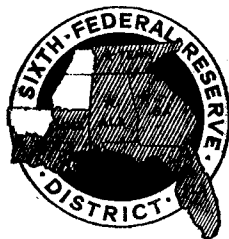


MONTHLY



REVIEW

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Economic Implications of the Cement Decision

LAST April the Supreme Court upheld a Federal Trade Commission cease-and-desist order banning the concerted use by the cement industry of the multiple-basing-point-delivered system of pricing Portland cement. This ruling set off a reaction that is having far-reaching repercussions throughout the business and industrial world. The effect of the decision has now transcended the field of cement manufacture and distribution, and in many quarters is creating genuine concern that long-established and accepted pricing systems may have to be abandoned and that entirely new methods of pricing may have to be devised. Some manufacturers and buyers, indeed, are predicting that the decision, unless overridden or modified by legislative action, will cause severe dislocations in the nation's industrial pattern and may turn some communities into ghost towns.

Such dire predictions, however, seem overdrawn. Nevertheless, there is little doubt that the Court's ruling may have far-reaching influences on business and industry in every part of the nation. A consideration of the chief implications of the decision as well as the possible impact which the ruling may have on business in the Sixth Federal Reserve District is very pertinent at this time. The Senate has established a special committee, under Senator Homer Capehart of Indiana, to investigate the effects of the Supreme Court's decision and to report its findings and recommendations not later than March 15, 1949. Hearings before this group are scheduled to start in mid-November. Businessmen of this area should therefore be aware of the basic considerations involved in this issue so that they may be able to follow general developments and recommendations in the forthcoming Senate hearings.

The case that gave rise to this interest in industrial pricing is that of the Cement Institute. It had its origin in a long-drawn-out proceeding of the Federal Trade Commission against the Cement Institute, a trade association, and the 74 cement-manufacturing companies that make up its membership. In 1943, the Commission found, in brief, that the use of the multiple-basing-point-delivered-pricing system as applied by the cement industry resulted in identical prices being quoted by different manufacturers at a given destination. This result, the Commission concluded, unduly restrained competition and was therefore an unfair method of competition under Section 5 of the Federal Trade Commission Act of 1914. It also held that the systematic discrimination in price necessarily resulting from the use of such a method of pricing was unlawful under Section 2 of the Clayton Act of 1914, as amended by the Robinson-Patman Act of 1936. On the basis of its findings the Federal Trade

Commission issued a cease-and-desist order against the Cement Institute and its members directing them to stop the concerted use of the multiple-basing-point-delivered-pricing system. The cement interests refused to obey the order and took the matter to the Seventh Circuit Court of Appeals (Chicago) which set aside the Commission's order. The Federal Trade Commission then carried the case to the Supreme Court where, on April 26, 1948, the lower court was reversed in a 6-to-1 decision. The Court on June 7 gave emphasis to its decision by denial of a rehearing. The Federal Trade Commission then directed the cement manufacturers to comply with its order by July 9.

Before that date, however, most of the cement mills had departed from their traditional pricing system by offering cement for sale f.o.b. mill, or at delivered prices that exactly equalled the f.o.b. mill price plus the transportation cost involved in delivery. Other industries that use the multiple-basing-point-delivered-pricing system, notably steel, also dropped this method of quoting prices and switched to the f.o.b. mill basis. The steel industry took this step even though there is an unfinished proceeding by the Federal Trade Commission similar to the cement case pending against the American Iron and Steel Institute and all major steel companies.

As a consequence of these developments, many buyers of cement, steel, and certain other products for which changes in pricing have been made, are now paying more for these commodities than formerly because full transportation costs must now be borne by the purchaser. For consumers who are relatively distant from the chief producing centers of such commodities, the increase has been substantial and it has been made doubly acute by recent increases in freight rates. Formerly, to secure the volume to be gained by selling at such distant points, manufacturers would often absorb some of the transportation cost; but since the Court's decision they have refused to continue this practice and have insisted upon selling f.o.b. plants.

Some buyers have become alarmed at this trend of events. They feel that they have been pushed into a disadvantageous situation that will not allow them to compete with concerns more favorably located transportation-wise with respect to their customary sources of supply. They must either switch their buying to plants that are nearer, but with which they have had no established business relations, or pay the increased freight charges that reflect the disadvantages of their locations.

Many manufacturers also fear that they may lose customers who have been taking a substantial part of their output and who have been acting as local distributing agents

over a long period of time. This group of buyers and manufacturers has been most vocal in protesting the effects of the Federal Trade Commission order and the Court's ruling. It should be noted on the other hand, however, that many buyers and manufacturers have benefited from the change because of their improved competitive positions, the elimination of unnecessary freight, a wider choice in the selection of carriers, and for other reasons.

The Mechanics of Basing-Point Pricing

It may be helpful to the reader to review briefly the multiple-basing-point-delivered-pricing system and to explain its operation. The description of the system given by the Federal Trade Commission in the cement proceedings together with certain other details is presented graphically in the accompanying diagrams. These are purely hypothetical, of course, and are simplified for quick comparisons.

The first of these diagrams shows two roughly circular areas that represent the selling territories dominated respectively by cement basing-point mills A and B. Other basing-point areas about on those shown and so on across the country, thus creating a roughly cellular pattern of basing-point areas.

The boundary around basing-point A defines an area in which that mill has lower all-rail freight rates than any other base mill to any point intermediate to A and the boundary. The same thing is true for mill B in its territory. Within mill A's area are shown three other cement mills, A¹, A², and A³. These are nonbase mills. All plants are connected with site X by railways, indicated by the crossed lines.

Suppose, now, a large concrete bridge is to be built across the river at X, and assume further that all the mills, including B, are eager to supply the cement for this job. The price of the cement at X under the multiple-basing-point-delivered-price system would be \$2.00 per barrel and all mills regardless of location would bid that amount. This price is arrived at by taking the \$1.50 base price at mill A and adding to it a freight factor of 50¢ per barrel, the actual cost of moving cement from A to X by rail.

If nonbase mill A¹ were to get the order it would not have any transportation charge to pay, or only a nominal one, and it would therefore be collecting so-called "phantom freight." If mill A² received the order, phantom freight amounting to 10¢ would exist because A²'s transportation

cost would only be 40¢, whereas the freight factor in the computed delivered price is 50¢. If mill A³ got the order, however, it would have to absorb 25¢ a barrel in freight as compared to mill A because its freight rate to reach X is 75¢ a barrel. Deliveries from mill A³ would also involve so-called "cross-hauling" because the product would be taken through the point where mill A is located to X which is adjacent to mill A¹. Unnecessary transportation service would thus be rendered, since cement would have been available from a closer point. Since the use of the basing-point system does not confine a mill to selling within its own territory, mill B could also bid on the bridge job and if its freight charge were 60¢ a barrel, it too would have to absorb freight. If mill B's base price were also \$1.50 per barrel, it would thus have its mill net reduced to \$1.40.

Still another point might be drawn from the illustration. Mill A may be able to make cement shipments to X by water. If it used this method of transportation at a cost of 40¢ per barrel, mill A would pocket the difference in cost between the rail and water in the form of phantom freight. The buyer would thus be denied the benefits of the alternative water route. Producers who use the basing-point system insist upon all-rail rates as the transportation factor in computing the delivered charges, even though railroad service is not employed in making the delivery. The all-rail rate is the standard rate for shipment by railway and does not encompass, for instance, a lower differential rate for shipments made partially by rail and partially by water.

Since rail freight rates may be complicated and subject to the addition of switching charges or other costs, the Cement Institute and other trade organizations that have employed this price system generally insist upon supplying to their members carefully compiled freight rate books. These books allow mills that have a knowledge of the base price at the nearest base mill to compute the exact freight cost to any given point. Cement mills have therefore systematically and continuously arrived at identical prices in bidding for or soliciting an order. Identical delivered prices could be quoted to a fraction of a cent per barrel. It was this uniformity of prices at a given destination that the Federal Trade Commission considered unfair competition and a restraint of trade. The Commission contended that without close agreement on this matter within the industry such identical prices could not have existed.

