

# MONTHLY REVIEW



Foreign cars arrive in increasing numbers at Baltimore's Pier 6.

FEDERAL RESERVE BANK OF RICHMOND

JULY 1958



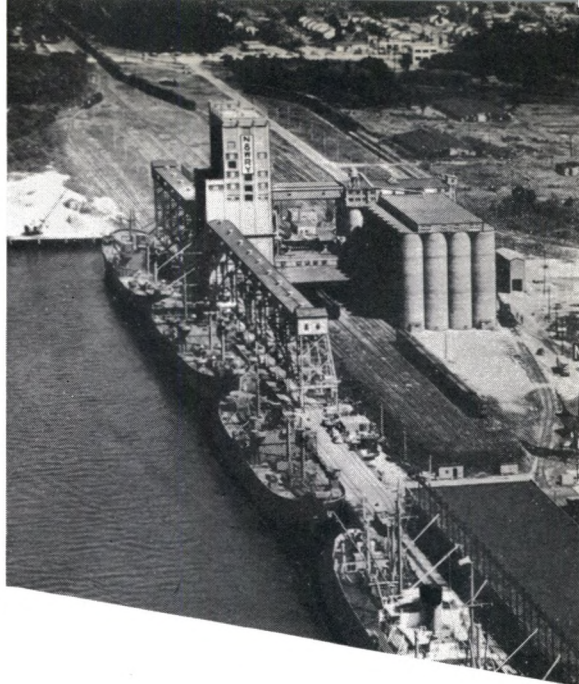
# Ports Are Trade Doorways

The District ports are bustling beehives of activity through which flow about one-fourth of the nation's foreign trade tonnage. Their total waterborne commerce in 1956 was at an all-time high of 139 million tons—almost double the volume of 1950—and available figures indicate that 1957 was another banner year. Foreign trade tonnage in 1957 was up 16% from the year before and had a valuation of more than \$3 billion. It was carried on some 7,200 ships that cleared District harbors bound for exotic places from Hamburg to Bangkok.

**WHAT PORTS ARE** A port has always been a place for loading and unloading cargo between ships and land, and this basic function has not changed since the times centuries ago when Carthaginian galleys plied the trade routes of the Mediterranean. A good port has always been a sheltered, convenient meeting place between land and water with adequate facilities for transferring cargo, plus access to a population wishing to buy or ship merchandise. Strategically located on the Atlantic seaboard, the Fifth District is blessed with several good ports which have played an important role in the region's growth.

To say simply that a port is a place for loading and unloading cargo understates the situation. To accomplish this function, pilots, tug boats, warehouses, stevedores, freight forwarders, brokers, and inland transportation are all necessary. These and other activities draw thousands of dollars into the port and its surrounding territory from each ship that calls.

District port activity is concentrated in the Baltimore Harbor and Channels, the Hampton Roads ports of Norfolk, South Norfolk, Portsmouth, and Newport News, and farther south, Wilmington and Charleston. Of increasing im-



Modern grain storage and handling facilities at Hampton Roads make the area a strong competitor for grain exports.

portance are Washington Harbor, D. C.; the ports of Alexandria, Hopewell, and Richmond in Virginia; Morehead City, North Carolina; and Georgetown, South Carolina.

**WHAT PORTS ARE DOING** District ports are continuing a revitalization program which started after World War II when port cities searched to find ways to maintain the income created by the large wartime export traffic. One aspect has been the establishment of port authorities in states where there was no strong central port management body and the expansion of the scope of activities of existing authorities. Generally, port authorities develop, promote, protect and administer port operations within the state. In addition, the North and South Carolina authorities own and operate a large part of the port facilities.

