

# Monthly Review

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## District Farmers' Prospects and Purchases in 1956

**I**N 1955 EIGHTH DISTRICT FARMERS' INCOMES were improved by larger cash receipts from cotton and broilers, but the gain was almost exactly offset by lower receipts from hogs, tobacco and rice.

For 1956 underlying forces may net out to a decline in cash receipts. Severe adjustments appear inevitable for cotton sales, but the exact timing is less certain. On the other hand, farmers have absorbed much of the shock in the present beef and hog cycles which likely foretells higher prices in the latter part of 1956. The expected price strength and larger sales volumes suggest better times for red meat producers in this area.

Adjustments in spendable funds hold diverse meanings for different categories of farm purchases. Expenditures for seed, tractor operation, food, and medical care may be affected only moderately by farm income changes. However, optional outlays for commercial feed and fertilizer may be more responsive, although in complex ways, as will deferrable capital expenditures including those for furniture, household equipment, farm equipment, and farm buildings.



**Federal Reserve Bank**  
*of St. Louis*

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*In 1955 Eighth District farmers' incomes were improved by larger cash receipts from cotton and broilers, . . .*

**D**ISTRICT FARM RECEIPTS in 1955 were quite close to the level of those in the previous year. Gross income from cotton, the most important district cash commodity, was well above receipts in 1954. So high a gross income from cotton surprised even the closest observers who made estimates before the harvest season. Prices were about as expected, but the average yield per acre set a new high at 57 per cent above the recent ten-year average. Consequently, cash receipts from the 1955 cotton crop were up approximately 17 per cent from the level of 1954.

Receipts from broilers likewise pleasantly astonished farmers in northwest Arkansas and southern Indiana. Notwithstanding a sizable increase in output and tremendous competition from record per capita supplies of red meats, average prices for the year were up nearly one-tenth. The result was a rise of almost one-fifth in receipts from broiler sales.

*. . . but the gain was almost exactly offset by lower receipts from hogs, tobacco and rice.*

On the negative side, tremendous supplies of pork competing with record per capita consumption of beef and poultry meats broke the hog market to the lowest point since December 1941. Consequently, cash receipts from hogs, which are produced primarily in the northern half of the district, plunged down about one-fourth from the level of 1954. In other district areas receipts from geographically concentrated tobacco and rice crops also fell about 10 and 20 per cent, respectively, as a production decline of 20 to 25 per cent was only partly offset by higher prices. Changes in the income position of other major commodities were moderate.

*For 1956, underlying forces may net out to a decline in cash receipts.*

The level of cash farm receipts for the whole district in 1956 may turn out to be somewhat less favorable than in 1954 and 1955. Price support proposals, with their implementation now uncertain, could, of course, materially alter any forecasts for specific commodities. Aside from the uncertainties involved, existing pressures from the supply and demand positions of some commodities will cause eventual shifts from 1955 levels of cash farm receipts; some will be favorable to district farmers and some will be unfavorable.

*Severe adjustments appear inevitable for cotton sales, . . .*

Among crops likely to be in an unfavorable position will be cotton. A brief summary of the outlook indicates why. The total United States supply of cotton for the 1955-1956 marketing year has been estimated by the United States Department of Agriculture at 25.9 million bales, including 14.6 million bales from

the 1955 crop. Presumably this cotton must eventually be sold or disposed of in other ways. At best, such large supplies will be an impediment to expansion of inventories either in government or private hands. Against the large supply may be set an annual domestic consumption of approximately 9 million bales, plus a foreign demand which is expected to dwindle to 2.5 million bales during the coming marketing year. These figures suggest the inevitability of production adjustments or price adjustments or some combination of the two. As a consequence, the United States Department of Agriculture has tentatively established district states acreage quotas for 1956 at 6 per cent below 1955. Separate provisions for acreage reductions on a voluntary basis also have been considered; as proposed, such provisions would likely affect total cash farm receipts only moderately.

However, yield per acre may have more influence than acreage planted on total cotton production. If the record district yield, estimated for 1955 at 542 pounds per acre, becomes a new "normal," production in 1956 may be down only 6 per cent, i.e., simply by the proportionate acreage quota reduction. Should cotton farmers achieve only the average yield per acre in the Delta during the last three years, production would be off close to 20 per cent. Or if an extension of the nine-year moving average were used as a guide, production could be expected to approximate 30 per cent less than last year. In all cases some allowance should be made for weather uncertainty.

The possible income drop on account of output reduction alone would be serious, but an additional factor must also be considered. There may be a sizable drop in effective support levels. A combination of the two factors could result in a drop of one-fourth to one-third in cotton receipts from the levels enjoyed by district farmers in 1955.

*. . . but the exact timing is less certain.*

All of the factors in this computation have a degree of uncertainty both as to magnitude and timing. If yields per acre should closely approach or exceed those of 1955 and if price supports change very little, inevitable adjustments in income from cotton sales would be deferred though they might later be magnified. On the other hand, reduced yields and price supports could, of course, result in an earlier adjustment toward bringing supplies more nearly in line with the quantity consumed. Whatever the outcome may be in 1956, firms selling to farmers in cotton areas can be certain that more negative than positive pressures on cash receipts from cotton will eventually be realized.

*On the other hand, farmers have absorbed much of the shock in the present beef and hog cycles . . .*

Beef and pork producers, unlike cotton farmers, have already accepted sharp price reductions which

typically have been associated with recent production cycles. Production peaks in both of these cycles coincided in 1955 at exceptionally high levels.<sup>1</sup> Concomitantly, United States red meat producers have initiated steps to moderate what appeared to them as over-production at prices at which they could profitably sell. For cattlemen, steps taken have included an increasingly higher rate of cow and heifer slaughter, an effective way to reduce future numbers of marketable cattle. In 1955 female stock accounted for 49 per cent of the total numbers processed, compared with 42 per cent in 1952.

*... which likely foretells higher prices in the latter part of 1956.*

However, the full impact of increased slaughter of breeding stock during the period 1953 to 1955 may not be felt in the first half of this year. Total numbers slaughtered, particularly of finished cattle, may be even greater than in the year before, promising more than adequate supplies of high quality beef. More favorably, some price relief to farmers appears in sight for the latter part of the year, as the slaughter of cows and heifers is expected to decline from the unusually high numbers of 1955. Expressed in the terms of experienced cattlemen, the cattle numbers cycle nationally shows signs of turning down which, on the basis of past experience, means that the price cycle may soon turn gently upward in the latter part of 1956.

