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Community Capital Accumulation and Farm Financing

From the standpoint of lending to farmers, the most important banks in the Sixth District are those in small towns. With a few exceptions they are unit banks that obtain almost all of their deposits from the local communities. A large proportion of their assets is in the form of loans to local businessmen and farmers. How much money one of these banks can and will lend depends to a large extent upon the ability of the businessmen, farmers, and other individuals in the community to accumulate bank deposits and upon the demands for loans that meet the requirements of prudent banking.

The ability to accumulate deposits depends partly upon the efficiency with which the land, the money, and the people are organized to produce goods and services of value. This efficiency, in turn, is importantly affected by the ability and willingness of the local banks to extend credit. This close relationship between the rural bank and the area which it serves has some important implications for farmers who use bank credit and for the whole banking system in the Southeast.

The two immediately preceding issues of this *Review* carried discussions on bank lending for farm adjustments, which usually means the financing of an expansion of livestock, and current lending policies on livestock loans. These discussions can be summarized in three tentative statements. First, the need for bank credit to expand livestock will continue to grow. Second, many country banks are already devoting a large proportion of their lending power to this purpose. Third, many banks have shown that they can adapt their lending policies to fit this type of credit and still conduct a safe and efficient banking business.

Bankers in some areas are finding that their deposits are not growing fast enough to permit them to grant all the farm loan applications that fall within their established lending policies. Farmers in these areas cannot borrow to the same extent as farmers in other areas for the expansion of livestock or for other changes in their farming systems. During the last two decades the structure of rural banking has undergone some sweeping changes, most of which have been toward making it safer and more stable. The test of its adaptability to the credit needs of a changing agriculture has only begun. The purpose here is merely to point out some features of the structure of country banking that affect farm lending programs. No attempt is being made to appraise the effectiveness of banks in such financing.

The Problem

The problem that confronts many country banks is illustrated by the following example. A certain bank, located in a community where farming is the principal source of income, has always tried to grant the credit demands of farmers who, in turn, could meet the requirements for commercial bank credit. In so doing, it has built its volume of farm loans to a point where the management feels that any further loan expansion at the present level of deposits would be unsound. Until the past few years, most of the farmers got a large part of their income from row crops. As farmers began to expand livestock, the bank began to make loans for this purpose.

Last year it became apparent to the bank management that the bank could not follow through on the livestock program it had helped start and at the same time continue to finance crop production for all of its old customers. Since the farmers who were expanding

livestock were making financial progress while many farmers who were growing only row crops year after year were not progressing financially, the bank decided to eliminate some of its row-crop customers. In this way the bank hoped to have more money to lend to the farmers who were expanding livestock. As the current crop season progressed, however, the remaining farmers who were borrowing for row crops began coming back for more money in order to meet the higher costs of production. As country bankers well know, a crop loan that falls short of assuring all of the materials for a successful crop carries a very high risk. The bank, therefore, advanced about as much money for crop production this year as it did last year and is now in almost exactly the same position in regard to livestock loans as it was a year ago.

Another country bank, in similar circumstances, not only stopped advancing credit to some of its regular crop-loan customers but actually helped them to get jobs in towns and in industries located outside of the community. Many small, row-crop farmers simply cannot operate unless they can get credit.

The Capital Market

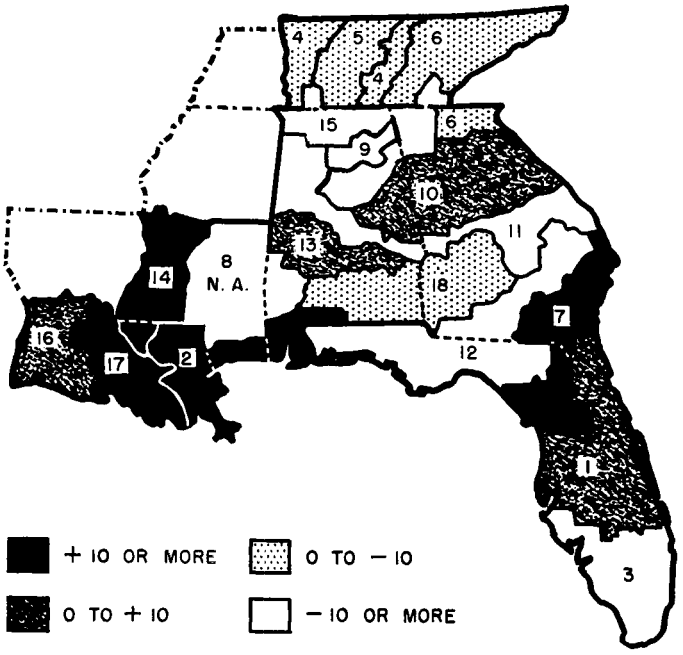
Banks, of course, do not lend to everyone who asks them for money. One of their main jobs as custodians of the pool of funds made available by the people of the community is to allocate the limited supply of money among those who can use it most effectively. A rationing of credit, therefore, is inherent in the very nature of the capital market. If the market were perfect, farmers could bid for credit against credit users everywhere or could go outside of their communities to borrow. Credit would be rationed to farmers in exactly the same way as for all other users and credit for a particular farming purpose, such as livestock expansion, would be weighed in the market against all other uses. In practice, however, credit for farming purposes does not always move readily from one community to another, nor can farmers, generally speaking, borrow outside of their own communities.

