



## Marketing Southern Products

*An address by ROBERT D. CALKINS, Director, General Education Board, delivered at Louisville, Kentucky, November 29, 1949, before the Southern Association of State Planning and Development Agencies.*

THOSE of us who are intimately concerned with it have reason to take heart over the gratifying progress that is being made in the development of the South. The improvement of agriculture, the use of water power and other natural resources, the development of industry and trade, the modernization of housing, the advances of education, the growth of recreation and cultural activities are all testimonials of better living for a grand people.

These advances, however, substantial though they may be, are but the early stages of things to come. They are but welcome signs on the threshold of what can be brought to pass rapidly if the southern people apply themselves intelligently, wisely, and energetically to the task of developing the resources and manpower of the area.

The southern people need and deserve a greater abundance of many things of which they have had far too little—health, education, income, capital, recreational facilities, and cultural advantages. The problem of providing these things in greater abundance is said to be economic. In considerable measure, it is economic. Per capita income in the fifteen southern states is still only 65 percent of that in the rest of the country. In ten southern states the per capita income is only from 48 to 65 percent as high as elsewhere. Although per capita income is rising more rapidly than in other sections, the South still has a long uphill climb before its people will overtake the rest of the country in having funds available for the enjoyments of life and, I may add, for the generous support of the Federal budget.

Our concern here is with the question of how to raise incomes so that the advantages of life in this society may be fully available to the southern people. There is but one way to raise southern incomes and that is to produce more per worker.

Eighty-five years ago the South was left ravaged and destitute. It has taken almost a century to overcome the handicaps with which reconstruction began. In recent years a new spirit has sprung up, and the South is advancing as it has never advanced before. Yet the South still has a system well designed to keep its people poor. It has a larger percentage of its working force engaged in the least productive occupations

than any other section of the country. Well over half of the working force is engaged in unskilled and semi-skilled occupations in which, at best, only low incomes can be earned. The South employs less capital, less power, less science, and less managerial know-how than any prosperous region could afford to do. So long as it continues to use so much labor in unproductive ways, it will remain poor and no amount of help from the outside will make it otherwise. We must remember that no people ever became prosperous by working only with its hands and feet and back instead of its head.

The task before the South is to substitute brains for brawn, and skill for sweat, and tools for the good right arm. The labor force can be made highly productive if the workers are trained and skilled. It can increase its productivity if it has machinery with which to work. Productivity can be further increased if the worker is supplied with electric power and other forms of energy to supplement the strength of his own back. And productivity can be still further increased if the worker can have at his disposal scientific knowledge and technology and managerial know-how. And it can be increased still further if, through ingenuity and skill, business leadership establishes new industries that use a high component of science and human skill. The job of southern leadership is to bring these things to pass—to create the sort of economic activities in which machinery, power, and knowledge are put to work for the southern people.

Now, you may say, "Those are fine words, but how do we do it? We're poor. It costs money to mechanize agriculture and expand industry and develop trades. We can't afford these things. We haven't the capital."

The reply is that the South can't afford to do without these things. It is now sacrificing over 20 billion dollars a year for being without the skill and ability that would make it prosperous. If the South were abreast the rest of the country, incomes would be at least 50 percent higher than they are today. As a sheer business proposition, that potential market is worth a considerable investment.

Moreover, the South can find ways to make its economy productive. A good start in the right direction has been made in agriculture. A good start has been made in industry. Some

start has been made in trade. The South has an abundance of poorly used resources. It has some pockets of capital—more than it suspects. Finally, and most important, it has a rugged people, fundamentally as able as any to be found anywhere.

Of all these factors, people are the most important. They are the one resource without which nothing could be done. They are the resource that will do whatever is done. And the cold fact is that they are the most neglected resource of all. They and they alone govern the advance and the speed with which it comes.

Southern people have had so little for so long that they scarcely know their own capacity. Southern leaders go North and West and do great things. They show great capacity in industry there. By no means do all able leaders of the South move out to make records elsewhere. Many remain. Somehow the latent talents of those who remain must be released. Their abilities must be put to use for the development of the South. Some way must be found to create the spirit of enterprise that will attract men looking for opportunity. The Southerner needs more confidence in his capacity to do things in the South—big things now generally considered impossible. Somehow there must be aroused more of a will to do, more of an urge to build and rebuild the South. Words are not enough. In this enterprise action alone speaks convincingly. I have often felt that the South needs to adopt the friendly inquiry of the West, "What do you do?" in place of its own, "Where are you from?"

The first requirement is purpose and determination. When enough people in the South are sufficiently determined to go forward, they will get the know-how, provide the skills, attract the capital, and marshal the machinery and power needed to build an economy of which the bounty would astonish all of us. There are already some fine examples of what can be done. The way in which Birmingham has developed the Coosa River Newsprint mill is a glorious episode that needs to be repeated all over the South. In textiles, in petroleum products, and in a score of other industries a similar story could be told. Admittedly the South hasn't everything it needs for its industrial development. But it has people; and when they will, they can get what is needed to do the job.

### Developing Leaders

The first step then, is to fire more promising leaders with enthusiasm and determination to spend their lives in the development of the southern region by building up industry and trade. Enterprise is the one active agent without which the South cannot go forward. The social contribution of those who promote industrial improvement is incalculable. They make other men, and indeed the whole working force, more productive than they would otherwise be. They do for others what others cannot do for themselves. It is they who provide opportunities for a better life.

I shall emphasize again and again that people who will pioneer in this development are the first and the most essential requirement. In fact, what the South needs most is a generation of courageous and ingenious men, not unlike that hardy race of Yankees who made New England thrive when they had little to work with except their wits. Samuel Morison in his *History of Massachusetts Ports* tells how those hardy folk, with fewer resources than the South possesses, made a marvelous

comeback three times in a hundred years as their trade was disrupted or destroyed by war or competition. Through dogged determination and sagacity these Yankees restored the economy of New England. That, gentlemen, is what the South must do and must do for itself. If it is to be made prosperous, it will be made so by the people with that kind of zeal, and those people must come from the South. Southern people alone can or will make Southerners prosperous. Outsiders may help. They can be induced to contribute capital and know-how and other forms of assistance, but fundamentally what the South reaps it first must sow, and what it does not sow itself, it will not reap.

### Selling Its Products

Next to men of enterprise and competence to pioneer the economic development of the South, perhaps the greatest need is for a larger conception of the marketing job that must be done if the South is to realize the full potential of its industrial opportunities. Eventually, the South must find out what it should produce and for what markets, and it had better face this question early than late. It is better to build soundly in the first instance than later at the risk of failure.

Traditionally the South is not a great trading area. It has never made its living by trading as did the northern seaboard, nor by manufacturing for the world as has the industrial North. It has never shaken off the colonial pattern of exporting low-priced raw materials and importing high-priced manufactures. It suffers grievously from an antiquated marketing system that relies on others to process and distribute its products. There are some challenging exceptions, but by and large the old pattern still prevails. Even many of the newer industries that process southern materials look only to local markets. I find as yet no widespread interest in the enormous potentialities of the national or international markets. I find little knowledge of the customers or of their requirements in those markets. In a sense, too many southern firms having something to sell are saying, in effect, "Sure, we have a good product. Why don't you find out about it, come down here and buy it?" The South has not gone out to sell. I can assure you that if New England, the great industrial Midwest, and the Far West had employed such "low-pressure" methods, they would never have arrived where they are today.

The South can learn and can benefit from the experience of these great trading areas. Let me illustrate with the case of California, which has done perhaps the most spectacular marketing job of any state. It had soil and climate suitable for agriculture and limited power for industry. It faced a barrier of high freight rates to the East that makes the southern freight-rate problem look inconsequential. It could have chosen to remain a remote and self-sufficient little island. Instead, it chose the most difficult of all alternatives—to sell in eastern markets. In order to pay the freight and have anything left over for the producer, it had to offer superior quality at premium prices. It induced its farmers to grow fruits and vegetables of high quality and in large quantities. Carefully eliminating poor grades, it shipped its produce fresh or processed and so built up a reputation for dependable quality and grades. What was the result? The channels of trade are now so well developed that California oranges, other fruits, and vegetables are sold all over the country and in effective

competition with locally grown products. The same has been done with Hawaiian pineapples, Washington apples, and numerous other products.

Hence, when I go into South Carolina and order peaches, I get California peaches. In Atlanta I get California oranges. In Virginia I get Washington apples. In Birmingham I get New England fish. The South will never meet this sort of competition with little trickles of locally grown products. Its only salvation is to go forth and do likewise and do it on a grand scale.

