MONTHLY REVIEW

FEDERAL RESERVE BANK OF ATLANTA

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Father-and-Son Farming Arrangements and the Country Banker

The enormous productivity that characterizes the modern production and distribution of goods is today a commonplace, even though it never ceases to amaze any thoughtful observer. The bases of this productivity are well known. Three have been particularly important. In the first place, there was the substitution of machinery for manual labor. Secondly, there was a tremendous investment of capital in plant and equipment that embodied the new machine technology. For industry to reach its present level, however, something more was needed. This was a form of business organization that would give to a particular firm sufficient longevity for investors to be willing to risk large amounts of capital in it. The answer to this need was the corporation—an artificial person endowed with perpetual life.

Organized in the form of a corporation, a business could make long-range plans, could attract to itself large amounts of capital for investment in plant and equipment, and could achieve continuity of management policy over long periods.

In contrast to what happened in industry, agriculture has in some respects tended to remain in a more undeveloped stage. The typical farm is still small, as is the investment it represents; and its duration rarely extends beyond the horizon of the owner's life. At the owner's death or retirement, a break occurs that may result in the fragmentation of the farm business and a consequent dissipation of capital, or at the very least, a change in management, often accompanied by a refinancing of the business. This usually entails a temporary or permanent loss in efficiency.

Science and modern technology, of course, have not left agriculture untouched. More and more, farms are becoming mechanized, and capital requirements, therefore, are rapidly mounting. Then too, farms are becoming larger. Such developments have radically increased the productivity of agriculture as they had previously raised that of industry.

The problem of economic organization, however, remains, and sets a limit to all other desirable developments in agriculture. One solution has been to borrow the corporate form of business and apply it directly to agriculture. Corporate farming, however, has been successful only in a few cases and under very special circumstances. What agriculture needs is some form of organization that will be more generally applicable than that of the corporation.

Here and there throughout the country such an organizational device is actually appearing in the form of father-and-son arrangements for the joint ownership and operation of a farm unit during the life of both parties. This set-up provides for the transfer of the farm as a going concern to the son at the death or retirement of the father.

When such an arrangement has been well thought out in all its details, and the interests of all parties have been safeguarded both legally and morally, it can bring to the typical family-size farm some of the benefits that the corporation has brought to industry. It can achieve a highly desirable measure of division of labor on the farm, as well as facilitate the accumulation and investment of capital. Above all, it can extend the life of the farm unit and make possible the adoption of more capital-consuming, and, hence, more productive, types of farming.

Wherever such father-and-son arrangements have come into being, there has usually been a country banker in the background lending not only money but advice and counsel. Although still in its early stages, the development of father-and-son arrangements merits the attention of country bankers everywhere. For country bankers are in a peculiarly advantageous position to further this movement that promises to bring about a much more effective type of farm organization. The problems with which the country banker must wrestle in this field are not only monetary in character but are often highly personal. He is dealing with human beings, with all of their virtues and vices. These problems are family problems—in part the problems of a passing generation, and in part the problems of an oncoming generation and of the relations between them.

The Problems of Getting a Start

The problems of the young man who is getting a start in farming stem from the revolutionary developments occurring in agriculture. A detailed description of these developments cannot be given in a few paragraphs, but the following examples will serve to indicate their general nature. Labor-saving devices, such as the farm tractor, have brought about the virtually complete mechanization of many farms. Research involving a scientific study of plant breeding, to take another example, has led to the discovery of many improved varieties, upon which more productive programs can be built. Increased use of fertilizers, together with improved cultural practices, has pushed yields to higher levels.

Practical recommendations for the use of new machinery and for better farm practices have been made so insistently through agricultural colleges that by now farmers have adopted them on a wide scale. Commercial farming, with primary emphasis on efficient operation, has come into its own. The one-man farm, consequently, is rapidly disappearing. Two men are now necessary for the efficient performance of so many tasks on a farm that an operation employing only one man tends to be inefficient.

Mechanized scientific agriculture, however, has raised a serious problem—that of capital requirements. The capital required for the land, equipment, and livestock necessary to establish an adequate-size two-man farm is already considerable and is increasing. Not only is a much larger investment in equipment necessary than was true a generation ago, but with it a given labor force can operate more land and care for more livestock than was possible formerly.

A successful farm generally represents a considerably greater capital investment per man than does the average farm. One requirement for a successful farm business is that the farm be of adequate size. Size, of course, is not measured in acres alone. What is of greater importance is potential earning capacity, and this depends upon a number of factors such as the type of farming, its organization, and efficiency in operation. The farm, therefore, should be of such size that full and efficient employment of the labor and skills of the operator may be combined with other available resources to achieve maximum earning capacity.

In contrast with a self-sufficing type of agriculture, commercial farming operates in a money economy. The level of prices and costs means little to farmers who produce for home consumption. It is a different story, however, when the farm production is sold and many items for the operation of the farm and for family living are purchased. The farmer becomes both price conscious and cost conscious since each of these affects his profit. Large and growing capital requirements and the resultant high, fixed costs that characterize mechanized commercial farming are making agriculture increasingly susceptible to fluctuations of the business cycle.

These increasingly complex developments have a profound effect upon the young man getting started in farming. He has only two alternatives, either to strike out on his own or to stay on the home farm. The young man who decides to start out on his own will find no longer applicable the concept of the "agricultural ladder," the ascending steps from farm laborer to farm ownership as followed by his father. The high level of capital requirements makes it very difficult to progress from one stage to another, as from a laborer to a tenant, and eventually to owner-operator. The length of time spent in any one category increases before sufficient capital may be accumulated to climb up another rung on the ladder.

