Monthly Review

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BANK CREDIT AND MID-SOUTH AGRICULTURE

Increased demand for American farm products comes from abroad and at home. It may be met in part by Mid-South farms where diversification already is aiding production—although much more progress can be made. Idle or under-used land costs a community in lost income. Diversification does not mean less cotton output.

Diversification requires capital and credit. Bankers are aware of this and progressive bankers are meeting financing needs.

At present we are faced with inflation which would be accentuated by over-extension of credit, and the Federal Reserve System thus is trying to restrain credit growth. But this does not mean that no credit should be used. It does, however, place more responsibility on the banker.

Progressive bankers are exercising this responsibility wisely as indicated by their loan programs and their comments. They are eager to contribute to greater resource strength. They have changed credit policies a lot since 1940. They are tailoring credit more closely to needs. They would like to make more credit available to tenants but the problem of tenant instability makes this difficult.

Sound development programs can be financed and the Mid-South should take advantage of its opportunity.

Increased demand for American farm products . . .

American agriculture is going into another period in which capacity or close to capacity output will be required. Calls for 16 million bales of cotton and for 73 million acres of wheat plantings highlight the emphasis on abundant production for 1951. These have been our major surplus problem crops — high requests for them underline the strength of demand for farm output in general.

. . . comes from abroad . . .

The demand comes from two sources — from abroad and from the domestic economy. A recent article in this Review discussed the foreign demand factor. It pointed out that higher American imports (particularly of strategic materials for our expanded defense effort) would provide more dollar earnings for foreign nations. Our broad foreign aid program would add to the supply of foreign-owned dollars. Some of these would be used to buy American farm products. In addition we probably would use some of our agricultural output as a strategic weapon to strengthen the poorer nations of the world to resist aggression.

. . . and at home.

The major portion of total demand for the products of American farms, of course, is domestic. A growing population and a high income strengthens demand for farm output. And increased manpower requirements for the military and for industry will put pressure on the farm labor force so that the necessary farm output will be harder to obtain.

How long a period American agriculture will face this kind of situation is not clear at present. Real world agreement on peace would change the picture appreciably, but this development seems so unlikely as to be only a remote possibility for the near future. A third global war is another possibility and this would intensify the requirements for farm production. More likely than either of these developments is a long period of recurrent international crises like the present one—a strong defense effort by the Western democracies and continuation of requirements on about their present scale—or perhaps a somewhat higher one.

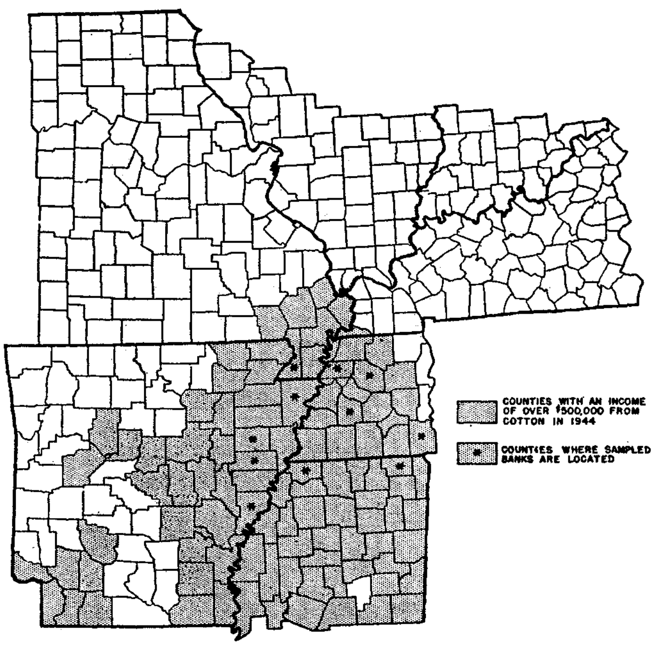
It may be met in part by Mid-South farms where diversification already is aiding production . . .

In such a situation the farm plant of the Mid-South can play a major role. And in carrying on its work it can strengthen itself for the future. This area already has shown a pronounced shift from a one-crop (cotton) agriculture to a more diversified farm region. It has done this, by and large, without curtailing its cotton output—by better farm practices it has grown as much cotton on less acres and has used the released land for new products.

. . . although much more progress can be made.

While great progress toward diversification has been made, the process can go much further. And along with it can come more full utilization of land

THE COTTONBELT PORTION OF THE EIGHTH DISTRICT



The shaded portion of the Eighth District map shows the major cotton producing areas of the Eighth District. Reported in the article are the results of an informal survey of lending attitudes and practices of eleven banks located in this cotton section. The locations of the eleven banks are indicated on the map.

The survey was intended to develop information on progressive country bank experience in financing agriculture—particularly in financing diversification programs. Its results are not to be taken as representative of country banking in general throughout the cotton belt or throughout the district.

The eleven banks are about average in size for the region but tend to be more active in promoting agricultural development than the average bank. In each bank the survey consisted of an interview with the banker and the review of a sample of loans. In each bank the sample was drawn as follows. In estimate of the total number of farm loans was provided by the banker. From the farm liability ledger, loans were pulled at regular intervals so that the total sample would be about 40. Altogether data were obtained on 482 loans to 410 farmers. Difference between number of loans and number of individual borrowers is accounted for by some borrowers having more than one note on file.

resources in the Mid-South. Both developments will enable Mid-South farming to contribute more toward the common national goal of a stronger United States and at the same time will provide better-balanced economic strength within the area itself.

Idle or under-used land . . .

The cotton belt has a considerable amount of idle and waste land—a situation that has obtained for a long time. It also has a lot of land (and farm labor) that is under-employed and producing far less than it should. For example, the Census of Agriculture showed 12 per cent of all open (non-forested) land in Haywood County, Tennessee was idle in 1944. Fayette and Hardemon Counties showed 19 per cent and 24 per cent of their open land as idle or waste. In contrast, Macoupin and Morgan Counties, Illinois, had less than 5 per cent non-forested land idle in 1944 and Schuyler and Scotland Counties, Missouri, showed idle land less than 4 per cent of the total. There are, of course, differences in soil types among these examples, but the major factor seems to be differences in diversification. Where diversified farming is practiced, land can be more fully utilized—and the average return on all land can be greater.

. . . costs a community in lost income.

Under-utilization of the land resource costs a community considerable in lost income. Over the past few years this bank, in cooperation with the extension services of the several state universities in the Eighth Federal Reserve District, has made a number of farm case studies which point up what can be done with good farm practices. Good soils management and proper utilization of land and capital applied to it add considerably to farm productivity. As just one example, a brown loam farm in north-central Mississippi grossed only $1.54 per acre in 1945 on 296 acres of open land not in row crops. In 1947 the operator began a beef cattle program. In 1949 he got $12.09 per acre from this tract and his pasture program was still in its initial development phase. The example is all the more striking since the price factor was removed for the calculation—both the 1945 and 1949 returns shown were computed in terms of constant prices (1938-44 average).

This one example may be compared with the return on all Mississippi farmland in 1949. In that year the state had 5 million acres of row cropland and 8 million acres of other open land. In terms of 1938-44 average prices the row cropland yielded $30.89 per acre; the other open land only $2.06 per acre.

Diversification does not mean less cotton output.

Greater diversification does not mean less cotton production. As pointed out earlier, the experience so far is that as much or more cotton can be produced at the same time that diversification is proceeding. On rolling farmland, grassland programs are generally complementary to cotton. Crop rotations hold soil fertility and increase cotton yields per acre enough to overcome acreage shifts to other uses. Table I shows what was accomplished on nine case study farms in West Tennessee and North Mississippi. In each case cotton income increased or held constant while other income was growing. And while the experience recorded on these farms was for different periods of time constant prices are used throughout, making the results comparable.

Diversification requires capital and credit.