The first obstacle to be overcome is the prevailing notion that the South is unable to compete and to fill the channels of trade all over the country with its products. Some time ago I was talking with a businessman who saw no prospect of distributing southern products nationally. As he talked he was looking out of the window at a great cigarette factory and down the street at a large Coca-Cola sign. You will understand why I was not impressed with the knowledge, the vision, and the enterprise of this man who was doing all right himself and merely wanted to be left undisturbed.

The South can do a marketing job if it will. The first rule of good marketing is to know your customer and his wants. The second rule is to supply the customer with what he wants. This the South has not done on any adequate scale. If my information is reliable, very few southern firms are studying their markets and very few have any market research specialists or close contacts with their distributing outlets beyond the South. As one businessman put it, "I know of no southern firm in my area which has a market analyst, but every northern firm operating in this area has a swarm of them here figuring out how to sell us more."

Atlanta calls itself the distribution center of the Southeast. When I asked how many market consultants operate there serving southern firms, I was told there was one and that he couldn't make a living, and that now there is another trying to make a living. Just look at the classified directory of any large northern city, and see what you find. I say these things not to be critical, but because the first step in any cure is diagnosis, and one of the South's ailments is that it isn't trying to sell on a large enough scale to permit its industry to grow.

### Improving Quality

The blunt fact is that for food products and for many others the South has a reputation for irregular quality, irregular and undependable supply, and very few recognized brands. Florida has lost a good portion of its market for fresh oranges, and it is now selling over 50 percent of its crop in the form of orange juice. It is doing an excellent job of research on orange juice and orange concentrates, but it hasn't yet developed a reputation for dependable quality. The South produces pecans in quantity, but it hasn't begun to do the marketing job that California has done on walnuts. Virginia produces marvelous Smithfield hams, but the rest of the country rarely sees them. If Californians produced Smithfield hams, Virginians would eat more of them than they now do. Cases could be multiplied but the point needs no further reinforcement.

Southern industry ought to set out to do a nation-wide marketing job for its best products. It ought to stress high qual-

ity, dependable quality, reliable brands. It ought to build a reputation for its products and never risk this reputation with goods below standard. In agriculture this will mean a great deal of work with growers to induce them to grow what can be used. It will mean co-operation among distributors to insist on grades and quality. It will mean national advertising and quantity shipments so that it becomes easier to buy a southern product in Idaho than to buy a local product.

The effort to build a reputation for quality among southern products would doubtless be assisted if there were some sort of southern agency to certify quality, an agency similar to the Good Housekeeping Institute with its Brand of Approval. Such an agency might have a Seal of Quality that could be stamped on any southern product endorsed for national distribution as meeting high standards of quality. The stamp could advertise the article as a southern product. The agency could carry on advertising for the South. To be effective it ought to serve all the southern states. It should probably be a private agency and its standards and rulings would have to be rigorous so as to command confidence. It could do much to encourage southern business to produce products of high quality and to sell nationally. The South needs such an agency.

There are good economic reasons for urging the national distribution of southern products. Such distribution would bring southern industry directly into competition with the best producers and so would put southern business on its toes. I have no fear of its ability to play the game if ever we can get the South out on the playing field.

But there are other reasons why this development is economically desirable. It would be a great encouragement to the development of the very industries that the South most needs. It would help in the agricultural revolution that is now under way. Cotton is giving way to diversified farming, forestation, cattle raising, and scientific farming. Southern agriculture could become a great supplier of produce for the fresh, frozen, and canned food industry. Such a development awaits the creation of marketing channels for mass distribution. The mechanization of farming will require fewer people on the farm and more real farmers. If better farm practices are to be introduced successfully, there must be many farm consolidations—fewer farms of larger size, and fewer and more competent farmers. These trends are wholesome in spite of the handicaps and hardships they may cause for people who are driven into other pursuits. In the end, they will create a more prosperous agriculture that better serves the people and the nation.

### Developing Industry

As more and more people leave farms, cities grow and job opportunities must be found there for them. This calls for the encouragement of industry and other occupational pursuits. The South has less than its share of people in trade, industry, and the professions. If the South sets out to serve the nation industrially, it will find many fields in which its raw materials can be processed to serve the needs of distant, as well as of local, buyers. It will also find products that are mainly the creation of its particular skills and these too should be encouraged. Communities with the highest incomes are those with the most skilled workers. The South needs to develop skills. Sound industrial development requires far more

than merely the attraction of branch factories of distant firms. I am confident that the South has hundreds of little plants that could do a national business if they would only interest themselves in the national market. These should be given every encouragement. National markets for many of them would mean the multiplication of pay rolls and plants many-fold. In brief, I want to see southern business do something big with what it has. Nothing will give it more confidence in its capacity to do what it sets out to do.

### Selling Itself

Now let me turn to another marketing job—that of selling the South to the rest of the country. Probably no region of the country has more unfavorable publicity or is so unconvincing in answering criticism. It is a serious mistake to try to answer some of the criticism, and for some of it there is no answer. If there isn't a good reply, it's best to change the subject. Some replies now being given out are merely convincing proof to the outsider that the criticism is valid. Although the South should not be content to take all of this criticism lying down, I do urge you to tell and to show the country exactly what you are doing to improve and develop the South. The rest of the country is fed up with discouraging attacks that give the impression that the South is hopeless. It will welcome news of what is really being done to carry the South forward. It will not be impressed by vague generalizations to the effect that the South has come a long way and that conditions are improving. It must be given chapter and verse on specific improvements—on what Birmingham has done; on what Tullahoma has done; on what Bristol has done; on what this corporation is doing and what that man has done. And those instances must be pulled together so that their real significance can be seen. In other words, give the country something to talk about besides deficiencies. Show the world what is really being done to remedy the cause of criticism and criticism will then become less of a popular fad.

In this connection a word should also be said about a growing new industry in the South—the tourist trade. This is a sort of come-and-get-it business. Tourist expenditures in several states now exceed the value of the cotton crop, and are growing rapidly. With encouragement, this trade could become one of the South's leading industries. The mountains and the seashores, the historic sights, the recreational activities, and a host of other attractions can be sold every year. In order to expand, this trade must be carefully and thoughtfully cultivated. Remember that what your advertising brochures say about the attractions of the South can be largely offset by the uncontrollable weather, or by accommodations which some proprietor hasn't sense enough to keep clean, or by discourteous treatment. In no industry is it more difficult to maintain standards. Surely much can be done to raise the level of comfort for the tourist.

I know of no state that would not benefit from a campaign to improve and to clean up hotel and other accommodations. Every traveler complains of poor and inadequate restaurants, dirty hotels, ill-kept towns, dirty and decrepit filling stations. Many tourists are disappointed by the absence of picturesque lunchrooms specializing in choice local dishes and shops that display the best southern products. These things, of course, are being improved, but so much more could be done, with

profit to those who do them, and with enjoyment for those who visit the land of hospitality. One improvement that is urgently needed is the landscaping and beautifying of principal highways. The southern landscape can be perfectly beautiful, but the tourist who drives for miles and days through gullied areas, past abandoned shacks and weed-grown fields is dismayed. As he drives down a modern highway between two barren shoulders of raw red clay, covered only here and there with scraggly weeds that are never mowed, you can't blame him if he acquires the impression that the South is just indifferent to such conditions. The South could make no better highway investment than to lay out a plan for making lovely parkways of its heavily traveled highways. If you ever start showing off the beauties of the South, you will be astonished at the amount of beauty there is to be shown.

### Wide Horizons

Finally, let me say that if the things that have been mentioned have seemed general, it is because no one could do justice to their specific aspects. They must be worked out in each particular instance. At this time I could wish nothing more than to lift your eyes to the possibilities of the South and to stir your minds with the challenge that awaits those who will rise to meet it. More time could well have been spent on the rewards that will flow to everyone from going forward in a crusading spirit to build the new South that men have talked of for sixty years, and which can now be brought to realization.

