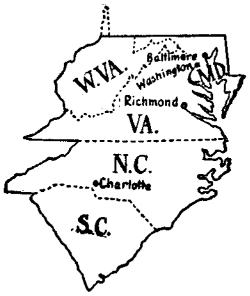
MONTHLY REVIEW

of Financial and Business Conditions

FIFTH FEDERAL



RESERVE DISTRICT

Federal Reserve Bank, Richmond 13, Va. *May 31, 1946*

OF greatest concern on the industrial front in May was the nearness to which production came to complete stoppage as a result of the coal strike. Reports from firms over the Fifth District show that considerable slackening in output was effected in the month and that close to complete stoppage would have occurred within a two-week period if coal production had not been resumed. Most industries, however, have not found it difficult to resume production at levels prevailing early in the month, but production is likely to drop rapidly and quickly if the strike is resumed.

Another development that is causing considerable interest and of greater long run economic consequence than the coal strike adversity, is the accelerated integration in the cotton textile industry. Mergers and outright purchases of mill properties in the Carolinas have run to a sizeable proportion of the total looms and spindles since last summer, and while the motivating force for these integrations at the present time is for purposes of obtaining supplies, their long run effects cannot be overlooked. Under the assumption that the integration process would continue until a large part of the industry was so covered, it would first be expected that the supply of cotton textiles would tend to adjust more closely to market demand in the future than had been the case heretofore. This would probably mean much smaller changes in textile prices in good and bad times in the future than in the past, and an amplification in the rise and fall in employment levels. It should be expected, however, that there would be an improvement in the quality of fabrics and a greater amount of research expended in developing new products.

The volume of building initiated in April as measured by permits fell notably from the March level, but it still exceeded last year's level by a wide margin. April permits were adversely affected by the Federal Government ban on commercial construction and restrictions on other types of construction. March levels were also inordinately raised by anticipated restrictions and many projects were started earlier than may otherwise have been the case. The construction potential volume bulks large in most areas of the District, and is being raised almost daily by a veritable flood of proposed new industrial developments or expansions. Industrial development and expansion at this time will further augment the needs for residences and commercial properties, because of expanded employment levels.

The agricultural season has thus far progressed satisfactorily for such crops as are planted. The early part of May, however, was too wet for planting and much of the corn crop remains to be planted. Tobacco plants had been mainly transplanted in the Border belt by the first of May despite shortages of plants here and there as a result of blue mold. Transplanting in other belts will probably be completed by the end of the month, weather permitting. According to May 1st planting intentions as surveyed by the New York Journal of Commerce the area planted to cotton in the Fifth District will total 1,646,000 acres, which is 107,000 acres higher than a year ago, but 72,000 acres smaller than a month earlier. A dearth of labor and shortages of fertilizer are indicated to be responsible for lowered acreage intentions during April and appear to be more impelling than the attractive price of cotton. If the reported 50,000 migrant farm worker force now moving into South Carolina holds intact, the seasonal

BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

Average Daily 1935-39=100 **Seasonally Adjusted**

	Apr. 1946	Mar. 1946	Feb. 1946	Apr. 1945	% Change Apr. 1946 from Mar. 1946	% Change Apr. 1946 from Apr. 45
Bank Debits	244	254	250	210	— 4	+ 16
Bituminous Coal Production*	......	154	148	139	....	......
Building Contracts Awarded	365	328	260	169	+11	+116
Building Permits Issued	170	304	215	74	—44	+130
Cotton Consumption*	138	139	137	140	— 1	— 1
Department Store Sales	276	294	283	210	— 6	+ 31
Department Store Stocks	217	206r	201r	196	+ 5	+ 11
Furniture Sales—Retail	237	255	218r	151	— 7	+ 57
Life Insurance Sales	283	244	221	159r	+16	+ 78
Wholesale Trade—Four Lines	219	225	239	176	— 3	+ 24

*Not seasonally adjusted

labor requirements in the fruit and vegetable areas will probably be met satisfactorily.

Total employment levels have shown little change since the turn of the year, but this level has been somewhat obscured by work stoppages direct and indirect in various areas. Through this period, however, the cotton textile industry has been moderately successful in raising employment levels, but it is still far below requirements. Many concerns in this industry have already adopted a 65 cent minimum wage and this rate is expected to become general in due course. Shipyard employment has improved moderately in Maryland, and thus far has held about stable in the rest of the District. The Navy has announced a peacetime employment level of 9,500 for the Norfolk Navy Yard, a figure 700 higher than was announced several months ago. Present employment at the yard is around 13,000 which means a loss of about 3,500 jobs, probably in the relatively near future.

Department store trade continued extremely active in April. The daily average sales in April after seasonal adjustment and correction for the change in the Easter dates were 6 per cent below March, but 31 per cent higher than a year ago. In the first four months of the year department store sales increased 19.6 per cent in the District, with sales in Maryland up 19.2 per cent; District of Columbia up 17.8 per cent; Virginia up 19.4 per cent; West Virginia up 26.0 per cent; North Carolina up 24.3 per cent; and South Carolina up 11.9 per cent.

