MONTHLY REVIEW

Manufacturing wages and salaries contributed over $5 billion to total personal income of Fifth District residents in 1958.

FEDERAL RESERVE BANK OF RICHMOND NOVEMBER 1959

Wallets Were Fatter In '58

"Personal income broke all records in 1958!" . . . or "Income's 1958 gain was less than it had been since '54." Accentuate the positive—or the negative—either statement is equally true of the $356 billion personal income received by persons living in these United States last year. The $2,057 per capita personal income was a record breaker, too. On the other hand, its $14 increase over the year before was the smallest of any of the eighteen year-to-year increases which occurred in the past twenty years.

CONSIDER THE CIRCUMSTANCES In the early months of 1958, the shadows of recession still hovered over the nation. Business activity moved at a slow pace. Unemployment was a very real problem in certain areas. Not until early summer did it become generally evident that the downpull of recession was giving way to the upward push of recovery. In rising $8½ billion in 1958, personal income showed remarkable resistance to those strong deflationary pressures which more logically might have been expected to whittle its size. In only four states—Ohio, Michigan, Indiana, and West Virginia—did incomes drop below their total in the previous year.

INCOME BEHAVIOR IN THIS AREA Persons living in Virginia, North and South Carolina, Maryland, and the District of Columbia were among those who shared in the nation's rising income in '58. And gains in total personal income stacked up well with those in other states and in the nation. North Carolina's 6% increase was equaled or exceeded by only eight other states and, percentagewise, was three times that of the United States as a whole. Gains in personal income of Virginia, South Carolina, Maryland and District of Columbia residents were roughly twice the 2% increase registered by all of the United States.

In each of those areas, too, per capita income in 1958 topped that of the previous year and reached never-before-attained levels. Average income per person in 1958 climbed to $2,634 in the District of Columbia; $2,221 in Maryland; $1,674 in Virginia; $1,384 in North Carolina; and $1,218 in South Carolina. Average income of Maryland and District of Columbia residents exceeded the national average by 8% and 28% respectively. Only thirteen other states could point with pride to per capita incomes larger than that for the nation as a whole. Residents of other Fifth District states have yet to build their average incomes to equal that for the United States; however, the gap narrowed slightly in 1958 for Virginia and the Carolinas as their per capita income increased more than the nation's.

Some West Virginians, however, had the misfortune to feel their wallets grow thinner, as total personal income for the state shrank $119 million and income per person averaged $66 less than in 1957. While other Fifth District residents saw their stacks of greenbacks grow, what was happening to their neighbors in West Virginia?

A CLUE IN REACTION TO RECESSION Durable goods industries fell chief victims of the lag in business activity during the recession which cut across portions of both 1957 and 1958. For instance, consumers spent over $8 billion more in 1958 than in the year before. But for what types of goods and services did their money go? More went to pay the grocer, more was spent to buy clothing. Less was allotted to the purchase of automobiles, as consumers strongly resisted the appeal of new cars—and even the temptation to trade for a "newer used" model. Monthly rent, utility bills, and the many other expenses of housing and household operation absorbed a larger share of individuals' budgets in 1958. Kitchen and other household appliances were repaired, given an extra polish—and made to last for a while longer.

Declines in production of automobiles, nonelectrical machinery, and primary and fabricated metals made up three-fourths of the drop in manufacturing last year. Understandably, the burden of this concentrated decline in manufacturing fell most heavily on the nation's highly industrialized regions—Great Lakes, New England, and the Mideast.

CHAIN REACTION Repercussions of the marked contraction in durable goods manufacturing were, however, felt far beyond the borders of the heavily industrialized areas. As production was cut back, demand for fuel and raw materials diminished. With smaller quantities of fuel and materials moving into the nation's factories, and fewer finished products flowing into the nation's markets, use of transportation facilities naturally declined. Income from both mining and transportation dropped in every region last year, and in the majority of states—including Virginia, Maryland, and West Virginia.

