monthly review

october

Federal Reserve Bank of Atlanta • 1973

In this issue:

Peanuts: A Crop That Belies Its Name in the Southeast

by Gene D. Sullivan

Peanuts is an important crop in Southeastern agriculture. Most of the U. S. crop is produced within the Southeastern states. In fact, one-half is produced on 700,000 acres within Alabama and Georgia.

The off-farm processing and handling of peanuts is a sizable industry that contributes thousands of jobs to the economy during the peak season and generates substantial payrolls within concentrated areas of the Sixth Federal Reserve District.[1]

Financing institutions provide several hundred million dollars of credit to purchase expensive machinery and to cover annual production and operating expenses of growers and processors. In addition, bankers finance the inventories of processors for a six-to-nine-month period, extending credit equivalent to about 80 percent of the crop's market value. The business is more than just peanuts in the Southeast.

At the Farm Level

Peanut production occupied about 1.5 million acres in the United States and produced over $500 million in farm cash receipts in 1972 (see Table 1). Over one-half of this acreage, nearly 800,000 acres, is located in Sixth District states, and Georgia alone accounts for over 500,000 of those acres.

District farm cash receipts from peanuts reached $317 million in 1972, well over one-half of the U. S. total. The peanut enterprise is the largest single income-producing crop in Georgia, and it is second only to cotton in Alabama. But it is not so important in Florida and Mississippi, the other peanut-producing District states.

Permanent Legislation

Unlike producers of most other agricultural commodities, peanut growers have their own special government program. It continues from year to year without renewed authorization from Congress and is, therefore, nonexpiring legislation. Under this program, as long as producers vote for marketing quotas, acreages that can be planted in peanuts are rigidly controlled. The Secretary of Agriculture establishes a national

[1]The Sixth Federal Reserve District includes all of Alabama, Florida, and Georgia and parts of Louisiana, Mississippi, and Tennessee.

Monthly Review, Vol. LVIII, No. 10. Free subscription and additional copies available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.

acreage allotment deemed sufficient to meet the production quota; this national allotment is then allocated to growers. A producer must have an acreage allotment based on historical production. These allotments can be transferred from one farm to another either through sales or leasing.

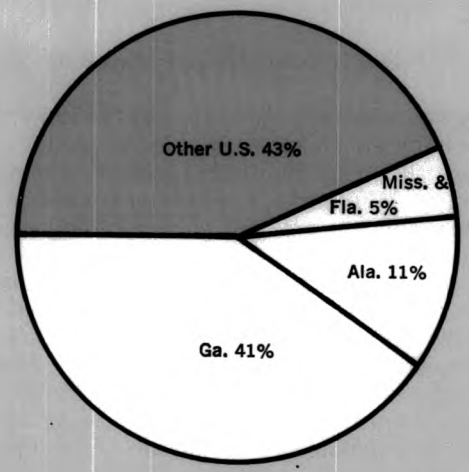
Reflecting the profitability of peanut growing, acreage allotments have become quite valuable. In early 1973, land sold with an attached peanut acreage allotment commanded around $400 more per acre than comparable land without an allotment.

The Commodity Credit Corporation guarantees a price to cooperating growers that may range from 75 to 90 percent of parity. (Parity is a mathematical construct which shows the relationship of the prices farmers receive to the prices they pay for commodities used in production.) A guaranteed price at 75 percent of parity means that farmers, by law, receive a price for their peanuts that is at least 75 percent of production input prices. Peanut prices have been maintained at the legal minimum parity level (75 percent) for the past three years.

Peanut farmers have generally been able to increase land productivity through the use of new technology at a faster rate than input costs have

CHART I

Sixth District states accounted for over half of the U.S. peanut crop in 1972.



Note: Figures represent percent of total pounds harvested.

TABLE 1

Peanuts Harvested For Nuts

Year	Ga.	Fla.	Ala.	Miss.	District States	U. S.
			Acreage			
			1,000 Acres			
1969	502.0	53.0	187.0	2.0	744.0	1,451
1970	507.0	53.0	190.0	4.0	754.0	1,467
1971	510.0	54.0	194.0	9.5	767.5	1,454
1972	512.0	54.0	197.0	10.0	773.0	1,486
1973	512.0	54.0	200.0	9.5	775.5	1,502
			Yield			
			Pounds Per Acre			
1969	1,855	1,605	1,525	600	1,750	1,743
1970	2,220	2,075	1,660	1,100	2,060	2,031
1971	2,490	2,590	2,070	1,735	2,380	2,066
1972	2,620	2,550	1,870	1,600	2,410	2,203
1973*	2,600	2,550	1,850	1,700	2,280	2,257
			Production[1]			
			1,000 Pounds			
1969	946,270	85,065	285,175	1,200	1,317,710	2,528,744
1970	1,125,540	109,975	315,400	4,400	1,555,315	2,979,465
1971	1,269,900	139,860	401,580	16,483	1,827,823	3,005,118
1972	1,341,440	137,700	368,390	16,000	1,863,530	3,274,761
1973*	1,331,200	137,700	370,000	16,150	1,855,050	3,389,230
			Cash Receipts			
			$1,000			
1969	$122,295	$10,684	$35,232	$ 192	$168,403	$321,564
1970	142,113	12,829	47,121	456	202,519	369,883
1971	166,810	19,205	52,757	1,418	240,190	423,888
1972	228,509	23,807	62,894	2,185	317,395	518,025

Source: USDA, **Agricultural Statistics 1972; Crop Production,** Sept. 1973; **Farm Income State Estimates,** 1959-1972.
*Indicated
[1]Not necessarily the product of yield times acres because of rounding and data revision.

increased; and peanut production, even at prices set at 75 percent of parity, has continued to be quite profitable. For example, at the program's inception, yields were ranging from 700 to 800 pounds per acre. With the use of output-increasing technology, growers are now able to average yields of well over 2000 pounds per acre, nearly three times production in the 1930's.

Peanut Production and Marketing

A beginning farmer obtains the right to grow peanuts by either leasing or buying peanut acreage allotments from other growers within his county. Allotments from several farms may be combined in one area if a grower so desires. It is usually advantageous for a grower to have his total peanut acreage within a concentrated area rather than have several small fields scattered over different farms. In this way, it has often been possible to transfer peanut acreage from less desirable to more productive land and thereby increase yields from fixed acreage allotments, in addition to the efficiencies resulting from large scale operations.

Preparing land for planting peanuts involves about the same operations used for other crops. The application of chemical herbicides, both prior to planting and after the plants have emerged, has largely replaced weeding by hand and has also minimized cultivation.

Seed is the most expensive single item in peanut production (see Table 2). Fertilization and disease and insect control through the application of chemical insecticides and fungicides are also major expenditures in production. They have contributed importantly to increasing yields per acre. Preharvest expenditures account for approximately three-fourths of out-of-pocket production costs.

Harvesting expenses remain significant although they do not account for as high a proportion of production costs as once was the case. Harvesting techniques have changed drastically over the past 20 years. There is no longer any hand stacking of peanuts or picking nuts from the vines by hand. Formerly, harvest began in late August and September and ended around January; since the advent of mechanical combines for picking, harvest is usually complete within four to six weeks after it begins in late August.

Mechanized harvesting techniques have improved over time. Originally harvesting involved digging the peanuts or plowing them out of the ground, placing them in windrows for drying to 10- to 12-percent moisture, combining them, and eventually bagging and bringing the crop into receiving points.

New technology now eliminates several steps. After digging, the peanuts are allowed to dry only for a day or two until they reach about 20 percent moisture, at which point they are combined and brought directly into the shelling facility where mechanical drying further reduces moisture content to just under 10 percent. Federal and state grading of peanuts occurs at the sheller, and the farmer receives payment for his peanuts based on the grade of his crop. The percentage of sound, mature kernels (SMK) plays a large role in determining peanut grade and the price received.

At this point in the marketing process, the farmer has the option of placing his peanuts under a Commodity Credit Corporation (CCC) loan or selling outright to a sheller. Most usually, farmers are ready to sell their peanuts at the time of delivery because only rarely would they ever realize a price increase as a result of storing their crop with the CCC.

Peanuts are usually placed in CCC storage only at the recommendation of the sheller after he has received all peanuts for which he has edible markets. Growers then place their crop under CCC loan to be kept in warehouses (typically at the sheller's facilities which are rented to the government for peanut storage). The grower ordinarily views this action as a sale to the government.

