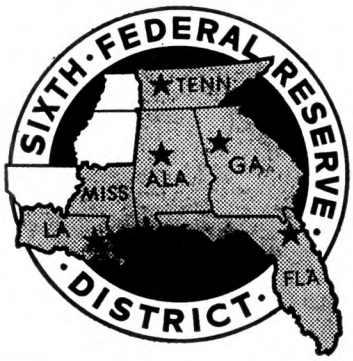

Monthly Review

ATLANTA, GEORGIA, NOVEMBER 30, 1953

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Federal Reserve Bank of Atlanta

DISTRICT BUSINESS HIGHLIGHTS

Total spending by individuals and businesses continued the month-to-month decline that started in September, according to seasonally adjusted debits to demand deposit accounts at commercial banks.

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Sales at department and furniture stores in October were below year-ago levels although the seasonally adjusted figures showed increases over September. Early November sales were up from last year at department stores.

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Credit sales were relatively more important at department stores in September and October than during most previous months this year.

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Member bank loans reached an all-time high in October primarily because of a large expansion in retail, manufacturing and mining, and Commodity Credit Corporation loans.

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Short-term farm loans outstanding were below year-ago levels in September, indicating a halt in the consistent rise in these loans since 1943.

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Government deposits declined sharply in October, preventing the full seasonal rise in total member bank deposits.

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Borrowings by member banks increased in November as required reserves rose and reserve funds were lost to other Districts.

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Manufacturing employment declined in September for the second consecutive month, after account is taken of seasonal influences.

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Employment in the apparel, fabricated metals, paper, and transportation equipment industries apparently has rounded its peak; previous growth in these industries was chiefly responsible for the rise in total manufacturing employment earlier this year.

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More businesses failed this year than last, with the greatest increase in bankruptcies in construction and retail and wholesale trade concerns.

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Price supports for important crops prevented average prices received by farmers from falling more than slightly; in addition, large marketings are helping hold cash receipts at last year's levels.

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Export market for rice is still strong, but foreign production is increasing. Some uncertainty, therefore, colors the rice market.

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Prospects for lower net farm incomes have somewhat reduced farm land values.

Florida's Truck Crop Production

Unique Character Creates Financing Problems for Banks

Vegetable production in Florida is a fascinating but risky business. Many zealous followers of the industry gamble millions of dollars each year against weather risks and against competing production for favorable markets. High returns reward success but risks are great. The secret of successful vegetable production is to be at the right place at the right time with the right amount of the right vegetable. In other words, unless growers time their plantings carefully with respect to weather conditions and to harvesting periods in other states, hurricane and frost damage may be severe or harvestings may coincide with those of similar crops elsewhere. The result of a flooded market is, of course, a lower price.

Technological changes are largely responsible for the phenomenal expansion in Florida vegetable production since 1940. Mechanization has provided more efficient production and harvesting techniques; research has given rise to improved varieties; and better fertilization practices and more effective insecticides and fungicides have increased yields. Market outlets have multiplied as both rail and truck transportation have become equipped with more adequate refrigeration.

Cash receipts of Florida truck crop farmers that were running at 30 million dollars in 1929 were totaling 139 million by 1952. In the latter year, when cash receipts from farm marketings in Florida totaled 495 million dollars, truck crop producers held the top position in the agriculture of the state. Citrus ran second with production valued at 125 million dollars, whereas the more recently established and still growing beef cattle industry yielded cash receipts to farmers of 40 million dollars. Truck crops have exceeded citrus in value of production in six of the last eighteen seasons with returns usually staying somewhere around one fourth of total cash receipts to farmers.

The high capital requirements for the comparatively short production periods create difficult financing problems for growers. Because it is an extremely intensive type of farming, truck crop production requires large amounts of working capital in relation to fixed capital, which means that demands for short-term credit are likely to be large. Risks are high, not only because of weather hazards, but also because so much depends on correct management decisions and successful marketing. These factors alone would worry most lending officers, but, in addition, the highly seasonal character of production means that demands for bank credit are likely to be highest at the time of year when deposits are lowest. Few other enterprises, therefore, illustrate so strikingly how financing practices are governed by the economic character of the industry.

A Specialized Type of Farming

Farmers have found that specialization utilizes to the best advantage the favorable mild temperature, the abundant rainfall and the muck and sandy soils in certain areas of Florida, and that it offers greater returns than general farming. Citrus and vegetable production are the most im-

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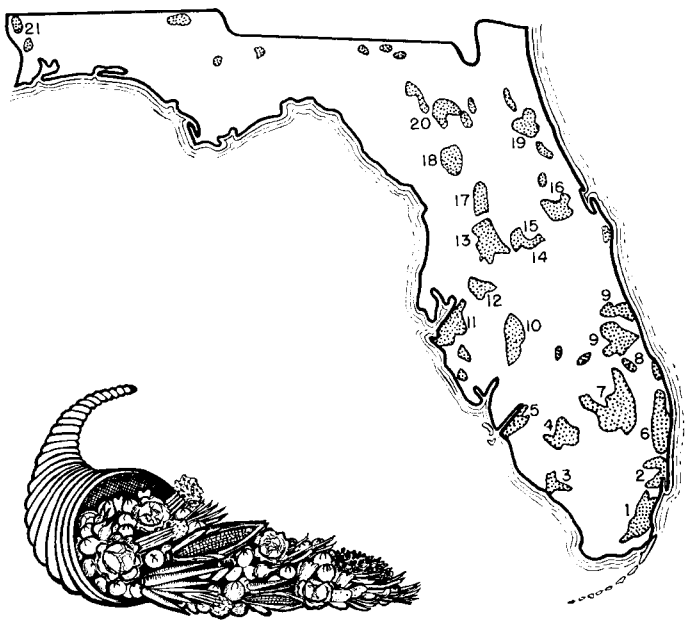
Principal Vegetable Producing Areas



1. SOUTH DADE: tomatoes, potatoes, beans
2. DANIA-HALLANDALE: tomatoes
3. TRAIL: tomatoes
4. IMMOKALEE-FELDA: tomatoes, cucumbers
5. FORT MYERS: potatoes, cucumbers, eggplant, peppers
6. POMPANO: beans, peppers, squash, eggplant, lima beans
7. EVERGLADES: beans, sweet corn, cabbage, celery, escarole, potatoes, lettuce, green peas
8. INDIANTOWN: cucumbers, tomatoes, sweet corn
9. FORT PIERCE: tomatoes, cucumbers
10. WAUCHULA: cucumbers, tomatoes
11. MANATEE-RUSKIN-SARASOTA: tomatoes, cucumbers, celery, pole beans, cabbage, lettuce, cauliflower
12. PLANT CITY: strawberries, peppers, squash, pole beans, field peas
13. WEBSTER-CENTER HILL: cucumbers, tomatoes, peppers, beans
14. WINTER GARDEN: cucumbers, cabbage, lettuce, sweet corn
15. ZELLWOOD: celery, sweet corn, escarole, lettuce, beans
16. SANFORD-OVIEDO: celery, cabbage, beans, lettuce, escarole, sweet corn, miscellaneous vegetables
17. OXFORD-BELLEVIEW: tomatoes, watermelons
18. McINTOSH-ISLAND GROVE-HAWTHORNE: squash, snap and lima beans, celery, cabbage, lettuce
19. HASTINGS: potatoes, cabbage
20. LACROSSE: beans, cucumbers, peppers, potatoes
21. ESCAMBIA: potatoes, watermelons

portant examples of such specialization. For vegetables, the principal commercial producing areas are found in the central and southern portions of the state, where some 365,000 acres of truck crops are produced, mostly for fresh consumption.

