

# MONTHLY *Business Review*

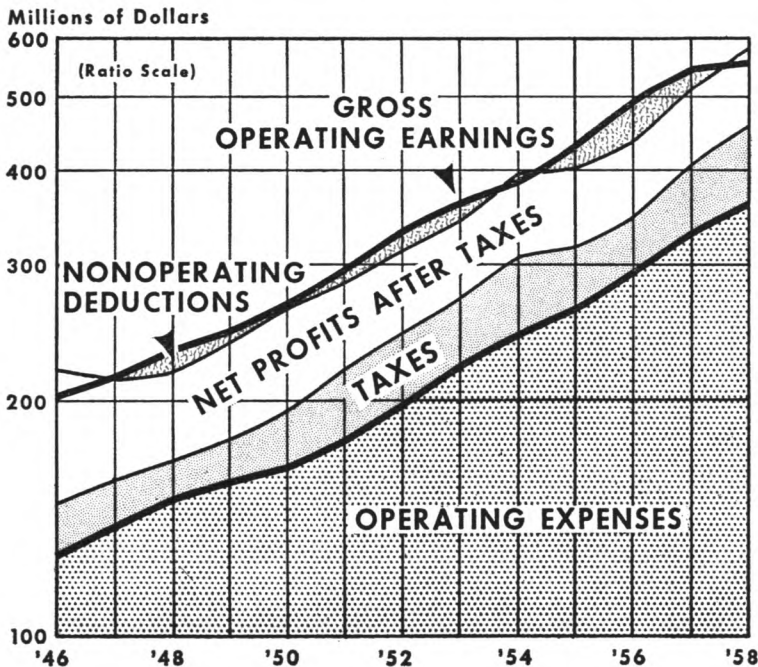
FEDERAL RESERVE BANK of CLEVELAND

*April, 1959*

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## DISTRIBUTION OF MEMBER BANK EARNINGS Fourth Federal Reserve District



Expenses and taxes rose faster than operating earnings in 1958. However, non-operating factors, which typically absorb earnings, added to earnings and increased net profits in 1958.

# Bank Earnings in 1958

## Member Banks, Fourth Federal Reserve District

**I**N MANY WAYS, the year 1958 was a challenge to bank management. The recession reduced the demand for its chief earning assets—loans—thus forcing a shift to lower yielding assets—securities. While anti-recession measures, pursued by the Federal Reserve System during much of the year, increased the availability of bank reserves, they also contributed to a decline in the rate of return on earning assets. At the same time, banks already committed to larger expenses through postwar increases in salaries and wages, as well as more recent increases in rates paid on time deposits, found their expenses growing faster than earnings. Nevertheless, net profits after taxes gained ground in 1958 as the impact of changes in the value of assets shifted from the debit side of profit accounts in 1957 to the credit side in 1958.

Fourth District member banks experienced the smallest increase in gross operating earnings since 1949. Operating expenses, moving persistently upward, absorbed a larger share of earnings and, as a result, net operating earnings decreased about 6 percent. This decline, the first in the postwar period, was more than offset by nonoperating additions to profits in contrast to the substantial nonoperating deductions that occurred a year earlier. This somewhat aleatory gain, principally from security transactions, reinforced earnings sufficiently to provide an increase in net profits before taxes of more than 16 percent. Larger taxes on net income, however, absorbed nearly three-fourths of the before-tax gains, leaving after-tax profits about 8 percent above 1957. Still, the average rate of return on capital, 8.5 percent in 1958, was only a shade higher than in the previous year. Thus was a storm-ridden year weathered by Fourth District member banks.

### COMPOSITION OF PROFIT GROWTH

Fourth District Member Banks, 1958

(Millions of Dollars)

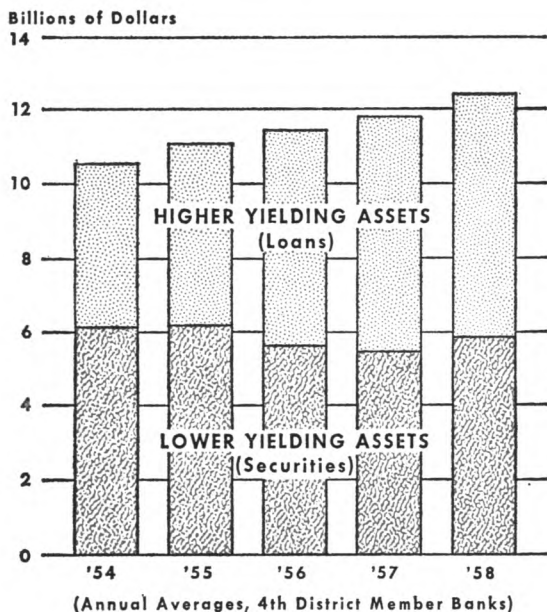
Increase in Net Profits .....	+ 8
Factors Increasing Net Profits .....	+ 61
Nonoperating Profits* .....	43
Increased Earnings on Securities .....	8
Increased Earnings on Unclassified Assets .....	6
Increased Earnings on Loans .....	4
Factors Decreasing Net Profits .....	- 53
Increased Taxes .....	22
Increased Interest Payments on	
Time Deposits .....	16
Increased Salaries and Wages .....	8
Increased Expenses, Unclassified .....	7

\* Change from nonoperating loss of previous year to nonoperating profit in 1958.

