MONTHLY REVIEW

FEDERAL RESERVE BANK OF ATLANTA

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Chemicals: Their Economic Contribution to District Agriculture

FARMING has always been an occupation in which drudgery and uncertainty have taken a heavy toll of human energy and other resources. Through the centuries, improvements have been made in implements and techniques which have lightened the hard work of plowing, planting, and cultivating. And improvements of this kind are still being made. Also, in more recent years, changes from animal to tractor power and from hand-driven to electric devices have done much to relieve the muscular strain. It was not until the chemist concentrated on farm problems, however, that the farmer gained any control over uncertain weather conditions or insects and diseases.

There is hardly a farm job, from clearing the land to storing the harvested crops, in which chemicals cannot be advantageous. The development of chemicals that will accomplish specific objectives, however, is the result of long and intensive research by scientists in the laboratories and experiment stations. Our dependence on chemicals for economical yields of crops and livestock is great; without them certain cash crops could not be produced in the District at all.

For Crop Production

Some farmers use chemicals to kill underbrush and small trees in clearing land, but for most farmers the initial use, if indeed a starting point can be found, is in commercial fertilizers. Moreover, the fertilizer industry, celebrating its Century of Progress this year, was probably the first major industry whose purpose was to apply chemicals to farming.

The need for this industry was particularly acute in the South. Southern soils are low in natural fertility, compared with soils in other geographical regions, and they were depleted of their natural content of plant nutrients by years of continuous cropping in cotton and corn, even by the time of the Civil War. The climate of the region, although favorable in many respects, accelerates the depletion. High temperatures make it difficult to build fertility by increasing the organic content of the soil and heavy rainfall causes severe losses of mineral nutrients through leaching and erosion. Therefore the advent of mixed fertilizers, in which nitrogen, phosphate, and potash were blended, filled a vital need.

Because the need for commercial fertilizers was greatest south of the Ohio River and east of the Mississippi River, the fertilizer industry was located principally there. In recent years, however, as farmers in other areas have depleted the natural fertility of their soils and have learned the value of fertilizer, plants have been built in all major farming areas. But as late as 1948, farmers in the District states used more than a fourth of the nation's commercial fertilizer. Without this aid, production on most District farms would be ruinously low.

Fertilizing major cash crops has become a routine practice in the District. This year farmers fertilized their cotton at an average rate of 355 pounds per acre. The total fertilizer bill for cotton alone in the District states was 45.5 million dollars, or 8.06 dollars per acre. Profitable yields of other crops, particularly the high-yielding permanent pastures and grazing crops on which the South hopes to expand her livestock industry, also depend on the use of fertilizer. The soil is merely the medium through which chemicals are converted into plant growth. And if these plant food elements are not in the soil, they cannot be in the harvested or grazed crops.

However liberal the application of fertilizer, high yields will not be automatic. Insects and diseases or poor management practices can destroy a potential 60-bushel corn crop as easily as a 20-bushel crop. Thus, to be sure of capitalizing on his fertilizer investment, the farmer must so handle his crop as to give the plant food elements a chance to produce. Indeed, it is rather doubtful whether heavy applications of fertilizer would be advisable unless the plants were so spaced as to use the added nutrients, and unless the farmer also planned to control insects and disease.

Then too, the climate of the District states has adverse effects so far as insect and disease problems are concerned. Over much of the United States, the winters are severe enough to kill most insects and to arrest the spread of certain diseases of which insects are carriers or alternate hosts. In the District states, however, winters are often mild and insects tend to winter-over. Where there is no winter kill, therefore, the problem of control is much more acute and the farmer's dependence on poison is correspondingly greater. True, District farmers have a potential year-round production, but they also have a year-round insect and disease problem and hence a continuous need for the products of chemical research.

Because of the large number of crops grown in the District, with numerous pests attacking each, farmers have a peculiarly difficult problem in the selection of insecticides and fungicides. Each crop has its enemies and its chemical tolerances. For example, an insecticide that is effective in the control of an insect on one plant may not be feasible for the control of the same insect on another plant. Because some plants absorb odors, only a limited number of materials may

be used in a spray or dust. Plants also differ in their susceptibility to burning, shedding, or discoloring.

At the time of the first world war, the boll weevil threatened to make cotton production impossible in many sections of the South. The problem was particularly acute in the lower Coastal Plains, where the weevils often lived through the winter and attacked the crop early in the year. In some areas farmers quit growing cotton altogether. At Enterprise, Alabama, a statue was erected to the boll weevil because in seeking an escape from the insect, farmers turned to the growing of peanuts and thereby improved their income position.

In their efforts to fight the ravages of the boll weevil, farmers turned to the chemist for a means of control. It was found that calcium arsenate, one of the common poisons, would kill a high percentage of the weevils if the cotton were thoroughly dusted. Although the use of this product probably kept some farmers from abandoning cotton growing altogether, it did not completely halt the exodus from cotton production. Since the last war, however, new insecticides have been more effective. As a result, cotton is making a comeback in the lower Coastal Plains; in the southern parts of Alabama and Georgia, prospects are much better this year than in the more northern parts. Farmers there anticipate heavy infestation and keep well stocked with poisons. Those who wait for the weevil to strike are usually unable to find adequate supplies of the type of poison they are equipped to apply.

Weeds are another problem on farms. The usual method of control is to uproot the weeds in the middles by cultivating with mule- or tractor-drawn equipment and to hoe-chop those between the plants. Farmers now have at their disposal, however, several types of weed killers that effectively control those weeds and grasses competing with crops for the minerals and moisture in the soil. These new chemicals are particularly useful in cleaning up fence and hedge rows.

Even after the crops have matured and yields are certain, the usefulness of chemicals on farms continues. The harvesting process itself has been made easier by chemical research. This is especially true of cotton picking. The acreage of cotton which many District farmers can grow has generally been limited by the amount of labor they have during the picking season. On an average, from eighty-five to ninety hours, or nine ten-hour days, of back-bending labor are required to pick a bale. Cotton producers have long dreamed of a mechanical picker, and for more than fifty years, farm-equipment engineers have sought to design a practical one. The first pickers were impractical because, since the bolls do not all open at the same time, they had to be run over the fields numerous times. Perhaps then, a change could be effected in the cotton plant. Together the engineer and chemist have solved the problem.

