

Bank Lending for Farm Adjustments

Since the end of World War II, many farmers in the Sixth District have changed their way of farming rather rapidly. Outstanding among these changes are a greater dependence upon livestock and feed crops and less reliance on the traditional row crops. Some few farmers have completely substituted one type of farming for another. For example, a number of farmers whose cash sales formerly consisted entirely of cotton are now selling only fluid milk. Most of them, however, have merely added livestock and decreased their acreage of cash crops, but some have converted idle land or wasteland to improved pasture and added livestock with little or no decrease in cash crop acreages.

From a farm management standpoint, the increase in size of business is the most common characteristic of these changes. From a financial standpoint, the most common features are the increases in invested capital and in the amount needed for operating expenses.

The recent shift toward livestock has coincided with a period of favorable farm product prices and a large increase in farm income. Because of the marked improvement in their financial position, a large proportion of farmers can now meet the requirements for commercial credit. Country banks, therefore, have assumed a position of greater leadership in farm credit at a time when farmers' credit needs were undergoing the most far-reaching change of recent decades.

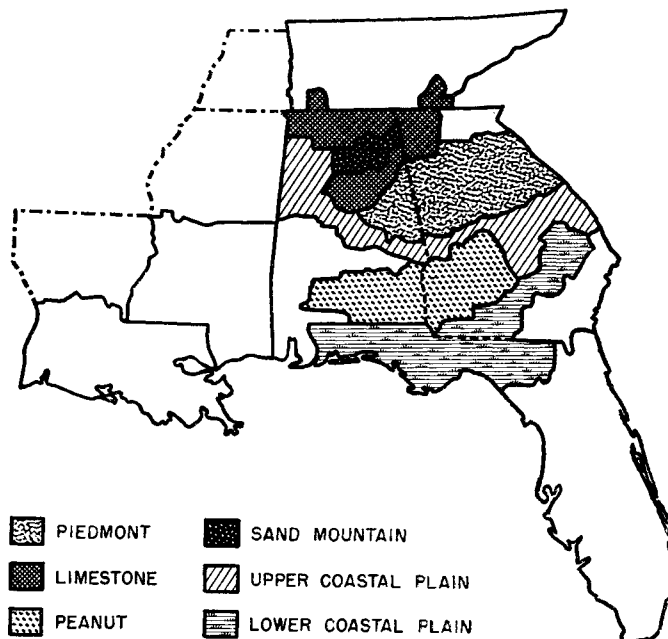
In order to meet farmers' credit needs more completely, country bankers have revised their lending policies and have participated in a wide variety of farm credit conferences, clinics, and schools. Some of them have established special farm credit departments with a full-time credit man in charge. It is well known that many banks have made great progress in enlarging and increasing their services to farm customers and in fostering a more efficient type of farming in their trade territories.

The purpose here is to report some of the results of a recent survey on bank lending to farmers. This survey was designed to yield some quantitative information on bank lending with special emphasis on loans made for beginning or expanding livestock programs or for other enterprises used to supplement or replace part of the income received from row crops. It is not, in any sense, a well-rounded summary of the contribution that country banks are making to the progress of agriculture. Although the extension of credit is one of the more important functions of country banks, it is only one of the services that banks render to farmers or to any of their other patrons.

How the Information Was Obtained

Information was obtained from 27 banks throughout the six farming areas shown here. Farmers in these areas, which were chosen because row crops are the

FARMING AREAS INCLUDED IN FARM CREDIT SURVEY



main source of income, are now changing to systems that place more emphasis on livestock. The banks contacted ranged in size from about 700 thousand dollars to about 40 million dollars in total deposits. All the banks had either a larger-than-average volume of farm loans or a larger-than-average percentage of their total loans in farm loans.

At each bank the information was obtained by a personal interview with an officer who was thoroughly familiar with the farm loans made and who knew the essential facts about the borrowers. Information was obtained from bank records wherever such records were applicable. Records on the 1950 borrowings of about 20 or 25 farmers were obtained from each bank. These borrowers were selected at random from those whose income came largely from farming and who got at least half of their income from cash crops such as cotton and peanuts. These two restrictions were intended to eliminate farmers whose off-farm earnings materially affected their financial status and those who had no particular problem in changing from a row-crop system.

In interpreting the results, it should be recognized that a bank's farm borrowers are not necessarily a typical cross-section of the farmers in the bank's territory. According to the farm census, for example, only 8 percent of the farmers in the area sampled had 100 acres of cropland or more, yet 46 percent of the bank loans were made to farmers in this group. This does not mean that the banks confined their lending to large operators. Farmers who had less than 50 acres of cropland accounted for 28 percent of the borrow-

ers. These comparisons do show, however, that as the size of farm declines there is also a decline in the proportion of farmers who can use credit effectively and who can meet the requirements for commercial credit.

How the Money Was Used

Of the 621 farmers whose 1950 borrowing records were studied, 170, or 27 percent, used part of the money to begin or expand livestock or other enterprises besides row crops. Money was borrowed for these purposes mostly by farmers with relatively large farms. Only 11 percent of the farmers with less than 80 acres of cropland borrowed for expansion of livestock, yet 42 percent with 80 acres or more borrowed for this purpose.

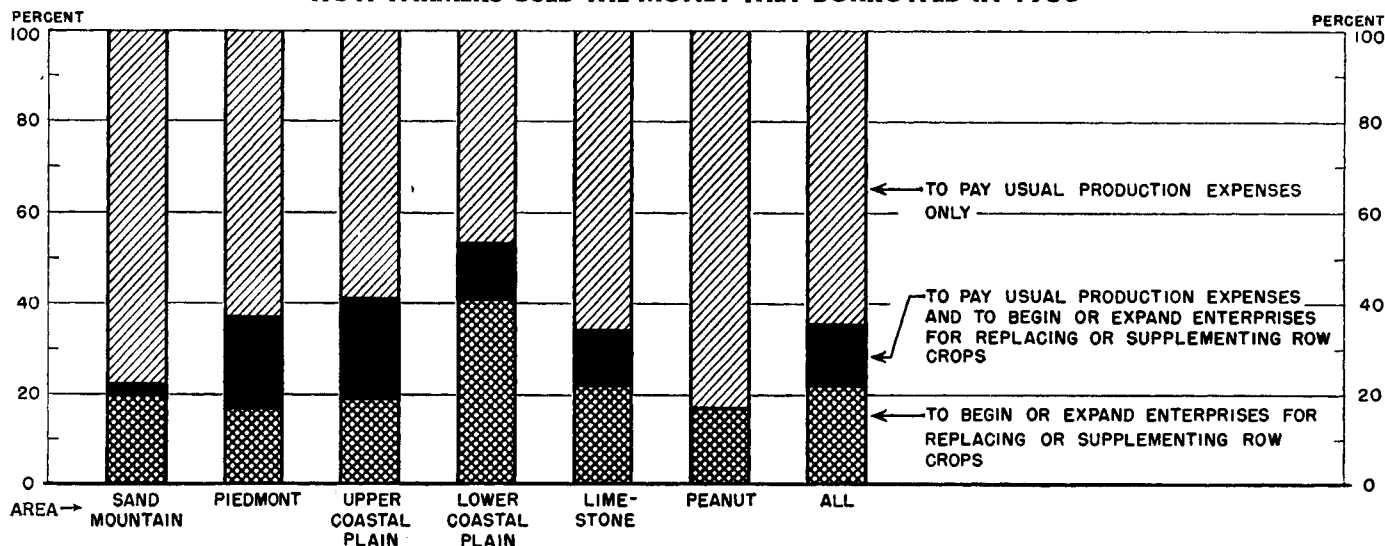
PERCENT OF FARMERS WHO BORROWED TO BEGIN OR EXPAND LIVESTOCK