The rise in the volume of loans in the weekly reporting banks which had persisted since last summer, peaked, at least temporarily, in the first half of April and have since receded moderately. The recession was mainly in loans to others than brokers and dealers for purchasing or carrying securities and this was no doubt occasioned by the sharp rise in government bond prices. Commercial, industrial, and agricultural loans little more than leveled off while loans on real estate and other loans continued to rise through May 15th. Other loans which are largely consumer loans, have shown a persistent rise since last summer despite the fact that few consumers' durable goods have been available for purchase in this period.

Total security holdings of the weekly reporting member banks reached a peak of $1,857 million on March 6th. On May 15th total holdings were $1,776 million or $81 million lower, Government securities having declined $89 million and other securities having risen $8 million. Of the $89 million decline in holdings of Government securities, bonds accounted for $49 million; bills and certificates $13 million each; and notes $14 million. The decline in bond holdings was larger than a reasonable share of the issue redeemed in March, and indicates some bond liquidation by these banks.

BUSINESS INDEXES—FIFTH FEDERAL RESERVE DISTRICT

Average Daily 1935-39=100 **Seasonally Adjusted**

	Mar. 1946	Feb. 1946	Jan. 1946	March 1946	% Change Mar. 1946 from Feb. 46	Mar. 45
Bank Debits	254	250	228	216	+ 2	+ 18
Bituminous Coal Production*	154	148	142	140	+ 4	+ 10
Building Contracts Awarded	328	260	171r	82	+26	+300
Building Permits Issued	304	215	185	45	+41	+576
Cigarette Production	245	236	204	152	+ 4	+ 61
Cotton Consumption*	139	137	135	144	+ 1	— 3
Department Store Sales	294	283	262	250	+ 4	+ 18
Department Store Stocks	206r	201r	207	185	+ 2	+ 11
Electric Power Production	193	201	208	209	— 4	— 8
Employment—Mfg. Industries*	121	118r	117r	136	+ 3	— 11
Furniture Orders	192	279	224	141	—31	+ 36
Furniture Shipments	192	199	244	158	— 4	+ 22
Furniture Unfilled Orders	668	618	488	539	+ 8	+ 24
Furniture Sales—Retail	255	218	229r	175	+17	+ 46
Life Insurance Sales	244	221	201	152	+10	+ 61
Wholesale Trade—Four Lines	225	239	243	182	— 6	+ 24
Wholesale Trade—Drugs	248	255	246	217	— 3	+ 14
Wholesale Trade—Dry Goods	193	199	227	186	— 3	+ 4
Wholesale Trade—Groceries	244	261	268	190	— 7	+ 28
Wholesale Trade—Hardware	115	119	104	104	— 3	+ 11

* Not seasonally adjusted.

Financing the Peanut Industry in Virginia and North Carolina

During the 1932 crop year, at the bottom of the depression, the farm sale of peanuts contributed $5 million to the income of the Fifth District and $12 million to that of the United States. Gradual economic recovery plus Federal action programs designed to aid agriculture tripled peanuts' contribution by 1939. The following five years of war, however, really made them a big-money crop, for by 1944 the income from peanut sales had risen to $48 million in this District and to $159 million in the entire United States. Over this period, however, there was little change in the importance of peanuts as a source of farm income in the Fifth District. In 1932 peanuts provided 2.0 percent of the District's cash farm income; by 1942 this proportion has risen to 2.9 percent. The war period saw the normal food demands for peanuts increased greatly and the production of peanut oil, normally of minor importance, expanded to replace lost supplies of foreign oils. Production increased, but prices increased more rapidly, and the latter were responsible for most of the great rise in income from this crop.

Before the war peanuts were the leading money crop in several Tidewater counties of Virginia and North Carolina, and made an important contribution to farm and non-farm incomes in many Fifth District counties lying south of the James River and east of the fall line. For the most part, the handling and processing of this crop takes place within the general production area, and to this region the industry is of outstanding importance.

The farm production, factory processing and sale of peanuts and peanut products furnishes employment for thousands of persons, and the financing of the industry is one of the most important single functions of all lending agencies located within the peanut belt. It is the purpose of this article to examine the patterns of financing which prevailed in the peanut belt before the war, the effects of the wartime situation on these patterns, and the implications of current developments, as they concern the future operations of credit agencies interested in this industry.

It should be kept clearly in mind, in this connection, that the financing of the peanut industry is by no means unique. In many of its aspects the financing of farm production is the same for peanuts as for any other important and non-perishable cash crop raised in this general section of the United States. In fact, farmers in cash crop areas may finance, not just their major enterprise (whether it be peanuts, cotton, or tobacco) but their entire farm operation by borrowing on the security of their one dominant source of farm income. Therefore, in the present instance, the examination will be phrased in terms of peanuts, but with the implicit understanding that most of it could just as easily be stated in terms of cotton or tobacco by little if any more than a substitution of the one word for the other. Much the same thing may be said of financing the industry beyond the farm level. With few exceptions the analysis of the peanut processing industry which follows could be applied to the handling and processing of almost any staple agricultural product which can be graded, stored, and offered as security for credit.