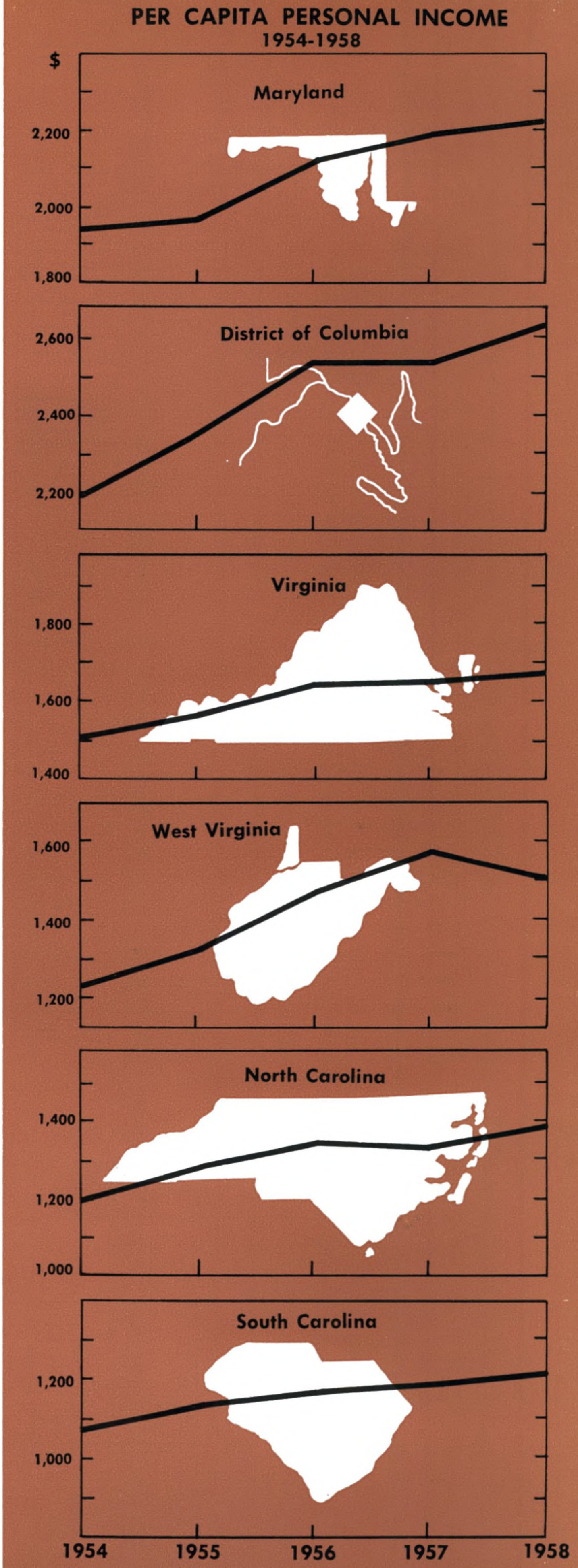
Since mining and transportation industry wages and salaries make up a relatively small proportion of the total in Maryland and Virginia, income there was not too seriously affected. But as demand for coal from West Virginia's bituminous mines plummeted, so did wages and salaries in her second largest income-producing industry. In 1958, West Virginians earning their living directly from mining employment received only three-fourths as much income as they had in 1957. The $113 million reduction in mining payrolls made up over one-half of West Virginia's gross wage and salary decline.

Income from manufacturing—West Virginia's largest source of wages and salaries—dropped more sharply, percentagewise, than in any other Fifth District area. Of the state's many varied manufacturing industries, only paper, printing and publishing, and fabricated metals had larger payrolls in 1958 than in the previous year. With less freight to haul, railroad crews, too, were faced with smaller incomes.

Effects of income losses from major industrial sources penetrated into other areas of the state's economy as well. Less money to spend inevitably meant that some merchandise gathered dust on the shelf, and outlays for nonessential personal services were trimmed. With demand depressed, both trade and service enterprises contributed less to wage and salary income than in the previous year.

The impact of West Virginians' declining incomes was cushioned slightly by rising wages and salaries in finance, insurance, and real estate; communications and public utilities; Federal, state, and local government.

A QUALIFICATION To highlight income gains in Virginia, North and South Carolina, Maryland, and the District of Columbia is not to imply that those areas passed wholly unscathed through the



District incomes come primarily from wages and salaries—and manufacturers and governments are the principal paymasters.

period of business downturn. Wage and salary income declines which did occur in some businesses and industries there were, however, more than counterbalanced by income gains in others, whereas—as has been seen—those income gains which did occur in West Virginia were able to offset partially but not to cancel the losses.

OF SHOES, AND SHIPS, AND SEALING WAX. . . or, more truly, of fabrics, wearing apparel, cigarettes, end tables and beds, paper, shop tools—*ad infinitum*. For manufacturing outpaces all other businesses and industries as an income producer in North and South Carolina, as in West Virginia, and is second only to government (Federal, state, and local totaled) in Maryland and Virginia. Even in the District of Columbia there is a bit of manufacturing—food processing, printing and publishing are the most prominent.