### Earnings

Bank reserves were eased markedly during the larger part of 1958. Immediately after business recovery had become evident, the Federal Reserve System pursued a less easy policy, although it could hardly be characterized as one of "restraint". As a result, bank credit expanded sharply during the first half of the year and continued to expand, though at a slower pace, during the second half. Average holding of loans and investments at Fourth District member banks increased \$553 million during 1958, the largest increase since 1955.

*Earning assets increased significantly in 1958, but additions to lower yielding assets accounted for most of the gain.*



It appears curious, therefore, that gross operating earnings amounting to \$565 million in 1958 were only 3 percent above 1957. However, two forces tended to offset the earnings potential of an increased volume of loans and investments. They may be described as follows: (1) With loan demand down, as business firms reduced inventories and funded a large volume of short-term debt, and as consumers repaid bank-held debt, nearly seven-tenths of the expansion in bank credit occurred in holdings of securities. The average yield on securities, however, is about half the average rate of return on loans. In addition, the increase in loans did not take place until the fourth quarter of the year. (2) Interest rates in general declined, influencing earnings on both loans and securities.

The average rate of return on loans fell from 5.11 percent in 1957 to 5.05 percent in 1958. U. S. Government securities, on the average, returned 2.44 percent in 1958 in contrast to 2.50 percent in 1957. Securities of

state and local governments made up the only significant part of the banks' investment portfolios which paid an increased rate of return in 1958. Total returns on such securities increased 16 percent and the average rate of return rose from 2.61 percent in 1957 to 2.80 percent in 1958. State and local government securities comprising only 10 percent of earning assets accounted for one-fourth of the increase in operating earnings of Fourth District member banks.

Much of the improved return on such securities was probably a reflection of the record volume of funds borrowed by state and local governments in the capital market. Some of this borrowing represented the funding of short-term notes previously held by banks. To the extent that the long-term issues, which carry higher yields, were purchased by banks, the average yield on bank holdings of state and local government securities was increased.

The average volume of loans held by the banks increased \$171 million in 1958, about one-third of the increase in volume a year earlier. As evidenced by the downward trend in the prime rate from 4.50 percent to 3.50 percent during the first four months of 1958, rates charged by banks declined. A moderate increase in loan demand accompanied the business recovery and the prime rate was raised to 4.00 percent in September—too late in the year to have a large impact on earnings for the year. As a result, earnings on loans, up a little more than 1 percent, were the smallest rather than the largest contributor to bank profits for the first time since 1954.

### Expenses

With expenses absorbing 64 percent of 1958's operating earnings in contrast to the 61 percent absorbed a year earlier, net operating earnings declined about 6 percent between 1957 and 1958. Salaries and wages continued to account for the bulk of total expenses. The recession appears to have had an influence here, as the percentage increase in salaries and wages was the smallest in the postwar period.

# MEMBER BANK EARNINGS, 1958

## FOURTH DISTRICT

(Dollars in Millions)

EARNINGS, EXPENSES, AND PROFITS	Year 1958p	Change From 1957
OPERATING EARNINGS .....	\$ 565	+\$18
U. S. Government Securities .....	112	+ 3
Other Securities .....	36	+ 5
Loans .....	329	+ 4
Other Earnings .....	88	+ 6
OPERATING EXPENSES .....	361	+ 30
Salaries and Wages .....	148	+ 8
Interest on Time Deposits .....	92	+ 16
Other Expenses .....	121	+ 7
NET OPERATING EARNINGS .....	204	— 12
NET LOSSES AND CHARGE-OFFS <sup>1</sup> .....	+ 62	+ 93
Securities .....	+ 70	+ 95
Loans .....	— 3	+ 1
Other .....	— 5	— 2
NET INCREASE IN VALUATION RESERVES .....	— 54	— 51
TAXES ON NET INCOME .....	98	+ 22
NET PROFITS .....	113	+ 8
CASH DIVIDENDS .....	47	+ 2
SELECTED ASSETS AND LIABILITIES <sup>2</sup> .....		
Loans .....	\$ 6,516	+171
U. S. Government Securities .....	4,599	+286
Other Securities .....	1,286	+ 96
Demand Deposits .....	9,153	+ 4
Time Deposits .....	4,739	+369
Total Capital Accounts .....	1,335	+ 80
Total Assets .....	15,499	+493
Total Assets Less U. S. Government Securities and Cash .....	8,024	+284
<b>MEMORANDA:</b>	<b>Year 1958p</b>	<b>Year 1957</b>
Ratio of Net Profits to Average Total Capital Accounts .....	8.5%	8.4%
Average Return on Securities:		
U. S. Government .....	2.44	2.50
Other .....	2.80	2.61
Average Return on Loans .....	5.05	5.11
Number of Banks .....	591	599

p Preliminary.

