

MONTHLY *Business Review*

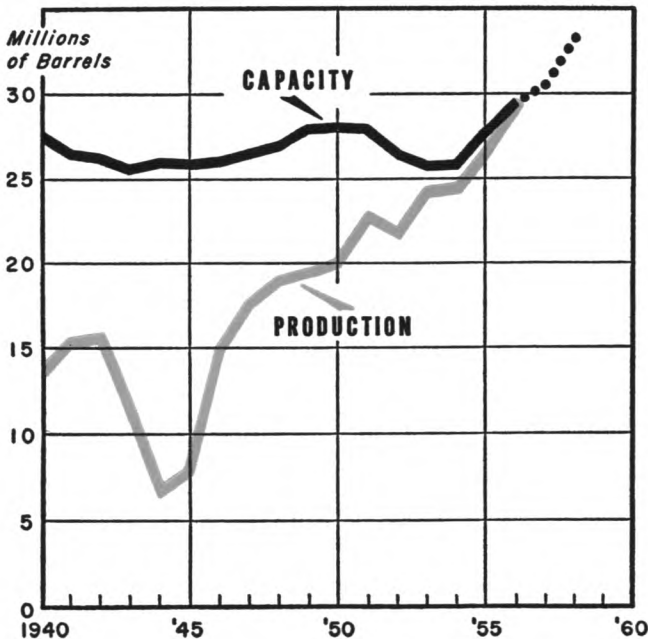
FEDERAL RESERVE BANK of CLEVELAND

June, 1957

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CEMENT MILLS IN THE FOURTH DISTRICT



A rising demand for portland cement has boosted production to near capacity levels at Fourth District mills during the past several years. An expansion of mill facilities is now under way to meet anticipated increases in demand over the next few years.

(Production and capacity figures through 1956 are Bureau of Mines totals and include two West Virginia mills outside the Fourth District. Capacity estimates for 1957 and 1958 are based upon reports from 14 mills in the Fourth District.)

Expansion in the Cement Industry

IN AN EFFORT to keep pace with the steady rise of construction activity to new record rates year after year, the portland cement industry has increased its manufacturing capacity by about one-third in the last ten years. At the same time, the industry has made more efficient use of its facilities, raising the operating rate from around two-thirds of capacity in 1946 to virtually full capacity during the past two years. Consequently, portland cement production in the United States increased more than 90 percent between 1946 and 1956.

The near-term outlook for cement suggests further increases in demand during the next few years. An enlarged highway construction program, coupled with the probable continuation of high levels of activity in many other types of construction, points in this direction. The cement industry has programmed an expansion of its manufacturing facilities to meet the expected rise in demand. The capacity of the nation's cement mills, rated at over 320 million barrels annually in 1956, will be one-fifth larger by the end of 1958 when all of the planned improvements and additions are completed.⁽¹⁾

The cement industry, unlike many other industries, is not identified primarily with any particular area of the country. Plant

location is governed by the availability of raw materials and fuels, plus the nearness of markets. Since transportation costs bulk large in total costs to the consumer, cement mills tend to be scattered over the United States in general conformance with the population, each mill serving markets in its own immediate area.

Expansion Slower at Fourth District Mills

The cement industry in the Fourth Federal Reserve District is similar to that of the rest of the country in most respects, but it has not expanded as rapidly. Production at Fourth District cement mills, for example, has fluctuated in about the same pattern and increased at about the same rate as the national totals during the past decade. However, the rate of expansion by mills of the District was less than half that of the entire industry during the 1946-56 period and District mills plan to continue this relatively slower rate of expansion during the next few years.

Eleven companies operate 14 cement mills in Ohio and western Pennsylvania having a combined annual capacity of 28.6 million barrels of portland cement in early 1957. Expansion now under way will boost the cement capacity of the District to 31.2 million barrels annually by the end of 1958, or about 28 percent greater than the 1946 total. In contrast, the industry as a whole will have

(1) Based upon a survey conducted in December 1955 by the U. S. Bureau of Mines. Preliminary capacity figures for 1956 show that capital additions fell slightly short of original expectations, but there is no reason to believe that the 1958 target has been lowered.

enlarged its production facilities by 62 percent during the same 12-year span, according to known expansion schedules. Consequently, the District will have only about 8 percent of the nation's portland cement manufacturing capacity at the beginning of 1959 as compared with slightly over a 10 percent share in 1946.⁽²⁾

One of the more obvious reasons for the slower rate of expansion at Fourth District cement mills is the much faster population growth of such areas as the West Coast and the Southwestern states. The resulting boom in the construction of highways, factories, homes and related facilities needed more cement than ever before. Existing mills in these areas were enlarged and new mills were built to meet the rising demand. Still, the population of the Fourth District—paced by above-average gains in Ohio—has grown at about the same rate as the United States total during the postwar period.