Area	Farmers With Less Than 80 Acres of Cropland	Farmers With 80 Acres of Cropland or More	All Farmers
Sand Mountain.....	15	35	21
Piedmont.....	n.a.	50	31
Upper Coastal Plain....	8	36	25
Lower Coastal Plain....	n.a.	58	51
Limestone.....	10	44	26
Peanut.....	7	13	16
All Areas.....	11	42	27

Most of the borrowing to expand livestock enterprises was to buy cattle or to help pay for pasture establishment and improvement. Since hogs are the most suitable livestock enterprise for the Peanut belt and few farmers needed to borrow to begin or expand a hog enterprise, there was a relatively small proportion of livestock expansion loans made in that area.

Of the total amount of money borrowed, 65 percent was for usual production expenses, 22 percent was for livestock expansion alone, and 13 percent was for a

HOW FARMERS USED THE MONEY THEY BORROWED IN 1950



PERCENTAGE DISTRIBUTION OF AMOUNTS BORROWED

Area	By Farmers With Less Than 80 Acres of Cropland				By Farmers With 80 Acres of Cropland or More				By All Farmers			
	For Expansion of Livestock Only	For Usual Production Expenses and Livestock Expansion	For Usual Production Expenses Only	Total	For Expansion of Livestock Only	For Usual Production Expenses and Livestock Expansion	For Usual Production Expenses Only	Total	For Expansion of Livestock Only	For Usual Production Expenses and Livestock Expansion	For Usual Production Expenses Only	Total
Sand Mountain.....	8	5	87	100	29	71	100	100	20	2	78	100
Piedmont.....	1	n.a.	99	100	19	23	58	100	17	20	63	100
Upper Coastal Plain.....	11	n.a.	89	100	20	24	56	100	19	22	59	100
Lower Coastal Plain.....	43	3	54	100	41	13	46	100	41	12	47	100
Limestone.....	5	4	91	100	25	14	61	100	22	12	66	100
Peanut.....	14	n.a.	86	100	18	n.a.	82	100	17	n.a.	83	100
Total.....	10	2	88	100	24	15	61	100	22	13	65	100

combination of livestock expansion and the usual production expenses. Total borrowings refer to the total face amount of the notes made in 1950. For a particular farmer, total borrowings are usually greater than the maximum of the line of credit. Because livestock expansion loans usually have longer maturities than crop production loans do, total borrowings used as a measure of loan volume likely result in some understatement of the importance of livestock loans.

The proportion of total borrowings used for expansion of livestock differs markedly according to the type of farming area. In the Lower Coastal Plain, 41 percent of the money borrowed was expressly for this purpose, and an additional 12 percent was used for a combination of row crops and livestock expansion. Only 47 percent of the money was borrowed for row crops alone. In the Piedmont area, only 17 percent was used for livestock expansion alone, but an additional 20 percent was used for a combination of purposes that included livestock expansion.

Farmers with less than 80 acres of cropland used 10 percent of their total borrowings for livestock expansion alone and an additional 2 percent for a combination of purposes that included livestock expansion. Farmers with 80 acres of cropland or more, on the other hand, used 24 percent of their borrowings for livestock and an additional 15 percent for a combination of purposes.

Amounts Borrowed

The average amount borrowed for all farms in 1950 was about 2,300 dollars. The individual amounts, of course, were closely related to the size of the farms. Farmers with less than 80 acres of cropland borrowed an average of 832 dollars, whereas those with 80 acres or more borrowed an average of 3,351 dollars. Although the average amount borrowed tends to increase with the size of the farm, measured by cropland acreage, borrowing increases at a slower rate. Farmers

with larger acreages are able to pay a larger proportion of their usual operating costs and the costs of livestock expansion out of current income and savings.

AVERAGE AMOUNT BORROWED

Area	For Crop Production	For Expansion of Livestock	For All Purposes
Sand Mountain.....	\$1,321	\$1,611	\$1,362
Piedmont.....	1,982	1,568	2,164
Upper Coastal Plain....	1,828	2,847	2,249
Lower Coastal Plain....	2,388	3,606	3,064
Limestone.....	1,981	2,651	2,276
Peanut.....	2,375	2,987	2,463
Total.....	\$2,017	\$2,553	\$2,297

On farms of comparable size in most areas, there was little difference in the average amounts borrowed for usual production expenses and those for expansion of livestock. Most farmers, of course, are stretching their livestock expansion program out over a number of years with the result that annual investments are small compared to the total cost of the program. Borrowings for usual crop production expenses averaged 2,017 dollars a farm; for livestock expansion alone, 2,553 dollars; and for a combination of both purposes, 4,970 dollars.

AVERAGE AMOUNT BORROWED

Purpose of Loan	By Farmers With Less Than 80 Acres of Cropland	By Farmers With 80 Acres of Cropland or More	By All Farmers
Crop production only....	\$ 806	\$3,275	\$2,017
Crop production and livestock expansion...	n.a.	5,652	4,970
Livestock expansion only.	1,095	2,827	2,553
All purposes.....	\$ 832	\$3,351	\$2,297

Loans for livestock expansion in relation to those for crop production expenses usually were larger on small farms than on large farms. This difference is partly due to the tendency toward dairy cattle on small farms. To produce Grade A milk commercially, for example, a minimum investment is required for cows, barns, equipment, and pastures. Some of these investments, such as that for a barn, must be made in a lump sum. The farmer who is expanding or beginning a beef-cattle enterprise, on the other hand, can make his investments at almost any annual rate he

chooses. Also, there is some indication that larger farmers tend to expand their livestock enterprises on a more conservative basis, in relation to their total investment, than do small operators.

AVERAGE SIZE OF LOAN

Area and Size of Farm	For Crop Production Only	For Livestock Expansion Only	For All Purposes
Area:			
Sand Mountain.....	\$ 493	\$ 773	\$ 538
Piedmont.....	1,018	1,089	1,156
Upper Coastal Plain...	953	1,603	1,126
Lower Coastal Plain...	1,243	1,399	1,381
Limestone.....	773	1,686	955
Peanut.....	1,033	1,867	1,119
Size of Farm:			
Farms with less than 80 acres of cropland..	365	634	388
Farms with 80 acres of cropland or more..	1,340	1,590	1,455
Total.....	\$ 868	\$1,443	\$1,025

Differences in the average size of individual loans were greater than differences in total borrowings. For farmers with less than 80 acres of cropland, loans for crop production alone averaged 365 dollars and those for livestock expansion averaged 634 dollars. For farmers with 80 acres of cropland or more, loans for crop production averaged 1,340 dollars and those for livestock expansion averaged 1,590 dollars. The average size of note also was related to the type of farm. Loans for crop production, for example, averaged 493 dollars in Sand Mountain and 1,033 dollars in the Peanut area.

