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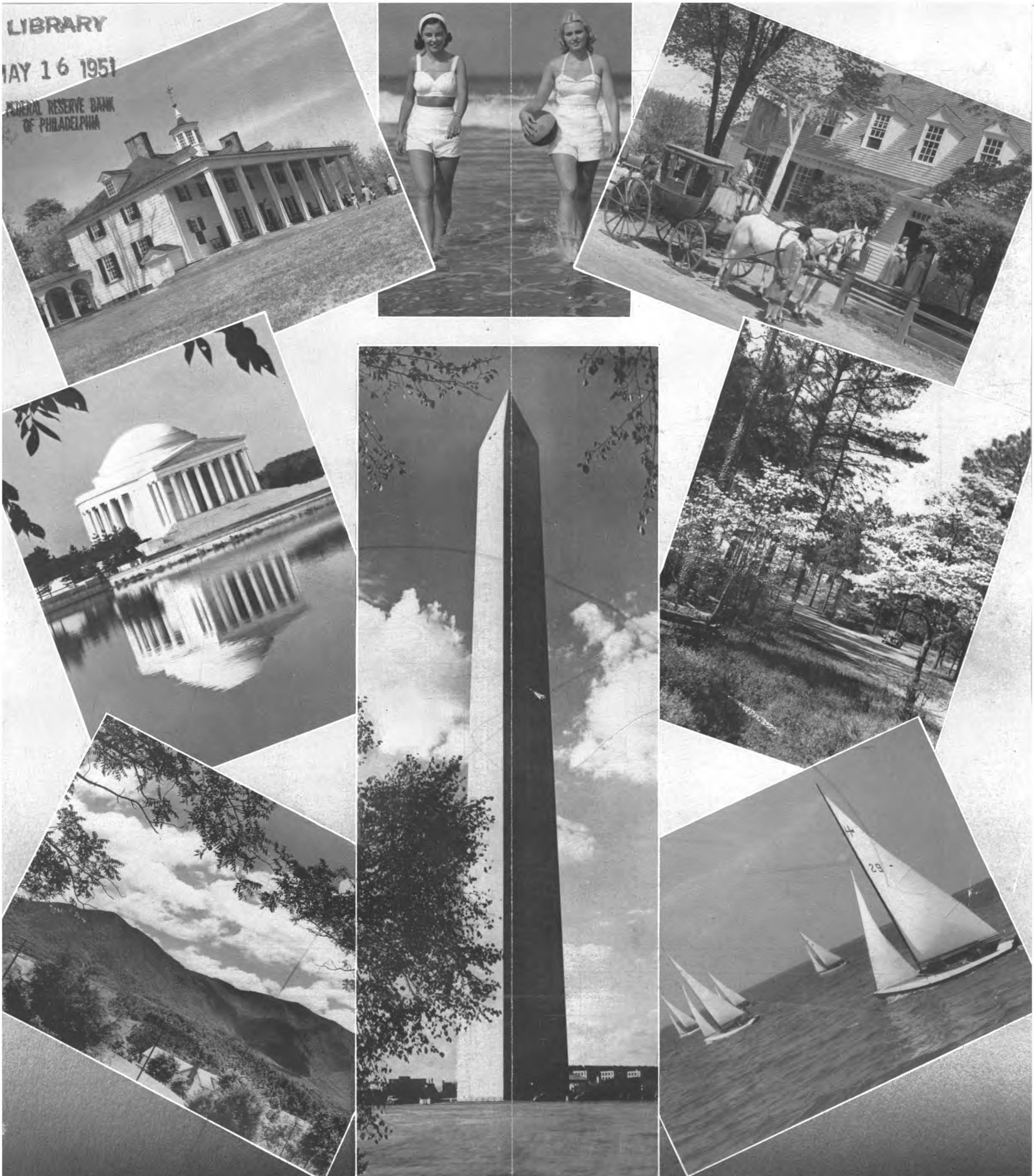

Monthly Review

FEDERAL RESERVE BANK OF RICHMOND - May 1951

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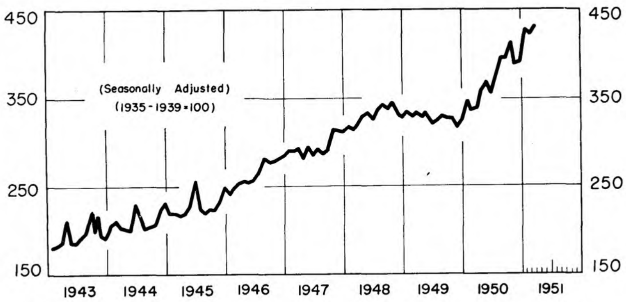
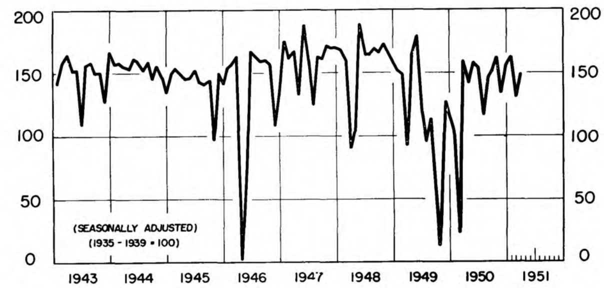
FIFTH DISTRICT TRENDS

BANK DEBITS



Fifth District bank debits seasonally adjusted established a new high record in March, 2% above February and 28% above March 1950. Despite the easing in trade levels during March the new high in debits is indicative of a high rate of total spending.

BITUMINOUS COAL PRODUCTION



March output adjusted was 13% ahead of February but 7% under a year ago. Reduction in demand for stockpiling was not offset by gain in exports, but exports are showing a marked upward trend. Important consuming industries are showing an upward trend in usage.

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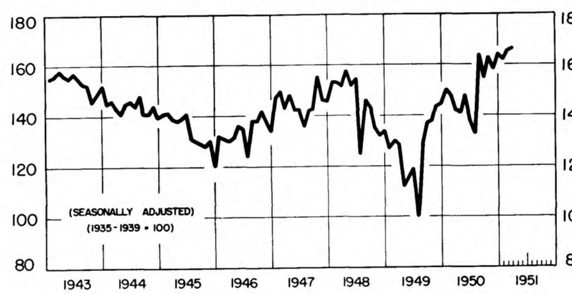
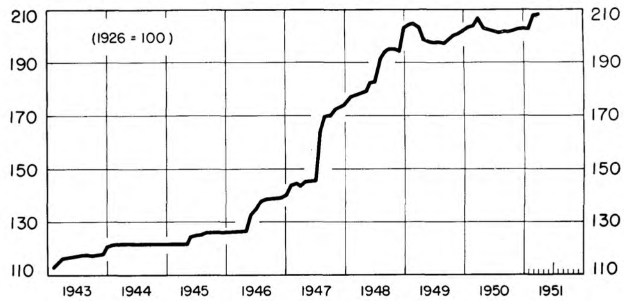
ACTIVE COTTON SPINDLE HOURS



Mill operations as represented by the number of hours spindles were operated during March established a new high record with the exception of one month in 1942. March was up 1% from February and 17% ahead of last year. Some setback appears probable during April and May but this is temporary.

WHOLESALE PRICE BITUMINOUS COAL, MINE RUN - U.S.