The not so obvious reasons for the District's smaller relative expansion of cement capacity seem to relate to the retirement of some of the older District facilities and to the after-effects of an apparent over-extension of capacity in the late 1920's that seems to have plagued the local industry for about two decades.

Old Mills Being Retired

Some of the portland cement mills in the Fourth District are among the oldest in the United States, dating back almost 50 years. Modifications and additions have been made to these older plants over the years, but they are relatively inefficient in comparison with modern plants. It has been profitable to operate the older plants in the District because they were located near abundant supplies of the necessary raw materials and fuels and close to major consuming markets. But, the companies have realized that the older facilities would need to be replaced in time and they have started to do so.

⁽²⁾ Based upon a survey of the 14 cement mills operating in the Fourth District; the survey was conducted in March 1957 by this bank.

A mill originally erected in 1909 at Universal, Pennsylvania, for example, was replaced by an entirely new plant in 1956. By the end of 1957, the oldest plant in the Fourth District—at Wampum, Pennsylvania—will be succeeded by a brand new mill costing around \$12,000,000. The latter is designed around two dry process kilns that are as large as any in the country.

The retirement of older, less efficient facilities offsets to some extent the addition of new capacity, and this occurs to a greater degree in this District than in many other sections of the country. The net increase in capacity, therefore, considerably understates the actual amount of mill construction and modernization already completed in the postwar period, or currently planned and under way.

From 1946 to 1958, for example, capacity at Fourth District portland cement mills is scheduled to rise from 24.4 million to 31.2 million barrels annually, showing a net gain of 6.8 million barrels. However, actual changes, mill by mill, show a gross increase of 14.0 million barrels in capacity between 1946 and 1958 being offset by retirements of 7.2 million barrels of over-age or obsolete capacity. Thus, while capacity will be only



28 percent greater in 1958 than in 1946, roughly one-half of the 1958 production facilities will have been built in the last decade—most of them since 1951.

Plant Efficiency Boosted

Until recent years, the cement industry has not utilized its facilities to the fullest extent possible. For the nation as a whole, the operating rate did not exceed 80 percent until 1948, and it has been above 90 percent only for the last four years. In part, this was due to the practice of producing for immediate consumption, so that low production rates characterized the winter months when construction activity was at its seasonal low. The drop in construction activity during the colder months has not been as severe in recent years as it was prior to World War II. Although construction activity still exhibits a marked seasonal swing, demand for cement has been evened out somewhat over the year. Also, mills have added storage facilities so that higher production rates could be maintained during the winter when spot demand slackened seasonally.

The operating rate was even lower at Fourth District mills than it was nationally from the late 1920's to the early 1950's. There appears to have been over-expansion of cement capacity in the District during the 1920's which was reflected in the operating rate. But, the older plants in the District, with their less efficient machinery, also contributed to the lower operating rate. Productivity at District mills, for example, ran considerably below the national average all through the 1930's and 1940's. Although figures are not available for the 1950's, it would seem fair to assume that output per man-hour at District mills has risen sharply as the older, less efficient facilities have been replaced by modern new plants and that productivity is currently close to the industry average.

Since 1953, District cement mills have operated at a rate several points above the national rate. In addition to the factors al-

ready mentioned, it appears that local demand exceeds the supply available from District mills and that this has kept the mills operating at near-capacity levels in recent years.

Enough Capacity?

At the national level, the supply of cement will apparently be adequate over the near term if all expansion plans are completed. It is estimated that about one-half of the 71-million barrel addition to capacity by the beginning of 1959 will be needed for the expanded highway construction program. But, other types of construction activity are not expected to rise nearly as rapidly as highway work during the next few years, so that the anticipated supply of cement should be sufficient to meet the expected demand.

