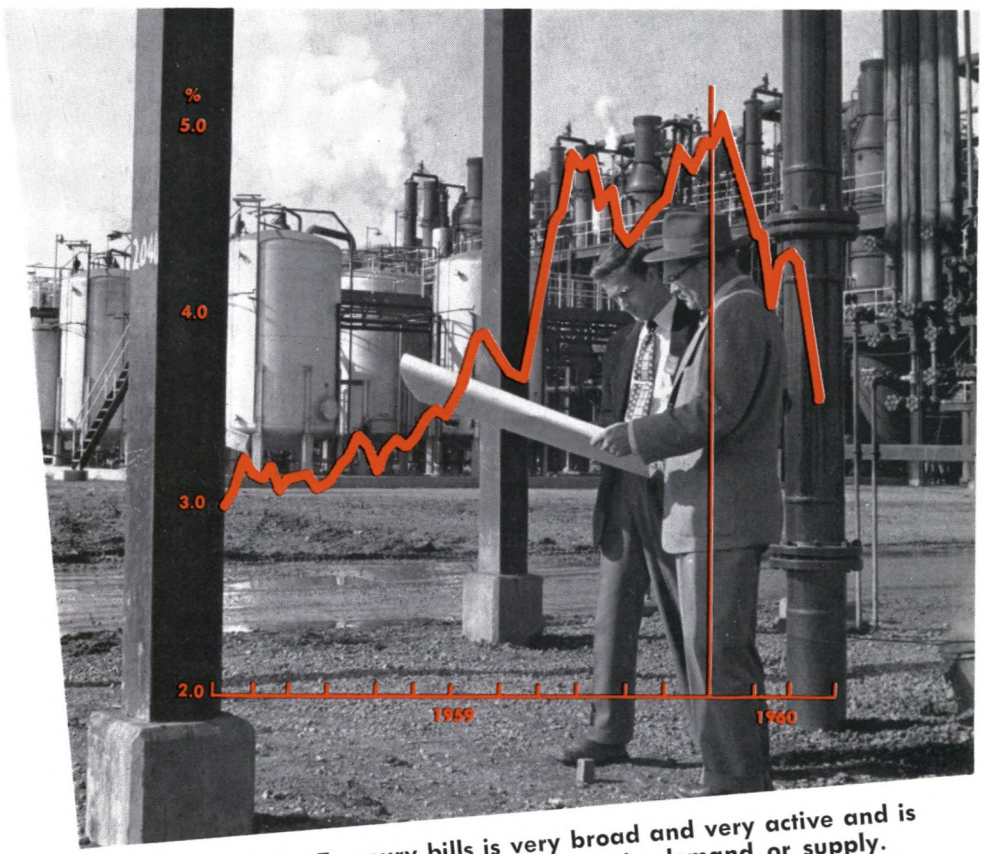
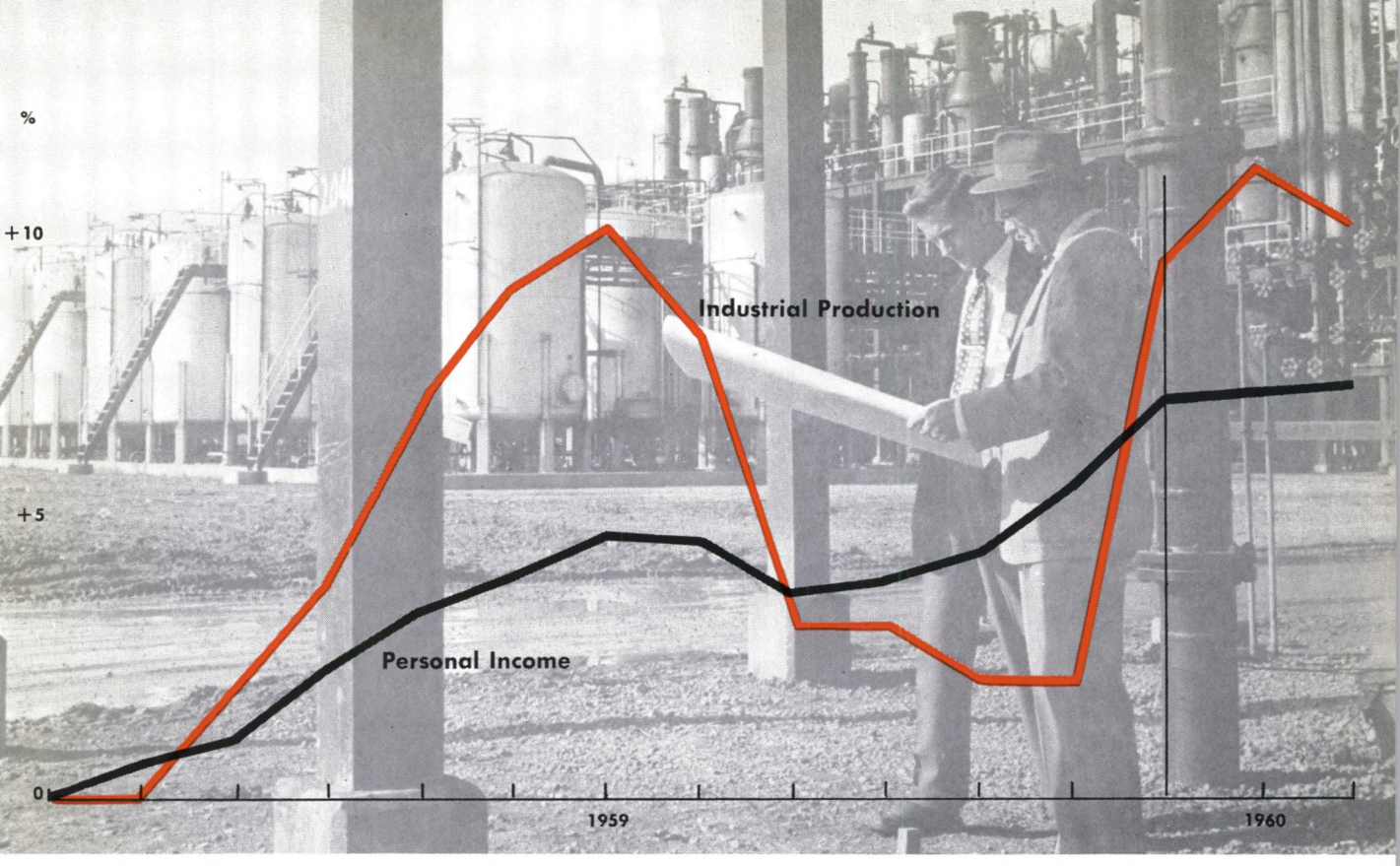
MONTHLY REVIEW