In the event that the sheller foresees his peanut supply for the year running short, he can redeem

TABLE 2

Estimated Inputs and Variable Costs of Producing Peanuts

	Quantity		Value	Estimated[1] Total Cost District States
	(Per Acre)			
Preharvest Inputs:				
Labor	5.31	hrs.	$ 6.22	$ 4,808,060
Seed	65.00	lbs	22.10	17,083,300
Fertilizers	7.75	cwt.	11.23	8,680,790
Lime	.167	ton	1.29	997,170
Power & Equipment	3.09	hrs.	8.38	6,477,740
Insecticides	——		6.04	4,668,920
Herbicides	——		6.08	4,699,840
Interest on Money	$56.78		2.65	2,048,450
Total Preharvest Cost			$63.99	$49,464,270
Harvest Inputs:				
Labor	3.33	hrs.	3.91	3,022,430
Power & Equipment	2.33	hrs.	6.97	5,387,810
Cleaning & Drying	.98	ton	10.78	8,332,940
Commodity Commission	.98	ton	.98	757,540
Total Harvest Cost			$22.64	$17,500,720
Total Variable Cost			$86.63	$66,964,990

Source: USDA, **Selected U. S. Crop Budgets, Yields, Inputs, and Variable Costs,** Volume 1, Southeast Region, ERS 457, April 1971.
[1]Cost per acre multiplied by total acreage of peanuts harvested in District states in 1972.

TABLE 3

Total Supply and Disposition of Shelled Peanuts
United States

Year	Total[1] Supply	Exports	Crushed[2]	Edible Use	Consumption Per Capita (lbs.)
	1,000 Pounds				
1955	945,726	1,318	182,534	595,414	3.6
1960	1,329,856	57,172	258,009	794,596	4.4
1965	1,776,937	175,221	373,547	969,893	5.0
1966	1,796,708	166,316	418,292	947,326	4.8
1967	1,885,587	148,295	483,992	1,004,966	5.0
1968	1,853,202	79,623	491,447	1,031,940	5.1
1969	1,851,037	100,051	437,127	1,062,857	5.2
1970	2,106,556	213,027	600,855	979,467	4.8

[1] Includes stocks, production, and imports.
[2] Used as peanut oil and meal.
Source: USDA, **Agricultural Statistics 1972.**

the amount he needs to fill domestic markets for edible peanuts from CCC storage. He would do this by repaying the loan plus about 5 percent for interest and handling charges. Because most shellers make slightly over-optimistic estimates of the peanuts they can sell, there is a tendency to overbuy from growers at the beginning of the season in order to avoid the more expensive procurement from CCC at a later date. Thus, redemptions of CCC loans on peanuts are rare.

After the sheller purchases peanuts from the farmer, he begins processing them immediately in order to finish as quickly as possible. Shellers typically operate their plants five days per week for a period of five to six months. Ideally, shellers are finished with processing operations by January, but quite often the season continues into April.

Cost per unit is reduced if the processing season is spread over additional months because it serves to keep employees on hand permanently and it allows the use of equipment to be spread over a longer time. On the other hand, if the harvesting season should stretch much beyond April, the peanuts processed would be labeled as old crop and become less valuable. Any peanuts processed in excess of those for which sales have been made are put into cold storage where they can be kept with little or no deterioration. Old crop peanuts are more difficult to sell, however, as the time of the prospective new crop approaches.

Peanut Utilization

Of total peanuts used domestically, about 50 percent are processed into peanut butter, approximately 25 percent are consumed in salted form, and another 25 percent go into candies.

Most peanuts have already been marketed to manufacturers well before they are harvested. The sheller usually markets over the period of a year, based on fall delivery. Any marketings for postfall delivery typically carry some price markup to reflect carrying charges. Manufacturers, therefore, try to buy in advance as much as possible to escape these extra charges.

Total U. S. peanut production has, in fact, rapidly grown beyond the amount that can be used for edible purposes in the United States. Less than 60 percent of the crop is marketed in edible form domestically (see Table 3). The balance of annual production enters CCC storage under nonrecourse loans to farmers.

Ownership of the remaining 40 percent of the U. S. peanut crop is eventually taken over by the CCC and disposed of at bid auction. Domestic shellers can and do bid for CCC peanuts, but they must either crush and process them into peanut meal and peanut oil (both usually lower-valued products than edible peanuts)[2] or they must export the nuts whole to foreign buyers at world market prices.

The World Market

Although the United States accounts for a minor proportion of total global production (see Table 4), it has reportedly become the number one supplier of peanuts sold for edible purposes around the world. This is largely attributed to the intensive effort directed towards producing an attractive product for which foreigners have keen demand. In particular, the attention that U. S. growers have paid to ridding their product of mold disease has assured foreign buyers of high quality. Dependable quality coupled

[2] In mid 1973, the demand for peanut oil and meal had advanced to the point that the value of processed peanuts approached the value of peanuts sold for edible purposes. However, this is not expected to be a long-run situation. An early realignment of prices to their historical pattern is anticipated.

TABLE 4

World Acreage and Production of Peanuts

	Harvested Acreage (1,000 Acres)			Production (1,000 Metric Tons)		
	1969	1970	1971	1969	1970	1971
United States	1,451	1,467	1,454	1,147	1,351	1,357
Brazil	1,516	1,375	[1]	754	928	800
Nigeria	3,000	3,000	3,000	1,360	775	1,000
Senegal	2,370	2,440	2,718	800	554	875
China Mainland	4,900	5,190	5,315	2,350	2,650	2,700
India	17,607	18,021	[1]	5,130	6,065	5,800
Other	14,416	14,360	[1]	5,144	5,005	5,611
World	45,260	45,853	47,244	16,685	17,328	18,143

[1]Data unavailable.
Source: USDA, Agricultural Statistics 1972.

with competitive pricing made possible by export subsidies have substantially increased the demand for U. S. peanuts.

A radical change in world price patterns has occurred in 1973 which may further affect the demand for the crop. Until recently, prices hovered around 23.5 cents per pound for edible peanuts sold in the United States and 11.5 cents per pound for those sold in world markets. By mid 1973, however, the price of edible peanuts sold abroad had advanced to about 25 or 26 cents a pound, even exceeding the domestic price.

In view of the current world-wide food and protein meal shortages, industrial spokesmen state that both the domestic and world market prices for edible peanuts may be about 27 cents per pound in the 1973 marketing year. In that eventuality, the price offered to farmers for the current crop would be substantially above the CCC loan rate and the portion of the crop acquired by the CCC is likely to be sharply diminished. Thus, the role of the CCC and the cost of the peanut program in 1973 may be drastically reduced.

Program Costs

The government subsidy to peanut growers becomes evident at the time of the CCC auction sale. Until recently peanuts have been sold at prices substantially below those paid to farmers when the stocks were acquired, resulting in net losses to the CCC (see Table 5). Because yield-increasing technology has boosted production so rapidly while domestic consumption has stabilized, a larger quantity of peanuts has been acquired by the CCC each year and disposed of at a loss. Thus, year by year, until 1973, the peanut program has been growing increasingly costly to the Government.

Projections for increasing losses in the years ahead have led to proposals for alterations in the peanut program in order to reduce the government outlay. Under normal market conditions, these proposals would reduce the profitability of peanut production to growers who naturally resist them.

Contribution to Off-Farm Businesses

Peanut program changes that substantially reduce acreage, however, would affect more than producers. The economy throughout the growing area would receive a shock from the drastic production curtailment likely to accompany domestic prices that are competitive in the world market over the long run.

The increasing use of nonfarm inputs also represents growing sales of farm supplies by nonfarm businesses in the peanut area. Table 2 shows that peanut farmers' annual variable or out-of-pocket cost for producing peanuts averaged about $87 per acre in 1970. With recent cost increases, the District's total peanut acreage could easily incur annual farm production expend-

TABLE 5
Peanut Price Support Operations
United States 1955-72

Year	Support Price	Percent of Production Placed Under Support	CCC Realized Net Loss	
			Total	Per Pound
	Cents	%	$Million	Cents
1955	12.24	20.3	17.1	6.4
1960	10.062	20.5	16.7	5.6
1965	11.20	30.7	44.3	6.4
1970	12.75	36.4	66.3	6.2
1971	13.425	41.3	112.7	8.3
1972	13.95	[1]	105.0*	[1]

[1]Data not available.
*Forecast
Source: USDA. **Fats and Oils Situation,** November 1972. **Agricultural Statistics,** 1972.

itures of $70 million or more. This money represents purchases of labor, seed, fertilizers and lime, insecticides, herbicides, fuel, lubricants, machinery maintenance, and repairs. These figures do not include purchases of farm machinery and other fixed investment items. When allowances were made for interest and depreciation on fixed investment, annual costs of outstanding producers were reported as high as $215 per acre of peanuts produced.

The investment in machinery for each 100 acres of peanuts amounts to approximately $100,000 or an estimated $775 million for the District as a whole. Most equipment is replaced, on average, about every five years. Although machinery has some salvage value, the rapid pace of mechanization and increasing prices probably result in annual machinery sales to peanut farmers of well over $100 million—a sizable source of business to District farm machinery establishments.

