

# monthly review

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# Tobacco: The Nation's Oldest Commercial Crop

by Gene D. Sullivan

Tobacco has been an important commercial crop in America since the time of our pilgrim forefathers. Even before the white man reached the Americas, the Indians in both North and South America grew tobacco and traded it among themselves. Tobacco quickly became one of the New World's most important commercial crops after establishment of the Jamestown Colony in 1612. In 1972, it ranked as the fifth most important cash income-producing field crop in the United States, following soybeans, corn, wheat, and cotton in that order. In eight eastern states, tobacco ranks fifth or higher as a farm income producer, and it is the number one farm enterprise in three of those states.

## District Versus National Production

Most of the nation's tobacco is grown outside the Sixth District states.<sup>1</sup> Nevertheless, tobacco production is an important enterprise in this District and is the number one cash income-producing crop in Tennessee, which also has the largest number of tobacco farmers within the region. Georgia's tobacco production has at times been greater than Tennessee's, but the number of farms are fewer and other farm enterprises outrank tobacco as income producers.

Florida is the next most important tobacco state, with Alabama in fourth place. Ranked among other enterprises, tobacco is of minor importance in both states. A very small acreage of Perique tobacco<sup>2</sup> grown in Louisiana is worthy of mention only because of its uniqueness. It is produced entirely within one parish but is famous worldwide for its value in tobacco blends.

In the District as a whole, tobacco acreage has declined rather sharply since 1945, but production has tended to remain stable because yields have increased. Improved farm technology has been responsible for rising yields as farmers for many years responded to profit incentives to increase output on their limited acreages. The recent movement to poundage quotas as a means of restricting production appears to have interrupted the upward trend in yields per acre.

The value of tobacco produced in both the nation and the District has soared since 1945. This has largely been attributable to the continuous price increases resulting from price-supporting operations carried out under the

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<sup>1</sup>These states include Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee.

<sup>2</sup>Named for an Acadian Frenchman credited with its development.

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**TABLE 1**  
**Tobacco Production**

<u>Year</u>	<u>Ala.</u>	<u>Ga.</u>	<u>Fla.</u>	<u>La.</u>	<u>Tenn.</u>	<u>District States</u>	<u>U. S.</u>
<b>Acres Harvested</b>							
<b>1,000 Acres</b>							
1945	0.30	103.80	21.90	0.30	124.20	250.50	1,821
1950	0.40	93.20	22.20	0.40	103.10	219.30	1,599
1955	0.60	102.00	25.00	0.20	85.10	212.90	1,495
1960	0.46	71.30	18.70	0.32	73.90	164.68	1,142
1965	0.50	56.20	15.50	0.28	69.15	141.63	976
1970	0.57	66.75	15.00	0.21	53.83	136.36	899
1971	0.59	59.63	13.15	0.20	51.76	125.33	838
1972	0.52	57.65	12.50	0.20	57.39	128.26	843
1973*	0.53	60.53	13.60	0.18	57.69	132.53	886
<b>Production</b>							
<b>1,000 lbs.</b>							
1945	270	105,975	20,082	192	146,386	272,905	1,991,108
1950	400	102,120	23,268	150	132,385	258,323	2,029,557
1955	654	149,385	35,133	150	129,519	314,841	2,192,852
1960	704	131,139	29,361	320	115,336	276,860	1,944,175
1965	798	114,145	26,214	259	131,276	272,692	1,854,568
1970	892	133,305	28,923	189	114,269	277,578	1,907,803
1971	1,035	115,119	25,630	170	105,605	247,559	1,704,884
1972	926	115,241	23,468	120	124,657	264,412	1,749,058
1973*	875	99,700	23,703	162	120,054	244,494	1,787,703
<b>Yield</b>							
<b>Lbs. Per Acre</b>							
1945	900	1,021	917	640	1,179	1,089	1,094
1950	1,000	1,096	1,048	375	1,284	1,178	1,209
1955	1,090	1,465	1,405	750	1,522	1,479	1,466
1960	1,530	1,839	1,571	1,000	1,631	1,681	1,703
1965	1,595	2,031	1,691	925	1,898	1,925	1,898
1970	1,565	1,997	1,928	900	2,123	2,036	2,121
1971	1,754	1,931	1,949	850	2,040	1,975	2,035
1972	1,781	1,999	1,877	600	2,172	2,069	2,076
1973*	1,651	1,647	1,743	900	2,081	1,845	2,017
<b>Farm Value</b>							
<b>\$1,000</b>							
1945	96	42,814	10,925	125	54,748	108,708	848,216
1950	188	50,958	19,382	90	59,441	130,059	1,048,545
1955	310	72,452	23,609	90	67,609	164,070	1,165,643
1960	379	77,372	27,276	234	70,009	175,270	1,183,802
1965	495	79,092	27,536	192	85,336	192,651	1,206,649
1970	633	102,260	30,278	151	79,557	212,879	1,389,311
1971	756	91,054	26,616	139	79,983	198,648	1,340,626
1972	778	99,582	26,433	98	91,867	218,758	1,442,801

Sources: USDA, **Agricultural Statistics 1972; Annual Report on Tobacco Statistics 1972; Crop Production**, November 9, 1973.

\*Indicated

tobacco program. In 1973, however, strong world-wide demand pushed tobacco prices well above support levels, particularly early in the season. Thus, even though District production was down in 1973, the farm value of the crop was likely to be much higher than in 1972.

### Government Programs

Almost from the outset of the tobacco industry's development, the commodity was so important to the economic welfare of producers that demands arose for some organized form of control over production and marketing. Producers were susceptible to economic devastation from the

overproduction which regularly followed periods of improved prices. These cycles eventually led to continuous government programs designed to stabilize production from year to year.

The Agricultural Adjustment Act of 1938 converted earlier programs to permanent legislation. Under this Act, tobacco production has been rigidly controlled either by acreage allotments or by strict marketing allotments known as poundage quotas. In some locations both measures are in effect. The acreage allotment specifies the number of acres that may be grown by an individual producer, based on the farm's historical output of the crop. Because of tobacco production's high labor requirements, the acreage allotment per farm

**TABLE 2**  
**Governmental Revenue from Tobacco Products**  
 (\$ Mil.)

Fiscal year	Federal	State	Local	All Governments
1963-64	2,053	1,196	84	3,333
1964-65	2,149	1,284	102	3,535
1965-66	2,074	1,541	105	3,720
1966-67	2,080	1,615	116	3,811
1967-68	2,122	1,886	100	4,108
1968-69	2,138	2,056	97	4,291
1969-70	2,094	2,308	129	4,531
1970-71	2,207	2,536	140	4,883
1971-72	2,207	2,830	143	5,180
1972-73	2,229	3,010	146	5,385

Source: USDA, *Tobacco Situation*, Sept. 1973

was originally quite small and has been progressively whittled away to offset rising yields.

In order to produce maximum output on their small allotments, growers tended to utilize techniques that sometimes lowered tobacco quality. This brought about the adoption of the poundage quota, which specifies the number of pounds that a grower is entitled to market during a given year.

