

MONTHLY REVIEW



FEDERAL RESERVE BANK OF ATLANTA

Volume XXXIV

Atlanta, Georgia, October 31, 1949

Number 10

The Pecan Industry in the Sixth District

SINCE 1846, when the pecan tree was first successfully propagated by grafting, pecan growing has become one of the principal horticultural industries of the South. In 1945 District growers received about 16.4 million dollars from the sale of 63 million pounds of these nuts. Although pecans are a minor crop from the standpoint of total farm income, they contribute significantly to the income of several thousand farmers in the commercial growing area.

The pecan is a hickory and is indigenous throughout most of the Mississippi Valley and along the larger rivers in Texas. It is not native to Georgia, Florida, and most of Alabama. The name "pecan" was used by the Indians to designate all nuts that were so hard that a stone was needed to crack them, but the French settlers of the Mississippi Valley began using the name only for the nuts now known as pecans. One of the first references to the pecans was by De Soto in 1541 when he reported that the natives were using them for food. It was not until the beginning of the eighteenth century, however, that the tree was scattered from its native area through the Southern states to the Atlantic Coast.

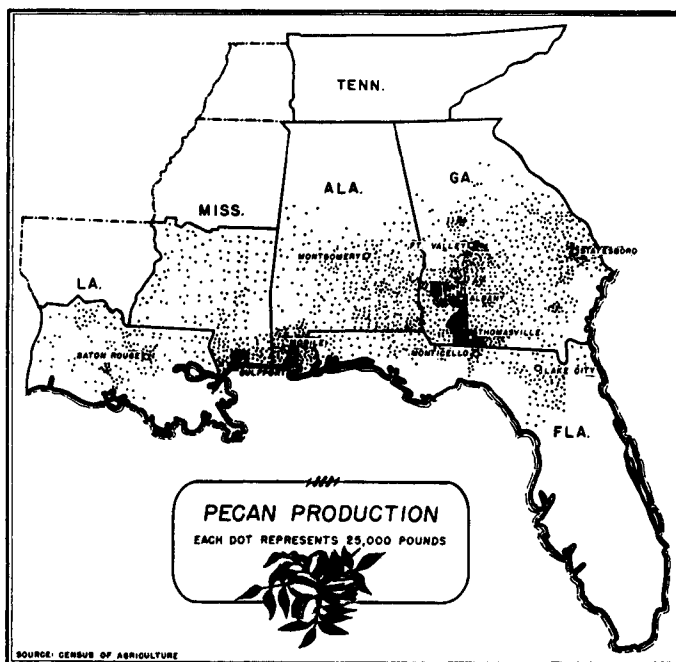
Shortly after Texas was settled, a thriving business began in nuts from the wild, native trees. These nuts are commonly called seedlings. In 1880 a million and a quarter pounds were gathered and shipped to eastern markets, mainly from the area around San Antonio. These sales aroused interest in the commercial possibilities of the crop and seedling orchards were planted from Texas to the Carolinas. Between 1870 and 1890 seedling orchards were planted near Ocean Springs, Mississippi; Mound, Louisiana; Montgomery, Alabama; Albany, Georgia; and Monticello, Florida. By 1890 some of these orchards had come into bearing and although large nuts with thin shells had been planted, only a small percentage of the trees produced nuts of that quality. As early as 1846, A.

E. Colomb of St. James Parish, Louisiana, propagated pecans by grafting, but the process did not become widely known until 1877 when another grower in the same parish revived the idea and developed the Van Deman variety. During the next decade many excellent varieties were offered for sale by nurserymen and most of the new plantings, therefore, were improved trees.

Prospects for profits in growing pecans naturally attracted speculators, and from 1900 to 1930 large acreages were planted by individuals and corporations for resale to potential investors. The promotional activity that occurred around Putney, Georgia, is typical of this period. A Chicago company bought large acreages and planted them to pecans for resale in blocks of five to ten acres. The purchase price included complete orchard care for the first five years. The land was carefully selected, desirable varieties were planted, the young orchards were given reasonably good care, and many of them proved to be profitable.

Another company soon entered the area with a similar plan of operation except that land not suited for pecans was often planted and orchards as small as one acre were sold.

Many investors bought with the expectation that they would begin to get profits after the five-year period, only to find that several more years of rather expensive care were required before their property would begin to show a profit and that they had too small an acreage to justify the necessary cultural practices. It took the sharp price decline of the early thirties, however, to halt the expansion of pecan acreage. The season average price of improved pecans dropped from 28 cents in 1930 to 14 cents in 1931; for the next ten years it ranged from about 11 to 15 cents. For this reason most of the investors with small acreages either abandoned them or sold them to local farmers or pecan growers.



According to the farm census reports, growers in the District states had only 176,000 trees of bearing age in 1900. By 1910 there were over a million trees—262,000 of which were of bearing age. The period of most active planting was from 1920 to 1925 and by 1925 there were about 4.6 million trees. Since that time there has been little change in the total number of trees, but the number of trees of bearing age has increased steadily. More than four-fifths of the trees in the District states are of improved varieties. Approximately four-fifths of the total crop of improved pecans and about one-third of the total crop of wild, or seedling, pecans normally come from these states.

Many of the early ventures in pecan growing were not profitable because inadequate attention was given to soil fertility and moisture requirements. The pecan is a native of the fertile, well-watered soils of the Mississippi and other river deltas of the Southwest. Most of the orchards in the District were planted on upland soils that had become low in organic matter, mineral nutrients, and water-holding capacity after many years of field crop production. Although pecans will thrive on a wide range of soils, they usually require leguminous cover crops, fertilization, and insect and disease control.

Spraying to control insects and diseases is apparently the most essential operation in profitable production. Injury from diseases has increased in recent years to the point where it is the first limiting factor in pecan production. Several of the diseases and insects cause heavy losses but scab is the most destructive disease. Some tests made at Albany, Georgia, in 1948 on the relative efficiency of spray materials illustrate the necessity for controlling scab. On trees of the Schley variety where control was effective, the yield was 65 pounds of large size nuts per tree, whereas the trees in an untreated check-plot produced only 8 pounds of small and low quality nuts per tree. Insect and disease control is, however, the most expensive operation in growing improved varieties of pecans. Last year effective control on some of the major varieties cost about 65 dollars an acre.