In each coastal state millions of dollars of public and private funds are being spent for the expansion of terminals. Baltimore, whose facilities are largely owned by the four railroads that serve the port, is well-equipped to handle bulk commodities, such as grain, ore, coal, chemicals, and fertilizers. To augment existing pier facilities, which have a replacement cost of \$1 billion, the Western Maryland Railway has recently spent \$5 million for a new pier and terminal improvements and the United Fruit Company and the Baltimore and Ohio Railroad will next month open a new \$5 million banana pier. In addition, the Maryland Port Authority is in process of acquiring land for a new general purpose pier and has plans for





**Egyptian long-staple cotton is imported through Charleston for manufacture of fine cloth, thread, and insulating material.**

the development of the former municipal airport into a marine terminal.

The Virginia State Ports Authority has recently completed a survey of the Hampton Roads ports which calls for \$76 million in new construction and improvements of general cargo facilities to be accomplished during the next ten years. A project under way, but temporarily halted, is the construction by the Chesapeake and Ohio Railway of a \$8,500,000 coal pier at Newport News. The Federal project to widen the Norfolk ship channel to 1,500 feet will be completed by May 1961 at a cost of \$3,800,000. The \$2,750,000 relocation of the Norfolk and Portsmouth Beltline Railroad bridge is scheduled for completion in October 1958.

North Carolina is currently spending \$3.4 million for warehousing and other facilities at Morehead City and a dock extension and new transit shed in Wilmington. These improvements are to be completed in 18 months.

The South Carolina Authority has under way an \$18 million project in Charleston for the expansion and construction of a bulk cargo dock, a major banana pier, and three general cargo docks, as well as supporting warehouse facilities. The Authority is also purchasing the Seaboard Air Line Railroad dock and waterfront properties. At Georgetown preliminary grading has been



**Tar Heel ports—Wilmington and Morehead City—are doing a land-office export business of native grown flue-cured tobacco.**

started for the construction of a new pier and transit shed at a cost of \$1.5 million. Port Royal is to be opened to ocean commerce with the completion of deep-water dredging of the channel and the construction of a \$1.5 million general cargo unit scheduled for completion by August 1.

**ALL IS NOT ROSY** Of paramount importance to Virginia ports and the Port of Baltimore is the pending North Atlantic Port Differential Case. For more than 70 years the Virginia ports and Baltimore have had export and import rail rates 3 cents per 100 pounds under New York, and 1 cent per 100 pounds under Philadelphia on freight to and from much of the wealthy and highly industrialized Midwest. An imposing part of the export and import traffic of Baltimore and Hampton Roads has come from or gone to this "differential territory." The railroads and port interests at New York and ports north thereof want to eliminate the established port differentials and have the same rates apply between differential territory and all North Atlantic ports.

Of particular importance in the case is a large volume of general cargo—commodities usually



handled in some type of package, crate or drum—for its movement through a port leaves a fat \$10 to \$12 a ton in the port area in contrast, for example, to \$4 from a ton of grain. In 1955, export-import general cargo handled by rail between the differential territory and Baltimore amounted to one-fourth of that port's general cargo tonnage. Authorities estimate that at stake in Virginia are one and one-half million tons of cargo representing port revenues of approximately \$10 million.

The significance of rail differentials is shown by a situation which developed last year in Baltimore. The harbor has long been a principal grain exporting seaport. At the end of 1956, however, serious congestion occurred in the movement of grain through the port. As a result, the Commodity Credit Corporation started paying the difference in rail freight from the Midwest to other North Atlantic ports where the cost was more than to Baltimore. Grain exports through Baltimore in 1957 fell to 58 million bushels from the 1956 peak of 102 million bushels. The Government agency ceased paying this differential early in 1958, and the port hopes to regain a large part of the business lost to Hampton Roads, Boston, and the inland port of Albany.

Another problem facing the eastern seaports is the opening of the St. Lawrence Seaway which is about 85% completed. A low level of Seaway toll rates may well mean that the railroads and coast ports which have handled the growing stream of imports and exports to and from the upper Midwest will lose a tremendous tonnage of freight.