FIGURE 1
HYPOTHETICAL SITUATION
UNDER BASING POINT PRICING SYSTEM

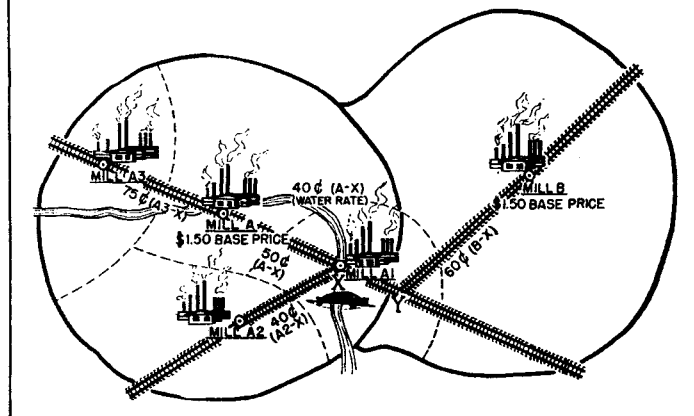
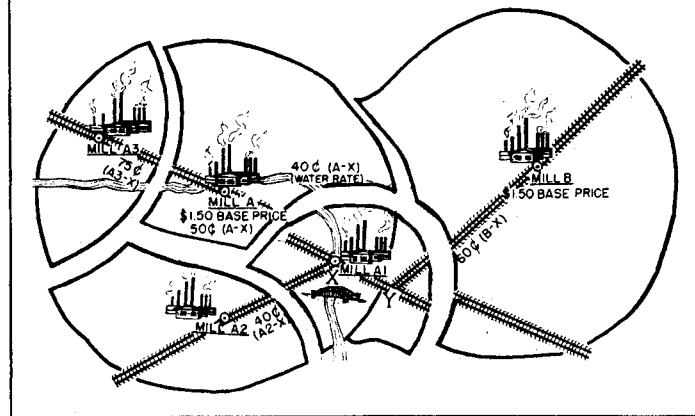


FIGURE 2
HYPOTHETICAL SITUATION
UNDER F.O.B. MILL PRICING SYSTEM



With a shift from the multiple basing-point-delivered-pricing system to f.o.b. mill pricing or to f.o.b. mill plus the exact freight to a given destination, the conditions depicted in the first graph would change and the situation would resemble that in the second diagram. Every mill would in a sense be a basing point and would have to name a mill price for its cement. Before the recent change in pricing, nonbase cement mills did not have to establish a mill price but rather followed the base prices that had been set at the base mills plus the all-rail freight rate from those mills to destination.

Except for the loss of markets in the area around Y, former basing mill B, since it is the only plant in its territory, would be relatively well off, assuming that it has considerable market outlets nearby. The buyers in that area would be little affected for they would continue to buy cement as cheaply as before. The region formerly centering around A, however, would tend to break down into a number of segments as shown in Figure 2. The segments are shown by dotted lines in Figure 1. These lines are determined by freight rates out of the respective mill points. Each mill now has a virtual monopoly within its area and mill A¹ has succeeded freight-wise in annexing a portion of mill B's territory. It should be remembered that the former boundary was established by rates from base mills A and B and not from nonbase mill A¹.

Consider now the situation at Y which may be assumed to be an important market for cement. All the mills have in the past been selling there where they have had long-established dealer connections. Mill B was formerly the most important plant selling at Y but, changing to f.o.b. mill pricing, it can no longer reach Y as cheaply as will A¹. Moreover, it refuses to absorb freight and its dealer therefore has to pay higher rates for the same commodity than his competitor, the mill A¹ dealer.

A similar situation exists at Y for dealers handling cement from mills A, A², and A³. Despite the fact that these distributors may have become well-known in the building trade for their respective brands and that advertising and selling have built up a product differentiation and preference among their customers, under strict f.o.b. selling mill A¹ would, nevertheless, dominate the situation at Y and buyers at that point would have to turn to it for the lowest price. On the other hand mills A, A², A³, and B would not be inclined to correct the situation at X by adopting a lower mill base for sales at that point while retaining a higher base for sales in the areas controlled by them. They would fear that by so doing they would be violating the second count of the finding of the Federal Trade Commission and the Court with respect to the Clayton Act as amended by the Robinson-Patman Act; i.e., that they would be accused of charging different prices to different customers for the same commodity.

Under f.o.b. mill pricing, furthermore, potentialities for industrial trouble might develop in the territory formerly dominated by mill A. In Figure 1 this area is shown as having four mills, which in normal times would likely produce a considerable surplus that could be sold in other territories on a freight absorption basis. As most mills are interpreting the Court's decision, however, these more distant outlets would be lost. With the present high level of demand, the situation would not be acute for the mills could sell their output profitably in the immediately surrounding territory and in any new areas they might annex as, for example, if mill A¹ would take over part of B's territory in the vicinity

of Y. With a decline in demand, however, the situation could be radically different.

In a struggle to maintain capacity operations, severe competition among the mills might ensue. Under such conditions the lack of the stabilizing influence of a basing-point system would be keenly felt. Because of its heavy capital investment the cement industry has high fixed costs and low variable costs. Operators of cement mills, therefore, will often continue to run their plants even when there is little hope of profit because everything earned over variable costs under such circumstances is just that much gained for capital that is sunk anyway. Mills might thus go on for years, operating at less than capacity and with no hope of profit. Such a condition would create strong pressure both on freight rates and on wage levels. Mill A would presumably seek to make greater use of water transportation in order to widen its market area and a strong inducement for the granting of secret rebates would thus arise. If the struggle ended by one or more of the mills abandoning operations, the result would be the creation of a so-called ghost town at any point where a cement plant was the only significant industrial enterprise.

Interpretations of the Decision

To provide a basis for discussing the implications of the basing-point decision it is pertinent to consider the opinions of the Federal Trade Commissioners as to the effects expected to flow from their findings and ruling in the cement case. On June 2, 1948, four of the Commissioners appeared before a subcommittee of the Senate Committee on Interstate and Foreign Commerce to give their views with respect to Senate Resolution 241, 80th Congress, 2nd Session. This resolution gave rise to the special committee that is now studying pricing systems. The statement before the subcommittee of Robert E. Freer, Chairman of the Federal Trade Commission, is of prime importance in explaining the attitude of the majority of the Commission. Chairman Freer said:

" . . . it should be made plain at the outset [of his testimony] that the cement case does not have the radical and revolutionary effect that has been attributed to it in certain quarters. The decision of the Commission was to the effect that the cement industry had been engaged in a combination and conspiracy to fix and maintain prices and that systematic use of the basing-point method of pricing in that industry had the effect of eliminating competition. . . . Certainly, it is unwarranted to assume that the effect of this decision is to outlaw all delivered prices or to require only f.o.b. mill prices."

Later in his statement, in speaking of possible legislation to modify the anti-trust laws, he said:

"This can only mean that the fundamental principles of the anti-trust laws are being questioned since there is nothing in the cement decision, nor in the Supreme Court decisions [re the cement case and others in recent years involving restraint of trade], which is not based squarely on the fundamental principle of the law that price fixing combinations or discriminations which injure competition are unlawful and against the public interest."

Chairman Freer's statement and the other Commissioners' testimony on June 2, make it clear that they condemned as a collusive practice the concerted and systematic use of basing points. In the absence of such a collusive practice, industry

would be, in their view, free to meet competition. They emphasized that the Federal Trade Commission is merely seeking to preserve the competitive system by eliminating unfair practices that interfere with the free operation of the system. They held, however, that the agreed use of a basing-point system is an effective device for eliminating price competition and should, therefore, have no part in the traditional economy. The Commissioners, however, disclaimed any desire to suggest alternatives to the basing-point pricing system for any industry, or to advise or participate in any decisions of business management looking to that end.

In view of the Commission's interpretation, therefore, one wonders why the cement decision should have evoked so much disturbance in the industrial field. The answer lies in the fact that most of the industry affected by the ruling has not accepted the interpretation given by the Commissioners but has switched to the f.o.b. mill basis of pricing.

Their contention is supported in this respect by Lowell Mason, the fifth member of the Federal Trade Commission. In testifying before the Senate subcommittee, mentioned above, on June 4, 1948, he said with respect to the cement case and other recently decided orders and cases relating to the anti-trust laws:

"In my opinion, anyone who uses freight absorption, zone prices or an individual universal delivered price system operates under the shadow of illegality and certainly is taking a calculated risk."

The risk he mentions could be that of a heavy fine and possible triple damages in suits brought under the anti-trust laws by anyone who can prove he has been harmed by use of one of these pricing systems.

Mr. Mason's statement mentions several types of industrial pricing systems. Doubt in the minds of businessmen about the legality of these as well as the multiple-basing-point pricing system is the factor causing them to worry.

Freight Absorption

With the exception of f.o.b. pricing, freight absorption is a phase of all major pricing systems, and, as noted previously, is a characteristic of the basing-point system. Its use, as has been shown, can result in varying mill nets to the producer from sales of the same commodity to different consumers.