The market for Treasury bills is very broad and very active and is quickly sensitive to small fluctuations in demand or supply.

FEDERAL RESERVE BANK OF RICHMOND

APRIL 1960



Credit and Interest Rate Developments

During the first quarter of 1960, interest rates in the nation's highly competitive security markets have been in a downward trend. Three-month Treasury bills were priced by the market to yield over 4½% during the first week of the year. By late March investors in this security were willing to pay a price which put the yield around 2¾%.

In 1959, interest rates trended persistently upward establishing new post World War II highs. The yield on three-month Treasury bills, again illustrative of rate movement, rose from a little over 2½% early in the year to over 4½% in late December.

A larger amount of spending rested on borrowed money in 1959 than ever before in any peacetime year. Total debt in the economy was pushed upward by approximately $60 billion—estimated to be a one-third greater increase than in any other peacetime year.

The most significant economic aspect of this huge boost in the indebtedness of individuals, business firms and governmental units lies in the source of the funds. Money that is made available to borrowers must come from one of two possible sources: from someone giving up the ability to spend now in order to make the funds available to the borrowers, that is to say, from saving; or from the manufacture of new money. Rapid rates of economic growth tend to generate upward price pressures. The creation of new money under such conditions accentuates the inflationary tendencies. The attraction of saving to meet borrowers' demands, on the other hand, has a salutary effect, reducing expenditures for goods and services while making funds available to meet borrowers' demands for such expenditures.

In 1959, borrowers obtained their funds almost entirely from savings. Thus far in 1960 savers have supplied all the funds that have been made available to meet borrowers' demands.

BANKING UNDER PRESSURE Commercial banks, the private money-creating institutions among American financial businesses, increased their loans by over $12 billion in 1959, an annual increase approached only in the previous record year, 1955. This lending activity did not, however, generate a comparable increase in the nation's active money supply. The money supply (demand deposits adjusted plus currency outside the banks) at the close of December 1959, amounting to $144.9 billion, was only $700 million above

its level at the beginning of the year. Although the money supply increased very little, investors added a record volume of highly liquid assets to their holdings in 1959. Not only was the money supply not substantially added to by this unusually high level of bank lending, the banks' total deposits actually declined slightly over the year. Since bank loans generally generate deposits, how could such an enormous volume of lending fail to be reflected in either deposits or in a substantial increase in the money supply?

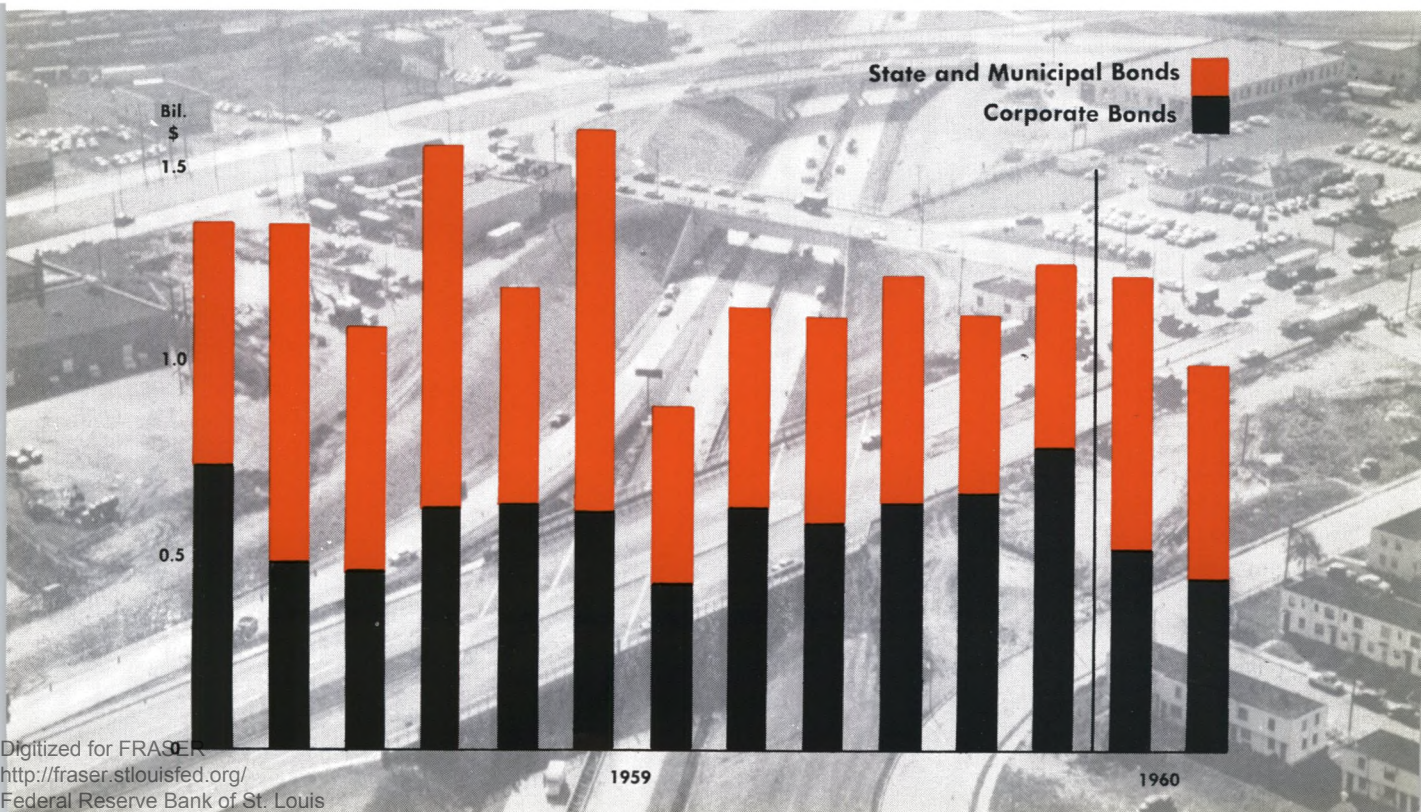
In order to meet the loan demands of their customers in 1959, commercial banks had to draw heavily on the savings of individuals, business firms, and others. They did this primarily by disposing of securities, thus acquiring savings made available in the credit markets through the purchase of such securities. The banks sold or let run off at maturity approximately $8 billion of securities, $7.8 billion of these being obligations of the Federal Government. The banks also acquired savings by additions to their capital accounts totaling $1.2 billion for the year as a whole. In addition, commercial banks obtained some funds with which to meet customer loan demand by a more efficient utilization of their cash accounts.