Maturities

The net investment through bank lending during any given period depends partly, of course, upon the maturity of the loans. In this discussion the maturity as shown on the note is used. Many loans are repaid before the maturity date, but the maturity shown on the note is indicative of both the banker's and farmer's attitude and judgment. Of the loans for crop production, only 8 percent were written for one year or longer. Most crop production loans with long maturities were for the purchase of tractors and other machinery. Of the loans for the expansion of livestock, 25 percent had maturities of one year or more. The proportion of loans written for less than six months was about the same for the crop production loans as for livestock expansion.

Demand notes were used more frequently in connection with financing livestock expansion than with crop production. Most of these demand notes involved borrowing by large operators.

In most areas, the practice of making livestock expansion loans for a year or longer was more common on loans to large farmers than to small farmers. For farmers with less than 80 acres of cropland, only 11 percent of the livestock expansion loans had maturities of one year or more, while 28 percent of these loans made to farmers with 80 acres of cropland or more had maturities of one year or over.

Renewals

The growth of bank lending for expansion of livestock has been accompanied more and more by a verbal understanding between the farmer and the banker that the loan can be renewed provided progress has been satisfactory. The actual maturities on notes for this purpose, therefore, do not always accurately indicate the length of the loan period.

PERCENT OF LOANS WITH VERBAL UNDERSTANDING FOR RENEWAL

Area and Size of Farm	Crop Production Loans	Livestock Expansion Loans	All Loans
Area:			
Sand Mountain.....	9	36	14
Piedmont.....	8	50	17
Upper Coastal Plain...	2	56	12
Lower Coastal Plain...	4	24	12
Limestone.....	3	52	10
Peanut.....	9	71	16
Size of farm:			
Farms with less than 80 acres of cropland..	6	29	8
Farms with 80 acres of cropland or more..	5	50	16
Total.....	5	46	13

In the areas studied, only 5 percent of the crop production loans were made with any understanding of a renewal at the stated maturity date. Most of these notes, furthermore, were for the purchase of a tractor and equipment. Of the loans for livestock expansion, on the other hand, 46 percent were made with some understanding about a renewal. Usually the farmer was expected to pay part of the loan at maturity date. The banker then advanced another loan for the re-

PERCENTAGE DISTRIBUTION OF NOTES BY MATURITY

Maturity	On Loans to Farmers With Less Than 80 Acres of Cropland			On Loans to Farmers With 80 Acres of Cropland or More			On All Loans		
	For Crop Production	For Livestock Expansion	For All Purposes	For Crop Production	For Livestock Expansion	For All Purposes	For Crop Production	For Livestock Expansion	For All Purposes
Demand.....	1	..	1	1	4	2	1	3	1
Less than 3 months.....	10	8	10	10	10	10	10	10	10
3 to 6 months.....	20	28	21	25	20	23	22	21	22
6 to 9 months.....	38	32	37	36	25	33	37	27	35
9 to 12 months.....	24	21	24	19	13	17	22	14	20
12 months and over.....	7	11	7	9	28	15	8	25	12
Total.....	100	100	100	100	100	100	100	100	100

mainder of the debt, provided the farmer was progressing satisfactorily with the livestock enterprise.

For crop production loans there were understandings for renewals on 6 percent of the loans made to farmers who had less than 80 acres of cropland, and on 5 percent of those made to farmers who had 80 acres or more. On loans for livestock expansion, however, the renewal understanding was used more often on large than on small farms. There were understandings for renewal on 50 percent of such loans to farmers with 80 acres of cropland or more and on 29 percent of such loans to farmers with less than 80 acres.

Security

Chattels, or some combination of security including chattels, were used to secure most loans. Chattels alone were the security on 69 percent of all the loans made. The security taken on livestock expansion loans differed from that on crop production loans in two important respects. First, a larger proportion of the livestock expansion loans was secured by only a chattel mortgage on livestock, and second, a large proportion of these loans was made on the farmer's signature, Government banks, life insurance, and other similar security.

Nearly half of the livestock expansion loans to farmers with less than 80 acres of cropland were secured by livestock alone. On farms with 80 acres or more, livestock was the only security on about one-fifth of the livestock expansion loans. A larger proportion of these loans was made without specific collateral on the large farms than on the small farms.

For all farms and all types of loans, real estate—or any combination of collateral including real estate—was used on only 9 percent of the loans. There were no significant differences in the frequency with which real estate was used between the large farms and the small farms or between the different types of loans. Most of the differences in type of security used

were related to the size of farm and financial position of the farmer rather than to the purpose of the loan.

Income of the Farmer

Lending for livestock expansion is affected by the level of farm income as well as by the size of farm. For each of the farm borrowers studied, the banker was asked to estimate whether the farmer's cash income from the farm in 1950 was less than 3,000 dollars or 3,000 dollars or more. The 3,000 dollar figure was chosen because it was felt that few farmers with a smaller cash income could pay production expenses, obtain cash for family living, and have anything left for the retirement of a loan for livestock expansion.

A comparison of the bankers' estimates with other data on farm income seems to indicate that they are quite conservative. This may be due to the fact that the bankers included in their estimate of cash income only those items of income that are ordinarily used to repay debts. Income from such enterprises as poultry flocks, for example, probably is not included. Although these income estimates are subject to some limitations, they do provide a reasonably accurate means of comparing groups of farmers.

Only 8 percent of the loans to farmers with an income of less than 3,000 dollars were for livestock expansion, while to those with an income of more than 3,000 dollars 33 percent were for this purpose. Even in groups of farms that were comparable in size, the purpose of the loans was affected by income.

On farms with less than 80 acres of cropland and with an income of less than 3,000 dollars, only 5 percent of the loans were for livestock expansion; loans for this purpose accounted for 16 percent of the loans on small farms that had more than 3,000 dollars of income. On large farms, 80 acres of cropland or more, 21 percent of the loans to farmers who had incomes of less than 3,000 dollars were for livestock expansion; 35 percent of the loans made to farmers with in-

PERCENTAGE DISTRIBUTION OF NOTES BY SECURITY

Security	On Loans to Farmers With Less Than 80 Acres of Cropland			On Loans to Farmers With 80 Acres of Cropland or More			On All Loans		
	For Crop Production	For Livestock Expansion	For All Purposes	For Crop Production	For Livestock Expansion	For All Purposes	For Crop Production	For Livestock Expansion	For All Purposes
No specific security, no endorsement.....	9	9	9	12	16	13	11	15	12
Endorsement and combination including endorsement....	10	0	9	4	4	4	7	3	6
Real estate and combination including real estate.....	7	2	7	10	12	11	8	11	9
Livestock alone.....	2	43	5	4	18	9	3	21	7
Chattels and combinations of chattels.....	70	36	67	67	42	59	68	42	62
Securities.....	0	9	1	2	7	3	1	7	2
Other.....	2	1	2	1	1	1	2	1	2
Total.....	100	100	100	100	100	100	100	100	100

comes of more than 3,000 dollars were for this purpose.

