

# MONTHLY REVIEW

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FEDERAL RESERVE BANK OF ATLANTA

August 1967

# Farm Loans at Southern Banks

Today's average farmer operates a larger, more specialized and mechanized farm. With the adoption of advanced techniques in all phases of production and marketing, the nature of his assets and expenditures has changed and total production costs have risen. Mechanization and expanding livestock herds have caused capital investments for equipment and livestock to expand at very rapid rates. The expenditure for more fertilizer, chemicals, fuel and oil, repair and maintenance, and other items has caused the relative importance of farmers' own labor or home-grown productive supplies to diminish, resulting in higher cash operating expenses and slower growth rates in net farm incomes.

While these changes mirror the adjustments taking place in agricultural production, their impact on the farmer's credit needs may not be readily apparent to the casual observer. The necessity to purchase larger and more efficient farm machinery has caused increasingly more

farmers to request bigger and longer-term loans. Farmers who buy breeding stock and farm real estate are following suit.

Meanwhile, the full impact of agricultural adjustment is being felt at commercial banks making farm loans. Most banks holding farm loans are located in rural areas, where credit demands have advanced sharply. However, factors affecting the supply of loanable funds depend, in part, on the success of last year's crop, nonfarm loan demands, yields on Government securities, rates on savings accounts, and numerous other considerations. Furthermore, even if aggregate loan demands can be satisfied, large individual loan requests exceeding legal lending limits are appearing more frequently. And the orientation of farm loan portfolios toward longer maturities may be less acceptable because of reduced flexibility in meeting seasonal loan demands or adjusting to fluctuating deposits.

Thus, the interaction of these forces affecting the demand and supply of loanable funds is reflected in the characteristics of final loans. Various production, marketing, and other borrower-related considerations dominate certain loan characteristics, such as size, purpose, maturity, and the renewal status. However, the

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security, method of repayment, interest charge, and the purchase of farm loans from business and other lending institutions exemplify the banker's need for security and profits. The interest rates on farm loans are probably negotiated more vigorously than any other loan characteristics, and final rates reflect bank policy and the relative bargaining strength of a farmer and his banker.

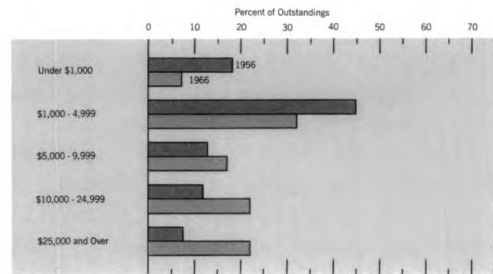
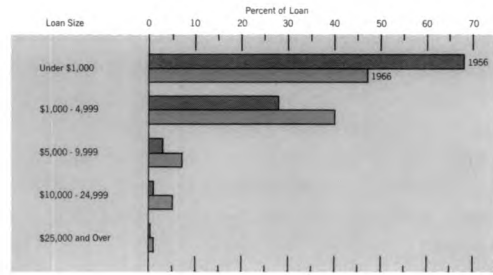
### Farm Needs Affect Loan Requests

**Amount of Loan** Marked advances in farm loan sizes and total outstandings at southern agricultural banks measure the magnitude of today's credit needs. Since 1956, the shift to more specialized crops and livestock production has been accompanied by greater and more particular credit demands. For example, the average bank debt for farm borrowers specializing in poultry, meat animals, cash grain, and sugarcane exceeded \$5,000 in 1966. However, the declining number of borrowers with general farms or emphasizing traditional crops (cotton, tobacco, and vegetables) were reported to have average bank debts of less than \$3,000.

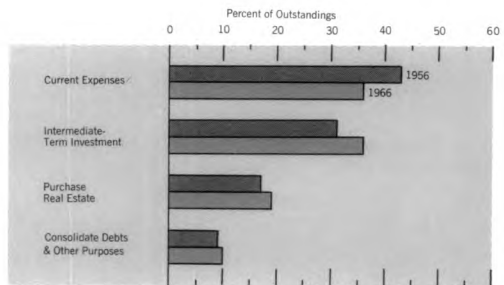
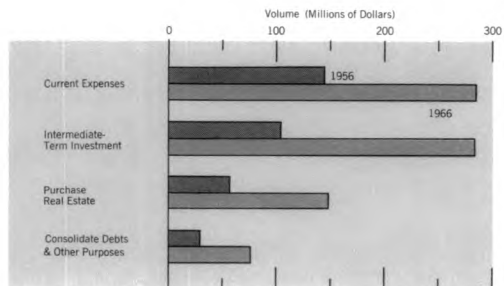
In addition to shifts in the type of farm production, the general increase in farm size, mechanization, and technology has also caused farmers to seek more and larger loans. Since 1956, the total number of farm loans outstanding advanced over 18,000, or 6 percent, even though the number of farm borrowers declined by 12,000. Thus, the combined effect of these and other forces caused the average farm loan at commercial banks in the Sixth Federal Reserve District to increase from \$1,254 in 1956 to \$2,840 ten years later, or a gain of 126 percent. The total volume of loans outstanding moved from \$336 million to \$792 million during the same period.

**Loan Purpose** The diverse nature of agricultural adjustment and borrower demands for credit are more apparent when loans are grouped by purpose. In 1956, 55 percent of all farm loans at District banks were used for current expenses. By 1966, loans for these purposes declined to 47 percent of the total number, representing an approximate reduction of 16,000 notes. The dollar volume of loans outstanding for current expenses rose to \$285 million, or nearly double in ten years, but less than the gain for all loans. This lower increase is largely attributed to the declining number of farm borrowers. However, the remaining farmers negotiated much larger loans

### Farm Loans Sixth District Insured Banks



Typical loans are becoming larger and are accounting for an increasing proportion of the credit outstanding.



