



FEDERAL RESERVE BANK OF ATLANTA

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Farm Price Stability in 1952

Since the beginning of World War II, stability has become a key word in our economic doctrine. Over most of the last decade, the maintenance of a stable price level has been one of our major objectives. The concern with the stability of farm prices stems chiefly from two considerations. Rapid rises in farm product prices increase the cost of living, which, in turn, creates pressure on wage rates and makes inflation more difficult to control. Rapid declines in farm product prices, on the other hand, create serious hardships for farmers who are operating at a high cost level.

Despite large-scale efforts on the part of the Government, the record of achievement toward the goal of farm price stability has not been impressive. Except for 1951 and for 1943, 1944, and 1945, when the entire economy was in a strait jacket of wartime controls, farm prices have shown less stability in each year of the last decade than in any of the three years immediately preceding World War II. During World War II most agricultural planning for the postwar period was based upon the assumption that demand for farm products would decline drastically and that the main postwar problem in agriculture would be to cushion a sharp decline in farm prices. When price controls were relaxed, however, farm prices began to rise rapidly and the main problem during 1946 and 1947 was to slow down the spiral in the cost of living that stemmed from that rise.

By 1948 the emphasis had shifted from the inflationary effects of farm price increases to methods of stopping a decline in prices. In 1948, from July to December, average prices received by farmers for all commodities fell 10 percent. During the 1948-49 crop year, Government outlays for the support of farm prices amounted to slightly more than 2.5 billion dollars. In spite of large outlays for price supports, farm prices continued to decline in 1949. During that year average prices received by farmers fell another 12 percent.

Many observers believed that the long expected "postwar adjustment" in agriculture had come and that farm prices would stabilize at much lower levels than had prevailed in the years immediately following the war. This view was accepted so generally that much attention was devoted to a revamping of Government price-support programs. In April 1949 the much-discussed "Brannan Plan" was formally presented. This proposal to use Government subsidies to underwrite the demand for farm products is indicative of the widely held conviction that farm prices were in the process of stabilizing at much lower levels.

By the early part of 1950 the effects of the 1949 "inventory recession" had about worn off and nearly all indicators of business activity began to move upward. As employment and personal income payments rose, farm prices also strengthened and by the time war started in Korea, prices received by farmers were up 6 percent from the low reached in December 1949. The war in Korea brought about a very familiar reaction in farm prices. All prices went up, of course, but prices of farm products went up very rapidly and by February 1951 they were 27 percent higher than in June 1950.

Again, as in 1946 and 1947, the main concern about farm prices was how to keep them from going up rather than how to cushion a decline. The Brannan Plan and other proposed revisions of the various price supporting schemes became dead issues. Farm products were included in the general price freeze that went into effect in February.

As the nation settled down to a long-range rearmament program that overshadowed the fighting in Korea, at least so far as its impact on the economy was concerned, farm prices began to decline slowly and by September 1951 they were 7 percent below the record high reached in February. This slow decline was brought to a halt by a deterioration in crop prospects during the summer. As harvest time neared, it became apparent that the output of such important crops as corn and cotton would be much less than had been expected earlier. By December 1951, farm prices had increased 5 percent from the September low.

Current Uncertainty About Farm Prices

For agriculture as a whole, 1951 was a year of unusually stable prices. Some commodities, such as cotton, showed violent and erratic price movements, but the general level of farm prices was more constant than at any time since 1945. A rough approximation of this stability may be had by comparing the range of monthly price indexes with the annual average index. This range was less in 1951 than in any year during the last two decades, with the exception of 1944 and 1945.

In spite of the stability achieved last year, many farmers are apprehensive about the effect that another year of high production would have on farm prices. Cotton farmers, for example, have been pressing for higher support prices in order to take some of the price risk out of the production of the 16-million-bale crop that has been called for by the

Department of Agriculture. Their main argument has been that present support levels offer inadequate protection in view of the high costs that will be incurred in producing the 1952 crop.

This feeling of uncertainty in the minds of farmers has already received some official recognition. The President, in his Economic Report to the Congress, recommended that the sliding scale provisions of existing price-support legislation be repealed. The reasons for this recommendation, as set forth in the January report of the Council of Economic Advisers, are as follows: "The Secretary of Agriculture has asked farmers for maximum production of several of the basic commodities. . . . Yet under existing legislation, if farmers succeed in increasing production sufficiently to build up reserves to safe or desirable levels, they could be penalized by having their support prices reduced from 90 percent to as low as 75 percent of effective parity. This possibility may act as a deterrent to maximum production of basic commodities by raising concern in the minds of many farmers lest the Government, after enlisting them in an all-out production drive, might leave them worse off as a result of their patriotism and hard work."

VARIATIONS IN INDEX OF PRICES RECEIVED BY FARMERS

Year	Percent of Annual Average		Range
	High Month	Low Month	
1932	109.2	90.8	18.4
1933	117.1	78.6	38.5
1934	112.2	85.6	26.6
1935	104.6	95.4	9.2
1936	107.0	92.1	14.9
1937	107.4	86.9	20.5
1938	106.2	95.9	10.3
1939	104.2	94.7	9.5
1940	103.0	95.0	8.0
1941	115.4	86.2	29.2
1942	110.8	93.7	17.1
1943	103.1	94.3	8.8
1944	103.1	97.4	5.7
1945	103.4	98.1	5.3
1946	114.5	90.6	23.9
1947	109.5	93.1	16.4
1948	107.4	93.3	14.1
1949	106.4	93.6	12.8
1950	111.7	91.8	19.9
1951	103.6	96.4	7.2

The reasons for the current uneasiness about farm prices cannot, of course, be listed completely, but there are at least three important factors that may be having an effect. The first is that there is no recent history of price stability except in 1951. During the postwar period there has either been the problem of preventing farm price increases from adding to the inflationary pressures or of cushioning a price decline to protect farm income. Price stability such as characterized 1951, in other words, is so contrary to the usual experience that many people do not expect to see it repeated in 1952.