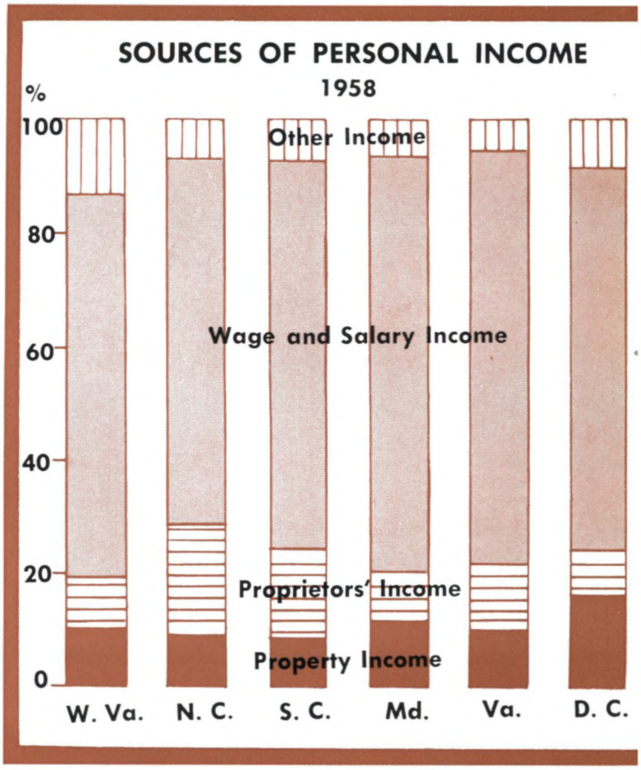
Wage and salary income from manufacturing fell last year in four of the five District areas where total personal income rose, and served to make their gains smaller than they might otherwise have been.

Of the five areas where income rose last year, Maryland is the site of greatest concentration of "heavy" industry—the type which bore the brunt of the recession. Maryland's transportation equipment, primary and fabricated metals, electrical and nonelectrical machinery industries paid over one-half of all manufacturing wages and salaries earned in the state last year. Declines in their payrolls accounted for nearly three-fourths of the gross loss in wages and salaries paid by Maryland manufacturers in 1958. Total wages and salaries received from manufacturing employment dropped approximately 4%—the third largest percentage decline in the District.

So-called "soft goods"—or nondurables—are more characteristic of Virginia, North and South Carolina manufacturing, although products of North Carolina's furniture factories and of Virginia's east coast shipyards are renowned.

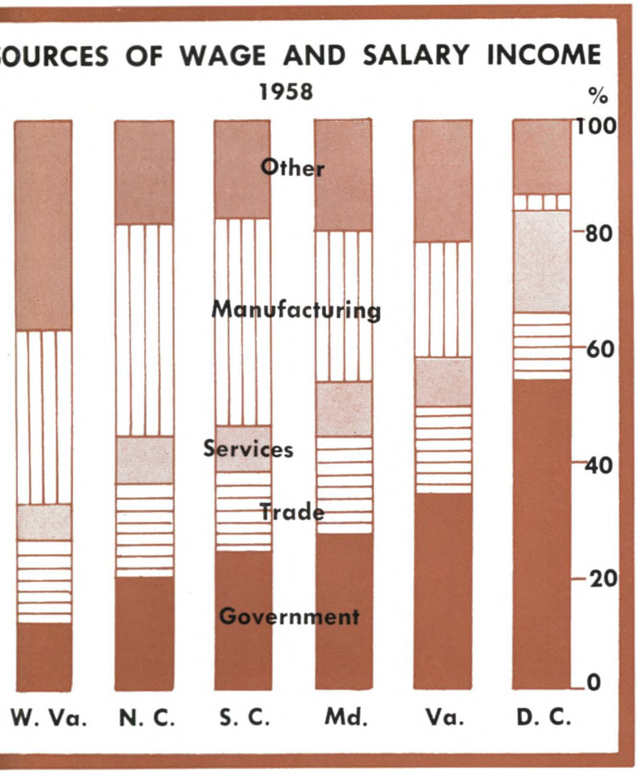
It is necessary to look at few changes other than those in textile manufacturers' payrolls to understand why South Carolina's wages and salaries from manufacturing declined last year and those in North Carolina were held to a fractional gain.

In South Carolina, where well over one-half of all wages and salaries paid by manufacturers originate in the textile industry, the $10 million decline in textile mill employees' earnings made up nearly three-fourths of the gross decline in wages and salaries paid by the state's manufacturers in 1958.



In North Carolina, where textile manufacturing is the source of just under one-half of manufacturers' wage and salary payments, the drop in earnings totaled nearly $20 million, 85% of the gross decrease in manufacturing wages and salaries paid in the state last year. That North Carolinians were able to increase their total earnings from manufacturing employment despite the cutback in textile manufacturers' payrolls was the happy result of an accumulation of small gains from the production of many diverse items, among them tobacco and cigarettes, apparel, paper, chemicals, and machinery.

Declines in earnings of fabric mill workers in Virginia were likewise important income depressants, and earnings in the state's fastest growing industry—chemicals—showed an even larger dollar loss. Third and fourth ranking income-producing industries—food canning and processing and transportation equipment—paid more in wages and salaries last year, however, and so helped limit Virginia's total income loss from manufacturing to a fraction of 1%.