**TRADE PATTERNS** Although District ports are engaged generally in the same type of operation, the ports themselves are quite different as to size,

organization, and facilities as well as the type of waterborne commerce which they handle. Volume-wise, 59% of total waterborne commerce in the District is in foreign trade, but this figure varies considerably from port to port. At Hampton Roads 69% of total tonnage is in foreign trade, whereas Morehead City's share is 25%, and Richmond's 8%. A look at the individual ports helps to explain these differences and provides a more detailed picture of District trade activity.

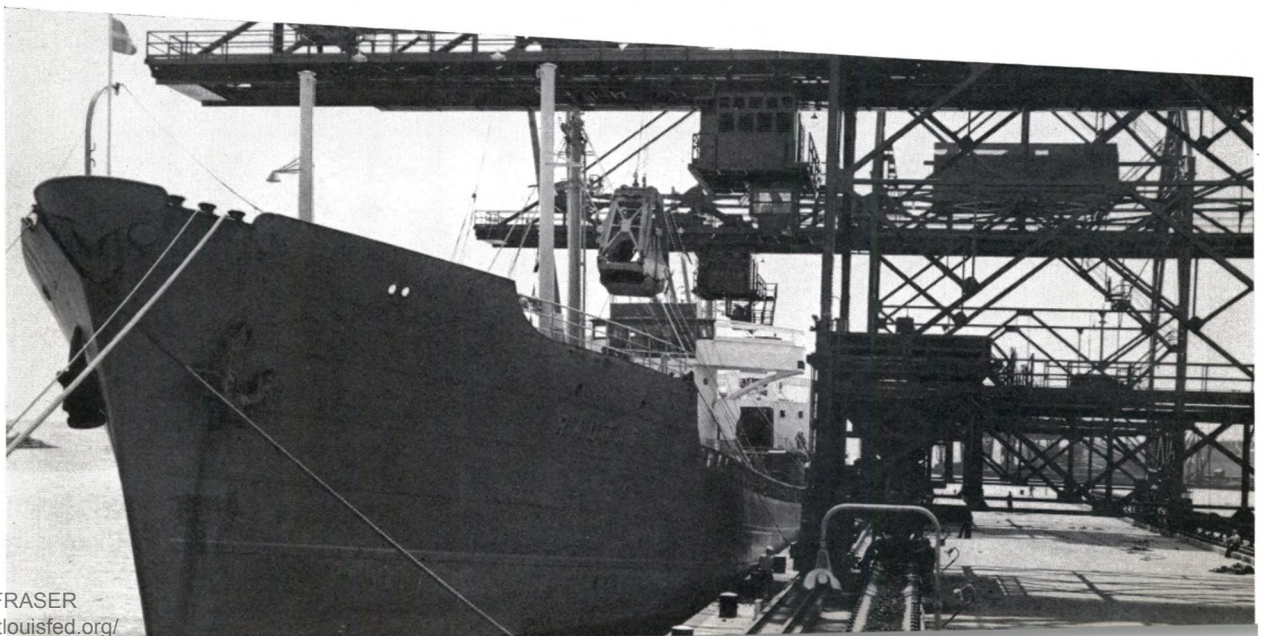
**BALTIMORE** Proponents of this port consider that it has the finest geographical location on the Atlantic seaboard. It is situated near the head of the Chesapeake Bay on the Patapsco River, and is closer by 50 to 150 miles to the agricultural and industrial centers of the inland East and Midwest than any other North Atlantic port. Of the tonnage of commerce passing through the port, well over half is for foreign trade. Four ore piers unload a large part of the metallic ores imported in the United States, and major steel companies have indicated that Baltimore will be one of the chief entry ports for iron ore from new fields developed in South America and Liberia.

A news-making development has been the increase in foreign car imports. A total of 22,000, more than 12% of this country's automobile imports, entered the port in 1957; this was 8,000 more than total imports of the preceding seven years. During the first four months of 1958, foreign car imports numbered 15,872.

**HAMPTON ROADS** Formed by the junction of the James, Nansemond, and Elizabeth Rivers near the southern end of the Chesapeake Bay, this is one of the finest natural harbors in the world.