The market for non-real-estate loans to farmers is still primarily a local one. These loans are based largely upon the local banker's intimate knowledge of the individual farmer. This knowledge includes a good idea of the farmer's character, of his hopes and ambitions, of his management ability, both with respect to the farm and to his finances, and of the soundness of his farming program. Collateral is usually taken, of course, but it is not a substitute for this personal evaluation. Bankers often sum up this idea by such a remark as "If the man's not good, the loan's not good, regardless of how much collateral he can offer." A farmer who goes outside of his own community to borrow usually has to be an extraordinarily good risk in order to get a loan.

The growing importance of livestock loans tends to make farm lending even more local in character than before. These loans, as compared to the usual crop loans, require a more careful study of the farmer's entire program and considerably more supervision by the banker. Often there is a tacit agreement between the farmer and banker about additional loans if a four- or five-year livestock expansion program is being financed. Collections, as in the case of dairy loans where payments are made by assignment of milk checks, may also depend upon the cooperation of local business interests. The market for these loans, therefore, seems likely to become even more local in nature.

The question of mobility of credit, or the ability of farmers to bid for credit in a national market, is very old as far as country banking is concerned. Many

CHANGES IN TOTAL DEPOSITS IN CITIES OF LESS THAN 15,000 POPULATION 1945-1950



1. Citrus
2. Gulf Truck
3. Winter Truck
4. Highland Rim
5. Central Basin
6. Appalachian
7. Flatwoods
8. Ala.-Miss. Timber
9. Sand Mountain
10. Piedmont
11. Upper Coastal Plain
12. Lower Coastal Plain
13. Blackbelt
14. Silt Loam
15. Limestone
16. Rice
17. Sugarcane
18. Peanut

of the framers and sponsors of the Federal Reserve Act believed that the System would overcome the difficulty. The sponsors of the Government's farm credit system likewise believed that they had the cure. Although these systems have proved serviceable in dealing with emergencies in farm financing, they have not, at least in many areas in the District, provided a satisfactory permanent solution.

Country bankers' reluctance to borrow, either from other commercial banks or from the Federal Reserve Bank, prevents a free flow of funds from financial centers to rural communities. Although the reasons for this attitude vary from bank to bank, much of the attitude may be explained by the fact that country bankers do have a deep sense of responsibility for keeping their loan and investment policies within the capabilities of their banks. They want to have a "good strong bank." Bank supervisory authorities, in their efforts to make sure that banks are operated with due regard to the safety of deposits and, in general, in the public interest, have helped to shape this attitude of reluctance toward borrowing. From a practical standpoint, therefore, borrowing by banks is not very effective in meeting local demands for farm credit.

The Banking Structure

What are the main characteristics of the capital structure of country banking that affect the ability and willingness of banks to make farm loans? The amount and kind of deposits held by a bank, of course, are the most important. One banker facing a farm loan situation similar to that described earlier and who has about 5 million dollars in deposits said, "What we need is another 5 million in deposits."

Although bank deposits have increased greatly during the last decade, they have not increased at the same rate in all farming areas or even in all communities within any area. In some places they have actually decreased. From the end of 1945 to the end of 1950 in the Sand Mountain area, for example, deposits in banks located in cities having populations of less than 15,000 declined 22 percent, while deposits in cities of 15,000 or more declined only 4 percent. In the Blackbelt, on the other hand, deposits in the smaller cities increased 8 percent, while those in the larger cities decreased 2 percent.

According to the annual deposit ownership surveys made in this district, farmer-owned bank deposits increased 11 percent from the end of 1944 to the end of 1948. During the same period, farm income increased 43 percent. Deposits owned by other individuals, on the other hand, increased 25 percent during this period, while nonfarm income payments increased 23 percent.

The extent to which changes in the income of a community are reflected in changes in bank deposits, of course, varies according to its economic organization. In areas where a large proportion of total income comes from farming, the tendency of farmers to put excess earnings back into the farm business has tended to offset the effect of the increase in farm income on deposits. During the past few years District farmers have bought, at an unprecedented rate, farm machinery, fencing materials, fertilizers, and other goods needed to improve their farms. Much of the deposit money that is created by loans for the purchase of such items flows out of the rural community.