Consider first the young man with limited capital and a desire to acquire an adequate-size farm business, who decides to invest his capital in the necessary land under a heavy long-term indebtedness. Assuming that the young man is able to secure a suitable acreage, it would be very unlikely that he would have sufficient capital left for further necessary investment in farm machinery, land improvement, and operational needs. As an alternative, a young man with limited capital might decide that he can use it more effectively by investing it in livestock and equipment on a rented farm than by investing it in land and buildings. Such personal property may be transferred later to a farm of his own. There is also the third possibility of investing in both land and machinery but on a smaller scale of operation. Families living on small farms, however, usually have small incomes and pay off indebtedness slowly. Labor and machinery, moreover, are not likely to be fully and efficiently utilized and it may be necessary to seek off-farm employment to supplement the family income.

A Solution Through Father-and-Son Arrangements

For the young man who decides to stay at home, a father-and-son farming arrangement offers many advantages. The principal advantage to the son is that such an arrangement may permit him to acquire capital gradually. The son's lack of capital in the beginning is offset by the father's investment. Furthermore, the son may gain valuable experience in managing a farm under the guidance of the father while accumulating capital. The young man's lack of experience and his ambitions, that in many instances may be beyond his present capabilities, are considered by bankers to be among the greatest risks in farm lending.

As in any joint endeavor, it is important that father and son be able to work and plan together toward objectives of mutual interest. The son's need for income will increase with his growing family while the father's needs become smaller. The father must recognize his son's desire to accumulate more capital, and with it, a larger share of the earnings, as well as to assume increasing responsibility in the management of the farm. On the other hand, the parents may expect the son to care for them in their old age. Not all fathers and sons can be expected to maintain such harmonious relationships. Nor can there be any assurance that discord may not arise between the son's wife and his family. Because friendly relationships are so important, separate housing for each family should be a major consideration.

Another essential element for a successful joint operation is that the farm be large enough to provide both families with a satisfactory income. On small farms, frequently, the size of business can be increased through buying or renting additional land to permit taking a son into the business. In other cases, the size of the business may be increased with the present acreage by (1) clearing additional land for pasture and crop production, (2) adding new livestock and crop enterprises for more effective use of available labor, (3) increasing the level of productivity through improved livestock and crop production practices, and (4) performing custom work with machinery not fully utilized at home.

TYPES OF ARRANGEMENTS A "wages agreement" may be the first arrangement between a father and son. This is considered an "apprenticeship stage" that affords the son an opportunity to decide whether he would like to continue farming. A wages agreement is well adapted to such temporary arrangements. It may also serve other useful purposes in that it will permit the son to gain valuable experience in all phases of the farm operation and enable him to accumulate savings for an initial investment in livestock and equipment. What is essentially an employer-employee relationship is thus established, in which the son is paid the going wage rate in the community rather than being granted an indefinite amount of spending money. Personal relationships, however, make the son's position somewhat different from that of the regular hired man. A bonus in the form of a small percentage of the net farm income may be paid to the son at the end of the year to provide him with an incentive. This type of an arrangement might have advantages at the outset, but the son would probably soon become dissatisfied with working for wages.

An "enterprise agreement" is a second type of a father-and-son arrangement. Like the wages agreement, an enterprise agreement may be used to introduce the son to the farm business. The son may have such an agreement on a small scale while in school, as a project in an FFA or 4-H Club program, which may be continued on a larger scale after he finishes school. The income from one of the farm enterprises may be shared or the son may receive the entire proceeds from its operation. Two examples may illustrate an arrangement of this type.

A joint operation is established on a dairy farm in which the son receives one-fourth of the dairy sales as his income. The son participates in all phases of the farm operation, but devotes special attention to the dairy enterprise. He usually owns one-fourth interest in the dairy herd and equipment and pays one-fourth of the cash expenses in the dairy operation.

As a second example, the son may own all the livestock as a separate enterprise. Although his labor may be employed in other phases of the farm operation, the son assumes full responsibility for the operation of the livestock program. He receives the entire proceeds and pays all cash expenses. Feed and pasture would be furnished by the farm.

The advantage of the enterprise agreement over a wages agreement lies in the opportunity for the son to purchase an interest in one of the farm enterprises and to begin accumulating capital at an early age. Most farms, however, are too small for this degree of specialization in management and operation. The enterprise agreement, therefore, is looked upon as a temporary arrangement. Future plans usually look toward joint operation of the whole farm when the son has accumulated sufficient capital to make an initial investment in the operation, and has gained enough experience to assume greater responsibility in management.

A third type of father-and-son arrangement allows the son to share in income and to pay a part of expenses of the whole operation in proportion to his contribution to the investment, management, and labor employed on the farm. In the beginning, the son may be able to acquire only a small share of the capital investment. The father, however, should allow the son to invest additional capital as it is accumulated. The size of the farm business may thus grow as the son gains in experience and ability.

These three types of arrangements—the wages agreement, the enterprise agreement, and that of sharing the whole farm business—are not necessarily distinct and separate from each other. Instead, they may represent stages in father-and-son arrangements associated with the son's progress in experience and capital accumulation.