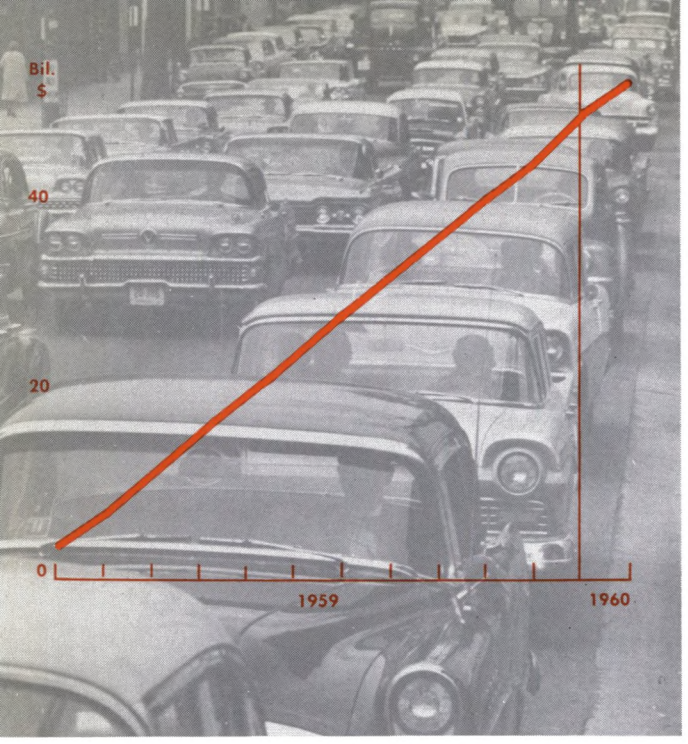
In the first two months of 1960, the commercial banking system experienced a reduction in its total loans and investments of nearly $5 billion. Bank customers reduced their loans outstanding by $2.5 billion in January and although loan demand was stronger than customary in February, the increase in loans which resulted was insufficient to outweigh the previous month's decline. For the two months together, loans were reduced by $1.8 billion. The banks liquidated security holdings in both January and February, the total amounting to $3 billion.

OTHER LENDERS Financial institutions other than commercial banks also channelled savings to the credit markets in record amounts in 1959. Savings and loan associations supplied approximately $8 billion, the bulk of it going into the market for residential mortgage loans. Life insurance companies provided nearly $6 billion, this sum being widely distributed over the securities markets and the residential and commercial mortgage markets. Pension funds invested almost $5 billion of their members' contributions and their own earnings in the securities markets.

Mutual savings banks, suffering the competitive squeeze of higher interest rates offered by other media for saving, supplied less funds to the credit markets than in immediate past years. They nevertheless directed over $1½ billion to the nation's mortgage markets. Most of this amount was obtained from increases in savings deposits, but ap-

State and local governments and corporations, heavy issuers of new securities in 1959, have borrowed in smaller volume in 1960.





Consumer instalment borrowing broke all records in 1959.

proximately $500 million was pulled out of the securities markets by liquidation of U. S. Government and other bonds.

Sales and consumer finance companies and credit unions garnered nearly $2½ billion of savings from various sources and made it available in the consumer credit market. In addition to these institutional means for putting the nation's saving to productive use through the credit markets, individuals supplied a record amount of funds directly to the securities and mortgage loan markets. Under the spur of alluring rates of return, individuals diverted large sums from the conventional savings channels to what appeared for the time being to be more attractive outlets for their funds.

To what extent high rates of interest induce saving at the expense of current consumption remains one of the unknowns in the financial picture. Logic leads one to believe, however, that under such circumstances many individuals find the lure of the financial markets greater than that of some personal expenditures and that, therefore, the interest rate changes in 1959 did bring more saving to the credit markets than would have been forthcoming at lower rates of interest.

