

# MONTHLY REVIEW

## of Financial and Business Conditions

FIFTH  
FEDERAL



RESERVE  
DISTRICT

Federal Reserve Bank, Richmond 13, Va.

May 31, 1944

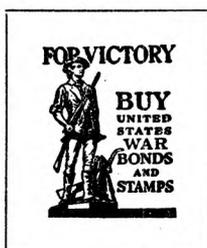
### Business in April 1944

THE farm production outlook as far as climatic factors are concerned is excellent. It is true that the season is from a week to two weeks late, and that much tobacco will be reset before corn is planted, a reversal of the normal process, but from a growth standpoint the season is excellent. As far as can be ascertained, however, it appears the intended acreage will be planted even though in many instances the growers cannot now see how they will be able to harvest the crops. Farm labor is shorter in this District this year than it was last year, with further inductions into the armed forces highly probable. It is likely that some arrangement can be worked out to utilize prisoners of war as well as volunteers from cities and towns during the harvest season.

Under the assumption that in one manner or another the great bulk of the crops would be harvested, the current indications point to a further increase in the cash farm income of the District arising from prospective increases in the volume of production and higher prices. Price increases so far are running ahead of last year from 6 per cent in South Carolina to 42 per cent in Maryland.

A ceiling price of 52 cents a pound (season's average basis) was originally set for Maryland tobacco, but shortly after the auction markets opened on May 9th growers refused to sell at prevailing prices and the ceiling was then fixed at a flat figure of 62 cents with no overall

season average requirement. This will act essentially as a ceiling on the top grades and leave the remainder of the grades in a free market. The OPA says that the change in the ceiling price was not for the purpose of increasing prices, but was the result of a new system of price control. Since no ceiling has been so far placed on flue-cured tobacco for the current season, it will be interesting to see whether a similar ceiling arrangement to that placed on Maryland tobacco will prevail in flue-cured markets.



As regards the operating rate of the District's manufacturing, mining and service industries, incomplete evidence suggests that, in the main, they are holding a fairly even keel at or near capacity levels, or on levels not far short of the capacity that unseasoned workers can maintain. The development of a sufficient number of trained workers in the District's shipyards is securing an output not far below the yards' best levels despite the fact that considerably fewer workers are employed at the present time than a year ago.

The cotton textile industry is in the most critical condition of any of the District's industries. The 48-hour week became effective on the 15th day of May, with most mill men contending that no increase in production could be expected as a result. It is still too soon to be able to tell whether improvement in production is being effected, for no reports have been forthcoming as to whether work-

#### BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT Average Daily 1935-39=100 Seasonally Adjusted

	Apr. 1944	Mar. 1944	Feb. 1944	Apr. 1943	% Change Apr. 1944 from	
					Mar. 44	Apr. 43
Bank Debits .....	192	202	212	205	- 5	- 6
Bituminous Coal Production*.....	149	145	152	146	+ 3	+ 2
Building Contracts Awarded.....	143	100	122	129	+43	+11
Building Permits Issued.....	23	21	23	19	+10	+21
Cigarette Production .....	168	167	153	167	+ 1	+ 1
Cotton Consumption* .....	143	155	151	161	- 8	-11
Department Store Sales .....	198	212r	209	186	- 7	+ 6
Department Store Stocks .....	170	172	176	146	- 1	+16
Electric Power Production .....	199	199	208	191	0	+ 4
Life Insurance Sales .....	118	131	128	118	-10	0
Wholesale Trade—Five Lines .....	178	180	181	175	- 1	+ 2

\*Not seasonally adjusted

ing forces are achieving a 48-hour week. Production continued to recede in April when average daily cotton consumption declined 8 per cent from March and stood 11 per cent below a year ago and 17 per cent below the peak made in April 1942.

It is of interest to note that some Southern textile mills

have placed undated orders for new machinery. Thus the much discussed competition of synthetics has not operated as a deterrent to the placement of equipment orders. However, a large part of the machinery in the industry is more than 20 years old, and the pace at which these machines have been operated in the past three years has accelerated the rate of depreciation.

## Ownership of Deposits

Demand deposits of individuals, partnerships and corporations are estimated for all member banks in the Fifth Federal Reserve District at \$2,144 million on February 29, 1944, and this is an increase of \$83 million, or 4.0 per cent, over the estimated level at which these deposits stood on July 31, 1943.

At the end of July 1943 business organizations with balances in excess of \$3,000 in the smaller banks and \$10,000 in the larger banks owned 50.5 per cent of the estimated \$2,061 million of demand deposits of individuals, partnerships and corporations of Fifth District member banks, whereas on February 29, 1944 business organizations' proportion dropped to 47.8 per cent of the estimated \$2,144 million of such deposits on that date. Thus between the end of July 1943 and the end of February 1944, business organizations maintaining deposits in Fifth District banks experienced a net decline in demand deposits of individuals, partnerships and corporations of \$16 million. However this reduction in business deposits was confined to manufacturing and mining concerns and financial businesses. All other business organizations owned a slightly higher percentage of the total deposits of individuals, etc., on February 29, 1944 than on July 31, 1943, and the estimated deposits of these firms rose \$54 million in this period.

In this period, July 31, 1943 to February 29, 1944, the Third and Fourth War Loans were floated, and in these Loans investors other than individuals and mutual savings banks, representing largely business organizations, purchased \$891 million of government securities. Thus the withdrawal of deposits to make payment for these securities was largely offset by a return flow of funds as payment on war contracts and through ordinary business transactions.

There was no change in the proportion of the deposits owned by non-profit associations on the two dates: 4.0 per cent of the total demand deposits of individuals, partnerships and corporations in accounts of more than \$3,000 for small banks and \$10,000 for larger banks being indicated for both dates. Personal deposits in accounts over \$3,000 and \$10,000 including those of farmers, however, accounted for 10.1 per cent of the total demand deposits of individuals, partnerships and corporations on February 29, 1944, whereas these deposits accounted for 8.9 per cent on July 31, 1943. Owing to the estimated increase of \$83 million in total deposits of individuals, partnerships and corporations from July 1943 to February 1944, the constant proportion of ownership by non-profit associations resulted in an estimated increase of \$4 million in this period. Larger total deposits and a higher percentage owned by persons including farmers caused these deposits to rise an estimated \$32 million.

There was also some drift of deposits into the unclassified accounts below the minimums of \$3,000 for smaller banks and below \$10,000 for the larger banks. These unclassified accounts, which include an indeterminate proportion of business deposits, but probably dominated by personal ownership, constituted 38.1 per cent of the total demand deposits of individuals, partnerships and corporations on February 29, 1944, compared with 36.6 per cent on July 31, 1943. These deposits, unclassified as to ownership, rose an estimated \$63 million between July 31, 1943 and February 29, 1944, whereas all the classified deposits, in accounts having more than \$3,000 for some banks and \$10,000 for others, rose an estimated \$20 million.

It is true that these shifts in deposit ownership are a continuous process, and that changes in evidence between the two dates under review will be of significance only if they are the beginning of a trend that may continue for some time. Future surveys will tell whether such is the case. It would be extremely significant if the shift in ownership from business organizations to individuals shown in this survey was the beginning of a trend in that direction, for it could mean more liquid funds in the hands of those most likely to stimulate a consumer goods price inflation shortly after the termination of war. Furthermore, if such a shift in ownership were to continue many business organizations might be forced to sell investments, possibly to banks, or to seek new capital for reconversion.