KEYS TO INCOME GAINS Although a tall, thin man, Uncle Sam is the single fattest source of wage and salary income for residents of tiny District of Columbia and of Virginia, and he carries only slightly less weight, incomewise, in Maryland. North and South Carolinians, too, find government employment a lucrative source of income. But in West Virginia, Federal government employment yielded only slightly over 3% of total wage and salary income last year. In 1958, wages and salaries paid to Federal civilian and military personnel contributed $3,670 million to the income of Fifth District residents—$141 million more than in 1957. Of that increase, $137 million went to areas where total income rose last year, while West Virginia's portion of the gain was only $4 million.

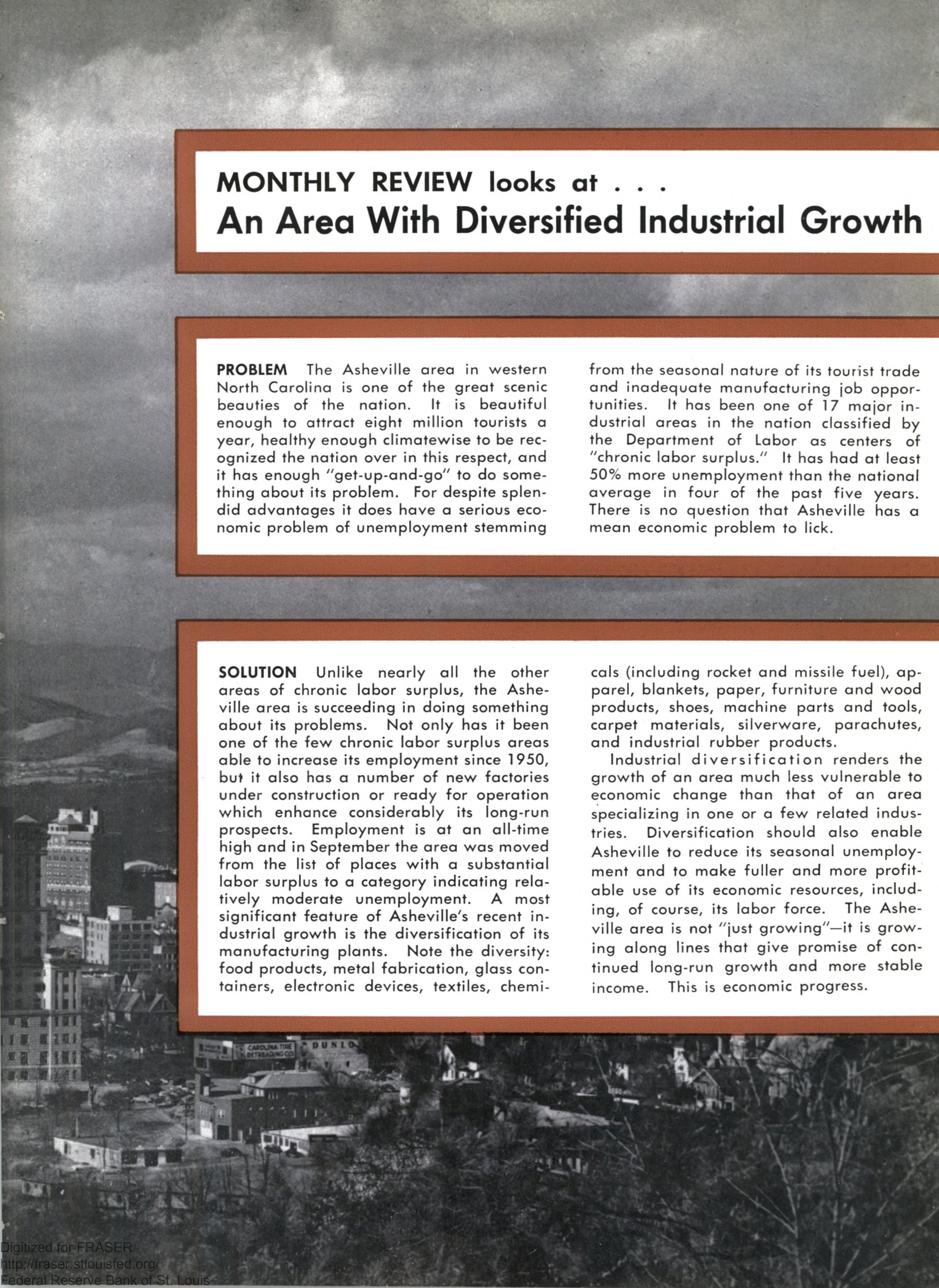
Handling the multiple affairs of states, cities, and counties, too, is big business. Roads must be built, schools operated, taxes collected—to mention only a few of the many tasks that keep employees on the jump. Paying to have this multiplicity of duties attended to in the Fifth District was more costly in 1958—some $172 million more so. This rise brought incomes received last year by residents of Virginia and West Virginia, North and South Carolina, Maryland, and the District of Columbia from state and local governmental sources to a total of $1,600 million.