Perhaps the most encouraging thing about the new South is that results will come eventually in spite of those who lift no hand to help. In the next quarter century the South will do far more than it now expects to do. It will grow more, improve more, solve more of its problems, and be left with more things to worry about than people now generally expect. That has been the history of this country. If in 1900 anyone had said that in a few decades the South would have built a system of public schools for whites and another one for negroes, he would have been considered a crackpot or a radical trying to stir up trouble. Yet the South has done what, in 1900, it did not even intend to do. If anyone had said then that a little college in Baton Rouge would become a thriving university with an annual budget of over 14 million dollars, he would have seemed out of his mind. But there is the result, matched in other states, and yet people forty years ago didn't even intend to build such universities. If, in 1910, anyone had described the paved highways that extend all over the South, he would have been laughed at as dreaming the impossible. If anyone had predicted diversified farming, mechanized agriculture, industrialization, the large and thriving cities, the great power developments, and literally scores of other changes, would your fathers have listened or believed these possible?

The South has aimed below its future for half a century, and I believe it is still shooting far below the target it can hit. We can finance more, and do more, and benefit more than now seems possible. I would, therefore, urge you to aim higher, to plan bigger, to undertake more, and, if necessary, go down fighting. But don't set sail on a ten-mile journey when you know you can make a distant port.

## District Business Conditions

### Cotton and Peanut Acreage Allotments

**D**URING the war, when there were no acreage allotments or marketing quotas on cotton and peanuts, some farmers increased their acreage of these crops and others decreased it. When it became necessary to re-impose controls, the formulas for allotting acreages to individual farmers had to be changed because of shifts in production which had varied from farm to farm and from area to area. The Congress, therefore, devised new formulas which took into account the shifts as well as the production of war crops, or those crops that farmers were asked to grow with the understanding that their base acreage for cotton and peanuts would not be decreased.

Last year the new formula for peanuts was used with no more protests from growers than would ordinarily be expected when acreage of any crop is re-controlled. Protests to the new formula for the 1950 cotton acreage allotments were so strong, however, that legislation was enacted to remove the most serious objections. The provisions of law which became effective on March 31 were used in determining acreage allotments for this year's cotton and peanut crops. As a result, allotments of cotton acreage were increased from 21 million to about 22.2 million acres and allotments of peanut acreage were raised from 2.1 million to 2.2 million acres. Not all cotton and peanut growers will receive additional acreage. It will be allocated to those farmers who had the most severe cuts under the old law.

For cotton, the main provisions are that the minimum allotment for a particular farmer shall not be less than 65 percent of the average acreage planted in 1946, 1947, and 1948, or 45 percent of the highest acreage planted in any of these years. In determining the acreage planted, credit will be given for the so-called "war crops" grown in these years. The total for any farm will be limited to 40 percent of the acreage tilled annually or in regular rotation. To receive more acreage, the farmer must apply in writing to his PMA committee.

The extra acreage to be allotted is in addition to the county, state, and national allotments proclaimed by the Secretary of Agriculture for the 1950 crop. The production from the extra acreage is to be in addition to the marketing quota already established. The additional acreage, however, cannot be taken into account in establishing future state, county, or farm allotments. This means that the recent law merely alleviates some of the difficulties that arose out of the acreage reduction this year and that it does nothing to make the allotment and quota system more workable in the future.

#### Percent of Cotton Acreage Allotment Planted — 1938, 1941

State	1938	1941
Alabama . . . . .	92.6	78.6
Florida . . . . .	79.8	58.8
Georgia . . . . .	94.3	82.1
Louisiana . . . . .	91.4	84.5
Mississippi . . . . .	98.2	91.2
Tennessee . . . . .	90.3	85.9

Cotton plantings are almost certain to be less than the acreage allotted. Some farmers will not use all of their allotment because of unfavorable weather or because of changes in their farming systems or for a variety of other reasons. The effects of allotments upon acreage planted can only be esti-

mated at this time, but experience with allotments in earlier years gives some indication of what farmers may do. In 1938, when allotments were re-imposed after a year of unrestricted planting, farmers in the District states planted 94 percent of their allotted acreage. If they plant about the same proportion of their allotments that they planted in earlier years, the total 1950 cotton acreage will be about 20 million acres.

Some farmers may quit growing cotton rather than be subject to the uncertainty that has always been characteristic of a production restriction program. For example, the cotton acreage formula most likely will have to be revised again for the 1951 crop and any revision is apt to be accompanied by a further restriction. Under these circumstances, farmers who have only a few acres of cotton and who can profitably expand other enterprises might gain by not growing cotton. In general, however, the need for a cash crop is so great that most farmers will continue to plant all the cotton they can.

#### Percent of Allotted Acreage Planted to Cotton in 1940

State	All Cotton Farms	Farms with Allotments of Less than Five Acres
Alabama . . . . .	86.1	58.9
Florida . . . . .	64.0	39.6
Georgia . . . . .	85.0	54.1
Louisiana . . . . .	89.9	53.3
Mississippi . . . . .	93.6	67.0
Tennessee . . . . .	87.9	63.5

The most important new provision with respect to peanuts is that no state shall have its allotment for 1950 reduced by a percentage larger than the percentage by which the 1950 national peanut acreage allotment originally announced is below the 1949 allotment. In the District states this provision is important only to Alabama growers, to whom it gives another 43,000 acres. The acreage added, however, cannot be taken into account in establishing allotments in future years, which means that no basic corrections have been made in the allotment formula.

Authority for a two-price system on peanuts is also restored in the new law. Growers can overplant their acreage allotments and not receive a marketing penalty if the peanuts from the excess acreage are sold for crushing for oil in a manner prescribed by the Secretary of Agriculture. Growers can sell excess peanuts for oil and get full price support on their quota peanuts only if their total acreage picked and threshed does not exceed their 1947 acreage. One interesting feature of the authority for a two-price system is that it is in effect only so long as marketing quotas are not in effect on soybeans. Marketing quotas for soybeans seem likely for the 1951 crop.

Acreage allotments and marketing quotas represent the right to grow a crop. After they have been used for a few years as they have on tobacco, they tend to become associated with the other rights held by the owners of private property. Most forms of economic regulations become difficult to administer when they attempt to modify the rights that are commonly regarded as belonging to the holders of private property. The current efforts to control cotton and peanut production cannot escape this difficulty. For many farmers the additional acreage allotted under the new legislation will mean more dollars in 1950. The long-run problems facing cotton and peanut farmers, however, have not been changed.

B. R. R.

### Industry and Employment

A record level was reached in the first quarter of 1950 in the value of construction contracts awarded in the Sixth District. In each of the first three months of the year, the dollar value was larger than it had ever been in that month. The March total of slightly less than 240 million dollars, was second only to the total for August 1943, which included a large amount for war projects. Included in the March 1950 total was 103 million dollars for an atomic energy project to be constructed in eastern Tennessee. Not only was the March total nearly three times as great as the February total, but it was also that much greater than the total for March 1949. The total for the quarter was nearly double that for the first quarter of last year.

Residential contracts awarded in March totaled 84 million dollars, a larger amount than has ever been reported before for this District. They were up 92 percent from February and nearly two and one-half times the residential total for March a year ago. For the quarter, the residential total of 174 million dollars, accounting for 41.5 percent of total awards, was 97.6 percent greater than in the first quarter of 1949.

All the six states shared in these increases and in all six states first-quarter awards, both total and residential, were greater than a year ago. Increases in residential contracts amounted to 80.5 percent in Florida, 94.6 percent in Louisiana, 103 percent in Alabama, 113 percent in Mississippi, 116 percent in Georgia, and 130 percent in Tennessee.

In March, textile mills in the District used nearly 323,000 bales of cotton. The daily average rate of consumption was up 8 percent from February and was 25 percent larger than for March last year. It was the highest rate recorded for any month in about three years with the exception of January 1948. Following the July low of last summer, the consumption rate has increased each month except December—the March rate being up 85 percent from that for July.

Steel mill operations in the Birmingham-Gadsden area, down to 43 percent of capacity by March 5, recovered rapidly the following week and since March 19 have been reported above 100 percent of rated capacity.

Oil production in coastal Louisiana and Mississippi was off a little less than 7 percent from February, but was slightly greater than in March last year.

In February, production of electric power by public utility plants in the District increased 6.6 percent over January and was 9.5 percent greater than in February last year. The daily average rate of a little more than 99 million k.w. hours was 15.4 percent greater than the average for the year 1949. The increase from January was about the same in hydro-electric plants as in fuel plants; but in comparison with February 1949, hydro-electric power increased only 1.5 percent and fuel-generated power increased 19.4 percent. Hydro-electric power accounted for 51.5 percent of the total this February compared with 55.6 percent in February, 1949.

Manufacturing employment in February in the District states averaged about the same as in January. Although decreases were reported in Louisiana and Alabama, they were offset by small increases in the other four states. Employment in construction work was off in some places because of bad weather. Mining employment in Alabama and Tennessee was greatly reduced by the coal strike.