Loans to mechanize and modernize southeastern agriculture have expanded more rapidly than borrowing for operating expenses and other major uses.

because operating expenditures skyrocketed.

Meanwhile, the reduction in loans for current expenses was more than offset by a 28,000 gain in intermediate-term loans. These funds were used to purchase breeding stock, machinery and equipment, autos, and to finance improvements in land and buildings. Notes of this type increased 29 percent from ten years ago and now account for 39 percent of all loans. Similarly, the dollar volume of loans jumped from \$104 million to \$284 million, matching the levels for current expenses.

Insight into the magnitude of the rapid mechanization is revealed by the near tripling in dollar volume of loans to purchase machinery and equipment. An increase in the average loan size to \$2,045 measures both the purchase of larger, more modern implements, as well as significant price rises. Similarly, the growing importance of the Southeast as a livestock region is evidenced by sizable advances both in the number and amount of loans used to purchase breeding stock, primarily cattle.

Loans negotiated to buy farm real estate

amounted to \$148 million, or about 19 percent, of the total loan volume in 1966. An apparent tendency for borrowers to consolidate farming units further and to seek real estate loans with longer maturities accounts for the gain in the number of real estate notes outstanding. Similarly, larger farm units and higher land prices were probably the major forces pushing the average real estate loan from \$3,664 to \$7,012 in just ten years.

**Maturity** The number and dollar volume of notes in various maturity classifications have also changed. In 1966, loans with maturities of less than one year totaled over 167,000 in number, or 24,000 less than ten years ago. This reduction parallels a decline in the number of loans for current operating expenses. Even though the outstanding value of these short-term notes nearly doubled, they represent only 40 percent of the total outstandings, compared with 49 percent ten years ago. Average loan sizes jumped from \$852 to \$1,890.

Reflecting the relatively faster growth in

Farm Loans at Sixth District Insured Banks

Classification	Number of Loans		Outstanding Amount (Thousands of Dollars)		Average* Size of Loan (Dollars)		Average Effective Interest Rate (Percent)
	1956	1966	1956	1966	1956	1966	1966
<b>METHOD OF REPAYMENT AND INTEREST CHARGE</b>							
Single Payment	229,648	249,021	239,013	572,630	1,073	2,501	6.6
Instalment							
On Outstanding Balance	26,318	27,155	65,752	150,882	3,317	7,105	6.4
Add-on	44,656	31,218	31,435	55,421	966	2,287	11.0
Discount		11,649		13,315		1,619	13.3
Not Reported	108		57		581		
<b>PURPOSE</b>							
Current Expenses	165,295	149,367	144,983	284,951	927	2,080	6.8
Feeder Livestock	5,274	9,156	16,623	38,807	4,140	4,638	6.5
Other Operating Expenses		114,124		228,526		2,145	6.8
Family Living	160,021	26,087	128,360	17,618	821	899	7.5
Intermediate-Term Investment	97,306	125,284	103,912	284,056	1,277	2,688	7.2
All Other Livestock	14,723	21,191	22,438	73,037	1,906	3,833	6.6
Machinery and Equipment	49,419	72,259	45,827	123,888	1,099	2,045	7.6
Improve Land and Buildings	14,836	13,015	27,405	66,074	2,092	6,208	6.4
Automobiles		15,316		19,754		1,662	9.2
Other Consumer Durables	18,328	3,502	8,242	1,303	591	439	8.5
Buy Farm Real Estate	18,031	24,298	56,640	147,649	3,664	7,012	6.8
Consolidate or Pay Other Debts	8,704	10,192	14,203	37,227	1,825	4,264	6.9
Other	10,686	9,902	15,631	38,365	1,554	4,516	6.5
Not Reported	708		890		1,468		
<b>TOTAL</b>	<b>300,730</b>	<b>319,043</b>	<b>336,259</b>	<b>792,249</b>			
<b>AVERAGE</b>					<b>1,254</b>	<b>2,840</b>	<b>6.9</b>

Note: Totals, the same for "Method of Repayment and Interest Charge" and "Purpose," may not add because of rounding.  
\*Weighted average size of the original loan.

credit demand to finance intermediate-term investments, the number, dollar volume, and average loan size for notes maturing in one to three years increased markedly. These loans now represent over 40 percent of the number and dollar volume of loans outstanding, compared with 32 and 35 percent, respectively, in 1956. A large proportion of the loans with maturities of four years and over were used to purchase farm lands, so their characteristics correspond rather closely with those of real estate loans. Notes with maturities between four to ten years averaged \$9,200 each, while loans written for ten years or more averaged nearly \$16,000.

Effective interest rates charged on loans with various maturity dates did not vary as expected. Normally, rates are higher on small, short-term loans because the servicing cost per dollar lent is greater. For all loans maturing in less than one year, however, the average rate was 6.7 percent, while rates on intermediate-term and longer-term loans were 7.3 and 6.9 percent, respectively.

Since most notes maturing in less than one year are probably single payment loans, the stated rate on the note equaled the effective or simple interest charges. However, intermediate-term loans for machinery purchases and other uses often have annual, semi-annual, or monthly payments. Although these loans have longer maturities and are larger on average, many bankers computed the interest charges on a "discount" or "add-on" method which raises net yields. However, average effective rates for real estate and other long-term loans were lower because rates are generally computed on the outstanding balance.