The relationship between income and purpose of loan differed markedly from one type of farming area to another. In the Sand Mountain area, loans for livestock expansion were made with the same frequency to the low-income groups as to the high-income groups. In the Peanut area, on the other hand, practically no loans for livestock expansion were made to farmers in the low-income group, while 15 percent of the loans in the high-income group were for this use.

PERCENT OF TOTAL NUMBER OF LOANS MADE FOR LIVESTOCK EXPANSION

Area and Size of Farm	Farmers With Incomes of Less Than \$3,000	Farmers With Incomes of \$3,000 or More	All Farmers
Area:			
Sand Mountain.....	15	15	15
Piedmont.....	16	36	28
Upper Coastal Plain...	1	46	31
Lower Coastal Plain...	17	58	49
Limestone.....	6	28	19
Peanut.....	1/	15	10
Size of farm:			
Farmers with less than 80 acres of cropland.	5	16	7
Farmers with 80 acres of cropland or more..	21	35	34
Total.....	8	33	23

1/ = Less than .05 percent.

That bank credit was used less frequently for livestock expansion by low-income farmers does not necessarily indicate an important credit problem on the low-income farms. Most farmers who have low incomes have relatively small farms. Some livestock enterprises—beef cattle, for example—often are not well adapted to a small acreage. The experience of agricultural extension workers and other similar technicians also indicates that, as a rule, farmers with small acreages and low incomes are less interested in livestock expansion and related farm adjustments than are farmers with relatively high incomes.

On low-income farms that are well suited to an expansion of livestock and where the farmer does want to make such an expansion, the mere existence of the low level of income, however, is a problem. The nature of this problem is shown by comparing the most probable income with the most typical amount borrowed for various size groups of farms. The income figures are derived from the bankers' estimates and from secondary sources. Farmers with 20 to 39 acres of cropland had incomes that exceeded borrowings by only 440 dollars. These farmers appeared to be using about all the credit that they could command simply to produce their row crops. Incomes exceeded borrowings by 870 dollars in the 40 to 59 acre group, by 1,660 dollars in the 60 to 79 acre group, by 2,640 dollars in the 80 to 99 acre group, by 3,450 dollars in

the 100 to 119 acre group, and by 3,860 dollars in the 120 to 139 acre group.

Borrowings averaged approximately 10 dollars for each acre of cropland for all sizes of farms up to about 80 acres. On farms with more than 80 acres, the amount borrowed per acre tended to decline as the size of farm increased. Income, on the other hand, increased more for each acre added to the farms with less than 80 acres of cropland than for each acre added to farms with more than 80 acres. The average income of the farmers with 80 acres of cropland was approximately 3,000 dollars.

These relationships between size of farm and income and between size of farm and amounts borrowed indicate that farmers with low incomes are using bank credit more intensively than farmers with high incomes. On most of the low-income farms, a large increase in the amount of money borrowed for any purpose, including the expansion of livestock, probably could not be extended on commercially acceptable terms.

Refusals of Loan Applications

For each farmer on which a borrowing record was obtained, the banker was asked whether he had rejected any loan applications for expanding livestock and the reasons for not making the loans. So few rejections were reported that no statistical summary of the results could be made. None of the rejections were related to the purpose of the loan, the size of the farm, the income of the applicant, or the collateral offered.

Although very few loan applications were actually rejected, a large proportion of the bankers reported that they had worked closely with their farm customers in planning livestock expansion programs and in many instances had helped farmers to alter their original plans in order that the bank could help finance their programs. Farmers who planned to buy cattle before establishing pastures, for example, often were persuaded to establish the pastures first.

Current Farm Credit Problems

Since the extension of credit to farmers is a continuous process, a spot survey of the type reported on here can show only part of the results of that process. In spite of this limitation, however, these findings do throw some light on current farm credit problems. One question is whether or not bank credit procedures and bank policies are changing rapidly enough to keep pace with farmers' livestock expansion pro-

grams. If the borrowings in 1950 are assumed to be typical of the current trends in lending for livestock expansion, at least 25 to 30 percent of the borrowings each year at the banks surveyed is being used for this purpose. This rate of borrowing appears high considering that most of it represents capital investment.

According to the census figures on income, for example, Alabama farmers who got at least half of their income from field crops got only 10 percent from livestock. With respect to types of farms, these farmers are comparable to those included in this survey. Farmers' borrowings for livestock expansion, therefore, constitute a larger share of their total borrowings than the distribution of income would seem to indicate. These comparisons do not necessarily prove that banks generally are meeting the demands for livestock expansion credit. In the banks surveyed, however, it seems clear that such credit is receiving the attention that its importance justifies.

In many discussions of bank credit for livestock, much stress has been laid on the differences between this type of credit and that for financing row crop production. Many of these differences are reflected in the findings of this survey. The survey seems to show, however, that these differences are far less important than many people outside the banking business have thought them to be. It is true that the investments usually required for livestock expansion are large in relation to the usual crop production loan. The study shows that the farmer can grow into the livestock program rather than make the entire investment at once, and thereby keep the average size of his livestock loan comparable to the usual crop production loan. This procedure brings most farmers' livestock expansion programs into the range of commercial credit and is also desirable from a farm management standpoint.

Another difference between lending for livestock expansion and crop production that is often cited is the longer maturities required on livestock expansion loans. According to this survey the latter are written for somewhat longer maturities than crop production loans. The differences in maturities, however, are minor. The step-by-step procedure usually followed on these loans reduces the need for long-term loans. In instances where all the loan cannot be conveniently repaid within the stated maturity on the original note, understandings for renewals usually solve the maturity problem. These understandings, which were in

effect on almost half of the livestock expansion loans, appear to be highly satisfactory in most respects. They insure that the livestock expansion program gets a thorough, periodic review by the banker and the farmer. They are based, of course, upon mutual confidence and understanding.

Bank lending to farmers was characterized by its flexibility. By adjusting the terms and conditions of the loans, the bankers were able to finance almost any livestock expansion program that was efficient from a farm management standpoint and that was being conducted by a farmer of good character. They were able to do this and apply prudent banking principles.

In order to make the large volume of livestock loans shown by this survey, many bankers had to make some innovations in their handling of loans. Generally those who had a good understanding of the farming business and of the credit problems peculiar to farming could make these innovations rather easily. This is not to imply that there are no problems in connection with appraisal of the farmers' programs, bank records, loan procedures, and the other technical aspects of farm credit. The main point is that these technical problems are not a particularly serious obstacle to advancement of credit for livestock expansion on the part of bankers who have a rather thorough understanding of farm lending.