In Louisiana, there was a 3.2-percent decline from January to February. This represented a loss of an estimated 4,100

workers, which number was fairly evenly distributed in the durable and nondurable goods groups. In the durable goods group, transportation equipment and lumber and wood products together released approximately 2,000 workers during the month. Much of this layoff was reported to be temporary and was mainly because of bad weather. In the nondurables group, most of the 3,100 workers laid off were in the food products industry, where the decline was seasonal. Employment in this industry should show an increase soon.

Bad weather in Alabama and the effects of the new minimum wage law contributed to the loss of 1,200 workers in sawmills and planing mills. The shipbuilding industry lost 600 workers; textile employment was off 400; and there were smaller losses in apparel and chemical plants and plants manufacturing petroleum and coal products.

In Florida, a small employment gain over January resulted from increases in transportation equipment, chemicals and allied products, apparel, and food that were completely offset by decreases in lumber and wood products. A number of contracts for the overhauling and repair of Navy vessels was chiefly responsible for the 9.7-percent gains at plants manufacturing transportation equipment. Employment in citrus canning and preserving was not as high as was expected, but small gains were made at plants manufacturing other food products. A lack of new orders and a decline in prices, attributable to decreased demand for citrus crates, caused curtailment of operations in logging camps and sawmills.

A small net gain in Georgia employment resulted from a seasonal increase in the fertilizer industry and small gains in fabricated metal products, in paper, transportation equipment and food, partially offset by losses in apparel plants.

Tennessee reported losses in tobacco manufacturing, in leather, apparel, and textile plants which were offset only in part by gains in primary metals products, lumber, and wood products, food, and chemicals.

D.E.M.

### Sales in the First Quarter

Sales made by District department stores during the first quarter of this year totaled 188 million dollars and were about 3 percent greater than they were during the first three months of 1949. The gain was larger than would be expected merely because Easter was a week earlier this year.

March sales should have been about 3 percent above those of the preceding March and the quarter's sales about one percent greater because of the early Easter. Actually, they were 7 percent greater than those of last March. If the first quarter has set a precedent, sales for the year will be about 2 percent greater than 1949 sales.

As would be expected, sales at the weekly reporting stores during the week immediately preceding Easter, which ended April 8, were higher than in the corresponding week last year when Easter was two weeks away. For the week ended April 15, they were much lower and for the four weeks ended April 22, they were one percent greater.

New Easter outfits, however, do not wholly account for the gain over last year. Reports from the larger department stores show that sales of women's and men's clothing were lower this March than last. The furniture and household appliance departments, on the other hand, showed sizable sales increases.

Sales at furniture stores during March, which were 12 percent higher than they were in March last year, confirm



this trend. Household appliance store sales were up 23 percent.

These and other reports show that consumers are spending more to build and equip their houses; they are spending more for automobiles and the gasoline with which to run them. They are, however, cutting down on their spending for clothing, and limiting their buying of other articles.

**AUTOMOBILE SALES EXPAND.** Estimates based upon Department of Commerce data on the sales of independent stores in selected areas of the District show that for the first two months of the year motor vehicle dealers had dollar sales approximately 30 percent greater than those of the corresponding period in 1949, and that filling station sales were up 5 percent. Dealers of lumber, building materials, and hardware had sales averaging 20 percent higher this year than last year. On the other hand, apparel store sales were down approximately 9 percent. Sales at both food stores and drug stores averaged 4 percent higher.

**CONSUMER CREDIT AND BANK LOANS.** The present types of consumer spending account in part for the continued high level of loans at District banks. Ordinarily, by the end of March member bank loans are about 3 percent lower than at the first of the year. This year they were 2 percent higher.

Retailers are the largest group of borrowers from commercial banks. Even in 1946, when accumulated cash balances were high, loans to retailers constituted 38 percent of the total number of commercial and industrial loans and 18 percent of the dollar volume.

Banks often supply retailers with the funds to carry their expanded inventories in the last quarter of the year. These loans are usually repaid soon after the first of the year when the borrowers' cash balances, already bolstered by holiday cash sales, are increased by collections on charge accounts. Total loans, therefore, would normally be reduced at this time of year. The Retail Credit Survey recently completed by

**SIXTH DISTRICT CREDIT GRANTING RETAILERS, ACCOUNTS RECEIVABLE AND INVENTORIES**

Kind of Business	No. Reporting Stores	Charge Accounts Receivable, End of Year				Instalment Receivables, End of Year				Inventories, End of Year	
		1948		1949		1948		1949		Per-cent	Turn-over
		Per-cent Ch'ge	As Percent of Annual Charge Account Sales	Per-cent Ch'ge	As Percent of Annual Charge Account Sales	Per-cent Ch'ge	As Percent of Annual Instalment Sales	Per-cent Ch'ge	As Percent of Annual Instalment Sales		
Department.....	105	+ 8	28	25	+ 46	66	50	- 6	5.0		
Men's Clothing.....	33	+ 7	27	26	+ 1	26	25	- 5	3.3		
Women's Apparel....	26	- 7	27	25	- 0	29	26	- 1	5.7		
Furniture.....	117	+ 27	33	24	+ 17	54	45	- 12	3.2		
Hardware.....	61	- 5	17	16	+ 33	27	30	- 3	3.4		
Household Appliance.	185	+ 19	17	13	+ 44	31	22	- 19	4.2		
Jewelry.....	53	+ 6	36	32	+ 8	48	43	- 1	1.6		
Automobile Dealers..	53	- 7	8	9	+ 98	7	6	- 3	10.8		
Auto. Tire and Accessory.....	55	+ 5	12	11	+ 27	22	18	- 5	5.0		
Weighted Average....	688	+ 2	19	18	+ 29	30	28	- 7	5.4		

Source: Retail Credit Survey for 1949.

the Bank showed, however, that inventories were lower at the beginning of this year than they were at the first of last year. Moreover, in most lines of business, open credit sales in 1949 were lower than in 1948. Reports from the department, furniture, and household appliance stores for the first three months of this year show that these trends are continuing.

The survey did show, on the other hand, that despite their lower open credit sales, retailers were carrying accounts for longer periods than they were a year ago. Consequently, they had greater amounts of open credit accounts outstanding even

**Sixth District Statistics**

Item	CONDITION OF 28 MEMBER BANKS IN LEADING CITIES (In Thousands of Dollars)			Percent Change	
	April 19 1950	Mar. 15 1950	April 20 1949	March 15 1950	April 20 1949
Loans and investments—					
Total.....	2,466,622	2,482,677	2,276,619	- 1	+ 8
Loans—Net.....	889,142	890,842	820,491	- 0	+ 8
Loans—Gross.....	902,584	904,111	831,476	- 0	+ 9
Commercial, industrial, and agricultural loans..	519,798	532,712	518,385	- 2	+ 0
Loans to brokers and dealers in securities....	11,545	9,105	7,142	+ 27	+ 62
Other loans for purchasing and carrying securities.....	33,968	33,256	42,905	+ 2	- 21
Real estate loans.....	77,784	77,055	67,863	+ 1	+ 15
Loans to banks.....	4,602	5,418	4,570	- 15	+ 1
Other loans.....	254,887	246,565	190,611	+ 3	+ 34
Investments—Total.....	1,577,480	1,591,835	1,456,128	- 1	+ 8
Bills, certificates and notes.....	619,049	627,175	366,525	- 1	+ 69
U. S. bonds.....	746,779	756,996	901,028	- 1	- 17
Other securities.....	211,652	207,664	188,575	+ 2	+ 12
Reserve with F. R. Bank.....	402,055	405,282	486,353	- 1	- 17
Cash in vault.....	40,352	39,738	41,534	+ 2	- 3
Balances with domestic banks.....	178,107	208,100	186,627	- 14	- 5
Demand deposits adjusted.	1,773,671	1,776,869	1,766,525	- 0	+ 0
Time deposits.....	540,069	536,967	535,021	+ 1	+ 1
U. S. Gov't deposits.....	56,922	60,671	41,355	- 6	+ 38
Deposits of domestic banks.	523,264	569,006	466,563	- 8	+ 12
Borrowings.....		2,000	1,500		