One problem that faces the farmer of the cotton belt in moving toward greater diversification is the financing problem. Capital shortage could limit the contribution of the Mid-South to greater farm output.

Diversification programs cost money—in most of the case studies made by this bank the new programs cost about as much to carry through as the original cost of the farm. But the returns have far exceeded the costs.

More and more banks and other financial institutions are recognizing the desirability of such developments and are ready to offer financing for that purpose.

TABLE I
THE INSTALLATION OF GOOD FARM MANAGEMENT PROGRAMS ON THESE COTTON BELT FARMS BROUGHT ABOUT BOTH AN INCREASE IN COTTON INCOME AND INCOME FROM OTHER SOURCES [1]

				Before [3]		After [3]	
Farm [2]	County	State	Years Used	Cotton Income	Other Income	Cotton Income	Other Income
A	Shelby	Tennessee	1935-1947	$ 1,121	$ 199	$ 5,760	$ 2,195
B	Tate	Mississippi	1932-1947	4,575	1,664	5,578	7,037
C	Washington	Mississippi	1938-1947	2,542	2,489	8,616	3,671
D	Henderson	Tennessee	1943-1949	901	369	2,004	2,367
E	Tipton	Tennessee	1936-1949	6,942	804	6,998	5,667
F	Sunflower	Mississippi	1941-1949	30,691	5,819	41,873	14,516
G	Monroe	Mississippi	1945-1949	563	4,003	7,445	6,276
H	Holmes	Mississippi	1946-1949	670	346	3,276	4,126
I	Calhoun	Mississippi	1941-1949	7,500	1,603	8,625	9,358

[1] Average 1938-1944 farm prices used for calculating income for both periods.
[2] These farms were case studies used by the Federal Reserve Bank of St. Louis in banker-farm meetings.
[3] This is gross return on an annual basis. Income figures refer to before new farm management program was initiated and after it was completed.

Bankers are aware of this . . .

The State Bankers Associations in Arkansas, Illinois, Indiana, Kentucky, Mississippi, Missouri and Tennessee have been working for some time on programs designed to acquaint their members with the desirability of aiding in promotion of better farming practices. In some cases, prizes are offered for outstanding farm programs. In many cases bankers are active in local groups supporting land development and good farming; such for example as, Friends of the Land, 4-H Clubs, Future Farmers of America, and local and county fairs. A number of cotton belt banks have on their staffs trained farm technicians who can assist farmers to put in new programs and use new techniques.

In addition to such developmental and educational work, the farm community banks, of course, can aid Mid-South agriculture directly in helping meet its financing needs. Surveys reported in previous issues of this Review have indicated how country banks are serving agriculture in this area.

. . . and progressive banks are meeting financing needs.

Recently the author of this article visited eleven cotton belt banks in the Eighth District and discussed in each case the question of financing further agricultural development in the community served by the bank. In each bank a sample of the farm loans in the bank's portfolio was examined for direct evidence of what was being done to aid diversification programs. This was not a survey in the usual sense—no conclusions are to be drawn that the record of these eleven banks is representative of all Eighth District banking. It does indicate, however, how progressive bankers look at the financing problem and what they are doing to meet it. The map and note at the beginning of this article give more detail about the techniques of the eleven-bank survey.

At present we are faced with inflation . . .

Right here a parenthetical note of clarification should be added. The American economy is now in a serious inflationary situation. Very simply expressed, inflation results from the fact that the rate of flow of money (purchasing power) into the economy runs ahead of the rate of flow of civilian goods and services available. Production of goods and services generates income to buy those goods and services. When some of the goods are taken for defense, as is the case now, they are not available for civilian use—but the income from their production still is generated. That is the reason for recommendations for higher taxes (and for bond sales to non-bank investors) that will absorb this excess income.

. . . which would be accentuated by over-extension of credit . . .

Excess current income is not the only factor in the problem. Use of past savings and use of future income (credit) adds to purchasing power bidding for current supplies of goods and services. And when the commercial banking system expands its loans and investments it creates new money which adds to the inflationary pressure. It is in this area —the money supply—that the Federal Reserve System operates.

. . . and the Federal Reserve System thus is trying to restrain credit growth.

Right now—and in any inflationary situation—the Federal Reserve System is working toward restraining growth in bank credit which will result in additions to the money supply. It does this through making reserves less available and more costly to the commercial banks. Unless the commercial banks can obtain additional reserves, they cannot extend additional credit. Thus, in effect, what the Federal Reserve System attempts to do is set an over-all ceiling on bank credit. Under that broad ceiling the commercial banking system (and the individual bank) has freedom to extend credit for whatever purpose and on whatever terms the banks wish. Such selective credit controls (on stock loans, consumer loans and real estate loans) as exist do not limit the amount of credit the banking system can extend—they limit the amounts a borrower can borrow. But the broad System control over reserves can limit the total amount of bank credit that can be extended.

It is important to recognize why the Federal Reserve has power to limit the total money supply and why that power is used. When an individual commercial bank, or the banking system, makes a loan, it expands the money supply (unless the expansion is offset by other factors). Good loans expand the money supply as well as bad loans. It is not a question of limiting credit expansion to good loans. No banker deliberately makes bad loans under either inflationary, deflationary or stable conditions. As a matter of fact, in an inflationary situation which is growing, more loans are "good", in the sense of repayment possibility, than in a deflationary situation. So merely asking banks to confine their activities to "good" loans does not solve the problem—an over-all type of credit limitation is necessary. Since it is broad and impersonal, individual bank freedom of action is not impaired within the limits set.

But this does not mean that no credit should be used.

But the economy cannot function without adequate credit and this is the crux of the financing problem in time of inflation. Here is where the individual banker performs his traditional function —he attempts to distribute credit in such a way that the most useful purposes are fulfilled. He has to "screen" applications to determine that the most essential activities are not curtailed through lack of adequate credit. Here he can perform a major service through his appraisal of developmental programs that will strengthen the nation's resources and assure more needed output. And even here, it might be noted, a worthy project that would require a long time to bring results might well be dismissed in favor of one that would produce results (more output) in a shorter time.

It does, however, place more responsibility on the banker.

With reference to diversified agricultural programs for the cotton belt, this means that individual bankers must exercise careful discretion in placing loans with borrowers who will get maximum results from a given amount of funds, in terms of output and land improvement within a reasonable period of time.

Here the responsibility of the local banker is a heavy one with regard to credit extension. His knowledge of local farms and farmers becomes doubly important for he must not only decide the soundness of developmental farm loans; he must also decide the desirability of such loans in relation to an inflationary economy.

Credit supplied is more diverse than income sources

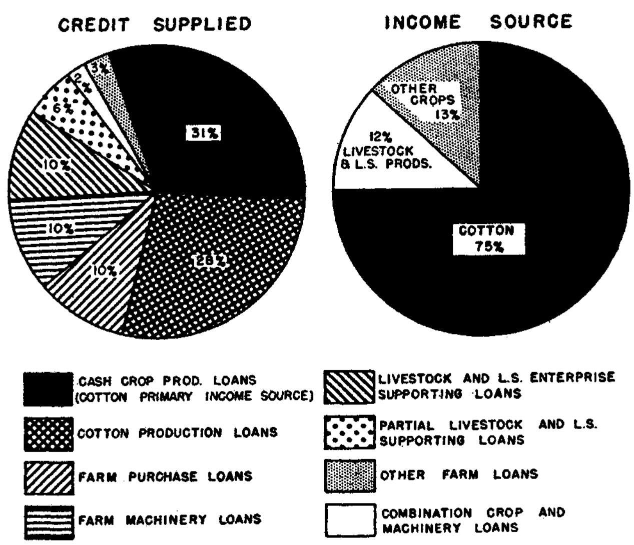


TABLE II
A BREAKDOWN OF THE SAMPLED BANK BORROWERS REVEALS THAT A DIVERSIFIED TYPE OF FARM CREDIT IS FURNISHED FARMERS BY COTTON BELT BANKERS

	Actual Number of Loans	Total Amount	Number of Loans	Amount of Loans
Total farmer borrowers	410	$1,370,774	......%	......%
Farm purchase loans	37	135,218	8	10
Farm machinery loans	97	129,943	20	10
Cotton production loans	158	383,887	33	28
Cash crop production loans (cotton primary income source)	65	427,369	13	31
Livestock and livestock enterprise supporting loans	68	129,378	14	10
Partial livestock and livestock supporting loans	21	85,530	4	6
Combination crop and machinery loans	18	32,979	4	2
Other farm loans [1]	18	46,470	4	3
Total	482 [2]	$1,370,774	100%	100%

[1] Farm improvements plus combination real estate and other loans not classified above. Also includes a number of rice production loans.
[2] Seventy-two borrowers had more than one type of loan.