In interpreting the survey findings, it should be kept in mind that all of the banks contacted had been very active in farm lending for a number of years. Their accumulation of experience in making crop production loans was the foundation upon which they built their loan program for livestock expansion. Most of them have made loans to farmers within a wide range of net worth, management ability, and ambition. Country banks that have confined their farm lending to a few highly selected farmers whose credit requirements could be met in a routine manner and without any particular knowledge of farming on the part of the banker have a different kind of problem. The survey findings in regard to livestock loans are not applicable to banks in the latter group.

Farm Credit in the Future

Present indications are that the need for credit for financing the expansion of livestock as well as for crop production will continue to grow on District farms. As shown here, many country banks have already demonstrated their ability and willingness to

meet farmers' credit needs. In these banks the policies of the officers and boards of directors toward farm lending are such that a continued improvement in loan procedures may be expected. Many country banks, on the other hand, are not following a policy with respect to farm lending that is conducive to the fullest agricultural development of their trade territories. How well banks meet farm credit needs in the future will depend partly upon the policies of individual banks or, stated in another way, upon the attitude of the banks' management toward agriculture.

Some banks that have done an excellent job of financing desirable farm adjustments up to the present are finding that their farm customers' needs for credit are growing faster than the resources of the bank. In these localities a form of capital rationing is appearing that may not be consistent with the best interests of farmers or of the entire community, state, or region. In a sense this development seems to reveal an imperfection in the capital market or in the structure of banking as it affects agriculture. The contribution of bank credit to farm prosperity, therefore, may also depend upon the ability of bankers, including those in the larger financial centers, to adapt the structure of banking to the greater need for farm credit that seems likely to develop. Those two subjects—the lending policies of individual banks and the structure of banking as it affects farm lending—will be discussed in subsequent issues of this *Review*.

The future of bank lending to farmers will also depend upon the circumstances and attitudes of farmers themselves. Farmers with low incomes and small acreages, for example, probably will be able to use credit only to a limited extent to help finance such adjustments as the expansion of livestock. Innovations in farm credit will solve only a small part of the problems faced by these farmers. All bankers contacted were asked why they did not have more loans to farmers to expand livestock enterprises. Almost invariably the answer was, "The farmers haven't asked for them." Most of these bankers have held meetings, visited farms, and tried in other ways to interest more of their customers in improving their farming systems.

In the last analysis, the initiative for all farm adjustments, including the expansion of livestock, rests with the farmer. The farm customers who had that initiative were obtaining the necessary credit at the banks surveyed.

BROWN R. RAWLINGS

Sixth District Statistics

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

Item	April 18 1951	March 21 1951	April 19 1950	Percent Change April 18, 1951, from	
				March 21 1951	April 19 1950
Loans and investments—					
Total.....	2,519,715	2,547,479	2,466,622	-1	+2
Loans—Net.....	1,138,362	1,143,720	889,142	-0	+28
Loans—Gross.....	1,156,062	1,160,747	902,584	-0	+28
Commercial, industrial, and agricultural loans..	686,343	693,268	519,798	-1	+32
Loans to brokers and dealers in securities...	15,200	13,538	11,545	+12	+32
Other loans for pur- chasing and carrying securities.....	33,995	34,768	33,968	-2	+0
Real estate loans.....	93,716	93,114	77,784	+1	+20
Loans to banks.....	5,187	4,901	4,602	+6	+13
Other loans.....	321,561	321,158	254,887	+0	+26
Investments—total.....	1,381,353	1,403,759	1,577,480	-2	-12
Bills, certificates, and notes.....	528,890	547,646	619,049	-3	-15
U. S. bonds.....	637,592	641,462	746,779	-1	-15
Other securities.....	214,871	214,651	211,652	+0	+2
Reserve with F. R. Bank.....	481,965	480,560	402,055	+0	+20
Cash in vault.....	43,211	46,372	40,352	-7	+7
Balances with domestic banks.....	202,327	193,103	178,107	+5	+14
Demand deposits adjusted...	1,874,433	1,888,270	1,773,671	-1	+6
Time deposits.....	513,225	512,500	540,069	+0	-5
U. S. Gov't deposits.....	107,575	98,968	56,922	+9	+89
Deposits of domestic banks..	541,156	545,638	523,264	-1	+3
Borrowings.....	6,000	15,500	.....	-61	..

DEBITS TO INDIVIDUAL BANK ACCOUNTS (In Thousands of Dollars)

Place	March 1951	February 1951	March 1950	Percent Change		
				March 1951 from February 1951	March 1950	Year-to- Date 1951 from 1950
ALABAMA						
Anniston.....	31,272	24,892	22,374	+26	+40	+35
Birmingham....	446,483	369,312	358,026	+21	+25	+28
Dothan.....	20,678	17,612	13,529	+17	+53	+46
Gadsden.....	25,015	20,685	19,589	+21	+28	+26
Mobile.....	174,600	138,680	126,863	+26	+38	+32
Montgomery....	97,937	82,840	85,141	+18	+15	+19
FLORIDA						
Jacksonville...	396,293	336,531	321,898	+18	+23	+23
Miami.....	366,777	322,563	321,155	+14	+14	+21
Greater Miami*	560,853	491,271	477,222	+14	+18	+25
Orlando.....	88,150	73,334	72,456	+20	+22	+18
Pensacola.....	46,103	37,907	36,508	+22	+26	+22
St. Petersburg..	94,169	78,139	73,516	+21	+28	+27
Tampa.....	193,771	163,986	164,085	+18	+18	+18
GEORGIA						
Albany.....	35,491	30,552	24,635	+16	+44	+40
Atlanta.....	1,117,815	984,229	921,833	+13	+21	+28
Augusta.....	83,120	68,365	54,583	+22	+52	+42
Brunswick.....	12,115	10,541	9,171	+13	+32	+35
Columbus.....	78,900	63,757	60,679	+24	+30	+33
Elberton.....	4,789	3,959	4,024	+21	+19	+22
Gainesville*...	21,919	18,919	15,327	+16	+43	+53
Griffin.....	13,609	12,041	11,673	+13	+17	+21
Macon.....	85,103	70,080	58,405	+21	+46	+35
Newnan.....	11,875	11,047	8,151	+7	+46	+39
Rome.....	27,062	25,189	21,879	+7	+24	+32
Savannah.....	120,061	97,777	96,251	+23	+25	+29
Valdosta.....	13,281	11,639	11,078	+14	+20	+16
LOUISIANA						
Alexandria....	42,964	37,875	33,239	+13	+29	+31
Baton Rouge...	113,832	101,318	106,493	+12	+7	+10
Lake Charles...	48,885	41,511	38,674	+18	+26	+29
New Orleans...	857,028	738,159	771,419	+16	+11	+15
MISSISSIPPI						
Hattiesburg...	20,865	18,707	18,336	+12	+14	+16
Jackson.....	198,799	156,279	161,854	+27	+23	+24
Meridian.....	33,539	27,602	28,171	+21	+19	+25
Vicksburg.....	26,745	21,993	26,360	+22	+1	+2
TENNESSEE						
Chattanooga...	197,843	164,312	151,291	+20	+31	+28
Knoxville.....	142,370	128,397	106,547	+11	+34	+30
Nashville.....	398,471	325,526	338,440	+22	+18	+18
SIXTH DISTRICT						
32 Cities.....	5,581,545	4,742,231	4,611,535	+18	+21	+23
UNITED STATES						
333 Cities....	144,077,000	114,038,000	115,738,000	+26	+24	+24

* Not included in Sixth District totals.

