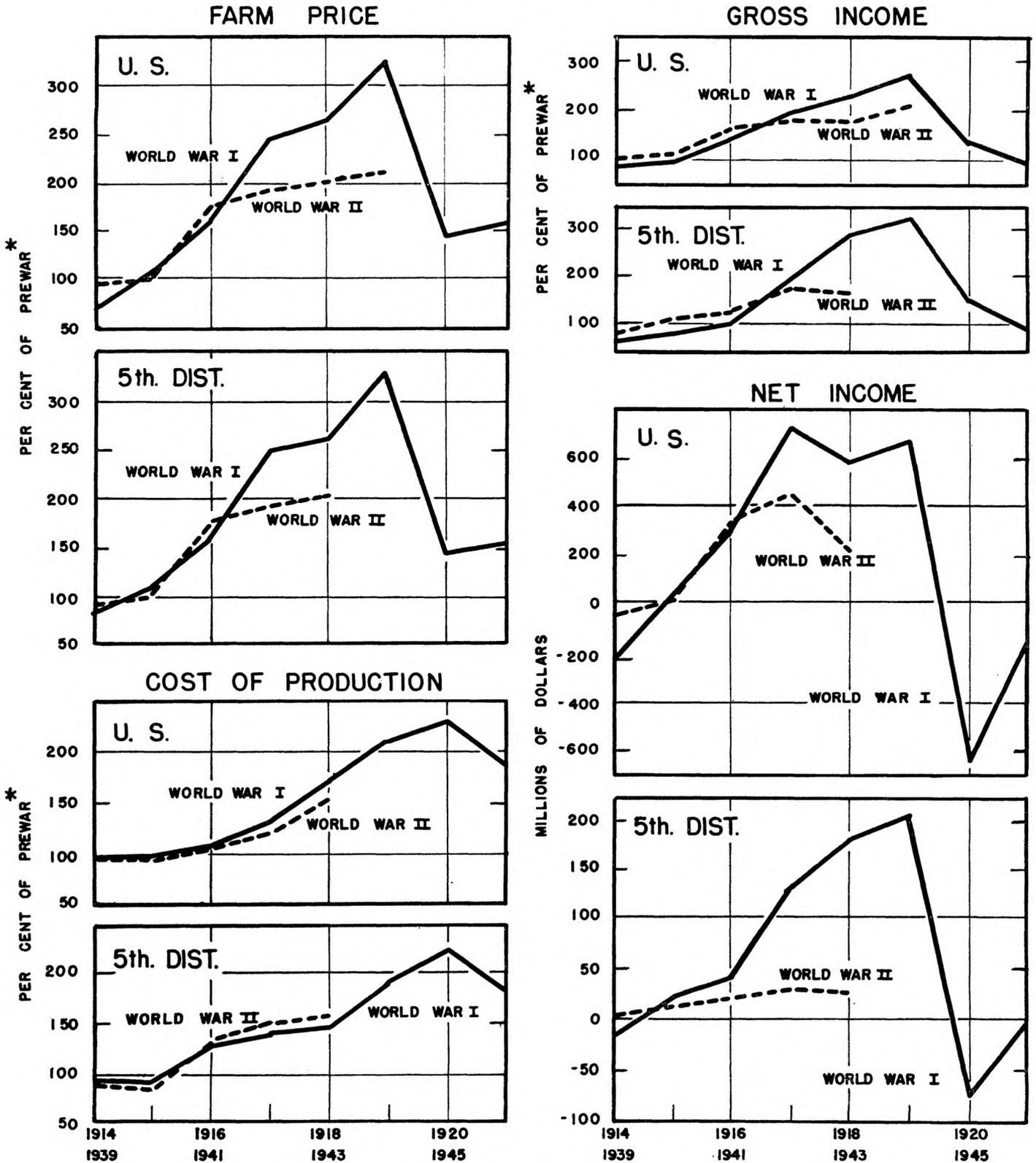


CHART I COTTON PRICES AND INCOMES IN TWO WORLD WARS



* PREWAR PERIODS ARE 1910-1914 FOR WORLD WAR I, AND 1935 - 1939 FOR WORLD WAR II.

SOURCE: BUREAU OF AGRICULTURAL ECONOMICS.

FEDERAL RESERVE BANK OF RICHMOND.

Cotton In Two World Wars

PART II: FARM PRICES AND INCOMES*

Under the present law the price of cotton in the United States will be supported by the Government at 92½ per cent of parity for two years following the official declaration of the end of hostilities. Since no such declaration has yet been made, this price support commitment will apply at least through the crop year beginning in August, 1947. Also, it has just been announced that marketing quotas on cotton will again be suspended, as during the last two years, meaning that producers may plant any desired acreage of cotton in 1946. These two developments assure cotton producers of the South and the Fifth District favorable returns in the coming year, if yields are maintained. This article has been prepared in order that bankers and other business leaders in cotton communities may become better acquainted with what has happened to cotton prices and incomes during World War II and the ways in which recent experiences are like or unlike those of 1914-18. In order to facilitate this understanding, the present article will discuss in sequence: the factors determining cotton prices during the two wars, cotton prices and incomes in the United States over this period, and the situation within the Fifth District as projected against this background.

GENERAL BACKGROUND

Since this country became involved in World War II, the level of prices paid farmers for their cotton has been greatly influenced by Government actions, including loan and purchase programs, textile ceilings, and export programs. Some of these Federal actions originated with the emergency, but others had been in operation in some form since as far back as 1929. These programs have caused the cotton price situation of this war to differ markedly from the relatively free, competitive one of World War I.

Obviously, the farm price of cotton in a free market is determined by the interaction of supply and demand, but such a statement is an over-simplification. Cotton prices have been extremely sensitive to many factors, some far removed from the immediate market situation, and the pricing of cotton is, therefore, a most complex process. Among the supply factors considered by the market during the years prior to 1929 were the current crop, the carryover from previous seasons, and the manner in which the carryover was held. The demands were those furnished, in the final analysis, by consumer demand for finished goods in the manufacture of which cotton was used in one way or another. But, while farm supply tended to reach the market over a short period of each crop year, the buyers of cotton were forced to anticipate future levels of consumption. Many adjustments were made for *expected* as well as realized quantities of supply

* This is the second of two articles examining some of the effects of war upon the cotton economy, especially that of the Fifth Federal Reserve District. The first appeared in the MONTHLY REVIEW of September 30, 1945, and dealt with production and consumption. In general arrangement and point of view the two articles are similar, but this one will deal more specifically with domestic situations rather than with world conditions. Part of this difference is the result of choice and part is the result of recent wartime conditions which make many data on world cotton prices, etc., currently unavailable.

and demand through the agency of the futures market, and many varied kinds of speculation. Chart 2 shows the relationship between the farm price of cotton in the United States and the demand-supply ratio for the period 1910-44. Since a great many non-cotton influences are introduced into money-prices through variations in the purchasing power of the dollar, these have been partly corrected for, and the price series reduced to dollars of constant purchasing power in terms of wholesale goods.

The reader will note that, although the two lines followed approximately similar paths from 1910 to 1917, their relationships after that year became increasingly diverse. After 1917 the full impact of the war upon cotton markets sent the prices of farm lint up to the 1919 high. The advance of the boll-weevil during the early 1920's so reduced the supply and raised the price of cotton that production in non-infested areas (including foreign countries) was stimulated. Adjustments of acreage and the gradual control of the weevil brought prices down until 1926, after which they were caught up in pre-Depression boom. The effects of this wave of prosperity were felt until 1930. Although Government efforts to support the prices of cotton have been continuous from 1929 to date, it was not until the entry of this country into World War II that cotton prices rose above the 1916-17 level.

The earliest Federal effort at supporting cotton prices during this period was in 1929 when the Federal Farm Board began operations.¹ Commencing with 1933, in addition to reducing or controlling acreage, the Government has tried to support the price of cotton through non-recourse loans offered directly to producers. These loans have enabled farmers to refuse bids at values below the loan rate while retaining the privilege of selling in the open market at a higher-than-loan value, if the opportunity presented itself. This program has resulted in higher market prices than otherwise would have prevailed. Although there was little difference between the sizes of the 1932 and 1933 crops and possibly a falling off in demand, the 1933 price was distinctly higher than that of the previous year (see chart 3), partly because of the loan program. In 1936 no loan program was offered, but the demand-supply situation was such that prices were higher than the supported prices of 1935. In addition to their direct effects on prices, these programs have had others as well, some of which will be examined later.

