Monthly Review

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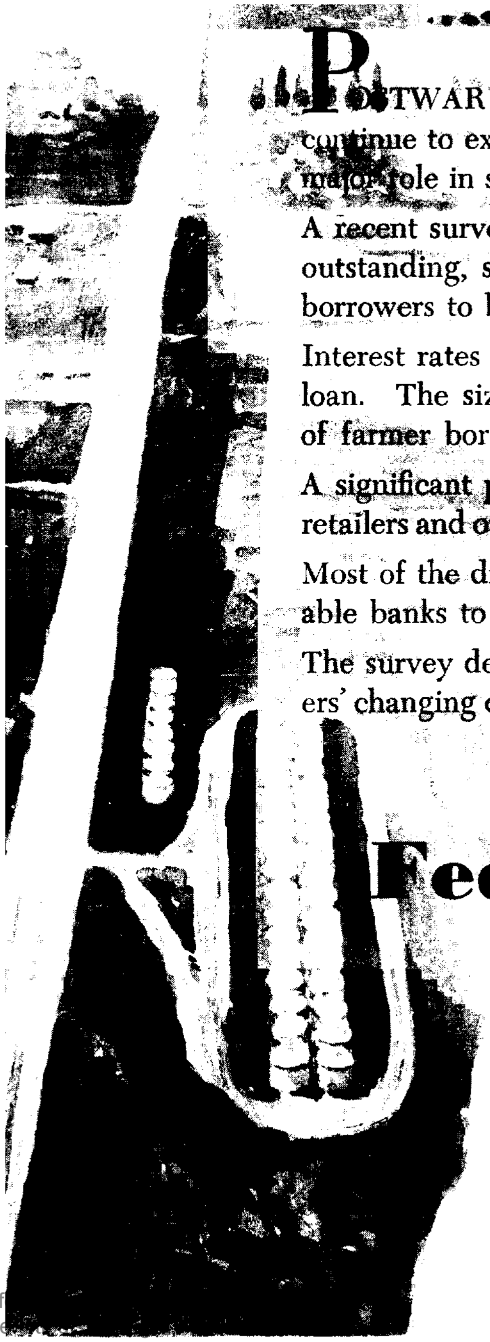
Postwar Developments in
BANK CREDIT FOR AGRICULTURE



POSTWAR FARM ADJUSTMENTS in the Eighth Federal Reserve District continue to exert pressure for bank credit. Eighth District commercial banks play a major role in supplying the district's farm production credit needs.

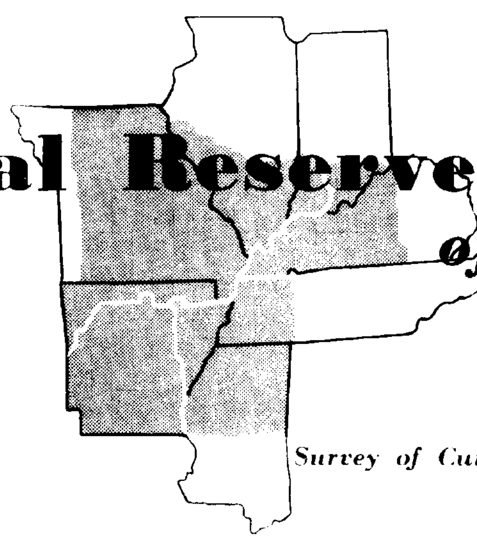
A recent survey of bank credit for agriculture provided data on purposes of loans outstanding, security, maturity terms, length of continuous indebtedness of farm borrowers to banks, and renewal status of loans outstanding.

Interest rates on loans outstanding were found to be related to size and purpose of loan. The size of loan is related to loan purpose, type of farm, net worth, the age of farmer borrowers, and tenure of borrowers.

A significant portion of farm machinery and equipment loans were purchased from retailers and others.

Most of the district farm debt is held by smaller banks, but loan participations enable banks to serve the credit needs of large-scale farms.

The survey demonstrated that banks have adjusted lending practices to meet farmers' changing credit needs



Federal Reserve Bank
of St. Louis

Survey of Current Conditions—p. 146

Postwar farm adjustments in the Eighth Federal Reserve District continue to exert pressure for bank credit.