Although there is a large number of vegetable growers, the bulk of Florida production comes from a comparatively small number of large farms. According to the 1950 Census of Agriculture, farms of more than 260 acres in size accounted for 62 percent of the total acreage devoted to vegetable crops. This group of farms amounted to only 12 percent of the 4,033 vegetable farms in the main producing areas. Thirty-seven percent of these farms were less than 30 acres in size and account for only 4 percent of the total acreage.

On large operations, the economic use of specialized mechanical equipment also encourages specialization. Extensive operations in the Everglades utilizing caterpillar tractors and other heavy equipment, for example, demand a minimum size unit of about 200 acres. In this area, where producers tend to concentrate production on beans, celery, sweet corn, and cabbage, cooperative markets with other growers are being established. By comparison, in the Plant City area, noted for its strawberry production, the average farm is about 10 acres in size. These growers market their crops mostly through the State Farmers Market, where their relatively small lots are consolidated for shipment.

Some areas are so specialized that the economic prosperity of the community is largely dependent upon the success of vegetable producers. Bankers, for example, see their deposits rise when crops are marketed, and merchants and suppliers see the trend of their sales follow that of producers' incomes. Because diversification would provide a more stable basis for the economy of such areas, attempts to diversify farm enterprises are greeted enthusiastically.

In order to hold labor, small growers are forced to plant several kinds of vegetables in rotation during a season. Growers of beans and celery, for example, have provided their labor with more regular work by spreading their plantings over the season. This practice has served a dual purpose in that the resulting distribution of harvests has helped to avert a flooding of the market. Even the large growers have diversified their activities to some extent by adding livestock to their systems of farming for gleaning fields after harvest and for making better use of labor.

High Capital Requirements

Compared with the capital requirements for most other crops, the proportion of working capital to fixed capital is very high for truck crops. It is estimated that on a 200-acre truck farm in the Everglades, investments in machinery, buildings, and equipment would amount to about $200 an acre. Agricultural workers say that in the opinion of some Everglade growers, annual operating expenses—including the costs of fertilizer, insecticides and fungicides, labor, gas, oil, repairs to equipment, and other direct expenses—on a 200-acre truck farm may exceed $100,000, or $500 an acre. In that case, operating capital would be two and a half times as much as fixed capital. During most seasons, the great need for operating capital on truck farms arises from harvesting expenses. Moreover, the average vegetable grower's expenses are concentrated in two periods of three to four months each, whereas in other types of farming the costs may be more evenly distributed throughout the year.

Working-capital needs of Florida farmers are increased by the heavy applications of fertilizer required for the sandy soils. From one-half ton to two tons of a complete mixture per acre may be necessary for vegetable production, and applications of lime are also needed periodically to correct the acidity of the soil. Continual drainage or irrigation operations that are necessary to maintain the desired moisture content of the soil cause severe leaching of fertilizers, particularly in these sandy areas. In contrast are the very fertile muck soils of the Everglades. This land, consisting of partially decomposed vegetation, was held under water for centuries which prevented natural bacterial action. Even though it is high in nitrogen from an abundance of humus content, this "black gold" requires large applications of fertilizers with higher analyses of phosphates and potash.

Because the land is so nearly level and there is not enough slope to afford speedy natural run-off of surface water following heavy rains, proper drainage is a necessity. Drainage systems, once established, also can serve for irrigation purposes. In certain areas such as those around Fort Pierce and Manatee, this expense may be considered a part of the operational cost. To grow tomatoes in these areas, for example, producers must clear, drain, and irrigate new land at a cost of about $125 to $175 per acre. After one to three years the mineral content of this soil for some reason becomes unbalanced, and soil-borne diseases infest the land to such an extent that production cannot be continued. The land is then developed for pasture. Owners lease such land to tomato growers solely for the purpose of having it cleared and developed for pasture use.

Permanent drainage and irrigation systems that are being established in the Everglades involve an extensive project of the United States Corps of Engineers. Expenditures of millions of dollars for such systems will add to the future costs of vegetable producers in higher land values and taxes. The objective of the project is eventual control of the water table of the area through a network of canals and pumping stations by using Lake Okeechobee as a huge reservoir. At the same time, private drainage and irrigation systems on farms with access to these canals will make cultivation of additional land possible.

Seasonal Pattern

Because of the highly seasonal nature of the vegetable crop enterprise, availability of labor and credit at times when they are needed creates problems for the growers. Ordinarily, about half of the year's labor requirements are concentrated in the harvesting period. At that time growers find it difficult to get enough help and have to depend upon transient and Caribbean labor for most of their needs. The

high cost of such labor and its undependability tend to accentuate rather than solve this particular problem.

Another serious seasonal handicap is the continual spraying and dusting required to control insects and diseases. Damp, cool weather during the growing period of tomato and Irish potato crops, for example, increases the danger of blight. As insurance against damage from this disease, frequent applications of insecticides and fungicides are made early in the season and continued on a regular schedule. Although some or all of these operations are performed by machinery, labor requirements connected with them are still substantial.

As the season progresses from plantings in October to harvests in December and from later plantings in January to other harvests in March, expenditures are high at times and at other periods receipts are high. Although the peaks may vary from one area to another, this general pattern is reflected in loan and deposit fluctuations at banks. Usually, when demands for loans are high, deposits are low.

Importance of Management

Successful vegetable production requires expert management. Decisions affecting the timeliness of the Florida truck crop operations may have much more significance than those for most other farm enterprises. For example, a large cabbage crop timed so that it reaches the market at the same time as a large crop from Texas may result in a substantial loss. Florida producers have learned that the best time to market their crops is during the off-season for large growers of the same crops in other areas.

