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FINANCE • INDUSTRY • AGRICULTURE • TRADE
FOURTH FEDERAL RESERVE DISTRICT

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Federal Reserve Bank of Cleveland

Cleveland 1, Ohio

Retail Sales of Soft and Hard Goods

SELDOM have retail trade reports shown such a wide divergence between the trends of soft-goods sales and of hard-goods sales as in recent months. Sales of soft goods have been slipping noticeably while sales of hard goods have been picking up fresh momentum. This fact applies to nation-wide trade reports as well as to sales in the Fourth Federal Reserve District, although the analysis which follows is mainly concerned with data from this District.

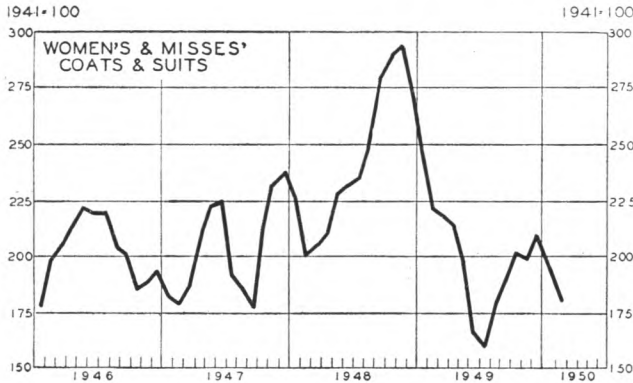
Some Reasons for the Difference Explanations which are being currently advanced to explain the weakness in soft-goods sales take at least three main lines. First, it is said in many quarters that style changes in apparel, especially in women's wear, have failed during the past year or so to provide the same type of sales stimulus as occurred in the earlier postwar period. Second, it is said that since both incomes and aggregate consumer buying remain high, the weakness in soft-goods sales represents merely a diversion of interest, and of spending, on the part of consumers away from soft goods and towards hard goods. (Some call this a relative shift from personalized spending to a family type of spending.) Third, it has been said that as regards clothing needs, the large scale "re-equipment" demand which immediately followed the war has by now been thoroughly supplanted by a more normal replacement demand based on shorter-term requirements. Probably all three of these approaches to the question have some merit. The second and third, it may be noticed, are fairly closely interrelated, and might be regarded as variants of a single theme.

On the hard-goods side, two or three leading explanations have been offered to explain the current

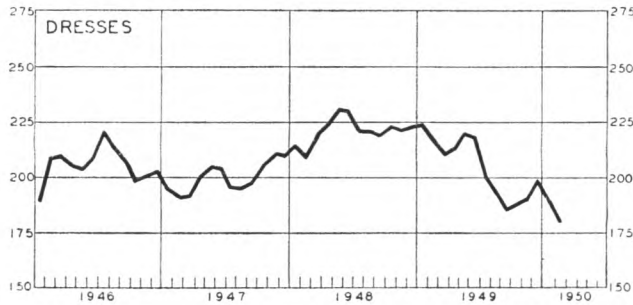
boom. First, there is the continuation of the postwar re-equipment demand. In terms of human desires or physical possibilities for expansion of consumer hard goods, there appears in sight no end to this development. And, in terms of purchasing power to back up desires, recent experience has on the whole been reassuring. A second explanation, which is closely related to the first, finds the basis of the brisk hard-goods sales in the continuation of the residential construction boom. Thus, while housebuilding may not directly inspire the purchase of autos, it certainly has an immediate and direct impact on the demand for housefurnishings, all the way from furniture through television to kitchen utensils. A third type of explanation stresses the support to the purchase of hard goods which has been rendered by the recent acceleration in the use of instalment credit. In general, the rapid pace of hard-goods sales stands both as cause and effect in relation to last fall's shift in general business conditions from recession to recovery (or at the very least to a respite from recession.) A special factor of temporary nature which has provided an additional buying stimulus early this year, probably more for hard goods than for soft goods, has been the national service life insurance dividend.

How to See the Trends Department store reports to the Federal Reserve System, showing separately the sales of the various departments, furnish one basis for gauging the differing trends in soft and hard goods, provided it is borne in mind that even the wide variety of department store lines is far from constituting the total of retail trade. In the accompanying charts, four key departments in the apparel lines are selected to indicate recent trends

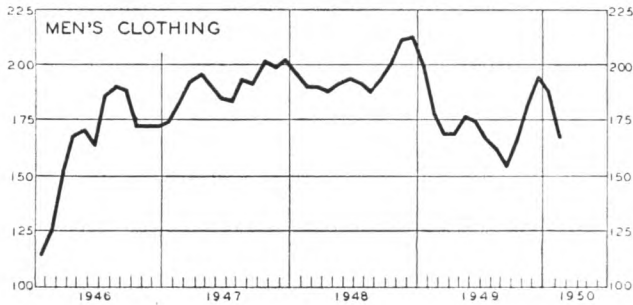
SELECTED APPAREL DEPARTMENTS
 Seasonally Adjusted Sales
 Fourth District Department Stores
 (3-months moving averages*, 1946-50)



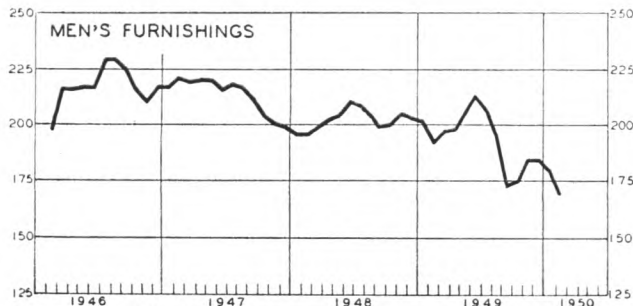
... sales of women's coats and suits during recent months have failed to maintain the recovery which appeared last fall; postwar fluctuations in this department have been especially wide.



... sales of dresses have been tending downward for nearly two years, and early in 1950 declined to a five-year low, on a seasonally adjusted basis.



... men's clothing sales picked up well last fall, but have been slipping again this year.



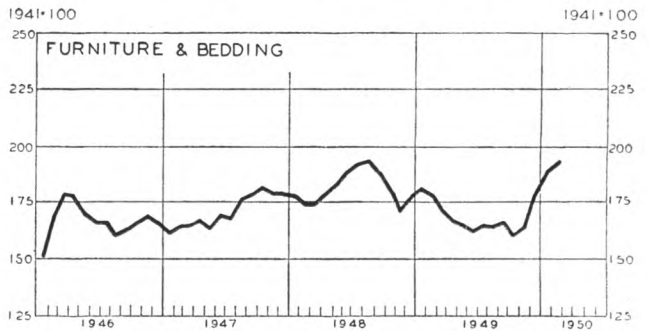
... sales of men's furnishings last fall showed a slight recovery which was not maintained early this year; there has been a tendency for seasonally-adjusted sales of these goods to decline since mid-1946.