A second reason for uncertainty about farm prices in 1952 is that no one can be sure just what brought about the

stability in 1951. Did the direct price controls instituted in February and the changes in monetary and fiscal policy during the first part of the year merely bring the rise in farm prices to a temporary halt? After all, farm prices usually do move in the same direction as disposable personal income, and from the first quarter of 1951 to the third quarter disposable personal income increased from an annual rate of 217 billion dollars to 225 billion. The fourth quarter witnessed a further growth to 228 billion dollars annually. Farm prices in turn rebounded from their September low and at the year's end were at about the same level as at the beginning. Another question is, Did the deterioration in crop prospects merely cause a temporary halt in the decline in farm prices that began in February? Farm prices have weakened appreciably since the beginning of 1952 and future prices on many commodities are now at the lowest levels since last September.

Still another possible reason for farmers' concern about the stability of prices is the violent price movements that occurred last year for important commodities. Cotton is the outstanding example. From an early spring high of about 45 cents, the price of cotton fell to 34 cents in September and was up to about 43 cents by the end of the year. Part of the sharp decline, of course, was attributable to the over-estimation of the 1951 crop in the United States. As late as October, the supply in 1951-52 was estimated at 19.2 million bales, or about 14 percent larger than the 1950-51 supply. At that time the carry-over was expected to range from 2.7 to 3.2 million bales, one of the smallest in the last two decades. In view of the strong export demand and the small carry-over expected at the end of the season, the price reaction to the probable 14-percent increase in supply seemed unusually sharp. The cotton market, in other words, reacted much more violently to the prospective increase in supply than seemed justifiable, based on a sober analysis of prospective changes in the supply and demand factors.

Forecasts of Farm Price Movements

One way to gain some perspective about the forces that may affect the stability of farm prices in 1952 is to examine the facts and assumptions on which some of the current forecasts are based. Each fall the Bureau of Agricultural Economics makes a forecast on the level of farm prices and incomes for the coming year. In its outlook statement on farm prices and income for 1952, the Bureau states that, "Prices in 1952 are not expected to average significantly higher than in 1951, as a whole." If growing conditions are normal, the total volume of farm marketings is expected to be about 5 percent larger than in 1951, which would result in a 5-percent increase in cash receipts from marketings. Essentially, the Bureau is saying that demand for farm products, as a whole, in 1952 will expand enough to absorb a 5-percent increase in output at about the same price level as prevailed in 1951. The assumed 5-percent increase in production is closely in line with the production goals already announced.

The defense program, of course, is the central feature in this forecast. The first assumption is that there will be no additional war scares or any return to peace, but that the rate of defense spending will rise as scheduled—from an annual rate of 44 billion dollars at the end of 1951 to 65 billion at the end of 1952. Because of expected increases in

productivity per worker, and an estimated increase of slightly more than one million in the number of workers employed, it is assumed that the total value of goods and services produced, or the gross national product, will rise about 20 billion dollars.

Even after allowance for higher tax rates, disposable personal income is assumed to increase 12 to 15 billion dollars. It is also taken for granted that substantially all the expected increase in consumer incomes will be spent, which means, of course, that the rate of saving will be lower than it was in the last quarter of 1951.

A reduction in business inventories and an expected decrease in investment in construction and equipment for non-defense purposes sufficient to cause a total reduction of 8 to 12 billion dollars in private investment is assumed. Since the assumed increases and decreases in expenditures add to slightly more than the expected increase in output, it seems likely that prices will rise slightly in 1952. This is the general economic framework within which the farm price forecasts were developed by the Bureau of Agricultural Economics. To go from these assumptions about domestic demand to a forecast of farm prices requires two additional steps. Some forecasts of foreign demand must be made and the effects of changes in both categories of demand on farm prices must be estimated.

Throughout fiscal 1952 the volume of agricultural exports is expected to be 5 to 10 percent larger than in the preceding year, with average export prices a little lower. Foreign demand for farm products, in other words, is expected to be about the same in 1952 as it was in 1951.

Translating the assumed changes in domestic demand into a farm price forecast is the really difficult step. If farm output increases 5 percent, will the assumed changes in domestic demand hold prices steady, permit them to fall, or push them to higher levels? How well this question can be answered depends largely upon the accuracy of our knowledge about the relationships between the supply and demand factors and the prices of farm products that will prevail in 1952.

Price-Making Forces

At this point it may be helpful to consider some of the factors that affect the level of farm prices and some approaches that are used to determine the relationships between these factors and prices. For a particular commodity the main factors are the supply of the commodity itself, the supply of competing commodities, the amount of the marketing margin, and the amount of disposable income in the hands of consumers. For agriculture as a whole the strength of consumer demand, which is usually stated in terms of disposable income, is by far the most important. Total agricultural output does not vary greatly from year to year, but disposable income fluctuates widely. Because of the relationship between the level of consumer incomes and farm prices, disposable income of domestic consumers has proven to be the best over-all indicator of domestic demand for farm products.