The hog outlook as reported by the United States Department of Agriculture is quite similar to the prospect for beef cattle: national supplies will become increasingly large the first half of 1956 as a result of a 12 per cent increase in pigs born in the fall of 1955. More hopefully, as a result of reduced prices during the fall and early winter of 1955, farmers had 2 per cent less sows bred to farrow spring pigs for sale in the fall of 1956. Like the beef cycle, the present hog cycle apparently is following a normal pattern and will likely reach a peak in production by the latter half of 1956. The consequence will probably be moderately higher prices, relative to those this winter, for hogs sold next fall and winter.

*The expected price strength and larger sales volumes suggest better times for red meat producers in this area.*

Happily for district farmers, livestock production and sales in 1956 can be expected to reflect the gen-

erally excellent recovery in feed supplies from the drouth of 1954 and previous years. In Missouri, for example, the increase in feed grain and hay output in 1955 was a surprising 140 per cent. As a consequence of improved crops and pastures in the district, farmers in 1955 were encouraged to keep more cows and heifers for the future.

So it is with hogs. Farmers in district states other than in Indiana and Illinois will have 23 per cent more pigs to sell this coming spring than they did in the spring of 1955, though the increase nationally is expected to be only 12 per cent. For sale next fall, the increase from the fall of 1955 will approximate 14 per cent compared with a 2 per cent decline for the nation. Thus with hogs as well as with cattle, district farmers can look forward to 1956 as a year in which they may multiply at least seasonally higher prices in the latter part of the year by greater total sales for a moderate net increase in cash receipts from sales of red meats.

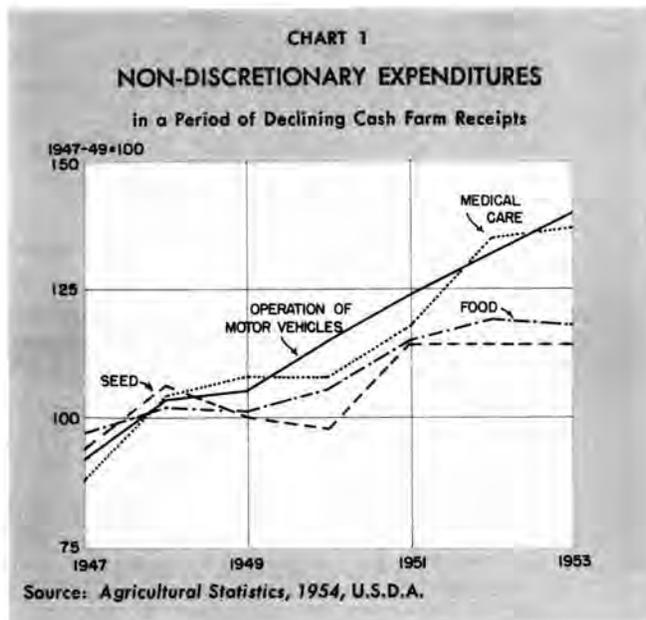
*Adjustments in spendable funds hold diverse meanings for different categories of farm purchases.*

The volume of district farmers' purchases in the year ahead will be affected by many things. The levels of the preceding year's net disposable income, together with the stock of liquid assets built therefrom, plus the prospects for net disposable income in 1956 are the key elements in decisions to make certain expenditures. On the other hand, firms selling some items or products to farmers find that gross receipts, which are roughly twice net income figures, are the more significant element in the farmers' expenditure decisions. Expenditures for consumption items by the farm family tend to be influenced by net disposable income, whereas outlays for the cost of doing business on farms seem to be more responsive to gross cash farm income.

On the assumption that aggregate district cash farm receipts were unchanged in 1955 and will decline moderately in 1956, what may be expected in terms of farmers' purchases of major items? The volume of sales to farmers, as with sales to other businessmen and consumers, is usually somewhat uncertain. However, an inspection of past relationships between declining farm income and cash expenditures for certain categories of purchases affords valuable insights for those interested in farmers as customers.<sup>2</sup> Projections of and conclusions from these historical relationships are made in the following paragraphs, with allowance for uncertain factors such as price support and allotment programs, changing consumer demand, and basic secular changes in production methods.

<sup>1</sup> Cattle production cycles refer to the rhythmic variations over periods of several years in the numbers sold. Typically, numbers sold increase for 5 to 10 years and then decrease over a similar number of years. Consequently, there is normally a period of about one and one-half decades from peak to peak in cattle numbers marketed. United States Department of Agriculture estimates suggest that 1955 may have been the peak of the cattle numbers cycle. The price cycle tends to be the inverse of the cattle numbers cycle. Hog production and price cycles are quite like the beef cycles, except that the hog cycles are shorter, reflecting more rapid reproduction processes.

<sup>2</sup> For a discussion of the farmer as a customer of the lending agency, see "A Look at American Farm Credit Experience," *Monthly Review*, Federal Reserve Bank of St. Louis, December 1955.

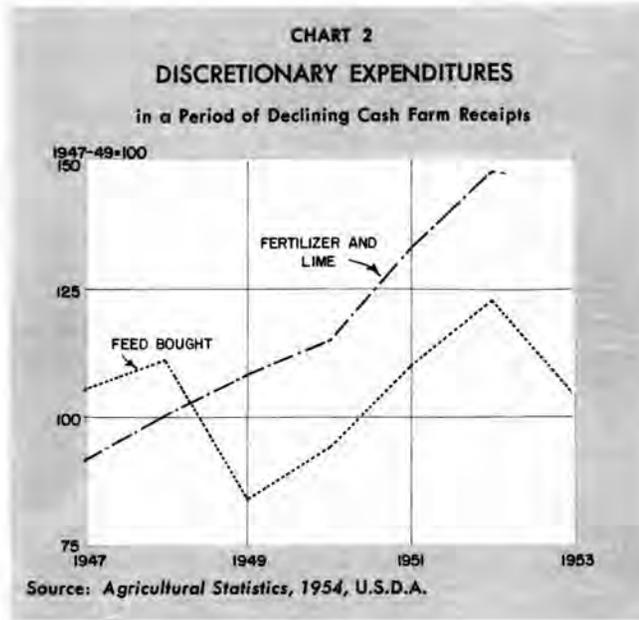


*Expenditures for seed, tractor operation, food, and medical care may be affected only moderately by farm income changes.*