In warehouses, over the counters of general stores and supermarkets, specialty shops and department stores—in small towns, suburbs, and cities—over 900,000 persons were occupied last year distributing merchandise to residents of and visitors to this five-state area. Of the Fifth District areas where total income rose last year, only in the District of Columbia was trade's contribution to wage and salary income smaller than in the previous year, and the dollar decline was not sufficient—in the light of other income gains—to depress the total appreciably.

Even as consumers must be provided with the goods they seek, so also must they be furnished with the services they demand. Last year, people spent more for recreation, education, medical care, personal business, and the many other items characteristically termed "services." Increased outlays for these "health, welfare, and happiness" items were reflected in rising wages and salaries paid to those who were engaged in supplying them—in the nation and in this area as well, except in West Virginia. Service industries contributed over $1,770 million to Fifth District wage and salary income last year. The entire increase over the previous year—a little over $100 million—was distributed among those areas where total personal income rose. In West Virginia, income from service enterprises was approximately $1 million smaller than in 1957.

NOT TO BE MINIMIZED Smaller—but still vital—contributions to incomes of Fifth District residents were made by rents, dividends and interest (property income), and by net business earnings of owners of unincorporated enterprises and of self-employed persons—farmers, doctors, dentists, and the like (proprietors' income). "Other" labor income (directors' fees, for instance, or contributions under private pension, health and welfare plans), together with transfer payments from both private and public sources comprised a minor share of the total.

Gains in income from each of these sources occurred in Maryland, Virginia, North and South Carolina, and in all except "other" labor income in the District of Columbia. In West Virginia, property income and transfer payments rose, but proprietors' and "other" labor income fell short of the previous year's.



MONTHLY REVIEW looks at . . .

An Area With Diversified Industrial Growth

PROBLEM The Asheville area in western North Carolina is one of the great scenic beauties of the nation. It is beautiful enough to attract eight million tourists a year, healthy enough climatewise to be recognized the nation over in this respect, and it has enough "get-up-and-go" to do something about its problem. For despite splendid advantages it does have a serious economic problem of unemployment stemming from the seasonal nature of its tourist trade and inadequate manufacturing job opportunities. It has been one of 17 major industrial areas in the nation classified by the Department of Labor as centers of "chronic labor surplus." It has had at least 50% more unemployment than the national average in four of the past five years. There is no question that Asheville has a mean economic problem to lick.

SOLUTION Unlike nearly all the other areas of chronic labor surplus, the Asheville area is succeeding in doing something about its problems. Not only has it been one of the few chronic labor surplus areas able to increase its employment since 1950, but it also has a number of new factories under construction or ready for operation which enhance considerably its long-run prospects. Employment is at an all-time high and in September the area was moved from the list of places with a substantial labor surplus to a category indicating relatively moderate unemployment. A most significant feature of Asheville's recent industrial growth is the diversification of its manufacturing plants. Note the diversity: food products, metal fabrication, glass containers, electronic devices, textiles, chemicals (including rocket and missile fuel), apparel, blankets, paper, furniture and wood products, shoes, machine parts and tools, carpet materials, silverware, parachutes, and industrial rubber products.

Industrial diversification renders the growth of an area much less vulnerable to economic change than that of an area specializing in one or a few related industries. Diversification should also enable Asheville to reduce its seasonal unemployment and to make fuller and more profitable use of its economic resources, including, of course, its labor force. The Asheville area is not "just growing"—it is growing along lines that give promise of continued long-run growth and more stable income. This is economic progress.

AROMATIC
. . . a new tobacco for this area

Aromatic tobacco—a flavorsome leaf with a pronounced aroma—has long been a standard ingredient in the recipes of the popular blended cigarettes so familiar to American smokers. Manufacturers blend it with domestically grown flue-cured, burley, and Maryland tobaccos to help provide that flavor and aroma so distinctive in an American cigarette.

Through the years cigarette manufacturers have had to import most of their supplies of aromatic tobaccos from countries of the Mediterranean and Black Sea areas. These tobaccos—more commonly referred to as Turkish tobacco—have come chiefly from Turkey and Greece. Last year the nation's cigarette makers bought about 105 million pounds of this foreign-grown leaf.

United States production of aromatic tobacco is still quite limited. Authorities estimate that it averages about 1 million pounds annually. This is a little less than 1% of the Turkish leaf imported by the cigarette industry each year to blend with other tobaccos.

Authorities of the U. S. Department of Agriculture believe that manufacturers have been using more of this Turkish leaf in their cigarette recipes in recent years. They estimate, for example, that the average American-made cigarette now contains about 10½% aromatic tobacco compared with 8½% five years ago.

NEWCOMER TO FARM SCENE Though tobacco was given to the world by natives of the Americas, Turkish leaf is a relative newcomer to this country's agricultural scene. For several years now it has been grown successfully by farmers in the Piedmont and mountain counties of Virginia and the Carolinas. What many growers began as an experiment has developed into a profitable source of supplemental farm income.