The chemist has developed defoliants which make the cotton shed its leaves and thus cause all the bolls to mature about the same time. Not only do the bolls open so that spindles can remove the lint, but the absence of leaves makes the job easier and reduces the amount of trash in the lint. The future of the cotton picker will possibly depend as much upon the effectiveness of defoliants as it does on the mechanical efficiency of the machine itself. There are also other machines that have lightened the physical effort of farming, but whose practicability depends upon chemicals.

After the harvest, farm commodities must be shipped, processed, packaged, and stored. And in each of these steps from producer to consumer, chemicals play a part. They are used, for example, to color certain fruits and make them more attractive, to improve shipping qualities, to check certain diseases in transit, to make storage possible, and to reduce spoilage on the grocer's shelves. Some food processing, such as pickling, is essentially chemical. Not only for the bountiful supply of food products, but for much of their attractiveness and flavor, the consumer can also thank the chemist.

For Livestock Production

District farmers are also indebted to the chemical industry for much of their present ability to grow livestock profitably. At about the turn of the century, the cattle tick was a major threat in the District states. In some areas, losses from tick fever caused farmers to give up in discouragement. It was learned, however, that by dipping cattle in a solution containing certain poisons, the tick could be curbed. Despite the effectiveness of the method, though, some farmers refused to use it, and state after state passed compulsory cattle-dipping laws. Parts of old dipping vats may still be seen in some sections of the country.

As other insect and disease outbreaks have threatened the South's livestock industry, means of fighting back have come from the chemical laboratories. A few years ago, for example, Bang's disease took a heavy toll among dairy herds and many farmers sold their cattle and gave up their efforts to produce milk. At first it seemed that the only way to control the disease was to kill the infected cow. The Federal and state governments jointly compensated dairymen for the diseased cattle removed from herds and slaughtered. Now, however, vaccines promise to give effective control in time.

Farmers in the warm, humid sections of the country have had to deal with many livestock pests and parasites. In some instances, resistant breeds of livestock have been brought into the area; Brahma beef cattle are particularly resistant to certain insects that abound in the sub-tropical climate. To be assured of high rates of livestock production, farmers must control a wide variety of pests. Chemicals, in the form of insecticides and medicants, again serve a purpose. An outstanding example is the gains resulting from the use of DDT on beef cattle. Cattle bothered by flies and other insects do not eat as well or gain as rapidly as those free from such annoyances. A study made in Kansas and Arkansas in 1946 during the horn-fly season showed that each pound of DDT used in a 0.1 percent dipping solution resulted in a gain of 2,306 pounds of body weight.

Of course many diseases that plague southern cattle are caused by mineral deficiencies. Farmers have been able to greatly reduce losses from this cause by using minerals under pastures and grazing crops and in rations. The effective insecticides and the improved management practices have also reduced the toll formerly taken by parasitic diseases.

The curing and preserving of meat, whether on the farm or in commercial plants, are also made possible by chemical solutions. One manufacturer has recently introduced a product which will prevent farm-rendered lard from becoming rancid. The addition of two fluid ounces of the liquid to 100 pounds of lard will keep it fresh for a year. Other livestock products, such as milk, depend on chemicals to make them safe for consumers who may be quite a distance from the farm.

To be marketed as Grade A, milk must meet certain standards set by health authorities. One requirement is that the

bacteria count be held below a certain maximum. For many years dairy farmers who sold milk for fluid consumption were required by law to sterilize their cans and other equipment with steam. The facilities for steam sterilization require a rather large capital investment and thus limited the number of farmers who could produce milk. In recent years, however, chemical sterilization has been found to be effective, and many states and municipalities now permit it in lieu of steam. The lower investment for necessary facilities makes it possible for more farmers to meet the health requirements. Moreover, the carriers of bacterial infection, particularly flies, are no longer as numerous as they once were because of the newer insecticides, such as Lindane.

Managerial Skill Required

Chemicals have materially altered problems of farm management. To obtain the maximum effectiveness of farm chemicals, the operator must know how to handle the different materials and when to use them. Some of the chemicals used in sprays and dusts, for example, have a residual effect, and the operator must know, when he makes his plans, the effect of these residuals on subsequent crops. In recent years some farmers have rotated their peanut crops so that they would not follow cotton which had been poisoned with benzene-hexachloride. Although there is little evidence that peanuts will absorb the odors from BHC residue, potatoes and some other crops will.

In his choice of insecticides, the farmer must also take into account their effect on desirable insects. Many insects are important to the economical production of crops. Bees, particularly, are necessary in order to insure pollination. The operator, therefore, must know the selective killing power of insecticides and apply one that will be effective against the particular insect he desires to control without proving harmful to the desirable ones.

Although chemicals have enabled farmers to grow a wider variety of crops and to get higher yields of both crops and livestock, they have added to the costs of production. To use the chemical products, farmers must have the equipment to apply them, and although some of the equipment is very simple and inexpensive, other types are complicated and costly. For maximum control of certain insects, the farmer must have equipment for handling both sprays and dusts. He must either own them and thereby raise his capital costs, or rent them and increase his operating costs.

The sprays, dusts, and other chemicals also require a cash outlay. It is true, of course, that profits from the use of chemicals accrue to the operator only after the costs have been paid. Some farmers set up a specific amount for poisons while obtaining their operating loans from commercial banks. Realizing the importance of poisons, bankers in some areas are reluctant to make loans for seed and fertilizer unless the farmer also plans to use poison for the control of insects and diseases. Thus the use of chemicals may well mean larger operating loans to farmers.

Not only have chemicals and insecticides had a profound influence on operations on the farm—they have also proved valuable in the home. The farm wife has at her disposal a number of chemicals, including bleaches, detergents, and cleaners, that relieve her of much of the drudgery of housework. And around the house, chemicals may be used to eliminate undesirable grasses or weeds from the lawn, and they may be used on shrubbery and flowers for several purposes. One manufacturer has recently placed a product on the market which will keep rabbits out of gardens.