EIGHTH DISTRICT FARMERS are making progress toward more efficient farming operations. They are increasing aggregate farm output and output per worker employed, as well as releasing large numbers of workers from agriculture to other industries. Increased efficiency has resulted from major farm resource adjustments. These adjustments range in complexity from the simple quantitative type such as the application of increased quantities of fertilizer per unit of land, to major shifts from crop to livestock farming, animal to tractor power, or changes in the ratios of land and machinery to labor. Such changes are essential to progress.

Both the adoption of major resource changes and improvements in production practices usually involve increased capital investment per worker and additional managerial and technical skills. Greater use of capital and higher costs of equipment and supplies are reflected in increased credit needs on district farms. Thus, a dynamic agriculture is exerting increased pressure on credit institutions for larger amounts of credit and more flexible types of credit to meet expanded capital requirements resulting from postwar farm resource adjustments and generally rising prices.

Eighth District commercial banks play a major role in supplying the district's farm production credit needs.

Historically, commercial banks have supplied Eighth District farmers with most of their production credit requirements. In the seven district states, banks held over three-fourths of all such credit outstanding by institutional lenders on January 1, 1956. The percentage is somewhat above that for the nation as a whole, and the relative gain in amount held by banks in the district states since 1945 has been greater than for banks in the rest of the nation. Other principal institutional suppliers of non-real estate credit to district farmers are the Production Credit Associations and the Farmers Home Administration, holding approximately one-sixth and one-twelfth, respectively, of the total outstanding.

On June 30, 1956, Eighth District banks had outstanding $496 million in loans to over 300,000 farmer borrowers. This represented an increase in amount outstanding of 5 per cent over that held in mid-1955, and was more than double that held in mid-1947. Although these loans constituted only a small portion of all loans outstanding at insured commercial banks in the district, the aggregate figures obscure the importance of farm credit to many banks. Loans to farmers are the largest single category of loans in most Eighth District banks.

A recent survey of bank credit for agriculture . . .

To gain insight into the ability and willingness of banks to provide funds for agricultural purposes, more than routine information is needed. Data are required on specific characteristics of bank loans: maturity, interest rate, purpose, security, and borrower characteristics. In 1947 a survey designed to supply such data was undertaken and the results were reported in this *Review*. During 1947 farm income was near a record high following the large war and immediate postwar demands for American farm produce. At the same time bank loans to farmers were near the postwar lows, reflecting the limited amount of machinery available to farmers and the highly liquid position of farmers.

Since that time a number of major developments have influenced the volume and characteristics of farm loans in the district. Although gross farm income has declined substantially, income per farm family has remained fairly steady. The number of workers in agriculture has declined, and the investment per worker has increased, reflecting technological improvements. Capital needs of farmers have been expanded by increased use of irrigation facilities, fertilizer, machinery, and by adjustments in the size and type of farms.

Another farm loan survey was made as of June 30, 1956. The survey was conducted by the Federal Reserve System in cooperation with the Federal Deposit Insurance Corporation and the American Bankers Association.[1] Analysis of the survey results throws light on the field of bank credit to agriculture.

. . . provided data on purposes of loans outstanding, . . .

Information obtained on the purpose of each loan in the mid-1956 survey showed, once again, that loans for "current operating and family living expenses" constituted the largest group. Yet over half the total credit outstanding was for other purposes. Significantly, intermediate-term credit accounted for more than one-quarter of the total amount. These intermediate-term loans often extended to facilitate changes in farming systems were used, for example, to purchase non-feeder types of livestock, machinery, trucks, irrigation and other equipment and to improve land and buildings (see Table I).

[1] The survey was on a stratified sampling basis. In the Eighth District 143 banks cooperated by reporting details on all or segments of their loans to farmers. These sample results were then expanded to previously reported totals for all commercial banks in the district. The accuracy of the estimates diminishes, of course, as smaller and smaller parts of the aggregate loan totals are considered.

