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The Farmer and Consumer Interest

An Address by William I. Myers, Dean, New York State College of Agriculture, Cornell University, Ithaca, New York, Delivered at the 1952 Farm Forum of the Minneapolis Chamber of Commerce March 11, 1952

There is widespread belief among consumers that food prices are unjustifiably high and that this is due largely to Government price supports, restricted farm production, and political favoritism of farmers. As a result, in spite of their marvelous production record during and since the war, there is serious ill will and even hostility toward farmers, especially in large cities. This is an unfortunate situation at any time for an industry whose members represent a small and steadily decreasing minority of the total population. It is dangerous for consumers as well as producers during the defense period when authority over prices is vested in a Government agency which is likely to yield to pressure from an uninformed majority.

Of course, the basic problem is that the specialization of labor that makes possible high levels of living increases the difficulty of communication between farmers and consumers. The percentage of United States population living on farms declined from almost 40 percent in 1900 to 16 percent in 1950. This phenomenal gain in farm efficiency means a better living in peace and better chances for survival in war since the miracles of our industrial production can be accomplished only by workers not required to produce food. Family farms have changed from self-sufficient to commercial operations, depending on city consumers for their market and on urban business for most of the necessities of farm production and of living. If efficiency and high living standards are to be maintained, farmers are as dependent on cities as urban people are on farmers for food and for the farm market for city-made products. Unfortunately, this interdependence is frequently overlooked because of apparent conflicts of interest and lack of understanding of the other fellow's problems.

A second factor causing consumer ill will is high food prices. Consumers look at high retail prices of foods and assume that all farmers must be very prosperous. Prices of clothing and house furnishings have increased almost as much as food, but they do not seem to cause as much resentment. Food must be bought every day, and its purchase cannot be deferred in hopes of lower prices later. Of course, the basic cause of high prices of food as well as other commodities is increasing costs of production resulting from inflation. Costs of marketing are also the highest in history.

Across the board, farmers receive about half of the retail price of food. The high costs of getting food from farmers to consumers are not due to inefficient marketing, but to inflation and to the cost of increasing services demanded by consumers. For many years there has been a steady trend toward more packaged foods as well as more partly-prepared foods. These trends are accelerating due to the rapid growth of self-service in supermarkets and to the desire to save work in the home. In comparing present retail prices with those of prewar years, it should be remembered that today's prices do not represent the same foods in many cases, but food products plus services performed by urban workers at high wage rates.

A third factor causing consumer ill will is the continuation of Government payments and farm price supports during a period of inflation and general prosperity. In fairness, it must be admitted that a revision of these depression-born programs is in order, but it is equally clear that their importance both to farmers and consumers is greatly overestimated by the public. In recent years agricultural conservation payments have amounted to between two and three hundred million dollars a year, or less than one percent of gross farm income. Most city newspapers blame farmers for these continuing subsidies and apparently are unaware of the fact that two large national farm organizations have repeatedly recommended their reduction or elimination as a part of a program of over-all Government economy.

Contrary to public opinion, the farm products whose prices were supported by the Commodity Credit Corporation make up only a minor part of the total sales of American farms. Prices of meat animals, fluid milk, fruits, vegetables, and many other products have not been increased appreciably while the net incomes of eastern dairymen and poultrymen have been reduced, at least temporarily, by support prices for feed grains.

Countless articles and editorials have appeared in city newspapers in recent months commenting critically on the continuing losses of the Commodity Credit Corporation at a time when the OPS is spending millions trying to stabilize prices. These reports have increased public misunderstanding and resentment because the losses referred to are not due primarily to current operations; they are largely losses on dried eggs, dairy products, and potatoes finally disposed of during the last fiscal year although the losses were really incurred when the products were purchased a couple of years ago. Both the egg and potato programs were discontinued in 1950.

Finally, consumers have resented the resistance of farmers and farm organizations to price controls of farm products. The public seems to think that farmers are a specially privileged class under the present price law. Controls over wages and other prices are said to be jeopardized by the limited control which can be exercised over farm prices.

Price controls cannot change the fact that freely fluctuating prices perform a vital function in telling more than five million farmers what to produce and consumers what to buy. If effective ceiling prices are set substantially below what a competitive market would pay, they will reduce production of the foods in greatest demand, and, unless accompanied by rationing, will result in black markets.

During World War II from 1939 to 1944, United States' food production made the most rapid and sustained increase in modern history. During this period, total food production rose to from 34 to 40 percent above 1935-39 due to improved practices, favorable prices, and good weather. This increased food supply was used to help win the war and later to feed more people better. The most striking change was the increased purchases of meat, eggs, and other choice foods by families whose buying was formerly limited by low incomes.

For seven years, there has been no appreciable increase in food production beyond the 1944 peak; yet during this same period, more than 17 million people have been added to our food-consuming population, and the number is still increasing at the rate of about 2½ million a year. The growth of population has caught up with the high rate of food output achieved during the war, but food production still stands at about that level. Furthermore, the prospects for an immediate sharp increase in food output are not bright and a severe drought like 1934 or 1936 would bring a sharp decline. With full employment, high consumer incomes, and increasing population, farm production is already under pressure which is likely to grow more severe during the defense period.

Substantial price increases occurred all along the line after the invasion of Korea. The sensitive prices of basic commodities rose nearly 50 percent up to February 1951, but have since lost about two-thirds of this gain and are now only 16 percent above pre-Korean levels. After similar but less violent fluctuations, wholesale prices are 13 percent above June 1950. Retail food prices rose more slowly but are now 13 percent above pre-Korean levels, as compared with 11 percent for the cost of living and 14 percent for average weekly earnings of industrial workers.