Financing the Farm Production of Peanuts

During the war the income of peanut producers was so high and the supply of goods and services which they normally purchased so small that they were much more able than normal to finance their farm production out of income or savings. Because of this they did not use their accustomed credit facilities to the extent which characterized the immediate prewar years or which, in all liklihood, will characterize the post-transition future. Prior to the outbreak of war there were several different sources of production credit available in the peanut belt, one or more of which usually could take care of farm needs beyond the capital embodied in the farm itself. Not all farmers could use every credit source—especially were they restricted by their general standing and both habit and circumstances made it unlikely that many particular farmers would avail themselves of *every* source technically open to them. Although there were broad overlaps, the groups of farmers and the credit institutions can be matched roughly into three main divisions: 1) those owners and tenants who were able to satisfy banking standards of credit eligibility usually borrowed from either commercial banks or Production Credit Associations; 2) the less attractive credit risks borrowed from the Farm Security Administration, and many of this class were furnished many necessities by time-merchants or landlords; and 3) all the rest, including sharecroppers, usually depended on advances of goods from time merchants or of cash from their landlords or borrowed from the Federal Emergency Crop and Feed Loan Program, although members of every group might go to the latter in time of drought or other similar emergency. There is wide variation throughout the peanut areas in the relative importance of these several lending agencies, but the commercial banks play an integral part everywhere. Generally speaking, landlord and time merchant credit were much more important at an earlier period than they are at present, and they show every sign of further decline. The three Federal lending agencies were organized during the early 1930's and have reached their present positions in relatively few years.

Prior to the depression of the early 1930's the bulk of small owners and tenants probably were financed by time merchants or by their landlords who generally made their own financial arrangements through commercial banks. Small owners and cash tenants who typically bought on credit from the merchants goods used in living and production, were charged "time" prices (often well above the cash price levels in other stores) as well as interest, gave the merchant a lien on the crop, and applied part or all of their cash income from the crop against the debt. Share tenants and croppers received periodic "furnish" either from their landlord or from a designated merchant. These advances, made in money and/or in goods, provided for much of their living and production expenses until the crop could be sold. They usually carried interest charges, were secured by a crop lien, and had a prior claim after rent against the tenant's share of the crop. The relative shares of landlord and tenant were determined by the tenants' contribution to the crop. When the tenant was able to furnish the team and implements in addition to his labor, his share of the crop might be as high as three-fourths; but when he contributed little more than his labor, the tenant's share seldom exceeded one-half. It was quite typical for both the landlord and the merchant to finance their operations with bank credit. Since his enterprise was predominantly a cash one, the tenant or small owner normally was anxious to sell at the earliest opportunity, even without pressure from his creditors. Nevertheless, the conditions of his debt reduced his control over the time or method of the sale, since the creditors' control often extended to the designation of the buyer. In many instances the landlord or merchant sold the tenant's share for him, applied the proceeds against his debt, and returned any surplus to him. Although still prevalent in many parts of the peanut belt, these two methods of financing production are much less important than formerly. Time merchants have lost ground to the commercial banks, to the Federal lending agencies, and to the rising practice of landlords to pay *cash* furnish rather than to underwrite furnish accounts with designated merchants. Then too there has been an increasing tendency for tenants to borrow directly from lending agencies, rather than to be financed by the landlord. Furthermore, recent scarcities of labor have forced a liberalization of tenure contracts, a condition which is likely to endure for some while in the future.[1]

As generally practiced, it is quite unlikely that the extension of production credit by landlords and merchants is directly competitive with that of commercial banks, and both creditor groups do, in their turn, borrow from banks to finance their activities. In a similar way it can be said that, although there are many exceptions, the activities of the F.S.A. and the Crop and Feed Loan Program are relatively non-competitive with bank lending. The bulk of the clients of these two programs are tenants and small owners who seldom can be considered as good bank credit risks. However since both programs are specifically designed to serve as means of relief and rehabilitation, these clients may move "up the ladder" and join or rejoin the ranks of those to whom bank credit can be extended with safety. The Crop and Feed Loans are made entirely for purposes of production, are usually small, and are secured by a crop lien. Following a drought or similar emergency all classes of farmers may take advantage of them, but normally they are used by small operators with small needs and no other source of credit. F.S.A. production loans are usually made on a larger scale. In addition to the provision of credit for living and production expenses, the client may be assisted in the purchase of land and equipment, or otherwise aided in improving his basic capital position. Close supervision is provided. The funds necessary for one year's project are deposited to a joint account from which they can be withdrawn only over the joint signatures of the farmer and the F.S.A. Supervisor. Terms of repayment are arranged to fit the specific pattern of farm enterprises, and interest rates are low (5 percent per year on the unpaid balance).

Farm operators of good credit standing or who possess ample security go either to the commercial bank or the Production Credit Association for short-term credit, although the latter may lend to many persons whom the former might consider "unbankable". In either case the security usually takes the form of chattel mortgages and crop liens. P.C.A. interest rates are often slightly below bank rates (4½ percent against the banks' 5 or 6), but the addition of service charges not customary with bank loans often raises them above the bank rates considering the services rendered. Both institutions arrange terms of repayment with the farm pattern of income in mind, but the P.C.A. repayment schedule is more rigid than those of many banks, although it may be more flexible than those of others.

In the South commercial banks are becoming increasingly aware of the credit needs of agriculture. Some few banks now provide special credit services for farmers and have employed trained agricultural workers to administer the farm loan department and to provide borrowing farmers with technical assistance and guidance in applying bank credit to farm problems. In many other banks one or more officers try to keep in particularly close touch with agricultural needs and developments in their respective communities. Although the banks providing such special services as a full-time agricultural specialist are in the minority, as yet, their numbers appear to be growing, and interest in this field of potential bank action is increasing.