<sup>1</sup> Includes recoveries credited and losses charged either to undivided profits or valuation reserves. Losses on securities are net of profits on sales of securities.

<sup>2</sup> Averages of figures reported on five call dates during year.

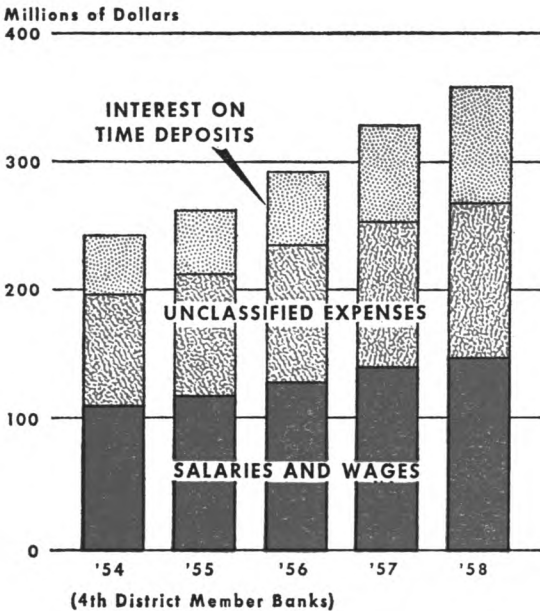
Higher interest rates paid on time deposits, plus the substantial \$369-million addition to the average level of time deposit liabilities, increased the volume of interest payments by 21 percent. Such payments comprised more than half of the growth in expenses in 1958.

The persistent postwar growth in taxes, as well as in expenses, has resulted in a higher "break-even point"; some observers feel that such a development may constitute a threat to bank capital if any prolonged period of decline in earnings should occur. It is clear, in any event, that expansion of profits has become more difficult.

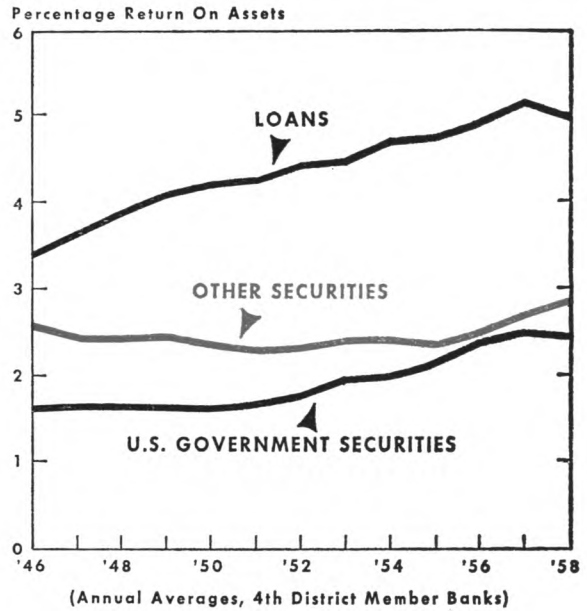
### Nonoperating Additions to Profits

As shown on the table on page 2, the principal feature of the 1958 earnings picture, contributing to a moderate \$8-million increase in net profits, was a net improvement of \$43 million from nonoperating factors. For the first time since 1954, nonoperating factors increased the carryover to profits from net operating earnings.

*Expenses continued to climb in 1958. Interest on time deposits rose more than other expenses.*



*Average yields were generally lower in 1958.*



Losses on loans and other assets, exclusive of securities, were absorbed at about the 1957 volume. The experience with securities transactions, however, was entirely different. In 1957, Fourth District member banks had absorbed \$25 million in losses on sales of securities as securities were disposed of to meet the loan demand of the faltering business boom. During 1958, by contrast, about three-fourths of the \$91 million lost on securities during the previous three years was recovered through profits on sales of securities.

Such sales on a rising securities market during a period when net additions were being made to security holdings resulted in an increase in the average price of securities held. Therefore, a substantial share of the gains made was added to valuation reserves for securities to provide protection for capital accounts in the event that future price declines would entail losses on securities. The net increase in valuation reserves for all types of assets, in this case mainly for securities, amounted to \$54 million.



