MONTHLY REVIEW

More and better homes, factories, stores, and services cause a rapid rise in the demand for electric power.

FEDERAL RESERVE BANK OF RICHMOND MAY 1963

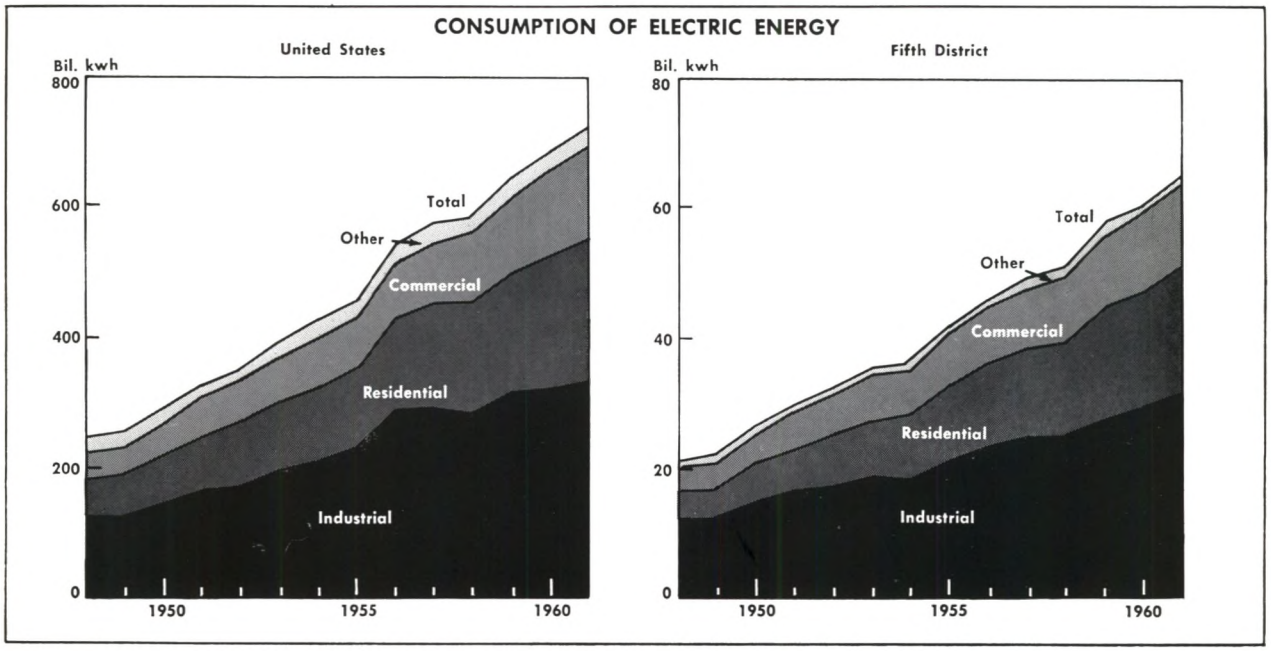
NEW GROWTH IN ELECTRIC POWER

In his endless quest to stamp out drudgery and rid society of want, man has found few allies more helpful than electric energy. Progress toward fingertip mastery of his physical environment has been infinitely greater in the century and a half since he plumbed the secrets of the now commonplace electric current than in all the preceding aeons. For more than a century now, economic growth has been closely associated with progress in power. Research has followed complementary paths with equal success, producing an abundance of new uses on the one hand and greatly improving generating efficiency on the other. The result has been economic growth reflected in rising per capita output and more leisure time. Indeed, abundant and low cost electric power has made a prime contribution to such growth.

The advent of the atomic age has not basically changed the situation. Atomic reaction is currently developing as a third basic power source supplementing the force of falling water and the pressure of confined steam which have been spinning dynamo armatures for many years. Today and tomorrow, like yesterday, might quite correctly be termed the electrical age. Indeed, there are plenty of indications that this age may really be only just beginning.

INCREASING DEMAND The massive changes in production techniques that followed successful harnessing of electric power greatly accelerated the substitution of machines for men. Where machines powered directly by water or steam were already in use, electricity meant far simpler, cleaner, quieter, and safer equipment replacing overhead driveshafts, pulleys, and belts. Cheap electric power also made it feasible to adapt many previously uneconomical devices to productive use and stimulated a wave of new electrical inventions. The production of electricity, like many other productive processes, is characterized by decreasing unit costs as capacity output is approached so that increased demand actually works to lower both cost and price per unit of output.

The adaptation of electric power-using devices to production has proceeded at a rapid pace. The history of economic development in general is characterized by spurts, usually set off by surges of industrial development which in turn have been related to major technological innovations or to dramatic expansion of markets. Industrial demand for electric power has risen sharply at such times. However, the total demand for power embodies so many dif-



ferent uses that its own over-all growth has been relatively smooth.