Despite the satisfactory supply-demand outlook for the next few years on a nationwide scale, it looks as if the demand for cement in the Fourth District might still exceed the local supply in 1959. The expected expansion in manufacturing capacity is just about sufficient to fill the *current* gap between apparent supply and demand in Ohio alone. Since 1951, apparent consumption of port-

SHIPMENTS OF PORTLAND CEMENT FROM OHIO MILLS COMPARED WITH RECEIPTS OF MILL SHIPMENTS IN THE STATE

(Figures in thousands of barrels)

Average or total	Shipments from mills	Estimated Consumption	Apparent Deficiency
1946-50	9,635	9,865	230
1951	11,872	12,968	1,098
1952	11,378	13,095	1,718
1953	12,532	14,292	2,240
1954	13,077	16,033	3,044
1955	13,982	17,475	3,493
1956	15,150	17,555	2,405

Data from U. S. Bureau of Mines

land cement in Ohio has substantially exceeded shipments from the nine mills in the

(Continued on Page 11)

Farmers Mechanize on Credit

WHEN FARMERS borrow from banks, it has traditionally been for the purpose of acquiring real estate or meeting current expenses. At one time, in fact, such types of borrowing almost completely accounted for the farmer's financial needs. Nowadays, however, the advance of mechanization is reflected in the farmer's borrowing. Purchases of tractors, or of large milk-cooling tanks, for example, are increasingly important forms of farm finance. Likewise, the renovation of buildings or the purchase of high-quality "producer" livestock fit into the framework of "intermediate capital" borrowing, which has now acquired major status in the farmer's balance sheet.

Unlike fertilizer or other current expenses, intermediate capital goods have a life which extends beyond one year; yet such items do wear out eventually, distinguishing them from the relatively fixed nature of real estate capital. The cost of intermediate capital goods is likewise greater than that of items commonly considered as current expenses, but it is generally less than the investment required in farm real estate.

As a part of a detailed study of bank lending to farmers, information was obtained as of June 30, 1956, pertaining to the manner in which commercial banks finance farmers' purchases of intermediate capital goods. Data were assembled specifically on loans for machinery, for improvement of land and buildings, for producer livestock (as distinguished from feeder livestock) and for purchase of durable consumer goods. The following discussion and illustrations relate to this type of farm financing as carried on by banks in the Fourth Federal Reserve District.

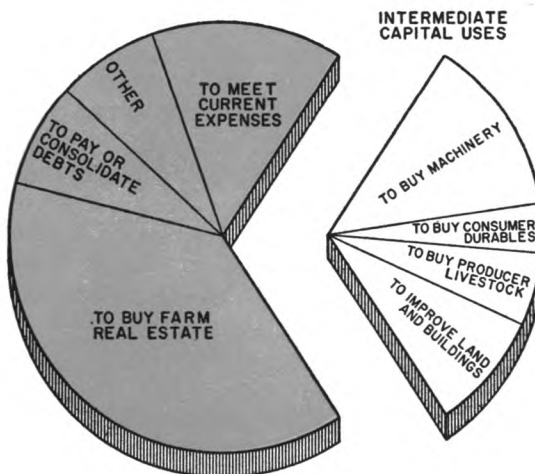
Loans for Machinery

More credit is used for machinery than for any other type of intermediate capital goods. This category of credit use, which includes tractors and trucks as well as equipment, accounts for 50 percent of the number of intermediate capital loans which farmers have at banks and for 43 percent of the outstanding dollar volume. (See chart.)

A typical loan for machinery would be for \$500 to \$1,000, secured by a chattel mortgage,

PURPOSES OF BANK LOANS TO FARMERS

(Fourth District, June 30, 1956)