District Business Conditions

Foreign Trade Expands in 1950

Several significant developments emerge from the 1950 statistics on foreign trade. Total foreign trade through Sixth District ports increased in importance in 1950, compared with total United States trade. Although part of the growth occurred in the trade between this area and Latin America, the chief factor increasing the total was the upward trend in imports.

The dollar volume of the foreign trade commodities passing through District ports in 1950 exceeded that of any year on record, according to estimates based on United States Department of Commerce reports of water-borne exports and imports. Water-borne exports through the customs districts of Georgia, Florida, Mobile, and New Orleans amounted to slightly over one billion dollars and imports amounted to 720 million dollars. Since these figures do not include air-borne and other shipments, the total figure was probably almost 2 billion dollars.

The figures are more interesting when it is realized that combined water-borne exports and imports of the District were 7 percent greater than a year earlier, whereas for the country as a whole, the total rose only 3 percent. Exports through District ports in 1950 were 3 percent under those of 1949, but imports were 24 percent greater. For the country as a whole, water-borne exports declined 16 percent and imports increased 36 percent.

Cotton Exports High Cotton exports, which always loom large in the District total, helped keep up total exports from this area. During the first three quarters of 1950, exports of textile fibers and manufactured textile products through the port of New Orleans alone were valued at 210 million dollars and constituted almost 40 percent of that port's total dry cargo exports. Partly as a result of higher prices, total cotton exports from the United States increased from 868 million dollars in 1949 to over one billion dollars in 1950.

Importance of Latin America Another factor explaining the relatively favorable showing is the comparatively large proportion of exports now going through District ports to Latin American countries. Figures on the distribution of dry-cargo exports com-

plied by the Board of Port Commissioners for the Port of New Orleans from Department of Commerce data indicate that almost two-fifths of the value of total dry-cargo exports from that area went to Latin American countries during the first three quarters of 1950. Since total American exports to that area fell only 4 percent in 1950 from 1949, Latin American trade helped sustain the District's position.

Ships leaving the port of New Orleans during the first three quarters of 1950 carried cargo destined for 93 foreign countries and territories. In some cases the amount was relatively small, for example, the 5,000 dollar shipment of lubricating oils and greases sent to Paraguay. Germany took the greatest amount of exports of any single country, 42 million dollars, consisting mainly of raw or manufactured cotton. In fact, European countries all together took a slightly greater

SIXTH DISTRICT WATER-BORNE IMPORTS AND EXPORTS
In Millions of Dollars

Customs District	1948		1949		1950	
	Imports	Exports	Imports	Exports	Imports	Exports
Florida.....	83.0	116.2	79.6	113.8	104.4	128.0
Georgia.....	45.8	29.7	45.8	27.8	49.2	39.5
Mobile.....	33.2	81.6	29.8	46.9	48.3	47.2
New Orleans.....	432.1	876.1	427.5	839.2	518.3	787.2
Sixth Federal Reserve District.	594.1	1,055.6	582.7	1,027.7	720.2	1,001.9
United States.....	5,197.3	8,877.2	4,976.1	8,468.1	6,776.0	7,069.2

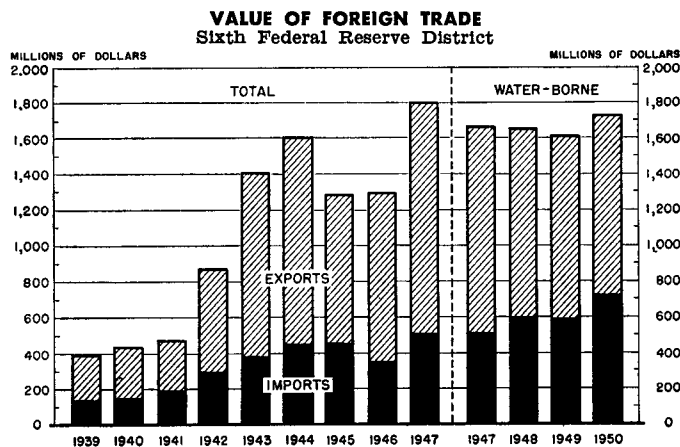
Source: U. S. Department of Commerce.

proportion of dry-cargo exports from New Orleans during the first three quarters of 1950 than Latin American countries did. The Far East and other parts of Asia was the destination of 16 percent of the value and Africa, 3 percent.

Greater Imports Regardless of the growing importance of Latin American markets for American products, District foreign trade in 1950 would have declined had it not been for the growth in imports. Trade analysts saw in the expanded imports the creation of foreign purchasing power, which is the basis for the demand for American products. They saw in this development one of the most favorable encouragements for American exports.

As a matter of fact, in two customs districts of this area, imports during 1950 exceeded exports. The Mobile customs district water-borne imports of 48.3 million dollars had a slight edge over exports, and in the Georgia customs district, imports of 49.2 million dollars were almost 10 million dollars greater than ex-

ports. A large part of the imports provide raw materials for processing to District manufacturers, but others directly meet the needs of American consumers.



Source: U. S. Dept. of Commerce for Customs Districts of Florida, Georgia, Mobile, and New Orleans.

A large proportion of the imports passing through District ports also comes from Latin America. Last year, about 55 percent of the value of the imports entering the United States through the Mobile customs district came from Latin America. Imports from Asia were second in value, accounting for about 26 percent, with most of the remaining coming from Canada.

With the nation's demands expanded by the defense program, the need for the products of foreign countries is expected to grow during 1951. The commercial ties that have been made in the postwar period between businessmen in this area and in other parts of the world are, therefore, expected to be increasingly useful.

C.T.T.

Current Labor Developments

Heavy buying has dominated all phases of economic activity during the last nine months. Housewives, as well as industrial purchasing agents, have ordered for inventory in anticipation of price rises and commodity shortages. Employment in most lines of production and distribution consequently has been maintained at or near record levels since June.

