

# MONTHLY REVIEW

## of Financial and Business Conditions

FIFTH  
FEDERAL



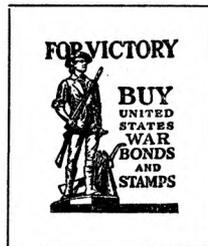
RESERVE  
DISTRICT

Federal Reserve Bank, Richmond 13, Va.

June 30, 1944

### Business in May 1944

ALTHOUGH crop conditions in general at the turn of June were indicated to be better than normal, drought has prevailed in the month of June in most areas of the District. As a consequence, labor requirements have been reduced for harvesting early crops. The bean crop on the Eastern Shore of Maryland is a virtual failure and several thousand migrant workers on hand to harvest the crop have been mostly idle. The potato crops in Virginia and North Carolina are substantially smaller than last year and apparently such labor as is available will suffice for harvest. Tomato prospects on the Eastern Shore are the poorest in recent years. Small grains have not been affected by the June drought and the production of these, indicated to be considerably larger than last year, is a welcome addition to the scant feed supply. The dry weather is forcing maturity of tobacco and, unless rains come soon, this will intensify the labor shortage by shortening the harvest period. Until the drought definitely affects the feed crops, tobacco and cotton, however, the farm income outlook will not be seriously impaired.



Farm land values in the District are still rising, despite widespread warning from governmental and banking sources that a danger point is approaching and that the earning power of farm lands for many years following the war and reconstruction periods cannot be expected to hold at present levels. Urban real estate values are also rising in some areas in the District. These are principally areas in which population has increased and appear in part to be a result of tenants purchasing prop-

erty to avoid dispossession in the event of sale of the property to some other person.

The manpower situation in the District is still tight, and while expansions are needed in the cotton textile industry and probably in some of the shipyards the bulk of the requirements are for replacements. Cut-backs in military procurement have not reduced the demand for labor in this District, yet the employment level has declined at a fairly sharp rate since the turn of the current year. If the Priority Referral system for controlling the turnover of labor, which goes into effect on July 1, can maintain the level of employment in the District in the remainder of the year, the level of production will probably be maintained at or near current volume.

Business in the District improved slightly in May as compared with April. Average daily coal production rose 2 per cent in the month and was 9 per cent ahead of last year. Average daily cotton consumption in May was 1 per cent higher than in April but 7 per cent below last year. It is still too early to determine whether the 48-hour work week which became operative for the textile industry on May 14 has been of assistance in holding the production level. Average daily department store sales in May were 6 per cent larger than sales in April, after adjustment for seasonal variation, and 16 per cent ahead of sales in May last year. Reports are current that some departments of stores would have substantially larger sales at present if goods were available for sale. Men's clothing departments are said to be almost void of summer stock, with little or no prospect of replenishment.

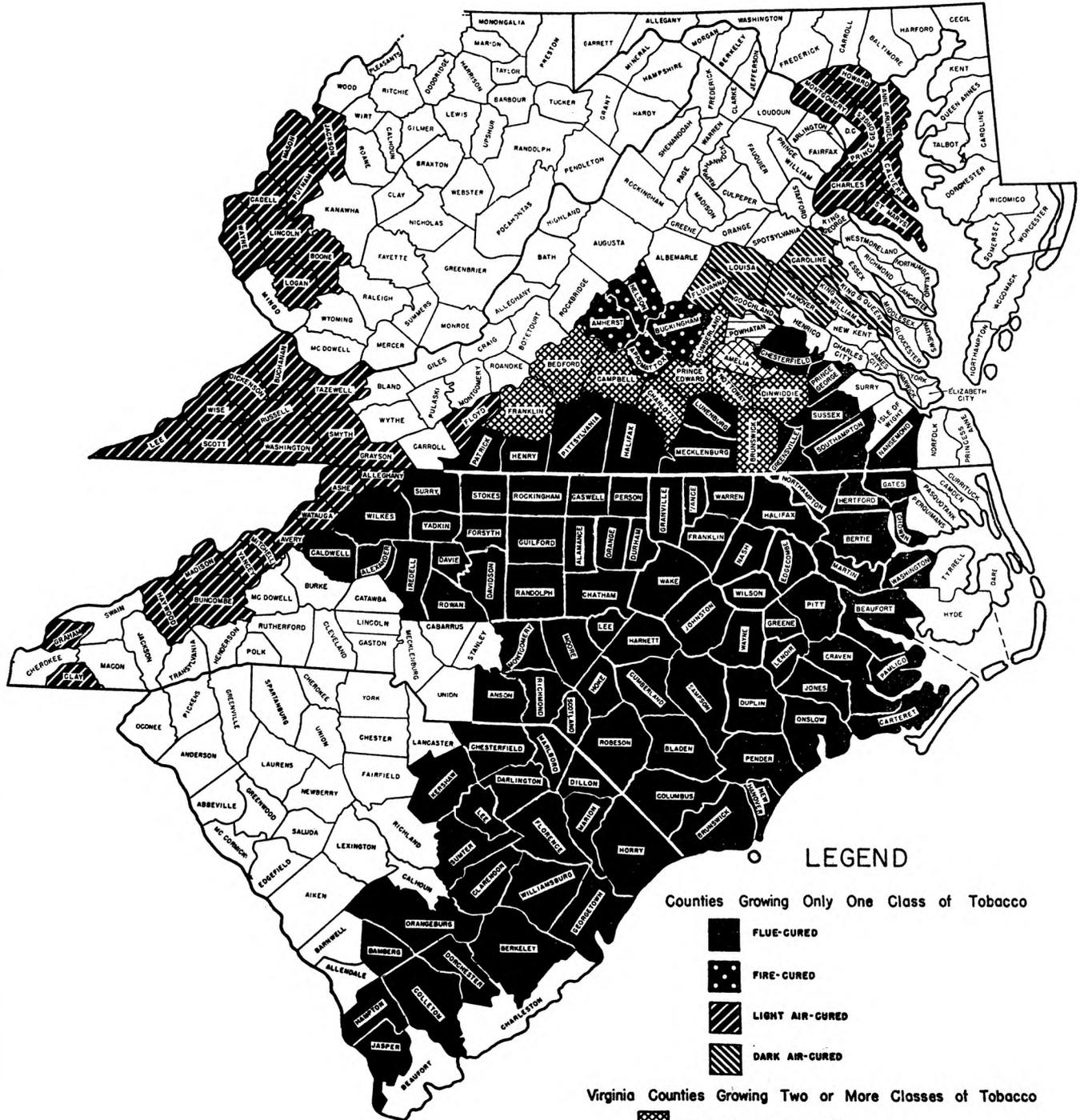
#### BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

	Average Daily 1935-39=100				% Change	
	May 1944	April 1944	Mar. 1944	May 1943	May 1944 from Apr. 44	May 43
Bank Debits.....	197	193r	202	185	+ 2	+ 6
Bituminous Coal Production*.....	152	149	145	139	+ 2	+ 9
Building Contracts Awarded.....	81	143	100	103	-43	-21
Building Permits Issued.....	33	23	21	39	+43	-15
Cigarette Production.....	161	168	167	146	- 4	+10
Cotton Consumption*.....	144	143	155	154	+ 1	- 7
Department Store Sales.....	211	199r	212	182	+ 6	+16
Department Store Stocks.....	174p	170	172	154	+ 2	+13
Life Insurance Sales.....	131	118	131	114	+11	+15
Retail Furniture Sales.....	135p	128p	123	142	+ 5	- 5
Wholesale Trade—Five Lines.....	180	178	180	168	+ 1	+ 7

\*Not seasonally adjusted

# THE TOBACCO OF THE FIFTH FEDERAL RESERVE DISTRICT

(Indicating the Counties within which appreciable amounts of the several classes are customarily grown)



### LEGEND

Counties Growing Only One Class of Tobacco

- FLUE-CURED
- FIRE-CURED
- LIGHT AIR-CURED
- DARK AIR-CURED

Virginia Counties Growing Two or More Classes of Tobacco

- FLUE-CURED AND FIRE-CURED
- FLUE-CURED, FIRE-CURED, AND DARK AIR-CURED
- FIRE-CURED AND DARK AIR-CURED

SOURCE: U. S. DEPARTMENT OF AGRICULTURE, NEGATIVE 844.

