



Monthly Review

ATLANTA, GEORGIA, FEBRUARY 28, 1955

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Federal Reserve Bank of Atlanta

DISTRICT BUSINESS HIGHLIGHTS

Available data indicate somewhat greater vigor in the moderate expansion that has been going on for several months in District economic activity. Consumer buying is accelerating slightly, and new contract awards provide the basis for an expected record level of new residential construction. Although manufacturing activity is not moving sharply upward, bank loans and deposits continue to increase.

Bank debits, seasonally adjusted, remained unchanged during January.

Total loans at banks in selected cities increased after seasonal adjustment during January, primarily because of increased real-estate and consumer loans.

Residential mortgage credit remains plentiful, but maturities on new loans are shortening and discounts are increasing somewhat.

Total deposits at banks in leading cities decreased less than seasonally in January and were well above the year-earlier level.

Department store sales, seasonally adjusted, rose in early February after holding steady for three months.

Department store stocks, seasonally adjusted, rose in January, but stock-sales ratios are still lower than in previous years.

Furniture store sales, seasonally adjusted, were up sharply in January.

Cotton consumption increased during January and surpassed the fourth-quarter average, after account is taken of seasonal factors.

Tourist activity in Greater Miami during December, as measured by hotel and motel occupancy, increased sharply over the comparable period a year earlier.

Residential contracts during January were lower than in December but were the largest for any January on record.

Insured unemployment increased during January somewhat less than it usually does during that month.

Income from Florida citrus in the current season will likely be lower than last season because of lower production and prices.

Farm cash receipts, although normally low at this season, are somewhat less than they were at this time last year.

Prices received for most District farm products are below those of last year; some prices, notably cotton, corn, beef cattle, and chickens, increased from December to January.

Member bank borrowing, after rising sharply earlier in the year, fell to a moderate level after the middle of February.

Excess reserves of member banks declined somewhat in the latter half of January but increased slightly in February.

The Last of the Giants

District Cypress Lumber Output Falling Off

Cypress lumber has been a highly prized wood since ancient times. The sixth chapter of the First Book of Kings relates that King Solomon built a house for the Lord, as his father King David had wished to do, "and he covered the floor of the house with boards of cypress." Years earlier Egyptians had used cypress wood for mummy cases and for tablets upon which to inscribe the laws of their land. The ancients preferred cypress wood because it was straight and close-grained, soft and easily worked, and resistant to rot and decay. Those qualities have also made cypress a very popular wood in the United States.

Although the North American habitat of the bald, or deciduous, cypress ranges from Delaware to Texas and up the Mississippi River basin as far as Indiana, most of the great virgin cypress timber stands which contained some trees that were 1,000 years old, 8 feet thick at the butt end, and often 100 or more feet high were in the tidewater and river swamp areas of the Atlantic and Gulf coasts. The early use of cypress was concentrated in those southern areas until methods of production and transport were improved. National output rose from about 29 million board feet in the late 1860's to 1.1 billion in 1913, and as the large cypress tracts were depleted, subsequently fell to the current level of about 240 million board feet a year.

Although current cypress logging and milling activity is far below the peak levels, cypress lumber production is still of some economic significance in parts of the District. According to latest available data, District mills produced about 146 million board feet, or 8 million dollars worth of cypress lumber, in 1947. Nearly half of this output was in Florida; about a quarter of it came from Louisiana. Roughly two-thirds of the 7 billion board feet of the nation's remaining saw-timber cypress is located in Sixth District states, most of which is in Florida.

Cypress Goes to Specialized Markets

Cypress lumber is still used to produce a wide variety of items despite the large decline in available supply. The highest grade of reddish-colored heartwood, which comes from the large trees that grow in the tidewater or deep

swamp forests and which is especially resistant to rot, is used to build shrimp boats along the Gulf Coast. Cypress is used for cisterns built under the downspouts of houses in the marshy areas of Louisiana, as well as for other tanks such as those used in air-conditioning systems. The cypress heartwood that qualifies for these uses sells for about 300 dollars per thousand board feet.

Lower grades of the tidewater red cypress and much of the white or yellow cypress that comes from upland areas are used to manufacture interior trim, doors, sash, and blinds for houses. Currently the bulk of the sawn cypress goes to those uses and is bringing sawmillers between 100 and 200 dollars per thousand board feet. Cypress used for boxing and crating material that sells for about 50 dollars per thousand board feet is at the bottom of the grade scale.