Bituminous coal prices have risen only 3.2% since June 1950. This compares with an increase of 17% in the wholesale prices of all commodities. Although the gain in coal prices relative to all commodities has been small since June, the level of coal prices relative to the 1926 base is 208% compared with 184% for all commodities.

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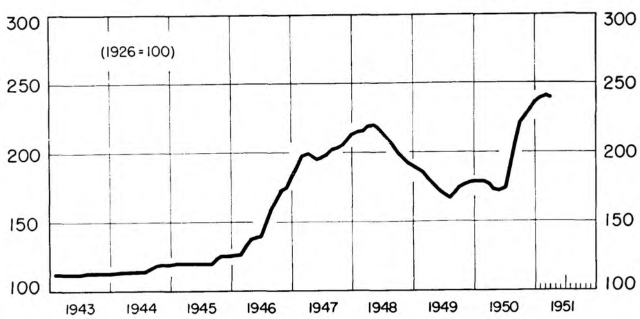
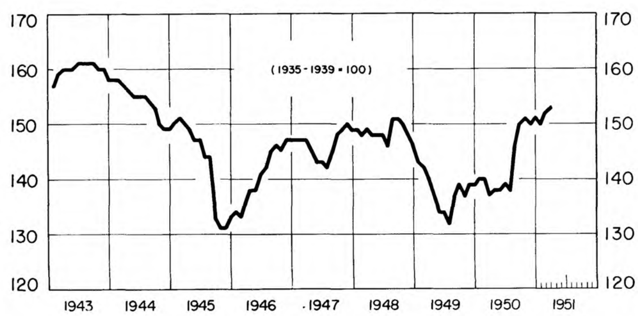
WHOLESALE PRICE COTTON GOODS - U.S.



Wholesale prices of cotton goods in March were 38% higher than in June 1950 just prior to the Korean War, as compared with a gain in the same period of 17% in all commodities. March cotton goods prices were 9% higher than their previous postwar peak in April 1948 and 6% higher than their previous all-time peak in April 1920, even though a fractional decline occurred from February to March this year.

MANUFACTURING EMPLOYMENT



Employment in the manufacturing industries of the District in March was at the highest level since 1944. March was up 1% from February and 12% of a year ago. Hours of labor also rose moderately, but some setback which is largely seasonal may be witnessed in hours of operation during April and May.

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Tourist Industry in the Fifth District

THE economy of the Fifth Federal Reserve District has long been identified with its cotton, tobacco, and peanut production, its coal output, and its manufacture of textiles, furniture, and tobacco products, and scores of studies have been made in all of these industries. Yet the area's billion-and-a-quarter dollar tourist trade has drawn but little attention from the analysts.

Only manufacturing and agriculture when taken in their entireties exceeded the tourist trade as a source of Fifth District income in 1950, and only one group of manufacturing industries — textile mill products—exceeded the tourist trade. In Virginia the tourist business is the biggest single industry, and in the other states of the area it ranks near the top.

Table I
ECONOMIC PRODUCTION IN THE FIFTH FEDERAL RESERVE DISTRICT—1950
(millions of dollars)

Value added by manufacture	5,926
Cash receipts from farm marketings	1,851
Tourist receipts	1,207
Value of coal production	955

Since no agency, commercial or governmental, compiles complete statistical information on the tourist trade, figures are necessarily estimates based on the best available data, supplied by various organizations. Tourist receipts are, of course, derived from two sources, out-of-state travelers and residents, and most of the estimates provided are based on the former.

The Virginia Travel Council estimated that out-of-state travelers, in 1950, spent some $300 million in the Old Dominion. North Carolina's Department of Conservation and Development reckoned that state's receipts from visitors at $225 million. The Greater National Capital Committee estimated expenditures of out-of-town tourists and conventioners at $150 million for the District of Columbia. The West Virginia Industrial and Publicity Commission put receipts from "foreign" travelers at $120 million. South Carolina's Chamber of Commerce estimated receipts from out-of-staters at $50 million. The Automobile Manufacturers Association's figures gave Maryland $50 million in receipts from out-of-state tourists in 1948. It seems reasonable that this trade reached $60 million in 1950.

The total of all the above estimates is $905 million, and this figure is for receipts from out-of-state tourists alone. In a study soon to be published, C. L. Quittmeyer presents figures from which it is estimated that, in Virginia, approximately three-quarters of the total tourists' receipts is from visitors from other states. The correctness of this estimated division is impossible to know, or whether a similar division would hold for other District states and the District of Columbia, but its application to these areas of the Fifth District would show receipts for out-of-state and resident tourists combined as indicated in Table II.

Relative Importance

The importance of the tourist trade to the various states can readily be seen by a comparison of the receipts of this industry with those of other major industries. In Virginia no single industry or crop in 1950 contributed as much income as the $400 million of estimated tourist receipts. This figure was well ahead of the state's textile and apparel industry's value added by manufacturing of $288 million in 1950, the chemical industry's $221 million, or the tobacco manufacturer's of $78 million. The major crop of Virginia, tobacco, was valued at $87 million.

Tourists' receipts in West Virginia last year were exceeded only by the value of output of the coal mines. In 1950 coal output was valued at $724 million and tourist receipts amounted to an estimated $160 million.

Table II
TOURIST ESTIMATED EXPENDITURES
(millions of dollars)

Maryland	80
District of Columbia	200
Virginia	400
West Virginia	160
North Carolina	300
South Carolina	67
Fifth District	1,207

The estimated $300 million tourist trade of North Carolina was exceeded by the textile and apparel industries, which had a value added of $972 million in 1950, and by the tobacco crop, valued at $485 million.

In Maryland the estimated tourist trade of $80 million in 1950 ranked fourth as a source of income. The food manufacturing industry was first, with a value added of $158 million, followed by textiles and apparel with $143 million, and chemicals with $96 million.

In South Carolina the 1950 estimated tourist receipts of $67 million ranked fifth, exceeded by the textile and apparel industry's value added by manufacture of $754 million; the lumber industry's $78 million; cotton and cottonseed crops' $92 million; and the tobacco crop's $82 million.

On a national basis, annual tourist expenditures are variously calculated from $6 billion by the American Automobile Association to $10 billion by the Department of the Interior. The information offers some evidence as to the relative position of the Fifth District in the national industry. The Automobile Manufacturers Association estimated tourist expenditures in 1948 for the forty-eight states to be $9 billion, with approximately 6% of this expenditure made in the Fifth District. A higher percentage is given in *American Magazine's* "Sixth Annual Travelogue," figures in which were based on a poll of the periodical's subscribers. According to this sampling, 20% of persons traveling on vacation visited at least one part of this area. Broken down further, the poll indicated that Virginia attracted

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5%; North Carolina 4%; Maryland, West Virginia, and the District of Columbia 3% each, and South Carolina 2%. Though far from conclusive, the figures at least give a line on the relative "lure" of the area.