FEDERAL RESERVE BANK OF RICHMOND: JUNE, 1944.

## The Importance of Tobacco in the Agricultural Economy of the Fifth District

While tobacco of some kind is grown on every continent of the world, and in almost every state of the Union, the culture of the more important classes of leaf is confined largely to the Southeastern region of the United States. Tobaccos raised in this region are important both in our own and in foreign economies, and their culture and sale contribute a substantial proportion of the agricultural income of the region. This article will deal with the tobaccos which are consumed primarily in non-cigar forms,<sup>1</sup> with special reference to their importance to the economy of the Fifth Federal Reserve District.

### THE NON-CIGAR TOBACCOS: A BRIEF DESCRIPTION

The classes of tobacco which are grown for non-cigar purposes fall into three main groups, according to the method of curing the leaf. While many of the same botanical varieties of tobacco plant may be used for more than one kind of leaf, the varieties preferred by producers of the various kinds of leaf are usually different. However, the soil in which the plant is grown and the method of curing are most important in determining the final leaf-characteristics. The mild, bright leaf which is so important in the manufacture of cigarettes is *flue-cured*, that is cured in barns through which heat is conducted by means of metal flues. Flue-cured tobacco<sup>2</sup> is the most important type of tobacco raised in the United States, and enters into the manufacture of cigarettes, smoking mixture, and chewing tobacco. *Fire-cured* tobacco, which is cured by exposure to the heat and fumes of open fires, finds its major use in the manufacture of snuff and Toscanini cigars (consumed predominantly by Italians), although some is used in the manufacture of chewing plug and nicotine-extracts. There are two distinct kinds of *air-cured* tobacco, both of which are cured by drying, without heat, in barns built to allow free circulation of the air. These two air-cured tobaccos usually are considered as separate classes, and will be so treated here. The first, and most important, is the *light* air-cured, named for its relatively bright color. Light air-cured goes into smoking mixture and cigarettes, although some enters almost every form of tobacco products. It should be noted that Maryland light air-cured usually is distinguished from Burley, the other member of this class, a practice which will not be followed herein. The *dark* air-cured leaf is used in the manufacture of chewing plug and cheap cigars, predominantly.

All four of the above tobaccos are grown within the Fifth District; but none is confined to this area. Flue-cured is grown in parts of Georgia, Florida and Alabama; fire-cured in Kentucky and Tennessee; light air-cured in Kentucky, Tennessee, Ohio, Indiana, and Missouri; and dark air-cured in Kentucky and Tennessee; all in addition to the states of this District. The distribution of these tobaccos within the Fifth District is shown on the accompanying map.

### THE IMPORTANCE OF THE FIFTH DISTRICT AS A SOURCE OF NON-CIGAR TOBACCO

Before examining the importance of tobacco to the agricultural economy of the Fifth District, it might be

well to appraise the District as a source of tobacco. This can best be done by comparing the percentage of distributions, on a regional basis, of the total supplies of the several classes of leaf. Such a comparison is set forth in Table 1.

Table 1: Distribution of Non-Cigar Tobacco Production, by Areas, Selected Crop Years

CLASS AND AREA	Per Cent of Total		
	1934-5	1939-40	1942-3
All Non-Cigar—Total	100.0	100.0	100.0
Outside 5th Dist.	42.2	34.9	37.5
5th Dist.	57.8	65.1	62.5
Maryland	2.6	1.9	2.2
Virginia	8.1	8.3	8.1
West Virginia	.2	.2	.2
North Carolina	41.3	47.1	44.5
South Carolina	5.6	7.7	7.5
Flue-Cured—Total	100.0	100.0	100.0
Outside 5th Dist.	6.3	10.1	8.7
5th Dist.	93.7	89.9	91.3
Virginia	9.5	9.2	9.6
North Carolina	74.0	69.3	69.8
South Carolina	10.2	11.4	11.9
Light Air-Cured—Total	100.0	100.0	100.0
Outside 5th Dist.	85.4	86.8	86.9
5th Dist.	14.6	13.2	13.1
Maryland	9.4	7.7	7.6
Virginia	2.6	2.9	2.8
West Virginia	.6	.6	.6
North Carolina	1.7	2.0	2.0
Dark Air-Cured—Total	100.0	100.0	100.0
Outside 5th Dist.	93.3	92.5	93.1
5th Dist. <sup>1</sup>	6.7	7.5	6.9
Fire-Cured—Total	100.0	100.0	100.0
Outside 5th Dist.	86.1	78.9	81.5
5th Dist. <sup>1</sup>	13.9	21.1	18.5

Source: United States Department of Agriculture.

<sup>1</sup> Virginia is the only state in the District in which this tobacco is grown.

When total non-cigar production is considered, it is clear that the District is a more important source area than all the rest of the country; but the greatest part of the District's production takes place in North Carolina. With respect to flue-cured, about nine-tenths of the national supply is produced within the bounds of the District, over two-thirds of which is produced in North Carolina. On the other hand, the situation with respect to the other three classes is almost exactly reversed, with the District producing less than one-fourth of any one class, and with Virginia and Maryland the important producing states of the District. Thus it is clear that the importance of the Fifth District as an area of tobacco production is based on its flue-cured crop.

Between 1934 and 1942, there were no drastic shifts in the relative standings of the several producing areas. The District's standing went up slightly in the production of fire-cured, remained practically unchanged with respect to air-cured, and dropped slightly with respect to flue-cured, although this latter decline was unimportant in view of the high concentration of the crop within the District. Within the District, itself, there was little change in the standing of the states, although there was some tendency for total production to shift toward the Carolinas.

### THE IMPORTANCE OF THE SEVERAL TOBACCOS IN THE DISTRICT

Having related the Fifth District to the rest of the country as a supplying region for the various classes of

<sup>1</sup> As cigarettes, smoking tobacco, chewing tobacco, and snuff.

<sup>2</sup> For a more detailed statement on this type of leaf, see the MONTHLY REVIEW for May, 1944.

non-cigar tobacco, it becomes necessary to examine the relative importance of the individual tobaccos to total leaf production within the District. This is done in Table 2.

Table 2. Distribution of Total Tobacco Production, by Classes, Selected Crop-Years

AREA AND CLASS	Per Cent of Total		
	1934-5	1939-40	1942-3
All States—Total	100.0	100.0	100.0
Flue-Cured	55.2	67.2	62.9
Light Air-Cured	27.6	24.6	28.8
Dark Air-Cured	4.0	2.5	2.7
Fire-Cured	13.2	5.7	5.5
Outside 5th Dist.—Total	100.0	100.0	100.0
Flue-Cured	8.2	19.3	14.5
Light Air-Cured	56.0	61.1	66.7
Dark Air-Cured	8.8	6.7	6.8
Fire-Cured	26.9	12.9	12.0
5th District—Total	100.0	100.0	100.0
Flue-Cured	89.5	92.9	92.0
Light Air-Cured	6.8	5.0	6.0
Dark Air-Cured	.5	.3	.3
Fire-Cured	3.2	1.8	1.6
Virginia—Total	100.0	100.0	100.0
Flue-Cured	65.1	74.5	74.8
Light Air-Cured	8.8	8.6	10.1
Dark Air-Cured	3.4	2.3	2.3
Fire-Cured	22.7	14.6	12.7
North Carolina—Total	100.0	100.0	100.0
Flue-Cured	98.9	98.9	98.7
Light Air-Cured	1.1	1.1	1.3

Source: United States Department of Agriculture.