Cypress Mills Are Large Scale Businesses

The nature of cypress lumbering forced cypress mill operators to make substantial investments in large tracts of cypress forests and in tremendous mills. Cypress logs from virgin trees are big and heavy and often in inaccessible places, so substantial logging equipment of a specialized nature is required. Sizable logging crews are also needed in the cypress swamps. And mill equipment has to have capacity to handle the heavy logs and saw many boards per day so that per unit overhead costs can be held down. It is beneficial to have extensive tracts of timber adjacent to the mill so there is a plentiful supply of trees to furnish logs for the mill for a long time. These peculiarities of cypress logging and milling induced the establishment of integrated operations for cypress lumber manufacture. A significant quantity of upland cypress, however, is sawn by hardwood operators who buy tracts in river bottoms that contain some cypress along with gum and other hardwoods.

The operator who can produce 50,000 to 80,000 board feet of lumber a day has a continual struggle with production costs. In the first place, he operates an over-capitalized plant in the sense that it is built to handle peak loads which are not part of the normal day-to-day operation. In the second place, he has to employ a crew that is at least large enough to carry on a minimum operation. A steady flow of inexpensive logs that will insure uninterrupted production is, therefore, all important in keeping total costs within reasonable bounds.

Logging The methods and costs of logging vary considerably, depending on the location and accessibility of the trees. In earlier days, when each acre supplied as much as 28,000 board feet of cypress, it was relatively easy to maintain a flow of logs; the trees were big; they were close to the mill; and often they could be logged and floated to the mill with little special equipment and at low cost.

Mills that depended on tidewater swamps for their supply of cypress logs sometimes built a railroad into the swamp



to haul logs to the mill pond. Expensive equipment like locomotives, log skidders, and loaders were necessary, and much labor was required to lay down and pick up the railroad track as the logging proceeded across the swamp. Some operators estimate that it costs \$1.10 to \$1.20 to lay each foot of railroad track and that total logging costs could range as high as 65 dollars per thousand board feet.

A somewhat less costly method is used by sawmill operators who log swamps served by navigable streams which they use to float the logs to their mills. Such operators send a logging crew into the swamp to girdle and fell trees and subsequently to help operate the skidding equipment mounted on barges or "pull boats." Logs are skidded to the anchored pull boat and strapped into rafts and towed to the mill. Costs in this operation may range from 40 to 60 dollars per thousand board feet, with the labor accounting for a substantial part of the total.

Skidding logs with a tractor and hauling them to the mill on a truck is another method used by small and large operators alike when water is low enough in the swamp areas. Logging by this method may cost 25 to 40 dollars a thousand.

Milling The high cost of the cypress log and the wide range in prices of the different grades in the log cause operators to saw the log for grade; that is, they turn the log from side to side as the sawing proceeds to obtain the maximum amount of lumber of each grade from the log.

When a plentiful supply of logs with 60 percent or better of the top grades was available, it was easy to achieve a large output of high-priced grades. Now increased dependence on smaller logs of lower quality creates problems for a sawmill owner because he saws out fewer boards in the top grades and his logs, therefore, yield less revenue. This cutback in yields, and consequent reduction in the margin between cost and return, can be annoying for an operator who has to recover sizable plant and equipment costs, which hold constant. The difficulty is compounded when small logs are fed to a mill, because total volume of production falls off, and there is wasted motion in handling the greater number of logs.

Currently operators are offering from 15 to 55 dollars for cypress stumpage, depending on logging costs and the quality of the trees. They are only paying between 50 and 60 dollars for many of the yellow or upland type cypress trees delivered to the mill, since the poor quality logs from them yield only 110 to 120 dollars per thousand board feet. Sometimes, however, they purchase more costly logs to keep mill output up and mill costs down.

Inventories Cypress sawmill operators usually carry a large inventory because of their high volume production, the wide range of grades sawn from a log, and the need to air-dry cypress for about a year to the inch or kiln dry it for about a month. Their inventories are not a hindrance if they have plenty of storage space and adequate financing. On the other hand, a large inventory can be a problem for hardwood operators who produce cypress lumber as a side line. They would have the problem of accumulating the many different grades in salable quantities without tying up too much of their working capital.