Although by no means a model area in this respect, the peanut belt seems to be well served in its farm credit needs, perhaps better than many of the other areas of specialized production in this District.

In addition to the provision of short-term working capital, there are two other aspects of farm production which should be mentioned; namely, the purchase of farm machinery and the provisions for marketing lien-encumbered peanuts. Although not current production expenses because they usually extend over more than one season, the costs of major productive equipment bear directly on production expenses. In the first place, the provision of such machinery (through either direct purchase or custom service) permits the substitution of machine for man-labor and the lowering of production costs. In the second place, unless the purchase of such machinery is facilitated by some form of credit extension, either a severe reduction of current funds available for production will result or it will be impossible to acquire the machine. With the exception of peanut pickers, which may be custom-hired, the equipment necessary for the production of peanuts is either general farming machinery of the types nationally distributed, or an inexpen-

[1] Although there is great similarity between the methods of financing peanuts, cotton, and tobacco, there are many differences (which result from the different methods of handling the crops) in the amounts and timing of credit extensions. For example, fertilizer is essential to the production of cotton and tobacco, but may not be needed to the same degree for peanuts. This introduces variability into the amounts of fertilizer money required at the beginning of the season. Again, peanut picking must be paid for in cash, since picking usually is a custom service, whether or not the crop is sold immediately. The same cash expenses are seldom involved in harvesting cotton and tobacco since harvest is almost entirely a labor operation and since the labor is seldom hired for cash by the farmer, so that the late extension of credit is not so necessary in the latter two crops. Ginning cotton may be a cash expense, but is usually financed by the sale of seed to the gin.

sive modification of such machinery.[2] When purchasing the more expensive items the farmer may 1) pay cash, 2) borrow from an individual or from one of the above-mentioned lending institutions, usually with a deed of trust or a retention of title as security, or 3) use dealer-credit, heretofore financed through one of the large commercial credit organizations. The purchaser of special equipment such as the picker, which usually is manufactured in the peanut region, also may buy directly from the manufacturer.

In many parts of the Virginia-Carolina belt the peanut crop may be sold and delivered to the buyer directly from the picker; often, however, the farmer will prefer to store his crop on the farm, to have it sampled by several buyers, and to receive their respective bids. Although peanuts can be stored for some time without danger of deterioration, there is always the danger of partial loss through rat-damage or of total loss through fire. Furthermore, when they are stored instead of sold immediately after picking, the farmer needs and often must borrow additional money with which to pay the picker. Since on many farms the peanuts represent the bulk of his cash income for the season as well as the major security for any credit previously extended him, the farmer will desire and the creditor will insist that the crop be insured for the period of farm storage. When the farmer's financial integrity is well known, the standard practice is for him to take out a blanket policy simply by notifying the insurance agent that he will store his peanuts from a specified date. In case of loss, the physical volume of the loss must be established by witnesses (usually the custom-picker). If no loss occurs, the farmer subsequently notifies the agent of the actual volume stored and the date (or dates) on which they left the farm; costs of insurance are thereupon computed and paid.

Financing the Higher Stages of the Industry

Sometime before the beginning of the market season, the cleaners and shellers who will buy most of the farm crop and the processors who will further handle the cleaned and shelled nuts estimate their working capital needs for the forthcoming season and arrange to raise any funds needed over and above those which they already have. This determination is a complicated one, involving as it does implicit forecasts of the probable market levels of supply, demand, and price, as well as the company's own rate of capital turnover. On the basis of these estimates the mills open lines of credit, arrange for specific short-term loans, and/or otherwise attempt to insure the immediate availability of ample current capital. In the case of the larger firms it is usually impossible for any one bank to furnish all the necessary credit, because of its legal or self-imposed lending limits or because of its assessment of the firm's credit standing; so, in ordinary practice, the local bank lends up to a limit and then offers the rest to one or more correspondents. When this is done, the local bank usually undertakes to service all the accounts, for which it receives some remuneration (around one-half of one percent, as a rule). In other cases the firm may distribute its business directly, borrowing from several banks without clearing everything through any one. In special cases, loans may be underwritten by a banking sydnicate or handled by one bank with a guarantee from the Reconstruction Finance Corporation.

Terms and conditions of these loans vary widely, since they depend on many local conditions, the policies of individual banks, the credit standing of the borrowers, etc. Some companies can borrow to the limit of their needs without meeting any special conditions, others must submit statements, while still others must provide acceptable security. The one universally accepted security in this connection will be the nuts, themselves. Warehouse receipts, issued by a bonded public warehouse and showing the exact grade of peanuts stored, are accepted throughout the belt as security for loans up to 75 or 80 percent of their market value. Interest rates vary, but usually approximate those on other commercial paper of similar risks and maturities. Loans made for specific purposes seldom exceed 90 days maturity, but open lines of credit must usually be closed out within a year, with many limited to 9 months.