From this table it is clear that flue-cured is the most important single type of tobacco produced in this country, with light air-cured coming second. Outside the District, light air-cured is by far the most important non-cigar leaf, with fire-cured and flue-cured competing for second place. Not only does the Fifth District produce about ninth-tenths of the country's flue-cured, but flue-cured comprises about nine-tenths of the District's total tobacco production, completely overshadowing the other three types. Of the states within the District, South Carolina raises only flue-cured, while Maryland and West Virginia raise only light air-cured; thus, only in Virginia and North Carolina do two or more classes comprise the state's total production. In North Carolina, a very small burley crop (light air-cured) is raised in the Western tip of the state, and flue-cured accounts for approximately 99 per cent of the tobacco grown. In Virginia, on the other hand, while flue-cured is the most important type of leaf (comprising about three-fourths of the total), significant proportions of the other three types of leaf are also produced; Virginia is the only state in the country in which all four non-cigar tobaccos are grown.

For the periods covered by Table 2, there was a very definite shift in emphasis away from dark air-cured and fire-cured tobaccos toward flue-cured and light air-cured; this shift apparently took place outside the Fifth District. Within the District, such a trend was much less evident, taking place only within Virginia, and affecting fire-cured primarily. The causes and effects of such shifts in production may have great economic importance for the regions in which the shifts take place. Most of these changes have followed the gradual change in consumer-tastes, both here and abroad, toward a pronounced preference for lighter, milder leaf in any consumption form. They have meant economic stagnation and slow, dis...cult re-orientation for those areas whose crops have been subject to declining demand.

## TOBACCO AS A SOURCE OF FIFTH DISTRICT AGRICULTURAL INCOME

As a source of cash farm income, tobacco is the most important crop, in fact the most important single farm enterprise, within the Fifth District. For the period 1935-42, the total cash income from the sale of tobacco within the District amounted to an average of \$183 million annually, and was exceeded only by the income from all livestock enterprises combined. The relationship between cash income from tobacco and total cash farm income from all sources (including Government payments) is shown in Table 3.

Table 3: The Contribution of Tobacco to Cash Farm Income in the Fifth District, Calendar Years 1935-42

Year	Total Fifth District	West Virginia				South Carolina
		Maryland	Virginia	West Virginia	North Carolina	
Cash Farm Income <sup>1</sup> (millions of dollars)						
1935	558.7	63.4	115.5	39.2	233.4	107.3
1936	574.3	73.2	122.2	41.7	226.7	110.5
1937	647.9	79.0	136.3	44.4	272.6	115.7
1938	567.6	68.5	125.3	41.1	232.7	100.0
1939	592.4	71.8	122.7	42.0	239.4	116.4
1940	578.0	77.5	127.2	41.0	216.1	116.2
1941 <sup>2</sup>	717.7	96.7	160.7	51.4	301.0	107.8
1942 <sup>2</sup>	1,058.8	124.8	222.1	67.3	463.6	180.9
Per Cent Contributed by Tobacco						
1935	27.5	7.2	15.5	.9	48.7	15.7
1936	25.5	7.8	15.6	.8	47.0	13.2
1937	30.4	9.9	15.8	1.2	53.1	19.5
1938	29.4	5.7	17.5	1.4	51.0	21.9
1939	28.2	7.5	15.0	1.1	51.6	16.7
1940	21.9	8.9	13.8	1.3	41.3	10.6
1941 <sup>2</sup>	28.5	11.1	15.7	1.5	45.8	13.5
1942 <sup>2</sup>	30.0	8.3	17.6	1.2	49.8	20.0

Source: Bureau of Agricultural Economics.

<sup>1</sup> Includes income from Farm Marketing and from Government Payments.

<sup>2</sup> Preliminary.

As would be expected from the materials already presented, tobacco is most important as a source of income in North Carolina, and least important in West Virginia. In the former state, tobacco contributes from four-tenths to more than half the total cash farm income; in the latter, it contributes less than one-fiftieth; while in the other three states, its contribution varies from one-twentieth to almost one-fourth the total. Thus, while very important to the District's agricultural economy, tobacco is of varying importance to the economies of the several states. Examination of the accompanying map will indicate precisely which parts of the District rely on tobacco for an appreciable part of their cash farm income. It must be remembered that the cultivation of tobacco will tend to be most intense in or near the heart of the producing region, and will tend to fade out on the periphery.

During the period covered by Table 3, there has been a tendency for the proportion of cash farm income contributed by tobacco to increase slightly in every state of the District. This is not to imply that all variations have been upward, for changes in yield or crop quality can have definite effects on the income from any crop in any given year. But, by and large, there has been a definite tendency for the farmers of the District to depend more and more upon tobacco as a source of cash. This can be a very worthwhile development, especially if it implies that more farmers are adding the cultivation of tobacco to already well-rounded farm enterprises. On the other hand, should it mean that the production of tobacco is becoming the sole enterprise of more farmers, or that it is becoming the sole use of more farm acres, then this trend implies that a larger proportion of the District's farmers are becoming, perhaps dangerously, dependent on a highly

variable income-source. It is not possible to determine the true state of affairs by statistical means, but the consensus of competent observers is that, at least for most of the District, the former is occurring and that the trend is a healthy one. It is fervently hoped that they are right. For the past history of the South demonstrates the evils of unbalanced agriculture, and of one-crop farming.

#### EFFECTS OF WORLD WAR II ON TOBACCO INCOMES

Although both total cash farm income and income from tobacco increased during the war years, some part of that increase was cancelled out by simultaneous increase in many of the prices paid by farmers. It has been widely claimed by farmers and farm leaders that the increases in wages of agricultural labor during the last few years have more than equalled increases in the prices received for farm products. According to one recent study,<sup>3</sup> this is true for many parts of the country, but definitely *not* true for the South. In Virginia and North Carolina, for example, the ratios "of index numbers of farm wages to index numbers of prices received" for 1939-40 were 102 and 104, respectively; in 1942 these same ratios were 89 and 85; and in 1943 they were 95 and 94. The explanation given for the fact that, between 1939-40 and 1943, prices received increased faster than did farm wages is that the South had a backlog of underemployed labor to draw on, in implied contrast to the rest of the nation.

Looking at it in a different way, the relationship between prices received and prices paid becomes even more favorable, as affected by the War. This is summarized in Table 4.

Table 4: Relationship between Fifth District Tobacco Income and Prices Paid by Farmers, Selected Years

Year	Tobacco Income (mill. dollars)	Index of Prices Paid <sup>1</sup> (1910-14=100)	Real Value of Tobacco Income (mill. dollars)
1937	197	131	150
1940	127	122	104
1941	190 <sup>a</sup>	131	145
1942	317 <sup>a</sup>	152	242

Source: United States Department of Agriculture.

<sup>1</sup> For Commodities used in Production and Family Maintenance.

<sup>a</sup> Preliminary.