One of the most widely used approaches to the problem of estimating the relationship between the supply and demand factors and prices is to study past relationships with the view of establishing some sort of normal relationship.

Under this approach the relationships for a 15- or 20-year period are usually analyzed by statistical methods to derive a typical relationship. Since most problems of price forecasting involve only year-to-year changes, the results of these analyses are usually expressed as the percentage change in prices that is likely to accompany a given percentage change in the price-making forces. In a recent study of factors affecting year-to-year changes in farm prices, for example, the Bureau of Agricultural Economics found that in the period 1922-41 a one-percent increase in disposable income was usually accompanied by a 1.23-percent increase in the farm price of livestock products.

In this connection it may be helpful to remember that most of our usable information about the relationship between demand, supply, and price of farm products was obtained during the two decades immediately preceding World War II. Statistical analyses of the relationship during this period yielded results that were internally consistent and that conformed with conventional theoretical analyses. Attempts to apply these analyses to the postwar period have met with little success. It seems reasonable to conclude that the earlier relationships either are not appropriate for the postwar period or that there are so many disturbing influences that the workings of what might be called normal supply and demand are obscured.

Perhaps the most striking characteristic of postwar markets for farm products is that they seem abnormally sensitive to even slight changes in the supply and demand factors. A change in the supply outlook that would have caused a mild price reaction in the prewar period, for example, now often touches off an extremely violent one. Another way of stating it is that the buyers and sellers who make a market for a particular farm product appear to have very little confidence in the level of prices that they themselves have set.

Because of the effects of price ceilings and the dislocations in the economy during World War II and the current rearmament period, another approach to agricultural price analysis has gained in usage. This approach is based largely upon intuition and an intimate knowledge of the market for the particular commodity under consideration.

With either approach there is a problem of selecting a base period, or base year, on which to project the expected year-to-year changes. Based on the vast current knowledge about the relationship between changes in supply and demand factors and changes in prices, most of the current forecasts of continued stability of farm prices in 1952 seem reasonable if it is also assumed that 1951 is a good year on which to base the projection. Stated in another way, Can the farm price situation in 1951 be regarded as normal or typical in the sense that it was what could reasonably be expected with the volume of farm output and the level of consumer income that prevailed? If the situation in 1951 represents a short-run stabilization of farm prices at an artificially high level, then the assumed increase in demand in 1952 would merely serve to cushion a decline in farm prices rather than hold prices steady. If, on the other hand, the price stability in 1951 was attributable mainly to the dampening effect of inflation controls, then any increase in demand in 1952 would result in continued upward pressure on farm prices.

The Unstated Assumption

Although it is not often stated explicitly, most of the forecasts regarding farm prices do seem to assume that the farm price situation in 1951 was typical of what could have been expected with the 1951 level of farm output and consumer income. This may well be the key assumption. If it proves to be correct, there are sound reasons for expecting continued stability of farm prices in 1952 at about the current levels.

During the postwar period, year-to-year increases in the disposable income of consumers have not always strengthened the demand for farm products to the extent that is expected from 1951 to 1952. From 1949 to 1950, for example, disposable personal income increased by nearly 10 percent and farm production fell 1.4 percent, but average prices received by farmers increased only 2.8 percent. The 10-percent gain in disposable income, in other words, was accompanied by only a small rise in farm prices even though farm production declined. Although these comparisons between such large aggregates should be interpreted with caution, they do indicate that the effect on farm prices of a given increase in consumer income may depend to a large extent upon the base from which the increase is measured.

FARM PRICES, PRODUCTION, AND DISPOSABLE INCOME

Year	Prices Received by Farmers (1910-14 = 100)	Production for Human Use (1935-39 = 100)	Disposable Personal Income (Billions of Dollars)
1945	206	129	151
1946	234	134	159
1947	275	129	170
1948	285	141	188
1949	249	140	186
1950	256	138	204
1951	302	139	223

Although price supports have not received much attention in most farm price forecasts for 1952, they are an important passive factor in the demand for some farm products. Even if they are used extensively in 1952, however, they could not prevent a general decline in prices. Wheat, rice, and corn are the only commodities of major importance now selling at near support prices. Cotton prices could decline drastically before reaching the support level. There is no effective support program for livestock and livestock products, which account for about half of farmers' cash receipts. If the main concern with farm price policy in 1952 is to prevent declines that would create hardships for many farmers, the present price-support program will have only limited effectiveness.

The vigorous application of the present authority for imposing price ceilings, on the other hand, probably would prevent a rapid increase in prices. Apparently the best that farmers can hope for is a continuation of prices at about the 1951 levels. Because of an increase in costs, which seems to be almost a certainty for 1952, only the more efficient farmers may expect to maintain or increase their net income. Farmers and country bankers, however, should not overlook the possibility that the well-advertised price-cost squeeze may be much more severe than is indicated by current forecasts.