Whatever choice is made must, of course, be practical. A particular situation in the beginning may lead to a preference for one type over another, but as the situation changes it may be highly desirable to change the type of arrangement. Father-and-son arrangements should also be flexible and consistent with the growth and development of the son's interests. The arrangements should be allowed to become fixed only when their goal or objective has been reached. This may be equality of ownership in all property. Once this objective is attained, the agreement may continue unchanged even though the size of business may increase.

IMPORTANT DECISIONS In a father-and-son operation, the son should share in the ownership and management of the farm business as soon as he is able to do so. Earlier agreements should be preparatory to such an arrangement. Participation in the whole farm business will not only provide a balanced training program for the son but will also stimulate interest and encourage further investment. It will place the son in a position to assume full responsibility when the father chooses to retire. The son's accumulation of capital in the farm business should, therefore, be as rapid as possible.

Initial ownership may be acquired through purchase from, or a gift by, the parents. Savings accumulated under earlier arrangements can be used to finance the purchase of farm property from the father and to make additional investments in order to enlarge the size of the business. It is advisable, however, for the son to establish joint and equal ownership of livestock and machinery in the very beginning in order to avoid complications arising from inventory changes. Frequently this calls for financial arrangements through the local bank or other sources of credit, with or without the father's endorsement. Some parents are financially able to give the son sufficient property for a good start, but this means should not be used to induce the son to remain at home if he has no real interest in farming. In making a gift to the son remaining at home, the parents must also consider the problem of treating other children fairly. This is a decision in which all members of the family should share and the solution reached should be agreeable to all.

An equitable arrangement for sharing income can be very important to the success of a joint operation. Shares of crops produced under a landlord-tenant agreement are determined according to custom, by which the landlord's investment in land and buildings is balanced against the tenant's labor. A father-and-son operation, however, is different. Unlike the landlord, the father also contributes labor and management in the joint operation. Assuming that the labor and management of the father will be equaled by that of the son, the sharing of income may be in proportion to the ownership of personal farm property such as livestock and machinery.

The return for land and buildings owned by each party may be handled in several ways. It may take the form of an interest payment on the capital investment in real estate. This payment may be considered as a farm expense and subtracted from the total receipts in the calculation of net income. When this method is used, the value of real estate should be based upon the normal earning capacity of the farm and the interest rate should equal the current rate on real estate mortgage loans. Another method is to charge a cash rent for the farm comparable to the prevailing land rents in the area. The simplicity of this method appeals to many fathers and sons.

Once an arrangement has been established between a father and son, other important decisions must be made. How to handle financial affairs is an important issue. Receipts and expenses may be shared either on a gross or net basis. In the gross method, income and expenses are divided as they are incurred, according to the proportion established. Father and son maintain separate bank accounts, each drawing a check on his personal account to pay his share of the expenses. It is apparent that the division of numerous small expenses and sales as they are incurred may become a very tedious operation. The gross method requires at least monthly settlement of accounts.

On the net income basis, settlement is made through a joint account for the whole farm operation. All receipts are deposited in and all expenses are paid from this account. At specified intervals—usually at the end of six or twelve months—net income is calculated and checks are written to father and son for their respective shares to be deposited in their personal accounts. If funds for personal expenses are required more often, a wage allowance may be drawn from the joint account and charged against the respective shares of net income at the regular accounting period. In either instance, complete and accurate farm accounts must be kept as a basis for settlement.

TRANSFER OF FARM PROPERTY The transfer of farm property at death or retirement of the father is a crucial factor in a father-and-son arrangement. As the joint operation progresses and the son assumes responsibilities for his own family, his future security becomes of more vital concern, and he begins to think more about the transfer of property. Arrangements for the disposition of the farm real estate should, therefore, be definite and legally binding. If an agreeable solution that will protect the son's interests cannot be reached, he may wish to begin the purchase of his own farm.

The transfer of property from one generation to another presents a difficult problem for the parents that is usually postponed until too late. When such arrangements are made during the early stages of the joint operation, many serious complications that might arise after the death of the parents may be avoided. It is the owner's right to stipulate what disposition is to be made of his estate. Should a person die, however, without leaving a valid will, his estate, both real and personal property, will be distributed among his legal heirs in accordance with the law. The law is specific, with no provisions for variation in its application. It varies from state to state, but it usually provides for a portion of the property to pass to the surviving spouse and for the remainder to be divided among the children.

State laws of descent and distribution regarding the transfer of property do not provide adequate protection for the interests of the one son remaining on the farm. Neglect on the part of a property owner to make provision by will for such protection may plague all survivors long after his death and may reach tragic proportions. Should the mother survive the father, her share in the estate may be woefully inadequate. Frequently, settlement of the estate is postponed and although the son may continue to operate the farm, security of tenure is indefinite. Rapid depreciation of the farm may result.

In other instances, the children, as heirs to the estate, may partition the property among themselves or may sell their various undivided interests. The units may often be too small for economical farm operation. Under such circumstances, the son who remained at home and contributed to the improvement of the farm property may find it difficult to continue farming unless he buys at least a part of the tracts assigned to the other heirs or buys other adjacent lands. An agreeable solution may be reached in some families without difficulty, but there is no assurance, in the absence of a will, against loss of contributions made by the son who has undertaken a joint agreement with the father.

Case Studies

Actual father-and-son arrangements illustrate some of the points that have just been made. The two cases presented here differ in many respects. In both, however, the local bankers have participated in the development of the farms. The net-income method of handling farm finances was used in the first case; the gross basis was found more suitable in the second.