TABLE III
SAMPLED FARMER BORROWERS OPERATED LARGER UNITS THAN THE STATE AVERAGE [1]

	Average Acres in Farm	Average Income from Cotton	Average Proportion of Cotton to Total Income
Farm purchase loans	190	$ 4,547	62%
Farm machinery loans	186	7,203	65
Cotton production loans	269	9,500	88
Cash crop production loans (cotton primary income source)	480	23,987	70
Livestock and livestock enterprise supporting loans	440	11,586	44
Partial livestock and livestock supporting loans	306	6,524	51
Combination crop and machinery loans	194	4,397	80
Other farm loans	310	2,461	27

[1] Estimates made by bankers from financial statements and personal information.

Progressive bankers are exercising this responsibility wisely . . .

In the eleven banks visited the loans studied indicated that credit was being furnished for diversification programs. In terms of crop or livestock programs, the credit supplied was more diversified than the income source pattern in the county, as indicated in the chart. Table II breaks down the loans into a purpose classification and also indicates the diversification of the loans.

For each loan type, the average size of the borrower's operating unit was larger than the state average as given in Census data (Table III). This reflects primarily the delta location of most banks in the sample. Here plantation farming predominates, and the plantation owner usually borrows funds for all tenants and sharecroppers on the land unit. Thus a unit classified as a farm in this study may include two or more farms as classed by the Census.

. . . as indicated by their loan programs . . .

About 10 per cent of the total volume of credit supplied to sampled borrowers was livestock and livestock supporting credit. An additional 6 per cent of the credit volume was supplied partially for livestock and livestock supporting enterprises. Assuming one-half of this actually went into livestock use, the total for this purpose would be 13 per cent of the loan volume. The 1945 Census of Agriculture shows only 12 per cent of the income on farms in the area as coming from livestock and livestock products. If farm real estate and farm machinery loans are omitted from the totals, livestock loans accounted for more than 15 per cent of volume.

. . . and their comments.

The bankers generally were eager to discuss cases where their credit had helped farmers develop new sources of income. More than half of the loan officers said that the new loans (primarily livestock) paid as well as cotton, although the production cycle was a little longer. Another fourth of the bankers said that the new type loans paid better than cotton production loans. In every case loan officers were of the opinion that the cost of servicing the new enterprise loans was no greater than for cotton loans. With better security, repayments just as certain as cotton but perhaps slower, and profit potential as good if not better than cotton, the bank officers were well pleased with their livestock loans.

They are eager to contribute to greater resource strength.

Most of them were willing to go further with their loans for diversification programs. As shown in Table II there were 158 borrowers in the sample who had cotton production loans. In three-fourths of these specific cases the bankers interviewed were willing to extend credit to begin or expand an enterprise other than cotton production. In more than 80 per cent of the cases where an owner-operator was involved the banker would be willing to make credit available for a new program. And when borrowers have had experience in other fields, bankers generally would go along on expanded or other new programs in more than nine cases out of ten. On the record, of farmers who since January, 1949 actually had requested credit for purposes other than cotton production, only two out of each hundred were refused. Table IV summarizes the cases cited above. It should be stressed that these are specific cases gone over individually with the banker concerned.

They have changed credit policies a lot since 1940.

During the discussion of each sample loan, the loan officer was asked if similar loans were made by his bank in 1940. Each of the eleven banks made farm purchase and cotton production loans in 1940. Two did not supply credit for farm machinery purchases in 1940, and two did not supply any credit for combination cash crops where cotton was the primary income source. Five who now supply credit for livestock and livestock supporting enterprises did not do so in 1940.

In some cases there was no particular demand for credit for non-cotton projects in 1940, and the present credit extension thus does not represent any change in credit policy by these banks. In the majority of cases, however, a definite change in policy has occurred—especially for livestock and livestock supporting loans.

TABLE IV
BANKERS WILLING TO MAKE LOANS TO MOST FARMERS TO EXPAND ENTERPRISE OTHER THAN COTTON

	Creditors that could borrow to expand other enterprise	Creditors to whom bankers would not lend to expand other enterprise
Farm purchase borrowers	37	....
Farm machinery borrowers [1]	58	7
Cotton production borrowers	112	46
Cash crop production borrowers (cotton primary income source)	58	7
Combination crop and machinery borrowers	12	....
Other farm borrowers	14	....

[1] Bankers had insufficient information on six in this group to give credit standing.

They are tailoring credit more closely to needs.

In contrast to the seasonal cotton production loan, the sampled banks are now supplying credit for varying time periods. The average maturity of the various loan types is shown in Table V. This demonstrates the attempt by the banks to tailor their advances to the particular purpose of the credit.

TABLE V
BANK LOANS HAD MATURITIES OF 12 MONTHS OR MORE FOR NON-CASH CROPS

	Number of Loans	Average Maturity (in Months)
Farm purchase loans	37	55
Farm machinery loans	97	16
Cotton production loans	158	8
Cash crop production loans (cotton primary income source)	65	7
Livestock and livestock enterprise supporting loans	68	14
Partial livestock and livestock supporting loans	21	12
Combination crop and machinery loans	18	10
Other farm loans	18	8

Farm purchase loans, with an average maturity of 55 months, usually require a high down payment at the time of purchase. In some instances, where the borrower needs terms beyond those that can be granted by a bank, the loan officers act as agents for insurance company loans for farm purchase.

Farm machinery loans usually go beyond a year maturity. For the sampled group, these loans averaged 16 months maturity. A down payment of one-third or two-fifths was required, with half the balance due the first Fall and the remainder the second Fall. In many cases the banker had direct contact with the dealer and dealer reserve funds or dealer endorsements were used to partially secure the loan.

Cotton and other cash crop loans follow the seasonal pattern with seven or eight month maturities. The farmer's machinery, livestock, and crops were used to secure such loans by practically every bank in the sample.

The average maturity of 14 months for livestock loans masks a wide range of maturities of varying types of loans. Of the 68 livestock loans in the sample, the majority were for livestock purchases. In some cases credit was supplied for pasture improvements—such as fencing, fertilizer, seed—and for farm buildings necessary for the livestock program. Loans for the purchase of beef and dairy herds usually were made for about two years, while a number of loans for hogs matured within a few months. Maturity dates on more than one-quarter of the livestock loans were flexible with definite oral agreements for renewals if necessary.

The partial livestock and livestock supporting loans represent advances to farmers who borrow on one note for both livestock and other purposes (generally cotton). The banker cannot determine the exact amount of money used for each purpose. Like the livestock loan, this loan is usually for a longer term than for cash crops. The 21 loans of this type in the sample had an average maturity of twelve months, and 43 per cent of them had definite renewal understandings.

They would like to make more credit available to tenants . . .