Financing Some owners of large sawmills who have logged their own cypress forests over a period of years have been able to accumulate cash reserves and consequently have their own funds to finance their production and a part of their marketing. Occasionally, when they want to carry inventory for short periods, they apply for the usual inventory type loan from a bank where they have established a line of credit for that type of short-term borrowing.

Some smaller sawmill operators, who for the most part purchase their supply of timber from others, have not been able to accumulate cash reserves. Such owners who saw cypress along with gum and other timber from small tracts often have to borrow money to buy the timber from the landowner. In those cases, the sawmill owner usually agrees on the stumpage price he will pay the landowner, and the banker agrees to lend perhaps as much as 65 percent of the appraised value of the stumpage. The banker determines the repayment terms by judging the strength of the market price and probable value of the total volume of lumber in relation to the amount loaned. As a rule, repayment terms are also influenced by the amount of time needed to log the tract.

Replenishing the Cypress Resource

The rapid depletion of the national stand of cypress saw timber, from an estimated 40 billion board feet in 1909 to less than 7 billion at present, arouses curiosity about possibilities for replenishment of the cypress forests. Apparently, large scale artificial reforestation of the District's cypress forests is unlikely because of formidable biological and economic obstacles. Although nursery production of cypress seedlings is possible, water level requirements for their growth in the swamps are exacting. If water covers the seedlings for two or three weeks, they drown; and that is likely to happen in a swamp where the water level is uncontrolled. Apart from that hazard and the possible loss in seedlings and the labor it would entail, landowners would have to wait for trees to reach 100 to 120 years of age before there would be much high-grade heartwood in them. Some trees could be used for poles or piling when 70 years old, but they might not be worth enough to justify that use.

Even if investors waited to get more mature logs from second-growth cypress trees, they would get a relatively large volume of low-grade lumber and consequently a low total value per log. That feature, plus the relatively small number of board feet produced per acre, would make it difficult to recover the reforestation, logging, and milling costs. There has, of course, been a very great rise in cypress lumber prices since the 1900's, and a further substantial advance could occur, but the possibility seems remote because of the influence of substitutes for cypress wood.

Aside from the biological and economic obstacles which deter reforestation, it is unlikely, because of short tenure, that private holders of swampland could afford to wait 100 years for a return on their investment. Long tenure, however, is possible for corporations owning some types of cypress swamplands, who are, therefore, more likely prospects for a reforestation program. But the corporations will have to work out a solution for controlling water levels in

the swamp so seedlings will survive and for meeting their total costs with returns from a relatively low-grade product.

Some cypress reforestation will undoubtedly occur naturally in remote swamps where logging operations have not swept away all the seed trees. It will be an uncertain type of replenishment, however, because ideal water level conditions for regeneration may occur only at 30 to 50 year intervals. A further element of uncertainty is injected because man-made controls have altered water levels in the swamps, especially in the Mississippi basin where flood control programs have changed the flow of water.

The Industry's Future

With little basis for expecting artificial reforestation to be carried far and with natural replenishment very uncertain, the prospect is that the cypress industry's supply of raw material will continue to dwindle because the drain from the forests exceeds the new growth. As shrinking supplies force the large operators to limit their activities, the industry is likely to settle down to a point where a relatively few small- or medium-sized mills can exist. Very likely those mills will depend on logs salvaged from individual trees or stands that were previously left behind because they were too small, or damaged, or otherwise uneconomical to log. No doubt those mills will also depend to some degree on modest annual growth in the second crop of cypress that has grown up in areas logged years earlier.

Although cypress lumber production will undoubtedly be further reduced, actual output will be influenced by market prices and costs. Demand for the desirable qualities of cypress lumber will possibly push the market prices high enough that revenue from relatively poor quality logs will be sufficient to cover costs. In that event the more costly logs will still be sought, and the industry will operate at a somewhat higher level than otherwise, but it will make a much smaller economic contribution than it has in the past.

ARTHUR H. KANTNER

Bank Announcements

The Bank of Evergreen, Evergreen, Alabama, a non-member bank, began remitting at par February 1 for checks drawn on it when received from the Federal Reserve Bank. Officers of this bank are O. C. McGehee, President; W. N. McGehee, Vice President; and J. W. Fenn, Cashier. Capital totals \$100,000 and surplus and undivided profits \$62,492.