## Taxes and Cash Dividends

Taxes on net income increased nearly 30 percent in 1958, absorbing about half of net operating earnings. Cash dividends rose slightly in 1958 as Fourth District member banks continued to add to capital accounts nearly six-tenths of net profits after taxes. Typical of the postwar period, retained earnings amounting to \$66 million comprised an important share of the \$80-million addition to the average level of total capital.

## Bank Earnings and Business Earnings

The earnings record of commercial banks during the recession and recovery of 1958 appears to have been similar, in part, to that of other types of profit-making business. The private demand for their wares declined, expenses continued to rise, and operating earnings fell. However, the similarity ends there.

As already shown, profits of Fourth District member banks rose in 1958 (as elsewhere in the nation) while aggregate profits of non-financial corporations throughout the nation dropped appreciably. Over the postwar period, however, corporate business has fared

better than banks, roughly tripling the dollar totals of annual profits during the postwar period while banks, according to Fourth District experience, have managed about a 15 percent improvement. Corporate earnings from year to year, however, have been considerably more variable than bank earnings. In part, these differences can be attributed to the nature of commercial banking.

The expansion in earning assets of banks during 1958 was coincident with an expansion in deposits which increased the liquidity of the economy. Bank purchases of Government securities and the general improvement in liquidity contributed to a recovery-stimulating reduction in interest rates. Thus the banking system played its role in reducing rates to attract new investment, and to pave the way for recovery and expansion.

In so doing, however, banks experienced a decline in the rate of return on earning assets and a proportionately greater growth in lower-yielding assets. These same influences resulted in an appreciation of the market value of securities held, enabling banks to partly allay the two-pronged drag on earnings through long-term profits on sales of securities.

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## NOTES ON FEDERAL RESERVE PUBLICATIONS

Recent statements on Federal Reserve policy and related matters include:

“The Sovereign, the Central Bank, and the Monetary Standard”, by **Malcolm Bryan**, President, Federal Reserve Bank of Atlanta. (Address given on March 19, 1959, at Durham, North Carolina.) Copies available from Federal Reserve Bank of Atlanta, Atlanta, Georgia.

“Demand and Prices”, by **Ralph A. Young**, Director, Division of Research and Statistics, Board of Governors of the Federal Reserve System. (Statement made on March 10, 1959, before the Senate Subcommittee on Anti-Trust and Monopoly, Washington, D. C.) Copies available at the Board of Governors of the Federal Reserve System, Washington 25, D. C.

“Inflation—A Threat to Retirement Programs”, by **Karl R. Bopp**, President, Federal Reserve Bank of Philadelphia. (Address given on February 13, 1959, at Atlantic City, New Jersey.) Copies available from Federal Reserve Bank of Philadelphia, Philadelphia, Pennsylvania.

# The Fertilizer Industry in Ohio, Pennsylvania, and Kentucky

A NUMBER of new fertilizer plants have been constructed in Ohio, Pennsylvania, and Kentucky in recent years and many of the existing plants have been modernized to accommodate the increased demand for mixed fertilizers in these states.<sup>(1)</sup> Only eight plants were producing mixed fertilizers in Kentucky ten years ago, as compared with twenty-one in 1958. In Ohio, the number of plants has increased from 45 to 51 and annual production capacity has risen from about one and one-quarter million tons to nearly two million tons.

The use of fertilizer has been a major factor during the past ten years in enabling farmers to produce a 23 percent larger volume of crops with 10 percent less land. Fertilizer has also figured prominently in the development of many of the intensified types of farming operations that currently surround many of our large cities.

## Location of Plants

Although fertilizer plants are located throughout most of the farming regions of these three states, they are more concentrated in areas where large quantities of fertilizer are consumed. In Ohio, plants are more densely located in the western portion than in the eastern portion of the state, for large amounts of fertilizer are used by western Ohio farmers to produce grains which are either fed to livestock, or sold outright. In Pennsylvania, most manufacturers have lo-

cated their plants in the southeastern part of the state where farmers use liberal amounts of fertilizer to produce tobacco and truck crops. Tobacco is the most heavily fertilized crop produced by Kentucky farmers; fertilizer manufacturing facilities are located throughout the tobacco areas of that state, with the largest concentration located in the burley region.

## Size of Plants

Considerable variation occurs in the sizes of plants located throughout Ohio, Pennsylvania, and Kentucky. That is, in large part, because the demand for fertilizers varies according to the prevailing type of farm enterprise in a particular area, and the fact that fertilizer manufacturers generally sell their products to farmers within a fifty-mile radius of the production site. For example, the largest plants in the three-state area are located in the cash grain sector of western Ohio, while the smaller plants are most frequently located in areas where dairy and general types of farming operations are encountered. Eastern Ohio, parts of western Pennsylvania, and eastern Kentucky are areas where dairy and general farming practices constitute the principal forms of agriculture.