As already noted the farm-to-market movement of the peanut crop begins as soon as the nuts are picked. It has been estimated that from 75 to 80 percent of the crop is bought while still in the field by the cleaners and shellers, who purchase in large part through part-time "commission-men". Since in many instances their connections with the mill are essentially casual, buyers are not usually empowered to draw against the mill's bank account, but pay farmers by means of "memo-checks", a variety of sight draft drawn against the company and carrying a complete record of the particular transaction. Through long familiarity, these memo-checks have gained almost universal acceptance in the community and are handled much as if they were bank checks in most transactions. Within banking circles, however, they receive different treatment. They are cleared through to the company's bank much like any other checks, but there they are collected for presentation to the company just as if they were sight drafts. The mill redeems them by a payment (to the bank) which clears the entire transaction. Ordinarily the bank charges the mill a small fee (about one cent per memo-check) for this service.

As soon as they are purchased, the peanuts move from the farms into storage to await processing. The mill stores them in its own warehouses, in public warehouses, or in farm storage space which is rented from the seller. In any event, they are insured immediately, and arrangements are usually made for the issue of warehouse receipts which can serve as security for bank loans. Mills customarily buy peanuts with their own funds and then shift the cost of carrying farmers' stock inventories to receipt-secured bank loans, thereby releasing their own funds for the continued purchase of nuts while retaining an equity of about 20 to 25 percent.

Although the cleaners and shellers prefer to operate continuously (on a one-shift basis) from the start of the milling season until they have processed their entire farmers' stock holdings, they are actually operating on

[2] The harvesting of peanuts is a somewhat unique operation, since the roots and pegs must be raised from the ground and shaken free from dirt. This may be done with a special peanut digger, a potato digger, or a plow which has been modified by replacing the mouldboard with a slatted peanut attachment. Peanut pickers represent so large an investment and have so great a capacity that few individual farms can justify their purchase. Instead, the bulk of farmers contract with a custom picker to pick and bag their crop for a small fee, usually about 40 cents per bag (the bags provided by the farmer). For other operations the usual lines of farm machinery are satisfactory.

advance orders much of the time, since the roasters and other buyers of shelled goods usually order well in advance of their needs. When the credit standing of the firm ordering "shelled goods" is well known, the advance order may be presented by the miller as security for further bank credit, usually enough to provide plant operating capital. Furthermore, in many localities millers use "demand notes" as a means of raising working capital. In many instances the shelled goods must be stored until a specified delivery date or until they can be sold, and this processed inventory requires further financing. Although farmers' stock peanuts keep quite well in almost any weather, the warm-weather storage of shelled goods entails the risk of weevil infestation. This makes conditions of shelled goods storage much more important to a lender than is true in the case of farmers' stock peanuts. Most banks will lend up to 75 or 80 per cent of the value of shelled goods, *if they are stored at or below a temperature of approximately* 50 *degrees F.*

When peanuts finally move from the mill to the roaster, peanut product manufacturer, candy-maker, or distributor the sale is handled by means of a bill-of-lading sight draft, which is acceptable for discount at any commercial bank. The further processing and sale of peanuts and peanut products follow the familiar pattern common to most commodities.

The Implications of the War and the Future

During the war the demands for peanuts, as both a food and oil crop, were so great that the Federal Government took unprecedented steps in fostering the expansion of and regulating the industry. The price of farmers' stock nuts were fixed by the establishment of a schedule of prices to be paid by the Commodity Credit Corporation which was designated as the sole buyer of farmers' stock peanuts. The uses to which the several grades of peanuts could be put and the prices to be paid were so closely circumscribed, at almost every step in the production, processing, and distribution of peanuts and peanut products that lenders were assured an absence of price instability. Obviously, such far-reaching controls would have profound consequences in the financing of the industry, and they created a situation completely unlike that of any normal period.

In the financing of peanut production the war situation had a dual effect; first, fluctuations of the farm price were eliminated, simplifying the work of the credit agencies and leaving few risk elements in the picture except those involving natural conditions and labor shortages; and, second, generally higher farm incomes in conjunction with shortages of many things which farmers normally would have purchased left producers in a much more liquid financial position, which both reduced their needs for credit and made them better credit risks. Thus the net effect of the war was to reduce the *absolute* needs for credit by farmers while increasing the confidence with which lenders could lend *and* farmers could borrow. For the transitional period of mandatory price support[3] the prices to be paid for edible peanuts will surely remain higher than their prewar level and will tend to continue this favorable situation. Therefore it will be thoroughly worth while for bankers in the peanut producing belt to consider appropriate means of increasing desirable short-term farm credit business: Peanut producers will have higher than prewar incomes from their crop and, consequently, will be better able to repay production loans. At the same time, the gradual return to markets of goods which farmers have desired but not found available will tend to prevent what might otherwise be a fall in farm dependence on credit for their production capital.

In the higher stages of the industry, as well as on the farms, the war profoundly altered the credit situation. Since C. C. C. was the sole purchaser of farm peanuts, and since this agency acted through the existing market institutions, the resources of the Federal Government in effect underwrote all credit extended to peanut millers and manufacturers. The full market value of farmers' stock nuts and shelled goods was known well in advance; and the check-off system, which assured the satisfaction of all prior liens on peanut inventories, made it perfectly safe to lend to the *full* value of peanut security. The only precautions necessary for the lending agencies were that they insist on adequate insurance coverage and that they see to it that shelled goods were given cold storage in warm weather. For all intent and purpose the wartime extension of credit to the peanut industry was completely free from many of the normal risks of business. Although it must be remembered that the sampling and grading of peanuts is of such uncertainty as to make a considerable degree of risk inevitable.