* MOVING AVERAGES CENTERED ON THE SECOND MONTH. LAST ENTRY IS MOVING AVERAGE FOR JAN-FEB-MARCH, 1950.

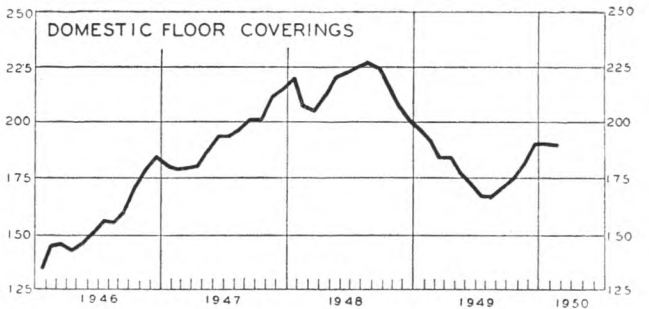
SELECTED HOUSEFURNISHINGS DEPARTMENTS,
AND TOTAL STORE SALES

Seasonally Adjusted Sales
Fourth District Department Stores
(3-months moving averages*, 1946-50)

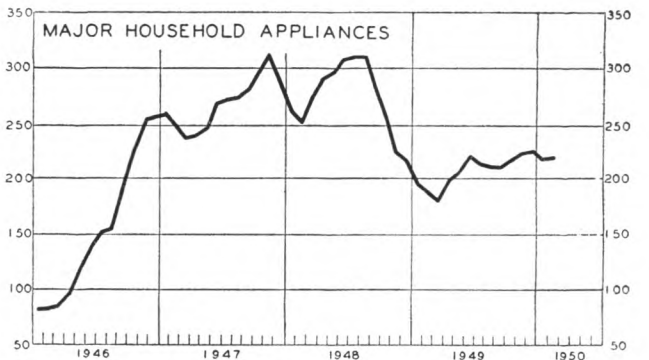
... a marked recovery in sales of furniture and bedding during the past six months has restored seasonally-adjusted sales of this department to the record levels of mid-1948.



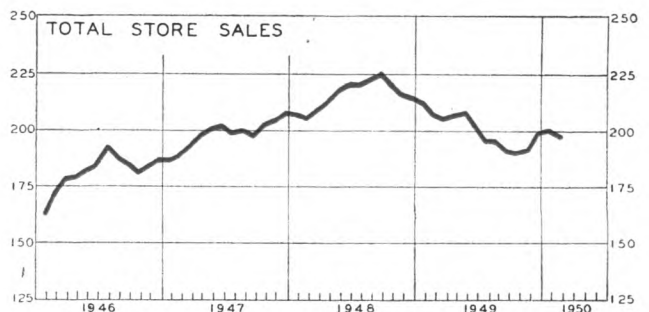
... domestic floor coverings have shown somewhat the same sales pattern as furniture and bedding, except that the recession was more pronounced and the recent recovery has been somewhat slower; previous highs have not been regained.



... seasonally adjusted sales of major household appliances, after a partial recovery during the second quarter of last year, have tended to level off; approximately one-third of the ground lost in late 1948 and early 1949 has been regained.



... despite the renewed strength in sales of significant housefurnishings lines, total department store sales have resumed a downward trend (after seasonal adjustment) in 1950; this has been largely due to the weakness in sales of apparel and other soft goods, which constitute the larger part of department-store offerings.



in soft-goods sales. These are women's and misses' coats and suits, dresses, men's clothing and men's furnishings. In addition, three key departments in the housefurnishings sector of department stores have been selected to show how sales of hard goods have been faring. These are furniture and bedding, domestic floor coverings, and major household appliances.⁽¹⁾

For each of the seven selected departments the dollar sales figures for the Fourth Federal Reserve District have been reduced to seasonally-adjusted monthly indexes,⁽²⁾ using the year 1941 as base year or 100, although recognizing the fact that conditions in 1941 were in many respects not "normal". In order to cut through the temporary and mainly accidental fluctuations in monthly sales and thus make the main trends more discernible, the adjusted indexes have been smoothed by use of a three-months moving average. The results are shown by the charts.

Weakness of the Apparel Departments

It is clear from a look at the charts on the left-hand side that important apparel departments of Fourth District department stores have undergone recent declines in sales, following some improvement late last year. In three of the four departments shown by the chart, the present level of sales appears to be hardly if any higher than the low spot of last year, after allowing for seasonal variations; and in a fourth department, women's dresses, new lows are being reached.

Viewing the departments individually, the recent trend in sales of women's coats and suits is seen against a background of particularly marked postwar fluctuations. (This refers to the adjusted index. Before adjustment for the seasonal factor, sales of men's furnishings would show the sharpest changes of the four departments). During the second half of 1949, sales of coats and suits regained from a third to a half of the ground which had been lost since late 1948. But practically the entire gain in this department appears to have been erased in early 1950.

Sales of women's dresses have been generally moving downward for nearly two years. As shown on the chart, the relative improvement last fall appears now to have been hardly better than a brief period of leveling. Early in 1950 sales of this department

declined to a five-year low, on a seasonally adjusted basis. The low position, however, was 70 percent higher than the level of dollar sales of this department in 1941.

In the men's wear departments, sales of men's clothing picked up quite well last fall, but seem to have lost most or all of the gains early this year. Sales of men's furnishings showed a very slight recovery last fall, but here again the improvement was cancelled during the first quarter of 1950.

It should be understood that all of the trends described here, and pictured on the charts, refer to dollar value of sales without correction for price changes. Price changes in department store goods have been on the whole so minor during the past year that the recent trends shown here would not be visibly affected on a month-to-month basis by an estimated allowance for the effect of price changes. Thus in March 1950 department store prices on the average were an estimated 4 to 5 percent below those of March 1949. The successive month-to-month variations in price averaged a small fraction of one percent. If this factor had been eliminated from the series the result might have been a portrayal of recent soft-goods sales as a shade more favorable than those shown here. For comparisons with periods well over a year ago, a corresponding adjustment in the other direction would be made. This type of correction would become very important, of course, in any comparison between present sales levels and those of a prewar year such as 1941.