CASE NO. 1 The joint operation of R. M. Felts and son, R.F.D. 1, Springfield, Tennessee, grew from disaster. In 1941 a cyclone destroyed the buildings and personal property on the farm of the father. Mac Felts, one of four sons, was teaching school at the time. Although Mac had lived on the home farm all of his life, except for the time spent in college, there had been no joint operation. Various temporary arrangements had been tried in which Mac operated a crop on shares like any other tenant. The necessity, however, of rebuilding and starting anew, following the destruction by the cyclone, brought forth an offer of a partnership in the entire operation. Mac secured a loan from the First National Bank of Springfield to purchase a half interest in the livestock, machinery, and equipment. He rebuilt his home on the foundation of the one that had been destroyed. From this beginning the father and son have developed a thriving farm business.

At present, the father owns 250 acres of land and the son 205 acres. Two other tracts of land consisting of 30 acres in one and 65 acres in another are owned jointly. About 135 head of beef cattle and all farm machinery are owned jointly. The principal enterprises are tobacco, beef cattle, and grass seed production from about 300 acres of pasture that is also used for grazing beef cattle. Share croppers handle the tobacco acreage. All income and expenses are shared equally except for the expense of permanent improvements to individually-owned real property.

Arrangements for financing are made with the First National Bank of Springfield. James V. Sprouse, President, has a complete understanding of all the Felts' plans and has acted as financial advisor and counselor in many family decisions. Three separate accounts are carried at the bank. Each party has a personal account and there is a joint account under the name of R. M. Felts and Son. From the joint account, checks may be signed by four people, the father, the son, and their respective wives. Loans made by the bank are either of a personal nature or for the joint operation of the farm. Mac Felts has found such an arrangement not only a convenient method of handling finances but also one that provides a record of all financial transactions in the canceled checks, which show joint or personal ownership.

No arrangements have yet been made for eventual transfer of the farm property. The deeds, as recorded, show either individual or joint ownership. Improvements are paid for jointly or individually, as the case may be. Mac Felts has accumulated property of about equal value to that of his father, and is in a position to make financial arrangements for the purchase of the other heirs' share of the property, should he wish to do so.

CASE NO. 2 The farming operations of R. D. McNeill, Jr., and his two sons, John Ansley McNeill and R. D. McNeill III of Americus, Georgia, show the deep interest of the father in the welfare of his sons. John Ansley and Robert are the only children of the McNeills. Upon graduation from high school, the two sons were given the opportunity to attend college, but one decided to return to the farm before completing his education. The other son received his college degree after an interruption by service in the Army. It was also his decision to return to the farm but he found it necessary to find employment away from home for a two-year period until arrangements could be made to permit both sons to enter the farm business.

Mr. McNeill has been a farmer all of his life and with this experience could understand the desire of his sons to begin farming. The father had made an unhappy beginning at the end of World War I by buying some high-priced land on credit. He lost this farm, but in 1936 again started on the road toward farm ownership. The purchase of 300 acres of land was financed through the Bank of Commerce, Americus. Charles F. Crisp, President of the Bank, says that Mr. McNeill has been so successful that in recent years he has seldom requested farm loans.

When the first son returned home in 1947, there was need for enlarging the business. This problem was solved temporarily by renting additional land. There was no definite agreement at this time for joint operation. The second son returned to the farm in 1949 after having arranged with his brother for the joint purchase of 275 acres of land adjoining the home farm.

In the present joint operation, the two sons are contributing their 275 acres of land, and the father his 300 acres. The father also contributes the farm machinery, along with his labor and management, to balance the labor and management contributed by the two sons. The proceeds are divided equally among the three. All their plans are made together, but each bears the cost of improvements to individually owned property.

The McNeills depend primarily upon cash crops as their main source of income. Cotton is of greatest importance; 118 acres last year made 138 bales, which is considered well above average in that community. Peanut acreage is limited to about 45 acres. Small grain production, wheat and oats, accounts for 120 acres. Corn occupies more land than any other single crop. Last year yields from about 145 acres planted to corn were below average at about 40 bushels per acre.

This type of farming requires a considerable amount of help. Six tenant families, who have been on the farm for many years, constitute the main source of labor. The McNeills, therefore, have not had any particular labor problem. They plan to bring livestock into their operations to utilize the available labor throughout the year.

Finances are handled through the Bank of Commerce in Americus. Each party has his own personal account. Each contributes his share of the expenditures which are settled weekly. Receipts from farm sales are divided when crops are sold. Production loans are made jointly and payments are handled in the same manner. This method was chosen because of the high proportion of labor costs that must be paid each week. No arrangements have been made for the transfer of farm property. Mr. McNeill feels that he is fortunate to have both of his sons return to the farm. This means that he has no complicated problem in determining how his property will be divided.

The Role of the Country Banker

The interest of the country banker in the agricultural development of the area served by his bank is beyond question. The growth and stability of the bank depend heavily upon the prosperity of farmers. Farm people not only represent a substantial group of the bank's customers but also, directly or indirectly, influence the business activity of the community. The country banker, therefore, is concerned with the growing importance of agriculture and its many problems. In formulating his lending policies, the banker must have a knowledge of the current agricultural situation. His success may well hinge upon his adaptation of such policies to changing situations.