Under poundage quotas, a grower has a stronger incentive to produce a quality of tobacco that will bring the best price per pound. Under acreage controls alone, guaranteed minimum prices on total production often induced growers to adopt techniques that would maximize yields even though quality was reduced. In localities where poundage quotas alone prevail, a grower has greater freedom in determining how much land he will combine with other resources to produce that poundage; and a higher quality product has usually resulted.

A grower is allowed to produce and market up to 110 percent of his particular poundage quota in any given year, but the following year his quota will be reduced by a corresponding amount. On the other hand, if the grower happens to fall short of his allotment, he can grow more tobacco in the succeeding year in order to make up the deficit. This has generally led to a more satisfactory marketing arrangement for growers, and they continue to approve poundage quotas in conjunction with acreage controls in Georgia, Alabama, and Florida and in lieu of acreage controls in Tennessee.

In addition to production controls, the U. S. Department of Agriculture closely supervises market operations in tobacco growing areas. Both state and Federal governments regulate the number of buyers allocated to individual markets, the length of time markets may operate, and the specific conditions under which markets may be held. Warehouses must be licensed by state authorities. In this way, warehouses in any particular growing area are limited to the number considered justifiable for

orderly marketing conditions. Limited markets and limited periods of operation are major sources of dissatisfaction among growers, who often feel they have not had ample time or opportunity to dispose of their crop.

Tobacco prices received by growers are supported at a parity level calculated to maintain the approximate relationship existing between tobacco prices and the prices of goods and services purchased by farmers in 1959. For many years prior to this, tobacco prices were supported at 90 percent of the 1910-14 parity level. Price supports are accomplished through the Tobacco Stabilization Corporation, an agency within the USDA which places a minimum bid on each lot of tobacco auctioned. Unless the bid is raised by other buyers, the Stabilization Corporation takes possession of the lot. The Commodity Credit Corporation issues nonrecourse loans on the tobacco, which eventually moves into government-owned stocks if the loans are not redeemed.

The effect of this operation has been to maintain prices to domestic growers well above those in world markets in most years.<sup>3</sup> Duties have been levied to discourage domestic manufacturers from importing lower-priced foreign tobaccos. This provides protection for the domestic grower but also increases the prices paid by consumers. Price increases attributable to protective duties and grower subsidies have been small, however, compared to those resulting from various taxes levied on retail sales of tobacco products.

Tobacco has been a prime revenue earner for both state and national governments for many years. In fact, taxes account for the largest single share in the price of a package of cigarettes. State taxes alone range from a low of 2.0 cents per package in North Carolina to a high of 21 cents in Connecticut and average about 11.5 cents nationwide. Federal taxes claim an additional 8 cents, bringing the average tax total to around 20 cents per package of 20 cigarettes. Total government revenue from sales of all tobacco products exceeded \$5.3 billion in fiscal 1972.

### Use of Off-farm Inputs

For most of its history, tobacco production has been labor-intensive with only moderate mechanization.

<sup>3</sup>In recent years, prices received by U. S. growers of flue-cured tobacco have averaged about 25 cents per pound above the prices of flue-cured tobacco exported by Rhodesia, Zambia, and Malawi, thought by some to be typical of world tobacco market prices. At that rate, the calculated income support received by American tobacco growers from a 1.8-billion pound crop would amount to about \$450 million, or approximately one-third of the total value of recent crops. The cost borne by the government is limited to the amount acquired and disposed of below cost. In the mid-1950's, government purchases approached 20 percent of annual production, but acquisitions have averaged less than 5 percent during the 1970's. Thus, the bulk of the income support has been borne directly by the consumer.

Use of off-farm inputs has been rather light compared with most commercial crops in the United States. Recent changes in some areas have brought wider adoption of labor-saving inputs. In flue-cured tobacco production, a mechanical harvester has drastically reduced labor hours, but the machine is still in limited use.

Table 3 shows that labor accounts for about one-half of the total variable cost of tobacco production. Other inputs that have grown in importance as yields have increased are: fertilizer and lime; chemicals for control of insects, diseases, suckers, and weeds; fuel; and numerous miscellaneous expenses associated with increasing mechanization. Expenditure per acre varies from one area to another, but USDA studies indicate a typical production cost of about \$740 per acre. For the District as a whole, 135,000 tobacco allotments, grown on 133,000 acres, are estimated to generate annual production expenditures of about \$100 million, which flows to workers and merchants supplying off-farm inputs.

About 65,000 District farmers grow tobacco and, of course, many of them control more than one allotment. Nationally, there were in excess of 530,000 allotments issued to grow tobacco in 1972. The allotments averaged about 1.6 acres and were operated by several hundred thousand individual producers.

### Processing and Marketing

Tobacco's major contribution to the region's economy occurs at the farm level, but the movement of the harvested leaf from the farm into marketing, processing, and distribution facilities also generates significant economic activity.

Warehousing is the first major off-farm activity in the marketing chain. This is where the world-famous tobacco auctions occur. Farmers bring their individual bundles into a warehouse where they are held temporarily until sold at auction. Warehouse owners typically charge 4 percent of gross revenue for the services they provide in giving the farmer space for his tobacco crop, bringing in buyers, and conducting the auctions. A typical warehouseman employs six to eight people to provide necessary services during the marketing season.

Within the tobacco-growing areas of the District, there are over 200 warehouses used for marketing during a six- to eight-week period each year. During the off season, these may be used for storage of a variety of products either by the owner or by other merchants and dealers willing to pay insurance premiums on the warehouses during the period of use. Sometimes they may sit idle.

Most of the tobacco produced within the District moves elsewhere for processing. Cigarette tobacco is typically shipped directly from warehouses to storage sites at manufacturing plants located in

**TABLE 3**  
Estimated Inputs and Variable Costs  
in Tobacco Production

	Quantity	Value	Estimated <sup>1</sup> Total Costs District States
(Per Acre)			
<b>Preharvest Inputs:</b>			
Labor	92.98 hrs.	\$101.32	\$13,427,940
Seed & Plant Bed		32.42	4,296,623
Fertilizers	19.00 cwt.	59.60	7,898,788
Power & Equipment	18.16 hrs.	34.38	4,556,381
Insecticides & Fungicides	—	24.76	3,281,443
Herbicides	—	17.50	2,319,275
Insurance	—	50.00	6,626,500
Interest	—	13.00	1,722,890
<b>Total Preharvest Cost</b>		<b>\$332.98</b>	<b>\$44,129,840</b>
<b>Harvest Inputs:</b>			
Labor	255.90 hrs.	\$267.60	\$35,465,028
Power & Equipment	27.00 hrs.	30.12	3,991,804
Heating Fuel	3.30 gal.	59.40	7,872,282
Sticks & Twine	—	12.50	1,656,625
Marketing Charge	18.00 cwt.	36.00	4,771,080
<b>Total Harvest Cost</b>		<b>\$405.62</b>	<b>\$53,756,819</b>
<b>Total Variable Cost</b>		<b>\$738.60</b>	<b>\$97,886,659</b>

Source: USDA, Selected U. S. Crop Budgets, Yields, Inputs, and Variable Costs, Volume 1, Southeast Region, ERS 457, April 1971.