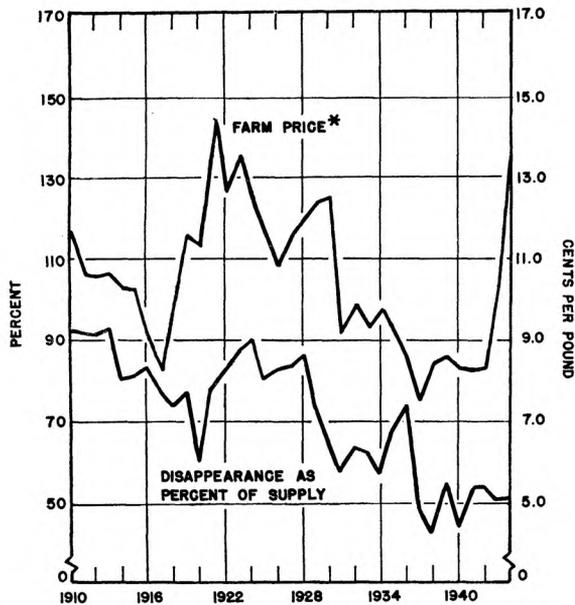
The gross income from cotton obviously is the product of production times price.² But the price and aggregate supply and demand interact in such a way that (in a free market) is it possible for producers to receive less from a large crop than from a small one of the same average

¹ The Farm Board attempted to support farm prices of cotton by lending money to farm cooperatives which in turn lent it to farmers on their crop. In 1929 the Board stipulated a support level of 16 cents per pound. For the crop years 1930-32 the Board lent relatively little money with no minimum stipulation, and the support level was closely related to the market price. Beginning with the operations of the Farm Credit Administration in 1933, the Board was absorbed by the FCA and its cotton support program replaced by the Commodity Credit Corporation's program of direct loans to producers.

² Unless otherwise specified, the term *income* as used herein with reference to cotton refers only to the income from cotton lint and does not include AAA payments or the value of cottonseed.

CHART 2

UNITED STATES COTTON: RELATIONSHIP BETWEEN FARM PRICES, THE GENERAL PRICE LEVEL, DISAPPEARANCE AND SUPPLY CROP YEARS 1910-1944



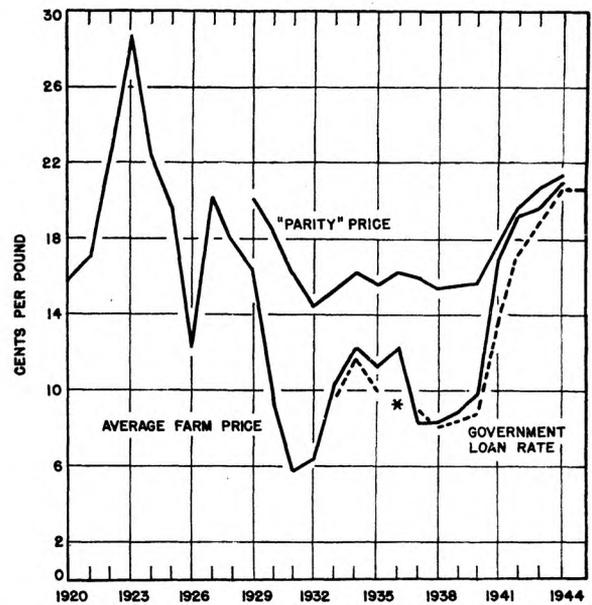
* REDUCED TO DOLLARS OF CONSTANT WHOLESALE PURCHASING POWER IN TERMS OF 1910-1914 PRICES.

SOURCE: BUREAU OF AGRICULTURAL ECONOMICS.

FEDERAL RESERVE BANK OF RICHMOND.

CHART 3

UNITED STATES COTTON: RELATIONSHIPS BETWEEN "PARITY" PRICE, GOVERNMENT LOAN RATE, AND FARM PRICE, 1920-1945



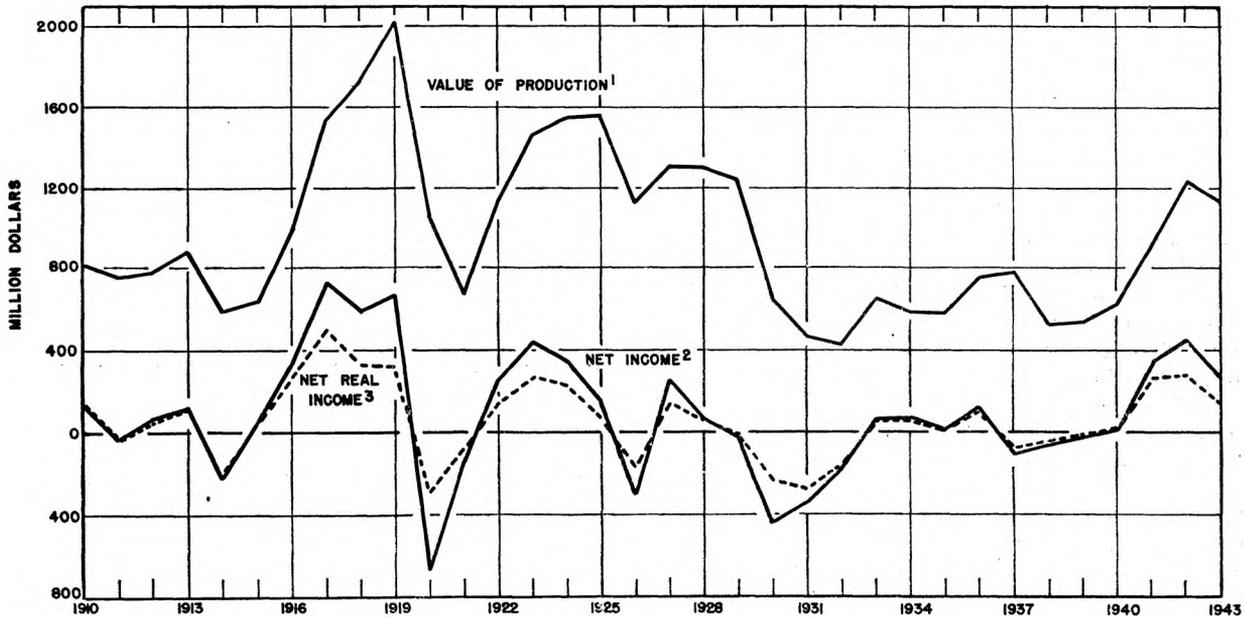
* NO LOANS WERE MADE IN 1936.

SOURCE: BUREAU OF AGRICULTURAL ECONOMICS.

FEDERAL RESERVE BANK OF RICHMOND.

CHART 4

THREE CONCEPTS OF UNITED STATES FARM INCOME FROM COTTON, 1910-1943



1 TOTAL VALUE OF LINT COTTON.

2 AFTER DEDUCTION OF ESTIMATED COSTS OF PRODUCTION CORRECTED FOR VALUE OF COTTONSEED.

3 NET INCOME REDUCED TO DOLLARS OF 1910-1914 PURCHASING POWER IN TERMS OF PRICES PAID BY FARMERS FOR COMMODITIES USED IN LIVING AND PRODUCTION.

SOURCE: BUREAU OF AGRICULTURAL ECONOMICS.

FEDERAL RESERVE BANK OF RICHMOND

quality. From some standpoints (including that of the community) the gross income from the crop is the most important measure of income, but from others (for instance, that of the individual farmer) *net income* after deducting costs of production may be a better measure of profitability. The United States Department of Agriculture has computed state average costs of production under certain basic assumptions,³ and these deductions will be made here whenever net incomes are under consideration. Another measure of income is farm purchasing power, which may be obtained by reducing income figures to constant dollar-values in terms of the prices farmers pay for the commodities they usually buy. Chart 4 compares these three different concepts of United States cotton incomes for the period 1910-43. It will be noted that they tend to rise and fall together.

The level of living which cotton production will afford is affected by a number of considerations. Among these are the degree of dependence upon cotton as compared with other sources of farm income, and the amount of income from cotton per farm person or per farm family.