Peanut shelling facilities and complementary equipment reflect an estimated investment of at least $50 million. Employees would number 1750 on a relatively full time basis, running as high as 6500 during peak seasons when peanuts are being delivered from farms to receiving stations. Annual payrolls at shelling facilities and receiving points probably reach as high as $12 million.

Shellers' operating costs are estimated at $4.7 million, covering such items as fuel, bags, and other miscellaneous supplies, all of which represent sales volumes of other area businesses. Charges for maintenance, taxes, depreciation, and interest on investment would amount to about $7.5 million each season. Thus, during the year, the off-farm economy realizes nearly $25 million of income from the operations of peanut shellers alone.

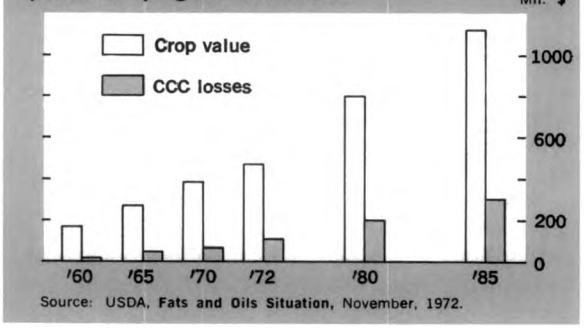
Figures are not available on the contribution of peanuts to the business volume of various processing and marketing facilities through which they flow after leaving the sheller. However, the various manufacturers of peanut butter, salted peanuts, peanut candies, peanut oil, and peanut meal, as well as the commodity brokers and shippers, undoubtedly also contribute significantly to the region's employment and business volume.

Financing the Industry

Financing institutions have a large stake in each stage of the peanut production and marketing process. Grower financing accounts for a major segment of the loan volume of agricultural lending agencies throughout the peanut belt. Government price guarantees under the parity formula ensure that growers' prices always move up with rising input prices. With the increasing yields that peanut farmers have almost consistently obtained, the program has, in effect, ensured

CHART II

U.S.D.A. projections for continued rapid growth in CCC losses on peanuts have generated proposals for program alterations.



Source: USDA, Fats and Oils Situation, November, 1972.

grower profits as well. As would be expected in such an industry, there is brisk competition among lending agencies for the peanut producer's business.

Typical financial arrangements include production credit averaging about $75 per acre, which is advanced in the early spring and is repaid from crop receipts around September or October. Thus, the dollar amount used to finance District peanut producers' operating capital requirements for each production season is well over $50 million. The interest income to lenders from this loan volume is quite substantial, particularly at the high interest rates during the 1973 production season.

Farmers' machinery and equipment needs represent substantial additional capital requirements that are largely met through borrowing. These are intermediate type loans ranging up to five years in term. Allowing for owner's equity and normal loan repayments, an estimated $250 million of production and harvesting equipment inventory is financed at any given time.

As the harvested crop leaves the farm and enters the processing channels, the inventories acquired by the processors must also be financed. Shellers typically use bank credit to acquire raw product for the coming year's processing. Typical arrangements involve bank financing of about 80 percent of the peanut inventories' value. Warehouse receipts on the stored commodity serve as collateral for the loan. Thus, within the Sixth District, bankers extend credit amounting to about one-half the crop's gross value to finance sheller inventories.

This also has been a relatively safe loan for the banker because the peanuts are on hand in on-site storage bins and have been checked by government crop inspectors and verified to be of the grade specified. Because shellers usually acquire only limited amounts of peanuts in excess of current marketing needs, the risk that

they would be unable to dispose of supplies on hand at cost-covering prices has been minimal.

These inventory or commodity loans to peanut shellers have other attractive features to bankers. Individual lending limits do not apply to commodity loans, so relatively small banks in rural areas are able to make these loans that might otherwise exceed their limits. This credit demand comes at the end of the production season, providing a use for funds when other demands for credit are relaxing.

Bank loans to peanut shellers are not loans to farmers and are not reported as agricultural credit. Thus, many people both in and outside of the banking industry are unaware of this substantial loan volume that is outstanding from six to nine months of each year, a volume which is directly dependent upon agriculture within the area served by each bank.

Information is not available on the extent to which annual operating expenses of peanut processors and manufacturers are financed. However, it is highly likely that banks also play a major role in supplying the capital required for payrolls, supplies, and inventories at each processing establishment from the time the raw product is acquired until the processed product is sold.

Unquestionably, a large number of business establishments and financial institutions in peanut areas are dependent on the peanut industry for sizable portions of their business. Any sharp curtailment in production might create an even greater effect in the off-farm economy than in the farm sector itself.

Some Policy Considerations

Regardless of the program's substantial impact in peanut producing areas, the industry may have to accept some changes if the populace as a whole feels that the subsidy has grown too expensive. Some cost-reducing program alterations could be made, short of completely abandoning the price support system. Less extreme changes might well be weathered with little disruption of the economy. Evidence of this possibility is that considerable acreages of cotton, soybeans and feed grains are profitably produced within the peanut-growing area. That practically no peanut acreage has been planted to these alternative crops despite their recent profitability increase may indicate that some reductions in support prices and government costs could be accomplished without much decline in peanut acreage.

From a national standpoint, the justification for continuing to subsidize the production of a crop, a large and growing proportion of which has been eventually exported at a loss, is subject to question. Although such a subsidy is not unique to peanut growers, it is true that the major benefits of the program accrue to producers in rather concentrated areas, while the costs are shared by the whole country.

Farmers in other sections of the country are reportedly eager to grow additional peanuts but cannot secure the necessary acreage allotments. If they would be willing to produce peanuts at competitive market prices or even at lower support prices than current growers are willing to accept, there would seem to be some justification for allowing them to do so.

Some observers feel that 1973 market conditions represent a permanent shift in world food demands and that the favorable peanut prices existing in world markets are likely to continue. If that observation should prove correct, then U. S. peanut growers would no longer need costly government supports to maintain profits. That would be a happy solution indeed to a problem that otherwise seems likely to generate growing public concern.

Meeting Reserve Requirements

by William N. Cox, III

All banks must meet reserve requirements. Those which are members meet their requirements by leaving, at their regional Federal Reserve Bank, enough funds to equal a stipulated fraction of each bank's own deposits.

Behind this statement lies the reserve calculation process, through which the Fed and the commercial banks cooperate to ensure that reserve requirements are satisfied. Since the Fed's ability to use reserves in controlling national deposit levels depends, in a mechanical sense, on the effectiveness of this calculation process,[1] this article provides a bird's-eye view of how it works.

Calculating Required Reserves

To be sure of meeting its reserve requirements, a bank has to know the levels of its own deposits, for it is from these that required reserves are derived. At the end of every business day, the bank pushes its adding machine button or quizzes its computer to see how many dollars of deposits it owes to its customers. (On days when the bank is closed, it repeats the previous day's figures.) At the end of each banking week, which by custom runs from Thursday to Wednesday, the daily totals are summed and divided by seven to get a weekly average.

Problems do arise, of course. Daily deposit totals, reflecting complex transactions tailored to the needs of diverse banking customers, often raise questions about what to include and when. These questions are usually resolved by published interpretations from the Fed's Accounting Department, supplemented by telephone calls or correspondence.

Adding the time deposits is usually straightforward. All time deposits are subject to reserve requirements, and what problems do arise are usually about bank liabilities similar to large-denomination certificates of deposit. The bank groups its time deposit totals by type (passbook, etc.), regardless of who holds them.

Calculation of the bank's demand deposit totals is a bit more complicated, however. It must distinguish among those demand deposits it owes to the U. S. Treasury, to other banks, and to other depositors.

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[1]See "Controlling Money with Bank Reserves," this *Review*, April 1973.

RESERVE REQUIREMENT CALCULATIONS

This is reserve accounting form AC-79, front and back, as it might have been filled out by a representative but hypothetical Sixth District member bank during the banking week of July 5-11, 1973.

For simplification, this example omits both the supplementary memorandum items supplied by each bank and the marginal reserve requirements which apply to large-denomination certificates of deposit and to nondeposit sources of funds.