Strength of the House-furnishings Departments

The contrasting picture for hard-goods sales is shown by the charts on the right-hand side. Here the prevailing note is a recovery sustained over a considerable number of months. Furniture sales by Fourth District department stores, for example, appear to have turned a corner last fall. Since then their story has been one of continually greater than seasonal gains. On an adjusted basis current sales have probably reached or passed the former post-war peak. Advance orders are heavy and there is a general feeling of optimism throughout the trade with regard to the balance of the year.

Sales of domestic floor coverings continue to parallel the sales of furniture. This is traditionally the case, since both floor coverings and furniture sales are influenced by the rate of completion of new houses. Sales of floor coverings declined more rapidly than furniture sales in 1949, however, and the recovery, although it began somewhat sooner than in furniture, has been more gradual.

Sales of major household appliances dropped precipitously from the fall of 1948 through the first quarter of 1949 and then bounced back in the second quarter of the year, recovering about a third of the

(1) From the standpoint of durability and use, "domestic floor coverings" belongs properly with the other departments of this group, although of course it is not strictly a hard good.

(2) This device of a seasonally-adjusted index makes it possible to compare performance in January, for example, with that of December after allowance has been made for the usual post-Christmas drop in sales. It makes for continuity in the series, and in many respects is more revealing than the somewhat more familiar year-to-year percentage change series.

previous losses. Since then, the sales trend has been practically horizontal, after allowing for the seasonal factor.

Sales of television sets, which are not shown on the chart, climbed rapidly during 1949, marking the most spectacularly favorable performance of any line, although such sales are a relatively small proportion of total department store sales. The January sales total for radios, phonographs and television at Fourth District department stores was almost double the year-ago figure. In February such sales more than tripled those of the corresponding month of last year, while in March sales were 160 percent above the year-ago level.

The course of total department store sales in the Fourth district is depicted by the red line at the bottom right of the chart series. Total department store sales began to wane in the final quarter of 1948. The decline continued for approximately a year at a slow but rather steady rate, after allowance for seasonal variation. The response of total department store sales to the hard-goods revival which occurred late in 1949 was slight. This is explained by the fact that sales of hard goods customarily make up only 20 to 25 percent of total department store offerings. Consequently, department store sales tend to follow apparel and soft-goods trends rather than hard-goods trends. Sales in December and January were quite successful, but Spring sales have been slow, partially because of bad weather, and Easter trade this year averaged about 6 percent below Easter of 1949.

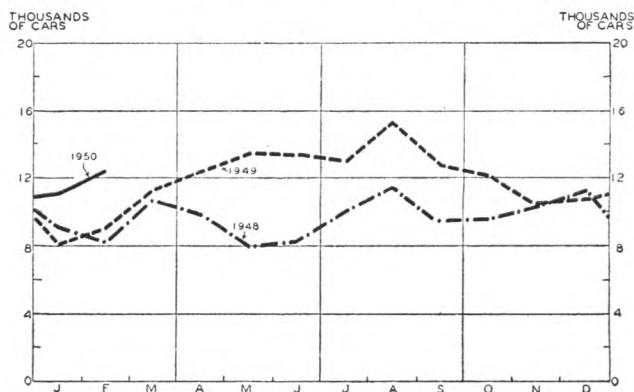
Automobile Sales Even Stronger By far the most important consumer durable good which is sold outside of department store

channels is, of course, the automobile. The trend of automobile sales has followed a more or less steady upward course since the war. As shown in the accompanying chart, new passenger car sales in Cleveland, Pittsburgh and Cincinnati, the three largest cities in the Fourth District, have been running well ahead of the 1949 level thus far this year, and last year was an all-time record year. This is true, as well, of total automobile sales in the District and in the nation as a whole.

Factors in the Outlook Past experience as well as economic logic suggests that such divergent sales trends in soft and hard-goods sales as noted above are not likely to be of long duration. The most important question, and the one most difficult to answer, is whether the spread will be closed by an improvement in soft-goods sales or by a deterioration in hard-goods sales.⁽³⁾

The case for holding that sales of soft goods may rejoin those of hard goods in an upward march has much to commend it, especially in view of the gen-

NEW CAR SALES BY MONTHS, 1948-50
Total of Cleveland, Cincinnati, and Pittsburgh
(without adjustment for seasonal variation)



... for sales of new autos in the three largest cities of the Fourth District, 1949 was the best year on record, as it was for car sales in the nation as a whole; this year has started out even better.

Source: County registration figures.

erally firmer tone in business which has been noted in March and April. This line of argument stresses the signs of prospective maintenance of high employment and incomes which are in turn associated in part with the present vigor of the construction and automobile industries. The case for expecting a continuation of large consumer demand for new housing, as well as autos and other hard goods, is fortified by the results of recent consumer finance surveys. As soon as consumers feel the need to give more attention to their clothing inventories, sales in the apparel lines will pick up, or so runs the argument.

The other view holds that the decline in soft-goods sales are more characteristic of the times than the hard-goods spurt. According to this type of analysis, the hard-goods lines are now enjoying the "Indian summer" of the postwar replacement boom, and at an unspecified date not far distant, the trend of hard-goods sales will join that of soft goods in a downward movement which, it is hoped, will be mild. This view can also muster some support, although its advocates must concede that the record of recent years has been studded with false alarms.

It is clear that the question of which of the two trends is to prevail cannot be answered, even tentatively, from within the confines of retail trade analysis. The question is only one facet of the larger problem of the economic outlook.

(3) Consideration might also be given to a possibility that the current divergence of trends is in the nature of a correction of previous disparities, and that sales of both soft goods and hard might be expected to level off as soon as the correction is complete. There seems little in the recent record, however, to support such a view, at least in its short-run aspect. For example, the recession of early 1949 affected sales of soft goods as well as hard goods. In a broader time span, the present hard-goods boom might be considered a part of the correction of the war-created shortages which were overwhelmingly large in these lines.

Autos vs. Department Stores

Whichever view of the general prospect is taken, however, a final comment on the relation between auto sales and department store sales is in order. The recent disparities in soft goods and hard-goods sales have led to a tendency in some quarters to adopt a somewhat oversimplified approach to the competition for the consumer's dollar which goes on, for example, between auto dealers and department stores. There is no denying that such competition exists, and in a sense may have become keener during recent months. Nor is such competition out of place in our economy.

