MONTHLY REVIEW

FEDERAL RESERVE BANK OF ATLANTA

Volume XXXVI | Atlanta, Georgia, February 28, 1951 | Number 2

Peanut Mechanization

As the planting season draws near, many District farmers are having to appraise their plans with regard to their capacity to produce as well as to prices and costs. Some of them, and the number is growing, are trying to decide which would be more profitable—farming or employment in defense industries. For those who will continue to farm, one of the major worries and certainly the most limiting factor in 1951 will be the scarcity of labor. Military service and high wages paid by industry are draining labor away from the farm. The labor problem is so important that many bankers are attaching great weight to it in considering farm credit applications.

In adjusting their plans for the year ahead, some farmers, who have customarily depended on hired labor to help at harvest, are changing their operation to the type and size that they can handle without off-farm workers. As these adjustments are made, the utilization of machinery will be a primary consideration. Backlogs of orders for farm implements, particularly tractors, indicate a strong hope of mechanizing ahead of anticipated labor shortages. Even the Government's request for an expansion of cotton acreage is falling on deaf ears on farms where increasing cotton would mean greater dependence on hired labor. Cotton pickers, successful on large farms, have not been and are not likely to be numerous enough to greatly facilitate picking in the District. However, an efficient new peanut combine, adaptable to family-size farms, may revolutionize the District peanut industry.

Should the nation again be drawn into a global war, farmers will likely be asked to increase their production of all basic crops. And, as during the last war, one of those crops will be peanuts. The importance of peanuts lies not so much in their use in the confectionery trade but as a source of oil.

The United States has long been an importer of vegetable oils. In the last half of the 1930's, the net import of primary fats and oils averaged almost two billion pounds a year, or about one-fifth of our total supply. Even in 1941 with scarcity of shipping space and with Europe at war, net imports were 1.3 billion pounds. The following year, however, net imports dropped to a mere three million pounds. Thus, one effect of Pearl Harbor was that the source of more than a billion pounds of vegetable oils from Asia and the Southwest Pacific was completely cut off. That represented an 11-percent reduction in total United States supplies of fats and oils, or a 28 percent loss in vegetable oils. In some instances, however, it meant a complete loss of essential oils.

Usually cotton is thought of as a source of fiber, but it is also an important source of vegetable oils. In the last half of the 1930's, between 1.3 and 1.9 billion pounds of cottonseed oil were produced. It was not until 1940 that oil production from soybeans reached a half billion pounds. Compared with the total domestic production of vegetable oils, peanut oil is relatively insignificant. But in the area where Georgia, Florida, and Alabama join, the production of peanuts for oil could become of major importance.

Soon after the outbreak of World War II, the shortage of quality cooking oils became serious and District farmers were asked to increase their acreage of oil-bearing crops to a maximum. Of course, larger cotton acreage resulted in increased production of cottonseed oil, but farmers were asked to grow all the peanuts they possibly could, particularly in Georgia, Florida, and Alabama. Response to that request was both favorable and active. The average acreage of peanuts picked and threshed in these states during 1930-39 was 822 thousand. In 1942, the first year of the war, the acreage jumped to 1.7 million and remained near that level for the duration.

The limiting factor in increasing peanut acreage was labor —hand labor. It is indeed remarkable that farmers could double their acreage of a high-labor crop at a time when help was scarce. Although the use of machinery was largely responsible for the increase, it could not have been achieved except for the importation of workers from without the continental United States and without the use of prisoners of war.

Current developments in the international field indicate a repetition of the 1941-42 fats and oils situation. In mid-December, for example, the Chinese Communists banned all exports, including tung oil, to the United States and Japan. The embargo will hurt. From March to November, tung oil imports from China averaged 8.6 million pounds a month. Because of the development of domestic sources of vegetable oils, particularly soybeans, the United States is not as dependent on foreign sources as was true a decade ago. Nevertheless, two-thirds of the 1.1 billion pounds of fats and oils imported in 1949 came from Asia and the Southwest Pacific. Should the war spread in that theater, there would be an immediate need for increases in domestic production of vegetable oils. In the place of present restrictions on peanut production, the situation could quickly be reversed. The peanut may once again shed its candy wrapper for a war uniform.

A Major Cash Crop

For a long time the word "peanuts" has been used to denote something of little importance. And that is precisely what peanuts were on most farms. For more than a century the pea-

nut patch was only a source of nuts for the family to munch during the winter. The growing of the crop on a commercial scale, either for nuts or for hogging, dates generally from the coming of the boll weevil. In the District's peanut section the old-timers say peanuts became a field crop about 1912. Now it is one of the leading cash crops in three District states.

It was quite logical for peanuts to replace cotton when the weevil made production of the latter crop too hazardous in the Wiregrass section and lower Coastal Plains. Cotton requires large amounts of hand labor; so does the raising of peanuts. Normally a laborer will pick about 150 pounds of seed cotton in a 10-hour day, and, with a yield of half a bale, a total of 40 hours is required to pick an acre. An acre of peanuts can be harvested in about 32 hours. Cotton yielded high per-acre returns, and it was only by replacing it with another intensive crop that small farmers could make a living. Peanuts compared favorably on that score. Then too, the equipment that had been used in growing cotton, mostly single-row mule-drawn implements, could be used in raising peanuts. With the labor and equipment already on hand, cotton farmers quickly shifted to the new crop.

With this combine, two men are doing a job which would require eight to twelve men harvesting with a conventional stationary-type picker.

Of course, the development of chemical controls for boll weevils enabled farmers to grow cotton profitably again, but raising peanuts had become firmly established. As long as labor was plentiful and cheap, however, no intensive effort was made to mechanize peanut production. But during the decade of the 1940's, war and peak industrial employment attracted workers from the farms and forced the wages of those remaining to high levels. Interest in complete mechanization of peanut production induced implement manufacturers and the Experiment Stations at Tifton, Georgia, and Headland, Alabama, to undertake intensive development programs. The work in Alabama started in 1947.