TABLE I

FARM CREDIT OUTSTANDING, MID-1956, AT INSURED COMMERCIAL BANKS IN THE EIGHTH DISTRICT BY PURPOSE AND SECURITY OF LOAN

(Dollar amounts in thousands)

Major Purpose	Unsecured	Endorsed or Co-maker	Chattel Mortgage	Farm Real Estate Mortgage	Government Guaranteed or Insured	Other	Total
Purchase feeder livestock	$14,084	$ 1,477	$ 14,054	$ 3,004	$ 18	$ 264	$ 32,901
Purchase other livestock	9,705	2,618	18,142	2,099	—	2,707	35,271
Buy machinery, trucks, irrigation equipment, etc.	5,650	6,442	50,995	3,992	1,510	1,514	70,103
Current operating and family living expenses	50,859	10,317	89,603	10,489	68	3,833	165,169
Purchase auto or other consumer durables	908	1,621	8,077	1,105	—	33	11,744
Consolidate or pay other debts	3,926	1,847	7,699	20,742	—	1,119	35,333
Buy farm real estate	5,088	2,018	1,444	85,934	6,541	161	101,186
Improve land and buildings	3,810	1,227	2,453	20,566	192	585	28,833
Other	3,361	2,432	2,677	5,745	—	1,445	15,660
Total outstanding	$97,391	$29,999	$195,144	$153,676	$8,329	$11,661	$496,200
				Percentage distribution			
Purchase feeder livestock	42.8%	4.5%	42.7%	9.1%	0.1%	0.8%	100.0%
Purchase other livestock	27.5	7.4	51.4	6.0	—	7.7	100.0
Buy machinery, trucks, irrigation equipment, etc.	8.1	9.2	72.7	5.7	2.2	2.1	100.0
Current operating and family living expenses	30.8	6.3	54.2	6.4	*	2.3	100.0
Purchase auto or other consumer durables	7.7	13.8	68.8	9.4	—	0.3	100.0
Consolidate or pay other debts	11.1	5.2	21.8	58.7	—	3.2	100.0
Buy farm real estate	5.0	2.0	1.4	84.9	6.5	0.2	100.0
Improve land and buildings	13.2	4.3	8.5	71.3	0.7	2.0	100.0
Other	21.5	15.5	17.1	36.7	—	9.2	100.0
Total outstanding	19.6	6.0	39.3	31.0	1.7	2.4	100.0

*Less than 0.05 of 1 per cent.

... security, ...

In conventional credit practice, collateral pledged has been closely related to loan purpose. Machinery has been the primary security used for machinery-purchase loans, farm mortgages for farm-purchase loans, and so on, and substantial cash down payments have usually been required. But there is evidence that the practice of relating collateral to purpose of loan is changing. Collateral not directly related to purpose may often secure loans. Moreover, the pledge of additional diverse forms of collateral may be in lieu of large down payments.

The survey developed no data on the diversity of collateral supporting the loans. It required that only one major type of security be designated for each note; other security sources of lesser importance were unlisted. Among those listed as major collateral, chattel mortgages were the most significant, such mortgages being used to secure almost two-fifths of all farm loans outstanding. They were the principal source of security for loans to purchase non-feeder livestock, machinery, autos, and other consumer durables.

Next in importance as security for farm credit were farm real estate mortgages. Mortgages were the major security for over half of all loans made to consolidate or pay debts, for almost three-fourths of the credit advanced to improve land and buildings, and for over four-fifths of the real estate purchase loans.

The use of farm mortgages as security for other than real estate purchase loans has increased in the district both in absolute number and relative to the total number since the mid-1947 survey. About one-third of the number of such loans held by district banks on the above date were made for purposes other than to finance the purchase of farm land, whereas in mid-1956, 54 per cent of farm mortgage loans held were made for other purposes.

Unsecured loans continue to make up a large share of the farm loan portfolio at district banks, despite the recent decline in farm income. Such loans are especially important in connection with livestock purchases and current operating and family living expenses. The endorser or co-maker type of note, although declining in importance, still accounted for 6 per cent of the loans. Many of the endorsers were fathers helping their sons obtain credit in order to get established. Government guarantees and stocks, bonds and other types of security were relatively unimportant.

TABLE II

FARM CREDIT OUTSTANDING, MID-1956, AT INSURED COMMERCIAL BANKS IN THE EIGHTH DISTRICT
BY MATURITY AND PURPOSE OF LOAN
(Dollar amounts in thousands)