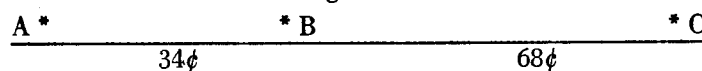
A common form of freight absorption is the "freight allowed basis" of pricing. Under this arrangement a buyer, no matter where located, can deduct from an invoice the amount which he pays for freight. A buyer considerably removed from the producer's plant, for instance, can purchase as much of a given product for \$3,500 as a buyer operating in the city of the producer. The distant purchaser deducts, say, \$300 freight from his \$3,500 invoice, while the buyer living close to the producer receives no such allowance, or at most only a nominal one, on his \$3,500 order.

In the use of a zone price system a concern or a group of concerns shipping into a delineated zone charge all buyers in that area an identical price. The freight-rate charges to make such deliveries may vary considerably from one part of the zone to another because of its area. On the other hand, in some parts of the country, in the far West, for example, where freight rates from broad eastern rate groups are blanketed over extremely wide areas, there would be no great differences in the freight rates that many eastern manufacturers would have to pay to reach the West.

The individual universal delivered pricing system is now

a pervasive feature of American industrial pricing. Many concerns use it, quoting a uniform delivered price throughout the country. In computing such a price an average transportation cost factor is used. This is an average amount which a concern's traffic manager calculates will be sufficient to reach all customers both near and far. This method should be considered in some detail because it is important and often not understood. This lack of understanding may result in failure to develop adequately before the Capehart Committee a very important aspect of pricing systems.

Under this system a producer appears to absorb freight on a given shipment to a relatively remote point, although what he actually does is to recoup this outlay by charging a nearby purchaser more than the transportation cost necessary to make delivery. The principle is relatively simple and can be illustrated with the diagram.



A manufacturer at A offers a certain product delivered over a wide area or nationally at \$3.00 a unit. Embodied in the \$3.00 is the cost of production, an estimated profit, and a transportation factor of 34¢. This amount, as stated, is an average of the freight cost to make all estimated deliveries in the selling area. With a freight cost of 34¢ a unit from A to B, a buyer at B would secure exactly the transportation service he paid for in buying the commodity from the producer at A. On the other hand, it will cost the producer at A 68¢ per unit to make a delivery at C. The producer apparently has to absorb 34¢ a unit to make the sale, it being understood that the price already contained a 34¢ factor, or half the amount to reach C. The manufacturer at A, however, only expects to be "out" this absorption for a short time, because the sale of a unit at A where there is no transportation cost would produce enough from the transportation factor to even out the cost of reaching the two customers at B and C.

In actual practice, of course, the manufacturer does not balance one specific sale against another, but tries rather to make his total intake from the freight factor on sales balance his outgo for transportation. It is obvious, of course, that his traffic official must co-operate closely with the sales department if the arrangement is to work properly.

It will be noted that point B in the diagram is not exactly intermediate to A and C. A got more miles of transportation for his money relatively to C than he did to B. This is true because freight rates do not increase in proportion to distance, but tend to taper off as distance from the shipping point increases. This condition is a significant factor in lessening A's transportation costs to reach distant places.

This system of pricing should be considered still further. The manufacturer at A will insist that this method is a desirable form of selling because it permits the widest possible distribution of his commodity, a useful product, and is therefore in the public interest. There are, however, some interesting ramifications of this system. A prospective manufacturer of the same product with a plant at B might be able to compete at that point at the \$3.00 price that A has set. On the other hand, for sales distant from B in all directions he would run into the same price that A had established. At C, much beyond B and going away from A, the would-be manufacturer at B would find the same situation. At C he would not have the protection distance-wise that might have been expected from the geographic location of the places involved. As a

manufacturer the man at B would have to confine his production to a relatively small scale for sale at or near B alone or resort to freight absorption on his own account in order to meet competition from the plant at A.

A prospective producer of the same product at C, feeling that he was much removed from the nearest competing source, A, and that he was protected by a wide distance, would discover that the intervening space has been deliberately contracted by virtue of A having customers close to his plant who help him foot the bill for reaching C at less than the actual freight cost involved. The would-be producer at C must also confine his operations to local outlets or adopt freight absorption. Obviously he could not do this to any great extent if C and the surrounding markets were small, in comparison to A, for it would be statistically impossible for him to shoulder off on a limited number of customers the burden of selling a sizable portion of his output in markets that are far removed from his plant.

The citizens at C might be interested in the development of industry at that place and would therefore be glad to have established there a plant for the making of this product. On this basis alone they would tend to advocate that the Cement Institute decision be allowed to stand with whatever general readjustment in pricing systems might follow. It is practically certain, however, that much acrimony would result over such a stand by C. The dealer and retail distributors of A's product at C would certainly not want a local plant to be established to offer competition to their line. They would be quick to point out that under the delivered price system buyers at C were getting a bargain, because the freight costs necessary to reach them were actually more than was being paid by them for transportation services received. Distributors like these, indeed, are among those who are most alarmed by thoughts of switching to an f.o.b. mill pricing basis. They realize that under f.o.b. pricing their prices will have to rise and that the danger of a competing plant springing up in the area is greatly increased. Such a contingency, of course, is the much-talked-of incentive to decentralization that may be experienced in many industries if pricing systems are drastically readjusted. The plant at A will not want to see its present system changed, but if it is, this concern might, nevertheless, participate in the decentralization movement by placing a branch plant at or near C. In this event, of course, its dealers would not be harmed.

A group interest that has been lost sight of here is that of the buyers at or near plant A. They are really the key to the whole system of uniform delivered pricing, because by paying for more transportation than they receive they provide the means by which the plant at A can afford to absorb freight in selling in distant markets. This group would be among those benefiting most from a change to f.o.b. mill pricing because of its proximity to sources of supply with respect both to distance and freight rates. These buyers would gain by not having to bear the unseen burden of the other fellow's freight. There are literally millions of such purchasers who live in the great industrial sections of the country, or in populous areas around branch plants. The fact that they are concentrated in the vicinity of important manufacturing enterprises makes it possible to place upon them a part of the burden of selling on a delivered price system in less developed industrial regions.

These are theoretical expectations based primarily upon a consideration of transportation factors. Other conditions, however, could affect the outcome of a change to f.o.b. mill

pricing. If in so doing a plant would lose the advantage of lower costs arising from mass production, its nearby customers might be worse off than before despite the absence of hidden transportation costs in the price they pay.

The list of specific commodities or groups of commodities that have been or are now being sold on some form of delivered pricing basis is long, although pricing practices vary within industries. Every consumer in the Sixth District uses many of these products and there are many important producers of them in the District. The list of such commodities includes textiles, lumber, cement, soil pipe, chemicals, lime, iron and steel articles, beverages, and many more. Some of these producers require wide outlets for their output while others are primarily concerned with regional markets. These two classes of producers would be affected differently by changes in their pricing systems.

Some Possible Effects

The situation resulting from the Court's decision is in a state of flux and no one can know with certainty at this stage what the outcome will be. From a study of the factors involved in the problem and from the contentions advanced in the press by affected interests it is reasonably safe, however, to make some conjectures and predictions.

A general shift to the f.o.b. mill pricing would, of course, necessitate an extensive readjustment in the relationship of industry to markets. Under such a method of pricing, the producer would base the price of his commodity on cost plus a profit, or on the basis of what he thinks it would bring, telling the buyer to come and get it. Buyers near points of production would tend to benefit because in the past they have often not received the benefit of their location.

Curiously enough the shift to f.o.b. mill pricing can have both a centralizing and a decentralizing influence. Buyers, particularly processors and fabricators of heavy commodities in which freight cost is a significant factor, may tend to gravitate toward sources of supply of those commodities required in their processes. On the whole, however, the tendency toward decentralization will probably be stronger than that towards centralization. This is true because an extensive body of intransit rail freight rates has been developed, primarily for the heavy goods industries, making it economically feasible to stop off at various points a wide variety of products enroute to market for fabricating, milling, blending, mixing, storing, et cetera. An important incentive for establishing such rates was the desire to facilitate the development of processing industries at points removed from sources of raw material or heavy goods manufacturing centers. There is reason to believe that despite a change in pricing systems, intransit rates will continue to perform this function.

The cost of moving products from concentrated industrial areas to distant places may be heavy, but such communities will then merely be paying for the service they receive. Heretofore someone else has often helped bear the burden of their disadvantageous location. When the demand in these areas warrants it, heavy industries may be expected to move closer to them. The Carolinas, for instance, may some day have cement plants, whereas, at present those states draw their supply of this commodity from elsewhere. The South Atlantic or Gulf Coastal areas, too, might attract a tidewater steel-producing industry using foreign ores and domestic fuels.