The facts are not clear as to why the shift occurred in deposits away from manufacturing and financial business firms, mainly to individuals and other business firms. It could be that there was a heavier purchasing of government securities relative to deposits built up by manufacturing and financial business organizations before the 3rd War Loan Drive than in the case of individuals and other business firms and that those deposits were drawn down in greater proportion. Unfortunately the data are given in a manner that does not permit clarification. The shift may be due to an out movement of funds from the District, despite the increase of deposits in this period, which would probably affect manufacturing and financial business accounts more than individual accounts, or small business accounts. Between July 31, 1943 and February 29, 1944 this District's out movement of funds amounted to around \$90 million. The gain in personal deposits and the loss in business deposits between the deposit ownership survey dates could indicate a relatively larger increase in individual incomes over expenditures than in the case of manufacturing and financial corporations. If it is assumed that the peak of efficiency had been passed in manufacturing, this explanation would be logically sup-

ported. Ceiling prices and rising costs would tend to shift funds away from some business firms whose maximum efficiency had peaked. On the other hand, ceiling prices and a dearth of purchasable consumer goods would have a tendency to build deposit balances of individuals.

The accompanying table shows the estimated ownership of demand deposits of individuals, partnerships and corporations on February 29, 1944 together with the shifts that have taken place since July 31, 1943, for all member banks of the Fifth Federal Reserve District.

**ESTIMATED OWNERSHIP OF DEPOSITS OF  
INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS  
IN ALL FIFTH DISTRICT MEMBER BANKS\*\***

	Estimated	·%	Change from	
	February 29, 1944	Total	July 31, 1943	
	\$ million		\$ million	%
Business organizations—total . . . . .	1,025	47.8	—16	— 1.5
Manufacturing and mining . . . . .	319	14.9	—49	—13.3
Other nonfinancial business . . . . .	552	25.7	+54	+10.8
Total nonfinancial business . . . . .	871	40.6	+ 5	+ .6
Financial business . . . . .	154	7.2	—21	—12.0
Nonprofit associations . . . . .	86	4.0	+ 4	+ 4.9
Personal including farmers . . . . .	216	10.1	+32	+17.4
Total classified accounts . . . . .	1,327	61.9	+20	+ 1.5
Unclassified accounts . . . . .	817	38.1	+63	+ 8.4
Total deposits . . . . .	2,144	100.0	+83	+ 4.0

The above estimates of the ownership of demand deposits of individuals, partnerships and corporations were made from the reports of 147 banks on February 29, 1944 and from those of 133 banks on July 31, 1943. Member banks reporting in the July 1943 survey had 69 per cent of all member bank deposits of individuals, etc., on June 30, 1943,\* while those member banks reporting on February 29, 1944 accounted for 74 per cent of all member bank deposits of individuals, etc., on December 31, 1943.\* A representative sample was obtained for each deposit size group from the ownership sample in both periods with the exception of banks having deposits of individuals, etc., under one million dollars in the July 31, 1943 survey, as the following table shows:

**PERCENTAGE OF TOTAL MEMBER BANK DEPOSITS OF  
INDIVIDUALS, PARTNERSHIPS AND CORPORATIONS  
REPRESENTED BY MEMBER BANKS IN OWNERSHIP SURVEYS**

Banks with deposits (million dollars)	June 30 1943	Dec. 31 1943
Over — 50 . . . . .	91.8	100.0
25 — 50 . . . . .	91.9	100.0
10 — 25 . . . . .	69.4	72.7
5 — 10 . . . . .	54.5	56.9
2 — 5 . . . . .	52.4	37.5
1 — 2 . . . . .	11.4	19.7
Under — 1 . . . . .	1.3	22.2
All banks . . . . .	69.0	74.1

Estimates of total demand deposits of individuals, etc., on July 31, 1943 and February 29, 1944 were made on the basis of the percentage changes shown between June 30, 1943 and July 31, 1943 and between December 31, 1943 and February 29, 1944 in the banks' deposits of individuals, etc., which reported in the two deposit surveys by sizes of banks. These percentage changes were then

\* Call report, nearest date for all member banks.

\*\*Four banks were admitted to membership and one withdrew between July 31, 1943 and February 29, 1944. The 4 new member banks held deposits of individuals, partnerships and corporations on Dec. 31, 1943 of \$10,447,000 and the bank which withdrew its membership held such deposits of \$841,000 on June 30, 1943.

applied to all member banks' demand deposits of individuals, etc., in the various size groups of banks. This gave estimated total demand deposits of individuals, etc., for all member banks in the several size groups shown in the above table.

The percentages of ownership by several types of owners (reported by the banks in the two surveys) were likewise classified into the same size groups as shown in the foregoing table. With the amounts of deposits of individuals, etc., for each deposit size group in hand for all member banks the amounts of deposits held by the several broad groups of owners were computed for the several deposit size groups by multiplying the group totals of all member bank demand deposits of individuals, etc., by the sample percentages of ownership. The District figures are the totals of the seven groups and the District percentages of ownership were computed from these dollar figures.

In this manner of computation a more representative set of percentages of ownership is obtained for the District than if the dollar sample were aggregated and percentages taken of these figures. In addition the shifts in deposits between July 1943 and February 1944 by size of bank are disclosed, and this enables an individual bank to check its position with respect to its group movement.

It is interesting to note, for example in the table which follows, that banks with demand deposits of individuals, etc., in excess of \$50 million increased their total of these deposits from July 1943 to February 1944 by an amount equal to the District's total increase, and while notable increases were recorded by groups of banks having deposits of \$1-\$2 million, heavy losses were experienced by those banks having \$25-\$40 million deposits as well as those under \$1 million. It is also of interest to note that all groups of banks, except those having demand deposits of individuals, etc., between \$1 and \$5 million show losses in deposits owned by manufacturing and mining concerns, but that the heaviest losses occurred in those banks having deposits of \$25-\$50 million. These banks are for the most part outside of the District's largest cities.

The increase in demand deposits of individuals, etc., between July 31, 1943 and February 29, 1944 owned by "other nonfinancial business" came mainly in those banks having such deposits in excess of \$50 million. In this size group public utilities account for 55 per cent of the "other nonfinancial business ownership", and retail and wholesale trade account for 31 per cent on February 29, 1944. Small gains and losses in other nonfinancial business ownership in the other groups of banks balanced each other so that the \$54 million gain shown in the banks with deposits over \$50 million equaled the change in the District.

Financial businesses between July 31, 1943, and February 29, 1944, lost demand deposits in four of the size groups and gained in one group, while in two groups these deposits remained without change. These losses would appear to be due at least in part to purchases of government bonds in the intervening War Loans.

Personal deposits including those of farmers in classified accounts increased \$32 million for the District between the two periods under review, with all deposit size groups

showing gains except the two groups of banks having demand deposits of individuals, etc., between \$10 and \$50 million. The bulk of the \$32 million increase came in banks having deposits of less than \$5 million. Gains in ownership of the unclassified accounts, which are dominantly personal, were notable in six of the deposit size groups in the period under review. A sizable loss, however, is shown in the ownership of unclassified accounts for banks having deposits under \$1 million while such ownership in banks with deposits of \$25-\$50 million showed no change.

