

Binding Cab
LIBRARY

JUL 13 1976

FEDERAL RESERVE BANK OF PHILADELPHIA

In This Issue:

A Retail Sales Indicator for the Southeast

Reshuffling 1976's Planted Acreages

To Increase Crop Production Expenditures

Banking Note: Earnings Plunge

District Business Conditions

MONTHLY REVIEW

Federal Reserve Bank of Atlanta

1976
July

Federal Reserve Bank Of Atlanta
Federal Reserve Station
Atlanta, Georgia 30303

Address Correction Requested

BULK RATE
U.S. POSTAGE
PAID
Atlanta, Georgia
Permit No. 292

A Retail Sales Indicator for the Southeast

by Brian D. Dittenhafer

The Federal Reserve Bank of Atlanta has developed a new indicator of regional economic activity, a monthly estimate of Sixth Federal Reserve District retail sales. The new consumer spending indicator is designed to allow comparisons with the U. S. Department of Commerce's *Monthly Retail Trade Report* and will be published as a monthly index as part of this *Review's* "Sixth District Statistics."

Consumer spending accounts for about two-thirds of all spending in the U. S. and, therefore, provides a broad-based indicator of the national economy's health. Reflecting this importance, the U. S. Department of Commerce (USDOC) prepares nine different consumer spending indicators, varying in scope and frequency of publication. The *Monthly Retail Trade Report* estimates retail spending for the nation, nine geographic divisions, and several large states, including Florida. None of the USDOC estimates provide information for the other Sixth District states, and there is no way to approximate the Sixth District share by combining the geographic divisions. Retail sales estimates for individual states are available from both public and private sources, but these vary in both methodology and coverage, making impossible summations to District level and comparisons of one state with another. The District Retail Sales Estimate was developed to fill the need for an indicator of regional retail spending which is comparable to and conceptually consistent with a national retail spending measure and which would also provide consistent state-by-state analytical detail.

The purpose of this article is to explain how Sixth District retail spending is estimated, to examine the estimate's limitations, and to review recent consumer spending.

What is Retail Trade?

If the average person considered the question at all, he probably would think

Monthly Review, Vol. LXI, No. 6. Free subscription and additional copies available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta, Georgia 30303. Material herein may be reprinted or abstracted provided this *Review*, the Bank, and the author are credited. Please provide this Bank's Research Department with a copy of any publication in which such material is reprinted.

TABLE 1

TEST: ESTIMATING 1972 RETAIL SALES USING 1967 BENCH MARK FACTORS

	1972 Sales & Use Tax Collections (\$ thousand)	X	1973 Tax Rate Factor	X	1967 Bench Mark Factor	=	1972 Test Retail Sales Estimate (\$ thousand)	÷	1972* Census of Trade Sales (\$ thousand)	=	Test Estimate As % of Census Estimate
Alabama	\$ 269,023.5		25.51		0.9345		\$ 6,413,276.8		\$ 6,736,249		95.51
Florida	958,477.4		25.77		0.9554		23,598,344.3		19,970,421		118.17
Georgia	476,065.8		34.36		0.6990		11,433,977.0		10,735,137		106.51
Mississippi	300,499.4		20.41		0.6700		4,109,239.2		4,196,794		97.91
Tennessee	379,419.1		29.61		0.7947		8,928,136.3		8,724,687		102.33
District (5 states)	3,383,485.2		--		--		54,482,973.6		50,363,288		108.18

*Based on 1967 SIC

No test could be made for Louisiana because there are no tax collection data available for 1967 with which to calculate the 1967 bench mark factor.

retail spending and consumer spending were synonymous. But as defined by the U. S. Department of Commerce, retail trade consists only of the sales of "... establishments primarily engaged in selling merchandise for personal or household consumption and rendering services incidental to the sale of the goods".¹ Many wholesale trade firms and some manufacturers make limited retail sales incidental to their wholesale business, but the USDOC does not include these sales in their estimates. This definition also excludes sales of services unless the services are rendered "... incidental to the sale of the goods." This generally excludes consumer spending at hotels and motels and on automotive and other repair services, amusement and recreation, and other personal services from the definition, but these are reported in other USDOC sources.² Because service receipts are not included in the USDOC retail sales estimates, they are not included in the District estimate either.

Methodology

Each of the Sixth District states levies tax on sales of goods to final consumers. The tax is calculated

as a percentage of the final selling price, and so the taxes collected have a stable relationship to final sales in those categories subject to taxation. The states' sales tax collections are the primary data sources for our estimates of retail spending. However, this base must be adjusted because a wider range of goods and services is taxed by the states than is included in the USDOC estimates of retail sales. To make the District and national estimates comparable, a bench-marking technique is used. The method used to make these adjustments in obtaining District retail sales estimates is not complex. First, reported sales and use tax collections were expanded to taxable sales, using the sales tax rate with other minor adjustments (see Appendix). The *Census of Retail Trade* for each state was then used to obtain adjustment factors to convert the taxable sales estimates to retail spending estimates, thereby accounting for differences in coverage and making the District estimate comparable to those prepared by USDOC and reported in the *Monthly Retail Trade Report*. Summing the six states' data gives the District estimate.

Testing the Method

To test the accuracy of the method, sales tax collections and 1967 Census of Retail Trade data were used to calculate 1967 bench mark factors; these were then applied to taxable sales estimates for each month in 1972. These monthly estimates were summed for each state and compared to the annual sales estimates found in the 1972 *Census of Retail Trade* (see Table 1).

¹U. S. Bureau of Census, *Census of Retail Trade*, 1972, p. IV

²See *Monthly Selected Service Receipts* and *Census of Selected Services*. This service sector defined in these publications accounts for about 10 percent of combined service and retail spending for the U. S.

Limitations of the Estimates

The crucial assumption of the estimating technique is that the relationship of taxable sales to retail spending is stable. Since the portion of income spent for particular categories of retail sales varies with income level, the assumption is weakened to the extent that real income levels and distributions change. In the estimating interval used to test the method (1967-1972), real incomes were rising steadily, so the portion of income spent on particular categories of goods most likely changed. Also, spending on different commodities can be expected to change when their relative prices change, so the stable spending relationship hypothesized may be weaker than the estimating interval results show.

Using sales tax collections as a basis for estimating retail spending requires another major assumption—that each month's sales tax collections are representative of the previous month's taxable sales. To the extent that fines, penalties, late payments, or enforcement drives distort monthly collections, this assumption is weakened. In addition, small businesses often report their collections on a quarterly basis, inflating tax collections for the months following the close of a calendar quarter. In the routine monthly estimate, this problem is nearly eliminated by the seasonal adjustment process.

The results were much as expected, given the method's limitations (see Box). The five-state³ District estimate is 8.2 percent above retail sales as reported in the 1972 *Census of Retail Trade*. Estimates for the states range from a 4.8-percent underestimate for Alabama to an 18.2-percent overestimate for Florida. The latter overestimate is less serious than appears at first glance. Although the *Monthly Retail Trade Report* and the 1972 Census data, both published by USDOC, are theoretically comparable, the 1972 Census estimate is higher than the sum of that year's monthly estimates. The difference is 4.8 percent nationally and 10.5 percent in Florida. The USDOC monthly estimates of Florida retail spending are used in the final monthly estimate, so the District series is not overestimated relative to the monthly USDOC series to which it will be routinely compared.

³Louisiana did not supply monthly data for 1967 and was omitted from the test.

The primary reason for our estimates' divergence from the 1972 *Census of Retail Trade* is the difference in coverage between the taxable sales as reported and retail spending as defined by USDOC. This combines with the state differences in tax rates and in scope to provide a pattern of divergence from the Census data which is predictable in direction but not in magnitude. An overestimate for Florida was expected, since food sales are not taxed in that state. When real per capita income grows rapidly, as it did in Florida from 1967 to 1972, spending for food declines as a proportion of total spending. This means that taxable sales and, therefore, sales tax collections grew more rapidly than total spending, so any estimate using taxable sales as a basis tends to overestimate actual spending.