Public Safeguards

Obviously wherever poisons are kept or used, certain hazards exist. To protect the user of insecticides and related products, the Department of Agriculture maintains an inspection service. The products are tested and the degree of hazard determined before they are made available to the public. Various classifications have been established according to the possible dangers of each. Most people are familiar with the skull and crossbones label that marks the most dangerous group of chemicals.

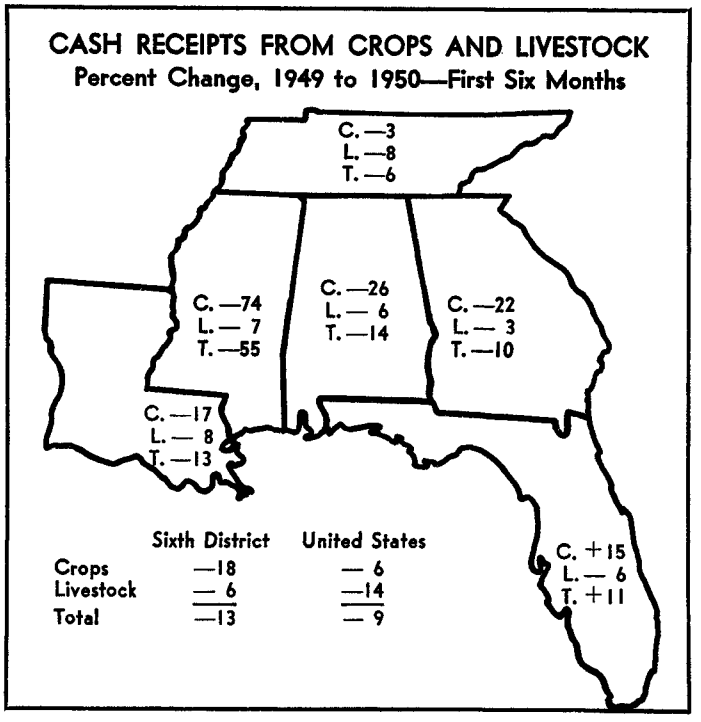
The effectiveness of this service, however, depends upon the careful reading of directions. Some materials which are used to poison insects and pests are particularly dangerous when children and pets are present.

Summary

The value of chemicals on farms has been steadily increasing. Where they have been used wisely and in accordance with the recommendation of the manufacturer and experiment stations, chemicals have brought about more abundant yields and have therefore increased net farm income. Much of the drudgery and uncertainty which have placed farming at a disadvantage have been lightened by the products of chemical research. Despite the many accomplishments in the field of chemistry, including the seeding of clouds with silver iodide to make it rain, there is no magic in chemicals. They were developed to accomplish specific objectives under particular conditions.

Both the banker and the farmer should know the possibilities and limitations of the more widely used chemical products. Wise application of these materials can mean greater production, higher profits, and more secure loans.

JOHN L. LILES



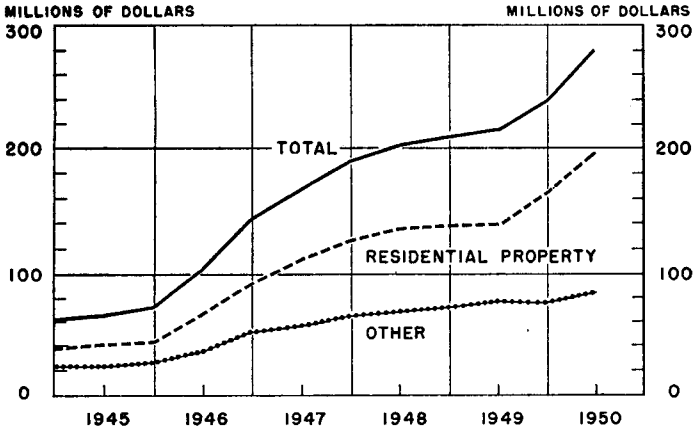
District Business Conditions

Growth and Structure of Residential Real Estate Lending

CONSTRUCTION, particularly residential, has been of primary importance in the high level of business activity prevailing even before the Korean War started. In turn, financing much of this construction through bank lending, together with the extending of credit for consumer buying, has accounted for most of the increase in bank loans in recent months.

To commercial banks as a group, urban real estate loans are far from the most important type of loan. Even after their recent rapid growth, they now represent only 16 percent of total Sixth District member bank loans. The influence they have exerted toward expanding member bank loans is, however, out of all proportion to their relative importance. At mid-year, expansion of loans secured by urban real estate accounted for 27 percent of the growth in total loans since the first of the year and 22 percent of the growth since mid-1949. Most of this growth has been in residential real estate loans.

LOANS SECURED BY URBAN REAL ESTATE
Sixth District Member Banks



Of the 280 million dollars in loans secured by urban real estate that District member banks had outstanding on June 30, about 70 percent was secured by residential real estate. In addition, the banks held about 50 million dollars in loans made to finance residential real estate that were either unsecured or for which some other type of security was provided. Altogether, residential real estate financing amounted to about 250 million dollars. A special report submitted by the member banks with their reports of condition for June 30 provides an insight into the pattern of this residential construction financing.

TYPES OF LOANS. Sixth District member banks facilitate residential construction in three ways. By granting mortgages, they make purchases of homes possible; by making construction loans, they help build the houses; and by making loans to nonbank mortgage lenders such as savings and loan associations, mortgage companies, and loan correspondents, they help other agencies finance the building and purchase of houses. At mid-year, these types of loans at member banks were at the relative importance in value of 58, 28, and 14 percent, respectively, of the total loans outstanding for residential real estate financing.

The great bulk of bank loans secured by residential property, aside from those made for construction and to other mortgage lenders, are on 1-4 family dwellings. These loans are comparatively small, averaging 2,677 dollars, compared with loans made on 5 or more family dwellings which average 7,000 dollars.

AMORTIZATION. By far the greater part of these loans require regular payments on both interest and principal. However, of the total loans secured by 1-4 family dwellings, only 40 percent are either insured or guaranteed by the Federal Housing or Veterans Administrations. As a rule, the size of the guaranteed or insured loan is greater than that of either the amortized or unamortized loan that is not guaranteed or insured.