REQUIRED RESERVES (BACK)

NET DEMAND DEPOSITS (Column 3 AC79)

.08	x	2,000 (First $2 Million or Less)	=	160
.10½	x	8,000 (Over $2 Million to $10 Million)	=	840
.12½	x	16,386 (Over $10 Million to $100 Million)	=	2,048
.13½	x	-0- (Over $100 Million to $400 Million)	=	-0-
.18	x	-0- (Over $400 Million)	=	-0-
		TOTAL		3,048

SAVINGS (Column 4a AC79)

.03	x	7,025		211

TIME

.03	x	5,000 (Column 4b AC79 up to $5 Million)	=	150
.05	x	15,103 (Column 4b AC79 in Excess of $5 Million)	=	755
		TOTAL		905

TOTAL REQUIRED RESERVES (Sum of Lines Above)	4,164
LESS VAULT CASH (Column 5)	740
NET REQUIRED RESERVES TO BE MAINTAINED AT FEDERAL RESERVE BANK	3,424
ALLOWABLE CARRY-FORWARD (2% of Total Required Reserves)	83

AC-79 (6-73)

FEDERAL RESERVE BANK OF ATLANTA AND BRANCHES

REPORT OF DEPOSITS SUBJECT TO RESERVE REQUIREMENTS AND OF VAULT CASH (FRONT)

For Base Deposit Period Ended 7-11-73 For Maintained Period Ended 7-25-73 (6)

Balances at the CLOSING OF BUSINESS each day should be reported for that day; however, Sunday and holiday figures are the closing balances of the previous business day.

(Stated in Nearest Thousands of Dollars)

DAY OF WEEK	Mo. Day	1. GROSS DEMAND DEPOSITS (a) Demand Deposits of Banks (Items 7, and 8 Schedule E Report of Condition)		(b) U.S. Government Demand Deposits (Item 4 Schedule E Report of Condition)		(c) Other Demand Deposits (Items 1, 2, 5, 6, and 9 Schedule E Report of Condition)		2. DEDUCTIONS ALLOWED IN COMPUTING RESERVES (a) Cash Items in Process of Collection (Item 1 Schedule D Report of Condition)		(b) Balances Subject to Immediate Withdrawal Due from Other Banks (Item 2, Schedule D Report of Condition)		3. NET DEMAND DEPOSITS Columns 1 (a), 1 (b) and 1 (c) less columns 2 (a) and 2 (b)		4. TIME AND SAVINGS DEPOSITS (a) Savings Deposits (Item 1 Schedule F Report of Condition)		(b) Other Time Deposits (Items 3, 4, 6, 7, 8, 9, and 10 - Sched. F Report of Condition)		5. VAULT CASH (Item 5 Schedule D Report of Condition)	
		Millions	Thousands	Millions	Thousands	Millions	Thousands	Millions	Thousands	Millions	Thousands	Millions	Thousands	Millions	Thousands	Millions	Thousands	Millions	Thousands
Thu.	7-5	6	002		680	28	514	7	224	1	340	26	632	7	001	20	593		738
Fri.	7-6	5	293		757	30	949	10	781	1	096	25	122	7	005	20	268		660
Sat.	7-7	5	293		757	30	949	10	781	1	096	25	122	7	005	20	268		660
Sun.	7-8	5	293		757	30	949	10	781	1	096	25	122	7	005	20	268		660
Mon.	7-9	5	956		797	32	415	10	741	1	446	26	981	7	051	20	120		743
Tue.	7-10	6	501		553	32	847	11	086	1	667	27	148	7	044	19	607		809
Wed.	7-11	6	864		487	31	445	8	860	1	358	28	578	7	061	19	594		912
Totals		41	202	4	788	218	068	70	254	9	099	184	705	49	172	140	718	5	182
AVERAGE BALANCES (3)												26	386	7	025	20	103		740

If Demand Deposits are less than the Deductions, Net Demand Deposits on that date should be shown as zero.

(4) SHOULD YOUR TIME DEPOSITS BECOME SUBJECT TO THE MARGINAL RESERVE REQUIREMENT OR SHOULD YOU INCUR EURODOLLARS OR OBLIGATIONS OF AFFILIATES OR SUBSIDIARIES SUBJECT TO RESERVES, PLEASE CONTACT US FOR THE PROPER REPORTING FORMS.

1. The bank records each day's demand deposits closing levels (checking account balances) of other banks, the U. S. Government, and other demand depositors, then adds to get seven-day totals for each during the week of July 5-11, 1973.

2. The bank records each day's closing levels of uncollected cash items and the bank's own demand balances at other banks. These, too, are totaled over the seven-day banking week.

3. The items posted in Step 2 are deducted from the demand deposits posted in Step 1, yielding the net demand deposits against which reserve requirements apply ($26,386,000, on average, for the week). From this figure, the reserves required against the bank's demand deposits ($3,048,000) are calculated using the back of the report form.

4. The procedure of posting, adding, averaging and calculating required reserves is repeated twice, for passbook savings deposits and for other time deposits, yielding average required reserves of $211,000 and $905,000, respectively. These two figures, when added to the $3,048,000 required against net demand deposits, indicate the total required reserves ($4,164,000) the bank must hold against its July 5-11 deposit levels. (Marginal reserve requirements on large-denomination CD's and nondeposit sources of funds, if applicable, are calculated on a separate form and included in this total.)

5. Vault cash, as recorded and averaged by the bank during the week of July 5-11, is allowed to count toward satisfaction of reserve requirements on deposits held that same week.

6. The remainder ($3,424,000) comprises the net required reserves to be maintained at the Federal Reserve Bank of Atlanta, in the bank's reserve account. This is the level that must be met, on average, during the week of July 19-25, two weeks later.

7. The bank can "carry forward," into the following week of July 26-August 1, a reserve balance excess or deficiency of up to 2 percent ($83,000).

From its overall demand deposit total, furthermore, each bank is allowed to make two deductions to avoid double-counting.

The first deduction is called "cash items in the process of collection." For the most part, these are checks which have been written against customers' accounts, deposited in another bank, and routed back to the first bank, but which have not yet been charged against the check-writer's account. Since these funds have been added to the depositor's bank account but have not yet been subtracted from the check-writer's bank account, they are counted twice, in two different deposit accounts at two different banks. To offset this double-counting, the original bank is allowed to deduct these items from its demand deposit totals.

The second deduction reflects the fact that when two banks hold reciprocal demand deposit accounts with each other, only the net or the difference between the two reciprocal accounts is meaningful. So each bank deducts the deposits it holds at other banks from its daily demand deposit total.

At the end of every business day, then, each member bank records its gross demand deposits, "cash items" deduction, "due from other banks" deduction, and time deposits. It reports these items weekly to the Fed, generally on Thursday or Friday after the end of the banking week on Wednesday, along with a few other items of information.[2]

Accounting for Reserve Balances

Just as in the case of the bank's own deposits, reserve funds count only if they are on deposit at the Fed at the close of a business day. (On holidays and weekends, just as with customer deposits, the Fed repeats the previous day's totals. This is one reason why "bank" holidays are coordinated among the banks and with each Federal Reserve office.)

Reserve accounts may show much or little activity, depending on the size of the commercial bank and how it uses its reserve account. A billion-dollar bank, settling transactions on behalf of many correspondents and dealing with other banks around the country, will often show thousands of transactions each day. A small rural bank, on the other hand, may show only a handful of small transactions.

Reserve account transactions also vary in nature. Some are payments on credits for checks deposited through the Fed's check collection system. Some are payments for currency shipments between the bank and the Fed. Others are intercity transfers of funds through the Fed's wire system, and still others reflect borrowing from the Fed through the discount window.

To help each bank keep up with these transactions and their effect on reserve balances, the Fed sends each bank a daily statement, much like the monthly checking account statement a commercial bank provides its customers. In the Sixth District, a courier delivers this statement before the bank opens on the following day.

Comparing Reserves Against Requirements

When a bank reports its weekly deposit data to the Fed, it calculates its required reserves on the back of the same report form. These calculations involve the following steps:

1. Adding demand deposits owed to other banks, to the U. S. Government, and to others to get gross demand deposits.
2. Deducting "cash items" and "demand deposits due from other banks" to get net demand deposits.
3. Calculating the amount of reserves required to be held against these net demand deposits according to the reserve percentages established by the Fed.[3]
4. Calculating the amount of reserves required to be held against reported levels of savings deposits, again according to the established percentages.
5. Similarly, calculating the amount of reserves required to be held against other time deposits, including large-denomination certificates of deposit.
6. Adding the three reserve calculations to determine the total amount of required reserves.

For all but a handful of the member banks in the Sixth District, these steps completely describe the calculation of required reserves.[4] But before the bank and the Fed can make the obvious comparison of required reserves *versus* reserve balances held at the Fed, they must take account of the fact that vault cash—the amount of currency and coin held by the bank itself—counts toward satisfying reserve requirements. The amount of vault cash held at the close of each day, a figure the bank has also recorded on

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[2]These reports are also the keystone of the Fed's measurement of national money and deposit totals.

[3]Reserve requirement ratios are listed in the monthly *Federal Reserve Bulletin*, Table A-9.