Tourist Trade Growing

A few examples of the expansion in various aspects of the tourist trade will suffice to show the general growth of the tourist trade in the Fifth District. Gasoline consumption in this area during 1950 amounted to 3.3 billion gallons, as compared with 1.8 billion gallons in 1940 and 1.0 billion gallons in 1930. While this figure obviously includes the growth of other factors, such as increased number of cars on the road it nevertheless is a reflection of increased travel. The Business Censuses show that from 1939 to 1948 the number of hotels in the Fifth District increased 13%, while tourist courts jumped 117%. Expenditures of out-of-state tourists in Virginia were valued at $500 to $750 thousand twenty-five years ago, as compared with $300 million in 1950, according to the Virginia State Chamber of Commerce. In West Virginia the value of the expenditures of out-of-state tourists was an estimated $50 million in 1946 and $120 million in 1950. A continuing growth is evidenced by the 17% increase in attendance at national parks in North Carolina from 1949 to 1950 and the 50% increase in attendance at state parks in that state from 1949 to 1950.

Causes of Growth

Development of the recreation and travel industry in the Fifth District has been due to two sets of factors—conditions common to all sections of the country and conditions peculiar to this area.

In the first group of factors are the automobile, highways, shortened work week, paid vacations, rising standard of living, and the unsettled times which have stimulated domestic rather more than foreign travel. The current wide ownership of cars (42 million passenger vehicles) and the 3.3 million miles of highways and streets have given the would-be American tourist the physical means for more extensive, quicker, and more comfortable travel. Industrial changes have given millions time for travel. The five-day work week has made possible the week-end jaunt, and the growing custom of paid vacations, the annual trip.

Not only have the means of travel and the time to travel been made available to larger numbers, but also the money is available. The rising standard of living (real wages a good quarter above those two decades ago) has made possible the one-time luxury of travel and recreation.

The uncertain times have also aided the tourist trade. International conditions have kept "at home" some who customarily traveled abroad, and the restlessness of the day has probably contributed to the urge to travel.

Of prime importance to the development of Fifth District tourist trade is its geographic position. This District is fortunate in being near the most densely populated sections of the country. Proximity makes the area particularly attractive to week-end and holiday tourists whose time is brief.

The Fifth District also lies athwart the busy north-south route to and from Florida. This travel typically means only over-night stops and a few meals, but people who have seen the area may return to visit.

History has endowed the Fifth District with many tourist attractions and nature has supplied beaches and mountains. Natural formations such as caves, scenic drives through mountains and forests and along the coast, and state and national parks have proved attractive.

This section, as part of the thirteen original colonies, is as old as American history, and the offerings along historical lines are both numerous and above average in interest.

Where the Money Goes

As estimated, the tourist trade contributed $1.2 billion to the Fifth District economy during 1950. Applying the American Automobile Association's breakdown of the tourists' dollar, this $1.2 billion of tourist receipts was probably spent as follows: $252 million to restaurants; $240 million for transportation; $240 million for hotel and other lodging; $96 million for amusements; $72 million to confectionery stores; and $300 million for miscellaneous retail purchases. These initial receivers disbursed the money to meet payrolls, purchase supplies, pay taxes, and the like.

This trade, a substantial contribution to the area's economy, bids fair to become an even larger income producer. Since only in Maryland and the District of Columbia is average per capita income above the national average, this growing trade may well be the means by which the level of income is raised in the other sections. Many tourist attractions already here do not require (as new resort areas do) large capital investments to make them productive. The tourist trade is unique—a view from the Sky-Line Drive, a trip through the Great Smokies, or a visit to the national capital can be "sold" again and again.

This industry not only makes a direct contribution to the income of the Fifth District, but is also useful in securing other income producing enterprises, as the following statement, taken from a bulletin of the State Advertising Board of the Department of Conservation, North Carolina, indicates:

> Easy access to prime recreational facilities were factors in influencing at least two large industries to locate in North Carolina recently—Berkshire Mills, which is placing a $3,000,000 operation near Andrews, and Cornell-Dubilier, which is locating a $1,500,000 operation at Fuquay Springs. . . . More and more industrialists are seeking locations which offer workers opportunity for healthful relaxation without expensive and time-consuming travel.

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The tourist attractions of the Fifth District are varied, including recreation available in state and national parks and forests, hunting and fishing facilities, scenic drives, resorts, festivities, natural wonders, historical mementos, and the national capital.

Nature's Contribution

In this District scenic beauty, swimming, fishing, hiking, hunting, and picnic and camping facilities are available in the 20 state forests, 64 state parks, 6 national forests, 6 national historic parks, 2 national parks, and 1 national battlefield park. Among the more unusual offerings of the parks are skiing at Savage River State Forest, Maryland, and deer hunting for archers only in Watoga State Park, West Virginia. Shenandoah National Park in Virginia and Great Smoky Mountain National Park in North Carolina will be connected by the Blue Ridge Parkway when completed. Other scenic drives include the Sky-Line Drive atop the Blue Ridge Mountains, the Colonial National Historical Parkway covering Jamestown Island, the Elk Mountain Scenic Highway around Asheville, North Carolina, and in South Carolina the Jericho Road, lined with moss-draped oaks.

Seashore, mountain, health, and year 'round resorts —some catering to the "budget-minded" and others catering to the wealthy—are to be found. Outstanding on the coast are Ocean City, Maryland; Virginia Beach and Ocean View, Virginia; Carolina Beach, Morehead City, Nags Head, and Wrightsville Beach, North Carolina; and Myrtle Beach, South Carolina.

The better known mountain resorts are located in the Carolinas. North Carolina numbers among its mountain vacation spots the city of Asheville, the region around Hendersonville, High Hampton Highlands, and Little Switzerland, while South Carolina boasts of Caesar's Head. Summer religious assemblies—Blue Ridge, Ridgecrest Assembly, Cragmont, and Montreat —attract many to Black Mountain, North Carolina.

Many health spas have developed around springs. Prominent are Hot Springs, Virginia and White Sulphur Springs, West Virginia.

The mild winters of the Carolinas make possible year 'round resorts. In North Carolina, Pinehurst and Southern Pines and in South Carolina, Camden and Aiken are popular for their golf courses and horses.

Natural wonders in the area include such caverns as the Crystal Grottoes in Maryland and numerous caverns in Virginia and West Virginia. In North Carolina the Hickory Nut Falls have a fall twice that of Niagara. Among the more famous rock formations are the Natural Chimneys and Natural Bridge in Virginia, Seneca Rock in West Virginia, and Chimney Rock and Grandfather Mountain in North Carolina.

Historic attractions are numbered in hundreds. In Maryland are the State House at Annapolis, oldest of state capitals still in use, where the treaty of peace with Great Britain was ratified and signed; Fort McHenry National Monument and Historic Shrine where the flag inspired the "Star Spangled Banner"; and the Barbara Fritchie House, scene of Whittier's Civil War poem.

Evidences of the nation's historic past are perhaps more numerous in Virginia than anywhere else. Thousands annually visit Williamsburg, where the old Courthouse, the Capitol, Public Gaol, Raleigh Tavern, Ludwell-Paradise House, Governor's Palace, Wythe House, Magazine and Guardhouse have been restored. Other historically significant places are Monticello, home of Thomas Jefferson; Mount Vernon, home of George Washington; St. John's Church, where Patrick Henry said "Give me liberty or give me death"; and Jamestown, site of the first permanent English settlement in America. Numbered among North Carolina's historic attractions is Fort Raleigh National Historic Site on Roanoke Island, where the first English attempt to found a colony in America was made by Sir Walter Raleigh; the monument erected to the North Carolina patriots who were victorious at the Battle of King's Mountain during the Revolutionary War; and the County Courthouse at Charlotte where the Mecklenburg Declaration was signed. In South Carolina are located the home of John C. Calhoun on the Clemson College campus; old Fort Jackson, where the first shot of the Civil War was fired on Fort Sumter; and the ruins of Millwood, home of General Wade Hampton, Civil War hero. Two symphonic dramas depicting the early history of our country are staged in this area— "The Lost Colony" at Manteo, North Carolina, and "The Common Glory" at Williamsburg, Virginia.