In terms of tobacco incomes, 1937 was the highest year since 1935, and 1940 was the lowest; in the latter year, the war had affected tobacco prices through its effects on foreign demand for our leaf, but not through our active participation. Taking the deflated tobacco incomes (expressed in terms of constant-valued dollars) as our measure, rather than the actual incomes, it is clear that, while much lower in 1940 than in 1937, and while somewhat lower in 1941 than in 1937, tobacco incomes were far greater in 1942 than in 1937, in terms of what they would buy. The real value of tobacco incomes in-

<sup>3</sup> "The War and American Agriculture," by John D. Black and Charles A. Gibbons in *THE REVIEW OF ECONOMIC STATISTICS* for February, 1944. (Volume XXVI, Number 1), page 34.

creased by 60 per cent from 1937 to 1942; they increased by 138 per cent from 1940 to 1942. Thus, in terms of what their cash income would purchase, tobacco farmers in the Fifth District have been extremely well-favored by the War. Unfortunately, it is impossible to get tobacco income per farm on an annual basis, or even to know the number of farms which raise tobacco each year. However, using materials from the Census of Agriculture, it is possible to determine the approximate tobacco income per farm for the calendar year 1939 (though not the *total* income from all sources for the same farms). This has been done in Table 5.

Table 5: Farms Producing, Acreage Harvested in, and Value of All Tobacco, By Selected Areas, 1939<sup>1</sup>

AREA	Number of Farms Reporting	Total Tobacco Acreage Harvested	Total Value of Tobacco	Acres Tob. per Farm	Val. of Tob. per Farm
		(Acres)	(Dollars)	(Dollars)	
Total United States . . .	498,348	1,853,230	258,990,303	3.7	520
Total Fifth District . . .	227,967	1,104,700	151,665,321	4.8	665
Maryland . . . . .	5,285	39,912	5,353,028	7.6	1,013
Virginia . . . . .	46,091	160,686	19,309,199	3.5	419
West Virginia . . . . .	2,457	2,689	393,444	1.1	160
North Carolina . . . . .	144,670	774,598	109,358,911	5.4	756
South Carolina . . . . .	29,464	126,815	17,250,649	4.3	585

Source: Census of Agriculture, 1940.

<sup>1</sup> Figures for the United States include cigar types of tobacco, none of which are grown within the Fifth District.

It can be seen from this table that tobacco farmers in general do not derive large incomes from their tobacco enterprises. However, as was pointed out, above, this has no known bearing on the total incomes of tobacco farmers, nor on their levels of living. Between 1939-40 and 1942-43, the total income to farmers from non-cigar tobacco increased by 90 per cent (in other words, almost doubled) while the purchasing power of the farmers' dollar declined by about 20 per cent. Thus, if we make certain assumptions<sup>4</sup>, we may say that the individual tobacco farmer received a real tobacco income in 1942-43 which was approximately 50 per cent higher than that received in 1939-40.

It is still too early to hazard any forecast as to the status of tobacco farmers after the War. Nevertheless, there are, as yet, no indications that they will suffer as severely after this War as they did after the last one. If crop restrictions remain in force for the duration and the post-war transition period—and they probably will, from all present indications—tobacco farmers should be able to make the transition to peace in relatively good order.

4. These assumptions are completely unrealistic, but making them does give us an indication of the effects of the War on the individual tobacco farmer. They are:

1. That the same number of farmers raise tobacco in both years.
2. That the various classes of tobacco maintain the same relationships with each other (in the second year as in the first) with respect to acreage harvested, yield per acre, and price.

## Tobacco Manufacturing in the Fifth District

In 1900 the per capita consumption of tobacco products in the United States was 5.38 pounds. In 1941 it had risen to 8.02 pounds, but this falls far short of telling the whole story. There were also many changes in the structure of tobacco consumption. In 1900 chewing tobacco accounted for half of the consumption of tobacco products, but by 1941 chewing tobacco contributed only 9.2 per cent of the total consumption. Cigars, accounting for 24.2 per cent of tobacco products consumption in 1900, fell to 13.6 by 1941, while the consumption of smoking tobacco and snuff shows only minor variations in the proportionate utilization between 1900 and 1941. This leaves cigarette consumption, therefore, to account for the greater part of the growth in per capita consumption of tobacco products. In 1900 the per capita consumption of cigarettes amounted to only .11 of a pound and accounted for but 2.0 per cent of the total tobacco consumption. In 1941 cigarette consumption per capita amounted to 4.39 pounds and accounted for 54.7 per cent of the total consumption of tobacco products.

The foregoing leads in to the subject matter of this article, Tobacco Manufacturing in the Fifth Federal Reserve District. It was these changes in consumer preference, first for chewing tobacco relative to cigars and pipe, and later for cigarettes relative to all other tobaccos, that have been primarily responsible for the growing of flue-cured tobacco and the expansion of its manufacture in this area.

The types of tobacco grown in the regions now known as the flue-cured areas were formerly used extensively in the manufacture of chewing tobacco; little was used in making cigars. The adverse effect of the decline in the use of chewing tobacco on the growing or processing of flue-cured tobacco, which is the principal type in the Fifth District, was more than offset, however, by the growth in the use of cigarettes.

As the cigarette grew in favor with tobacco users, manufacturers entered into vigorous quality competition either to augment or maintain their share of the market. An outgrowth of this quality improvement was the blending of tobaccos. Prior to the time when it became popular for women to smoke, domestically made cigarettes were either made from straight flue-cured tobacco or from straight oriental tobacco. From the quest for mildness yet full-body in the cigarettes evolved the blending of flue-cured, burley and oriental tobaccos, while the even burning quality of Maryland tobacco made its use an essential in quality improvements. Thus the growth of cigarette usage not only brought about a marked expansion in flue-cured tobacco production, but in burley as well.

Since the flue-cured tobacco has constituted over half of the total tobacco used in cigarette manufacture\* as compared with about a third for burley, and since the manufacture of cigarettes was originally from flue-cured tobacco it was natural that the manufacturing facilities originally located mainly in the flue-cured regions should continue their expansion in these areas.

In addition to the expansion of the cigarette habit and the accompanying development of the facilities for its

manufacture in the Fifth Federal Reserve District, the economics of the industry are such that other tobacco products which may in a way be considered as by-products of the cigarette industry have likewise made progress in this District, whereas they have remained static or shrunk in the rest of the country. In purchasing tobacco in the markets, it is not possible for the industry as a whole to select the exact grades needed for the manufacture of cigarettes to the exclusion of other grades, and as a consequence economies in manufacture are effected by making other tobacco products with the types of leaf which are not adaptable to cigarette manufacture and therefore avoid loss on unusable tobacco. That this has actually happened is in evidence in the statistics, which show a constantly rising production of manufactured tobacco (other than plug chewing tobacco) in the Fifth District and a flat trend in the remainder of the country following the period when cigarette production hit its stride.

### TOBACCO MANUFACTURING

Tobacco manufacturing occupies an important place in the economy of the Fifth District, and even more so in the economies of such cities as Durham, Winston-Salem and Reidsville, North Carolina, and Richmond, Virginia. It is in these cities that the great bulk of the tobacco products of the District are manufactured, although warehousing and redrying facilities are located throughout the tobacco belt. The annual report of the Commissioner of Internal Revenue shows that in 1942 70 factories, or 2.3 per cent of the 3,080 tobacco factories of the nation were located in the Fifth District. These 70 factories include 34 cigar factories or 1.3 per cent of the U. S. total; 19 cigarette factories or 30.6 per cent of the U. S. total; and 17 manufactured tobacco factories or 3.4 per cent of the U. S. total.