Slight reductions in the number of demand notes, while the average loan size and total outstandings have more than quadrupled, show another significant trend in southern farm loans. Except for real estate loans, the demand note exceeds the average size of every other type of loan. These notes are granted for all purposes, and effective interest rates average 6.2 percent. Unlike the demand loan of former years, many of these loans now have a regular repayment schedule and are substituted for instalment loans by many bankers.

**Renewal Status** Historically, farm borrowers have been relatively good credit risks. Trends in the last ten years do not indicate any significant departure from this pattern, although average debt-to-asset ratios of many farmers have in-

creased markedly. In both 1956 and 1966, 92 percent of all loans outstanding either had not been renewed or the renewal was based on a mutual agreement between the farm borrower and banker when the original note was made. The remaining loans were unplanned renewals caused by adverse developments in the borrower's farm incomes and numerous other reasons. Less than 12,000 loans were renewed for reasons of low income. Approximately 4 percent of the low income renewals had overdue payments, compared with less than one percent for loans not renewed. Low income renewals appeared most frequently in loans to consolidate or pay debts, to purchase equipment, and for current operating and family living expenses.

### Bank Practices Change Little

**Security** Just as the nature of agricultural production and the structure of the farm community largely dictate the general form of many loan characteristics, the needs of bankers as suppliers of farm credit will dominate others. Apparently, bankers are requiring that farmers secure their loans as fully as they did ten years ago. However, there has been a slight shift away from real estate mortgages as the major security instrument. This trend is evident from the reduction of 10,000 loans secured by farm mortgages since 1956. Similarly, even though the dollar value of mortgage loans has more than doubled, they now represent 37 percent of total farm loans outstanding, compared with 40 percent a decade earlier.

Despite the tendency to rely less heavily on real estate as the major security for farm loans, many bankers still require this type of security, regardless of the loan amount, purpose, borrower's repayment ability, and other considerations. Partial evidence of this practice is apparent when the \$296 million in notes secured by farm real estate is compared with \$214 million in loans used to purchase real estate and to improve land and buildings.

Chattel mortgages remain the major type of security required by bankers. In 1966, 170,000 loans—representing 53 percent of all loans and a gain of 8,000 since 1956—were secured in this manner. Because most of these loans were for operating expenses to purchase equipment and other short and intermediate purposes, the average note size was less than \$2,200, well under the overall average.

Unsecured loans are becoming more common today. This trend apparently reflects improved net worths, income flows, and repayment capacity of many farm borrowers. Usually, the probability of default is considered nil before unsecured notes will be granted. And even though the average unsecured note totaled only \$1,877, the average effective interest rate was only 6.3. Only yields on Government guaranteed or insured loans were lower.

**Method of Repayment and Interest Charge** Repayment terms have not changed much in the last ten years. Single payment notes still account for over 75 percent of the number and 70 percent of the dollar volume of notes outstanding. Because the bulk of these are for current expenses with maturities of one year or less, their average size was \$2,500, or nearly \$340 less than the average for all loans. The effective rate was 6.6 percent, compared with 6.9 for all loans.

Effective interest rates charged on instalment loans are usually well above the average rate. Instalment loans in which the interest charge was computed by the "add-on" and "discount" methods had effective rates of 11.0 and 13.3 percent, respectively. Notes with these higher rates equaled \$69 million, or 9 percent, of all farm loans outstanding in 1966. Generally, bankers are discounting more instalment loans than ten years ago, but these increases have been matched by similar reductions in "add-on" notes.

Instalment notes in which the interest charge is computed on the outstanding balance had the lowest average rate of 6.4 percent. In 1966, \$151 million, or 19 percent, of all outstanding loans were instalment notes of this type. Most of these loans were used to purchase real estate.

**Purchased Notes** Most farm loans held by District bankers were the result of direct negotiations between the banker and the farm borrower. However, \$61 million, or about 8 percent, of the total outstandings were purchased from other institutional lenders or businesses. (In 1956, 11 percent of the farm loan volume had been purchased.) Over two-thirds of the dollar value of

purchased notes came from various merchants and dealers who had financed merchandise sales for farm customers. Generally, these loans were relatively small and carried an average effective yield of 7.9 percent. Loans purchased from other banks and the Farmers Home Administration were well above average in size, with yields near 6 percent. However, they accounted for only one percent of the total value of outstandings.

**Interest Rates** Perhaps of all the characteristics associated with farm loans, the interest rate is negotiated most vigorously at certain banks and with particular customers. However, other banks' rates are well established and quite rigid. And some borrowers may not actively seek lower rates.

The tendency toward an institution's rigidity of rates is reflected in the volume of farm loans granted with effective yields near 6, 7, or 8 percent. In 1966, over 86 percent of all loans representing a like amount of total outstandings were written with effective rates at these levels. And over one-half of the total dollar volume had rates between 6.0 and 6.9 percent. Notes with yields between 6.0 and 7.9 percent averaged nearly \$3,400 each and were mainly single payment notes for short-term expenditures. However, several real estate and other instalment loans with interest charged on the outstanding balance fell into this group. The significant drop to \$1,500 in the average size of loans with 8 percent interest reflects the policy of many banks to charge higher rates for small loans.

Virtually all of the loans with effective rates over 9 percent were written with a lower rate stated on the loan. However, discounting or computing interest using the "add-on" basis raised effective yields significantly. It was noted earlier that these loans were used largely to purchase intermediate-term investments. The group of loans with the lowest rates, 5.9 and less, also averaged the largest in size. Most of these notes were either long-term loans to purchase real estate or were relatively large notes from prime bank customers.