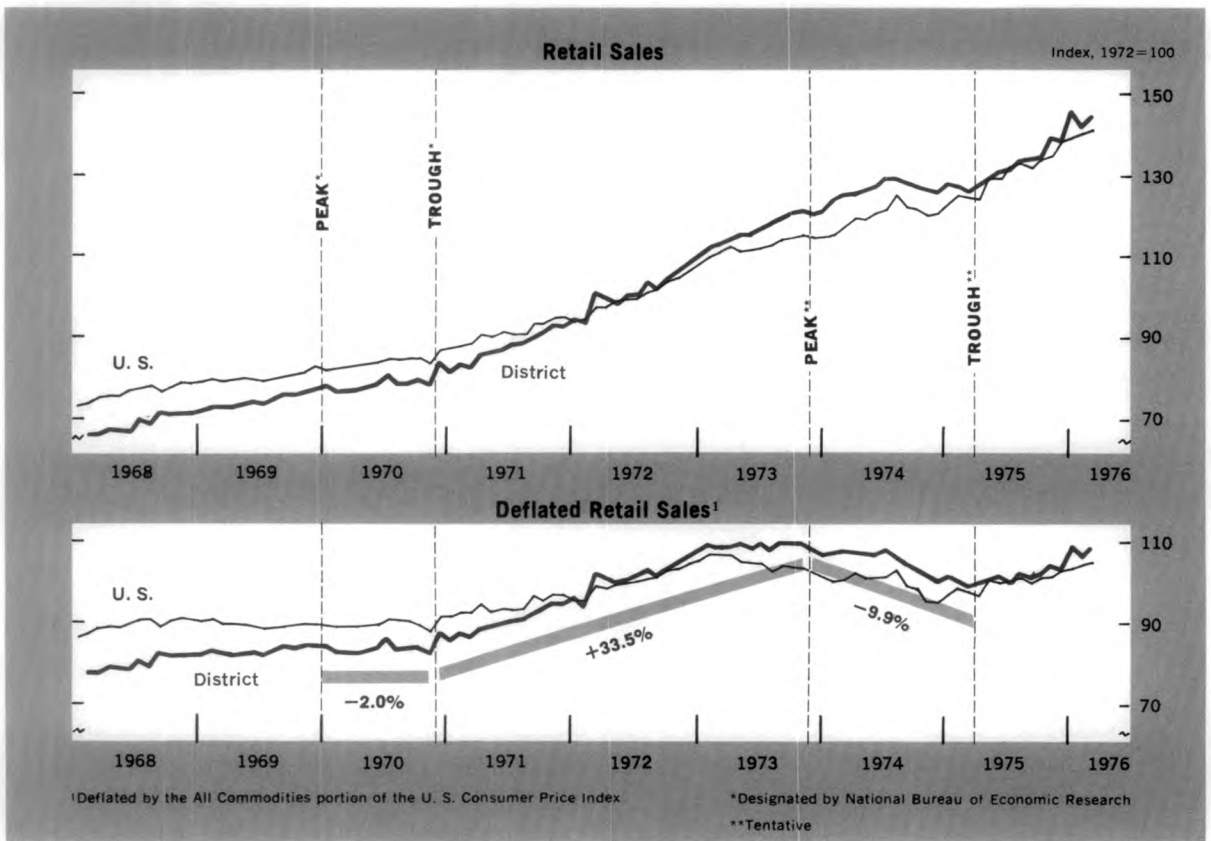
The effect of compositional changes in spending on the estimates is illustrated vividly in the case of Alabama. In that state, auto sales are taxed at a rate less than half that for most other products. In 1972, spending for autos made up 24 percent of Census-reported retail sales, up from 21.6 percent in 1967. Since autos accounted for a larger portion of spending in 1972 but were taxed at a lower rate, sales tax collections were lower than if autos were taxed at the same rate as most other sales.⁴ Thus, compositional changes in spending, when combined with differences in tax rates, have a substantial impact on sales tax-based estimates of consumer purchases.

Practical Considerations

The purpose of preparing Sixth District retail spending estimates is to have an up-to-date indicator of consumer buying which is directly comparable to the U. S. Department of Commerce's national estimate. Since the indicator is used in current analysis, a premium is placed upon obtaining data quickly. For this reason, gross sales and use tax collections are the basic monthly variables in estimating retail spending. Several states provide detailed classifications of sales tax collections on a monthly basis; however, the primary retail spending estimate is generated using gross sales and use tax receipts.

In practice, the time lag involved in making the monthly estimate is fairly small. All states report gross sales and use tax collections within a few days of the end of any given month. These data reflect retail activity from the month preceding that in which the collections are made. So, as a practical matter, retail sales estimates can be calculated

⁴No attempt was made to adjust for short-term changes in spending composition, since there is no practical way to predict them. Adjustment for these changes would be as likely to increase systematic bias in the estimates as to decrease it.



from sales tax data approximately six weeks following the month in which spending occurs.

Cyclical Patterns

Retail sales are considered coincident indicators of economic activity because changes in retail spending occur at roughly the same time as other major economic indicators. To see if the District indicator was behaving according to this supposition, several indexes were calculated to enable the direct comparison of the District with the nation and other economic indicators (see Chart). Data from 1968 through 1975 were examined for business cycle turning points and their timing vis-a-vis the U. S. index and the National Bureau of Economic Research reference points for business cycle peaks and troughs. Indexes were constructed using nominal and deflated retail sales for the District and nation. For all series, the 1972 monthly average was used as a base, i.e., 1972 average=100. Retail sales were adjusted to account for inflation, using the U. S. Consumer Price Index for commodities.

Using the deflated series, the District index is remarkably consistent with the peaks and troughs

of the national business cycle (see Chart). District retail spending peaks one month after and one month before the cycle peak in 1969 and 1973, respectively, and reaches its low point in the trough month of both cycles. The national series is much less consistent with the business cycle than the District's. Measured over the same two cycles, the average peak in national retail sales occurred 4.5 months before the peak in general business activity, while the low preceded the trough by an average of three months. (The absolute deviation was four months.)

Spending Trends

The Index constructed by this Bank performs consistently as an indicator of District retail spending. The method of calculation gives reasonable estimates over the five-year test period from 1967 to 1972; there is every reason to expect a similar performance in the future. From 1968 to 1973 the region's economy grew vigorously, interrupted only by a mild, short recession in 1970. Retail spending, adjusted for inflation, grew 43.2 percent during that five-year period, far surpassing the nation as a whole. Since the end of 1973,

retail spending also shows the region's transition from faster-than-national to slower-than-national growth and recovery.

In the recovery and expansion phases of the 1970-1973 business cycle, retail spending in the

Southeast grew 33.5 percent, outpacing the nation's growth of 20.4 percent during the same phases of the cycle. But, as with most other indicators in the 1973-1975 recession, District retail sales fell more and to date have recovered less than the comparable national series. ■

Appendix

The Sixth District retail sales indicator is bench marked to the *Census of Retail Trade*^{*} as it becomes available. The following calculations apply to each state, and the District total is obtained by summing data for the six District states.

1. Obtain a tax rate factor to expand sales tax collections to estimated taxable sales using the following information and formula:

If S = taxable sales,

r = the sales

tax rate,

c = commission rate
allowed merchant
tax collectors,

and T = sales and use
taxes collected
by the state,

then

$$Sr - c(Sr) = T$$

$$Sr(1-c) = T$$

$$Sr = T/(1-c)$$

$$\text{and } S = T/(1-c)/r$$

and the tax rate factor is $\frac{1}{(1-c)r}$.

Designate $\frac{1}{(1-c)r}$ as "F."

2. Using the tax rate factor (F) obtained in step 1, expand sales tax collections to taxable sales in the following manner:
 $S = T \cdot F$
3. Using the taxable sales estimate (S) generated in step 2, obtain a bench mark factor (B) using the *Census of Retail Trade* totals for all establishments in each state. The bench mark factor is calculated as follows:
 $B = \text{Census retail sales total} \div \text{taxable sales estimate}$.
4. The estimate of retail sales for each state is generated using the following formula.

The bench mark factor (B) changes with each *Census of Retail Trade*, currently every five years, and the tax rate factor (F) changes whenever the sales tax rate coverage or commission rate changes for a particular state.