It is thus apparent that between July 31, 1943 and February 29, 1944 there has been a fairly general shifting

of ownership of business deposits to individual accounts, though this has not been true for all groups of banks in the various deposit sizes. It is hoped that the regular presentation of the trends in deposit ownership by size of bank will prove to be of material assistance to banks of this District in appraising the prospects of shifts in their deposit accounts.

The shifts that have occurred in the ownership as well as the total deposits of individuals, partnerships and corporations is shown in the accompanying table for all member banks of the Fifth District, with banks classified by size of these deposits, between July 31, 1943 and February 29, 1944.

**Changes in the Ownership of Demand Deposits of Individuals, Partnerships and Corporations, as Estimated for all Member Banks of The Fifth District between July 31, 1943 and February 29, 1944**

(million dollars)

Banks with deposits of:	Over 50	25-50	10-25	5-10	2-5	1-2	Under 1	All banks
Manufacturing and mining.....	-12	-28	- 8	- 8	+ 2	+ 8	- 3	-49
Other nonfinancial business.....	+54	- 6	+ 2	+ 4	- 2	- 4	+ 6	+54
Total nonfinancial business...	+42	-34	- 6	- 4	0	+ 4	+ 3	+ 5
Financial business . . . . .	- 6	- 8	- 7	0	- 3	+ 3	0	-21
Total business . . . . .	+36	-42	-13	- 4	- 3	+ 7	+ 3	-16
Nonprofit associations . . . . .	+ 4	+ 1	- 5	+ 5	+ 1	- 2	0	+ 4
Personal (incl. farmers).....	+ 5	- 2	- 1	+ 6	+ 5	+10	+ 9	+32
Total classified accounts.....	+45	-43	-19	+ 7	+ 3	+15	+12	+20
Unclassified accounts . . . . .	+38	0	+23	+ 7	+16	+14	-35	+63
Total deposits . . . . .	+83	-43	+ 4	+14	+19	+29	-23	+83
	Percentage Change							
	Over 50	25-50	10-25	5-10	2-5	1-2	Under 1	All banks
Manufacturing and mining.....	- 8.2	-35.9	-13.8	- 21.1	+ 6.3	+100.0	- 37.5	-13.3
Other nonfinancial business.....	+36.0	- 7.4	+ 1.7	+ 8.3	- 3.3	- 13.8	+ 42.9	+10.8
Total nonfinancial business...	+14.2	-21.4	- 3.4	- 4.7	0	+ 10.8	+ 13.6	+ .6
Financial business . . . . .	- 9.0	-19.5	-17.9	0	-27.3	+150.0	0	-12.0
Total business . . . . .	+ 9.9	-21.0	- 6.1	- 4.0	- 2.9	+ 17.9	+ 12.5	- 1.5
Nonprofit associations . . . . .	+ 9.1	+16.7	-33.3	+100.0	+16.7	- 50.0	0	+ 4.9
Personal (incl. farmers).....	+ 7.8	- 7.4	- 3.4	+ 35.3	+17.9	+ 83.3	+128.6	+17.4
Total classified accounts.....	+ 9.6	-18.5	- 7.4	+ 5.8	+ 2.2	+ 27.3	+ 36.4	+ 1.5
Unclassified accounts . . . . .	+24.7	0	+15.2	+ 8.2	+16.3	+ 19.7	- 35.7	+ 8.4
Total deposits . . . . .	+13.3	-13.0	+ 1.0	+ 6.8	+ 8.1	+ 23.0	- 17.6	+ 4.0

## Flue-Cured Tobacco in the Fifth Federal Reserve District

The tobacco known as flue-cured, bright leaf, or "Virginia" bright tobacco is one of the most important agricultural products of the Southeastern United States. Not only is growing the leaf an important source of farm income, but its farm sale and subsequent processing give employment to large numbers of non-agricultural persons in the same region. Finally, this tobacco enters into most non-cigar tobacco products, and is quite important in our domestic and foreign trade. This article will attempt to summarize briefly certain significant developments which affect the flue-cured economy of the Southeast, and particularly the Fifth District.

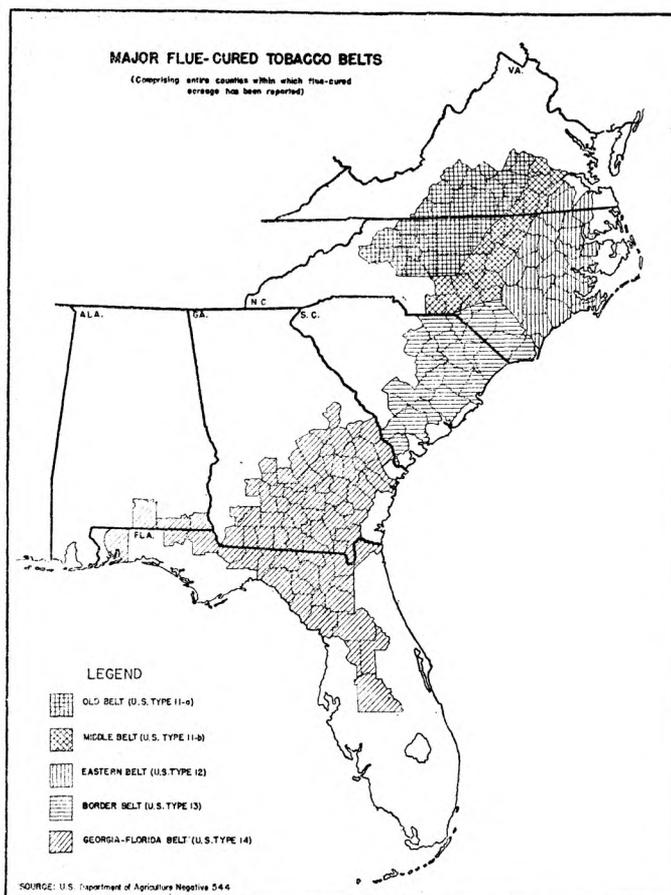
### THE RELATIONSHIPS BETWEEN FLUE-CURED AND OTHER TOBACCOS AND THE FIFTH DISTRICT

During the crop-year 1942-43 tobacco farmers of the United States produced and sold a crop whose value exceeded one-half billion dollars; of this value, almost 60 per cent was contributed by flue-cured. During the same season, more than 57 per cent of the total tobacco acreage of the country was devoted to flue-cured. Between 1934 and 1938, an annual average of 1,099 million pounds of leaf tobacco entered world trade; about 319 million pounds (or 29 per cent) of this was flue-cured from the

Southeastern United States. It is obvious that this crop is of more than local significance. Throughout the world, this type of tobacco is used as an important ingredient of almost every kind of tobacco product. In this country, flue-cured is the basic leaf in cigarettes and is quite important in the manufacture of smoking and chewing tobacco. Since the last three decades have witnessed an increasing worldwide consumer demand for milder, lighter tobacco, and since flue-cured admirably satisfied that demand, there is little likelihood that it will lose its present position of leadership in the near future.