The production capacities of the 51 plants located in Ohio vary from less than 10,000 tons per year to more than 100,000 tons per year. Twenty-eight of these 51 plants are equipped to produce 30,000 tons or more annually, with plants ranging between 30,000 and 49,999 tons being the most common size. There are nine Ohio plants with capacities that exceed 70,000 tons annually and these

(1) The three states were selected because of their significance for the Fourth Federal Reserve District as well as the convenience of discussing the states in their entirety. (All of Ohio, but only the western part of Pennsylvania and the eastern part of Kentucky are included within the Fourth District.) Although part of West Virginia lies within the Fourth District, West Virginia is not included in this article because of data limitations.

nine plants account for 43 percent of the total capacity of all plants in the state. Plants falling into the 30,000- to 49,999-ton size group, combined with those in the category of 70,000 tons or more, account for two-thirds of the total capacity of all plants, or approximately 1.3 million tons.

There are 21 fertilizer plants located in Kentucky with a total annual production capacity of 511 thousand tons. Sixteen of these 21 plants have annual capacities ranging between 20,000 and 49,999 tons. Eight of the 16 plants fall into the size group of 20,000-29,999 tons and eight fall within the range of 30,000-49,999 tons. Over 90 percent, or about 470 thousand tons, of the capacity of all plants in Kentucky is accounted for by the plants in the above size groups.

Plants located in Pennsylvania are generally smaller than those in Ohio and Kentucky. The most common size facility has an annual capacity ranging between 10,000 and 19,999 tons. Thirteen plants fall into this size group, but they only account for about 25 percent of the total capacity for the state. Nearly 60 percent, or approximately 305 thousand tons, of the total capacity of 539 thousand tons is accounted for by five plants with capacities ranging between 20,000 and 29,999 tons and six plants with capacities of 30,000-49,999 tons.

A comparison of production capacity with annual rates of fertilizer consumption shows that the capacity to produce fertilizers ex-

ceeds consumption in Ohio, and that the capacities of plants located in Pennsylvania and Kentucky are close to being equal to the annual rates of consumption in these two states. Despite this fact, large tonnages are shipped into Pennsylvania and Kentucky to satisfy farmer demand. It has been estimated that about half of the fertilizer consumed in Pennsylvania and one-fifth of that consumed in Kentucky is imported from other states. Ohio is the only one of the three states where fertilizers are not imported in quantity; over 99 percent of the fertilizer consumed in Ohio is produced domestically.

One of the reasons that imports of fertilizer are so large in Pennsylvania and Kentucky is that a considerable number of plants located in these two states are accustomed to producing at capacity levels only during periods of heavy demand. Nearly three-fourths of all fertilizer sales in these two states occur during the first six months of the year, with the largest volume of sales taking place during the months of March, April, and May. Little sales activity occurs in June and July. During the months of August and September, fertilizer sales increase in response to fall plantings of wheat. From October through January demand is practically nonexistent; few sales are made. Moreover, many of the plants do not possess sufficient storage facilities to hold a finished product that might be produced during months when demand is seasonally low.

Table 1

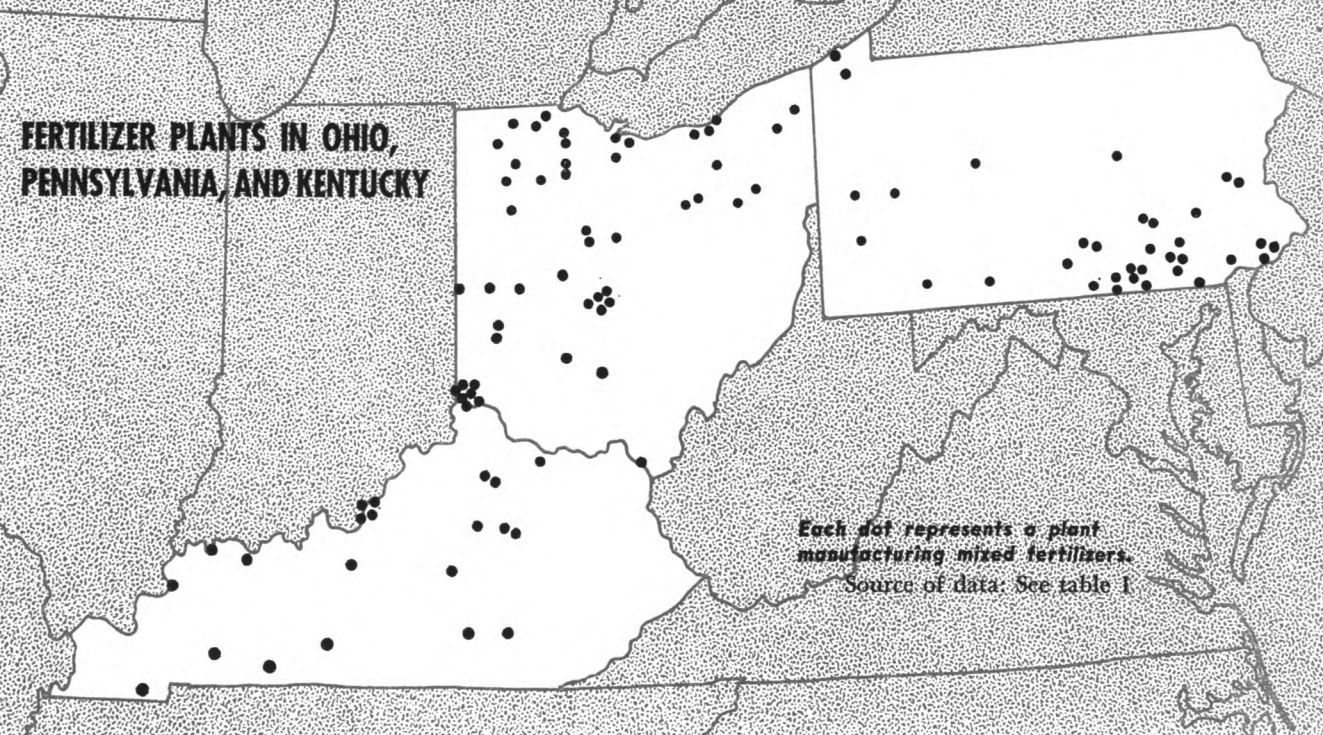
**FERTILIZER PLANTS IN OHIO, PENNSYLVANIA, AND KENTUCKY**