Economics of Production

As the damage from insects and disease has become more severe, production costs have risen rapidly with the result that many growers are facing the problem of how to reduce these costs. Some of the leading varieties that were planted primarily because they were resistant to scab have become susceptible to the disease in recent years. Since most of these varieties bring lower prices than others, such as Schley and Stuart, a costly spray program can make production unprofitable. In the larger orchards that have a small proportion of trees in varieties susceptible to scab, some growers are not attempting control on those varieties, but are relying upon the more resistant ones for their income.

Many pecan growers during the war began pasturing the cover crops that had formerly been grown only for soil improvement in an effort to produce more beef. Other growers who have scab-susceptible varieties are also experimenting with grazing their cover crops in order to obtain part of their operation costs from sources other than pecans. Until this was tried, it was not known whether pecan production could be maintained under such a system. Preliminary results from these experiments indicate that yields can actually be improved under a management system which includes grazing

of cover crops. No data are available on the returns made from beef cattle pastured on the test plots, but it is estimated that they have been large enough to cover the cost of fertilizing and planting the cover crops. This combination of beef cattle and pecans on the same land may prove to be a practical method of lowering the costs of production for those growers who have farm enterprises other than pecans. Since the number of cattle must be adjusted from time to time according to the grazing available and pastures must be provided when the orchards cannot be grazed, the plan works well only in a diversified farming system.

Although pecan orchards range in size from a few trees around the house to thousands of acres, low cost production is usually possible only if the orchard contains 100 acres or more. For efficient disease and insect control, a spray outfit capable of maintaining a pressure of 400 to 600 pounds is usually required. Such equipment is adequate for a mature orchard of 150 to 200 acres. Unless the orchard is large enough for full utilization of this equipment, the cost of spraying is likely to be excessive. Since spraying is the most expensive single operation, any increase in spraying costs adds significantly to total costs. Custom spraying is available in parts of the commercial growing area, but it does not offset the production cost advantage of the larger acreage.

Production costs and systems of management, of course, are closely related to average yields and to the variety grown. Costs are highest on those varieties such as Schley that require heavy spraying and that have relatively light yields. An expensive spray program for this variety can be justified only if the other necessary cultural practices are followed to keep the trees in condition to produce the greatest possible yields of high quality nuts.

The Stuart variety, on the other hand, can produce fairly high yields of good quality nuts in some years with very little spraying and a minimum of other cultural practices. How much growers can afford to spend in producing any variety, of course, depends upon the prices received. A large number of varieties are grown in the commercial area under a wide range of soil and weather conditions. Although pecan growers have a whole complex of problems in the economics of production, it is generally recognized that costs must be reduced if the industry is to be permanently prosperous.

Marketing and Processing

Most growers sell their pecans on an "orchard run" basis to accumulators or buyers from local processing plants. The buyer usually bids upon some arbitrary standard such as 90 percent sound nuts and raises or lowers the offered price after examining a sample of the nuts. The crops from large orchards are usually bought directly by buyers from the processing plants. Small crops are often bought by accumulators who sell them to the processing plants. Most of the nuts are processed in the area of production, but large quantities are also shipped outside of the area for processing. Some growers ship their own pecans to trade outlets beyond the producing area. Then too, truckers buy considerable quantities of unshelled pecans directly from growers and sell them directly to the retail outlets.

For the unshelled nuts, processing usually consists of grading, sizing, cleaning, and packing into containers for shipment. Light or unfilled nuts are removed by machines. Nuts that are off-colored, cracked, or have adhering hulls are

removed by hand. The sound nuts are then sized by machines into classes varying by one-sixteenth of an inch. After the nuts are sized, they are cleaned, bleached, and in some instances artificially colored before packaging.

If the nuts are to be shelled, they are soaked in water to soften the shells and to reduce breaking of the kernels. The cracked nuts are conveyed to machines that separate shells from kernels. The kernels are then sized, graded, and dried to a constant moisture content before they are packaged for storage or shipment. In warm weather both shelled and unshelled nuts must be kept in cold storage to prevent rancidity.

During the 1948 crop season, pecan marketing problems were more acute than at any other time since the early thirties. The season average price of improved varieties dropped from 29.4 cents in 1947 to 14.8 cents in 1948. Few growers of the improved varieties were able to pay production costs at the 1948 prices. The crop was the largest on record and below average in quality. Since the quality of the nuts cannot be determined from the outside appearance and the marketing was not regulated, many unshelled pecans of low quality were sold. Distributors who usually handled good quality nuts had to buy pecans of low quality in order to meet competitors' prices. Retailers who were not able to sell the good quality nuts at a profit soon lost interest in handling pecans at all. The consumers who bought the inferior nuts were often dissatisfied, with the result that pecans lost ground to other nut trees.

After an unsuccessful attempt to obtain a Government price-support program for their crop, growers in Alabama, Georgia, Florida, Mississippi, and South Carolina proposed a Federal marketing agreement and order to regulate marketing of unshelled pecans from the five-state area. In a recent referendum, the agreement and order was approved by growers who produced 89 percent of the total 1948 production for market represented by those voting.

The agreement and order established grade and size regulations designed to maintain orderly marketing and to prevent movement of low quality and small size pecans from the area. Prior inspection of unshelled pecans shipped out of the area in quantities exceeding 200 pounds daily to any consignee will be required and will be conducted by the Federal-State or Federal Inspection Services.