The latest period of industrial acceleration began in this country with World War II and is still in progress. The period has witnessed a spectacular revolution in electronics leading to extensive automation of a large variety of productive operations. The period has also witnessed rapid population growth and an impressive expansion of foreign markets accompanying economic development abroad. The total impetus to United States industry has been immense and has led to giant increases in the demand for electric power. At the same time improvements in living standards have added vastly to nonbusiness demands for such purposes as powering new home appliances and heating or cooling the home itself. The country's electric power industry has responded by a rapid expansion of its own facilities, by notable improvements in productive techniques, and by devoting research facilities to the improvement of existing electrical conveniences and the invention of new ones.

FIFTH DISTRICT POWER Industrial expansion since 1945 has had a strong impact in the Fifth District, and residents of the five-state area have shared substantially in the resulting improvements in living standards. To meet the rapidly growing demand for electric energy, the District's power producers have had to preplan both the enlargement of existing facilities and the location of new plants and transmission lines in accordance with changes in the geographical distribution of demand.

District power sales since World War II have grown most rapidly in the Carolinas. Residential power sales in South Carolina had risen by 1961 to six times their 1948 level. During the same period residential sales increased more than fivefold in North Carolina, nearly that much in Virginia, fourfold in West Virginia, and threefold in Maryland and the District of Columbia. South Carolina and Virginia led in growth of commercial power sales, and South Carolina and North Carolina made the largest gains in industrial sales.

The map in the center of this issue locates most of the District's generating facilities. Many utilities are currently in the process of expanding capacity at existing installations where demand is growing rapidly. All are extending transmission lines to expand service areas, to tap new power sources, and to facilitate intercompany exchanges that permit more efficient use of existing capacity for meeting peak demands or emergency needs.

GROWTH IN CONSUMPTION As new demands develop, it is up to the power companies to insure an adequate supply. Continuous study of trends in demand and the practice of launching plans to build increased capacity well in advance has gained for the electric power industry one of the highest growth rates in the nation. Since 1948, electric energy sales in the United States have risen at a rate of 8.6% per year compared to annual growth rates of about 1.7% for population, 3.4% in price-adjusted Gross National Product, and 3.6% for industrial production. The capacity, efficiency, and reliability of generating and transmission equipment has been constantly improved, permitting lower rates to customers on large-scale consumption.

All classes of customers have contributed to the growth of the market for electric power. For the country as a whole, total power sales rose nearly 200% between 1948 and 1961. Residential customers contributed the largest relative gain, almost 300% over the period. Commercial consumption rose 240% while industrial customers increased purchases 160%.

In the late 1940's about half the power produced was used for industrial purposes, about one-fourth for residential, and substantially less than that amount for commercial. Public uses accounted for most of the remaining portion. Changes in consumption patterns have now reduced industry's slice below the 50% level. The surging residential market is approaching a one-third share. Commercial and other customers combined still account for less than one-fourth of total sales.

LOCAL CONSUMPTION PATTERNS Consumption patterns in the Fifth District have been similar to those of the nation, as shown by the charts at the foot of page two. There have been some differences, however. In the late 1940's industry used considerably more than half of the District's power while residential customers accounted for slightly more than one-fifth. Since then District households have done some catching up and now account for nearly one-third of total power sales, about in line with the national figure.

The District's progress in residential power consumption relative to the nation is pointed up even more strikingly in figures on residential sales per household. In 1950, District households consumed an average of 1,570 kilowatt-hours of electric power compared to a national average of 1,680. In 1960, however, the District figure had risen 150% to 4,000 kilowatt-hours against a 130% rise in the national figure to 3,790.

Growth of consumption over this period for the country as a whole was closely paralleled by increases

in output. This was not the case, however, in the Fifth District which in recent years has regularly produced more power than it consumed. Exports to neighboring regions have increased as steadily but not as rapidly as consumption and so represent a declining fraction of total District output.

GROWTH PATTERNS Current additions to productive capacity embody the latest and most efficient designs in hydro and thermal equipment. Thermal generation now requires about one-fifth less heat per unit of power output than a decade ago. Advances in both engineering and metallurgy permit higher temperatures and greater pressures and have significantly reduced initial costs. Ten years ago installation costs for the typical plant were around $150 per kilowatt of capacity. For the much larger plants now under construction the figure is less than $100.