THE UNITED STATES SITUATION

Part I of this analysis indicated that the prewar situations of cotton production and consumption were quite different between World Wars I and II. This was also true of prices and incomes (see Table 1). Cotton prices and costs of lint production fell between 1910-14 and 1935-39, but the former fell by the greater proportion. This wiped out the slim margin of profit found prior to the earlier war. Since total production also fell over this period, there was a 16 per cent drop in gross income from cotton lint and a net loss to farmers on their average pre-World-War-II crop.

Table 1
UNITED STATES COTTON: SELECTED INCOME INDICATORS,
AVERAGES FOR 1910-14 AND 1935-39

ITEM	Unit	Five-year averages		1935-39 as per cent of 1910-14
		1910-14	1935-39	
Average farm price	Cents per pd.	11.0	9.9	90
Average cost of production	" " "	10.8	10.0	93
Gross cotton income ¹	\$1,000	765,967	640,556	84
Net cotton income ²	" "	4,968	-9,288	..
Total production	1,000 standard bales ³	14,259	13,149	92

¹ Total value of cotton lint produced.

² Contains allowance for value of cottonseed.

³ Bales of 500 pounds gross weight (478 pounds net).

Source: Bureau of Agricultural Economics.

Not only did the prewar situations differ, but there was no apparent pattern of wartime behaviors. (See Chart 1.) In every instance the outbreak of war was followed by an upswing,⁴ and each variable tended to move along the same relative path for the first two years of war—but there the resemblance ends. Costs of production behaved similarly in both wars, but in 1917-19 prices were much higher than for corresponding later years, so that both gross and net

³ To compute costs of production certain general assumptions must be made in order to attain comparability, and these assumptions are not always met in the producer's own calculation of his profits. Many factors (such as interest, wages for unpaid labor, etc.) are charged against the crop which the farmer does not consider as costs of producing cotton. The USDA cost figures are based on prevailing cost rates for labor, farm power, materials, equipment, and land rent.

⁴ In 1914, just after the beginning of hostilities, the wartime situation combined with a large world crop to bring about a sharp reduction in farm prices of cotton (from 12.5 cents per pound in the previous season to 7.4). The fall was almost entirely recovered in the following year, however, and prices rose thereafter.

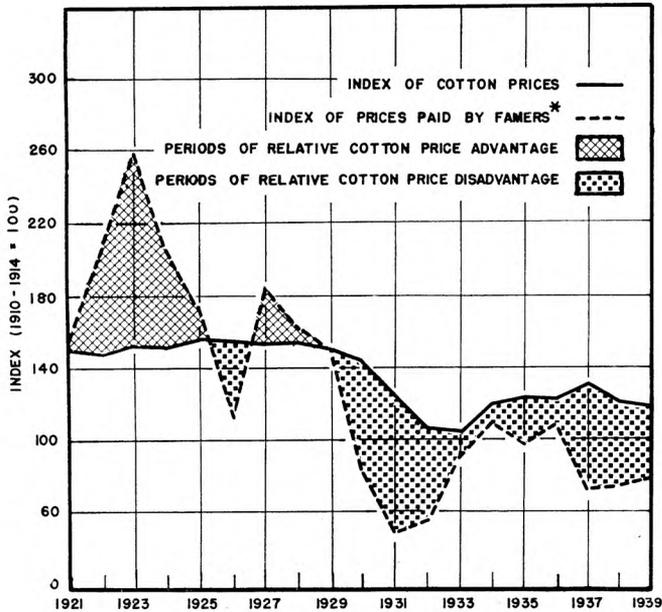
cotton incomes were higher during the earlier war. In 1920, cotton prices fell sharply while production costs rose somewhat. Gross incomes fell and a \$600,000,000 net loss occurred. This was the greatest loss of any year of record (beginning in 1910).

During the interwar period fluctuation of cotton prices were much greater than those of prices paid by farmers (see Chart 5). As a result, there were two periods in which the relative purchasing power of cotton was greater than in 1910-14 and two, of much longer duration, in which the opposite was true. This latter period is shown through 1939 on the chart, but it actually continued well into World War II. In general, the explanation of this relationship is found in several connected phenomena. Probably the greatest single part of the cotton farmers' disadvantage was the result of the loss of competitive position of cotton relative to foreign growths in cotton importing countries, and to synthetic fibres and paper in both domestic and foreign markets. All the export commodities of the United States were subject to certain handicaps during the interwar period. These factors (import quotas, export subsidies, exchange controls, tariffs, etc.) were hardly felt during the first part of the century; but in the 1920's, to some extent, and especially during the 1930's they effectively prevented the full foreign demand for our crops from ever reaching our markets. The United States attempted to offset some of these depressing influences through international loans, reciprocal trade agreements, subsidies, and the like. Furthermore, regardless of the cause, any rise of domestic cotton prices relative to the prices of competing foreign growths or other competing raw materials stimulates the production of the competitor, tends to weaken the competitive position of American cotton, and gives rise to demands for further "assistance". Thus, during the 1920's, high cotton prices which followed the advent of the boll-weevil stimulated other cotton producing countries to expand their output with an eye to world trade. At the same time the rayon industry instituted many technical advances which lowered its prices and increased production. As a result of this dual competition, cotton in this country entered into a period of adversity which coincided roughly with the depression of the 1930's. Federal programs designed to support the domestic price of lint further aided the competitive efforts of foreign cotton and the competing raw materials. During the interwar period the price of rayon yarn (Viscose, first quality, 150 denier) fell from \$2.92 per pound in 1920 to 53 cents per pound in 1939; over the same period in a standard cotton yarn price (single 40's cardeu) fell from 40 to 35 cents per pound. The price relationship between cotton and rayon changed drastically (see Chart 6). Although the relationship between domestic and foreign prices of raw cotton did not behave in this same way, foreign acreage and production expanded while United States acreage and production were contracting. Regardless of their beneficial aspects, the Government's cotton programs cannot be said to have solved the basic cotton problem.

Within the United States the generally falling tendencies of both cotton production and its average price brought about a decrease of 63 per cent in the total value of cotton lint and seed between the crops of 1924 and 1939. In terms of farm purchasing power the fall was not quite so severe (about 51 per cent), but was still ex-

CHART 5

RELATION OF COTTON PRICES TO PRICES PAID BY FARMERS
UNITED STATES, 1921 - 1939

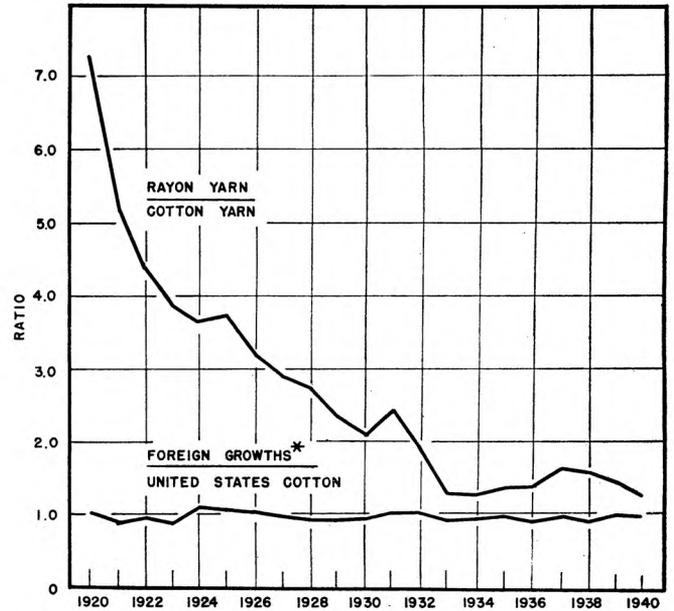


* FOR COMMODITIES BOUGHT FOR LIVING AND PRODUCTION.

SOURCE: BUREAU OF AGRICULTURAL ECONOMICS, FEDERAL RESERVE BANK OF RICHMOND.