If R = monthly retail sales estimate
for each state i ,

then

$$R_i = T_i \cdot F_i \cdot B_i,$$

or

$$R_i = T_i \times \text{BUF}_i,$$

where the "blow-up factor" $\text{BUF}_i = F_i \times B_i$
and the District total is obtained as the
sum of R_i **

(Note: The U. S. Department of Commerce national estimate and Florida estimates used in the final District series are not bench marked to the 1972 *Census of Retail Trade*.)

Calculating the Monthly Estimates

Seasonal and trading day adjustment factors were calculated for each state using a variant of the Census X-11 seasonal adjustment program. The data for each individual state were adjusted to account for expected seasonal patterns, and the seasonally adjusted data were summed to the Sixth District total. An attempt to adjust for holiday variations revealed no consistent pattern for which correction could be made, so no adjustment was performed.

Preliminary monthly estimates are obtained by applying current "blow-up" factors to sales and use tax collections. The taxable sales estimates thus generated are then adjusted for seasonal and trading day variations, summed to the District, and indexed. A preliminary estimate is necessary because of the timing of the release dates of data used in the estimates.

A final monthly estimate is calculated by replacing any preliminary figures used with final data and by replacing the calculated estimate for Florida with retail spending for that state as reported by USDOC in the *Monthly Retail Trade Report, Accounts Receivable*.

and add estimated sales for Georgia and Louisiana. This method would have the advantage of requiring non-USDOC estimates of retail spending in three states, rather than the five required under the present method. However, the method adopted has the advantage of providing comparable estimates of retail spending for individual District states, which the alternative method would not.

*U. S. Bureau of Census, *Census of Retail Trade*, 1972, Area Series, U. S. Government Printing Office, Washington, D. C., 1975

**An alternative estimating technique is possible. From the sum of retail sales as reported by USDOC for the East South Central Division and Florida, subtract estimated sales in Kentucky

Reshuffling 1976's Planted Acreages To Increase Crop Production Expenditures

by Gene D. Sullivan

Farmers plan to reshuffle planted acreages again in 1976, and total crop production expenditures will increase as a result. Part of the planned change reported in the USDA's April 15 planting intentions survey reverses some of the extreme shifts made in 1975. Most of the changes have resulted from farmers' adjustments to wide price swings for particular farm products during the past two years.

For most crops, planting changes in the Sixth District states¹ and in the United States are moving in the same direction. In most cases, however, proportional changes in the Southeast will be larger than those in the nation as a whole (see Table 1).

Soybeans Down Sharply

The major acreage shift is in soybeans, a crop that held great promise for favorable returns a year ago. But soybean prices in early 1976 have averaged nearly 20 percent below year-ago levels, while prices of cotton, an important crop that can be grown in place of soybeans, have increased dramatically. District farmers plan to decrease soybean plantings by 725,000 acres, or 7 percent, this year (see figure). The largest drop will occur in Georgia; total U. S. acreage will decline by 10 percent.

Cotton and Corn to Increase Sharply

Cotton prices, hovering about 50 percent above year-earlier levels, have induced plans for a huge upturn in planted acreage. Farmers will increase plantings by 596,000 acres, or 24 percent, in 1976. Mississippi farmers plan the largest increase. Unquestionably, some of the acreage in the Southeast that moved from cotton to soybeans in 1975 will return to cotton production in 1976, but cotton acreage will still not recover to 1974's high level. The shift is proportionately greater than in the nation as a whole, however, where 16 percent more acreage will be planted to cotton.

¹The Sixth District states are Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee, which are either totally or partially within the Sixth Federal Reserve District.

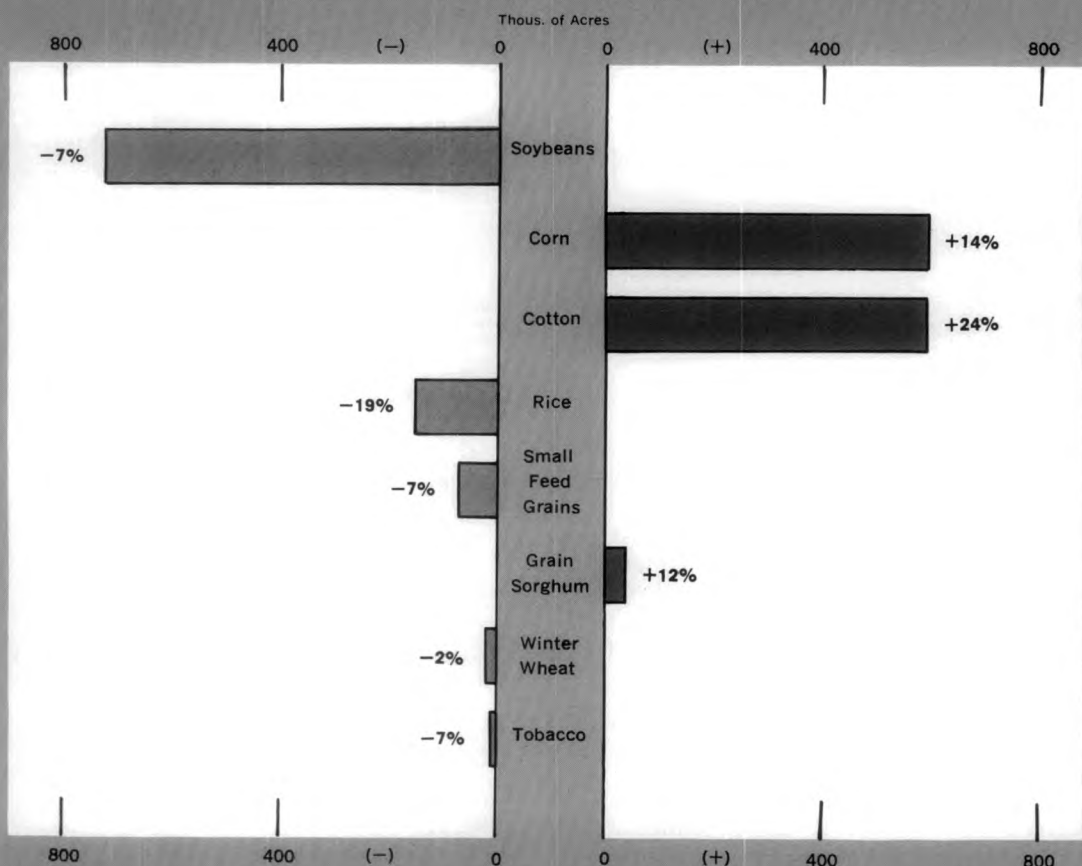
TABLE 1
Planted Acreages: Sixth District States and United States

	1974	1975	Ind. 1976 ¹	1976/1975 Percent
	— — — — —	1,000 acres — — — — —	— — — — —	
Soybeans				
Alabama	1,050	1,350	1,200	89
Florida	285	305	280	92
Georgia	1,030	1,290	1,020	79
Louisiana	1,800	1,900	1,900	100
Mississippi	2,605	3,230	3,050	94
Tennessee	1,620	1,950	1,850	95
Total Sixth District States	8,390	10,025	9,300	93
Total U. S.	53,507	54,577	49,330	90
Cotton				
Alabama	600	440	525	119
Florida	13	5	6	120
Georgia	423	160	220	138
Louisiana	650	320	480	150
Mississippi	1,780	1,175	1,400	119
Tennessee	540	335	400	119
Total Sixth District States	4,006	2,435	3,031	124
Total U. S.	13,699	9,691	11,256	116
Corn				
Alabama	715	750	850	113
Florida	452	464	557	120
Georgia	2,000	2,020	2,250	111
Louisiana	95	80	120	150
Mississippi	205	195	220	113
Tennessee	760	780	890	114
Total Sixth District States	4,227	4,289	4,887	114
Total U. S.	77,787	77,902	82,727	106
Rice				
Louisiana	661	660	540	82
Mississippi	114	175	140	80
Total Sixth District States	775	835	680	81
Total U. S.	2,555	2,818	2,361	84
Winter Wheat				
Alabama	185	185	220	119
Florida	52	40	30	75
Georgia	215	160	150	94
Louisiana	80	70	65	93
Mississippi	195	231	220	95
Tennessee	395	405	385	95
Total Sixth District States	1,122	1,091	1,070	98
Total U. S.	52,354	56,163	57,227	102
Small Feed Grains²				
Alabama	100	110	110	100
Florida	33	31	34	110
Georgia	542	730	672	92
Louisiana	24	20	20	100
Mississippi	80	85	70	82
Tennessee	181	170	165	97
Total Sixth District States	960	1,146	1,071	93
Total U. S.	30,161	30,078	28,989	96
Grain Sorghum				
Alabama	70	80	80	100
Florida	—	—	—	—
Georgia	65	80	70	88
Louisiana	42	41	70	171
Mississippi	85	75	90	120
Tennessee	52	51	55	108
Total Sixth District States	314	327	365	112
Total U. S.	17,676	18,275	17,897	98
Tobacco				
Florida	13.3	14.5	13.5	92
Georgia	72.3	75.1	65.0	87
Tennessee	56.5	61.6	61.7	100
Other States	0.8	0.9	0.8	89
Total Sixth District States	142.9	152.1	141.0	93
Total U. S.	962.6	1,083.5	1,009.3	93