THE BORROWERS During 1959 the U. S. Treasury entered the markets with cash issues on eight different occasions, raising a total of over $25 billion. The most dramatic of these cash borrowings was the issuance of a 5% note in October, 1959, popularly referred to as the "magic fives." Investors, including many individuals, were so eager to obtain this note that they tendered subscriptions amounting to $11.1 billion, of which the Treasury accepted $2.3 billion, giving preference to savings-type and nonbank investors.

Although each entry of the Treasury into the market for cash had its impact in the market as investors diverted funds to meet these demands, approximately two-thirds of the total thus raised was subsequently fed back to the markets in retirement of other issues. The total public debt in 1959 increased by only $7.9 billion. Nonmarketable debt outstanding, of which U. S. savings bonds is the largest component, was reduced during the year by $4.5 billion.

Thus far in 1960 (through mid-March) the Treasury has raised $3.5 billion in cash. Of this amount $2 billion was obtained from a tax anticipation bill due this June, and $1.5 billion from a special one-year bill maturing in January, 1961.

Other borrowers who rely on the securities markets as a source of funds issued approximately $17 billion of securities in 1959, well under the previous record of $19.5 billion in 1957 and not quite up to 1958's $18.6 billion, the second highest year on record. State and local governments, however, are estimated to have set a new high in the volume of new securities offered by them, the preliminary total of $7.8 billion having a slight edge over the previous record year, 1958. The total dollar volume of corporate new issues at $9.4 billion trails well below the previous record year of $12.4 billion in 1957.

In the first two months of 1960 demands for funds by corporations in the form of new security sales is estimated to be about 25% smaller than in the similar period in each of the two preceding years. At the same time, state and local government issues of new securities were running approximately 15% below the similar period in 1959 and almost 25% under the 1958 period.

MORTGAGE LENDING—A RECORD PACE Mortgage lenders channelled a larger volume of funds to this credit market in 1959 than ever before in their experience. Total mortgage debt is estimated to have increased by $19 billion, over two-thirds of this increase being in loans secured by mortgages on one- to four-family houses. In spite of the declining trend in home construction after April, the dollar amount of recordings of nonfarm mortgages of $20,000 or less, totaling $32.2 billion, exceeded by $3.7 billion the previous record in 1955.

In the first month of 1960, the dollar volume of

mortgage recordings dropped off sharply from immediately preceding months. The January level, however, was on a par with previous January highs, excepting January 1959 when residential construction was in its upward trend.

CONSUMER BORROWING—ALSO HIGH Individuals also employed a larger volume of credit in the financing of their personal affairs in 1959 than ever before. Instalment credit extended to consumers totaled $48.5 billion, over 15% greater than the previous peak. Repayments were also at a record level and the total of instalment credit outstanding increased over the year by $5.4 billion, just about the same increase as in the previous high year, 1955. Total consumer credit including charge accounts, service credit, and single payment loans, increased in 1959 by $6.5 billion, just slightly more than 1955's previous record.

In January of 1960, repayments on loans outstanding exceeded new instalment loans made to consumers as is customary at this time of year. The decline in outstanding loans which resulted, however, was considerably less than usual in January. Other types of consumer credit also declined but less than seasonally. Consumers thus remained a very strong factor in the demand side of the credit picture.

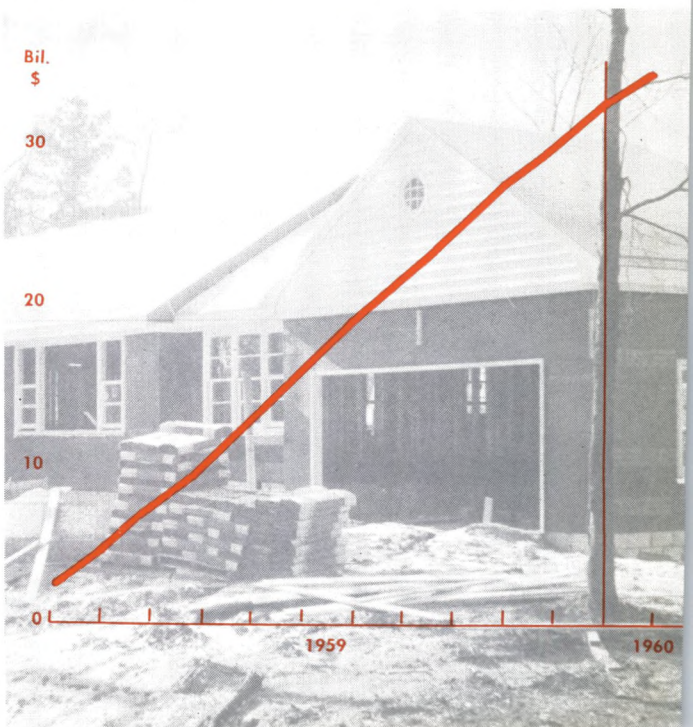
TREASURY BILLS AND TAXES Although the flow to the credit markets of funds derived from saving was unusually large during 1959, it was not sufficient to meet all the rapidly mounting demands for credit at the level of interest rates which existed at the beginning of the year. As a result demand pressures forced interest rates upward, very large increases occurring during periods when credit demands were more concentrated, such as just prior to corporation tax payment dates. Large corporations generally begin accumulating funds to meet their tax liabilities sometime prior to the payment day. In order to avoid loss of revenue from holding idle funds, corporation treasurers invest these funds in short-term high-grade securities. The favorite in recent years has been the three-month Treasury bill—particularly in 1959 with the bill rate being over 4% in the last four months of the year. From this practice there stems a heavy demand for funds around tax payment dates in the form of liquidation of the securities purchased to meet this need.