In February, prices received by United States farmers were 17 percent above June 1950 while farm costs have risen 13 percent. Farm prices, as a group, rose above parity in July 1950 but in February were back at parity.

Parity is a concept, a measure of equity. It is not, as most consumers seem to think, a price-support program, but it has been used as a yardstick for administering such pro-

Sixth District Indexes

DEPARTMENT STORE SALES AND STOCKS*
1947-49 = 100

Place	Adjusted** April 1952	Adjusted** March 1952	Adjusted** April 1951	Unadjusted April 1952	Unadjusted March 1952	Unadjusted April 1951
DISTRICT SALES	114	113	105	116	108	101
Atlanta[1]	101	109	100	103	100	91
Baton Rouge	93	90	93	98	83	85
Birmingham	112	107	105	109	105	95
Chattanooga	116	113	113	116	104	103
Jackson	110	114	103	114	104	98
Jacksonville	108	105	101	111	97	91
Knoxville	109	110	105	118	97	104
Macon	120	139	119	122	117	99
Miami	116	117	120	120	127	116
Nashville	112	107	99	118	96	96
New Orleans	103	116	104	109	106	103
Tampa	117	113	104	119	108	102
DISTRICT STOCKS	126	125r	150	132	131r	158

[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** April 1952	Adjusted** March 1952	Adjusted** April 1951	Unadjusted April 1952	Unadjusted March 1952	Unadjusted April 1951
SIX STATES	277	290	267	285	269	275
Alabama	270	278	255	275	255	259
Florida	283	286	264	303	300	282
Georgia	250	261	276	257	239	284
Louisiana	290	298	282	286	274	278
Mississippi	298	311	254	304	280	259
Tennessee	287	300	272	290	264	275

COTTON CONSUMPTION*
1935-39 = 100

Place	Apr. 1952	Mar. 1952	Apr. 1951
TOTAL	143	158	177r
Alabama	143	160	161r
Georgia	147	161	192
Mississippi	89	99	113
Tennessee	123	132	149

ELECTRIC POWER PRODUCTION*
1935-39 = 100

	Mar. 1952	Feb. 1952	Mar. 1951
SIX STATES	522	523	462
Hydro-generated	430	393	356
Fuel-generated	641	693	601

MANUFACTURING EMPLOYMENT
1939 = 100

Place	Mar. 1952	Feb. 1952	Mar. 1951
SIX STATES	158	158r	159r
Alabama	160	160	159r
Florida	166	165	163r
Georgia	158	159r	160r
Louisiana	143	145	146r
Mississippi	157	156	158r
Tennessee	162	161r	164r

CONSTRUCTION CONTRACTS
1935-39 = 100

Place	Apr. 1952	Mar. 1952	Apr. 1951
DISTICT	857	896r	708
Residential	1,035	1,576r	1,007
Other	771	566r	563
Alabama	547	802	721
Florida	919	643	744
Georgia	915	948	906
Louisiana	555	745	546
Mississippi	363	764	667
Tennessee	1,402	1,220	503

CONSUMERS PRICE INDEX
1935-39 = 100

Item	Apr. 1952	Mar. 1952	Apr. 1951
ALL ITEMS	194	194	189
Food	229	228	231
Clothing	209	210	209
Fuel, elec., and refr g.	144	144	142
Home furnishings	205	206	206
Misc.	174	174	165
Purchasing power of dollar	.52	.52	.53

ANNUAL RATE OF TURNOVER OF DEMAND DEPOSITS

	Apr. 1952	Mar. 1952	Apr. 1951
Unadjusted	22.5	24.6	24.4
Adjusted**	22.7	24.6	24.7
Index***	92.1	99.6	100.0

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

	Apr. 1952	Mar. 1952	Apr. 1951
Unadjusted	379	384	371r
Adjusted**	372	383	364r

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

grams. The period 1910-14 usually used as the base for parity was not, as is sometimes alleged by metropolitan newspapers, the "golden age of agriculture." It was a fairly normal period—not as favorable as wartime nor as unfavorable as the depression years. When the price level is fluctuating, the parity price of a farm product is a useful measure of the relation of its price to farm costs and other prices. However, parity prices should be used with care, and the fact that the price of a farm product is below parity does not indicate that price-support operations should be undertaken. The heavy losses in supporting prices of potatoes and eggs were due in large part to the phenomenal gains in yield and efficiency of production of these foods in recent years. As a result, farmers have been producing ample supplies at prices which have generally been well below parity levels.

Fair exchange relationships between farm products and other commodities and services are promoted by economic stability but are disrupted by inflation and deflation. Fluctuating prices cause friction between management and workers as well as between farmers and consumers.

Wide fluctuations in farm prices and the resulting violent swings of net income between feast and famine levels are the most important economic problems of agriculture. The general price level is becoming increasingly inflexible because of administered prices, "fair-trade" laws, long-term wage agreements, pension plans, and such. Farm prices fluctuate more violently than costs and other prices because in large part they represent basic commodities sold on competitive markets. In the price recession of 1948-49, farm prices fell 24 percent from the peak, while retail food prices dropped but 10 percent and farm costs only 5 percent.

The farmers' problems are made more difficult because inflexible cash costs are becoming increasingly important in modern commercial family farming; purchased gasoline and tractors instead of farm-raised horses and feed; power machinery to save labor; feeds, fertilizers, spray materials; and taxes. On dairy farms in Tompkins County, New York, the proportion of farm receipts required to pay cash farm expenses increased from 44 percent in 1907 to 73 percent in 1947. On many such farms a moderate decline of 25 or 30 percent in prices received would result in a cash loss besides providing no income for the labor of the operator and his family. Similar trends are found in other types of farming and in other states.

