Monthly Review

FEDERAL RESERVE BANK OF ST. LOUIS

Volume XXXII SEPTEMBER, 1950 Number 9

FARM EXPORTS AND FOREIGN POLICY

War in Korea is bringing changes in American foreign trade policy. Farm exports will be affected by these changes.

The American farmer historically has played a major role in U. S. foreign trade. As an agricultural area the Eighth District has an important stake in our farm export volume. The district farmer will be affected by the current and prospective world situation.

Before Korea farm export volume was declining as agricultural production showed recovery in Western Europe. It has failed to recover in Asia, however.

Foreign aid programs financed much of our export surplus during the war and postwar years. U. S. farm exports depended heavily on government grants and loans.

This "dollar gap" was not a new problem. But the postwar period brought it into sharper focus. Our policy was to extend aid so foreign nations could become self-supporting. And they seemed to be on their way to this goal.

Postwar export level and geographic pattern differ from prewar. Potential farm export volume is high but not as large as in 1946-49. The commodity pattern of farm exports also changed. Cotton has lost ground while grains have gained and eggs, dairy products and pork, important during the war, have returned to a smaller role. Tobacco exports are important as are those of rice, corn and soybeans.

This district is an important producer of cotton, tobacco, rice, soybeans, corn and pork. Total agricultural exports from this district are substantial.

The Korean war may well lead to increased farm exports and American agriculture is in position to meet that need.

War in Korea is bringing changes in American foreign trade policy

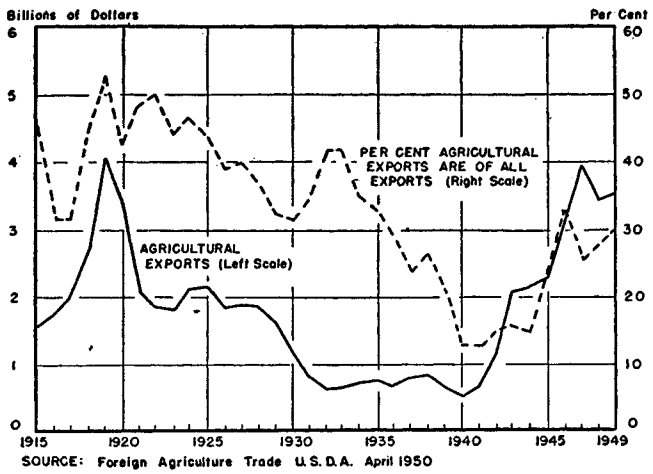
World power politics and military needs are becoming two major influences on American foreign trade policy. They are very likely to continue as important influences for some time in the future.

Not long ago we were expressing concern over the "dollar gap"—our export surplus which has been financed mainly with dollar gifts or loans. Means of increasing foreign earnings of dollars were being studied. Only if such means were found could we balance our large export trade other than with gifts or loans of dollars. Today the economic factors in the "dollar gap" problem receive less emphasis. Partly this is due to a belief that the "dollar gap" will be reduced as our increased defense program leads to increased imports—particularly of materials for stockpiling. But primarily it reflects the changed foreign situation since the Korean struggle began. United States goods sent abroad are again being viewed as a strategic factor in world politics—as a major support for the Western democracies and their friends.

Farm exports will be affected by these changes

Pre-Korea, the American farmer was becoming more and more aware of weakening world demand for his products. He again faced a farm surplus problem; he was producing under acreage restrictions and prices were hovering around support levels. Two months later—today—he finds his prospects for shipments abroad changed. Food products will be needed in some areas abroad and so will non-food farm output. These needs will be met (insofar as we can do so) with more emphasis on the international political situation rather than the purchasers' ability to pay in dollars. Should the present foreign situation worsen—should Korea be followed by other scattered outbreaks or by a global war—the foreign demand for our farm products perhaps would become even more intense.

Agricultural products have contributed substantially to foreign trade



SOURCE: Foreign Agriculture Trade U.S.D.A. April 1950

The American farmer historically has played a major role in U. S. foreign trade

Farm products always have been important in this nation's exports. In the 1920's more than 40 per cent of merchandise exports from the United States were agricultural products. Almost $21 billion worth of American farm output went abroad in that decade. The 1930's saw a sharp reduction in world trade and a more than proportional drop in our shipments from the farm. Exports from our farms totaled less than $8 billion in that ten-year period and accounted for just 31 per cent of our total exports. In the war and postwar years our total exports grew tremendously. During the actual war period, while farm exports increased markedly, that gain was dwarfed by the flood of munitions sent abroad. But in the postwar years, when demand for food from abroad was extremely heavy, farm exports rose sharply. In the years 1946-49 farm products going overseas were valued at more than $14 billion and accounted for 29 per cent of our merchandise shipments abroad.

As an agricultural area the Eighth District has an important stake in our farm export volume

In 1949 agricultural exports were valued at $3.6 billion—equivalent to 11 per cent of farm income—illustrating the importance of foreign markets to over-all farm prosperity. About $500 million of the farm export value went into Eighth District farmers' pockets. We raise here sizable amounts of cotton, rice, wheat, soybeans, and tobacco. These and other district farm products flow into export trade.

The district farmer will be affected by the current and prospective world situation

For clarification, it might be well to stress an often-misunderstood point right here. From the standpoint of the effect of world demand on the district farmer, it makes no particular difference whether his specific production is shipped abroad or not, as long as some of the same kind of product goes abroad. The important point is that the product, wherever raised, goes into world trade. Cotton produced on a district farm may be exported

directly or may be consumed at home. Total demand for American cotton is domestic consumption plus exports (less imports). As long as some cotton is exported net, the district cotton producer gets the benefit of foreign demand for cotton.

Before Korea, farm export volume was declining

In the peak year of foreign demand for our farm products, 1947, we sent almost $4 billion worth overseas. In 1948 farm exports were valued at about $3.5 billion and in 1949 at $3.6 billion. But in the first four months of 1950 they fell 30 per cent from the level of the like period in 1949. On that basis export value for the full year 1950 would be off about $1 billion from 1949.

. . . as agricultural production showed recovery in Western Europe

Among nations hurt physically by war, the principal gains in farm production in the postwar period have come in Western Europe. All ERP (European Recovery Program) nations have improved their agricultural output since the war—particularly in the past two years. In the last crop year, crop production in these countries was almost back at prewar levels. Livestock numbers are increasing rapidly, although production is still below prewar.

Prospects for 1950-51 in Western Europe are good. The United Kingdom's crops are expected to exceed the ten-year average. France, Western Germany and Italy expect a reasonably good year. Wheat output in Western Europe as a whole is estimated to be 5 per cent higher than last year.

It has failed to recover in Asia however

A factor in the postwar demand for American farm products has been the failure of the food producing areas of Asia to recover their prewar production levels. In the prewar period Southeast Asia had an export surplus of cereal grains. In the years 1934-38, for example, that export surplus totaled 1.5 million metric tons. Instead of exporting in the postwar years, this region has had to import food. In the four postwar years, 1946-49, its net imports of cereal grains averaged annually 3.5 million metric tons. In 1949, the import deficit was 5.2 million metric tons. Two of the great rice surplus countries, Burma and Indo-China, have been exporting but 35 per cent and 5 per cent, respectively, of prewar.

The basic reason for this situation, of course, is found in the violent political upheavals of the postwar years in those nations. Actually there has been no real peace in that part of the world. As a result, the countries that normally imported food from Southeast Asia had to find other sources of supply. And in addition Southeast Asia itself had to import food. Part of this new demand focused on the United States.

Foreign aid programs financed much of our export surplus during the war

In the years, 1941-45, this nation had an export surplus of some $38 billion. We shipped goods abroad or rendered services to foreigners valued at more than $75 billion in that five-year period. In return we received goods and services from abroad worth $37 billion. The balance was financed by our grants (mainly lend-lease) and loans—in other words, in effect we gave the export surplus away as part of our contribution to the war effort.

. . . and postwar years

From 1946 through 1949 our export surplus totaled about $32 billion with about two-thirds financed through our foreign aid programs or Federal government loans abroad. In 1949 alone our grants (including those under ECA and the programs handled by our occupying forces) were $5 billion, and government credits were $650 million. Together these almost covered the entire export surplus.

Farm exports depended heavily on foreign aid programs

Authorizations under the ECA program in 1949 ($2.7 billion) financed two-thirds of our exports of cotton, one-half of our exports of coarse grain and leaf tobacco, two-fifths of our shipments of fats and oils and one-fourth of our wheat shipments.