A banker is often expected to act as an advisor and consultant on many family problems. Just as the family doctor or lawyer may be called upon for advice on matters outside their specialties, bankers are consulted on many personal matters of a confidential nature. The strong family relationship involved in establishing and maintaining the continuity of father-and-son farming arrangements often makes it desirable to have the advice of a third party. The banker may perform this function as the opportunity arises.

The major importance attached to the financial aspects of father-and-son farming operations and of the transfer of farm property places the banker in a position to make a real contribution to the progress of agriculture. Any individual request for a farm loan is carefully analyzed to determine if it is sound. In this process, the banker must consider many factors such as the character of the prospective borrower, the purpose of the loan, potential income, collateral, and repayment plan. The banker may have followed the progress of a particular farmer over a long period of years. The initial acquisition of farm property may have been made possible through a bank loan. Through a gradual process, by good farming and sound financing, the farmer is able to accumulate a considerable investment and establish a prosperous farm business. He is recognized as an outstanding farmer and his farm is an asset to the community. While actively participating in the development of this farm, the banker has also observed the growth and development of the children. In the early stages, the banker may have contributed to the younger generation through 4-H Club or FFA programs. There comes a time, however, when the new generation must be recognized apart from the older one.

If a son decides to begin farming with his father, the banker is often called upon again for advice and assistance. A knowledge of the different types of father-and-son arrangements and of the mechanics of establishing a joint operation would then be very helpful to the banker. How far the banker can or should go in contributing to an agreeable solution among all members of the family is a question to which few bankers have given much thought.

Bankers who are making a contribution to the development of father-and-son farming arrangements receive a great deal of personal satisfaction from their efforts. Obviously they cannot go beyond the wishes of the farm family. Through suggestion and example, however, the banker may guide their thinking. The preservation of the family farm as a business and the continuity and growth of its operation beyond one generation will not only give stability to the community but will also contribute to the further progress of agriculture. This is a challenge that bankers should not ignore.

CHARLES E. CLARK

District Business Conditions

Consumer Spending, Saving, and Borrowing

The typical Sixth District consumer's attitude toward spending and saving has changed little since the first of the year. Although he continues to spend at a relatively high rate compared with any but the months immediately following Korea, he is not spending as much as his high level of income might indicate.

RETAIL SALES BARELY RISE With their Easter sales out of the way, leading department stores in the District found their dollar sales for the year through April 19 about 2 percent below those of the corresponding period in 1951. In the week preceding Easter, however, their sales were but 3 percent greater than in the week preceding Easter last year. Measured by indexes that take into account changes expected to occur because of seasonal influences, sales were lower in both January and February in 1952 than in each of the preceding months. The seasonally adjusted index for March rose one percent from February, but it was lower than that for any month since September 1951.

It is difficult to analyze present trends in retail buying. Department store sales, accounting as they do for only about 7 percent of total retail sales in the District, reflect these trends only in a general way. There appears, moreover, to be nothing conclusive about the slight pick-up recently in sales of some retailers specializing in durable goods. In March, for example, reporting furniture stores in the District sold 7 percent less on the dollar basis than in March 1951 although their sales in January and February were slightly above those of the corresponding months last year. On the other hand, food sales are probably higher this year if District consumers are buying at the same rate as consumers in other parts of the country.

How much consumers spend depends not only on the size of their incomes but also on whether or not they add to or draw on their savings and on whether or not they add to or pay off their debts. For the District as a whole, the record for the year so far reveals a continuation of a high level of income, a strong disposition to save, and no addition to consumer debt.

INCOME REMAINS HIGH District income from manufacturing payrolls, according to February data, the latest available, is running an estimated 4 percent higher this year than last year although total manufacturing employment is only 2 percent greater. The aggregate figures, however, conceal

Bank Announcement

The Keystone State Bank at Keystone Heights, Florida, a newly organized nonmember bank, will open for business May 2, and will remit at par. G. E. Wiggins will serve as President; Al Nelson, Vice President; and D. S. Folsom, Vice President and Cashier. The Bank has capital stock of $50,000 and surplus and undivided profits of $25,000.

Sixth District Indexes

DEPARTMENT STORE SALES AND STOCKS*
1947-49 = 100

Place	Adjusted** Mar. 1952	Feb. 1952	Mar. 1951	Unadjusted Mar. 1952	Feb. 1952	Mar. 1951
DISTRICT SALES	113	111	113	108	93	115
Atlanta[1]	109	106	120	100	89	122
Baton Rouge	90	88r	88	83	72r	93
Birmingham	107	104r	99	105	84r	104
Chattanooga	113	109	116	104	87	117
Jackson	114	111	109	104	86	111
Jacksonville	105	86	101	97	71	102
Knoxville	110	104	112	97	81	109
Macon	139	127	149	117	99	153
Miami	117	112	114	127	124	130
Nashville	107	100	99	96	76	98
New Orleans	116	106	104	106	87	103
Tampa	113	107	107	108	94	106
DISTRICT STOCKS	123	129	144	130	128	151

[1]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 index.