Rising prices result in rapid increases in net incomes of farmers while falling prices bring a severe price-cost squeeze. During the war period, the net incomes of farm operators rose rapidly until 1947; then declined steadily for four years, and in 1950 were 29 percent below the 1947 peak, while nonfarm incomes had continued to rise. The recovery of 1951 brought an increase of 17 percent in farm operators' net incomes, but they were still 16 percent below the postwar high, while national income reached the highest level in history.

Industry reduces production when prices decline and increases output when prices are favorable. These readjustments to price declines result in unemployment but are necessary for self-preservation. On the other hand, agricul-

Sixth District Statistics

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

Item	May 21 1952	Apr. 23 1952	May 23 1951	Percent Change May 21, 1952, from Apr. 23 1952	Percent Change May 21, 1952, from May 23 1951
Loans and investments—					
Total	2,744,823	2,750,335	2,505,431	—0	+10
Loans—Net	1,085,500	1,092,872	1,119,205	—1	—3
Loans—Gross	1,105,324	1,112,667	1,137,297	—1	—3
Commercial, industrial, and agricultural loans	637,257	642,699	661,517	—1	—4
Loans to brokers and dealers in securities	11,417	8,682	14,472	+32	—21
Other loans for purchasing and carrying securities	32,938	33,362	33,399	—1	—1
Real estate loans	89,426	88,237	92,817	+1	—4
Loans to banks	4,834	5,135	11,516	—6	—58
Other loans	329,452	334,552	323,576	—2	+2
Investments—Total	1,659,323	1,657,463	1,386,226	+0	+20
Bills, certificates, and notes	772,056	780,674	531,202	—1	+45
U. S. bonds	642,447	632,616	636,135	+2	+1
Other securities	244,820	244,173	218,889	+0	+12
Reserve with F. R. Banks	528,071	509,008	460,712	+4	+15
Cash in vault	45,177	45,550	45,035	—1	+0
Balances with domestic banks	206,361	207,677	175,398	—1	+18
Demand deposits adjusted	2,078,157	2,058,438	1,882,937	+1	+10
Time deposits	546,227	542,812	515,173	+1	+6
U. S. Gov't deposits	96,232	98,143	91,266	—2	+5
Deposits of domestic banks	553,260	567,660	478,915	—3	+16
Borrowings	30,000	24,000	9,900	+25	*

*Over 100 percent.

DEBITS TO INDIVIDUAL BANK ACCOUNTS
(In Thousands of Dollars)

Place	April 1952	March 1952	April 1951	Percent Change Apr. 1952 from March 1952	Percent Change Apr. 1952 from April 1951	Percent Change Yr.-to-Date 4 Mos. 1952 from 1951
ALABAMA						
Anniston	28,392	31,320	27,560	—9	+3	+4
Birmingham	446,825	452,700	390,160	—1	+15	+8
Dothan	16,936	18,913	17,714	—10	—4	—2
Gadsden	22,417	23,500	20,978	—5	+7	—1
Mobile	156,781	166,587	148,985	—6	+5	+1
Montgomery	93,400	91,043	93,283	+3	+0	—1
Tuscaloosa*	28,526	32,195	28,869	—11	—1	—2
FLORIDA						
Jacksonville	375,055	418,451	358,923	—10	+4	+4
Miami	352,647	377,577	319,893	—7	+10	+6
Greater Miami*	557,758	593,718	500,123	—6	+12	+8
Orlando	85,175	83,522	69,339	+2	+23	+6
Pensacola	48,010	46,696	39,699	+3	+21	+15
St. Petersburg	89,361	96,380	78,799	—7	+13	+7
Tampa	177,016	186,550	158,310	—5	+12	+2
GEORGIA						
Albany	33,728	35,078	30,856	—4	+9	+7
Atlanta	1,131,726	1,131,140	1,053,020	+0	+7	+3
Augusta	90,444	89,544	78,755	+1	+15	+14
Brunswick	12,968	11,510	11,256	+13	+15	+6
Columbus	78,998	82,659	69,339	—4	+14	+12
Elberton	4,668	4,284	3,985	+9	+17	+4
Gainesville*	23,434	22,007	19,321	+6	+21	+14
Griffin*	12,876	13,997	12,551	—8	+3	+1
Macon	80,681	77,869	73,573	+4	+10	+5
Newnan	11,201	11,588	11,175	—3	+0	+4
Rome*	22,597	23,591	24,031	—4	—6	—8
Savannah	115,860	113,260	112,028	+2	+3	+3
Valdosta	15,796	14,915	12,381	+6	+28	+17
LOUISIANA						
Alexandria*	47,831	42,933	40,309	+11	+19	+8
Baton Rouge	120,816	112,300	109,798	+8	+10	+3
Lake Charles	51,043	51,105	43,469	—0	+17	+9
New Orleans	875,495	912,329	805,463	—4	+9	+9
MISSISSIPPI						
Hattiesburg	19,287	21,347	17,961	—10	+7	+5
Jackson	172,175	191,123	156,485	—10	+10	+4
Meridian	30,541	31,097	31,371	—2	—3	—2
Vicksburg	30,907	34,548	24,509	—11	+26	+30
TENNESSEE						
Chattanooga	178,684	191,388	174,999	—7	+2	+1
Knoxville	117,942	122,250	132,019	—4	—11	—10
Nashville	410,845	441,908	378,081	—7	+9	+10
SIXTH DISTRICT**	5,475,820	4,674,481	5,054,166	—4	+8	+20

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

ture maintains stable production when prices drop and can increase output but slowly in times of prosperity. The inability of farmers to adjust production to fluctuating prices is due largely to the biological nature of farming and to the fact that the major part of the working force is provided by the family. Since consumers cannot postpone eating even during depressions, it is important to maintain production of essential foods at such times.