It is reasonable to believe that the change to f.o.b. mill pricing will give added impetus to the tendency for market-oriented industries to move closer to their markets. Locally

owned industries and branch plants would have temporary monopolies or quasi-monopolies and this would tend to attract others or to cause new plants to develop indigenously.

Such developments as these might well be in the public interest in the long run. Meanwhile many knotty problems will arise and demand solutions. One such problem consists in the many adjustments in jobber and dealer relationships that will have to be made. A greater problem by far and possibly the most important of all is that of communities where there is now a pronounced concentration of surplus-producing heavy goods industries. Some of these industries operate on a mass production basis and the benefits of large-scale operations would be lost if they were decentralized into smaller units. If a few large plants were left to compete in restricted markets their competition could easily deteriorate into the cut-throat variety.

Areas of heavy concentration generally possess some basic advantages that induced industry to develop there in the first place. Raw materials, industrial water supplies, fuel, transportation facilities, et cetera are among such factors. Efficient plant management and a realization by labor of the importance of high productivity could do much to hold costs down in such areas and still allow the industries to remain in profitable operation. Adjustments in freight rates, and the establishment of joint through routes and rates by all types of carriers could also contribute to that end, as could, possibly, the adjustment of local tax systems.

Everything that has been said thus far emphasizes the crucial importance which transportation and freight rates play in industrial pricing. Too frequently this aspect has been overlooked or minimized by those who approach the problem of pricing systems from the point of view of the economics of competition or that of the legal aspects of price fixing. Since transportation is so important, it will itself undoubtedly be greatly influenced by any considerable shift to f.o.b. mill pricing. Railroad traffic would probably change materially as readjustments were made. The exact nature of these shifts, involving changes in the proportions of traffic carried by railroads and other carriers, would depend in large part upon the type of decentralization, if any, that would ensue.

A shift in pricing may also affect selling and advertising policies. Producers who have withdrawn from areas in which they formerly sold on a freight absorption basis will obviously no longer be interested in advertising or soliciting in such sections.

Conclusion

In handing down its decision in the cement case, the Supreme Court unleashed one of the most complex and controversial issues of the nation's economy. In the absence of further legal clarification, the effects of the decision can be discussed only in the most general terms. Each producer and each buyer will be affected and will react differently according to his specific situation. What may have occurred is a change in the economic climate under which he conducts his business. It will be to his interest, therefore, to study his own situation most carefully in order to make whatever readjustments are necessary on as well-informed a basis as possible.

In its broader aspects, the cement decision may conceivably result in important changes in the structure of American industry. These will be fruitful areas of study by economists when sufficient factual data have accumulated to give them something tangible to work with.

Sixth District Statistics

Item	Oct. 20 1948	Sept. 22 1948	Oct. 22 1947	Percent Change Oct. 20, 1948, from	
				Sept. 22 1948	Oct. 22 1948
Loans and investments—					
Total	2,272,854	2,267,156	2,371,973	+ 0	- 4
Loans—Net	839,696	816,204	800,434	+ 3	+ 5
Loans—Gross	847,195	823,656	800,434	+ 3	+ 6
Commercial, industrial, and agricultural loans	523,584	506,215	472,426	+ 3	+ 11
Loans to brokers and dealers in securities	6,090	6,102	7,260	- 0	- 16
Other loans for pur- chasing and carrying securities	54,148	54,127	85,348	+ 0	- 37
Real estate loans	65,635	64,929	61,462	+ 1	+ 7
Loans to banks	5,810	6,354	5,636	- 9	+ 3
Other loans	191,928	185,929	168,302	+ 3	+ 14
Investments—total	1,433,158	1,450,952	1,571,539	- 1	- 9
Bills, certificates and notes	390,578	397,608	351,822	- 2	+ 11
U. S. Bonds	852,858	861,465	1,024,943	- 1	- 17
Other securities	189,722	191,879	194,774	+ 1	- 3
Reserve with F. R. Bank	474,074	437,178	464,948	+ 8	+ 2
Cash in vault	43,513	43,830	43,022	+ 1	+ 1
Balances with domestic banks	185,125	190,343	182,402	- 3	+ 1
Demand deposits adjusted	1,760,299	1,745,394	1,779,016	+ 1	- 1
Time deposits	531,065	530,908	549,458	+ 0	- 3
U. S. Gov't deposits	94,262	40,106	42,412	- 15	- 19
Deposits of domestic banks	473,131	441,255	518,373	+ 7	- 9
Borrowings		4,000	5,000		

Place	No. of Banks Report- ing	Sept. 1948	Aug. 1948	Sept. 1947	Percent Change Sept. 1948 from	
					Aug. 1948	Sept. 1947
ALABAMA						
Anniston	3	20,817	18,630	18,555	+ 12	+ 12
Birmingham	6	310,496	298,007	289,303	+ 4	+ 7
Dothan	2	13,700	11,789	11,943	+ 16	+ 15
Gadsden	3	17,758	16,645	16,041	+ 7	+ 11
Mobile	5	142,964	135,579	114,270	+ 5	+ 25
Montgomery	3	78,596	71,464	70,285	+ 10	+ 12
FLORIDA						
Jacksonville	3	244,450	244,610	226,334	- 0	+ 8
Miami	7	207,937	211,834	193,638	- 2	+ 7
Greater Miami*	13	290,906	301,703	258,043	- 4	+ 13
Orlando	3	41,402	45,340	39,007	- 9	+ 6
Pensacola	3	31,965	33,176	30,992	+ 4	+ 3
St. Petersburg	3	44,273	43,618	41,367	+ 1	+ 7
Tampa	3	106,609	101,123	91,233	+ 5	+ 17
GEORGIA						
Albany	2	17,906	15,903	15,328	+ 13	+ 17
Atlanta	4	823,679	815,966	722,327	+ 1	+ 14
Augusta	3	57,886	52,957	50,667	+ 9	+ 14
Brunswick	2	8,763	9,028	8,986	- 3	- 2
Columbus	4	56,037	58,205	53,577	- 4	+ 5
Elberton	2	4,164	3,445	4,076	+ 21	+ 2
Gainesville*	3	14,947	12,913	12,672	+ 16	+ 18
Griffin*	2	10,542	10,136	10,326	+ 4	+ 2
Macon	3	68,066	63,966	60,427	+ 6	+ 13
Newnan	2	7,838	7,192	8,075	+ 9	- 3
Rome*	3	21,185	19,603	20,840	+ 8	+ 2
Savannah	4	91,053	87,857	89,106	+ 4	+ 2
Valdosta	2	11,313	24,266	10,747	- 53	+ 5
LOUISIANA						
Baton Rouge	3	99,023	105,324	81,490	- 6	+ 22
Lake Charles	3	35,225	33,060	27,504	+ 7	+ 28
New Orleans	7	689,878	648,123	591,378	+ 6	+ 17
MISSISSIPPI						
Hattiesburg	2	18,179	16,083	15,137	+ 13	+ 20
Jackson	4	136,367	129,103	110,789	+ 6	+ 23
Meridian	3	29,600	27,243	27,779	+ 9	+ 7
Vicksburg	2	26,919	22,641	22,838	+ 19	+ 18
TENNESSEE						
Chattanooga	4	142,348	133,065	125,817	+ 7	+ 13
Knoxville	4	111,413	105,272	102,163	+ 6	+ 9
Nashville	6	291,308	288,743	262,335	+ 1	+ 11
SIXTH DISTRICT						
32 Cities	110	3,987,932	3,879,257	3,533,494	+ 3	+ 13
UNITED STATES						
333 Cities		104,729,000	97,940,000	91,903,000	+ 7	+ 14

*Not included in Sixth District total

District Business Conditions

Home Furnishings Sales

SALES of furniture, draperies and curtains, pots and pans, refrigerators and stoves, rugs and carpets, and other household items continue to help keep total retail sales high in the Sixth District, although other sales have fallen off. Ever since the end of the war the average housewife has been increasing her spendings in the furniture stores, in the house-furnishing departments of department stores, and at household appliance stores. Although some of her needs have been satisfied, the provision of furnishings for newly constructed houses as well as the re-equipment of old residences promises to absorb a large part of consumer income in the District as long as incomes remain high.