GASOLINE TAX COLLECTIONS
1939 = 100

Place	Adjusted** Mar. 1952	Feb. 1952	Mar. 1951	Unadjusted Mar. 1952	Feb. 1952	Mar. 1951
SIX STATES	290	275	251	269	275	233
Alabama	278	275	242	255	261	222
Florida	286	266	244	300	287	256
Georgia	261	258	268	239	246	245
Louisiana	298	306	259	274	300	238
Mississippi	311	280	231	280	269	208
Tennessee	300	292	240	264	280	211

COTTON CONSUMPTION*
1935-39 = 100

Place	Mar. 1952	Feb. 1952	Mar. 1951
TOTAL	158	171	192r
Alabama	160	183	198r
Georgia	161	172	197r
Mississippi	99	105	109
Tennessee	132	129	149

ELECTRIC POWER PRODUCTION*
1935-39 = 100

	Feb. 1952	Jan. 1952	Feb. 1951
SIX STATES	523	518	475
Hydro-generated	393	393	361
Fuel-generated	693	681	624

MANUFACTURING EMPLOYMENT
1939 = 100

Place	Feb. 1952	Jan. 1952	Feb. 1951
SIX STATES	157	157	157r
Alabama	160	159	158r
Florida	165	165	165r
Georgia	158	159	159r
Louisiana	145	145	143r
Mississippi	156	157r	155r
Tennessee	154	154	161

CONSTRUCTION CONTRACTS
1935-39 = 100

Place	March 1952	Feb. 1952	March 1951
DISTRICT	836	572	670
Residential	1,451	791	1,086
Other	538	466	469
Alabama	802	375	500
Florida	643	588	940
Georgia	948	867	747
Louisiana	745	549	391
Mississippi	764	211	286
Tennessee	1,220	543	614

CONSUMERS PRICE INDEX
1935-39 = 100

Item	Mar. 1952	Feb. 1952	Mar. 1951
ALL ITEMS	194	194	190r
Food	228	230	230r
Clothing	210	210	211r
Fuel., elec., and refrig.	144	144	142
Home furnishings	206	207	207r
Misc.	174	173	164
Purchasing power of dollar	52	52	53

ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

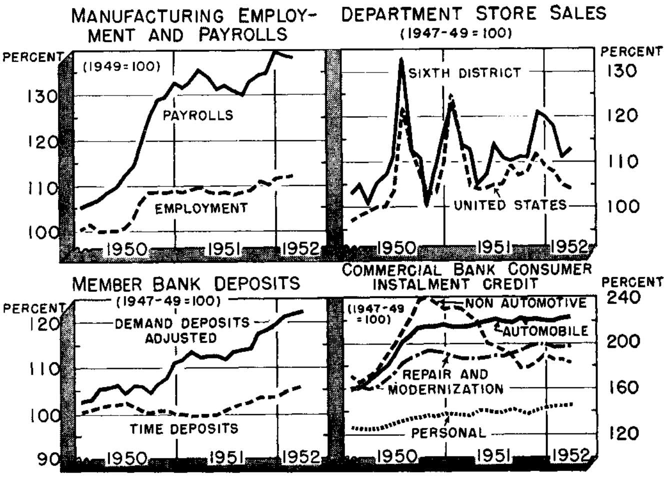
	Mar. 1952	Feb. 1952	Mar. 1951
Unadjusted	24.6	25.6	24.8
Adjusted**	24.6	25.3	24.8
Index***	99.6	102.6	100.6

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

	Mar. 1952	Feb. 1952	Mar. 1951
Unadjusted	384	378	366r
Adjusted**	383	372	365r

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

CONSUMER INCOME, BUYING, SAVING, AND BORROWING
Sixth District



many variations among industries as well as among sections of the District. Employment gains in chemicals and allied products, food processing, transportation equipment, paper, and other industries have more than offset losses by the District's most important employers—textiles and lumber.

Even in areas where manufacturing employment is down, income has been kept high by gains in other types of nonagricultural employment. Particularly notable have been the increases in state, national, and local Government employment. Between February 1951 and February 1952, almost 30,000 workers were added to Government payrolls in the Sixth District states, bringing the total of such workers to approximately 660,000. This growth accounted for half of the 2.5 percent increase in total nonmanufacturing employment, excluding agriculture. Agricultural income for the District in the first quarter of 1952 was probably about equal to that of the first quarter of 1951.

SAVINGS DEPOSITS EXPAND The trend of time deposits at member banks in the District, however, indicates that much of the income increase is going into savings. Although time deposits are but one form of savings, changes in these deposits indicate changes in other types of savings. At the end of March, time deposits at District member banks were at an all-time high. Moreover, the month-to-month increase since January 1951 is the longest period of uninterrupted increase since the close of World War II.

CONSUMER CREDIT STABLE Bank loans have given consumers little net additional purchasing power during recent months, according to the member bank reports on instalment credit outstanding. At the end of March, the estimated amount of consumer instalment credit at all Sixth District commercial banks was 378 million dollars, somewhat less than on the corresponding date last year. It was 2 percent lower than that of the peak month—October 1950. Although changes in recent months have not subtracted from purchasing power, they have not represented such additions as have taken place during most of the postwar period.