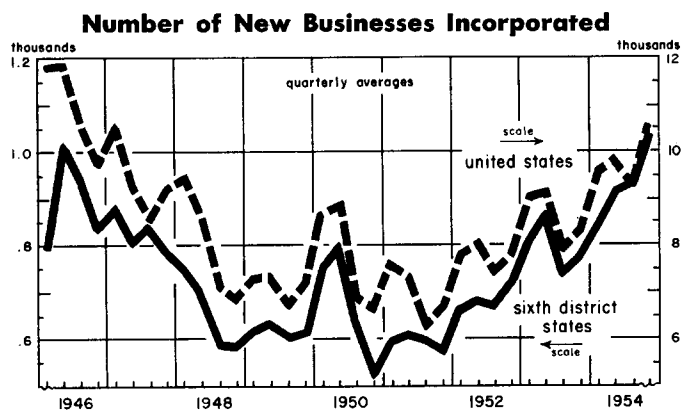
On February 16, the Commercial Bank at Winter Park, Winter Park, Florida, a newly organized non-member bank, opened for business and began to remit at par. Officers include Franklyn L. Williamson, President; W. R. Rosenfelt, Vice President; and R. E. Jackson, Vice President and Cashier. Capital amounts to \$200,000 and surplus and undivided profits to \$100,000.

The Conecuh County Bank, Evergreen, Alabama, a newly organized nonmember bank, opened for business February 18 and began remitting at par. Officers are N. Allen, President; R. A. Beeland, Jr., Executive Vice President; and M. S. Holley, Cashier. Capital amounts to \$80,000 and surplus and undivided profits to \$40,000.

More New Incorporations

Increases in new business corporations in the United States are usually associated with economic revival and prosperity. Some observers, therefore, take the more than 11,000 corporations formed in 1954 in District states as evidence that the District's economy is expanding and flourishing. The number last year was the largest since 1946. Although the precise meaning of these figures is not clear, they do serve a purpose for those who understand what they do and do not include.

Business analysts find these data useful because they are promptly available and because they do provide some clue to the number of new businesses being started, although only a fraction of the new corporations is actually



new business. The data contain reorganizations of existing corporations, as well as already existing firms that incorporate. They also include short-lived corporations that are perhaps established for the purpose of conducting a single transaction within a brief period. Many new businesses, of course, are never incorporated. Although the new incorporation series is not an accurate measure of the total number of new businesses, it is generally true that when the one increases, so does the other.

The number of new corporations in individual states is directly related to the level of income payments, but last year Florida's new corporations, equal to nearly one-half the District total, were higher than would be expected on the basis of incomes alone. This is probably the result of increases in Florida's tourist and recreational establishments.

The total number of businesses, both new and old, is also related to income payments. Although the District states have shown a greater degree of expansion than the nation in recent years, the region's per-capita income is still relatively low and the per-capita number of businesses in operation is somewhat below the national average. The same is true for each District state except Florida.

Still another side to the business population is the number of firms going out of business. A small proportion of these are failures, which by definition involve court proceedings or losses to creditors. Commercial failures in the District showed a sharp annual rise in 1953 and 1954. The declining trend since last May probably is indicative of a modest improvement in the general economic situation.

HARRY BRANDT

Consumer Credit Revival

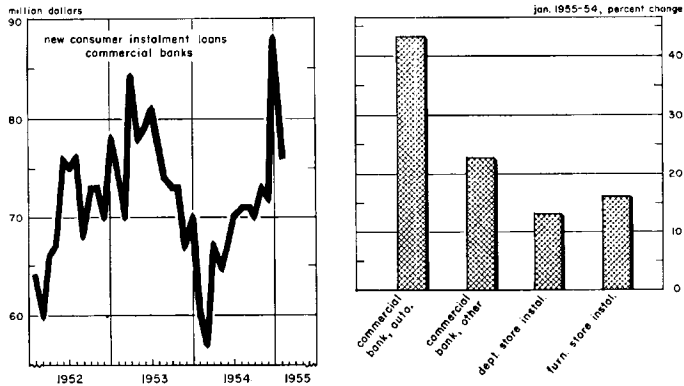
Consumer instalment credit granted in the District increased sharply during the closing months of 1954. Before Christmas, District residents bought unusually large quantities of home furnishings, particularly appliances. New car fever was reported at epidemic strength as the 1955 models were introduced. New instalment loans gave strong support to durable goods sales, whereas at the beginning of 1954, support from such credit had been weak.