These proportions of the industry's factories located in this District would not appear to incite comment, but the 1.3 per cent of the cigar factories of the District produced 11.3 per cent of the domestically produced cigars of the nation in 1942. The 19 cigarette factories in the District constituting 30.6 per cent of all U. S. factories turned out 84.3 per cent of the country's cigarette production in the same year, while the 17 District factories accounting for 3.4 per cent of the nation's total manufactured tobacco facilities produced 45.2 per cent of all manufactured tobacco.

Furthermore, the growth that has occurred in the production of most tobacco products of the nation has occurred in the Fifth District. As late as 1914 there were nearly twice as many cigarettes produced in the factories located outside the Fifth District as were produced in the District's factories, with the larger part of the growth in numbers from the turn of the century to 1914 having come outside the District. Between 1914 and 1942, however, the Fifth District's cigarette output rose from a little less than 6 billion to 217 billion while the growth of cigarette manufacture outside the Fifth District rose from 11 billion to 40 billion.

The cigar business of the United States reached its

\* U. S. D. A. Circular 249, p. 92.

zenith during the first world war; trended downward thereafter until 1934 and has been making a remarkable comeback since then. Cigar production in the Fifth District is the least important of the major classifications of tobacco products, but this District has maintained a reasonably constant proportion of the United States total since the beginning of the current century, ranging between 11 and 14 per cent. The cause of the recovery in cigar production is not clear, but the fact that the average age of the population is rising could have an important bearing on it.

The manufacture of tobacco products, other than cigars and cigarettes, in the Fifth District rose concurrently with cigarette production during the early rapid developmental stage of the cigarette's growth. This rise continued until about 1929 but has since flattened out. The manufacture of these tobacco products outside of the Fifth District has been in a downward trend since 1914.

The flattening out in the growth of manufactured tobacco products other than cigars and cigarettes in the Fifth District has been due to the declining usage of plug chewing tobacco, and the decline in manufactured tobacco production in the remainder of the country has been due to the same cause. Although the total manufacture of plug tobacco in the country has been declining since the turn of the century, its rapid decline began around the end of the first decade when the cigarette began to assume importance as a tobacco manufacture. The manufacture of plug tobacco in the Fifth District, however, held up quite well until 1929, and even as late as 1942 the District's proportion of the plug tobacco output was still rising. In 1899 the factories of the Fifth District produced 27 per cent of the nation's plug tobacco and the proportion had risen almost without interruption to 67 per cent in 1942.

Of the remaining manufactured tobacco products, mostly smoking tobacco, the output of the Fifth District factories has risen with only minor interruptions since the beginning of the century, whereas the production of these tobacco products in the remainder of the country has remained on a flat level since the beginning of the first world war. Thus all of the growth in the country's manufactured tobacco output (excluding plug) since World War I has been in the factories located in the Fifth District. The trend of production of manufactured tobacco (excluding plug) is still upward in this District despite the fact that in 1942, the latest year for which data are available, there was a moderate recession from the last prewar year 1939. The combination of large numbers of the male population going into the armed forces where the pipe smoking habit is less easily pursued, and the heavy requirements placed on the tobacco supply for manufacture into cigarettes seems likely to have some causal relation in the smaller production of manufactured tobacco products other than plug tobacco between 1939 and 1942. It is possible that many former pipe smokers in the armed forces who are now smoking cigarettes for convenience may become permanently attached to the latter. This, however, gives no indication that such a shift will ensue, unless the stimulation caused by the present war results in gains that will be held, as was the case following the first world war; but it does indicate

a continued general shift away from stronger forms to milder forms of tobacco. The milder tobaccos are the flue-cured and burley types and it is therefore reasonable to assume that the bulk of any growth which may come in tobacco consumption would result in an expansion of its manufacture in the Fifth District.

#### EMPLOYMENT

It is not possible to show the importance of tobacco manufacturing in the Fifth District economy from the published figures of the census, for much of the data is not given on a state-wide basis. Such figures as are given cover cigarette production in Virginia and North Carolina; cigars in Maryland; and manufactured tobacco in Virginia and North Carolina. No information is available in the census on employment, wages paid or value added by manufacture in the tobacco rehandling business which probably utilizes more than 25,000 workers.

The tobacco manufacturing employment figure for the District given by the census for 1939 is 24,514. This was 3.2 per cent of the total employment in all manufacturing industries of the Fifth District states in that year, and 4.5 per cent of the total manufacturing employment in Maryland, Virginia and North Carolina, the only states for which data on tobacco manufacturing employment were available.

The Virginia Department of Labor and Industry for the year 1939 counted 18,334 workers in tobacco products manufacture, including rehandling, while the census figure for cigarettes and manufactured tobacco was 7,776. The North Carolina Unemployment Compensation Commission reports that 22,110 persons were employed in 1940 in tobacco establishments which employed 8 or more people. There were 16,557 wage earners in the cigarette and chewing, smoking and snuff industries as shown by the Census of Manufactures for that state in 1939. If the workers in the rehandling industry and those of a cigar factory in Charleston, South Carolina, were included, it is probable that employment in the tobacco manufacturing and rehandling industry would add to more than 60,000 workers.\*

The Census of Manufactures for 1939 gives a figure for salaries and wages paid in the cigarette industry in Virginia and North Carolina in that year of \$27,112,000 and a value added by manufacture of \$196,919,000. These figures are respectively 6.6 per cent and 21.3 per cent of the totals for all manufacturing industries in these states. That these figures considerably understate the importance of tobacco manufacturing is shown by the report of the Virginia Department of Labor and Industry for the same year. In this report Virginia manufacturers alone paid wages and salaries in the tobacco product industry of \$15,795,000, compared with the U. S. Census figure for cigarettes of \$8,519,000; and had a value added by manufacture of \$159,366,000, compared with the U. S. Census figure for cigarettes of \$79,338,000. Wages and salaries in the tobacco product industry according to the Virginia Department of Labor and Industry accounted for 8.4 per cent of those in all Virginia manufacturing industries, while the value added by manufacture in tobacco products industries accounted for 34 per cent of the total value added in all of the state's manufacturing industries.

\* No depreciation of the census enumeration is intended, but owing to the fact that the census excludes the rehandling business, plants with products valued at less than \$5,000, and those whose publication would reveal the operations of an individual establishment, the foregoing State Department figures are presented to give some idea of total employment in the industry.

## LOCATION OF THE INDUSTRY

Three cities of the District are prominent in the tobacco manufacturing industry. They are Richmond, Virginia; Durham and Winston-Salem, North Carolina. Much of the expansion in the production facilities for the manufacture of tobacco in the past two decades has been in these cities. The Industrial Market Data Handbook compiled by the U. S. Department of Commerce from the 1935 Census of Manufactures showed 32 tobacco manufacturing establishments in the states of Maryland, Virginia, North Carolina and South Carolina. The seven establishments in West Virginia are not included because they are all located in the Fourth Federal Reserve District.