Having decided when and what to plant, a grower has no assurance that his crops will find a receptive market or that he will make a profit on them. Some growers in a particular area may make a profit, whereas others producing the same crops but at a different time may wind up with a loss. Since the perishability of vegetables precludes holding a crop for a better market price, a producer may find out too late that he has made the wrong decision. If plantings are timed right, damage from frosts or from too little or too much rain may be avoided. Also, insect and disease damage may be lightened or even averted altogether if the farmer knows what he is doing.

Changing Markets

Most producers find the marketing period to be one of their most trying times. They know that no matter how efficient their production and harvesting methods were, they stand to lose substantial sums if they make the wrong move at marketing time. They are always seeking, therefore, for more practical, profitable ways to sell their produce. In earlier years, commission houses usually financed growers and in turn demanded that crops be consigned through their markets.

Today most Florida producers enjoy more independence and can seek those markets in which returns are greatest. The change came about as modern trucks began delivering directly to small markets, which were formerly serviced only by large wholesale terminals. Jobbers became receivers and operators; wholesale receivers became jobbers; and the large city market lost its dominance as smaller marketing outlets mushroomed in an ever-widening circle. Shipments that rail or truck operators load in refrigerated conveyors may consist of various kinds of vegetables specifically needed by marketing centers.

Such fundamental changes have made possible a greatly expanded production level, but the larger volume handled through local markets can become an exceedingly complicated business at the peak of harvest. On small farms like those in the Plant City area, for example, diversification makes an orderly marketing procedure more difficult. Plant City is the location of one of the 22 State Farmers Markets established to meet and insure effective competition. Such markets offer facilities for auction sales and shipping-point inspection service. At the peak of the marketing period it is not unusual for an auction to last twenty-four hours as various vegetables are delivered before competitive buyers.

Handling the mixed loads brought to market by individual growers, of course, requires considerable valuable time. Consequently, many of the larger growers who usually have full loads of a particular crop follow a practice of "setting-off" their produce on the platform of one of the buyers so that they may return to the harvesting operation. The term "setting-off" means that the grower agrees to accept the buyers' average price of the day offered in the auction bidding. In the opinion of most operators these state markets could be of greater service and a more uniform price could result if all growers gave their full support and participation.

Because large growers are able to market more efficiently than small operators, they can cut costs to a minimum. Large-scale production may even justify a private packing house. Some growers, on the other hand, are inclined to form cooperative markets that place the members in a better position to fill car-lot orders and afford them a wider choice of markets.

At one time, unless shipping-point market prices were above the costs of harvesting and selling, producers were forced to leave crops in the field rather than stand an additional loss at harvesting. But growers now have an alternative in the rapidly expanding frozen foods industry. Even at times of bumper crops, processors may offer some profit to efficient producers. At other times when the crop is short, they may help set the pace in prices offered for the best quality produce.

Availability of Credit

In order to meet increasing short-term capital requirements and to spread risks, vegetable producers have sought financial aid from a number of sources. It is estimated that approximately half of the credit needs of Florida truck crop farmers are furnished by fertilizer companies, insecticide companies, machinery dealers, Production Credit Associations, marketing agencies, private investing corporations, and the Farmers Home Administration. The other half are furnished by commercial banks. Large-scale producers, however, probably get less than one-half of their credit requirements directly from banks. Indirectly, banks

help finance growers by discounting agricultural paper offered by dealers handling the necessary production items.

The amount of the financing required is often determined by the attitude of growers. They optimistically believe that each season will be better than the last. For this reason, many producers are inclined to take advantage of as much financing as they can get. Instead of confining the operation to expenditures of $50,000, for example, as would be dictated by a desirable ratio of production expenditures to value of assets, the amount may be extended to $100,000 or $150,000. Credit may be secured from only one source in the beginning; and as the season advances and the size of the operation is extended, this start may be used to justify additional credit for various production items. Even if the producer loses or merely breaks even, he manages somehow to refinance and sooner or later "hits" the market for a very tidy profit. After a profitable season, he is inclined to purchase additional machinery and equipment so as to expand his operations.

Studies of the truck crop industry indicate that most producers must be content to operate on a narrow margin of returns. Farmers who attempt to minimize risks through sound business principles and efficient production methods realize that their profits depend upon their ability to produce high yields of good quality vegetables. Growers and others within the industry are constantly seeking ways to achieve efficiency by cutting down costs of production and marketing and at the same time ways to satisfy consumers' preferences for a better quality product.

Bank Financing

Because demands for vegetable production loans are high and because risks are greater than on most other crops, bankers find it difficult to handle requests for such loans in accordance with their established policies. Instead of basing their judgment largely upon the farmer's financial statement, his past record, and production ability, as they do in the case of most other farm loans, they also have to weigh heavily the prospective borrower's character and integrity. As a result, most banks are rather conservative in their lending policies and have placed a limit on the amount they will lend to one producer which may be less than the legal limit. Producers clear this hurdle by securing loans from more than one bank. Loans are usually secured by chattel mortgages on farm machinery, equipment, and livestock or with a real estate mortgage. Ordinarily, crop liens are not considered adequate protection.

Loans made in August and September are for four to six months with single repayments scheduled at the end of the season, which is usually the last of May. Most loans are confined to specific farm needs and are drawn up to fit the production expense and income patterns on individual farms. Interest rates may range from 5 to 10 percent, according to the policy of the bank and the risks involved. Loans may also show considerable variation in size: from a few hundred dollars to the bank's legal limit.

Since banks have not been aggressive in this field and have been content to let other lenders such as machinery and fertilizer dealers share the risks, their experiences with vegetable production loans have usually been good to excellent. One banker who makes about 75 percent of all his agricultural loans to truck crop producers estimated that losses of about 10 percent of the interest collected may be expected. After a season of unfavorable prices, as was the case last spring, a high proportion of these loans must be extended. Bankers may adopt a more cautious attitude in the next season, but generally they expect such adverse periods from time to time and are prepared to meet them.

The position of Florida banks may be illustrated in the story of one of the larger vegetable producers whose business showed a net worth of about $459,000 at the end of the last season. This farmer, with about 1,500 acres in cultivation, produced over 500,000 packages of produce last fall and spring. Although he is considered an efficient producer, he realized a net loss of about $75,000 at the end of the season. Expenditures totaled nearly $730,000 against receipts of approximately $655,000. Labor totaling $576,000 was the largest expense item, and was about equally divided between harvesting and production costs. At the end of the season the producer's total indebtedness was in excess of $157,000, including loans from five different banks; various seed, fertilizer, and insecticide companies; and the Production Credit Association. One of the banks involved intends to carry over $20,000 of the $50,000 loaned to the producer last fall. This banker is confident that the grower will pay out next season.