<sup>1</sup>Cost per acre multiplied by total acreage of tobacco for harvest in 1973.

states outside the District. Cigarette tobacco processing within the District is limited to leaf-stemming and redrying operations. A Tennessee company engaged exclusively in leaf processing operates several plants in the area.

In addition, five major companies are involved in manufacturing chewing tobacco, smoking tobacco, and snuff in Tennessee. These plants list about 800 full-time employees, with seasonal employment running much higher.

Though Florida is not a major tobacco-producing state, it accounts for most of the District's cigar manufacturing. This industry is a major user of imported tobaccos as well as the specialized cigar tobaccos produced within the District. The state directory of industry identifies 37 different firms engaged in tobacco manufacturing. Total employment in these firms approaches 5,000 on a full-time annual basis. Although most of these manufacturers are rather small, at least nine firms employ more than 100, and one firm lists 1,500 full-time employees.

Alabama and Georgia report a total of five cigar manufacturing companies employing a total of 1,300 full-time employees. A cigarette-manufacturing plant is reportedly planned for Georgia within the near future. Louisiana contains three small companies, with a combined employment of 80, which manufacture blends of Perique tobacco, primarily for the export trade.

Although the number has declined in the past decade, approximately 7,200 full-time employees are directly engaged in some form of tobacco manufacturing in the Sixth District. At average annual earnings of \$7,700 per worker, these workers contribute an estimated \$55.4-million total income to the region's economy each year.

The Tobacco Institute indicates that the total manufacturing employment in the industry as a whole amounted to about 75,000 people in 1972. Thus, the total annual payroll generated by U. S. tobacco manufacturing activities is an estimated \$578 million.

### Industry Financing

Both commercial banks and farm credit agencies are involved in financing tobacco at the farm level. Compared with other crops, tobacco financing is not a large venture for most lenders because acreage allotments are extremely small and the typical grower does not borrow a large amount to produce his crop. Nevertheless, spokesmen for agricultural lenders indicate that tobacco is important to their areas, and they are quick to admit that tobacco is a major determinant of the economic welfare of communities where its production is concentrated.

The reduction in number of tobacco producers that is accompanying the advent of mechanized harvesting seems likely to change financing at the producer level. In the flue-cured tobacco area, efforts are already being made to assemble much larger acreages on individual farms, although current restraints against moving allotments across county lines are hindering this development. Nevertheless, many growers have already succeeded in combining allotments into tracts of 30 acres or more. A mechanized harvester costing about \$30,000 can be economically justified on operations of this scale. Machinery of this sophistication and value will involve lending agencies in tobacco financing at the farm level to a greater extent.

The warehousing operation is currently a major user of credit in tobacco-producing areas. Warehouse operators usually do not buy large amounts of the crop, but they generate a substantial volume of credit for commercial banks during the marketing season. Buyers who purchase tobacco at a particular warehouse auction usually pay with checks written on banks located outside the area. Immediately after the sale, producers receive payment in checks drawn on the warehouseman's account at the local bank. Bank financing provides the immediate credit needed by warehousemen to pay off producers before buyers' checks are collected.

Where buyers write checks on banks in distant cities, a large amount of credit is sometimes extended until these checks are cleared. For example, during the 1973 marketing season,

Japanese buyers made direct purchases in tobacco markets with checks drawn on California banks. A considerably longer clearing time is required for these checks as compared to those issued by domestic buyers headquartered in nearby areas.

Major tobacco companies allow stocks to age for approximately three years before processing into final products. During this period, the tobacco inventory ties up a great deal of capital, which may be supplied either by the company's internal funds or by large commercial banks.

Tobacco's prominent role in the export market involves the use of credit in another manner. Bankers, both domestic and international, become involved in financing tobacco that moves in international trade. When tobacco is placed on board ship to move into the export market, the shipper typically receives payment by a draft on a bank at the destination point. That bank finances the transaction until the shipment is delivered to the buyer, who then settles with the bank for the credit extended. Thus, credit equivalent to the tobacco's value in transport is extended for the period of shipment.

### Foreign Markets

U. S. tobacco acreage is less than 10 percent of the world acreage but accounts for nearly 20 percent of production; and U. S. tobacco makes up over one-fifth of total world tobacco exports. The high quality of U. S. tobacco has commanded a prime position in foreign markets for many years.

Flue-cured tobacco, produced in Florida, Georgia, and Alabama, is one of the prime types moving in export markets. It is estimated that a major portion of flue-cured tobacco produced within the Sixth District eventually enters the export trade.<sup>4</sup>

Until 1973, more and more U. S. tobacco had been moving to foreign markets by means of various export subsidies, which were terminated effective with the 1973 crop. Because growers' prices had been supported above world price levels, these subsidies were required to move government stocks into world trade. Much tobacco had moved under the Food for Peace Program (Public Law 480) which entitles foreign countries to acquire surplus commodities from the U. S. Government under a variety of cost-reducing arrangements.

The barter provisions of Public Law 480, whereby the government exchanged surplus commodities for certain strategic materials, had accounted for a large, continuously increasing share of government-

<sup>4</sup>Exports of unmanufactured tobacco from the Miami Customs Region in 1972 were valued at \$293 million. About two-thirds of this tobacco is estimated to have originated within the Sixth Federal Reserve District states, reflecting the majority of the annual crop.

## Policy Considerations

TABLE 4

**Government-Financed Versus Other Exports of Unmanufactured Tobacco**

Year Ending June 30	Government Financed <sup>1</sup>	Other Sales	Government Financed as Percent of Total (Percent)
(Million Pounds)			
Average:			
1955-59	49.2	447.9	9.9
1960	94.5	362.1	20.7
1965	49.9	434.1	10.3
1970	201.8	369.2	35.3
1971	242.4	312.3	43.7
1972	240.9	283.8	46.0
1973 <sup>2</sup>	219.7	349.9	38.6

<sup>1</sup>Includes primarily exports under Public Law 480 and short-term Commodity Credit Corporation credit

<sup>2</sup>Preliminary

Source: USDA, *Tobacco Situation*, September 1973

financed tobacco exports. In recent years, exports involving the government had accounted for up to 46 percent of total U. S. tobacco exports.

World tobacco prices increased in 1973, and commercial exports of U. S. tobacco benefited from currency realignments and shortfalls in foreign production. Despite the removal of subsidies, the export market for U. S. tobacco appears the brightest in many years. Tobacco consumption is increasing as personal incomes rise in a majority of the countries of the world. The development of synthetic tobacco products, reputedly less hazardous to health, has not materially altered the brisk worldwide tobacco demand expressed in export markets in 1973.