In 1957 the foreign trade tonnage at the Hamp-

More than 12 million tons of iron ore moved through Baltimore's terminals in 1956—well over one-third of total U. S. iron ore imports.





ton Roads ports exceeded all other ports on the Atlantic coast. This was due primarily to the tremendous volume of export coal. Coal shipments, foreign and domestic, account for about three-fourths of total waterborne commerce through the port. Grain and leaf tobacco are other important export commodities, while residual fuel oil and metallic ores are leading imports. The port is making every effort to capture more of the grain trade, and in April of this year led the nation in grain received for export. Traditionally Hampton Roads has been a bulk port, but recently general cargo has assumed an increasingly important role.

**WILMINGTON** North Carolina's principal seaport, Wilmington, is located on the Cape Fear River, about 30 miles inland from the ocean bar. A channel for deep-draft vessels has been dredged from the mouth of the river to Wilmington.

Only 17% of this port's total waterborne commerce is in foreign trade, but this segment has had the largest increase since 1950. Much of the cargo handled is petroleum products. Quantities of iron and steel scrap are exported and leaf tobacco is gaining in importance. Tonnages shipped from Wilmington were up 34% in 1957, although the national tobacco export total was down slightly. Principal imports are residual fuel oil, fertilizer materials and sugar.

Major commodities handled at Morehead City are petroleum, animal feeds and tobacco. Tobacco exports for 1957 were up over 45%.

**CHARLESTON** The port of Charleston is situated on a protected bay where "the Ashley and Cooper rivers come together to form the Atlantic Ocean,"

as children playing on the Charleston Battery have long been told by their nurses.

Charleston's trade is largely coastwise but next to Hampton Roads and Baltimore, it handles the largest volume of foreign trade of the District ports. Productwise, 72% of its total waterborne tonnage is in petroleum products, but leading imports include bananas and long-staple cotton. Charleston's standing as the nation's leading port of entry for long-staple cotton is currently being challenged, however, because import quotas have been filled by cotton from Mexico which has blocked regular imports from Egypt, Peru, and the Sudan since January.

An interesting development has been the growth of wool imports from 17,500 bales in 1954 to 91,708 bales in 1957. The announcement by Bigelow-Sanford Carpet Company that it will bring all its wool imports through Charleston almost insures further gains for 1958. Formerly, nearly all wool imports entered this country through Boston, New York, and Philadelphia. Charleston's break-through in this field is the result of \$35 million invested in the woolen industry in South Carolina since the end of World War II.

Export commodities include iron and steel scrap and woodpulp. Charleston is the designated port for exports of Bowater's Tennessee woodpulp plant. The new Bowater plant at Catawba should about double the amount of woodpulp being exported through Charleston.

South Carolina's port activity at Georgetown consists mostly of internal trade, wherein the entire traffic movement takes place over inland waterways. Trade is chiefly in pulpwood, residual fuel oil, and paper products.

**Hampton Roads overseas shipments of coal and coke exceeded the 50 million ton mark in 1957 for the first time in its trading history.**





# THE FEDERAL RESERVE SYSTEM

draws on the experience and judgment of many groups in formulating credit policy—the Board of Governors and its staff, the 260 Reserve Bank and branch directors, the Reserve Bank staffs, and the Federal Advisory Council.

## 12 FEDERAL RESERVE BANKS with 24 branches

President, appointed by directors for five-year term, is chief executive of each

Hold member bank reserve accounts

Issue Federal Reserve notes

Act as banks of deposit and fiscal agents for U. S. Government

Operate nation's basic check collection system

Provide flexible supply of currency and coin

Make loans to member banks

Examine state-chartered member banks

## FEDERAL ADVISORY COUNCIL

Twelve members, traditionally bankers, from 12 Federal Reserve districts

Elected annually by Federal Reserve Bank directors

Periodically confers with Board of Governors on general business conditions and makes recommendations to the Board on matters within Board's jurisdiction

While it may appear that different groups within the System are responsible for the three major tools of credit policy—open market operations, reserve requirements, and discount rates—their use is in fact closely coordinated into a single national credit policy through the continuing interchange of information and opinion among the Board of Governors, the Federal Open Market Committee, and the presidents and directors of the Reserve Banks.