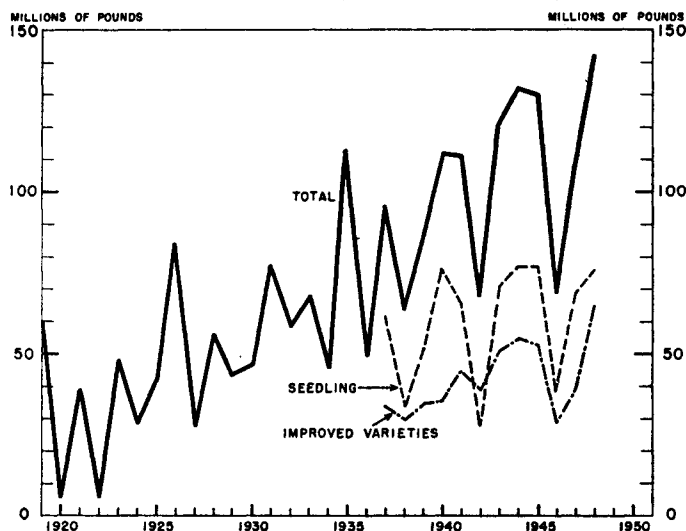
Prices and Production

Although marketing difficulties have been a major factor in the low returns often received by growers, price problems of the pecan grower are not likely to be solved simply by changes in the marketing system. Pecans, like many other tree crops, have a pronounced tendency toward alternate bearing. If the trees are vigorous and growing conditions are favorable, they may set a heavy crop of nuts. During a year of heavy production, the trees often cannot mature the crop of nuts and at the same time build up enough reserve plant food in the trees to develop the next year's fruit buds. As a result the following crop is light and the current crop often contains a large percentage of poorly filled and low quality nuts.

This tendency toward alternate bearing creates a serious price problem for the growers of improved pecans. For crops of less than average size, the demand for improved pecans is relatively elastic. This means that a one-percent increase in quantity is associated with a price decrease of less than one

percent. Crops of more than average size, on the other hand, have a relatively inelastic demand. For these crops a one-percent increase in quantity is associated with a price decrease of more than one percent. Because of these relationships, crops that are above or below average in size are worth less to the growers than crops of average size. Under the present marketing system, quality is also an important price factor, since extremely large crops frequently have a high proportion of low quality nuts that demoralize the market for high quality nuts.

PECAN PRODUCTION IN THE UNITED STATES



Growers could increase their total returns from the crop, therefore, by reducing the annual variations in the size of the crop and by improving the quality, particularly in the years of large crops. Some variations in the size of the crop, of course, are inevitable because of changes in the weather and in disease and insect infestation.

Several experiments are now being conducted at state and Federal experiment stations to control alternate bearing. So far, efforts to control the set of fruit by hormone sprays at the time of fertilization have been unsatisfactory. This method, which has worked well on apples and some other fruits, is not practical for pecans since fertilization occurs over a two- or three-week period and several expensive sprays are required.

The Georgia Coastal Plain Experiment Station began an experiment in 1940 in which the fertilizer application was split. The first half was applied about April 1 and the remaining half about May 1, or as soon as some estimate could be made of the size of the crop set. If the set was heavy, all the remaining half was applied in order to provide enough plant food to mature the current crop and to build up reserve plant food in the tree for the next year's fruit buds.

At the United States Pecan Field Station, Albany, Georgia, tests are in progress on controlling the set of nuts by cultural practices. The usual practice of turning under fertilized winter legume cover crops tends to produce heavy crops of nuts. There is some evidence that excessive nitrogen from the cover crop may cause the trees to set heavy crops. The test program consists of using a cover crop that can be grazed and applying 300 to 500 pounds of fertilizer that contains

no nitrogen. Cattle are turned into the orchard as soon as the cover crop has made sufficient growth. Cultivation is begun at the usual time but only about half of the area is turned at one time. As soon as the native grasses on the turned area begin to furnish some grazing, the remaining area is turned. The number of cattle is adjusted from time to time according to the grazing available.

The tests with split fertilizer applications and changes in cultural methods have not been in operation long enough to yield conclusive results. They do show some promise as a means of reducing alternate bearing. Such a reduction, of course, will tend to improve the quality of the crop.

Some of the recent decline in pecan prices is not attributable to production methods or defects in the marketing system. The domestic production of competing tree nuts—walnuts, almonds, and filberts—has doubled in the past fifteen years. Imports of tree nuts, which fell to very low levels during the war, have risen to prewar levels and pecan growers are facing more competition from other tree nut producers in the United States as well as in foreign areas.

Pecans are more competitive with domestic walnuts than with any other tree nuts. Walnut production is likely to continue upward and may increase 10 percent within the next ten years. Because of shifts in the varieties planted, however, an increasing proportion of the crop will be harvested late. Since the in-shell market for both walnuts and pecans must be supplied between Thanksgiving and Christmas, the increased walnut production may not affect the market for in-shell pecans significantly.

Imports of tree nuts are likely to continue at near the prewar volume with changes in the amount from year to year depending upon tariff rates and the supply of domestic tree nuts and domestic purchasing power. In this competition with foreign tree nuts, pecans will have an advantage over the other domestic tree nuts in that the direct competition by imports of pecans will be negligible.

Price Stabilization

In view of the conditions under which pecans are grown and marketed and the competition from other nut growers, such as the highly-organized walnut growers, pecan producers probably will have to work together to stabilize prices at a level that will make the industry permanent and prosperous. Successful action of this nature, however, will require an

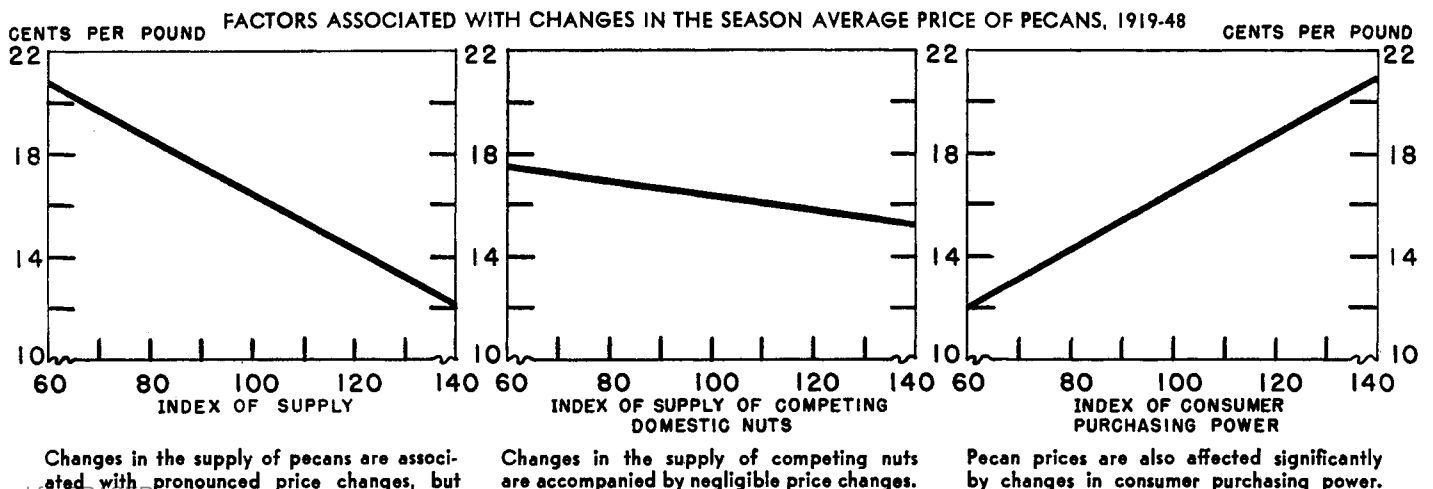
understanding of what determines pecan prices and how those forces can best be used for the benefit of the entire industry from the grower to the distributor.