During the year beginning July 1, 1933, the United States produced 73 per cent of the reported world production of this type of tobacco,<sup>1</sup> by 1940 this proportion had dropped to 65 per cent. Thus, it should not be thought that flue-cured is a monopoly of this country. On the contrary, it is produced on every continent of the world in increasing amounts. Within the United States, the culture of flue-cured has been confined to the South Atlantic coast, embracing parts of Virginia, the Carolinas, Georgia, Florida, and Alabama; however, less than 15 per cent of the entire crop, in any year since 1919, has been produced outside the Fifth Federal Reserve District. The flue-cured region usually is divided into four main belts, within each of which relative homogeneity of leaf may be found, but among which distinct differences of leaf exist. The Old Belt comprises much of the Piedmont of Virginia and North Carolina, and the rather dark leaf produced therein is usually referred to by its United States type number (11); this belt is often divided into two parts, the easternmost of which is called the Middle Belt. The Eastern Belt takes in most of the North Carolina Tidewater and extends very slightly into Virginia. The leaf produced in this belt (U. S. type 12) is a very bright lemon-yellow, is greatly in demand by British buyers, and tends to bring the best prices in the market. The Border Belt is also a Tidewater area, extending from North Carolina down almost across South Carolina, and produces tobacco (U. S. type 13) which is quite similar to that of the Eastern Belt, but which usually prices slightly below that of the Old Belt. U. S. Type 14 leaf, produced in parts of Georgia, Florida and Alabama, is considered by many to be the best leaf for domestic cigarettes, but is sent to market in such "trashy" condition<sup>2</sup> as to bring the lowest prices in most years. The accompanying map locates these belts more exactly.

There is not space here to go into the details of growing, curing and marketing flue-cured. In general, the plants are put out in specially prepared plots of suitable soil which have been heavily fertilized. Their culture requires the application of proportionately high amounts of labor compared to most other crops (which labor, if paid for at the going farm-wage-rate, would make most flue-cured production uneconomical at the prevailing price



level<sup>3</sup>). When ripe, the leaves are picked singly and cured by the application of heat, in specially constructed curing-barns. After curing, leaf from the three Northern belts is sorted and tied into small bunches or "hands" which are taken to market; Georgia-Florida leaf is marketed loose. Flue-cured is sold at auction, and the sale proceeds quite rapidly, between 200 and 600 trays (containing up to 300 pounds of leaf, each) may be sold in an hour by one auctioneer. As soon as the leaf is sold it is removed from the floor, and the farmer can get his money immediately from the warehouse, which periodically settles with the buyers.

The relative degrees of economic dependence on flue-cured varies quite widely among the three producing states of the Fifth District. Between 1933 and 1943, the approximate proportion that flue-cured farm value has been of the total cash farm income<sup>4</sup> (from farm marketings and Government payments) fluctuated between 9 and 15 per cent in Virginia, between 39 and 54 per cent in North Carolina, and between 11 and 22 per cent in

<sup>1</sup> The list of reporting countries has been shortened, by the omission of the Union of South Africa, to get a list which would be comparable between 1939 and 1940.

<sup>2</sup> Producers in the Georgia-Florida belt market their tobacco ungraded and loose; there is much breakage of leaf; the trade defines this as "trashy."

<sup>3</sup> Farm management studies of flue-cured farms indicate that a large proportion, perhaps most, of the flue-cured producers would make more money by hiring their labor out at the local farm-wage-rate.

<sup>4</sup> The farm value of flue-cured is reported on a crop-year basis (year beginning July 1), while farm income is reported on a calendar-year basis. These two are not strictly comparable; but, since most of the flue-cured crop is marketed between July 1 and December 31, the comparison of flue-cured farm value, and total cash farm income is significant, particularly when small variations in the proportions are ignored.

South Carolina. Over the period, these proportions tended to remain about the same in Virginia, to decrease slightly in North Carolina, and to increase slightly in South Carolina. While no effort will be made herein to go into the higher stages of the tobacco industry (above the farm market) it might be stated in passing that the sale, further processing, and manufacture of flue-cured supports a very large and important segment of the District's non-agricultural economy, and that tobacco products comprise an important part of the consumer goods sold in this country.

#### RECENT PRE-WAR TRENDS

While statistics on the production and sale of flue-cured are available on a state basis for the period 1919-42, only

the last decade is used here. The series is broken into two five-year groups at the end of the crop-year 1937-38. This year was chosen, rather than the following one, as the final pre-war year because it was the very last which could be considered free from the tensions which preceded the invasion of Poland, in September 1939. The first year of this pre-war series, 1933-34, was also the first year of direct Governmental intervention into the planning and sale of flue-cured. Table 1 shows the behavior of acreage harvested, total production, deflated prices, and deflated total farm value of Fifth District flue-cured during the pre-war period. The rest of this section will be devoted to a summary of the causes and significant results of this behavior.

Table 1: Pre-War Behavior of Flue-Cured Production and Value Fifth District States, 1933-37

Year beginning July 1	Thousands of Acres Harvested			Millions of Pounds Produced			Price in 1910-14 Cents per Pound*			Total Crop Value in Millions of 1910-14 Dollars*		
	Va.	N. C.	S. C.	Va.	N. C.	S. C.	Va.	N. C.	S. C.	Va.	N. C.	S. C.
1933 .....	79.0	667.8	103.0	53.7	530.1	88.6	14.7	14.9	11.7	7.9	79.2	10.3
1934 .....	70.5	486.5	72.0	52.9	412.2	56.9	23.0	23.5	17.7	12.2	96.7	10.1
1935 .....	86.5	612.5	96.0	74.4	572.6	89.8	16.1	16.3	15.0	12.0	93.2	13.5
1936 .....	90.5	591.0	90.0	67.9	452.0	73.4	18.0	18.4	16.0	12.2	83.0	11.8
1937 .....	106.0	675.0	112.0	74.2	595.8	108.1	16.6	18.3	15.9	12.3	109.2	17.2
Av. 1933-37.....	86.5	606.6	94.6	64.6	512.5	83.4	17.5	18.0	15.1	11.3	92.3	12.6

Source: U. S. Department of Agriculture.

\* Deflated by Index of Prices Paid by Farmers for Commodities used in Production and Family Maintenance (1910-14=100). For price and crop value in current (undeflated) dollars, see Table A, appended to this article.

Generally speaking, this period was one of productive expansion. The recovery from the depth of the Depression plus the aid of the Federal Government, raised prices and generally stimulated producers. In spite of the AAA policy of restriction, flue-cured acreage and production immediately resumed its rise, and 1937-38 saw the largest recorded crop up to that time. Within the Fifth District, the behavior of production was similar to that of total flue-cured. Only in Virginia of the District's States did the 1937 crop fall slightly below any previous year.

From the mid-Twenties on, the production of flue-cured tended to outrun total demand slightly; expanding domestic demand was offset to some degree by the gradual loss of foreign outlets, as other Nations strove for economic self-sufficiency. The spectre of overproduction has been no stranger to tobacco producers, historically<sup>5</sup>; therefore, since the failure of the Tri-State Tobacco Growers' Association, during the Twenties, Government intervention to restrict production had been the hope of producers. After emergency measures taken in 1933, the AAA en-

deavored to restrict acreage of flue-cured in order to maintain a reasonable price-level.

During this period, the real price of flue-cured (in terms of dollars of constant purchasing power in the farmers' market) fluctuated considerably, but their real income (in terms of the same constant dollars) moved gradually upward. In fact, from 1933 forward the total value of each flue-cured crop, in constant dollars, exceeded the value of the record-breaking crop of 1919.

#### THE EFFECTS OF THE WAR

Beginning with the crop year 1938-39, flue-cured production and sale began to feel the effects of preparation for war and war itself. During the first year of this period the effects were no doubt small and generally unrecognized, but the following year saw most foreign buyers withdraw from the market, inaugurating a period of uncertainty which still continues. Table 2 shows the statistical series over the last five years for which data are available, continuing Table 1.