## **BOARD OF GOVERNORS**

Seven members appointed to 14-year terms by President, confirmed by Senate  
Exercises general supervision over Federal Reserve Banks, appoints three directors of each Federal Reserve Bank  
Approves appointment of Reserve Bank presidents and first vice presidents  
Reviews fixing of discount rates  
Sets member bank reserve requirements  
Members serve as members of Federal Open Market Committee

## **FEDERAL OPEN MARKET COMMITTEE**

Twelve members include seven members of Board of Governors and five Reserve Bank presidents elected on rotating basis  
Directs System open market operations conducted by its agent, Federal Reserve Bank of New York  
Meetings provide periodic forum for analysis and discussion of important economic developments  
Reserve Bank presidents who are not FOMC members attend meetings and participate in discussions

## **DIRECTORS**

Nine at each Reserve Bank—three bankers and three nonbankers elected by member banks, three nonbankers appointed by Board of Governors  
Administer affairs of Reserve Banks  
Fix discount rates subject to review and determination by Board of Governors  
Elect five members of Federal Open Market Committee and members of Federal Advisory Council  
Board of five or seven directors at each branch

## **6,380 MEMBER BANKS**

All national banks must be members  
State-chartered banks which can meet requirements may be members  
Own all capital stock of Federal Reserve Banks and elect six of the nine directors of each Reserve Bank  
Hold 85% of commercial bank deposits  
Deposits are insured by Federal Deposit Insurance Corporation



# Who Provides the Money for Lending?

By the end of 1957 this country's total debt, public and private, had reached a level of \$853 billion, an increase of almost \$31 billion during 1957. New loans during 1957 were, of course, much greater than \$31 billion, for loans come due, are paid, and are then replaced by new loans. In fact, the repayment of old debt provides the greatest source of funds for the making of new loans.

Beyond this relending of funds, however, there is in most years an increase in total debt as credit needs grow and as additional funds become available for lending. The volume of these additional funds and the means by which they become available to the economy are important to the maintenance of a high level of economic activity.

**SOURCES OF FUNDS** There are only two basic sources of new loanable funds: (1) money saved by individuals and business firms—and even governments—and made available to the credit markets and (2) increases in the money supply created by the nation's banking system in its lending and investment operations. Money savings, in turn, are of two kinds: those placed directly in the credit markets by the savers themselves, and those made available to the credit markets through banks, insurance companies, mutual savings banks, credit unions, and other financial intermediaries.

Nonbank financial middlemen take a large part of the money savings of the country and make them available to a wide range of borrowers. Faced with interest or dividend payments to suppliers of funds, they are eager to seek out income-producing loans and investments. As a consequence, their loans and investments move in quick response to changes in savings made available to them. Some nonbank lenders also look to banks for funds to supplement the savings they acquire. Changes in their bank loans may add to or reduce the funds available to them for lending.

Banks too receive a portion of money savings. Additions to their time deposits improve their reserve position and *may* result in increases in their loans and investments. This result will not always follow, however, for many other factors operate to influence reserves, such as changes in money in circulation, gold movements, and Federal Reserve credit policy moves. As a result, bank loans and investments—unlike those of nonbank financial units—may change by substantially more or



The nation's savers—so important to the financing of its growth—are turning increasingly to financial middlemen.

less than new savings entrusted to them.

**MIDDLEMEN IMPORTANT** The nearly \$31 billion debt increase in 1957 was slightly less than the money savings of that year, due to the operations of the banking system. Bank loans and investments increased by \$4.9 billion, but this fell short of the \$5.5 billion increase that occurred in



time deposits. A policy of credit restraint was in effect during much of 1957, and the result was this rare occurrence of bank operations preventing some savings from finding its way to borrowers.