Of course, not all the buying and construction of houses is financed by banks. For the United States as a whole, the mortgages granted by commercial and mutual savings banks combined accounted for only 26 percent of the nonfarm mortgages, recordings of less than 20,000 dollars during the first six months of 1950. Real estate lending by national banks is limited by law, and other banks often follow policies limiting their real estate loans to certain proportions. This may be one reason why there is apparently no necessary correlation between the increase in construction activity in the various states of the District and the growth in real estate loans at the member banks.

GROWTH BY STATES. At mid-year, loans secured by urban real estate at the Georgia member banks were 32 percent greater

URBAN RESIDENTIAL REAL ESTATE FINANCING
Sixth District Member Banks
June 30, 1950

	Percent of Total		Average Size of Loan
	Dollar Volume	Number of Loans	
Construction loans	**28.5**	**4.9**	**$20,417**
Secured by residential property	16.4	..	.....
Not secured by residential property	12.1	..	.....
Loans to nonbank mortgage lenders	**13.9**	**5.9**	**13,520**
Secured by residential property	6.9	..	.....
Not secured by residential property	7.0	..	.....
Other loans secured by residential property:			
1-4 family properties	**55.8**	**88.0**	**2,677**
Insured by FHA	10.3	10.6	4,088
First lien, VA	12.3	14.4	3,619
Junior lien	.4	1.4	1,138
Not insured or guaranteed:			
Amortized	26.4	47.8	2,338
Not amortized	6.4	13.8	1,945
5 or more family properties	**1.5**	**1.0**	**7,002**
Insured or guaranteed	.1	*	33,050
Not insured or guaranteed:			
Amortized	.9	.5	8,070
Not amortized	.5	.5	4,643
Loans secured by vacant lots	**.3**	**.2**	**4,447**
Total residential real estate financing	**100.0**	**100.0**	**$4,227**

*Less than 0.1 percent.

than on the corresponding date in 1949. During the same period this type of loan expanded 30 percent at the Tennessee member banks, 26 percent at Alabama banks, 22 percent at the Florida banks, and 16 and 15 percent, respectively, at the banks in Louisiana and Mississippi.

There appears to have been little slackening in lending activity since June. Since the first of July, real estate loans have expanded further at the weekly reporting banks. On September 20, total real estate loans at these banks were 8 percent greater than they were on the last Wednesday in June.

C.T.T.

Consumer Buying and Credit

Consumers continued buying heavily in August, but after account is taken of seasonal influences, Sixth District department store sales were below the all-time record set in July. Throughout the District, sales added up to 17 percent more than they did in August last year. However, final reports show the July volume up 32 percent from a year ago. The stores reported that sales for the four weeks ended September 23 were 14 percent greater than for the corresponding period last year.

District furniture stores reported August sales 16 percent higher this year than in August 1949 and at household appliance stores sales increased 49 percent between the same dates. The increases in July over a year ago were 30 and 55 percent, respectively.

A great part, but not all, of the growth in sales over last year is explained by greater sales of television and radio sets, household appliances, furniture, and other durable goods. Consequently, a large part of the sales expansion has been financed by consumer credit and may be affected by the new credit controls.

Regulation W of the Board of Governors, effective September 18, set the maximum repayment period on instalment contracts to a period of 18 months on appliances and furniture and rugs. Instalment contracts are now outstanding for an average of 14 months at department stores, 19 months at household appliance stores, and 12 months at furniture stores, according to estimates based on collection ratios. Undoubtedly, contracts which have been running beyond the maximum period of the regulation are included in those making up the average. Moreover, the requirements of 15 percent down payment on appliances and the 10 percent on furniture and rugs are more stringent than the terms of some contracts now in force.

The expansion in consumer credit has helped raise bank loans, but there has also been a pickup in business loans according to the weekly reports of banks in leading cities. Business loans at these banks expanded 42 million dollars during August and 15 million dollars further in the first two weeks of September.

Part of this loan growth can be traced to financing expanded inventories. By the end of August, for example, District department stores were able to increase their inventories to an amount exceeding that for the end of August last year by 27 percent, despite expanded sales. Moreover, their reported outstanding orders were 102 percent greater than on the corresponding date last year.

C.T.T.

Sixth District Indexes

DEPARTMENT STORE SALES*

Place	Adjusted**			Unadjusted		
	Aug. 1950	July 1950	Aug. 1949	Aug. 1950	July 1950	Aug. 1949
DISTRICT	415	494	360	373	386	324
Atlanta	482	532	410	487	415	414
Baton Rouge	389	488	383	342	405	346
Birmingham	404	453	326	372	376	299
Chattanooga	429	464	343	386	376	308
Jackson	400	477	353	368	353	325
Jacksonville	406	469	352	361	380	313
Knoxville	431	464	399	371	376	343
Macon	378	483	311	329	348	270
Miami	478	529	375	358	370	281
Montgomery	354	432	313	315	341	279
Nashville	474	496	406	431	382	369
New Orleans	395	472	379	343	363	330
Tampa	546	758r	467	464	607	397

DEPARTMENT STORE STOCKS

Place	Adjusted**			Unadjusted		
	Aug. 1950	July 1950	Aug. 1949	Aug. 1950	July 1950	Aug. 1949
DISTRICT	405	360	319	401	339	316
Atlanta	557	487	427	563	448	431
Birmingham	347	294	257	340	271	252
Montgomery	407	418	292	428	388	307
Nashville	585	506	476	591	491	481
New Orleans	355	321	271	341	308	261

GASOLINE TAX COLLECTIONS***

Place	Adjusted**			Unadjusted		
	Aug. 1950	July 1950	Aug. 1949	Aug. 1950	July 1950	Aug. 1949
SIX STATES	246	259	211	244	253	209
Alabama	240	246	208	242	240	210
Florida	219	232	186	213	216	181
Georgia	253	264	202	258	256	206
Louisiana	275	282	236	278	277	238
Mississippi	196	321	200	202	312	206
Tennessee	262	249	218	265	252	220