¹Planting indications released by the USDA, April 15, 1976 (December 1975 for winter wheat)

²Combined acreages of oats, barley, and rye

District Farmers Plan Changes in Crop Acreages From 1975 Levels



Note: Percentage indicates percent change from 1975 level.

Some land planted in soybeans in 1975 will be planted in corn this year, particularly in Georgia. Although corn prices have also dropped below the year-ago level, potential returns still compare quite favorably with other cropping alternatives. Thus, District farmers have indicated that they will plant 598,000 more acres in 1976, a 14-percent rise. Nationally, corn plantings will be up a projected 6 percent.

Rice Acreage to Plummet

Average rice prices dropped from one-third to one-half below 1975's early spring level, causing farmers to plan a one-fifth reduction in planted acreage. Ironically, the Rice Program was recently revised to permit unrestricted planting. Some of the 1975 rice acreage in both Louisiana and Mississippi will apparently be switched to cotton or other grains in 1976. Rice acreage in both the District and nation will be reduced about the same percentage.

Wheat and Small Feed Grains Also Drop

Winter wheat acreage is down moderately from a year earlier, possibly because wheat cannot be double-cropped with cotton and corn as it can with soybeans. Cotton and corn cannot be grown successfully when planting is delayed until wheat has been harvested. Farmers knowing that they would not plant as large an acreage to soybeans in 1976 probably curtailed some of their winter wheat plantings in the fall of 1975. Also, wheat prices averaging near \$3.50 per bushel during the fall planting season were down sharply from the more than \$5 per bushel that stimulated the abrupt acreage increases in 1975. Nevertheless, potential profits from wheat production were sufficiently high to stimulate a slight increase in plantings at the national level.

District plantings of small feed grains, primarily oats, have also dropped from 1975's level. Oats have not shared corn's extremely high prices, and farmers

have not had the incentive to increase production. Indicated acreage for 1976 declined at the national level as well.

Grain Sorghum to Increase

Grain sorghum commands a more favorable price than other small feed grains because it is more directly substitutable for corn in animal rations. It is rather well adapted to Southeastern growing conditions, and farmers plan to boost grain sorghum plantings by almost 38,000 acres, or 12 percent, in 1976. This runs counter to indications of reduced plantings at the national level.

Less Tobacco in 1976

Tobacco acreage allotments were increased in 1975, and production jumped upward. Unfortunately, prices dropped and District growers received less total revenue despite increased production. Marketing quotas have been cut back for 1976, and District farmers will plant 11,000 fewer acres to tobacco, a 7-percent cutback equal to the national reduction.

Crop Acreages up in Total

In spite of planned reductions for several crops, total plantings of eight crops in 1976 will increase by 246,000 acres, or 20 percent, within District states. Undoubtedly, land not recently cropped will be brought into production. The gain will probably come from areas that have been devoted to pasture or that have been allowed to remain idle in recent years. Also, some recent clearing of timbered regions has made new land available for cultivation in the Southeast.

Crop Production Expenditures to Increase

The shifts in crop acreages and expanded plantings will have a favorable impact on the Southeast's economy. Although farmers' expenditures for some types of inputs will decline, the shifts of acreage to crops that are more costly to produce will generate a net increase of \$76.3 million in total expenditures for eight crops (see Table 2).

Planned increases in cotton acreage will have the greatest impact. Direct production costs amount to \$205 per acre, mostly fertilizer and chemicals and farm machinery operations. An increase of 596,000 in planted acreage would generate an estimated \$122.2-million increase in cotton production expenditures.

Expanded corn acreage accounts for the other major increase in expenditures. An additional 598,000 acres would generate new expenditures of \$65.8 million, largely for commercial fertilizers.

TABLE 2
EFFECT OF PLANNED ACREAGE CHANGES ON 1976'S
PRODUCTION EXPENDITURES
(SIXTH DISTRICT STATES)

Item	Cotton: Up 596,000 Acres ¹	
	Cost Per Acre ²	Total Change in Expenditures ³
Labor	\$ 19	\$ 11,324,000
Power and Equipment	55	32,780,000
Materials, Seed, Fertilizer, etc.	83	49,468,000
Custom Services	13	7,748,000
Interest on Operating Capital	7	4,172,000
Ginning, Bagging, Ties	28	16,688,000
Total Direct Production Costs	\$205	\$ 122,180,000
Corn: Up 598,000 Acres¹		
Labor	\$ 7	\$ 4,186,000
Power and Equipment	27	16,146,000
Materials, Seed, Fertilizer, etc.	62	37,076,000
Custom Services	9	5,382,000
Interest on Operating Capital	5	2,990,000
Total Direct Production Costs	\$110	\$ 65,780,000
Soybeans: Down 725,000 Acres¹		
Labor	\$ 7	\$ - 5,075,000
Power and Equipment	27	- 19,575,000
Materials, Seed, Fertilizer, etc.	36	- 26,100,000
Custom Services	5	- 3,625,000
Interest on Operating Capital	3	- 2,175,000
Total Direct Production Costs	\$ 78	\$ - 56,550,000
Rice: Down 155,000 Acres¹		
Labor	\$ 17	\$ - 2,635,000
Power and Equipment	56	- 8,680,000
Materials, Seed, Fertilizer, etc.	76	- 11,780,000
Harvest Cost ⁴	42	- 6,510,000
Interest on Operating Capital	8	- 1,240,000
Total Direct Production Costs	\$199	\$ - 30,845,000
Tobacco: Down 11,000 Acres¹		
Labor	\$523	\$ - 5,753,000
Power and Equipment	403	- 4,433,000
Materials, Seed, Fertilizer, etc.	253	- 2,783,000
Irrigation	27	- 297,000
Harvest Cost ⁵	156	- 1,716,000
Interest on Operating Capital	49	- 539,000
Insurance	71	- 781,000
Land and Allotment Rent	407	- 4,477,000
Overhead	56	- 616,000
Total Direct Production Costs	\$1,945	\$ - 21,395,000
Winter Wheat: Down 21,000 Acres¹		
Labor	\$ 4	\$ - 84,000
Power and Equipment	16	- 336,000
Materials, Seed, Fertilizers, etc.	51	- 1,071,000
Custom Services	3	- 63,000
Interest on Operating Capital	3	- 63,000
Total Direct Production Costs	\$ 77	\$ - 1,617,000
Grain Sorghum: Up 38,000 Acres¹		
Labor	\$ 6	\$ 228,000
Power and Equipment	6	228,000
Materials, Seed, Fertilizer, etc.	15	57,000
Custom Services	5	190,000
Interest on Operating Capital	1	38,000
Total Direct Production Costs	\$ 33	\$ 741,000
Small Feed Grains¹: Down 75,000 Acres¹		
Labor	\$ 4	\$ - 300,000
Power and Equipment	6	- 450,000
Materials, Seed, Fertilizer, etc.	15	- 1,125,000
Custom Services	0	-
Interest on Operating Capital	1	- 75,000
Total Direct Production Costs	\$ 26	\$ - 1,950,000
Net Change, Eight Crops		\$ 76,344,000*

*Approximately 4 percent above estimated expenditures for these crops in 1975.