Of the remaining \$26.0 billion which credit markets received from new savings in 1957, by far the largest proportion—two-thirds—was channeled by savers through financial intermediaries:

- \$1.8 billion through mutual savings banks
- \$5.2 billion through life insurance companies
- \$4.1 billion through pension funds
- \$4.8 billion through savings and loan associations
- \$0.7 billion through sales finance and consumer finance companies
- \$0.5 billion through credit unions
- \$0.5 billion through other consumer outlets
- \$17.6 billion

Besides savings, this \$17.6 billion also included a small, undesignated amount of funds borrowed by financial intermediaries from commercial banks, probably in the vicinity of \$0.5 billion. This reduced the total of savings channeled through financial intermediaries to about \$17.1 billion.

Savers chose to make their own investments in the credit markets with the remaining \$8.9 billion. They acquired almost \$7 billion of bonds issued by business corporations and by governments, Federal, state, and local. Mortgages on 1-4 family houses absorbed \$1 billion, and another \$1 billion was invested directly by savers in mortgages secured by apartments and commercial property.

**OVER THE LONGER PULL** The importance of savings as a source of loanable funds is further apparent in a look at the lending pattern of the years since World War II—1946 through 1957. In that 12-year period, borrowers increased their indebtedness by \$389 billion. Of this increase in debt, savers supplied \$343 billion—88% of the total—directly and through nonbank financial middlemen. The remaining \$46 billion was supplied by commercial banks, aided by a \$26 billion growth in time deposits.

The relative importance of savings as a factor in credit markets varies with the response of savers to varying economic conditions and the influence of other factors upon operations of commercial banks. For example, in the recession year of 1954 a policy of monetary ease contributed to an expansion of bank credit, and commercial banks provided one-third of total funds loaned. This was about double the growth of their time deposits and a much larger proportion than their one-eighth

share of the funds lent over the 12-year period.

**FACTOR OF STABILITY** In recent years savers have increased their reliance upon financial institutions to channel their funds into credit markets. Over the 12-year period 1946-57, savers placed about equal shares of their savings directly into credit markets and indirectly through nonbank financial intermediaries. As noted previously, about twice as large a share of savings was channeled through financial intermediaries in 1957 as was placed directly in the credit markets by the savers themselves.

This trend can be attributed at least in part to the growth of compulsory and contractual types of savings—pension funds, life insurance investments and the like. It is significant because, while subject to economic conditions which affect employment and earnings, the amount of such savings tends to vary less than those dependent wholly upon individual discretion. Contractual saving thus lends a greater degree of stability to the amount of funds available to credit markets.

The tremendous importance of savings as a source of funds to borrowers is apparent. But funds available for lending would be but a drag upon the economy if such funds were forced to lie idle for want of borrowers. There is need for an ever-present volume of borrowing demand to take up these huge sums that individuals, business firms and others wish to lay aside for future use. Who are those who make the trek to the credit markets? And for what purposes do they borrow?

**BORROWERS** Individuals and noncorporate businesses were the heaviest borrowers of new funds in 1957. This group increased its debt outstanding \$14.4 billion during the year. Well over half this increase, \$8.1 billion, was borrowed on mortgages covering 1-4 family residential dwellings. Another \$2.3 billion went into mortgage loans on multi-family residential and commercial properties. As consumers, individuals increased their indebtedness during the year by \$2.7 billion.

Incorporated business firms made up the next largest borrower group. They increased their debts by \$10.8 billion during 1957—all but \$0.4 billion in the form of long-term debt. Indebtedness of state and local governments rose \$4.5 billion during the year. The Federal Government actually reduced its direct debt during 1957 by \$1.7 billion, but agencies of the Federal Government increased their indebtedness by \$2.9 billion, for a net increase of \$1.2 billion in the Federal Government sector of the economy.