AGRICULTURAL PRODUCTION NEARLY UP TO PREWAR LEVELS IN ERP COUNTRIES

(Prewar = 100*)

	Gross Agricultural Production[1]					
	Total			Livestock Products		
	1947–48	1948–49	1949–50	1947–48	1948–49	1949–50
ERP Area[2]	82	92	96	73	82	88
United Kingdom	92	107	108	81	92	96
France	78	94	92	75	85	87
Western Germany	68	79	87	56	63	73
Benelux[3]	75	88	100	68	82	95
Italy	89	94	100	84	92	100

*Weighted by value. Preliminary. Prewar for most part means 1933-34 to 1937-38.

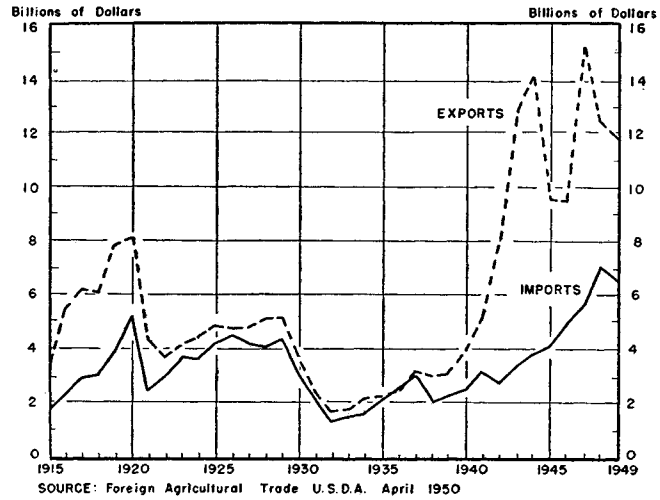
[1]A gross index understates recovery if level of feed imports has been reduced. This is apparent for United Kingdom. It overstates recovery if feed imports have increased.

[2]Excluding Turkey, Luxembourg, and Iceland.

[3]Belgium and Netherlands (excludes Luxembourg).

Source: Richter, J. H., Indices of Agricultural Production in ERP Countries. Foreign Agriculture, June, 1950, Vol. XIV, No. 6.

Historically exports have exceeded imports in the United States



SOURCE: Foreign Agricultural Trade U.S.D.A. April 1950

This "dollar gap" was not a new problem

The United States, since before World War I, tended to run a so-called favorable trade balance regularly—in other words, we sold abroad more than we imported. In nonwar years the "dollar gap" averaged close to $1 billion and was financed mainly by loans or gifts (much of these being from private sources). World War II brought a tremendous increase in our exports and the "dollar gap" widened.

But the postwar period brought it into sharper focus

Because of war destruction there was pressing need for continued high level U. S. exports in the postwar years. But foreign nations could not earn enough dollars to pay for the goods and services they needed from us. And without essential imports they could not hope to rebuild their economies.

Our policy was to extend aid so foreign nations could become self-supporting

To break into this vicious circle the United States decided to furnish under definite programs some of our products to foreign nations free of cost to them. Such goods and services were to aid in rebuilding to a point where those nations could stand on their own feet.

. . . and they seemed to be on their way to this goal

In 1948 the U. S. export surplus of goods and services was $6.7 billion. While it rose slightly in the first part of 1949 (mainly because of the slump in imports accompanying our recession), by the last half of 1949 the export surplus had dropped to an annual rate of $4.8 billion and in the first five months of 1950 to $2.2 billion. U. S. imports in May, 1950, were 19 per cent larger than the 1949 monthly average while U. S. exports were 18 per cent smaller. The drop in farm exports, as noted, was about 30 per cent.

Postwar export level and geographic pattern differ from prewar

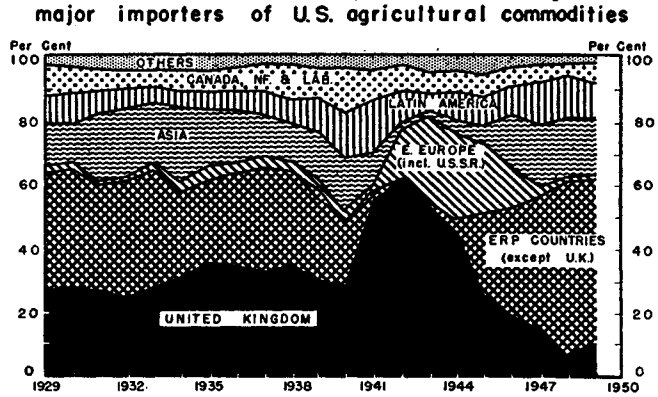
The postwar level and pattern of our farm exports were considerably different from those prevailing in the 1930's. In the decade before World War II, American farm exports averaged less than $800 million annually in value. In the four years 1946-49, the value average was $3.5 billion. Prewar, the United Kingdom took one-third of these exports. Since the close of the war, Great Britain's share of the total has been reduced in keeping with her austerity program. But food imports of other Western European nations have increased so that our exports to Western Europe as a whole have about held their prewar proportion—and, of course, rose sharply in volume and value. For example, Germany took 20 per cent of our farm exports in 1949 as compared with 6 per cent in prewar years.

Japan was the principal Far Eastern importer of U. S. farm products in the 1930's. During the war she naturally took none of our exports, but following the war she returned to her prewar position as a major absorber of our farm products. Already noted has been the failure of Southeast Asia agriculture to recover, which has led to some increase in U. S. exports to that area. Russia received a substantial amount of U. S. products (under lend-lease) during the war, but now gets very little from us.

Potential farm export volume is high, but not as large as in 1946-49

There would have been a fairly substantial demand for American farm exports during future years even had the Korean incident not occurred.

Other ERP countries replace United Kingdom as major importers of U.S. agricultural commodities



U. S domestic agriculture exports, percentage distribution by destination 1929-49
SOURCE: Foreign Agricultural Trade U.S.D.A. May 1950

It would not have been as high as in the first four postwar years but still would have been considerable. Whether that potential demand could have been made actual turned, of course, on foreign nations' ability to earn dollars to buy our goods—or on continuation of our aid and loan programs.

After surveying the potential European market, L. J. Norton of the University of Illinois saw "Germany—(as) the biggest postwar taker of our farm products—our biggest potential customer."[1] He believes France can be almost self-sufficient in food and feed, but might buy cotton and tobacco here. Without increasing her dollar earnings sharply, the United Kingdom probably would continue to take a smaller proportion of our total farm exports than prewar. Among Far Eastern nations Japan would continue to buy here.

The commodity pattern of farm exports also changed

The commodity pattern of American farm exports was undergoing changes during the decades between World War I and World War II. The war brought much more marked changes in the pattern, and the postwar pattern differs appreciably from those prevailing in the 1920's and 1930's and during World War II.

[1] Norton, L. J., Outlook for Foreign Markets for United States Farm Products, Illinois Farm Economics, University of Illinois, Urbana, March-April, 1950, p. 973.

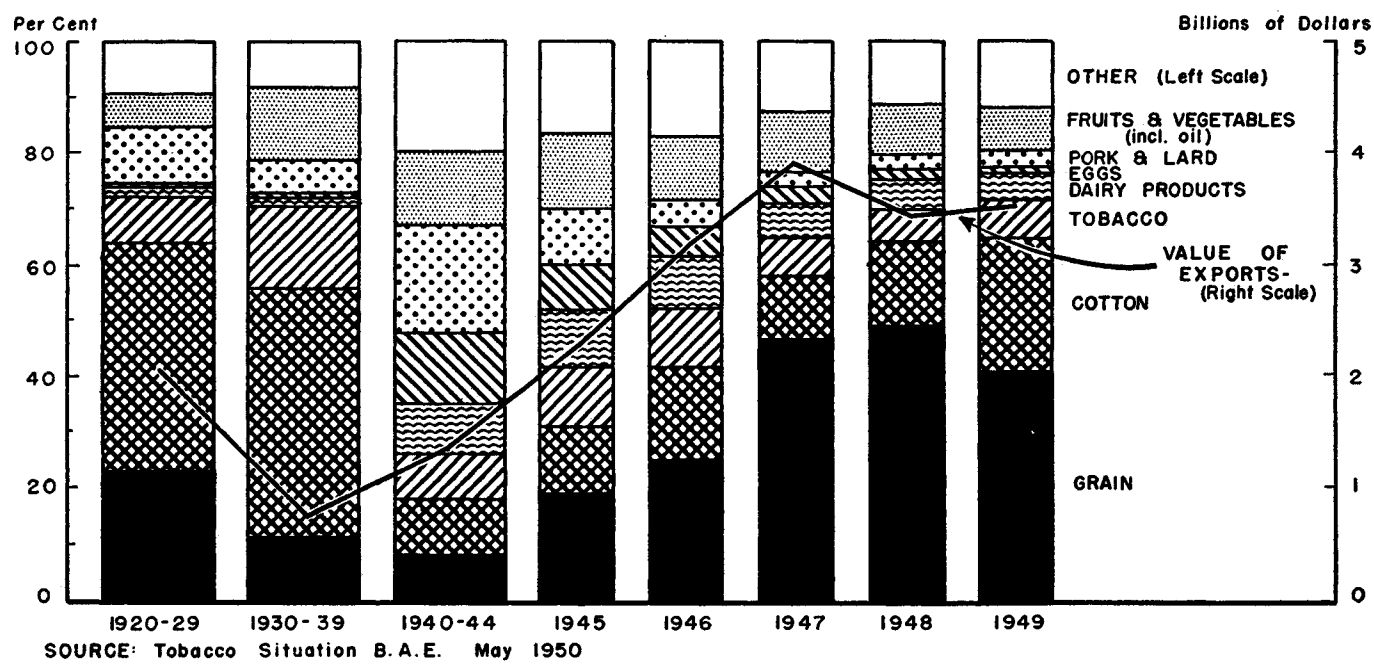
Cotton has lost ground

In the 1920's cotton constituted our most important farm export, accounting for about two-fifths of the total. But cotton lost ground in world markets more or less steadily in the inter-war decades, and during wartime high domestic demand and greater need for other products abroad made cotton exports relatively unimportant. In 1944, for example, tobacco exports—only one-fourth or one-fifth the volume of cotton exports at the close of World War I—exceeded the value of cotton exports.