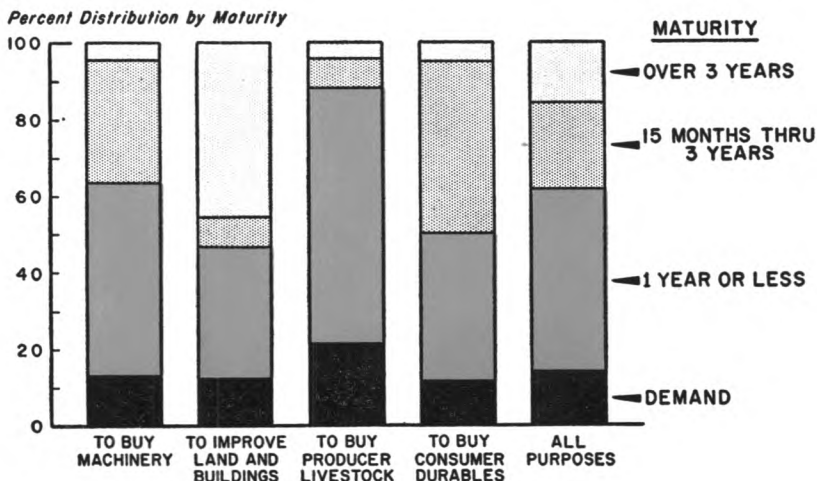


Loans for intermediate capital uses, such as the purchase of machinery and the improvement of land and buildings, account for nearly one-third of the credit in use by farmers.

MATURITY OF BANK LOANS TO FARMERS, ACCORDING TO PURPOSES

(Intermediate Capital Type, Fourth District)

Notes written for one year or less represent over one-half of the loan volume outstanding for machinery and producer livestock, and over one-third of the outstanding loans to improve land and buildings or to buy consumer durables.



and written either on demand or to mature within one year. The probability would be about even as to whether the note would be repaid in instalments or as a single payment. The borrower would most likely be over 35 years of age, his net worth would be anywhere from \$2,000 to \$25,000, and the note would probably be paid off without being renewed. In this respect, the machinery loan most commonly encountered by bankers is treated much the same as a current expense loan.

There are many deviations, however, from the "typical" machinery loan just described. The various loan-size intervals above the \$500-\$1,000 range account in total for two-fifths of the number of machinery loans and for three-fourths of the dollar volume of outstandings. Banks have twice as much machinery credit outstanding on loans of \$2,000 to \$5,000 in size than on loans in the \$500-\$1,000 interval. Thus, what is a typical size from the standpoint of numbers of loans is not reflected in a similar concentration of dollar volume.

Loans of over \$1,000 for machinery also give rise to variations from the "typical"

pattern of terms of the note. Of the machinery notes that are less than \$1,000 in size, about 30 percent are written to mature in one year or longer; of the notes \$1,000 and larger, 43 percent are written for the longer maturity. Also a greater proportion of the loans of \$1,000 and larger are represented by demand notes—14 percent as contrasted with 8 percent for the smaller loans.

Relatively more of the larger loans are written with the understanding that they will be renewed to stretch out payments. Of those notes specifically written for one year or less, about 40 percent of the notes \$1,000 and over in size are renewed according to such a plan, compared with 25 percent for the notes under \$1,000 in size. Security requirements also tend to be considerably greater in some instances for the larger loans; real estate was taken as security for 6 percent of the loans of \$1,000 and larger, compared with only about 1 percent of the loans under \$1,000.

A closer look at repayment methods on machinery loans shows nearly half to be instalment loans. Of the single payment loans, accounting for the remainder, three of every

ten had been renewed according to pre-arranged plan (as of June 30, 1956), one of every ten had been renewed, although not originally planned, and one of every ten represented a demand note. Most of the remaining single-payment notes were written to fall due in full within one year.

Repayment methods on many of the machinery loans were originally established by dealers from which banks purchased farm notes. Presumably such financing arrangements as made by dealers, however, were also satisfactory to the lender. Nearly one-third of the machinery loans had been purchased. Due to the substantially smaller average size of purchased notes, they accounted for less than one-fourth of the volume of machinery loans outstanding.

Loans to Improve Land and Buildings

Greater productivity in agriculture has not been due solely to machinery. Improved drainage, conservation projects, building renovation to improve labor efficiency, and other similar capital investments have both supplemented and complemented mechanization. The volume of credit in use to improve

land and buildings ranks second only to machinery among the various intermediate capital uses by farmers.