Farm price-support programs have developed as attempted solutions to the problem of protecting farmers against severe losses resulting from low prices. They are a legacy from depressions and are a part of the nationwide effort to attain greater security through legislation. There has been widespread criticism of these programs by the city press, but equally widespread failure to realize the importance of the problems of economic instability at which they are directed.

The effects of such programs on food costs of consumers have been greatly overemphasized. Support prices tend to stimulate production and to keep prices down to or below support levels. In the spring of 1950, wide publicity was given to the four-billion-dollar investment in farm products of the Commodity Credit Corporation, and it was assumed that a large part of this sum would be lost. A recent editorial in a nationally known newspaper headed "Deliverance by Disaster" was correct in stating that the Government was probably saved from heavy losses on storable products by two wars. However, the article failed to point out that in each case the stocks of cotton and grain prevented more rapid price increases of these commodities and were liquidated without loss. Even in the case of the dried-egg and potato programs, consumers got back part of the cost in lower prices although they did not know it. High support prices resulted in overproduction, and, after supports were removed, prices dropped below cost until output was reduced and equilibrium was restored.

The only really high-priced foods are meats, and especially beef, veal, and lamb, and yet there have been no support prices on any meat animals at any time since the war. High meat prices are due to the demands of consumers with peak incomes for an inadequate meat supply that cannot be increased quickly. With present incomes, consumers would buy about 160 pounds of meat per person at parity prices, but, since there are only about 138 pounds available, they have bid prices of beef, veal, and lamb far above parity. Pork and chicken supplies can be increased quickly, and, hence, prices of these meats are much lower and are in closer relation to costs.

In response to this boom demand, farmers have increased livestock beyond the numbers that can be fed from the current output of corn and other feed crops. Heavy inroads are being made in corn reserves during the present feeding season, and, unless a bumper corn crop is produced in 1952, some reduction in meat animals will be necessary. The greatest threat to larger supplies of meat and livestock products is the possibility of ceiling prices on corn. The demand for feed to produce more meat has resulted in a higher corn price, but it is still below parity. If corn prices rise further and ceiling prices are established, the results would be unfortunate to consumers as well as farmers. Such a step would not only discourage the increased production of feed required for greater meat output but would also jeopardize the supply of milk and eggs for eastern cities by blocking the movement of corn to farms outside the Corn Belt.

Contrary to popular belief in cities, Government restrictions have had little if any effect on total farm production in the past and are not likely to in the future. Consumers have permanent effective protection against acreage controls and other restrictions because agriculture is a highly competitive industry and farm incomes depend on output as well as price. Farmers like to produce all they can, and, since they are paid for the quantity produced and not by the hour, they obtain higher yields by more intensive production on the reduced acreages and substitute other crops on the remaining areas.

Good public relations for agriculture require farm programs that are clearly in the long-run interests of both producers and consumers and more effective publicity to tell urban people about them. Consumers have not been hurt much financially by present programs, but they resent them because they seem to represent a philosophy of scarcity that is not in conformity with national welfare. In the long run no producer can afford to antagonize his customers.

Now is a favorable time to reverse the depression-born philosophy of attempting to restrict output to bolster falling prices and to substitute a positive program of improving the national diet. It is good business for farmers as well as sound public policy to use the productive capacity of agriculture to give consumers the foods they like and should have. Since farmers will produce all they possibly can anyway, why not base farm programs on a philosophy of full production and cultivate the good will of consumers?

The first and most important step in such a farm program is to work toward increased stability of prices, employment, and production in our total national economy. While reasonable economic stabilization is not a panacea for all farm problems, it would, if attained, reduce them to manageable proportions.

The mitigation of the violence of fluctuations in prices, employment, and production involves public education, wise Government policies, and intelligent individual action. Wide publicity on and interest in economic trends is desirable and helps to avoid wide swings. Wise Government policy involves coordination of the operations of the Treasury with the Federal Reserve System relating to the cost and availability of credit, taxation, and debt management so as to minimize both inflation and deflation.

When a recession threatens, every effort should be made to maintain production and employment in nonagricultural business, and, if necessary, Government assistance would be justified in this end. If, in spite of these efforts, prices and consumer incomes decline substantially, Government funds should be used first—not to attempt restriction of farm production—but to maintain consumption by aid to low-income families to enable them to buy the foods needed for their health and welfare.

In such a program, flexible support prices for storable products at conservative levels might be used as a last resort as protection against serious losses due to low prices during a severe depression. Support prices should be low enough so that they would not be operative during periods of normal economic conditions. This plan would enable farmers to continue operations, but would avoid the wasteful production of foods not required by consumers. It would also make the principle of farm price-support programs comparable with unemployment compensation for urban workers under which payments are intended to cover minimum living costs but at the same time to discourage idleness.

The experience of the United States in recent years shows that flexible support prices at conservative levels are better for farm people and consumers than fixed support prices at high levels. The higher the level of guaranteed prices, the greater the stimulus to production. The greater the stimulus to production the more rigid the Government controls that will be necessary to limit the cost. Although rigid controls of certain crops would not reduce total farm production appreciably, they would impede the ability of farmers to increase efficiency and to adjust production to meet changing consumer demands.

Our postwar experience has demonstrated clearly the undesirability of fixed support prices and storage operations for perishable products because they have resulted in heavy costs and waste of food. In the long run, consumer resentment against all farmers caused by the potato and dried-egg fiascoes will greatly outweigh the temporary financial benefits obtained by producers of these products. Free market prices with income payments to farmers by the Government are not the answer to this problem because of their dangers to democratic government and free competitive enterprise. Principal dependence should be placed on efforts to stabilize the economy, marketing agreements, Government assistance to low-income families during recessions, and similar measures.