This little-leafed tobacco that's so important in a cigarette appears to be getting more and more of a foothold in this section. Last year it was grown in 56 counties in the Virginia-Carolinas area; ten years earlier this so-called Turkish tobacco was produced in only 13 counties. Some 560 farmers tried their hands at growing the crop in 1958 and produced a total of 264,000 pounds of leaf. The tobacco sold for an average price of 86.4 cents per pound and brought growers more than $228,000. The price of the three top grades ranged from a little better than $1.00 to $1.37½ per pound.

The average yield per acre is not available for the three-state area. North Carolina's harvested yields per acre in 1958, however, averaged just under 1,000 pounds. Some farmers are producing an average of 1,200 pounds to the acre through mechanization and use of the most recent methods of production, harvesting, and curing.

Production of aromatic tobacco requires a great deal of hand labor—from 600 to 700 man-hours per acre when recommended practices are followed and even more when old methods are used. For this reason, most farmers who grow this type of tobacco can handle only a small acreage—one or two acres, or less. Even so, production of Turkish leaf has proved attractive to a number of farmers, especially those having small farms with large families which can provide the needed labor.

AN UNUSUAL TOBACCO There are important differences between aromatic tobacco and the familiar flue-cured variety. Some of them, no doubt, have put a number of farmers in the mood to try their hands at growing the Turkish types.

There are no marketing quotas and acreage allotments on the aromatic leaf. This has made it attractive to many farmers who wanted an additional cash crop that would help replace some of the income lost by their shrinking allotments on other crops. Farmers are intrigued, too, by the dollar-a-pound-and-better return paid for top-quality leaf.

Typical Turkish leaves are quite small, measuring only 5 to 6 inches long and from 2 to 3 inches wide. To produce high-quality aromatic tobacco, both rows and plants must be spaced close together. This means that 60,000 to 70,000 plants are required to set one acre, about ten times the flue-cured average.

The aromatic producer doesn't have to top or sucker his tobacco. Nor does he have to sort it into different grades after it is cured. He harvests his crop while the leaves are still green, stringing them on wire rods as they are pulled from the plants in the fields. And he must let the tobacco wilt and yellow for about three days

Unusually small leaves—about 5 to 6 inches long—and closely spaced plants are characteristic of aromatic tobacco.

Leaves of aromatic tobacco are strung on wires and hung on racks to permit the circulation of air as they wilt and cure.

Aromatic tobacco, unlike other types, is baled before it is marketed and is sold under contract rather than at auction.

before putting it into the curing barn. After curing, he must pack it in burlap-wrapped bales weighing not more than 25 pounds each before it can be marketed.

There's no mystic sound of the auctioneer's chant on the aromatic market because the grower sells his tobacco under contract rather than at auction. Representatives of the contracting company weigh and grade each bale and purchase it according to the grade-price basis set forth in their contract with the farmers. Prices assured growers under the contract range from 15 cents per pound for low-quality leaf to $1.37½ per pound for the highest grade.

HOW IT ALL STARTED Aromatic tobacco was first produced commercially in this country in 1948 in a few Piedmont and mountain counties of Virginia and the Carolinas. This commercial undertaking, however, was preceded by nine years of experimental work with the small-leafed tobacco.

Experimental plantings were first begun by Duke University in 1939. Success of the early tests and the difficulty of importing aromatic tobacco from abroad during World War II intensified interest in these experiments. And so specialists from the Agricultural Experiment Stations and Extension Services of North and South Carolina and Virginia joined Duke University's research staff in carrying out further experiments in several areas. These tests, made under actual farm conditions, further proved that quality aromatic tobaccos could be grown and cured successfully on many farms in the Southeast.

Organization of a marketing and processing company with headquarters in Anderson, South Carolina, was the next step. This was in 1948, the year commercial production began. The company contracted with farmers to buy their tobacco on a grade or quality basis, paying them a specific price for each of seven designated grades. Production of the new crop has since spread to other areas, but the South Carolina firm continues to buy all the Turkish leaf produced in the country.

A CROP IN DEMAND American smokers are puffing their way through a record-breaking 460 billion cigarettes this year, and authorities estimate that the number smoked by 1975 may approximate the 700-billion mark. Unless smokers change their tastes in cigarettes and cause manufacturers to reduce the amount of Turkish leaf in their blend formulas, it appears that the demand for aromatic tobacco will continue its upward trend.

the FIFTH district

During recent weeks the business situation in the Fifth District has generally held firm against the growing depressiveness of the steel strike, still the single big factor. Diverse forces—reflecting the basic character of the District's industrial pattern—have held employment fairly steady in spite of the strike. Leading District industries such as textiles, chemicals, furniture, cigarettes, all continue to support a high level of business activity. Employment generally exceeds 1958 levels and has fallen only slightly below the peak 1959 levels established prior to the strike.