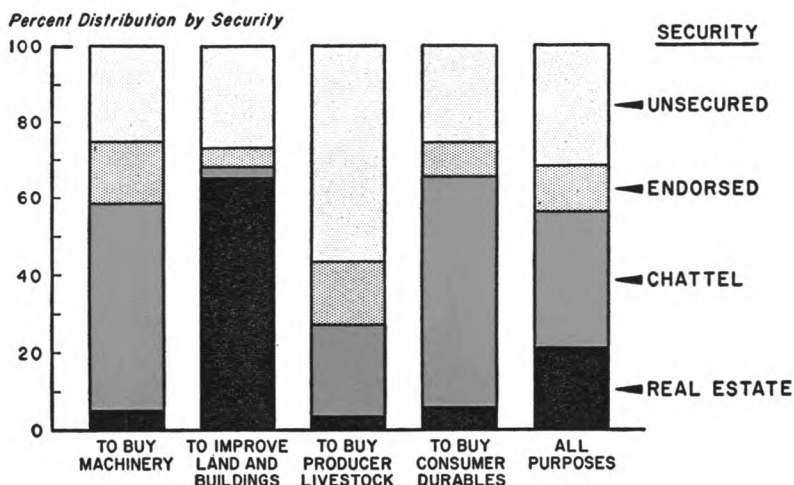
Loans for land and building improvement tend to run larger in size than loans for machinery. The average size of loan, in fact, is nearly double the average size of machinery loans. Over one-fifth of the loans are between \$1,000 and \$2,000; loans larger than \$2,000 account for an additional one-third of the number and over three-fourths of the outstandings.

In conformity with the generally larger sizes of loans for land and building improvement, maturities of such loans also tend to be substantially longer. About one-third of the loans, representing half of the dollar outstandings, were written to mature in two years or longer. About 45 percent of the outstandings were represented by loans with maturities of over three years. (See chart.)

Longer maturities and larger loans for purposes which are essentially real-estate improvement point to farm real estate as a common security for the loans. About 40 percent of such loans, representing nearly two-thirds of the outstandings, are secured by

SECURITY OF BANK LOANS TO FARMERS, ACCORDING TO PURPOSES

(Intermediate Capital Type, Fourth District)



Chattel mortgages are the most common security for machinery and consumer durables, real estate security is usually taken for real estate improvement, producer livestock loans are commonly unsecured.

real estate. (See chart.) Unsecured notes were nearly as common numerically as real estate security; however, only about one-fourth of the dollar outstandings were unsecured. Security by endorsement is relatively uncommon. A mortgage on chattels, the most common security for machinery, is little used in loans to improve land and buildings.

Further investigation of the nature of the large block of borrowers that have unsecured loans for land and building improvement reveals a close relationship to net worth. Borrowers with net worths of \$25,000 and over accounted for about half the unsecured notes, which in turn amounted to nearly three-fourths of the dollar volume. The taking of real estate for security on improvement loans is rare for borrowers with very high net worths; conversely the extension of unsecured notes is not a practice followed with borrowers having less than \$3,000 equity in their farm business.

Loans to Buy "Producer" Livestock

A considerable portion of farm livestock may be properly classified as intermediate capital. Feeder livestock would *not* be so considered insofar as they represent products destined to be sold. Dairy cows, beef-breeding herds, sows and boars, however, are kept primarily as intermediaries in the production process rather than for direct sale. About 18 percent of the loans outstanding by banks for intermediate capital are for such producer livestock; loans for machinery and to improve land and buildings accounted for 43 percent and 28 percent respectively as indicated in an accompanying chart.

Loans for producer livestock tend to be considerably smaller in size than those for real-estate improvement, but they average somewhat larger in size than machinery loans. Over one-third of the loans are for less than \$500; nearly two-thirds are for less than \$1,000. The remaining one-third of the loans, however, tend to be quite large in size and account for the bulk of the dollar outstandings for this purpose.

For producer livestock, unsecured loans

are more common than any specific physical type of security. (See chart.) Chattel mortgages are fairly prevalent. Most of the remainder of loans for producer livestock are secured by endorsement.

About one loan in seven is specifically written for more than one year; an additional one in seven is a demand note. The remainder of such notes, also reflecting the bulk of outstandings, are written with maturities of one year or less. (See chart.) Planned renewals are used to a considerable extent to stretch out repayment periods on the notes with maturities of one year or less; one-third of the notes, representing nearly three-fourths of the outstandings, are written with the agreement that they will be renewed on the maturity date.

Loans for Consumer Durables

Although loans for home freezers, television sets, automobiles and other consumer durable goods do not loom especially large in dollar totals, they do constitute a significant proportion of the number of intermediate capital loans. Nearly one of every five intermediate capital loans is for consumer durable goods; such loans account for 11 percent of the outstandings.