# The Fifth District

The District shared with the national economy the signs of a leveling off in May and early June. Construction contract awards bounded upward, and both employment and unemployment figures reflected improvement or at least no further decline. The giant textile industry, however, showed no clear sign of the improvement that has been so long-awaited.

**GOVERNMENT WORKERS** The recent pay increase will bring added income to 300,000 Federal Government white-collar workers and postal employees within the Fifth District. A 10% raise was authorized first for postal workers and later for employees in the classified civil service system and employees of the Congress, Federal Courts, Foreign Service, Atomic Energy Commission, and the medical service of the Veterans Administration. District annual incomes will rise by \$155 million, and since the raise is retroactive to January, back pay of nearly half that amount is expected to be distributed this month. This should provide a substantial stimulus to retail sales and other consumer spending.

It points up the importance of Federal civilian employment in the District. Not surprisingly, the government accounts for nearly one-half of total employment in the Washington metropolitan area, and the proportion is substantial, though much smaller, in other areas of the District. Maryland and Virginia, outside the environs of Washington, have 6% and 7% of their employed on Federal payrolls, and South Carolina 4%. These relatively high percentages are partly accounted for by the extensive military installations

in these three states, which give rise to more than one-half total Federal employment in each. Military installations and the presence of the national capital combine to give the Fifth District nearly one-fifth of total Federal civilian employment within the United States.

Impressive as this figure is, its importance is overshadowed in the District outside the Washington metropolitan area by the numbers employed by state and local governments. About 420,000 persons earn their living from the latter, as opposed to the 180,000 working for Uncle Sam in the five states.

All levels of government taken together have two-thirds as many workers as do all manufacturers in the Fifth District. The 850,000 total is but little less than total employment in retail and wholesale trade, and is nearly twice the numbers employed by the expanding service industries. In short, government is an important component of the District economy and the stability of its employment has helped to keep much of the District secure from the blast of recession.

**EMPLOYMENT** Total employment moved up slightly in Maryland and Virginia in May and showed signs of stabilizing in the Carolinas. While the chief gains came in contract construction, perhaps the biggest news lay in the little change shown in the number of manufacturing workers, for here occurred the greatest declines over the past year. A gain of slightly less than 1% was shown in durable goods manufacturing, hardest hit of the major employment categories. Trade, financial, and service establishments continued

Federal Government postal and white collar workers go home this month with fattened pocketbooks as a pay increase takes effect.







About one in every five Defense Department civilian employees works in the Fifth District, many in the Pentagon Building.

their increase of workers.

Lower insured unemployment rolls in several District states for the first week of June reflected the improved employment situation, as well as some further cut in compensation recipients through exhaustion of benefits. All states of the District now show some—or considerable—improvement from their highs in the rate of insured unemployment, that is, insured unemployment expressed as a percentage of covered employment. The table points up the generally favorable standing of the District states relative to the United States.

#### INSURED UNEMPLOYMENT AS A PER CENT OF COVERED EMPLOYMENT

	June 7 1958	1958 High	
Maryland	5.5	6.9	March 1
District of Columbia	1.6	2.3	February 22
Virginia	4.0	4.9	March 1
West Virginia	13.3	14.2	May 10
North Carolina	6.9	8.4	January 4
South Carolina	5.0	7.4	January 11
United States	6.7	8.1	April 12

**TEXTILES** In spite of the continuation of the sluggish market that has plagued the textile industry for many weary months, mills are taking heart from the price stability of recent weeks. Opinions have been expressed on both sides of the market that prices have reached the end of the

line on their long downhill ride. The implication is that a rise should be the result of the next play of market forces. This might well result if the next six months bring a marked recovery in general business conditions. Basically, however, there still exist a number of depressing factors and uncertainties that need to be eliminated before Fifth District mills can begin to enjoy any lasting price improvement.