In the early postwar years pressing need for food abroad and the shortage of dollars continued to hold cotton exports down but, as the food problem became less acute and foreign need for cotton increased, this commodity's export position improved. In 1949, cotton exports totaled $874 million, increasing from $511 million the year before. In the first four months of 1950 cotton exports were 7 per cent ahead of the like period in 1949. Still, in 1949, cotton exports made up just about one-fourth of our total shipments of farm products abroad.

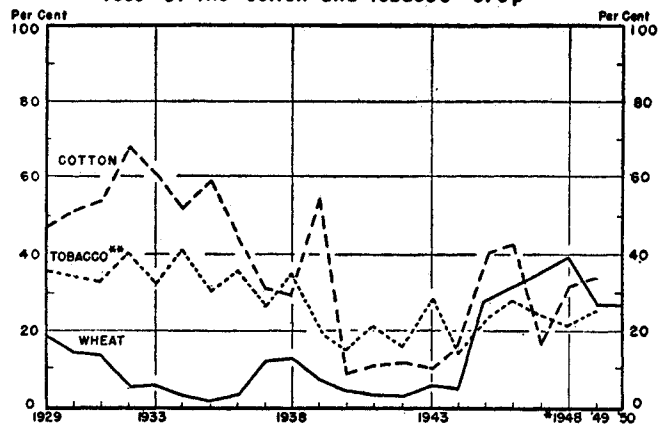
In quantitative terms, cotton exports for the 1948-49 crop year totaled 4.8 million bales. In the 1949-50 crop year they will total about 5.7 million bales, or more than one-third of the crop. While

Relative importance of various agricultural exports



SOURCE: Tobacco Situation B.A.E. May 1950

Foreign buyers are taking more of the U.S. wheat but less of the cotton and tobacco crop



*Export data for 1948 - 1950 is preliminary or estimated.
**Exports on declared weight basis, which is less than farm sales weights. Thus percentage understates the proportion exported.
SOURCE: Agr. Statistics U.S.D.A. 1949 and Tobacco Situation B.A.E. Feb. 1950

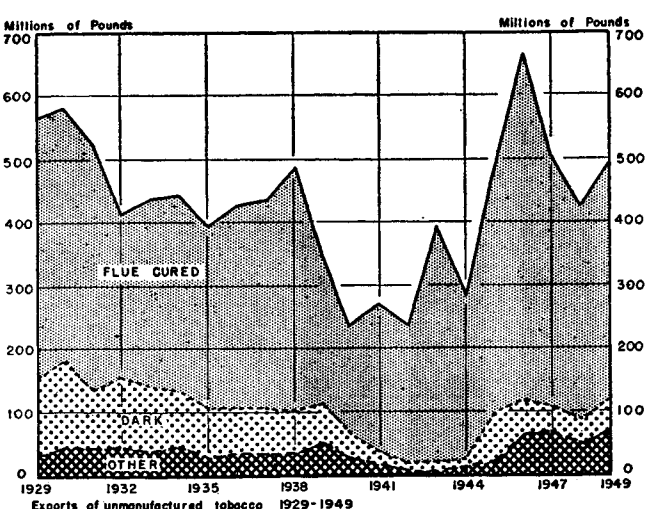
this is an important share of the total American cotton production, it is substantially less than the proportion of the early Thirties, which reached 50 to 60 per cent of the crop.

. . . *while grains have gained*

The heavy demand for American food in the early postwar years raised grains' share of total agricultural exports to close to 50 per cent in 1947. We have continued to export large quantities of grains and in 1949 they accounted for about two-fifths of our total farm exports. Between 1948 and 1949, however, grain exports declined about $400 million in value.

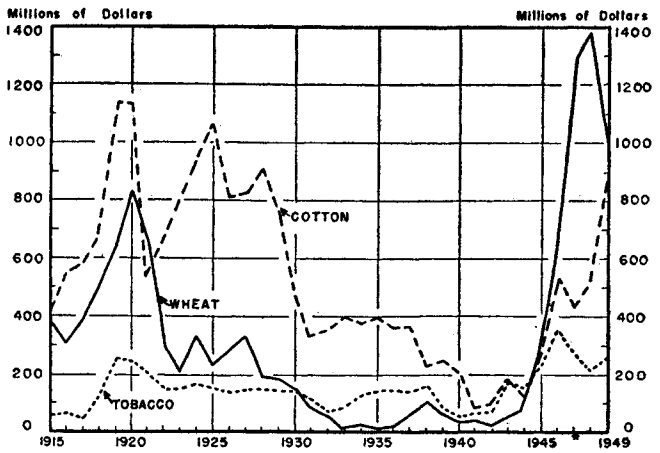
The 1949-50 wheat export totaled about 300 million bushels. Wheat exports have been running from 25 to 40 per cent of the crop during the postwar period, substantially more than the proportion prevailing in prewar years.

Tobacco exports declined prior to 1940 but have recovered since



Exports of unmanufactured tobacco 1929-1949
SOURCE: Tobacco Situation B. A. E. Feb. 1950

Value of U. S. exports of cotton, wheat and tobacco 1915 1949



*1946-1949 are preliminary figures
SOURCE: Foreign Agricultural Trade April 1950

. . . *and eggs, dairy products, and pork, important during the war, have returned to a smaller role*

Eggs, dairy products, pork and lard accounted for less than 10 per cent of our farm exports in the 1930's. In the war years, however, such shipments increased sharply until they made up about 40 per cent of the total. Subsequently the proportion has declined to about prewar. In 1949, egg exports were valued at $26 million, lard exports at $108 million and dairy product exports at $174 million. In the first four months of 1950 smaller quantities of all these items went into foreign trade than during the same period of 1949.

Tobacco exports are important

Tobacco exports were valued at $250 million for 1949. Such exports increased materially after the start of World War II, although their proportion of the total in recent years was somewhat less than that of the Thirties when they accounted for 15 per cent of total agricultural exports. It might be noted that tobacco exports showed a smaller decline in value between 1930 and 1940 than other major agricultural commodities.

. . . *as are those of rice, corn and soybeans*

In 1949, exports of corn were valued at $208 million, of rice, $105 million, and of soybeans, $115 million.

This district is an important producer of cotton

Cotton is one of the most important Eighth District crops with about 30 per cent of U. S. production being concentrated in this region. (In the bad cotton crop year of 1949 the district's production was only one-fourth that of the nation).

. . . *tobacco*

There are many varieties of tobacco grown in this district with burley the most important type. Substantial amounts of dark tobacco also are produced here. But the most important export tobacco —flue-cured—is grown outside the Eighth District. During the war, 90 per cent of U. S. tobacco exports were flue-cured type and, while this proportion has dropped in the postwar years, it still is high—about 80 per cent.

Our dark fire-cured tobacco types were important exports in the 1930's—accounting for as much as one-fifth of total tobacco exports for a time. In more recent years they have lost importance as an export and production has declined. Burley, which is consumed mostly in the U. S., has been rising in importance as an export. About 7 per cent of the burley crop was sent abroad in 1949.

. . . *rice, soybeans, corn and pork*

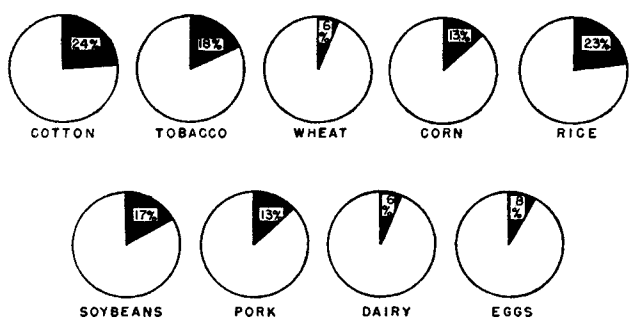
About one-fourth of the nation's rice output comes from Arkansas. Important amounts of corn, soybeans and pork also are produced in the district.