Loans of this type tend to be decidedly smaller than those in the other major intermediate capital areas. One-third of the notes are smaller than \$250; over half are less than \$500 in size. Loans of more than \$1,000, however, are not unusual.

Nearly all of the borrowers for consumer durable goods have net worths of over \$3,000; well over half have net worths of \$10,000 or more, indicating that borrowing of this type is largely a matter of convenience rather than necessity. Most of the borrowers are over 35 years of age. A chattel mortgage is the most common form of security for the notes, although a substantial volume is unsecured. (See chart.)

Maturities on loans for consumer durables fall largely into four periods—6 months, 12 months, 18 months and 24 months. About 70

percent of the notes are being repaid in regular instalments. The substantial number of notes with 18-month and 24-month maturities, and the prevalence of the instalment method of repayment, both tend in part to reflect the volume of farmer notes purchased from dealers where such financing arrangements are standard. Nearly one-third of the loans for consumer durables had been purchased from merchants and dealers.

Summary Observations

Considerable variation is obvious in lending patterns, depending upon the specific item of intermediate capital being purchased. Security and length of maturity, for example, tend to be adapted to the special nature of each broad category of use, such as the purchase of machinery. Within any of the broad uses, loan terms tend to be further adapted to the size of the loan, the net worth of the borrower and other factors.

One feature is apparent—loans for intermediate capital uses are not necessarily set up to be intermediate term in maturity. Relatively small loans may well be liquidated within a year, despite the nature of their use. Characteristics of many borrowers may also make it far more desirable that a periodic “new look” be taken at the progress of the loan before stretching it out further. (See chart.) Many borrowers with large net

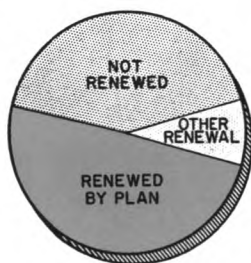
worths do not desire to have loans stretched out beyond one year; a demand note or a six-month note may be completely satisfactory in meeting their maturity requirements. It cannot be clearly ascertained whether these factors can satisfactorily explain the statistical observation that only a little over one-third of the loans for intermediate capital purposes are specifically written for more than one year. It is of significance in this respect that 48 percent of the loans are \$1,000 and larger, but these larger loans are not, in all instances, the same as those with the longer maturities.

The matter of the age of borrowers also brings up an interesting point. Young farmers, it is sometimes argued, are not getting enough credit for investment capital. However, a distribution of borrowers according to age, as compared with a distribution of all farm operators by age, shows that farmers in each of the age classes up to 45 years account for a proportionately larger share of the credit than their numbers would indicate. The widest margin exists in the 35-44 year age bracket, however, which accounts for about 22 percent of the farm operators and 33 percent of the credit in use. Such comparisons do not resolve the very real problem of capital accumulation for beginning farmers; they do tend to throw doubt on the suggestion that operators may be discriminated against solely because of age.

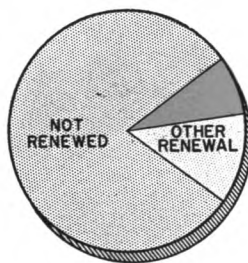
RENEWAL STATUS OF FARM LOANS, ACCORDING TO MATURITY

(Intermediate Capital Type, Fourth District)

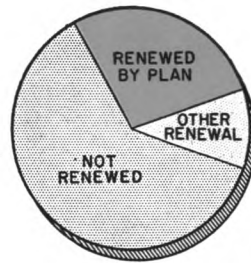
One-half the volume of loans written to mature in one year or less are accompanied by an agreement to renew on the maturity date; such planned renewals are relatively uncommon with other maturities.



MATURITIES OF 1 YEAR OR LESS



ALL OTHER MATURITIES



ALL MATURITIES

Net worth and need appear to be overriding factors, in most instances, for guiding the allocation of credit for intermediate capital uses. The process of tailoring credit to fit the specific intermediate capital needs of farmers is still in the development stage, both among bankers and among farmer-owned cooperative credit sources. Many lenders are far advanced in this field; others have hardly more than recognized the need for adapting their services to this growing area of credit use.