Size Group (tons)	OHIO		PENNSYLVANIA		KENTUCKY	
	Number of Plants	Capacity (thous. tons)	Number of Plants	Capacity (thous. tons)	Number of Plants	Capacity (thous. tons)
Under 10,000 .....	5	31.4	9	38.8	2	9.2
10,000-19,999 .....	9	117.7	13	145.0	3	32.2
20,000-29,999 .....	9	174.6	5	110.0	8	165.0
30,000-49,999 .....	12	429.7	6	195.1	8	304.6
50,000-69,999 .....	7	370.8	1	50.1	....	....
70,000 and over ..	9	837.8	....	....	....	....
<b>Total .....</b>	<b>51</b>	<b>1,962.0</b>	<b>34</b>	<b>539.0</b>	<b>21</b>	<b>511.0</b>

Source: *Fertilizer Year Book*, Walter W. Brown Publishing Company, Inc., Atlanta, Georgia; also interviews with industry personnel.



## FERTILIZER PLANTS IN OHIO, PENNSYLVANIA, AND KENTUCKY



### Fertilizer Consumption

Over 2.2 million tons of fertilizer mixtures and materials were applied to cropland in Ohio, Pennsylvania, and Kentucky in 1957, an amount equivalent to one-tenth of all fertilizers consumed in the United States. Well over 80 percent of the 2.2 million tons consumed in these three states was in mixed form.<sup>(2)</sup> Of the three states mentioned, mixed fertilizers are used most extensively in Ohio where they account for 92 percent of all fertilizer consumption.

Tremendous gains have occurred in the amount of fertilizer consumed in these states during the nearly two decades since 1939. The tonnage of fertilizers consumed in Kentucky increased three and one-half times between 1939 and 1957, while the tonnage consumed in Ohio tripled, and tonnage nearly doubled in Pennsylvania.

As shown in an accompanying table, the tonnage of fertilizer consumed in Ohio and Kentucky increased continuously to peaks in 1954 amounting to 1,094 thousand tons and 582 thousand tons, respectively. In Pennsylvania, continuous increases were recorded un-

(2) Mixed fertilizers are the end products of assembling and mixing together two or more primary plant nutrients in varying percentages by weight.

til 1955 when the annual rate of consumption reached a peak of 715 thousand tons.

Table 2  
FERTILIZER USE\*  
Selected Years

Year	Ohio	Pennsylvania	Kentucky
	(1,000 tons)		
1939	346	374	159
1942	447	410	332
1945	639	486	348
1948	890	556	472
1951	949	645	572
1954	1,094	681	582
1955	1,085	715	523
1956	1,050	653	535
1957	1,036	634	542

\* Includes mixed fertilizers and fertilizer materials.

While the tonnage consumed per state has been declining slightly in recent years, the amount of fertilizer applied per acre has been increasing continuously.