Total agricultural exports from this district are substantial

Approximately one-fifth of the farm income in the Eighth District can be attributed to foreign trade (assuming that district crops are exported in about the same proportion as the national average).

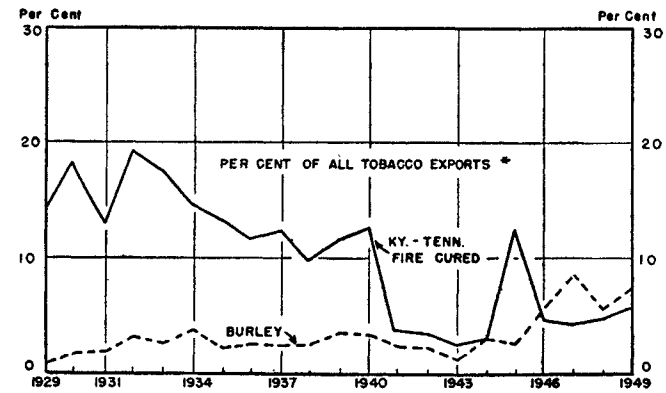
District exports of the nine commodities shown in the chart total 14.4 per cent of all U. S. agricultural exports. The value of these nine district exports is $414 million, and the estimated value of all district agricultural exports is $500 million. By comparison, United States exports of these nine commodities total three-fifths of all exports with a value of $2.9 billion in 1949. Approximately one-fifth of the farm income in the Eighth District in 1949 can be attributed to foreign trade. If one dollar out of five going to district farmers is acquired through agricultural exports, the importance for this area of foreign demand for farm products is apparent.

Importance of Eighth District production in total U. S. production



NOTE: Exports of above items totaled $2,864 million in 1949
TOP ROW - 1949 production - District estimates by Board of Governors of the Federal Reserve System
BOTTOM ROW - 1944 production - District total calculated from 1945 Census of Agriculture

District tobacco not too important in export trade — But the pattern is changing



* Other types grown in 8th District make up about 2% of total exports
SOURCE: Tobacco Situation B. A.E. Feb. 1950

The Korean war may well lead to increased farm exports

Had trends of the first half of 1950 continued, the farmer could have expected appreciably smaller export demand for his crops this year. Korea has changed that picture. As noted, American farm products sent abroad will be useful as implements to our foreign and defense policies. Also, even if the Korean war had no further international repercussions, it would affect some demand for our grains and rice since the Korean rice crop, upon which Japan was depending heavily, has been destroyed.

. . . ***and American agriculture is in position to meet that need***

Thus, agricultural exports should remain at a high level. Current world events probably place a higher floor under the volume of exports than otherwise would have been the case. It now appears that agricultural surpluses will be more readily disposed of than had been expected at the first of the year. What seemed to be burdensome surpluses have, in large part, become defense reserves.

Foreign need exists for cotton, fats, soybeans, wheat and feed. Dairy products, fruit and rice will probably be purchased from the United States as well.

American agriculture, with present production and incentives, is in a position to meet domestic needs and play a vital role in supporting our foreign and military policies. The Eighth District stands in a strategic position in this general picture by providing some of our major export products in important quantities.

Donald L. Henry

Survey of Current Conditions

The tempo of economic activity in the Eighth District is being stepped up. Announcement of defense contracts let, "scare buying" waves, longer "Help Wanted" columns, and pictures of men being called up for military service are reminiscent of the early 1940's.

Currently we are a long way from the scope and magnitude of the programs of the early Forties. And the economy as a whole is in far different shape than it was in 1940. It is at the same time better prepared and worse prepared to take on an expanded defense program. Better in the sense that we have more capacity, more know-how, and more workers. Worse in the sense that the new program will go on top of an already inflationary economy, whereas we had considerable slack in 1940.

Most district manufacturing industries now are operating at a higher level than two months ago. Some of the increase has been reflected in larger employment. Part of the expanded volume of output has been achieved by lengthening the work week—in some cases to an overtime basis. Consumer spending is considerably above last year's volume. Construction expenditures are still large, and judging from the volume of building permits issued in July, activity is likely to continue at record levels during the remainder of the year unless materials and labor shortages interfere.

Nationally, industrial output is now at a "peacetime" peak that is perhaps 5 per cent above the high of 1948. Industries such as steel, automobiles and construction, which have furnished much of the upward push throughout the year, continue to operate at or near record-breaking levels. Employment has climbed and fewer people are out of work now than at any time in more than a year. Income and spending are increasing—and accompanying the heavier demand is an advance in prices.

In general, the major economic developments in the nation during the past two months reflect the fact that some expansion in war goods production, together with a substantially increased demand for civilian goods (which essentially reflected fears or apprehensions with respect to possible future developments) were superimposed on an already record level of total demand. Not much of the gains in production or employment, or of the increases in prices, can be attributed directly to expanded government requirements. Some war goods production, of course, is in the picture now but wasn't there in June or July. But not much of the increase in industrial output—from 199 per cent of 1935-39 in June to an estimated 204 per cent in August, as measured by the Board's adjusted index—can be traced to a corresponding increase in newly-placed Government orders.

On the other hand, buying that was based on fears of future shortages or anticipations of credit controls, together with that which resulted from an intent to hoard goods, has been a major influence in determining recent price and other developments. Retail sales in July and August were larger than would have been expected on the basis of consumers' spending in earlier months this year. They were higher because of the heavy buying in a relatively few lines of merchandise which some consumers decided would be scarce—or subject to credit controls—later on. This type of buying was restricted to not many different kinds of goods—but it added to the pressure generated by an already record level of spending.

The impact of this scare-buying went beyond the local store. Retailers, in order to meet their customers' requirements and to protect their own inventory positions, also had to get in the market. They stepped up their buying. The wave has gone back to the manufacturers' level where production schedules have been geared to an expanded volume of orders and to the manufacturers' inventory requirements.

It should be remembered, however, that total demand was at a new peak prior to this wave of buying. In the three months to June 30, consumers' expenditures were at an annual rate of $184.5 billion—an increase of $2 billion from the preceding

WHOLESALING

Line of Commodities Data furnished by Bureau of Census U. S. Dept. of Commerce*	Net Sales July, 1950 compared with June, 1950	 July, 1949	Stocks July 31, 1950 compared with July 31, 1949
Automotive Supplies	+ 3%	+38%	+ 3%
Drugs and Chemicals	— 1	— 7	+ 7
Dry Goods	+22	+49	+49
Groceries	+11	+34	+ 7
Hardware	+12	+39	+ 1
Tobacco and its Products	+ 2	+ 7	+ 5
Miscellaneous	+21	+55	— 1
**Total All Lines	+10%	+37%	+16%

*Preliminary.
**Includes certain items not listed above.

PRICES

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100)	July,'50	June,'50	July,'49	July, 1950 compared with June,'50	July, 1950 compared with July,'49
All Commodities...	162.9	157.3	153.4	+ 3.6%	+ 6.2%
Farm Products.	176.0	165.9	165.8	+ 6.1	+ 6.2
Foods.....	171.4	162.1	161.3	+ 5.7	+ 6.3
Other.....	151.5	148.8	145.0	+ 1.8	+ 4.5

RETAIL FOOD

Bureau of Labor Statistics (1935-39=100)	July 15, 1950	June 15, 1950	July 15, 1949	July 15, 1950 compared with June 15,'50	July 15, 1950 compared with July 15,'49
U. S. (51 cities)...	210.0	204.6	201.7	+ 2.6%	+ 4.1%
St. Louis.....	223.8	212.4	206.8	+ 5.4	+ 8.2
Little Rock.....	205.5	201.0	196.8	+ 2.2	+ 4.4
Louisville.....	199.8	194.1	189.4	+ 2.9	+ 5.5
Memphis.....	212.0	206.4	217.1	+ 2.7	— 2.4

quarter and $5 billion larger than in the full year 1949. Business expenditures for producers' durable goods climbed to a rate of $21.6 billion and inventories were being accumulated at an annual rate of $3.4 billion.

The impact of the "extra" demand is apparent in terms of prices. Increases have been posted on a wide range of commodities at each level in the production-distribution process. But these advances in many cases have continued and accentuated an upward trend that was under way for a number of weeks prior to the Korean conflict. In other words, inflationary tendencies existed before the end of June. Developments since then have simply added fuel to the flames.

In appraising the economic outlook during the coming months, one important fact must be kept in mind. The direct impact of expanded military requirements will become apparent only gradually —and in fairly limited parts of the economy—during the remainder of the year. Thus there is no real basis for anticipating widespread shortages of supplies in the near future.