CHART 6

PRICE RATIOS AFFECTING UNITED STATES COTTON
DURING THE INTERWAR PERIOD

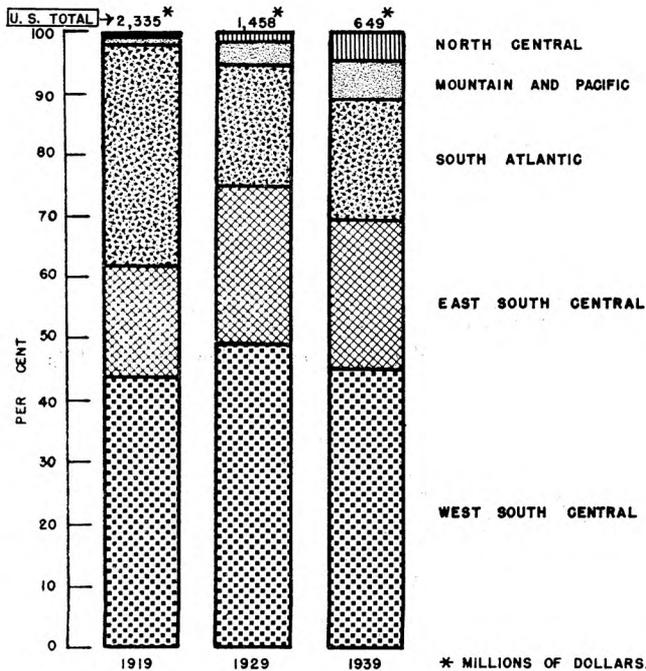


* LIVERPOOL PRICES OF THREE REPRESENTATIVE FOREIGN GRADES AND U. S. MIDDINGS 7/8 INCH.

SOURCE: BUREAU OF AGRICULTURAL ECONOMICS, FEDERAL RESERVE BANK OF RICHMOND.

CHART 7

THE GEOGRAPHICAL DISTRIBUTION OF UNITED STATES
COTTON INCOME DURING THE INTERWAR PERIOD

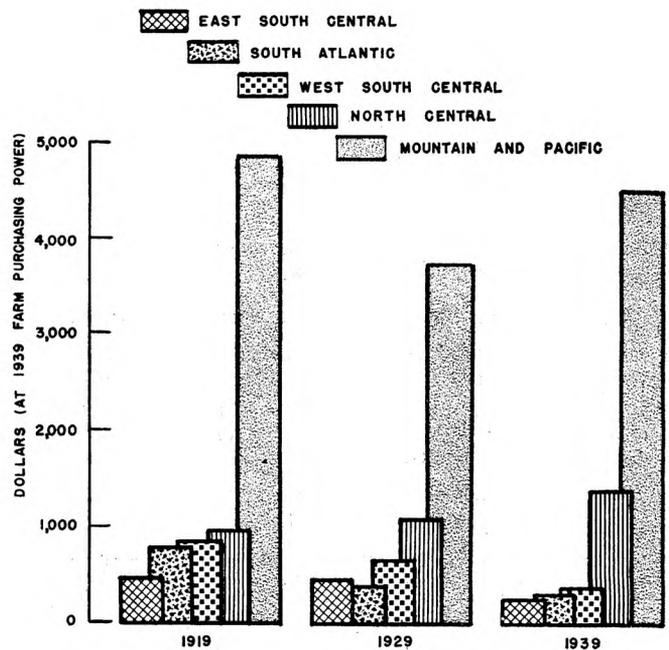


* MILLIONS OF DOLLARS.

SOURCE: BUREAU OF AGRICULTURAL ECONOMICS, FEDERAL RESERVE BANK OF RICHMOND.

CHART 8

GEOGRAPHIC VARIATION OF AVERAGE COTTON VALUE
PER FARM DURING THE INTERWAR PERIOD



SOURCE: CENSUS OF AGRICULTURE, 1940; B.A.E. FEDERAL RESERVE BANK OF RICHMOND.

tremely drastic in its impact on cotton-producing regions. However, this was not all. It was shown previously that there have been many shifts in regional importance as cotton producing areas, so that the impact on areas of decreasing cotton production was doubly intense, although much of the decrease was offset through a further shift to other farm enterprises. It can be seen from Chart 7 that this reduction was most severe to the South Atlantic region, since every other section of the cotton South either maintained or increased its proportionate share of total income over this whole period. Furthermore, this downward trend in cotton incomes was not accompanied by a significant decrease in the number of farms which raised the crop. Thus, in all but one region (the North Central States) average income from cotton per farm also fell (see Chart 8).

THE SITUATION IN THE FIFTH DISTRICT

The prewar conditions found in the Fifth District were somewhat similar to those of the United States, but the relationship between the two prewar periods was different enough to warrant comment. In the District, as compared with the country at large, cotton prices were higher relative to costs of production during 1910-14. Thus, even though costs rose and prices fell (see Table 2), cotton farmers still made profits instead of losses during 1935-39. On the other hand, the latter period was one of much lower production in the District, causing a corresponding decrease in the total value of the crop.

Table 2
FIFTH DISTRICT COTTON: SELECTED INCOME INDICATORS,
AVERAGES FOR 1910-14 AND 1935-39

ITEM	Unit	Five-year averages		1935-39 as per cent of 1910-14
		1910-14	1935-39	
Average farm price*	Cents per pd.	11.1	10.2	92
Average cost of production	" " "	9.5	9.8	103
Gross cotton income ¹	\$1,000	124,099	71,853	58
Net cotton income ²	"	16,651	3,250	20
Total production	1,000 standard bales ³	2,279	1,405	62

*Estimated from state figures.

^{1,2,3} See Table 1.

Source: Bureau of Agricultural Economics.

Again referring to Chart 1, it will be noted that the wartime patterns of Fifth District incomes and prices were quite like those of the nation. Farm prices of cotton behaved almost identically, but the District departed slightly from the national cost movements and showed relatively higher costs during the second World War. Although the District's gross income behavior during both wars and net income behavior during World War I were very like the nation's, its World War II level of net incomes was distinctly different. Producers in the District realized relatively constant small profits on their cotton and did not show the sudden rise in profits which characterized the rest of the country.

During the interwar period, the Fifth District showed a favored cotton cost-price ratio relative to the United States. In most years costs of production were slightly lower and farm prices slightly higher than the national average. However, in view of the marked reduction in acreage and production during this same period this is not unusual, nor does it necessarily prove that the District can compete with other parts of the country. On the contrary, much of the lowness of costs is due to lower agri-

cultural wage levels and to the confinement of Southeastern cotton to the best land. It is also quite possible that production cost estimates do not yet fully reflect the degree of mechanization achieved in some parts of the South. In connection with the price differentials, it must also be remembered that most of the cotton grown in the Southeast is of a staple length which is subject to relatively good demand. All this points to a conclusion which should not be overlooked in current discussions of the South's agricultural future: *even though the Southeast may have lost its position as the leading cotton section of the United States, cotton will, at least for the foreseeable future, continue to be a very important source of the region's cash farm income.*

Another aspect of this same development is brought out by the relative labor returns per acre of cotton as compared with tobacco (flue-cured) and peanuts (picked and threshed), the other two important cash crops of the Fifth District. Table 3 makes this comparison on the basis of labor needed per acre, value of production per acre, and the return per hour of labor expended.⁵ This comparison throws light on recent adjustments of crop acreages in the Southeast. In areas where both crops can be grown and where there is a very high ratio of persons directly dependent on agriculture to farm land, tobacco will provide more employment per acre and yield a better gross return per hour of labor than cotton. Where the man-land ratio is lower, peanuts, livestock, and other less labor-intensive enterprises may provide a better return per hour of labor than either cotton or tobacco. Thus, as the farm population of the South is altered through the interaction of natural increase, migration, and industrialization, there may be natural shifts of emphasis to less intensive farming in many areas and from cotton to tobacco in the high density areas.

Table 3
RELATIVE RETURNS FROM COTTON, TOBACCO, AND PEANUTS
IN THE FIFTH DISTRICT STATES, 1935-39 AVERAGE

ITEM AND STATE	1935-39 Average		
	Cotton ²	Flue-cured Tobacco	Picked and Threshed Peanuts
Manhours of labor required¹			
Virginia	128	420	74
North Carolina	129	455	77
South Carolina	131	470	68
Value of production per acre (dollars)			
Virginia	26.2	149.1	39.5
North Carolina	31.3	180.9	40.9
South Carolina	30.3	175.3	30.0
Return per manhour (dollars)			
Virginia	.21	.36	.53
North Carolina	.24	.40	.53
South Carolina	.23	.37	.44

¹ Includes labor expended in raising, harvesting, preparing for market, and hauling to market.

² Lint, only.

Source: Bureau of Agricultural Economics.