The subject matter to which the museums of the Fifth District are devoted are varied, ranging from golf to Civil War mementos and from art to Indians. The most widely known museums are the Smithsonian Institution and National Gallery of Art in Washington, the Mariners' Museum and Library in Virginia, and the Museum of the Cherokees in North Carolina.

In the National Capital

The national capital at Washington is perhaps the greatest drawing card for tourists in this area. Befitting a national capital, numerous shrines have been erected to national heroes and friends. The Lafayette Square contains monuments to Andrew Jackson, Lafayette, Rochambeau, and Von Steuben. The Lincoln Memorial, Washington Monument, and Jefferson Memorial are among the famous shrines of the country.

Among the outstanding government buildings in Washington, D. C. are the United States Capitol, Senate Office Building, House Office Building, Supreme Court Building, Library of Congress, National Archives, the White House, Blair House, and the Naval Observatory. Other interesting places include the Folger Shakespeare Library, the U. S. Botanic Gardens housing a billion dollar conservatory, Pan American Union, Fort Lesley, home of the National War College and the Industrial College of the Armed Forces, the Octagon which was the White House in 1814 and 1815, Washington Cathedral, and Rock Creek Cemetery.

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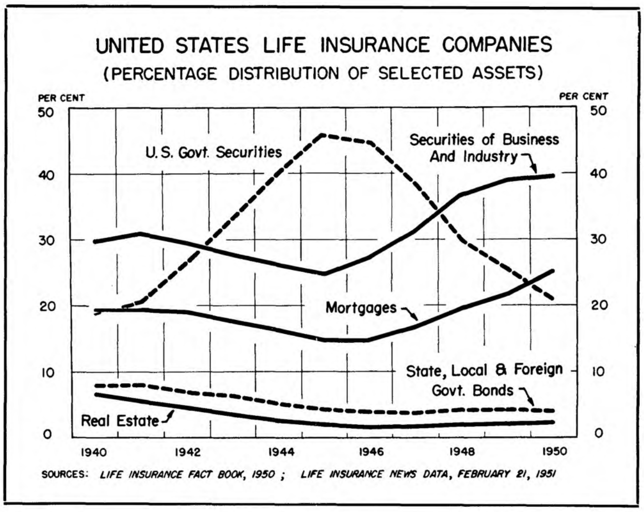
Mortgage Lenders---The Life Insurance Companies

Recent developments in the field of credit have served to focus attention on the lending activities, not only of commercial banks, but other lending institutions as well. This is the second in a series of articles designed to review briefly characteristic operations of leading lenders outside the commercial banking field.

Life insurance companies in the United States are the largest receivers and investors of long-term savings of individuals. One-fifth of the total nonfarm mortage debt, almost two-fifths of the net long-term corporate debt, and one-seventh of the Federal Government debt outside of banks are to be found in their combined portfolios. These figures indicate strikingly not only the responsibility of this corporate group but also the tremendous influence it can and does exert on the national economy.

Total assets of the more than six hundred U. S. legal reserve life insurance companies at the end of 1950 were $63.7 billion, which represents an increase of 40% since the end of the war. From experience they have found that little liquidity is required and it is, therefore, not surprising to find only about $1.7 billion of their assets in liquid form. with $1.0 billion in cash and $0.7 billion in government securities maturing in less than one year. These are held to defray current expenses, to meet benefit payments, contingencies and loan commitments.



In 1950 life insurance companies made gross investments totaling more than $12 billion, or the equivalent of $80 for every man, woman, and child in the country. More than $4.4 billion of these funds came from the year's increase in assets. The remainder represented sales and maturity of securities, and mortgage amortization payments and prepayments.

During World War II life insurance companies made heavy purchases of U. S. Government bonds, and by the end of the war 45.9% of their assets were held in this form. The companies, however, have found it necessary to obtain a fairly attractive yield on their investments, as premium rates are generally adjusted to a return of 2-½ to 3% on reserves. To achieve this return they reduced sharply their portfolio holdings of Governments during the postwar period since the stable Government bond market permitted large sales without loss. These sales (netting more than $8 billion) have provided funds which have been used to buy higher yielding mortgages and securities of business and industry. With the decline in the prices of long-term Governments in recent weeks, some insurance companies have become reluctant to sell because of the capital loss involved. This factor, coupled with already heavy mortgage commitments, has created a shortage of funds, which is serving as a temporary restraint to further extensions of credit.

At year end 1950, holdings of Governments had declined to 21% of assets. Mortgage loans, largely on single and multi-unit residences, had risen sharply and represented 25.3% of the total, while securities of business and industry accounted for 39.4% of assets. Other assets included bonds of state, local and foreign governments, real estate owned, and policy loans.

At year end 1949, the distribution of the $1.5 billion of assets held by Fifth District companies was: U. S. Government bonds, 20%; other bonds, 18%; stocks, 5%; mortages, 42%; real estate owned, 3%; and all other assets, 12%.

In the postwar period life insurance companies have been very active in the field of mortgage lending, supplying approximately the same amount of new residential mortgage money as commercial banks. Insurance companies are the heaviest purchasers of Government-insured and guaranteed mortgages, and in recent years have acquired roughly half of all FHA residential mortgages which have been sold; and these acquisitions have been through both direct lending activity and purchase of mortgages from other lenders.

Most of the larger companies have correspondents (mortgage companies, mortgage brokers, etc.) who take applications for loans and arrange appraisals. Loans are usually made at going interest rates, and then sold to the insurance companies at a slight premium. Frequently the original lenders also service the loans (collecting interest and principal payments), for which they receive a servicing fee. Normally, the companies fix the minimum standards of mortgages to be purchased, and in practice take all mortgages offered by correspondents which conform, although more formal commitments may be made. Specific mortgages and blocks of mortgages are also purchased through negotiations with lenders who do not maintain continuing correspondent relationships with the insurance companies; and this has been an increasing part of their mortgage business.

Reflecting the record home building activity of the

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past year, an unprecedented net of $3.2 billion of life insurance funds went into financing of real estate mortgages in 1950. Total mortgage holdings of life companies were $16.1 billion at the end of 1950, a net increase since the war of $9 billion, despite heavy prepayments and amortizations.

In addition to their mortgage lending activity, life insurance companies have become increasingly active in the postwar period in the purchase of real estate for commercial and industrial rental purposes, and large apartment units for rental housing. Since 1946 real estate owned by these companies has almost doubled, primarily due to purchase of rental property. At year end 1950 companies domiciled in the Fifth District held more than $25 billion of investment real estate.

Life insurance investments in commercial and industrial real estate totaled $649 million at the end of 1950, one-fourth more than the year before. Since 1942, when Virginia became the first state to authorize acquisition of real estate for investment purposes, this type of financing and the publicity given it have grown rapidly. Most states now permit holdings of investment real estate, generally restricted to 5% of the company's admitted assets. This type of financing is usually a "sale-lease back" transaction whereby the insurance company purchases a store, loft, or factory building from a merchandising or manufacturing firm, and rents the space back to the firm on long-term lease. In some cases, however, insurance companies have purchased land and constructed buildings to tenants' specifications.