EMPLOYMENT

The latest available reports on the labor markets of the nation and the district offer little evidence of how great an impact the Korean conflict has had on employment. In July, the last month for which data have been published, nonfarm employment moved higher and approached the peak reached in 1948. All major industry groups, except Government and mining, showed gains. Unemployment dropped off in July to about 3.2 million, nationally.

In this district the "Help Wanted" columns in the newspapers have lengthened. How much this growing demand for workers reflects increased labor requirements resulting from the Korean situation is not clear. Probably comparatively few new job openings can be traced directly to expansion based on war goods production.

Labor shortages are not a problem in any of the district's industrial centers. From areas in which World War II war plants are located, but not yet operating, come reports that workers already are inquiring about "war jobs". There are shortages of certain skills, however, in some areas.

Most in demand are trained clerical workers, semi-skilled production workers and skilled craftsmen such as machinists and tool and die makers. Increasing emphasis is being placed on the draft status of job applicants. Some firms specify that prospective male employees be over 25 years of age. At the same time, however, relatively few openings exist for older men and women, although employment opportunities for these workers have improved during the past year.

Nonagricultural employment in the district and the nation edged upward between June and July. Agricultural employment dropped more than seasonally, due mainly to bad weather conditions, and continued to be substantially below the year-ago level. Employment in all the major industry groups, except Government and mining, went up in July. The largest increase was in the construction industry. Compared with last July, manufacturing employment showed the largest relative as well as absolute gain. The only declines from a year ago were in the service and mining industries.

In manufacturing industries, the increase between June and July was evenly divided between the durable and nondurable goods producers. There was a sharp seasonal expansion in the food processing industry and smaller gains occurred in the lumber, electrical machinery and leather industries. These increases more than offset losses in textiles and apparel. In the St. Louis and Louisville areas there were declines in the nonelectrical machinery industry. Fewer people were employed in the transportation equipment industry in St. Louis. In Evansville, the largest gains occurred in transportation equipment and fabricated metals products.

Most of the substantial rise in manufacturing employment since last July, in the nation and the district, occurred in the heavy goods industries. All of the major industries in this group employed more persons this July than a year ago. More workers were employed in the production of soft goods, too, although three industries in this group —food processing, tobacco and petroleum and coal products—showed declines.

The moderate decline in unemployment nationally between June and July consisted mainly of teen-agers. Of more significance was a drop, for the third successive month, in the number of long-

term unemployed. Almost a million fewer persons were looking for work in the nation this July than last, but unemployment was still 1.5 million higher than the peacetime low in October, 1948.

The number of claimants for unemployment compensation in the district continued to decline through the first week in August (the latest data available). In the city of St. Louis, only half as many persons filed claims in the first week of August as in the comparable periods in January and February. The decline in Evansville was even more marked; there were only one-fifth as many claimants in August as in March.

INDUSTRY

Industrial operations in the district remained at a high level in July. Manufacturing activity increased slightly, when allowances are made for vacations and other seasonal factors that usually result in curtailed output in July. Coal production declined more than seasonally, but the crude petroleum industry operated at a higher rate than in June. On-site construction activity probably expanded some in July, and there was a sharp increase both in construction authorized by building permits and in work put under contract during the month. Total electric power consumed by manufacturing industries in the five major cities was off 2 per cent, but daily average consumption was up about 8 per cent from June and 20 per cent from last July.

War Goods Production Not Yet a Major Factor

The continued heavy demand for civilian goods is largely responsible for the currently high level of industrial operations in the district. Some contracts for war materiel have been placed with manufacturers in this area, but so far the volume is relatively small. As military requirements expand, however, a larger portion of the district's industrial facilities are likely to be diverted to war goods production.

Among the Government's industrial installations that have been maintained on a reserve status, only one has been ordered to resume operations as of mid-August. This is the Navy's ordnance plant at Camden, Arkansas, where rockets are manufactured. Three nonindustrial Government installations—Camp Chaffee, at Fort Smith, Arkansas; Fort Leonard Wood in Missouri; and Camp Breckenridge, at Morganfield, Kentucky—are being reactivated.

Manufacturing Activity Continued Up In July

Despite some cutbacks for employees' annual vacation periods, most manufacturing industries operated at a higher level in July than in June when allowances are made for seasonal factors. The largest increases apparently were in the nondurables industries such as rubber products, chemicals, printing and publishing, food processing and paper products.

The basic steel industry in the St. Louis area scheduled operations at an average weekly rate of 74 per cent of capacity in July. Maintenance shutdowns and the reduction for the Fourth of July holiday accounted for the dip from 82 per cent in June. Operations increased in August, however, and were scheduled at the highest level—83 per cent—since last December.

Excessive rainfall in some of the southern pine producing sections of the district curtailed logging operations and, in some cases, reduced lumber mill operations. Demand showed no signs of diminishing and further price increases were posted on some grades of soft as well as hard woods. Southern pine production averaged about 3 per cent less than in June, reflecting adverse weather conditions and a shorter work month. Southern hardwood mills operated at a higher rate than in June, however—98 per cent of capacity as against 93 per cent in June.

In the nondurable field, activity in Kentucky's distilling industry picked up in July. At the month's end 31 distilleries were operating in the state as compared with 29 a month earlier and 15 in July last year. Trade reports indicate that demand has increased since the outbreak of hostilities in Korea. Some whisky producers are voluntarily allocating shipments to dealers on the basis

INDUSTRY

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	July, 1950 K.W.H.	June, 1950 K.W.H.	July, 1949 K.W.H.	July, 1950 compared with June,'50	July, 1950 compared with July,'49
Evansville	14,865	15,462	13,048	— 3.9%	+13.9%
Little Rock	4,509	4,624	5,596	— 2.5	—19.4
Louisville	74,096	74,171	68,441	— 0.1	+ 8.3
Memphis	26,651	27,763	20,740	— 4.0	+28.5
Pine Bluff	7,152	7,149	4,672	-0-	+53.1
St. Louis	92,314	93,965	72,141	— 1.8	+28.0
Totals	219,587	223,134	184,638	— 1.6%	+18.9%

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

First Nine Days

July,'50	June,'50	July,'49	Aug.,'50	Aug.,'49	7 mos.'50	7 mos. '49
115,863	110,339	102,544	36,230	29,801	757,063	732,699

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thousands of bbls.)	July, 1950	June, 1950	July, 1949	July, 1950 compared with June, 1950	July, 1950 compared with July, 1949
Arkansas	80.3	79.1	72.6	+ 2%	+11%
Illinois	174.0	172.0	178.6	+ 1	— 3
Indiana	30.7	30.2	26.9	+ 2	+14
Kentucky	28.8	26.1	23.3	+10	+24
Totals	313.8	307.4	301.4	+ 2%	+ 4%

PRODUCTION INDEXES

COAL PRODUCTION INDEX
1935-39=100

Unadjusted			Adjusted		
July,'50	June,'50	July,'49	July,'50	June,'50	July,'49
108*	136	88	122*	145	100

SHOE PRODUCTION INDEX
1935-39=100

Unadjusted			Adjusted		
June,'50	May,'50	June,'49	June,'50	May,'50	June,'49
139	131	127	135	135	124

*Preliminary.

of previous requirements in order to prevent the accumulation of excessive stocks by dealers. Production in June amounted to 6.9 million tax gallons as against 7.6 million in May and 4.3 million a year ago. The drop from May in this area was not as large as the decline nationally, however.

Coal Output Off More Than Seasonally—Crude Oil Up

A drop of 24 per cent in mine production of coal in July resulted in the smallest output since February. Preliminary reports put production at 6.7 million tons in July as compared with 8.8 million tons in June. The decline was larger than usual for the month and dropped the seasonally adjusted index of daily production to 122 per cent of the 1935-39 average. Output was smaller than in June in each of the mining areas in the district.

In contrast to the slackening in coal mining operations, the daily rate of crude petroleum production was up 2 per cent. Averaging out at 313,800 barrels per day in the whole district, production was larger than that in June in each of the district's producing areas. Except for a 3 per cent decline in Illinois, output in each state was larger than in July last year.

Construction: Another Month of Large Volume

The aggregate value of building permits issued in the five largest district cities increased spectacularly between June and July. Totaling nearly $26 million, as against $13 million in June, the value of work authorized was at a new monthly peak. Increases were large in each of the cities, particularly in St. Louis and Evansville. Two-thirds of the $13 million increase, however, was concentrated in one city—St. Louis—where more than one-half of the gain over June reflected authorizations for multi-family residential construction.