There is also great need for more adequate and effective consumer education about our national food economy. In spite of the difficulties, progress can be made by vigorous, intelligent efforts of all interested organizations and persons. Agricultural colleges can assist by more adequate research and education on economic problems of food production and marketing. Farm organizations can help by supporting agricultural programs in the long-run interests of consumers as well as farmers, and by devoting more effort to telling city people about them. Individual farmers have an important part through talks and contacts with members of service clubs, churches, and other organizations.

For four decades the percentage of the national labor force engaged in farming has declined at the rate of 5 percent per decade. As a result of this increased efficiency, retail food prices declined one third from 1910-19 to 1940-49 in contrast with consumer spendable incomes. As American families have had to work fewer hours to provide themselves with food, they could devote more time to the acquisition of other comforts or luxuries or leisure. Furthermore, in the years ahead, we can expect a continued steady decline in relative food prices in line with increasing productive efficiency in agriculture. Since these changes will increase the interdependence of farmers and urban people, it is not too soon to develop effective plans for improving the means of communication between them.

Sixth District Statistics

INSTALMENT CASH LOANS

Lender	No. of Lenders Report-ing	Volume: Percent Change April 1952 from March 1952	April 1951	Outstandings: Percent Change April 1952 from March 1952	April 1951
Federal credit unions	40	+19	+60	±3	+13
State credit unions	19	+27	+73	+2	+14
Industrial banks	10	+3	+8	+2	+34
Industrial loan companies	9	—8	+1	—0	+3
Small loan companies	33	+2	+25	+1	+13
Commercial banks	33	+3	+25	+2	+3

RETAIL FURNITURE STORE OPERATIONS

Item	Number of Stores Reporting	Percent Change April 1952 from March 1952	April 1951
Total sales	126	+11	+28
Cash sales	112	+3	+6
Instalment and other credit sales	112	+11	+29
Accounts receivable, end of month	120	+2	+16
Collections during month	120	—8	+9
Inventories, end of month	88	+4	—6

WHOLESALE SALES AND INVENTORIES*

Type of Wholesaler	Sales: No. of Firms Report-ing	Percent Change Apr. 1952 from Mar. 1952	Apr. 1951	Inventories: No. of Firms Report-ing	Percent Change Apr. 30, 1952, from Mar. 31 1952	Apr. 30 1951
Automotive supplies	6	—25	—7	5	—11	+3
Electrical—Full line	3	+18	+4	.	..	..
" Wiring supplies	3	+4	+33	3	+5	+21
" Appliances	5	—8	+35	4	—1	—11
Hardware	10	+5	+1	5	—2	—9
Industrial supplies	13	—7	—17	3	—1	+2
Jewelry	3	—22	—8	.	..	..
Lumber & bldg. supplies	7	+10	—17	5	—17	—4
Plumbing & heating supplies	4	—13	—26	3	+5	+15
Refrigeration equipment	6	+13	—21	6	—3	+14
Confectionery	4	0	+11	.	..	..
Drugs and sundries	7	—5	+7	.	..	..
Dry goods	17	—2	+9	13	—2	—20
Groceries—Full line	42	+3	+14	30	—3	—9
" Specialty lines	10	+7	+9	5	—9	+17
Tobacco products	11	+7	+23	7	—7	+3
Miscellaneous	14	—13	—0	16	+1	+2
Total	165	—0	+4	105	—3	—6

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

DEPARTMENT STORE SALES AND INVENTORIES*

Place	Percent Change: Sales Apr. 1952 from Mar. 1952	Apr. 1951	Yr. to Date 1952-1951	Stocks Apr. 30, 1952, from Mar. 31 1952	Apr. 30 1951
ALABAMA	+11	+22	+4	+1	—15
Birmingham	+4	+20	+2	+0	—14
Mobile	+21	+36	+9	..	..
Montgomery	+19	+20	+3	..	..
FLORIDA	—1	+13	+0	—1	—4
Jacksonville	+13	+26	+1	+1	—3
Miami	—5	+5	—4	—4	—8
Orlando	+3	+20	—1	..	..
St. Petersburg	—8	+15	+7	+1	—3
Tampa	+11	+22	+7	..	..
GEORGIA	+6	+26	—4	—5	—20
Atlanta**	+4	+19	—7	—5	—24
Augusta	+14	+62	+18	..	..
Columbus	+13	+37	—1	+2	—6
Macon	+5	+31	—2	+4	—10
Rome**	+27	+43	—5	..	..
Savannah**	+11	+43	+10	..	..
LOUISIANA	+5	+13	+4	+3	—26
Baton Rouge	+19	+20	—2	—0	—25
New Orleans	+3	+10	+4	+4	—27
MISSISSIPPI	+13	+23	+2	—4	—15
Jackson	+9	+21	+2	—6	—17
Meridian**	+26	+28	—2	..	..
TENNESSEE	+18	+20	—0	+1	—10
Bristol**	+3	+7	—8	+0	—8
Bristol-Kingsport-Johnson City**	+9	+10	—9	..	..
Chattanooga	+11	+17	—1	..	..
Knoxville	+22	+19	—4	—6	—19
Nashville	+23	+27	+7	+4	—6
DISTRICT	+7	+20	+1	—1	—16

*Includes reports from 122 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.