A statistical analysis of pecan prices from 1919 to 1948 indicates that changes in prices are more closely associated with changes in supply and in consumer purchasing power than with changes in any other factor. The remaining factors used in the analysis—the supply of competing nuts and the net imports of tree nuts—apparently had little effect upon pecan prices from year to year. In some years, of course, these factors may have affected prices significantly. During the war years, when tree nut imports were severely restricted, pecan prices were probably considerably higher than they would have been had nuts been imported at the usual rate.

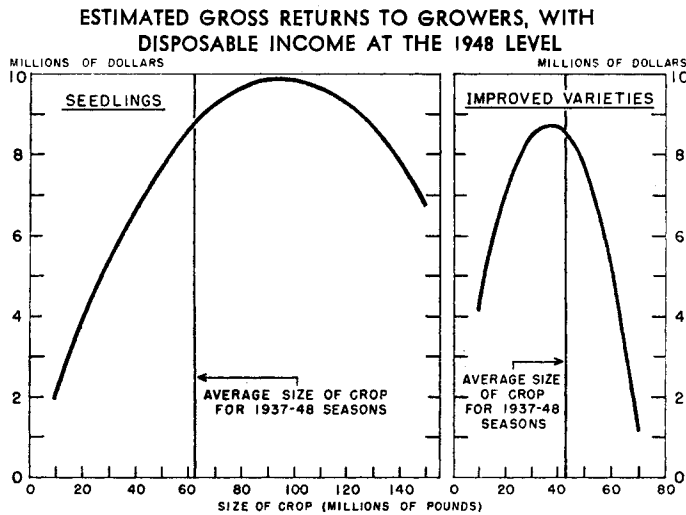
Before the war, year-to-year changes in the supply of pecans, the supply of competing nuts, net imports of nuts, and consumer purchasing power apparently accounted for about four-fifths of the year-to-year changes in pecan prices. Some of the remaining variation was undoubtedly caused by differences in the quality of the crop. Pecan growers can do little or nothing, of course, to cause any changes in consumer purchasing power or the production of other tree nuts. Even if they could affect net imports through changes in the tariff rates, it would require such a large reduction in imports to cause even a small increase in pecan prices that little is likely to be accomplished in this direction. Of all the forces affecting prices, the supply of pecans has been the most important. Pecan growers, therefore, have a good opportunity to raise the price of their product by smoothing out the year-to-year fluctuations in supply and by improving the quality, particularly when the crop is above average in size.

Growers of improved pecans should benefit most from a stabilization of the supply from year to year. Nearly all of the seedling pecans enter the market as shelled nuts. The demand for shelled nuts is relatively elastic, compared to that for nuts in the shell. A large crop of shelled nuts does not depress prices as much as a large crop of improved nuts.

Since most growers of improved pecans already follow an intensive and rather expensive production program, they have much to gain and very little to lose by increased research and experimentation in reducing alternate bearing. If alternate bearing can be reduced, growers can go a long way in solving their own price problems. To maintain rather constant supplies of pecans on the market at all times, how-



ever, may also require changes in marketing that go beyond the marketing agreement recently adopted. One method of stabilizing supplies is to set aside a reserve out of large crops to be sold in the following season when the crop is likely to be small. Since pecans must be held in cold storage, however, such a system might not be practical.



Large crops of seedling pecans yield growers greater returns than average, or smaller than average, crops. Large crops of improved pecans, however, yield smaller returns than average, or smaller than average, crops except when a large proportion of the crop is sold as shelled pecans.

The walnut industry, which has one of the oldest and most successful marketing control programs, controls supply in the in-shell market by fixing the percentage of the total crop that can be sold in the shell on the domestic market. The remainder must be exported or shelled. A similar procedure for pecans might prove feasible within the next few years. Since controlled marketing is just beginning in the pecan industry, the growers' committee that administers the program has neither the information nor the experience necessary to manage a two-price marketing program at the present time. The present marketing agreement, however, provides that handlers shall report rather complete information on prices paid for pecans and prices received by grade, size, and type of market. After several years, sufficient information could be accumulated to effectively allocate supplies between the in-shell and shelled market.

Since nearly all of the seedling crop enters the shelled market and over half of the improved crop enters the in-shell market, a comparison of the demand in the two markets gives some indication of the benefits that would accrue to the growers from the allocation of supplies between the two markets. Based on prices received from 1937 to 1948, growers would gain by a marketing system that diverted improved pecans from the in-shell market to the shelled market when the crop of improved pecans was well above average in size. This is because a given percentage change in supplies in the two markets affects their prices by different percentage amounts and consumers will not readily shift because of price changes from one market to another.