Problems in Mechanization

Peanut production was mechanized by stages. Basic to the entire program, however, was the use of tractors. As long as mules were the source of power, there was little hope of developing labor-saving machines. Once the tractor replaced mules, the preparation and planting phases were easily accomplished. Indeed, implements to perform those operations and to make cultivation possible were usually purchased with the tractor for use on all row crops. The cultivators could not, however, get rid of the grass and weeds between the plants in the row. Hand chopping, a costly operation, was still necessary to produce a clean crop. Unlike the cotton plant, which grows upright, the peanut plant grows close to the ground. Flame cultivation, therefore, is unsuitable. Loss in peanut yields because of grass was determined by the Experiment Station at Headland to be 300 pounds per acre which, at today's price for edible nuts, would mean a loss of about 32 dollars per acre.

Of the various devices developed thus far to mechanize hoeing, the rotary hoe seems to offer the greatest possibilities. This implement, simple and reasonably efficient, can of course be used for other farm operations. Its price is such that an average-size producer can afford to own one.

The bottleneck in peanut production comes at harvest. Some idea of the amount of hand labor involved can be gained by listing the operations performed in the common method of harvest:

Operation	*Labor Requirement*
Digging	One turn to the row with a standard peanut plow
Shaking	Hand labor with fork
Drying	Hand labor with fork to stack
Picking	Hand and mule labor to move the stacks to the picker; hand and tractor power at the picker

By the very nature of the harvesting operations and because of the short periods of favorable weather, a large number of man hours per acre are required as well as several extra men. For example, a normal harvesting crew consists of eight to twelve men, more than are regularly employed on the average farm. In order to get these additional hands temporarily, farmers must seek off-farm help or sometimes swap labor with other farmers. Moreover, mules must usually be hired to help take the stacks to the picker and for other hauling purposes.

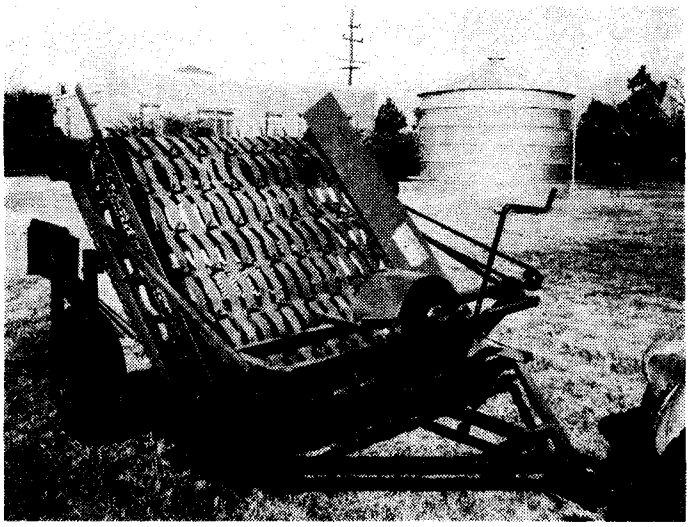
The Saving of Labor

Mechanized harvesting is accomplished in two phases with two machines, both pulled by general purpose tractors. The first operation is the digging, shaking, and windrowing of the peanuts. Digging is usually accomplished by attaching two blades or plows directly to the tractor. These blades running under two rows go just under the peanuts, loosen the dirt, cut the tap roots, and leave the vines on top of the ground in practically their original position.

The shaker-windrower, one of the two newly developed machines, picks up the two rows of peanuts with a spiked elevator similar to a combine pickup. In the process of being lifted, the peanuts are agitated to shake rocks, dirt, and other debris from the vines. This shaking removes about three-fourths of the soil and rocks; the fall of 36 or more inches off the end of the elevator dislodges most of the remainder. As the vines fall from the top of the unit they drop onto tynes, where they are guided into a narrow, fluffy, untangled windrow. This machine is a relatively simple mechanism utilizing the power of the tractor only. It is made of steel and is therefore quite durable. Adjustments and servicing require no special skills although frequent lubrication is necessary.

For curing, the windrow left by the shaker-windrower is much superior to that accomplished by a side delivery rake. One man, a tractor, and a shaker-windrower can dig, clean, and windrow peanuts at speeds up to five miles an hour. Even at three miles an hour, preferred for many field operations, an acre can be covered in one hour.

There are several makes of shaker-windrowers, selling between 350 and 650 dollars. As improvements and more machines are made, it may be the price can be lowered; that is, if inflation doesn't absorb the economies of large scale production. At the Headland station the shaker-windrower was described as a practical, workable device on which improvements would likely be made with longer experience under more varying conditions.



Shaker-windrower cuts labor costs.

The other machine, and by far the greater labor saver, is the peanut combine. Perfected in the last three years with the aid of Experiment Station personnel, it consists of two parts, the conveyer and the picker. The conveyer lifts the peanuts from the windrow and elevates them to the picker. There are two general types of pickers; one uses the carding principle and the other uses cylinders to separate the vines from the nuts. Both remove dirt, sticks, and other foreign material by mechanical and air-blast separation. From the separator, the peanuts are conveyed to the bagging platform. The vines, trash, and unfilled nuts are blown through the rear of the machine and are scattered on the ground.

A tractor pulls the combine, but unlike the shaker-windrower, the combine carries its own power for belts, chains, and other moving parts. Then too, the combine is a larger and more complicated machine than the shaker-windrower and is also more expensive, costing in the neighborhood of 2,500 dollars. The marvel of the peanut combine is in the tremendous reduction in labor it affords. Moving at three miles an hour, the combine will harvest an acre an hour even when yields are in excess of a ton of nuts.