The really noticeable effects of the strike are still concentrated in certain areas of the District but the impact is definitely spreading. The most recent information from the states of the District may be summarized as follows:

Maryland has about 22,000 idle steelworkers (28,000 union members from closed plants less about 6,000 standby maintenance workers) and about 9,300 out of work in related industries due to the strike. The secondary unemployed are mainly railroad and other transportation, metal products fabricating and assembly, and construction workers, although other manufactures and wholesale and retail trade are also affected. All of these inactive employees with the exception of about 500 workers are in the Baltimore area. The total number of workers idled by the strike is about 2.6% of Maryland's labor force.

West Virginia has approximately 8,000 idle steelworkers, more than 90% of whom are in the six counties of the northern panhandle which are outside of the District. In addition, over 5,000 workers in steel-related industries other than mining are currently idle, of whom about 3,500 are estimated to be in the District. Most of these are in metals and metal products manufacturing, glass, transportation, chemicals, and construction. The impact of the strike has added a total of around 7,700 to West Virginia's ranks of unemployed miners. Total strike-related unemployment in West Virginia has, therefore, grown to about 12,700. Total nonfarm employment before the strike numbered about 460,000.

Virginia has about 500 striking steelworkers, all in the Roanoke area, and about 2,500 workers secondarily idle, mostly in mining and railroads.

When steel production resumes molten pig iron will again fill this 750-ton Sparrows Point open hearth furnace, idle since July 15.

North Carolina and South Carolina, where steel does not directly influence employment, are enjoying the lowest rates of unemployment since 1955. Textile producers are continuing to operate under the assurance provided by substantial backlogs of orders. In the case of some broadwoven fabrics deliveries are booked as far ahead as the third quarter of 1960.

THE BALTIMORE STORY The Baltimore area, the center of District steel output and most critically affected by the strike, merits special attention. On the basis of productive capacity, Baltimore steel represents 6% of the nation's steel industry, 89% of District steel. During recent periods of normal operation Baltimore steel has accounted for 12% of all manufacturing employment in Maryland.

LOST WAGES, LOST BUYING POWER Recent estimates of weekly lost wages caused by the strike in the vicinity of Baltimore amount to $2,850,000 for striking steelworkers and $750,000 due to other job losses caused by the strike. This is a total weekly wage loss approximating $3,600,000. Even this amount, which is a bit conservative as compared to some published figures, represents over 5% of average weekly personal income for Anne Arundel County, Baltimore City and Baltimore County combined.

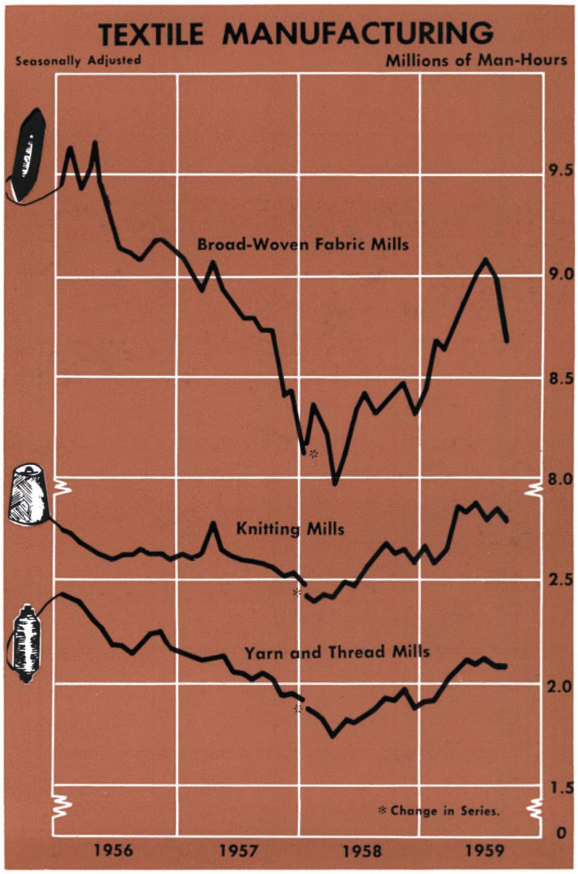
STEEL SUSTAINS PORT TONNAGE The importance of steel in Baltimore is evident in the record of port activities. Total waterborne tonnage for the port of Baltimore in 1958 is estimated at 33,000,000 tons, of which foreign trade accounted for 22,400,000. Total imports amounted to 16,700,000 tons, 11,820,000 of which consisted of iron, manganese and chrome ores. The port is, therefore, currently dependent upon steel for 71% of its import, 53% of all foreign, and 36% of the annual total of waterborne tonnage of all types. Because of the long-term contracts under which the ore ships operate, there has been no perceptible drop in ore imports. Nevertheless the accumulation of stock-piled ore will eventually have to be taken into account.