¹Changes from 1975 acreage indicated by the USDA's planting intentions survey released April 1, 1976

²Based on variable costs developed by the Economic Research Service, USDA, adjusted for increases in prices paid by farmers. Rice costs were developed by economists at Mississippi State University.

³The direct cost per acre times the planned change in acreage

⁴Oats, barley, and rye

⁵Harvest costs include power and equipment and labor for rice; marketing and conventional storage barn only for tobacco

Production expenditures for soybeans will drop an estimated \$56.6 million, a minor decline considering the nearly three-quarter-million-acre reduction in plantings. Direct production expenditures for soybeans are only about one-third of the per acre cost of producing cotton.

Planned acreage reductions for rice and tobacco will cut production outlays by an estimated \$30.8 million and \$21.4 million, respectively. Because of the relatively high production costs for both crops, especially tobacco, small changes in acreage pro-

duce greater changes in expenditures than for most other crops.

In 1975, the agribusiness complex braced itself for a net reduction in farm production expenditures, largely resulting from a sharp drop in cotton acreage. Prospects are brighter in 1976, mostly because farmers will again plant more cotton. The fact that cotton acreage has not increased to 1974's high level, however, holds promise that farmers will not overproduce again in 1976 and thereby stimulate another sharp acreage cutback in 1977. ■

Bank Announcements

April 15, 1976

THE BANK OF FITZGERALD

Fitzgerald, Georgia

Opened for business as a par-remitting nonmember.

April 19, 1976

LANDMARK BANK OF POMPANO BEACH, N.A.

Pompano Beach, Florida

Opened for business as a member. Purchased assets and assumed liabilities of The Security State Bank of Pompano Beach, a State nonmember bank.

May 3, 1976

THE NATIONAL BANK OF COLLIER COUNTY

Marco Island, Florida

Converted to a national bank from First Bank of Marco Island.

May 6, 1976

FIRST NATIONAL BANK OF HAMILTON

Hamilton, Alabama

Opened for business as a member. Officers: Tommy Bain Moore, president; Joyce M. James, cashier. Capital, \$400,000; surplus and other funds, \$600,000.

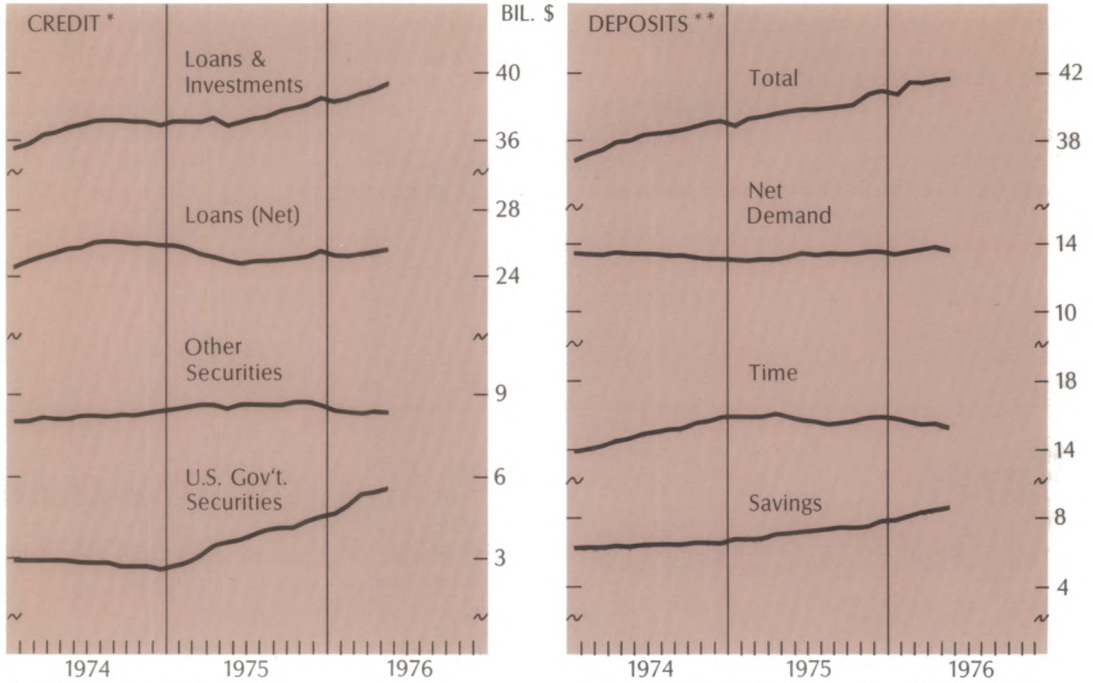
May 20, 1976

KAPLAN STATE BANK

Kaplan, Louisiana

Opened for business as a par-remitting nonmember.

BANKING STATISTICS



LATEST MONTH PLOTTED: MAY

Note: Seas. adj. figures covering District member banks.

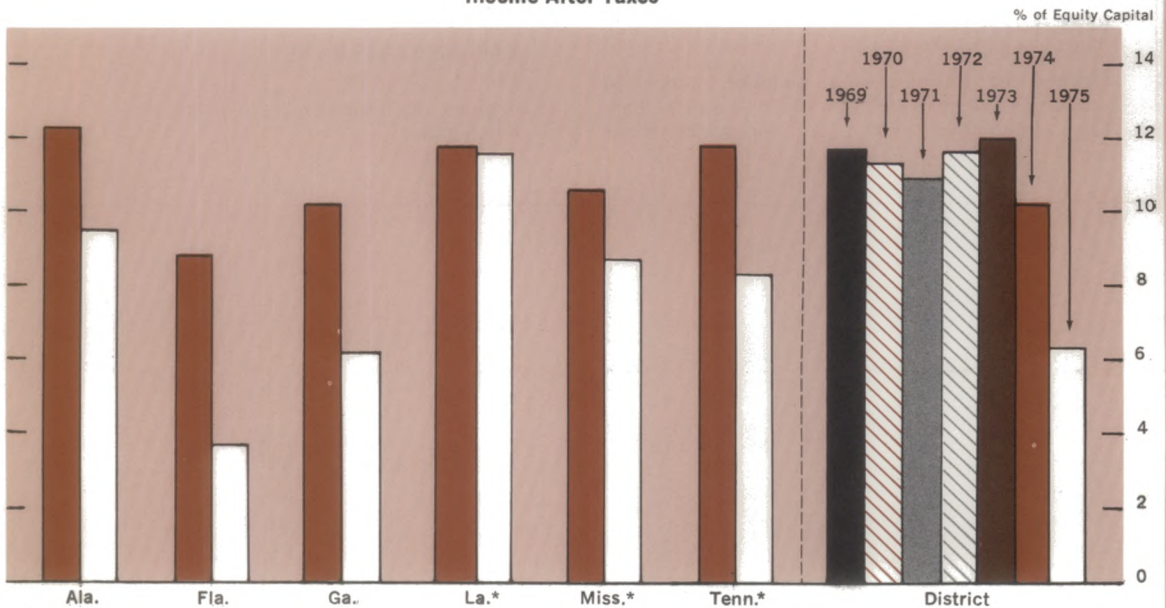
*Figures are for the last Wednesday of each month

**Daily average figures

SIXTH DISTRICT BANKING NOTES

Earnings Plunge in 1975

Income After Taxes



*District Portion

District member bank earnings plunged in 1975. Income after taxes but before securities gains or losses dropped to 6.3 percent of equity capital, a rate one-half of that earned in 1973. Earnings were 10.2 percent of equity capital in 1974 and averaged 11.4 percent from 1969 to 1974. The two-year profits slide during and following a recession is not unusual (earnings declined in 1970 and 1971), but the extent of the deterioration certainly is significant. Following the 1969 recession, earnings declined less than 10 percent.

Among the six District states, earnings declined most at member banks in Florida and Georgia. Florida member banks also had the lowest level of earnings during 1975. Louisiana member banks, in contrast, had the smallest earnings decline and had the highest earnings level. The smaller District member banks generally experienced the sharpest earnings drop. These banks were squeezed by lower operating income (as a percentage of total assets) and sharply higher operating expenses.