Even where deposits in rural areas have grown rapidly, the demand for loans has often increased even more rapidly because of the increase in the cost of farm production. Part of this increase in cost is accounted for by price rises. From 1945 to 1950, for example, the national index of prices paid for items used in farm production increased 37 percent.

In addition, the ratio of cash costs to total costs has increased. This increase in the "out-of-pocket" costs of farming means that farmers are using more operating capital. A large share of the increase in farm production loans in recent years has gone to meet this need.

The ability of banks to lend is affected by the stability of deposits from week to week and from month to month as well as by the average amounts held over the course of a year. Deposits of country banks in cash crop areas usually follow a seasonal pattern that is almost exactly the opposite of the seasonal changes in the volume of farm loans. In the Sand Mountain area, for example, at banks in cities of less than 15,000 population, deposits declined 3.8 million dollars during the first half of 1949 and farm loans increased 1.1 million. Deposits and farm loans behave in much the same way in the Peanut area. In middle and eastern Tennessee, on the other hand, where farm income is about equally divided between crops and livestock, there is little seasonal fluctuation in either farm loans or deposits at country banks.

Individual banks have even greater variations in

loans and deposits than the averages for a farming area would indicate. The banker whose deposits vary from 1.0 million to 1.5 million and whose farm loans vary from 100 thousand to 400 thousand dollars cannot base his loan policy on annual averages. If the low point in deposits coincides with the high point in loans, as is usually the case in cash crop areas, and if he hopes to keep total loans below some fixed percentage of total assets, he must base his lending policy on the low point of deposits. One of the very real difficulties is that he doesn't know, at the beginning of the year, what the low point in deposits is going to be. As deposits decline and as loans increase, he often comes to a point where he cannot take on any more farm loan customers and still give the proper attention to loan diversification or to a proper ratio of loans to total assets. Furthermore, he must always be prepared to advance additional money to farmers who already have crop loans. In the cotton areas farmers often come back for additional loans with which to purchase insecticides and to pay for picking. These loans are almost always granted since repayment of the original loan on schedule depends largely upon the success of the crop.

How completely deposits can be mobilized for farm financing depends not only on their total amount and upon their seasonal variations, but also on how they are distributed among various owners. Most of the deposits in country banks are owned by individuals, partnerships, and corporations. At one country bank where these deposits amount to about a million dollars, over 40 percent were held in less than ten accounts of 10 thousand dollars or more each. At another bank of comparable size, on the other hand, only 5 precent of its deposits were in accounts of 10 thousand dollars or more. Obviously, the deposits of the former bank cannot be invested in quite the same way as those of the latter. In the first case, any erratic movement in a few accounts could alter the deposit picture appreciably.

The size of a bank's capital accounts affects farm lending mainly through its use in setting the legal limitations on the amount of credit that can be extended to a single borrower. Under state and national banking laws, the maximum credit that banks can have outstanding to a single borrower is set at a percentage of total capital accounts. In recent years there has been a marked increase in the number of farm borrowers reaching these limits. One by-product of farm mechanization and of the migration of workers from farms is that many a large land holding that was formerly farmed by croppers or tenants is now operated as one large unit with hired labor. The credit requirements that were formerly divided among several borrowers have now been concentrated on one.

Another reason for the increase in the demand for large loans is the increase in the scale of their business that has been made by many individual farmers. Many of today's large farmers were struggling ten years ago to pay for a small farm. Country bankers have, therefore, seen some of their best customers grow too large for them to finance. From the farmer's standpoint this limitation on the bank is probably of little importance since many large farmers are not confined to the local market for farm loans. They usually have the kind of a financial statement and collateral that enables them to borrow rather easily outside of their home communities. Banks, furthermore, have been adding to their capital accounts during recent periods of favorable earnings. At the end of 1950 the average ratio of total capital accounts to total assets was the highest since the end of 1943.

Farm loans, of course, are only one kind of loan made by banks in rural communities. The severity with which farmers are rationed in their use of bank credit depends partly upon the banks' policies toward other classes of borrowers. These policies, in turn, are affected by the profitability of farm loans as compared to other types of loans. At an individual bank the relative profitableness of a particular type of loan may be affected by the kind of community it serves, by the kind of competition it has, by the aptitudes of its officers, and by a host of other factors.

Statistical comparisons do not show any significant differences between the proportion of total loans classified as farm loans as of a given date and the

Bank Announcement

The Riviera Beach Bank, Riviera Beach, Florida, a nonmember state bank, opened for business June 1, 1951, and began remitting at par. The capital stock of the bank is $100,000, and surplus and undivided profits is $75,000. H. V. Nye is President, Roy Cuthrell is Vice President and Cashier, and W. N. Stowe is Assistant Cashier.

usual measures of the rate of earnings on capital accounts or upon total assets. Neither do they show any relationship between changes in the proportion of farm loans and changes in the rate of earnings. There is, however, a positive and highly significant relationship between the percentage of total assets accounted for by loans and the rate of earnings. Conclusive evidence on this point could be obtained only by such an accurate cost accounting on different types of loans as to be impracticable for most of the small country banks covered by this study. The data do indicate, however, that, on the average, the type of loans that a country bank makes does not greatly affect its profits. There seems to be no such clearly defined connection between the type of a bank's loans and the bank's profits as to require that farmers be rationed either more or less severely than other types of borrowers in the community.