During the 1945 crop year, only 146 pounds of fertilizer were applied to Ohio cropland,

Source: *Statistics on Fertilizers and Liming Materials in the United States*, U. S. Dept. of Agriculture, 1957; *Consumption of Commercial Fertilizers and Primary Plant Nutrient in the United States*, U. S. Dept. of Agriculture.

but by 1954 the rate of application rose to 199 pounds per acre, and by 1957 farmers were applying fertilizer at an average rate of 208 pounds per acre, or nearly one and one-half times the amount applied in 1945. In Pennsylvania, per acre applications rose from 146 pounds to 250 pounds per acre between 1945 and 1957, an increase of more than 150 percent.

Spectacular gains in the rate of fertilizer use have occurred on Kentucky farms where the average rate of application rose from 129 pounds per acre in 1945 to 244 pounds per acre in 1954 and 262 pounds in 1957. The rate of application in Kentucky during 1957 was twice that of 1945 and nearly one-tenth greater than the rate of application during the 1954 crop year.

It is interesting to note that 99 percent of the tobacco acreage, 94 percent of the corn acreage, and 91 percent of the wheat acreage harvested in Ohio during the 1954 season were fertilized, and there is ample reason to believe that these percentages have moved closer to the 100-percent level during recent years. A similar fertilization pattern exists in Pennsylvania; however, the percentages of corn and wheat acreages fertilized are slightly lower. On Kentucky farms, 98 percent of the tobacco acreage and 79 percent of the corn acreage receive applications of fertilizer.

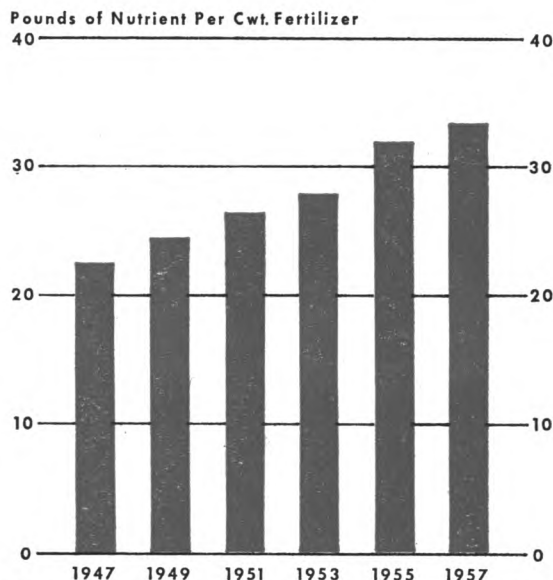
### Nutrient Content is Up

Another trend in fertilizer consumption that is of more recent origin, and one that continues to have a marked effect on the fertilizer industry, as a whole, is the increasing popularity of the more concentrated grades of fertilizer.

Although there was a noticeable shift to the use of fertilizers of higher analysis during the late thirties, the big change has occurred in the past ten years. As shown in the chart, the amount of nutrients contained in one hundred pounds of fertilizer purchased by Ohio farmers has risen without interruption from 22.4 pounds in 1947 to 33.0 pounds in 1957. A similar trend has also prevailed in Pennsylvania and Kentucky.

The result of this uptrend in nutrient con-

### NUTRIENT CONTENT OF FERTILIZER SOLD IN OHIO



Source of data: *Ohio Fertilizer Sales*, published annually by The Ohio State University

tent is that farmers can apply lesser amounts of fertilizer now than ten years ago and still supply the same amount of plant food. For example, a farmer who applied 200 pounds of fertilizer to an acre of corn in 1947 could supply the same amount of plant nutrients in 1957 by using only 136 pounds per acre.

There has also been a significant switch to the use of a particular grade of fertilizer to overcome a specific type of soil-nutrient deficiency. The three grades of mixed fertilizers sold in largest volume to Ohio farmers during 1947 accounted for 86 percent of all sales in that year. During 1957, however, the three most frequently sold grades accounted for only 62 percent of total sales. The declining proportion of total sales accounted for by the three leading grades has resulted from farmer demand for several grades of fertilizer, each one of which has been formulated to supplement varying degrees of soil-nutrient deficiencies.

Several factors have contributed to the development of these trends, some of which follow. (1) Farmers have gradually come to realize the agronomic benefits that can accrue

through the use of fertilizers. (2) Many farmers are now considering the cost of fertilizer on a nutrient content basis. (3) Farmers have come to realize that the labor required in applying fertilizer can be reduced by using more concentrated forms. (4) The cost of fertilizer has not risen as sharply as the costs of other items used in production.