[4]The exceptions, a few large banks involved in borrowing funds through foreign branches or holding company affiliates, must calculate and meet additional requirements against these borrowings. For details, see the *Federal Reserve Bulletin*, June 1973, pp. 445-46.

the deposit report, is then subtracted from the total of required reserves. The result, the basic result of the bank's weekly report to the Fed, is the minimum amount of net reserve balances the bank is required to hold. ("Net" denotes that vault cash has been deducted.)

Once the calculations are complete to this point, all that remains is to see whether or not the reserve balances held at the Fed are sufficient to satisfy the requirements.

There is a lag involved in the comparison, however. A bank must hold enough reserve balances at the Fed, on average during a particular week, to satisfy the net required reserves calculated from the deposits and vault cash reported two weeks earlier. For example, this means that the deposit and vault cash averages reported by a bank during the week of July 5-11, 1973, determined the average level of reserve balances which the bank had to hold at the Fed during the week of July 19-25. This two-week lag aids banks in managing their reserve balances because the banker knows for a fact the amount of reserve balances his bank must maintain, on average, during a particular week. It was for this purpose that the two-week lag was introduced in 1968.

For much the same purpose, another reserve accounting feature was also added then: the 2-percent carry-over. If a bank's average reserve balances are within 2 percent of its net required reserves average, it can make up the deficiency or apply the excess during the following week. (It cannot carry the deficiency or excess more than one week, however.) Like the lagged reserve feature, the carry-over provision was designed to reduce the banks' cost and difficulty of managing their reserve balances, without obviating the Fed's ability to use reserves as its instrument of deposit and money control.

What happens if, despite these aids, banks carry more reserves than they need to, or are deficient? (Excess reserves nationally amount to about $250 million from week to week.) The bank pays a self-imposed penalty in the form of foregone interest, since excess reserve balances earn none. Banks which are deficient in their reserve balances, on the other hand, must pay the Fed a prescribed penalty equivalent to a rate of interest 2 percent above the discount rate. A deficient bank becomes subject to the Fed's administrative scrutiny. If reserve deficiencies are repeated, the Fed will intensify its scrutiny and can ultimately invoke legal sanctions against the bank involved. This is quite rare, however.

Bank Announcements

August 21, 1973
CAHABA BANK & TRUST COMPANY
Trussville, Alabama

Opened for business as a par-remitting nonmember. Officers: Samuel J. Lisenby, Jr., president; Lee W. Ormond, vice president and cashier. Capital, $375,000; surplus and other funds, $375,000.

September 6, 1973
EXCHANGE BANK OF DUNEDIN
Dunedin, Florida

Opened for business as a par-remitting nonmember. Officers: H. E. Long, president; Carl H. Keltner, vice president; Charles Jay Marvin, cashier. Capital, $500,000; surplus and other funds; $500,000.

September 10, 1973
CITIZENS BANK OF BLOUNT COUNTY
Maryville, Tennessee

Opened for business as a par-remitting nonmember. Officers: Joe Bruce, president; Carl Wyatt, cashier. Capital, $900,000; surplus and other funds, $900,000.

September 10, 1973
CITIZENS BANK & TRUST COMPANY AND BRANCH
Covington and Mandeville, Louisiana

Began to remit at par.

September 12, 1973
BISCAYNE BANK
Miami, Florida

Opened for business as a par-remitting nonmember. Officers: Harry Joe King, president; Gonzalo J. Menendez, vice president and cashier. Capital, $875,000; surplus and other funds, $875,000.

September 26, 1973
THE AMERICAN BANK OF ORANGE COUNTY
Orlando, Florida

Opened for business as a member. Officers: William T. Wallis, chairman; J. C. Barfield, Jr., president; Thomas W. Gurley, III, vice president and cashier; T. Robert Richmond, vice president. Capital, $500,000; surplus and other funds, $500,000.

September 26, 1973
MARINE BANK OF PUNTA GORDA
Punta Gorda, Florida

Opened for business as a member. Officers: John N. Elder, chairman; Aubrey B. Campbell, president; Kenneth W. Kemmerly, vice president; Edward E. Phinney, cashier; Theodore J. Zolkos, assistant cashier. Capital, $500,000; surplus and other funds, $500,000.

September 27, 1973
AMERICAN BANK OF LAKELAND
Lakeland, Florida

Opened for business as a member. Officers: Jerry R. Hetfield, president; John Teal, vice president and cashier. Capital, $500,000; surplus and other funds, $500,000.

Recent Publications

AVAILABLE UPON REQUEST

Please address all requests for publications to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303.

Federal Reserve Policy-Making and Its Problems

A review of the principal tools of monetary policy, the problems faced by those who formulate policy, and the actions taken by monetary authorities during the past several years. Published in 1964, this collection of articles was updated and revised in 1972. Single copies are available to individuals and banking and educational institutions.

International Finance and Trade: A Southeastern Perspective

A collection of articles which covers several institutional aspects of the world monetary system, describes the growth of international trade and banking in the Sixth District and examines some aspects of financing economic development in less developed nations. Now available with these limits: single copies to individuals; five copies to banking and educational institutions.

Monthly Review Reprints

Comparative Advantage and the Changing Composition of U. S. Output, Exports and Imports
John E. Leimone, September 1973

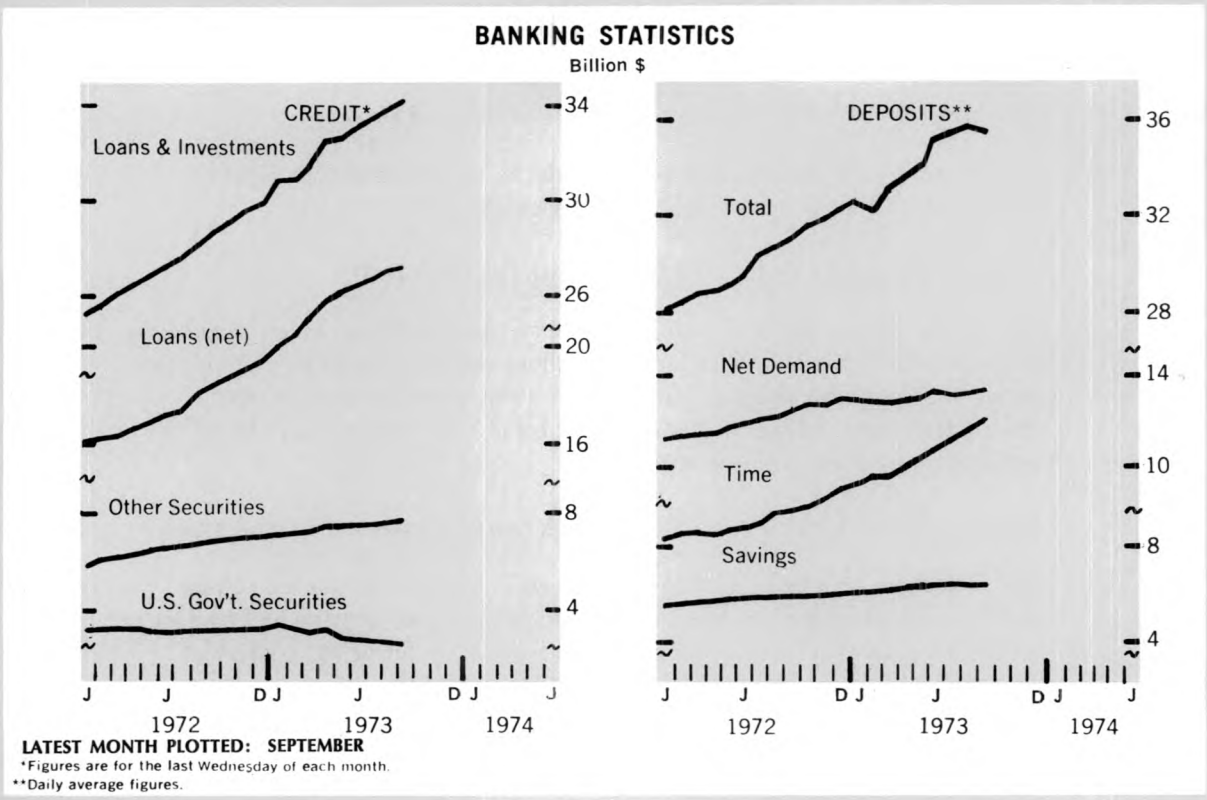
The Paradox of Bank Reserves
William N. Cox, III, September 1973