The prospects for eliminating small size and low quality nuts from the in-shell market by the present marketing agreement seem good. From the testimony at the public hearings, the growers seem assured of co-operation from the

Sixth District Statistics

CONDITION OF 28 MEMBER BANKS IN LEADING CITIES
(In Thousands of Dollars)

Item	Oct. 19 1949	Sept. 21 1949	Oct. 20 1948	Percent Change from Oct. 19, 1949	
				Sept. 21 1949	Oct. 20 1948
Loans and investments—					
Total	2,390,164	2,367,664	2,272,854	+ 1	+ 5
Loans—Net	830,767	785,254	839,696	+ 6	— 1
Loans—Gross	841,919	796,327	847,195	+ 6	— 1
Commercial, industrial, and agricultural loans	496,920	462,644	523,584	+ 7	— 5
Loans to brokers and dealers in securities	7,737	7,402	6,090	+ 5	+ 27
Other loans for purchasing and carrying securities	35,394	35,203	54,148	+ 1	— 35
Real estate loans	72,427	70,166	65,635	+ 3	+ 10
Loans to banks	3,331	5,148	5,810	— 35	— 43
Other loans	226,110	215,764	191,928	+ 5	+ 18
Investments—total	1,559,397	1,582,410	1,433,158	— 1	+ 9
Bills, certificates and notes	482,873	502,739	390,578	— 4	+ 24
U. S. bonds	874,583	870,104	852,858	+ 1	+ 3
Other securities	201,941	209,567	189,722	— 4	+ 6
Reserve with F. R. Bank	365,604	368,023	474,074	— 1	— 23
Cash in vault	40,402	40,810	43,513	— 1	— 7
Balances with domestic banks	185,097	171,306	185,125	+ 8	— 0
Demand deposits adjusted	1,721,227	1,703,507	1,760,299	+ 1	— 2
Time deposits	538,763	540,864	531,065	— 0	+ 1
U. S. Gov't deposits	57,598	53,793	34,262	+ 7	+ 68
Deposits of domestic banks	471,329	454,463	473,131	+ 4	— 0
Borrowings		4,500			

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

Place	No. of Banks Reporting	Sept. 1949	Aug. 1949	Sept. 1948	Percent Change Sept. 1949, from	
					Aug. 1949	Sept. 1948
ALABAMA						
Annonis	3	21,573	19,168	20,817	+ 13	+ 4
Birmingham	6	310,900	292,518	310,496	+ 6	+ 0
Dothan	2	13,691	12,178	13,700	+ 12	— 0
Gadsden	3	17,441	16,627	17,758	+ 5	— 2
Mobile	5	121,769	110,930	142,964	+ 10	— 15
Montgomery	3	75,514	70,025	78,596	+ 8	— 4
FLORIDA						
Jacksonville	4	251,981	252,533	244,450	— 0	+ 3
Miami	7	205,126	226,320	207,337	— 9	— 1
Greater Miami*	13	285,029	303,267	290,906	+ 6	— 2
Orlando	3	50,718	42,978	41,402	+ 18	+ 23
Pensacola	3	33,025	35,636	31,955	+ 7	+ 3
St. Petersburg	3	48,258	45,739	44,273	+ 6	+ 9
Tampa	6	107,699	106,752	106,609	+ 1	+ 1
GEORGIA						
Albany	3	21,441	20,935	21,049	+ 2	+ 2
Atlanta	4	804,717	820,692	823,679	— 2	— 2
Augusta	3	56,007	49,270	57,886	+ 14	— 3
Brunswick	2	8,588	8,790	8,763	— 2	— 2
Columbus	4	53,283	48,948	56,307	+ 9	— 5
Elberton	2	3,952	3,313	4,154	+ 19	— 5
Gainesville*	3	13,655	12,996	14,947	+ 5	— 9
Griffin*	2	11,139	10,871	10,542	+ 2	+ 6
Macon	3	62,069	59,857	68,066	+ 4	— 9
Newnan	2	9,930	9,268	7,838	+ 7	+ 27
Rome*	3	20,821	17,665	21,185	+ 18	— 2
Savannah	4	83,832	84,509	91,053	— 1	— 8
Valdosta	2	11,513	35,652	11,313	— 68	+ 2
LOUISIANA						
Alexandria*	3	31,967	28,763	31,193	+ 11	+ 2
Baton Rouge	3	103,427	100,893	99,023	+ 3	+ 4
Lake Charles	3	36,291	33,310	35,225	+ 9	+ 3
New Orleans	8	684,108	668,364	689,878	+ 2	— 1
MISSISSIPPI						
Hattiesburg	2	17,579	15,601	18,179	+ 13	— 3
Jackson	3	134,622	124,127	136,367	+ 8	— 1
Meridian	3	27,599	23,226	29,600	+ 19	— 7
Vicksburg	2	23,442	21,474	25,919	+ 9	— 13
TENNESSEE						
Chattanooga	3	132,022	128,829	142,348	+ 2	— 7
Knoxville	4	104,545	99,164	111,413	+ 5	— 6
Nashville	6	292,597	303,392	291,308	— 4	+ 0
SIXTH DISTRICT						
32 Cities	114	3,929,259	3,891,018	3,991,075	+ 1	— 2
UNITED STATES						
333 Cities		101,080,000	99,055,000	104,729,000	+ 2	— 3

* Not included in Sixth District total.

handlers and processors of pecans. The agreement and order will be beneficial, however, only if its provisions are rigidly enforced. Such enforcement will be possible only if an overwhelming majority of the operators in the industry assist the compliance officials of the Production and Marketing Administration in obtaining information about violations of the regulations.

An improvement in quality and stabilization of the supply should result in the increased use of pecans. In a recent survey, industrial users of tree nuts were asked to suggest how the usage might be increased. Bakers, who use large quantities of pecans, wanted to be able to buy pecans as needed and at a stable price. Rapidly changing prices and uncertain supplies of pecans make it difficult to promote an item that contains pecan meats. A confectionery manufacturer stated that pecans and almonds are the most satisfactory tree nuts for candies, but that quality must be improved and prices be stabilized before usage can be expanded. The distributors suggested that annual supplies be guaranteed to wholesalers and suppliers whose service outlets will be needed in years of record crops. Small firms, in particular, indicated that stable prices on tree nuts would enable them to plan a tree nut product, promote it, and maintain its production.

The Industry's Future

Despite its many problems, the pecan industry seems certain to continue as one of the many small but vital agricultural enterprises in the Sixth District. The pecan is adaptable to many commercial uses, is highly nutritious, and is likely to gain in favor with consumers.