One drawback to the combine is that hay cannot be saved. However, the amount of organic matter returned to the soil by distributing the hay back on the land may exceed the value of the hay for feeding. A ton of peanut hay contains, on the average, 2.6 pounds of phosphorus, 32.4 pounds of nitrogen, 25.0 pounds of potash, and 22.4 pounds of calcium. At 1949 prices those minerals were valued at 9 dollars; on the other hand, a ton of baled peanut hay sold for only 6 dollars at the farm. What appears to be a disadvantage of the combine may really be one of its best features.

The main advantage of the combine, however, is the reduction it makes in the period of time required to harvest the nuts. By accomplishing work in a few days that usually has taken much longer, the effect of weather is greatly reduced. When the weather is "right," the machines can move fast, harvesting 10 or more acres a day.

These two machines, the shaker-windrower and the combine, have reduced the hours required at harvest from a total of approximately 32 by usual methods to only four. And, what may be more significant, the number of men needed has been reduced to only two. In the future it may be difficult on many farms to get crews of eight men when the weather is favorable for picking. If commercial bulk storage with drying facilities were generally available, a wagon could be attached to the combine to receive the nuts and the man on the combine could be eliminated. When these facilities become available, it will be possible for one man to harvest an acre of peanuts in only three hours.

Apart from any adjustments which may be brought about by defense activities, the saving of labor through mechanization could have great influence on the reorganization of many District farms. With the removal of the harvest bottleneck, the peanut farmer could increase his acreage of cotton or peanuts or both, unless acreage allotments should limit him. Moreover, the time saved would enable him to establish other enterprises that would increase his income and diversify his operations.

Necessary Production Changes

In order to mechanize peanut growing, certain changes had to be made in production practices. Perhaps the most important change was the substitution of windrowing for stacking as a means of drying, or partially drying, the nuts. Since farmers in the area had lost many hay crops that had been windrowed with side delivery rakes, they were doubtful whether peanuts could be left on the ground for a week or two without serious damage from moisture. In the last few years, however, many tests have been made and it was found that windrowing with the shaker-windrower does not cause any significant loss from deterioration because of weather. As much as three inches of rain fell on peanuts in the windrow at Headland without damage. True, some losses have occurred, but they have not been greatly different from those that occurred where the peanuts were stacked or piled. The soil type has some influence on curing in the windrow. Light, sandy soils drain much more rapidly than clay soils.

There are problems yet to be solved in the drying of peanuts. Apparently it is not practical to leave the peanuts in the windrow long enough to do a complete job of drying, and for that reason the nuts are bagged on the combine so that they can complete their drying in loosely woven sacks. The type of dryer suitable for use on average-size farms is not now available, and there is some doubt whether they can be made practical. By adjusting the combine, it is possible

to harvest green peanuts, but the feasibility of that practice also depends on a dryer. One producer did raise the germination of seed peanuts by combining green nuts and drying them in a large corn dryer. This process may be practical in the harvesting of peanuts for seed purposes, but for the usual market it is not now feasible.

Just as the machinery had to be designed specifically for the harvesting of peanuts, so too will adjustments have to be made on peanut farms to permit efficient use of machinery. Adaptation of farms to machines has occurred in the mechanization of other crops and will have to take place in the peanut industry.

At a demonstration of the combine at Headland the question was asked, "Can small farmers afford to own a combine costing better than 2,000 dollars when they will need it only a few days?" Obviously some of them cannot afford the special combines. However, the makers of two standard grain and seed combines have developed attachments that adapt them to the harvesting of peanuts. After harvesting peanuts these combines may be converted back for harvesting grain, soybeans, lupine, and other crops. They do a satisfactory job of harvesting but have limitations inherent in most general purpose machines. Small farmers, particularly, may find them adequate, whereas growers of large acreages of peanuts would probably find the special combines more economical.

Farmers who are too small to afford either of the combines may possibly obtain their use through joint ownership or custom work. Already at least one individual in South Georgia is doing custom work with peanut combines and others will likely follow.

New Markets

The potential importance of mechanization lies not only in the possibility of reducing costs within the peanut industry as now organized but also in opening up entirely new markets. As long as peanuts are produced by methods that require many hours of hand and mule labor, it is inevitable that production costs will be high, that the use of peanuts will be restricted, and that acreage will be limited. When production costs and prices are lowered, however, new uses will be found that may permit a greatly expanded and therefore a more profitable industry. Dr. George Washington Carver, noted Negro chemist of Tuskegee Institute, saw great possibilities for the lowly peanut in the hundreds of products he made from it.

Of course, the big market for peanuts is for oil. Under traditional cultural practices, however, peanuts for oil cannot compete with such crops as soybeans, whose production has been mechanized. Now that peanut production has been mechanized, however, District growers can compete in a world-wide market. Moreover, peanut meal, a by-product of the oil industry, would give an important boost to the District's growing livestock industry.

The peanut has too many possibilities to be restricted to use in candy bars and table spreads because of the high cost of production by hand labor. If it is a "basic" crop, as it is held to be in the Federal price-support laws, then any development, such as mechanization, that permits it to enter its many potential markets should be encouraged.

JOHN L. LILES.