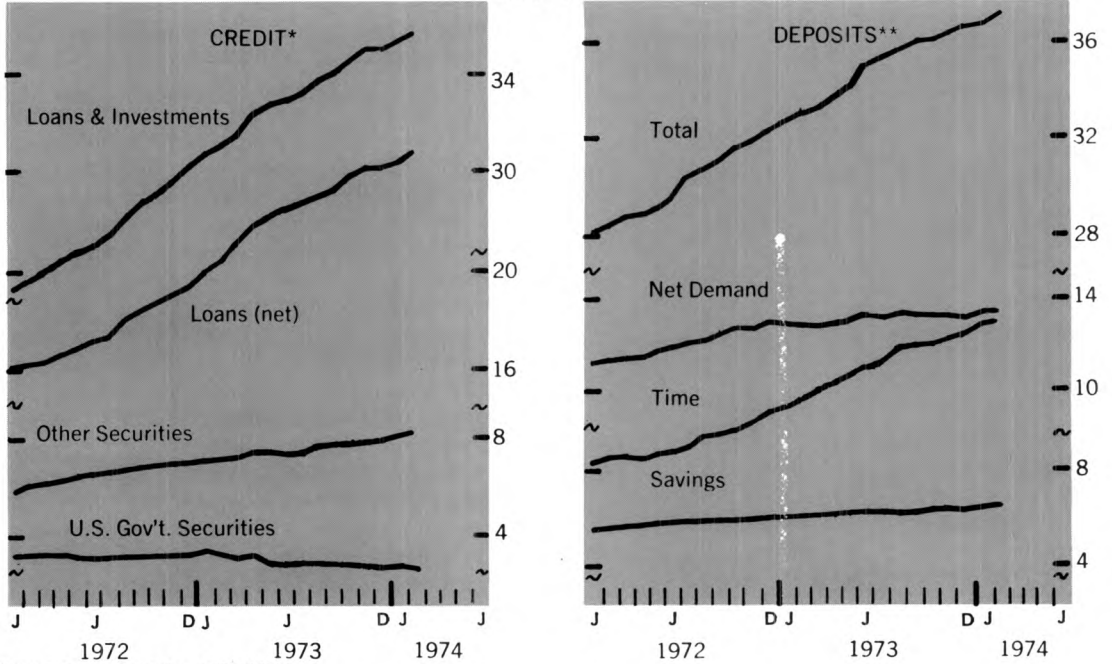
Restrictions on the amount of chemical residues that can be contained upon tobacco leaves in some international markets caused grave concern among tobacco growers. Adjustments have been rapid, however, and either offending chemicals have been eliminated or application procedures modified to meet restrictions.

There are probably no programs in which conflicting governmental policy is more obvious than in those involving the tobacco industry. The government is heavily involved in regulating tobacco production because of the crop's long-standing importance to the nation's economy and because of the large number of people affected by the industry. At the same time, the government has the responsibility of protecting the health and safety of its citizens by policing potentially hazardous products marketed for human consumption. These vast responsibilities place branches of the government in conflicting positions with regard to their specific regulations governing tobacco. To subsidize the production and exportation of a commodity—some forms of which have been labeled as hazardous to health—is a conflict that seems likely to arouse growing consternation as time passes.

Meanwhile, recent progress in mechanization of tobacco production may quickly reshape the structure of tobacco farming. As farm sizes grow, by one means or another, to accommodate large machines, many operators will be released from tobacco production. Should the ranks of tobacco producers and their political influence dwindle significantly in the future, changes in tobacco legislation may come more easily. In fact, the initiative for some changes may arise from growers themselves as they seek freedom to move tobacco production into the modern farm era of large-scale production and low unit costs. In that structure, tobacco will probably remain an important crop nationally as well as in the region for years to come. However, the subsidy provided directly to growers through ever-rising price supports and, indirectly, to other segments of the industry might be sharply curtailed if not altogether eliminated. Indeed, there is some evidence that similar program changes are now being considered by policy formulators. ■

## BANKING STATISTICS

Billion \$



LATEST MONTH PLOTTED: FEBRUARY

\*Figures are for the last Wednesday of each month

\*\*Daily average figures.

## SIXTH DISTRICT BANKING NOTES

# Shift in Consumer Deposits

### SIXTH DISTRICT MEMBER BANK TIME DEPOSITS (Includes CD's over \$100,000)

December 1973

DISTRICT	Amount (million \$)	% Change From Year Ago	DISTRICT	Amount (million \$)	% Change From Year Ago
	19,644.3	+ 21.0	<b>GEORGIA</b>	2,957.3	+ 22.0
<b>ALABAMA</b>	2,859.5	+ 18.6	Atlanta	2,013.5	+ 28.2
Anniston-Gadsden	164.1	+ 14.2	Augusta	284.5	+ 11.4
Birmingham	1,271.6	+ 18.8	Columbus <sup>1</sup>	216.2	+ 19.4
Dothan	139.5	+ 16.1	Macon	145.1	+ 3.5
Mobile	511.6	+ 24.0	Savannah	285.3	+ 10.5
Montgomery	510.6	+ 16.3	South Georgia	91.2	+ 5.9
<b>FLORIDA</b>	7,445.5	+ 21.6	<b>LOUISIANA*</b>	2,409.6	+ 17.8
Jacksonville	713.0	+ 24.2	Alexandria-Lake Charles	239.4	+ 13.6
Miami	3,477.4	+ 21.6	Baton Rouge	368.3	- 3.3
Orlando	1,009.5	+ 21.5	Lafayette-Iberia-Houma	194.6	+ 16.6
Pensacola	187.6	+ 34.3	New Orleans	1,629.1	+ 24.5
Tampa-St. Petersburg	2,058.1	+ 19.9	<b>TENNESSEE*</b>	2,887.8	+ 19.4
<b>MISSISSIPPI*</b>	1,084.6	+ 34.2	Chattanooga	472.5	+ 20.9
Jackson	682.4	+ 33.8	Knoxville	476.4	+ 11.2
Hattiesburg-Laurel-Meridian <sup>1</sup>	270.2	+ 35.5	Nashville	2,062.1	+ 26.8
Natchez	66.9	+ 21.0	Tri-Cities <sup>1</sup>	103.8	- 31.7

Note: Figures shown are for trade and banking areas, which include several counties surrounding central cities. Boundaries of some areas do not coincide with state lines.

<sup>1</sup>Year-ago changes reflect structural changes in series.

\*Represents that portion of the state in the Sixth District.



Interest-bearing deposits at District member banks grew 21 percent during 1973, a credit restraint year when demand deposits other than interbank deposits increased only 1 percent. Although the growth of large-denomination money market time deposits attracted much attention, the level and composition of consumer time and savings deposits also changed significantly. By October 1973, small-denomination consumer deposits had increased \$633 million over the previous year's \$11,178-million total. This increase came despite anticipation in late spring that these funds might flow out of banks because of high interest rates available to savers in the open market.

Interest rates banks pay on consumer time and savings deposits vary with maturity. Passbook savings accounts, which have no stipulated maturity, usually draw a lower return than do time certificates. Passbook savings, nonetheless, remain the most popular form of savings, making up about 50 percent of all small-denomination interest-bearing accounts in the District.