This concentration of the increase in the value of construction authorized would seem to indicate that the possibility of war-created materials shortages did not produce, in July, a widespread rush to get construction under way. There is additional support for this interpretation. For example, the number of permits for new construction was smaller in July than in June in three of the cities—St. Louis, Louisville and Little Rock. In Evansville and Memphis the number of permits increased but not as much, percentagewise, as the increase in the value of building authorized. Because of the large number of permits issued, construction expenditures in the district are expected to remain high, if labor and materials continue to be available.

CONSTRUCTION

BUILDING PERMITS
Month of July

(Cost in thousands)	New Construction				Repairs, etc.			
	Number		Cost		Number		Cost	
	1950	1949	1950	1949	1950	1949	1950	1949
Evansville	170	60	$ 1,222	$ 255	93	108	$ 43	$ 86
Little Rock	99	57	2,171	287	253	229	227	152
Louisville	198	142	1,953	2,107	120	57	47	115
Memphis	2,723	1,373	7,170	3,464	220	294	258	149
St. Louis	388	231	11,795	1,048	299	270	839	275
July Totals	3,578	1,863	$24,311	$7,161	985	958	$1,414	$ 777
June Totals	3,234	1,955	$11,265	$7,225	1,012	911	$1,660	$1,212

The value of work contracted for also increased —from $80 million in June to $98 million in July. Both residential and nonresidential awards moved higher. In the St. Louis territory covered by the F. W. Dodge Corporation, an increase in contracts for hospitals and institutional building accounted for most of the gain in nonresidential awards. Slightly fewer new single-family dwellings for owner occupancy were contracted for and speculative builders put nearly 25 per cent fewer single-family units under contract in July than in June. The number of duplex units also declined but these reductions were more than offset by a fivefold increase in apartment units contracted for.

TRADE

It may take time for the impact of the Korean conflict to register on the district's industry and labor force, but no such lag exists in the retail trade field. Reacting emotionally to a fear of shortages and the possibility of credit restrictions, consumers began storming the stores early in July. Apparently unconvinced by assurances of adequate supplies, customers bought heavily at the sheet and nylons counters. They rushed to put their names on auto dealers' lists, and then stopped by the grocery store for another bag of sugar. Not all consumers followed this pattern, of course, but the number who did was sufficient to turn a normally dull month into one of the biggest months retailers have ever had.

On a national basis, retail stores did a whopping $12.2 billion business in July—20 per cent more than in July last year. Only three times before—the last three Decembers—were sales larger than

DEPARTMENT STORES

	Net Sales: July, 1950 compared with June,'50	Net Sales: July, 1950 compared with July,'49	Net Sales: 7 mos. 1950 to same period 1949	Stocks on Hand: July 31,'50 comp. with July 31,'49	Stock Turnover: Jan. 1, to July 31, 1950	Stock Turnover: Jan. 1, to July 31, 1949
8th F. R. District...	+ 8%	+29%	+ 3%	+ 2%	2.23	2.21
Ft. Smith, Ark.....	+11	+31	+ 1	+ 2	2.17	2.27
Little Rock, Ark....	+18	+33	+ 4	+21	2.19	2.31
Quincy, Ill.....	+ 7	+18	+ 1	— 4	1.96	1.90
Evansville, Ind.....	+13	+43	+ 8	— 3	2.15	1.98
Louisville, Ky.....	+ 7	+37	+ 6	+ 5	2.49	2.40
St. Louis Area[1].....	+ 6	+27	+ 2	+ 1	2.21	2.19
St. Louis, Mo.....	+ 6	+27	+ 1	+ 1	2.23	2.20
Springfield, Mo.....	+18	+31	+ 6	— 7	2.06	1.89
Memphis, Tenn.....	+10	+26	+ 3	— 4	2.30	2.31
*All other cities.....	+ 9	+30	+ 5	+ 6	1.86	1.75

*El Dorado, Fayetteville, Pine Bluff, Ark.; Harrisburg, Mt. Vernon, Ill.; New Albany, Vincennes, Ind.; Danville, Hopkinsville, Mayfield, Paducah, Ky.; Chillicothe, Mo.; Greenville, Miss.; and Jackson, Tenn.

[1]Includes St. Louis, Mo.; Alton, Belleville, and East St. Louis, Ill.

Outstanding orders of reporting stores at the end of July, 1950 were 64 per cent greater than on the corresponding date a year ago.

Percentage of accounts and notes receivable outstanding July 1, 1950 collected during July, by cities:

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith.....	....%	47%	Quincy	19%	59%
Little Rock.....	17	44	St. Louis	18	54
Louisville	19	50	Other Cities....	14	55
Memphis	17	40	8th F.R. Dist.	18	50

INDEXES OF DEPARTMENT STORE SALES AND STOCKS
8th Federal Reserve District

	July, 1950	June, 1950	May, 1950	July, 1949
Sales (daily average), unadjusted[2]	326	293	323	254
Sales (daily average), seasonally adjusted[2]	418	326	330	325
Stocks, unadjusted[3]	295	299	313	278
Stocks, seasonally adjusted[3]	283	299	313	267

[2]Daily average 1935-39 = 100.

[3]End of Month Average 1935-39=100.

SPECIALTY STORES

	Net Sales: July, 1950 compared with June,'50	Net Sales: July, 1950 compared with July,'49	Net Sales: 7 mos. 1950 to same period 1949	Stocks on Hand: July 31,'50 comp. with July 31,'49	Stock Turnover: Jan. 1, to July 31, 1950	Stock Turnover: Jan. 1, to July 31, 1949
Men's Furnishings....	—24%	— 2%	— 5%	+ 8%	1.42	1.47
Boots and Shoes.....	—18	+10	— 2	+ 2	2.57	2.56

Percentage of accounts and notes receivable outstanding July 1, 1950 collected during July:

Men's Furnishings ..... 43% Boots and Shoes..... 44%

Trading days: July, 1950—25; June, 1950—26; July, 1949—25.

RETAIL FURNITURE STORES**

	Net Sales: July, 1950 compared with June,'50	Net Sales: July, 1950 compared with July,'49	Inventories: July, 1950 compared with June,'50	Inventories: July, 1950 compared with July,'49	Ratio of Collections July,'50	Ratio of Collections July,'49
8th Dist. Total[1]..	+ 6%	+31%	-0-%	+ 9%	26%	27%
St. Louis Area[2]...	+ 8	+47	-0-	+11	51	51
St. Louis.....	+ 8	+45	-0-	+11	53	53
Louisville Area[3]..	+ 6	+33	+ 2	+19	16	17
Louisville.....	+10	+28	+ 3	+20	15	16
Memphis.....	— 4	+ 8	— 8	—24	16	15
Little Rock.....	+ 3	+12	+ 2	+ 7	18	19
Springfield.....	+13	+22	+ 2	+22	25	22
Fort Smith.....	+20	+ 3	*	*	*	*

*Not shown separately due to insufficient coverage, but included in Eighth District totals.

[1]In addition to following cities, includes stores in Blytheville, and Pine Bluff, Arkansas; Hopkinsville, Owensboro, Kentucky; Greenwood, Mississippi; Hannibal, Missouri; and Evansville, Indiana.

[2]Includes St. Louis, Missouri; and Alton, Illinois.

[3]Includes Louisville, Kentucky; and New Albany, Indiana.

**40 stores reporting.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	July, 1950	June, 1950	July, 1949
Cash Sales	14%	14%	13%
Credit Sales	86	86	87
Total Sales	100%	100%	100%

in the first month after the start of the Korean conflict. The increase from June amounted to 2 per cent, although normally volume drops off in July. When allowance is made for seasonal factors, July sales were up 7 per cent from June.

Spending by consumers in this district helped push the nation's sales figures up in July. Department and furniture stores here not only did more business than in June but, along with women's apparel stores, also came up with a larger dollar volume than in July last year.

The wave of scare buying, which apparently peaked in July, showed signs of tapering off in the last half of August. It came at a time when demand already was strong. Beginning in mid-May, weekly sales at district department stores began to run ahead of those last year—not enough, however, to offset earlier year-to-year declines. Sales of automobiles, appliances and other durable goods, however, were larger than they were a year ago, and these gains kept total retail sales above last year's volume through the first half year. In the St. Louis area, for example, all retail sales through June were up 7 per cent.

In this district as elsewhere, the heavy buying in July and August was concentrated in relatively few lines. Demand was heaviest for goods consumers thought would be unavailable later—or would be subject to credit controls. In department stores, such buying was reflected in a sharp increase in instalment sales which in July were roughly half again as large as in July, 1949.

Department Stores—Ignoring the statistical fact that they usually curtail their spending between June and July, department store customers in July spent 8 per cent more dollars than they did in June —and 29 per cent more than in July, 1949. This unusual increase sent the seasonally adjusted index of daily sales soaring to a peak that was 418 per cent of the 1935-39 average. In June it stood at 326 per cent and a year earlier at 325 per cent.