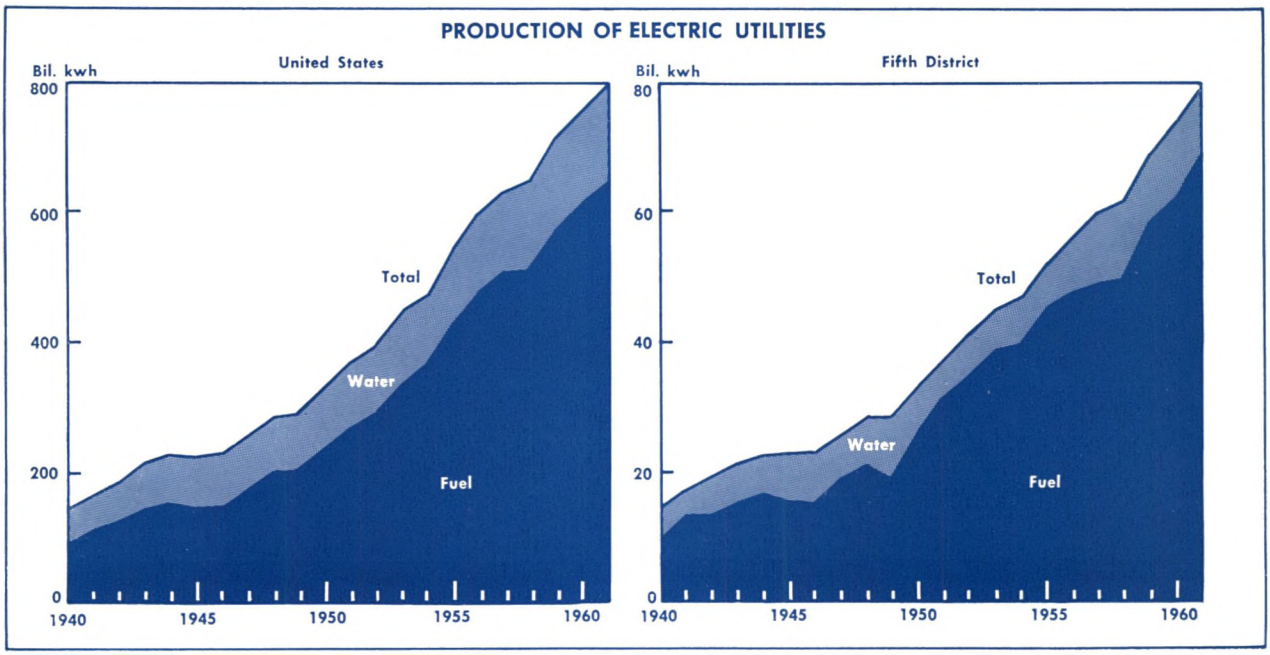
Commercial use of atomic fuels in electric power generation is still in the experimental stages, and electric power output from this source is negligible compared to the nation's total demand. The Atomic Energy Commission's 1962 report lists six large prototype plants in operation and five under construction. Of the latter, three will be completed this year and one in each of the next two years. In addition, three are in the planning stage, with two scheduled to become operative in 1966 and the other in 1970. Capacity in these prototype plants ranges from 40,000 to 255,000 kilowatts. The planned projects have capacities ranging from 313,000 kilowatts, in line with those of many current steam units, to 1,000,000 kilowatts. A dozen independent power companies are involved in these projects.

Smaller atomic prototype plants—those of 20,000 kilowatt capacity or less—are also listed in the Atomic Energy Commission's 1962 report. One of these was in operation last year, and three others were scheduled for completion in 1963. One of the latter is the Parr, South Carolina plant, a cooperative venture involving several Fifth District companies. The Parr plant reactor was loaded in December and is currently in a test period during which personnel will be trained and extensive performance checks made. Production will probably begin in early summer.

EMPHASIS ON STEAM Thermal generation has played a larger role than water in the recent growth of electric power. The amount generated by water in 1961 was only 1.8 times the 1948 figure while the comparable ratio for fuel-generated power was 3.2. These trends for the nation and the Fifth District are shown in the charts at the foot of page four.

Recent new facilities in the District have concentrated even more markedly in fuel-using plants. District hydroelectric output was only 40% higher in 1961 than in 1948, while thermal output rose 230%. At present the emphasis in the District is still on fuel, although water power development is also advancing at a fast pace. Recent growth of the two together appears to have brought District expansion more nearly in line with that of the nation.

ADVANTAGES OF WATER Rapid growth of demand introduces major problems in capacity planning



and utilization. The wide range of daily, weekly, and annual fluctuations is the principal problem to be solved to attain more efficient utilization of generating facilities. As current peak requirements begin to create pressures for expansion, the greater efficiency of large plants and the accumulation of potential new demands accentuate the futility of trying to meet growth requirements piecemeal. Yet the really low cost killowatts from a big power plant are those that come down the wire as peak capacity is approached, and these may not be needed in a particular service area for some time. This problem may be met by exchanging power among areas where peak needs in some coincide with slack periods in others.