Thus, in one respect, commercial bankers in Florida who help fianance truck crop production face the same task as that faced by bankers everywhere. A general knowledge of the industry acquired by experience helps bankers set up certain general rules as to terms, size of loan, and security. But, as in any other type of specialized lending, whether or not the application of these rules will make possible the extension of credit within the framework of sound banking ultimately depends on good judgment.

CHARLES E. CLARK

Bank Announcements

On November 15, The First State Bank, Fort Meade, Florida, began remitting at par for checks drawn on it when received from the Federal Reserve Bank. This bank has a capital of $50,000 and surplus and undivided profits of $122,888. C. H. McNulty is President; D. B. Renfro, Vice President; James H. White, Cashier; and Mabel Kuhns, Assistant Cashier.

The Bank of Palm Beach and Trust Company, Palm Beach, Florida, will open for business on December 1 as a nonmember, par-remitting bank. It is opening with a capital of $550,000 and surplus and undivided profits of $150,000. Officers are: Messmore Kendall, President; G. E. Patterson, Executive Vice President; Olin C. Peeler, Trust Officer and Cashier; and Carl I. Cassell, Assistant Cashier.

Both these banks are in territory served by the Jacksonville Branch of the Federal Reserve Bank of Atlanta.

Competition Keen for Consumer's Christmas Dollar

Most merchants invariably look forward to December. They hope in that twelfth hour to see their year's sales rise at least to levels previously recorded or better still to even higher levels. Sales managers, therefore, seek to take advantage of the public's holiday buying mood, and the race for the consumer's Christmas dollar is on.

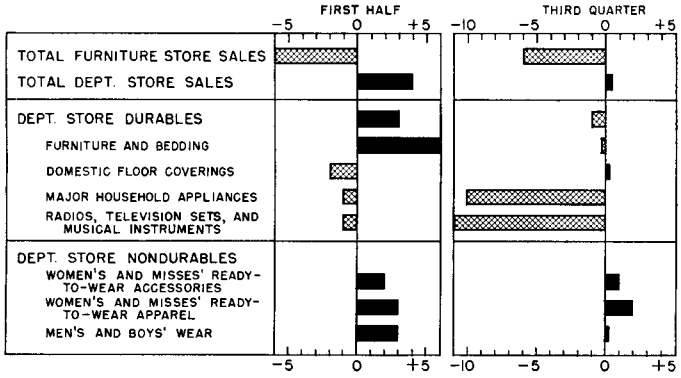
From all appearances, sales promotions this year are likely to be even stronger than in other postwar years. Some merchants hope to offset the slump of recent months with a record volume of sales in December. How much consumers buy may partly answer the question as to whether low sales in the preceding months reflected merely postponed buying or basic economic changes.

All-time high incomes, buttressed by an extensive use of credit, enabled Sixth District consumers to maintain purchases at a high level during most of the year. Department stores sold an unprecedented 515 million dollars in the first ten months of this year, or 3 percent more than a year earlier; the rate of increase in total retail sales at all types of stores probably has been twice as great. In recent months, however, total consumer spending has tended to level off, and sales of home furnishings and other durable goods have actually declined.

Consumer Emphasis on Nondurables

Consumer spending in the District, as depicted by seasonally adjusted sales at department and furniture stores, has been quite erratic so far this year. During the first four

PERCENTAGE CHANGE IN RETAIL SALES, 1953 from 1952
Sixth District



months, department store sales fell off from the peaks attained in the closing months of 1952. Despite these month-to-month declines, however, sales continued above the volume of the same month of 1952.

After rebounding vigorously in May to the highest point reached in 1953, sales resumed their downward month-to-month trend. By August they had dipped below the August 1952 volume and stayed below year-earlier levels through October. Furniture store merchants have experienced a similar month-to-month movement, but their sales have been declining from year-earlier levels ever since April.

It is evident that consumers have emphasized general merchandise in their buying rather than major durables. At department stores, sales of small wares and soft goods such as apparel and accessories have held up relatively better than sales of durable goods. An exception to the

MONTHLY SALES IN 1953 AS PERCENT OF MONTHLY SALES IN 1952
Sixth District

relative weakness in durable goods sales is the comparatively high level of automobile sales. For the first nine months new passenger car registrations in the District averaged 47 percent higher than a year ago, but the rate of gain has slowed down somewhat in recent months. Trade reports indicate that used car sales, on the other hand, have not been encouraging.

High Income Favorable

Several factors will play an important role in determining how the sales picture will end this year. Most important, of course, is income. Estimates made by this Bank indicate that individuals in the District had about 6 percent more income to spend in the first half of 1953 than they had during the same period last year. Chiefly responsible for this expansion was the steady growth in income from manufacturing, which more than offset falling farm income.

Continued growth in purchasing power throughout the remainder of the year is doubtful, however, if the recent trend in District manufacturing payrolls portends future developments. This year's almost uninterrupted advance in seasonally adjusted manufacturing employment and payrolls was reversed in August and the decline continued into September. Factory payrolls, however, have stayed well above amounts for comparable periods last year.

Credit Available

In the short run, consumers can bolster their purchasing power by relying upon credit granted either by retailers or by banks. Consumer instalment credit granted by commercial banks undoubtedly contributed materially to the favorable sales picture in durable goods early this year, particularly in automobiles. Instalment credit outstanding at District banks in the first ten months of this year averaged 26 percent higher than in the like period last year.

From January through October, outstandings advanced 14 percent, more than half of which represented increases in loans for the purchase of automobiles. In recent months, however, the advance has been less pronounced because of the increasing difficulty in moving new and used cars.

Retailers themselves, of course, finance some of the purchases made by their customers. At District department stores, on-the-cuff buying accounts for nearly 60 percent of total sales. During the first third of this year, the greatest year-to-year rates of gain occurred in instalment sales. Since May, instalment buying has fallen below last year's level in most months, reflecting the trend of major durable goods sales. Some of the slack, however, has been taken up by the relatively higher level of charge-account sales.

Prices Holding Steady

In addition to income and credit, the course of prices affects consumer buying in the short run. This year, however, prices of products sold at retail stores have played a more or less neutral role. Although the total consumers price index has inched upward slowly, the clothing and household furnishings components have been relatively stable. Since it is unlikely that prices will change sharply before the end of the year, they should have little influence on total retail trade in the near future.

Finish Still in Doubt

Retail sales so far this year have been high enough so that the year's total will undoubtedly be greater than in 1952. Nevertheless some types of retailers will probably find their 1953 sales down from last year. December, of course, is the biggest month for many merchants and some of them are counting on December sales to push the year's total above that of 1952. To meet this anticipated demand many of them have built up their inventories, counting, perhaps, on Christmas shopping to move the goods off their shelves.

Despite a weakening in income in recent months, purchasing power is still higher than last year and credit is available. December sales higher than last year's, therefore, are possible. But if the trend of recent months continues, December sales will fall short of those of the corresponding month of the preceding year for the first time in several years.