BROWN R. RAWLINGS

Sixth District Statistics

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

Item	Feb. 27 1952	Jan. 30 1952	Feb. 28 1951	Percent Change Feb. 27, 1952, from	
				Jan. 30 1952	Feb. 28 1951
Loans and investments—					
Total	2,753,793	2,730,178	2,558,791	+1	+8
Loans—Net	1,074,957	1,072,824	1,142,210	+0	-6
Loans—Gross	1,094,721	1,092,617	1,158,010	+0	-5
Commercial, industrial, and agricultural loans	635,480	639,169	696,711	-1	-9
Loans to brokers and dealers in securities	10,132	9,883	13,273	+3	-24
Other loans for pur- chasing and carrying securities	33,148	33,455	35,038	-1	-5
Real estate loans	87,510	87,777	93,296	-0	-6
Loans to banks	7,829	2,920	4,606	*	+70
Other loans	320,622	319,413	315,086	+0	+2
Investments—Total	1,678,836	1,657,354	1,416,581	+1	+19
Bills, certificates, and notes	804,031	795,712	568,588	+1	+41
U. S. bonds	640,497	632,994	632,471	+1	+1
Other securities	234,308	228,648	215,522	+2	+9
Reserve with F. R. Banks	514,221	518,292	487,458	-1	+5
Cash in vault	48,206	45,949	42,029	+5	+15
Balances with domestic banks	218,233	228,166	189,331	+4	+15
Demand deposits adjusted	2,066,741	2,066,674	1,924,422	+0	+7
Time deposits	536,315	534,683	512,592	+0	+5
U. S. Gov't deposits	78,371	54,773	72,573	+43	+8
Deposits of domestic banks	616,055	627,045	536,134	-2	+15
Borrowings	20,500	25,250	22,250	-19	-8

*More than 100 percent

DEBITS TO INDIVIDUAL BANK ACCOUNTS (In Thousands of Dollars)

Place	Jan. 1952	Dec. 1951	Jan. 1951	Percent Change Jan. 1952 from	
				Dec. 1951	Jan. 1951
ALABAMA					
Anniston	30,352	29,403	29,186	+3	+4
Birmingham	461,622	463,310	446,343	-0	+3
Dothan	20,445	19,497	19,637	+5	+4
Gadsden	23,993	23,470	25,448	+2	-6
Mobile	163,909	172,375	160,421	-5	+2
Montgomery	99,222	94,347	99,013	+5	+0
Tuscaloosa*	32,779	32,570	35,563	+1	-8
FLORIDA					
Jacksonville	401,988	380,593	397,148	+6	+1
Miami	355,186	338,463	354,070	+5	+0
Greater Miami*	572,213	525,721	541,055	+9	+6
Orlando	83,927	78,516	80,945	+7	+4
Pensacola	48,775	47,483	41,500	+3	+18
St. Petersburg	94,649	85,218	92,032	+11	+1
Tampa	181,953	184,841	184,518	-2	-3
GEORGIA					
Albany	40,001	39,048	35,131	+2	+14
Atlanta	1,136,241	1,187,215	1,148,783	-4	-1
Augusta	90,117	88,738	80,217	+2	+12
Brunswick	13,249	13,756	12,280	-4	+8
Columbus	83,518	83,232	76,784	+0	+9
Eiberton	4,550	5,175	4,394	-12	+4
Gainesville*	26,007	22,572	22,453	+15	+16
Griffin*	13,231	14,607	13,773	-9	-4
Macon	89,017	89,059	77,856	-0	+14
Newnan	15,932	14,145	14,942	+13	+7
Rome*	27,398	29,412	30,064	-7	-9
Savannah	122,432	125,421	115,609	-2	+6
Valdosta	14,894	15,494	14,135	-4	+5
LOUISIANA					
Alexandria*	47,492	45,281	45,401	+5	+5
Baton Rouge	125,311	114,617	131,848	+9	-5
Lake Charles	52,485	49,981	49,728	+5	+6
New Orleans	933,238	933,001	867,509	+0	+8
MISSISSIPPI					
Hattiesburg	22,202	20,200	21,450	+10	+3
Jackson	213,828	167,253	206,949	+28	+3
Meridian	33,605	33,916	35,249	-1	-5
Vicksburg	32,384	37,141	25,793	-13	+26
TENNESSEE					
Chattanooga	217,807	195,764	212,026	+11	+3
Knoxville	150,544	155,294	162,191	-3	-7
Nashville	407,814	424,365	396,405	-4	+3
SIXTH DISTRICT**	5,765,190	5,710,331	5,619,540	+1	+3

*Not included in Sixth District totals.
**32 Cities.

District Business Conditions

Money Market Rates and the District Business Borrower

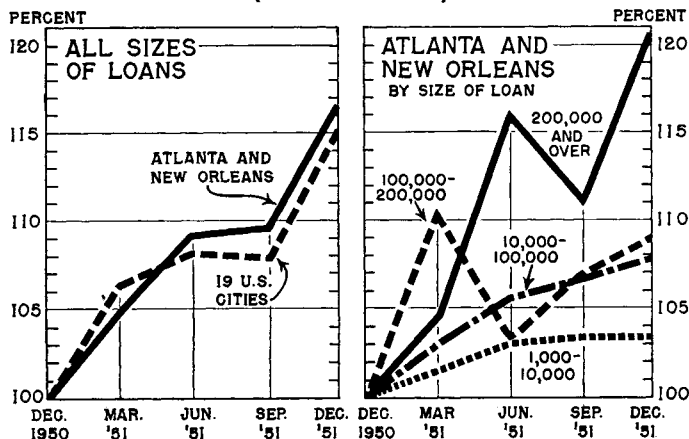
Last year's rise in open-market money rates, as seen in the growing yields on short-term Government securities and bonds, has been reflected in the higher rates which District banks charged business borrowers. The greater impact of these increased rates has been felt by larger borrowers, who, of necessity, deal only with large banks. The rate of earnings on loans for most of the smaller banks, therefore, was little affected by the increase in interest rates.