Retail Credit Survey for 1951

With plenty of money in their pockets, consumers spent less for major durable commodities in 1951 than they did in 1950 and only modestly increased their purchases of less durable and soft goods items. Moreover, were it not for active buying "on the cuff," total sales of nine lines of credit-granting retail stores in the Sixth District would have fallen by considerably more than the 3-percent decrease that actually occurred. The end of 1951 found consumers owing slightly more for charge account purchases than a year earlier, but they managed to reduce their instalment indebtedness by 5 percent. Despite the great restraint exercised by the buying public, merchants ended the year with stocks down a bit after having suffered from brim-full shelves throughout most of 1951.

These conclusions are drawn from the 1951 Retail Credit Survey, covering nine leading lines of credit-granting stores in the District; the ninth such survey conducted by the Federal Reserve Bank since 1942. Reports supplied by retailers in 1950 in connection with Regulation W were used in lieu of a survey for that year. Although these outlets made only 40 percent of all retail sales in the District in 1951, they account for most of the instalment sales. Data were received from almost 800 stores in the Sixth District which embraces all of Alabama, Georgia, Florida, the southern halves of Louisiana and Mississippi, and the eastern two-thirds of Tennessee.

Consumers spent about 690 million dollars in 1951 at these credit-granting retail stores, or an estimated 3 percent less than the year before, despite a gain of over 10 percent in individual income payments. Household appliance and furniture stores and automobile dealers, making nearly 60 percent of the sales of the nine groups of business combined, were the only lines failing to either equal or better their respective 1950 sales marks, as shown in the accompanying table.

Dissatisfaction with high prices; fading fears of shortages; the saturation of demand, particularly in the durable lines; anticipation of price decreases; and control over instalment credit are among the more popular explanations as to why the consumer salted away a larger portion of his income than is considered normal.

SALES CHANGES, 1950-1951
SIXTH DISTRICT CREDIT-GRANTING RETAIL STORES

Kind of Business	Number Reporting Stores	Percent Change, 1950-1951: Total	Cash	Charge Account	Instalment	Percent of Total Sales: Cash 1951	Cash 1950	Charge Account 1951	Charge Account 1950	Instalment 1951	Instalment 1950
Department . . .	130	+4	+6	+5	—4	44	43	46	46	10	11
Men's Clothing .	26	+4	+4	+4	+6	33	33	65	65	2	2
Women's Apparel .	18	+4	+2	+4	+12	42	43	54	54	4	3
Furniture	122	—3	+1	+4	—6	11	10	6	6	83	84
Hardware	27	+6	—2	+14	+2	30	33	65	62	5	5
Household Appliance . . .	241	—8	—0	—2	—13	26	24	21	20	53	56
Jewelry	26	+5	+6	+7	+4	29	29	17	17	54	54
Automobile Dealers	95	—8	—13	—6	+2	36	40	16	16	48	44
Auto Tire and Accessory . . .	107	+0	+10	+6	—8	43	39	9	8	48	53
Weighted Average	792	—3	—3	+4	0	35	36	27	26	38	38

The cash register sang its merry, jingling tune less frequently in 1951 than in 1950. Cash sales for the nine lines of trade combined decreased 3 percent. Part of the over-all decline in cash buying may have been caused by the 4-percent rise in charge-account buying. Generally, the advances in charge account sales were more striking and declines more moderate than in either the cash or instalment sectors.

YEAR-END CHANGES IN ACCOUNTS RECEIVABLE, 1950-1951
SIXTH DISTRICT CREDIT-GRANTING RETAIL STORES

Kind of Business	Number Reporting Stores	Charge Accounts Receivable: Percent Change 1950-51	As Percent of Annual Charge Account Sales 1951	1950	Instalment Receivables: Percent Change 1950-51	As Percent of Annual Instalment Sales 1951	1950	Inventories: Percent Change 1950-51	Turn Over 1951
Department . . .	75	+7	31	30	—8	65	67	—6	4.4
Men's Clothing .	17	+5	27	27	+18	34	30	+32	3.2
Women's Apparel .	15	+5	27	27	+11	39	41	—6	4.6
Furniture	99	—1	39	41	—5	56	56	—7	2.5
Hardware	19	—1	14	16	+16	35	34	+8	3.4
Household Appliance . . .	151	+5	15	14	—10	30	29	—5	3.2
Jewelry	15	+9	39	39	+8	55	53	—8	1.8
Automobile Dealers	74	+1	10	9	—9	4	5	+13	10.0
Auto Tire and Accessory . . .	100	+8	15	15	—17	51	57	—11	5.9
Weighted Average	565	+1	22	22	—5	25	26	—1	4.6

Instalment sales showed the most even distribution of plus and minus signs. A 2-percent increase in instalment sales for automobile dealers was insufficient to counterbalance decreases in both cash and charge account sales with the net result that total sales were down 8 percent in 1951. Furniture stores, however, reported cash and charge account sales up but instalment sales down. Again rises failed to offset declines so that total sales dropped 3 percent.

Total credit sales of the nine lines assumed greater importance in 1951 than in 1950; an estimated 65 percent of all sales were made on credit in 1951 and 64 percent a year earlier. District consumers have come to rely more heavily on the mortgaging of future income for current purchases in the past few years.

As a result of increased charge account buying, District consumers owed one percent more for such purchases at the end of 1951 than they did at the end of 1950. Most lines showed an increase in charge account indebtedness. Reductions in charge receivables at hardware and furniture stores coincided with advances in charge account sales; these debts, however, were liquidated somewhat more rapidly in 1951 than in 1950.

Instalment receivables were 5 percent less at the end of 1951 than they were a year earlier. Generally, those retail outlets enjoying increases in instalment sales ended the year with their related debts up from the 1950 amounts and vice versa.