Term of Loan[1]	Buy Non-feeder Livestock, Machinery, Consumer Durables, Improve Land and Buildings	Purchase Feeder Livestock, Current Operating and Family Living Expenses	Consolidate or Pay Other Debts	Buy Farm Real Estate	Other Purposes	All Purposes
Loans Not Secured by Real Estate						
Demand	$ 9,253	$ 19,988	$ 2,566	$ 1,207	$2,092	$ 35,106
1 month-6 months	39,061	106,245	7,507	3,708	4,249	160,770
9 months-1 year	32,790	54,712	4,101	3,473	2,528	97,604
15 months-3 years	34,221	3,366	418	321	874	39,200
4 years and over	1,160	180	—	—	173	1,513
Total	$116,485	$184,491	$14,592	$ 8,709	$9,916	$334,193
Percentage Distribution						
Demand	7.9%	10.8%	17.6%	13.8%	21.1%	10.5%
1 month-6 months	33.5	57.6	51.4	42.6	42.8	48.1
9 months-1 year	28.2	29.7	28.1	39.9	25.5	29.2
15 months-3 years	29.4	1.8	2.9	3.7	8.8	11.7
4 years and over	1.0	0.1	—	—	1.8	0.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Loans Secured by Real Estate						
Demand	$ 1,968	$ 1,215	$ 2,295	$ 3,522	$ 653	$ 9,653
1 month-6 months	3,047	2,128	3,312	8.444	525	17,456
9 months-1 year	10,140	6,603	6,098	24,794	1,624	49,259
15 months-3 years	3,359	2,268	2,057	11,294	257	19,235
4 years-5 years	6,003	950	4,384	18,296	1,104	30,737
Over 5 years	4.947	415	2,597	26,126	1,582	35,667
Total	$ 29,464	$ 13,579	$20,743	$92,476	$5,745	$162,007
Percentage Distribution						
Demand	6.7%	8.9%	11.1%	3.8%	11.4%	5.9%
1 month-6 months	10.3	15.7	16.0	9.1	9.1	10.8
9 months-1 year	34.4	48.6	29.4	26.8	28.3	30.4
15 months-3 years	11.4	16.7	9.9	12.2	4.5	11.9
4 years-5 years	20.4	7.0	21.1	19.8	19.2	19.0
Over 5 years	16.8	3.1	12.5	28.3	27.5	22.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

1 Loans with maturities not listed are classed under the nearest figure shown —e.g., 5-month and 7-month loans are included in "6 months."

... maturity terms, ...

The survey indicated that approximately 5 per cent of the non-real estate loans outstanding in mid-1947 had a final maturity beyond twelve months from the date made, whereas in mid-1956 12 per cent of all such loans matured in excess of a year from the date made. At the earlier survey date 21 per cent of all non-real estate loans matured within three months, but in mid-1956 only 18 per cent matured within 4½ months.[2] The trend toward longer terms was not as pronounced for farm mortgage loans as for production loans held by district banks.

Maturities on both real estate and production loans to farmers in the Eighth District were related to loan purpose. For example, of the loans for short-term purposes (current farm operations, family living, and purchase of feeder livestock), 65 per cent matured within six months and only 4 per cent had maturity terms exceeding a year. For intermediate-term purposes (land and building improvements, machinery, consumer durables, or non-feeder livestock purchases), 37 per cent of the loans were made to mature within six months and 34 per cent were for over a year (see Table II).

Maturity terms on bank loans to district farmers were also related to the type of security. Of the loans secured by real estate to buy other livestock, machinery, consumer durables and to improve land and buildings, approximately 37 per cent matured four years or over from the date made. Only one per cent of loans made for the same purposes without real estate mortgage security had maturities as long as four years. In both cases most of the longer-term loans were probably made to finance land and building improvements. All other purpose groupings secured by real estate mortgages had a higher portion maturing after one year than the same groupings secured by other means or unsecured.

2 Because of differences in processing the responses of the two surveys, the data do not permit exact comparison of loan maturities.

. . . length of continuous indebtedness of farm borrowers to banks, . . .

Although a large percentage of district bank loans to farmers are still written to mature within twelve months or less, many farmers' obligations are in practice carried by banks for relatively long periods. In mid-1956 approximately one-fifth of the farmer borrowers using non-real estate credit at Eighth District banks had been in debt to the banks over a period of at least three and a half years. More than one-half of the number of borrowers using real estate mortgages in mid-1956 had been in debt continuously during the same period. A number of renewal notes resulted from unanticipated carryover of production loans beyond original maturity dates, but the most frequent cause of continuous indebtedness was apparently the use of renewable short-term notes to finance intermediate or long-term credit needs. Some district banks appear to have a preference for notes made to mature within a year, regardless of the time required by the borrower to liquidate the debt from earnings.