Last year, banks were able to maintain total operating income at 7.6 percent of total assets, the same as in 1974. There were some differences in the sources of income, however. Income from

SELECTED SOURCES AND USES OF BANK INCOME*

Income	1974 (percent)	1975 (percent)
Loans	68.8	64.2
Treasury securities	7.1	8.9
State and municipal obligations	9.3	9.3
Expenses		
Interest on deposits	40.4	41.0
Interest on borrowed money	2.3	1.1
Employee expenses	20.0	21.5
Provision for loan losses	3.6	5.7

*Expressed as a percentage of total operating income

securities was relatively more important, while interest and fees on loans were relatively less important. These changes are consistent with those observed in bank earning assets. Holdings of U. S. Government securities advanced rapidly in 1975, while bank loans declined and loan charges were reduced.

Banks increased their holdings of U. S. Government securities from 7.7 percent of total assets to 9.3 percent last year; and U. S. agency issues, from 6.0 percent to 6.3 percent. Holdings of municipals declined from 14.1 percent of total assets to 13.1 percent. Banks also obtained a higher return on their securities. The average rate of return on Governments rose from 6.7 percent to 7.1 percent; agencies, from 6.3 percent to 6.7 percent; and municipals, from 4.7 percent to 4.8 percent.

Income from loans declined as a result of both reduced loans and lower interest rates. In certain cases, banks had to substantially lower or even

AVERAGE RATES OF RETURN ON ASSETS AND INTEREST ON DEPOSITS

	1974 (percent)	1975 (percent)
Loans (including Federal funds)	10.67	9.90
Loans (excluding Federal funds)	9.35	9.21
Treasury securities	6.72	7.10
State and municipal obligations	4.70	4.82
Interest on all time deposits	6.25	5.88

suspend interest payments on some low-quality loans on which even regular interest payments could not be made. Loans declined from 54.8 percent of total assets to 53.0 percent; the average rate of return declined from 9.35 percent to 9.21 percent. During 1975, net losses on loans rose from 0.45 percent of loans to 0.75 percent. The major reduction was in consumer loans, down from 33.3 percent of total loans to 32.3 percent. Commercial and industrial loans dropped at the same pace as total loans, and real estate loans actually increased from 26.8 percent of total loans to 28.1 percent.

While banks were able to maintain operating income at the 1974 rate, total operating expenses as a percent of total assets advanced from 6.6 percent of total assets in 1974 to 7.0 percent in 1975. Therefore, the margin between income and expenses was cut roughly one-half. Several factors accounted for increased expenses. Total employee compensation rose from 20.0 percent of total operating income in 1974 to 21.5 percent in 1975, despite a major effort on the part of some banks to hold the line on payrolls. Interest on deposits advanced from 40.4 percent of total income to 41.0 percent, as the proportion of time and savings de-

DISTRIBUTION OF ASSETS* AND LIABILITIES

	1974 (percent)	1975 (percent)
Loans	54.8	53.0
Treasury securities	7.7	9.3
State and municipal obligations	14.1	13.1
Gross loans	54.8	53.0
Cash assets	12.9	13.1
Time deposits to total deposits	56.5	58.7

*as a percent of total assets

posits to total deposits increased from 56.5 percent to 58.7 percent. Not surprisingly, a major addition to expenses was the increased provision for loan losses, up from 3.6 percent of total income in 1974 to 5.7 percent in 1975. "All other" operating expenses and the net occupancy expense of the bank premises also increased. Only interest expenses on borrowed money such as Federal funds declined. Interest expenses decreased because banks reduced their use of borrowed funds, and interest rates were much lower in 1975 than in 1974.

John M. Godfrey

Sixth District Statistics

Seasonally Adjusted
(All data are indexes, unless indicated otherwise.)