Perhaps the significant differentiation in these figures measuring consumer spending, saving, and borrowing trends

Sixth District Statistics

INSTALMENT CASH LOANS

Lender	No. of Lenders Reporting	Volume: Percent Change March 1952 from Feb. 1952	Volume: Percent Change March 1952 from Mar. 1951	Outstandings: Percent Change March 1952 from Feb. 1952	Outstandings: Percent Change March 1952 from Mar. 1951
Federal credit unions	40	+1	+8	+0	+8
State credit unions	18	+12	+23	+1	+14
Industrial banks	10	+12	+5	+0	+12
Industrial loan companies	10	+14	+7	—1	+10
Small loan companies	33	+11	+10	+1	+10
Commercial banks	33	+13	+16	+0	+1

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change March 1952 from February 1952	Percent Change March 1952 from March 1951
Total sales	127	+8	—7
Cash sales	114	+13	—6
Instalment and other credit sales	114	+8	—4
Accounts receivable, end of month	122	—1	+12
Collections during month	122	+8	+6
Inventories, end of month	92	+8	—10

WHOLESALE SALES AND INVENTORIES*

Type of Wholesaler	Sales: No. of Firms Reporting	Sales: Percent Change Mar. 1952 from Feb. 1952	Sales: Percent Change Mar. 1952 from Mar. 1951	Inventories: No. of Firms Reporting	Inventories: Percent Change Mar. 31, 1952, from Feb. 29 1952	Inventories: Percent Change Mar. 31, 1952, from Mar. 31 1951
Automotive supplies	5	+5	+12	4	—3	+23
Electrical—Full line	3	+11	—8	.	..	..
" Wiring supplies	5	—8	—17	5	+11	—14
" Appliances	6	+17	—11	5	+13	+6
Hardware	9	+6	—13	4	—1	+1
Industrial supplies	13	—1	—15	3	+4	+5
Jewelry	4	+9	—15	3	+2	—5
Lumber & bldg. materials	8	+6	—33	5	+12	+19
Plumbing & heating supplies	4	—17	—14	3	+4	+30
Refrigeration equipment	6	+7	—40	6	—0	+18
Confectionery	4	+3	+2	.	..	..
Drugs & sundries	8	—1	+4	.	..	..
Dry goods	16	—0	—12	11	+2	—17
Groceries—Full line	46	+5	—3	36	—1	—9
" Voluntary group	3	—7	+0	.	..	..
" Specialty lines	9	+1	+2	6	—8	+14
Tobacco products	9	+8	+0	5	+9	+9
Miscellaneous	11	+14	—1	13	—2	+7
Total	169	+4	—8	109	+1	—1

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

DEPARTMENT STORE SALES AND INVENTORIES*

Place	Percent Change — Sales: Mar. 1952 from Feb. 1952	Sales: Mar. 1952 from Mar. 1951	Sales: Yr. to Date 1952-1951	Stocks: Mar. 31, 1952, from Feb. 29 1952	Stocks: Mar. 31, 1952, from Mar. 31 1951
ALABAMA	+25	—4	—3	+7	—14
Birmingham	+28	—3	—3	+5	—14
Mobile	+27	—1	—0	..	..
Montgomery	+18	—8	—3	..	..
FLORIDA	+13	—8	—5	—4	—2
Jacksonville	+44	—8	—7	+4	—2
Miami	+6	—7	—6	—11	—1
Orlando	+18	—32	—19	..	..
St. Petersburg	+4	—1	+4	—6	—5
Tampa	+19	—2	+1	..	..
GEORGIA	+19	—20	—12	+5	—14
Atlanta**	+16	—22	—15	+4	—19
Augusta	+28	—8	+5	..	..
Columbus	+15	—23	—12	+7	—1
Macon	+22	—22	—12	—1	—8
Rome**	+26	—33	—19	..	..
Savannah**	+36	—9	—0	..	..
LOUISIANA	+27	—2	+1	+0	—26
Baton Rouge	+20	—14	—10	+4	—21
New Orleans	+28	—1	+2	—1	—29
MISSISSIPPI	+26	—10	—5	+7	—10
Jackson	+26	—8	—5	+6	—12
Meridian**	+32	—18	—12	..	..
TENNESSEE	+27	—12	—8	—2	—18
Bristol**	+35	—14	—13	+3	—7
Bristol-Kingsport-Johnson City**	+33	—18	—15	..	..
Chattanooga	+24	—14	—7	..	..
Knoxville	+24	—16	—11	+12	—10
Nashville	+31	—5	—1	—10	—28
DISTRICT	+21	—9	—5	+1	—14

*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.

in the District from those of the earlier postwar period is their relative stability. Until recently, postwar trends for consumer spending and borrowing have been upward. These upward trends provided a stimulus to business activity and in some cases to inflationary pressures. The reversal in trends during recent months, therefore, has contributed to an easing of inflationary pressures, despite the continued high levels of employment and income. C.T.T.

Textile Lull Continues

District textile mill operations continue to lag. After a slight rally in February, the daily rate of cotton consumption—the most commonly used indicator of mill activity—declined again in March. Although the average rate of consumption in the first quarter of 1952 was 15 percent below that for the first quarter of 1951, it compared favorably with the level reached in the corresponding period of other postwar years.

The number of mill workers in the first two months of this year dropped 8,000 from the peak of 222,000 reached in March 1951. Because the average number of hours worked per week decreased from approximately 41.5 to 38.5 during the same period, the change in the number of employees drastically understates the extent of the slackened activity.

Although cotton consumption and employment data indicate a large decrease in mill output, a far more drastic curtailment would have occurred if production had been geared directly to lagging sales. Many firms, however, are producing for inventory in order to retain skilled labor and to spread high overhead costs over a larger number of units.

The limit to inventory accumulation, however, seems close at hand. Rising stocks of mill products entail increased costs not only for storage charges, but also for credit, whether it be supplied from the firms' own resources or from commercial banks. To cover these costs as well as other expenses, mill operators are faced with the thinnest margins since February 1946, with the exception of June and July 1949. The mill margin, the difference between the price of cotton and the unfinished cloth, fell from 50 cents a pound in December 1950 to approximately 28 cents in March of this year.