JOHN S. CURTISS

Long-Term Savings Continue to Grow

Largest Postwar Increase Expected

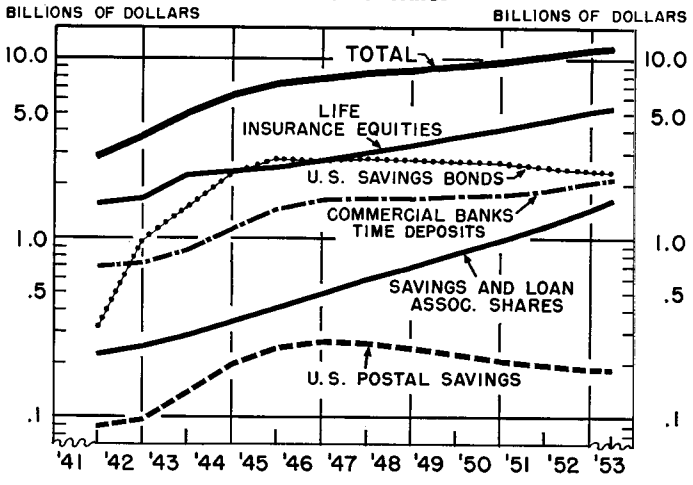
When they close their books this year, individuals in District states may find that they added more to their long-term savings in 1953 than in any year since 1944. They will achieve this record without difficulty if they lay aside as much during the second half of the year as they did the first half. By the end of June, individuals had increased their time deposits at commercial banks, life insurance equities, savings bond holdings, and postal savings deposits by over half a billion dollars. Since then incomes have remained high, and available data indicate a continued growth in savings.

High 1952 Rates Pose Challenge

Although individuals have steadily increased their long-term savings since 1941, they have done so at widely varying rates as is shown in the accompanying chart. For example, selected long-term savings that increased at an average rate of 24 percent a year from 1941 through 1945 rose about 6 percent a year from 1946 through 1951.

Personal savers in the District increased their holdings of long-term savings by 5.8 percent during 1951. Savings and loan shares, life insurance equities, and time deposits increased at a greater rate than during 1950 and more than offset the large net redemptions in savings bonds. The higher rates of increase in savings and loan shares and life insurance equities continued through 1952. Time deposits, however, grew much faster than they did during 1951 and savings bond holdings declined only slightly. Total selected long-term savings, therefore, increased 9.9 percent during 1952, almost double the 1951 rate. In the first six months of this year, individuals continued to add to their time deposits, life insurance equities, and savings and loan shares at about the 1952 rates, but again reduced their savings bonds slightly.

SELECTED LONG-TERM PERSONAL SAVINGS
Sixth District States



Most Types Show Increase During First Six Months

The 11.7 billion dollars in long-term savings held by individuals on June 30 this year represents an important part of total savings. The amount of these holdings varies from year to year in response to both the changing level of income and the proportion of this income that is spent for goods and services.

Life insurance equities increased 293 million dollars between the end of last December and June 30 this year, a greater increase than shown by any other type of long-term saving. The second greatest gain was the 184-million-dollar increase in shares of savings and loan associations, followed by the 73-million-dollar growth in time deposits. These increases more than offset the decline of 23 million dollars in holdings of savings bonds. Postal savings deposits remained at 186 million dollars, the level attained at the end of 1952. At midyear, life insurance equities amounted to 5.4 billion dollars; savings bonds to 2.3 billion dollars; time deposits to 2.2 billion dollars; and savings and loan shares to 1.6 billion dollars.

Influences Favorable for Second-Half Increase

It is still too early to tell whether District savers have continued this high rate of saving and added as much to long-term holdings during the second half of this year as they did during the first half. The two main determinants are, of course, how much they made and how much they spent.

Barring unusual changes between now and the end of the year, it appears that total income payments to individuals in the District during 1953 will exceed last year's. Although prices received by farmers continue below year-ago levels, heavy fall marketings of farm products are expected to hold farm receipts at about the level of the second half of 1952. In addition, manufacturing payrolls since June have averaged considerably higher than during the same period a year ago although they declined in August and September from the preceding months.

District consumers have been spending greater amounts this year than last, but the amount of these increases has been declining since early in the year. Department store sales for the first quarter this year were 8 percent above the level of the same period last year; but for the first ten months they were only 3 percent higher. Bank debits during the third quarter continued above year-ago levels, but the September and October increases over preceding months were less than were expected at this time of year.

The anticipated high level of total income during the last half of 1953, together with the apparent slackening increase in spending, points to continued growth in long-term savings. This expectation is partially confirmed by data on life insurance sales and time deposits for the period from June to October; both types of savings increased at about the same rate as during the first half of this year.

W. M. DAVIS

Selected Long-Term Personal Savings

Sixth District States

	Amount	*Percent Change*	
	June 30, 1953 (Millions of Dollars)	*Dec. 31, 1952, from Dec. 31, 1951*	*June 30, 1953, from Dec. 31, 1952*
Savings and loan shares	1,642	+24	+13
Life insurance equities	5,376	+12	+ 6
Time deposits in commercial banks	2,151	+13	+ 3
Savings bonds	2,347	— 2	— 1
Postal savings deposits	186	— 4	0
Total	11,702	+10	+ 5

More Energy for Business

A glance at the figures for 1953 shows that electric power production in the Sixth District will set a new record, just as it has in all but one year since 1940. These figures are the more significant because they reflect high levels of activity in other sectors of the economy. Electric power has been the energy behind the expansions in industrial production and income. More money to spend has led to additional demands for generated juice to warm homes and to keep them cool, to heat foods as well as freeze them, and to relieve humans from the countless, burdensome chores of yore. Thus, because the course of power production is a good indicator of what is happening in business generally, this Bank publishes an index of electric power production each month on the back page of the *Monthly Review.*

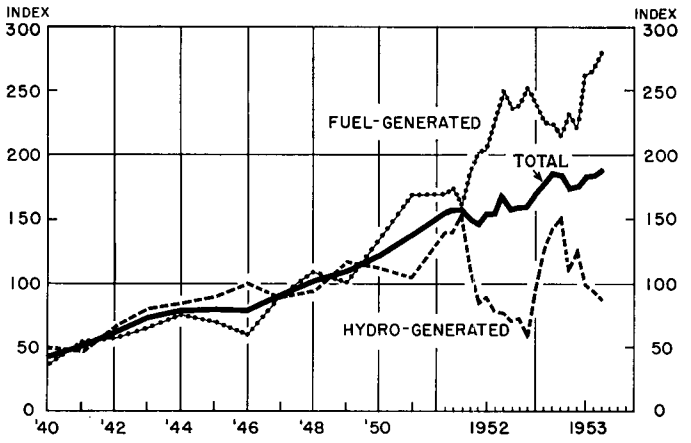
Kilowatt Hour Output Climbs

Coincident with the growth in general business activity in the District between 1940 and 1952 was a surge in electric power production. During that period, power output leaped 266 percent, compared with gains of 17 percent in population, 55 percent in manufacturing employment, and 311 percent in income payments to individuals. Electric energy generated thus rose at an annual average rate of 11 percent and will be higher by the end of 1953, judging from the 17-percent increase in production during the first three quarters over the corresponding period last year.