	Latest Month 1976	One Month Ago	Two Months Ago	One Year Ago		Latest Month 1976	One Month Ago	Two Months Ago	One Year Ago
SIXTH DISTRICT					Unemployment Rate (Percent of Work Force)*** Apr. 6.8 6.8 6.8 7.9				
INCOME AND SPENDING					Average Weekly Hours in Mfg. (Hrs.) Apr. 40.3 40.8 41.0 37.9				
Manufacturing Income Apr.	137.8	139.9	139.9	116.5	FINANCE AND BANKING				
Farm Cash Receipts Mar.	189.7	213.8	219.5	224.4	Member Bank Loans Apr.	279	278	277	265
Crops Mar.	292.6	275.4	288.4	391.1	Member Bank Deposits Apr.	236	241	235	216
Livestock Mar.	171.5	197.3	189.5	177.1	Bank Debits** Apr.	327	337r	321	309
Installment Credit at Banks*/3 (Mil. \$)					FLORIDA				
New Loans Mar.	826	814	678r	576	INCOME				
Repayments Mar.	773	713	669r	693	Manufacturing Income Apr.	137.4	135.9	138.7	119.9
Retail Sales ² Mar.	143.8	141.1	144.6	125.1	Farm Cash Receipts Mar.	255.0	218.7	219.5	309.4
EMPLOYMENT AND PRODUCTION					EMPLOYMENT				
Nonfarm Employment Apr.	106.9	107.1	107.5	105.2	Nonfarm Employment Apr.	109.9	109.6	110.1	110.7
Manufacturing Apr.	98.1	97.7	97.9	93.0	Manufacturing Apr.	97.5	96.4	96.6	94.7
Nondurable Goods Apr.	99.8	99.5	99.6	92.9	Nonmanufacturing Apr.	111.9	111.7	112.3	113.3
Food Apr.	98.2	97.4	99.1	97.4	Construction Apr.	63.0	65.2	67.6	82.4
Textiles Apr.	96.8	96.5	96.7	86.5	Farm Employment Mar.	74.4	69.9	72.1	80.8
Apparel Apr.	97.7	98.2	96.9	87.3	Unemployment Rate (Percent of Work Force)*** Apr.	11.0	11.0	11.0	11.1
Paper Apr.	99.2	98.9	98.4	94.2	Average Weekly Hours in Mfg. (Hrs.) Apr.	39.8	40.3	41.2	38.8
Printing and Publishing Apr.	105.3	105.2	104.7	104.4	FINANCE AND BANKING				
Chemicals Apr.	104.1	103.5	109.0	100.2	Member Bank Loans Apr.	281	285	286	288
Durable Goods Apr.	95.9	95.4	95.6	91.9	Member Bank Deposits Apr.	249	255	251	240
Lbr., Woods Prods., Furn. & Fix. Apr.	89.1	88.9	89.3	82.0	Bank Debits** Apr.	362	355r	349	303
Stone, Clay, and Glass Apr.	90.9	90.9	91.0	92.0	GEORGIA				
Primary Metals Apr.	95.5	93.9	94.1	95.6	INCOME				
Fabricated Metals Apr.	95.8	95.9	96.4	95.1	Manufacturing Income Apr.	127.1	133.7	132.2	106.0
Machinery Apr.	108.0	107.7	106.9	105.8	Farm Cash Receipts Mar.	183.8	210.4	214.4	201.8
Transportation Equipment Apr.	92.6	91.8	93.5	88.4	EMPLOYMENT				
Nonmanufacturing Apr.	109.7	110.1	110.5	109.2	Nonfarm Employment Apr.	102.5	102.7	103.1	100.0
Construction Apr.	83.2	84.9	87.2	91.9	Manufacturing Apr.	95.8	95.6	95.5	87.6
Transportation Apr.	104.7	103.8	104.6	104.4	Nonmanufacturing Apr.	105.0	105.5	106.1	104.8
Trade Apr.	108.1	108.3	108.9	107.1	Construction Apr.	74.0	75.3	77.8	80.0
Fin., ins., and real est. Apr.	113.4	113.2	113.8	113.6	Farm Employment Mar.	106.9	107.7	104.4	104.0
Services Apr.	116.8	117.3	117.4	115.1	Unemployment Rate (Percent of Work Force) Apr.	7.1	7.3	7.8	9.3
Federal Government Apr.	105.6	106.1	106.4	104.1	Average Weekly Hours in Mfg. (Hrs.) Apr.	39.4	40.8	41.2	38.4
State and Local Government Apr.	118.5	118.3	118.2	115.8	FINANCE AND BANKING				
Farm Employment Apr.					Member Bank Loans Apr.	250	256	243	248
Unemployment Rate (Percent of Work Force) Apr.	8.1	8.2	8.4	9.4	Member Bank Deposits Apr.	197	199	193	196
Insured Unemployment (Percent of Gov. Emp.) Apr.	3.7	3.9	3.9	6.9	Bank Debits** Apr.	426	416r	390	377
Average Weekly Hours in Mfg. (Hrs.) Apr.	39.9	40.8	41.2	38.8	LOUISIANA				
Construction Contracts* Apr.	210	229	181	171	INCOME				
Residential Apr.	180	156	166	130	Manufacturing Income Apr.	151.7	151.3	155.8	129.9
All Other Apr.	239	302	196	211	Farm Cash Receipts Mar.	158.1	171.7	191.3	238.6
Cotton Consumption** Mar.	100.8	76.4	79.1	56.1	EMPLOYMENT				
Petroleum Production */** Apr.	88.5	88.0	87.3	91.3	Nonfarm Employment Apr.	106.8	107.4	107.7	105.8
Manufacturing Production					Manufacturing Apr.	101.9	102.4	103.7	102.5
Nondurable Goods Mar.	150.4	149.6	147.4	139.7	Nonmanufacturing Apr.	107.8	108.3	108.5	106.5
Food Mar.	151.9	151.4	150.3	142.5	Construction Apr.	108.8	110.0	110.6	106.5
Textiles Mar.	133.6	134.8	134.8	135.8	Farm Employment Mar.	92.2	93.0	88.9	102.5
Apparel Mar.	152.5	152.7	150.7	135.9	Unemployment Rate (Percent of Work Force)*** Apr.	7.1	6.8	6.8	7.6
Paper Mar.	138.3	136.0	135.2	117.7	Average Weekly Hours in Mfg. (Hrs.) Apr.	41.0	41.2	41.6	40.3
Printing and Publishing Mar.	143.6	143.9	141.9	132.1	FINANCE AND BANKING				
Chemicals Mar.	134.0	133.1	132.3	126.3	Member Bank Loans* Apr.	237	252	243	253
Durable Goods Mar.	164.7	163.2	161.0	160.6	Member Bank Deposits* Apr.	213	220	215	207
Lumber and Wood Mar.	147.6	146.3	142.8	135.0	Bank Debits*/** Apr.	269	285	283	261
Furniture and Fixtures Mar.	157.6	159.4	147.8	129.3	MISSISSIPPI				
Stone, Clay, and Glass Mar.	137.2	135.3	136.2	114.0	INCOME				
Primary Metals Mar.	133.1	136.4	134.1	134.0	Manufacturing Income Apr.	141.9	145.1	145.8	118.2
Fabricated Metals Mar.	101.6	101.9	101.6	101.4	Farm Cash Receipts Mar.	181.7	275.7	293.2	232.7
Nonelectrical Machinery Mar.	112.7	111.9	112.8	111.3	EMPLOYMENT				
Electrical Machinery Mar.	162.1	158.5	152.8	150.5	Nonfarm Employment Apr.	107.2	107.5	107.4	103.1
Transportation Equipment Mar.	242.5	234.6	224.3	226.2	Manufacturing Apr.	101.0	100.3	99.7	91.8
	145.3	143.9	142.5	122.5	Nonmanufacturing Apr.	110.2	110.9	111.1	108.6
					Construction Apr.	103.0	106.1	108.0	103.6
					Farm Employment Mar.	93.8	92.9	93.0	86.2
FINANCE AND BANKING									
Loans*									
All Member Banks Apr.	264	271	267	267					
Large Banks Apr.	219	222	223	231					
Deposits*									
All Member Banks Apr.	228	234	228	219					
Large Banks Apr.	193	200	192	192					
Bank Debits*/** Apr.	345	346r	335	287					
ALABAMA									
INCOME									
Manufacturing Income Apr.	144.3	142.2	141.4	117.2					
Farm Cash Receipts Mar.	208.3	239.5	269.2	204.3					
EMPLOYMENT									
Nonfarm Employment Apr.	109.9	109.8	110.5	105.5					
Manufacturing Apr.	100.2	99.4	100.5	94.9					
Nonmanufacturing Apr.	114.2	114.4	115.0	110.3					
Construction Apr.	122.1	123.1	125.3	115.7					
Farm Employment Mar.	125.7	125.7	128.5	113.6					

		Latest Month	One Month Ago	Two Months Ago	One Year Ago
Unemployment Rate (Percent of Work Force)**	Apr.	5.1	5.7	5.6	7.8
Average Weekly Hours in Mfg. (Hrs.)	Apr.	39.7	40.5	41.0	38.6
FINANCE AND BANKING					
Member Bank Loans*	Apr.	252	270	267	248
Member Bank Deposits*	Apr.	232	240	234	217
Bank Debits/**	Apr.	301	303	316	259

TENNESSEE

		Latest Month	One Month Ago	Two Months Ago	One Year Ago
INCOME					
Manufacturing Income	Apr.	136.1	139.5	137.7	116.6
Farm Cash Receipts	Mar.	182.7	231.5	198.6	197.3

EMPLOYMENT

		Latest Month	One Month Ago	Two Months Ago	One Year Ago
EMPLOYMENT					
Nonfarm Employment	Apr.	105.0	105.6	105.7	102.0
Manufacturing	Apr.	96.8	96.8	96.3	90.6
Nonmanufacturing	Apr.	109.3	110.2	110.4	107.9
Construction	Apr.	87.0	87.6	92.0	95.3
Farm Employment	Mar.	97.0	100.2	100.2	89.8
Unemployment Rate (Percent of Work Force)	Apr.	6.6	6.7	7.2	8.7
Average Weekly Hours in Mfg. (Hrs.)	Apr.	39.7	41.0	41.2	39.2

FINANCE AND BANKING

		Latest Month	One Month Ago	Two Months Ago	One Year Ago
FINANCE AND BANKING					
Member Bank Loans*	Apr.	268	280	280	274
Member Bank Deposits*	Apr.	227	236	229	220
Bank Debits/**	Apr.	281	299	289	258

*For Sixth District area only; other totals for entire six states

**Daily average basis

†Preliminary data

r-Revised

N.A. Not available

***Seasonally adjusted data supplied by state agencies.

Note: All indexes: 1967 = 100, except mfg. income, employment, and retail sales, 1972 = 100.

Sources: Manufacturing production estimated by this Bank; nonfarm, mfg. and nonmfg. emp., mfg. income 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.; pet. 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 have been bench marked and new trading day factors and seasonal factors computed using December 31, 1974 and June 30, 1975 Report of Condition data as bases.

*Retail sales index calculated by this Bank, based on sales tax collections reported by individual States.