It goes without saying that the removal of the above controls and guarantees will re-introduce many risk elements into the financing of off-farm stages of peanut processing and distribution, but the situation is not likely to return to prewar for at least a few years. The banks and other financial institutions which have become accustomed to the almost automatic extension of credit on peanut security must return to their old habits of carefully scrutinizing every application for credit, of trying to anticipate the behavior of the market, and of insisting upon adequate security. However, this will be easier. Continued Governmental support of farm peanut prices will not only simplify the extension of credit to farmers, but it will introduce a previously absent degree of resistance to downward fluctuations on the part of the value of farmers' stock inventories and, probably, of shelled goods inventories. Aside from the controls inherent in the price support program, it appears that most (and perhaps all) wartime restrictions on the autonomy of the industry will be removed during or soon after the 1946 crop season. Thus it seems likely that, although the extension of credit to the peanut industry will be somewhat safer than during the prewar past, the recent period of almost automatic, risk-free lending definitely has closed.

[3] By law, the price of edible grades of peanuts will be supported at 90 percent of parity for two full calendar years following the official declaration of the end of hostilities. If the declaration comes before the end of 1946, this means that the price of peanuts for food will not be allowed to fall much below present levels, in all probability, at least until the close of the crop year 1948-49. The prices of oil peanuts, which are of negligible importance to producers in Virginia and North Carolina, but of more to those in South Carolina, could fall under this support program probably to less than half the present level.

FEDERAL RESERVE BANK OF RICHMOND

(All Figures in Thousands)

ITEMS	May 15 1946	Chg. in Amt. From 4-17-46	5-16-45
Total Gold Reserves	$ 909,798	— 9,313	— 27,136
Other Reserves	19,865	— 1,457	+ 6,831
Total Reserves	929,663	—10,770	— 20,305
Bills Discounted	3,915	—12,739	— 10,290
Industrial Advances	33	— 5	— 61
Gov. Securities, Total	1,438,194	+14,398	+185,713
Bonds	56,661	+ 26	— 14,879
Notes	109,074	+17,292	+ 45,059
Certificates	397,029	+ 132	+ 42,668
Bills	875,430	— 3,052	+112,865
Total Bills & Securities	1,442,142	+ 2,654	+175,362
Uncollected Items	184,959	—24,389	+ 44,756
Other Assets	41,564	— 3,429	+ 28,891
Total Assets	2,598,328	—35,934	+228,704
Fed. Res. Notes in Cir.	$1,650,012	—15,694	+130,172
Deposits, Total	761,750	—17,655	+ 60,510
Members' Reserves	694,302	—24,228	+ 47,640
U. S. Treas. Gen. Acct.	33,000	+ 6,692	+ 32,619
Foreign	30,399	— 1,057	— 15,726
Other Deposits	4,049	+ 938	— 4,023
Defg. Availability Items	155,275	— 3,022	+ 31,435
Other Liabilities	597	+ 38	+ 34
Capital Accounts	30,694	+ 399	+ 6,553
Total Liabilities	2,598,328	—35,934	+228,704

41 REPORTING MEMBER BANKS—5th DISTRICT

(All Figures in Thousands)

ITEMS	May 15 1946	Chg. in Amt. From 4-17-46	5-16-45
Total Loans	$ 404,424	—12,340	+123,108
Bus. & Agri. Loans	183,171	— 2,225	+ 60,106
Real Estate Loans	55,298	+ 2,261	+ 9,843
All Other Loans	165,955	—12,376	+ 53,159
Total Security Holdings	1,776,217	— 7,736	+175,568
U. S. Treasury Bills	53,042	+11,327	— 30,594
U. S. Treasury Certificates	423,887	— 9,565	+101,784
U. S. Treasury Notes	187,184	— 3,068	— 61,590
U. S. Gov. Bonds	1,028,479	—13,717	+151,785
Obligations Gov. Guaranteed	146	— 3	— 9,144
Other Bonds, Stocks & Sec.	83,479	+ 7,290	+ 23,327
Cash Items in Process of Col.	131,665	— 147	+ 20,880
Due from Banks	141,150*	— 9,430	— 8,854
Currency & Coin	37,228	— 449	+ 393
Reserve with F. R. Bank	345,031	— 8,093	+ 19,034
Other Assets	77,578	— 861	+ 6,244
Total Assets	$2,913,293	—39,056	+336,373
Total Demand Deposits	$2,292,441	—39,170	+285,053
Deposits of Individuals	1,386,940	+42,366	+ 98,143
Deposits of U. S. Gov.	388,375	—56,710	+184,904
Deposits of State & Local Gov.	96,956	— 710	+ 3,876
Deposits of Banks	385,080*	—16,856	— 16,310
Certified & Officers' Checks	35,093	— 7,260	+ 14,440
Total Time Deposits	378,155	+ 4,317	+ 57,150
Deposits of Individuals	363,376	+ 3,871	+ 56,023
Other Time Deposits	14,779	+ 426	+ 1,127
Liabilities for Borrowed Money	2,000	— 9,875	— 12,000
All Other Liabilities	98,747	+ 4,987	— 11,359
Capital Accounts	141,947	+ 685	+ 17,529
Total Liabilities	$2,913,293	—39,056	+336,373

*Net figures, reciprocal balances being eliminated.