Most of the nine lines of business surveyed were able to dispose of much of their surplus stocks during 1951, either by promotional campaigns or by cutting down on new orders, especially after it became apparent that merchandise would not be difficult to obtain. Men's clothing stores, however, were still confronted with a dollar volume of stocks up 32 percent from the 1950 level. Automobile dealers recorded stocks up 13 percent and hardware stores showed an 8-percent gain.

On the whole, the 1951 sales record compared favorably with the war-infected performance of 1950, despite a more intensive consumer propensity to save. The waning sellers' market of past years may have yielded to a normal buyers' market.

District Business Conditions

Recent changes in employment, financing, and spending throughout the District reflect the varying influences of price declines that have occurred since the early part of 1951. The effects of these declines, however, have been obscured to some extent by continued expansion of the defense program. At the present time, moreover, it is not entirely clear what recent changes mean for the District's economy.

It is only through changes in prices that producers learn whether or not their customers want them to produce more or less. Producers would like to know how long the weakened demand, indicated by lower prices, will continue. Is it merely seasonal? If the drop is only temporary, would it be wise to continue to produce for inventory, or would better business judgment lead to cuts in production and reductions in forward commitments? Does the drop in demand reflect general economic conditions, or is it confined only to particular industries? Can the factors affecting prices be traced to world-wide conditions, or can they be traced chiefly to domestic economic conditions? Or is the price decline a part of a general deflation arising from monetary and credit changes?

As if these difficulties were not enough, changes in prices seldom occur simultaneously at all levels of the economic process. Wholesale prices may change sooner than retail; prices of raw materials may behave differently than those of finished products; some prices may be advancing while others are declining. At any time, therefore, producers of products of different kinds, sold at different levels, must make different kinds of adjustments.

Major Price Trends

Wholesale prices in most of the major groups measured by the Bureau of Labor Statistics' indexes began a decline in the early part of 1951, that for most products has continued to date. Some of the first prices to decline were those of the so-called basic commodities, and the rates of change have been greatest for these products. The BLS index of basic commodity prices dropped 25 percent between the first part of January 1951 and the first part of May 1952. The most drastic declines were in prices of commodities traded in on world markets. Burlap, for instance, was selling at 31 cents a yard in January 1951; it was quoted at 15.9 cents this May. Prices of hides fell 58 percent between the same dates; rubber, 38 percent; tin, 19 percent; and shellac, 30 percent.

A characteristic of the decline in wholesale prices has been that the prices of many raw materials have declined more than those of finished products. Between their peak and April of this year, for example, the prices of hides and skins declined 65 percent and leather prices fell 39 percent, whereas footwear manufactured from leather declined only 9 percent. Partly because it includes the prices of many finished products, therefore, the BLS comprehensive price index, covering 2,000 items, was down only 4 percent in April from its peak in March 1951.

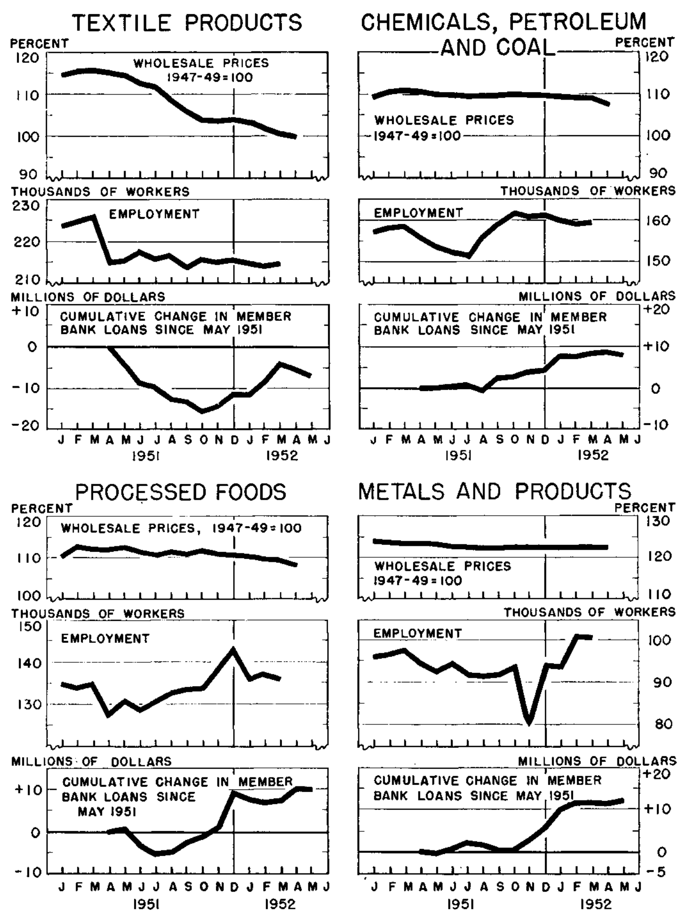
Another characteristic of the period has been that certain products subject to heavy demands for defense production are selling at higher prices this year than in January 1951. Prices of machinery and motive products were up 4 percent in April of this year, for example, and the prices of metals and metal products had declined by only one percent.

Still another significant characteristic of this period is that retail prices, as measured by the consumers price index, have, until recently, continued to advance. To illustrate, the index of the wholesale prices of apparel reached its peak in March 1951, but it was not until October of the same year that the apparel component of the consumers price index passed its peak. In April this year consumer prices of apparel were 3 percent lower than they were last September.

Retail food prices, which rose until February 1952 were down only one percent by April. The prices of housefurnishings, however, began dropping in June 1951, and, according to the latest reports, are now but 3 percent lower. An increase in the cost of miscellaneous items and in rents has helped to keep the consumers price index at a level less than one percent below that of January 1952.