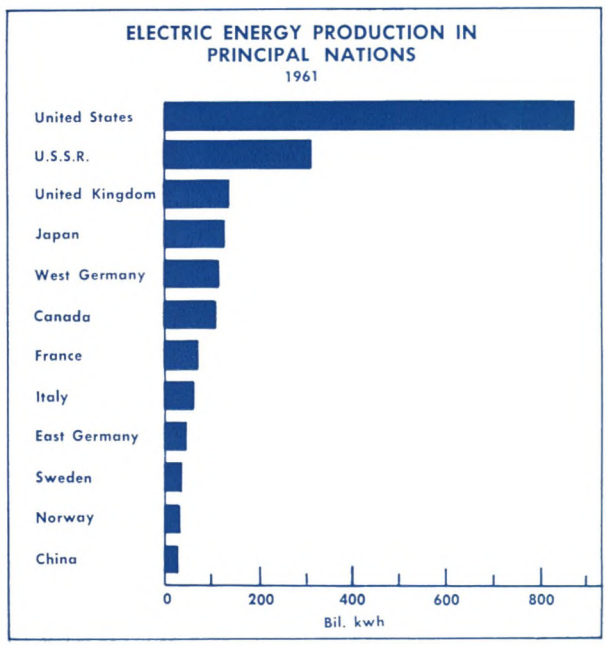
Recent developments make hydroelectric capacity more adaptable than previously to variations in demand. Power generated during low load periods can be used to pump water through new, reversible turbines to special storage reservoirs high above the river valley where it is available to add its force to the generators during periods of peak demand. New types of turbines that operate with a lower water head, and larger, more efficient water-operated generating units also add to the attractiveness of water power development. Coupled with widely recognized subsidiary advantages such as water conservation, flood control, and recreation, these developments bode well for the future of hydroelectric power.

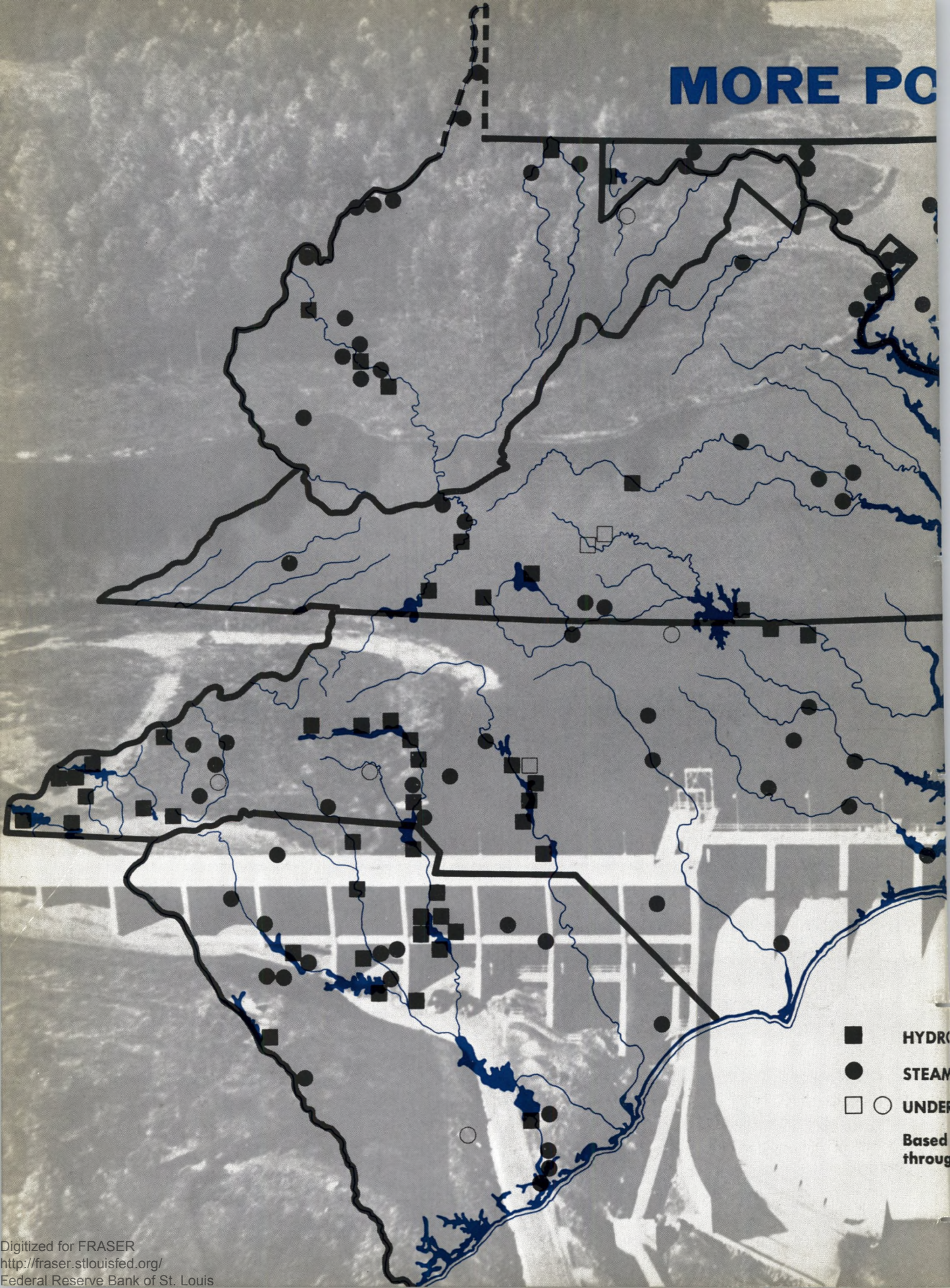
FUEL SOURCES Since 1959 thermal power has accounted for more than four-fifths of the nation's total output, with coal the most widely used fuel. Coal has regularly accounted for 50% to 60% of electric power production except for a brief period following World War II when oil and natural gas gained ground. Oil's postwar gain to about 10% of the market proved temporary, and its share has been around 6% for the past decade. Natural gas, however, with only 7% of the electric power market before World War II, doubled its share by 1950, overtook water in the late 1950's, and now accounts for more than one-fifth of total kilowatt-hours.