Such a margin provides neither the incentive nor the scope for further additions to inventories. With military textile procurement to be further reduced in the coming fiscal year, new orders will largely depend on increased consumer buying. If consumers do not increase their purchases shortly, a far more drastic decline in District textile operations seems likely. C.H.T.

Retail Credit Survey

Copies of the Retail Credit Survey for 1951, covering operations of major credit-granting merchants in the Sixth District, are now available. Requests should be addressed to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia.

Sixth District Statistics

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

Item	April 23 1952	March 26 1952	April 25 1951	Percent Change April 23, 1952, from Mar. 26 1952	Apr. 25 1951
Loans and investments— Total	2,750,335	2,765,861	2,514,483	—1	+9
Loans—Net	1,092,872	1,079,624	1,135,699	+1	—4
Loans—Gross	1,112,667	1,099,429	1,153,321	+1	—4
Commercial, industrial, and agricultural loans	642,699	642,770	683,918	—0	—6
Loans to brokers and dealers in securities	8,682	9,166	14,440	—5	—40
Other loans for purchasing and carrying securities	33,362	33,093	33,645	+1	—1
Real estate loans	88,237	87,037	93,515	+1	—6
Loans to banks	5,135	2,599	5,534	+98	—7
Other loans	334,552	324,764	322,269	+3	+4
Investments—Total	1,657,463	1,686,237	1,378,784	—2	+20
Bills, certificates, and notes	780,674	816,040	525,731	—4	+48
U. S. bonds	632,616	635,593	638,796	—0	—1
Other securities	244,173	234,604	214,257	+4	+14
Reserve with F. R. Banks	509,008	523,185	478,261	—3	+6
Cash in vault	45,550	46,175	45,624	—1	—0
Balances with domestic banks	207,672	226,274	188,511	—8	+10
Demand deposits adjusted	2,058,438	2,039,041	1,894,644	+1	+9
Time deposits	542,812	538,731	514,036	+1	+6
U. S. Gov't deposits	98,143	130,264	102,775	—25	—5
Deposits of domestic banks	567,660	613,442	494,518	—7	+15
Borrowings	24,000	14,000	14,000	+71	+71

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

Place	Mar. 1952	Feb. 1952	Mar. 1951	Percent Change: Mar. 1952 from Feb. 1952	Mar. 1951	Yr.-to-Date 3 Mos. 1952 from 1951
ALABAMA						
Anniston	31,320	27,164	31,272	+15	+0	+4
Birmingham	452,700	420,196	446,483	+8	+1	+6
Dothan	18,913	17,798	20,678	+6	—9	—1
Gadsden	23,500	21,660	25,015	+8	—6	—3
Mobile	166,587	144,376	174,600	+15	—5	+0
Montgomery	91,043	86,988	97,937	+5	—7	—1
Tuscaloosa*	32,195	28,173	33,295	+14	—3	—2
FLORIDA						
Jacksonville	418,451	376,669	412,394	+11	+1	+3
Miami	377,577	366,283	366,777	+3	+3	+5
Greater Miami*	593,718	579,167	574,246	+3	+3	+7
Orlando	83,522	79,407	88,150	+5	—5	+2
Pensacola	46,696	47,163	46,103	—1	+1	+14
St. Petersburg	96,380	87,639	94,169	+10	+2	+5
Tampa	186,550	170,206	193,771	+10	—4	—1
GEORGIA						
Albany	35,078	32,561	35,491	+8	—1	+6
Atlanta	1,131,140	1,052,785	1,117,185	+7	+1	+2
Augusta	89,544	82,646	83,120	+8	+8	+13
Brunswick	11,510	11,081	12,115	+4	—5	+3
Columbus	82,659	77,319	78,900	+7	+5	+11
Elberton	4,284	4,231	4,789	+1	—11	—1
Gainesville*	22,007	22,530	21,919	—2	+0	+11
Griffin*	13,997	12,457	13,609	+12	+3	+1
Macon	77,869	74,843	85,103	+4	—9	+4
Newnan	11,588	12,092	11,875	—4	—2	+5
Rome*	23,591	23,771	27,062	—1	—13	—9
Savannah	113,260	107,090	120,061	+6	—6	+3
Valdosta	14,915	14,460	13,281	+3	+12	+13
LOUISIANA						
Alexandria*	42,933	42,220	42,964	+2	—0	+5
Baton Rouge	112,300	111,692	113,832	+1	—1	+1
Lake Charles	51,105	44,911	48,885	+14	+5	+6
New Orleans	912,329	840,553	857,028	+9	+6	+9
MISSISSIPPI						
Hattiesburg	21,347	19,804	20,865	+8	+2	+4
Jackson	191,123	173,606	198,799	+10	—4	+3
Meridian	31,097	30,511	33,539	+2	—7	—1
Vicksburg	34,548	31,040	26,745	+11	+29	+31
TENNESSEE						
Chattanooga	191,388	167,861	197,843	+14	—3	+0
Knoxville	122,250	119,552	142,370	+2	—14	—9
Nashville	441,908	384,421	398,471	+15	+11	+10
SIXTH DISTRICT**	5,674,481	5,238,608	5,597,646	+8	+1	+4

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