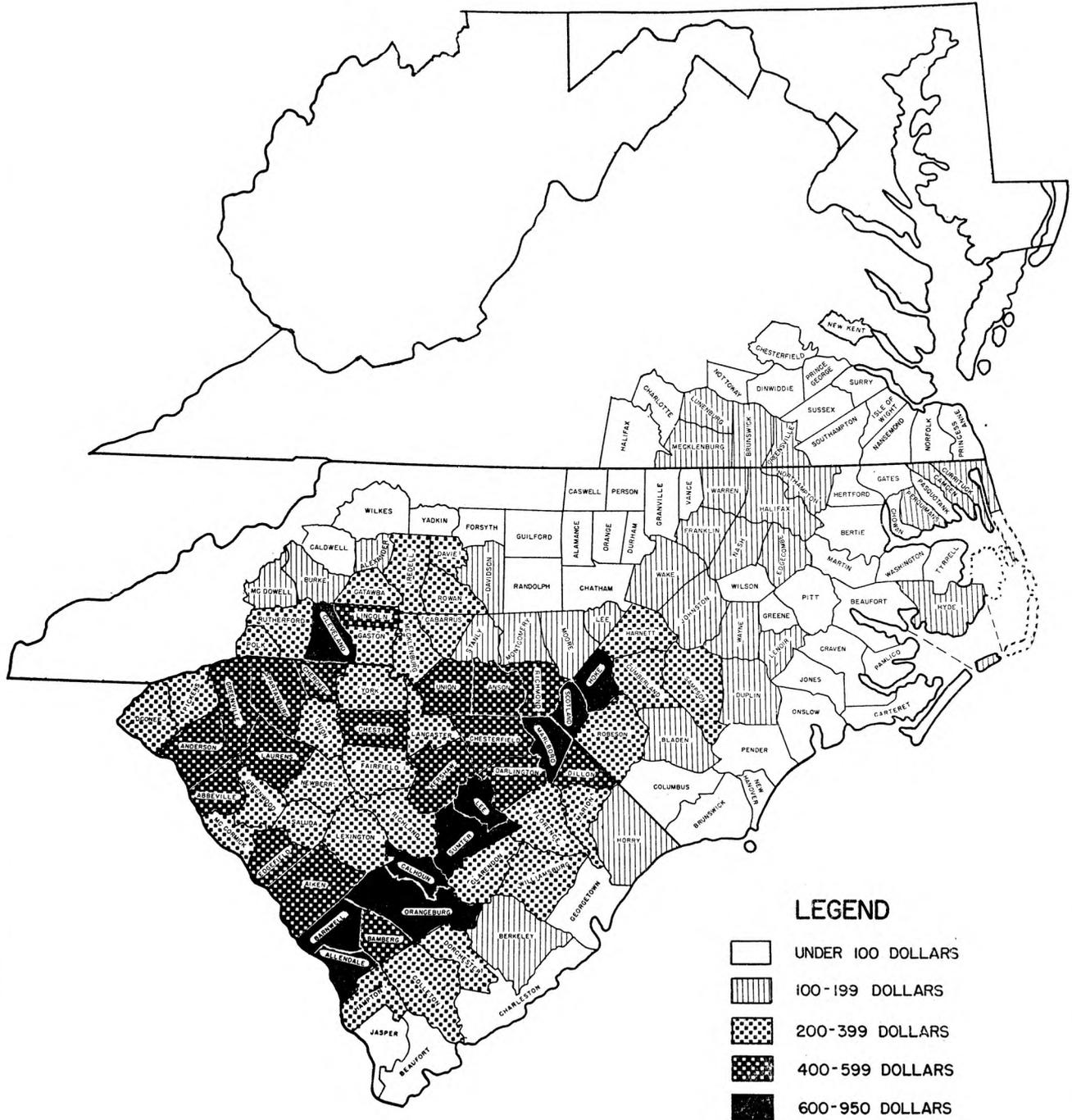
Data are not available to indicate the changing importance of cotton in the total farm income of the District during the entire interwar period. However, all evidence indicates that the proportion of farm income derived from cotton has dropped fairly steadily since the early 1920's, until the average income from this source comprised 14

⁵ Although labor is the biggest single item in costs of production for any of these three crops, this comparison is not between costs of production. Thus, high gross returns per manhour of labor do not necessarily mean high labor income or profits from the crop, because of the presence of other costs.

MAP I

VALUE OF COTTON AND COTTONSEED PRODUCTION PER FARM RAISING COTTON,

FIFTH FEDERAL RESERVE DISTRICT, BY COUNTIES, 1939



SOURCE: U. S. CENSUS OF AGRICULTURE, 1940.

FEDERAL RESERVE BANK OF RICHMOND.

per cent of 1935-39 total.⁶ Corresponding averages for the states which raise cotton are: Virginia, 1 per cent; North Carolina, 14 per cent; and South Carolina, 45 per cent. During this same five-year period percentage shares of the individual states in the District's total cotton income were: Virginia, 2; North Carolina, 40; and South Carolina, 58. This proportionate distribution changed very little between 1921 and 1939, although the sizes of the incomes shared have altered greatly.

Within the Fifth District there are wide variations in county characteristics with respect to cotton incomes, dependence on cotton, and relationships between cotton and other sources of farm income (see the accompanying three maps). Average cotton incomes per farm in 1939 varied from \$40 to over \$900, with very few counties averaging \$600 or more. Map 1 indicates this distribution. It would be a mistake to associate high cotton incomes per farm with high farm incomes or with high levels of farm living; in fact, there is some evidence of the opposite tendency.⁷ Map 2 shows the proportionate importance of cotton as a source of gross farm income. It will be noted that the general pattern is similar to that found in the previous map. Map 3 gives the rank of cotton as an income source relative to other important farm enterprises. From all these exhibits one fact stands out strikingly, namely, that cotton is of overshadowing importance to a relatively small proportion of the Fifth District, so that its future will not directly influence the agricultural prosperity of large parts of this region. Even so, it is *very* important in the area of production. On the other hand, the social and economic problems associated with cotton are not confined to the cotton-growing sections of the District, but are quite general, so that their solution would be of immeasurable benefit to the entire area.

SUMMARY AND CONCLUSIONS

Large numbers of bankers, farmers and other business groups in the Fifth District are directly interested in the level of cotton prices and especially in the level of farm incomes from cotton. All present indications point to at least two more years of favorable farm returns from this crop, mainly because of the present Government commitment to support cotton prices at 92½ per cent of parity for two full calendar years following the official declara-

⁶ Cash farm income from the marketing of cotton lint and seed as a per cent of total cash income from farm marketing and Government payments.

⁷ A comparison of Map 1 with the map on page 2 of the MONTHLY REVIEW for December 31, 1944, leads to the conclusion that an inverse relationship has existed between the degree of dependence on cotton and the rural farm level of living. This relationship may not be one of cause-and-effect; but in all probability the two phenomena derive from the same root causes. If this is so, then there is a possibility that the production of cotton need not, in the future, associate with low living standards and rural cultural poverty.

tion of the cessation of hostilities in World War II. This means that the price of cotton will be supported at this level at least through 1946-47 and 1947-48, and perhaps even longer.

During the period of the first World War there was nothing comparable to the system of price supports which has been in effect during the last decade and a half, and cotton prices resulted more nearly from the unhampered working out of the forces of supply and demand. Cotton-minded people who remember the precipitous drop in cotton prices and incomes in 1920 probably will find assurance in the Government price support program, even though there necessarily is uncertainty as to what will be the course of cotton prices beyond the period now provided for by the above-mentioned legislation.

Supporting cotton prices at higher levels than might otherwise prevail, although for the time being supporting farm incomes, nevertheless encourages expanded production of two of cotton's foremost competitors in the domestic market—synthetic fibres and paper—and subjects cotton to increased competition. Similarly, were it not for export subsidies and other devices which have enabled American cotton to be sold for export at competitive world prices, foreign demand would have shifted even more from American to other growths.

Part I of this series emphasized the expansion of foreign cotton production relative to that of the South as well as the decreased importance of the Fifth District as a cotton supply region. These phenomena were among the events leading up to the Government's action programs to aid agriculture. There was little change in the Fifth District average price relationship with the rest of the country. Consequently the shift in the District's importance as a producing area implied a corresponding shift in its proportionate receipt of income from cotton. Changes in costs of cotton production, which may be expected to follow further mechanization of the crop, will alter still further both the levels of cotton prices and the degree of interregional competition. It is difficult to assess these effects with any assurance, but they may possibly weaken even more the position of many Southeastern areas, and more certainly they should simplify the problem of restoring United States cotton to a stronger competitive position both in foreign and domestic markets.