Some Alternative Solutions

The foregoing characteristics of the structure of rural banking and the effect they may have on the adequacy of farm credit are pointed out for the purpose of raising questions rather than to suggest answers. If, however, it is true that farmers who use credit are adversely affected, some effects of possible solutions should be considered. When local banks fail to meet what the business interests of the community believe to be their proper needs, one common solution is to organize a new bank. For the kind of problems raised here, however, an increase in the number of banks is definitely not the answer. The problems are most acute in areas where the banks have already gone "all out" to help finance agriculture. Merely to divide a community's deposits among more banks would not make more local funds available.

A second alternative, the borrowing by banks from other banks or from the Federal Reserve, has already been rejected. Although borrowing may again be used extensively to meet seasonal or emergency shortages, as it has been in the past, the understandable reluctance of country banks to remain permanently in debt seems to close this door.

Although some relaxation of legal restrictions on lending and some change in the policies of bank supervisory authorities might help banks in making certain kinds of farm loans, any possible benefits from such changes would certainly not be worth the sacrifice of the safety that the rules now give to depositors. The policies of country banks are influenced more by the commonly accepted principles of prudent banking than by any particular set of rules.

On the farm side, a greater diversification in the sources of farm income would allow banks in cash crop areas to use their available deposits more effectively. In areas where farming is now well diversified even small country banks usually do not experience wide seasonal swings in deposits or a bunching of loan demands into a short period.

In areas where income is fairly evenly distributed as among agriculture, industry, and trade, deposits can be used with the maximum efficiency. The use of credit is needed to obtain either kind of diversification. In communities where income is derived chiefly from farming, however, and where most of the farm income is from one or two cash crops, the bank deposits upon which such credit can be based accumulate only slowly.

One of the best ways for a bank in such a community to get access to an outside credit market is probably through the correspondent relationship. Country banks have always relied upon help from their city correspondents in carrying large or unusual lines of farm credit. If this relationship could be made workable on farm loans that are not large or unusual, the structure of country banking and a slow rate of deposit growth in a local community would have little adverse effect upon farm financing. Certain practical problems would, of course, have to be solved. If loans, for example, could be kept on a local basis so that the personal relationship between a farmer and his banker could be retained, country banks would be able to do a better job of serving their trade areas.

No one of the more promising alternatives to the present system seems likely to afford a quick solution to the kind of problem under discussion. Over a period of years, however, some revision in the structure of banking and in the relationship among banks would undoubtedly prove beneficial to bankers as well as to farmers. Certainly there should be, and need be, no conflict between the present policy of restraining the expansion of bank credit and carefully planned steps looking toward greater mobility in the capital market so that the reasonable and necessary credit requirements of agriculture may be met effectively and economically.

BROWN R. RAWLINGS

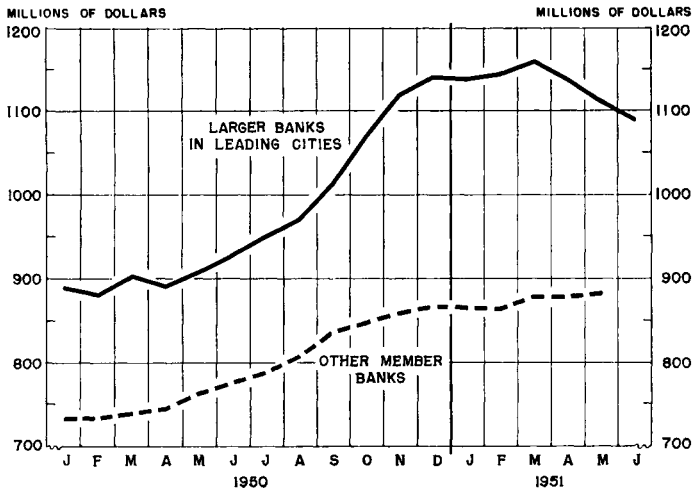
District Business Conditions

Bank Loans to Business Decline

Bank lending, like other types of economic activity in the District, has slackened somewhat in recent weeks. Part of the slackening can be explained by seasonal influences which ordinarily reduce bank loans in this district at this time of the year. But the major part of the decline appears to have resulted from the net repayment of those types of loans which grew most rapidly last fall.

An unusual volume of lending to commodity dealers, textile concerns, and finance companies by the larger banks in leading cities of the District was responsible for much of the growth in loans at that time. These loans and extensions of these loans are now being repaid.