Debits to Demand Deposit Accounts

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

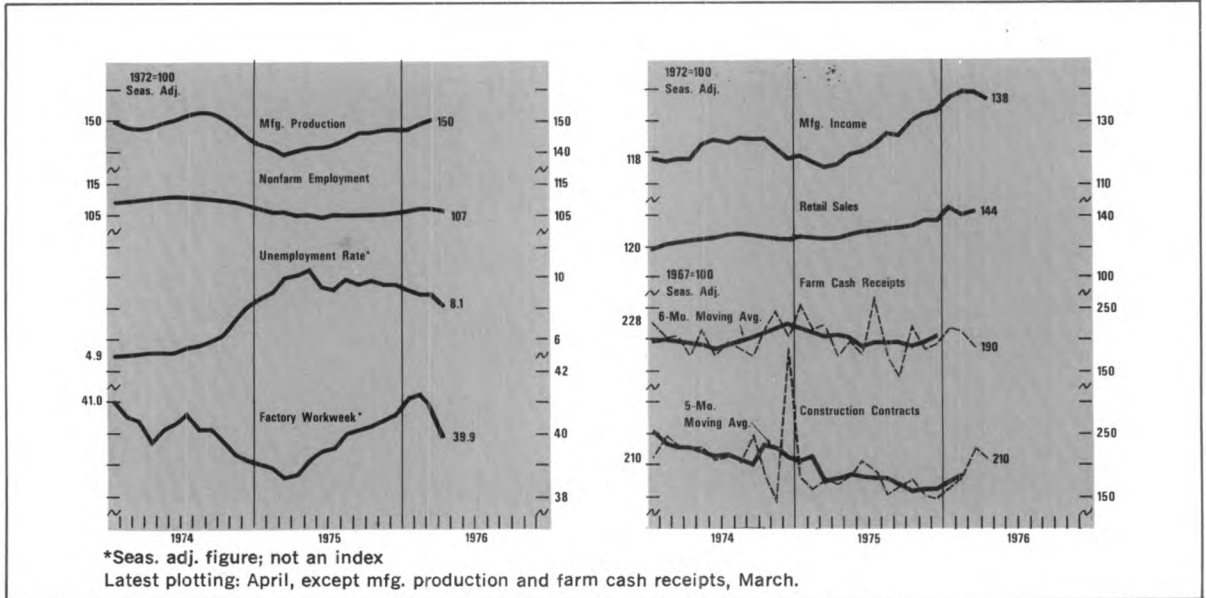
	Percent Change					Percent Change				
	April 1976	March 1976	April 1976 from		Year to date 4 mos. 1976 from 1975	April 1976	March 1976	April 1976 from		Year to date 4 mos. 1976 from 1975
			April 1975	Mar. 1975				April 1975	Mar. 1975	
STANDARD METROPOLITAN STATISTICAL AREAS¹										
Birmingham	5,769,669	6,099,628	5,815,746	- 5	- 1	+ 7				
Gadsden	127,743	127,743	107,292	+ 4	+24	+19				
Huntsville	473,811	468,076	402,409	+ 1	+18	+14				
Mobile	1,470,824	1,513,797	1,510,229	- 3	- 3	+ 3				
Montgomery	1,024,407	1,214,424	860,170	-16	+19	+40				
Tuscaloosa	325,684	306,565	274,789	+ 6	+19	+14				
Bartow-Lakeland-										
Winter Haven	1,033,445	1,058,055	909,589	- 2	+14	+12				
Daytona Beach	543,268	505,736	543,237	+ 7	+ 0	+ 4				
Ft. Lauderdale-										
Hollywood	2,726,661	2,736,685	2,197,921	- 0	+24	+34				
Ft. Myers	439,731	486,271	477,695	-10	- 8	+ 0				
Gainesville	280,239	282,619	285,117	- 1	- 2	- 4				
Jacksonville	7,575,084	6,800,651	5,061,661	+11	+50	+30				
Melbourne-										
Titusville-Cocoa	522,040	510,453	478,973	+ 2	+ 9	+ 1				
Miami	8,687,209	8,875,815	7,756,151	- 2	+12	+12				
Orlando	1,991,486	2,223,095	1,729,627	-10	+15	+25				
Pensacola	711,843	710,936	511,659	+ 0	+39	+37				
Sarasota	693,328	620,795	610,162	+12	+14	+ 0				
Tallahassee	1,084,450	940,290r	1,014,988	+15	+ 7	+ 6				
Tampa-St. Pete	4,969,885	4,893,984	4,670,570	+ 2	+ 6	+11				
W. Palm Beach	1,408,762	1,445,942r	1,268,676	- 3	+11	+ 4				
Albany	222,868	218,962	191,476	+ 2	+16	+ 7				
Atlanta	25,160,866	24,786,731r	23,191,372	+ 2	+ 8	+15				
Augusta	729,778	697,834	660,043	+ 5	+11	+ 0				
Columbus	574,301	514,430	503,324	+12	+14	+12				
Macon	865,935	894,109	862,580	+ 3	+ 0	+ 8				
Savannah	1,426,676	1,406,976	1,022,588	+ 1	+40	+39				
Alexandria	344,630	373,860	316,682	- 8	+ 9	+10				
Baton Rouge	1,959,174	2,104,604	1,995,526	- 7	+ 2	+ 2				
Lafayette	456,867	474,171	421,327	- 4	+ 8	+14				
Lake Charles	327,565	344,560	291,050	- 5	+13	+12				
New Orleans	5,940,825	6,546,771	5,769,502	- 9	+ 3	+10				
Biloxi-Gulfport	359,032	385,128	312,768	- 7	+15	+18				
Jackson	2,022,692	2,066,896	1,710,050	- 2	+18	+17				
Chattanooga	1,361,536	1,438,322	1,283,410	- 5	+ 6	+ 0				
Knoxville	1,685,234	1,867,967	1,677,568	-10	+ 7	+ 3				
Nashville	5,021,087	5,053,779	4,703,678	- 1	+ 7	+ 7				
OTHER CENTERS										
Anniston	148,968	141,897	121,924	+ 5	+22	+14				
DISTRICT TOTAL										
	109,695,601	110,933,716r	98,324,031	- 1	+12	+14				
Alabama	12,994,380	13,515,069r	12,429,289	- 4	+ 5	+11				
Florida	35,490,686	34,946,777r	30,028,461	+ 2	+18	+16				
Georgia	34,081,375	33,780,181r	30,671,954	+ 1	+11	+16				
Louisiana ²	10,858,693	11,711,122	10,576,305	- 7	+ 3	+ 8				
Mississippi ²	4,146,967	4,317,390r	3,594,840	- 4	+15	+19				
Tennessee ²	12,123,500	12,663,177	11,023,082	- 4	+10	+ 8				

¹Conforms to SMSA definitions as of December 31, 1972.

²District portion only.

r-revised

District Business Conditions



Economic gains continue into the Southeast's second year of recovery. Manufacturing employment showed strength, but other areas were less robust. Retail sales, particularly sales of autos, expanded, and consumer borrowing increased. Residential construction contracts rose sharply; nonresidential construction gained relative to prior months. Large banks continue to let large CD's run off in response to weak loan demand. Increased livestock prices have lifted farm cash receipts above year-ago levels.

The unemployment rate declined in April. Manufacturing jobs grew in both the durable and non-durable sectors, with notable increases in the primary metals, transportation, and food industries. Job losses in services, trade, and the Federal Government were mainly responsible for an overall decrease in nonmanufacturing employment. The factory workweek was shorter, causing average weekly earnings to fall for the first time in 16 months.

Manufacturing incomes fell in April following a fractional decline in March. New auto registrations rose sharply, continuing the seesaw pattern of recent months. Department store sales dropped, but total retail sales gained 2 percent. Increased consumer borrowing augmented purchasing power during March. Total instalment credit outstanding at commercial banks rose by more than 3 percent, reflecting growth in all categories.

The value of residential construction contracts surged in April to the highest level in 21 months; nonresidential construction returned to a normal level. Two extremely large contracts inflated non-residential construction in March. Except for March, April's nonresidential construction contracts were the largest in eight months, and total contracts the highest in 14 months. Savings and loan deposit

inflows remained strong in April, but mortgage rates ceased their downward drift.

Member bank lending advanced moderately in April. Loans increased strongly at small- and medium-sized banks. Loan volume at large banks fell for the fourth consecutive month. Member bank acquisitions of U. S. Government securities were slower than the torrid pace of previous months. Total bank deposits grew slightly, despite a further liquidation of large CD's. These large time deposits have declined \$710 million, or 13 percent, at large banks so far this year. By early June, some large District banks had posted a 7-percent prime rate, up from 6 3/4 percent.

Economic conditions improved at the farm level. Price increases for cattle and hogs lifted farm cash receipts above year-ago levels, even though crop receipts remained severely depressed in Louisiana, Alabama, and Georgia. Recent increases in cotton, rice, and soybean prices should provide strength to crop receipts. Farmers plan to increase crop acreages, particularly for cotton, corn, and grain sorghum. Abundant rainfall in May, following April's unusually dry weather, has brightened prospects for crops and pastures. Loans at banks in agricultural areas in mid-May continued almost 10 percent above year-ago levels.