RATES REMAIN STABLE Typical prices paid for electric power are lower now than in the 1930's for all except large industrial customers. Recently there has been a slight upward adjustment in typical residential billings for comparable amounts of electricity. These adjustments, however, have been well below contemporaneous increases in most consumer goods prices. They have, moreover, been accompanied by improved appliances and other equipment which provide more service and greater convenience per unit of electric power consumed.

POWER IN THE FUTURE From the American economy's growing appetite for electric power it seems clear that this versatile resource will continue to advance this country's living standard. As in the past, power may be expected to promote progress both indirectly, through improvements in the efficiency of production in general, and directly, by enhancing the character of leisure time both at home and elsewhere. Homes of the future may contain not only the currently commonplace electrical equipment but a host of new items, including a single unit which will provide both heat in winter and cooling in summer. The potential pleasure and convenience that may eventually be incorporated into living facilities by further developments in this area can, perhaps, best be judged simply by looking at the record of the recent past.

Much the same picture also applies to the rest of the world. Power production and use is on the rise in all major countries, although none as yet begins to rival the United States in this respect. The accompanying chart shows the relative standings of principal power-producing nations in 1961. In that year the United States, with 6% of world population, produced 37% of the world's electric power. This figure represented a moderate decrease from ten years earlier when it stood at 43%, but it is still well ahead of the proportion produced by any other nation. The fact that this country in 1961 produced 37% of world output with 34% of the world's generating capacity is an indication of the domestic industry's efficiency compared with the rest of the world.





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Maps are drawn for many purposes. There are road maps, weather maps, contour maps, natural resources maps, population density maps—in short, maps showing the location of just about anything that one might name. The map on these pages shows the location of the principal power generating facilities in the Fifth District. It is by necessity an incomplete map. There are many smaller generating plants operated by private industry, and some publicly operated, which are not shown. Furthermore, to give a complete picture of power facilities, the map would have to show a complex network of transmission lines and relay stations which would make its immediate impression one of utter confusion. For these days, strands of the electric power web reach into virtually every establishment —every factory, shop, and home in the country.

The generating capacity of Fifth District power plants is currently about 21 million kilowatts, 11% of all the generating capacity in the nation. About 6 million kilowatts of capacity are located in North Carolina, 5 million in Virginia, 4 million in West Virginia, 3 million each in Maryland and South Carolina, and about half a million in the District of Columbia. An idea of how rapidly the electric power industry is expanding in the Fifth District can be gained from the fact that new facilities now under construction will increase present capacity more than one-fifth by the end of 1966.

Much of the new capacity will be provided through enlargement of existing facilities. Some, however, will result from major hydroelectric installations like the two dams of the Smith Mountain project on the Roanoke River near Leesville, Virginia. Among the more spectacular plans for expanding steam generation is a 1,000,000-kilowatt generating station under construction at Mt. Storm, near the base of West Virginia's eastern panhandle in the center of extensive but undeveloped coal fields. The first of two 550,000-kilowatt units at this site is scheduled to begin service by the spring of 1965, providing added output over ultrahigh-voltage transmission lines for growing markets in northern and eastern parts of the District.

Your Food Dollar

At last year's prices, the typical "market basket" of farm-grown foods, purchased by the average urban family of three or four (precisely 3.3 persons), cost $1,067. This was at an all-time high, 13% above the average level in 1947-49 and more than double the figure for the years immediately preceding World War II. This market basket, it should be noted, contains the average quantities of farm-produced foods purchased for a given year. It does not include all kinds of fishery products and imported foods, such as coffee, tea, bananas, and pineapple. Nor does it include foods bought in the form of restaurant meals.

The money spent for this typical family market basket, therefore, does not include all the expenditures for food made by an individual family. Expenditures for the market basket of farm foods, however, do provide quite a good measure of changes in the cost of food purchased by the typical moderate income urban family.