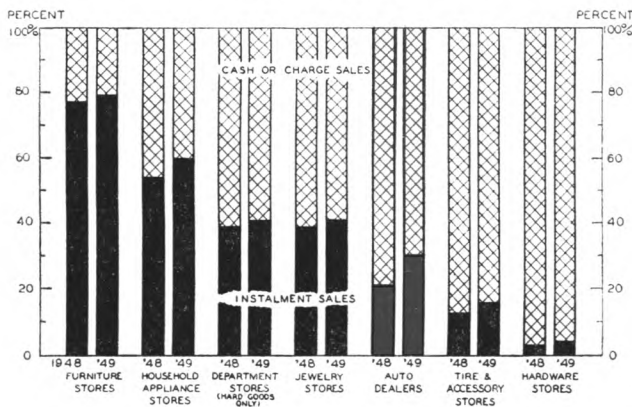
It is open to serious doubt, however, that department store sales would gain if auto sales were to drop sharply. Sales of all soft goods, including those which make up the bulk of department store selling lines, have been buoyed in the postwar period by the enlarged payrolls of the hard-goods industries. If the auto industry should suffer a substantial reverse, it would seem that department stores would be adversely affected by the general decline of buying power to a greater extent than they would gain from capturing a somewhat larger fraction of the consumer's dollar. Here in the Fourth District, where leading industries are direct suppliers of the auto industry, such a relationship is at once apparent. It probably holds also for the nation as a whole.

Role of Instalment Credit

Hard-goods sales in general have been stimulated by the recent increase in the use of instalment credit,

INSTALMENT SALES AS PERCENTAGE OF TOTAL SALES

Seven Types of Fourth District Retail Stores
1948 and 1949



... seven types of Fourth District retailers of hard goods showed increases from 1948 to 1949 in instalment sales as a percentage of total sales; the relatively largest gain was posted by auto dealers.

Source: Annual Retail Credit Survey, Federal Reserve System (includes partially estimated data for instalment sales of department store hard goods).

as previously noted. For the Fourth District, this development is confirmed by the recently compiled results of the 1949 Retail Credit Survey. In all types of hard-goods stores instalment sales fared better than either cash sales or open credit (charge account) sales in 1949. Thus, instalment sales increased, as a proportion of total sales, with all types of hard-goods dealers.

The survey data for hard-goods dealers are presented in the accompanying bar chart. In this chart, types of dealers are arranged from left to right according to the importance of instalment sales in each kind of business. It should be pointed out that among the various types of retail enterprises the moderately low proportion of instalment sales by automobile dealers can be attributed in part to the fact that sales were considered "cash" sales in the Retail Credit Survey when cash was paid to the dealer, even if the customer had obtained credit from some other source such as a commercial bank.

It will be noticed in the chart that automobile dealers posted the most notable gain in instalment sales as a percentage of total sales, as evidenced by the difference between the heights of the red bars. Thus, instalment sales by auto dealers jumped from 21 percent to 30 percent of total sales. A fact which is not shown on the chart is that in respect to gain in dollar volume of total sales, automobile dealers led the other six types of merchants with a 13 percent increase in total dollar sales between 1948 and 1949; they also recorded the largest percentage increase in the dollar volume of instalment sales (65 percent)—an increase which helped to wipe out a 3 percent drop in cash sales.

In household appliance stores also, instalment sales as a proportion of total sales expanded substantially. The ratio jumped from 54 percent in 1948 to 60 percent in 1949.

Department stores typically show a smaller proportion of instalment sales to total sales than do either furniture stores or household appliance stores. This holds true even if the soft-goods lines of department stores are left out of consideration. In the accompanying bar chart, instalment sales of the hard goods departments only, are expressed as a percentage of total sales of the hard-goods lines sold by department stores.⁽⁴⁾ From 1948 to 1949, this percentage appeared to increase from 39 percent to 41 percent. If all instalment sales are related to grand total sales of department stores, including soft-goods lines, the corresponding percentage rose from 10 percent in 1948 to 11 percent in 1949.

(4) Partially estimated. The departments taken as "hard goods" for this purpose are the entire housefurnishings group of departments and, in addition, the silverware and jewelry department. This includes all departments where instalment sales play a prominent role, with the exception of the furs department, and perhaps cameras.

The Reappearance of Wheat and Cotton Surpluses

Editor's Note: The record accumulations of wheat and cotton during the early 1940's eventually were liquidated. But in the past two years government, or "surplus", stocks have been expanding again, and at a rate that threatens the prewar highwater mark.

This article describes the various changes in production, domestic consumption, and exports that have caused the reappearance of substantial surpluses of these major crops. One of the most telling conclusions to be drawn from this analysis and accompanying charts is that the problem can hardly be solved via the export route alone.

THE Government's investment in farm commodities for price-support purposes is now more than \$4 billion. Of this amount nearly one-half is accounted for by cotton and wheat and in each of these commodities the quantity earmarked represents more than one-half of an average crop.

Wheat

The wheat "surplus" on June 30 may be close to the record established in 1942. Stocks of wheat owned by, or pledged to, the Government for price-support purposes appear likely to be as much as 380 million bushels compared with 420 million at the peak.

The accompanying chart presents a brief history of the wheat "surplus" situation since Pearl Harbor. Each bar refers to a natural marketing year for wheat ending on June 30, the left side of the bar representing supply. The supply for the 1950 marketing year, for instance, consists of the carry-in of old-crop wheat on June 30, 1949, plus the 1949 crop of 1,146 bushels. (Wheat imports were negligible and omitted for all years represented by bars on the chart).

The right side of the bar represents the disposition of each year's supply. Disappearance is represented by the black section, with the darker portion representing exports of wheat and flour (in grain equivalent). The red section represents the carry-over remaining at the end of the marketing year and available as part of the supply for the following year. For convenience carry-over is referred to as "carry-in" when considered as a part of supply; but it may be noted, for instance, that the carry-over on the right side of the 1949 bar is precisely equal to the carry-in on the left side of the 1950 bar. In both carry-over and carry-in the darker red sections represent price-support stocks. These stocks of wheat to which the Government has acquired title or taken

chattel mortgages under the price-support program, correspond to a popular definition of "surplus".

In 1942 (first bar on chart) the disappearance of wheat—both domestic consumption and exports—was typical of the decade which ended with that year. Production, however, was about 200 million bushels above average. The year was the last of five consecutive years in which production exceeded disappearance; and the excess was particularly large in 1942 because of the large crop. The result was the record carry-over of 630 million bushels of which two-thirds can be labeled "surplus".