Farmers and their families typically have certain cash operating and living expenses which are no more than moderately affected by changes in the level of prices, yields, or cash farm receipts of the magnitude experienced recently or that might be experienced in the near future. Among these expenses are seed, operation of motor vehicles, food, and medical services, expenditures which are not discretionary either in the short- or long-run. During the recession of 1949, dollar purchases by farmers of these goods and services changed only moderately (Chart 1). To the businessman, the historical reluctance or the seeming inability of farmers to vary greatly their purchases of these goods and services may portend relative stability of sales. However, to farmers who must buy regardless of the level of cash farm receipts, nondiscretionary expenditures present a problem, for outlays on the four goods and services listed above equal approximately one-fifth of national gross farm income.

*However, optional outlays for commercial feed and fertilizer may be more responsive. . . .*

Some expenditures are more responsive to income changes than those listed above; farmers' purchases of commercially prepared feeds have historically declined, albeit irrationally in many cases, as cash farm receipts dropped. In 1949 the decline was nearly one-fourth (Chart 2). Unlike their choices with respect to seed and tractor fuel, farmers have closer alternatives to buying commercial feed. They can mix feeds grown on their farms with purchased protein and other components, or they can feed a ration including primarily home grown feeds. Apparently, as cash re-



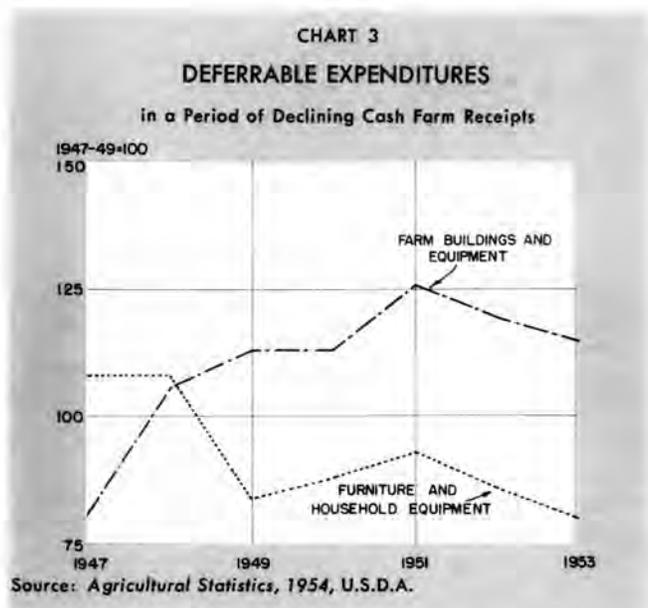
ceipts become more limited, farmers have tended to select one or both of those alternatives. Thus it is that, notwithstanding the large number of animal units now being fed on United States farms, feed men are confronted with the challenge of maintaining sales during periods of increasing resistance on the part of farmers.

*. . . although in complex ways. . . .*

Sales of fertilizer, another item of optional expenditure, likewise declined as cash receipts fell during the severe depressions of 1920-1921 and 1929-1933. However, in recent years fertilizer sales have been maintained even in periods of falling income (Chart 2). The change from traditional patterns has been partly the result of acreage allotments and price support programs which apparently encouraged the substitution of fertilizer for the restricted land area with resulting higher per acre yields. Furthermore, a wider acceptance of fertilizer applications based on soil tests has been a major facet of the advanced scientific farming of the mid-twentieth century. Thus, happily for farmers, mineral processors, and fertilizer distributors, but much to the distress of those trying to reduce over-supplies, the expanded use of fertilizer has softened the shock of acreage controls and may continue to do so.

*. . . as will deferrable capital expenditures including those for furniture, household equipment, farm equipment, and farm buildings.*

A characteristic common to most capital expenditures is that they can be made at a rate more rapid than present needs require and be accumulated for future use. Conversely, purchases can be deferred for a period of time while farmers utilize existing capital



equipment and facilities. The former characteristic has historically typified the rate of capital expenditures by farmers during years of high or rising income and the latter during periods of low or falling cash receipts.

Purchases of furniture and household equipment declined considerably more than gross cash receipts in the 1949 recession, 22 per cent as compared with 8 per cent (Chart 3). Further evidence of the sensitivity of farmers' durable purchases to changes in receipts may be seen in the 16-year period from 1939 to 1955, when both dollar purchases of furniture and household equipment by farmers and gross farm income more than trebled.

The relationship between the level of cash receipts and expenditures on farm equipment and buildings has been less consistent. During the period 1910 to 1948 the correlation appeared quite high, but since

then it has been less so. In 1949, as realized gross farm income declined 8 per cent from that of 1948, capital expenditures on motor vehicles, machinery, other equipment, and buildings increased by 7 per cent, thereby breaking the traditional correlation of previous years (Chart 3). Several suggestions for recent departures have been offered: a high rate of technological advance, farm consolidation accompanying increased mechanization, the high level of farmers' equities and financial assets, and more efficient, labor-saving equipment attractively displayed. Whatever the causal factors may have been, and notwithstanding the present high value of real capital on United States farms, a high level of sales in 1955 leads farm equipment dealers to hope that the traditional relationship between declining farm income and falling sales volume no longer prevails. Certainly farm consolidation at a rate which resulted in 11 per cent fewer farms over a five-year period plus the almost unbelievable rate of technological development were of great consequence in determining outlays for farm machinery and farmstead equipment, which approximated 15 per cent of cash receipts from farm marketings in 1955.

One final observation seems appropriate. Farmers, like all producers, must invest limited capital funds to their best advantage. Supposedly, then, as farm receipts decline farmers' decisions become more difficult, and businessmen must compete more strenuously for a restricted number of dollars. The commodities which are bid highest will tend to be those on which farmers think they can get the greatest returns. Aside from the major non-discretionary items, purchases of goods such as fertilizers and needed physical equipment, which are related to price support activities or major fields of technological development, would seem most likely to continue at high levels during the coming year.