COTTON CONSUMPTION*

Place	Aug. 1950	July 1950	Aug. 1949
TOTAL	174	141	116
Alabama	194	140	130
Georgia	169	147	112
Mississippi	107	83	54
Tennessee	142	115	108

ELECTRIC POWER PRODUCTION*

	July 1950	June 1950	July 1949
SIX STATES	383	396	348
Hydro-generated	260	273	324
Fuel-generated	544	557	380

MANUFACTURING EMPLOYMENT***

Place	July 1950	June 1950	July 1949
SIX STATES	143	141	134
Alabama	146	144	136
Florida	122	127	117
Georgia	142	140	131
Louisiana	134	134	133
Mississippi	144	142	129
Tennessee	153	149	144

CONSTRUCTION CONTRACTS

Place	Aug. 1950	July 1950	Aug. 1949
DISTRICT	694	654	413
Residential	1,153	1,207	672
Other	472	386	288
Alabama	757	694	373
Florida	764	802	446
Georgia	752	473	511
Louisiana	796	854	407
Mississippi	374	260	353
Tennessee	598	672	405

CONSUMERS PRICE INDEX

Item	Aug. 1950	July 1950	Aug. 1949
ALL ITEMS	179	178	173
Food	215	209	206
Clothing	192	190	193
Fuel, elec., and refrig.	138	137	135
Home furnishings	187	186	182
Misc.	156	155	154
Purchasing power of dollar	.56	.56	.58

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

ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

	Aug. 1950	July 1950	Aug. 1949
Unadjusted	21.5	21.8	17.9
Adjusted**	24.3	23.2	20.2
Index**	98.3	94.2	81.8

CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*

	Aug. 1950	July 1950	Aug. 1949
Unadjusted	347	341	285
Adjusted**	347	341	285

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Industry and Employment

In August, the first month of the new cotton year, Sixth District textile mill operations increased nearly a fourth over July. Cotton consumption was nearly half again as large as it was in August last year. Coal production in Alabama and Tennessee was more than 40 percent greater than in the corresponding weeks last year. The District steel mills operated at 104 percent of rated capacity into September, and for the week of September 17 a rate of 108 percent was reported.

CONSTRUCTION CONTRACTS awarded for residential purposes in August were off somewhat from July, but total contracts were up 6.1 percent for the month and were 68 percent greater than a year ago. Other awards increased 22 percent from July to August and 64 percent from last August. Residential awards were larger than a year ago by 72 percent. They accounted for 54 percent of the District total in August, 60 percent in July, and 53 percent in August 1949. For the first eight months of the year total contracts, amounting to about 1.1 million dollars, were 59 percent greater than in that part of 1949; residential awards were up 85 percent; and other contracts expanded 40 percent. For the January-August period, residential awards were 49.7 percent of the total, compared with 42.8 percent for the corresponding part of 1949.

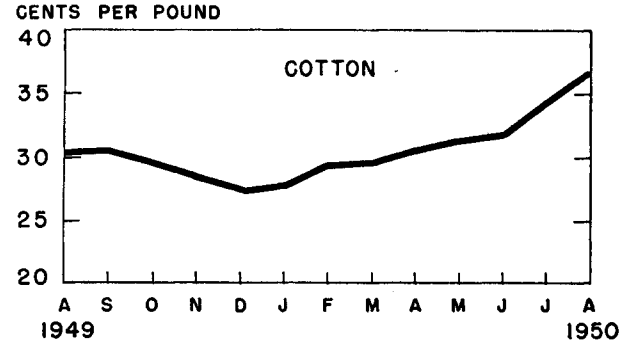
TEXTILE MILL ACTIVITY increased 23 percent in August over July, on the basis of the daily average rate of cotton used by the mills, and was 49 percent greater than in August last year. This year the decline from midwinter to July was less than half as large as that of last year. The August rate of consumption was the highest for any month since March 1947. Both expanding civilian demand and increased orders for the armed services are responsible for the rise in output.

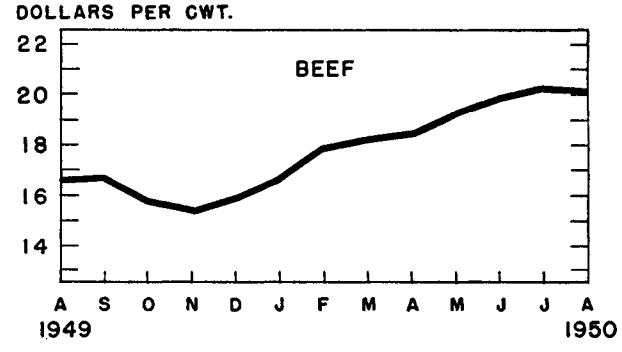
Revised 1950 Indexes
Cotton Consumption in the Sixth District
Daily average 1935-39 = 100

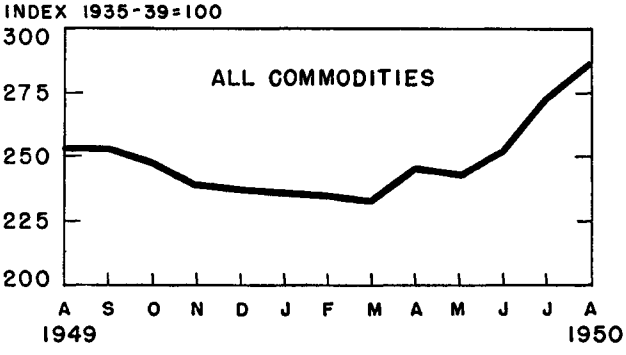
	Alabama	Georgia	Mississippi	Tennessee	District
Jan.	169	161	104	132	160
Feb.	165	156	93	137	156
March	157	150	89	126	149
April	156	157	90	128	153
May	153	156	93	130	152
June	151	150	92	122	147
July	140	147	83	115	141