During the first quarter of the year, the amount of instalment credit extended, which had been dropping for several months, continued downward. Not only had the volume of automobile loans made by commercial banks been falling since the middle of 1953, but also credit extended for appliances and other home furnishings dropped off at banks, furniture stores, and department stores.

Consumers, however, were making large repayments on money borrowed earlier. As a result, outstanding consumer instalment credit at commercial banks during the first three months of 1954 showed the largest quarterly decline since World War II. Instalment receivables at retail stores also declined more rapidly than usual.

Instalment sales picked up enough in the second and third quarters to halt the decline in consumer instalment credit outstanding. Although new credit extended at banks and department stores and furniture stores showed more than seasonal gains in some months, the volume of new credit extended continued below that of 1953.

**Volume of New Consumer Instalment Credit
Sixth District**



The fourth-quarter jump in consumer instalment credit grants by bankers and retailers was in large part to finance the purchase of durable home furnishings such as appliances. Department and furniture store instalment sales increased more than usual during the fourth quarter. Similar gains were reported in non-automobile retail instalment loans at commercial banks in December.

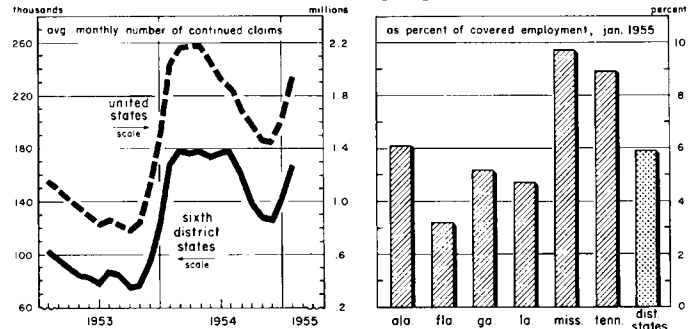
In January 1955 sales finance companies increased their borrowings at commercial banks instead of reducing them as in previous years. Since the sales finance companies borrow mostly to finance automobiles, this would seem to indicate a continuing rise in automobile instalment credit. If consumers continue to increase their automobile and appliance buying, instalment credit will play a more important role in 1955 than in 1954. JOHN S. CURTISS

Unemployment Trends

In line with the recent business recovery, insured unemployment in District states declined during the fall of 1954 by more than the usual amount and so far this winter has increased less than seasonally. It was still fairly high in January, when it was equivalent to about 5.9 percent of covered employment or slightly less than in January 1954.

The 1953-54 recession peak in insured unemployment in District states was reached in February 1954, when

Insured Unemployment



about 6.4 percent of the covered work force collected unemployment compensation. Job losses were concentrated in textile, lumber, and metals manufacturing. During the 1953-54 lull, insured unemployment increased less (percentage-wise) in the District than in the nation, principally because soft goods were less adversely affected than durables, which are relatively more important nationally.

Between February and July, insured unemployment in District states changed little, but beginning in August it dropped steadily until December. This decline reflected fewer layoffs and also the rehiring of workers, as most industries expanded more than seasonally. Following a contra-seasonal decline in November, insured unemployment rose in December and January less than is customary.

Although the better-than-seasonal record in insured unemployment since the fall of 1954 is undoubtedly indicative of a similar trend in aggregate unemployment, it must be remembered that because some classes of workers are not covered by unemployment compensation these figures understate total joblessness. As a matter of fact, insured unemployment statistics do not include all unemployed, covered workers. Persons who have exhausted their insurance benefits are excluded, a factor that contributed to last year's reductions in insured unemployment.

Unemployment varied considerably in severity among individual District states. Mississippi and Tennessee had the highest ratios of insured unemployment to covered employment. Florida and Louisiana had the lowest ratios, because of the lesser importance in these states of industries that were particularly hard hit by the recession. Most states had less joblessness in late January 1955 than last spring, although in several states unemployment continues to be of concern, especially in Mississippi and Tennessee.