Many consumers, however, take advantage of higher rates offered on certificates of deposit, with short-term maturities varying from 90 days to 1 year and longer-term certificates maturing in 1 to 4 years or more. The interest rates banks and thrift institutions pay on these savings certificates are limited by regulatory ceilings.

As the year progressed, the banks' and other depository institutions' ability to attract consumer thrift deposits weakened because rates on market securities rose above those they were allowed to pay under the regulatory ceilings. To alleviate a possible reduction of these savings flows, regulatory agencies increased the member bank ceiling rates, effective July 1.

By October, passbook savings at District member banks had increased \$250 million over a year ago rather than decreasing as had been feared. One reason was that the average rate offered by these banks had risen to 4.8 percent, compared with 4.3 percent in 1972.

Rates on short-term certificates maturing in less than one year also increased, from 5.0 percent to 5.4 percent over the same period. Even so, the volume of these short-term certificates fell by \$438 million, whereas certificates maturing over one year offering even higher rates increased a hefty \$832 million. Complex events in money markets, together with regulatory rate changes, thus resulted in a sustained level of slightly higher interest-bearing consumer passbook savings and a shifting of consumer time funds from shorter-maturity to longer-maturity certificates yielding the highest available rates.

This shift to longer maturities was especially marked after mid-1973, when banks, along with other thrift institutions, started making active use of the new authority to offer ceiling-free four-year ("wildcard") certificates. By the end of August, a sample of large District banks had issued new four-year certificates totaling \$177 million. This total increased at about a 20-percent monthly rate during

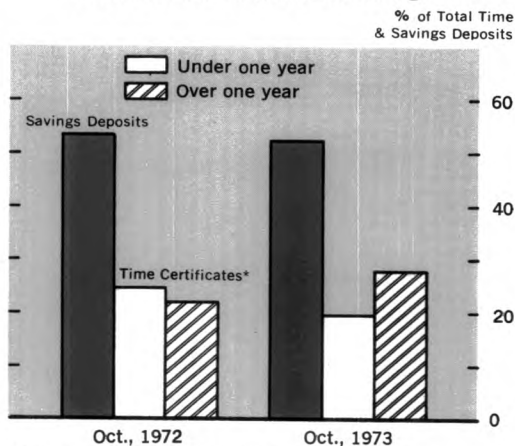
#### MATURITY DISTRIBUTION

October 1973

	\$ Millions	% of Total
Savings Deposits	5,957	50.4
Christmas Savings	228	1.9
Time Deposits under \$100,000		
Maturing in: less than 1 year	2,335	19.8
1 — 2½ years	2,018	17.1
2½ — 4 years	581	4.9
Over 4 years	691	5.9
Total	11,810	100.0

Note: Figures cover all District member banks.

#### Shift Towards Longer Term Savings



\*Consumers hold 85% of these time certificates.  
Note: Figures cover all District member banks.

September and October, as savers apparently shifted from shorter maturities into the "wildcards."

At the end of October, about 75 percent of all District member banks offered these certificates, and their holdings totaled \$680 million. About half the total was held by smaller banks whose total deposit size was less than \$100 million. The most common rate paid was 7¼ percent, although many banks paid as high as 7¾ percent; and a few offered rates over 8 percent. Large banks in the \$100-million and over size did not appear to compete so aggressively for consumer certificates, and their rates averaged somewhat lower.

So as not to impair savings flows to thrift institutions that provide mortgage credit, the regulatory agencies, as directed by Congress, set new ceilings of 7¼ percent for banks and 7½ percent for thrift institutions on certificates maturing in four years or more, effective November 1. Thereafter, growth in four-year certificates at District member banks slowed to about \$42 million in November and in December, or to about a 6-percent monthly rate. January, however, posted a strong \$154 million upsurge as shorter-term certificates purchased prior to the rate changes reached maturity and consumers shifted their savings to the higher-rate four-year certificates. Consumer savings volume in the form of certificates maturing over one year thus remains considerably higher than in previous years.

Charles D. Salley

# Sixth District Statistics

Seasonally Adjusted

(All data are indexes, unless indicated otherwise.)