LAWRENCE E. KREIDER



# 1955 OPERATIONS

## OF THE FEDERAL RESERVE BANK OF ST. LOUIS

**T**HE YEAR 1955 was described as one of those years of "boom without letup" in the January issue of the *Monthly Review*. Such a description might also well be applied to this Bank's operations during the year. Mere count of the number of transactions is, of course, only a rough indication of the work accomplished. Nevertheless, the sizable figures in the accompanying table suggest the amount of effort that went into the day-to-day handling of the Eighth District's central banking duties. Most operations exceeded the heavy volume of 1954.

### *Contracts Awarded for New Louisville Bank Building*

To many people, and particularly to citizens of Louisville, the most tangible sign of expanding activity by this

Bank during 1955 was the announcement that contracts had been let for a new building to house Louisville Branch operations. While the advantages to be gained from efficient, modern quarters were important, a prime factor in this Bank's decision to construct the new building was the need for more operating space.

The site for the new branch building is located in the northwest section of the central business district of Louisville, and has an area of 28,620 square feet. Fronting 180 feet each on Fifth Street and Armory Place, and 159 feet on Liberty Street, the site has three street exposures and was acquired after comprehensive site studies and analyses.

The proposed building consists of a basement and three-story structure with a service and mechanical tower core



RUSSELL MULLGARDT SCHWARZ VAN HOEFEN, ARCHITECTS

New Louisville Branch Building

of five stories. It will have a gross floor area of 126,500 square feet.

### Earnings and Expenses

Federal Reserve Banks were chartered over four decades ago to serve as the operating arms of the Federal Reserve System. In their day-to-day operations the Banks, including the Federal Reserve Bank of St. Louis, incur certain

expenses. At the same time, earnings accrue to each Bank. After providing for the 6 per cent dividend stipulated by law on the stock of the Bank, together with certain protective additions to surplus, the balance (approximately 90 per cent of net earnings) is paid into the Treasury of the United States.

For this Bank in the year 1955, total current earnings were \$17 million; net expenses were \$6 million. Approximately \$600,000 of the year's net earnings were paid to the stockholding member banks; about \$1,000,000 was transferred to surplus, and a little over \$9,000,000 was paid into the United States Treasury.

## COMBINED VOLUME OF OPERATIONS

AT THE ST. LOUIS BANK AND THE LOUISVILLE, MEMPHIS  
AND LITTLE ROCK BRANCHES IN 1955 AND 1954

<u>Number of Pieces Handled</u>	<u>1955</u>	<u>1954</u>
Checks (Total).....	188,160,000	184,402,000
City Checks.....	26,867,000	25,304,000
Country Checks.....	103,747,000	98,963,000
Checks on this Bank.....	194,000	182,000
Government Checks.....	41,769,000	43,057,000
Postal Money Orders.....	16,083,000	16,896,000
Currency.....	202,686,000	215,198,000
Coin.....	363,955,000	365,974,000
Transfer of Funds.....	132,000	120,000
Non-cash Collections.....	499,000	470,000
U. S. Government Interest Coupons.....	614,000	673,000
Discount and Advances.....	1,450	612
<i>Safekeeping of Securities:</i>		
Securities Received and Released.....	162,000	173,000
Coupons Detached.....	311,000	296,000
<i>Fiscal Agency Operations:</i>		
U. S. Savings Bonds Issued, Exchanged, and Redeemed.....	7,227,000	7,097,000
Other Government Issues.....	268,000	309,000
Withheld Tax Depository Receipts Processed.....	588,000	531,000
Treasury Tax and Loan Account Transactions.....	157,000	140,000
<u>Dollar Volume</u>		
Checks Handled (Total).....	\$62,711,565,000	\$58,527,804,000
City Checks.....	36,912,579,000	34,111,540,000
Country Checks.....	15,742,548,000	14,316,663,000
Checks on this Bank.....	2,907,168,000	2,827,054,000
Government Checks.....	6,877,984,000	6,986,479,000
Postal Money Orders.....	271,286,000	286,068,000
Currency.....	1,158,495,000	1,284,336,000
Coin.....	32,681,000	32,250,000
Transfer of Funds.....	39,090,607,000	37,992,779,000
Non-cash Collections.....	346,842,000	341,685,000
U. S. Government Interest Coupons.....	66,632,000	52,855,000
Discounts and Advances.....	4,754,020,000	1,478,340,000
<i>Safekeeping of Securities:</i>		
Coupons Detached.....	33,757,000	26,772,000
<i>Fiscal Agency Operations:</i>		
U. S. Savings Bonds Issued, Exchanged, and Redeemed.....	852,570,000	809,664,000
Other Government Issues.....	8,041,503,000	9,827,636,000

Figures are rounded to the nearest thousand except for the number of discounts and advances.

### Discount Activity

Discount activity increased appreciably in the year. The number of discounts rose from a total of 612 in 1954 with a value of roughly \$1.5 billion to 1,450 in 1955 with a value of about \$4.75 billion. Borrowings were progressively more costly to member banks as the discount rate was raised four times from 1½ per cent in April, to 2 per cent in August, to 2¼ per cent in September, and finally to 2½ per cent in November.

### Operations with the Largest Volume

While certain activities may stand out in any one year because of their variation up or down from earlier levels, three were notable for their consistently high volume. They were check collection, coin and currency handling, and fiscal agency operations. They alone accounted for almost \$73 billion in transactions during the year, nearly \$2.5 billion more than in 1954. Check handling was at an all-time annual peak. Savings bond transactions were up slightly, reflecting both a larger number of bonds issued and more matured bonds redeemed. The volume of operations in processing United States Treasury bonds decreased over one-tenth in the year as the Treasury conducted fewer refunding operations. In addition to the figures shown in the table, another \$100 million worth of other United States Government agency issues were handled.

Another particularly large volume figure, in this case representing more the tremendous advantage of modern communication methods than a large load of paper work, was that for transfer of funds. In 1955, transfers by this Bank and its branches of over \$39 billion were a billion dollars higher than in 1954, with a 10 per cent larger number of transactions.

An interesting departure from the general increase in operational volumes shown by the table was the decrease in volume of currency handled compared with 1954. This does not mean, however, that the amount in circulation decreased. What it did reflect was a change in the law which permitted the Reserve Banks to put fit Federal

Reserve Notes of other Reserve Banks into circulation rather than returning such notes to the Banks that issued them. The year 1955 was the first full year in which this saving was allowed.