HARRY BRANDT

Sixth District Indexes

1947-49 = 100

	Manufacturing Employment			Manufacturing Payrolls			Cotton Consumption**			Construction Contracts			Furniture Store Sales**/**			
	Dec. 1954	Nov. 1954	Dec. 1953	Dec. 1954	Nov. 1954	Dec. 1953	Jan. 1955	Dec. 1954	Jan. 1954	Jan. 1955	Dec. 1954	Jan. 1954	Jan. 1955	Dec. 1954	Jan. 1954	
UNADJUSTED																
District Total	113	114	115r	161	160	156r	101	91	94r	123	204	126	83p	149	73	
Alabama	103	103	106r	144	143	138	104	94	93r	225	344	224	83	166r	67	
Florida	148	145	142r	208	201	195r	..	..	..	287	249	137	93	154r	85
Georgia	115	116	115r	163	165	154r	100	90	94	294	262	277	84	154r	70	
Louisiana	109	113	113	154	159	160	..	..	..	213	130	85	92p	146r	81
Mississippi	111	112	110	166	166	156r	103	110	120	150	249	94	68p	..	60	
Tennessee	110	110	114	160	154r	158	94	86	88r	..	..	..	..	126r	..
SEASONALLY ADJUSTED																
District Total	112	114	113	158	158	153r	97	92	90	..	..	..	108p	103	94r
Alabama	101	106	104r	138	148r	133r	..	..	..	..	..	..	119	109r	96r
Florida	142	146	136r	197	199	184r	..	..	..	..	..	..	107	114r	97
Georgia	115	115	114	160	163	151r	..	..	..	..	..	..	116	108r	96r
Louisiana	105	109	109	150	151	155	..	..	..	..	..	..	112	107r	99r
Mississippi	110	111	109	164	161	154r	..	..	..	..	..	..	..	..	..
Tennessee	110	110	114	158	153r	156	..	..	..	..	..	..	90p	87r	80

Department Store Sales and Stocks**

	Adjusted			Unadjusted		
	Jan. 1955	Dec. 1954	Jan. 1954	Jan. 1955	Dec. 1954	Jan. 1954
DISTRICT SALES*						
Atlanta ¹	136p	136r	122r	105p	234r	94r
Baton Rouge	118	115r	109	82	191r	76
Birmingham	111p	127	99	85p	215	77
Chattanooga	122	133	124r	91	235	93r
Jackson	109p	115	102	79p	188	74
Jacksonville	111	122r	103r	82	213r	76r
Knoxville	145p	142r	116	106p	252r	85
Macon	126	126	116	90	236	83
Miami	153p	156r	120r	154p	276r	122r
Nashville	128	129	121r	87	227	82r
New Orleans	129	131	118r	107	217	98r
St. Ptrsbg-Tampa Area	143	139	136	126	234	119
Tampa	126	121	127	102	205	103
DISTRICT STOCKS*	145p	143r	140r	132p	126r	127r

¹To 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 used in computing the District index.

*For Sixth District area only. 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		
	Jan. 1955	Dec. 1954	Jan. 1954	Jan. 1955	Dec. 1954	Jan. 1954
Construction contracts*						
Residential	..	..	..	220	279	190
Other	..	..	..	232	314	158
	..	..	..	212	253	213
Petrol. prod. in Coastal Louisiana and Mississippi**	138	137	138r	140	132	141r
Furniture store stocks*	109p	112r	111	107p	107r	109
Turnover of demand deposits*	20.0	20.0	19.2	20.6	21.0	19.8
10 leading cities	24.5	20.7	19.8	25.7	22.2	20.8
Outside 10 leading cities	12.2	17.2	17.0	12.4	17.5	17.3
	Dec. 1954	Nov. 1954	Dec. 1953	Dec. 1954	Nov. 1954	Dec. 1953
Elec. power prod., total****	..	..	..	218	207	183
Mfg. emp. by type						
Apparel	142	142	143r	145	145	146r
Chemicals	129	129	124r	130	131	126r
Fabricated metals	147	151	155r	153	154	161r
Food	112	115	109r	118	121	115r
Lbr., wood prod., furn. & fix.	84	84	86r	84	84	86r
Paper and allied prod.	147	147	145r	148	149r	146r
Primary metals	94	94	101r	94	94	100
Textiles	95	94	96	95	95	96r
Trans. equip.	170	164r	176	167	169r	172r

r Revised p Preliminary