Sixth District Statistics

INSTALMENT CASH LOANS

Lender	No. of Lenders Reporting	Volume: Percent Change Jan. 1951 from Dec. 1950	Volume: Percent Change Jan. 1951 from Jan. 1950	Outstandings: Percent Change Jan. 1951 from Dec. 1950	Outstandings: Percent Change Jan. 1951 from Jan. 1950
Federal credit unions	43	—10	+13	—1	+28
State credit unions	20	—8	—27	—1	+10
Industrial banks	10	+17	+15	+1	+10
Industrial loan companies	12	—20	—7	+10	+1
Small loan companies	36	—26	+8	—1	+8
Commercial banks	33	+3	+4	—1	+28

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change January 1951 from Dec. 1950	Percent Change January 1951 from Jan. 1950
Total sales	115	—38	+6
Cash sales	99	—41	+17
Instalment and other credit sales	99	—38	+2
Accounts receivable, end of month	109	—7	+7
Collections during month	109	+4	+15
Inventories, end of month	84	+7	+44

WHOLESALE SALES AND INVENTORIES*

Type of Wholesaler	SALES: No. of Firms Reporting	SALES: Percent Change Jan. 1951 from Dec. 1950	SALES: Percent Change Jan. 1951 from Jan. 1950	INVENTORIES: No. of Firms Reporting	INVENTORIES: Percent Change Jan. 31, 1951, from Dec. 31 1950	INVENTORIES: Percent Change Jan. 31, 1951, from Jan. 31 1950
Automotive supplies	4	—12	+18	3	+5	+9
Electrical group						
Wiring supplies	3	+32	+116	3	+3	+19
Appliances	7	—11	+89	6	—5	+12
General hardware	13	+26	+52	8	+7	+18
Industrial supplies	10	+14	+85	.	..	..
Jewelry	3	—50	+58	.	..	..
Lumber and building materials	7	+8	+31	5	+9	+19
Plumbing and heating supplies	4	+60	+81	3	—13	—8
Confectionery	4	—3	+17	.	..	..
Drugs and sundries	8	+21	+22	.	..	..
Dry goods	14	+34	+38	8	+18	+10
Groceries						
Full-line	43	+15	+30	28	+1	+41
Specialty lines	11	+9	+27	4	+2	+1
Shoes and other footwear	3	+75	+48	.	..	..
Total	160	+17	+40	91	+4	+21

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

DEPARTMENT STORE SALES AND INVENTORIES*

Place	PERCENT CHANGE: Sales January 1951 from Dec. 1950	Sales January 1951 from Jan. 1950	Stocks January 31, 1951, from Dec.31,1950	Stocks January 31, 1951, from Jan.31.1950
ALABAMA	—52	+26	+5	+51
Birmingham	—51	+29	+8	+47
Mobile	—56	+20	.	.
Montgomery	—51	+20	—5	+61
FLORIDA	—42	+29	+5	+24
Jacksonville	—55	+23	+5	+14
Miami	—37	+31	+3	+29
Orlando	—38	+34	.	.
St. Petersburg	—34	+35	+5	+27
Tampa	—49	+20	+14	+27
GEORGIA	—50	+33	+8	+39
Atlanta	—45	+35	+9	+43
Augusta	—61	+34	+12	+32
Columbus	—54	+32	+3	+33
Macon	—58	+34	+9	+14
Rome	—63	+10	.	.
Savannah	—61	+24	—0	+34
LOUISIANA	—48	+13	+13	+25
Baton Rouge	—58	+6	+8	+18
New Orleans	—46	+14	+14	+28
MISSISSIPPI	—56	+14	+2	+23
Jackson	—52	+16	+6	+26
Meridian	—62	+11	.	.
TENNESSEE	—56	+26	—5	+29
Bristol	—61	+22	—2	+6
Bristol-Kingsport-Johnson City	—61	+17	.	.
Chattanooga	—56	+27	—3	+29
Knoxville	—46	+28	.	.
Nashville	—57	+25	—1	+40
OTHER CITIES**	—49	+23	—4	+20
DISTRICT	—50	+24	+5	+32

* Includes reports from 122 stores throughout the Sixth District.
** When fewer than three stores report in a given city, the sales or stocks are grouped together under "other cities." They are, however, included in state figures.

District Business Conditions

Loan Expansion Tapers Off

During January, the first month when member banks operated under the increased reserve requirements, loans declined slightly. The 3-million-dollar decline between the end of December 1950 and the end of January this year was the first decrease that has been reported since last April. During the same period District member bank holdings of United States Government obligations increased one million dollars and other security holdings declined 10 million.

To assess the significance of these changes as an indication of a falling off in the expansion of bank credit is difficult. For one thing, loans at District member banks usually decline during the first part of the year after the peak year-end demands for bank credit have been met. For another thing, the change is slight in comparison with the over 2 billion dollars in member bank loans outstanding.

At the weekly reporting member banks in leading cities, loans increased again in February, and by February 21 were 5.5 million dollars greater than on the last Wednesday in December. The chief factors increasing total loans were a growth of 8.5 million dollars in commercial and industrial loans and an increase in real estate loans. Loans to banks and to consumers declined somewhat.

The 3-million-dollar decline in total member bank loans was entirely accounted for by a drop of 4 million dollars in loans of country banks, those outside the reserve cities of Atlanta, Birmingham, Jacksonville, Nashville, and New Orleans. At the reserve city banks, loans increased one million dollars in January. The country banks also accounted for all the increase in holdings of Government securities. Their Government securities expanded 35 million dollars in January, whereas those of the reserve city banks declined 34 million.

Effect Of Increased Reserve Requirements

Under the amendment to Regulation D, increasing reserve balances that each member bank is required to maintain on deposit with the Federal Reserve Bank, reserve city banks were required to have reserves of 20 percent of their net demand deposits and 6 percent of their time deposits by January 24, compared with 18 and 5 percent under the previous requirements. Country banks' reserve requirements were increased from 12 to 13 percent for the period ended January 31 and are now at 14 percent of net demand deposits. Reserve requirements against time deposits are the same as those for the reserve city banks.