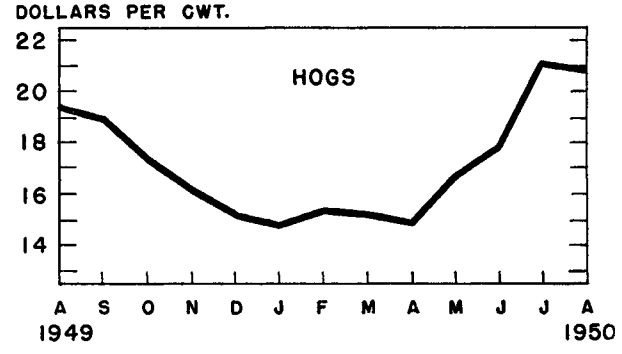
ELECTRIC POWER PRODUCTION in July was off about 3 percent from June, but was 10 percent greater than in July 1949. Hydro-generated power, accounting for 38.5 percent of the total, was 4.7 percent less than in June, and 19.8 percent less

TRENDS IN PRICES RECEIVED BY DISTRICT FARMERS



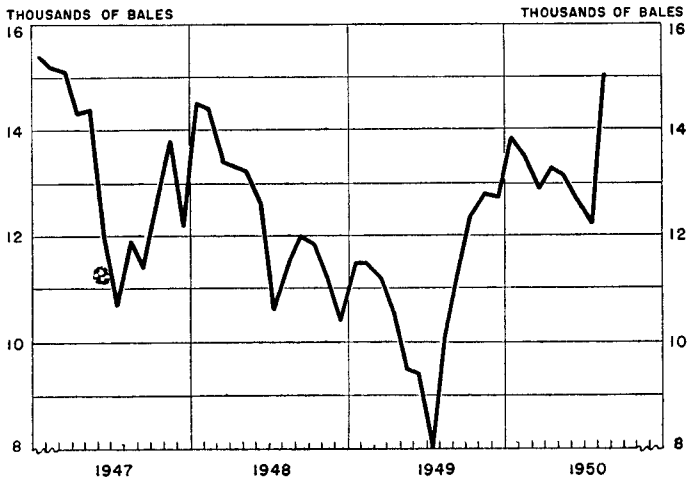






On August 15 the index of prices received for all farm commodities sold by District farmers was 286 percent of the 1935-39 average, or 13 percent higher than it was a year ago. During the year ended in August, prices of beef cattle and cotton rose 22 percent and hog prices rose 7 percent. Although most of the price increases occurred during the past few months, they resulted primarily from changes in supply and demand that had little or no connection with the war in Korea. Cotton prices increased sharply in response to very rapid changes in prospective supplies. The increased demand for meat was caused largely by a higher rate of employment and an increase in consumers' personal incomes.

COTTON CONSUMPTION IN THE SIXTH DISTRICT
Daily Average Rate



than in July last year, when it accounted for 52.8 percent of total production. Fuel-generated current was down 2.3 percent from June, but was 43.3 percent greater than in July a year ago.

MANUFACTURING EMPLOYMENT in July, for the fourth consecutive month, was greater than in the corresponding month a year ago. The increase in April was less than one percent, but in July, District manufacturing industries were employing 6.5 percent more workers than in July last year. The gain over July last year was shared by all six states.

For the District there was a gain of 1.1 percent from June to July. Increases occurred in five of the states, but seasonal reductions, particularly in canning and preserving fruits caused a decrease of 3.8 percent in Florida. Employment was also reduced in the output of fabricated metals products and wooden containers used chiefly for citrus canning and packing, in transportation equipment which includes shipbuilding and repair, in tobacco manufacture, and in some other groups. Florida employment was, however, 4.3 percent greater than in July last year, the only important decreases being in transportation equipment and tobacco manufacturing plants.

Georgia manufacturing employment increased 1.8 percent from June to July and was 8.2 percent greater than a year ago. There were gains in July in all important groups except chemicals and allied products and leather and leather products. In Louisiana the gains were small in both comparisons, but in Tennessee, manufacturing employment was 2.2 percent greater than in June and 6.2 percent greater than in July 1949.

In the District as a whole, there were gains in all of the more important groups from June to July, and in most groups over July last year. Employment in food and food products was 3.2 percent less than it was a year ago, and in transportation equipment employment was down 9.3 percent, largely because of reductions in shipbuilding and repair. That group, however, had the largest percentage gain—3 percent—from June to July this year.

D.E.M.

Sixth District Statistics

INSTALMENT CASH LOANS

Lender	No. of Lenders Reporting	Volume: Percent Change August 1950 from July 1950	Volume: Percent Change August 1950 from Aug. 1949	Outstandings: Percent Change August 1950 from July 1950	Outstandings: Percent Change August 1950 from Aug. 1949
Federal credit unions	40	+ 7	+ 28	+ 3	+ 41
State credit unions	20	+ 9	+ 41	+ 4	+ 43
Industrial banks	10	— 5	+ 31	— 1	+ 33
Industrial loan companies	15	+ 3	— 10	+ 1	— 4
Small loan companies	37	— 1	+ 7	+ 0	+ 9
Commercial banks	33	— 3	+ 24	+ 3	+ 38

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change August 1950 from July 1950	Percent Change August 1950 from August 1949
Total sales	121	— 2	+ 16
Cash sales	104	+ 1	+ 9
Instalment and other credit sales	101	— 2	+ 19
Accounts receivable, end of month	116	+ 3	+ 26
Collections during month	115	+ 3	+ 13
Inventories, end of month	89	+ 8	+ 20

WHOLESALE SALES AND INVENTORIES*

Type of Wholesaler	SALES: No. of Firms Reporting	SALES: Percent Change August 1950 from July 1950	SALES: Percent Change August 1950 from Aug. 1949	INVENTORIES: No. of Firms Reporting	INVENTORIES: Percent Change Aug. 31, 1950, from July 31 1950	INVENTORIES: Percent Change Aug. 31, 1950, from Aug. 31 1949
Automotive supplies	4	+ 2	+ 28	3	+ 7	— 1
Electrical group						
Wiring supplies	3	+ 78	+ 60	3	+ 9	+ 6
Appliances	5	+ 8	+ 53	4	— 13	— 17
General hardware	13	+ 10	+ 58	8	+ 1	+ 5
Industrial supplies	13	+ 21	+ 81	3	0	+ 8
Jewelry	4	+ 60	+ 33	3	+ 3	— 16
Lumber and building materials	3	0	+ 29	.	..	
Plumbing and heating supplies	4	+ 6	+ 73	3	— 5	— 13
Confectionery	4	— 6	— 3	.	..	..
Drugs and sundries	8	+ 14	+ 10	3	+ 6	+ 6
Dry goods	19	+ 51	+ 47	14	+ 6	+ 15
Groceries						
Full line	36	— 4	+ 16	21	+ 3	+ 8
Specialty lines	13	+ 22	+ 47	7	+ 15	+ 29
Tobacco products	13	+ 10	+ 5	8	+ 1	+ 4
Miscellaneous	16	+ 15	+ 32	12	— 2	+ 10
Total	158	+ 14	+ 39	92	+ 2	+ 6