COMMERCIAL FAILURES

MONTHS	Number Failures District	U. S.	Total Liabilities District	U. S.
April 1946	1	81	$ 7,000	$ 3,785,000
March 1946	1	86	25,000	4,421,000
April 1945	2	90	65,000	980,000
4 Months 1946	8	339	$ 85,000	$15,561,000
4 Months 1945	9	321	1,259,000	12,300,000

Source: Dun & Bradstreet

DEBITS TO INDIVIDUAL ACCOUNTS

(000 omitted)

	April 1946	% Change from Apr. 1945	4 Mos. 1946	% Change from 4 Mos. '45
District of Columbia				
Washington	$ 609,927	+22	$ 2,407,356	+14
Maryland				
Baltimore	808,166	+ 8	3,180,612	+ 5
Cumberland	18,242	+23	70,492	+27
Frederick	14,419	+21	55,806	+17
Hagerstown	21,000	+24	81,081	+22
North Carolina				
Asheville	35,316	+48	143,342	+32
Charlotte	164,661	+18	612,467	+14
Durham	78,542	+41	313,769	+34
Greensboro	50,956	+48	201,014	+28
Kinston	10,949	+64	40,657	+31
Raleigh	77,779	+70	277,952	+30
Wilmington	31,720	— 9	127,992	—12
Wilson	10,809	+26	42,536	+ 9
Winston-Salem	82,371	+47	336,839	+33
South Carolina				
Charleston	49,803	+20	192,738	+14
Columbia	69,024	+38	262,803	+27
Greenville	52,223	+42	206,485	+29
Spartanburg	28,999	+33	120,481	+33
Virginia				
Charlottesville	21,913	+17	89,874	+17
Danville	20,021	+45	80,407	+20
Lynchburg	29,218	+43	111,862	+31
Newport News	21,081	— 3	91,177	— 1
Norfolk	128,169	+15	526,679	+10
Portsmouth	16,433	— 2	66,890	0
Richmond	343,446	+14	1,354,647	+ 4
Roanoke	61,404	+47	229,597	+32
West Virginia				
Bluefield	26,677	+15	108,504	+14
Charleston	96,393	+20	387,316	+19
Clarksburg	21,859	+37	87,341	+35
Huntington	40,525	+12	159,765	+ 7
Parkersburg	19,278	+ 5	75,490	+ 3
District Totals	$ 3,061,323	+19	$12,043,971	+12

COTTON CONSUMPTION AND ON HAND—BALES

	April 1946	April 1945	August 1 to April 30 1946	1945
Fifth District States:				
Cotton consumed	386,633	377,564	3,262,487	3,599,829
Cotton Growing States:				
Cotton consumed	711,983	678,331	5,975,864	6,432,356
Cotton on hand April 30 in				
consuming establishments	2,028,302	1,872,415		
storage and compresses	7,461,741	10,941,763		
United States:				
Cotton consumed	813,732	769,209	6,771,882	7,278,600
Cotton on hand April 30 in				
consuming establishments	2,387,836	2,188,220		
storage and compresses	7,605,701	11,025,486		
Spindles active, U. S.	21,972,784	22,158,674		

COTTON CONSUMPTION—FIFTH DISTRICT

In Bales

MONTHS	No. Carolina	So. Carolina	Virginia	District
April 1946	213,104	156,892	16,637	386,633
March 1946	211,878	158,585	17,183	387,646
April 1945	203,109	156,710	17,745	377,564
4 Months 1946	829,934	623,736	66,381	1,519,551
4 Months 1945	864,217	659,463	78,025	1,601,705

DEPOSITS IN MUTUAL SAVINGS BANKS

8 Baltimore Banks

	Apr. 30, 1946	Mar. 31, 1946	Apr. 30, 1945
Total Deposits	$361,125,325	$356,755,072	$312,239,112

BUILDING PERMIT FIGURES

	Total Valuation April 1946	April 1945
Maryland		
Baltimore	$ 4,429,760	$ 1,005,190
Cumberland	65,975	900
Frederick	30,382	8,515
Hagerstown	99,925	29,349
Salisbury	104,943	29,834
Virginia		
Danville	336,070	20,944
Lynchburg	350,558	11,000
Norfolk	373,115	340,610
Petersburg	79,150	2,955
Portsmouth	44,345	38,880
Richmond	1,404,439	1,183,422
Roanoke	499,066	63,869
West Virginia		
Charleston	193,713	92,200
Clarksburg	104,865	4,185
Huntington	235,935	127,540
North Carolina		
Asheville	58,964	18,843
Charlotte	540,998	128,216
Durham	234,875	45,665
Greensboro	214,794	128,770
High Point	138,490	36,208
Raleigh	267,310	1,185
Rocky Mount	143,850	16,500
Salisbury	60,765	12,953
Winston-Salem	176,424	247,156
South Carolina		
Charleston	51,409	263,991
Columbia	104,067	29,395
Greenville	148,310	23,450
Spartanburg	52,591	47,780
District of Columbia		
Washington	4,731,207	2,695,403
District Totals	$15,276,295	$ 6,654,968
4 Months	$66,737,308	$15,760,184

CONSTRUCTION CONTRACTS AWARDED

STATES	March 1946	% Chg. from March 1945	3 Mos. 1946	% Chg. from 3 Mos. '45
Maryland	$29,270,000	+875	$ 51,697,000	+366
Dist. of Columbia	6,511,000	+ 81	14,082,000	+ 52
Virginia	17,866,000	+109	39,962,000	+ 74
West Virginia	6,221,000	+310	15,495,000	+408
No. Carolina	16,583,000	+261	34,519,000	+231
So. Carolina	12,707,000	+1,101	23,451,000	+568
Fifth District	$89,158,000	+300	$179,206,000	+197

Source: F. W. Dodge Corp.