As a consequence of the new requirements, reserve city banks needed 38 million dollars more and country banks needed 30 million dollars more in required reserves at the end of January than they would have if the requirements had not been changed. During January, country banks were in a better position to meet the increased requirements than were reserve city banks. Country banks not only had more excess reserves before the new requirements were put into operation but also they did not feel the full effect of the new requirements until February.

Country banks met the increased reserve requirements chiefly by drawing upon their balances with correspondent banks, many of which were in reserve cities. The January statements of the reserve city banks reflected this withdrawal; they showed deposits of other banks 46 million dollars lower at the end of January than a month previously.

The reserve city banks, on the other hand, appear to have acquired the necessary balances to increase their reserves and to meet the withdrawals by the country banks chiefly by reducing their Government security holdings. They also increased their borrowings somewhat and reduced their balances with other banks. C. T. T.

Employment Shifts Toward Defense Production

The latest reports show that practically all types of nonagricultural employment are substantially above the levels of a year ago. Seasonal declines have been noted in some District states and pockets of unemployment have developed in others, but total employment is at record levels.

Manufacturing employment was higher in each District state at the end of December than a year earlier although there were slight declines from November in all states except Florida. These declines were accounted for by the seasonal losses common at that time of the year. The index of manufacturing employment for the District states in December, however, stood at 152 percent of the 1939 average, very little lower than the index of 153 for November and considerably higher than the figure of 143 for a year previously.

For the District as a whole, food processing was the only type of manufacturing to show a loss in employment from December 1949. On the other hand, increases of over 10 percent were reported by the apparel, primary and fabricated metals, transportation equipment, and paper and pulp industries. Slight declines in construction employment were reported from the previous month, but there was no record of employment having fallen below the level of a year earlier. In each of three states, Florida, Georgia, and Tennessee, the only ones for which exact data are available, construction employment in December 1950 was 25 percent greater than on the corresponding date a year earlier.

A total of 122 million dollars in construction contracts was awarded in the Sixth District during January, according to F. W. Dodge Corporation reports, compared with December 1950 awards of 153 million dollars and with 91 million dollars in January 1950. Although the January figure is lower than the figures for certain record-breaking months in 1950, it gives promise of continued activity in the construction industry for some time.

That some pockets of unemployment still exist, despite the high level of employment in these and other industries, probably reflects some of the difficulties involved in shifting to full defense production. A typical condition is found in Alabama where payments to unemployed workers rose 10

Bank Announcement

On February 15, the American Bank of Lake Alfred, Lake Alfred, Florida, a nonmember bank in Jacksonville Branch territory, began remitting at par. This bank has capital amounting to $25,000; surplus and undivided profits, $41,000; and deposits, $911,000. Its officers are C. H. McNulty, President; John M. Kuder, Vice President; B. A. Limmer, Cashier.

percent from November to December although total employment increased slightly. A large part of the increased benefits went to workers who had been laid off because of the curtailment in construction and another portion went to miners.

Workers in industries that are cutting operations cannot always be absorbed readily into expanding ones. According to most reports, unfilled jobs require skilled clerical and specialized technical workers although demands for workers with lesser skills are expected to increase in the future.

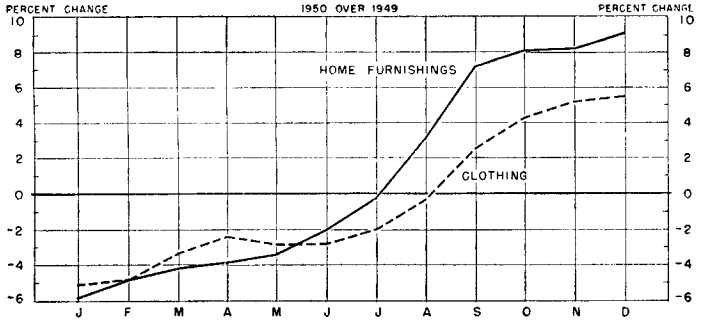
One factor that is helping to fill vacant jobs, it is reported, is the relaxing of age and experience standards by employers. For example, in the Miami area persons placed by the state employment office of 45 years of age or over increased from 8.5 percent of total placements in January of last year to 22.1 percent at the end of the year. C. T. T.

Consumer Spending Continues At High Level

So far this year, the weather seems to be the only thing that has dampened consumer spending at District department stores. In January, dollar sales at all reporting District stores were 24 percent greater than in January last year. When the final reports are in for February, they may show sales 10 percent above those of February 1950.

The latter increase occurred despite the severe storms in parts of the District that kept many people from shopping and closed stores in some cases. In Nashville, store closings brought sales down 60 percent below the year-ago level for the week ended February 3, and declines in Birmingham and New Orleans for the same week more than offset gains in other District cities. During the following week, District sales were 10 percent greater than they were in the preceding year, despite continued declines in Nashville, Birmingham, and New Orleans. For the week ended February 23, however, sales were 22 percent greater than in the same week last year.

CONSUMER PRICE CHANGES
Sixth District Cities



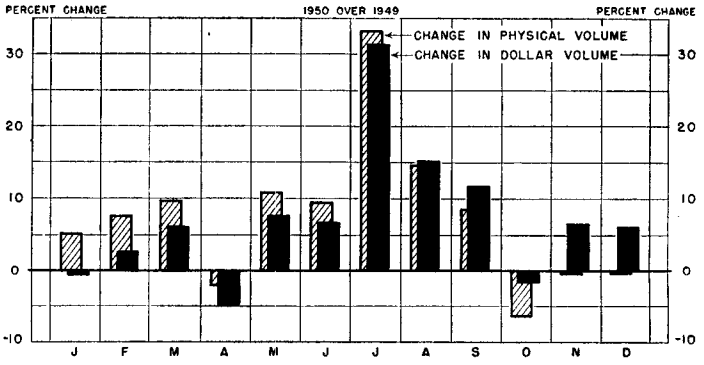
Consumer demands at the stores have been strong in practically all major departments, but home furnishings and other durable goods led in the rate of gain. Early reports show January 1951 sales of furniture and bedding running 42 percent higher than in the first month of 1950; domestic floor covering sales were up 75 percent; and household appliance sales 25 percent higher.