The immediate uncertainty relates to market developments when operations are resumed after the early July vacation shutdowns. Developments then should indicate whether the price rise during May for both cotton and man-made fibers was only a flurry or the stirrings of a more fundamental improvement. Other problems stem from the uncertainties of the next cotton crop and the fourth quarter prices of quality cotton, as well as from the amount of production curtailment still necessary. Spokesmen for the industry feel also that further liquidations of marginal mills will be a necessary prelude to recovery.

The market for cotton print cloth continued through June to show interest in orders for fourth quarter delivery. The catch was that there was no meeting of minds on prices. Faced with the prospect of higher costs and hoping for higher selling prices, producers have been reluctant to tie fourth quarter sales to the current price level. Buyers, on the other hand, have backed away from making commitments at higher prices and continue to make relatively small purchases for near-by delivery.



The severely depressed industrial cotton goods market has seen many items selling below cost and now faces the prospect of higher raw material costs. But even here there are faint rays of hope as the Draconian measures taken by producers in recent months to curtail output begin to bite into heavy inventories. The sales pace continues generally slack, but an increased volume of orders has been received in recent weeks from the auto industry. However modest such orders so far, their origin is sufficiently important in itself to offer considerable encouragement to fabric mills. Here, as in most major areas of textiles, mills hope that current price stabilization after so long a time of decline will soon lead to price improvement.

**CONSTRUCTION** District construction contract awards for May posted a 27% gain over April and went ahead of May 1957 by one-third. While the big gain was in public works and utilities projects—up three-fourths from a year ago—each major category showed increases over April and over May 1957. May was the first month in 1958 to surpass the same month of last year, and its big jump brought accumulated awards for the first five months within 3% of the corresponding total of 1957.

**BITUMINOUS COAL** Mine output started to improve in May and its rise continued into early June. Production for the four weeks ended June 14 was up one-fifth from the four preceding weeks, and while still lagging last year's tonnage by one-fourth, this is a distinct improvement.

It was reported to be due to better coal demand occasioned by increased steel production and electric power generation. Both continued stronger into June and may well have been accompanied by a continuing good showing for bituminous coal. Further signs appear that foreign shipments have now leveled off after a precipitate drop during past months.

Domestic loadings through District ports continued to decline, however, and in the four weeks ended June 14 they were about one-fourth under the same period a year ago. This is said to have been due to a surplus of heavy fuel oil on the eastern seaboard in May. Consumers in a position to switch readily from coal to oil did so, spreading price weakness to coal and cutting down on waterborne coal shipments.

**SOIL BANK PROGRAM** Final reports on participation in the 1958 soil bank acreage reserve program show that District farmers will remove

1,008,000 acres from the production of allotment crops this year. This is 55% more than in 1957 and brings into the acreage reserve nearly one-fourth of the total acreage allotted for 1958 production of cotton, tobacco, corn, and wheat.

If District farmers who have signed acreage reserve agreements comply with the program, they stand to receive a maximum of \$65 million, as compared with \$37 million last year. Cotton farmers, with 558,000 acres reserved, will be paid \$37 million, while acreage otherwise to be used for tobacco, corn, and wheat will produce payments of \$15 million, \$8 million, and \$5 million.

The cotton acreage reserve includes 45% of the total cotton acreage allotment. If the remaining acres are all planted and harvested, harvested acreage will be 19% smaller than in 1957. In fact, it will be the smallest cotton acreage harvested in District states since record keeping began in 1866. Wheat acreage, under this assumption, will be down one-fourth from last year, while tobacco will show only a slight decline.

**BANKING** Fifth District banking activity in recent weeks has been characterized by a sharp increase in deposits, a rise in Government and other security holdings, and marked expansion in loans to banks and to brokers and dealers in securities.

Total loans of District weekly reporting banks rose about \$64 million in the four weeks ending June 18 to approximately 2% above their January 1 level. So far this quarter the increase has been about three times that of the comparable 1957 period.

Business borrowing, however, has thus far shown no signs of returning strength. Business loans have dropped practically every week since the end of March—a much weaker situation than existed a year ago. Consumers, too, continue to incur less bank debt than was the case last year.

#### PHOTO CREDITS

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