Controlling Money With Bank Reserves
William N. Cox, III, April 1973

Member Bank Borrowing: Process and Experience
Arnold A. Dill, April 1973

The Discount Rate: Problems and Remedies
William N. Cox, III, June 1972

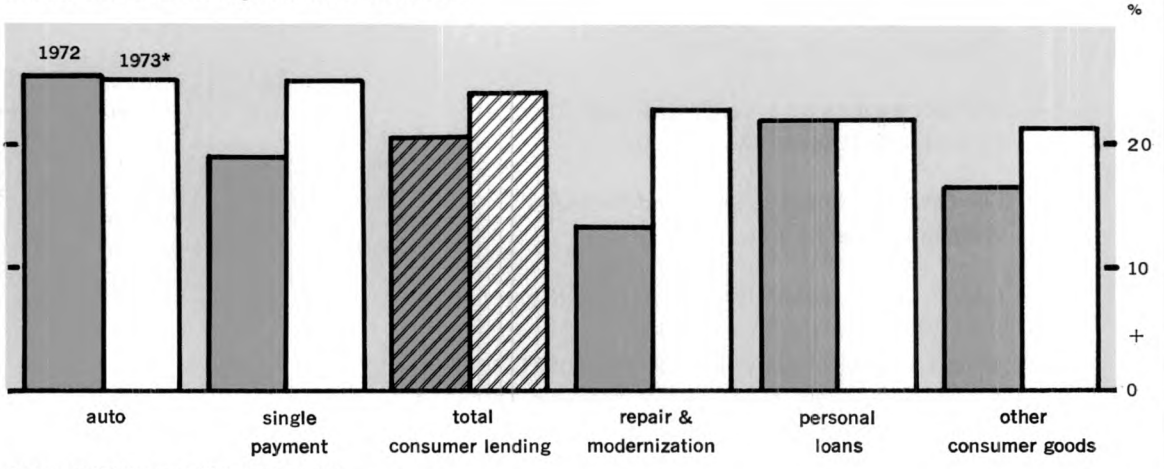
Liability Management Banking: Its Growth and Impact; Its Practice in the Sixth District
Arnold A. Dill, February and December 1971



SIXTH DISTRICT BANKING NOTES

Consumer Lending Expands Rapidly

Consumer credit expansion continues.



*December 1972 to June 1973 at annual rate

Figures shown cover all Sixth District member banks.

Southeastern consumers continue to make heavy use of bank credit to finance a spending spree of unprecedented size. During 1972, consumer loans at member banks grew by 21 percent, or $1.16 billion, the largest dollar increase in consumer lending ever recorded and the largest percentage increase since 1950. Through the first half of 1973, consumer loans at the same banks grew at an even higher annual rate of 24 percent.

As usual, borrowing followed the pattern set by spending. The current boom in consumer buying began in the auto sector and did not spread to other consumer goods until late in 1972. Following that pattern, consumer credit growth in the first half of 1972 was paced by auto lending; nonauto borrowing did not pick up until late in the year. During 1973, however, nonauto borrowing is nearly matching the fast rate set by autos.

Borrowing to finance mobile homes slowed from last year's 30-percent rate of gain; but for the first six months of 1973, such lending was growing at the still substantial rate of 25 percent. This important category makes up an increasing portion of total consumer loans in the Southeast, as it does in the nation. In the December 1972 Reports of Condition, mobile home financing made up 9 percent of District member bank consumer loans and 7.2 percent of the U. S. member bank total. During 1972, mobile home financing grew faster in the nation (36 percent) than in the District (30 percent), as banks in the rest of the nation followed the District's lead in this growing and profitable lending activity.

Single-payment loans are the District's largest single consumer loan category and were a major factor in overall consumer credit growth here. In the first half of 1973, single-payment loans grew at an annual rate of 26 percent, far surpassing the 1972 rate of 19 percent. Loans to repair and modernize housing and personal loans have both increased at an annual rate of 22 percent during the same period, slightly less than the 24-percent average increase for all consumer lending. Personal loans are just matching 1972 gains, while repair and modernization loans are rebounding from last year's sluggishness.

The growth rate of lending through charge-account credit plans continued to slow in 1972. Lending in this category expanded at an unsustainable rate in the late 1960's as bank credit cards were introduced in much of the Southeast. The annual rate of increase for the first six months of 1973 was slightly below 1972's slow rate, perhaps indicating that this particular banking market has matured in the Southeast. Of course, changes in this category are erratic and promotions by a few large banks can still strongly influence credit card lending.

Banks throughout the District have shown a willingness to expand consumer loans rapidly, but during the first half of 1973, Georgia (up 17 percent) and Florida (up 14 percent) were clear leaders in consumer credit expansion in the Southeast. Other District states registered gains of 10 percent or less for the period. Both Georgia and Florida scored above-average gains in several loan categories, but Georgia's surge in single-payment loans and Florida's continuing exceptional strength in mobile home lending contributed a good deal to the climb in consumer credit for these states.

Although District consumer lending accelerated rapidly in the first half of 1973, the rate of growth may be tapering off. Estimates of consumer instalment credit outstanding, seasonally adjusted and based on a sample of member and nonmember banks, show growth in instalment credit may have reached a peak in March 1973, tapering off in the following four months. New loan extensions dropped only slightly in the second quarter, but repayment of previously existing debt accelerated. As a result, the rate of growth in total consumer credit outstanding moderated slightly from its earlier torrid pace.

The series on which that estimate is based, Consumer Instalment Credit Outstanding at Commercial Banks in the Sixth District, is published monthly by this Bank. It is calculated from data supplied by a sample of all commercial banks in the Sixth District. Benchmarked to the June 1971 Reports of Condition, the new Sixth District data were published beginning in April 1973. Benchmarking the series resulted in an upward revision of approximately 20 percent. In addition to benchmarking the series, a change in definitions was initiated, making all categories of data published by the Bank for the Sixth District comparable to categories published by the Board of Governors of the Federal Reserve System for all commercial banks in the United States. Beginning in April 1973, bank credit card loans were included in the category "Other Consumer Goods" and consumer lending made through check credit plans was added to the category of "Personal Loans." Preliminary data published by this Bank are now revised monthly, and these revisions make the Sixth District commercial bank consumer loan data directly comparable to the consumer loan data for commercial banks published by the Board of Governors. Prior year data are available from this Bank upon request.

BRIAN D. DITTENHAFER

Sixth District Statistics

Seasonally Adjusted

(All data are indexes, unless indicated otherwise.)