EFFECT OF PRICE INCREASES. Although there is unmistakable evidence that consumers are spending more dollars this year, it does not follow that they are getting a greater physical volume of goods. An exact measurement of the effect of recent price increases is impossible, of course, but it seems probable that in the last few months of 1950, price increases more than offset greater dollar sales.

In December 1950, according to a weighted average of the Bureau of Labor Statistics' indexes for leading District cities, the price of clothing for moderate income families was 5.5 percent higher than at the end of 1949. Housefurnishings prices had advanced 9.1 percent. Combining the two indexes on the basis of the ratio each type of merchandise is to total sales at department stores yields an increase of 6.3 percent in the index for the same period.

Increases in retail prices generally lag behind increases in wholesale prices. As a matter of fact, in 1950, despite the rapid increase of wholesale prices, the composite index of home furnishings and clothing retail prices was below the 1949 level each month until August. Clothing prices continued below the 1949 level until September. As a consequence of this lag in retail prices, consumers during the early part of 1950 were probably getting more goods than the figures based on dollar changes indicated. The accompanying chart shows the effect upon the physical volume of sales.

EFFECT OF RETAIL PRICE CHANGES ON SALES
District Department Stores



Retail prices begun to rise more rapidly in August and September than in preceding months, but, because dollar sales were so much greater, more merchandise crossed the stores' counters than in the corresponding months of 1949. By the last quarter of 1950, however, prices had increased until, despite the increase in dollar sales, the physical volume of goods sold was very near the previous year's level.

The evidence based on the price indexes is not conclusive as to the exact degree of change in the physical volume of sales. It does indicate, however, that consumers are having a harder time getting as great a volume of goods as they did formerly, despite their willingness to spend more money.

INVENTORY GROWTH. Price increases have also been a major factor in the growth of department store stocks. At the end of 1950, merchandise on hand at District department stores was valued at 32 percent more than that on hand at the end of 1949. This inventory growth has occurred despite the record-breaking sales. At the end of January, stocks were valued at 32 percent more than those at the same time last year.

Only part of this increase, however, can be explained by the higher prices. On the basis of the combined index of clothing and home furnishings prices for the District cities, it is estimated that inventories at the end of 1950 were approximately 24 percent higher in terms of physical volume than a year ago. C. T. T.

Weather Damage Appraised

Many District farms are brown and barren from the severest winter in seventy years and their operators are in the mood of Robert Burns when he wrote:

The best laid schemes o' mice an' men,
Gang aft a-gley,
And lea'e us naught but grief and pain,
For promised joy.

Repeated freezing and long periods of low temperatures resulted in arrested growth of farm crops and livestock, and the damage will total several million dollars. When the cost of feed and other supplies that farmers have had to buy because their own crops failed is added, the total climbs even higher. To blame all of these losses on weather, however, may be to overlook the importance of good management. Many of the losses could have been prevented by wise management, and the hardship eased if provision had been made for such emergencies.

The effects of weather in any rural community seem to be the same on all farms—nothing green, nothing growing. But there are wide differences, even on adjacent farms. A cattleman in South Georgia pointed to the bare fields on which he had hoped to graze his cattle through the winter and said, "I'm sure glad I had the barn full of hay. I haven't needed any hay for two years and haven't put up any in several years, but I need it now." The adjoining place was a cattle farm too, but there was no barn and no loft full of hay.

In early February many Florida cattle died in the wake of a cold wave that dipped to the southernmost part of the state. University of Florida veterinarians reporting of these losses said, "In almost no instance were there losses where shelter, even trees and palmetto, was provided." The losses could have been prevented. That they were not greater is evidence that most ranchers did provide some sort of protection. A banker living in the area where losses were greatest said, "This may be a blessing in disguise. Now we know that shelter is needed, even though we may not have such weather again for years. We are all grateful to know that the cause for these losses can be remedied so easily."

Green grazing throughout the year on many District farms has been the greatest boon to livestock production of the century. True, the Southeast has distinct advantages in a longer growing season, but year-round grazing every year cannot be counted on—not yet. Reserve feed supplies are necessary insurance against just such emergencies as have occurred this winter. The provision for reserves in the form of feed and shelter are practices of good management that have paid handsomely this year.

In some areas bankers are acutely aware of feed shortages. A few of their customers have had to come in for supplementary loans to buy feed because their winter crops were killed. Thus both banker and farmer will likely profit in the long run from recent experiences.

The cost of reserves is small compared to the value they may be when the weather acts up. Good farm management and profitable farming require some planning for freezes, floods, fires, insects, and diseases. These emergencies are normal occurrences. It is the opinion of many farmers that the severe cold has killed boll weevils and that infestation will be light next year. Despite that belief, however, they have bought poison, just in case, and they will therefore plant with greater assurance.