Table 2: War-time Behavior of Flue-Cured Production and Value Fifth District States, 1938-42

Year beginning July 1	Thousands of Acres Harvested			Millions of Pounds Produced			Price in 1910-14 Cents per Pound*			Total Crop Value in Millions of 1910-14 Dollars*		
	Va.	N. C.	S. C.	Va.	N. C.	S. C.	Va.	N. C.	S. C.	Va.	N. C.	S. C.
1938 .....	101.0	603.5	104.0	71.7	509.5	98.8	17.6	18.4	18.0	12.7	93.8	17.8
1939 .....	134.0	843.0	142.0	107.2	812.6	133.5	12.1	12.6	12.1	12.9	102.4	16.1
1940 .....	73.0	498.0	85.0	67.2	516.9	87.6	14.3	13.6	12.0	9.6	70.3	10.5
1941 .....	73.0	488.0	81.0	64.2	452.9	69.7	23.7	22.3	18.9	15.2	101.0	13.2
1942 .....	82.0	539.0	90.0	77.9	566.9	96.8	27.5	25.7	24.3	21.4	145.7	23.6
Av. 1938-42.....	92.6	594.3	100.4	77.6	571.8	97.3	18.5	18.0	16.7	14.4	102.6	16.2

Source: United States Department of Agriculture.

\* Deflated by Index of Prices Paid by Farmers for Commodities used in Production and Family Maintenance (1910-14=100). For price and crop value in current (undeflated) dollars, see table A, appended to this article.

<sup>5</sup> "As a matter of fact, from the earliest days of the colonists, over-production has been the one greatest menace to profitable tobacco culture." *Yearbook of Agriculture*, 1922, page 467.

The rising trend of production observed during the pre-war period continued through the crop year 1939-40, at which time the largest crop in flue-cured history was harvested. Since that year, lower availability of labor and general uncertainty has caused production to level off. Although the AAA Program has been continued by decision of the producers, it is possible that the need for crop-restriction during the war has been reduced by the external pressures of shortages of manpower, fertilizer, etc. A comparison of the five-year averages in the two periods shows that there has been a sustained increase of production during the war. Although detailed state figures are not yet available, the 1943-44 crop proved to be larger than the 1941 crop, though smaller than last year's. Thus, while wartime stringencies may have prevented otherwise contemplated expansions, they do not appear to have curtailed production.

During the entire period from July 1938 to the present, the domestic demand for flue-cured (via increased cigarette consumption) has grown at a phenomenal rate. Anticipating increased cigarette production after the aging period of the leaf, manufacturers intensified their bidding for the new crops. The general increase in consumer purchasing power, and its partial restriction to unrationed goods, has created a heavy demand for tobacco products, and increased the optimism of manufacturers. At the same time, the needs of our troops overseas and of our allies have held our export of leaf and tobacco products far above what had been anticipated in 1939.

In an effort to prevent runaway farm prices, as a result of the unusually heavy demand, the Government instituted price ceilings in all the markets during the Fall of 1942. In spite of the ceilings, the average prices for those years, expressed in terms of constant-value dollars, were higher than any previous prices, even those of 1919. A comparison of the total farm value and prices for the average pre-war and war years indicates that tobacco farmers in the District are much better off at the present than they were during the pre-war period.

As the result of the wartime shortages on the supply side, and the increase of consumer incomes on the demand side, manufacturers' stocks of tobacco have been reduced far below the usual level. The last authoritative estimate of the size of reserve stocks placed them at sufficient leaf for 22 month's manufacture at current rates.<sup>6</sup> When this is contrasted with the normal reserve of approximately 36 months supply, it is clear that the leaf which is currently going into the manufacture of cigarettes and other tobacco products has not been aged for the same average period as leaf used in previous years. However, it must not be thought that this means that the stocks are being depleted to the danger point. On the contrary, it is quite possible that any slackening of war-production within the next two years, by bringing about a reduction in consumer-incomes, will reduce the unprecedentedly high demand for cigarettes and, thereby, bring stocks more normally in line with the consumption of leaf through domestic manufactures. On the other hand, if the future does see the continuation of present high rates

of consumption, it is quite possible that farm production of flue-cured may rise to a level in excess even of the 1939 crop without constituting overproduction. At the immediate present, according to recent press reports, the manufacturers of cigarettes are suffering from shortages of carton-materials and other supplies which are more pressing than the short stocks of tobacco and which may soon cause a reduction in output; thus, it is quite possible that continuation of the present rates of farm production may soon see an easing in the leaf-reserve situation.

### THE FUTURE

Much of the future prospect for flue-cured (within the Fifth District as well as without) is tied up with the particular situations to materialize after the cessation of hostilities. This is particularly true of the demands for products which utilize this type of tobacco. While there is little likelihood that the post-war period will see great changes in the general nature of domestic consumer-tastes, there is a definite possibility that it may see a decrease (at least temporary) in the real level of consumer-incomes, and thereby in the level of consumption-purchases. The extent and duration of such a fall in general economic activity depend on public and private policy and planning; and are outside the scope of this paper. However, this is one of the most crucial determinants of the post-war status of the more than 190,000 flue-cured producers. The nature of world trade, the level of tariffs, and international exchange situations will determine the extent to which our pre-war exports of flue-cured will be maintained, curtailed or expanded. For the duration, there is no reason to think that total demand will be reduced.

Before the outbreak of war, a slow trend was apparent toward the abandonment of older and more depleted fields, predominantly located in the Northern parts of the Old Belt, particularly in Virginia. It is probable that the war has interrupted this trend because of the higher returns which have been forthcoming in the immediate past; but there is no indication that it will be reversed in the post-war long run. In fact, if wartime intensity of cultivation and the lack of fertilizers further deplete these fields, it is probable that the trend will be accentuated and that large areas of the Virginia Old Belt will shift to other land-uses. North Carolina is the center of gravity of flue-cured production and the state in which the greatest single part of the leaf is produced. There is no obvious reason for thinking that the production of this crop will ever cease to be concentrated within or close to the Fifth District.

Since 1933, producers of flue-cured have depended on Government control and assistance, in one way or another, in the planning, production and sale of their leaf. It is unlikely that such governmental intervention will be completely removed in the reasonably distant future. With a history of dangerous overproduction behind them, with all its attendant sensitivity to any other adverse economic forces, flue-cured producers will hardly be desirous of complete freedom from control, especially when it carries

<sup>6</sup> *The Tobacco Situation* (periodical of the U. S. Department of Agriculture, Bureau of Agricultural Economics) January, 1944, page 8.

with it the implication of loss of assistance toward some degree of security. In fact, with wartime incomes at the highest level in their history, and with prices pushing hard against the ceilings, flue-cured producers voted (in July, 1943) to continue acreage restrictions and marketing quotas for another three-year period.