SIXTH DISTRICT MEMBER BANK LOANS
1950-1951



During the first quarter of this year, the advance in loans at member banks in the Sixth District moderated after the record-breaking growth of 1950. At the larger banks in leading cities, where the greater part of the total growth in loans took place last fall, there have been slight declines since March.

Commercial and industrial loans at the weekly reporting member banks in leading cities began to decline markedly after the end of March. By June 6, they were down approximately 45 million dollars, or 6 percent. This decline was over twice as great as the decrease in commercial and industrial loans during the corresponding period last year. Loans on June 6, however, were still 145 million dollars greater than a year earlier.

Judging from the reports of the larger weekly reporting banks in leading cities, an estimated 27 million dollars of the 45-million-dollar decline in

Sixth District Statistics

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

Item	June 20 1951	May 23 1951	June 21 1950	Percent Change June 20, 1951, from May 23 1951	Percent Change June 20, 1951, from June 21 1950
Loans and investments—Total	2,525,059	2,505,431	2,444,984	+1	+3
Loans—Net	1,090,078	1,119,205	914,273	—3	+19
Loans—Gross	1,108,219	1,137,297	927,876	—3	+19
Commercial, industrial, and agricultural loans	632,863	661,517	518,673	—4	+22
Loans to brokers and dealers in securities	13,491	14,472	12,531	—7	+8
Other loans for purchasing and carrying securities	36,568	33,399	34,744	+9	+5
Real estate loans	96,693	92,817	82,163	+4	+18
Loans to banks	7,698	11,516	6,897	—33	+12
Other loans	320,906	323,576	272,868	—1	+18
Investments—Total	1,434,981	1,386,226	1,530,711	+4	—6
Bills, certificates, and notes	583,888	531,202	568,122	+10	+3
U. S. bonds	626,353	636,135	750,523	—2	—17
Other securities	224,740	218,889	212,066	+3	+6
Reserve with F. R. Bank	464,872	460,712	393,737	+1	+18
Cash in vault	44,911	45,035	39,674	—0	+13
Balances with domestic banks	197,018	175,398	160,372	+12	+23
Demand deposits adjusted	1,901,472	1,882,937	1,789,203	+1	+6
Time deposits	517,605	515,173	539,184	+0	—4
U. S. Gov't deposits	92,914	91,266	60,377	+2	+54
Deposits of domestic banks	492,407	478,915	454,699	+3	+8
Borrowings	13,900	9,900	1,000	+40	*

*More than 100 percent.

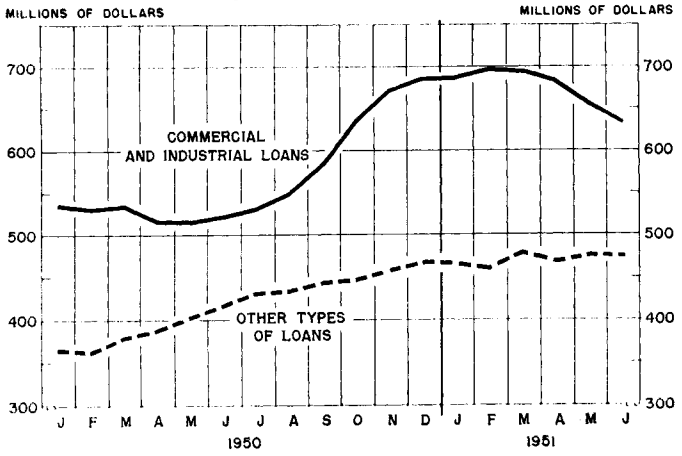
DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