While the upward drift of food prices has been highly publicized, chances are that food costs have not gone up as much as the average breadwinner may think. Relative to the prices of other goods and services and to changes in income, the increases in food prices have been fairly moderate.

THE FARMER'S SHARE The consumer's food dollar is divided between the farmers who produce the raw food products and the marketing agencies which assemble, process, package, and distribute them. The farmer's share of the average food dollar in 1962 was 38 cents. It was 50 cents in 1947-49, and at an all-time high of 53 cents during the war year 1945.

The farmer's share varies considerably by type of food product. Generally speaking, it decreases as the amount of processing between the farm and the kitchen increases. And for foods derived from animals and animal products, the farmer's share tends to be higher, as a rule, than it does for foods which come from crops.

When, for example, the homemaker bought fresh green beans in 1962, the farmer got 41 cents of every dollar. When she bought frozen green beans, he received only 18 cents. The wheat farmer's share of the dollar she spent for white flour was 35 cents. But after the flour was mixed with the necessary ingredients and baked as white bread, the farmer's share dropped to 12 cents. When she purchased eggs, the farmer received 66 cents of each dollar spent. He got 64 cents of every dollar she spent for Choice grade beef, 53 cents for retail pork cuts, and 51 cents for ready-to-cook frying chickens.

Though processing generally results in lowering the farmer's share of the retail price, it sometimes —as in the case of oranges—increases the demand for farm products and brings higher returns to the farmer. But if increased demand is likely to bring a fairly quick increase in production, as is true with truck crops, then returns to farmers will probably increase little if any.

THE MARKETING SYSTEM'S SHARE The costs of marketing a typical "market basket" of farm-originated foods have trended upward almost steadily since World War II. By 1962 this farm-to-retail price spread was nearly two-fifths above its 1947-49 level and at an all-time high. All together, the costs of assembling, processing, and distributing the foods in the family market basket last year accounted for $657 of its total retail cost of $1,067. Or, to put it another way, marketing charges last year took 62 cents of each dollar spent for farm-grown food.

Why have marketing charges become an increasing proportion of the retail cost of farm food products? Part of the answer lies in the fact that consumers' attitudes have changed. Today's homemaker is calling for more and more of the many services that can be provided by the marketing system. She can buy fresh fruits and vegetables the year round because of modern methods of refrigeration and transportation. She is buying more convenience foods —more frozen foods, ready-prepared mixes, brown-and-serve breads, and the like. She is purchasing more washed and trimmed foods and a greater variety of foods. And she is buying more packaged foods, and especially more foods packaged in smaller containers. A recent U. S. Department of Agriculture study found that of every $20 the homemaker spends for groceries, she pays from $1.50 to $2 for packaging. Sometimes the package costs as much as the food itself.

Some convenience foods, however, actually cost less than the same foods which are less elaborately processed. The extra costs of processing, as in the case of frozen concentrated orange juice, may be offset by savings in transportation and by reduction in waste and spoilage.

Food-marketing agencies, like other business firms, have experienced rising operating costs in recent years. Wages, rents, taxes, and transportation costs have moved steadily upward, as have other expenses such as the costs of fuel, supplies, equipment, and advertising. The marketing firms as a result have had to charge enough for the food products they handle to pay for these higher costs of operation.

Many of these marketing costs, in particular such items as wages, freight rates, rents, and taxes, tend to be sticky or much more stable than prices of farm products. When prices generally are on the upswing, marketing charges advance more slowly and over a longer period of time than farm prices. These charges decline even more slowly when the general price level is on the downswing. Generally, when marketing costs make up the largest proportion of the retail price of farm food products, prices at retail are affected much more by changes in these costs than by changes in prices at the farm level.

FOOD COSTS AND YOUR INCOME The average American consumer spent $397 for food in 1962. This expenditure included the money spent for restaurant meals as well as that used to buy food for consumption at home. In current dollar figures, food expenditures in 1962 were more than three times as much as in 1935-39 and about one-fourth higher than in 1947-49. But average incomes have gone up faster, rising nearly two-thirds since 1947-49.

Since food bills did not rise as much as disposable income (income after taxes), the average consumer spent a smaller proportion of his income for food. To illustrate: Average food expenditures in 1935-39 took 23% of per capita disposable income, while in 1962 they absorbed only 19%. Had the typical consumer bought the same kinds and quantities of food in 1962 as in 1935-39, he would have spent only $291, or 14% of his 1962 income.