Although the Fifth District now is and probably will continue to be an area of decreasing cotton production and income, cotton will always be important in its pattern of production and the source of an important part of its total farm income.

Continued from page 1

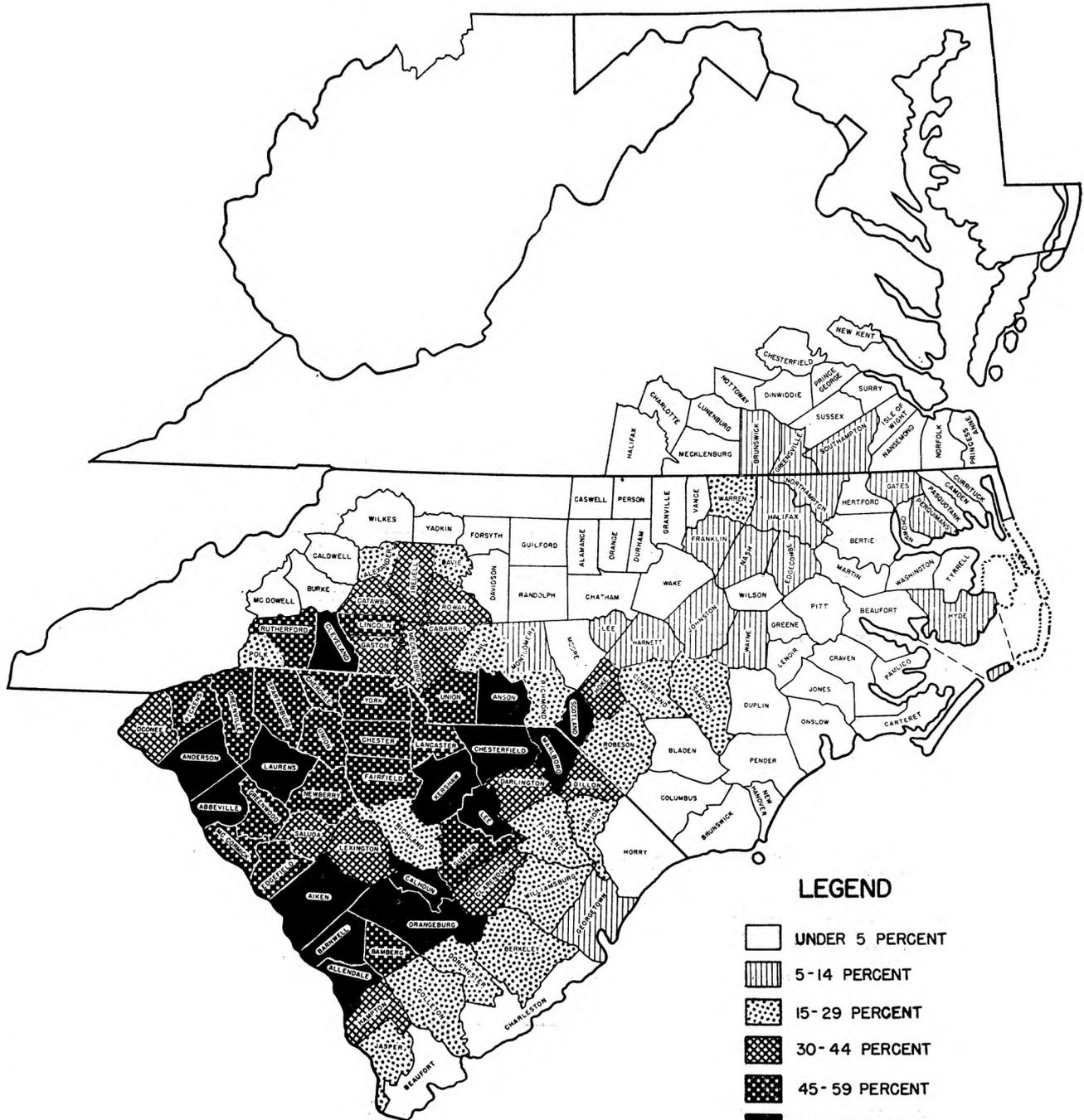
expansion, and in October the seasonally adjusted index for the Fifth District was 10 per cent above the September level and 9 per cent ahead of October 1944, the largest gains over a year ago being shown in West Virginia and North Carolina. Department store inventories—despite the fact that goods of numerous varieties are unobtainable in stores—are maintained at a high level. A considerable part of this value is represented in higher prices. Wholesale sales of grocery and dry goods firms in October were 16 per cent higher than a year ago, those of drug firms rose 4 per cent, while those of hardware firms fell 9 per cent.

A substantial amount of building construction is projected in the District as evidenced by a rise in building permits of 93 per cent in October compared with September and a rise of 233 per cent over a year ago. These, however, did not reach the contract stage until October as contract awards had been declining in the previous several months. Shortages of materials and labor, together with contractors' inability to know what prices will have to be paid for materials and labor, are probably responsible for this lag.

MAP 2

PERCENTAGE CONTRIBUTION OF COTTON TO GROSS FARM INCOME

FIFTH FEDERAL RESERVE DISTRICT, BY COUNTIES, 1939



LEGEND

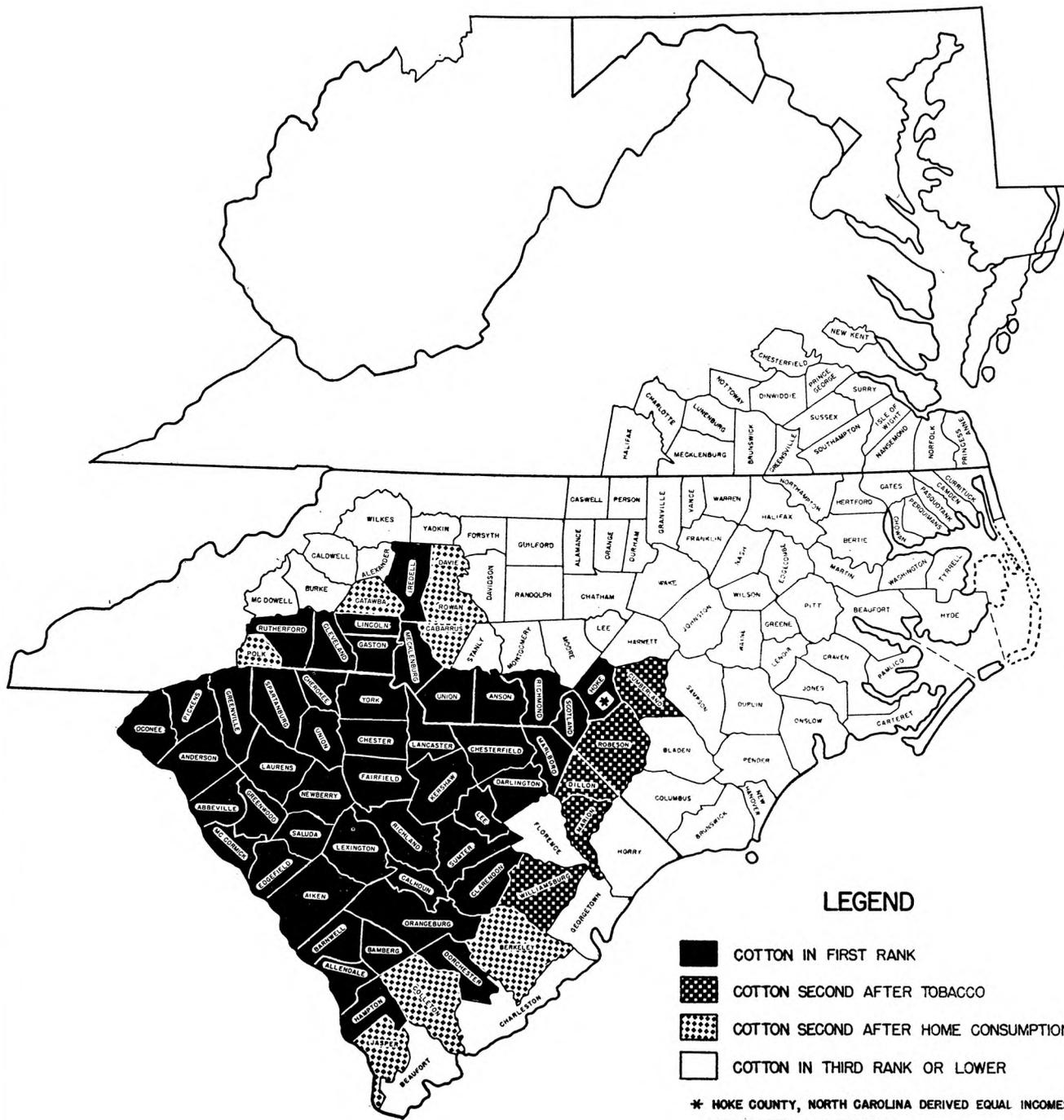
- UNDER 5 PERCENT
- 5-14 PERCENT
- 15-29 PERCENT
- 30-44 PERCENT
- 45-59 PERCENT
- 60-80 PERCENT

SOURCE: U.S. CENSUS OF AGRICULTURE, 1940.