Place	DEBITS TO INDIVIDUAL BANK ACCOUNTS (In Thousands of Dollars)			Percent Change		
	March 1950	Feb. 1950	March 1949	March 1950, from		1950 from 1949, First Quarter
				Feb. 1950	Mar. 1949	
ALABAMA						
Anniston.....	22,374	18,722	21,983	+ 20	+ 2	- 4
Birmingham.....	358,026	289,188	333,599	+ 24	+ 7	+ 3
Dothan.....	13,529	11,891	12,658	+ 14	+ 7	+ 1
Gadsden.....	19,589	17,934	19,302	+ 9	+ 1	+ 2
Mobile.....	126,863	114,547	141,350	+ 11	- 10	- 9
Montgomery.....	85,141	69,890	71,514	+ 22	+ 19	+ 10
FLORIDA						
Jacksonville.....	321,898	280,145	290,537	+ 15	+ 11	+ 11
Miami.....	321,155	285,906	284,196	+ 21	+ 13	+ 7
Greater Miami*.....	477,222	395,067	429,481	+ 21	+ 11	+ 7
Orlando.....	72,456	64,303	59,506	+ 13	+ 22	+ 26
Pensacola.....	36,508	31,774	34,364	+ 15	+ 6	+ 4
St. Petersburg.....	73,516	63,788	65,666	+ 15	+ 12	+ 12
Tampa.....	164,085	139,807	141,677	+ 17	+ 16	+ 17
GEORGIA						
Albany.....	24,635	22,177	24,198	+ 11	+ 2	- 1
Atlanta.....	921,833	778,384	848,351	+ 18	+ 9	+ 6
Augusta.....	54,583	50,646	62,972	+ 8	- 13	- 6
Brunswick.....	8,171	7,895	8,597	+ 16	+ 7	+ 3
Columbus.....	60,679	50,666	52,043	+ 20	+ 17	+ 12
Elberton.....	4,024	3,339	3,586	+ 21	+ 12	+ 3
Gainesville*.....	15,327	12,731	14,057	+ 20	+ 9	+ 4
Griffin.....	11,673	9,784	10,456	+ 20	+ 12	+ 2
Macon.....	58,405	52,905	56,234	+ 10	+ 4	+ 4
Newnan.....	8,151	8,158	7,859	- 0	+ 4	+ 7
Rome.....	21,879	18,679	19,787	+ 17	+ 11	+ 8
Savannah.....	96,251	79,153	92,566	+ 27	+ 4	+ 1
Valdosta.....	11,078	10,667	10,763	+ 4	+ 3	+ 1
LOUISIANA						
Alexandria*.....	33,239	29,433	30,201	+ 13	+ 10	+ 10
Baton Rouge.....	106,493	96,851	128,232	+ 10	- 17	- 5
Lake Charles.....	38,674	32,966	36,834	+ 17	+ 5	+ 2
New Orleans.....	771,419	647,957	871,912	+ 19	- 12	- 2
MISSISSIPPI						
Hattiesburg.....	18,336	16,582	16,967	+ 11	+ 8	+ 9
Jackson.....	161,854	132,665	151,153	+ 22	+ 7	+ 4
Meridian.....	28,171	23,472	26,901	+ 20	+ 5	+ 1
Vicksburg.....	26,360	22,021	25,313	+ 20	+ 4	- 0
TENNESSEE						
Chattanooga.....	151,291	128,677	146,901	+ 18	+ 3	+ 4
Knoxville.....	106,547	96,600	108,180	+ 10	- 2	+ 2
Nashville.....	338,440	294,183	299,638	+ 15	+ 13	+ 13
SIXTH DISTRICT						
32 Cities.....	4,611,535	3,923,859	4,455,552	+ 18	+ 4	+ 5
UNITED STATES						
333 Cities.....	115,738,000	96,236,000	109,741,000	+ 20	+ 5	+ 5

\* Not included in Sixth District total

## Sixth District Indexes

DEPARTMENT STORE SALES*						
Place	Adjusted**			Unadjusted		
	March 1950	Feb. 1950	March 1949	March 1950	Feb. 1950	March 1949
DISTRICT.....	374r	383	365r	359r	322	339
Atlanta.....	416r	434	399r	399r	365	363
Baton Rouge...	363	401	418r	352	341	393
Birmingham...	360	343	355r	353	284	341
Chattanooga...	377	339	312r	343	278	274
Jackson.....	370	370	360r	356	307	338
Jacksonville...	366	381	367r	355	312	349
Knoxville.....	375	361	360r	349	289	324
Macon.....	281	346	250r	303	266	265
Miami.....	404	375	373r	428	416	396
Montgomery...	322r	334	317r	306r	274	289
Nashville.....	409	409	385r	388	319	366
New Orleans...	362	366	358r	348	308	326
Tampa.....	471	491	465r	466	437	451

DEPARTMENT STORE STOCKS						
Place	Adjusted**			Unadjusted		
	March 1950	Feb. 1950	March 1949	March 1950	Feb. 1950	March 1949
DISTRICT.....	353r	350	348r	371r	354	365
Atlanta.....	424	461	429r	449	447	455
Birmingham...	266	261	295r	282	271	313
Montgomery...	386	402	424r	386	406	424
Nashville.....	538	527	512r	554	500	527
New Orleans...	342r	358	325r	366r	335	348

GASOLINE TAX COLLECTIONS***						
Place	Adjusted**			Unadjusted		
	March 1950	Feb. 1950	March 1949	March 1950	Feb. 1950	March 1949
SIX STATES.....	235	228	206	219	228	191
Alabama.....	222	221	197	205	210	181
Florida.....	228	216	204	239	233	214
Georgia.....	240	239	182	220	228	167
Louisiana.....	276	243	218	254	238	201
Mississippi.....	230	180	174	207	173	157
Tennessee.....	201	269	238	177	258	210

COTTON CONSUMPTION*				ELECTRIC POWER PRODUCTION*			
Place	Mar. 1950	Feb. 1950	Mar. 1949	SIX STATES..	Feb. 1950	Jan. 1950	Feb. 1949
	TOTAL.....	166	154		132	Hydro-	419
Alabama.....	174	162	141	generated	381	357	375
Georgia.....	167	154	132	Fuel-	469	439	393
Mississippi...	99	91	79	generated			
Tennessee...	140	134	111r				

MANUFACTURING EMPLOYMENT***				CONSTRUCTION CONTRACTS			
Place	Feb. 1950	Jan. 1950	Feb. 1949	Place	March 1950	Feb. 1950	March 1949
	SIX STATES..	140	140		146	DISTRICT...	1181
Alabama...	140	142	150	Residential	1275	663	531
Florida....	140	139	145	Other.....	1135	321	341
Georgia....	140	139	141	Alabama...	608	503	352
Louisiana..	130	134	139	Florida....	816	472	497
Mississippi.	135	134	138	Georgia....	711	502	482
Tennessee.	146	146	148	Louisiana..	627	391	303
				Mississippi.	319	262	202
				Tennessee.	2991	351	401

CONSUMERS PRICE INDEX				ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS			
Item	Mar. 1950	Feb. 1950	Mar. 1949	Unadjusted..	March 1950	Feb. 1950	March 1949
	ALL ITEMS...	171	169		173	Adjusted**..	20.7
Food.....	198	195	203	Index**.....	20.7	20.2	20.4
Clothing....	191	192	198		83.7	81.7	82.6
Fuel, elec. and refrig.	141	140	139	CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*			
Home furnishings...	184	185	192		March 1950	Feb. 1950	March 1949
Misc.....	154	154	154	Unadjusted..	300	322	300
Purchasing power of dollar.....	.58	.59	.58	Adjusted**..	300	317	299

though their sales declined. These amounts have not been large enough, however, to explain the expansion in bank borrowing. That consumer buying has shifted to durable goods financed in large part by instalment credit has, however, been important.

**SALE OF INSTALMENT PAPER.** A large number of the automobiles and a good proportion of the other durable consumer goods now being bought are being purchased on the instalment plan. Instead of waiting from thirty to sixty days for their money as they do in the case of charge account credit, retailers may have to wait several months for final collection. Some retailers are likely to call upon banks for help in carrying this credit load, either by borrowing directly or by selling the instalment paper.

Automobile dealers usually sell their instalment paper and last year, according to the Retail Credit Survey, other retailers also financed a larger part of their instalment sales in this manner than they had been accustomed to doing. About six out of every ten hardware stores making instalment sales, for example, sold instalment paper. The paper sold by hardware stores during 1949 amounted to 62 percent of their instalment sales, compared with 47 percent during 1948.