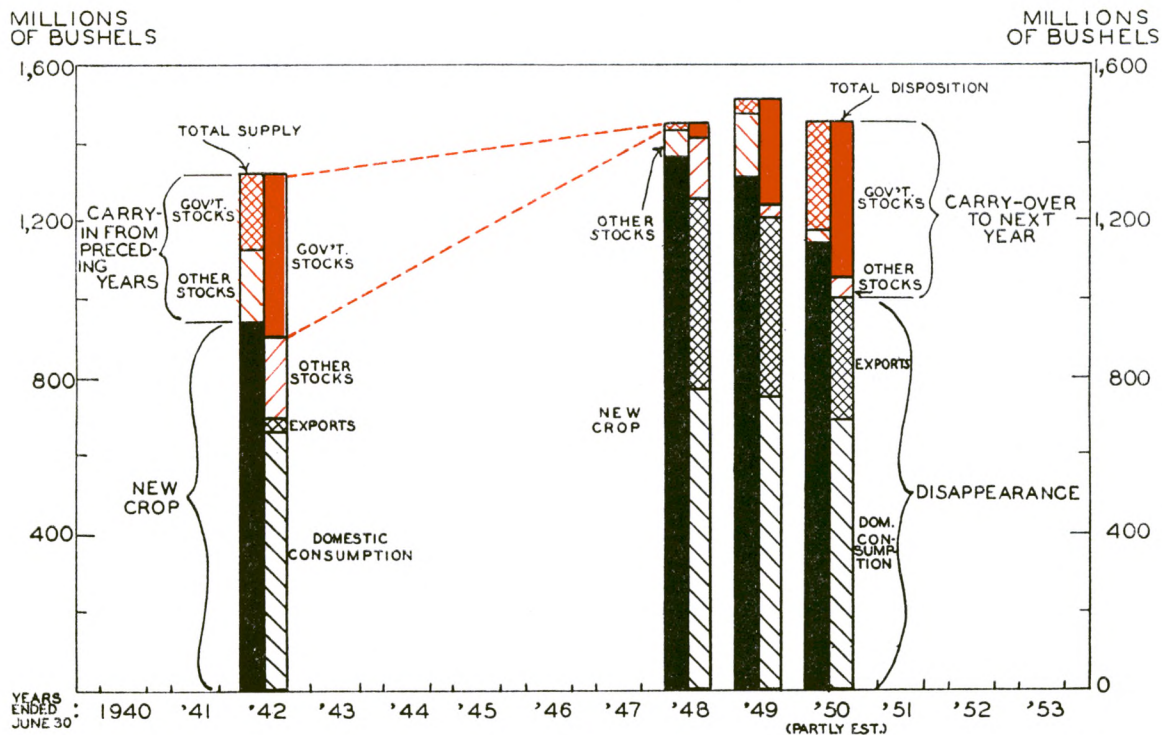
Strong Demand Lowered Carry-Over

In the ensuing five years (not plotted on chart) the wheat "surplus" was almost entirely eliminated by high wartime disappearance, which reduced carry-over to very small proportions in spite of a volume of production which was the highest on record up to that time. Production averaged nearly 100 million bushels larger than the large crop available in 1942, but disappearance was consistently in excess of production by an average of another 100 million bushels.

In the first part of that five-year period—i.e. in 1943 and 1944—domestic consumption rose to unprecedented heights due to the wider use of wheat as livestock feed and for the manufacture of industrial alcohol. Because of powerful demand for meat production which was consuming the previously accumulated stocks of corn and other feed grains, the feed use (partly subsidized) of wheat reached nearly one-half billion bushels in the 1944 marketing year, as compared with about 125 million bushels before the war. Alcohol for the manufacture of such products as synthetic rubber and smokeless powder required more than 100 million bushels of wheat in 1944 as compared with negligible quantities before the war.

While feed and industrial demand were still strong in 1945, exports began to be an important factor. By this time wartime depletion of food supplies in importing countries and poor crops in many areas had created a world demand for wheat which exceeded the ability of all exporting countries to supply. Beginning in 1945 with civilian relief feeding in occupied areas and bolstered later by other foreign aid programs, U. S. wheat exports increased steadily. In the 1945-47 marketing years three consecutive record crops were available but the abnormal world demand made it possible to export all of the production above domestic needs and to draw down more than 200 million bushels of the carry-over remaining from previous years.

SUPPLY AND DISTRIBUTION OF U. S. WHEAT
(Selected Marketing Years Ending June 30)



. . . as recently as 1948 the Government's share of the wheat carry-over was small, but since then the combination of bumper crops and declining disappearance has resulted in a new accumulation of "surplus".

U. S. Department of Agriculture data.

Carry-Over Increased in Recent Years

Thus the 1948 marketing year (second bar on the chart) began with a carry-in of less than 100 million bushels—the smallest in ten years and vastly overshadowed by the harvest of another record crop (the fourth consecutive record and one which still stands). The harvested acreage of wheat was nearly 15 percent larger than at the beginning of the war, but more important was yield per acre, which was nearly 40 percent larger than in the pre-war decade. The quantity of wheat produced on an acre had tended to increase steadily during the 1940's due largely to liberal use of fertilizers and improved cultural practices, along with favorable weather. While disappearance also was larger in 1948 than in the preceding year it did not increase as much as production, and for the first time in six years, carry-over increased.

In the 1949 marketing year (third bar on chart) more than one-half billion bushels of wheat and flour (in wheat equivalent) were exported—the largest quantity ever exported by one nation in a

single year. About 40 percent of these exports were financed under the European Recovery Program and about 35 percent were financed by the Army for civilian relief feeding in occupied areas. The year 1949 was the last of four postwar years in which the United States sent grain to food-deficit countries in quantities that have never been equaled by any other country. This country supplied about 46 percent of world grain exports during the four-year period, as compared with 7.4 percent in the immediate prewar years.

In spite of these huge exports, total wheat disappearance in 1949 was smaller than in 1948, mainly because of a reduction in feed use to about the pre-war level, allowed by a record harvest of other grains. The supply situation was also considerably easier due to the larger carry-in and a new crop, which was second only to the record of the preceding year. Under these circumstances the loan program again became the critical factor in wheat prices, taking over this role from the export market which had held it since the last year of the war.

With a large number of price-support loans outstanding, the "surplus" again became a large part of total carry-over.

A sharp reduction in exports from the peak level of a year ago is the outstanding feature of the wheat situation in the current year (last bar on chart). The drop is due mainly to more plentiful grain reserves in Europe (the world's principal deficit area), resulting from favorable crops combined with the abnormally large imports of earlier years. United States wheat exports will probably total more than 30 percent smaller than a year ago. This has reduced total disappearance as much, or more than, the decrease in the size of the crop, which, although the fourth largest on record, was one-eighth smaller than the preceding crop. Therefore, carry-over will again increase. Moreover, with prices averaging about at the loan level, a large part of the carry-over will be controlled by the Government and supplies in normal trade channels this June 30 may be smaller than a year earlier.