Place	May 1951	April 1951	May 1950	Percent Change May 1951 from April 1951	Percent Change May 1951 from May 1950	Year-to-Date 1951 from 1950
ALABAMA						
Anniston	30,058	27,560	21,167	+9	+42	+36
Birmingham	408,402	390,160	344,104	+5	+19	+24
Dothan	17,678	17,714	13,002	—0	+36	+43
Gadsden	22,203	20,978	21,303	+6	+4	+17
Mobile	158,159	148,985	122,493	+6	+29	+31
Montgomery	86,507	93,283	78,502	—7	+10	+21
FLORIDA						
Jacksonville	365,759	344,946	305,780	+6	+20	+22
Miami	305,476	319,893	271,243	—5	+13	+19
Greater Miami*	466,546	487,649	409,142	—4	+14	+22
Orlando	75,986	69,339	64,219	+10	+18	+17
Pensacola	47,759	39,699	35,171	+20	+36	+24
St. Petersburg	76,153	78,799	65,649	—3	+16	+23
Tampa	164,118	158,310	140,830	+4	+17	+17
GEORGIA						
Albany	30,922	30,856	24,356	+0	+27	+36
Atlanta	1,075,398	1,053,020	931,727	+2	+15	+25
Augusta	88,225	78,755	58,270	+12	+51	+43
Brunswick	12,376	11,256	9,643	+10	+28	+31
Columbus	76,097	69,339	64,095	+10	+19	+27
Elberton	4,403	3,985	4,046	+10	+9	+15
Gainesville*	21,342	19,321	14,932	+10	+43	+48
Griffin*	12,640	12,551	10,769	+1	+17	+18
Macon	80,774	73,573	69,279	+10	+17	+30
Newnan	11,428	11,175	9,419	+2	+21	+36
Rome*	24,203	24,031	20,411	+1	+19	+26
Savannah	114,730	112,028	94,362	+2	+22	+28
Valdosta	14,078	12,381	11,780	+14	+19	+17
LOUISIANA						
Alexandria*	40,182	40,309	32,466	—0	+24	+28
Baton Rouge	114,044	109,798	101,473	+4	+12	+11
Lake Charles	45,397	43,469	36,979	+4	+23	+28
New Orleans	829,826	805,463	769,373	+3	+8	+16
MISSISSIPPI						
Hattiesburg	19,273	17,961	17,439	+7	+11	+13
Jackson	158,335	156,485	137,402	+1	+15	+20
Meridian	30,250	31,371	26,503	—4	+14	+22
Vicksburg	25,022	24,509	24,309	+2	+3	+3
TENNESSEE						
Chattanooga	180,042	174,999	148,195	+3	+21	+26
Knoxville	134,125	132,019	108,460	+2	+24	+27
Nashville	398,149	378,081	329,376	+5	+21	+20
SIXTH DISTRICT 32 Cities	5,201,152	5,040,189	4,459,949	+3	+17	+22
UNITED STATES 333 Cities	130,698,000	128,437,000	112,078,000	+2	+17	+23

*Not included in Sixth District totals.

commercial and industrial loans resulted from net repayments by commodity dealers. Loans to textile and apparel concerns declined 9 million dollars during the same period. Construction loans decreased 5 million dollars and loans to miscellaneous types of business approximately 4 million. Loans to trade

MEMBER BANK LOANS IN LEADING SIXTH DSTRICT CITIES



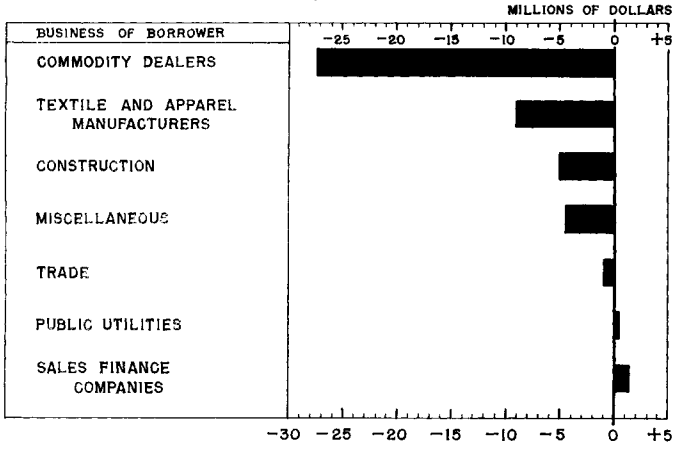
The decline in loans at member banks in leading cities has resulted from reduced commercial and industrial loans outstanding. Other types of loans are now greater than they were at the first of the year.

concerns were down not quite a million dollars. These decreases were offset in part by increases in loans outstanding to finance companies of over a million dollars and to public utilities of half a million.

There has not been a corresponding decrease in other types of loans at banks in leading cities. Real estate loans were approximately at the same level as

CHANGES IN COMMERCIAL AND INDUSTRIAL LOANS AT MEMBER BANKS IN LEADING SIXTH DISTRICT CITIES, MARCH 28 TO JUNE 6, 1951

(Partly Estimated)



Net repayments of loans by commodity dealers and textile manufacturers account for most of the decline in commercial and industrial loans. Loans made to these concerns were of great importance in raising total loans last fall.

Sixth District Statistics

INSTALMENT CASH LOANS

Lender	No. of Lenders Reporting	Volume Percent Change May 1951 from April 1951	Volume Percent Change May 1951 from May 1950	Outstandings Percent Change May 1951 from April 1951	Outstandings Percent Change May 1951 from May 1950
Federal credit unions	42	+42	—8	+2	+13
State credit unions	20	+31	—15	+2	+17
Industrial banks	10	+5	—4	+2	—6
Industrial loan companies	13	+7	—17	+1	+1
Small loan companies	34	+11	—6	+2	+3
Commercial banks	33	+6	—5	—0	+15

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change May 1951 from April 1951	Percent Change May 1951 from May 1950
Total sales	119	+22	—17
Cash sales	105	+37	—1
Instalment and other credit sales	105	+18	—21
Accounts receivable, end of month	80	—2	—3
Collections during month	80	+2	+7
Inventories, end of month	88	—3	+27