Pecan production, however, probably will be profitable only if it is fitted into a farming system that provides other major sources of income. Many growers must also reduce production costs if they are to obtain a profit from their pecan enterprise. Of the methods now being tested for reducing costs, grazing with beef cattle is one of the most promising. Pecan growing, like most other farm enterprises, will always be subject to the hazards of weather and insect and disease infestations, but there is a good possibility that the tendency of the tree to bear light and heavy crops alternately may be partially corrected.

The marketing agreement for in-shell pecans which was recently adopted should improve consumer acceptance and should give operators in the industry valuable experience in co-operating for the solution of the industry's problems. If more extensive marketing controls are needed later, the present agreement will provide much of the necessary statistical background as well as the practical experience in solving marketing problems collectively.

If further marketing controls for improved pecans do become necessary, the differences in the nature of the demand for shelled and in-shell nuts are such that an allocation of the total supply between the two markets could be made an effective instrument for price stabilization. Unlike the producers of many farm products, pecan growers do not face a retrenchment through Government production controls. They are not dependent upon an export market financed by Government appropriations. If consumer purchasing power remains reasonably stable, and if the growers, handlers, and other people in the industry work together in solving their problems, the industry has excellent prospects.

BROWN R. RAWLINGS

Sixth District Indexes

DEPARTMENT STORE SALES*						
Place	Adjusted**			Unadjusted		
	Sept. 1949	Aug. 1949	Sept. 1948	Sept. 1949	Aug. 1949	Sept. 1948
DISTRICT.....	367	360	394r	381	324	410
Atlanta.....	407	410	440r	452	414	489
Baton Rouge.....	425	393	425r	472	346	472
Birmingham.....	356	326	400r	381	299	428
Chattanooga.....	329	343	366r	352	308	392
Jackson.....	371	353	386r	438	325	455
Jacksonville.....	387	352	412r	383	313	408
Knoxville.....	386	399	428r	394	343	437
Macon.....	313	311	345r	356r	270	394
Miami.....	406	375	410r	329	281	333
Montgomery.....	304	313	370r	322	279	392
Nashville.....	413	406	447r	425	369	461
New Orleans.....	339	379	363r	360	330	384
Tampa.....	490	467	456r	471	397	438

DEPARTMENT STORE STOCKS						
Place	Adjusted**			Unadjusted		
	Sept. 1949	Aug. 1949	Sept. 1948	Sept. 1949	Aug. 1949	Sept. 1948
DISTRICT.....	337	319	372r	347	316	383
Atlanta.....	437	427	471r	477	431	514
Birmingham.....	252	257	304r	264	252	320
Montgomery.....	421	292	366r	404	307	351
Nashville.....	477	476	548r	511	481	586
New Orleans.....	306	271	341r	309	261	344

GASOLINE TAX COLLECTIONS***						
Place	Adjusted**			Unadjusted		
	Sept. 1949	Aug. 1949	Sept. 1948	Sept. 1949	Aug. 1949	Sept. 1948
SIX STATES.....	214	211	196	218	208	200
Alabama.....	215	208	196	225	210	206
Florida.....	188	186	171	184	181	168
Georgia.....	211	202	178	221	206	186
Louisiana.....	242	236	222	254	238	233
Mississippi.....	207	200	196	213	206	202
Tennessee.....	219	218	218	223	220	222

COTTON CONSUMPTION*				ELECTRIC POWER PRODUCTION*			
Place	Sept. 1949	Aug. 1949	Sept. 1948	SIX STATES	Aug. 1949	July 1949	Aug. 1948
	TOTAL.....	137	119		144	Hydro-	364
Alabama.....	154	133	152	generated	340	324	242
Georgia.....	133	115	142	Fuel-	396	379	459
Mississippi.....	80	55	99	generated			
Tennessee.....	107	111	127				

MANUFACTURING EMPLOYMENT***				CONSTRUCTION CONTRACTS			
Place	Aug. 1949	July 1949	Aug. 1948	Place	Aug. 1949	July 1949	Aug. 1948
	SIX STATES.....	139	136		151	DISTRICT.....	413
Alabama.....	142	138	157	Residential.....	672	477	701
Florida.....	129	127	129	Other.....	287	386	387
Georgia.....	134	130	147	Alabama.....	373	525	243
Louisiana.....	150	149	152	Florida.....	446	389	582
Mississippi.....	132	129	154	Georgia.....	511	387	466
Tennessee.....	142	141	160	Louisiana.....	407	608	543
				Mississippi.....	353	428	281
				Tennessee.....	405	478	399

CONSUMERS PRICE INDEX				ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
Item	Sept. 1949	Aug. 1949	Sept. 1948	Unadjusted..	Sept. 1949	Aug. 1949	Sept. 1948
	ALL ITEMS.....	174	173		178	Adjusted**..	19.6
Food.....	208	206	220	Index**.....	20.4	20.2	20.6
Clothing.....	193	193	206		82.7	81.8	83.5
Fuel, elec., and refrig.	135	135	138	CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*			
Home furnishings.....	182	182	193		Sept. 1949	Aug. 1949	Sept. 1948
Misc.....	155	154	152	Unadjusted..	281	278	296
Purchasing power of dollar.....	.57	.58	.56	Adjusted**..	284	278	299

* Daily average basis

** Adjusted for seasonal variation

*** 1939 Monthly average = 100;

Other indexes, 1935-39 = 100

r Revised

District Business Conditions

Instalment Credit and Retail Sales

BY EXTENDING more instalment credit to their customers, by requiring smaller down payments, and by lengthening the period of repayment, Sixth District retailers have been able to bolster their sagging sales of consumer durable goods during recent months. In some cases they have been able to raise them above last year's level.

EASIER CREDIT TERMS. Instalment credit controls were removed completely in June. At first, many merchants tried avoiding credit competition by sticking to the terms prevailing when credit was regulated. Now, however, regardless of original intentions, more and more merchants are trying to attract customers by offering easier terms, and in many cities throughout the District the prospective buyer is being lured by offers of "No down payments, years to pay." Moreover, buying on time has been made easier even for the consumer who might otherwise lack the necessary will power to save for the easy payments. He may have a meter installed on the appliance he is buying. Then, before he can enjoy the benefits, he must periodically put a coin in the slot.