In contrast to the continuously expanding situation of the last few months, a few business indicators currently show signs of uncertainty. Reports from individual firms indicate inventory problems because the upward trend in buying seems to have reached a peak, at least temporarily. Since anticipated price declines depress sales just as expected rises stimulate them, cur-

Sixth District Indexes

DEPARTMENT STORE SALES*

Place	Adjusted**			Unadjusted		
	March 1951	February 1951	March 1950	March 1951	February 1951	March 1950
DISTRICT	413	419	374	422	352	359
Atlanta.....	508	501	416	508	421	399
Baton Rouge.....	352	366	363	363	311	352
Birmingham.....	375	395	360	378	328	353
Chattanooga.....	430	394	377	405	323	343
Jackson.....	398	371	370	394	308	356
Jacksonville.....	428	417	366	423	342	355
Knoxville.....	409	399	375	393	319	349
Macon.....	462	399	281	462	307	303
Miami.....	429	455	404	489	505	428
Montgomery.....	338	337r	322	331	276r	306
Nashville.....	409	401	409	417	313	388
New Orleans.....	355	356	362	358	299	348
Tampa.....	528	521	471	533	464	466

DEPARTMENT STORE STOCKS

Place	Adjusted**			Unadjusted		
	March 1951	February 1951	March 1950	March 1951	February 1951	March 1950
DISTRICT	462	458	359	485	463	377
Atlanta.....	619	668	458	656	648	485
Birmingham.....	396	358	266	420	373	282
Montgomery.....	522	467r	386	522	472r	386
Nashville.....	702	721	538	723	685	554
New Orleans.....	428	417	342	458	413	366

GASOLINE TAX COLLECTIONS***

Place	Adjusted**			Unadjusted		
	March 1951	February 1951	March 1950	March 1951	February 1951	March 1950
SIX STATES	251	269	235	233	269	219
Alabama.....	242	261	222	222	248	205
Florida.....	244	244	228	256	264	239
Georgia.....	268	279	240	245	266	220
Louisiana.....	259	273	276	238	268	254
Mississippi.....	231	288	230	208	276	207
Tennessee.....	240	302	201	211	290	177

COTTON CONSUMPTION*

Place	March 1951	February 1951	March 1950
TOTAL	196	195	149r
Alabama.....	196	204	157r
Georgia.....	205	198	150r
Mississippi.....	109	117	89r
Tennessee.....	149	152	126r

ELECTRIC POWER PRODUCTION*

	February 1951	January 1951	February 1950
SIX STATES ..	475	472	419
Hydro-generated..	361	344	381
Fuel-generated..	624	640	469

MANUFACTURING EMPLOYMENT***

Place	February 1951	January 1951	February 1950
SIX STATES ..	153	152	141r
Alabama.....	155	152	142r
Florida.....	155	152	147r
Georgia.....	153	153	142r
Louisiana.....	138	138	130
Mississippi.....	148	149	135
Tennessee.....	161	159	146

CONSTRUCTION CONTRACTS

Place	March 1951	February 1951	March 1950
DISTRICT	670	612r	1181
Residential..	1086	918r	1274
Other.....	469	463r	1136r
Alabama.....	500	411	608
Florida.....	940	713	816
Georgia.....	747	900	711
Louisiana.....	391	556	627
Mississippi..	286	364	319
Tennessee... 614	390	2991	

CONSUMERS PRICE INDEX

Item	March 1951	February 1951	March 1950
ALL ITEMS ... 189	189	173r	
Food..... 231	229	200r	
Clothing... 209	208r	191	
Fuel, elec., and refrig..	142	144r	142r
Home furnishings... 206	205r	183r	
Misc..... 164	164	155r	
Purchasing power of dollar.....	.53	.53	.58

ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

	March 1951	February 1951	March 1950
Unadjusted....	24.8	23.6	20.7
Adjusted**...	24.8	23.4	20.7
Index**.....	100.6	94.7	83.7

CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*

	March 1951	February 1951	March 1950
Unadjusted....	368	362	303r
Adjusted**...	368	357	303r

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

rent employment trends conceivably may vary from the accustomed upward path.

Information available from the Southern Regional Office of the Bureau of Labor Statistics indicated that no break in employment has occurred so far in the Sixth District. Manufacturing employment, for example, rose from 1,096,000 in January to 1,104,800 in February, a 10-percent rise over the first two months of 1950. All states in the District reflected some gain. Preliminary data available for March show no downward trend.

Textiles Employment in textiles and clothing, the major manufacturing activity in Georgia, Alabama, Tennessee, and Mississippi, has reached the highest level since 1948. Production of textile products has been stimulated by recent defense contracts. Of the something over 100 million dollars in non-secret military contracts placed in the District, approximately half has been for items of this type.

Construction Employment in contract construction has shown exceptional gains during the last year. Greatest activity in building has been in Florida. As reported by the Florida Industrial Commission, the number of workers increased from 49,400 in February of last year to 64,800 this year. An even greater

starts during March, according to Bureau of Labor Statistics estimates, were less than usual.

Booming construction activities throughout the District have stimulated employment in lumber and wood products, a major manufacturing activity in each District state. In February, total employment of this type reached 195,600. Up from 175,000 a year ago, this 12-percent gain can continue only so long as no significant reduction in the total building program occurs.

Wage Rates Earnings by manufacturing employees in the Sixth District have risen about 10 cents per hour during the past year. The BLS Southern Regional Office points out that current hourly rates vary from a state average of \$1.26 in Alabama to \$1.01 in Mississippi. On a weekly basis, gross earnings rose from \$43.00 last year to \$49.00 this year. As a rule, longer work weeks are becoming more common.

Defense Contracts Increased defense spending can be expected to affect employment. Military contracts placed so far in 1951 have been around 4 billion dollars a month. This was more than twice the rate from July to December 1950. With expectations of a considerable increase during fiscal 1952, defense spending as estimated by the Treasury Department will total 41 billion dollars as against a total of 21 billion for fiscal 1951, and a further shift in occupations can be expected. If the same trends as were present in 1942-44 appear during the current rearming program, the high activity in textiles can be expected to fall somewhat as production of durable equipment expands. This will be particularly significant throughout the Southeastern states.

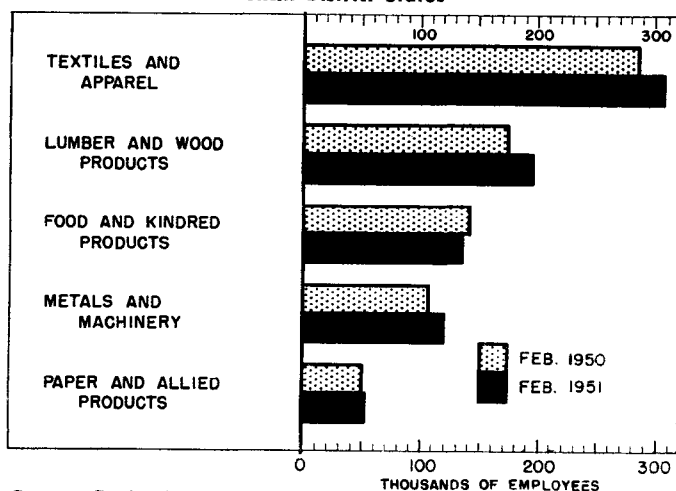
W. T. H.