On the New York money market, new issues of 3-month Treasury bills were yielding 1.367 percent in December 1950. A year later, yields averaged 1.731 percent, and for the last Wednesday in December 1951, the yield was 1.865. Long-term rates also rose, although less sharply. Government taxable bonds having 15 years or more to run to maturity, for example, yielded an average rate of 2.39 percent during December 1950, and 2.70 in December 1951.

These increases were paralleled by the advance in rates on business loans. As the year 1951 ended, larger commercial banks throughout the country were charging an approximate average of 15 percent more for new loans to businesses than a year earlier. During 1951 the average rate at banks throughout the United States participating in the Board's quarterly interest rate survey rose from 3.02 percent to 3.27. The rise was steepest during the first and last quarters.

The increase in rates throughout the country was closely paralleled by greater rates charged on new business loans made by reporting Atlanta and New Orleans banks. At the end of 1951, the average rate on new business loans in these cities was 17 percent greater than a year previously.

**AVERAGE RATES ON NEW BUSINESS LOANS
MATURING IN ONE YEAR OR LESS
(Dec. 1950 = 100)**



Those borrowing comparatively small amounts, however, did not feel to any considerable extent the impact of higher rates. Interest costs on new loans made in the first half of December for less than 10,000 dollars were only 3 percent higher than they had been during the corresponding period of 1950. At Atlanta and New Orleans reporting

banks, on the other hand, borrowers whose individual loans amounted to 200,000 dollars or more found their interest costs 20 percent higher. In general, the larger the loan, the greater the increase in rates. This does not mean that the larger borrowers paid higher rates than the smaller ones. There is a tendency for the rate of interest to become smaller as the amount borrowed becomes larger. Such was the condition existing at the end of both 1950 and 1951.

One reason for this tendency is that if local rates are too high, the larger firms can secure funds in major money centers. The lower rates paid by the larger borrowers, in turn, are relatively sensitive to rates on Government securities as determined in the major money centers. Bankers have the alternative of making such large loans at comparatively low rates or investing their funds in Government securities. They expect a certain differential to compensate for the greater risk involved in making these loans. Consequently, when yields on Government securities go up, they ordinarily make rates to larger borrowers high enough to maintain this differential.

Over a long-term period, money market rates may also exert an effect upon rates to smaller borrowers. But in 1951, according to a preliminary tabulation of operating ratios for Sixth District member banks, any increase in rates was confined to the larger banks. Banks with deposits of over 75 million dollars earned an average of 4.1 percent on their loans in 1950 and 4.2 percent in 1951. The average rate of return on loans for all District member banks combined, however, was the same in 1951 as it was in 1950—6 percent.

C.T.T.

Better Balance In Retail Inventories

The decline in Sixth District department store inventories that began in June 1951 had apparently run its course by December. Seasonally adjusted stocks in January 1952 were equal in dollar value to that prevailing at the end of December. January 1952 inventories, however, dropped 9 percent from the January 1951 index of 146, which had been exceeded only by the record index of 150 in April of last year.

Last June District department stores began to cut their orders in an effort to balance stocks and sales. In January 1952, outstanding orders were down 32 percent from the high volume of the comparable period of 1951; nevertheless, they were up 17 percent from the December 1951 level. Receipts of merchandise also fell 6 percent in January 1952, compared with January 1951, and 21 percent from the December 1951 amount. Although receipts are likely to remain below corresponding figures for last year in the short-run, increases will probably occur on a month-to-month basis.

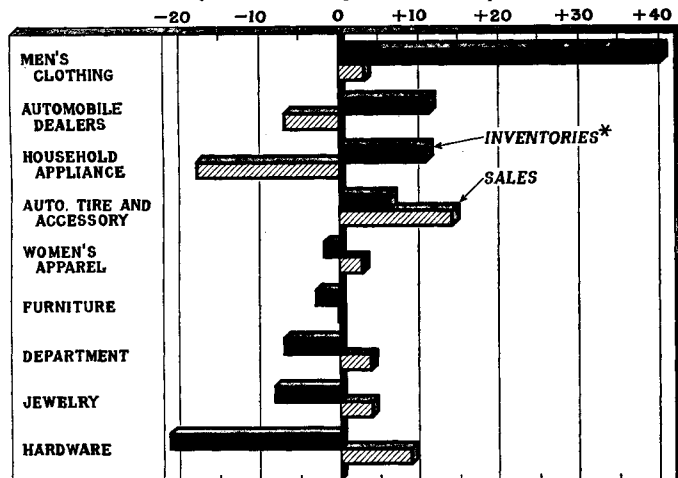
STOCKS DOWN Inventories for selected durable and non-durable departments at Sixth District department stores dropped in January 1952 from the corresponding period of 1951. January 1952 stocks of pianos, radios, and television sets were down 53 percent, and major household appliances 36 percent from comparable January 1951 amounts. Furniture and bedding and domestic floor-coverings experienced more moderate declines of 17 percent and 16 percent, respectively. In the soft goods lines, women's

and misses' apparel held their own with no change. Women's and misses' coats and suits and dresses both decreased by a moderate one percent, whereas ready-to-wear accessories fell 5 percent in January 1952 from the January 1951 dollar value. Men's clothing stocks, however, climbed 10 percent in the same period.