Prospects The 1950 wheat crop (which would be plotted on the 1951 bar) may be about 150 million bushels smaller than the 1949 crop (shown as available in the 1950 marketing year). For the first time in seven years wheat is subject to acreage allotments; the national allotment calls for a 15 percent reduction from the all-time large acreage harvested last year, and farmers have planted generally within their allotments. The winter wheat crop is forecast at 760 million bushels, and if the yield on the spring wheat acreage approximates the average of the past two years, it will produce about 250 million bushels. The total then would constitute the seventh consecutive billion-bushel crop and the eighth in history (the first was in 1915). A crop of this size, when added to the carry-in of about 450 million bushels, would complete a total supply for the 1951 marketing year of between 1,400 and 1,500 million bushels. If domestic consumption continues near the present rate of about 700 million bushels, then between 700 and 800 million bushels would be available for export and carry-over. Exports of about 300 million bushels, then, would leave a carry-over on June 30, 1951 of about the same size as the carry-over expected this year.

Cotton

The cotton "surplus" on July 31 is expected to be more than 40 percent larger than a year earlier. Even with total consumption currently at a high rate the carry-over of old-crop cotton will have increased to the highest level in four years. Most of the increase will, according to present indications,

appear in the stocks of cotton pledged to the Government for price support loans.

In the accompanying chart each bar refers to a natural marketing year for cotton ending on July 31, and the left side represents the supply of U. S. cotton available in the United States in the particular year. For 1950 the total supply is composed of the 1949 cotton crop (solid black) of 16 million bales and the carry-in (red) of old-crop cotton available last July 31. (Cotton imports, which are negligible, are omitted from the chart.)

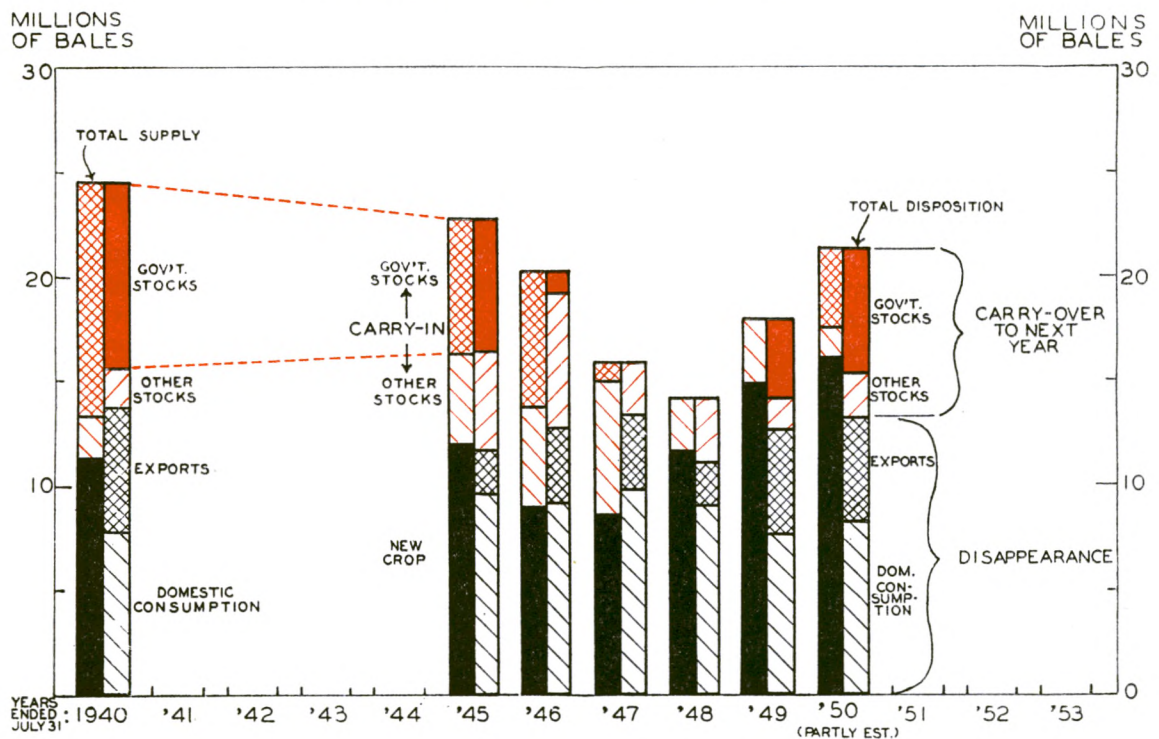
The disposition of each year's supply of cotton is represented on the right side of the bar. Disappearance (domestic consumption and exports) is shown in black and the carry-over of cotton which remained unused at the end of the year is shown in red. Carry-over then is repeated as carry-in on the next bar—part of the supply for the following marketing year. In both carry-over and carry-in the darker red sections at the top of the bar represent "surplus" (the quantity in which the Government has acquired an interest for price-support purposes.)

Carry-Over Remained Large During War

When World War II started, the carry-in of cotton had reached a record of 13 million bales (see left side of first bar in chart) or the equivalent of an entire average crop at that time, and most of these huge stocks were "surplus". The 1940 marketing year began with this carry-in plus a new crop of 11.4 million bales, bringing total supply up to an all-time high of 24.6 million bales. During that year exports were increased, with the assistance of a government export subsidy, to 6 million bales from 3.4 million in the preceding year. At the same time domestic demand strengthened under the influence of war and mill consumption rose above the level of the preceding two years. The result was that carry-over was reduced and some of the "surplus" liquidated during 1940.

In the following four years (omitted from the chart) domestic consumption averaged 10.4 million bales, or 4 million larger than prewar, but exports dropped very low with the result that total disappearance was only 11.6 million bales,—just slightly above the prewar average. Due to smaller acreages, however, production of cotton in those years fell 1.8 million bales below the prewar decade to an average of 11.6 million—about equal to disappearance—thus preventing a further increase in carry-over. Although total carry-in at the beginning of the 1945 marketing year (second bar) was about the same as the carry-over in 1940, the "surplus" had been reduced somewhat, since farm prices had averaged generally above the loan levels, and larger quantities of cotton were carried over in private hands.

SUPPLY AND DISTRIBUTION OF U. S. COTTON
(Selected Marketing Years Ending July 31)



... the cotton "surplus" (Government stocks) which had remained large throughout the war was virtually eliminated by two extremely short crops (see bars for 1946 and 1947). Since then, however, crops have been average or larger, domestic consumption has been somewhat smaller, and price-support stocks are piling up again.