### *Other Services*

It is interesting to note that of the six remaining operations shown in the table, four had a considerably larger volume compared with 1954 and only two had a smaller volume.

Many other important activities, such as accounting, auditing, bank examination, field service, maintenance, protection, planning and research, not represented in the table, should not be overlooked. At the close of the year there were 492 member banks maintaining reserve accounts and 39 nonmember banks carrying accounts for the settlement of check clearings with this Bank. Internal audits of this Bank and its branches were conducted as usual during the year. And examinations were made of State member banks in this district. In addition, the annual examination of this Bank, including the branches, was made in October by the Chief Federal Reserve Examiner and his staff for the Board of Governors of the Federal Reserve System.

Besides serving the banking and business community through everyday transactions, this Bank continued to meet requests from banker, educational and civic groups for speakers on a variety of subjects. During 1955 officers and staff members attended 317 meetings, addressing 142 of them. In the course of the year 2,600 persons, a majority of them students, visited the St. Louis office or one of the branch offices and were given conducted tours of the establishments. And 108 groups were shown films relating to the central banking function. A currency exhibit available from this Bank was displayed by ten commercial banks during the year.

During 1955 the Bank continued its policy of maintaining a good working environment for its personnel by making certain major physical improvements. In February, the Research Department moved into new offices from the quarters which it had occupied for a number of years. Later on, modernization of work space used by the Money Department was begun.

### *Personnel Changes*

Total employment at the St. Louis and branch offices at the end of 1955 was 1,155 compared with 1,203 at the end of 1954. Most of the reduction in personnel occurred at St. Louis and Memphis.

The following designations and appointments were made in December:

The Board of Governors of the Federal Reserve System

redesignated Mr. M. Moss Alexander, St. Louis, Chairman of the Board of the Federal Reserve Bank of St. Louis and Federal Reserve Agent at the Bank for the year 1956. Mr. Alexander, President, Missouri Portland Cement Company, St. Louis, a Class C Director of the Bank, has served as Chairman and Federal Reserve Agent since January 1954. He also served the Bank as a Class B Director during the years 1949 through 1953.

The Board of Governors also reappointed Mr. Caffey Robertson, Memphis, Tennessee, a Class C Director of the Federal Reserve Bank of St. Louis for a three-year term beginning January 1, 1956, and reappointed him Deputy Chairman of the Board for the year 1956. Mr. Robertson, President, Caffey Robertson Company, Memphis, Tennessee, has served as Class C Director and Deputy Chairman of the Board since January 1954. He was formerly a director of the Memphis Branch of the Federal Reserve Bank of St. Louis for the years 1952 and 1953.

Mr. A. Howard Stebbins, Jr., President, Stebbins and Roberts, Inc., Little Rock, Arkansas was reappointed as a member of the Little Rock Branch Board for a three-year term beginning January 1, 1956.

Mr. J. D. Monin, Jr., Farmer, Oakland, Kentucky, was appointed as a member of the Louisville Branch Board for a three-year term beginning January 1, 1956.

Mr. Henry Banks, Farmer, Clarkedale, Arkansas, was reappointed as a member of the Memphis Branch Board for a three-year term beginning January 1, 1956.

The Board of Directors of the Federal Reserve Bank of St. Louis made the following appointments:

Mr. J. V. Satterfield, Jr., President, The First National Bank in Little Rock, Little Rock, Arkansas, was appointed as a member of the Little Rock Branch Board for a three-year term beginning January 1, 1956.

Mr. Magnus J. Kreisle, President, The Tell City National Bank, Tell City, Indiana, was reappointed as a member of the Louisville Branch Board for a three-year term beginning January 1, 1956.

Mr. J. H. Harris, President, The First National Bank of Wynne, Wynne, Arkansas, was appointed as a member of the Memphis Branch Board for a three-year term beginning January 1, 1956.

The Board of Directors of the Federal Reserve Bank of St. Louis also appointed Mr. Lee P. Miller as a member of the Federal Advisory Council to represent the Eighth Federal Reserve District for the year 1956. Mr. Miller is President of Citizens Fidelity Bank and Trust Company, Louisville, Kentucky.

Mr. G. O. Hollocher retired as Assistant Vice President of the Bank at the end of the year, and Mr. S. K. Belcher retired as Assistant Manager of the Memphis Branch on October 1.

There were also the following additional official appointments by this Bank during 1955: William J. Abbott, Jr., appointed Vice President of the Bank; Marvin L. Bennett, Guy S. Freutel, Paul Salzman, and William E.

Walker appointed Assistant Vice Presidents of the Bank; Sherley C. Davis appointed Assistant Manager of the Little Rock Branch; Wilbur H. Isbell appointed Assistant Manager of the Memphis Branch.

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## DIRECTORS AND OFFICERS OF THE FEDERAL RESERVE BANK OF ST. LOUIS

February 1, 1956

### *Directors*

M. Moss Alexander, *Chairman*  
Caffey Robertson, *Deputy Chairman*  
S. J. Beauchamp, Jr.     William A. McDonnell  
Phil E. Chappell             Joseph H. Moore  
J. E. Etherton                 Louis Ruthenburg  
Leo J. Wieck

### *Officers*

M. Moss Alexander, *Chairman of the Board*  
Delos C. Johns, *President*  
Frederick L. Deming, *First Vice President*  
William E. Peterson, *Vice President*  
Howard H. Weigel, *Vice President and Secretary*  
Joseph C. Wotawa, *Vice President*  
Dale M. Lewis, *Vice President*  
William J. Abbott, Jr., *Vice President*  
Earl R. Billen, *Assistant Vice President*  
John J. Christ, *Assistant Vice President*  
Willis L. Johns, *Assistant Vice President*  
Stephen Koptis, *Assistant Vice President*  
Woodrow W. Gilmore, *Assistant Vice President*  
John J. Hofer, *Assistant Vice President*  
Marvin L. Bennett, *Assistant Vice President*  
Guy S. Freutel, *Assistant Vice President*  
W. E. Walker, *Assistant Vice President*  
Paul Salzman, *Assistant Vice President*  
George E. Kroner, *Chief Examiner*  
Orville O. Wyrick, *Assistant Chief Examiner*  
Gerald T. Dunne, *Council and Assistant Secretary*  
George W. Hirshman, *General Auditor*