Table A: Flue-Cured Average Prices and Total Crop Value Fifth District States, 1933-42

Year beginning July 1	Flue-Cured Average Price (current cents per pound)			Total Flue-Cured Crop Value (millions of current dollars)			Index of Prices Paid by Farmers*
	Va.	N. C.	S. C.	Va.	N. C.	S. C.	
1933	15.9	16.1	12.6	8.5	85.5	11.2	108
1934	28.1	28.6	21.6	14.9	118.0	12.3	122
1935	20.1	20.3	18.8	15.0	116.4	16.9	125
1936	22.3	22.8	19.9	15.1	102.9	14.6	124
1937	21.7	24.0	20.8	16.1	143.1	22.5	131
1938	21.7	22.7	22.2	15.6	115.4	21.9	123
1939	14.6	15.2	14.6	15.7	123.9	19.5	121
1940	17.5	16.6	14.6	11.8	85.8	12.8	122
1941	31.0	29.2	24.8	19.9	132.3	17.3	131
1942**	41.8	39.1	37.0	32.6	221.5	35.8	152

Source: United States Department of Agriculture.

\*Prices paid for commodities used in Production and Family Maintenance (1910-14=100) for calendar year.

\*\*Preliminary.

Note: In deriving the deflated (constant-dollar) figures in Tables 1 and 2, price and crop value (in current dollars) were multiplied by 100 in order to correct for general changes in the purchasing-power of farmers' dollars. index

BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT  
Average Daily 1935-39=100—Seasonally Adjusted

	Mar. 1944	Feb. 1944	Jan. 1944	Mar. 1943	% Change Mar. 1944 from	
					Feb. 44	Mar. 43
Bank Debits	202	212	197	186	- 5	+ 9
Bituminous Coal Production*	145	152	148	154	- 5	- 6
Building Contracts Awarded	100	122	150	223	-18	-55
Building Permits Issued	21	23	21	58	- 9	-64
Cigarette Production	167	153	158	169	+ 9	- 1
Cotton Consumption*	155	151	148	166	+ 3	- 7
Department Store Sales	212	209r	208	184	+ 1	+15
Department Store Stocks	172	176	179	151	- 2	+14
Electric Power Production	199	208	204	189	- 4	+ 5
Employment—Mfg. Industries*	144p	146	147	152	- 1	- 5
Furniture Orders	168	200	208	157	-16	+ 7
Furniture Shipments	157	165	209	141	- 5	+11
Furniture Unfilled Orders	526	504	440	665	+ 4	-21
Life Insurance Sales	131	128	121	109	+ 2	+20
Wholesale Trade—Five Lines	180	181	184	174	- 1	+ 3
Wholesale Trade—Drugs	204	198	201	195	+ 3	+ 5
Wholesale Trade—Dry Good	155	185	193	198	-16	-22
Wholesale Trade—Groceries	190	188	191	174	+ 1	+ 9
Wholesale Trade—Hardware	118	131	110	147	-10	-20

\*Not seasonally adjusted

FEDERAL RESERVE BANK OF RICHMOND			
(All Figures in Thousands)			
ITEMS	May 17 1944	Change in Amt. from 4-12-44 5-12-43	
Total Gold Reserves	\$1,097,485	+ 52,684	+ 6,314
Other Reserves	13,179	- 2,505	- 29,899
Total Reserves	1,110,664	+ 50,179	- 23,585
Bills Discounted	6,455	+ 6,455	+ 4,355
Industrial Advances	189	- 11	- 301
Gov't. Securities, Total	683,187	- 7,351	+ 367,728
Bonds	95,774	- 762	- 20,470
Notes	76,933	- 346	+ 16,391
Certificates	201,156	+ 763	+ 132,521
Bills	309,324	+ 7,006	+ 239,286
Total Bills & Securities	689,831	- 907	+ 371,782
Uncollected Items	119,199	- 5,281	+ 15,086
Other Assets	15,799	+ 1,678	+ 2,355
Total Assets	\$1,935,493	+ 45,659	+ 365,588
Fed. Reserve Notes in Cir.	\$1,195,123	+ 20,232	+ 345,243
Deposits, Total	608,798	+ 18,883	- 5,347
Members' Reserves	518,714	- 2,105	+ 5,391
U. S. Treas. Gen. Acc.	23,158	+ 15,768	- 32,276
Foreign	60,640	+ 5,651	+ 27,031
Other Deposits	6,286	+ 431	- 5,494
Deferred Availability Items	111,183	+ 6,394	+ 24,295
Other Liabilities	313	- 102	- 275
Capital Accounts	20,076	+ 252	+ 1,672
Total Liabilities	\$1,935,493	+ 45,659	+ 365,588

41 REPORTING MEMBER BANKS—5th DISTRICT			
(All Figures in Thousands)			
ITEMS	May 17 1944	Change in Amt. from 4-12-44 5-12-43	
Total Loans	\$ 261,165	- 8,933	- 3,012
Bus. & Agric. Loans	115,815	- 8,224	- 472
Real Estate Loans	48,597	- 695	- 2,875
All Other Loans	96,753	- 14	+ 335
Total Security Holdings	\$1,307,516	- 28,519	+ 85,467
U. S. Treas. Bills	74,582	- 16,368	- 104,760
U. S. Treas. Certificates	239,801	- 8,508	+ 32,833
U. S. Treas. Notes	237,945	+ 3,226	+ 98,905
U. S. Gov. Bonds	679,764	+ 7,280	+ 96,705
Obligations Gov. Guaranteed	18,443	- 75	- 28,268
Other Bonds, Stocks & Sec.	56,981	+ 486	- 9,948
Cash Items in Process of Col.	\$ 97,188	+ 8,624	+ 9,396
Due from Banks	\$ 132,630*	- 11,366	- 47,966
Currency & Coin	\$ 36,932	- 589	+ 1,891
Reserve with F. R. Bank	\$ 275,853	+ 479	- 12,580
Other Assets	\$ 61,257	+ 206	+ 503
Total Assets	\$2,172,541	- 40,098	+ 33,699
Total Demand Deposits	\$1,711,536	- 55,809	- 23,563
Deposits of Individuals	1,084,012	+ 37,255	+ 120,645
Deposits of U. S. Gov.	194,851	- 90,829	- 75,702
Deposits of State & Local Gov.	86,504	- 122	- 5,613
Deposits of Banks	327,646	+ 3,709	- 64,609
Certified & Officers' Checks	18,523	+ 1,596	+ 1,716
Total Time Deposits	\$ 262,015	+ 4,254	+ 35,255
Deposits of Individuals	246,203	+ 5,030	+ 35,075
Other Time Deposits	15,812	- 776	+ 180
Liabilities for Borrowed Money	1,500	+ 1,500	- 500
All Other Liabilities	\$ 83,124	+ 8,713	+ 16,430
Capital Account	\$ 114,366	+ 1,244	+ 6,077
Total Liabilities	\$2,172,541	- 40,098	+ 33,699

\*Net figures, reciprocal balance being eliminated.