RAYON YARN DATA

	Apr. 1946	Mar. 1946	Apr. 1945
Rayon Yarn Shipments, Lbs.	57,500,000	58,300,000	48,800,000
Staple Fiber Shipments, Lbs.	14,800,000	16,800,000	13,600,000
Rayon Yarn Stocks, Lbs.	9,200,000	9,200,000	6,100,000
Staple Fiber Stocks, Lbs.	2,200,000	1,900,000	2,700,000

Source: Rayon Organon.

TOBACCO MANUFACTURING

	April 1946	% Change from Apr. 1945	4 Mos. 1946	% Change from 4 Mos. '45
Smoking & Chewing tobacco (Thousands of lbs.)	16,573	—23	63,311	—29
Cigarettes (Thousands)	25,451,503	+49	100,715,225	+39
Cigars (Thousands)	484,318	+25	1,888,413	+20
Snuff (Thousands of lbs.)	3,450	— 7	13,810	—10

WHOLESALE TRADE, 239 FIRMS

LINES	Net Sales April 1946 compared with April 1945	Mar. 1946	Stock Apr. 30, 1946 compared with Apr. 30 1945	Mar. 31 1946	Ratio April collections to acct's outstand'g April 1
Auto Supplies (14)*	+89	+12	+20	— 2	94
Drugs & Sundries (6)*	+16	+ 6	..	..	128
Dry Goods (7)*	+52	— 7	+46	+22	90
Electrical Goods (14)*	+48	+15	+40	+ 5	97
Groceries (83)*	+28	— 2	+13	+ 1	176
Hardware (16)*	+45	— 2	+34	+ 3	109
Industrial Supplies (5)*	+ 5	— 8	+22	— 9	112
Paper & Products (6)*	+25	— 4	..	..	98
Tobacco & Products (9)*	+37	+ 2	+64	+ 8	150
Miscellaneous (79)*	+17	+ 6	+ 8	+ 1	110
District Average (239)*	+28	+ 2	+21	+ 3	121

Source: Department of Commerce

*Number of reporting firms.

DEPARTMENT STORE TRADE

	Richmond	Baltimore	Washington	Other Cities	District
Percentage change in April 1946 sales, compared with sales in Apr. 1945:	+57	+51	+44	+58	+50
Percentage change in 4 mos. sales 1946, compared with 4 mos. 1945:	+24	+16	+16	+21	+18
Percentage chg. in stocks on Apr. 30, '46, compared with Apr. 30, '45:	+13	+ 5	+ 7	+19	+ 8
Percentage change in outstanding orders Apr. 30, '46 from Apr. 30, '45:	+40	+14	+18	+39	+21
Percentage chg. in receivables Apr. 30, '46, from those on Apr. 30, '45:	+46	+37	+25	+32	+33
Percentage of current receivables as of April 1 collected in April:	52	55	54	61	55
Percentage of instalment receivables as of April 1 collected in April:	27	33	27	36	30

	Maryland	Dist. of Col.	Virginia	W. Virginia	No. Carolina	So. Carolina
Percentage change in Apr. 1946 sales from Apr. 1945 sales, by States:	+52	+44	+52	+61	+60	+39
Percentage change in 4 months sales 1946 from 4 months sales 1945:	+19	+16	+19	+25	+24	+11

RETAIL FURNITURE SALES

STATES	Percentage changes in Apr. and 4 mos. 1946 compared with April 1945	compared with 4 Mos. 1945
Maryland (5)*	+70	+43
Dist. of Columbia (7)*	+68	+59
Virginia (23)*	+78	+58
West Virginia (10)*	+39	+56
North Carolina (16)	+65	+46
South Carolina (14)*	+65	+47
Fifth District (75)*	+67	+51
Individual Cities		
Baltimore, Md. (5)*	+70	+43
Washington, D. C. (7)*	+68	+59
Lynchburg, Va. (3)*	+90	+75
Richmond, Va. (7)*	+89	+68
Charleston, W. Va. (3)*	+64	+69
Charlotte, N. C. (4)*	+83	+65
Columbia, S. C. (4)*	+76	+53

*Number of reporting stores

SOFT COAL PRODUCTION IN THOUSANDS OF TONS

REGIONS	April 1946	April 1945	% Change	4 Mos. 1946	4 Mos. 1945	% Chg.
West Virginia	...	12,627	..	41,312	53,337	—23
Virginia	...	1,345	..	5,083	6,309	—19
Maryland	...	133	..	626	573	+ 9
Fifth District	...	14,105	..	47,021	60,219	—22
United States	3,210	43,360	—93	163,800	196,955	—17
% in District	...	32.5	..	28.7	30.6	..