In September furniture dealers reported to this bank that they sold 29 percent more than they did in September last year. Household appliance dealers reported their sales to be up 21 percent. Preliminary reports from leading department stores indicate that the final tabulation of home furnishings sales will show an increase of about 12 percent. Much the same conditions prevailed throughout the nation.

By way of contrast, sales of nondurable goods at retail outlets such as apparel stores, drug stores, eating and drinking places, food stores, and the like have been declining in recent months. Department of Commerce estimates placed seasonally adjusted sales of nondurable goods throughout the nation for both July and August below the June figures. In fact, August sales at nondurable goods stores on a daily average basis were up only 4 percent from those of August last year, in contrast with a 28-percent increase in sales at durable goods stores. Durable goods include, of course, automobiles and building materials as well as home furnishings and other items.

In the Sixth District, sales of home furnishings for the first eight months of 1948 at department stores that report their sales by departments were 11 percent higher than those of the corresponding period last year. At the same stores, total sales for that period were up only 5 percent.

Last year consumers spent about 22 billion dollars for what the Department of Commerce calls household operations. About half of that amount was for home furnishings including not only furniture, floor coverings, appliances, china, glassware, and tableware but also such semi-durable items as bedding, towels, and curtains and draperies. These home furnishings amounted to 6.4 percent of total personal expenditures.

Because many items included in home furnishings are durable commodities, purchases of them tend to be more sensitive to income changes than are purchases of nondurable commodities such as food and clothing. The family can get along with scarred furniture, lumpy mattresses, and sagging springs, for example, when its income is low. The housewife would rather keep on using her antiquated cookstove than deprive her children of clothing. When good times come, and incomes increase, however, these items are replaced. With money in the bank, people are free to indulge their urge to "keep up with the Joneses," and the old threadbare rug is replaced by wall to wall carpeting.

These habits are reflected in the statistics on consumption expenditures. In 1929, the year of highest consumption prior to the war, home furnishings accounted for 5.7 percent of all

expenditures for personal consumption. By 1933 total consumption had fallen 41 percent below that of 1929, but home furnishings expenditures had fallen 52 percent. At the depth of the depression, during 1933, home furnishings purchases made up only 4.6 percent of total expenditures.

The outstanding growth in personal incomes in the Sixth District states during recent years would be expected, consequently, to increase home furnishings sales. It is not surprising, therefore, that for August of this year furniture store sales were estimated to be 2.3 times what they were in the average month of 1941. Neither is it surprising that August sales of home furnishings at department stores were over 200 percent greater than the 1941 average.

A combination of other factors has also intensified consumer demands. Most of the war years were years of famine insofar as the supply of household appliances went. Many other household furnishings were scarce. Normal residential construction was curtailed. Brides postponed setting up house-keeping until their servicemen husbands returned. A good part of the civilian population was living under temporary conditions. As a result, the total that consumers spent on home furnishings in 1945, when incomes were high, was only 4.6 percent of their total personal expenditures. This proportion was much less than the ratio for 1929 and equal to the ratio for 1933. An additional factor in stimulating postwar sales was the backlog of accumulated demands resulting from these wartime conditions.

This backlog of demand is illustrated by the sales experience of furniture stores. In this district their sales declined 20 percent in 1942 from 1941. Not until 1945 did their sales exceed those of 1941 and then only 5 percent. Because, however, they made more cash sales than was formerly the case, the stores emerged from the war period with substantially increased cash and other liquid assets.

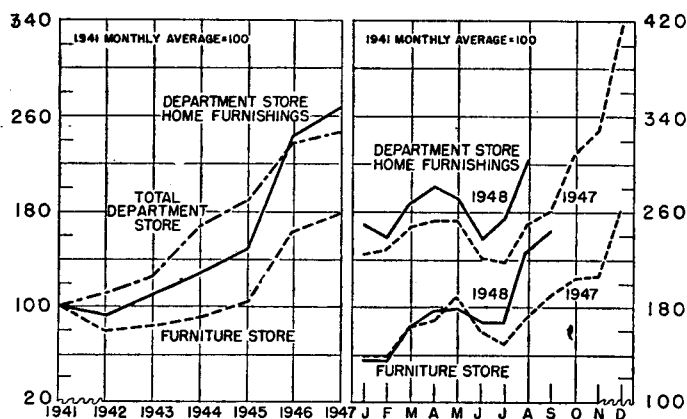
District department stores did not suffer such drastic declines in home furnishings sales, probably because they sold different types of home furnishings than the furniture stores sold. Their 1942 sales of home furnishings were down 7 percent from 1941, reflecting declines in various types of furnishings amounting to as much as 39 percent in the sales of appliances. In 1943, however, their sales rose 10 percent above those for 1941 and by 1945 they were 48 percent greater.

Sales of home furnishings, excluding household textiles, now constitute a little over a fifth of total sales at Sixth District reporting department stores. For some stores the proportions are higher, of course, because several of the reporting department stores do not sell any furniture at all. Sales of furniture proper such as beds, mattresses, upholstered furniture and the like, however, constitute only 20 percent of total home furnishings sales, and sales of major household appliances—despite the marked increase since the war—only 15 percent.

However, total home furnishings sales of department stores did decline in importance during the war years. In 1945 they made up only 11 percent of total sales at reporting Sixth District department stores. Part of the loss in importance, of course, is explained by the increased sales of nondurable goods in other departments.

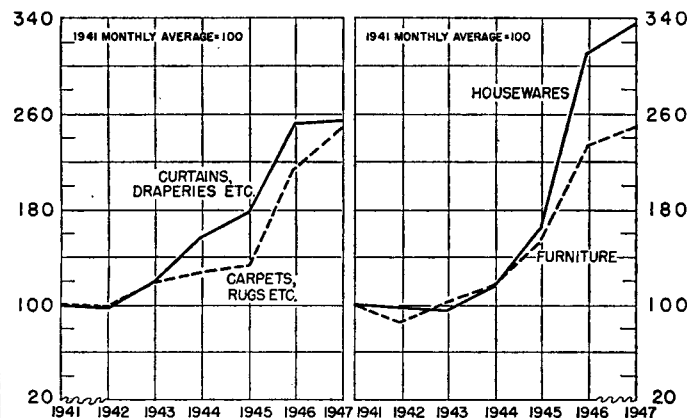
In general, the sales of those commodities which were greatly curtailed during the war were the ones that expanded

SIXTH DISTRICT HOME FURNISHINGS SALES



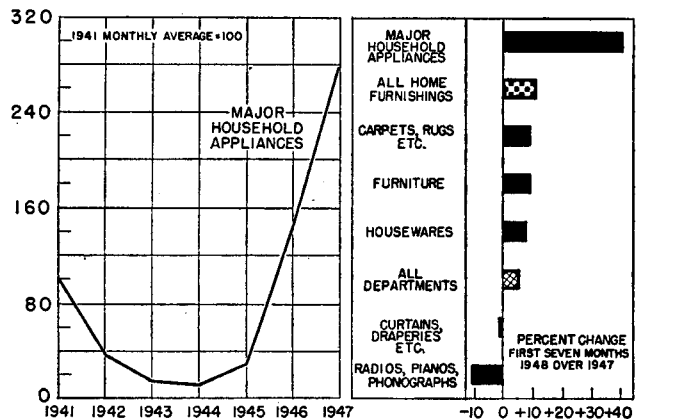
1. Home furnishings sales, after lagging behind sales of other goods during the war, have exceeded sales gains of other lines in the postwar period.

2. Home furnishings sales of department stores have exceeded those of 1947, and furniture stores have regained the lead over 1947 sales that they lost in the first four months.



3. At department stores, sales of curtains and draperies, carpets and rugs, etc., recovered first from the initial setback of the war period but postwar gains have been less rapid.

4. Furniture and housewares sales at department stores increased significantly in 1945 as supplies became available once more.



5. Household appliance sales at department stores suffered the greatest wartime setback, and recovery was delayed until reconversion was well under way.

6. This year household appliance sales gains exceeded those for other types of sales and offset declines in some home furnishings departments.

the greatest after the war ended. Estimated on the first eight months' experience in 1948, major household appliance sales this year will be almost four times as great as they were in 1941. Sales of housewares, including not only pots, pans, and cutlery but such items as toasters and percolators as well, will be 3.6 times 1941 sales. The 1948 sales of other types of home furnishings, although substantially higher, have not made such striking gains because there were fewer unsatisfied demands and because these demands were, for the most part, met soon after the war.

Part of the general increase in home furnishings sales in the postwar period is explained by higher prices. On the basis of the consumer price index for the Sixth District, however, price increases on these goods since the end of the war have been less than increases of some other cost-of-living items. Between the end of 1945 and August this year the index of prices for home furnishings rose 33 percent, that of clothing 40 percent, and that of food 49 percent. The cost of all items making up the consumer price index advanced 34 percent.