So far, the purchase of business properties for rental purposes has proved mutually advantageous. It affords insurance companies sound (and custom-tailored) long-term investments yielding relatively high rates of return. Business firms can convert fixed capital to working capital, and be free of handling real estate. As interest and rental payments are deductible business expenses, business firms secure tax benefits through renting, rather than owning, real estate. Contracts generally include options to renew leases at lower rentals.

Similar to the sale-lease back arrangement for real estate is the newer plan for rail equipment financing, whereby insurance companies purchase freight cars from the manufacturer and then lease the cars to railroads. This plan is also used in other fields of transportation. One manufacturer of busses and trackless trolleys sells them to an insurance company, which in turn leases them to traction firms.

Another type of direct investment in real estate is the erection—and operation—of huge housing developments. By year end 1950, $345 million of rental housing (most of which was developed in the early postwar period) was owned and operated by life insurance companies.

Life insurance company lending on assets other than real estate has become of relatively lesser importance in recent years. Loans to policyholders were as much as 18% of total assets in the early 1930's, but have fallen to less than 4% in recent years.

One large company recently inaugurated an experimental program of capital loans to small business, but reports that the program has lagged, primarily because the laws of the chartering state prohibit such loans to unincorporated businesses. The company feels, however, that the program cannot be considered a failure until all small businesses are eligible for loans. Similar programs of small loans to business secured by real estate have been found more satisfactory.

Extensions of credit to larger firms have traditionally been important in life insurance investments. One-third of the gross long-term debt of domestic corporations is held by life insurance companies. This $22.5 billion of corporate bonds represents 35.4% of the companies' total assets. Nearly half are public utility bonds, with the remainder in railroad, industrial, and miscellaneous bonds. While most have been acquired in the open market, there has been a trend in recent years toward purchase of corporate bonds direct from the issuers.

Life insurance companies have always been the biggest buyers in direct placements; half of their holdings have been acquired in this way. Private issues generally yield a better return than is obtained from market issues of equal soundness. Under direct negotiation, lenders can insist on provisions offering greater protection, and more closely tailored to the needs of both lender and borrower. The borrower saves the expense of selling through market channels, and the sale of such issues does not have to be registered with the Securities and Exchange Commission. The initiative in direct placements usually lies with the borrower.

One interesting use of private placements is the joint participation of insurance companies and banks in meeting long-term credit needs of small business. Securities are issued with serial maturities with participating banks buying the shorter (e.g., five years and less) and the insurance companies taking the longer maturities.

In recent years liberalization of state laws has led to increased acquisition of stocks by insurance companies. Although such holdings (including holdings of preferred stock) at the close of 1950 were double the level of five years ago, they still represented only 3% of total assets. One very important change, which became effective in April, is the New York law permitting domestic life insurance companies to invest in common stocks. The law limits holdings of stocks to 3% of total admitted assets or one-third of surplus, whichever is less. Effects of the law are not restricted to New York companies, whose assets are greater than those of any other state, but out-of-state companies are also vitally concerned. In the past, companies were unable to take full advantage of the laws of thirty-three states and the District of Columbia which permit investment in common stocks, since those wishing to do business in New York had to meet substantially the same provisions of New York law as companies chartered in that state.

In recent years life insurance companies have led in the development of new and sound investment outlets. It is to be expected that they will continue to pioneer in the development of new lending techniques.

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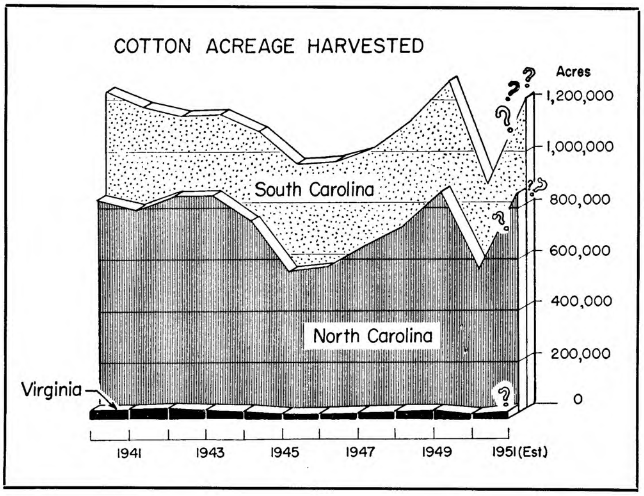
Farmers' Planting Intentions for 1951

FARMERS expect to continue to expand crop production in 1951, and it now appears that there will be adequate food to meet the expanding demands of an inflated semi-war economy. The only major hazard is that of weather. Some significant changes are in prospect. The great cash crops—cotton, tobacco, and wheat—will account for most of the increased crop acreage this year. Although corn acreage will increase slightly, total acreage planted to feed grains will decline.

Higher prices, relaxation of Government production controls, and Government emphasis on the desirability of higher agricultural output have been the major factors behind expanded cash-crop acreage. Wheat and cotton have no acreage allotments in effect in 1951, and tobacco allotments have been increased.

Intended plantings of corn and of some other feed grains fall considerably short of the USDA guide acreages for feed crops and may limit livestock production next year.



Cotton

Record prices for cotton and the removal of acreage allotments are encouraging a sharp increase in cotton planting for 1951. The Fairchild Survey estimated in April that farmers will plant 27.2 million acres this year—46% more than they planted in 1950. In the Fifth District cotton acreage may reach 2.1 million acres in 1951, nearly 40% over the previous year. By states the percentages would be: Virginia, 40%; North Carolina, 35%; and South Carolina, 41%.

If yields average 265 pounds of lint per acre as in 1950, 27.2 million acres of cotton would produce a 1951 crop of 15 million standard bales, as compared with last year's exceedingly small crop of only 9.9 million bales. A crop of 16 million bales is the goal announced by the Secretary of Agriculture, but 15 million might be sufficient to provide some easing in the cotton supply situation.

Cotton prices are now at ceiling levels, and the ten-market average price has been unchanged at 45.14 cents per pound for Middling 15/16 since cotton markets reopened in March. New crop futures prices for cotton in April were substantially under the cash price—for example, all New York new crop futures on April 30 were under 40 cents.

Corn and Feed Crops

National corn acreage in 1951 is expected to total 85.7 million acres, only 2% above 1950 and nearly 5% under the USDA guide acreage. Most of the increase will occur in the North Central states, while in most southern states 1951 acreages of corn and other feed crops will be below last year.

In the Fifth District total corn acreage in 1950 is expected to be down 2%. Although corn acreage will be up in Maryland and unchanged in Virginia, decreases are anticipated in the Carolinas and West Virginia.

Total acreage of oats and barley will also decline this year. Reduced plantings in the South will offset increased acreage elsewhere. However, the acreage of hay harvested will be well maintained in 1951, and many southern states, including those in this District, show significant increases.

More emphasis on cotton and tobacco, higher yields for corn and feed grains, and more hay and pasture are some of the reasons feed grain acreages are declining in the southern states this year.