### Prices

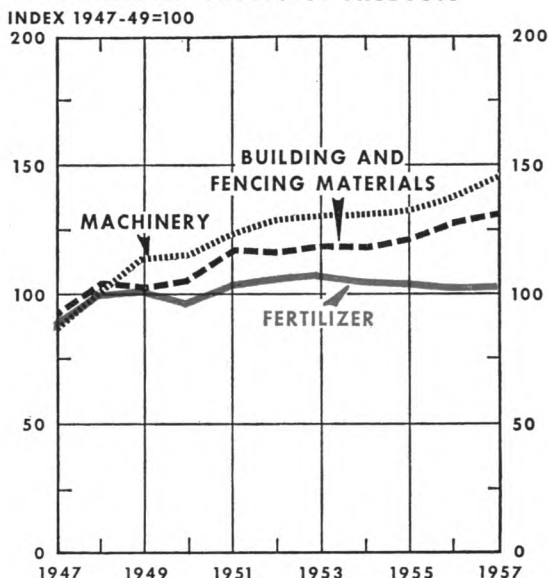
Technological achievements in formulation and processing methods have greatly improved both the physical and chemical characteristics of fertilizers and have helped hold down production costs, with the result that manufacturers have been able to offer farmers a better product at prices that are only slightly higher than a decade ago.

The index of prices farmers paid for fertilizer during the past ten years is shown in the accompanying chart along with the prices of two other items that they purchase for use in the production process. During the ten-year period, the index of fertilizer prices rose from 93 in 1947 to a peak of 110 in 1953, and then declined to 105 in 1956 and 1957.

If fertilizer prices in 1957 are compared with prices in 1947 on a nutrient content basis, however, it can be shown that farmers are actually paying less for this product now than ten years ago, for even though the price per ton has increased 13 percent, the amount of nutrients contained per ton has risen 47 percent.

Moreover, the fertilizer which farmers purchased in 1957 possessed many advantages over the fertilizer purchased ten years earlier. A considerably larger proportion of the fertilizer reaching the farm in 1957 had been subjected to a process known as granulation, which yields a product in the form of granules. These granulated fertilizers have little tendency to cake; there is less loss in the form of dust; spreading equipment can be cleaned more easily; the fertilizer is easier to handle and can be distributed much more uniformly in the field. Many of the granular products are also coated with an inert substance which further reduces the tendency to cake.

PRICES PAID BY FARMERS FOR  
SELECTED GROUPS OF PRODUCTS



Source of data: U. S. Department of Agriculture

Other factors that have helped hold the cost of fertilizers down relative to other products purchased by farmers include the development of multiple-hopper spreading equipment and the improvements made in bulk-blending techniques. These developments have reduced, and in some cases eliminated, the necessity of using costly fillers as carriers of plant nutrients.

Changes in methods of marketing fertilizers have also been influential in holding down prices. Historically, fertilizers have been sold through business establishments selling other items to farmers. Following the Korean conflict, however, manufacturers broadened their market outlets by selling directly to truckers and farmer-dealers. Both truckers and farmer-dealers are said to operate on comparatively low profit margins. To meet this competition, conventional dealers have sought price discounts from manufacturers so that they can offer their customers pre-season and quantity discounts.

Meanwhile, the prices which farmers have paid for machinery, as well as for building and fencing materials, have moved upward continuously, as indicated by the chart.

# Around the Fourth District —

## BANK DEBITS IN FEBRUARY

(12 Medium-size Cities, Fourth District)

		Feb. '59 % change from year ago	3 Months ended Feb. '59 % change from year ago
Lorain	Ohio	+23%	+15%
Warren	Ohio	+17	+ 8
Springfield	Ohio	+16	+13
Covington-Newport	Ky.	+15	+11
Mansfield	Ohio	+14	+ 7
New Castle	Pa.	+13	+ 4
Lexington	Ky.	+13	+ 3
Wheeling	W. Va.	+12	- 6
Middletown	Ohio	+ 9	+11
Zanesville	Ohio	+ 9	+ 5
Hamilton	Ohio	+ 9	+ 7
Lima	Ohio	- 1	+ 1

\* \* \*

In Cleveland, the improving pace of *automotive sales* in recent weeks has been encouraging, although volume has some distance to go to reach the best levels of the last five years. New car sales totaled 7,648 in March, a good improvement from the 5,900 of the year-ago month, but considerably below the March average of the previous three years, which was nearly 8,900.

\* \* \*

Fourth District *department store sales* in February scored a 13% gain over a year ago, when sales were depressed by a deepening recession as well as by severe weather conditions. It was the largest year-to-year gain for any month since March of 1956.

\* \* \*

*Electric power output* in Cincinnati has been holding well above year-ago figures, with gains in recent weeks ranging from 8% to 15%. The record is similar in Cleveland and northeastern Ohio where the volume of electric power generated in each week of the year to date has represented a record for the calendar period.

\* \* \*

*Farmers in Ohio and Kentucky* report that they will plant more corn, wheat, and tobacco in 1959 than in 1958, but less soybeans and oats. *Pennsylvania farmers* also expect to increase corn and tobacco acreages, but will reduce their plantings of wheat, soybeans, and oats.

*(The above items are based on various series of District or local data, which are assembled by this bank and distributed upon request in the form of mimeographed releases.)*