Some problems will continue unanswered for some time to come. Economically, it

would seem desirable to have adequate amounts of intermediate capital in the hands of farm operators to permit an optimum scale of operation while they are in the "prime" producing years of their lives. A problem arises insofar as, for a considerable part of this period in the farmer's life span, net worths are so low as to require a cautious policy on the part of lenders in the extension of credit. There is no easy solution of this problem.

Note: Interest rates on loans for intermediate capital uses and a summary of all loans to farmers were discussed in the February 1957 and December 1956 issues respectively of the *Monthly Business Review*.

REGULATION OF CONSUMER INSTALMENT CREDIT

A statement of the views of the BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM which was transmitted to the respective chairmen of the Senate and House Banking and Currency Committees, of the Joint Economic Committee, and of the Council of Economic Advisers.

Early in 1956 the President, through the Council of Economic Advisers, requested the Board of Governors of the Federal Reserve System to undertake a broad study of consumer instalment credit. When this request was made a record-breaking year of expansion of this credit had just been completed. The ability of the Government to discharge its responsibilities under the Employment Act of 1946 was felt by some to be jeopardized by this development, since credit expansion in this special sector seemed unresponsive to the general monetary actions that were then being taken to restrain inflationary pressures.

The Board had been concerned with instalment credit developments for some time, and had initiated an inquiry into the effects of general credit policy on consumer instalment credit as early as 1953. While neither the Council of Economic Advisers nor the Board of Governors felt that conditions prevailing early in 1956 warranted a request at that time for authority to regulate consumer instalment credit, they agreed that a background study of the part played by consumer credit in economic instability was needed and would be timely. The chairmen of the banking and currency committees of both houses of the Congress and the chairman of the Joint Economic Committee concurred in the desirability of such a study.

The circumstances occasioning the study warranted intensive and comprehensive investigation. Accordingly, the Board of Governors directed its research staff to plan a survey that would examine the entire record of instalment financing in this and other countries. Academic scholars also participated in the study under the auspices of the National Bureau of Economic Research. In addition, the survey employed the facilities of the Bureau of the Census and a private survey organization. The assistance of Federal Reserve Bank Research staffs was enlisted, as well as that of foreign central banks. A survey of trade and other opinion was conducted under the direction of a special consultant to the board.

On March 15 of this year, five of the six volumes reporting this study were transmitted to the interested congressional committees and agencies of government and released to the public. The final volume was transmitted and released about six weeks later.

The members of the Board of Governors of the Federal Reserve System have individually studied the report and have carefully considered the entire subject. Based on this study and discussion, the Board finds that:

(1) The use of consumer instalment credit for the purchase of costly durable goods and in the manage-

ment of family finances has penetrated a widening range of income receivers and social groups. The pace of penetration, however, has been sporadic.

(2) In the past, the rate at which consumer instalment credit was granted varied considerably. These variations tended to coincide with general fluctuations in economic activity.

(3) Though of recognizable importance as a factor of instability, fluctuations in consumer instalment credit have been generally within limits that could be tolerated in a rapidly growing and dynamic economy.

(4) A possible exception to the third finding occurred during the 1954-56 upswing in economic activity. The rapid expansion of consumer instalment credit in 1955, with its accompanying secondary impacts on capital investment, contributed to the emergence of inflationary pressures. This expansion, however, combined with real estate mortgage and other types of credit expansion in producing this sequence of developments.

(5) Since early 1956, expansion in total instalment credit has moderated, in part as a result of general monetary restraints and in part as a result of reduced demand for automobiles and other consumer durable goods commonly financed by instalment credit.

(6) Liberalization of instalment credit terms and standards from mid-1954 through 1955, which was particularly marked in connection with the purchase of new automobiles, contributed to the further widening of the practice of instalment buying and borrowing and to the very great expansion in instalment

credit outstanding that occurred. Some of the forces making for this rapid widening of the market for consumer credit were temporary. Also, this drastic liberalization of credit terms and standards exposed consumer lenders to increased risks. On both counts, the forces making for credit liberalization in that period were to an extent transient and self-limiting.

(7) Because of economic and social factors likely to affect the future of instalment credit, its growth in the years ahead may be at a slower pace than in the past. The volatility of consumer instalment credit in the past was to some extent related to its rapid growth. If future growth is slower, the potential instability of this factor may be contained within tolerable margins.