The failure to increase feed grain acreage in 1951 may result in less adequate feed supplies next year and limit livestock expansion. More livestock production is desired to reduce the upward pressure on meat prices.

Tobacco

Tobacco provides about 30% of the cash income received by farmers in this District, and they plan to increase their tobacco acreage 12% this year. High prices for the 1950 tobacco crop and increases in 1951 acreage allotments are chiefly responsible for the acreage rise.

Flue-cured acreage in the District in 1951 is expected to be 12% above last year. By states the percentage rises are: Virginia, 15%; North Carolina, 12%; and South Carolina, 13%. Acreage of Virginia fire-cured will be unchanged in 1951, but the District's Burley acreage is expected to increase 7%. Acreage of Maryland tobacco will be up 4% and Virginia sun-cured up 16%.

Flue-cured prices in 1950 averaged 54.7 cents per pound—a record high. Prospects for 1951 prices at this time appear reasonably favorable. Increased leaf production is in prospect, but cigarette output continues high, export demand is expected to be strong, and support prices for the 1951 crop will be higher.

Peanuts

As of the first of March, farmers in this area generally expected to reduce peanut acreage this year. While expected plantings in Virginia were unchanged

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PROSPECTIVE PLANTINGS OF SPECIFIED CROPS IN 1951 COMPARED WITH THOSE IN 1950 FIFTH DISTRICT BY STATES

Crops	Fifth District Indicated 1951	Fifth District 1951 as % of 1950	Maryland Indicated 1951	Maryland 1951 as % of 1950	Virginia Indicated 1951	Virginia 1951 as % of 1950
	1000 Acres	Per Cent	1000 Acres	Per Cent	1000 Acres	Per Cent
Tobacco*						
Flue-cured	949.0	112	------	------	108.0	115
Va. Fire-cured	9.8	100	------	------	9.8	100
Burley	26.7	107	------	------	12.7	108
Maryland	52.0	104	52.0	104	------	------
Va. Sun-cured	3.7	116	------	------	3.7	116
Total Tobacco	1,041.2	112	52.0	104	134.2	113
Cotton	2,085	139	------	------	35	140
Corn, All	5,459	98	493	104	1,128	100
Oats**	1,594	100	65	107	214	109
Barley**	254	90	85	92	91	88
Hay, All*	4,306	102	472	100	1,378	102
Peanuts***	409	97	------	------	153	100
Soybeans***	832	108	78	98	202	115
Cowpeas***	197	98	2	100	15	100
Sorghums	100	106	------	------	11	100
Irish Potatoes**	148.1	88	12.1	94	50	91
Sweet Potatoes	128	89	8	95	25	104
Wheat**	1,463	100	340	97	460	102
Total (13 Crops)	18,016.3	104	1,607.1	100	3,896.2	102

Crops	West Virginia Indicated 1951	West Virginia 1951 as % of 1950	North Carolina Indicated 1951	North Carolina 1951 as % of 1950	South Carolina Indicated 1951	South Carolina 1951 as % of 1950
	1000 Acres	Per Cent	1000 Acres	Per Cent	1000 Acres	Per Cent
Tobacco*						
Flue-cured	------	------	712.0	112	129.0	113
Burley	3.2	100	10.8	108	------	------
Total Tobacco	3.2	100	722.8	112	129.0	113
Cotton	------	------	800	135	1,250	141
Corn, All	241	95	2,203	98	1,394	96
Oats**	69	100	496	98	750	99
Barley**	14	100	40	87	24	92
Hay, All*	820	100	1,151	101	485	115
Peanuts***	------	------	234	95	22	92
Soybeans***	13	81	439	105	100	122
Cowpeas***	------	------	40	82	140	104
Sorghums	1	50	61	111	27	104
Irish Potatoes**	17	89	54	84	15	90
Sweet Potatoes	------	------	50	85	45	85
Wheat**	77	96	436	105	150	93
Total (13 Crops)	1,255.2	98	6,726.8	104	4,531.0	109

*Acreage harvested.
**Includes acreage planted in preceding fall.
***Grown alone for all purposes.
Sources: USDA, BAE, **Crop Production** (Washington, December 1950 and March 1951); Cotton data from the Fairchild Survey published in **The Daily News Record**, April 4, 1951.

from 1950, decreases were expected in North and South Carolina. Peanut acreage in Virginia and North Carolina, however, may be substantially above March 1 intentions. A new peanut act permits allotments, which have been sharply reduced in recent years, to be raised to 1947 levels in these two states.

The Virginia-type edible peanut produced in Virginia and North Carolina has been in good demand and prices during the past season averaged above support levels.

Irish Potatoes

In 1951, for the first time in several years, potatoes will be grown without price support, and farmers expect to reduce acreage sharply.

Total acreage in the United States will be down 15%, and in the Fifth District the reductions will average 12%. In recent years there has been a marked trend toward increased yields and reduced consumer demand, and even the reduced acreage this year should provide an adequate supply.

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Business Conditions and Prospects

Chief surprise in Fifth District business both in late March and early April was that, despite the practical certainty of shortages of hard goods later this year, numerous merchants were holding clearance sales of this type of merchandise. Superficially this was because trade volumes in the District continued to back away from their January peaks and were reaching for lower levels. In late April the decline—in seasonally adjusted trade levels—was slowing and may have reached a level that can be maintained for some weeks.

Production and employment were at near their highest postwar peaks in March but it is fairly clear that April will show some cutbacks, particularly in textile lines. Basic demand for the products of the Fifth Federal Reserve District has continued to strengthen despite the temporary setback occurring in new orders. Domestic income has continued to rise and foreign demand for such things as cotton, cotton goods, coal, tobacco, and hosiery is likely to strengthen because of preoccupation of major foreign competitors with defense efforts.

For the District the chief factors of strength are expanding defense orders, new plant construction, expansion of national income, and the likely shift in emphasis in retail trade from durable to nondurable goods. Then, too, the inflationary aspects of defense production have not been eliminated, but only temporarily halted. Reflections of this are found in a continued expansion of commercial loans, rising over-all expenditures shown by bank debits and a more rapid turnover of deposit accounts.

Business loans at the weekly reporting banks in this District continued to rise through April 18 but at a slower rate in recent weeks. Consumer loans are again rising in moderate fashion but real estate loans are trending downward. Voluntary credit restraint committees have been formed in the District to assist bankers and other leaders in appraising loan applications in their voluntary fight against inflation. Taken in combination with price, wage control, and other controls this program of leader restraint can have a decidedly wholesome effect on the economy. Recent developments in Government bond market have affected some restraint on the mortgage market, and mortgage money beyond current commitments appears likely to be in tighter supply.

Textiles

The cotton textile industry in this District operated in March at the highest level ever attained except for one month in 1942. Strikes at a number of prominent mills have affected some 40,000 employees (or 10% of the total) for the month of April. These shutdowns or slowdowns have occurred at a time when buyers generally have been reappraising their own inventory positions and making few purchase commitments. It is interesting to note, however, that such price weakness as has occurred in cotton goods has been mainly in the apparel types, at the resale level which is undoubtedly affected by the poor results of an early Easter and the subsequent letdown. Some cotton and synthetic plants have reduced from a six- to five-day week and a number of plants producing overalls have contracted from a five- to a four-day week. It is thought that both retailers and wholesalers may be experiencing a considerable degree of moral suasion from their bankers to refrain from further inventory additions; and if so, this partially explains the lack of replacement buying in soft goods. In relatively few cases, however, are stores over-inventoried in soft goods lines.