How long the high sales will continue interests not only those whose business it is to sell home furnishings but also anyone interested in future business conditions in general. To answer that question and the question of how long the high demands for automobiles and building materials will continue is, under present conditions, to predict how long total retail sales will remain at their present levels.

During the first few months of this year it looked as though the increase in sales had come to a stop—at least at the District's reporting furniture stores. Their sales during each month from January through May were down from those of the corresponding months in 1947. In June business began to pick up, and by August, sales at the District's stores exceeded those of last August 32 percent. Part of this increase may be explained by the campaign which induced consumers to take advantage of the more liberal instalment terms in effect before the re-imposition of consumer credit control on September 20.

At the department stores, 1948 experience demonstrates that major household appliance sales are the only ones which have kept up the postwar pace. Lesser rates of increase are characteristic for most other lines of home furnishings. Draperies, curtains, and upholstery sales will probably be only slightly higher this year than last and may be lower. So far this year radios, phonographs, and phonograph record sales are down 11 percent. Much of the accumulated backlog of demand seems to have been met.

Sales of all durable goods have not yet reached their pre-war relationship to total retail sales largely because of the low position of the automotive group. The proportion of total retail sales accounted for by home furnishings, however, is higher than before the war.

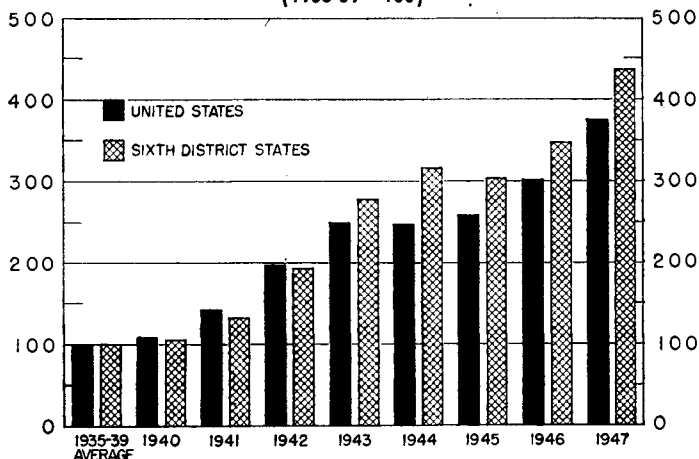
The present trend in total home furnishings sales will probably continue only as long as household appliance sales increase. Production cutbacks reflect the filling of backlogs of consumer demand for some appliances such as vacuum cleaners, radios, water heaters, and oil burners. On the other hand, consumer demand has kept the production of other appliances high. Appliance sales may continue to bolster home furnishings sales for some time. With replacement needs becoming more and more the chief demands to be met, it is unlikely, however, that the record advances of the post-war years can be maintained indefinitely.

C. T. T.

Agriculture

Farmers in the District states are increasing their income from livestock and livestock products at a more rapid rate than are farmers in the nation as a whole. The increase for District producers last year over the 1935-39 period was 16.7 percent greater than the national increase.

INDEX OF CASH RECEIPTS FROM LIVESTOCK
(1935-39=100)



As is shown in the chart, the District states pushed ahead of the nation in 1943 and they have maintained their leadership in each year since then. Alabama has made the greatest gain over the 1935-39 average; but the annual increase in each of the District states has exceeded the national increase since 1942. That means, of course, that the gains have been widespread and that many farmers have increased their livestock business. If crop prices continue to decline ahead of, or at a more rapid rate than, livestock prices, as many predict, District farmers may accelerate their expansion of livestock production to offset possible declines in crop incomes. With three of the District's major cash crops—cotton, peanuts, and tobacco—now at or near support levels, some shifting from the production of these crops to livestock production is likely.

The rate of gain in livestock income in District states is calculated from a much smaller base than is the rate for the nation, therefore, the percentage increase does not represent the same dollar volume. Nevertheless, the District states are slowly increasing their proportion of the nation's livestock and livestock products. In the 1935-39 period the District states received 4.2 percent of the nation's livestock income, and in 1947, 4.9 percent.

Percentage of Total Cash Farm Receipts
From Livestock and Livestock Products

	1935	1937	1939	1941	1943	1945	1947
Georgia.....	17.9	21.6	26.7	25.5	30.4	30.1	30.4
Florida.....	19.3	17.8	18.2	19.9	17.6	17.0	26.6
Tennessee.....	48.9	46.8	49.4	42.1	53.8	49.8	48.9
Alabama.....	20.0	20.9	31.2	24.5	30.9	33.5	33.7
Mississippi.....	21.2	18.5	22.7	18.0	23.3	28.4	24.1
Louisiana.....	19.2	19.6	22.8	28.3	23.9	23.3	34.8
District States.....	24.3	24.1	28.1	26.5	29.9	30.8	33.3
United States.....	58.0	55.4	57.3	57.7	58.7	56.4	56.5

In the first half of 1948, livestock income to District producers was 6.5 percent greater than that received in the first half of 1947. Alabama's gain was 13.2 percent. This was the only state, however, in which the increase was as much, or more than, the national increase of 8.8 percent. The

Sixth District Indexes

Place	Adjusted**			Unadjusted		
	Sept. 1948	Aug. 1948	Sept. 1947	Sept. 1948	Aug. 1948	Sept. 1947
DISTRICT.....	402	402	361	410	354	368
Atlanta.....	461	452	422	489	443	448
Baton Rouge...	433	439	394	472	395	429
Birmingham...	412	413	363	428	364	378
Chattanooga...	377	384	351	392	342	365
Jackson.....	396	366	325	455	337	374
Jacksonville...	416	415	430	408	365	422
Knoxville.....	428	399	311	437	367	318
Macon.....	336	326	346	352	271	363
Miami.....	426	466	380	333	312	296
Montgomery...	370	363	352	392	323	373
Nashville.....	452	464	418	461	417	426
New Orleans...	359	381	306	384	332	327
Tampa.....	461	469	484	438	408	460

Place	Adjusted**			Unadjusted		
	Sept. 1948	Aug. 1948	Sept. 1947	Sept. 1948	Aug. 1948	Sept. 1947
DISTRICT.....	348	330	282	383	356	311
Atlanta.....	481	472	392	514	460	418
Birmingham...	315	298	253	320	300	257
Montgomery...	314	418	276	351	414	308
Nashville.....	541	554	446	586	553	483
New Orleans...	328	344	256	344	323	269

Place	Adjusted**			Unadjusted		
	Sept. 1948	Aug. 1948	Sept. 1947	Sept. 1948	Aug. 1948	Sept. 1947
SIX STATES.....	196	202	172	200	200	175
Alabama.....	196	204	179	206	206	188
Florida.....	171	177	159	168	172	156
Georgia.....	178	181	164	186	185	171
Louisiana.....	222	206	155	233	208	162
Mississippi.....	196	197	181	202	203	187
Tennessee.....	218	237	194	222	239	198

Place	COTTON CONSUMPTION*			ELECTRIC POWER PRODUCTION*		
	Sept. 1948	Aug. 1948	Sept. 1947	Aug. 1948	July 1948	Aug. 1947
TOTAL.....	144	136r	136			
Alabama.....	152	143r	144			
Georgia.....	142	135r	134	SIX STATES.....	336	321
Mississippi.....	99	62r	91	Hydro-generated	242	221
Tennessee.....	127	122r	126	Fuel-generated	458	452
						406

Place	MANUFACTURING EMPLOYMENT***			CONSTRUCTION CONTRACTS			
	Aug. 1948	July 1948	Aug. 1947	Place	Aug. 1948	July 1948	Aug. 1947
DISTRICT.....	151	150r	143	DISTRICT.....	469	450r	475
Alabama.....	157	158r	152	Residential	645	465r	714
Florida.....	129	129r	112	Other.....	384	443r	360
Georgia.....	147	144r	131	Alabama.....	243	385	585
Louisiana.....	152	149r	144	Florida.....	582	549	685
Mississippi.....	154	155r	162	Georgia.....	466	465	476
Tennessee.....	156	154r	155	Louisiana.....	543	397	241
				Mississippi.....	281	293	317
				Tennessee.....	399	529	317