Of the 32 tobacco manufacturing establishments located in this district in 1935, 9 were cigarette makers, 14 cigar makers and 9 chewing and smoking tobacco or snuff makers. They were located as follows:

## LOCATION OF TOBACCO FACTORIES—1935

STATE	City or County	Number of Establishments	Tobacco Product
Maryland	Baltimore City	9	Cigars
Virginia	Henrico & Richmond	4	Cigarettes
"	"	1	Cigars
"	"	3	Chewing & Smoking
"	Petersburg	1	Cigarettes
"	"	1	Cigars
"	"	1	Chewing & Smoking
"	Henry Co.	1	Chewing & Smoking
North Carolina	Durham	2	Cigarettes
"	"	1	Cigars
"	Winston-Salem	1	Cigarettes
"	"	3	Chewing & Smoking
"	Reidsville	1	Cigarettes
"	Iredell Co.	1	Chewing & Smoking
"	Guilford Co.	1	Cigars
South Carolina	Charleston	1	Cigars
Fifth District		9	Cigarettes
"		14	Cigars
"		9	Chewing & Smoking

The Bureau of Internal Revenue figures on the number of establishments are considerably larger than those given by the census, which may partly be due to the non-inclusion of plants with products valued at less than \$5,000 in census figures and to the withholding of data to avoid disclosure of individual plant operations. The number of establishments at the end of 1942 as given by the Bureau of Internal Revenue are as follows:

## NUMBER OF ESTABLISHMENTS IN TOBACCO MANUFACTURE

STATE	End of 1942		
	Cigars	Cigarettes	Chewing, smoking, and snuff
Maryland	16	1	1
Virginia	9	10	7
North Carolina	6	8	9
South Carolina	3	—	—
Total	34	19	17

## THE IMPORTANCE OF THE STATES

North Carolina outranks any other state in the District in the manufacture of cigarettes, and chewing and smoking tobacco, but it produces a very small part of the District's cigars. Virginia holds first place among the District states in the manufacture of cigars; is a fairly close second in cigarette output, but is a poor second among two states producing chewing and smoking tobacco. South Carolina holds second place in the manufacture of cigars, which are produced at Charleston.

The accompanying table shows the importance of the states in the District with respect to the volume of production.

## PRODUCTION OF TOBACCO PRODUCTS—1942

	Cigarettes		Cigars		Chewing & Smoking Tobacco & Snuff	
	Billion	%	Million	%	Million lbs.	%
Maryland	—	—	11	2	—	—
Virginia	93.9	43	390	58	29.8	20
North Carolina	123.2	57	33	5	119.5	80
South Carolina	—	—	240	35	—	—
District	217.1	100	674	100	149.3	100

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

	Apr. 1944	Mar. 1944	Feb. 1944	Apr. 1943	% Change	
					Apr. 44 from Mar. 44	Apr. 43 from Apr. 44
Bank Debits	193r	202	212	205	- 4	- 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	199r	212	209	186	- 6	+ 7
Department Store Stocks	170	172	176	146	- 1	+16
Electric Power Production	199	199	208	191	0	+ 4
Employment—Mfg. Industries*	142	144	146	151	- 1	- 6
Furniture Orders	165	168	200	176	- 2	- 6
Furniture Shipments	173	157	165	160	+10	+ 8
Furniture Unfilled Orders	760	526	504	844	+44	-10
Life Insurance Sales	118	131	128	118	-10	0
Wholesale Trade—Five Lines	178	180	181	175	- 1	+ 2
Wholesale Trade—Drugs	210	204	198	194	+ 3	+ 8
Wholesale Trade—Dry Goods	170	155	185	211	+10	-19
Wholesale Trade—Groceries	187	190	188	173	- 2	+ 8
Wholesale Trade—Hardware	110	118	131	144	- 7	-24

\* Not seasonally adjusted

FEDERAL RESERVE BANK OF RICHMOND

(All Figures in Thousands)

ITEMS	June 14	Change in Amt. from	
	1944	5-17-44	6-16-43
Total Gold Reserves	\$1,070,167	-27,318	+ 6,823
Other Reserves	13,551	+ 372	- 17,393
Total Reserves	1,083,718	-26,946	- 10,570
Bills Discounted	2,995	- 3,500	+ 2,930
Industrial Advances	188	- 1	- 233
Gov't. Securities, Total	754,716	+71,529	+400,290
Bonds	94,631	- 1,143	- 4,049
Notes	77,719	+ 786	+ 24,332
Certificates	214,536	+13,380	+103,220
Bills	367,830	+58,506	+276,787
Total Bills and Securities	757,859	+68,028	+402,987
Uncollected Items	150,491	+31,292	+ 4,460
Other Assets	15,697	- 102	+ 2,883
Total Assets	\$2,007,765	+72,272	+399,760
Fed. Res. Notes in Cir.	\$1,222,945	+27,822	+343,801
Deposits, Total	635,107	+26,309	+ 47,861
Members' Reserves	543,302	+24,588	+ 3,819
U. S. Treas. Gen. Acc.	19,470	- 3,688	+18,904
Foreign	59,436	- 1,204	+20,012
Other Deposits	12,899	+ 6,613	+ 4,626
Deferred Availability Items	128,992	+17,809	+ 7,114
Other Liabilities	473	+ 160	- 33
Capital Accounts	20,248	+ 172	+ 1,517
Total Liabilities	2,007,765	+72,272	+399,760

41 REPORTING MEMBER BANKS—5th DISTRICT

(All Figures in Thousands)

ITEMS	June 14	Change in Amt. from	
	1944	5-17-44	6-16-43
Total Loans	\$ 257,485	- 3,680	+ 15,005
Bus. & Agric. Loans	114,067	- 1,748	- 1,343
Real Estate Loans	48,767	+ 170	- 2,009
All Other Loans	94,651	- 2,102	+ 18,357
Total Security Holdings	1,307,492	- 24	+ 74,540
U. S. Treas. Bills	66,857	- 7,725	- 96,282
U. S. Treas. Certificates	246,043	+ 6,242	+ 3,736
U. S. Treas. Notes	237,943	- 2	+111,534
U. S. Gov. Bonds	684,940	+ 5,176	+ 98,419
Obligations Gov. Guaranteed	14,627	- 3,816	- 33,665
Other Bonds, Stocks & Sec.	57,082	+ 101	- 9,202
Cash Items in Process of Col.	105,237	+ 8,049	+ 12,434
Due from Banks	156,960*	+24,330	- 28,476
Currency & Coin	37,452	+ 520	+ 1,227
Reserve with F. R. Bank	282,628	+ 6,775	- 21,865
Other Assets	63,354	+ 2,097	+ 2,643
Total Assets	2,210,608	+38,067	+ 55,508
Total Demand Deposits	1,746,412	+34,876	+ 1,224
Deposits of Individuals	1,164,464	+80,452	+136,605
Deposits of U. S. Gov.	131,768	-63,083	- 56,112
Deposits of State & Local Gov.	79,502	- 7,002	- 17,591
Deposits of Banks	348,797	+21,151	- 55,695
Certified & Officers' Checks	21,881	+ 3,358	- 5,983
Total Time Deposits	268,013	+ 5,998	+ 38,285
Deposits of Individuals	252,329	+ 6,126	+ 38,258
Other Time Deposits	15,684	- 128	+ 27
Liabilities for Borrowed Money	0	- 1,500	0
All Other Liabilities	81,220	- 1,904	+ 10,640
Capital Account	114,963	+ 597	+ 5,359
Total Liabilities	2,210,608	+38,067	+ 55,508

\* Net figures, reciprocal balances being eliminated.