ROBERT E. SWEENEY



## Another Milestone in Magnetic Ink Encoding

Effective September 1, 1967, Federal Reserve Banks will no longer handle checks as checks unless they bear the routing symbol and transit number in magnetic ink.

This deadline is another step toward computerization of the nation's check collection system. Approximately 90 percent of all financial transactions in the United States are carried out by check, and an average of nearly 19 million checks a day are cleared through Federal Reserve offices. Because this number is not only enormous but still growing, it became obvious that checks could be handled efficiently and economically only by means of computers, which, of course, require a machine language.

Accordingly, about a decade ago the American Bankers Association, in cooperation with electronic equipment manufacturers and Federal Reserve Banks, determined the specifications for a common machine language. This enables checks to go through an electronic sorter at the rate of 60,000 an hour rather than at the rate of about 1,500 per hour attainable by a human operator of conventional proof machines. The special type developed is designated E13b. The required ink is magnetic, similar to the coating on magnetic

recording tape, and quite easy for a competent printer to use.

Banks soon began providing their customers with checks conforming to the Magnetic Ink Character Recognition Program. Before long, check writers throughout the country were familiar with the odd looking numbers and symbols on their checks—characters they could read as easily (although by no means as rapidly) as could a computer. Federal Reserve Banks noted that a larger and larger proportion of the checks bore these characters and could be processed by the high-speed check handling units they had pioneered in developing.

The particular magnetic ink characters in which the Federal Reserve Banks have the greatest interest are those which make up the payor bank's routing symbol and ABA transit number. The routing symbol is a four-digit number that tells the machine in which Federal Reserve District the "payor" bank (*i.e.*, the bank on which the check was drawn) is located, which Federal Reserve Bank or Branch serves that bank, and whether credit will be granted immediately or deferred.

Checks drawn on the Federal Reserve Bank of

Atlanta, for example, bear the routing symbol 0610. The "06" means that the payor bank is located in the Sixth District—Alabama, Florida, Georgia, the southern halves of Louisiana and Mississippi, the eastern two-thirds of Tennessee. The "1" signifies that the payor bank is in the zone served by the head office of the Federal Reserve Bank of Atlanta, this zone including the state of Georgia and the city of Chattanooga. The "0" indicates that credit for the check will be granted immediately when it reaches the Reserve Bank.

The transit number, also consisting of four digits, identifies the particular payor bank when read in combination with the routing symbol. For example, the transit number 0014, following the routing symbol 0610, refers to a particular bank in the Atlanta area. The same number, 0014, would mean an entirely different bank if it followed another routing symbol.

The routing symbol and transit number always appear together in that sequence on a properly imprinted check. These numbers begin about five and one-half inches to the left of the check's right-hand margin and run along a line about one-fourth inch above the lower margin. Random examples might be 0610-0014, 0210-0378, and 1211-0008. If a check does not already have those numbers in the proper type, ink, and location when received by a Federal Reserve Bank, it will not be handled as a cash item on or after September 1.

In connection with this program, the Federal Reserve Banks previously announced that (1) after January 1, 1964, they would no longer accept as cash items any items that, because of their size, could not be processed in the customary manner through low-speed proof machines, and that (2) after January 1, 1965, they would no longer accept as cash items any items containing more than one thickness of card or paper. Checks requiring special handling have long been known as "headache items" among check collection people and thus had to be eliminated from check collection channels before peak benefits from the MICR Program could be realized. The response of the banking system and businesses to the program was gratifying.

The September deadline was announced by the presidents of the twelve Federal Reserve Banks on August 5, 1966: Reserve Banks "will classify as items requiring special handling all checks, drafts, and similar items received by them on which the payor's routing symbol/transit

number has not been preprinted or post-encoded prior to their receipt by a Federal Reserve office, in E13b magnetic ink characters in the manner prescribed and in the location assigned by the American Bankers Association."

Lacking this machine language imprint, checks of \$1,000 or more received from banks located outside the city of the receiving Federal Reserve Bank will be charged back to the sending bank and entered for collection as noncash items. All other items will be charged back and returned. In other words, the sending bank will receive credit considerably later than it would otherwise.

On July 28, the twelve presidents sent out an additional reminder of the deadline, adding that the Reserve Banks will, as in the past, handle items requiring special handling as cash items only when, in their judgment, special circumstances warrant such handling.

The deadline is necessary because the few checks without this machine language information have remained an obstacle to the complete automation of the Federal Reserve check collection channels. Such checks have tended to perpetuate inefficiency by requiring Federal Reserve Banks to operate two check collection systems: a high-speed electronic service for the "computer age" checks, and low-speed, far less efficient service, for the outmoded checks.

Very few checks will be affected by the deadline, since most checks already bear the necessary information properly encoded in magnetic ink. A survey conducted in January of this year showed the proportion of nonmachinable checks had dropped to only 2.95 percent for the Federal Reserve System as a whole. A survey three months later showed a further encouraging drop to 2.01 percent, and a survey in June, the most recent month for which results are available, showed a still further drop to 1.59 percent.

For the Federal Reserve offices in the Sixth District, the survey results were:

Federal Reserve Office	Noncomplying Items as Percent of Total Items Received		
	Jan. '67	Apr. '67	June '67
Atlanta	2.16	1.96	1.18
Birmingham	5.45	4.23	3.73
Jacksonville	1.56	1.17	.57
Nashville	4.12	6.35	3.13
New Orleans	8.93	3.58	3.71
District	3.76	2.92	2.03



“The near elimination of nonconfirming items has been accomplished largely as a result of the excellent cooperation of everyone concerned with check operations,” the Reserve Bank presidents said in their July 28 announcement. “We appreciate this generous assistance and believe that the benefits to the banking system and the public will far exceed the costs involved.”