Trends in Bank Credit

The appointment of committees to implement the program for voluntary credit restraint has focused attention on current trends in bank loans. Under the program, banks have been asked to screen loan applications on the basis of their purpose, in addition to making the usual tests of credit worthiness. They have been asked to use as a criterion whether or not the loans "commensurately increase or maintain production, processing, and distribution of essential goods and services." Although the chief emphasis in the program is upon the purpose for which loans are made, it is recognized that an expansion in the volume of bank credit in itself creates inflationary pressures.

In March, when the program was started, member bank loans in this district were at their peak. At the

EMPLOYMENT IN SELECTED MANUFACTURING INDUSTRIES
Sixth District States



Source: So. Regional Office, Bureau of Labor Statistics.

gain was indicated for Georgia with an increase from 31,600 to 47,000. All District states showed some gain.

Effects of credit restrictions and material shortages on construction are observable, although rather dimly so. Employment in this field was down 3 percent in February from January, whereas normally the seasonal trend in the District is upward. Gains in housing

end of March, the banks had 2,034 million dollars in loans on their books, 394 million dollars more than on the corresponding date in 1950. There had been a 29-million-dollar increase during the month, shared in by practically all parts of the District.

Seasonal demands for credit probably account for much of the rise in loans during March. Judging from the reports of the weekly reporting member banks, whose loans constitute approximately 60 percent of all member bank loans in the District, the trend of loans has been downward during April as it was last year and also in 1949. By April 25, total loans at the weekly reporting member banks had declined 21 million dollars since March 28.

One of the chief reasons for the decline in total loans during April was the repayment of loans to banks as they completed their adjustments to the higher reserve requirements and the strain of transfers to the Treasury of income tax payments. Business loans also declined 12 million dollars. Repayments made by dealers in cotton and other commodities, by textile and other manufacturing companies, and by construction concerns more than offset increases caused by new loans made to sales finance companies, trade concerns, and public utilities. C. T. T.

Voluntary Credit Restraint Committee

Pursuant to the program for voluntary credit restraint authorized by the Defense Production Act of 1950, the following committee has been set up in the Sixth District for commercial banks:

John A. Sibley, Chairman,

Chairman of the Board, Trust Company of Georgia,
Atlanta, Georgia

James G. Hall,

Executive Vice President, The First National Bank of
Birmingham Birmingham, Alabama

J. Finley McRae,

President, The Merchants National Bank of Mobile,
Mobile, Alabama

V. H. Northcutt,

President, The First National Bank of Tampa,
Tampa, Florida

Herman Jones,

Executive Vice President, The First National Bank of
Atlanta Atlanta, Georgia

Dale Graham,

President, The National Bank of Commerce in
New Orleans New Orleans, Louisiana

V. K. Bowman,

Vice President, Federal Reserve Bank of Atlanta,
Atlanta, Georgia

Sixth District Statistics

INSTALMENT CASH LOANS

Lender	No. of Lenders Reporting	Volume		Outstandings	
		Percent Change March 1951 from		Percent Change March 1951 from	
		February 1951	March 1950	February 1951	March 1950
Federal credit unions.....	41	+29	+2	-1	+21
State credit unions.....	18	+26	+9	+1	+29
Industrial banks.....	7	+38	+36	+3	+14
Industrial loan companies....	13	+19	+1	+1	+2
Small loan companies.....	31	+18	-1	+1	+9
Commercial banks.....	33	+22	+4	-0	+23

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change March 1951 from	
		February 1951	March 1950
Total sales.....	119	+27	+7
Cash sales.....	105	+13	+10
Instalment and other credit sales....	105	+28	+7
Accounts receivable, end of month...	80	+0	+5
Collections during month.....	80	+8	+9
Inventories, end of month.....	89	+3	+38

WHOLESALE SALES AND INVENTORIES*

Type of Wholesaler	No. of Firms Reporting	Sales		No. of Firms Reporting	Inventories	
		Percent Change March 1951 from			Percent Change March 31, 1951, from	
		February 1951	March 1950		February 1951	March 31 1950
Automotive supplies.....	3	-22	-2	..	..	..
Electrical—Full-line....	3	-4	+17	..	..	..
“ Wiring supplies....	4	+35	+44	4	+6	+48
General hardware.....	11	+6	+28	6	+9	+26
Industrial supplies.....	11	+5	+56	..	..	..
Jewelry.....	4	+9	+48	3	+18	+60
Lumber and building materials.....	7	+28	+14	5	-4	+27
Plumbing and heating supplies.....	4	-12	+33	3	+2	-13
Confectionery.....	4	+11	-3	..	..	..
Drugs and sundries.....	10	+3	+9	..	..	..
Dry goods.....	17	+1	+12	11	+5	+24
Groceries—Full-line....	30	+10	+10	19	-0	+24
“ Specialties.....	11	+3	+3	6	-1	+13
Shoes and other footwear..	3	+34	+60	..	..	..
Tobacco products.....	11	+22	+12	8	+2	+18
Total.....	147	+7	+20	86	+2	+23

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

DEPARTMENT STORE SALES AND INVENTORIES*

Place	PERCENT CHANGE				
	SALES		Yr. to Date 1951	STOCKS	
	March 1951 from February 1951	March 1950		March 31, 1951, from Feb. 28, 1951	Mar. 31, 1950
ALABAMA.....	+35	+9	+14	+11	+46
Birmingham.....	+30	+8	+16	+13	+49
Mobile.....	+36	+16	+15	..	..
Montgomery.....	+50	+9	+9	+11	+35
FLORIDA.....	+19	+17	+19	-1	+23
Jacksonville.....	+39	+19	+17	+1	+18
Miami.....	+9	+11	+19	-3	+28
Orlando.....	+21	+21	+23	..	..
St. Petersburg.....	+20	+21	+22	+2	+35
Tampa.....	+29	+15	+14	-0	-21
GEORGIA.....	+43	+34	+28	+2	+34
Atlanta.....	+36	+27	+26	+1	+36
Augusta.....	+59	+54	+40	+2	+28
Columbus.....	+48	+43	+33	+4	+29
Macon.....	+69	+54	+36	-1	+20
Rome.....	+88	+36	+17	..	..
Savannah.....	+60	+43	+28	+15	+40
LOUISIANA.....	+36	+4	+4	+11	+23
Baton Rouge.....	+36	+6	+1	+9	+20
New Orleans.....	+35	+3	+5	+11	+25
MISSISSIPPI.....	+46	+13	+9	+6	+17
Jackson.....	+45	+10	+8	+5	+19
Meridian.....	+45	+17	+11	..	..
TENNESSEE.....	+44	+11	+14	+6	+27
Bristol.....	+44	+12	+12	+8	+9
Bristol-Kingsport-Johnson City.....	+47	+16	+14	..	..
Chatanooga.....	+41	+18	+20	+3	+43
Knoxville.....	+38	+9	+15	..	..
Nashville.....	+50	+7	+9	+5	+30
OTHER CITIES**.....	+33	+18	+17	+5	+19
DISTRICT.....	+35	+17	+17	+5	+29

*Includes reports from 129 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.