Commercial banks are today the chief source of automobile instalment-sale credit and an important source of other types of instalment-sale credit. In the United States, automobile instalment-sale credit outstanding at the banks now amounts to about 55 percent of the total 3.3 billion dollars outstanding. Instalment-sale credit granted by the banks for the purchase of other types of goods amounts to almost a third of all such credit.

Increased buying, therefore, is responsible for the growth of instalment credit held at the District commercial banks. Not only have these banks bought more retail instalment loans than they had heretofore, but they have also made a larger volume of loans directly to consumers. Their total consumer instalment credits outstanding at the end of March are estimated at 306 million dollars, 74 million dollars greater than a year ago.

SALE OF INSTALMENT PAPER									
Sixth District Stores Making Instalment Sales									
Kind of Business	No. Reporting Stores	Stores Selling Instalment Paper				Stores Not Selling Instalment Paper			
		Per cent of Reporting Stores	Paper Sold, as Percent of Instalment Sales		Receivables, as Percent of Instalment Sales		Per cent of Reporting Stores	Receivables, as Percent of Instalment Sales	
			1949	1948	1949	1948		1949	1948
Department.....	50	4	1	1	71	54	96	66	50
Furniture.....	91	11	8	5	43	44	89	55	45
Hardware.....	26	62	62	47	19	33	38	39	26
Household Appliance.	137	87	62	54	16	10	13	62	48
Jewelry.....	36	6	7	5	64	49	94	54	49
Automobile Dealers..	47	100	62	58	7	7	..	..	..
Auto. Tire and Accessory.....	41	59	47	37	19	16	41	35	34

Source: Retail Credit Survey for 1949.

Of course, other factors have been important in keeping up the demand for loans. In December last year consumer instalment loans at the District member banks amounted to only 15 percent of all loans outstanding. However, the increase in instalment loans between June and December of last year accounted for about 25 percent of the increase in total loans. At the country banks a third of the increase in total loans was from that source.

C.T.T.



**Ownership of Demand Deposits**

Despite the greater use of consumer credit, personal demand deposits throughout the District have not declined from last year. On January 31, according to estimates made in connection with the Bank's survey of ownership of demand deposits, individuals held 1,922 million dollars in demand deposits at all District banks. This was 32 million dollars more than they held a year ago.

The figure, of course, obscures both the gains and declines that occurred in certain areas of the District. Farmers increased their deposits by an estimated 3 million dollars between the two survey dates. This increase, however, was entirely accounted for by gains in the deposits of Florida and Tennessee farmers. Deposits in other types of personal accounts increased during the same period in each of the District states.

Deposits of nonfinancial businesses showed little change between the survey dates. Those of both manufacturing and mining concerns and public utilities declined 6 percent. There was a 2-percent increase in deposits of trade concerns. Financial establishments experienced an increase of 10 percent. On the whole, however, the picture obtained from the survey was one of relative stability.

C.T.T.

ESTIMATED DEMAND DEPOSITS OWNED BY INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS IN ALL COMMERCIAL BANKS IN THE SIXTH FEDERAL RESERVE DISTRICT (In Millions of Dollars)				
Type of Ownership	January 1950	Dollar Change From Jan. 1949	Percent Change Jan. 1949 Jan. 1950	Percent Distribution Jan. 1950
Manufacturing and mining...	476	- 33	- 6	10.9
Public utilities, transportation, and communications...	242	- 16	- 6	5.6
Retail and wholesale trade...	882	+ 17	+ 2	20.3
All other nonfinancial*	288	+ 26	+ 10	6.6
Total nonfinancial...	1,888	- 6	- 0	43.4
Insurance companies...	95	+ 14	+ 17	2.2
Trust funds of banks...	46	- 13	- 22	1.0
All other financial**	285	+ 36	+ 14	6.6
Total financial...	426	+ 37	+ 10	9.8
TOTAL BUSINESS...	2,314	+ 31	+ 1	53.2
Nonprofit organizations...	109	+ 1	+ 1	2.5
Personal...	386	+ 3	+ 1	8.9
Others...	1,536	+ 29	+ 2	35.3
Foreign...	3	- 1	..	.1
TOTAL INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS...	4,348	+ 63	+ 1	100.0

Type of Ownership	Feb. 1944	Jan. 1945	Jan. 1946	Feb. 1947	Jan. 1948	Jan. 1949	Jan. 1950
Manufacturing and mining...	365	380	429	475	494	509	476
Public utilities, transportation, and communications...	174	209	246	226	235	258	242
Retail and wholesale trade...	575	712	878	855	884	865	882
All other nonfinancial*	210	222	245	255	259	262	288
Total nonfinancial...	1,324	1,523	1,798	1,811	1,872	1,894	1,888
Insurance companies...	65	53	74	72	79	81	95
Trust funds of banks...	53	37	41	51	65	59	46
All other financial**	93	139	199	222	239	249	285
Total financial...	211	229	314	345	383	389	426
TOTAL BUSINESS...	1,535	1,752	2,112	2,156	2,255	2,283	2,314
Nonprofit organizations...	77	74	106	115	122	108	109
Personal...	1,192	1,561	1,918	2,048	2,031	1,890	1,922
Farmers...	...	353	385	400	409	383	386
Others...	...	1,208	1,533	1,648	1,622	1,507	1,536
Foreign...	...	2	2	2	2	4	3
TOTAL INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS...	2,804	3,389	4,138	4,321	4,410	4,285	4,348

\* Including construction-contracting establishments, theaters, and hotels, laundries, garages, repair shops, and other service establishments.

\*\* Including investment, loan, and insurance agencies; real estate businesses, etc.

**Sixth District Statistics**

Lender	No. of Lenders Reporting	Volume		Outstandings	
		Percent Change March 1950, from		Percent Change March 1950, from	
		Feb. 1950	March 1949	Feb. 1950	March 1949
Federal credit unions.....	36	+ 27	+ 34	+ 2	+ 48
State credit unions.....	20	+ 27	+ 52	+ 1	+ 45
Industrial banking companies.....	11	- 9	+ 8	+ 3	+ 28
Industrial loan companies.....	17	+ 29	- 8	+ 0	- 1
Small loan companies.....	41	+ 24	+ 7	- 2	+ 5
Commercial banks.....	33	+ 18	+ 20	+ 2	+ 36

Item	Number of Stores Reporting	Percent Change March 1950 from	
		Feb. 1950	Mar. 1949
		Total sales.....	124
Cash sales.....	107	+ 24	- 5
Instalment and other credit sales.....	107	+ 11	+ 9
Accounts receivable, end of month.....	118	- 1	+ 22
Collections during month.....	118	+ 5	+ 3
Inventories, end of month.....	90	+ 6	- 2

Type of Wholesaler	No. of Firms Reporting	SALES		INVENTORIES		
		Percent Change March 1950, from		Percent Change March 1950, from		
		Feb. 1950	Mar. 1949	Feb. 28 1950	Mar. 31 1949	
Automotive supplies.....	4	- 2	+ 6	3	+ 1	- 18
Electrical group						
Full line.....	3	+ 13	+ 3	3	+ 2	..
Wiring supplies.....	3	+ 14	+ 6	3	+ 3	+ 9
Appliances.....	4	+ 15	+ 1	3	- 3	- 32
General hardware.....	10	+ 15	+ 1	6	+ 1	- 5
Industrial supplies.....	3	- 8	- 37	..	..	..
Jewelry.....	5	+ 21	- 24	3	- 0	- 11
Plumbing and heating supplies.....	4	- 1	+ 24	3	+ 3	- 13
Confectionery.....	4	+ 14	- 5	..	..	..
Drugs and sundries.....	9	+ 20	+ 16	4	+ 6	+ 1
Dry goods.....	19	+ 19	+ 2	13	+ 0	+ 21
Farm supplies.....	3	+ 23	+ 10	..	..	..
Grocery group						
Full line.....	42	+ 14	+ 2	30	+ 2	+ 8
Specialty lines.....	9	+ 15	+ 5	3	+ 20	- 23
Shoes and other footwear.....	3	+ 17	- 6	..	..	..
Tobacco products.....	9	+ 15	+ 3	6	- 0	+ 12
Miscellaneous.....	12	+ 14	+ 8	12	+ 7	+ 4
Total.....	146	+ 14	+ 1	89	+ 2	+ 0