Unavoidably, the September 1 deadline will

pose problems for a number of banks and their customers, and some will be affected more than others. However, the move to a single collection system involving only “machinable” checks seems particularly appropriate at this time, since the volume of nonmachinable checks now is but a small fraction of all checks collected and the maintenance of a separate system is therefore all the more inefficient. □

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## Bank Announcements

The **Peoples Bank**, Woodbury, Tennessee, a new state member bank, opened on July 1 and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Walter L. McCrary is president, and Oscar F. Pitts, executive vice president and cashier. Capital is \$160,000; surplus and other capital funds, \$240,000.

Another new member bank, **Citizens and Southern Park National Bank**, Atlanta, Georgia, opened on July 14 and began to remit at par. Officers are T. Robert Hazelrig, president; Hewitt H. Covington, vice president; and Frank E. Farmer, cashier. Capital is \$400,000; surplus and other capital funds, \$200,000.

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# Sixth District Statistics

## Seasonally Adjusted

(All data are indexes, 1957-59 = 100, unless indicated otherwise.)

	Latest Month (1967)	One Month Ago	Two Months Ago	One Year Ago		Latest Month (1967)	One Month Ago	Two Months Ago	One Year Ago
<b>SIXTH DISTRICT</b>									
<b>INCOME AND SPENDING</b>									
Personal Income (Mil. \$, Ann. Rate) . . . . .	May 56,776	56,099r	56,715r	52,317	Nonmanufacturing . . . . .	June 149	148	147	142
Manufacturing Payrolls . . . . .	June 197	194r	193	190	Construction . . . . .	June 109	111	111	109
Farm Cash Receipts . . . . .	May 132	134	139	140	Farm Employment . . . . .	June 95	90	83	86
Crops . . . . .	May 119	115	136	141	Unemployment Rate (Percent of Work Force) . . . . .	June 3.0	2.7	2.6	2.7
Livestock . . . . .	May 140	143	145	144	Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	June 42.9	42.2r	42.6	42.0
Instalment Credit at Banks *(Mil. \$)					<b>FINANCE AND BANKING</b>				
New Loans . . . . .	June 289	301r	288	277	Member Bank Loans . . . . .	June 261	259	256	239
Repayments . . . . .	June 277	277r	265	247	Member Bank Deposits . . . . .	June 198r	196	194	180
					Bank Debits** . . . . .	June 191	191r	172	173
<b>PRODUCTION AND EMPLOYMENT</b>									
Nonfarm Employment . . . . .	June 136	136	135	133	<b>GEORGIA</b>				
Manufacturing . . . . .	June 135	135	135	134	<b>INCOME</b>				
Apparel . . . . .	June 164	165	164	166	Personal Income (Mil. \$, Ann. Rate) . . . . .	May 10,968	10,818r	10,925r	10,130
Chemicals . . . . .	June 130	129	129	128	Manufacturing Payrolls . . . . .	June 198	194r	191	189
Fabricated Metals . . . . .	June 152	151r	151	151	Farm Cash Receipts . . . . .	May 133	139	135	136
Food . . . . .	June 114	116	115	111	<b>EMPLOYMENT</b>				
Lbr., Wood Prod., Furn. & Fix. . . . .	June 102	102	104	107	Nonfarm Employment . . . . .	June 135	134	134	132
Paper . . . . .	June 119	117	116	115	Manufacturing . . . . .	June 130	130	129	130
Primary Metals . . . . .	June 125	125	124	128	Nonmanufacturing . . . . .	June 137	136	136	134
Textiles . . . . .	June 105	105	105	106	Construction . . . . .	June 128	127r	132	143
Transportation Equipment . . . . .	June 181	178r	176	173	Farm Employment . . . . .	June 59	49	51	57
Nonmanufacturing . . . . .	June 136	136	136	132	Unemployment Rate (Percent of Work Force) . . . . .	June 3.8	3.4	3.3	3.7
Construction . . . . .	June 123	127r	129	129	Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	June 40.6	40.3r	40.0	41.0
Farm Employment . . . . .	June 65	61	61	71	<b>FINANCE AND BANKING</b>				
Unemployment Rate (Percent of Work Force) . . . . .	June 4.1	3.8	3.6	3.6	Member Bank Loans . . . . .	June 260r	263	258	255
Insured Unemployment (Percent of Cov. Emp.) . . . . .	June 2.2	2.2	2.1	1.7	Member Bank Deposits . . . . .	June 205	210	206	193
Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	June 41.0	40.8	40.7	41.6	Bank Debits** . . . . .	June 218	209r	186	198
Construction Contracts* . . . . .	June 174	158	154	174	<b>LOUISIANA</b>				
Residential . . . . .	June 178	175	138	161	<b>INCOME</b>				
All Other . . . . .	June 171	143	168	185	Personal Income (Mil. \$, Ann. Rate) . . . . .	May 8,511	8,474r	8,533r	7,742
Electric Power Production** . . . . .	May 143	N.A.	143	137	Manufacturing Payrolls . . . . .	June 179	176	173	166
Cotton Consumption** . . . . .	May 114	120	118	188	Farm Cash Receipts . . . . .	May 142	150	138	129
Petrol. Prod. in Coastal La. and Miss.**	June 223	220	208	210	<b>EMPLOYMENT</b>				
<b>FINANCE AND BANKING</b>									
Member Bank Loans* . . . . .					Nonfarm Employment . . . . .	June 126	127	127	121
All Banks . . . . .	June 251r	252	248	236	Manufacturing . . . . .	June 120	120	120	113
Leading Cities . . . . .	July 228	225	228	222	Nonmanufacturing . . . . .	June 128	129	129	123
Member Bank Deposits* . . . . .					Construction . . . . .	June 134	146	154	140
All Banks . . . . .	June 189	190	187	179	Farm Employment . . . . .	June 66	65	58	75
Leading Cities . . . . .	July 174	169	173	166	Unemployment Rate (Percent of Work Force) . . . . .	June 4.8	4.5	4.4	4.4
Bank Debits*/** . . . . .	June 197	195	178	181	Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	June 42.0	41.8r	41.8	42.4
<b>ALABAMA</b>					<b>FINANCE AND BANKING</b>				
<b>INCOME</b>									
Personal Income (Mil. \$, Ann. Rate) . . . . .	May 7,526	7,363r	7,434r	7,015	Member Bank Loans* . . . . .	June 224r	227	222	212
Manufacturing Payrolls . . . . .	June 175	177	172	176	Member Bank Deposits* . . . . .	June 160	161	158	154
Farm Cash Receipts . . . . .	May 136	143	146	142	Bank Debits*/** . . . . .	June 173	173	156	167
<b>EMPLOYMENT</b>					<b>MISSISSIPPI</b>				
Nonfarm Employment . . . . .	June 124	124	124	124	<b>INCOME</b>				
Manufacturing . . . . .	June 121	122	121	123	Personal Income (Mil. \$, Ann. Rate) . . . . .	May 4,395	4,314r	4,383r	4,074
Nonmanufacturing . . . . .	June 125	125r	125	124	Manufacturing Payrolls . . . . .	June 214	209	212	209
Construction . . . . .	June 119	121	119	127	Farm Cash Receipts . . . . .	May 139	135	144	144
Farm Employment . . . . .	June 66	63	68	70	<b>EMPLOYMENT</b>				
Unemployment Rate (Percent of Work Force) . . . . .	June 4.6	4.4	4.3	4.4	Nonfarm Employment . . . . .	June 136	137	138	136
Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	June 40.9	41.1	40.6	41.9	Manufacturing . . . . .	June 143	142	145	146
<b>FINANCE AND BANKING</b>									
Member Bank Loans . . . . .	June 235	237	232	218	Nonmanufacturing . . . . .	June 134	134	134	132
Member Bank Deposits . . . . .	June 183	185	183	177	Construction . . . . .	June 126	133	136	147
Bank Debits** . . . . .	June 184	180	171	179	Farm Employment . . . . .	June 56	45	51	62
<b>FLORIDA</b>					<b>FINANCE AND BANKING</b>				
<b>INCOME</b>									
Personal Income (Mil. \$, Ann. Rate) . . . . .	May 16,379	16,142r	16,364r	14,941	Member Bank Loans* . . . . .	June 298r	298	300	277
Manufacturing Payrolls . . . . .	June 245	237r	240	221	Member Bank Deposits* . . . . .	June 222	220	220	210
Farm Cash Receipts . . . . .	May 128	125	141	152	Bank Debits*/** . . . . .	June 203	207	190	185
<b>EMPLOYMENT</b>									
Nonfarm Employment . . . . .	June 150	149	148	143					
Manufacturing . . . . .	June 156	155	155	150					