TABLE III

TERM OF INDEBTEDNESS TO BANKS BY FARM BORROWERS AS OF JUNE 30, 1956

Indebtedness began	Borrowers with Real Estate Loans — Percentage Distribution of Loans	of Borrowers	Borrowers with No Real Estate Loans — Percentage Distribution of Loans	of Borrowers	All Borrowers — Percentage Distribution of Loans	of Borrowers
1956	13.3%	13.1%	37.0%	45.2%	31.5%	41.7%
1955	23.4	21.1	25.8	25.0	25.2	24.6
1954	11.4	13.7	6.6	7.0	7.7	7.8
Before 1954	51.9	52.1	29.1	19.9	34.4	23.3
Unknown	—	—	1.5	2.9	1.2	2.6
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

. . . and renewal status of loans outstanding.

Further evidence of the use of short-term notes to finance intermediate and long-term investment is found in the large percentage of planned note renewals. The largest percentage of renewals occurred in the case of single-payment loans. Approximately two-fifths of such loans made to purchase real estate were renewed, and almost all the renewals were planned at the time the loan was made. A high percentage of renewals occurred in the case of intermediate-type investments involving the purchase of non-feeder livestock, machinery, consumer durables, or the improvement of farm land and buildings. Almost one-fourth of the credit was renewed where it was originally extended for short-term purposes such as the purchase of feeder livestock, current operating expenses, and family living. The practice of renewing notes was much less frequent, regardless of the loan purpose, when repayments were set up on an instalment basis.

Interest rates on loans outstanding were found to be related to size and purpose of loan.

In analyzing the patterns of interest rates paid by farmers, it must be remembered that the effective rate is higher on a discount basis than on a straight interest basis. Moreover, an instalment repayment method may sharply affect the actual rate paid. To avoid confusion and to make more meaningful comparisons, interest rates used in the survey were uniformly computed as the effective annual rate rather than the stated rate of interest or discount.

The average interest rate paid by Eighth District farmers to finance their operations was 6.4 per cent, and the most prevalent rate was 6 per cent. Rates on loans secured by farm real estate averaged 5.9 per cent, compared with 6.6 per cent for other loans to farmers. The effect of size of loan on interest rate was evident throughout the loan portfolios regardless of collateral or purpose. With one exception, each consecutive grouping of larger sized loans carried an average interest rate somewhat lower than that of the preceding size.

Interest rates also were apparently related to net worth. In addition, interest rates were probably related to loan purpose, although not as closely as they

TABLE IV

PERCENTAGE DISTRIBUTION OF OUTSTANDING FARM LOANS AT DISTRICT BANKS IN MID-1956 BY PURPOSE AND RENEWAL STATUS

All Loans	Net Renewed	Planned Renewals	Other Renewals	Total
Buy other livestock, machinery, consumer durables, improve land and buildings	65.7%	22.3%	12.0%	100.0%
Buy feeder livestock, current operating and family living expenses	73.5	15.8	10.7	100.0
Consolidate or pay other debts	52.4	21.7	25.9	100.0
Buy farm real estate	61.4	33.3	5.3	100.0
Other	60.3	27.3	12.4	100.0
Total	66.8	22.1	11.1	100.0
Single Payment Loans				
Buy other livestock, machinery, consumer durables, improve land and buildings	54.7	30.0	15.3	100.0
Buy feeder livestock, current operating and family living expenses	73.4	15.9	10.7	100.0
Consolidate or pay other debts	53.3	22.2	24.5	100.0
Buy farm real estate	44.4	49.0	6.6	100.0
Other	57.8	29.0	13.2	100.0
Total	63.1	24.6	12.3	100.0
Instalment Loans				
Buy other livestock, machinery, consumer durables, improve land and buildings	83.5	9.9	6.6	100.0
Buy feeder livestock, current operating and family living expenses	75.2	14.2	10.6	100.0
Consolidate or pay other debts	50.2	20.3	29.5	100.0
Buy farm real estate	76.6	19.2	4.2	100.0
Other	73.0	18.5	8.5	100.0
Total	77.4	14.9	7.7	100.0