WHOLESALE SALES AND INVENTORIES*

Type of Wholesaler	SALES No. of Firms Reporting	SALES Percent Change May 1951 from April 1951	SALES Percent Change May 1951 from May 1950	INVENTORIES No. of Firms Reporting	INVENTORIES Percent Change May 31, 1951, from Apr. 30 1951	INVENTORIES Percent Change May 31, 1951, from May 31 1950
Automotive supplies	3	0	+14	.	..	..
Electrical—Full-line	3	—13	—14	.	..	..
" Wiring supplies	4	+54	+40	4	—6	+33
" Appliances	5	+1	—14	4	+7	+61
General hardware	12	+7	+17	7	+0	+37
Industrial supplies	12	+12	+63	3	+1	+18
Jewelry	4	—26	—12	3	—0	+72
Lumber and building materials	8	+10	+16	5	—3	+21
Plumbing and heating supplies	4	—2	+32	3	+11	+6
Refrigeration equip., parts	2	+50	+35	.	..	..
Confectionery	3	+12	+8	.	..	..
Drugs and sundries	9	+1	+12	3	—3	0
Dry goods	17	+3	+3	11	—2	+30
Groceries—Full-line	40	+13	+8	23	—3	+25
" Specialty lines	11	+8	+5	6	—6	+12
Total	159	+8	+14	91	—0	+19

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

DEPARTMENT STORE SALES AND INVENTORIES*

Place	PERCENT CHANGE SALES May 1951 from April 1951	SALES May 1951 from May 1950	SALES Yr. to Date 1951-1950	STOCKS May 31, 1951, from April 30 1951	STOCKS May 31, 1951, from May 31 1950
ALABAMA	+16	—1	+7	—8	+37
Birmingham	+16	—2	+8	—9	+36
Mobile	+18	+1	+9	..	..
Montgomery	+18	—1	+2	—9	+29
FLORIDA	—1	+6	+14	—1	+30
Jacksonville	+23	+4	+9	—6	+23
Miami	—5	+7	+14	+4	+40
Orlando	+16	+15	+17	..	..
St. Petersburg	—19	+6	+17	—4	+31
Tampa	+3	—1	+7	—5	+24
GEORGIA	+13	—3	+12	—7	+33
Atlanta	+8	—6	+10	—7	+32
Augusta	+20	+9	+23	—7	+33
Columbus	+25	—4	+14	—2	+31
Macon	+21	+2	+16	—6	+30
Rome	+27	—5	—0	..	..
Savannah	+23	+8	+14	—5	+39
LOUISIANA	+3	—6	—1	—7	+31
Baton Rouge	+21	—13	—7	—9	+22
New Orleans	—0	—5	+1	—7	+35
MISSISSIPPI	+21	—3	+1	—5	+18
Jackson	+18	—5	+1	—4	+18
Meridian	+27	—4	+2	..	..
TENNESSEE	+22	+4	+6	—10	+19
Bristol	+15	—1	+2	—4	+8
Bristol-Kingsport-Johnson City	+17	+4	+5	..	..
Chattanooga	+22	+3	+11	—6	+39
Knoxville	+19	+7	+7	—2	+16
Nashville	+27	+2	+3	—16	+14
OTHER CITIES**	+4	+4	+10	—3	+24
DISTRICT	+10	—1	+8	—6	+29

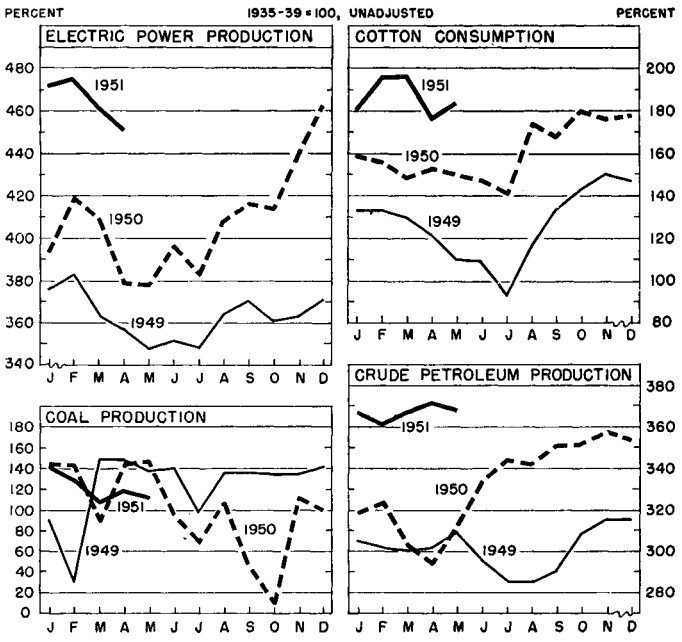
*Includes reports from 136 stores in the Sixth Federal Reserve District.
**When fewer than three stores report in a given city, the sales or stocks are grouped together under "other cities." They are, however, included in state figures.

at the end of March; loans to banks have declined 4 million dollars; and security loans have dropped 10 million. Although the contrast between recent months and the last months of 1950 in the trend of consumer loans is marked, the total of consumer and all other loans on June 6 was but 4 million dollars less than it was at the end of March. C.T.T.