One problem brought to light in talking with the bankers was that of unstable tenancy. The bulk of the farmers found to be ineligible for credit for non-cotton purposes are tenants. The tenant entirely dependent on cotton income is regarded as the poorest credit risk. One who has other crops or livestock, even though cotton is his major income source, is regarded as a far better risk. And one who is obtaining machinery, even though in debt for this purpose, is generally acceptable for loans for other purposes also. In terms of the specific cases discussed, the following data highlight the tenancy problem as far as credit is concerned. Where the tenant was solely in cotton, six out of ten cases were classed as not desirable for credit for other purposes. Where tenants had other income sources, five out of ten cases were not good credit risks. And where machinery was involved only two or three out of ten cases were poor risks.

. . . but the problem of tenant instability makes this difficult.

Within the tenancy problem is a credit problem that slows the development of the area's land resources. Two factors to be overcome are insufficient collateral and instability. Both of these can be met, in part, by some changes in the traditional manner of handling tenant agreements. To meet the problem of instability, long-term leases in most cases probably would make the tenant an eligible borrower. To meet the problem of insufficient collateral, most tenants need the help and endorsement of the landlord.

Sound development programs can be financed . . .

The evidence of experience and opinion drawn from the visits to eleven progressive cotton belt banks would indicate that sound development programs can be, and are being, financed in the Mid-South. While these eleven banks are more active in this field than the average, more and more banks in this region are doing a good job in meeting the financing needs of agricultural diversification programs. In fact, there is some reason to believe that the financing institutions are more eager to finance than farmers are to begin new programs.

. . . and the Mid-South should take advantage of its opportunity.

If the Mid-South is to play a growing part in meeting the heavy demand for American farm products progress toward greater diversification needs to be accentuated. The resource base is there — it should be utilized fully both in the interests of meeting present demand and in providing for a better balance in farming for the future.

Clifton B. Luttrell

Survey of Current Conditions

Industrial and business activity in the Eighth District continues to move upward in response to the large volume of expenditures by consumers and business and the inflow of an increasing amount of Government orders. As the demand for goods expands, employment and income climb higher. And accompanying the general expansion in production, employment and income—and, to a significant extent, stimulating it—is a continuation of the upward trend in credit.

It was noted in last month's Review that the increase in the supply of goods available to consumers is not proportionate to the increase in consumers' income—and that the gap will widen as defense requirements drain off a growing part of our output. It will widen, too, as past savings, and borrowings against future income, are used to finance purchases.

Last month additional steps were taken to curb inflationary pressures resulting from the extension of credit. Tighter restrictions on consumer instalment credit were established by the Board of Governors. And for the first time, limitations were placed on the terms under which private capital can be borrowed to finance new residential construction. At the same time, comparable restrictions were applied by public agencies engaged in insuring or guaranteeing private mortgage loans.

These measures, of course, are intended to dampen down inflationary forces—in part by curtailing the effective demand for consumers' durable goods covered by Regulation W and for new construction. Holding down demand tends to restrain the pressure on prices of materials that go into these items. But more important is that such action curtails the expansion of the total money supply—and thereby strikes at the heart of the inflation potential. In other words, the objective of these controls is to reduce pressure that makes for higher prices. In that respect they differ completely from direct price controls which arbitrarily restrict prices but do not restrain the underlying forces that cause prices to rise.

Personal income in the nation climbed to an annual rate of $223 billion in August. This represented an increase of $6 billion since June and $19 billion during the preceding twelve months. Larger employment plus a broadening wave of wage increases and more overtime pay lifted wage and salary receipts $4 billion in the first two months of the Korean war. During the same period, consumers' expenditures in retail stores alone were up $1 billion on a seasonally adjusted basis.

Business expenditures also have been large in recent months. Inventories that were reduced sharply during the early weeks of the war in Korea have been pretty well replaced. At the end of August the value of stocks of soft goods held by retailers and wholesalers was larger than at the end of June. After allowing for price advances during the period, it is likely that physical stocks at the beginning of September were at least as large as they were two months earlier. Inventories of durable goods—at the wholesale and retail levels—were still down early in September. Manufacturers' stocks also were below the June 30 levels—in both durable and nondurable lines—despite the fact that manufacturing output increased about 4 per cent between June and August as measured by the Board's seasonally adjusted index.

PRICES

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100)	Sept.,'50	Aug.,'50	Sept.,'49	Sept.,'50 compared with Aug.,'50	Sept.,'50 compared with Sept.,'49
All Commodities	169.5	166.3	153.7	+ 1.9%	+10.3%
Farm Products	180.4	177.5	163.1	+ 1.6	+10.6
Foods	177.2	174.6	162.0	+ 1.5	+ 9.4
Other	159.2	155.3	145.5	+ 2.5	+ 9.4

RETAIL FOOD

Bureau of Labor Statistics (1935-39=100)	Sept. 15, 1950	Aug. 15, 1950	Sept. 15, 1949	Sept. 15,'50 compared with Aug. 15,'50	Sept. 15,'50 compared with Sept. 15,'49
U. S. (51 cities)	208.5	209.0R	204.2	— 0.2%	+ 2.1%
St. Louis	220.5	221.9	211.6	— 0.6	+ 4.2
Little Rock	211.7	211.9	201.4	— 0.1	+ 5.1
Louisville	199.9	199.2	194.3	+ 0.4	+ 2.9
Memphis	220.6	220.2	213.0	+ 0.2	+ 3.6

R — Revised.

WHOLESALING

Line of Commodities — Data furnished by Bureau of Census U. S. Dept. of Commerce*	Net Sales — September, 1950 compared with Aug., 1950	Net Sales — September, 1950 compared with Sept., 1949	Stocks — Sept. 30, 1950 compared with Sept. 30, 1949
Automotive Supplies	+ 3%	+13%	+ 6%
Drugs and Chemicals	— 1	+ 4	....
Dry Goods	—24	+ 8	+30
Groceries	— 4	+ 1	+35
Hardware	—22	+26	+ 1
Tobacco and its Products	— 1	+ 3	+15
Miscellaneous	— 6	+11	— 5
**Total All Lines	—16%	+14%	+13%

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

EMPLOYMENT

The general economic expansion is shifting the labor market again toward an employees' market. Viewed in the aggregate the labor supply still is considered adequate but some occupational shortages are developing and some areas are feeling more general tightness. The whole market is tighter now than it was a few months ago. Hours of work are stretching out. Quit rates are climbing higher; workers tend to do more shifting in a tight market.

Unemployment declined between August and September, and so did employment as the labor force shrank seasonally. The Bureau of the Census reported that practically all of the decrease was in the school-age workers. Nonagricultural employment in September, however, was the second highest on record, and was up 1.8 million from last September.

In the St. Louis area employment climbed between mid-August and mid-September, extending the month-to-month rise for the ninth consecutive month. Nonagricultural employment was at an all-time high, while manufacturing employment set a new peacetime record. The major gains occurred in manufacturing, where hirings were largest in the nonelectrical machinery and transportation equipment industries, and in trade. Smaller gains were reported in almost all other industries. The food and leather groups were the only ones to show declines—and these were primarily seasonal.

Employment in the Louisville area exceeded the 1948 peak for the first time in September. Gains occurred in all major industries between July and September, with the largest increases in manufacturing and Government. More than 20,000 additional people have been hired in Louisville during the past year, with more than two-thirds of the total hired by manufacturing plants.

Employment in the Evansville area showed only a slight upturn between July and September. Manufacturing employment remained about the same, while public utilities, trade and service employment edged upward.

Unemployment nationally is no longer considered a problem except in a few small and scattered areas —including Crab Orchard and Mt. Vernon, Illinois. The number of unemployed was lower in September than at any time since December, 1948. In the third quarter of this year the number of persons looking for work averaged about a million less than a year earlier.

In the seven district states, the volume of insured unemployment in mid-September was only three-fourths as large as in August and less than half of the year ago volume. Since last September, insured unemployment in the district states has declined between 33 per cent (in Arkansas) and 75 per cent (in Indiana). In St. Louis, the number of compensable claims in mid-September was one-fifth smaller than in August and was only half as large as in September, 1949.