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

DEPARTMENT STORE SALES AND INVENTORIES

Place	Sales—Percent Change: August 1950 from July 1950	Sales—Percent Change: August 1950 from Aug. 1949	Sales—Percent Change: Year to Date 1950-1949	Number of Stores Reporting: Sales	Number of Stores Reporting: Stocks	Stocks Percent Change Aug. 31, 1950 from: July 31 1950	Stocks Percent Change Aug. 31, 1950 from: Aug. 31 1949
ALABAMA							
Birmingham	+ 7	+ 24	+ 5	4	3	+ 25	+ 35
Mobile	— 14	+ 8	+ 7	5	.	..	..
Montgomery	— 0	+ 13	+ 5	3	3	+ 15	+ 45
FLORIDA							
Jacksonville	+ 3	+ 15	+ 4	4	3	+ 18	+ 15
Miami	+ 5	+ 27	+ 10	4	3	+ 16	+ 48
Orlando	— 12	+ 20	+ 8	3	.	..	..
Tampa	— 17	+ 17	+ 12	5	3	+ 21	+ 25
GEORGIA							
Atlanta	+ 27	+ 18	+ 10	6	5	+ 26	+ 30
Augusta	+ 16	+ 28	+ 4	4	3	+ 23	+ 36
Columbus	+ 3	+ 27	+ 21	4	.	..	..
Macon	+ 2	+ 22	+ 14	6	4	+ 19	+ 15
Rome	+ 10	+ 21	+ 3	4	.	..	..
Savannah	— 7	+ 17	+ 11	6	4	+ 13	+ 20
LOUISIANA							
Baton Rouge	— 9	— 1	— 3	4	4	+ 16	+ 9
New Orleans	+ 2	+ 4	+ 3	5	4	+ 11	+ 31
MISSISSIPPI							
Jackson	+ 13	+ 13	+ 9	4	4	+ 18	+ 17
Meridian	+ 9	+ 6	— 1	3	.	.	..
TENNESSEE							
Bristol	+ 7	+ 2	+ 1	3	3	+ 20	+ 13
Chattanooga	+ 11	+ 25	+ 16	4	3	+ 25	+ 38
Knoxville	+ 6	+ 13	+ 4	4	.	..	..
Nashville	+ 22	+ 19	+ 8	6	5	+ 20	+ 23
OTHER CITIES*	— 10	+ 27	+ 11	24	22	+ 9	+ 12
DISTRICT	+ 7	+ 17	+ 8	115	76	+ 18	+ 27

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

National Business Conditions

THE BOARD'S index of industrial production showed a marked rise in August to 207 and a further rise of about 5 points is likely in September. Output in August increased substantially in all major groups of industries except primary metals, automobiles, and foods.

Nondurable manufactures rose to a new all-time high of 191 percent of the 1935-39 average, which was 6 percent above the level prevailing the first half of this year. The sharpest increases in production were at textile mills, where cotton consumption rose one-sixth above the June rate, and at paper and paperboard mills. Rubber consumption continued at a record level in August, but was apparently reduced in September by a Federal order establishing maximum limits for use in civilian output during the last four months of this year.

Production of durable goods showed a considerable increase in August, reflecting mainly marked increases in output in the furniture, machinery, and iron and steel fabricating industries. Activity at aircraft plants and shipyards also expanded rapidly. Production of primary metals, bricks, cement, and lumber continued to show little change from the advanced levels reached in the spring. Demand for these materials—especially metals—has remained far in excess of market supplies. In mid-September the National Production Authority instituted regulations aimed at limiting inventory buying of most metals and various other industrial materials.

Construction

Contract awards for new construction expanded further in August to a new peak about one-tenth above the previous record reached in July and almost three-fourths higher than in August 1949. This expansion reflected large increases in the value of awards for most types of private construction which more than offset a small decrease in awards for publicly financed construction. The number of housing units started in August was close to earlier record levels and two-fifths greater than in August 1949.

Distribution

Buying at department stores in the four-week period ended September 9, although below the seasonally adjusted peak reached in July, was about one-tenth above year-ago levels. Sales of durable goods spurted again in mid-September reflecting in part buying in anticipation of the instalment credit controls. August sales at all retail stores were only slightly less than in July, on a seasonally adjusted basis, and 17 percent greater than in August 1949.

Commodity Prices

The rise in the average level of wholesale prices has continued through the first three weeks in September, reflecting further sharp increases in prices of commodities other than farm products and foods. These commodities, as a group, are about one-tenth higher than in March and prices of numerous materials are up 20 to 60 percent. Since mid-September, buying of these materials has been less urgent and prices have shown some decline.

Retail food prices have been maintained at the advanced levels reached in July and prices of a number of other consumer goods have been raised since that time.

Bank Credit and Security Markets

Since midyear, credit to private borrowers and state and local governments has expanded by over 2½ billion dollars at banks in leading cities, which is an exceptionally large amount for this season of the year. From mid-August to mid-September, business loan expansion accelerated and loans to real estate owners and consumers continued to show large increases.

Following mid-August the Federal Reserve System purchased from banks and other investors a substantial volume of the bonds and certificates involved in the Treasury's current refunding program. Reserves supplied through these purchases were offset by system sales of other types of government securities, by cash redemptions of system-held maturing Treasury bills, and by currency and gold outflows. As a result, member bank reserve balances were unchanged over the five-week period, August 17-September 20. Because of the credit expansion, required reserves increased somewhat further, while excess reserves declined. Following an increase in the Federal Reserve discount rate and a rise in short-term money rates in August, interest rate to bank customers increased somewhat.