### LITTLE ROCK BRANCH

Shuford R. Nichols, <i>Chairman</i>	H. C. McKinney, Jr.	Fred Burton, <i>Vice President and Manager</i>
Donald Barger	J. V. Satterfield, Jr.	Sherley C. Davis, <i>Assistant Manager</i>
T. Winfred Bell	A. Howard Stebbins, Jr.	Clifford Wood, <i>Assistant Manager</i>
E. C. Benton		W. J. Bryan, <i>Assistant Manager</i>

### LOUISVILLE BRANCH

Pierre B. McBride, <i>Chairman</i>	M. C. Minor	Victor M. Longstreet, <i>Vice President and Manager</i>
David F. Cocks	J. D. Monin, Jr.	L. K. Arthur, <i>Assistant Manager</i>
Magnus J. Kreisle	Noel Rush	L. S. Moore, <i>Assistant Manager</i>
W. Scott McIntosh		Donald L. Henry, <i>Assistant Manager</i>

### MEMPHIS BRANCH

John D. Williams, <i>Chairman</i>	John A. McCall	Darryl R. Francis, <i>Vice President and Manager</i>
Henry Banks	William B. Pollard	C. E. Martin, <i>Assistant Manager</i>
J. H. Harris	John K. Wilson	H. C. Anderson, <i>Assistant Manager</i>
A. E. Hohenberg		Wilbur H. Isbell, <i>Assistant Manager</i>

# Survey

## OF CURRENT CONDITIONS

**B**USINESS generally finished the old year and started the new at a record pace, but in January there was evidence that the over-all rate of activity had leveled off. In addition, attitudes and confidence of both businessmen and consumers seemed to weigh a little more heavily the possible spreading effects of the cutbacks in auto production, which marred the scene of general prosperity.

The change in business activity during January could be seen in recent developments in the labor markets. In December total employment in nonfarm establishments in the nation increased a slight amount from November, after seasonal adjustment. But by early January insured unemployment had risen more than the usual amount and sizable layoffs announced later in the month indicated a continuation of this trend. Industrial production held steady in December, despite some curtailment in auto output which continued to decline in January counter to the usual trend. The downturn in auto production, which by the week ended January 28 amounted to 22 per cent from mid-December levels, was needed to bring dealers' stocks of new cars into better relationship with current and prospective sales. Construction activity declined more than seasonally in December and private nonfarm housing starts dropped below 1.2 million, seasonally adjusted annual rate, compared with the rate of 1.5 million a year earlier. At the same time, contract awards, which presage construction activity in the months ahead, were running above the advanced levels of a year ago in January.

Not all forces in the economy were on the downgrade. In January the demand for goods and materials for inventory apparently continued, particularly in the case of materials in short supply. Some inventory building took place in anticipation of further price increases. Another element of strength in the current business situation is the rate of investment in new plant and equipment, which businesses planned to expand 2 per cent from the fourth quarter of 1955 to the first quarter of 1956.

### *Labor Markets*

Reflecting the high level of business activity

reached by the end of 1955, December employment in all of the district's major labor markets, except Evansville, was larger than a year earlier. Unemployment was less than a year ago in all major areas. In January, however, sizable layoffs were announced, primarily at automobile assembly plants, which had operated at unusually high levels during 1955. Partially as a result of these layoffs, insured unemployment in the district's major labor markets increased more rapidly in the four weeks ended January 21 than in comparable periods of the two previous years. Some layoffs, moreover, were not effective until later in the month.

Nationally, insured unemployment increased more rapidly from early December to early January than a year earlier, and about as rapidly as two years ago when unemployment increased more than seasonally.

However, expansions in several district plants were also noted. General Electric Company announced that it would hire some 2,000 additional workers in Louisville during the first two months of the year. The added employment will be used to begin production of food freezers formerly manufactured outside the district and to step up output of refrigerators to meet current demands. McDonnell Aircraft Corporation in St. Louis announced that it would hire about 3,000 additional workers in 1956 to expand production of the Voodoo jet fighter airplane.

In Evansville, where manufacturing employment is concentrated in a few plants producing durable goods, primarily refrigerators and automobiles, employment has fluctuated more sharply than in most other cities during past business cycles. In the last few months this experience was repeated, although a large part of the recent decline is reported to be occasioned by unusual temporary circumstances. Employment at the International Harvester plant, where as many as 3,300 had recently been employed, has been reduced preparatory to turning the plant over to its new owner, Whirlpool-Seeger Corporation, which plans to begin production of appliances in a few months. At the Plymouth plants, about 3,200 of the 7,200 workers on the payroll at the beginning of

January were laid off during the month. In addition, employment at other refrigerator plants was reduced, as it usually is, in January.

With the decline in employment over the past few months, some workers have left the Evansville area as a result of recruitment or transfer and to search for jobs elsewhere. In December the labor force was about 2,000, or 3 per cent, less than a year earlier, and some additional decline probably occurred in January.

### *Manufacturing*

Most Eighth District manufacturers, except in auto assembly, apparently continued output at seasonally high levels in January. Steel mills in the St. Louis area operated at 99 per cent of rated capacity. And trade reports indicated that steel not needed by the auto plants was finding a ready market. Livestock slaughter there was about one-third higher than a year ago for the first three weeks of the month. During the first half of January, Southern lumber output rose 15 per cent and crude oil output in district states advanced 11 per cent over year-earlier levels. Coal production also probably experienced a more than seasonal gain.

December electric power consumption for 14 selected industries in the five largest district cities ranged from 7 to 55 per cent higher than in December 1954, with an over-all average of 13 per cent higher. There was little change, however, between the December total and the November 1955 total, as minor gains and declines in the use of power offset each other.

### *Construction*

Total construction contracts awarded in the Eighth Federal Reserve District in the final quarter of 1955 advanced slightly over the corresponding period a year earlier. This trend apparently continued in the first half of January, when total construction contracts awarded in the St. Louis territory of the F. W. Dodge Corporation, were somewhat larger than in the comparable period a year earlier.

### *Department store sales*

After marking up a new record in 1955, department store sales continued at a high level in the opening weeks of 1956. Sales of weekly reporting department stores in the Eighth Federal Reserve District were about 5 per cent higher in the first three weeks of January than a year earlier, after adjustment for the difference in number of trading days.