Interest rate changes in '59 were also influenced by Treasury cash financings. The magnitude of Treasury debt transactions has reached such proportions that the Treasury's entry into the market overshadows all other market developments for the time involved. As indicated above, the Treasury was in the markets frequently in 1959 and has been to them, both for cash and for refunding maturing issues, in each of the first two months of this year.

Although rates generally reacted to these sharp upward movements by subsequent declines, the declines proved temporary. In the final weeks of the year, rates on all types of credit transactions were well above their levels at the beginning of the year. Illustrative of these changes, the yield on three- to five-year U. S. Government securities which averaged 3.86% in January 1959, had advanced to an average of 4.95% in December; the yield on long-term U. S. Government bonds advanced from an average of 3.90% in January to 4.27% in December. Corporate bonds experienced similar changes, the average yield on Aaa (Moody's) bonds rising from 4.12% to 4.58% in December 1959.

In the first quarter of 1960, most interest rates trended downward as seasonal declines in borrowers' needs coupled with loan liquidation customary at this time of year synchronized with a fairly large flow of savings to the markets. Short-term money market rates experienced the sharpest declines, but longer-term rates also drifted downward. The yield on long-term Government securities, for example, moved from an average of 4.42% in the first week of the year to 4% at the close of March.

Thirteen months of mortgage recordings set a new record.



PLANTING

CULTIVATION

Cotton: From Seed to Gin

Throughout the southern part of the United States—from Virginia on the east coast to California on the west—the planting of cotton is a familiar spring scene. With mild weather and the danger of late frosts passed, mechanical cotton planters—some mule-drawn, others tractor-driven—can be seen traversing freshly plowed fields planting row after row of cottonseed. Some planters drop the seed in evenly spaced hills. Other types, those most frequently used, sow a steady stream of seed in a small furrow. Fertilizer is applied either before or at the time the seed are planted, depending upon the type of equipment used. Planting time generally ranges from early February in southern Texas to the middle or latter part of May in the northern sections of the cotton belt.

CULTIVATION If cotton is planted in furrows, the young plants must be thinned after they begin to grow. This thinning process, called "chopping," varies considerably. For highest yields, however, three to four plants per hill are normally left at 12-inch intervals and the excess cotton plants are chopped out. This is usually done by field hands using broad-bladed hand hoes, although mechanical chopping is growing in importance in some sections.

Farmers must keep weeds and grass under control as the cotton grows. The most common practice is to work the crop with cultivators which loosen the soil and tear up grass and weeds by their roots. The number of cultivations varies but usually ranges from four to nine times per season. Some farmers use chemicals to help control weeds by spraying them in a band on the seedbed before the cotton comes up or on both sides of the young plants after they emerge. Still others use flame cultivators which throw out a continuous gas flame to destroy the weeds and grass but leave the cotton undamaged.

Control of boll weevil and other insect pests, which each year cause the loss of about one of every eight bales of cotton, is another major problem for cotton farmers. To reduce this loss, farmers dust or spray their crops many times during the growing season. The insecticides are most often applied by tractor driven dusters or sprayers. Large fields are frequently dusted by airplanes.

BOLL DEVELOPMENT The cotton plant's first flower buds appear about seven weeks after planting. These buds, called "squares," bloom about three weeks later. When the blossoms first open, they are white. They turn pink the second day, and on the third day they usually wither and fall off, leaving a small, green ovary or pod. This pod gradually expands and develops into what is known as the "cotton boll." During the time it is maturing, from 45 to 65 days, white cotton fibers form inside the boll. Meanwhile, new buds, blossoms, and bolls continue to develop as the plants grow upward and outward.

HARVESTING When cotton bolls mature, they split open into separate compartments, and a mass of fleecy white cotton fibers emerges. Cotton is then ready to be harvested. To make picking easier, reduce leaf trash in harvested cotton, and make bolls open more quickly, many farmers apply special chemicals to force the plants to shed their leaves prematurely.

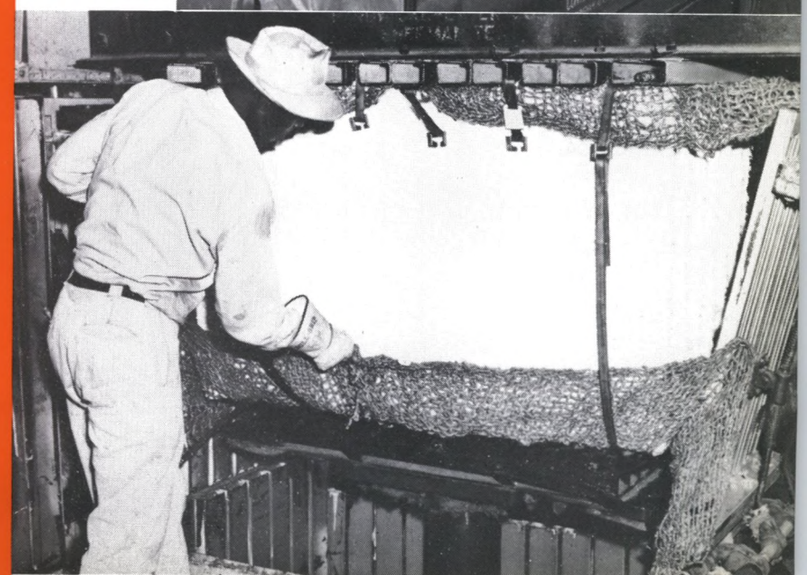
Fields white with open cotton bolls are a characteristic southern scene every fall. When the harvest begins, workers of all ages can be seen moving along the rows picking the cotton from the open bolls. This is the usual practice where cotton is harvested by hand. In the semi-arid areas of the nation, however, the laborers pull the entire boll off the plant—a practice called "hand snapping."