SIXTH DISTRICT					FLORIDA				
	Latest Month	One Month Ago	Two Months Ago	One Year Ago		Latest Month	One Month Ago	Two Months Ago	One Year Ago
<b>INCOME AND SPENDING</b>					<b>INCOME</b>				
Manufacturing Payrolls	Jan. 173	172	170	152	Manufacturing Payrolls	Jan. 180	179	179	154
Farm Cash Receipts	Dec. 190	185	201	144	Farm Cash Receipts	Dec. 160	182	217	145
Crops	Dec. 217	216	191	159	<b>EMPLOYMENT</b>				
Livestock	Dec. 190	185	222	154	Nonfarm Employment	Jan. 142.5	143.3	144.0	136.3
Installment Credit at Banks* (Mil. \$)					Manufacturing	Jan. 121.4	122.4	123.2	116.8
New Loans	Jan. 679	664r	752	655	Nonmanufacturing	Jan. 146.6	147.4	148.0	140.1
Repayments	Jan. 636	612r	628	565	Construction	Jan. 183.4	185.3	187.6	170.5
<b>EMPLOYMENT AND PRODUCTION</b>					<b>FINANCE AND BANKING</b>				
Nonfarm Employment	Jan. 130.0	129.4	N.A.	125.5	Member Bank Loans	Jan. 242	235	237	196
Manufacturing	Jan. 117.2	117.4	N.A.	115.0	Member Bank Deposits	Jan. 195	194	192	177
Nondurable Goods	Jan. 115.0	115.4	N.A.	112.5	Bank Debits**	Jan. 231	230	228	192
Food	Jan. 105.8	105.0	N.A.	105.1	<b>GEORGIA</b>				
Textiles	Jan. 113.2	113.5	N.A.	112.0	<b>INCOME</b>				
Apparel	Jan. 114.0	114.8	N.A.	113.4	Manufacturing Payrolls	Jan. 165	165	158	143
Paper	Jan. 112.2	112.9	N.A.	112.0	Farm Cash Receipts	Dec. 246	194	254	154
Printing and Publishing	Jan. 126.7	127.3	N.A.	123.2	<b>EMPLOYMENT</b>				
Chemicals	Jan. 108.8	109.4	N.A.	106.1	Nonfarm Employment	Jan. 131.1	129.7	N.A.	124.6
Durable Goods	Jan. 119.8	120.0	N.A.	116.8	Manufacturing	Jan. 113.7	114.2	N.A.	111.7
Lbr., Wood Prods., Furn. & Fix.	Jan. 119.0	117.7	N.A.	117.5	Nonmanufacturing	Jan. 139.1	136.8	N.A.	132.7
Stone, Clay, and Glass	Jan. 125.3	123.6	N.A.	120.1	Construction	Jan. 152.9	152.1	N.A.	143.7
Primary Metals	Jan. 112.6	113.1	N.A.	112.3	Farm Employment	Jan. 96.4	91.1	89.6	92.5
Fabricated Metals	Jan. 133.6	132.7	N.A.	126.1	Unemployment Rate				
Machinery	Jan. 150.2	150.0	N.A.	138.4	(Percent of Work Force)		N.A.	N.A.	N.A.
Transportation Equipment	Jan. 106.7	110.2	N.A.	109.8	Avg. Weekly Hrs. in Mfg. (Hrs.)	Jan. 41.1	40.8	41.2	41.0
Nonmanufacturing	Jan. 134.5	133.5	N.A.	129.2	<b>FINANCE AND BANKING</b>				
Construction	Jan. 145.9	143.1	N.A.	137.2	Member Bank Loans	Jan. 295	290	281	239
Transportation	Jan. 115.0	114.7	N.A.	111.2	Member Bank Deposits	Jan. 237	228	232	210
Trade	Jan. 135.9	134.8	N.A.	130.6	Bank Debits**	Jan. 282	288r	302	242
Fin., ins., and real est. services	Jan. 141.0	141.5	N.A.	134.7	<b>LOUISIANA</b>				
Federal Government	Jan. 141.7	142.7	N.A.	137.0	<b>INCOME</b>				
State and Local Government	Jan. 104.0	102.9	N.A.	101.4	Manufacturing Payrolls	Jan. 152	149	147	137
Farm Employment	Jan. 135.0	134.5	N.A.	129.7	Farm Cash Receipts	Dec. 185	204	222	148
Unemployment Rate	Jan. 90.7	87.9	84.9	91.2	<b>EMPLOYMENT</b>				
(Percent of Work Force)					Nonfarm Employment	Jan. 118.6	116.5	117.2	115.5
Insured Unemployment					Manufacturing	Jan. 108.1	105.8	104.9	107.1
(Percent of Cov. Emp.)	Jan. 1.9	1.8	1.6	1.9	Nonmanufacturing	Jan. 120.8	118.7	118.6	117.3
Avg. Weekly Hrs. in Mfg. (Hrs.)	Jan. 41.1	40.9	41.6	39.6	Construction	Jan. 97.9	92.6	90.3	92.6
Construction Contracts*	Jan. 207	255	325	255	Farm Employment	Jan. 78.2	81.9	71.9	78.2
Residential	Jan. 210	258	324	331	Unemployment Rate				
All other	Jan. 205	252	325	180	(Percent of Work Force)		N.A.	N.A.	N.A.
Cotton Consumption**	Dec. 78	78	80	83	Avg. Weekly Hrs. in Mfg. (Hrs.)	Jan. 41.0	40.9	40.3	38.9
Petroleum Production**	Oct. 108	109	105	119	<b>FINANCE AND BANKING</b>				
Manufacturing Production	Oct. 307.5	304.2	304.7	280.6	Member Bank Loans	Jan. 271	251	253	209
Nondurable Goods	Oct. 244.8	244.4	244.8	234.0	Member Bank Deposits	Jan. 181	180	174	168
Food	Oct. 188.6	188.6	189.1	183.5	Bank Debits**	Jan. 299	268	280	236
Textiles	Oct. 298.1	297.8	297.8	276.1	<b>MISSISSIPPI</b>				
Apparel	Oct. 289.4	290.0	290.1	271.9	<b>INCOME</b>				
Paper	Oct. 224.8	224.9	225.2	221.0	Manufacturing Payrolls	Jan. 191	192	189	168
Printing and Publishing	Oct. 155.3	156.4	157.4	157.5	Farm Cash Receipts	Dec. 246	174	171	187
Chemicals	Oct. 319.6	315.4	311.7	302.8	<b>EMPLOYMENT</b>				
Durable Goods	Oct. 382.0	375.1	376.1	336.8	Nonfarm Employment	Jan. 130.5	130.4	129.3	125.1
Lumber and Wood	Oct. 202.0	201.8	202.4	197.8	Manufacturing	Jan. 131.7	132.0	131.4	128.9
Furniture and Fixtures	Oct. 190.8	191.4	191.7	187.7	Nonmanufacturing	Jan. 130.0	129.6	128.3	123.3
Stone, Clay, and Glass	Oct. 211.9	206.9	205.9	193.7	Construction	Jan. 146.6	136.9	136.5	136.2
Primary Metals	Oct. 271.6	257.8	254.7	221.8	Farm Employment	Jan. 83.3	79.5	79.9	85.7
Fabricated Metals	Oct. 298.0	293.4	287.6	278.5	<b>ALABAMA</b>				
Nonelectrical Machinery	Oct. 501.8	498.5	496.9	438.9	<b>INCOME</b>				
Electrical Machinery	Oct. 917.4	920.0	916.0	739.5	Manufacturing Payrolls	Jan. 176	173	175	159
Transportation Equipment	Oct. 471.8	456.7	471.3	439.5	Farm Cash Receipts	Dec. 197	225	196	155
<b>FINANCE AND BANKING</b>					<b>EMPLOYMENT</b>				
Loans*					Nonfarm Employment	Jan. 121.2	120.4	121.0	116.7
All Member Banks	Jan. 266	257	253	213	Manufacturing	Jan. 117.8	117.7	117.7	114.3
Large Banks	Jan. 254	243	238	197	Nonmanufacturing	Jan. 122.8	121.6	122.5	117.8
Deposits*					Construction	Jan. 131.7	132.3	134.9	131.0
All Member Banks	Jan. 206	200	200	185	Farm Employment	Jan. 86.7	82.0	76.4	85.1
Large Banks	Jan. 179	177	175	161	<b>MISSISSIPPI</b>				
Bank Debits**	Jan. 258	250r	255	219	<b>INCOME</b>				
<b>ALABAMA</b>					<b>EMPLOYMENT</b>				
<b>INCOME</b>					<b>INCOME</b>				
Manufacturing Payrolls	Jan. 176	173	175	159	Manufacturing Payrolls	Jan. 191	192	189	168
Farm Cash Receipts	Dec. 197	225	196	155	Farm Cash Receipts	Dec. 246	174	171	187
<b>EMPLOYMENT</b>					<b>EMPLOYMENT</b>				
Nonfarm Employment	Jan. 121.2	120.4	121.0	116.7	Nonfarm Employment	Jan. 130.5	130.4	129.3	125.1
Manufacturing	Jan. 117.8	117.7	117.7	114.3	Manufacturing	Jan. 131.7	132.0	131.4	128.9
Nonmanufacturing	Jan. 122.8	121.6	122.5	117.8	Nonmanufacturing	Jan. 130.0	129.6	128.3	123.3
Construction	Jan. 131.7	132.3	134.9	131.0	Construction	Jan. 146.6	136.9	136.5	136.2
Farm Employment	Jan. 86.7	82.0	76.4	85.1	Farm Employment	Jan. 83.3	79.5	79.9	85.7