A see-sawing trend was evident in total retail inventories throughout the United States. Latest available data show December 1951 stocks, seasonally adjusted, tending to reverse the sharp and steady drop of the preceding six months. The 1951 low point, occurring in November, was still approximately .5 billion dollars above the highest mark attained in 1950. The slight increase in December was attributed chiefly to gains in consumer nondurable lines since the value of durable goods stocks slipped off from November.

BREAKING POINT Preliminary information based on reports just received from nearly 500 retailers participating in this Bank's 1951 Retail Credit Survey indicates that for a majority of the nine lines of business surveyed, 1951's embarrassing and harassing inventory excursion apparently

RETAIL SALES AND INVENTORIES IN SIXTH DISTRICT
(Percent Change 1951-1950)



*Inventories as of December 31.

was over. The accompanying chart shows that five of the reporting categories had lower stocks in December 1951 than in the comparable 1950 period.

Hardware stores led the December 1951 stocks descent with a 21.3 percent tumble from the dollar value on hand December 31, 1950. Jewelry, department store, furniture, and women's apparel retail outlets followed, in that order. Certain lines, however, are still confronted with a knotty stock situation. Men's clothing, household appliance, automobile, and automobile tire and accessory retail outlets ended the year with inventories up to 40 percent, 11 percent, 11 percent, and 6 percent, respectively.

Interestingly enough, women's apparel shops apparently had resolved their difficulties by December and thus contrasted sharply with their male counterparts. District department stores experienced approximately the same directional changes in clothing inventories, as did stores specializing in that type goods. Stocks of women's and misses' ready-to-wear accessories and apparel, for example, de-

Sixth District Indexes

DEPARTMENT STORE SALES AND STOCKS*
1947 - 49 = 100

Place	Adjusted**			Unadjusted		
	Jan. 1952	Dec. 1951	Jan. 1951	Jan. 1952	Dec. 1951	Jan. 1951
DISTRICT SALES	118	121r	123	90	203r	94
Atlanta ¹	117	116r	136	84	183r	98
Baton Rouge	98	99r	105	68	162r	73
Birmingham	111	121	118	85	193	90
Chattanooga	117	119	120	88	210	90
Jackson	110	117	119	79	182	86
Jacksonville	104	118	108	77	198	80
Knoxville	106	116	121	79	199	89
Macon	122	128	137	85	237	96
Miami	116	114	126	113	206	124
Nashville	113	117	113	77	203	77
New Orleans	117	115	113	94	188	91
Tampa	114	116	113	91	193	91
DISTRICT STOCKS	133	133	146	119	116	132

¹In order to permit publication of figures for this city, a special sample has been constructed which is not confined exclusively to department stores. Figures for any such non-department stores, however, are not used in computing the District Index.

GASOLINE TAX COLLECTIONS
1939 = 100

Place	Adjusted**			Unadjusted		
	Jan. 1952	Dec. 1951	Jan. 1951	Jan. 1952	Dec. 1951	Jan. 1951
SIX STATES	269	252	246	269	257	246
Alabama	275	249	248	268	254	241
Florida	261	237	236	272	234	246
Georgia	239	233	253	244	232	258
Louisiana	294	296	278	291	299	275
Mississippi	289	282	256	272	287	241
Tennessee	287	240	222	272	259	211

COTTON CONSUMPTION*
1935-39 = 100

Place	Jan. 1952	Dec. 1951	Jan. 1951
TOTAL	162	151	182r
Alabama	168	159	181r
Georgia	165	155	190r
Mississippi	98	105	115
Tennessee	123	107	143

ELECTRIC POWER PRODUCTION*
1935-39 = 100

	Dec. 1951	Nov. 1951	Dec. 1950
SIX STATES	509	479	463r
Hydro-generated	382	275	343
Fuel-generated	676	745	620r

MANUFACTURING EMPLOYMENT
1939 = 100

Place	Dec. 1951	Nov. 1951	Dec. 1950
SIX STATES	156	154	154r
Alabama	154	144	153
Florida	161	156	157r
Georgia	160	162	155r
Louisiana	145	147r	142
Mississippi	159	160r	159r
Tennessee	155	155	158

CONSTRUCTION CONTRACTS
1935-39 = 100

Place	Jan. 1952	Dec. 1951	Jan. 1951
DISTRICT	876	686r	603
Residential	757	981r	840
Other	934	544	489
Alabama	471	741	684
Florida	659	936	760
Georgia	491	713	700
Louisiana	2,420	319	370
Mississippi	89	170	192
Tennessee	314	777	504

CONSUMERS PRICE INDEX
1935-39 = 100

Item	Jan. 1952	Dec. 1951	Jan. 1951
ALL ITEMS	194	195	188r
Food	234	234	228r
Clothing	212	213	207r
Fuel, elec., and refrig.	n.a.	144	143r
Home furnishings	207	209	204r
Misc.	172	173	163
Purchasing power of dollar	.52	.51	.53

ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

	Jan. 1952	Dec. 1951	Jan. 1951
Unadjusted	25.2	24.6	25.4r
Adjusted**	23.8	21.8	24.0r
Index**	96.4	88.3	97.1r

CRUDE PETROLEUM PRODUCTION IN COASTAL LOUISIANA AND MISSISSIPPI*
1935-39 = 100

	Jan. 1952	Dec. 1951	Jan. 1951
Unadjusted	375	366	360r
Adjusted**	368	379	367r

*Daily average basis
**Adjusted for seasonal variation
r Revised
n.a. Not available

clined 10 percent and 7 percent, respectively, in December 1951, compared with December 1950 and stocks in the men's and boys' wear departments rose 8 percent. Excessive clothing and apparel inventories in relation to sales partially account for the wearying slump suffered by the District textile industry last year.