The cumulative effect of these developments is now evident. In September, purchases by consumers of major appliances at department stores were 19 percent greater than they were during the corresponding month last year. In many cities of the District, furniture sales in August were above those of last year.

Although total sales of reporting household appliance

stores still continue below last year's, the gap has narrowed. Jewelry store instalment sales beginning with March have exceeded those of last year for every month except one. These sales have resulted in an increased amount of instalment credit outstanding.

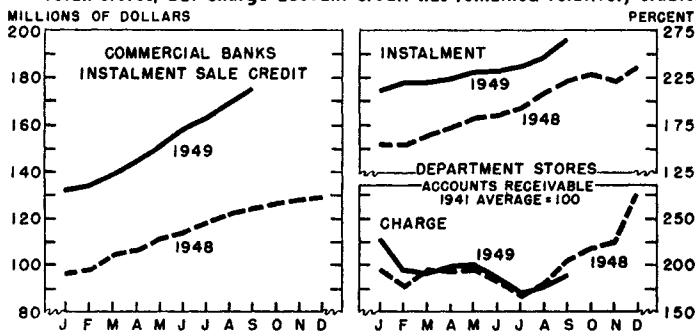
SLOWER COLLECTIONS. Another reason why consumers owe more than they did last year is that they are progressively taking longer to pay. At household appliance stores, for example, instalment accounts in September 1947 were outstanding for an estimated eleven months. Now they run for over nineteen. Instalment accounts at department stores now run an estimated twelve months, twice as long as in 1947.

To help finance this credit expansion, merchants have turned more and more to commercial banks and sales finance institutions. This year, for example, District household appliance dealers are selling instalment paper to the amount of 60 percent of their instalment sales, compared with 25 percent last year; presumably, other types of retailers are also selling a greater proportion of their paper in view of the increase in commercial bank holdings. Commercial banks in the District now hold 57 percent more in purchased retail paper than they did last year and about 39 percent of the increase is accounted for by other than automobile paper. Current reports, however, show that banks and finance companies require stricter terms on the instalment accounts they buy than some merchants are currently advertising.

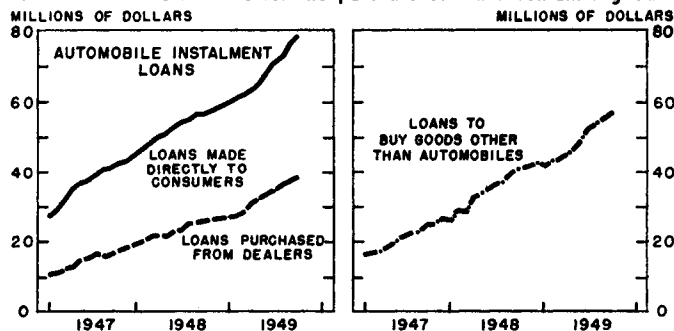
C.T.T.

SIXTH DISTRICT INSTALMENT SALE CREDIT

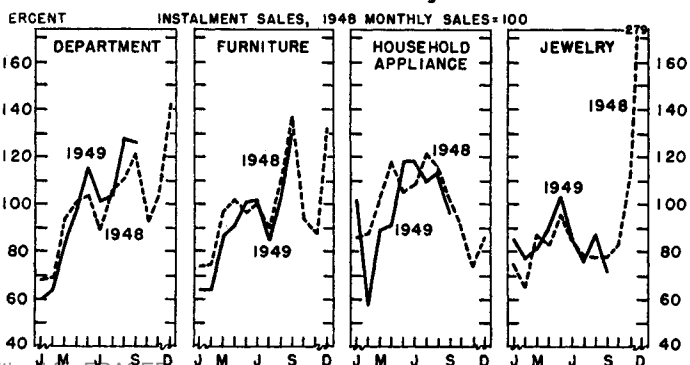
1. Instalment sale credit outstanding has been expanding rapidly during recent months in the Sixth District at both commercial banks and retail stores, but charge account credit has remained relatively stable.



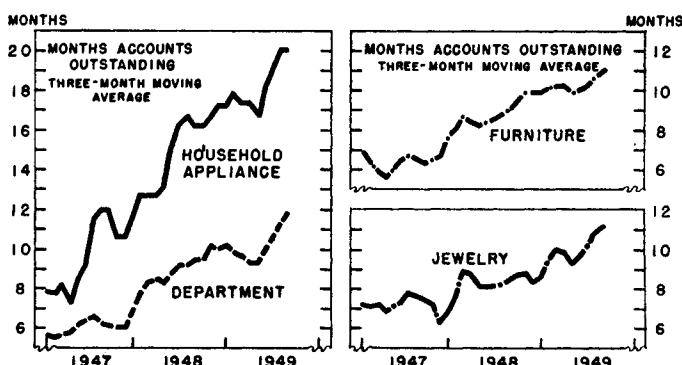
2. Commercial bank loans for automobile purchases have increased 30 million dollars since January 1, but there has also been a growth of 5 million dollars in loans for the purchase of other consumer goods.



3. Growth of instalment selling explains part of the expansion in accounts outstanding.



4. Longer terms, or slower collections, also explain part of the increase.



Sixth District Statistics

INSTALMENT CASH LOANS					
Lender	No. of Lenders Reporting	Volume		Outstandings	
		Percent Change Sept. 1949, from		Percent Change Sept. 1949, from	
		August 1949	Sept. 1948	August 1949	Sept. 1948
Federal credit unions.....	42	+ 3	+ 28	+ 3	+ 35
State credit unions.....	20	+ 1	+ 46	+ 2	+ 28
Industrial banking companies.....	11	- 8	+ 7	+ 2	+ 12
Industrial loan companies.....	17	- 4	+ 0	+ 0	+ 8
Small loan companies.....	38	- 9	- 7	+ 3	+ 7
Commercial banks.....	33	- 6	+ 19	+ 3	+ 37

RETAIL FURNITURE STORE OPERATIONS			
Item	Number of Stores Reporting	Percent Change September 1949, from	
		Aug. 1949	Sept. 1948
Total sales.....	118	- 7	- 32
Cash sales.....	101	- 15	- 20
Instalment and other credit sales.....	101	- 4	- 34
Accounts receivable, end of month.....	112	+ 3	+ 1
Collections during month.....	112	- 4	- 14
Inventories, end of month.....	84	+ 12	- 5