	Latest Month	One Month Ago	Two Months Ago	One Year Ago		Latest Month	One Month Ago	Two Months Ago	One Year Ago
<b>UNEMPLOYMENT RATE</b> (Percent of Work Force) . . . . .					<b>EMPLOYMENT</b>				
Avg. Weekly Hrs. in Mfg. (Hrs.) . . . . .	Jan. N.A.	40.2	40.4	40.5	38.1	Jan. 126.0	125.2	125.2	123.8
<b>FINANCE AND BANKING</b>					<b>FINANCE AND BANKING</b>				
Member Bank Loans* . . . . .	Jan. 265	261	250	212	Member Bank Loans* . . . . .	Jan. 250	245	239	208
Member Bank Deposits* . . . . .	Jan. 213	209	209	180	Member Bank Deposits* . . . . .	Jan. 198	192	189	179
Bank Debits** . . . . .	Jan. 238	213	221	194	Bank Debits** . . . . .	Jan. 232	223	215	188
<b>TENNESSEE</b>					<b>TENNESSEE</b>				
<b>INCOME</b>					<b>INCOME</b>				
Manufacturing Payrolls . . . . .	Jan. 179	178	177	156	Manufacturing Payrolls . . . . .	Jan. 179	178	177	156
Farm Cash Receipts . . . . .	Dec. 149	202	180	110	Farm Cash Receipts . . . . .	Dec. 149	202	180	110

\*For Sixth District area only; other totals for entire six states      \*\*Daily average basis      †Preliminary data      ‡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; 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.

†Data benchmarked to June 1971 Report of Condition. Employment data for Alabama, Georgia, Louisiana, and Mississippi have been adjusted to new bench marks.