MUTUAL SAVINGS BANK DEPOSITS

9 Baltimore Banks

	May 31, 1944	Apr. 30, 1944	May 31, 1943
Total Deposits	\$273,220,852	\$269,982,177	\$241,446,191

COTTON CONSUMPTION—FIFTH DISTRICT

In Bales

MONTHS	N. Carolina	S. Carolina	Virginia	District
May 1944	225,210	172,483	20,198	417,891
April 1944	206,630	158,656	18,915	384,201
May 1943	235,209	175,796	21,676	432,681
5 Months 1944	1,120,142	854,425	98,592	2,073,159
5 Months 1943	1,201,253	912,319	109,271	2,222,843

DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

Dist. of Columbia	% change		5 5 Mos. 1944	% chg. from 5 Mos. '43
	May 1944	from May 1943		
Washington	\$ 474,234	+ 9	\$ 2,391,460	+ 8
Maryland				
Baltimore	733,379	+14	3,716,391	+11
Cumberland	12,347	+14	61,420	+18
Frederick	11,285	+13	58,390	+18
Hagerstown	16,065	+12	86,066	+20
North Carolina				
Asheville	21,041	+10	112,023	+13
Charlotte	110,595	+ 8	582,284	+ 5
Durham	59,604	+23	283,307	+16
Greensboro	33,257	+24	169,554	+12
Kinston	5,739	+11	31,876	+15
Raleigh	48,350	+ 7	262,001	+ 3
Wilmington	37,162	+ 5	182,593	+ 3
Wilson	6,323	- 8	35,921	+ 4
Winston-Salem	56,339	- 3	303,399	- 1
South Carolina				
Charleston	36,967	- 2	197,158	+ 3
Columbia	45,853	- 1	241,940	- 4
Greenville	34,682	- 3	183,492	- 1
Spartanburg	20,375	+ 5	102,540	+ 2
Virginia				
Charlottesville	14,678	+35	70,441	+29
Danville	13,827	+30	66,600	+ 7
Lynchburg	20,114	+13	103,278	+11
Newport News	25,736	+13	133,040	+16
Norfolk	123,774	+ 9	600,331	+ 4
Portsmouth	15,268	+ 1	78,101	+ 3
Richmond	300,111	+20	1,522,573	+12
Roanoke	39,279	+15	196,679	+11
West Virginia				
Bluefield	22,907	+19	113,148	+19
Charleston	83,219	+13	399,234	+ 9
Clarksburg	14,634	+17	73,324	+18
Huntington	27,978	+13	144,754	+11
Parkersburg	15,800	+16	78,049	+13
District Totals	\$2,480,922	+12	\$12,581,367	+ 9

COMMERCIAL FAILURES

	Numbr of Failures		Total Liabilities	
	District	U. S.	District	U. S.
May 1944	2	148	\$ 11,000	\$ 2,697,000
April 1944	0	131	0	3,524,000
May 1943	5	281	158,000	2,550,000
5 Months 1944	8	627	318,000	12,497,000
5 Months 1943	24	1,933	369,000	23,033,000

Source: Dun & Bradstreet.

COTTON CONSUMPTION AND ON HAND—BALES

	May 1944	May 1943	Aug. 1 to May 31 1944	1943
Fifth District States:				
Cotton consumed	417,891	432,681	4,175,914	4,453,279
Cotton Growing States:				
Cotton consumed	730,991	787,927	7,386,680	8,102,649
Cotton on hand May 31 in consuming establishments	1,795,043	1,953,569		
Storage & compresses	9,393,164	9,393,778		
United States:				
Cotton consumed	831,889	902,301	8,412,168	9,341,781
Cotton on hand May 31 in consuming establishments	2,110,581	2,320,197		
Storage & compresses	9,582,675	9,666,982		
Spindles active	22,387,784	22,777,078		

RAYON YARN DATA

	May 1944	April 1944	May 1943
Rayon Yarn Shipments, Lbs.	45,600,000	43,200,000	41,800,000
Staple Fiber Shipments, Lbs.	14,600,000	11,300,000	12,900,000
Rayon Yarn Stocks, Lbs.	8,200,000	7,800,000	6,700,000
Staple Fiber Stocks, Lbs.	2,500,000	1,800,000	2,800,000

Source: Rayon Organon.

**BUILDING PERMIT FIGURES**  
Fifth Federal Reserve District  
May 1944

	Total Valuation	
	May 1944	May 1943
<b>Maryland</b>		
Baltimore .....	\$ 376,362	\$ 1,004,340
Cumberland .....	12,667	980
Frederick .....	2,600	50
Hagerstown .....	61,400	9,245
Salisbury .....	62,590	5,906
<b>Virginia</b>		
Danville .....	\$ 5,988	\$ 16,311
Lynchburg .....	6,899	10,863
Norfolk .....	220,865	103,895
Petersburg .....	1,500	0
Portsmouth .....	21,881	624,536
Richmond .....	473,678	53,553
Roanoke .....	14,471	9,655
<b>West Virginia</b>		
Charleston .....	\$ 54,388	\$ 36,444
Clarksburg .....	4,607	2,082
Huntington .....	7,813	64,030
<b>North Carolina</b>		
Asheville .....	\$ 18,415	\$ 12,908
Charlotte .....	64,279	10,059
Durham .....	16,636	7,038
Greensboro .....	9,309	3,300
High Point .....	25,804	24,108
Raleigh .....	70,000	26,820
Rocky Mount .....	2,775	4,050
Salisbury .....	1,875	2,925
Winston-Salem .....	121,650	19,957
<b>South Carolina</b>		
Charleston .....	\$ 52,448	\$ 75,090
Columbia .....	4,528	8,614
Greenville .....	2,175	5,075
Spartanburg .....	12,160	67,014
<b>District of Columbia</b>		
Washington .....	\$ 950,059	\$ 977,366
<b>District Totals</b> .....	<b>\$2,679,822</b>	<b>\$ 3,186,214</b>
<b>5 Months</b> .....	<b>\$9,236,162</b>	<b>\$18,608,594</b>

**CONSTRUCTION CONTRACTS AWARDED**

STATES	April 1944	% chg. from April 1943	4 Mos. 1944	% chg from 4 Mos. 1943
	Maryland .....	\$ 8,481,000	+ 28	\$ 31,175,000
Dist. of Columbia ..	3,405,000	- 3	9,603,000	-24
Virginia .....	14,508,000	+ 35	45,527,000	-46
West Virginia .....	729,000	+353	6,179,000	-34
North Carolina .....	11,832,000	- 2	21,926,000	-42
South Carolina .....	2,163,000	- 48	11,215,000	-41
<b>Fifth District</b> ..	<b>\$41,118,000</b>	<b>+ 10</b>	<b>\$125,625,000</b>	<b>-37</b>

Source: F. W. Dodge Corp.

**TOBACCO MANUFACTURING**

	May 1944	% chg. from May 1943	5 Mos. 1944	% change from 5 Mos. '43
	Smoking and chewing tobacco (Thousands of lbs.) ..	20,264	- 2	93,094
Cigarettes (Thousands) .....	21,064,879	+14	97,339,154	0
Cigars (Thousands) .....	399,992	- 9	1,937,560	-13
Snuff (Thousands of lbs.) ..	3,704	+17	18,192	- 5

**SOFT COAL PRODUCTION IN THOUSANDS OF TONS**

REGIONS	May 1944	May 1943	% Change	5 Mos. 1944	5 Mos. 1943	% Change
	West Virginia .....	14,790	13,031	+13	70,129	67,142
Virginia .....	1,749	1,635	+ 7	8,490	8,407	+1
Maryland .....	169	153	+10	852	802	+6
<b>5th District</b> .....	<b>16,708</b>	<b>14,819</b>	<b>+13</b>	<b>79,471</b>	<b>76,351</b>	<b>+4</b>
<b>United States</b> .....	<b>55,220</b>	<b>47,417</b>	<b>+16</b>	<b>266,125</b>	<b>249,686</b>	<b>+7</b>
<b>% in District</b> .....	<b>30.3</b>	<b>31.3</b>		<b>29.9</b>	<b>30.6</b>	

**RETAIL FURNITURE SALES**

STATES	Percentage Changes in May and 5 Months 1944 Compared with	
	May 1943	5 Months 1943
Maryland (4)* .....	+ 8	- 3
Dist. of Columbia (5)* .....	+ 6	+ 2
Virginia (26)* .....	- 1	+ 1
West Virginia (11)* .....	- 3	- 5
North Carolina (24)* .....	+ 1	+ 5
South Carolina (14)* .....	-12	-12
Fifth District (84)* .....	0	- 1
<b>INDIVIDUAL CITIES</b>		
Baltimore, Md. (4)* .....	+ 8	- 3
Washington, D. C. (5)* .....	+ 6	+ 2
Lynchburg, Va. (3)* .....	- 8	+ 3
Richmond, Va. (7)* .....	- 1	+ 4
Charleston, W. Va. (3)* .....	-14	-15
Charlotte, N. C. (5)* .....	0	+ 4
Winston-Salem, N. C. (3)* .....	+ 5	+11
Columbia, S. C. (4)* .....	- 1	- 6

\* Number of stores.