MUTUAL SAVINGS BANK DEPOSITS			
9 Baltimore Banks			
Total Deposits	Apr. 30, 1944	Mar. 31, 1944	Apr. 30, 1943
	\$269,982,177	\$266,470,500	\$238,963,910

COTTON CONSUMPTION—FIFTH DISTRICT				
MONTHS	No. Carolina	So. Carolina	Virginia	District
April 1944	206,630	158,656	18,915	384,201
March 1944	244,204	186,184	20,596	450,984
April 1943	241,182	186,071	22,149	449,402
4 Months 1944	894,932	681,942	78,394	1,655,268
4 Months 1943	966,044	736,523	87,595	1,790,162

DEBITS TO INDIVIDUAL ACCOUNTS				
(000 omitted)				
	April 1944	% chg. from Apr. 1943	4 Mos. 1944	% chg. from 4 Mos. '43
<b>Dist. of Columbia</b>				
Washington	\$ 472,387	- 6	\$ 1,917,226	- 8
<b>Maryland</b>				
Baltimore	689,726	- 12	2,983,012	+ 10
Cumberland	12,039	+ 6	49,073	+ 19
Frederick	11,971	+ 4	47,105	+ 20
Hagerstown	17,212	+ 3	70,001	+ 21
<b>North Carolina</b>				
Asheville	21,557	+ 4	90,982	+ 13
Charlotte	109,494	- 5	471,689	+ 4
Durham	56,599	+ 4	223,703	+ 15
Greensboro	31,365	- 5	136,297	+ 9
Kinston	5,928	+ 10	26,137	+ 16
Raleigh	44,921	- 26	213,651	+ 2
Wilmington	34,990	- 12	145,431	+ 3
Wilson	6,418	- 15	29,598	+ 7
Winston-Salem	52,028	- 22	247,060	- 1
<b>South Carolina</b>				
Charleston	36,461	- 10	160,191	+ 4
Columbia	46,836	- 14	196,087	- 5
Greenville	35,853	- 13	148,810	- 1
Spartanburg	18,961	- 10	82,165	+ 2
<b>Virginia</b>				
Charlottesville	14,059	+ 15	55,763	+ 27
Danville	12,345	- 9	52,773	+ 2
Lynchburg	19,975	- 3	83,164	+ 11
Newport News	24,772	+ 11	107,304	+ 17
Norfolk	115,636	- 12	476,557	+ 2
Portsmouth	15,082	- 10	62,833	+ 3
Richmond	270,950	- 14	1,222,462	+ 11
Roanoke	38,076	- 2	157,400	+ 10
<b>West Virginia</b>				
Bluefield	21,332	+ 4	90,241	+ 19
Charleston	76,446	- 11	316,015	+ 8
Clarksburg	14,097	+ 10	58,690	+ 18
Huntington	28,335	- 1	116,776	+ 10
Parkersburg	14,542	+ 8	62,249	+ 13
District Totals	\$2,370,393	- 10	\$10,100,445	+ 8

COMMERCIAL FAILURES				
	Number of Failures		Total Liabilities	
	District	U. S.	District	U. S.
April 1944	0	131	0	\$ 3,524,000
March 1944	1	96	\$187,000	1,460,000
April 1943	0	362	0	3,523,000
4 Months 1944	6	479	307,000	9,800,000
4 Months 1943	19	1,652	211,000	20,483,000

Source: Dun & Bradstreet.

COTTON CONSUMPTION AND ON HAND—BALES				
	April 1944	April 1943	Aug. 1 to April 30 1944	1943
<b>Fifth District States:</b>				
Cotton consumed	384,201	449,402	3,758,023	4,020,598
<b>Cotton Growing States:</b>				
Cotton consumed	681,253	818,099	6,655,689	7,314,722
Cotton on hand April 30 in				
Consuming establishments	1,899,751	2,041,777		
Storage & compresses	10,064,972	10,325,794		
<b>United States:</b>				
Cotton consumed	776,007	939,178	7,580,279	8,439,480
Cotton on hand April 30 in				
Consuming establishments	2,221,800	2,421,094		
Storage & compresses	10,278,595	10,601,339		
Spindles active	22,411,922	22,894,718		

RAYON YARN DATA			
	Apr. 1944	Mar. 1944	Apr. 1943
Rayon Yarn Shipments, Lbs.	43,700,000	45,600,000	41,500,000
Staple Fiber Shipments, Lbs.	11,300,000	14,900,000	13,200,000
Rayon Yarn Stocks, Lbs.	7,900,000	8,100,000	6,600,000
Staple Fiber Stocks, Lbs.	1,800,000	1,700,000	2,300,000

Source: Rayon Organon.

**BUILDING PERMIT FIGURES**  
Fifth Federal Reserve District

	Total Valuation	
	April 1944	April 1943
<b>Maryland</b>		
Baltimore .....	\$ 354,816	\$ 676,932
Cumberland .....	3,310	6,448
Frederick .....	760	5,390
Hagerstown .....	51,685	8,115
Salisbury .....	19,366	24,725
<b>Virginia</b>		
Danville .....	\$ 19,222	\$ 7,522
Lynchburg .....	9,542	14,063
Norfolk .....	143,085	50,447
Petersburg .....	4,650	0
Portsmouth .....	11,505	11,420
Richmond .....	159,486	50,257
Roanoke .....	24,614	15,257
<b>West Virginia</b>		
Charleston .....	\$ 34,735	\$ 31,148
Clarksburg .....	9,825	3,033
Huntington .....	13,600	18,200
<b>North Carolina</b>		
Asheville .....	\$ 74,858	\$ 12,917
Charlotte .....	30,723	14,990
Durham .....	14,862	1,030
Greensboro .....	36,324	5,466
High Point .....	25,106	9,517
Raleigh .....	10,250	11,981
Rocky Mount .....	4,250	575
Salisbury .....	1,555	12,040
Winston-Salem .....	33,732	22,027
<b>South Carolina</b>		
Charleston .....	\$ 31,669	\$ 58,310
Columbia .....	7,380	49,734
Greenville .....	3,650	16,465
Spartanburg .....	27,745	6,880
<b>District of Columbia</b>		
Washington .....	\$ 866,405	\$ 548,049
<b>District Totals</b> .....	\$2,028,710	\$ 1,692,937
<b>4 Months</b> .....	\$6,556,340	\$15,422,380

**CONSTRUCTION CONTRACTS AWARDED**

STATES	Mar.	% Chg. from	3 Mos.	% Chg. from
	1944	Mar. 1943	1944	3 Mos. 1943
Maryland .....	\$ 3,598,000	-77	\$22,694,000	-25
Dist. of Columbia ..	3,091,000	-28	6,198,000	-32
Virginia .....	11,491,000	-55	31,019,000	-58
West Virginia .....	3,779,000	+58	5,450,000	-41
North Carolina .....	3,839,000	-54	10,094,000	-60
South Carolina .....	1,440,000	-68	9,052,000	-39
<b>Fifth District</b> .....	\$27,238,000	-55	\$84,507,000	-48

Source: F. W. Dodge Corp.

**TOBACCO MANUFACTURING**

	April	% chg. from	3 Mos.	% change
	1944	April 1943	1944	4 Mos.'43
Smoking & chewing tobacco (Thousands of lbs.)	16,925	-20	72,830	-13
Cigarettes (Thousands) ..	18,778,465	-6	76,274,275	-3
Cigars (Thousands) .....	362,403	-20	1,537,568	-14
Snuff (Thousands of lbs.) ..	3,112	-19	14,488	-9

**SOFT COAL PRODUCTION IN THOUSANDS OF TONS**

REGIONS	April	April	%	4 Mos.	4 Mos.	%
	1944	1943	Change	1944	1943	Change
West Virginia .....	13,371	13,576	-2	55,325	54,111	+2
Virginia .....	1,620	1,665	-3	6,898	6,772	+2
Maryland .....	157	172	-9	661	649	+2
5th District .....	15,148	15,413	-2	62,884	61,532	+2
United States .....	49,600	49,220	+1	210,645	202,269	+4
% in District .....	31	31	..	30	30	..