U. S. Department of Agriculture data.

Supply Dropped in Early Postwar Years

After 1945 carry-over grew smaller until July 31, 1947 (fourth bar), when it had reached the lowest level in 18 years. The resulting short supply, combined with strong foreign and domestic demand, culminated in a postwar peak in prices received by farmers for cotton and in final elimination of the longstanding "surplus". Disappearance during that early postwar period was the largest since 1940 mainly because of the stimuli given to exports by urgent foreign needs, foreign-assistance programs of the United States Government, and a subsidy paid to exporters. In the reduction of carry-over, however, a drop in production was more effective than the rise in disappearance. Adverse weather, by limiting both acreage and yield per acre, held two successive cotton crops to the smallest sizes in a quarter of a century. The amount of new cotton available during 1946 and 1947 combined was 5 million bales less than average for a two-year period in the 1940's, while disappearance in those two years combined was above average by less than two million bales.

The supply of cotton available in 1948 was the smallest in 24 years, but since production had recovered and disappearance had dropped, the two-year reduction in carry-over was halted. Domestic supplies of textiles had come more nearly into line with demand, and retail stocks had accumulated to about the prewar relationship with sales. As a result, domestic consumption of cotton was a little smaller than in the preceding year. At the same time scarcity of dollar exchange was limiting foreign purchases.

Price-Support Stocks Increase in 1949 and 1950

Since the inception of dollar aid under the European Recovery Program, however, cotton exports have risen to the highest levels in a decade. With ECA financing about three-fifths of the 1949 exports, total disappearance rose considerably in spite of a drop in domestic mill consumption, (last spring and early summer, buyers of cotton and cotton textiles showed extreme caution and limited purchases strictly to immediate needs).

While disappearance was large last year, production was larger, and carry-over increased. The new

crop available in 1949 was the largest in eleven years; but the one available for the 1950 marketing year is even larger, indicating a further increase in carry-over this July 31. The improved business outlook has strengthened domestic demand somewhat, while exports are even larger than a year ago. Due to more adequate food supplies in Europe many of the countries eligible for ECA funds have reduced food imports from the United States in favor of cotton imports. Disappearance this year may prove to be the largest since 1940.

The increased supplies of cotton in 1949 were instrumental in lowering the farm price to the loan level, and in turn, the price-drop resulted in a "surplus". This year, although the price has averaged above the loan level and the quantity placed under loan has been less than a year ago, it is probable that about half of the cotton on which loans are taken in this marketing year will remain under loan on July 31, thereby substantially increasing the "surplus" over last year.* Since the loan rate on the next crop harvested is expected to be lower than the present rate, it is probable that again this year mills and merchants will hold their end-of-season stocks to minimum levels.

Prospects In the outlook for next year the size of the crop to be harvested this fall is probably the most important of the problematical factors. The Secretary of Agriculture has proclaimed acreage

allotments on the 1950 cotton crop (not shown on chart), calling for a cut of about one-fifth from last year's harvested acreage. This limitation will probably be observed since it is to be enforced by penalties under marketing quotas approved by vote of the growers themselves in a referendum last December. If on the allotted acreage the yield per acre should be equal to the average of the last decade, production available for 1951 would be less than twelve million bales—or less than total disappearance at the current rate. In that case, carry-over might be expected to decrease during the 1951 marketing year; but the prospect is purely conjectural, particularly since it is too early in the year to forecast cotton yields.

Whether or not disappearance will remain as high as at present depends partly on what happens in the foreign market for raw cotton. This market in turn depends largely on the supply of dollar exchange, which is still short in practically all cotton-importing countries. If sufficient dollars can be found, exports will probably continue large because foreign mill consumption is brisk and cotton supplies in other exporting countries are still relatively scarce. Prices (at official exchange rates) of foreign-grown cotton, except in Mexico, are now higher than those for similar qualities of United States cotton.

Note: This discussion is based on published reports of the U. S. Department of Agriculture.

* On the basis of revised estimates from the U. S. Department of Agriculture, available since preparation of the chart, Government stocks are expected to total 5.5 million bales or less, as compared with the 6.0 million indicated on the chart. A "surplus" of this size would, however, still be about 40 percent larger than the 3.8 million bales of 1949. The lowered estimate results from the currently strong export demand which may carry total disappearance of U.S. cotton nearly one-half million bales higher than the 13.2 million shown on the chart.

LOCAL BUSINESS STATISTICS

Owing to limitations of space, the second and concluding article dealing with local business statistics was held over for the June REVIEW.

FINANCIAL AND OTHER BUSINESS STATISTICS

Time Deposits at 58 Banks in 12 Fourth District Cities

(Compiled April 11, and released for publication April 12)

City and Number of Banks	Time Deposits March 29, 1950	Average Weekly Change During:		
		March 1950	Feb. 1950	March 1949
Cleveland (4)	\$ 902,036,000	-\$ 337,000	-\$ 299,000	-\$ 72,000
Pittsburgh (11)	475,187,000	+ 600,000	+ 2,846,000	+ 435,000
Cincinnati (8)	181,113,000	+ 332,000	+ 110,000	+ 81,000
Akron (3)	103,285,000	+ 7,000	+ 28,000	- 14,000
Toledo (4)	106,254,000	+ 184,000	+ 196,000	+ 144,000
Columbus (3)	85,423,000	+ 173,000	+ 103,000	+ 92,000
Youngstown (3)	62,645,000	+ 47,000	- 20,000	+ 24,000
Dayton (3)	46,835,000	+ 74,000	+ 305,000	+ 21,000
Canton (5)	41,750,000	+ 28,000	+ 24,000	+ 96,000
Erie (4)	39,904,000	+ 92,000	+ 75,000	+ 45,000
Wheeling (5)	26,942,000	+ 20,000	+ 32,000	+ 40,000
Lexington (6)	10,751,000	+ 12,000	- 13,000	- 13,000
TOTAL—12 Cities	\$2,082,125,000	+\$1,232,000	+\$3,387,000	+\$837,000

During the five weeks ended March 29, time deposits in 12 Fourth District cities increased at the rate of \$1,232,000 per week, and stood at a new all-time high at the close of the period. This was the fourth successive month of expansion. The weekly increment in the past month exceeded that of a year ago by a moderate margin.

Time deposits increased in every city but one, although in Canton and Wheeling the March gain was somewhat smaller than a year ago.

Time deposits in Cincinnati went beyond \$180,000,000 again, and in Columbus the total at the three reporting banks exceeded \$85,000,000 at the close of the reporting period for a new all-time high. In Toledo, time deposits also stood at a new all-time high at the end of March.