The trend in agricultural prices illustrates how seasonal influences may also complicate analyses. During the last half of 1951, agricultural prices rose nearly enough to offset the decline that occurred in the first half, but from December 1951 to April 1952, prices of certain important com-

WHOLESALE PRICES, SIXTH DISTRICT EMPLOYMENT AND MEMBER BANK LOANS



SOURCES—Wholesale Prices, BLS; Employment, Labor market reviews of state Departments of Labor; Loans, Federal Reserve Bank—"Changes in Classified Loans at 22 Member Banks in Leading Cities" modities weakened to the extent that the average of all prices received by farmers dropped 5 percent. Part of this decline may be accounted for by a normal seasonal price movement for such items as dairy products. In general, however, the decline has been on such a scale and has affected so many farm commodities that it indicates a weakening of demand. From December to April, farm prices declined 8 percent for cotton, 10 percent for oil-bearing crops, one percent for tobacco, and 2 percent for feed crops. Prices of all crops were down 3 percent and of livestock products, 7 percent.

Effects on the District Economy

INDUSTRY The decline in wholesale textile prices that began in April last year continued almost without interruption through October. After minor increases in November and December, the decline began again. District textile mills reacted immediately to the diminished demands, as indicated by the price decline, employment being cut from 226,000 in March 1951 to 215,000 in April. Since then, manufacturing employment has remained relatively stable, but the figures conceal a further cut in the average hours worked.

Textile manufacturers were among the chief borrowers accounting for the increase in bank lending that started after Korea. They have been less heavy borrowers since the curtailment of their operations. Between May 1951 and October, textile loans at District leading banks declined about 15 million dollars. Then they increased until March, partly, perhaps, because of seasonal influences but in May 1952 they were 7 million dollars lower than a year previously. Records of changes in loans by type of industry at District leading banks do not extend farther back than May of last year.

Wholesale prices of chemicals, petroleum, and coal have declined less significantly than those of textiles. A marked decline in the average price of those commodities did not begin until May 1951 and was less than one percent until March of this year. District employment in the chemical and mining industries, although subject to seasonal declines during the latter part of 1951, has remained at a high level, and in March was slightly greater than a year earlier. Loans made by the larger banks in the District to chemical, petroleum, and coal concerns have advanced almost every month since last May, except for a short period corresponding to the seasonal decline in employment. In May of this year they were 8 million dollars greater than a year earlier.

The prices of processed foods, according to the BLS index, have declined only moderately. Employment in this industry has changed little except seasonally and the latest report, for March, showed a considerable increase above March 1951. Lending by the leading banks to food processors has continued at a high level and in May this year loans were 10 million dollars greater than a year ago.

AGRICULTURE Farm price declines of the last few months have so far had no measurable effects upon the production or incomes of District farmers. There are indications, however, that the decline in cotton prices has tended to hold down the acreage planted to cotton. District farmers' cash receipts during the first two months of this year were 2 percent larger than in that period of 1951, despite the decline in prices. A larger volume of farm marketings more than offset the effects of the lower prices.

One explanation of the recent decline in farm prices is that holdings of commodities for inventories and speculative purposes have decreased. Another is that the price changes mainly reflect changes in the supply situation for particular commodities. If these are the true explanations, recent price trends have only limited significance for the future insofar as their effects on farm income are concerned. If, on the other hand, the trends of the last few months are indicative of a weakening of domestic consumer and foreign demand for farm products, they may foreshadow a marked reduction in District farm income.

TRADE After decreasing through 1951, wholesale sales in the District rose seasonally in the first quarter of 1952, although they are still below the high year-ago mark. Declining sales in the face of ample supply brought about an adjustment in prices which eased moderately through April this year.

At the consumer level, department store sales, which are a fair indicator of the trend of total retail sales because of the wide variety of goods they include, have begun a modest rising movement, which, according to preliminary data, has continued into May of this year. These advances involve primarily a more rapid movement of soft goods.

As easing prices have apparently provided little incentive for a strong revival of consumer buying, moderating wholesale prices have likewise not stimulated District department and furniture stores to add to their stocks. On the contrary, seasonally adjusted inventories of department stores in March 1952 were down 7 percent from October 1951 and 16 percent from March 1951. Although new orders by department stores on a year-to-year basis have picked up in recent months, this does not necessarily indicate a new shift, since year-ago figures were exceedingly low as merchants sought to rid themselves of high-priced, over-bought stocks.

Merchant and consumer cautiousness describes the trade sector of the economic front as both groups search for "better buys." A recent Federal Reserve Survey revealed that six out of ten consumers felt that 1952 was a bad time to make large purchases, such as automobiles or refrigerators. High prices was the chief reason given for this attitude. This, together with recent developments such as the lifting of consumer instalment credit controls, the releasing of strategic materials for domestic production, the removal of price controls in certain fields, and the expanding of production capacity indicates less preoccupation with inflation than heretofore, as the economy moves progressively toward a buyers' market.

Summary

Recent price changes have had major effects upon some individual industries and minor effects upon some entire segments of the District economy, but there has been as yet no general deflationary decline. It should be noted, however, that price changes in one part of the economy often have delayed and cumulative effects on other parts. The recent declines in prices of basic commodities, for example, may have greater effects in the coming months than they are having now.

If the price trends of products traded in on world markets are indicative of a worldwide decline in demand, the recent price declines take on added significance for the entire nation and their influence will be of particular importance for the District's economy. If, however, recent price declines are indicative only of changes in domestic demand, they are robbed of their significance by the high level of Government spending for defense purposes and the high rate of private investment in new plants and equipment.