Why the difference? The average American consumer has changed his eating habits considerably. He is buying more meals away from home. He is eating better and more expensive foods — more meat, especially beef, more chicken and turkey, but fewer potatoes, cereals, and bakery goods. He is now consuming less fresh fruits and vegetables but more of the processed kinds. These changes have

FOOD CONSUMPTION HABITS HAVE CHANGED

Food Item	Average Annual Consumption Per Person in the United States	
	1945	1962*
	Pounds	Pounds
We have increased consumption of:		
Meat, Total	145	164
Beef	59	89
Chicken	22	30
Turkey	4	7
Canned fruit	14	24
Frozen fruit and juices	2	10
Frozen vegetables	2	11
Margarine	4	9
We have decreased consumption of:		
Fluid milk and cream	399	312
Butter	11	7
Fresh fruits	142	88
Fresh vegetables	134	104
Potatoes	122	103
Sweet potatoes	18	6
Wheat products	164	121
Corn products	24	14
Pork	67	64
Eggs (Number)	402	323

*Subject to revision.

Source: USDA, Economic Research Service.

made for better balanced and more nutritious meals.

New types of frozen and precooked foods, along with higher incomes, have encouraged the shift. Moreover, the growing number of women who hold jobs outside the home has increased the demand for food with built-in maid services. Today's housewife is buying convenience and the accompanying freedom from kitchen chores. Though these new types of food have cut these chores to a minimum, they have also figured importantly in increasing the grocery bill.

These facts are brought sharply into focus in a recent study made by home economists of the USDA. Three "ready-to-serve" meals for a family of four cost $6.70. Prepared in the home kitchen, these meals cost only $4.90, or $1.80 less. But the ready-to-serve meals required only one and one-half hours of the homemaker's time, while the three home-cooked meals took about five and one-half hours. The $1.80 saved in preparing the three home-cooked meals thus amounted to an hourly wage of less than 50 cents for the four extra hours required to prepare them. Most homemakers, of course, actually use a combination of foods—some unprepared, some partly prepared, and some which are ready to heat and serve.

FOOD IS STILL A GOOD BUY Food is still a good buy when compared with other consumer goods and services. Food costs have risen much less since 1947-49 than have the prices of most other items in the Consumer Price Index. For all items other than food, prices have increased an average of 33%. Housing has risen 34%, with household operation up 41% and rent 45% higher. The cost of transportation has climbed 51%, while medical care has gone up 65%. But for all food (including that purchased in restaurants), the price increase has been just 22%.

The rise in food costs has been slowed by increased efficiency in both marketing and farming. The number of workers in the food-marketing industry is now 10% greater than in 1947-49 and their hourly earnings have increased around 80%, but labor costs per unit of output have risen only about 30%. The farmer's greater efficiency, coupled with the lower prices he receives, is perhaps the biggest reason why the price of food has gone up less than that of most other consumer items. The average farmer today produces enough food, fiber, and tobacco to supply 27 people, including himself. This is nearly double the number he was able to supply in 1947-49.

Though food costs are higher, consumers today are getting more for their food dollar. Food generally is of better quality. Timesaving and convenience are built into many foods. There are many more varieties of foods in both fresh and processed forms and in packages of different sizes and grades. And the average breadwinner today can buy more food with an hour's pay than he could a decade ago. Food is still relatively a bargain!

CONSUMER INCOME AND THE SHARE SPENT FOR FOOD

Annual Averages Per Person in the United States

Year	Disposable Personal Income†	Income Spent for Food		Cost to Consumer of Fixed Quantities of Food Representing 1935-39 Average Annual Consumption Per Person	
		Actual†	Per Cent of Disposable Income	Actual†	Per Cent of Disposable Income
	Dollars	Dollars	Per Cent	Dollars	Per Cent
1935-39 average	514	118.5	23.1	118.5	23.1
1947-49 average	1,248	319	25.6	242	19.4
1950	1,369	312	22.8	246	18.0
1951	1,475	346	23.5	271	18.4
1952	1,521	355	23.3	276	18.1
1953	1,582	355	22.4	270	17.1
1954	1,582	355	22.4	270	17.1
1955	1,660	358	21.6	265	16.0
1956	1,741	370	21.3	267	15.3
1957	1,803	381	21.1	276	15.3
1958	1,825	387	21.2	288	15.8
1959	1,904	385	20.2	282	14.8
1960	1,934	386	20.0	285	14.7
1961	1,979	386	19.5	288	14.6
1962*	2,051	397	19.4	291	14.2

*Subject to revision. †Current dollars.

Source: Computed from data of the U. S. Department of Commerce by the Economic Research Service of the USDA.

THE FIFTH DISTRICT

Spring made an auspicious entry in the District, its bright skies and gentle temperatures proving as congenial to business optimism as to the area's variegated floral life. Soundings made in March and April revealed a notable blossoming of confidence in the District's business and banking communities, apparently part of a nationwide ground swell which may be only partly attributable to the happy transition from winter into spring over much of the country.

Since statistics on the economy's early spring performance remain incomplete, it is difficult to judge the extent to which improved sentiment is justified by actual gains. The rather fragmentary data currently available for both the nation and the District suggest substantive business advances beginning in March and continuing in April. But whether the swing in actual conditions has thus far matched the rise in optimism remains an open question.