INDUSTRY

The rate of industrial operations in the district continued to advance during September. In some cases total output for the month was off slightly because there were fewer working days than in August. Manufacturing plants in most of the industrial centers stepped up their schedules. Gains in coal and crude oil production were recorded. New construction put under contract declined but actual building activity remained at about the previous high level. The amount of electric power consumed by manufacturing plants in the major cities was off 7 per cent, due to the shorter work month, but daily average consumption was up 7 per cent.

Manufacturing Activity Greater in September

The large demand for civilian goods continued to furnish the principal impetus to the upward trend in manufacturing operations. Business buying reportedly has slowed down slightly since the July and August rush to place orders with suppliers. But new orders together with backlogs continued to push manufacturers' schedules upward.

Supplementing the heavy civilian demand is the growing volume of Government contracts received by producers in this area. So far, expansion in Government spending has had little effect on the economy of the district as a whole. In local areas —particularly where Army camps or installations have been reactivated or expanded—and in some

INDUSTRY

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	Sept., 1950 K.W.H.	Aug., 1950 K.W.H.	Sept., 1949 K.W.H.	Sept., 1950 compared with Aug.,'50	Sept., 1950 compared with Sept.,'49
Evansville	13,534	16,733	12,443	—19.1%	+ 8.8%
Little Rock	4,780	4,661	5,439	+ 2.6	—12.1
Louisville	73,993	76,863	70,317	— 3.7	+ 5.2
Memphis	25,321	28,205	26,018R	—10.2	— 2.7
Pine Bluff	7,348	7,463	4,647	— 1.6	+58.1
St. Louis	95,568	102,797	77,597R	— 7.0	+23.2
Totals	220,544	236,722	196,461R	— 6.8%	+12.3%

R—Revised.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

Sept., '50	Aug., '50	Sept., '49	First Nine Days Oct., '50	First Nine Days Oct., '49	9 mos. '50	9 mos. '49
118,541	126,713	101,093	35,407	31,459	1,002,317	939,077

Source: Terminal Railroad Association of St. Louis.

CRUDE OIL PRODUCTION—DAILY AVERAGE

(In thousands of bbls.)	Sept., 1950	Aug., 1950	Sept., 1949	Sept., 1950 compared with Aug., 1950	Sept., 1950 compared with Sept., 1949
Arkansas	81.7	82.0	71.6	–0–%	+14%
Illinois	177.3	174.8	179.2	+ 1	— 1
Indiana	31.1	31.4	28.1	— 1	+11
Kentucky	27.9	27.9	23.3	–0–	+20
Total	318.0	316.1	302.2	+ 1%	+ 5%

specific industries the effects of the program are observable. But in terms of districtwide developments, the main impact of the program is yet to come.

Nonclassified contracts (those for items classed as "nonsecret") awarded to district manufacturers so far add up to a relatively small total dollar value. Since mid-July, when the figures first became available, nonclassified prime contracts valued at only $7.5 million have been awarded to companies in the district. This total is small relative to the value of all production in this region. The volume is growing, however; in late September and early October such contracts were running about $1 million a week.

Orders placed so far largely represent 'housekeeping" expenditures of the Defense Department, although some commitments for ordnance, electronics, engineering, and aircraft supplies also have been made. Most of the contracts are with firms located in St. Louis, Louisville and Memphis.

Activity in most of the district's durable goods industries was at a higher level in September. The basic steel industry in St. Louis scheduled operations at 85 per cent of capacity during October. This was the highest rate in any month since August, 1944. In September production was scheduled at 76 per cent of capacity. The demand for steel is heavy and the market generally is getting tighter.

Lumber production—southern pine and hardwood—was up during the month. Output of nonelectrical machinery dropped in September as a result of strikes in some of the major plants in the district. In the transportation equipment and fabricated metals industries, operations moved up during the month.

Meat packing operations increased slightly in the St. Louis area. Marketings in September were rather light, receipts at the National Stockyards in East St. Louis dropping 5 per cent from August and 10 per cent below receipts last September. The total number of animals slaughtered under Federal inspection was up 8 per cent relative to that in August.

In the shoe industry price increases recently were announced by the largest producers—the second advances since the beginning of the Korean conflict. Wage increases in the industry also were agreed on at some of the companies during the past month. Shoe production in the district in July totaled 7.7 million pairs. In the previous month output amounted to 7.6 million pairs and in July last year was 6.8 million.

Kentucky's whiskey industry continued to operate at a high level in September. At the end of the month 50 distilleries were producing—three more than at the close of August and 24 more than in September last year. Production has been increased sharply in recent months, reportedly in anticipation of the diversion of part of the capacity to production for defense needs. It is estimated, however, that as much as 50 per cent of output could be diverted to such uses without seriously affecting whiskey inventories.

Coal and Oil Output Up

More coal was mined in the district in September than in August. Production totaled 9.6 million tons or 2 per cent more than in the previous month. Nationally, output was down 2 per cent. The district's production usually increases in September, and the increase in output brought the seasonally adjusted index to 142 per cent of 1935-39 as against 121 per cent in August. A reduction occurred in the Kentucky fields while production rose slightly in Arkansas, Illinois, Indiana and Missouri.

Crude petroleum output was up 1 per cent on a daily average basis in September over August. Production per day was at a rate of 318,000 barrels as against 316,000 in August—and 302,000 a year ago. This was the third consecutive month of larger output and the September increase lifted production to the highest level since the first quarter of 1946.

CONSTRUCTION

Expenditures for new construction in the nation climbed to a new peak of $2.8 billion in September. Most of the increase was in nonresidential building although estimated outlays for both private and public housing moved up slightly. But these increases were less significant, in terms of the outlook for construction in the coming months, than the action taken early in October to curb inflationary pressures that result from the expansion of credit in the construction field.

Construction Credit Controls

Inflationary pressures were building up in the nation's economy before the start of the Korean conflict and the enlarged program for defense expenditures. A major source of this pressure was the rapid expansion in credit extended for new real

PRODUCTION INDEX

COAL PRODUCTION INDEX
1935-39=100

Unadjusted			Adjusted		
Sept.,'50	Aug.,'50	Sept.,'49	Sept.,'50	Aug.,'50	Sept.,'49
154*	140	71	147*	142	67

*Preliminary.

estate construction—particularly in the residential field. Easy credit added to the inflationary pressures in two ways: (1) it stimulated building activity, which increased the demand for construction materials and helped push prices higher; and (2) a large part of the borrowed funds originated in the banking system and thus helped form the basis for further expansion in the total money supply.

Recognizing that contemplated defense expenditures would provide further fuel for the inflationary fires, Congress, in the Defense Production Act of 1950, provided several checks. Among these is provision for control of real estate construction credit. The Board of Governors of the Federal Reserve System is charged with the responsibility of regulating the extension of private credit in this field. Requirements established by the Board, including among others those with respect to down payments and maximum maturities, became effective October 12 and are contained in the Board's Regulation X. The Home and Housing Finance Administration has applied similar restrictions to the terms of private mortgage loans insured or guaranteed by the principal public agencies involved. These steps followed, by about three months, a tightening of some requirements by public agencies shortly after the Korean war began.

Effect of Credit Controls

It is too early, of course, to tell just how much these anti-inflationary actions will affect residential construction volume in the future. Already there is some indication that the tighter requirements put into effect in July were beginning to take hold in September. Nationally, the number of new residential units started dropped last month, according to tentative Bureau of Labor Statistics estimates. This dip did not result in smaller expenditures, however, because of the large backlog of work that was started earlier.

Construction Contracts in the District

The total value of work contracted for in the district in September amounted to $87 million. In August it totaled $103 million. Residential volume —including new as well as additions to existing structures—was up 10 per cent. Nonresidential and heavy engineering awards declined.