(8) Under peacetime conditions, special regulation of consumer instalment credit would inevitably present problems of compliance to the financing and business concerns subject to it, and of administration and enforcement to the agency of government responsible for the regulation.

On the basis of the foregoing findings, the Board of Governors believes that a special peacetime authority to regulate consumer instalment credit is not now advisable. The Board feels that the broad public interest is better served if potentially destabilizing credit developments are restrained by the use of general monetary measures and the application of sound public and private fiscal policies.

The Board of Governors and its staff will continue to follow closely developments in the use of consumer instalment credit.

CEMENT INDUSTRY

(Continued from Page 4)

state, as shown by the following table. Last year, the deficit amounted to about 2 $\frac{1}{2}$ million barrels, or nearly 15 percent of total consumption. Comparable figures are not available for other parts of the Fourth District, but the partial evidence strongly suggests that a good part of the cement consumed locally has come from mills outside the District.

The apparent need for additional cement capacity in the Fourth District may be somewhat illusory, however, as long as cement is available from outside the District. Except for some general tightness in supply during

1955, which was also felt in many other parts of the country, actual shortages have not been a problem in this area. Transport facilities are excellent throughout most of the District. In 1955, some users were reportedly obtaining cement from as far away as Kansas City, but this was the exception rather than the rule. With the supply expected to be sufficient to meet the rough estimates of demand in 1959 for the entire country, Fourth District consumers should experience little trouble in getting their share. Nevertheless, it seems that the District could support some additional cement capacity over and above that already under way.

The 1957 Survey of Ownership of Demand Deposits

SINCE 1943, the Federal Reserve System has conducted an annual survey designed to determine the distribution of demand deposits of individuals, partnerships, and corporations, at commercial banks by type of owner. The purpose of the first survey was to secure guides that would be useful in establishing quotas for sales of war bonds by region and by type of investor. Today, the survey results provide basic data for analysis of current financial problems and for the construction of several widely used economic series.

The Securities and Exchange Commission, for example, uses the results of the survey of demand deposit ownership when preparing its quarterly estimate of liquid savings. The Bureau of Agriculture Economics considers demand deposits of farmers, supplied by the survey, an integral part of its regular estimate of the assets and liabilities of agriculture, more commonly known as the "balance

sheet of agriculture." The Board of Governors of the Federal Reserve System used the survey results to estimate liquid asset holdings of individuals and business, and to estimate the direction and volume of money flows among the various sections of the economy.

In 1956, the survey was suspended to provide time for the development of a new reporting procedure that would (1) improve the accuracy of the results, (2) integrate the final results with the uses that have developed over the years, and (3) reduce the reporting task for cooperating banks. This year, the survey was reinstated in the new form.

In the Fourth Federal Reserve District, 116 insured commercial banks provided sample data on ownership of demand deposits of individuals, partnerships, and corporations, held at 143 of their banking offices. The figures were as of January 30, 1957. The estimate of total demand deposits, IPC, held by all Fourth District insured commercial banks contained a sampling error of less than 3 percent; however, errors of estimate may be substantially larger in some ownership classes.

The accompanying table contains an estimated percentage distribution of the dollar volume and the number of demand deposit accounts held at all insured commercial banks in the Fourth District. A similar distribution by size of bank can be supplied upon request.

As indicated in the table, business firms hold the largest share, about three-fifths, of total privately-held demand deposits in this District and only one-tenth of the number of such deposits. Personal accounts, on the other hand, make up more than three-quarters of the total number of accounts and only three-tenths of the total dollar volume.

By and large, the distribution by ownership group has remained remarkably stable over recent years. This in itself is noteworthy in a period of great business expansion and growing economic prosperity.

PERCENTAGE DISTRIBUTION OF DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS

FOURTH DISTRICT INSURED COMMERCIAL BANKS

January 30, 1957

Type of Owner	Deposits	Number of Accounts
Business:	62%	10%
Nonfinancial.....	54	10
Financial.....	8	1
Corporate.....	50	3
Noncorporate.....	12	7
Personal.....	29	79
Nonprofit Organizations.....	4	6
Trust Funds of Banks and Deposits of Foreign Residents and Firms.....	3	1
Farmers, Noncorporate.....	2	4
TOTAL.....	100%	100%