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					
INCOME AND SPENDING					
Manufacturing Payrolls	Aug.	161	161	160	147
Farm Cash Receipts	July	217	180	164	167
Crops	July	267	189	239	191
Livestock	July	198	191	184	158
Instalment Credit at Banks*/† (Mil. $)					
New Loans	Aug.	634	686r	661	632
Repayments	Aug.	533	588r	570	469
EMPLOYMENT AND PRODUCTION					
Nonfarm Employment	Aug.	125.9	125.6	124.9	121.0
Manufacturing	Aug.	114.3	113.9	114.2	111.9
Nondurable Goods	Aug.	111.9	111.9	112.3	110.6
Food	Aug.	100.3	101.1	101.6	102.0
Textiles	Aug.	109.5	110.1	110.8	107.2
Apparel	Aug.	111.1	111.1	110.8	110.0
Paper	Aug.	111.1	111.3	111.2	110.0
Printing and Publishing	Aug.	125.0	123.5	123.2	120.1
Chemicals	Aug.	106.4	107.4	107.0	105.4
Durable Goods	Aug.	117.3	116.5	116.5	113.5
Lbr., Wood Prods., Furn. & Fix.	Aug.	110.3	110.4	110.2	108.4
Stone, Clay, and Glass	Aug.	121.5	120.2	119.8	115.2
Primary Metals	Aug.	110.0	108.9	111.1	108.8
Fabricated Metals	Aug.	127.0	126.8	126.6	120.2
Machinery	Aug.	143.8	141.9	141.4	132.6
Transportation Equipment	Aug.	108.9	108.3	107.7	110.2
Nonmanufacturing	Aug.	130.0	129.7	128.8	124.2
Construction	Aug.	133.6	132.7	131.2	125.1
Transportation	Aug.	122.1	121.9	121.9	116.8
Trade	Aug.	131.9	132.1	131.3	125.5
Fin., ins., and real est.	Aug.	137.0	136.6	136.0	130.1
Services	Aug.	134.9	134.2	134.0	130.6
Federal Government	Aug.	100.0	99.3	99.2	100.0
State and Local Government	Aug.	134.4	134.3	131.9	126.5
Farm Employment	Aug.	83.8	85.5	84.0	81.7
Unemployment Rate (Percent of Work Force)	Aug.	3.7	3.7	3.8	3.9
Insured Unemployment (Percent of Cov. Emp.)	Aug.	2.9	1.8	1.8	2.2
Avg. Weekly Hrs. in Mfg. (Hrs.)	Aug.	40.5	40.6	40.7	40.9
Construction Contracts*	Aug.	283	242	275	246
Residential	Aug.	288	281	308	305
All Other	Aug.	278	204	242	188
Electric Power Production**	Dec.	188	187	186	168
Cotton Consumption**	July	82	84	80	86
Petroleum Production**	Sept.	113	114	115	128
Manufacturing Production	June	301	292	292	277
Nondurable Goods	June	245	242	244	237
Food	June	189	188	188	187
Textiles	June	291	286	288	272
Apparel	June	297	291	296	290
Paper	June	224	223	223	218
Printing and Publishing	June	161	161	163	163
Chemicals	June	310	308	308	298
Durable Goods	June	367	352	349	325
Lumber and Wood	June	203	198	200	197
Furniture and Fixtures	June	193	191	192	187
Stone, Clay, and Glass	June	206	206	207	182
Primary Metals	June	253	241	232	208
Fabricated Metals	June	288	289	289	268
Nonelectrical Machinery	June	472	452	449	428
Electrical Machinery	June	871	797	768	720
Transportation Equipment	June	462	447	454	423
FINANCE AND BANKING					
Loans*					
All Member Banks	Aug.	243	238	234	189
Large Banks	Aug.	229	223	218	174
Deposits*					
All Member Banks	Aug.	198	198	195	171
Large Banks	Aug.	174	175	173	150
Bank Debits*/**	Aug.	252	246	236	198
ALABAMA					
INCOME					
Manufacturing Payrolls	Aug.	159	157	160	148
Farm Cash Receipts	July	266	205	224	176
EMPLOYMENT					
Nonfarm Employment	Aug.	115.8	115.3	114.6	112.0
Manufacturing	Aug.	113.0	112.7	112.4	110.7
Nonmanufacturing	Aug.	117.1	116.5	115.6	112.6
Construction	Aug.	119.9	118.9	115.4	113.8
Farm Employment	Aug.	69.9	72.4	70.1	75.7
Unemployment Rate (Percent of Work Force)	Aug.	4.2	4.3	4.3	4.7
Avg. Weekly Hrs. in Mfg. (Hrs.)	Aug.	40.5	40.4	41.4	41.3
FINANCE AND BANKING					
Member Bank Loans	Aug.	224	219	214	180
Member Bank Deposits	Aug.	190	190	186	165
Bank Debits**	Aug.	209	214	205	182
FLORIDA					
INCOME					
Manufacturing Payrolls	Aug.	164	164	161	145
Farm Cash Receipts	July	279	197	214	213
EMPLOYMENT					
Nonfarm Employment	Aug.	144.1	143.8	141.6	133.9
Manufacturing	Aug.	121.8	120.8	119.6	115.8
Nonmanufacturing	Aug.	148.4	148.2	145.8	137.3
Construction	Aug.	181.0	179.9	177.7	158.4
Farm Employment	Aug.	106.1	113.8	102.8	100.1
Unemployment Rate (Percent of Work Force)	Aug.	2.7	2.7	2.8	3.0
Avg. Weekly Hrs. in Mfg. (Hrs.)	Aug.	40.9	40.8	40.9	41.2
FINANCE AND BANKING					
Member Bank Loans	Aug.	273	268	263	208
Member Bank Deposits	Aug.	230	230	224	193
Bank Debits**	Aug.	306	284	271	230
GEORGIA					
INCOME					
Manufacturing Payrolls	Aug.	156	159	154	144
Farm Cash Receipts	July	176	174	178	133
EMPLOYMENT					
Nonfarm Employment	Aug.	122.6	121.2	121.9	119.7
Manufacturing	Aug.	109.1	108.5	109.3	108.5
Nonmanufacturing	Aug.	128.7	127.7	127.7	124.9
Construction	Aug.	128.6	127.5	125.9	124.7
Farm Employment	Aug.	87.1	82.1	80.9	81.6
Unemployment Rate (Percent of Work Force)	Aug.	3.7	3.8	3.7	3.8
Avg. Weekly Hrs. in Mfg. (Hrs.)	Aug.	40.0	40.6	39.7	40.2
FINANCE AND BANKING					
Member Bank Loans	Aug.	241	239	232	184
Member Bank Deposits	Aug.	183	185	182	151
Bank Debits**	Aug.	278	261	264	206
LOUISIANA					
INCOME					
Manufacturing Payrolls	Aug.	146	147	147	140
Farm Cash Receipts	July	211	159	234	166
EMPLOYMENT					
Nonfarm Employment	Aug.	113.0	113.2	112.7	110.9
Manufacturing	Aug.	104.3	104.2	104.3	103.6
Nonmanufacturing	Aug.	114.8	115.0	114.4	112.4
Construction	Aug.	93.7	93.4	92.2	91.3
Farm Employment	Aug.	75.9	74.5	75.7	73.3
Unemployment Rate (Percent of Work Force)	Aug.	6.2	5.6	6.2	6.0
Avg. Weekly Hrs. in Mfg. (Hrs.)	Aug.	41.7	41.9	41.6	42.6
FINANCE AND BANKING					
Member Bank Loans*	Aug.	224	214	214	166
Member Bank Deposits*	Aug.	171	172	173	157
Bank Debits*/**	Aug.	191	192	187	165
MISSISSIPPI					
INCOME					
Manufacturing Payrolls	Aug.	183	182	182	162
Farm Cash Receipts	July	238	202	118	206
EMPLOYMENT					
Nonfarm Employment	Aug.	122.3	121.2	121.1	118.7
Manufacturing	Aug.	126.3	126.4	126.4	123.7
Nonmanufacturing	Aug.	120.5	118.9	118.6	116.4
Construction	Aug.	113.3	110.0	109.1	110.4
Farm Employment	Aug.	71.5	82.6	80.9	77.1

	Latest Month		One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate (Percent of Work Force)	Aug.	4.0	4.1	4.2	4.2
Avg. Weekly Hrs. in Mfg. (Hrs.)	Aug.	40.6	40.5	40.7	40.6
FINANCE AND BANKING					
Member Bank Loans*	Aug.	236	225	228	189
Member Bank Deposits*	Aug.	196	193	195	172
Bank Debits*/**	Aug.	200	227	219	187
TENNESSEE					
INCOME					
Manufacturing Payrolls	Aug.	165	163	164	149
Farm Cash Receipts	July	197	202	252	152
EMPLOYMENT					
Nonfarm Employment	Aug.	122.8	123.1	123.7	119.4
Manufacturing	Aug.	114.7	114.8	115.9	112.3
Nonmanufacturing	Aug.	127.3	127.7	128.0	123.4
Construction	Aug.	119.7	119.7	120.6	120.8
Farm Employment	Aug.	96.3	93.2	92.6	88.0
Unemployment Rate (Percent of Work Force)	Aug.	3.1	3.4	3.0	3.5
Avg. Weekly Hrs. in Mfg. (Hrs.)	Aug.	40.6	40.5	40.5	40.8
FINANCE AND BANKING					
Member Bank Loans*	Aug.	226	221	219	185
Member Bank Deposits*	Aug.	182	182	178	165
Bank Debits*/**	Aug.	205	191	198	166

*For Sixth District area only; other totals for entire six states **Daily average basis †Preliminary data r-Revised N.A. Not available

Note: Indexes for bank debits, construction contracts, cotton consumption, employment, farm cash receipts, loans, petroleum production, and payrolls: 1967 = 100. All other indexes: 1957-59 = 100.

Sources: Manufacturing production 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 Div., McGraw-Hill Information Systems Co.; 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.