**DEPARTMENT STORE TRADE**

Richmond	Baltimore	Washington	Other Cities	District
Percentage change in May 1944 sales, compared with sales in May 1943:				
+24	+16	+12	+23	+16
Change in 5 mos.' sales in 1944, compared with 5 mos.' sales in 1943:				
+16	+ 6	+ 1	+18	+ 7
Change in stocks on May 31, 1944, from stocks on May 31, 1943:				
+11	+12	+13	+23	+13
Change in outstanding orders May 31, 1944, from orders on May 31, 1943:				
-16	- 1	- 5	+13	- 5
Change in total receivables on May 31, 1944, compared with May 31, '43:				
+11	+ 9	+ 2	+ 9	+ 6
Percentage of current receivables as of May 1, 1944, collected in May:				
56(54)	59(53)	59(60)	59(59)	59(57)
Percentage of instalment receivables as of May 1, 1944, collected in May:				
23(24)	30(30)	25(24)	29(26)	27(26)

Note: 1943 collection percentages in parentheses.

Maryland	Dist. of Col.	Virginia	W. Va.	N. Caro.	S. Caro.
Percentage change in May 1944 sales from May 1943 sales, by States:					
+15	+12	+23	+15	+20	+17
Percentage chg. in 5 mos.' sales in 1944, compared with 5 mos.' in 1943:					
+ 6	+ 1	+16	+11	+13	+12

**WHOLESALE TRADE, 262 FIRMS**

LINES	Net Sales May 1944 compared with		Stock May 31, 1944 compared with		Ratio May collections to acctg. outstanding May 1
	May 1943	Apr. 1944	May 31 1943	Apr. 30 1944	
Auto supplies (14)* .....	+ 3	-12	- 6	- 1	103
Drugs & sundries (14)* .....	+11	+ 4	+12	+ 1	125
Dry goods (7)* .....	+17	+13	- 7	- 4	83
Electrical goods (10)* .....	-15	+ 7	-25	0	75
Groceries (81)* .....	+17	+10	+21	- 1	160
Hardware (16)* .....	+11	0	+ 8	- 4	102
Industrial supplies (9)* .....	+20	+12	+13	- 2	104
Paper & products (10)* .....	+ 7	+ 7	-11	+ 3	93
Tobacco & products (11)* .....	+18	+16	+24	-13	167
Miscellaneous (90)* .....	+ 5	+ 8	+ 3	+ 3	134
<b>District Average (262)*</b> .....	<b>+ 9</b>	<b>+ 8</b>	<b>+ 5</b>	<b>- 1</b>	<b>115</b>

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 activity and employment declined slightly further in May. Value of retail trade was maintained in May and the first three weeks of June and commodity prices showed little change.

**Industrial Production**

Industrial production continued to decline in May and the Board's seasonally adjusted index was 237 per cent of the 1935-39 average as compared with 239 in April. Small declines in output of metal products and nondurable goods accounted for most of the decrease in the total index.

Steel production was maintained at a high rate. Supplies of aluminum and magnesium continued to exceed military requirements after further curtailment of output in May, and relaxation of restrictions on the use of these metals in civilian products was announced on June 18. Activity in munitions industries declined slightly in May. Aircraft production was at approximately the same daily average rate as in the preceding month. Deliveries of merchant ships declined somewhat from the April rate, reflecting curtailment of Liberty ship construction; the number of Victory ships delivered rose further in May.

Output of lumber and of stone, clay, and glass products declined further in May. Additional Federal control was established over lumber consumption, effective in the third quarter, in order to assure sufficient supplies for essential requirements.

Production of most nondurable goods was likewise somewhat lower in May than in April. Cotton consumption declined 6 per cent from the rate prevailing earlier this year to a level 16 per cent below May 1943. Output of manufactured dairy products showed a large seasonal rise in May while manufacture of most other food products declined somewhat, after allowance for seasonal changes.

Output of crude petroleum and coal continued to rise and iron ore production reached an exceptionally high level for this season of the year.

**Distribution**

Department store sales in May were maintained at the April level, and the Board's seasonally adjusted index, as recently revised, was 173 per cent of the 1935-39 average. During the first half of June sales continued at about the April-May rate and were 4 per cent larger than in the corresponding period last year.

Railroad freight traffic was maintained at a high level during May and the early part of June.

**Commodity Prices**

Wholesale commodity prices continued to show little change in May and the early part of June. Retail prices showed a further slight increase in May. The wholesale price index and the cost of living index of the Bureau of Labor Statistics were both at the same level as they were in May 1943.

**Agriculture**

Crop prospects on June 1 were better than on the same date in the last 10 years except 1942. The total wheat crop appeared likely to exceed a billion bushels as compared with a harvest of 836 million bushels in 1943 and 974 million in 1942. Prospects for other grains, however, were not as favorable and, with grain stocks reduced, it is expected that total supplies available to meet food, feed, and industrial needs will continue short. In recent months the feed situation has been eased by generally good condition of the hay crops and pastures.

**Bank Credit**

In the five months from the beginning of the Fourth War Loan Drive to the beginning of the Fifth Drive, Federal Reserve Bank holdings of U. S. Government securities increased by more than 3 billion dollars: Member bank borrowings at Federal Reserve Banks also increased somewhat during the period, and at times exceeded 200 million dollars for the first time in more than a decade. These additions to Reserve Bank credit supplied the market with funds to meet a growth of nearly 2 billion dollars in money in circulation, an increase of 700 million in member bank required reserves, and a loss of gold of 700 million. Excess reserves, which declined to as low as 600 million dollars during the period, amounted to 1.1 billion on June 14.

During the Drive, purchases of Government securities by businesses and individuals will shift deposits to reserve-exempt Government war-loan accounts and reduce the amount of reserves that member banks are required to hold. This will result in some further increase in excess reserves and some repurchases of Government securities by member banks from the Reserve Banks.

Adjusted demand deposits at member banks in leading cities have risen by about  $5\frac{3}{4}$  billion dollars since the end of the Fourth Drive and are more than  $2\frac{3}{4}$  billion dollars above the level prevailing prior to that Drive. Time deposits also increased steadily.

Government security holdings at reporting banks declined by close to 2 billion dollars between mid-February and mid-June, following an increase of around 3 billion during the Fourth Drive. Bill holdings declined substantially, paralleling increases in such holdings at the Reserve Banks. Loans to brokers and dealers in securities, which by the end of May had declined well below their early January levels, increased somewhat in the first two weeks of June preparatory to the Drive. Other loans for handling Government securities are close to their pre-Fourth Drive level. Again in the Fifth Drive, as in the previous one, borrowings for speculative purchases will be discouraged.