TABLE V

AVERAGE INTEREST RATE CHARGED ON BANK LOANS TO FARMERS BY PURPOSE AND ORIGINAL SIZE OF NOTE

Purpose	All Loans	Under $250	$250-499	$500-999	$1,000-1,999	$2,000-4,999	$5,000-9,999	$10,000-24,999	$25,000 and over
Loans Secured by Farm Real Estate									
Buy other livestock, machinery, consumer durables, improve land and buildings	5.98%	7.34%	7.80%	7.06%	6.63%	5.90%	5.69%	4.65%	5.00%
Buy feeder livestock, current operating and family living expenses	6.37	8.47	8.27	7.08	6.37	6.24	6.00	6.00	—
Consolidate or pay other debts	5.78	8.39	6.83	6.72	6.22	5.87	5.44	5.58	—
Buy farm real estate	5.78	6.00	7.61	6.31	6.34	6.08	5.43	5.28	10.00[1]
Other	5.95	6.26	6.33	6.98	6.00	6.50	5.33	6.00	—
Total	5.87	7.93	7.77	6.80	6.41	6.04	5.50	5.37	7.97
Loans Not Secured by Farm Real Estate									
Buy other livestock, machinery, consumer durables, improve land and buildings	6.98%	7.84%	7.66%	7.43%	7.10%	6.87%	6.68%	5.69%	3.93%
Buy feeder livestock, current operating and family living expenses	6.42	7.25	7.12	6.99	6.69	6.28	6.15	5.79	5.65
Consolidate or pay other debts	6.72	7.54	6.72	6.93	6.60	7.09	6.16	6.00	—
Buy farm real estate	5.53	8.00	6.46	6.14	6.18	5.82	5.22	4.92	—
Other	6.01	7.40	6.82	6.49	5.89	5.97	5.61	5.49	—
Total	6.60	7.41	7.27	7.14	6.86	6.54	6.22	5.70	5.40
Average rate all loans by size grouping	6.36%	7.43%	7.30%	7.11%	6.77%	6.35%	5.84%	5.53%	5.71%

[1] Represents one unusual loan multiplied by district blow-up factor.

TABLE VI

PERCENTAGE DISTRIBUTION OF OUTSTANDING FARM LOANS IN MID-1956 BY SIZE OF ORIGINAL NOTE AND PURPOSE

	Under $250	$250-499	$500-999	$1,000-$1,999	$2,000-$4,999	$5,000-$9,999	$10,000-$24,999	$25,000 and over	Total
Buy other livestock, machinery, consumer durables, improve land and buildings	2.4%	5.4%	14.2%	26.2%	33.3%	11.9%	4.0%	2.6%	100.0%
Buy feeder livestock, current operating and family living expenses	4.9	7.9	13.1	15.8	23.0	14.3	12.4	8.6	100.0
Consolidate or pay other debts	0.8	2.3	7.5	13.1	40.0	24.1	12.2	—	100.0
Buy farm real estate	0.1	0.3	1.8	7.9	34.2	30.8	23.3	1.6	100.0
Other	2.9	4.5	8.2	11.8	33.1	24.1	15.4	—	100.0
Total	2.8%	5.1%	10.5%	17.0%	29.9%	18.0%	12.2%	4.5%	100.0%

were to loan size or credit worthiness of borrower. However, loans granted farmers to purchase farm real estate, whether secured by real estate mortgages or not, were generally written at a lower interest rate than loans for other purposes within each size grouping. Intermediate-term loans for the purchase of "other" livestock, machinery, consumer durables, and to improve land and buildings were written at about the same effective interest rate as other loans, except those to purchase farm land. This is true despite the fact that many farm machinery loans are drawn on an instalment-repayment basis as in the case of automobiles and other consumer durables.

The size of loan is related to loan purpose, . . .

As of mid-1956 farm loan holdings by Eighth District insured banks averaged $1,608 per borrower and $1,135 per note. These relatively low averages reflected the large number of borrowers having small debts; for instance, two-fifths of the borrowers owed less than $500. However, when the original notes are analyzed by volume about 35 per cent were to borrowers owing $5,000 and over, 30 per cent to borrowers owing $2,000-$5,000, and 35 per cent to borrowers owing less than $2,000.

A larger volume of intermediate and current-operating loans fell in the smaller size of note groupings, whereas loans for such purposes as the purchase of real estate, consolidation of debts and other non-classified purposes, were predominantly in the larger size groupings. More than four-fifths of bank credit outstanding for purchase of non-feeder livestock, machinery, and consumer durables and to improve land and buildings consisted of notes of less than $5,000 in size. In contrast, only about 45 per cent of the outstanding credit for the purchase of farm real estate was in this same note size grouping.