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

Place	Sales—Percent Change			Number of Stores Reporting		Stocks Percent Change	
	Mar. 1950 from		Year to Date	Reporting		March 31, 1950, from	
	Feb. 1950	Mar. 1949	1950-1949	Sales	Stocks	Feb. 28 1950	Mar. 31 1949
ALABAMA							
Birmingham.....	+ 40	+ 4	- 4	4	3	+ 4	- 10
Mobile.....	+ 30	+ 4	+ 1	5	3	- 5	- 9
Montgomery.....	+ 26	+ 6	- 1	3	3	..	..
FLORIDA							
Jacksonville.....	+ 28	+ 2	- 2	4	3	+ 2	+ 17
Miami.....	+ 16	+ 8	+ 3	4	3	- 2	+ 21
Orlando.....	+ 11	+ 0	+ 0	3	3	..	..
Tampa.....	+ 20	+ 3	+ 3	5	3	+ 2	+ 2
GEORGIA							
Atlanta.....	+ 23	+ 10	+ 8	6	5	+ 0	- 1
Augusta.....	+ 32	+ 1	- 0	4	3	+ 10	+ 2
Columbus.....	+ 22	+ 9	+ 8	4	4	..	..
Macon.....	+ 27	+ 14	+ 8	6	4	+ 8	+ 19
Rome.....	+ 30	+ 2	+ 0	4	4	..	..
Savannah.....	+ 23	+ 10	+ 6	6	4	+ 27	+ 5
LOUISIANA							
Baton Rouge.....	+ 17	- 10	- 6	4	4	+ 9	+ 3
New Orleans.....	+ 27	+ 7	+ 3	5	4	+ 9	+ 5
MISSISSIPPI							
Jackson.....	+ 30	+ 5	+ 2	4	4	+ 14	+ 5
Meridian.....	+ 29	- 5	- 5	3	3	..	..
TENNESSEE							
Bristol.....	+ 35	+ 5	- 2	3	3	+ 5	- 2
Chattanooga.....	+ 39	+ 22	+ 11	4	3	- 0	- 9
Knoxville.....	+ 36	+ 8	- 1	4	4	..	..
Nashville.....	+ 37	+ 6	+ 2	6	5	+ 10	+ 5
OTHER CITIES*	+ 14	+ 6	+ 5	22	22	+ 4	- 8
DISTRICT.....	+ 26	+ 6	+ 3	113	76	+ 5	+ 2

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

## Deposit Growth at Florida Member Banks

FLORIDA'S climate, together with its geographical location, has been capitalized upon until it is one of the state's most important economic resources. This process has created a distinctive economic structure in Florida. Changes in member bank deposits over the last thirty years reflect, in general, how the capitalization of *climate* has affected the greater part of the state's immediately available purchasing power. Because banking is so closely tied to the economic activities of any region, this discussion, therefore, might be called "Climate and Bank Deposits."

Agricultural income is less important to total income in Florida than in any of the other Sixth District states. Indeed, agriculture is of less significance in relation to total income there than it is to total income throughout the nation, despite the over 200 million dollars in net income which agriculture contributes to the state. Florida's income from manufacturing has almost quadrupled in the last ten years. The state is less industrialized, however, than any of the other southeastern states in the Sixth District if the ratio of manufacturing income to total income is used as a measure. Receipts from trade and service activities are of primary importance.

Other sections of the country may have a climate comparable to Florida's, but Floridians believe that the combination they have of climate, geographical location, and over one thousand miles of general coast line is unique. Moreover, for a good many years they have been convincing many other people that they too can and should enjoy these beneficent gifts of nature during the winter months. Although the sunshine and sea breezes are "free goods," the winter visitors must have food, lodging, transportation, and other services. It is in the providing of these things that the trade and service industries flourish and supply so many persons in the state with incomes.

### The Winter's Golden Flood

Many visitors bring actual cash with them. When winter comes, money literally flows into the state. The part of this flow that comes in the form of Federal Reserve notes is to some extent measurable and it is also possible to determine

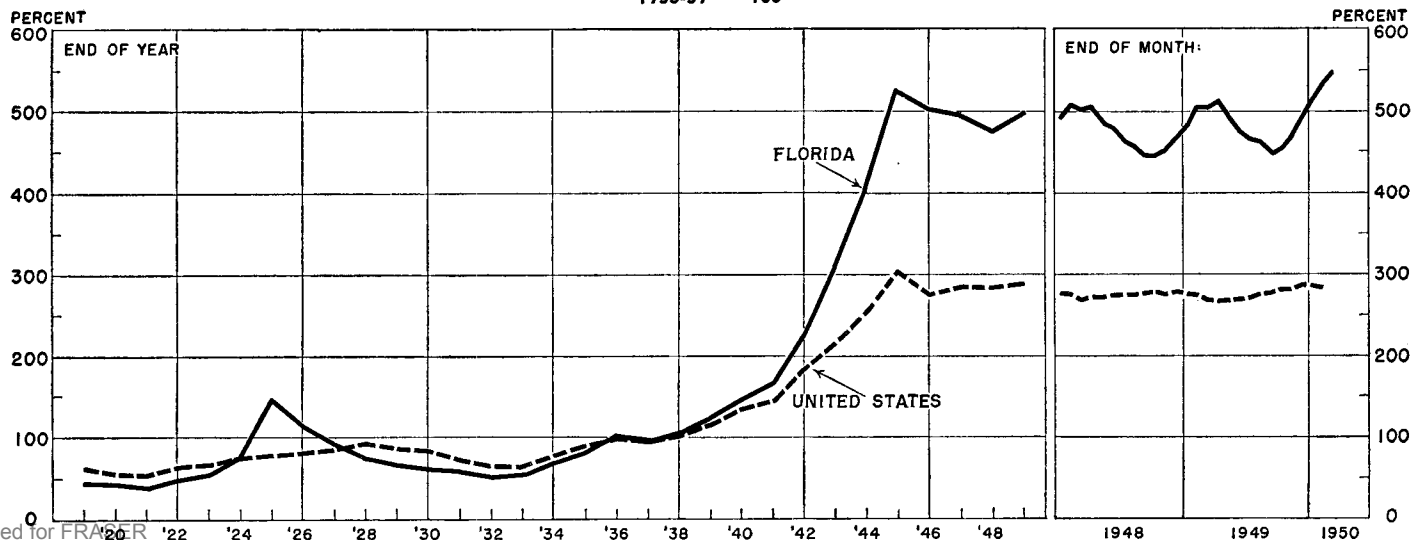
from which sections of the country these notes come. The winter visitor from the North, for example, may bring with him currency in the form of notes of the Federal Reserve Bank of New York. After he and other visitors have spent their money in Florida, it eventually winds up at commercial banks and swells the deposits of Florida banks.

Federal Reserve Banks are required by law to return the Federal Reserve notes to the Bank of issue. Thus, when member banks, because their currency on hand exceeds their needs, send the notes to the Jacksonville Branch of the Federal Reserve Bank of Atlanta, it returns the notes to the Federal Reserve Banks that issued them. Last year, according to the operations of the Jacksonville Branch, at least 245 million dollars came into the state in that way. The greater part came during the winter season, with 49 percent being received in the four months ended with April. The total amount of all types of currency entering the state was probably as much as 300 million dollars. Of course, not all winter visitors carry cash with them. No estimate is possible, however, of the millions of dollars transferred by check.

A glance at the monthly data on the chart shows how this transfer of funds builds up deposits each year. In the post-war period, the seasonal expansion of deposits has begun in October. After that, as increasing numbers of winter visitors come into the state, deposits grow from month to month until by the end of April, they are generally about 11 percent greater than at the end of the preceding October. Although the number of summer visitors has tended to increase, deposits decline after April until the winter visitors return.

The climate is the basis of another important economic activity which attracts dollars to the state during the winter. As the citrus and winter vegetable crops are sent to regions with less fortunate winter climates, cash farm income increases. In recent years, it has reached its peak in April, after having climbed each preceding month beginning with October. In the other District states, agricultural income attains its height in the fall of each year.

INDEX OF TOTAL MEMBER BANK DEPOSITS  
1935-39 = 100



### Land Boom and Depression

Despite the interest these seasonal changes may have for Florida bankers who have peculiar loan and investment problems because of them, long-term developments may be of more general interest. Because 77 percent of all deposits in the state are in member banks, the trend of member bank deposits in the last thirty years generally tells the story of what has happened at all banks.

The most spectacular growth in deposits took place about fifteen years before World War II. At the beginning of 1925, Florida member banks had 210 million dollars in deposits on their books. By the end of the year, the total had almost doubled to 403 million dollars. That was the year in which climate may have been "over capitalized" and which marked the peak of the land boom of the 1920's.