The growing scarcity of labor and the comparative slowness with which cotton can be gathered by hand has caused farmers in some areas to use mechanical cotton harvesters extensively in recent years. These mechanical giants, in fact, are now used to harvest about one-third of the nation's cotton crop. Their use is still very limited in the Fifth District because most cotton farms are too small to permit them to be used economically.

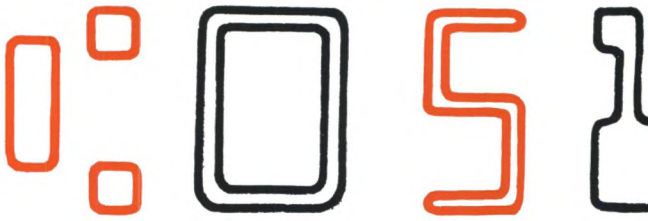
GINNING When the cotton has been harvested, it is loaded on wagons, trucks, or trailers and hauled to the gin. Here the modern version of Eli Whitney's invention separates the white fibers, called "lint," from the seed. The lint is next dried, if necessary, and partly cleaned. It is then packed into bales that weigh about 500 pounds. Each bale, wrapped in bagging and tied with metal bands as it leaves the gin, is then weighed, marked, and tagged with identifying information. The lint is now ready to begin its journey to the cotton mills to be spun into yarn.

HARVESTING

GINNING



THE MAGNETIC CHECK



The Fuggers, the Medicis, the Rothschilds and other great banking families of bygone centuries in Europe wrestled with some of the same economic problems of banking that modern bankers do; but the passage of time, bringing with it modifications and improvements in banking, plus the twentieth-century business and population explosion have combined to create a challenging problem for American commercial banks. The problem: a relentlessly increasing volume of checks.

The stark handwriting on the wall is there for those who are willing to read it: Eight years ago the nation's banks handled about eight billion checks; this year they may have to process about 14 billion. By 1970 it is estimated that banks will be flooded by 22 billion checks per year. The magnitude of the job is further indicated by the fact that many checks are now handled a total of 10 to 20 times by several banks in the process of collection.

It has become obvious that placing small chinks in the dike will not stave off the onrushing flood of checks already beginning to show its strength.

The methods at the command of the nation's banks currently being utilized to process this ever-mounting volume will shortly be obsolete. It is later than we think!

If the present system and equipment continue to be used, the collection of the monstrous volume of checks in prospect can only result in higher total costs or slower schedules. The alternative: replacement of currently used materials, methods and machines by a new type of check and automatic check-handling equipment.

MECHANICAL READING The electronic mechanization of check handling is a project that has been studied for a number of years by the Bank Management Commission of the American Bankers Association. Members of this group and committees representing office equipment manufacturers, check printers and others have worked out an advanced form of automation in check processing, and pilot operations in five Federal Reserve Banks are being put into action.

What is it? Basically, the process consists of machines that can "read" and checks that can be read mechanically. The link between the two and the distinguishing feature of the proposed check clearing system is a *common machine language.* The latter, in turn, consists of a set of specially designed magnetized characters and numerals printed in ink containing iron oxide. Each numeral emits a different signal when subjected to an electric impulse as the check imprinted with magnetic ink is processed by the "reading" equipment. The data obtained in this manner are automatically fed into a computer which simultaneously obtains totals and controls sorting and records-printing operations.

REQUIREMENT: UNIFORMITY The first requisite feature of checks imprinted with a common machine language is uniformity of location of the magnetic ink printing. After careful study of all the factors involved, the ABA has worked out a set of standards. The common language imprinting should be in a space extending six inches from the right edge of the check and five-eighths of an inch from the bottom edge. This space should be divided into three areas to contain the routing symbol and transit number (which will continue to be shown also in their present upper right-hand location), account number or other information desired by drawee bank, and the amount of the check. A specific kind of printing type must be used for magnetic ink imprinting in order to meet stipulated dimensional specifications and tolerances. The font chosen after much testing and evaluation by many printers is now known as Type E-13B. (ABA's Bank Management Publication 147, The Common Machine Language for Mechanized Check Handling, contains details on this font and other essential information about the new program.)

The second necessary step toward realization of the common machine language for mechanized check handling concerns the check forms themselves. For the advantages of a magnetic ink program to be realized, individual banks will have to print their routing symbol-transit numbers in magnetic ink on the check forms furnished to customers. Again, it is vitally important that this

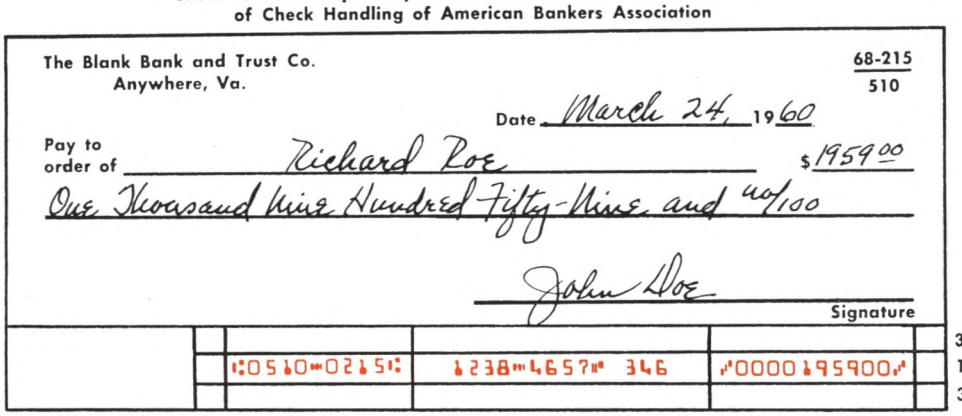
printing be done in the manner and in the place on the check prescribed by the ABA. This applies also to checks that customers have printed at their own expense.