	Latest Month (1967)	One Month Ago	Two Months Ago	One Year Ago		Latest Month (1967)	One Month Ago	Two Months Ago	One Year Ago		
<b>TENNESSEE</b>					Nonmanufacturing . . . . .	June	133	133	133	129	
<b>INCOME</b>					Construction . . . . .	June	152	153r	158	155	
Personal Income (Mil. \$, Ann. Rate) . . . . .	May	8,997	8,988r	9,078r	8,415	Farm Employment . . . . .	June	65	68	80	
Manufacturing Payrolls . . . . .	June	192	187r	189	190	Unemployment Rate (Percent of Work Force) . . . . .	June	4.7	4.3	4.0	3.2
Farm Cash Receipts . . . . .	May	118	119	133	130	Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	June	39.7	39.9	40.0	41.5
<b>EMPLOYMENT</b>					<b>FINANCE AND BANKING</b>						
Nonfarm Employment . . . . .	June	136	136	136	134	Member Bank Loans* . . . . .	June	248r	251	243	235
Manufacturing . . . . .	June	141	142	143	143	Member Bank Deposits* . . . . .	June	181r	182	178	177
						Bank Debits/** . . . . .	June	219	223	210	190

\*For Sixth District area only. Other totals for entire six states. \*\*Daily average basis. r-Revised. N.A. Not Available.  
Sources: Personal income estimated by this Bank; nonfarm, mfg. and nonmfg. emp., mfg. payrolls and hours, and unemp., U. S. Dept. of Labor and cooperating state agencies; cotton consumption, U. S. Bureau of Census; construction contracts, F. W. Dodge Corp.; petrol. prod., U. S. Bureau of Mines; industrial use of elec. power, Fed. Power Comm.; farm cash receipts and farm emp., U.S.D.A. Other indexes based on data collected by this Bank. All indexes calculated by this Bank.