WHOLESALE SALES AND INVENTORIES*					
Item	No. of Firms Reporting	SALES		INVENTORIES	
		Percent Change Sept. 1949, from		Percent Change Sept. 30, 1949, from	
		Aug. 1949	Sept. 1948	Aug. 31 1949	Sept. 30 1948
Electrical group.....					
Wiring supplies.....	3	- 16	- 44	3	+ 4
Appliances.....	6	- 9	- 19	5	- 1
General hardware.....	9	+ 7	- 14	5	+ 5
Industrial supplies.....	3	+ 3	- 39		
Jewelry.....	3	+ 30	- 30		
Lumber and building materials.....	3	- 0	- 20		
Machinery equipment and supplies.....	3	+ 20	+ 2		
Plumbing and heating supplies.....	4	+ 8	- 1	3	- 5
Confectionery.....	3	+ 6	+ 8		- 5
Drugs and sundries.....	7	+ 3	+ 1	3	- 0
Dry goods.....	18	+ 9	- 17	14	+ 1
Groceries.....					
Full lines.....	30	+ 6	- 6	21	+ 5
Specialty lines.....	9	+ 6	+ 12	5	+ 10
Shoes and other footwear.....	3	+ 54	- 7		
Tobacco products.....	11	- 3	- 1	7	+ 2
Miscellaneous.....	14	+ 3	- 15	17	- 13
Total.....	129	+ 7	- 13	83	- 1

* Based on U. S. Department of Commerce figures.

DEPARTMENT STORE SALES AND INVENTORIES					
Place	No. of Stores Reporting	SALES		INVENTORIES	
		Percent Change Sept. 1949, from		Percent Change Sept. 1949, from	
		Aug. 1949	Sept. 1948	Aug. 31 1949	Sept. 30 1948
ALABAMA					
Birmingham.....	4	+ 18	- 11	3	+ 5
Mobile.....	5	+ 16	- 8		- 17
Montgomery.....	3	+ 7	- 18	3	+ 32
FLORIDA					
Jacksonville.....	4	+ 13	- 6	3	+ 9
Miami.....	4	+ 8	- 1	3	+ 7
Orlando.....	3	+ 24	+ 8		+ 4
Tampa.....	5	+ 10	+ 7	3	+ 5
GEORGIA					
Atlanta.....	6	+ 1	- 8	5	+ 10
Augusta.....	4	+ 8	- 9	3	+ 14
Columbus.....	3	+ 9	- 12		+ 10
Macon.....	6	+ 22	- 9	4	+ 10
Rome.....	4	+ 35	- 10		- 7
Savannah.....	6	+ 29	+ 11	4	+ 12
LOUISIANA					
Baton Rouge.....	4	+ 26	0	4	+ 4
New Orleans.....	6	+ 1	- 6	4	+ 18
MISSISSIPPI					
Jackson.....	4	+ 25	- 4	4	+ 7
Meridian.....	3	+ 21	- 18		+ 2
TENNESSEE					
Bristol.....	3	+ 8	- 8	3	+ 28
Chattanooga.....	4	+ 6	- 10	3	+ 7
Knoxville.....	4	+ 6	- 10		+ 3
Nashville.....	6	+ 6	- 8	5	+ 6
OTHER CITIES*	22	+ 15	- 6	22	+ 5
DISTRICT.....	113	+ 9	- 7	76	+ 10

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

Industry and Employment

THE VALUE OF CONSTRUCTION CONTRACTS awarded in the District in September was down slightly from August. Residential contracts increased 11 percent and were 93 percent greater than in September 1948. For the first nine months of this year, residential awards were slightly greater than in the corresponding period last year, although total awards were down about 4 percent. Total awards increased for that period in Alabama, Georgia, Mississippi, and Tennessee; residential awards increased in Alabama, Georgia, and Mississippi. Residential contracts accounted for 58 percent of the September total, and for 44.5 percent of the nine-month total.

ELECTRIC POWER PRODUCTION by the District's public utilities, following the seasonal pattern, increased nearly 5 percent from July to August. The August rate was the highest since February, and was 8.6 percent above that for August 1948. The gain was about equal, percentagewise, in current generated by hydro-electric plants and by those using fuels. Compared with August a year ago, hydro-generated power was up 40 percent, but fuel-generated power was 13 percent less.

MANUFACTURING EMPLOYMENT in the District increased from July to August, the first increase since October. The index rose 1.8 percent in August, but was 7.8 percent below that of August 1948. The August gain was shared by all six states and by nearly all the large industries. In Louisiana and Tennessee, where employment had increased in July, August increases were smaller than in the other four states.

Textile employment increased 2.4 percent in August, and a further gain in September seems probable because of the September increase in cotton consumption by the mills. In lumber and wood products industries, August employment was up 1.6 percent from July, and a further increase is indicated by the rise in freight car loadings of forest products by southern railroads during the last half of September and first half of October. Increases at Georgia and Alabama plants for canning and preserving fruits and vegetables and at Alabama seafood-canning plants largely accounted for a 4.2-percent gain in the District food and food products industries. Alabama and Florida employment in the food industries increased over August 1948. In apparel manufacturing establishments, August employment was up 4.8 percent from July. In transportation equipment, employment declined 6.7 percent, largely because of losses at shipbuilding and repair establishments in Alabama, Florida, and Louisiana.

D. E. M.

Bank Announcements

Two banks were added to the Par List in October. One was the Farmers and Merchants Bank, Waterloo, Alabama, a non-member bank located in Birmingham Branch territory. This bank began to remit at par on October 10. It has capital of \$10,000; surplus of \$10,000; and deposits of \$228,000. Mr. Buck Sharp, who was president since the bank's organization in 1914, died in March this year. A. D. Ray is Vice President and Cashier; Miss Mary Pickens, Assistant Cashier.

The other addition to the Par List was the newly organized Peoples State Bank of Groveland, Groveland, Florida. It began remitting at par on October 26. This bank's capital amounts to \$30,000; its surplus \$12,000; undivided profits \$6,000. J. S. Fairchild is President; George J. White, Vice President; J. E. Fairchild, Vice President and Cashier.