Many a retailer in July, watching his stocks of sought-after merchandise disappear into the hands of anxious customers, probably thought back to events in February, 1943. Rationing was about to go into effect then, and large numbers of consumers, fearful of future shortages, attempted to stock up on goods they expected to become scarce later on. As a result, department store sales in February, 1943, jumped 25 per cent above the average for the preceding twelve months. The emotional buying in the first month after fighting began in Korea resulted in a comparable increase in sales.

By coincidence, sales in July, 1950, were about 25 per cent larger than the average sales in the previous twelve months.

In St. Louis, expanded buying in department stores produced sales gains that were somewhat smaller, percentagewise, than those in other major district cities. Sales were up 6 per cent from June and were 27 per cent larger than in July last year. But "scare-buying" pushed volume of some goods as much as five times above last year's level. In nine selected departments (where such buying was heavy) sales in July accounted for slightly less than one-fourth of total sales as compared with about one-eighth of the total in July, 1949. The piece goods and household textiles division gained 69 per cent over last year—with domestics (muslins, sheetings, etc.) up 302 per cent from last year. Women's and children's hosiery divisions gained 174 per cent, while sales of women's hosiery were 188 per cent larger than a year ago. The housefurnishings divisions, where buying was heaviest in terms of dollars, jumped 55 per cent over last year's volume. The largest percentage gain—472 per cent—occurred in sales of television receivers. Major appliance sales increased 119 per cent; mattresses, springs and studio bed volume was 141 per cent larger; and domestic floor covering sales totaled 91 per cent more than in July, 1949.

In the main store divisions, which continued to show either larger gains or smaller declines than basement divisions, sales were up 30 per cent from last year as compared with an increase of 12 per cent in the basement divisions. One exception was in men's and boys' wear where sales in the upstairs division were up 7 per cent as against a 15 per cent increase in the basement.

The value of inventories at district department stores on July 31 was slightly smaller than on June 30 but was 2 per cent larger than a year ago. Heavy sales seriously depleted inventories in some lines but only in a few instances is replacement expected to be difficult. Some major durables—electric refrigerators, television sets, etc.—are reported to be in relatively short supply. In the non-durables field, shortages exist only in a few lines, mostly the result of extended delivery dates.

The value of outstanding orders at the end of July was the largest for that month since July, 1946 and was nearly two-thirds again as large as it was a month earlier or a year ago. The total outstanding did not entirely represent new orders placed during July, however. Extended delivery dates and forward buying (as much as six months in advance for some cotton lines) helped swell the total amount on the books.

Specialty Stores—Women's apparel stores shared in the wave of buying in July, but little, if any, "scare-buying" occurred at men's wear shops. At women's apparel stores July sales dropped 10 per cent below those in June but were 7 per cent larger than in July, 1949. Men's wear store sales were off 24 per cent from June and 2 per cent under those a year ago.

The value of inventories held by women's stores was 23 per cent larger than on June 30 but was 10 per cent smaller than on July 31 last year. Men's wear store inventories were up 4 per cent during the month and were 8 per cent larger than a year ago.

Furniture Stores—The threat of consumer credit controls, "security-buying" plus the need for housefurnishings to equip newly completed homes brought consumers into furniture stores at a record rate in July, 1950. Sales at reporting district stores were 6 per cent larger than in June and 31 per cent larger than in July, 1949. Retailers indicated a considerable amount of purchases were "upgraded" and that a more-than-normal amount of merchandise was purchased for future delivery. The buying wave was not general early in July but there were reports late in the month that buying interest was spreading. Some manufacturers and distributors once again have reverted to allocations as material shortages developed. The retail value of inventories on July 31, about the same as on June 30, was 9 per cent above that on July 31, 1949.

AGRICULTURE

With generally favorable weather in the United States, crop prospects at the end of July were as optimistic as a month earlier. The estimate of the wheat crop was increased 40 million bushels between July 1 and August 1, the estimate on the later date being but 4 million bushels short of a billion bushel crop.

The corn crop estimated at 3,168 million bushels represented a decline of only 8 million bushels from the June 1 estimate. Warm weather is needed to hasten maturity as the crop is one to two weeks late. Continued cool weather would make the crop vulnerable to an early freeze. Heavy rains caused local damage to the crop in Missouri, Illinois, Indiana and Kentucky.

The outturn of the 1950 oat crop continues to be above expectations. Estimated production on

AGRICULTURE

CASH FARM INCOME

(In thousands of dollars)	June, 1950	June, 1950 compared with May, 1950	June, 1950 compared with June, 1949	6 month total Jan. to June 1950	1950 compared with 1949	1950 compared with 1948
Arkansas	$ 20,291	—11%	— 2%	$ 124,976	—31%	—15%
Illinois	113,702	—14	—13	752,344	— 1	— 8
Indiana	59,631	—20	—11	390,874	— 4	—16
Kentucky	29,401	+ 7	— 6	233,392	-0-	+ 6
Mississippi	14,598	+10	—11	84,315	—57	—43
Missouri	70,831	— 1	— 1	385,478	— 6	—13
Tennessee	26,199	+ 3	— 7	160,811	— 8	—18
Totals	$334,653	— 9%	— 9%	$2,132,190	—10%	—13%

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts			Shipments		
	July, 1950	July, 1950 compared with June, 50	July, 1950 compared with July,'49	July, 1950	July, 1950 compared with June,'50	July, 1950 compared with July,'49
Cattle and calves	106,473	+ 3%	— 7%	31,963	— 8%	—17%
Hogs	208,832	—13	+ 4	83,358	—14	— 6
Sheep	74,840	— 5	+ 5	34,570	—23	+13
Totals	390,145	— 8%	+ 1%	149,891	—15%	— 5%

August 1 was 1,456 million bushels, 60 million bushels above the July estimate and 76 million bushels above the June estimate.

Cotton production in 1950 is expected to be only 10.3 million bales compared with a crop of 16.1 million bales in 1949. In district states, however, the decline is expected to be less than the national average. The Mississippi crop, even though acreage is 27 per cent below 1949, is expected to be but 5 per cent below the 1949 crop (which was hurt badly by weather). The crops in Arkansas and Missouri are expected to be a third lower than in 1949. The crop in Tennessee is estimated 18 per cent off 1949.

PRODUCTION AND YIELD OF COTTON

	Production		Yield Per Acre	
	Indicated Aug. 1, 1950 (1,000 bales)	Per cent change from 1949	Indicated Aug. 1, 1950 (Pounds)	Per cent change from 1949
Arkansas	1,100	— 33%	313	+ 1%
Mississippi	1,420	— 5	334	+ 28
Missouri	310	— 33	344	— 9
Tennessee	520	— 18	387	+ 6
United States	10,308	— 36	265	— 7

Source: Cotton Production, August 8, 1950, USDA.

The soybean crop was estimated at 271 million bushels or 48 million bushels more than the previous record. The increase is due to increased plantings as the yield per acre is estimated to be 1.5 bushels less than the 1949 record. Production in all district states is expected to exceed the 1949 output by 27 million bushels—an increase of 19 per cent.

Prices received by farmers jumped sharply in the month ending July 15, reflecting the outbreak of the Korean war. Climbing 16 points during this period to 263 per cent of the 1910-14 average, the index is 7 per cent above a year earlier and is the highest in 18 months. Prices for cotton, eggs and hogs increased most, but other livestock as well as wheat, rice and corn also were higher. There were declines in oats, hay and butterfat. Prices paid by farmers increased 1 point in the month to mid-July, but the parity ratio (ratio of prices received to prices paid) widened from 97 to 103.

Recent announcements by the USDA assured farmers of a high price for their 1951 wheat crop. The national average price will be supported at $1.99 per bushel (the same as in 1950) at the farm, or at 90 per cent of July 1, 1951 parity, whichever is higher. This is the first commitment in dollars and cents for supporting the price of a commodity in advance of the planting date.

BANKING

Member bank reports in this district for July indicated that expansionary trends continued. Earning assets increased and so did deposits.