**RETAIL FURNITURE SALES**

STATES	Percentage Changes in April and 4 Months 1944	
	Compared with April 1943	Compared with 4 Months 1943
Maryland (6)* .....	-6	-5
Dist. of Columbia (6)* .....	-1	-7
Virginia (24)* .....	-1	0
West Virginia (12)* .....	-8	-5
North Carolina (24)* .....	+4	+6
South Carolina (14)* .....	-18	-12
Fifth District (86)* .....	-4	-4
<b>INDIVIDUAL CITIES</b>		
Baltimore, Md. (6)* .....	-6	-5
Washington, D. C. (6)* .....	-1	-7
Lynchburg, Va. (3)* .....	-1	+6
Richmond, Va. (7)* .....	-2	+5
Charleston, W. Va. (4)* .....	-13	-15
Charlotte, N. C. (5)* .....	+14	+5
Winston-Salem, N. C. (3)* .....	+6	+13
Columbia, S. C. (4)* .....	-9	-7

\*Number of Stores.

**DEPARTMENT STORE TRADE**

Richmond	Baltimore	Washington	Other Cities	District
Percentage change in Apr. 1944 sales, compared with sales in Apr. 1943:				
+8	-6	-5	+10	-2
Change in 4 mos.' sales in 1944, compared with 4 mos.' sales in 1943:				
+13	+4	-2	+17	+4
Change in stocks on April 30, 1944, from stocks on April 30, 1943:				
+16	+16	+15	+27	+16
Change in outstand'g orders Apr. 30, 1944, from orders on Apr. 30, 1943:				
+5	+8	+5	+33	+7
Change in total receivables on Apr. 1, 1944, compared with Apr. 1, '43:				
+4	+5	-6	+6	0
Percentage of current receivables as of Apr. 1, 1944, collected in April:				
54(55)	54(57)	55(61)	57(61)	55(58)
Percentage of instalment receivables as of Apr. 1, '44, collected in Apr.:				
23(23)	30(33)	24(25)	32(29)	26(27)

Note: 1943 collection percentages in parentheses.

Maryland	Dist. of Col.	Virginia	W. Va.	N. Caro.	S. Caro.
Percentage change in April 1944 sales from April 1943 sales, by States:					
-5	-5	+7	+4	+5	+9
Percentage chg. in 4 mos.' sales 1944, compared with 4 mos.' in 1943:					
+4	-2	+13	+10	+10	+11

**WHOLESALE TRADE, 246 FIRMS**

	Net Sales		Stocks		Ratio April collections to acctg. April 1
	Apr. 1943	Apr. 1944	Apr. 30 1943	Mar. 31 1944	
Auto supplies (12)* .....	+16	+4	+4	+3	85
Drugs & sundries (8)* .....	-2	-7	..	..	114
Dry goods (6)* .....	-5	-5	..	..	82
Electrical goods (9)* .....	+9	+1	-7	-2	107
Groceries (74)* .....	+8	-8	+18	-3	140
Hardware (15)* .....	+2	-9	+16	+1	92
Industrial supplies (11)* ..	-5	-8	+9	+2	106
Paper & products (10)* ..	+2	-3	-15	-5	93
Tobacco & products (14) ..	-3	-13	+13	-3	132
Miscellaneous (87)* .....	-9	-5	+7	+4	108
<b>District Average (246)*</b> ..	-2	-7	+9	+1	111

Source: Department of Commerce.

\*Number of reporting firms.

**SUMMARY OF NATIONAL BUSINESS CONDITIONS**

(Compiled by the Board of Governors of the Federal Reserve System)

Industrial production and employment at factories and mines declined somewhat further in April, reflecting principally reduction in output of metal industries. The number of industrial wage-earners was about 6 per cent or 800,000 less than in November 1943.

**Industrial Production**

The Board's seasonally adjusted index of output in manufacturing and mining industries was at 240 per cent of the 1935-39 average in April, as compared with 242 in March and 245 in February.

Small declines in output of metals and metal products continued to account for most of the decrease in industrial production. Electric steel production decreased further in April to a level of 5 per cent below the same month last year. Production of most nonferrous metals declined, reflecting partly planned curtailments and partly the effects of labor shortages in mines and smelters. A further curtailment of aluminum production was announced in May. Activity at plants producing munitions in the machinery and transportation equipment industries declined somewhat in April. Production under the farm machinery program continued to increase and was reported at a rate above the highest volume recorded in any peacetime year.

Output of nondurable manufactured goods showed little change in April. Activity at cotton mills was maintained at the level of recent months, approximately 15 per cent below the peak level of April 1942. As a measure to increase production, a 48-hour work week was ordered in the cotton textile industry, effective May 14.

The number of animals slaughtered continued at an exceptionally high level in April, and effective May 3 most meat products were removed from rationing. Output of dairy products continued to rise seasonally and supplies available for civilians increased.

Mineral production was maintained in large volume in April. Production of both bituminous and anthracite coal for the year through May 6 was approximately 5 per cent more than in the same period in 1943.

Crude petroleum production in April continued at a level about 12 per cent above a year ago. Mine production of iron ore showed a large seasonal rise, reflecting the opening on April 10 of the season for lake shipments.

**Distribution**

Department store sales declined in April and, after allowance for usual seasonal changes, were about 10 per cent below the high level which prevailed in the first quarter of this year. In the first half of May sales were maintained and were considerably larger than in the corresponding period of 1943.

Carloadings of railroad freight in April and the first half of May were maintained in large volume. Grain ship-

ments continued to decline from the exceptionally high levels of January and February. Ore loadings increased sharply in April and were 60 per cent greater than a year ago.

**Commodity Prices**

Wholesale prices of most commodities showed little change from the middle of April to the third week of May. Prices of farm products and foods were slightly lower, while maximum prices of some industrial commodities were raised.

The cost of living index advanced one-half per cent from mid-March to mid-April, reflecting higher retail prices for foods and furniture and increased excise taxes effective April 1.

**Bank Credit**

From the end of the Fourth War Loan Drive in the second week of February through the middle of May, demand deposits of individuals and businesses at weekly reporting banks increased by about 3 billion dollars. Time deposits also increased appreciably. During the same period war loan accounts at reporting banks declined by more than 6½ billion dollars. Holdings of U. S. Government securities by these banks declined by about 2 billion dollars and loans contracted by more than 1½ billion dollars. A large part of the loan decline was the liquidation of credits extended during the war loan drive. Loans to brokers and dealers are now less than they were before the Fourth War Loan Drive and loans to others for purchasing and carrying U. S. Government securities are down to about pre-drive levels. During the same period commercial loans also declined rapidly.

Sales of U. S. Government securities by commercial banks were paralleled by equivalent purchases by the Federal Reserve System. System holdings are now about 2½ billion dollars larger than they were at the end of the Fourth War Loan Drive. These purchases were made to supply member banks with reserve funds needed to meet a continued increase in currency and the growth in required reserves which resulted from shifts of deposits from Treasury war-loan accounts to other accounts. Some of these needs have been met by a decline in excess reserves. Sharp declines in excess reserves at the end of March and April were associated with unexpectedly large tax receipts and the building up of Treasury balances at Reserve Banks. Currency in circulation, which increased somewhat less rapidly during the first quarter of 1944 than in the same period last year, renewed its rapid outflow late in April and during early May. In the four weeks ending May 17 the currency outflow was over 500 million dollars.