### *Banking*

During the five weeks ended January 25, total loans at district weekly reporting banks contracted 2 per cent, about the usual drop for this period of the year. Despite the shrinkage, loan volume at the end of the period was 13 per cent over the level a year earlier. A large share of the decline in the current period was due to a reduction in outstanding loans to commercial and industrial concerns. Business borrowers by major industry classification with sizable net repayments were commodity dealers and trade outlets. On the other hand, manufacturers of textiles, apparel, and leather increased their indebtedness more than the average amount during the corresponding weeks of recent years. Loans on real estate and securities were also off. However, "other," largely consumer, loans showed little net change.

In addition to the loan contraction, district weekly reporting banks sold securities on balance, reducing investment portfolios \$22 million. Holdings of both Government and other obligations were reduced.

Total deposits fell sharply (\$167 million) during the five-week period, with banks in all reporting centers sharing in the loss. The decrease in deposit balances reflected Treasury calls on tax and loan accounts, substantial reductions in interbank deposits and net withdrawals by individuals and businesses. To help meet the drain of funds these banks lowered their balances carried with the Federal Reserve Bank and reduced their other cash assets.

Interest rates generally moved downward in the last three weeks of January in contrast to a trend toward higher levels throughout most of 1955. For sensitive rates the decline was fairly sharp. The average rate on Treasury bills issued on January 26 was 2.25 per cent compared with the peak rate of 2.69 per cent on December 29. Rates on bankers' acceptances were marked down  $\frac{1}{2}$  of 1 percentage point to a level of 2% per cent on January 19. Yields on most longer-term issues also drifted moderately lower in the period.

### *Farm product prices and income*

Average prices received for district farm commodities increased more than seasonally during the four-week period ending January 20. Broiler prices recovered from a 15 per cent loss during the previous four weeks. Hogs, cattle, milk and soybeans also shared in the price strength. These gains were partly offset by a sharp drop of one-fifth in egg prices.

District cash farm receipts for November 1955 were 25 per cent above November 1954 as a result of larger sales of cotton.

VARIOUS INDICATORS OF INDUSTRIAL ACTIVITY

Industrial Use of Electric Power (thousands of KWH per working day, selected industrial firms in 6 district cities)  
 Steel Ingot Rate, St. Louis area (operating rate, per cent of capacity)  
 Coal Production Index—8th Dist. (Seasonally adjusted, 1947-49=100)  
 Crude Oil Production—8th Dist. (Daily average in thousands of bbls.)  
 Freight Interchanges at RR's—St. Louis. (Thousands of cars—25 railroads—Terminal R. R. Assn.)  
 Livestock Slaughter—St. Louis area. (Thousands of head—weekly average)  
 Lumber Production—S. Pine (Average weekly production—thousands of bd. ft.)  
 Lumber Production—S. Hardwoods. (Operating rate, per cent of capacity)

Dec. 1955	Dec. 1955* compared with	
	Nov. 1955	Dec. 1954
14,643	-0%	+13%
103	-0	+36
88 p	+7	+14
370.3	-2	+11
108.3	-0	+9
146.1	+9	+30
199.9	+3	+3
89	-9	+5

\* Percentage change figures for the steel ingot rate, Southern hardwood rate, and the coal production index, show the relative per cent change in production, not the drop in index points or in percents of capacity.  
 p Preliminary.

Banking

BANK DEBITS<sup>1</sup>

	Dec. 1955 (In millions)	Dec. 1955 compared with	
		Nov. 1955	Dec. 1954
<b>Six Largest Centers:</b>			
East St. Louis—National Stock Yards, Ill.	\$ 133.0	-2%	-6%
Evansville, Ind.	176.0	+3	+1
Little Rock, Ark.	200.4	+4	+7
Louisville, Ky.	984.3	+14	+10
Memphis, Tenn.	822.2	-4	+1
St. Louis, Mo.	2,442.9	+6	+1
<b>Total—Six Largest Centers</b>	<b>\$4,758.8</b>	<b>+5%</b>	<b>+3%</b>
<b>Other Reporting Centers:</b>			
Alton, Ill.	\$ 43.9	+13%	+12%
Cape Girardeau, Mo.	16.9	+9	+7
El Dorado, Ark.	31.3	+10	+3
Fort Smith, Ark.	57.2	+3	+2
Greenville, Miss.	34.2	-3	-12
Hannibal, Mo.	11.5	+5	+15
Helena, Ark.	12.7	-15	+9
Jackson, Tenn.	34.5	+7	+32
Jefferson City, Mo.	66.2	-3	+18
Owensboro, Ky.	55.0	+8	+7
Paducah, Ky.	29.5	+6	-12
Pine Bluff, Ark.	45.5	-14	+8
Quincy, Ill.	39.8	+3	+3
Sedalia, Mo.	16.0	+8	+3
Springfield, Mo.	82.8	+2	+6
Texarkana, Ark.	22.8	+1	+26
<b>Total—Other Centers</b>	<b>\$ 599.8</b>	<b>+2%</b>	<b>+7%</b>
<b>Total—22 Centers</b>	<b>\$5,358.6</b>	<b>+5%</b>	<b>+3%</b>

INDEX OF BANK DEBITS—22 Centers  
 Seasonally Adjusted (1947-1949=100)

	1955		1954
	Dec.	Nov.	Dec.
	165.5	174.4	160.2

<sup>1</sup> Debits to demand deposit accounts of individuals, partnerships and corporations and states and political subdivisions.

Agriculture

CASH FARM INCOME

(In thousands of dollars)	Nov. 1955	Percentage Change		
		Jan. thru Nov.		
		Nov. '55 from Nov. '54	1955	1953
Arkansas	\$127,595	+40%	+9%	+10%
Illinois	140,441	-12	-9	-10
Indiana	80,200	-14	-10	-10
Kentucky	43,666	+18	-5	-10
Mississippi	125,270	+44	+7	-15
Missouri	107,031	+13	-5	-5
Tennessee	63,317	+19	-6	-10
<b>7 States</b>	<b>\$687,520</b>	<b>+12</b>	<b>-5</b>	<b>-8</b>
<b>8th District</b>	<b>\$406,481</b>	<b>+25</b>	<b>-2</b>	<b>-6</b>

Source: State data from USDA preliminary estimates unless otherwise indicated.