The increase in residential volume principally reflected contracts for new apartment building construction. The number of new single-family dwelling units put under contract for owner occupancy in the St. Louis territory dropped more than one-fourth to the lowest level since April. Speculative builders also put fewer units under contract in September—cutting back by about the same percentage.

In the nonresidential field there were declines in commercial, manufacturing and most other classifications.

CONSTRUCTION

BUILDING PERMITS
Month of September

(Cost in thousands)	New Construction				Repairs, etc.			
	Number		Cost		Number		Cost	
	1950	1949	1950	1949	1950	1949	1950	1949
Evansville	83	85	$ 158	$ 130	96	112	$ 135	$ 64
Little Rock	79	61	1,380	471	224	345	773	118
Louisville	227	199	1,585	1,015	70	93	51	108
Memphis	2,436	2,321	4,643	3,112	197	196	221	128
St. Louis	347	342	3,126	2,800	280	256	1,002	676
Sept. Totals	3,172	3,008	$10,892	$7,528	867	1,002	$2,182	$1,094
Aug. Totals	3,470	3,080	$11,537	$9,374	931	971	$1,258	$1,094

TRADE

Consumer spending during September was heavy but the rush to buy that characterized July and early August was not so evident. There were mild to sharp flurries of spending in some major durable goods lines near the middle of the month and just prior to the reimposition of consumer credit controls after a 15-month lapse. But in general, buying remained on a more orderly basis than prevailed in July and early August.

Department Stores—At the district's department stores, sales in September were 8 per cent larger than in August. Consumers usually increase their buying in September, but the gain this year was not as large as might be expected. As a result, daily average sales were smaller than in August, after allowing for seasonal factors, and the adjusted index dropped to 360 per cent of 1935-39 as against 370 per cent in the previous month.

For the fifth consecutive month department store sales were larger than in the corresponding month a year ago. In September, dollar volume was up 10 per cent from September, 1949. The margin over last year was not as large as in the previous month, however, when a districtwide gain of 14 per cent was reported, or in July when sales soared 29 per cent ahead of last year's volume.

All major district cities shared in the gain from last year. In several smaller centers, and in Springfield, Fort Smith and St. Louis, the percentage increase did not measure up to that for the entire district, however.

The relatively large volume in September helped hold sales for the year at a level 5 per cent above that in the same period in 1949. Judging by preliminary reports, this rate of gain probably was maintained through October.

Furniture Stores—District furniture store sales during September reflected purchases in anticipa-

TRADE

DEPARTMENT STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	Sept., 1950 compared with		9 mos.'50 to same period '49	Sept. 30,'50 comp. with Sept. 30,'49	Jan. 1, to Sept. 30	
	Aug.,'50	Sept.,'49			1950	1949
8th F. R. District...	+ 7%	+10%	+ 5%	+14%	2.92	2.89
Ft. Smith, Ark.......	+ 5	+ 9	+ 4	+14	2.89	2.98
Little Rock, Ark....	+12	+12	+ 6	+28	2.83	3.04
Quincy, Ill.............	+ 8	+ 7	+ 4	+ 6	2.64	2.49
Evansville, Ind.......	+ 6	+14	+10	+ 6	2.86	2.65
Louisville, Ky.........	+ 4	+14	+ 9	+23	3.22	3.14
St. Louis Area [1]......	+ 8	+ 9	+ 4	+12	2.90	2.87
St. Louis, Mo......	+ 7	+10	+ 4	+13	2.92	2.88
Springfield, Mo......	— 2	+ 6	+ 7	+11	2.69	2.47
Memphis, Tenn......	+ 9	+ 9	+ 5	+ 8	2.97	2.95
*All other cities......	-0-	+ 7	+ 6	+13	2.43	2.33

*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 September, 1950, were 21 per cent greater than on the corresponding date a year ago.

Percentage of accounts and notes receivable outstanding Sept. 1, 1950, collected during September, by cities:

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith......	....%	47%	Quincy	17%	63%
Little Rock......	16	42	St. Louis..........	19	52
Louisville	18	50	Other Cities....	13	60
Memphis	17	45	8th F.R. Dist.	18	49

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

	Sept., 1950	Aug., 1950	July, 1950	Sept., 1949
Sales (daily average), unadjusted [2]....................	363	318	326	335
Sales (daily average), seasonally adjusted [2].....	360	370	418	332
Stocks, unadjusted [3]..	361	322	295	311
Stocks, seasonally adjusted [3].............................	325	295	283	280

[2] Daily average 1935-39=100.

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

SPECIALTY STORES

	Net Sales			Stocks on Hand	Stock Turnover	
	Sept., 1950 compared with		9 mos. 1950 to same period 1949	Sept. 30,'50 comp. with Sept. 30,'49	Jan. 1, to Sept. 30	
	Aug.,'50	Sept.,'49			1950	1949
Men's Furnishings....	+24%	+10%	— 1%	+16%	1.75	1.79
Boots and Shoes........	+29	+10	+ 1	— 1	3.31	3.21

Percentage of accounts and notes receivable outstanding Sept. 1, 1950, collected during September:

Men's Furnishings .... 45% Boots and Shoes.................... 42%

Trading days: September, 1950—25; August, 1950—27; September, 1949—25.

RETAIL FURNITURE STORES**

	Net Sales		Inventories		Ratio of Collections	
	Sept., 1950 compared with		Sept., 1950 compared with			
	Aug.,'50	Sept.,'49	Aug.,'50	Sept.,'49	Sept.,'50	Sept.,'49
8th Dist. Total[1]...	— 7%	+23%	+ 8%	+29%	21%	23%
St. Louis Area[2]...	—11	+22	+ 6	+35	28	32
St. Louis..........	—12	+22	+ 6	+35	27	32
Louisville Area[3]..	+ 3	+40	+14	+36	15	15
Louisville.........	+ 1	+36	+ 4	+39	14	14
Memphis.............	— 9	+13	+ 4	— 3	15	14
Little Rock..........	+ 8	+25	+ 3	+14	17	16
Springfield...........	— 3	+28	+ 4	+32	17	19
Fort Smith...........	— 9	+29	*	*	*	*

*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.

**41 stores reporting.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	September, 1950	August, 1950	September, 1949
Cash Sales..................................	13%	13%	12%
Credit Sales................................	87	87	88
Total Sales.............................	100%	100%	100%

tion of credit controls and in fear of future shortages. Through mid-September consumer buying was concentrated on items that were under credit regulations when controls were in effect last year. But even though consumers stepped up their buying somewhat just before credit restrictions were announced, the month's sales were below the August level.

Reporting stores in the district did 9 per cent less business in September than in the previous month—but 19 per cent more than in September last year. Cash sales were up 19 per cent from those a year ago—the third month in a row that cash transactions were larger than last year. Credit volume also was up, as it has been every month this year except in April. The increase in September amounted to 21 per cent.

The Effect of Regulation W—As a part of its program aimed at dampening down the inflationary pressures in the economy, the Board of Governors reimposed controls over down payment and maturity requirements of instalment sales and loans, effective September 18. The initial standards that were established were not particularly restrictive judged by the trend of sales of covered items and the continued rise in instalment credit during late September and early October. Effective October 16, more stringent terms were imposed.

In this district, the initial restrictions seemed to have their largest effect on the used automobile market, somewhat less impact on demand for appliances and similar household equipment, and least effect on the new car market. In the used car field, it should be noted, the market in several parts of the district had begun to weaken late in August (prior to Regulation W). Demand for new cars remained strong in most of the major district cities after the initial credit requirements were announced. The principal exception was in Memphis, where sales dropped sharply.

Sales of major appliances and other major durable items in department stores were up somewhat in the week prior to September 18. During the remainder of the month and in the first two weeks in October sales dropped back—in some cases to a level not much different from that which prevailed in June. Volume remained larger than a year ago except for major appliances.