[1]Data benchmarked to June 1971 Report of Condition

Debits to Demand Deposit Accounts

Insured Commercial Banks in the Sixth District

(In Thousands of Dollars)

	August 1973	July 1973	August 1972	Percent Change: August 1973 from July 1973	Percent Change: August 1973 from Aug. 1972	Year to date 8 mos. 1973 from 1972
STANDARD METROPOLITAN STATISTICAL AREAS**						
Birmingham	3,419,883	3,662,888	3,201,483	− 7	+ 7	+19
Gadsden	94,719	95,059	88,237	− 0	+ 7	+17
Huntsville	304,522	345,964	268,523	−12	+13	+18
Mobile	1,114,594	1,030,921	950,581	+ 8	+17	+15
Montgomery	649,516	658,327	519,216	− 1	+25	+22
Tuscaloosa	229,371	219,626	175,061	+ 4	+31	+28
Bartow-Lakeland-Winter Haven	771,170	806,763	667,167	− 4	+16	+25
Daytona Beach	518,677	469,924	314,710	+10	−65	+30
Ft. Lauderdale-Hollywood	1,792,969	1,837,522	1,678,377	− 2	+ 7	+15
Ft. Myers	310,066	288,132	222,438	+ 8	+39	+35
Gainesville	255,148	241,684	211,960	+ 6	+20	+23
Jacksonville	4,473,763	3,856,659	3,349,064	+16	+34	+24
Melbourne-Titusville-Cocoa	441,574	427,911	329,566	+ 3	+34	+28
Miami	6,969,899	6,979,296	5,050,907	0	+38	+29
Orlando	1,726,967	1,566,961r	1,241,730	+10	+39	+25
Pensacola	458,445	437,262	387,239	+ 5	+18	+12
Sarasota	496,229	520,392	335,326	− 5	+48	+48
Tallahassee	1,039,437	855,923	661,239	+21	+57	+46
Tampa-St. Pete	4,095,161	3,930,396	3,046,998	+ 4	+34	+26
W. Palm Beach	1,229,556	1,234,521	838,063	− 0	+47	+38
Albany	197,582	187,176	164,120	+ 6	+20	+19
Atlanta	16,565,116	15,280,487	11,411,781	+ 8	+45	+42
Augusta	579,611	520,411	465,465	+11	+25	+19
Columbus	447,232	431,569	394,343	+ 4	+13	+11
Macon	562,126	540,315	459,512	+ 4	+22	+19
Savannah	540,088	537,783	459,806	+ 0	+17	+19
Alexandria	252,073	259,919	211,771	− 3	+19	+19
Baton Rouge	1,325,293	1,413,581	1,152,734	− 6	+15	+14
Lafayette	275,046	276,126	236,121	− 0	+16	+21
Lake Charles	228,681	227,204	192,670	+ 0	+19	+10
New Orleans	4,197,218	4,420,809	3,697,893	− 5	+14	+13
Biloxi-Gulfport	256,273	280,701	250,517	− 9	+ 2	+20
Jackson	1,408,506	1,466,436	1,235,388	− 4	+14	+23
Chattanooga	1,379,980	1,286,820	942,207	+ 7	+46	+24
Knoxville	943,944	949,133	748,320	− 7	+26	+21
Nashville	3,481,033	3,182,193	2,701,498	+ 9	+29	+21
OTHER CENTERS						
Anniston	109,770	105,479	101,173	+ 4	+ 8	+14
Dothan	203,298	180,955	131,118	+12	**+55**	**+41**
Selma	81,984	74,841	65,927	+10	**+24**	**+28**
Bradenton	180,894	186,613	133,006	− 3	+36	+31
Monroe County	87,611	75,188	58,901	+17	+49	+33
Ocala	207,291	200,084	146,539	+ 4	+41	+40
St. Augustine	43,947	44,187	33,915r	− 1	+30	+20
St. Petersburg	1,001,026	1,097,947	748,296	− 9	+34	+37
Tampa	2,023,327	1,824,456	1,473,602	+11	+37	+22
Athens	182,408	164,506	147,083	+11	+24	+14
Brunswick	110,657	102,883	79,522	+ 8	+39	+33
Dalton	195,560	166,700	155,695	+17	+26	+15
Elberton	21,888	19,469	21,459	+12	+ 2	+ 2
Gainesville	143,651	141,130	111,872	+ 2	+28	**+29**
Griffin	77,261	72,296	58,822	+ 7	+31	+24
LaGrange	41,900	39,793	36,076	+ 5	+16	+24
Newnan	50,318	56,790	50,388	−11	− 0	+37
Rome	147,597	142,880	122,756	+ 3	+20	+16
Valdosta	98,668	98,963	91,261	− 0	+ 8	**+13**
Abbeville	15,636	18,942	14,723	−17	+ 6	+ 5
Bunkie	10,290	11,131	8,619	− 8	+19	+24
Hammond	87,140	95,192	63,004	− 8	+38	+36
New Iberia	61,087	62,917	50,896	− 3	+20	+14
Plaquemine	26,605	28,092	15,911	− 5	+67	+60
Thibodaux	42,243	38,353	29,657	+10	+42	+16
Hattiesburg	131,620	137,797	108,719	− 4	+21	+23
Laurel	72,749	76,050	63,364	− 4	+15	+19
Meridian	121,143	137,548	105,997	−12	+14	+19
Natchez	54,852	53,515	47,028	+ 2	+17	+14
Pascagoula-Moss Point	86,593	139,059	149,799	−38	−42	+10
Vicksburg	69,595	78,368	56,034	−11	+24	+24
Yazoo City	38,930	46,981	30,767	−17	+27	+10
Bristol	115,391	116,492	128,702	− 1	−10	− 2
Johnson City	176,756	188,371	141,320	− 6	+25	+18
Kingsport	267,978	259,987	227,504	+ 3	+18	+18
District Total	76,897,778	74,966,722r	60,211,262r	+ 3	+28	+26
Alabama	8,407,902	8,604,741	7,289,735	− 2	+15	+20
Florida	27,041,736	25,895,208r	20,236,602r	+ 4	+34	+27
Georgia	22,525,134	21,152,663	16,628,732	+ 6	+35	+34
Louisiana[1]	7,575,819	7,913,681	6,569,380	− 4	+15	+21
Mississippi[1]	2,901,233	3,201,718	2,701,715	− 9	+ 7	+19
Tennessee[1]	8,445,954	8,228,711	6,785,098	+ 3	+24	+20

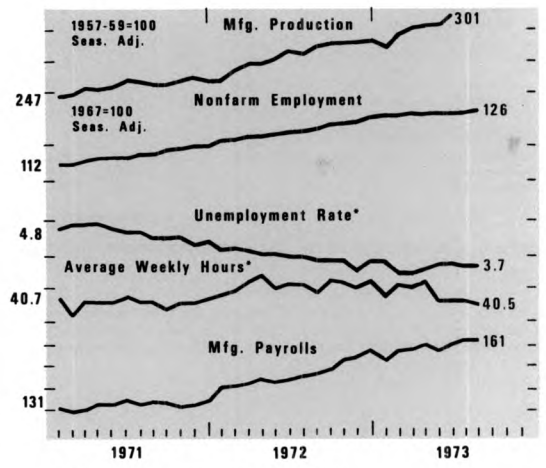
[1] District portion only

r-Revised

Figures for some areas differ slightly from preliminary figures published in "Bank Debits and Deposit Turnover" by Board of Governors of the Federal Reserve System.

**Conforms to SMSA definitions as of December 31, 1972.

District Business Conditions



*Seas. adj. figure; not an index
Latest plotting: August, except mfg. production, June, and farm receipts, July.

The Southeast economy still displays considerable resistance to a slowdown, although some elements are moderating. Construction activity continued to increase despite a lackluster performance by the housing sector. Agricultural prices moved up then down sharply, and crop production prospects improved. The growth in employment moderated in the face of low unemployment rates and high labor demand. Business loans at banks have resumed a slower pace after a brief resurgence, and consumer spending is less exuberant.

Value of construction contract awards was pushed to new heights by record levels of non-residential awards. Commercial and engineering construction accounted for much of the strength in the non-residential sector in August. The value of residential contract awards changed little from July's level. Activity in the residential sector continued to be below levels recorded in late 1972 and early 1973. Rising interest rates on construction and permanent loans, rising construction costs, and net outflows from thrift institutions continued to be problems for the residential sector.

Agricultural prices in August showed the largest one-month increase of record, following the removal of the price freeze on most food commodities. However, slack demand for meats and increased livestock marketings have combined to produce sharp price reductions through early September. Recent crop production forecasts indicate improved yield prospects for the District's soybeans, cotton, and peanuts, but the rice crop was damaged by heavy rainfall. Broiler placements have declined from a month ago, principally reflecting reductions in Alabama and Louisiana, but eggs set for broilers have increased. Farm cash receipts continue at least one-fourth higher than 1972's levels in five of six District states.

Employment edged upward in August, though at a slower pace than in recent months. Nevertheless, labor demand remains high. Job levels of manufacturing and construction were up in all reporting states. Nonmanufacturing employment also increased in all states except Louisiana. Both factory hours and earnings maintained the high levels achieved the previous month.

Bank lending showed unexpected strength in August, particularly business loans to textile and service industries. Deposits also surged; the increase was entirely attributable to increases in time deposits. Borrowing from the Federal Reserve and purchases of Federal funds also remained at very high levels. By mid-September, however, larger District banks had returned to the moderating levels of business lending of early summer and were reducing their purchases of large-denomination CD's.

Consumer instalment credit grew moderately in August. New consumer lending at commercial banks slackened from this year's earlier extremely high levels, as all categories except direct auto loans grew less than in the previous month. Preliminary retail sales indicators show consumer spending continuing strong, particularly for autos. However, growth in consumer spending is less exuberant than in earlier months this year.