Industrial Activity

Effects of the slack retail market which has been observable throughout the Sixth District for the past two or three months can now be seen in most lines of industrial activity. Total manufacturing employment was down slightly in April as compared to March. Available information for May reflects a continuation

SIXTH DISTRICT PRODUCTION INDEXES



of the slower pace, but the general level of manufacturing employment is still well above that of the same time last year.

Only in the manufacture of transportation equipment and paper products did an actual increase in employment occur from March to April. Defense orders were, of course, directly responsible for the increase in transportation equipment, while the resumption of activities by one large plant in Mississippi resulted in the increase reported for the paper and related products industry. W.T.H.

Sixth District Indexes

DEPARTMENT STORE SALES*

Place	Adjusted** May 1951	Adjusted** April 1951	Adjusted** May 1950	Unadjusted May 1951	Unadjusted April 1951	Unadjusted May 1950
DISTRICT	387	399	389r	375	367	377r
Atlanta	399	411	426	379	379	405
Baton Rouge	386	357	423	382	336	419
Birmingham	374	375	386	370	345	382
Chattanooga	401	367	388	401	356	388
Jackson	403	334	433	371	338	398
Jacksonville	457	390	442	430	378	415
Knoxville	396	384	378	408	376	390
Macon	356	318	354r	335	299	333r
Miami	449	457	420r	386	439	361r
Montgomery	371	347	390	353	319	370
Nashville	452	438	444	474	403	467
New Orleans	369	369	368	330	357	345
Tampa	510	508	521	479	503	489

DEPARTMENT STORE STOCKS

Place	Adjusted** May 1951	Adjusted** April 1951	Adjusted** May 1950	Unadjusted May 1951	Unadjusted April 1951	Unadjusted May 1950
DISTRICT	480	483	370	475	507	366
Atlanta	633	656	478	626	675	473
Birmingham	405	402	298	385	422	283
Montgomery	514	559	405	524	575	413
Nashville	651	740	529	645	770	524
New Orleans	454	478	336	468	502	346

GASOLINE TAX COLLECTIONS***

Place	Adjusted** May 1951	Adjusted** April 1951	Adjusted** May 1950	Unadjusted May 1951	Unadjusted April 1951	Unadjusted May 1950
SIX STATES	266	267	238	268	275	241
Alabama	249	255	232	254	259	237
Florida	242	264	221	244	282	223
Georgia	265	276	249	265	284	249
Louisiana	299	282	276	293	278	271
Mississippi	300	254	241	294	259	236
Tennessee	276	272	232	276	275	232

COTTON CONSUMPTION*

Place	May 1951	April 1951	May 1950
TOTAL	183	176	150
Alabama	181	159	151
Georgia	191	192	154r
Mississippi	115	113	95r
Tennessee	153	149	125r

ELECTRIC POWER PRODUCTION*

	April 1951	March 1951	April 1950
SIX STATES	451	462	379
Hydro-generated	355	356	287
Fuel-generated	577	601	500

MANUFACTURING EMPLOYMENT***

Place	April 1951	March 1951	April 1950
SIX STATES	152	154	142r
Alabama	150	155	142r
Florida	150	155	138r
Georgia	153	154r	144r
Louisiana	139	140	133r
Mississippi	153	150r	135r
Tennessee	160	161	147r

CONSTRUCTION CONTRACTS

Place	May 1951	April 1951	May 1950
DISTRICT	807	708	795
Residential	1,004	1,007	1,254
Other	711	563	572
Alabama	925	721	777
Florida	926	744	820
Georgia	902	906	780
Louisiana	509	546	488
Mississippi	428	667	596
Tennessee	807	503	1,059

CONSUMERS PRICE INDEX

Item	May 1951	April 1951	May 1950
ALL ITEMS	191	189	173r
Food	230	231	200
Clothing	210	209	191
Fuel, elec., and refrig	143	142	140r
Home furnishings	208	206	183
Misc.	166	165	156r
Purchasing power of dollar	.52	.53	.58

ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

	May 1951	April 1951	May 1950
Unadjusted	23.6	24.4	20.4
Adjusted**	25.6	24.7	22.2
Index**	103.8	100.0	89.9

CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*

	May 1951	April 1951	May 1950
Unadjusted	368	368	311r
Adjusted**	373	361	316r

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