Item	CONSUMERS' PRICE INDEX			ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
	Sept. 1948	Aug. 1948	Sept. 1947	Sept. 1948	Aug. 1948	Sept. 1947	
ALL ITEMS.....	178	180	168	Unadjusted..	19.8	18.1	17.5
Food.....	220	221	212	Adjusted**..	20.6	20.4	18.1
Clothing.....	206	204	185	Index.....	83.5	82.9	73.3
Fuel, elec., and ice..	138	138	128				
Home furnishings.	193	193	181	CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*			
Misc.....	211	208	144		Sept. 1948	Aug. 1948	Sept. 1947
Purchasing power of dollar...	.56	.56	.60	Unadjusted..	296	296	259
				Adjusted**..	299	296	262

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

r Revised

Sixth District Statistics

INSTALMENT CASH LOANS					
Lenders	No. of Lenders Reporting	Volume		Outstandings	
		Percent Change September 1948 from		Percent Change September 1948 from	
		August 1948	Sept. 1947	August 1948	Sept. 1947
Federal credit unions.....	43	+ 17	+ 63	+ 1	+ 57
State credit unions.....	24	- 25	+ 64	+ 2	+ 48
Industrial banking companies.....	11	- 1	+ 21	+ 1	+ 11
Industrial loan companies.....	20	- 3	+ 5	- 1	+ 7
Small loan companies.....	43	- 3	+ 7	+ 1	+ 9
Commercial banks.....	34	+ 13	+ 34	+ 3	+ 45

RETAIL JEWELRY STORE OPERATIONS			
Item	Number of Stores Reporting	Percent Change September 1948 from	
		August 1948	September 1947
Total sales.....	41	- 8	- 7
Cash sales.....	39	- 6	- 20
Credit sales.....	39	- 7	- 3
Accounts receivable, end of month.....	37	- 1	+ 36
Collections during month.....	37	+ 1	+ 1

WHOLESALE SALES AND INVENTORIES*						
Item	No. of Firms Reporting	SALES		INVENTORIES		
		Percent Change Sept. 1948 from		No. of Firms Reporting	Percent Change Sept. 30, 1948, from	
		Aug. 1948	Sept. 1947		Aug. 31 1948	Sept. 30 1947
Automotive supplies.....	3	- 1	+ 2	3	+ 1	+ 26
Electrical group.....						
Wiring supplies.....	4	- 1	- 10	4	- 7	- 10
Appliances.....	7	+ 24	+ 1	6	- 14	+ 35
General hardware.....	8	+ 8	+ 23	5	+ 4	+ 25
Industrial hardware.....	3	+ 7	+ 2			
Jewelry.....	5	+ 16	+ 13	3	- 10	+ 16
Plumbing and heating supplies.....	4	+ 2	- 8	3	- 1	+ 51
Confectionery.....	5	+ 8	+ 16			
Drugs and sundries.....	9	+ 5	+ 8	3	+ 4	+ 1
Dry goods.....	12	+ 6	+ 11	9	- 9	+ 22
Groceries.....						
Full lines.....	28	+ 4	+ 1	17	+ 3	+ 5
Specialty lines.....	7	+ 11	+ 2			
Tobacco products.....	9	+ 10	+ 7	5	- 2	- 26
Miscellaneous.....	17	+ 5	+ 5	12	- 9	- 18
Total.....	121	+ 7	+ 7	70	- 3	+ 11

*Based on U. S. Department of Commerce figures

DEPARTMENT STORE SALES AND INVENTORIES						
Place	No. of Stores Reporting	SALES		INVENTORIES		
		Percent Change Sept. 1948 from		No. of Stores Reporting	Percent Change Sept. 30, 1948, from	
		Aug. 1948	Sept. 1947		Aug. 31 1948	Sept. 30 1947
ALABAMA						
Birmingham.....	4	+ 13	+ 13	3	+ 7	+ 25
Mobile.....	5	+ 18	+ 13			
Montgomery.....	3	+ 17	+ 5	3	- 15	+ 14
FLORIDA						
Jacksonville.....	4	+ 7	- 3	3	+ 2	+ 12
Miami.....	4	+ 2	+ 9	3	+ 9	+ 28
Orlando.....	3	+ 8	+ 22			
Tampa.....	5	+ 3	- 4	3	+ 16	+ 18
GEORGIA						
Atlanta.....	6	+ 6	+ 9	5	+ 12	+ 23
Augusta.....	4	+ 16	- 0	3	+ 6	+ 29
Columbus.....	3	+ 16	+ 19			
Macon.....	4	+ 25	- 3	4	+ 4	+ 2
Rome.....	3	+ 32	- 1			
Savannah.....	3	+ 18	+ 6			
LOUISIANA						
Baton Rouge.....	4	+ 15	+ 10	4	+ 6	+ 48
New Orleans.....	5	+ 11	+ 17	4	+ 7	+ 28
MISSISSIPPI						
Jackson.....	4	+ 30	+ 22	4	+ 25	+ 35
Meridian.....	3	+ 28	+ 8			
TENNESSEE						
Bristol.....	3	+ 4	+ 5	3	+ 10	+ 20
Chattanooga.....	4	+ 10	+ 7	3	+ 4	+ 17
Knoxville.....	4	+ 14	+ 38			
Nashville.....	6	+ 6	+ 8	5	+ 6	+ 21
OTHER CITIES*	19	+ 11	+ 8	22	+ 6	+ 22
DISTRICT.....	103	+ 10	+ 11	72	+ 8	+ 23

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

year will no doubt show the District states in a more favorable relationship to the nation than the first-half comparisons. Hog marketings, particularly those fattened on peanuts, are heaviest in the last quarter and cattle sales are also largest in the fall.

The increasing importance of livestock to District farmers is shown by the changes in the percentage of total cash receipts from the sale of livestock and livestock products. Last year, in the District states, farmers received one dollar from livestock sales for each two dollars received from the sale of crops. In 1935 the ratio was about one to three. The amount varied rather widely from state to state. Tennessee, the leading livestock state in the District, received about the same percentage of total farm income from livestock in 1947 as in 1935. In the other five states, however, income from livestock increased from about 20 to 30 percent of total farm income.

A question immediately arises as to whether the gains in livestock income were made at the expense of crop receipts. Of course, there had to be some shifts in land, labor, and capital from crop production; otherwise the increase in livestock production could not have taken place. The extent of the shift cannot be determined accurately but there are comparisons that give some indication as to what has happened. In the 1935-39 period farmers in the District states received \$16.92 of each \$100 of the nation's crop income, but in 1947 they received only \$12.68. There are, of course, many reasons for this relative decline, but part of the explanation lies in the expansion of small grain acreage in areas outside the District, primarily in the Plains States. The shift of land from crop production to grass and other grazing crops also accounts for some of the decline.

It appears that the shift from crop production to livestock production in the District states has been great since, in 1947, the index of crop receipts was 269 percent, compared with 438 for livestock receipts. The volume of crops marketed in 1947, however, was about as large as that marketed in the base period. This is evident from the fact that the increase in crop receipts was approximately equal to the increase in prices as measured by the index of all farm prices for the District. On many farms, therefore, crop yields have increased so that a reduction in acreage has not meant a proportionate decline in production. Most of the gain in both livestock and crop receipts can, of course, be attributed to higher prices.

J. L. L.

FARM COMMODITY PRICES IN THE SIXTH DISTRICT STATES

Item	Unit	Sept. 1948	Aug. 1948	Sept. 1947	Percent Change Sept. 1948 from	
		(Dollars)	(Dollars)	(Dollars)	Aug. 1948	Sept. 1947
Cotton.....	lb.	.316	.316	.319	0	- 1
Cottonseed.....	ton	66.50	72.00	74.83	- 8	- 11
Peanuts.....	lb.	.10	.10	.08	0	+ 2
Corn.....	bu.	1.92	2.09	2.33	- 8	- 18
Rice.....	bu.	1.97	2.50	2.32	+ 21	- 15
Oranges.....	box
Beef cattle.....	cwt.	22.28	19.25	14.88	+ 16	+ 50
Hogs.....	cwt.	24.90	25.00	23.71	0	+ 5
Chickens.....	lb.	.333	.332	.333	0	0
Eggs.....	doz.	.561	.509	.574	+ 10	- 2
Milk.....	cwt.	6.03	5.90	5.33	+ 2	+ 13
INDEX (1935-39 = 100)						
Truck crops.....		194	194	221	0	- 12
All farm products.....		278	274	276	+ 1	+ 1

Industry

The value of construction contracts awarded in the Sixth District during August, according to F. W. Dodge Corporation statistics, was 4 percent greater than in July but was 1.4 percent smaller than in August last year. The August increase over July is accounted for by a 39-percent gain in the value of residential construction awards, which more than offset a 13-percent decrease in other awards. The August total and the figures for residential and for all other contracts, like the figures for July, were well below those for the second quarter months; but were larger than the amounts reported for any of the first three months of the year. Total residential contracts awarded in August were 10 percent less than they were in August last year, but other awards were up 7 percent.