FEDERAL RESERVE BANK OF RICHMOND

MAP 3
 RELATIVE IMPORTANCE OF COTTON AS A SOURCE OF GROSS FARM INCOME

FIFTH FEDERAL RESERVE DISTRICT, BY COUNTIES, 1939



LEGEND

- COTTON IN FIRST RANK
- ▣ COTTON SECOND AFTER TOBACCO
- ▣ COTTON SECOND AFTER HOME CONSUMPTION
- COTTON IN THIRD RANK OR LOWER

* HOKE COUNTY, NORTH CAROLINA DERIVED EQUAL INCOMES FROM COTTON AND TOBACCO.

SOURCE: U.S. CENSUS OF AGRICULTURE, 1940.

FEDERAL RESERVE BANK OF RICHMOND.

MONTHLY REVIEW

FEDERAL RESERVE BANK OF RICHMOND

(All Figures in Thousands)

ITEMS	November 14 1945	Change in Amount from 10-17-45	11-15-44
Total Gold Reserves.....	\$1,117,898	+155,527	+177,875
Other Reserves	13,831	+ 216	+ 1,294
Total Reserves	1,131,729	+155,743	+179,169
Bills Discounted	18,724	+ 4,904	+ 14,724
Industrial Advances	65	0	73
Gov. Securities, Total.....	1,361,217	- 98,050	+207,528
Bonds	60,038	- 1,898	+ 2,333
Notes	120,406	- 2,413	+ 68,830
Certificates	450,367	- 8,372	+269,117
Bills	730,406	- 85,367	-132,752
Total Bills & Securities...	1,380,006	- 93,146	+222,179
Uncollected Items	183,823	+ 9,590	+ 27,124
Other Assets	18,488	+ 4,754	+ 5,949
Total Assets	\$2,714,046	+ 76,941	+434,421
Fed. Res. Notes in Cir....	\$1,721,349	+ 24,408	+278,287
Deposits, Total	804,612	+ 47,050	+123,643
Members' Reserves	736,221	+ 40,054	+110,344
U. S. Treas. Gen. Acct....	27,091	+12,441	+ 22,345
Foreign	33,677	- 4,760	-14,306
Other Deposits	7,623	- 685	+ 5,262
Def. Availability Items...	160,381	+ 4,977	+ 26,984
Other Liabilities	596	+ 26	7
Capital Accounts	27,108	+ 480	+ 5,514
Total Liabilities	\$2,714,046	+ 76,941	+434,421

41 REPORTING MEMBER BANKS—5TH DISTRICT

(All Figures in Thousands)

ITEMS	November 14 1945	Change in Amount from 10-17-45	11-15-44
Total Loans	\$ 331,060	+ 9,155	+ 36,941
Bus. & Agri. Loans.....	151,309	+ 9,245	+12,841
Real Estate Loans.....	49,560	+ 556	+ 425
All Other Loans.....	130,191	+ 466	+ 23,675
Total Security Holdings....	1,724,659	+ 14,077	+273,264
U. S. Treasury Bills	53,210	+ 6,098	- 31,297
U. S. Treasury Certificates..	310,833	- 400	- 6,291
U. S. Treasury Notes	279,806	+ 9,329	+ 42,410
U. S. Gov. Bonds	1,016,406	+18,306	+273,785
Obligations Gov. Guarant'd	153	+ 23	-15,776
Other Bonds, Stocks & Sec.	64,251	+ 621	+10,433
Cash Items in Process of Col.	152,594	+ 31,964	+ 35,217
Due from Banks.....	154,531*	- 7,056	+ 162
Currency & Coin.....	41,211	+ 1,405	+ 4,116
Reserve with F. R. Bank....	364,718	+ 21,783	+ 38,361
Other Assets	73,587	+ 978	+ 7,008
Total Assets	\$2,842,360	+ 72,306	+395,069
Total Demand Deposits....	\$2,245,729	+ 67,236	+300,529
Deposits of Individuals....	1,367,436	+ 54,462	+149,003
Deposits of U. S. Gov....	276,040	-25,663	+103,758
Dep. of State & Local Gov.	86,432	+ 4,624	+ 3,986
Deposits of Banks.....	485,599*	+ 30,097	+ 34,548
Certified & Officers' Checks	30,222	+ 3,716	+ 9,234
Total Time Deposits.....	357,682	+ 3,203	+ 63,152
Deposits of Individuals....	344,388	+ 3,201	+ 63,665
Other Time Deposits.....	13,294	+ 2	- 513
Liabil'ties for Borrow'd Money	11,000	- 500	+ 9,500
All Other Liabilities.....	95,443	- 1,240	+ 7,304
Capital Accounts	132,506	+ 3,607	+ 14,584
Total Liabilities	\$2,842,360	+ 72,306	+395,069

*Net figures, reciprocal balances being eliminated.

DEPOSITS IN MUTUAL SAVINGS BANKS

8 Baltimore Banks

	Oct. 31, 1945	Sept. 30, 1945	Oct. 31, 1944
Total Deposits	\$337,725,426	\$333,978,184	\$291,932,451

COTTON CONSUMPTION—FIFTH DISTRICT

In Bales

MONTHS	No. Carolina	So. Carolina	Virginia	District
October 1945.....	198,080	151,948	16,273	366,301
September 1945.....	185,513	139,804	16,175	341,492
October 1944.....	214,537	162,551	18,602	395,690
10 Months 1945....	2,053,646	1,563,964	180,682	3,798,292
10 Months 1944....	2,179,018	1,669,435	188,775	4,037,228

DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	October 1945	% chg. from Oct. 1944	10 Mos. 1945	% chg. from 10 Mos. '44
District of Columbia				
Washington	\$ 542,466	+15	\$ 5,509,140	+14
Maryland				
Baltimore	785,352	+ 8	7,907,617	+ 4
Cumberland	15,480	+12	146,336	+11
Frederick	13,502	- 4	122,768	0
Hagerstown	18,620	+11	172,173	+ 1
North Carolina				
Asheville	31,311	+30	283,313	+21
Charlotte	151,053	+14	1,380,409	+ 9
Durham	140,695	+38	835,182	+16
Greensboro	39,044	+20	403,779	+19
Kinston	28,897	+23	125,377	+21
Raleigh	67,324	+21	577,305	+ 7
Wilmington	35,548	-14	360,571	- 5
Wilson	43,712	+30	168,611	+26
Winston-Salem	96,616	+23	707,617	+ 9
South Carolina				
Charleston	43,929	+16	413,854	+ 6
Columbia	58,635	+16	533,441	+ 8
Greenville	53,654	+23	417,135	+11
Spartanburg	28,444	+13	242,585	+11
Virginia				
Charlottesville	20,452	+19	203,160	+35
Danville	41,233	+24	207,404	+24
Lynchburg	23,399	+12	222,183	+ 6
Newport News	21,068	- 5	231,568	-10
Norfolk	125,804	+ 6	1,208,793	+ 1
Portsmouth	16,252	+ 6	166,736	+ 6
Richmond	407,311	+ 7	3,439,469	+ 5
Roanoke	47,933	+11	449,655	+ 9
West Virginia				
Bluefield	25,827	+14	245,421	+ 5
Charleston	85,105	+ 8	875,465	+ 7
Clarksburg	19,877	+24	176,789	+16
Huntington	35,575	+ 4	377,026	+22
Parkersburg	18,122	+ 4	190,536	+17
District Totals	\$3,082,240	+12	\$28,301,434	+ 8

COMMERCIAL FAILURES

MONTHS	Number Failures District	U. S.	Total Liabilities District	U. S.
September 1945	0	64	0	1,658,000
October 1945	1	62	\$ 9,000	\$ 3,114,000
October 1944	0	74	0	3,819,000
10 Months 1945.....	10	708	\$1,518,000	\$27,303,000
10 Months 1944.....	12	1,054	652,000	26,848,000

Source: Dun & Bradstreet.