Bank Debits*—March 1950 in 31 Fourth District Cities

(In thousands of dollars)
Compiled April 12, and released for publication April 13)

No. of Reporting Banks	March 1950	% Change from Year Ago	3 Months Ended March 1950	% Change from Year Ago
191 ALL 31 CENTERS	\$7,448,883	+ 0.6%	\$20,603,287	- 0.9%
10 LARGEST CENTERS:				
5 Akron	\$ 235,680	+ 0.1%	\$ 662,983	-0.0%
5 Canton	112,560	- 4.2	312,166	- 7.8
16 Cincinnati	943,936	+ 1.5	2,640,532	+ 1.3
10 Cleveland	1,864,720	+ 0.4	5,205,106	- 0.4
7 Columbus	600,415	+ 5.9	1,823,884	+ 4.2
4 Dayton	238,754	+ 4.0	680,505	+ 2.4
6 Toledo	355,626	+ 3.0	986,628	- 1.7
4 Youngstown	153,087	+ 3.7	441,499	+ 1.9
6 Erie	91,244	+ 2.5	249,929	- 0.8
51 Pittsburgh	2,187,511	- 1.8	5,876,347	- 3.6
113 TOTAL	\$6,783,533	+ 0.6%	\$18,679,579	- 0.9%
21 OTHER CENTERS:				
9 Covington-Newport	\$ 43,147	+ 8.0%	\$ 118,684	+ 2.4%
6 Lexington	61,288	+ 8.2	254,439	- 3.1
3 Elyria	20,886	+ 1.0	55,710	- 2.3
3 Hamilton	39,657	+ 0.5	115,607	+ 3.3
2 Lima	45,530	+ 5.2	125,860	+ 0.9
5 Lorain	17,147	- 9.8	48,420	-10.3
4 Mansfield	44,557	- 1.7	123,270	- 0.4
2 Middletown	41,564	+12.3	112,752	+14.5
3 Portsmouth	21,126	+ 0.5	57,730	- 3.7
3 Springfield	47,788	+ 4.8	133,554	+ 2.5
4 Steubenville	23,143	+ 1.7	64,296	- 2.1
2 Warren	38,781	+ 0.4	107,046	- 5.0
3 Zanesville	26,468	- 6.8	73,759	- 3.6
3 Butler	29,598	- 5.4	84,140	- 6.2
1 Franklin	6,673	- 4.2	18,140	-14.0
2 Greensburg	21,037	- 8.4	56,798	- 8.2
4 Kittanning	7,563	-24.8	24,592	-15.6
3 Meadville	13,827	+ 2.6	36,058	- 1.9
4 Oil City	19,957	+ 1.8	51,721	- 6.0
5 Sharon	27,752	- 4.4	77,432	- 6.5
6 Wheeling	67,861	+ 4.5	183,700	+ 4.1
78 TOTAL	\$ 665,350	+ 1.4%	\$ 1,923,708	- 1.2%

* Debits to all deposit accounts except interbank balances.

With the first year-to-year gain in ten months, debits to deposit accounts (except interbank) in 31 Fourth District cities reached a new all-time high for March, at \$7,449,000,000.

For the first quarter as a whole, however, the debit total fell 0.9 percent short of the comparable 1949 figure. In view of the fact that the increase in deposits (not shown in table) was greater than that of debits, in both large and smaller centers, it is obvious that the rate of turnover is still somewhat slower than a year ago.

TEN LARGEST CENTERS

In Columbus, Dayton and Youngstown debits during March were approximately 3 percent to 6 percent larger than in the same interval in 1949. As was the case with respect to nearly all large cities, last month's debits in the three foregoing cities were the largest on record for any March.

TWENTY-ONE SMALLER CENTERS

Among the smaller cities, the largest year-to-year gain occurred in Middletown where the March total was 12.3 percent greater than a year ago, and the first quarter aggregate was up 14.5 percent. In five other localities, Covington-Newport, Hamilton, Lima, Springfield, and Wheeling, first quarter debits also ran ahead of the first quarter of 1949 by a small amount.

Indexes of Department Store Sales and Stocks

Daily Average for 1935-1939=100

	Adjusted for Seasonal Variation			Without Seasonal Adjustment		
	March 1950	Feb. 1950	March 1949	March 1950	Feb. 1950	March 1949
SALES:						
Akron (6)	272	274	296	249	241	259
Canton (5)	335	325	374	302	287	314
Cincinnati (8)	285	285	292	274	225	269
Cleveland (10)	245	241	256	233	193	233
Columbus (5)	288	301	318	282	241	295
Erie (3)	300	278	320	276	223	281
Pittsburgh (8)	249	259	260	249	215	244
Springfield (3)	251	268	266	239	217	239
Toledo (6)	254	243	268	241	197	244
Wheeling (6)	220	226	238	216	176	214
Youngstown (3)	298	301	349	286	250	310
District (96)	270	271	279	256	217	254
STOCKS:						
District	276	269R	285	273	251R	282

R—Revised
Correction for previous issue: January stocks index should have read 256 (adjusted), and 224 (unadjusted).

Back figures for year 1949 are shown in the February issue. For years 1946-48, see August 1949 issue, page 7.

Adjusted Weekly Index of Department Store Sales*

Fourth District

(Weeks ending on dates shown. 1935-39 average=100)

1949		1950		1949		1950	
Jan. 8	326	Jan. 7	273	July 2	285	July 1	8
15	317	14	307	9	283	8	8
22	324	21	305	16	283	15	22
29	298	28	302	23	276	22	22
				30	272	29	29
Feb. 5	301	Feb. 4	301	Aug. 6	265	Aug. 5	12
12	303	11	290	13	248	12	12
19	290	18	273	20	267	19	19
26	274	25	250	27	262	26	26
Mar. 5	270	Mar. 4	255	Sept. 3	276	Sept. 2	23
12	282	11	276	10	282	9	23
19	268	18	262	17	279	16	23
26	275	25	261	24	268	23	30
Apr. 2	304	Apr. 1	281	Oct. 1	288	Oct. 7	14
9	306	8	275	8	249	7	14
16	270	15	260	15	251	14	21
23	278	22	244	22	244	21	28
30	299	29	244	29	263	28	28
May 7	320	May 6	259	Nov. 5	259	Nov. 4	11
14	277	13	241	12	241	11	18
21	301	20	256	19	256	18	25
28	280	27	276	26	276	25	25
June 4	277	June 3	286	Dec. 3	286	Dec. 2	9
11	283	10	293	10	293	9	16
18	293	17	304	17	304	16	23
25	299	24	257	24	257	23	30
				31	289	30	30

* Adjusted for seasonal variation and number of trading days. Based on sample of weekly reporting stores which differs slightly from sample reporting monthly.