The chart at the top of page 10 shows the growth in output since 1940. It is obvious that this growth is largely attributable to expanded fuel, or steam, generated power. On the other hand, since 1945, there has been relatively little change in hydro-electric power production. In both production and installed capacity, the share accounted for by hydro sources has been declining over the years and is

likely to diminish further. In part this is because the number of suitable hydro sites is limited. In part, too, it reflects simple expediency, since planning and constructing a steam

ELECTRIC POWER PRODUCTION
Sixth District States
1947-49 = 100



generating plant requires only about half as much time as establishing a hydro-electric plant.

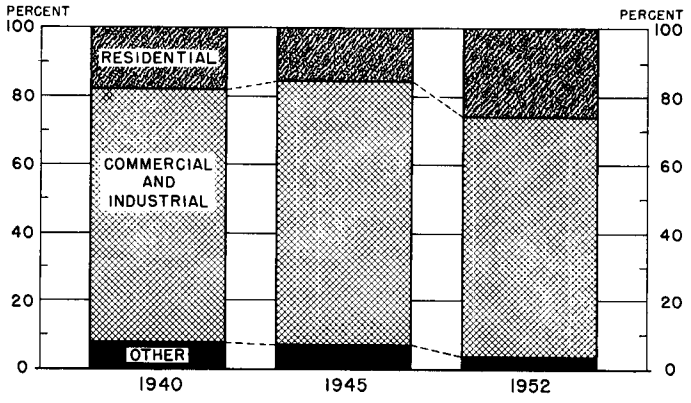
Consumer Demands Rise

The rise in installed capacity and power production in recent years has been largely in response to the ever increasing demands from homemakers, factories, and commercial businesses. Although this listing is by no means all inclusive, these three groups consume the bulk of the electric energy produced in the District, as is shown on the chart.

Industrial users, although comparatively small in number, are the largest customers of the power companies. Figures for the nation show that almost half of the power produced is used to turn the wheels of industry; the proportion is somewhat higher in the Sixth District. The share of power consumed by industrial concerns, however, has slowly declined in recent years, in contrast to a rise in the proportion taken by residential users.

In the District the chief industrial consumers of power, according to a survey made by the Federal Power Commission several years ago, are non-ferrous metals (mainly

PERCENTAGE DISTRIBUTION OF ENERGY SALES
Sixth District States



aluminum), chemicals, textiles, and paper. These four industries alone absorb about two thirds of the total output of energy flowing into factories. Other important users are food processors; stone, clay, and glass industries; and petroleum plants. Power demands of these users doubtless will increase, judging from the announcements of proposed expenditures from 1952 through the first half of 1953 of new plants and expansions costing at least a million dollars. Planned investments in these industries alone accounted for almost three fourths of the total of 685 million dollars.

Residential consumption of electric power has grown steadily in the postwar years; by 1952 it represented 26 percent of the total, as shown on the chart above. Between 1940 and 1952 residential consumption of electric energy in the District states jumped a breathtaking 514 percent, compared with a much more modest gain in the nation—272 percent. Of importance in explaining this striking difference in rates of growth is the greater percentage increase in residential construction in the District than in the nation. Before the war, moreover, District power consumers had lagged behind those in the nation in the use of electrical appliances and other labor saving devices in the home. The catching up on refrigerators, stoves, freezers, washers, and the like, was accompanied by a sharp expansion in residential use of electricity.

Kilowatt Capacity Still to Grow

Despite the rapid growth in power production during the last decade or so, the industry apparently foresees a need for additional capacity. Installed generating capacity in the District states amounted to 3.1 million kilowatts in 1940. By 1952, the industry almost tripled its capacity—a growth twice as rapid as that for the nation. Nevertheless in the District states, installed generating capacity on December 31, 1952, was but 6 percent greater than the peak load in that month, compared with 8 percent for the nation.

Because of the length of time required to raise funds and to actually construct facilities, the power utilities must plan well into the future. According to data published by the Federal Power Commission at the start of this year, the larger power systems operating either wholly or partly within the Sixth District—including TVA and Federal projects—plan to add three million kilowatts to their installed capacity in 1954 and two million in 1955, so that capacity by 1956 is expected to be approximately 75 percent greater than at the end of 1952. And in dollar terms, major private electric utility systems contemplate investing over 700 million dollars during the period 1951-56, according to a study made by the Southern Association of Science and Industry.

Expenditures for the construction of new plants and equipment, in the short run, will provide a stimulus to employment and income. More important, however, such investment should assure the South of sufficient electrical energy in the future to carry it on further along the road to industrialization and comfort.

BASIL A. WAPENSKY

Sixth District Statistics

Instalment Cash Loans

Lender	No. of Lenders Reporting	Volume: Percent Change Oct. 1953 from Sept. 1953	Volume: Percent Change Oct. 1953 from Oct. 1952	Outstandings: Percent Change Oct. 1953 from Sept. 1953	Outstandings: Percent Change Oct. 1953 from Oct. 1952
Federal credit unions	36	—0	+13	+4	+29
State credit unions	16	+3	+21	+1	+33
Industrial banks	8	+3	+1	+0	+5
Industrial loan companies	11	+24	+22	+1	+15
Small loan companies	34	—3	—17	—0	+7
Commercial banks	32	+1	—3	+1	+21

Retail Furniture Store Operations

Item	Number of Stores Reporting	Percent Change October 1953 from Sept. 1953	Percent Change October 1953 from Oct. 1952
Total sales	144	+12	—6
Cash sales	129	+7	—3
Instalment and other credit sales	129	+12	—6
Accounts receivable, end of month	138	—0	+3
Collections during month	138	+10	+4
Inventories, end of month	103	+4	+4