Total Deposits at  
Florida Member Banks, Classified by Area

Area*	Percent Change, End of Year			
	1939 - 45	1945 - 46	1946 - 48	1948 - 49
Jacksonville Area.....	+ 249	- 14	- 11	+ 8
City of Jacksonville.....	+ 239	- 17	- 12	+ 10
Outside Jacksonville.....	+ 371	+ 9	- 2	- 5
Miami Area.....	+ 412	- 0	- 1	+ 2
Greater Miami.....	+ 400	+ 0	+ 1	+ 2
Outside Greater Miami...	+ 444	- 2	- 8	+ 3
Orlando Area.....	+ 490	- 3	- 6	+ 8
Pensacola Area.....	+ 418	- 13	- 6	+ 0
Tampa-St. Petersburg Area.	+ 347	+ 2	- 5	+ 15
City of Tampa.....	+ 303	- 1	- 7	+ 4
Outside Tampa.....	+ 392	+ 4	- 4	+ 23
Florida Total.....	+ 337	- 5	- 5	+ 5
Sixth District Total.....	+ 254	- 8	+ 1	+ 0
United States.....	+ 163	- 9	+ 2	+ 2

\* Areas include several counties surrounding each city.

Although the decline in deposits immediately after the boom was not as rapid as the rise had been, there was a 98-million-dollar drop in 1926. By the end of 1928, deposits were at just about their pre-boom level and they continued to decline until 1933. This trend prevailed throughout the entire country. However, because the depression of the 1930's undoubtedly affected Florida's tourist business more than it did business elsewhere, the deposit decline of the depression years was somewhat more severe in Florida.

The year-end totals in deposits began to show increases in 1934 and continued to do so for several years except for a dip during the 1937 recession. Once business recovered in 1938, deposits at the Florida banks rose more rapidly than they did throughout the country. Their rate of growth outstripped that for the nation as a whole each year until 1946.

### Wartime Expansion

Florida's peculiar climatic advantages resulted in a flow of funds into the state during the war years. Because year-round military training there was possible, army and navy installations were expanded and new airfields and training centers appeared almost overnight. Floridians and people from other states went to work in the new shipyards in Jacksonville, Tampa, and Panama City. These yards employed over 66,000 workers during the period of highest employment, more employees than had been working at all of Florida's manufacturing establishments before the war.

These and other wartime developments combined to raise Florida's member bank deposits 334 percent between the end of 1939 and the end of 1945. Every section of the state shared

in the increase, but the rate of growth was especially outstanding at banks outside the major cities of Jacksonville, Miami, and Tampa.

The end of the war also meant an end to most of the shipbuilding in the state and a drastic cut in military expenditures. Florida's war industry plants, moreover, were less readily convertible to peacetime uses than those located in many other states. As a result, 1946 income payments to individuals in Florida as estimated by the United States Department of Commerce were slightly less than those of 1945, whereas throughout the country they increased 14 percent.

### Retention of Wartime Gains

Income payments would probably have declined more than they did in 1946 if Florida businessmen had been less successful in converting their chief economic resource, the climate, to a peacetime use. The state's population increased about 400,000 between 1939 and 1945, according to census estimates. Most of the newcomers decided to stay or others came to replace those who left. Florida's businessmen expected others to come and began a huge construction program to accommodate not only the tourists but permanent residents as well. People settled in the state in sufficient numbers so that by 1949, census estimates showed about 150,000 more persons in the state than in 1945, a gain of 9 percent. Population had increased a third in approximately a decade.

But Florida is also capitalizing on its climate to provide an income base that will be more stable than that of the spectacular 1925 period. Fast-growing pine trees are the basis for an expanding lumber and paper and pulp manufacturing industry. New methods of canning and processing its citrus food products offer a new source of income. Plants making appropriate apparel for the climate are springing up. Year-round grazing favors the growing cattle industry. Its geographic location has made the state a center for the aviation serving the American Republics to the South.

This type of postwar conversion has helped to stem the precipitous decline that otherwise might have occurred in deposits at member banks. The job was made more difficult, however, in 1947 and 1948 by a slump in agricultural income. The climate perhaps did too good a job for the citrus growers; the unusually heavy supply of fruit resulted in greatly reduced prices and incomes.

A better agricultural income in 1949 and a good tourist season probably raised the state's total income above that of 1948. At least at the end of the year, total deposits had expanded 5 percent. Per capita deposits at the Florida member banks were over three times as great as they were at the end of 1939. They had started at a ratio of 47 percent of the United States average and ended at 67 percent. At the end of March 1950, deposits exceeded those of the corresponding date in 1949 by 8 percent.

As long as the state is dependent upon tourists for a large part of its income, there will be a considerable variation from year to year in its bank deposits. These deposits, of course, depend not only on economic conditions throughout the nation, but also on the success the state has in attracting tourists. But after having profitably converted the capitalization of its climate from war to peacetime uses, the state is in a position to add to the permanent gains made in recent years.

CHARLES T. TAYLOR

*This article is the second in a series in which deposit trends in the individual Sixth District states are being discussed.*

## National Business Conditions

INDUSTRIAL output in March increased considerably and in April was at or slightly above the March rate. Residential construction expanded further and consumer demand for automobiles and housefurnishings continued strong.

Prices of some leading industrial materials advanced from March to April, while wholesale prices of livestock and products declined seasonally and prices of most finished products continued to show little change. Common stock prices advanced further to the level of mid-August 1946. First quarter reports of a number of major companies showed a marked rise in net earnings.

### Industrial Production

The Board's production index advanced 5 points in March to 186 percent of the 1935-39 average as coal mining was resumed and output of most durable goods increased. In April, activity in durable goods industries has expanded further, but declines are indicated in output of some nondurable goods and minerals.

Output of steel reached capacity levels in mid-April and for the month was about 11 percent higher than in February and March and about the same rate as at the peak in March 1949. Activity in most steel consuming lines has also expanded further in recent months but, with the major exceptions of construction and household appliances, is still below earlier peak levels. Exports of steel this year have been at a considerably lower rate than last year.

Refinery output of nonferrous metals, which showed no expansion during the second half of last year, owing in part to industrial disputes, has risen substantially since December. Demands from the building industry and most consumer durable goods industries have continued to increase and large purchases have been made for Government stockpiling. Refinery stocks of nonferrous metals have been reduced further, while stocks in consuming industries have increased.

Output of nondurable goods in March continued at advanced levels, despite small decreases in textile industries. In April, activity at textile mills has apparently declined further, reflecting mainly the reduced levels this year of apparel sales and exports of textile products. Output of most other nondurable goods has been maintained. Activity in the rubber products industry has advanced to the highest level since late 1948 owing in part to the high rate of automobile production.

### Distribution

Value of department store sales remained somewhat below year-ago levels in March and the first half of April, owing to

the reduced volume of apparel sales. Seasonally adjusted sales of housefurnishings, while down somewhat from the exceptionally high level reached in January and February, were still substantially above year-ago levels.

Automobile dealers' sales have been at record levels in spite of the work stoppage at plants of a major producer. Reflecting easier credit terms as well as the relatively high level of durable goods sales, the volume of instalment credit outstanding has expanded more rapidly than during the same period a year ago.

### Commodity Prices

The general wholesale price level continued to show little change from the middle of March to the third week of April. Prices of livestock and products declined somewhat reflecting mainly seasonal increases in supplies, while prices of grains rose owing partly to reduced crop prospects. Curtailed demand for certain nondurable goods led to some price reductions. On the other hand, marked increases in demand for materials, largely in the durable goods and construction industries, contributed to advances in nonferrous metals, steel scrap, and building materials. Natural rubber prices rose considerably further to a point more than 50 percent above last autumn's level.

Consumers' prices rose .3 percent in March, reflecting mainly a small advance in retail food prices to the January level.

### Bank Credit

Treasury deposits at the Reserve Banks, which had increased in the last half of March, were drawn down during the first three weeks of April. A part of the reserve funds thus supplied to banks was absorbed by Federal Reserve sales of Government securities.

At banks in leading cities, business loans declined somewhat in March and the first half of April, but the reduction continued to be less than seasonal and much less than last year. Loans to real-estate owners, consumers, and security dealers increased moderately, and holdings of municipal and corporate securities rose further. Holdings of Government securities were reduced, reflecting largely sales of bills and certificates.

### Security Markets

Common stock prices rose in the first three weeks of April in increasingly active markets to the highest levels since 1946. Further moderate increases in yields of long-term Treasury bonds narrowed the spread between these yields and those of high-grade corporates.