In the January-August period, total construction contracts awarded amounted to about 730 million dollars, which was a 38-percent increase over the corresponding period of 1947. Residential contracts, accounting for 43 percent of the total, were 32 percent larger than they were in that period last year, and other awards were up 43 percent. State figures for the period show increases for Florida, Georgia, Louisiana, and Tennessee; but decreases for Alabama and Mississippi. Florida continues to lead the other District states in the amount of residential construction contracted for—in August and in the eight-month period, that state claimed 56 percent of the Sixth District total of residential contracts awarded.

Because construction costs have continued to rise, the 38-percent increase in the value of contracts awarded in the January-August period does not represent an increase of that amount in the physical volume of construction contracted for. The index compiled by the American Appraisal Company of construction costs in 30 American cities was 11 percent higher in August this year than it was a year ago. In the eight-month period, the index averaged about 16.5 percent higher than in that part of last year, and in August it reached a point about 2.5 times the average for 1940. The rate of rise in the index has been much less rapid this year than it was in 1947. In the January-August period this year it rose a little less than 6 percent, whereas in that part of 1947 it advanced 20 percent.

The August index of building material prices, compiled by the United States Bureau of Labor Statistics, was up 13 percent from August last year, and was more than twice the 1940 average; and the Bureau's index of the wholesale price of lumber was up 15 percent from August a year ago and more than three times the average for 1940. Lumber production during the summer months has been at a high level, but there are rather persistent reports that neither manufacturers nor distributors are anxious to accumulate large inventories at the present price level. Although the housing shortage is still acute in most places, high construction costs have caused a considerable amount of building to be deferred, and there are scattered reports of shortages of nails, cement, and some other necessary material.

In September, freight-car loadings of revenue freight averaged slightly less than in August or in September last year. Coal production in Alabama and Tennessee also averaged somewhat less than in August or in September 1947. Activity at the District's cotton textile mills, however, increased further in September by 6 percent and was 20 percent above the eight-year low point reached in July.

D. E. M.

Bank Announcements

On October 1, 1948, the Citizens Trust Company, Atlanta, Georgia, was admitted to membership in the Federal Reserve System. This bank was organized in 1921 and has been in continuous operation since that time. It has capital stock of \$200,000; surplus of \$57,500; profits and reserves of \$61,000; and deposits of \$3,750,000. C. R. Yates is chairman of the board and L. D. Milton, president.

Effective October 1, 1948, the American Trust and Banking Company, Chattanooga, Tennessee, a state member bank, was converted into a national banking association under the title "American National Bank and Trust Company of Chattanooga." This bank was first organized on January 18, 1912, and became a member of the System in 1933. In 1941, it merged with the Commercial National Bank of Chattanooga. On July 26, 1948, it had deposits of \$62 million, capital stock of \$1.5 million, surplus of \$1.5 million, and undivided profits of approximately \$1 million. S. L. Probasco is chairman of the board and D. H. Griswold is president.

The Bank of Clinton, Clinton, Mississippi, was merged in September with the Deposit Guaranty Bank & Trust Company, Jackson, Mississippi. The bank will be known as the Bank of Clinton, Branch of Deposit Guaranty Bank & Trust Company, Clinton, Mississippi. A. K. Godbold, formerly cashier of the Bank of Clinton, has been elected assistant vice president of the Deposit Guaranty Bank & Trust Company and will remain in charge of the Clinton branch. James D. Wallace, formerly president of the Bank of Clinton, will serve as chairman of the advisory committee of the branch. The Bank of Clinton, Branch of Deposit Guaranty Bank & Trust Company, will remit at par for checks drawn on it when received from the Federal Reserve Bank.

On October 8, The Robertson Banking Company, Demopolis, Alabama, a nonmember bank, located in Birmingham branch territory, began remitting at par. This bank has a capital of \$100,000; surplus and undivided profits of \$156,000; and deposits of approximately \$2,000,000. The officers of the bank are H. J. Whitfield, president; L. C. Lowe, vice president; S. W. Harper, cashier; and H. E. Breittling, assistant cashier.

Another addition to the Par List is The Eufaula Bank and Trust Company, Eufaula, Alabama, which began remitting at par on October 12. This is a nonmember bank located in Birmingham branch territory. Its capital amounts to \$50,000; surplus and undivided profits to \$146,000; and its deposits to about \$4,000,000. The officers of the bank are L. Y. Dean III, president and S. C. Blackshear, cashier.

National Business Conditions

INDUSTRIAL output and employment were maintained in September at August levels. Value of department store sales in September and the early part of October showed about the usual seasonal increase. Prices of foods declined from earlier record levels, while prices of most other commodities showed little change.

Industrial Production

The Board's seasonally adjusted index of industrial production was maintained in September at 191 percent of the 1935-39 average. Manufacturing output showed a small gain, while minerals production declined 3 percent.

Steel mill activity in September was at a rate of 96 percent of capacity as compared with 93 percent in August. Output of electric steel reached a new record level. In the third week of October total steel production was scheduled at a rate of 99 percent of capacity. Activity at most metal fabricating plants showed little change in September. Automobile production was curtailed further but increased sharply in the last week of September, reflecting mainly settlement of strikes at suppliers' plants. Output of lumber and stone, clay and glass products declined somewhat in September.

Production of nondurable goods rose slightly in September and was at a level close to the June rate. Cotton consumption and production of paperboard and rubber products showed small further gains from the reduced summer levels. Food production was in larger volume in September, reflecting increased meat production and a recovery in canning operations from the sharply curtailed rate in August. Output of petroleum products was reduced somewhat in September mainly because of labor disputes at refineries in California.

Production of minerals declined in September, reflecting chiefly the reduced output of crude petroleum on the West Coast. In the early part of October petroleum output recovered to the August rate. Coal production declined somewhat in September and the first half of October and was below year-ago levels, reflecting some reduction in demand, mainly for export.

Construction

Contracts awarded for construction, reported by the F. W. Dodge Corporation, declined further in September reflecting mainly seasonal decreases in most types of awards. The number of new houses started, according to Department of Labor preliminary estimates, declined from 83,000 in August to 81,000 in September. Last year the number of new units started was 86,000 in August and 94,000 in September.

Distribution

Value of department store sales in September and the early part of October was maintained close to the advanced level prevailing since last May, after allowance is made for the usual seasonal changes.

Railroad freight carloadings showed less than the usual seasonal rise in September and the early part of October and

shipments of most classes of freight during this period were in smaller volume than in the same period a year ago.

Commodity Prices

The general level of wholesale commodity prices declined 3 percent from the middle of September to the first week of October, reflecting chiefly sharp decreases in prices of live-stock products. During the subsequent two weeks prices of these products increased somewhat. Spot prices for corn dropped sharply in September and the first three weeks of October and were moderately below the support level for the new crop. Wholesale prices of textiles, leather, lumber, and coal declined somewhat, while further marked advances were reported in prices of various metal products.

Retail food prices in mid-October were estimated to be about 5 percent below the record high reached in July, while consumer prices of most other groups of items advanced somewhat further in this period.

Bank Credit

Required reserves of all member banks were increased by about 2 billion dollars in the latter part of September as a result of the action of the Board of Governors in increasing reserve requirements against net demand and time deposits. The increase in required reserves necessitated substantial sales of Government securities by banks to the Federal Reserve in the latter part of September, but the increase was about equal to the volume of reserve funds that had been supplied to banks in the period June through September by gold inflow and net sales of Government securities to the Federal Reserve Banks by nonbank investors.

Federal Reserve support purchases of long-term Government securities from insurance companies and other nonbank investors continued large during the first three weeks of October. Banks used the reserve funds supplied them by Federal Reserve transactions with nonbank investors to purchase short-term securities from the Reserve banks. Total holdings of Government securities at the Reserve Banks declined somewhat.

Business loans showed further rapid growth at banks in leading cities during September and the first half of October. Real estate and consumer loans also continued to rise. During the first half of October, banks in leading cities added somewhat to their holdings of Government securities, following reductions in late September to meet higher reserve requirements.

Interest Rates and Security Markets

Yields on short-term Government securities rose slightly in late September and early October. Prices of high-grade corporate and municipal bonds were relatively stable during the first three weeks of October, and common stock prices rose somewhat, following moderate declines in September.