Wholesale Sales and Inventories *

Type of Wholesaler	Sales: No. of Firms Reporting	Sales: Percent Change Oct. 1953 from Sept. 1953	Sales: Percent Change Oct. 1953 from Oct. 1952	Inventories: No. of Firms Reporting	Inventories: Percent Change Oct. 31, 1953, from Sept. 30 1953	Inventories: Percent Change Oct. 31, 1953, from Oct. 31 1952
Automotive supplies	5	+14	+27	4	+9	0
Electrical—Wiring supplies	3	+28	+23	3	—3	+1
" Appliances	5	+24	—42	4	+13	+16
Hardware	11	+1	—7	6	—0	+22
Industrial supplies	18	+6	—6	5	+3	+8
Jewelry	5	—2	—2	3	+2	+18
Lumber and bldg. mat'ls	6	—5	—1	4	+10	+15
Plumbing & heating supplies	3	—2	+13	3	+6	+14
Refrigeration equipment	6	+20	+47	6	—11	—6
Confectionery	6	+2	—11	3	—4	+18
Drugs and sundries	9	+1	+4	.	..	..
Dry goods	13	—14	—15	10	—6	+22
Groceries—Full-line	43	—1	—3	24	+9	+2
" Specialty lines	8	+3	—0	4	+5	—1
Tobacco products	10	—3	—9	7	—2	—1
Miscellaneous	15	+4	+3	9	—2	+6
Total	166	+0	—5	95	+2	+13

*Based on information submitted by wholesalers participating in the Monthly Wholesale Trade Report issued by the Bureau of the Census.

Department Store Sales and Inventories*

Place	Percent Change: Sales: Oct. 1953 from Sept. 1953	Sales: Oct. 1953 from Oct. 1952	Sales: Ten Months 1953-1952	Inventories: Oct. 31, 1953, from Sept. 30 1953	Inventories: Oct. 31, 1953, from Oct. 31 1952
ALABAMA	+11	—5	+2	+4	+2
Birmingham	+1	—9	+0	+4	—3
Mobile	+26	+5	+9	..	..
Montgomery	+33	+4	+3	..	..
FLORIDA	+31	+3	+4	+8	+6
Jacksonville	+45	—2	—3	+2	+4
Miami	+28	+7	+6	+10	+6
Orlando	+30	+5	+5	..	..
St. Ptrsbg-Tampa Area	+25	+1	+4	..	..
St. Petersburg	+27	—2	+4	+10	+1
Tampa	+24	+4	+4	..	..
GEORGIA	+10	—3	+0	+8	+7
Atlanta**	+9	—2	+2	+10	+9
Augusta	+17	—18	—9	..	..
Columbus	+14	+3	—3	+5	+10
Macon	+4	—0	+1	+6	+6
Rome**	+24	+1	+4	..	..
Savannah**	+17	—5	+1	..	..
LOUISIANA	+15	+2	+5	+2	+7
Baton Rouge	+7	+4	+8	+8	+12
New Orleans	+13	—1	+4	+1	+6
MISSISSIPPI	+13	—8	—1	+1	+3
Jackson	+14	—6	—3	+1	+0
Meridian**	+7	—13	+3	..	..
TENNESSEE	+10	+1	+6	+7	+8
Bristol**	+14	—7	—4	+3	+16
Bristol-Kingsport-Johnson City**	+12	—5	+0	..	..
Chattanooga	+5	—0	+7	..	..
Knoxville	+10	+4	+9	+7	—1
Nashville	+14	—1	+4	+10	+5
DISTRICT	+16	—2	+3	+6	+6

*Includes reports from 125 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 non-department stores, however, are not used in computing the District percentage changes.

Condition of 27 Member Banks in Leading Cities

(In Thousands of Dollars)

Item	Nov. 18 1953	Oct. 21 1953	Nov. 19 1952	Percent Change Nov. 18, 1953, from Oct. 21 1953	Percent Change Nov. 18, 1953, from Nov. 19 1952
Loans and investments—Total	3,071,454	2,939,882	2,921,374	+4	+5
Loans—Net	1,332,392	1,273,661	1,196,292	+5	+11
Loans—Gross	1,353,903	1,295,287	1,216,905	+5	+11
Commercial, industrial, and agricultural loans	791,980	744,836	700,307	+6	+13
Loans to brokers and dealers in securities	12,434	13,690	12,886	—9	—4
Other loans for purchasing or carrying securities	37,151	37,519	39,923	—1	—7
Real estate loans	87,019	89,963	95,913	—3	—9
Loans to banks	21,297	6,314	4,477	*	*
Other loans	404,022	402,965	363,399	+0	+11
Investments—Total	1,739,062	1,666,221	1,725,082	+4	+1
Bills, certificates, and notes	792,781	762,877	757,856	+4	+5
U. S. bonds	681,912	636,212	700,095	+7	—3
Other securities	264,369	267,132	267,131	—1	—1
Reserve with F. R. Banks	502,867	505,769	534,435	—1	—6
Cash in vault	46,392	45,978	48,688	+1	—5
Balances with domestic banks	223,756	225,319	201,863	—1	+11
Demand deposits adjusted	2,141,627	2,139,505	2,080,469	+0	+3
Time deposits	575,102	577,163	559,548	—0	+3
U. S. Gov't deposits	127,920	64,704	109,888	+98	+16
Deposits of domestic banks	678,248	648,225	656,504	+5	+3
Borrowings	68,875	36,400	65,500	+89	+5

*100 percent or over.

Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

Place	October 1953	September 1953	October 1952	Percent Change: Oct. 1953 from Sept. 1953	Percent Change: Oct. 1953 from Oct. 1952	Percent Change: 10 Months 1953 from 1952
ALABAMA	861,594	832,750	847,714	+3	+2	+3
Anniston	33,812	31,469	34,224	+7	—1	+3
Birmingham	460,539	432,097	442,542	+7	+4	+0
Dothan	20,682	19,762	20,025	+5	+3	+1
Gadsden	26,966	24,616	27,427	+10	—2	+7
Mobile	168,839	184,728	175,898	—9	—4	+6
Montgomery	112,807	103,815	113,788	+9	—1	+3
Tuscaloosa*	37,949	36,263	33,810	+5	+12	+10
FLORIDA	1,426,657	1,331,065	1,308,758	+7	+9	+11
Jacksonville	422,145	395,261	388,997	+7	+9	+11
Miami	357,238	346,136	324,344	+3	+10	+14
Greater Miami*	537,683	513,449	488,063	+5	+10	+11
Orlando	81,863	77,298	82,922	+6	—1	+10
Pensacola	62,672	53,326	53,854	+18	+16	+14
St. Petersburg	88,926	81,602	83,120	+9	+7	+9
Tampa	181,287	161,807	161,288	+12	+12	+13
West Palm Beach*	52,081	48,322	50,514	+8	+3	+9
GEORGIA	1,878,158	1,892,869	1,778,586	—1	+6	+8
Albany	41,791	38,462	36,834	+9	+13	+16
Atlanta	1,303,630	1,358,966	1,229,034	—4	+6	+10
Augusta	94,826	87,271	105,183	+9	—10	—3
Brunswick	13,393	11,475	11,501	+17	+16	+7
Columbus	89,224	77,952	84,739	+14	+5	+1
Elberton	6,232	5,608	6,168	+11	+1	+8
Gainesville*	29,579	30,127	27,495	—2	+8	+5
Griffin*	16,235	14,469	15,586	+12	+4	+6
Macon	88,029	78,339	84,921	+12	+4	+3
Newnan	11,343	9,990	13,418	+14	—15	—9
Rome*	35,671	32,062	33,249	+11	+7	+17
Savannah	129,095	129,663	114,148	—0	+13	+11
Valdosta	19,110	18,485	16,310	+3	+17	+7
LOUISIANA	1,209,017	1,168,946	1,204,879	+3	+0	+7
Alexandria*	47,825	43,304	49,308	+10	—3	—2
Baton Rouge	132,985	126,018	131,688	+6	+1	+12
Lake Charles	54,911	50,988	57,499	+8	—5	+3
New Orleans	973,296	948,636	966,384	+3	+1	+7
MISSISSIPPI	249,216	225,241	257,324	+11	—3	—1
Hattiesburg	21,951	20,639	21,489	+6	+2	+4
Jackson	172,983	154,106	180,904	+12	—4	—3
Meridian	35,470	33,790	38,234	+5	—7	—1
Vicksburg	18,812	16,706	16,697	+13	+13	+13
TENNESSEE	841,547	811,583	766,022	+4	+10	+13
Chattanooga	222,122	208,032	192,649	+7	+15	+20
Knoxville	162,143	166,590	140,635	—3	+15	+23
Nashville	457,282	436,961	432,738	+5	+6	+7
SIXTH DISTRICT 32 Cities	6,066,404	5,890,594	5,789,602	+3	+5	+8
UNITED STATES 345 Cities	149,765,000	147,873,000	150,470,000	+1	—0	+7

*Not included in Sixth District totals.

Sixth District Indexes

1947-49 = 100

	Manufacturing Employment			Manufacturing Payrolls			Cotton Consumption**			Construction Contracts			Furniture Store Sales*/**		
	Sept. 1953	Aug. 1953	Sept. 1952	Sept. 1953	Aug. 1953	Sept. 1952	Oct. 1953	Sept. 1953	Oct. 1952	Oct. 1953	Sept. 1953	Oct. 1952	Oct. 1953	Sept. 1953	Oct. 1952
UNADJUSTED															
District Total	114	115	111r	156	156r	148	97	103	108	..	..	..	97p	98	105r
Alabama	109	108	107r	143	142r	139	95	100	111	99	167	78	99	108	114
Florida	124	124r	118r	165	164r	155	..	..	..	388	183	187	104	103	113r
Georgia	115	116	113r	154	159	151	99	104	106	192	175	90	96	100	107
Louisiana	110	111	104r	155	154	137	..	..	..	473	237	261	100p	99	105
Mississippi	114	113	113r	162	163	160	119	114	123r	477	103	66	..	..	..
Tennessee	118	118r	113r	165	164	154	89	104	104r	317	149	133	80	84	84
SEASONALLY ADJUSTED															
District Total	113	115	110r	154	158r	146	94	101	104	..	..	..	94p	92	102r
Alabama	107	107	104	139	142r	135	..	..	..	..	..	..	109	91	125
Florida	130	133r	125	176	178r	165	..	..	..	..	..	..	105	86	114r
Georgia	113	115	111	151	161	148	..	..	..	..	..	..	99	93	110
Louisiana	108	109	102	152	152	135	..	..	..	..	..	..	107p	91	112
Mississippi	112	112	112	157	161r	156	..	..	..	..	..	..	..	..	..
Tennessee	116	117	112	162	166	151	..	..	..	..	..	..	85	76	89

Department Store Sales and Stocks**

	Adjusted			Unadjusted		
	Oct. 1953	Sept. 1953	Oct. 1952	Oct. 1953	Sept. 1953	Oct. 1952
DISTRICT SALES*	128p	119	130r	131p	122	133r
Atlanta[1]	130	123	133r	133	132	136
Baton Rouge	113	108	108	116	117	112
Birmingham	118	110	130r	113	122	124r
Chattanooga	137	121	137	130	134	130
Jackson	112	102	120r	121	115	130
Jacksonville	117	99	119r	131	98	134
Knoxville	128	119	123r	125	123	120
Macon	133	128	133r	137	142	137
Miami	144	133r	135r	129	109r	121r
Nashville	117	109	118r	119	113	120r
New Orleans	123p	120	124r	125p	120	127
St. Ptrsbg-Tampa Area	137	129	136	136	117	134
Tampa	126	118	121r	128	112	124
DISTRICT STOCKS*	148p	148	140r	161p	152	152r

[1]To permit publication of figures for this city, a special sample has been constructed that is not confined exclusively to department stores. Figures for non-department stores, however, are not included in the District index.

*Does not include data for all of La., Miss., and Tenn. Other totals for entire six states.

**Daily average basis.

Sources: Mfg. emp. and payrolls, state depts. of labor; cotton consumption, U. S. Bureau Census; construction contracts, F. W. Dodge Corp.; furn. sales, dept. store sales, turnover of dem. dep., FRB Atlanta; petrol. prod., U. S. Bureau of Mines; elec. power prod., Fed. Power Comm. Indexes calculated by this Bank.

Other District Indexes

	Adjusted			Unadjusted		
	Oct. 1953	Sept. 1953	Oct. 1952	Oct. 1953	Sept. 1953	Oct. 1952
Construction contracts*	..	..	..	343	187r	156r
Residential	..	..	..	219	211r	136r
Other	..	..	..	437	168	172
Petrol. prod. in Coastal Louisiana and Mississippi**	129	145	139r	129	144	139r
Turnover of demand deposits*	22.9	23.6	21.1	23.8	23.8	21.9
Index	118.6	122.3	109.5	..	..	..

Mfg. emp. by type	Sept. 1953	Aug. 1953	Sept. 1952	Sept. 1953	Aug. 1953	Sept. 1952
Apparel	139	139	131	141	141	133
Chemicals	123	121	115	124	117r	117
Fabricated metals	165	173r	157	165	170r	158
Food	105	106	103	106	107	104
Lbr., wood prod., furn. & fix.	90	91	93	90	92	93
Paper and allied prod.	143	143r	133	144	143r	134
Primary metals	104	103	101	104	103	101
Textiles	99	99	100	99	99	100
Trans. equip.	180	184r	153	178	176r	152
Elec. power prod.**	..	..	..	184	188	157
Hydro-gen.	..	..	..	74	87	70
Fuel-gen.	..	..	..	286	280	237r

r Revised p Preliminary