TRADE AND EMPLOYMENT Retail trade this year has advanced about as vigorously in the District as in the nation, but less consistently. District seasonally adjusted department store sales soared to an all-time high in March, 10% above the February level and 4% higher than the previous record established last fall. Present indications are that department store sales slackened somewhat in April. They remained in the high range typical of recent months, however, and bettered last year's April figure by 4%. Preliminary national figures also show these sales surging to a new record in March, 5% above the previous month and 3% higher than a year earlier.

Slight gains in seasonally adjusted nonagricultural employment in each of this year's first three months led to a new high for the District in March. Seasonally adjusted nonfarm employment was then estimated to be 4,950,000, surpassing by about 4,000 the previous high reached last September. These gains were about in line with national figures, which reversed last fall's slight declines and rose to successive new highs in February and March.

District nonmanufacturing employment rose 0.1% in March, as small gains in contract construction, in trade, in finance, insurance, and real estate, and in government more than offset small declines in mining, in transportation, communication, and public utilities, and in services. Contrary to its customary seasonal pattern, District insured unemployment rose a little in February and clung to those higher winter levels a bit longer than usual. By the middle of March, however, insured unemployment was declining at a distinctly better than seasonal pace.

INDUSTRY DEVELOPMENTS Employment rose in March in most of the District's manufacturing industries, but more in durables than in nondurables. The situation was reversed, however, with respect to hours worked. Seasonally adjusted man-hours advanced 1.8% in nondurable goods and 1.0% in durables for a 1.5% gain in the total figure. Man-hours declined in only three of the District's major manufacturing categories: primary metals, fabricated metals, and transportation equipment.

Less comprehensive but more current evidence gathered from trade journals and industry sources suggests that most District industries continued to improve in April. Textile industry man-hours were up substantially in March, and trade reports suggest that a fairly good flow of new orders developed in April. But buying was intermittent and more heavily concentrated than usual in spot and nearby deliveries. District furniture makers, still in a period of general prosperity that began in late 1961, showed their latest wares during the week beginning April 19. Prospective buyers from all parts of the nation gathered at a growing number of display centers concentrating in North Carolina and Virginia. Actual attendance at this latest Southern Furniture Market was reportedly down a bit compared to a year ago and off considerably from last fall when one of the largest crowds in the history of the event came to see a wide assortment of new lines. This time, however, fewer new models were anticipated, new orders generally were already running well ahead of last year, prices were firm, and manufacturers' backlogs were large enough to push delivery dates weeks or even months ahead on some lines. Consequently, reduced attendance was not viewed by the trade with any particular concern.

The good weather has given new impetus to District construction activity and has apparently lifted the lumber business out of its winter doldrums.

The District's planted acreage of all principal crops will be 2% above 1962's record low if farmers carry out their March 1 plans.

Although this happens to some degree every spring, improvement this year seems stronger than usual. For one thing, District contract awards rose in February at a sharply better than seasonal rate due mainly to strength in residential, public works, and utilities categories, and present indications are that new business continued at a brisk pace in March.

BANK LOANS EXPAND Evidence that spring business has been better than usual also appears in the loan experience of District weekly reporting banks. Their business loans rose 6.4% between February 27 and April 17. This increase resembled the spring gains of 1959 and 1961, both strong recovery years, and was well ahead of other recent years. It was, moreover, considerably greater than the 2.1% increase in business loans at United States weekly reporting banks over the same period.

District weekly reporting banks also made substantially more than seasonal additions to their real estate and "all other" (mainly consumer) loans in these weeks. Real estate loans, in particular, registered a sharp rise and now stand nearly 6.0% above their level on the first of the year. In no other recent year have these loans risen by as much as 1.0% in the comparable period.

FARM PROSPECTS Land preparation for spring planting lagged until mid-March but moved at a brisk pace thereafter so that most field work was about on schedule at the Easter holiday.

Current plans suggest that District crop plantings will be up about 188,000 acres this year. Planned increments are concentrated mainly in wheat and corn, with smaller increases projected for soybeans, Maryland and Burley tobaccos, and grain sorghums.

Sizable acreage reductions are indicated, however, for other important District crops. Cotton and sweet potatoes will probably be cut back about 7% from last year and flue-cured tobacco about 5%. Important reductions are also planned for oats and Irish potatoes. Acreage is expected to be about the same as last year for peanuts, hay, barley, and Virginia fire-cured and sun-cured tobaccos. Cotton and flue-cured tobacco reductions are apparently linked to 1963 allotment cuts. Based largely on March 1 estimates, these plans are subject to change.

NOTICE

"System Open Market Operations in 1962," by Robert W. Stone, Manager of the System Open Market Account, was printed in the April 1963 **Federal Reserve Bulletin.** *Reprints may be obtained from the Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington 25, D. C.*

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