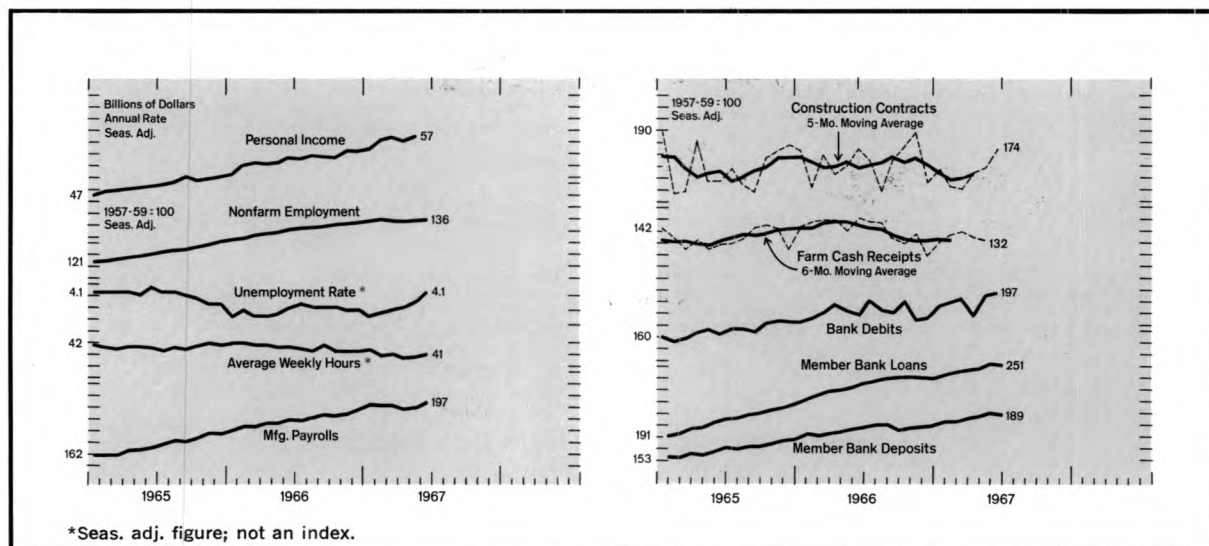
# Debits to Demand Deposit Accounts

## Insured Commercial Banks in the Sixth District (In Thousands of Dollars)

	Percent Change					Percent Change										
	Year-to-date 6 mos.					Year-to-date 6 mos.										
	June 1967	May 1967	June 1966	May 1967	June 1966	June 1967	May 1967	June 1966	May 1967	June 1966						
<b>STANDARD METROPOLITAN STATISTICAL AREAS†</b>																
Birmingham . . . . .	1,497,687	1,594,742	1,442,192r	-6	+4	+8	Lakeland . . . . .	122,566	119,731	116,097	+2	+6	+3			
Gadsden . . . . .	60,567	61,956	61,515r	-2	-2	-5	Monroe County . . . . .	33,977	36,608	32,352	-7	+5	+5			
Huntsville . . . . .	180,861	185,981	182,800r	-3	-1	+0	Ocala . . . . .	55,784	57,925	52,208	-4	+7	+6			
Orlando . . . . .	561,730	575,725	499,828r	-2	+12	+5	St. Augustine . . . . .	19,862	19,508	18,539	+2	+7	+5			
Pensacola . . . . .	213,244	206,202	187,161r	+3	+14	+10	St. Petersburg . . . . .	313,140	318,595	265,617	-2	+18	+10			
Tallahassee . . . . .	136,626	153,405	113,032r	-11	+21	+16	Sarasota . . . . .	96,769	104,433	92,922	-7	+4	-0			
Tampa—St. Petersburg . . . . .	1,308,491	1,339,764	1,176,532r	-2	+11	+8	Tampa . . . . .	683,107	700,827	643,259	-3	+6	+5			
W. Palm Beach . . . . .	392,177	426,243	382,070r	-8	+3	+1	Winter Haven . . . . .	57,545	64,103	57,991	-10	-1	+1			
Albany . . . . .	84,381	89,034	89,797	-5	-6	-2	Athens . . . . .	72,107	73,905	68,951	-2	+5	+8			
Atlanta . . . . .	4,610,836	4,532,385	4,183,348r	+2	+10	+8	Brunswick . . . . .	40,193	40,193	40,451	+8	+8	+5			
Augusta . . . . .	293,979	306,997	272,016r	-4	+8	+12	Dalton . . . . .	78,741	79,008	82,964	-0	-5	-5			
Columbus . . . . .	218,494	219,488	191,375r	-0	+14	+10	Elberton . . . . .	17,041	17,719	15,606	-4	+9	+16			
Macon . . . . .	252,092	257,436	212,472r	-2	+19	+12	Gainesville . . . . .	76,151	73,227	71,592	+4	+6	+6			
Savannah . . . . .	269,439	286,015	245,436r	-6	+10	+10	Griffin . . . . .	32,279	34,507	30,644	-6	+5	+7			
Baton Rouge . . . . .	562,703	596,576	465,015r	-6	+21	+13	LaGrange . . . . .	22,627	23,799	24,743	-5	-9	-5			
Lafayette . . . . .	116,017	139,096r	116,088	-17	-0	+5	Newnan . . . . .	24,299	25,187	24,127	-4	+1	-4			
Lake Charles . . . . .	144,953	146,902	129,320	-1	+12	+15	Rome . . . . .	71,011	72,473	70,962	-2	+0	+2			
New Orleans . . . . .	2,431,359	2,547,273	2,362,580r	-5	+3	+2	Valdosta . . . . .	53,896	54,515	46,207	-1	+17	+13			
Jackson . . . . .	609,962	683,714	534,806	-11	+14	+11	Abbeville . . . . .	11,742	11,265r	12,998	+4	-10	+3			
Chattanooga . . . . .	601,845	596,533	555,630r	+1	+8	+7	Brunswick . . . . .	130,404	132,229	138,938	-1	-6	+17			
Knoxville . . . . .	464,594	469,963	436,554r	-1	+6	+8	Bunkie . . . . .	7,160	6,499r	5,855	+10	+22	+18			
Nashville . . . . .	1,651,008	1,717,254	1,287,445r	-4	+28	+22	Hammond . . . . .	38,309	42,644	31,616	-10	+21	+18			
<b>OTHER CENTERS</b>																
Anniston . . . . .	67,454	63,967	65,743	+5	+3	+2	New Iberia . . . . .	30,879	34,414	32,414	-10	-5	-2			
Dothan . . . . .	61,108	64,983	54,024	-6	+13	+12	Plaquemine . . . . .	11,223	12,340	10,157	-9	+10	+19			
Selma . . . . .	45,735	43,619	38,759	+5	+18	+10	Thibodaux . . . . .	24,014	22,477	21,642	+7	+11	+2			
Bartow . . . . .	35,327	38,387	39,090	-8	-10	-3	Biloxi-Gulfport . . . . .	100,794	105,827	95,697	-5	+5	+11			
Bradenton . . . . .	76,953	70,597	64,593	+9	+19	+28	Hattiesburg . . . . .	54,361	55,126	51,722	-1	+5	+7			
Brevard County . . . . .	221,857	236,947	212,616	-6	+4	+3	Laurel . . . . .	36,133	31,927	33,980	+13	+6	-2			
Daytona Beach . . . . .	94,708	89,899	83,825	+5	+13	+9	Meridian . . . . .	63,030	69,029	61,564	-9	+2	+4			
Ft. Myers— N. Ft. Myers . . . . .	79,596	80,554	67,830	-1	+17	+7	Natchez . . . . .	37,355	36,344	34,146	+3	+9	+9			
Gainesville . . . . .	84,423	86,797	75,381	-3	+12	+9	Pascagoula— Moss Point . . . . .	53,430	56,374	49,655	-5	+8	+9			
							Vicksburg . . . . .	39,773	41,294	37,516	-4	+6	+7			
							Yazoo City . . . . .	30,474	35,297	34,190	-14	-11	+4			
							Bristol . . . . .	77,814	81,461	73,155	-4	+6	+10			
							Johnson City . . . . .	77,925	76,929	69,456	+1	+12	+9			
							Kingsport . . . . .	149,059	159,675	149,750	-7	-0	+9			
							<b>SIXTH DISTRICT, Total</b>				30,072,550	30,762,115	27,652,672r	-2	+9	+8
							Alabama† . . . . .	3,904,801	4,015,301	3,802,848r	-3	+3	+6			
							Florida† . . . . .	9,060,437	9,257,929r	8,213,536	-2	+10	+7			
							Georgia† . . . . .	7,557,316	7,547,305r	6,882,948r	+0	+10	+8			
							Louisiana†† . . . . .	4,052,486	4,266,583r	3,922,181r	-5	+3	+5			
							Mississippi†† . . . . .	1,373,539	1,452,306	1,251,922r	-5	+10	+10			
							Tennessee†† . . . . .	4,123,971	4,222,691	3,579,237r	-2	+15	+13			