MIXED TRENDS Other indicators of Baltimore business trends present a mixed picture. Bank clearings, output of electricity, and value of building permits are for the first nine months of this year 9%, 9% and 11%, respectively, above 1958 levels. As elsewhere, automobile sales are making a strong start approaching the records set at the beginning of the peak 1955 model year. Yet Baltimore department store sales, after taking normal seasonal changes into account, have moved downward 7% from July to August and 13% between August and September. Department store sales, after equalling or slightly exceeding 1958 during the pre-strike months, dropped 7% below 1958 in August and September.

DISTRICT MAN-HOURS DOWN Probably the most tangible evidence of the widening effects of the steel strike is the continuing decline in man-hours worked in District manufacturing industries. September figures, allowing for normal seasonal changes, show a decline of 1.5% from the August level which was in turn lower than July by the same percentage. The over-all downward trend is indicative of decreased production and lower total wage payments. Primary metals and furniture showed slight gains from the curtailed August levels while machinery continued to advance.

TEXTILES TONE UP BUSINESS OUTLOOK Textile markets are continuing their upward trend. Producers report substantial order backlogs with production of print cloths 90% sold for the 1960 first quarter and 60% to 70% sold for the second quar-

Man-hours worked in textile mills, currently supported by unusual strength in the markets, are well above 1958 levels.



ter. Converters are showing some desire to place orders for third quarter delivery. However, rising cloth prices and lower cotton prices have strengthened the position of manufacturers. The expectation of further changes is apparently causing some reluctance on their part to accept any substantial volume of orders so far ahead.

Gray goods woven from man-made fibers are showing a rising demand. Yarn mills are operating with substantial order backlogs and early October inventories were reported equal to less than one week's production in contrast to inventories equal to two weeks' production at the same time last year. Demand is currently strong for women's seamless hosiery and for spring lines of socks and anklets. Sales of full-fashioned hosiery and leotards are reported to be slow. A few scattered indications of the effects of the steel strike on the retail demand for knit goods are appearing, but no evidence of this is yet apparent at the mills.

FURNITURE SETS FAST PACE Operations at District furniture factories continued high in September. Production and shipments each rose for the third consecutive month to what is probably an all-time high for the industry. New orders in October rose slightly from an already relatively high rate and backlogs of unfilled orders, although down slightly from the record August figure, still added to an impressive total. The fall showings of the southern furniture market wound up at the end of October with reports of record-breaking attendance and buying activity.

NONRESIDENTIAL CONSTRUCTION STRONG Contract awards in the District fell sharply in August from June-July levels. In September, however, awards rose to the second highest level for that month, exceeded only by September 1958. A drop in residential construction was more than offset by a 69% rise in nonresidential building compared with last year. Total contracts awarded for the first nine months of the year were up 5% over 1958—with nonresidential showing the largest gains.

BITUMINOUS COAL Daily output of coal at District mines in September and the first half of October continued to run almost one-fifth below the high level for this year achieved in June. The 458,000 tons averaged for this period compares with 445,000 tons mined the first four weeks of the steel shutdown which began July 15. District production for the year to date is still slightly ahead of a year ago.

AGRICULTURAL SITUATION Good midsummer growing conditions helped many crops overcome the effects of the June drought, but yields are still generally lower than those of last year's excellent harvest. However, farmers planted substantially larger acreages of all major Fifth District crops except peanuts and hay. As a result, the U. S. Department of Agriculture estimates that the tobacco, corn, and soybean crops will be slightly larger than last year, and that the cotton crop, on 56% greater acreage, will be up by 38%.

On a less rosy note, heavy rains during the harvest period reduced the quality and yield of tobacco and cotton in many areas. In addition, not all regions are sharing in the increased production. In the Eastern North Carolina Belt, for example, flue-cured tobacco production is down about 8% as compared with last year.

Cash receipts of Fifth District farmers in the first eight months of 1959 were 4% below those received in the same period of 1958. A drop of 7% in livestock receipts more than offset a slight increase in sales of crops. Income from the fall crop harvest, however, is yet to be reported.

BANKING The effects of the steel strike have now clearly spread to District member banks. Gross loans were still rising pretty rapidly the first three weeks of October, giving a superficial appearance of strong loan demand. On closer examination, however, it's apparent that much of the increase resulted from substantial lending of short-term funds to banks outside the District. Such loans—or Federal funds sales as they are called—are made only when banks have excess funds not needed for other purposes.

The banks' investment and borrowing activities provide further evidence of lessened pressures. Even with loans increasing rapidly, 20 of the District's largest banks were able to expand investments by .8% between September 30 and October 21—a noticeable reversal of the steady liquidation earlier during the year. Daily average borrowings of member banks at the discount window these same weeks slid to a five-year seasonal low of just $15 million.

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