A negative relationship appears between stocks and sales; retailers enjoying falling inventories garnered sales increases; conversely, large inventory gains were usually associated with unfavorable sales pictures. The brunt of consumer sales resistance in 1951 was borne by merchants handling consumer durables, particularly automobiles and household appliances. Men's clothing stores, an exception to the rule, obviously anticipated a much larger volume of sales than the moderate 3-percent increase actually sustained.

INVENTORY TURNOVER The speed with which merchandise moved during 1951 sheds additional light on the inventory problem. Generally, those lines of business ending the year with higher inventories than a year earlier experienced a decline in the rate of stock turnover in 1951, compared with 1949, the last year for which comparable data are available. The turnover at men's clothing stores decreased moderately to 3.2 in 1951, compared with 3.3 in 1949. Automobile dealers witnessed a turnover rate of 10.8 in 1949 and 10.0 in 1951. Household appliance stores, however, encountered a drop of almost 40 percent in the number of times their stocks revolved, or from 4.2 to 2.6. Automobile tire and accessory stores had the fastest turnover, stocks being replenished almost once a month in 1951; in 1949, the average was 2½ months. Hardware and jewelry stores also enjoyed higher turnover rates in 1951 than in 1949. On the whole, ratio increases were found in those lines recording the larger sales advances.

Consumer behavior throughout 1951 baffled merchants who had generally anticipated a level of spending commensurate with the high level of income, even after the two now notorious buying bursts. This assumption, together with shortage fears, helps to explain the abnormally high inventories last year. Sales promotion and order cutting contributed to falling stocks so that at the commencement of 1952, many business groups seemingly had achieved fairly satisfactory inventory positions.

B. A. W.

Textiles and the Defense Program

Although District textile mill operations are slow compared with the high level of activity immediately following the outbreak of war in Korea, they are still above most other postwar levels. The recent decline is largely attributable to sluggish consumer buying. Another reason for the reduced operations, however, is the scaling down of inventories, built up involuntarily in the last half of 1950 and the spring of 1951, when District textile production more than met consumer and industrial demands. The daily rate of cotton consumption, the most commonly used measure of textile activity, averaged 13,500 bales in the last quarter of 1951, about 13 percent below the average rate reached in the peak period from August 1950 through June 1951.

The recent tempo does not appear so slow, however, when set against a base other than the Korean-boom period. Consumption in the final quarter of 1951, for example, was nearly 4 percent greater than in the first seven months of 1950, and was 20 percent above the 1949 average. Although

1951 RETAIL CREDIT SURVEY

The Federal Reserve System is now conducting its ninth Annual Retail Credit Survey. Retail outlets of the following nine lines of business located in the Sixth Federal Reserve District have been invited to participate in the 1951 Survey: automobile dealers; automobile tire and accessories dealers; department, furniture, hardware, household appliance, jewelry, men's clothing, and women's apparel stores.

The sales, credit, and inventory data reported will be compiled into two summaries, one for the Sixth District and the other for the remaining eleven Federal Reserve Districts and for the nation as a whole. Participating stores will receive copies of these summaries free of charge. Copies will be available around the latter part of May.

These Surveys provide the only comprehensive body of data of this kind available anywhere in the nation. Retailers evidently have been favorably impressed with these summaries in the past. They have found the information particularly valuable in comparing the growth of their respective firms with that of others in the same line of business as well as with that of retailers in related fields. Not only are the data collected in this Survey interesting, but also they serve as a tool for determining operational policies. National data, moreover, provide the Federal Reserve System with a basis for the formulation of policies designed to promote monetary stability.

District textile mills were busier in the first quarters of 1947 and 1948 than in the last quarter of 1951, the average daily rates of cotton consumption for those years were considerably below that for the final quarter of the year just ended. Indeed, with the exception of the spree following the Korean outburst, 1946 was the only postwar year in which cotton consumption was higher than it was in the last three months of 1951.

A reasonable proportion of military textile orders have been filled by District firms, considering the kinds of products the military has ordered and the textile specialization characteristic of this area. Large military textile orders, however, have not arisen from the defense program, directed as it is toward both the building up of production facilities and the procurement of such items as tanks and aircraft. Although the industrial uses of textile mill products are not to be minimized, military procurement, with its emphasis on hard goods, has not had a very stimulating effect on the industry.

District textile mills, of course, are not only interested in total Government textile orders but also in the proportion of those orders placed in this area. For that reason, it is interesting to compare the District's contribution to the textile portion of the defense effort with its plant production capacity.

During the second quarter of 1951, when District military orders were largest, woollens accounted for 60 percent of total Government orders for woolen and cotton goods.