J. L. L.

Sixth District Indexes

DEPARTMENT STORE SALES*

Place	Adjusted**			Unadjusted		
	Jan. 1951	Dec. 1950	Jan. 1950	Jan. 1951	Dec. 1950	Jan. 1950
DISTRICT	449p	421	376	342p	708	285
Atlanta	572	490	441	406	774	313
Baton Rouge	431	456	415	301	738	291
Birmingham	454	430	369	327	692	265
Chattanooga	414	455	338	310	733	253
Jackson	417	432	392	305	656	286
Jacksonville	425	459	359	332	767	280
Knoxville	413	449	333	322	732	260
Macon	440	395	340	290	712	225
Miami	479	422	376	464	764	365
Montgomery	405	386	355	304	657	266
Nashville	488	473	407	327	789	272
New Orleans	397	380	362	314	609	286
Tampa	549	562	482	450	922	395

DEPARTMENT STORE STOCKS

Place	Adjusted**			Unadjusted		
	Jan. 1951	Dec. 1950	Jan. 1950	Jan. 1951	Dec. 1950	Jan. 1950
DISTRICT	474p	460	357	426p	401	321
Atlanta	664	625	464	565	519	395
Birmingham	370	382	252	352	325	240
Montgomery	499	600	326	454	480	297
Nashville	732	696	523	615	620	439
New Orleans	441	384	344	393	346	306

GASOLINE TAX COLLECTIONS***

Place	Adjusted**			Unadjusted		
	Jan. 1951	Dec. 1950	Jan. 1950	Jan. 1951	Dec. 1950	Jan. 1950
SIX STATES	246	245	233	246	250	233
Alabama	248	228	228	241	242	223
Florida	236	224	219	246	221	227
Georgia	253	240	231	258	254	235
Louisiana	278	289	276	275	271	273
Mississippi	256	253	205	241	259	193
Tennessee	222	243	247	211	262	235

COTTON CONSUMPTION*

Place	Jan. 1951	Dec. 1950	Jan. 1950
TOTAL	180	178	169r
Alabama	179	187	160r
Georgia	188	180	104r
Mississippi	115	116	131r
Tennessee	143	136	159r

ELECTRIC POWER PRODUCTION*

	Dec. 1950	Nov. 1950	Dec. 1949
SIX STATES	...	439	371
Hydro-generated	...	316	322
Fuel-generated	...	600	435

MANUFACTURING EMPLOYMENT***

Place	Dec. 1950	Nov. 1950	Dec. 1949
SIX STATES	152	153r	143r
Alabama	153	153	146r
Florida	150	143	143r
Georgia	153	154r	142r
Louisiana	142	145r	141r
Mississippi	152	155r	134
Tennessee	158	159	146r

CONSTRUCTION CONTRACTS

Place	Jan. 1951	Dec. 1950	Jan. 1950
DISTRICT	840	754	448
Residential	489	902	687
Other	603	682	333
Alabama	684	503	444
Florida	760	877	580
Georgia	700	648	537
Louisiana	370	1,159	283
Mississippi	192	501	194
Tennessee	504	607	360

CONSUMERS PRICE INDEX

Item	Jan. 1951	Dec. 1950	Jan. 1950
ALL ITEMS	n.a.	184	169
Food	...	220	197
Clothing	...	203	192
Fuel, elec., and refrig	...	141	140
Home furnishings	...	201	183
Misc.	...	161	155
Purchasing power of dollar	n.a.	.54	.59

ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

	Jan. 1951	Dec. 1950	Jan. 1950
Unadjusted	24.3	24.5	21.1
Adjusted**	23.0	21.7	20.0
Index**	93.1	87.8	80.9

CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*

	Jan. 1951	Dec. 1950	Jan. 1950
Unadjusted	357	356	318
Adjusted**	351	369	312

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

r Revised
p Preliminary
n.a. Not available

Sixth District Statistics

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

Item	Feb. 21 1951	Jan. 24 1951	Feb. 22 1950	Percent Change Feb. 21, 1951 from Jan. 24 1951	Percent Change Feb. 21, 1951 from Feb. 22 1950
Loans and investments—Total	2,553,386	2,536,420	2,455,511	+ 1	+ 4
Loans—Net	1,142,467	1,127,386	880,701	+ 1	+ 30
Loans—Gross	1,158,202	1,142,940	893,808	+ 1	+ 30
Commercial, industrial, and agricultural loans	694,807	681,677	531,210	+ 2	+ 31
Loans to brokers and dealers in securities	12,468	12,170	8,521	+ 2	+ 46
Other loans for purchasing and carrying securities	35,279	35,097	33,069	+ 1	+ 7
Real estate loans	92,967	92,096	77,017	+ 1	+ 21
Loans to banks	4,547	6,100	4,389	— 25	+ 4
Other loans	318,134	315,800	239,602	+ 1	+ 33
Investments—Total	1,410,919	1,409,034	1,574,810	+ 0	— 10
Bills, certificates, and notes	567,251	571,744	585,263	— 1	— 3
U. S. bonds	629,302	626,715	784,472	+ 0	— 20
Other securities	214,366	210,575	205,075	+ 2	+ 5
Reserve with F. R. Banks	483,477	481,217	403,786	+ 0	+ 20
Cash in vault	44,133	43,455	40,344	+ 2	+ 9
Balances with domestic banks	173,491	189,134	188,657	— 8	— 8
Demand deposits adjusted	1,913,368	1,901,497	1,732,834	+ 1	+ 10
Time deposits	513,295	514,864	533,709	— 0	— 4
U. S. Gov't deposits	70,151	43,556	88,979	+ 61	— 21
Deposits of domestic banks	540,075	574,104	538,970	— 6	+ 0
Borrowings	13,850	17,150	3,750	— 19	*

*More than 100 percent.