Construction

INDEX OF CONSTRUCTION CONTRACTS AWARDED EIGHTH FEDERAL RESERVE DISTRICT\* (1947-1949=100)

	Nov. 1955 Oct. 1955 Nov. 1954		
	Nov. 1955	Oct. 1955	Nov. 1954
<b>Unadjusted</b>			
Total	199.9 p	248.9	197.3
Residential	276.6 p	273.7	254.3
All Other	164.3 p	237.4	170.8
<b>Seasonally adjusted</b>			
Total	233.6 p	277.1	230.5
Residential	325.4 p	279.3	299.2
All Other	191.0 p	276.0	198.6

\* Based on three-month moving average (centered on mid-month) of value of awards, as reported by F. W. Dodge Corporation.

p Preliminary

ASSETS AND LIABILITIES EIGHTH DISTRICT MEMBER BANKS

(In Millions of Dollars)	Weekly Reporting Banks		All Member Banks	
	Jan. 25, 1956	Change from	Dec. 28, 1955	Change from
		Dec. 21, 1955		Nov. 30, 1955
<b>Assets</b>				
Loans <sup>1</sup>	\$1,583	\$-37	\$2,548	\$+23
Business and Agricultural	821	-29		
Security	55	-1		
Real Estate	275	-4		
Other (largely consumer)	455	-1		
U. S. Government Securities	943	-15	1,962	+1
Other Securities	236	-6	497	-0
Loans to Banks	11	-19		
Cash Assets	868	-97	1,576	+126
Other Assets	-46	-0	68	-1
<b>Total Assets</b>	<b>\$3,687</b>	<b>\$-174</b>	<b>\$6,651</b>	<b>\$+149</b>
<b>Liabilities and Capital</b>				
Demand Deposits of Banks	\$ 682	\$-79	\$ 805	\$+80
Other Demand Deposits	2,110	-87	4,089	+107
Time Deposits	559	-1	1,211	-1
Borrowings and Other Liabilities	69	-7	77	-40
Total Capital Accounts	267	-0	469	+3
<b>Total Liabilities and Capital</b>	<b>\$3,687</b>	<b>\$-174</b>	<b>\$6,651</b>	<b>\$+149</b>

<sup>1</sup> For weekly reporting banks, loans are adjusted to exclude loans to banks; the total is reported net; breakdowns are reported gross. For all member banks loans are reported net and include loans to banks; breakdown of these loans is not available.

Trade

DEPARTMENT STORES

	Net Sales			Stocks on Hand	Percentage of Accounts Stocks and Notes Receivable		
	Dec., '55 compared with Nov., '55	12 mos. '55 compared with same period '54	Dec. 31 '55 comp. with Dec. 31 '54		Jan. 1 to Dec. 1955	Sales Outstanding Dec. 1, '55, collected during Dec.	
						Ratio	Instal. Excl. Accounts
8th F.R. District Total	+47%	+9%	+7%	N.A.	N.A.	18	53
Fort Smith Area, Ark. <sup>1</sup>	+64	+3	+9	+8	1.35	1.28	46
Little Rock Area, Ark.	+44	+3	+2	N.A.	N.A.	13	48
Quincy, Ill.	+52	-0	+1	N.A.	N.A.	N.A.	
Evansville Area, Ind.	+40	+12	+6	+4	1.35	1.46	
Louisville Area, Ky., Ind.	+46	+5	+6	+5	1.27	1.27	20
Paducah, Ky.	+65	-6	-7	N.A.	N.A.	N.A.	
St. Louis Area, Mo., Ill.	+44	+12	+9	+21	1.51	1.40	20
Springfield Area, Mo.	+51	+25	+35	+29	1.63	1.58	
Memphis Area, Tenn.	+55	+4	+5	+5	1.42	1.41	16
All Other Cities <sup>2</sup>	+52	+11	+9	N.A.	N.A.	N.A.	

<sup>1</sup> In order to permit publication of figures for this city (or area), a special sample has been constructed which is not confined exclusively to department stores. Figures for any such nondepartment stores, however, are not used in computing the district percentage changes or in computing department store indexes.

<sup>2</sup> Fayetteville, Pine Bluff, Arkansas; Harrisburg, Mt. Vernon, Illinois; Vincennes, Indiana; Danville, Hopkinsville, Mayfield, Owensboro, Kentucky; Chillicothe, Missouri; Greenville, Mississippi; and Jackson, Tennessee.

INDEXES OF SALES AND STOCKS—8TH DISTRICT

	Dec. 1955	Nov. 1955	Oct. 1955	Dec. 1954
Sales (daily average), unadjusted <sup>1</sup>	208	149	135	194
Sales (daily average), seasonally adjusted <sup>2</sup>	125	124	122	117
Stocks, unadjusted <sup>3</sup>	N.A.	147	145	106
Stocks, seasonally adjusted <sup>4</sup>	N.A.	130	129	118

<sup>1</sup> Daily average 1947-49=100

<sup>2</sup> End of Month average 1947-49=100

N. A. Not available.

Outstanding orders of reporting stores at the end of December, 1955, were 14 per cent larger than on the corresponding date a year ago.

Trading days: Dec., 1955—26; Nov., 1955—25; Dec., 1954—26.

RETAIL FURNITURE STORES

	Net Sales		Inventories	
	Dec., 1955 compared with Nov., '55	Dec., 54	Nov., '55	Dec., '54
8th Dist. Total <sup>1</sup>	+31%	+7%	-7%	+19%
St. Louis Area	+34	+7	-7	+28
Louisville Area	+7	-1	-10	+8
Memphis Area	+60	+30	*	*
Little Rock Area	+41	+31	*	*
Springfield Area	+34	+5	-5	+8

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

<sup>1</sup> In addition to following cities, includes stores in Blytheville, Fort Smith, Pine Bluff, Arkansas; Owensboro, Kentucky; Greenwood, Mississippi; Evansville, Indiana; and Cape Girardeau, Missouri.

NOTE:—Figures shown are preliminary and subject to revision.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	Dec., '55	Nov., '55	Dec., '54
Cash Sales	15%	15%	16%
Credit Sales	85	85	84
<b>Total Sales</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>