Total loans were up $40 million in July, an increase that was two and a half times as large as in the corresponding month of 1949. Four-fifths of the $40 million increase was in the large city banks, where the expansion resulted primarily from increases in real estate and "other" (largely consumer credit) loans. Business and agricultural loans at the large banks increased less than $12 million, or only about 70 per cent as much as the average increase—$17 million—during the corresponding period in the preceding four years. Total loans at the smaller banks increased by $8 million in July as compared with a $2 million

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	July, 1950	June, 1950	July, 1949	July, 1950 compared with June,'50	July, 1950 compared with July,'49
El Dorado, Ark.	$ 22,548	$ 25,728	$ 23,355	—12%	— 4%
Fort Smith, Ark.	38,782	39,383	35,781	— 2	+ 8
Helena, Ark.	6,099	6,122	5,544	-0-	+10
Little Rock, Ark.	123,269	130,005	108,795	— 5	+13
Pine Bluff, Ark.	25,819	24,430	24,093	+ 6	+ 7
Texarkana, Ark.*	11,217	10,447	9,786	+ 7	+15
Alton, Ill.	25,008	26,750	21,647	— 7	+16
E.St.L.-Nat.S.Y.,Ill.	115,495	112,995	105,403	+ 2	+10
Quincy, Ill.	29,890	31,547	27,398	— 5	+ 9
Evansville, Ind.	143,688	136,187	118,525	+ 6	+21
Louisville, Ky.	535,054	563,995	441,402	— 5	+21
Owensboro, Ky.	36,700	31,856	26,299	+15	+40
Paducah, Ky.	15,324	16,566	12,483	— 8	+23
Greenville, Miss.	17,063	18,474	15,771	— 8	+ 8
Cape Girardeau, Mo.	12,985	12,201	11,184	+ 6	+16
Hannibal, Mo.	9,061	8,758	7,420	+ 3	+22
Jefferson City, Mo.	47,428	39,368	52,087	+20	— 9
St. Louis, Mo.	1,654,271	1,704,070	1,393,771	— 3	+19
Sedalia, Mo.	10,860	10,148	9,004	+ 7	+21
Springfield, Mo.	63,180	61,641	51,207	+ 2	+23
Jackson, Tenn.	18,505	18,305	15,439	+ 1	+20
Memphis, Tenn.	526,422	524,088	399,077	-0-	+32
Totals	$3,488,668	$3,553,064	$2,915,471	— 2%	+20%

*These figures are for Texarkana, Arkansas, only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to $28,894.

decline in July, 1949. Much of this increase probably was due to expansion in real estate and "other" loans.

For all banks there was no net change in total investments, although there was some selling of United States Government bills and certificates and some buying of other (non-Government) securities. In the period, the larger banks lost $3 million in investments while the smaller banks gained $3 million.

Demand deposits (other than interbank) increased $44 million in July but time deposits for the district declined $3 million.

From mid-July to mid-August, the 34 weekly reporting banks in the Eighth District reported an increase of $67 million in total loans. More than one-half of this increase was in business and agricultural loans, with the gain largely in business loans in the St. Louis banks. The increase in business loan volume at Memphis, Little Rock, and Louisville banks may have been offset to some extent by repayment of Commodity Credit Corporation loans. "Other" loans (largely consumer credit) increased nearly $13 million (5 per cent) for the four-week period, and stood 23 per cent above the level of a year ago. Real estate loans continued to climb, increasing by $7 million to a level that was 27 per cent above the amount outstanding a year ago.

Total investments held by the 34 weekly reporting banks declined $53 million from July 19 to August 16. In the aggregate, banks sold short-term obligations (or allowed them to run off at maturity) in order to meet the increased loan demand and the loss of reserve funds due to net Treasury receipts.

PRINCIPAL ASSETS AND LIABILITIES FEDERAL RESERVE BANK OF ST. LOUIS

(In thousands of dollars)	August 16, 1950	Change from July 19, 1950	Change from August 17, 1949
Industrial advances under Sec. 13b	$	$	$ .....
Other advances and rediscounts	7,322	+ 590	+ 2,354
U. S. securities	1,007,301	+21,602	+22,332
Total earning assets	$1,014,623	$+22.192	$+24,686
Total reserves	$ 677,176	$—42,191	$—65,121
Total deposits	651,737	— 7,575	— 7,184
F. R. notes in circulation	1,043,753	— 626	—25,258
Industrial commitments under Sec. 13b	$	$	$ .....

PRINCIPAL ASSETS AND LIABILITIES WEEKLY REPORTING MEMBER BANKS EIGHTH FEDERAL RESERVE DISTRICT

(In thousands of dollars)

34 banks reporting

ASSETS	8/16/50	Change from 7/19/50	Change from 8/17/49
Gross commercial, industrial, and agricultural loans and open market paper	$ 512,061	$+35,013	$+ 62,476
Gross loans to brokers and dealers in securities	7,319	+ 490	+ 1,145
Gross loans to others to purchase and carry securities	24,478	+ 363	+ 3,869
Gross real estate loans	219,893	+ 6,777	+ 47,460
Gross loans to banks	16,697	+12,215	+ 5,453
Gross other loans (largely consumer credit loans)	253,345	+12,520	+ 48,093
Total	$1,033,793	$+67,378	$+168,496
Less reserve for losses	12,110	— 11	+ 2,977
Net total loans	$1,021,683	$+67,389	$+165,519
Treasury bills	45,784	—34,962	— 36,374
Certificates of indebtedness	59,716	—18,137	—170,882
Treasury notes	249,211	— 4,689	+208,338
U. S. bonds and guaranteed obligations	682,146	+ 2,049	— 94,159
Other securities	191,659	+ 2,603	+ 33,785
Total investments	$1,228,516	$—53,136	$— 59,292
Cash assets	760,376	+11,881	+ 29,414
Other assets	28,479	+ 2,315	+ 2,740
Total assets	$3,039,054	$+28,499	$+138,381
LIABILITIES			
Demand deposits of individuals, partnerships, and corporations	$1,595,170	$+31,758	$+129,127
Interbank deposits	550,467	— 6,643	— 24,229
U. S. Government deposits	65,030	— 47	+ 25,987
Other deposits	117,268	+ 1,072	— 18,230
Total demand deposits	$2,327,935	$+26,140	$+112,655
Time deposits	490,629	— 2,695	+ 3,762
Borrowings	10,150	+ 2,030	+ 8,650
Other liabilities	22,537	+ 1,949	+ 4,831
Total capital accounts	187,803	+ 1,025	+ 8,483
Total liabilities and capital accounts	$3,039,054	$+28,449	$+138,381
Demand deposits, adjusted*	$1,459,086	$+10,755	$+ 59,801

*Other than interbank and government demand deposits less cash items on hand or in process of collection.

EIGHTH DISTRICT MEMBER BANK ASSETS AND LIABILITIES BY SELECTED GROUPS

(In Millions of Dollars)

Assets	All Member	Change from: June, 1950 to July, 1950	Change from: July, 1949 to July, 1950	Large City Banks[1]	Change from: June, 1950 to July, 1950	Change from: July, 1949 to July, 1950	Smaller Banks[2]	Change from: June, 1950 to July, 1950	Change from: July, 1949 to July, 1950
	July, 1950			July, 1950			July, 1950		
1. Loans and Investments	$3,906	$+40	$+213	$2,261	$+29	$+118	$1,645	$+11	$+ 95
a. Loans	1,538	+40	+145	986	+32	+101	552	+ 8	+ 44
b. U.S. Government Obligations	1,992	— 6	+ 39	1,085	— 4	— 2	907	— 2	+ 41
c. Other Securities	376	+ 6	+ 29	190	+ 1	+ 19	186	+ 5	+ 10
2. Reserves and Other Cash Balances	1,161	+10	— 16	717	+ 5	+ 18	444	+ 5	— 34
a. Reserves with the F.R. bank	566	+ 3	— 56	368	+ 2	— 18	198	+ 1	— 38
b. Other Cash Balances[3]	595	+ 7	+ 40	349	+ 3	+ 36	246	+ 4	+ 4
3. Other Assets	42	–0–	+ 3	26	–0–	+ 1	16	–0–	+ 2
4. Total Assets	$5,109	$+50	$+200	$3,004	$+34	$+137	$2,105	$+16	$+ 63
Liabilities and Capital									
5. Gross Demand Deposits	$3,757	$+44	$+157	$2,289	$+28	$+121	$1,468	$+16	$+ 36
a. Deposits of Banks	563	–0–	— 7	531	+ 1	— 9	32	— 1	+ 2
b. Other Demand Deposits	3,194	+44	+164	1,758	+27	+130	1,436	+17	+ 34
6. Time Deposits	987	— 3	+ 16	498	— 2	+ 7	489	— 1	+ 9
7. Borrowings and Other Liabilities	34	+ 6	+ 3	28	+ 7	+ 2	6	— 1	+ 1
8. Total Capital Accounts	331	+ 3	+ 24	189	+ 1	+ 7	142	+ 2	+ 17
9. Total Liabilities and Capital Accounts	$5,109	$+50	$+200	$3,004	$+34	$+137	$2,105	$+16	$+ 63

[1]Includes 15 St. Louis, 6 Louisville, 3 Memphis, 3 Evansville, 4 Little Rock and 4 East St. Louis-National Stock Yards, Illinois, banks.
[2]Includes all other Eighth District member banks. Some of these banks are located in smaller urban centers, but the majority are rural area banks.
[3]Includes vault cash, balances with other banks in the United States, and cash items reported in process of collection.