Instalment credit sales in department stores in August represented 12 per cent of total sales. In September they accounted for 10 per cent of the total. The ratio also declined during the same period in the two previous years—but not quite as sharply as this year. In 1949 the decline was from

10 per cent to 9 per cent, and in 1948, from 9 per cent to 8 per cent. In 1947 there was no change between August and September.

Open credit sales represented a larger proportion of total sales in September than in August, but a rising ratio is customary for the period. This year the ratio moved from 42 per cent in August to 46 per cent in September. Last year and in 1948 the increase was from 41 per cent to 45 per cent—and in 1947, from 41 per cent to 43 per cent.

Inventories—Outstanding Orders—Inventories at department and furniture stores were a little larger at the end of September than they were a month earlier, in terms of retail value. At department stores the value of stocks was up 10 per cent and was 14 per cent higher than at the end of September last year. Furniture stores reported an 8 per cent increase during September—to a level that was 21 per cent above that of a year ago.

Department store buyers currently report that advance orders are being placed with somewhat more caution now than in July and August when consumer scare-buying was at its peak. Outstanding orders on September 30 were 10 per cent less than on August 31 and totaled 21 per cent more than at the end of September last year.

AGRICULTURE

Emphasis in 1951 from the U. S. Department of Agriculture will be on promotion of abundant production. This has become evident in recent days with the announcement that no curbs will be imposed on cotton production. A crop of 16 million bales is requested, about the size of the 1949 crop, but more than 6 million bales larger than the 1950 crop. The wheat crop has been set for 73 million acres which on the average should produce 1.2 billion bushels of wheat. A high price for wheat has been assured farmers—equivalent to the 1950 support price, or 90 per cent of the July, 1951 parity, whichever is higher. Oats, rye and barley will be supported in the same relation to corn as in 1950.

Good weather in most district states during the first half of October speeded crop maturity and harvesting. Weather conditions during September were not favorable, but the October 1 crop prospects for the nation on the whole were not much different than the September forecast. Corn production estimates were lowered 45 million to 3,117 million bushels, a drop of 1.5 per cent. This decrease was largely in the northern areas of the Corn Belt where there was frost damage. The bulk of the crop apparently has escaped serious damage that would have resulted from an early frost. Small increases were forecast for oats, barley, peanuts and soybeans production. Although the total tobacco production estimate is virtually unchanged from a month earlier, the burley and dark estimates were lower. The declines in district types of tobacco were offset by expected increases in flue-cured types.

Indicated cotton production in district states was off further in September. The declines were 20,000 bales in Mississippi, Missouri and Tennessee, and 10,000 bales in Arkansas. The crop of 3,230,000 bales indicated for these four states is 960,000 bales less than in 1949.

Prices received by farmers increased 5 points to an index of 272 on September 15 (1910-14=100). Record high cotton prices were important contributors to this price rise. Prices of citrus fruits and many other farm products also were higher. At the same time prices paid by farmers increased 1 point to 269 as a result of higher prices for lumber, feeder livestock, and other items. The parity ratio widened to 105, the highest since October, 1948.

Cash farm income for the first three quarters of 1950 is estimated at $18.7 billion, 4 per cent less than in 1949. The drop is due to a slightly smaller volume of marketings since prices thus far in 1950 average about the same as in 1949. In district states cash farm receipts for the first seven months were 7 per cent less than a year earlier. However, receipts nationally in August were 7 per cent above August, 1949, and in September were slightly above September, 1949. Crop prices in September were 15 per cent higher than a year earlier, but marketings were much lower.

AGRICULTURE

CASH FARM INCOME

(In thousands of dollars)	Aug., 1950	Aug., 1950 compared with July, 1950	Aug., 1950 compared with Aug., 1949	8 month total Jan. to Aug. 1950	1950 compared with 1949	1950 compared with 1948
Arkansas	$ 17,919	—20%	—14%	$ 165,246	—27%	—24%
Illinois	137,361	—13	—15	1,046,533	— 2	—13
Indiana	84,728	–0–	— 5	559,924	— 3	—15
Kentucky	30,243	—18	—13	300,447	— 2	— 8
Mississippi	13,777	— 2	+ 4	112,157	—50	—50
Missouri	87,288	—14	—12	574,336	— 4	—10
Tennessee	27,134	— 1	+ 5	215,280	— 7	—22
Totals	$398,450	—10%	—10%	$2,973,923	— 8%	—16%

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts			Shipments		
	Sept., 1950	Sept., 1950 compared with Aug.,'50	Sept., 1950 compared with Sept.,'49	Sept., 1950	Sept., 1950 compared with Aug.,'50	Sept., 1950 compared with Sept.,'49
Cattle and calves	131,684	+ 6%	—20%	51,303	+36%	—33%
Hogs	209,040	— 4	— 1	56,393	—23	—15
Sheep	61,641	—24	—16	24,264	—43	— 9
Horses						
Totals	402,365	— 5%	—10%	131,960	—14%	—22%

PRINCIPAL ASSETS AND LIABILITIES FEDERAL RESERVE BANK OF ST. LOUIS

(In thousands of dollars)	Oct. 11, 1950	Change from Sept. 13, 1950	Change from Oct. 12, 1949
Industrial advances under Sec. 13b	$	$	$ ....
Other advances and rediscounts	6,520	—10,639	+ 1,483
U. S. securities	1,076,012	+24,402	+115,219
Total earning assets	$1,082,532	$+13,763	$+116,702
Total reserves	$ 658,283	$+23,616	$—125,631
Total deposits	686,489	+24,380	— 33,610
F. R. notes in circulation	1,050,253	+ 8,834	— 27,082
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	Oct. 11, 1950	Change from Sept. 13, 1950	Change from Oct. 12, 1949
Gross commercial, industrial and agricultural loans and open market paper	$ 613,771	$+67,627	$+ 96,125
Gross loans to brokers and dealers in securities	5,651	— 13	— 428
Gross loans to others to purchase and carry securities	25,692	+ 1,323	+ 4,837
Gross real estate loans	230,448	+ 5,689	+ 47,751
Gross loans to banks	20,121	+15,144	+ 18,785
Gross other loans (largely consumer credit loans)	265,761	+ 36	+ 54,143
Total	$1,161,444	$+89,806	$+221,213
Less reserve for losses	12,233	+ 90	+ 2,670
Net total loans	$1,149,211	$+89,716	$+218,543
Treasury bills	49,105	— 7,192	— 6,050
Certificates of indebtedness	25,188	—10,786	—226,731
Treasury notes	269,692	—38,923	+229,116
U. S. bonds and guaranteed obligations	619,412	+ 8,927	—160,867
Other securities	186,107	— 8,549	+ 18,355
Total investments	$1,149,504	$—56,523	$—146,177
Cash assets	806,422	+ 4,071	+ 11,017
Other assets	27,077	— 2,834	+ 2,584
Total assets	$3,132,214	$+34,430	$+ 85,967
LIABILITIES			
Demand deposits of individuals, partnerships, and corporations	$1,630,473	$— 6,619	$+109,619
Interbank deposits	608,803	+67,461	— 54,410
U. S. Government deposits	64,979	— 6,940	+ 11,026
Other deposits	107,690	— 9,261	— 13,681
Total demand deposits	$2,411,945	$+44,641	$+ 52,554
Time deposits	490,524	+ 98	+ 4,988
Borrowings	8,300	—14,545	+ 6,800
Other liabilities	30,492	+ 2,283	+ 11,340
Total capital accounts	190,953	+ 1,953	+ 10,285
Total liabilities and capital accounts	$3,132,214	$+34,430	$+ 85,967
Demand deposits, adjusted*	$1,467,650	$— 5,502	$+ 70,954