FOR THE BENEFIT OF ALL A bank in planning its program of magnetic ink check imprinting should weigh the costs and benefits in terms of its particular situation. This may raise questions for the bank that does not expect to purchase any new accounting equipment designed for use in processing the new checks. But the answers are clear. The check forms generally must be redesigned in accordance with the format worked out by an ABA committee at some expenditure to the bank. Aside from this nonrecurring cost, continuing expenses of printing the new check should be very little higher than what they would be for the old-style checks.

On January 1, 1960, the Federal Reserve Bank of Richmond, in compliance with ABA specifications, began preprinting the routing symbol-transit number in magnetic ink on its official checks. It is currently supplying preprinted check forms to member banks for use in drawing on their reserve accounts. Commercial banks within the Fifth District have also begun imprinting checks supplied to customers with magnetic ink.

American and banking ingenuity is meeting the challenge. The common machine language of the ABA constitutes a major break-through in the problem of coping with a rapidly swelling volume of bank checks. The costs involved are not only an investment in which all banks may share in advancing the efficiency of banking, but also an answer to the challenge now before the commercial bankers of America.

Check Format Adopted by Technical Committee on Mechanization of Check Handling of American Bankers Association



NOTE In the magnetic ink (M. I.) coding at the bottom in the routing symbol-transit number field, the state prefix (68) of the drawee bank's A. B. A. transit number is omitted for all par banks and the routing symbol number (510) is used as the prefix. Since eight digits are required for the combined routing symbol-transit number, non-significant zeroes are used to fill in the spaces that would otherwise be blank.

Since nonpar banks are not assigned routing symbols, they should use their complete transit numbers but the state prefix should be preceded by the figure "90" which has been assigned by the A. B. A. to designate nonpar offices. Thus, in the sample check above, if 68-215 were a nonpar bank, the eight digit number in the field designated would be 9068-0215.

SIZE OF CHECKS Listed below are the minimum and maximum sizes of checks under the American Bankers Association plan for magnetic ink character recognition as the common machine language.

	Width	Length
Minimum	2¾"	6"
Maximum	3⅔"	8¾"

If a check is more than 6" long, the common machine language shall always be printed within the 6" overall dimension from the right edge. Above and below the 1/4" magnetic ink coding strip is a 3/16" clearance strip as indicated.

the FIFTH district

High in the thirties, low in the twenties, and snow toward the end of the week. With that forecast actually materializing in the middle of February and each of the first three weeks of the transitional month of March, the weather has had little competition around the District when it comes to subjects for discussion. What makes the weather an unrivaled topic for conversation is the simple fact that as yet it cannot be blamed on human frailties or foibles in any form, nor are human sensitivities likely to take offense at any opinions which might be expressed about it. If, then, there have appeared some crosscurrents of economic uncertainty, the convenient thing to do is just to blame it on the weather. An explanation needs more tangible support than the mere fact of its convenience in order to merit general acceptance. The mixture of evidence currently available reflecting economic conditions in the Fifth District remains somewhat inconclusive. The District economy, however, has been predominantly strong and tends to give considerable support to an attitude of cautious optimism.

PREVAILING STRENGTH In general, District production continues at a high level. Retail sales and outdoor activities, such as lumber and fishing operations, have been hard hit by the weather. Large backlogs continue to support textile and furniture production in contrast to the rather slow pace of retail sales. Construction contract awards took an apparently better than seasonal upward turn in February (following a rather low January figure). With seasonal factors roughly taken into account, February appeared to be but little lower than the 1959 monthly average. With a good volume of plans and projects already in process the construction industry has remained an element of current strength in the District economy even though the weather has retarded construction schedules. Increases have recently been recorded in the prices of livestock products which compose the bulk of current District farm marketings. These factors suggest that District production and employment have remained fairly stable, supporting a pretty good level of personal income. How people will choose to use this income with the arrival of spring weather and a late Easter season will be a critical development this month.

THE RIDDLE OF RETAIL SALES Retail sales indicate the consumer's final and all-important acceptance or rejection of goods and services offered in the market place. Here a single result, an unexpectedly low volume, has been accompanied by a variety of possible causes. January department store sales, seasonally adjusted, were about even with December at a level which had been exceeded in only three months of 1959, namely, January, July and August. Reports indicate that the downturn in the District came about the middle of January with sales levels declining thereafter over a

Retailers hope that the adverse effects of frequent March snows and unusually cold weather will be largely offset in the month of April.

Although snow retarded normal spring lumber production, inventories remained fairly constant due to a similar slowdown in construction.

period of about eight weeks. Allowing for normal seasonal variations, department store sales in February were about 8% below the December-January level. Even after taking the effects of the late Easter season into account, March sales were still about 20% below January, and 13% below March 1959. Furniture and automobile sales have also been disappointing.

It would appear that two factors in particular suffice to explain much of the recent reluctance of buyers. Certainly the weather has made shopping most unattractive during much of one week in February and three weeks in March. The late date on which Easter falls this year has removed the pressure which would otherwise have been felt by this time to shop for Easter needs. The period between the after-Christmas clearances and Easter has apparently failed to develop any of the special sales stimuli which most other periods of similar duration now possess in some degree. This is a time when buyers can stay home if they choose to do so. This year their freedom of choice has been unduly influenced by bad weather.