In view of the bullish basic factors of rising employment and incomes, it seems quite likely that cutbacks in the textile industry will be of moderate proportions and of short duration.

Rayon yarn deliveries in March were exceeded only in August and December last year. Further expansions in rayon plant capacity were announced during April. Most plant expansion, however, is either in high tenacity tire cord yarn or the rapidly growing field of staple fiber. Meanwhile the synthetic broad woven goods industry is experiencing a slack in demand similar to that existing in cotton textiles.

Hosiery

In February and March it appeared that the seamless hosiery industry might go through the summer without the usual seasonal letdown. Military business in this segment of the industry was deemed sufficient to keep the industry operating full tilt. Such has not proved to be the case; retail stores have accumulated rather sizeable inventories and are now attempting to work them off. It may well be that later on retailers will wish they had maintained their inventory positions.

The full-fashioned branch of the industry is experiencing a somewhat smaller volume, although retail sales are being maintained in satisfactory volume. Hosiery manufacturers will receive a further cut in nylon allotments in May—and again a large inventory at the retail level may prove to be very desirable before the year is over.

Bituminous Coal

Bituminous coal output recovered from the effects of the switchmen's strike in February but the March level of output was still 8 per cent smaller than in January, even after the seasonal factor is taken into account. Offsetting to some extent the domestic demand for stockpiling purposes has been a marked improvement in exports which are likely to run between 15 and 20 million tons during the current year. Future demand for coal should be on the upgrade, and it is hard to believe that consumers will prefer to incur the added expense of using their stockpiles rather than having their supplies rolled directly to their boilers on freight cars. Em-

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ployment is seasonally slack in the coal industry but the total number employed is slightly higher than a year ago.

Construction

Factory construction contract awards in March were nearly double those of February and represented the only segment running counter to the down trend in construction award totals. In the over-all, awards dropped 21% (adjusted basis) from February to March and were 10% below a year ago. Awards for commercial buildings dropped 18% but were still 89% above March 1950. Factory awards exceeded the normal seasonal by 92% from February to March and put March 1951 77% ahead of March 1950. Residential contract awards dropped 36% (adjusted basis) from February to March and stood 21% below March 1950. Largest decline from February and March of last year occurred in apartments and hotels, although one- and two-family houses also showed a marked decline.

Trade

The trend of income in this District is still upward which means that the trend of retail trade should also move upward. At the present time and for the past two months, however, there has been a recessionary tendency in trade levels, mainly because so much business was done in January and February which might well be considered as having been "borrowed" from March and April. The employment level should continue to rise in the District, particularly at military installations and defense plants. The income level should, therefore, continue to rise, even though wage rates were held firmly at present levels. Later in the year overtime should come into the picture despite the slackness now taking place.

Department store sales in March failed by 13% to maintain the seasonal level established in February, but even so were 3% ahead of a year ago. Department store stocks continued to rise, having added 8% more than seasonal during March and reached a level 28% above a year ago. The bulk of inventory accumulation in department stores is in the hard goods lines, which saw some improvement in the first two weeks of April, though part of this has been due to clearances and promotions. Although some manufacturers of refrigerators and television sets have reduced operations because of sharply slackening demand, prospective material shortages confronting the producers later in the year will likely prevent an up trend in durable goods lines but could well be offset by an expansion in the nondurables. The basic trend in spending is still upward despite the current setback, and evidence of it will probably appear before long. Seasonally adjusted bank debits in the District in March were at an all-time high level, having increased 2% from the previous month to a level 28% ahead of a year ago. Furthermore, there is some indication that instalment sales are again moving in an upward trend. Other loans of the weekly reporting banks —largely consumer loans—have been slowing moving upward.

DEBITS TO INDIVIDUAL ACCOUNTS
(000 omitted)

	March 1951	March 1950	3 Months 1951	3 Months 1950
Dist. of Columbia				
Washington	$ 1,129,079	$ 833,621	$ 3,184,196	$ 2,316,516
Maryland				
Baltimore	1,314,835	1,009,039	3,575,766	2,905,200
Cumberland	23,709	21,762	74,032	63,172
Frederick	21,537	17,433	58,825	49,097
Hagerstown	34,541	27,660	95,920	77,572
North Carolina				
Asheville	63,694	48,161	180,102	141,085
Charlotte	365,725	276,325	1,044,528	782,062
Durham	91,987	75,919	294,631	225,835
Greensboro	108,086	86,661	306,886	233,775
Kinston	16,621	12,295	49,630	38,349
Raleigh	206,977	167,050	493,326	413,256
Wilmington	44,066	35,527	124,219	96,349
Wilson	21,224	13,296	60,815	42,750
Winston-Salem	184,930	143,617	499,978	399,919
South Carolina				
Charleston	72,367	62,170	221,569	180,427
Columbia	139,717	106,323	375,203	299,571
Greenville	118,613	90,471	344,996	253,638
Spartanburg	72,062	50,061	208,911	145,287
Virginia				
Charlottesville	27,156	22,530	79,200	67,617
Danville	33,876	24,281	95,600	72,712
Lynchburg	53,446	40,755	143,353	113,363
Newport News	45,696	29,472	122,144	80,486
Norfolk	230,737	236,501	635,139	622,315
Portsmouth	26,871	20,374	75,355	59,614
Richmond	573,854	492,165	1,636,424	1,400,666
Roanoke	122,400	99,051	335,143	270,229
West Virginia				
Bluefield	49,944	35,874	146,585	107,722
Charleston	160,601	117,676	462,387	353,895
Clarksburg	35,403	27,750	105,840	82,429
Huntington	73,298	54,967	203,608	161,656
Parkersburg	32,793	25,531	89,635	71,709
District Totals	$ 5,495,845	$ 4,304,318	$ 15,323,916	$ 12,128,255

51 REPORTING MEMBER BANKS—5th DISTRICT
(000 omitted)

ITEMS	Apr. 11, 1951	Change in Mar. 14, 1951	Amount from Apr. 12, 1950
Total Loans	$1,203,974**	+ 32,012	+274,645
Business & Agricultural	602,462	+ 19,582	+183,221
Real Estate Loans	239,881	— 3,622	+ 19,431
All Other Loans	375,910	+ 16,187	+ 75,000
Total Security Holdings	1,569,213	— 38,407	—215,011
U. S. Treasury Bills	91,872	— 14,768	— 6,299
U. S. Treasury Certificates	0	0	—179,553
U. S. Treasury Notes	373,261	— 6,211	+128,272
U. S. Treasury Bonds	936,299	— 11,638	—178,351
Other Bonds, Stocks & Secur.	167,781	— 5,790	+ 20,920
Cash Items in Process of Col.	260,018	— 32,631	+ 23,841
Due from Banks	177,340*	— 14,195	+ 14,695
Currency and Coin	71,352	— 249	+ 4,370
Reserve with F. R. Banks	527,652	+ 13,046	+ 87,241
Other Assets	53,546	— 3,333	+ 3,104
Total Assets	3,863,095	— 43,757	+192,885
Total Demand Deposits	2,973,649	— 54,799	+177,775
Deposits of Individuals	2,203,342	— 93,569	+125,219
Deposits of U. S. Govt.	160,577	+ 77,500	+ 56,632
Deposits of State & Loc. Gov.	172,372	— 4,237	— 2,785
Deposits of Banks	392,175*	— 27,770	— 2,006
Certified and Officers' Checks	45,183	— 6,723	+ 715
Total Time Deposits	607,991	+ 2,436	— 12,106
Deposits of Individuals	552,319	+ 1,983	— 19,986
Other Time Deposits	55,672	+ 453	+ 7,880
Liabilities for Borrowed Money	9,300	+ 7,850	+ 9,300
All Other Liabilities	26,987	— 606	+ 4,862
Capital Accounts	245,168	+ 1,362	+ 13,054
Total Liabilities	3,863,095	— 43,757	+192,885

*Net figures, reciprocal balances being eliminated.
**Less losses for bad debts.