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

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	September, 1950	August, 1950	September, 1949	September, 1950 compared with Aug.,'50	September, 1950 compared with Sept.,'49
El Dorado, Ark.	$ 24,645	$ 24,117	$ 20,766	+ 2%	+19%
Fort Smith, Ark.	45,809	41,905	39,206	+ 9	+17
Helena, Ark.	7,518	6,131	8,191	+23	— 8
Little Rock, Ark.	144,415	130,844	114,708	+10	+26
Pine Bluff, Ark.	29,869	25,167	31,966	+19	— 7
Texarkana, Ark.*	11,790	10,796	10,572	+ 9	+12
Alton, Ill.	26,035	25,871	22,351	+ 1	+16
E.St.L.-Nat.S.Y., Ill.	125,791	126,890	115,301	— 1	+ 9
Quincy, Ill.	31,449	31,767	28,768	— 1	+ 9
Evansville, Ind.	133,782	144,305	124,797	— 7	+ 7
Louisville, Ky.	568,454	637,109	468,238	—11	+21
Owensboro, Ky.	42,659	40,935	31,196	+ 4	+37
Paducah, Ky.	15,756	16,555	13,139	— 5	+20
Greenville, Miss.	22,679	18,362	21,560	+24	+ 5
Cape Girardeau, Mo.	12,856	12,514	11,242	+ 3	+14
Hannibal, Mo.	9,195	9,099	8,069	+ 1	+14
Jefferson City, Mo.	61,659	47,354	53,209	+30	+16
St. Louis, Mo.	1,659,331	1,718,468	1,422,609	— 3	+17
Sedalia, Mo.	11,946	10,979	9,491	+ 9	+26
Springfield, Mo.	69,362	68,889	55,500	+ 1	+25
Jackson, Tenn.	19,345	19,106	19,475	+ 1	— 1
Memphis, Tenn.	764,709	646,815	538,294	+18	+42
Totals	$3,839,054	$3,813,978	$3,168,648	+ 1%	+21%

*These figures are for Texarkana, Arkansas only. Total debits for banks in Texarkana, Texas-Arkansas, including banks in the Eleventh District, amounted to $31,177.

BANKING

The Federal Reserve System in September and early October continued to attempt to slow general bank credit expansion and instituted two selective credit controls limiting the amount of consumer and real estate construction credit borrowers could obtain.

In the Eighth District, as in the nation, however, bank loans continued to rise. Total district bank credit expanded with loans increasing at more than double the normal rate. Deposits increased more than bank credit expanded as funds flowed into the district—partly as a result of interest payments and cash redemptions by the Treasury. And debits to deposit accounts at the 22 reporting centers increased 21 per cent over the September, 1949 level —an indication, in view of the much more modest percentage growth (5 per cent) in the volume of these deposits, of an increased rate of turnover of these deposits, compared with a year ago.

Loans at all member banks in the Eighth District rose $91 million in September. Part of this expansion was offset by a reduction in investments. Large city banks, accounting for $78 million of the loan growth, expanded all types of loans. Business loans accounted for nearly three-fourths of the dollar growth in the month and showed the sharpest percentage growth. Though loans at smaller banks increased only $13 million in September, this gain was larger than the typical increase for this period.

For the entire third quarter, the loan expansion at all district member banks amounted to $210 million. This was slightly more than four times the third quarter increase in 1949—also a period of expanding business and banking activity.

The following table gives selected items of assets and liabilities for the weekly reporting banks as of October 11 and dollar changes from mid-September and a year ago. The chart shows the sharp expansion in business and agricultural loans at these banks since midyear.

SELECTED ITEMS OF ASSETS AND LIABILITIES EIGHTH DISTRICT WEEKLY REPORTING MEMBER BANKS

(Millions of dollars)

	Oct. 11, 1950	Dollar Change in 4 Weeks	Dollar Change in Year
Business and agricultural loans	$ 613.8	+ 67.6	+ 96.1
Real Estate Loans	230.4	+ 5.7	+ 47.8
Loans on securities	31.3	+ 1.3	+ 4.4
Loans to banks	20.1	+ 15.2	+ 18.8
Other Loans (largely consumer)	265.8	-0-	+ 54.1
TOTAL LOANS (Gross)	$1,161.4	+ 89.8	+221.2
Total Investments	1,149.5	— 56.5	—146.2
Time Deposits	490.5	+ 0.1	+ 5.0
Demand Deposits Adjusted	1,467.7	— 5.5	+ 71.0

Real estate loans outstanding at the weekly reporting member banks at mid-October were $6 million over the level four weeks previously. They increased 10 per cent during the third quarter after climbing 25 per cent during the twelve months to June 30. Last April real estate loans represented 20 per cent of the 34 banks' total loans and 8.8 per cent of their earning assets. In October the ratio to total loans was the same as in April, but the ratio to earning assets was up to 10 per cent.

Trends in Savings—Accompanying the district-wide growth in bank credit and its more rapid use, there is some evidence of a declining volume of individuals' liquid savings in the third quarter of the year. Sales of E bonds in all district counties from January through July were 12 per cent less than in the corresponding period in 1949. In August, these sales dropped 24 per cent below the volume of a year ago. Monthly average sales dropped from $17 million in the first seven months to $12 million in August. Sales of F and G bonds also declined more—relative to their year ago volumes—in August than during the previous months of the year.

Time deposits in all district member banks continued to decline in September. These deposits have decreased since the end of June, 1950, reversing the upward trend that prevailed in the previous twelve months.

EIGHTH DISTRICT
MEMBER BANK ASSETS AND LIABILITIES
BY SELECTED GROUPS

(In Millions of Dollars)	All Member			Large City Banks [1]			Smaller Banks [2]		
		Change from:			Change from:			Change from:	
Assets	Sept., 1950	Aug., 1950 to Sept., 1950	Sept., 1949 to Sept., 1950	Sept., 1950	Aug., 1950 to Sept., 1950	Sept., 1949 to Sept., 1950	Sept., 1950	Aug., 1950 to Sept., 1950	Sept., 1949 to Sept., 1950
1. Loans and Investments	$3,929	$+ 3	$+146	$2,288	$+ 9	$+ 79	$1,641	$— 6	$+ 67
a. Loans	1,708	+ 91	+282	1,131	+ 78	+211	577	+ 13	+ 71
b. U.S. Government Obligations	1,846	— 84	—170	968	— 63	—158	878	— 21	— 12
c. Other Securities	375	— 4	+ 34	189	— 6	+ 26	186	+ 2	+ 8
2. Reserves and Other Cash Balances	1,194	+ 37	+ 27	751	+ 29	+ 55	443	+ 8	— 28
a. Reserves with the F.R. Bank	574	+ 3	+ 10	372	+ 2	+ 17	202	+ 1	— 7
b. Other Cash Balances [3]	620	+ 34	+ 17	379	+ 27	+ 38	241	+ 7	— 21
3. Other Assets	43	— 5	+ 2	27	— 1	–0–	16	— 4	+ 2
4. Total Assets	$5,166	$+ 35	$+175	$3,066	$+ 37	$+134	$2,100	$— 2	$+ 41
Liabilities and Capital									
5. Gross Demand Deposits	$3,797	$+ 46	$+123	$2,330	$+ 46	$+101	$1,467	$ –0–	$+ 22
a. Deposits of Banks	555	+ 19	— 41	523	+ 18	— 38	32	+ 1	— 3
b. Other Demand Deposits	3,242	+ 27	+164	1,807	+ 28	+139	1,435	— 1	+ 25
6. Time Deposits	980	— 5	+ 10	494	— 3	+ 4	486	— 2	+ 6
7. Borrowings and Other Liabilities	55	— 9	+ 20	49	— 8	+ 19	6	— 1	+ 1
8. Total Capital Accounts	334	+ 3	+ 22	193	+ 2	+ 10	141	+ 1	+ 12
9. Total Liabilities and Capital Accounts	$5,166	$+ 35	$+175	$3,066	$+ 37	$+134	$2,100	$— 2	$+ 41

[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.

FEDERAL RESERVE BANK OF ST. LOUIS
INCORPORATED MAY 18, 1914