Includes only banks in the Sixth District portion of the state. †Partially estimated. ‡Estimated. r-Revised.

# District Business Conditions



July brought signs that the District is sailing in a smoother economic current. After declining for several months, manufacturing jobs leveled out in June, and manufacturers lengthened the average workweek. Consumer spending was buoyed by rising auto sales. Despite some adverse developments, construction is still recovering. Banks replenished their holdings of Treasury bills and remained in a generally easy position. Farmers benefited from persistent showers which have stimulated the rapid growth of pasture, corn, and other crops.

Most manufacturing industries that had made cutbacks earlier added workers in June. However, the total number of manufacturing jobs remained steady because food processors laid off workers. Nonfarm jobs advanced, despite strikes in several areas. Nevertheless, the unemployment rate increased as a result of the large number of entrants to the labor force. Construction jobs again registered a less-than-seasonal increase.

Automobile sales were a chief contributor to gains in consumer spending in June. Suggesting further improvement were the preliminary indications of increasing loan extensions.

Total construction rose steadily from its seven-month low recorded in March. Dollar volume of residential contracts in June held at approximately the May level, and nonresidential contracts rebounded strongly. The inflow of mortgage funds through FHA and VA mortgages has been curtailed in recent weeks by rising yields on instruments competing with home mortgage investments. On the other hand, savings flows to financial institutions have held up well and

mortgage lending volume is increasing. Inventories of unsold and repossessed housing continue to be reduced in a number of metropolitan areas.

Banks in major cities greatly increased their holdings of Treasury bills in July by retaining most of the bills delivered early in the month. Loan expansion at these banks was moderate. Borrowings from the Federal Reserve Bank of Atlanta remained at a very low level. The general ease of bank reserve positions reflected small gains in demand deposits coupled with sustained rapid growth of time deposits.

With tobacco harvesting in Florida and Georgia past the halfway mark, yields and total production are above the 1966 level. However, price declines in the crop and livestock sectors have caused lagging farm cash receipts. Generally good crop conditions and prospects for increasing egg and broiler prices later this year offer some opportunity to offset these losses.

NOTE: Data on which statements are based have been adjusted whenever possible to eliminate seasonal influences.