Common stock prices rose moderately during the first three weeks of September. Railroad shares continued to show pronounced strength while public utilities issued recovered slowly. Yields on long-term Treasury bonds and high-grade corporate obligations increased slightly.

THE BOARD OF GOVERNORS

Sixth District Statistics

CONDITION OF 27 MEMBER BANKS IN LEADING CITIES
(In Thousands of Dollars)

Item	Sept. 20 1950	Aug. 23 1950	Sept. 21 1949	Percent Change Sept. 20, 1950 from Aug. 23 1950	Percent Change Sept. 20, 1950 from Sept. 21 1949
Loans and investments—Total	2,476,147	2,477,672	2,367,664	— 0	+ 5
Loans—Net	1,000,375	961,542	785,254	+ 4	+ 27
Loans—Gross	1,014,273	975,379	796,327	+ 4	+ 27
Commercial, industrial, and agricultural loans	574,216	547,170	462,644	+ 5	+ 24
Loans to brokers and dealers in securities	10,797	10,618	7,402	+ 2	+ 46
Other loans for purchasing and carrying securities	35,555	35,867	35,203	— 1	+ 1
Real estate loans	88,949	89,654	70,166	— 1	+ 27
Loans to banks	4,659	5,453	5,148	— 15	— 10
Other loans	300,097	286,619	215,764	+ 5	+ 39
Investments—total	1,475,772	1,516,130	1,582,410	— 3	— 7
Bills, certificates, and notes	582,190	551,809	502,739	+ 6	+ 16
U.S. Bonds	670,616	746,395	870,104	— 10	— 23
Other securities	222,966	217,926	209,567	+ 2	+ 6
Reserve with F. R. Bank	403,174	419,525	368,023	— 4	+ 10
Cash in vault	41,052	41,590	40,810	— 1	+ 1
Balances with domestic banks	170,132	162,733	171,300	+ 5	— 1
Demand deposits adjusted	1,813,451	1,841,154	1,703,507	— 2	+ 6
Time deposits	526,074	529,623	540,864	— 1	— 3
U. S. Govt. deposits	61,278	65,737	53,793	— 7	+ 14
Deposits of domestic banks	476,905	454,399	454,463	+ 5	+ 5
Borrowings	9,500	14,400	4,500	— 34	+111

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

Place	Aug. 1950	July 1950	Aug. 1949	Percent Change Aug. 1950 from July 1950	Percent Change Aug. 1950 from Aug. 1949	Percent Change Year-to-Date 8 mos. 1950 from 1949
ALABAMA						
Anniston	23,545	21,955	19,168	+ 7	+ 23	+ 10
Birmingham	382,572	360,477	292,518	+ 6	+ 31	+ 12
Dothan	16,359	13,895	12,178	+ 18	+ 34	+ 12
Gadsden	22,295	20,255	16,627	+ 10	+ 34	+ 16
Mobile	138,624	121,762	110,930	+ 14	+ 25	— 1
Montgomery	86,533	76,781	70,025	+ 13	+ 24	+ 11
FLORIDA						
Jacksonville	318,285	311,094	252,533	+ 2	+ 26	+ 15
Miami	276,035	259,986	226,320	+ 6	+ 22	+ 14
Greater Miami*	397,589	378,863	303,267	+ 5	+ 31	+ 17
Orlando	59,795	60,839	42,978	— 2	+ 39	+ 28
Pensacola	38,821	37,579	35,636	+ 3	+ 9	+ 7
St. Petersburg	63,191	64,297	45,739	— 2	+ 38	+ 20
Tampa	137,809	134,115	107,985	+ 3	+ 28	+ 18
GEORGIA						
Albany	27,130	25,537	20,935	+ 6	+ 30	+ 9
Atlanta	1,012,012	879,706	820,692	+ 15	+ 23	+ 13
Augusta	63,760	62,279	49,270	+ 2	+ 29	+ 7
Brunswick	9,798	9,364	8,790	+ 5	+ 11	+ 9
Columbus	70,758	65,924	48,948	+ 7	+ 45	+ 28
Elberton	3,853	3,804	3,313	+ 1	+ 16	+ 10
Gainesville*	19,457	18,002	12,996	+ 8	+ 50	+ 18
Griffin*	11,972	11,075	10,871	+ 8	+ 10	+ 8
Macon	75,162	63,070	59,857	+ 19	+ 26	+ 16
Newnan	9,311	8,901	9,268	+ 5	+ 0	+ 9
Rome*	22,182	21,258	17,665	+ 4	+ 26	+ 17
Savannah	102,179	92,600	84,509	+ 10	+ 21	+ 8
Valdosta	29,164	16,707	35,652	+ 75	— 18	— 1
LOUISIANA						
Alexandria*	35,840	33,514	28,763	+ 7	+ 25	+ 14
Baton Rouge	105,161	102,341	100,893	+ 3	+ 4	— 6
Lake Charles	42,524	40,104	33,310	+ 6	+ 28	+ 6
New Orleans	846,676	774,751	668,364	+ 9	+ 27	+ 8
MISSISSIPPI						
Hattiesburg	19,441	18,821	15,601	+ 3	+ 25	+ 13
Jackson	165,670	145,832	124,127	+ 14	+ 33	+ 12
Meridian	30,927	28,552	23,226	+ 8	+ 33	+ 12
Vicksburg	22,752	22,421	21,474	+ 1	+ 6	+ 2
TENNESSEE						
Chattanooga	160,374	146,503	128,829	+ 9	+ 24	+ 11
Knoxville	125,915	117,740	99,164	+ 7	+ 27	+ 10
Nashville	379,583	334,788	303,392	+ 13	+ 25	+ 16
SIXTH DISTRICT 32 Cities	4,866,014	4,442,790	3,892,251	+ 10	+ 25	+ 11
UNITED STATES 333 Cities	128,373,000	110,564,000	99,055,000	+ 16	+ 30	+ 10

*Not included in Sixth District total.