COTTON CONSUMPTION AND ON HAND—BALES

	October 1945	October 1944	Aug. 1 to Oct. 31 1945	1944
Fifth District States:				
Cotton consumed	366,301	395,690	1,068,609	1,209,472
Cotton Growing States:				
Cotton consumed	667,539	700,160	1,940,880	2,142,601
Cotton on hand Oct. 31 in				
consuming establishments	1,646,567	1,744,791		
storage & compresses	9,107,041	11,835,556		
United States:				
Cotton consumed	759,806	793,976	2,200,617	2,425,139
Cotton on hand Oct. 31 in				
consuming establishments	1,912,212	1,971,866		
storage & compresses	9,230,766	11,984,390		
Spindles active, U. S....	21,721,792	22,228,138		

RAYON YARN DATA

	Oct. 1945	Sept. 1945	Oct. 1944
Rayon Yarn Shipments, Lbs....	52,600,000	47,900,000	47,800,000
Staple Fiber Shipments, Lbs...	15,000,000	11,900,000	14,600,000
Rayon Yarn Stocks, Lbs.....	7,100,000	6,000,000	8,400,000
Staple Fiber Stocks, Lbs.....	4,600,000	4,800,000	2,700,000

Source: Rayon Organon.

MONTHLY REVIEW

BUILDING PERMIT FIGURES

	Total Valuation	
	October 1945	October 1944
Maryland		
Baltimore	\$ 2,881,056	\$ 473,185
Cumberland	65,800	5,257
Frederick	46,150	15,975
Hagerstown	58,365	4,930
Salisbury	29,690	22,370
Virginia		
Danville	210,689	11,090
Lynchburg	162,753	16,002
Norfolk	282,340	159,625
Petersburg	4,900	3,325
Portsmouth	69,125	97,565
Richmond	987,479	83,344
Roanoke	201,079	78,322
West Virginia		
Charleston	387,079	37,774
Clarksburg	70,828	4,990
Huntington	620,142	65,775
North Carolina		
Asheville	286,692	14,685
Charlotte	303,222	27,659
Durham	258,790	10,585
Greensboro	305,605	36,005
High Point	160,515	26,373
Raleigh	101,400	182,025
Rocky Mount	116,400	200
Salisbury	69,685	450
Winston-Salem	123,283	124,985
South Carolina		
Charleston	167,276	30,069
Columbia	88,125	12,587
Greenville	23,626	7,200
Spartanburg	70,062	68,460
District of Columbia		
Washington	2,245,524	1,461,415
District Totals	\$10,397,680	\$ 3,082,227
10 Months	\$54,342,977	\$25,596,152

AUCTION TOBACCO MARKETING

STATES	Producers' Tobacco Sales, Lbs.		Price per hundred	
	October 1945	October 1944	1945	1944
South Carolina	782,956	4,428,280	\$40.42	\$40.91
North Carolina	244,383,558	216,543,009	44.71	41.67
Virginia	55,575,374	44,781,947	44.41	41.36
District Total	300,741,888	265,753,236	\$44.64	\$41.61
Season Through	851,544,957	655,274,717	43.78	42.36

TOBACCO MANUFACTURING

Smoking & chewing tobacco (Thousands of lbs.)	October 1945	% change from Oct. 1944	10 Mos. 1945	% change from 10 Mos. '44
	Cigarettes (Thousands)	31,340,459	+59	219,439,974
Cigars (Thousands)	9,988	+6	3,593,011	+3
Snuff (Thousands of lbs)	3,783	+3	36,911	+7

CONSTRUCTION CONTRACTS AWARDED

STATES	Sept. 1945	% chg. from Sept. 1944	9 Mos. '45	% chg. from 9 Mos. '44
	Maryland	\$ 6,937,000	+ 2	\$ 74,632,000
Dist. of Columbia	1,592,000	- 20	28,025,000	+35
Virginia	5,045,000	- 44	82,894,000	- 8
West Virginia	2,899,000	- 56	17,071,000	-17
North Carolina	9,367,000	+144	50,143,000	+38
South Carolina	1,030,000	- 17	14,094,000	-24
Fifth District	\$26,870,000	- 9	\$266,859,000	+ 3

Source: F. W. Dodge Corporation

WHOLESALE TRADE, 201 FIRMS

LINES	Net Sales compared with		Stock compared with		Ratio Oct. collections to accts. outstand'g Oct. 1
	Oct. 1944	Sept. 1945	Oct. 31 1944	Sept. 30 1945	
Auto supplies (9)*	+19	+ 4	+ 9	+ 4	114
Drugs (10)*	+10	+13	129
Dry Goods (4)*	+ 2	+31	100
Electrical Goods (6)*	-12	- 2	+20	+35	97
Groceries (71)*	+16	+22	- 7	+14	178
Hardware (10)*	+20	+41	+ 6	+ 4	111
Industrial Supplies (4)*	+14	+14	+ 4	- 3	125
Paper & Products (7)*	+ 0	+25	-20	+ 4	104
Tobacco & Products (9)*	- 2	+11	+25	- 2	165
Miscellaneous (71)*	+ 1	+17	+ 0	+10	160
District Average (201)*	+ 7	+18	+ 3	+10	139

Source: Department of Commerce

*Number of reporting firms.

RETAIL FURNITURE SALES

STATES	Percentage changes in Oct. and 10 Mos. 1945 compared with	
	October 1944	10 Mos. 1944
Maryland (5)*	+22	+14
District of Columbia (4)*	+29	+ 4
Virginia (22)*	+27	+13
West Virginia (10)*	+44	+19
North Carolina (19)*	+13	+15
South Carolina (14)*	+ 9	+ 2
District (74)*	+24	+11
Individual Cities		
Baltimore, Md. (5)*	+22	+14
Washington, D. C. (4)*	+29	+ 4
Lynchburg, Va. (3)*	+45	+19
Richmond, Va. (7)*	+35	+19
Charleston, W. Va. (3)*	+64	+25
Charlotte, N. C. (4)*	+42	+10
Columbia, S. C. (4)*	+ 7	- 1

* Number of reporting stores

DEPARTMENT STORE TRADE

Richmond	Baltimore	Washington	Other Cities	District
Percentage change in Oct. 1945 sales, compared with sales in Oct. 1944:				
+19	+10	+12	+17	+13
Percentage chg. in 10 mos. sales 1945, compared with 10 mos. in 1944:				
+14	+ 9	+ 9	+15	+11
Percentage chg. in stocks on Oct. 31, 1945, compared with Oct. 31, 1944:				
+ 4	+ 2	+10	- 1	+ 5
Percentage chg. in outstand'g orders Oct. 31, 1945 from Oct. 31, 1944:				
+38	+22	+22	+40	+25
Percentage chg. in rec'v'bles Oct. 31, 1945 from those on Oct. 31, 1944:				
+15	+10	+ 3	+10	+ 8
Percentage of current receivables as of Oct. 1 collected in October:				
60	62	61	57	61
Percentage of instalment receivables as of Oct. 1 collected in Oct.:				
37	38	32	41	35
Maryland Dist. of Col. Virginia West Va. N. Carolina S. Carolina				
Percentage chg. in Oct. 1945 sales from Oct. 1944 sales, by States:				
+10	+12	+12	+18	+18
Percentage chg. in 10 mos. sales 1945 from 10 mos. sales 1944:				
+ 9	+ 9	+11	+17	+12

SOFT COAL PRODUCTION IN THOUSANDS OF TONS

REGIONS	October 1945	October 1944	% chg.	10 Mos. 1945	10 Mos. 1944	% chg.
West Virginia	8,603	13,711	-37	124,775	139,186	-10
Virginia	1,292	1,695	-24	14,997	16,856	-11
Maryland	171	153	+ 8	1,516	1,697	-11
Fifth District	10,066	15,564	-35	141,288	157,739	-10
United States	38,580	51,813	-26	476,150	523,407	-9
% in District	26.1	30.0		29.7	30.1	