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SELECTED FIFTH DISTRICT BUSINESS INDEXES

AVERAGE DAILY 1935-39=100—SEASONALLY ADJUSTED

	Mar. 1951	Feb. 1951	Jan. 1951	Mar. 1950	% Change—Latest Month Prev. Mo.	Year Ago
Automobile Registration[1]	-----	191	238	201	— 20	— 5
Bank Debits	432	423	426	338	+ 2	+ 28
Bituminous Coal Production	149	132	162	160	+ 13	— 7
Construction Contracts Awarded	502	641	531	561	— 22	— 11
Business Failures—No.	70	51	46	89	+ 37	— 21
Cigarette Production	218	238	259	229	— 8	— 5
Cotton Spindle Hours	166	165	162	142	+ 1	+ 17
Department Store Sales	297	341	370	287	— 13	+ 3
Employment—Manufacturing Industries[1]	153	152	150	137	+ 1	+ 12
Furniture Manufacturers: Shipments	351	330	364	293	+ 6	+ 20
Life Insurance Sales	290	283	283	275	+ 2	+ 5

[1] Not seasonally adjusted.

WHOLESALE TRADE

	Sales in March 1951 compared with Mar. 1950	Feb. 1951	Stocks on March 31, 1951 Compared with Mar. 31 1950	Feb. 28 1951
Auto supplies (9)	+ 59	+ 8	+ 14	— 2
Electrical goods (5)	+ 35	0	+ 43	+ 7
Hardware (13)	+ 35	+ 8	+ 2	— 6
Industrial supplies (5)	+ 39	— 2	+ 19	— 6
Drugs (13)	+ 2	+ 8	+ 17	+ 5
Dry goods (17)	+ 20	+ 1	+ 27	+ 6
Groceries (61)	+ 3	+ 3	+ 19	+ 2
Paper & products (6)	+ 73	+ 22	-----	-----
Tobacco & products (9)	+ 9	+ 8	+ 29	— 1
Miscellaneous (88)	+ 18	+ 3	+ 44	— 6
District Totals (226)	+ 17	+ 4	+ 25	— 2

Number of reporting firms in parentheses.
Source: Department of Commerce.

RETAIL FURNITURE SALES

STATES	Percentage comparison of sales in periods named with sales in same periods in 1950 March 1951	3 Mos. 1951
Maryland (7)	— 10	— 6
Dist. of Col. (7)	+ 2	+ 15
Virginia (16)	+ 16	+ 10
West Virginia (9)	— 6	+ 2
North Carolina (14)	— 5	0
South Carolina (7)	— 8	— 6
District (60)	— 1	+ 6
INDIVIDUAL CITIES		
Baltimore, Md. (7)	— 10	— 6
Washington, D. C. (7)	+ 2	+ 15
Richmond, Va. (5)	+ 19	+ 3
Charlotte, N. C. (3)	— 28	— 19

Number of reporting firms in parentheses.

DEPARTMENT STORE OPERATIONS

(Figures show percentage change)

	Rich.	Balt.	Wash.	Other Cities	District Total
Sales, Mar. '51 vs. Mar. '50	+14	+ 9	+10	+18	+13
Sales, 3 Mos. '51 vs. 3 Mos. '50	+22	+15	+16	+19	+17
Stocks, Mar. 31, '51 vs. '50	+32	+29	+26	+11	+23
Orders outstanding, Mar. 31, '51 vs. '50	+55	+45	+16	+27	+32
Current receivables Mar. 1 collected in Mar. '51	28	48	44	39	40
Instalment receivables Mar. 1. collected in Mar. '51	14	15	19	19	17

	Md.	D.C.	Va.	W.Va.	N.C.	S.C.
Sales, Mar. '51 vs. Mar. '50	+ 9	+10	+15	+23	+11	+19
Sales, 3 Mos. '51 vs. 3 Mos. '50	+15	+16	+21	+30	+13	+15

BUILDING PERMIT FIGURES

	March 1951	March 1950	3 Months 1951	3 Months 1950
Maryland				
Baltimore	$ 5,813,055	$10,334,580	$ 22,293,325	$ 27,342,330
Cumberland	104,150	76,900	246,560	233,145
Frederick	148,300	860,725	486,525	945,150
Hagerstown	262,395	193,818	362,170	393,590
Salisbury	89,142	129,515	367,604	279,740
Virginia				
Danville	222,177	428,620	464,025	704,718
Lynchburg	586,166	364,206	1,245,124	984,470
Newport News	94,154	65,968	454,353	248,041
Norfolk	787,310	1,318,775	6,516,781	3,991,210
Petersburg	84,706	287,211	528,063	1,331,882
Portsmouth	2,465,205	217,480	3,110,600	748,349
Richmond	1,523,667	2,966,090	4,808,887	5,867,301
Roanoke	1,052,209	2,076,677	5,826,799	6,123,945
West Virginia				
Charleston	424,053	728,197	1,245,291	6,227,196
Clarksburg	90,230	89,945	258,295	358,781
Huntington	534,795	525,316	1,625,635	1,205,443
North Carolina				
Asheville	158,386	853,046	2,478.678	1,274,417
Charlotte	1,320,663	2,876,550	7,771,671	6,133,903
Durham	514,145	684,668	1,537,774	7,203,760
Greensboro	773,042	1,094,835	2,431,069	2,701,028
High Point	225,080	250,925	935,474	690,946
Raleigh	2,342,794	2,593,346	3,773,225	3,824,636
Rocky Mount	535,473	406,430	1,024,787	1,039,098
Salisbury	203,820	488,660	446,735	1,239,433
Winston-Salem	591,615	831,170	3,440,477	2,517,058
South Carolina				
Charleston	102,034	198,671	431,412	618,965
Columbia	495,000	1,396,158	3,256,785	3,685,043
Greenville	592,900	735,600	2,331,609	1,792,693
Spartanburg	112,790	158,142	293,110	340,856
Dist. of Columbia				
Washington	4,942,200	6,223,929	20,150,279	15,261,837
District Totals	$27,191,656	$39,429,153	$100,143,122	$105,308,964

ADDITION TO PAR LIST

The Marion Industrial Bank, Marion, North Carolina, located in the territory served by the Charlotte Branch, has agreed to remit at par, effective at once, for checks drawn on it when received from the Federal Reserve Bank. This bank was recently authorized by the State Banking Department of North Carolina to accept deposits subject to check. The combined A.B.A. transit number-routing symbol of the Bank is $\frac{66\text{-}994}{531}$.

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