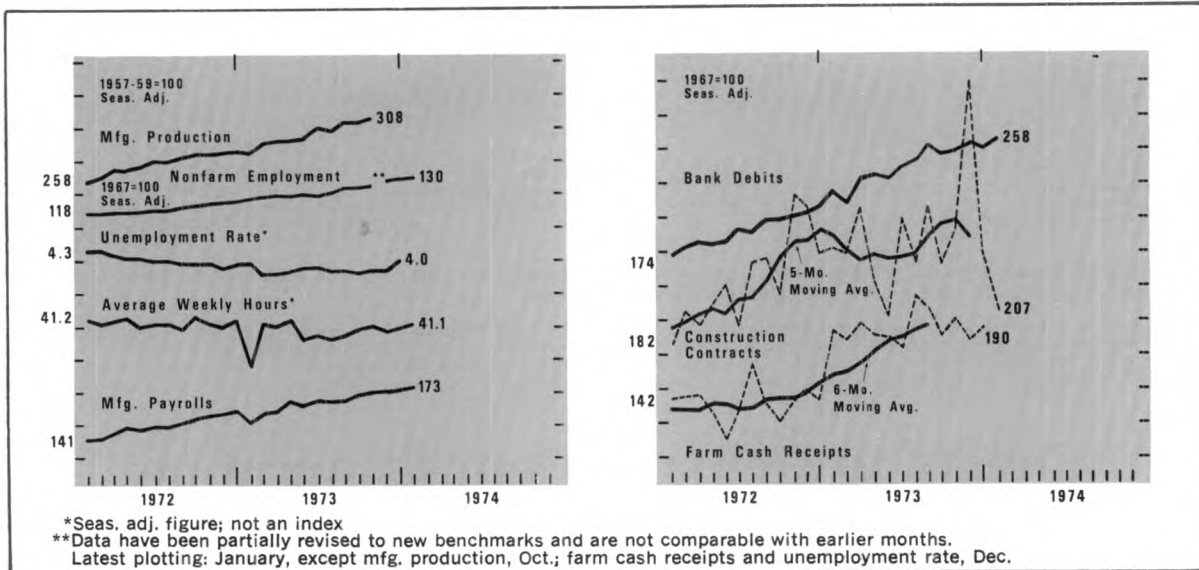
# Debits to Demand Deposit Accounts

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

	Percent Change						Percent Change					
	Jan. 1974		Dec. 1973		Jan. 1973		Jan. 1974		Dec. 1973		Jan. 1973	
	Jan. 1974	Dec. 1973	Jan. 1973	Dec. 1973	Jan. 1973	Jan. 1974	Dec. 1973	Jan. 1973	Dec. 1973	Jan. 1973	Dec. 1973	
<b>STANDARD METROPOLITAN STATISTICAL AREAS**</b>												
Birmingham . . . . .	4,227,100	4,083,196	3,463,148	+ 4	+22		202,132	181,911r	149,192	+11	+35	
Gadsden . . . . .	101,757	104,886	98,715	- 3	+ 3		112,233	105,915	84,362	+ 6	+33	
Huntsville . . . . .	358,900	339,223	306,761	+ 6	+17							
Mobile . . . . .	1,163,737	1,148,377	1,016,862	+ 1	+14							
Montgomery . . . . .	686,336	675,649	608,096	+ 2	+13							
Tuscaloosa . . . . .	263,379	223,624	186,934	+18	+41							
<b>Bartow-Lakeland-</b>												
Winter Haven . . . . .	897,486	828,757	777,425	+ 8	+15							
Daytona Beach . . . . .	441,165	383,893	388,195	+15	+14							
<b>Ft. Lauderdale-</b>												
Hollywood . . . . .	2,065,826	1,983,822	2,046,210	+ 4	+ 1							
Ft. Myers . . . . .	461,351	348,645	355,433	+32	+30							
Gainesville . . . . .	290,011	291,469	226,061	- 1	+28							
Jacksonville . . . . .	4,705,955	4,255,061	3,708,643	+11	+27							
<b>Melbourne-</b>												
Titusville-Cocoa . . . . .	483,539	567,030	459,112	-15	+ 5							
Miami . . . . .	7,858,077	7,369,847	6,784,200	+ 7	+16							
Orlando . . . . .	1,724,707	1,636,562	1,456,569	+ 5	+18							
Pensacola . . . . .	458,420	428,969	423,123	+ 7	+ 8							
Sarasota . . . . .	642,957	574,906	503,977	+12	+28							
Tallahassee . . . . .	858,159	672,009	840,952	+28	+ 2							
Tampa-St. Pete. . . . .	4,650,102	4,154,749	4,049,988	+12	+15							
W. Palm Beach . . . . .	1,460,100	1,305,171	1,357,384	+12	+ 6							
<b>Albany</b> . . . . .	217,175	192,619r	199,880	+13	+ 9							
<b>Atlanta</b> . . . . .	18,353,747	16,406,077	13,589,470	+12	+35							
<b>Augusta</b> . . . . .	623,088	568,608	473,547	+10	+32							
<b>Columbus</b> . . . . .	486,331	427,906	419,374	+14	+16							
<b>Macon</b> . . . . .	685,477	578,021	499,470	+19	+37							
<b>Savannah</b> . . . . .	601,496	573,699	559,786	+ 5	+ 7							
<b>Alexandria</b> . . . . .	296,143	279,766	238,496	+ 6	+24							
<b>Baton Rouge</b> . . . . .	1,435,627	1,274,002	1,197,197	+13	+20							
<b>Lafayette</b> . . . . .	322,233	284,996	263,489	+13	+22							
<b>Lake Charles</b> . . . . .	286,483	229,028	235,152	+25	+22							
<b>New Orleans</b> . . . . .	4,972,677	4,519,503	5,743,787	+10	-13							
<b>Biloxi-Gulfport</b> . . . . .	252,040	218,667	217,675	+15	+16							
<b>Jackson</b> . . . . .	1,647,863	1,462,802	1,268,713	+13	+30							
<b>Chattanooga</b> . . . . .	1,410,480	1,474,922	1,157,708	- 4	+22							
<b>Knoxville</b> . . . . .	1,472,202	1,258,942	890,595	+17	+65							
<b>Nashville</b> . . . . .	3,898,405	3,580,488	3,266,594	+ 9	+19							
<b>OTHER CENTERS</b>												
Annisjon . . . . .	111,022	106,379	106,977	+ 4	+ 4							
<b>Dothan</b> . . . . .	202,132	181,911r	149,192	+11	+35							
<b>Seima</b> . . . . .	112,233	105,915	84,362	+ 6	+33							
<b>Bradenton</b> . . . . .	221,799	210,354	201,274	+ 5	+10							
<b>Monroe County</b> . . . . .	125,855	84,701	79,114	+49	+59							
<b>Okaloosa</b> . . . . .	230,621	210,340	185,380	+10	+24							
<b>St. Augustine</b> . . . . .	57,296	45,607r	35,099	+26	+63							
<b>St. Petersburg</b> . . . . .	1,133,084	1,014,268	1,071,370	+12	+ 6							
<b>Tampa</b> . . . . .	2,163,731	1,928,994	1,807,213	+12	+20							
<b>Athens</b> . . . . .	158,273	161,440	161,541	- 2	- 2							
<b>Brunswick</b> . . . . .	110,974	103,948	91,909	+ 7	+21							
<b>Dalton</b> . . . . .	197,319	201,016r	174,997	- 2	+13							
<b>Elberton</b> . . . . .	24,209	24,137	21,315	+ 0	+14							
<b>Gainesville</b> . . . . .	165,094	141,377	134,109	+17	+23							
<b>Griffin</b> . . . . .	86,727	77,693	69,831	+12	+24							
<b>LaGrange</b> . . . . .	45,575	41,354	36,869	+10	+24							
<b>Newnan</b> . . . . .	60,220	61,785	57,380	- 3	+ 5							
<b>Rome</b> . . . . .	148,757	147,993	142,926	+ 1	+ 4							
<b>Valdosta</b> . . . . .	98,672	98,241	104,046	+ 0	- 5							
<b>Abbeville</b> . . . . .	20,464	18,206r	17,713	+12	+16							
<b>Bunkie</b> . . . . .	14,229	14,849	12,474	- 4	+14							
<b>Hammond</b> . . . . .	91,207	85,748	70,978	+ 6	+29							
<b>New Iberia</b> . . . . .	76,894	66,275	68,193	+16	+13							
<b>Plaquemine</b> . . . . .	30,257	24,696r	27,772	+23	+ 9							
<b>Thibodaux</b> . . . . .	48,984	43,085	43,207	+14	+13							
<b>Hattiesburg</b> . . . . .	133,211	125,687	115,590	+ 6	+15							
<b>Laurel</b> . . . . .	83,351	76,483	70,395	+ 9	+18							
<b>Meridian</b> . . . . .	128,857	114,209	120,953	+13	+ 7							
<b>Natchez</b> . . . . .	55,530	60,143	54,735	- 8	+ 1							
<b>Pascagoula-</b>												
<b>Moss Point</b> . . . . .	149,665	146,130	160,787	+ 2	- 7							
<b>Vicksburg</b> . . . . .	101,011	86,413	78,207	+17	+29							
<b>Yazoo City</b> . . . . .	58,249	47,804	44,756	+22	+30							
<b>Bristol</b> . . . . .	113,365	119,784	136,797	- 5	-17							
<b>Johnson City</b> . . . . .	180,144	163,627	160,079	+10	+13							
<b>Kingsport</b> . . . . .	293,278	264,103	241,689	+11	+21							
<b>District Total</b> . . . . .	86,588,920	78,266,049r	73,395,410	+11	+18							
<b>Alabama</b> . . . . .	9,682,466	9,165,090	8,170,263	+ 6	+19							
<b>Florida</b> . . . . .	30,005,110	27,390,003r	25,920,693	+10	+16							
<b>Georgia</b> . . . . .	24,813,234	21,380,318	19,527,210	+16	+27							
<b>Louisiana</b> . . . . .	8,742,969	7,931,916r	8,954,567	+10	- 2							
<b>Mississippi</b> . . . . .	3,443,762	3,083,890	2,840,518	+12	+21							
<b>Tennessee</b> . . . . .	9,901,379	9,314,832	7,982,159	+ 6	+24							

† District portion only  
 ‡ 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



The Southeast's economy continues to exhibit signs of unevenness. Loan and deposit growth at commercial banks resumed in January, but growth in consumer instalment credit and value of construction contracts weakened for the second straight month. Agricultural prices moved higher in January, but increased production brought February declines. Energy problems continued to cause distortions in some labor markets. However, total nonfarm jobs advanced while new unemployment insurance claims fell from their unusually high January level.

**Growth of consumer instalment credit at commercial banks slowed again in January.** Continued weakness in auto lending and a slowdown in non-automotive consumer loans combined to produce the slowest growth in consumer credit in more than two years. Unit auto sales fell substantially when compared to the year-ago month. However, most retail sales showed small real gains.

**Loan growth at member banks resumed in January, following a dip in December.** Deposits also recovered strongly, especially time deposits at country banks. Borrowings from the Federal Reserve and net purchases of Federal funds continued to decline, although some large banks maintained their high levels of borrowed reserves. Total investment holdings rose as purchases of state and local obligations offset liquidations of U. S. securities.

**The value of construction contracts continued to slump in January.** Again the primary source of weakness was the housing sector, where activity continues to diminish despite recent increases in credit availability and mild declines in mortgage rates. Nonresidential contracts dropped sharply for the second month in a row.

**Prices received by farmers moved up steeply in January.** Nearly all commodities shared in the rise, but price increases for cotton and broilers were

particularly large. Reflecting rising prices for farm products throughout most of the year, calendar 1973 farm cash receipts were nearly one-third above the 1972 level. In February, prices of most livestock items declined, with broiler and calf prices dropping well below year-ago levels. February broiler placements and egg production increased from both month-ago and year-ago levels; but for the first time in several years, January milk production dropped from the year-earlier level, reflecting unfavorable milk-feed price ratios during the past year.

**There was more evidence of energy problems distorting labor markets in January.** Although non-farm job gains were recorded in other District states, Florida reported a decline. Florida's job losses were heaviest in the service and trade industries, but manufacturing jobs, particularly food processing, also fell off. On a District basis, nonmanufacturing jobs increased slightly, buoyed by strength in construction employment. Manufacturing employment dropped in all District states except Louisiana. The sharpest job decline was in transportation equipment manufacturing. Total factory hours, however, held up well. The insured unemployment rate rose slightly in January. New unemployment insurance claims, though still at a high level in early February, dropped from even higher mid-January levels.

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