Sixth District Statistics

INSTALMENT CASH LOANS

Lender	No. of Lenders Reporting	Volume		Outstandings	
		Percent Change January 1952 from		Percent Change January 1952 from	
		Dec. 1951	Jan. 1951	Jan. 1951	Dec. 1951
Federal credit unions	37	-1	+19	+1	+7
State credit unions	19	-7	+22	+1	+10
Industrial banks	10	-2	-16	-2	+13
Industrial loan companies	10	-26	+17	-1	+7
Small loan companies	33	-17	-13	+3	+8
Commercial banks	33	+1	+20	-0	-2

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change January 1952 from	
		December 1951	January 1951
Total sales	121	-46	+1
Cash sales	106	-41	+2
Instalment and other credit sales	106	-47	+2
Accounts receivable, end of month	116	-4	-9
Collections during month	116	+4	-9
Inventories, end of month	87	-1	-11

WHOLESALE SALES AND INVENTORIES*

Type of Wholesaler	No. of Firms Reporting	Sales		Inventories	
		Percent Change Jan. 1952 from		Percent Change Jan. 31, 1952, from	
		Dec. 1951	Jan. 1951	Dec. 31 1951	Jan. 31 1951
Automotive supplies	6	-13	-13	5	+6
Electrical—Full line	3	-28	-40	4	..
Wiring supplies	4	+11	-11	4	+2
Appliances	6	-17	-27	5	-5
Hardware	11	+19	-22	6	-5
Industrial supplies	12	+25	-6	3	+5
Jewelry	4	-64	-32	3	-8
Lumber & bldg. materials	8	-7	-21	5	+15
Plumbing & heating supplies	4	+10	-22	3	-3
Confectionery	5	+20	+10	..	..
Drugs and sundries	5	+31	+6	..	..
Dry goods	17	+23	-19	12	+14
Groceries—Full line	32	+19	-0	19	-2
Voluntary group	3	+25	+8	..	..
Specialty lines	4	+30	-3	3	-6
Tobacco products	12	+2	+16	8	+4
Miscellaneous	14	-3	-5	14	+5
Total	150	+10	-12	90	+1

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

DEPARTMENT STORE SALES AND INVENTORIES*

City	Percent Change			
	Sales		Stocks	
	Jan. 1952 from Dec. 1951	Jan. 1951	Jan. 31, 1952, from Dec. 31 1951	Jan. 31 1951
ALABAMA	-57	-5	+6	-13
Birmingham	-54	-6	+5	-11
Mobile	-59	..	..	..
Montgomery	-61	-5	..	..
FLORIDA	-47	-5	+5	+3
Jacksonville	-59	-3	+5	-8
Miami	-43	-9	+3	+6
Orlando	-45	-12	..	..
St. Petersburg	-36	+0	+12	+14
Tampa	-51	+0	..	..
GEORGIA	-56	-10	+5	-11
Atlanta**	-52	-14	+7	-15
Augusta	-61	+17	..	..
Columbus	-62	-7	-2	-0
Macon	-63	-9	+4	-3
Rome**	-66	-10	..	..
Savannah**	-61	+5	..	..
LOUISIANA	-50	+2	+6	-18
Baton Rouge	-56	-7	+5	-18
New Orleans	-48	+3	+5	-20
MISSISSIPPI	-58	-6	-1	-13
Jackson	-55	-8	+8	-16
Meridian**	-64	-7	..	..
TENNESSEE	-60	-7	-2	-4
Bristol**	-67	-15	+1	-0
Bristol-Kingsport-Johnson City**	-68	-17	..	..
Chattanooga	-57	-3	..	..
Knoxville	-59	-12	-13	-12
Nashville	-60	-3	+1	-0
DISTRICT	-54	-4	+4	-8

*Includes reports from 120 stores throughout the Sixth Federal Reserve District.

**In order to permit publication of figures for this city, a special sample has been constructed which is not confined exclusively to department stores. Figures for any such non-department stores, however, are not used in computing the District percentage changes or the District Index.

Bank Announcement

On February 14, the Pinellas Central Bank, Largo, Florida, opened for business and will remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers of this bank are: John W. Bryan, President; J. S. Pecarek, Vice President; T. S. Madson, Vice President; W. A. McMullen, Jr., Vice President; DeWitt Turner, Vice President and Cashier. The bank opened for business with capital stock of \$112,500 and surplus and undivided profits of \$75,000.

Since District textile mills specialize in cottons and have only 5 percent of the nation's woolen and worsted looms, they have received less of a boost from Government orders than have mills in those sections where wool is the major input.

Although the data are incomplete, there are other indications that the District textile industry has been contributing to the national defense program to a degree commensurate with its facilities. In April through June 1951, about 10 percent of the Government orders for textiles and textile products were received by District firms. This is favorable when it is considered that in value added by manufacture in 1947, the last year for which figures are available, District textile and apparel manufacturers accounted for approximately 10 percent of the total added by these groups in the United States.

In weighing prospects for a pick-up in District textile operations, the current level of inventories must be considered, as well as changes in consumer buying and military procurement. Although December inventories of District textile mills were 15 percent below the peak reached in July 1951, they were still 40 percent higher than the level existing at the beginning of the Korean War, or the average for 1947, 1948, or 1949. With inventories remaining relatively large, and with little, if any, increase in military textile buying forecast, a substantial upturn in consumer textile purchases seems necessary before a much higher level of mill operations will be achieved.

C. H. T.

Notice

The Board of Governors of the Federal Reserve System has just published a pamphlet that will be of considerable interest and use to bankers and monetary analysts. The study, entitled "The Development of Bank Debits and Clearings and Their Use in Economic Analysis," was prepared by George Garvy of the Federal Reserve Bank of New York. It combines a statistical review of debits and clearings in the United States with a critical review of their use by economists and monetary analysts to interpret and project economic developments. This pamphlet, 175 pages, paper bound, can be obtained from the Board of Governors at a price of 25 cents each up to ten copies, and 15 cents each for ten or more copies in a single shipment.