MINOR ADJUSTMENTS MARK MAN-HOURS Total manufacturing man-hours in the District, seasonally adjusted, declined about 1.5% between January and February. This development partially offset the 1.9% increase between December and January. Thus February man-hours, after correction for normal seasonal variations, compared favorably with the December data. Lumber and wood products, furniture and fixtures, and apparel were the significant exceptions.

Although total man-hours, seasonally corrected, declined between January and February, primary metals, nonelectrical machinery, stone, clay and glass products, the broadwoven component of textile mill products, and printing and allied industries remained about the same or registered moderate gains. Activity in yarn mills and knitting mills measured by this indicator decreased between January and February by about 3% and 6%, respectively. By the same token, transportation equipment declined about 6% following an increase of more than 17% between December and January. The reductions in the lumber and furniture categories amounted to approximately 5% and 4%, respectively.

LUMBER SLOW BUT PRICES FIRM The lumber industry has plodded along through its winter period of seasonally low demand. District production in January and February measured in man-hours, however, exceeded output in the same months of 1959 by 6% and 1%, respectively. Reports of activity during the first half of March indicate that the unusually bad weather served to reduce the output of building lumber below normal seasonal levels with the result that prices held up and inventories remained fairly low in spite of low consumption. Dealers are showing some reluctance to replenish low inventories pending some indication of a spring pickup in sales. Lumbermen in general, however, appear to be willing to wait for a spell of real spring weather before forming any firm opinions. Furniture lumber remains in good demand at firm prices.

TEXTILE BACKLOGS STILL STRONG The textile industry continues to serve as one of the principal elements supporting the present favorable level of District production and employment. Scattered reports have indicated some lost productive time due to the March weather. The resulting minor

delays in delivery have tended to retard the development of slight downward pressures on prices reportedly being felt as a result of a continuing small volume of goods offered for resale from dealers' and converters' stocks. In general, new orders have been very slow. The declining backlogs have, nevertheless, remained large enough to make price cutting an unrealistic maneuver in the opinion of most producers. Prices increased gradually but considerably during the period of order accumulation and are regarded by the trade as sufficiently firm to permit companies to absorb wage increases which have been averaging about 5%.

Yarn prices are reportedly firm with large orders on the books for April, May and June delivery. Industry reports indicate a good year for knit goods, and there are signs that full-fashioned hosiery is at last showing some strength in competition with seamless. The largest backlogs are still in print cloths and sheetings where unfilled orders are reported equal to from 3 to 5 months of production.

FARM PLANS SURVEYED As the pace of District farm activity quickens with the progress of spring, indications of the level of 1960 farm income have begun to appear. The prices received for most District farm commodities are determined by volume of output and strength of demand on a national scale. Therefore, national developments must be assessed in terms of their impact on prices. Local factors serve as guides to the volume and quality of regional farm output.

A survey made on March 1 by the United States Department of Agriculture confirmed earlier reports that Corn Belt farmers intend to reduce the size of their spring pig crop considerably this year. If this materializes, the reduced supply will exert an upward pressure on prices. Reports indicate that District hog producers plan to reduce the number of sows farrowing, but by less than the national average. This would tend to put District farmers in a relatively good position to benefit from any price increases which may occur.

Broiler production in the nation started out strong during January and February, but March reports showed the decreases relative to last year that had been anticipated as a result of fewer hatching eggs being available this year. Prices should continue at relatively favorable levels for producers if the usual seasonal pickup in demand, absent in 1959, materializes this year.

Declining egg prices have resulted in a marked decrease in the number of chicks being hatched to maintain laying flocks. Corresponding decreases in egg supply are expected to lead to higher egg prices this summer.

Reports from turkey growers indicate that the shift from the small Beltsville to the heavier White and Bronze turkeys is continuing both in the District and in the United States. Nationally, the increase in the number of heavy turkeys more than offsets the reduction in Beltsvilles. This may result in price declines as the new crop is marketed in the late summer. In the District a 14% smaller turkey crop is in prospect, about equally divided between small and large turkeys.

The peak of the current cattle production cycle is fast approaching, and downward pressure on prices, seasonally adjusted, may develop as marketings increase later this year. District dairy farms are continuing their recent role as an element of strength in the District farm situation. Increased production of milk continues to move at prices satisfactory to dairymen.

LATE START MAY ALTER OUTLOOK Late winter storms and wet fields have delayed the planting season. Seeding of tobacco beds is behind schedule and may lead to delays in field plantings with consequent threats to both quantity and quality of the crop. Small grains planted last fall are generally in poor or only fair condition.

A U.S.D.A. survey of farmers' intentions indicates that 1960 plantings of 12 principal crops in the District are expected to total about 14.7 million acres, 2% below the 1959 figure. If farmers carry out their March 1 planting expectations, this year will witness some shifts in the acreage devoted to the various crops. Soybean producers plan the largest District acreage increase—nearly 200,000 acres more than in 1959. Hay, feed grain, and sweet potato acreage will probably be down.

The foregoing summary provides ample evidence that District factories and farms stand ready to do their part in maintaining District prosperity through 1960 if fine weather, Easter and various other seasonal motives can induce consumers to hold up their end of the market.

PHOTO CREDITS

Cover—W. Va. Industrial and Publicity Commission, Charleston 5, W. Va. 3. Baltimore Association of Commerce 4. The Richmond Newspapers, Inc. 5. Chesopeian Builders 6. The Cole Manufacturing Co. - National Cotton Council of America - N. C. State College 7. National Cotton Council of America - Va. Department of Agriculture - National Cotton Council of America 11. Va. Chamber of Commerce.