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

	Jan. 1951	Dec. 1950	Jan. 1950	Percent Change January 1951 from December 1950	Percent Change January 1951 from January 1950
ALABAMA					
Anniston	29,186	29,537	22,265	— 1	+ 31
Birmingham	446,343	440,008	342,154	+ 1	+ 30
Dothan	19,637	18,582	14,305	+ 6	+ 37
Gadsden	25,448	24,332	19,084	+ 5	+ 33
Mobile	160,421	158,376	118,327	+ 1	+ 36
Montgomery	99,013	93,854	80,304	+ 5	+ 23
FLORIDA					
Jacksonville	382,159	374,764	301,816	+ 2	+ 27
Miami	361,024	324,360	275,713	+ 11	+ 31
Greater Miami*	548,009	490,621	406,653	+ 12	+ 35
Orlando	80,945	76,495	68,631	+ 6	+ 18
Pensacola	41,500	41,314	34,451	+ 0	+ 20
St. Petersburg	92,032	81,619	70,024	+ 13	+ 31
Tampa	184,518	177,399	154,043	+ 4	+ 20
GEORGIA					
Albany	35,131	35,059	25,327	+ 0	+ 39
Atlanta	1,148,783	1,061,570	836,366	+ 8	+ 37
Augusta	80,217	74,057	57,832	+ 8	+ 39
Brunswick	12,280	11,369	8,818	+ 8	+ 39
Columbus	76,784	76,880	53,973	— 0	+ 42
Elberton	4,394	4,526	3,432	— 3	+ 28
Gainesville*	22,453	22,281	13,434	+ 1	+ 67
Griffin*	13,773	15,382	11,037	— 10	+ 25
Macon	77,856	81,649	61,491	— 5	+ 27
Newnan	14,942	12,034	10,837	+ 24	+ 38
Rome*	30,064	27,699	22,023	+ 9	+ 37
Savannah	115,609	124,225	83,232	— 7	+ 39
Valdosta	14,135	14,004	11,782	+ 1	+ 20
LOUISIANA					
Alexandria*	45,401	48,877	33,460	— 7	+ 36
Baton Rouge	131,848	110,456	112,589	+ 19	+ 17
Lake Charles	49,728	47,569	36,725	+ 5	+ 35
New Orleans	867,509	857,282	721,207	+ 1	+ 20
MISSISSIPPI					
Hattiesburg	21,450	19,450	17,549	+ 10	+ 22
Jackson	206,949	154,638	160,212	+ 34	+ 29
Meridian	35,249	30,688	25,442	+ 15	+ 39
Vicksburg	25,793	38,342	24,355	— 33	+ 6
TENNESSEE					
Chattanooga	212,026	185,176	168,056	+ 14	+ 26
Knoxville	162,191	152,128	129,844	+ 7	+ 25
Nashville	396,405	394,685	316,514	+ 0	+ 25
SIXTH DISTRICT 32 Cities	5,611,505	5,326,427	4,366,700	+ 5	+ 28
UNITED STATES 333 Cities	138,402,000	139,542,000	106,645,000	— 1	+ 30

* Not included in Sixth District total

National Business Conditions

Activity at factories and mines and in the construction industry was generally maintained at advanced levels in January and February. Department store sales in February were down somewhat from the peak rate reached in mid-January. Prices of agricultural commodities advanced further, while prices of industrial commodities leveled off after the Federal price-freeze order on January 26. Bank loans to business continued to expand substantially in January and early February.

Industrial Production

The Board's production index in January was 219 percent of the 1935-39 average, 10 percent above last June and 20 percent above January 1950. Output of durable goods declined slightly in January, while production of nondurable goods and of minerals increased somewhat.

In February, industrial production is estimated to have declined slightly, owing mainly to the effects of work stoppages at railroad terminals and in the wool textile industry. After the end of the rail strike in mid-February, steel and coal production recovered to about January levels and automobile output rose to the highest weekly rate since last October.

Small reductions in activity were fairly widespread in January among metal fabricating industries, reflecting in part the initial effects of cuts in metal use for nondefense purposes and in part temporary factors. A moderate decline in the automobile industry reflected mainly additional model-changeovers. Production of most household durable goods was maintained close to earlier record levels. Steel production increased in January to a new record annual rate of 104 million tons. Output of railroad equipment and aircraft also expanded further. Lumber production was at an exceptionally high level for this season.

The rise in nondurable goods output in January reflected mainly new record levels of paper production, and gains in cotton textiles, chemicals, and petroleum products. Meat production declined from the high November-December rates, but was 3 percent larger than a year ago.

Construction

Value of construction contracts declined in January, reflecting seasonal decreases in most categories of awards. The number of housing units started in January continued at a very high winter rate, totaling 87,000 as compared with 95,000 in December and 79,000 in January 1950. The moderate decline from December to January reflected a sharp drop in public units offset in part by some rise in private units started.

Distribution and Commodity Prices

The Board's seasonally adjusted index of the value of department store sales in January was 360 percent of the 1935-39 average. This was 28 percent higher than in January 1950 and about equal to the peak reached last July immediately after the Korean outbreak. Dollar sales at most other retail outlets, especially apparel stores, exceeded their earlier peaks. In mid-February, sales at department stores were about 16 percent greater than in the same period a year ago. Despite the exceptionally large volume of sales of numerous nondurable as well as durable goods, retailers' inventories have been generally maintained, reflecting the sustained high level of output.

The wholesale price level continued to advance after the announcement of the general Federal freeze order on January 26, reflecting mainly increases in farm products and foods which are only partly controlled. Farm products rose 4 percent further by the third week in February, to a level 33 percent above the low point reached early last year. Prices of industrial commodities showed little further rise from a level 17 percent higher than a year ago. Consumer prices probably advanced somewhat further in January with increases in food prices again accounting for most of the rise.

Bank Credit and the Money Supply

Business loans at banks in leading cities increased substantially further during January and the first half of February—a season of the year when these loans usually decline. Deposits and currency held by businesses and individuals decreased somewhat owing in part to a seasonal transfer of funds from private to Treasury accounts as a result of income tax payments. Purchases of Government securities from the banking system by nonbank investors and a continued gold outflow also tended to reduce the privately held money supply during this period.

Required reserves of member banks increased by about 2 billion dollars between mid-January and early February as a result of additions to legal reserve requirements. Banks met these increases in part by their usual receipts of reserves at this season of the year and in part by selling Government securities.

THE BOARD OF GOVERNORS