production

The Board's seasonally adjusted index of industrial production advanced four points in May to a level of 192 percent of the 1935-39 average, which was close to the record peacetime rate prevailing in the first quarter before output was curtailed by work stoppages at coal mines.

Production of durable goods in May was above the April rate but below first quarter levels. Production of iron and steel increased sharply as coal supplies were restored. Output of nonferrous metals and of stone, clay, and glass products was maintained at the high rate of recent months. Production of most other durable goods, however, declined further in May. Activity in the automobile industry was substantially curtailed as a result of steel shortages and a labor dispute at plants of a major producer, and the number of cars and trucks finished in May was about one fifth below the first quarter average.

Output in most nondurable goods industries in May was maintained at the April level or advanced somewhat. Petroleum-refinery operations increased further; output of gasoline and fuel oil was 16 percent larger than in May of last year. Coke production recovered from the curtailment in April resulting from reduced coal supplies. Meat production showed a slight gain in May, reflecting settlement of a labor dispute at major packing establishments on May 21. Activity at cotton-textile and paperboard mills and at printing establishments was maintained at the April rate.

Minerals output rose to a new high level in May, owing mainly to a sharp increase in bituminous coal output and to a further rise in crude-petroleum production to a new record level. Production of iron ore was maintained in exceptionally large volume.

Construction

Value of construction contracts awarded in May, as reported by the F. W. Dodge Corporation, increased further to a new postwar peak more than 10 percent above April and slightly above the previous high in May 1946. The increase reflected mainly large gains in awards for public works and for educational and hospital buildings. Value of awards for commercial structures increased further in May to the highest level in more than two years. Private residential awards also continued to increase. The number of new dwelling units started, according to the Bureau of Labor Statistics, was 97,000 as compared with 90,000 in April and 73,000 in May 1947.

Distribution

Value of department-store sales rose to a new high in May, after allowance for seasonal changes. The Board's adjusted index for the month is estimated to be 308 percent of the 1935-39 average as compared with 304 in April and an aver-

age of 284 for the first quarter. Sales in the first half of June continued near this advanced level.

Loadings of railroad revenue freight in May and the first half of June were in substantially larger volume than in the preceding two months, mainly because of a sharp rise in coal shipments. Grain shipments showed a marked further gain during this period, reflecting chiefly an unusually early movement of the new wheat crop. Total freight carloadings in May and early June were at about the same level as during this period a year ago.

Commodity Prices

The general level of wholesale commodity prices advanced further in June to about the peak reached in January. The rise reflected chiefly sharp increases in livestock prices following settlement of the meat packing strike. Prices of most other farm products and foods showed little change.

Prices of industrial materials continued to show mixed changes in June with further declines reported for cotton goods and some other items and marked increases in secondary aluminum, tin, and wool. Prices of automobiles and various other manufactured products were raised.

The consumers' price index increased .7 percent in May, reflecting mainly further advances in retail prices of meat. Retail prices of most other groups of items showed little change or increased slightly.

Bank Credit

Substantial Treasury cash payments in excess of receipts during late May and the first half of June reduced Treasury balances at Reserve Banks by about 600 million dollars and increased the reserves of commercial banks. A large gold inflow also supplied banks with reserve funds, offset in part by a currency outflow over the Memorial Day holiday.

Effective June 11, the Board of Governors increased reserve requirements against net demand deposits at central reserve city banks from 22 to 24 percent. These banks sold Government securities to the Reserve Banks as needed to meet the resulting increase of about 500 million dollars in their required reserves. An increase in Treasury deposits resulting from tax payments after the middle of June exercised a drain on bank reserves and caused additional sales of Government securities to the Federal Reserve.

Real-estate and consumer loans continued to increase at banks in leading cities during May and the first two weeks of June. Commercial loans were maintained at about the volume outstanding in the last half of April.

Security Markets

Common stock prices advanced somewhat further from the middle of May to the third week of June, and trading remained relatively active.

The Treasury announced on June 10 increases in purchase limits for F and G bonds bought by savings institutions during the period July 1-15. Prices of marketable Government bonds, which had risen during May, declined in June.

THE BOARD OF GOVERNORS