. . . type of farm, . . .

Although nearly half of the bank credit outstanding to district farmers was extended to operators of general farms (farms having less than half of total income from any one source), the average size of debt per borrower was smaller for this group than for any other type of farming group. Meat animal farms had the largest average bank indebtedness per farmer. Next in order were poultry farms and cash grain farms. District dairy farms had a relatively small debt per farm, possibly because of a smaller need for seasonal production credit than is required by other types of farming operations.

. . . net worth, . . .

The average size of farm debt held by Eighth District banks is probably more closely related to net worth than to any other factor. From an over-all average debt to district banks of $1,608 per farmer borrower, the average size varied from $410 per borrower having net worth of less than $3,000, to $12,849 per borrower with net worth of $100,000 and over. More than one-sixth of all farmer borrowers at district banks had a net worth of less than $3,000, and well over one-half had a net worth of less than $10,000 (see Table VIII).

. . . the age of farmer borrowers, . . .

One criticism often leveled at farm credit institutions is that it has been difficult for a young farm operator to borrow sufficient capital to purchase a farm. It has, nevertheless, been profitable for many young operators to whom credit was available to make such investments. However, the recent drop in farm income, coupled with higher land values, has increased the risk of such credit. Moreover, experience has shown that farmers with a limited amount of capital make higher net returns if their total credit capacity is used to obtain operating capital. Leases made for a few years with assurance of adequate amounts of intermediate credit, may prove to be the most feasible route to farm ownership.

District banks are making loans to a large number of young farm operators. Nearly 47,000 farm operators under 34 years of age were extended credit by district bankers in the amount of $61 million. The average size of debt increased from $647 for farm operators under 25 to $1,788 for the 35-to-44-year age group. It declined for those 45 years of age and over. The number of borrowers was largest in the latter group, which contains a larger number of farm operators than any of the other age groupings.[3]

TABLE VII

OUTSTANDING FARM LOANS OF DISTRICT BANKS IN MID-1956 BY TYPE OF FARM

Type of Farm	Amount Outstanding (Thousands)	Percentage Distribution	Number of Borrowers	Average Size of Debt
Meat animal	$ 56,500	11.4%	22,539	$2,507
Dairy	29,571	6.0	20,854	1,418
Poultry	8,300	1.7	3,636	2,283
Cash grain	61,222	12.3	27,576	2,220
Cotton	99,384	20.0	57,132	1,740
Other major product	10,093	2.0	5,349	1,887
General	224,001	45.2	162,351	1,380
Unknown	7,129	1.4	9,226	773
Total	$496,200	100.0	308,663	$1,608

TABLE VIII

OUTSTANDING FARM LOANS OF DISTRICT BANKS IN MID-1956 BY NET WORTH OF BORROWER

Net Worth of Borrower	Amount Outstanding (Thousands)	Percentage Distribution	Number of Borrowers	Average Size of Debt
Under $3,000	$ 25,761	5.2%	62,852	$ 410
$3,000-$9,999	119,678	24.1	118,882	1,007
$10,000-$24,999	166,926	33.7	83,643	1,996
$25,000-$99,999	133,950	27.0	30,832	4,345
$100,000 and over	41,812	8.4	3,254	12,849
Unknown	8,073	1.6	9,200	878
Total	$496,200	100.0%	308,663	$ 1,608

TABLE IX

OUTSTANDING FARM LOANS OF DISTRICT BANKS IN MID-1956 BY AGE OF BORROWER

Age of Borrower	Amount Outstanding (Thousands)	Percentage Distribution	Number of Borrowers	Average Size of Debt
Under 25 years	$ 3,680	0.7%	5,684	$ 647
25-34 years	57,340	11.6	41,366	1,386
35-44 years	168,726	34.0	94,364	1,788
45 and over	252,823	51.0	152,826	1,654
Unknown	13,631	2.7	14,423	945
Total	$496,200	100.0%	308,663	$1,608

. . . and tenure of borrowers.

The average size of debt of tenants and sharecroppers was about one-third of that for landlords and less than one-half that for owner-operators. Tenants generally need less credit than owner-operators or landlords, who often require credit for farm purchases or for farm improvements not usually made by tenants. Approximately 23 per cent of the total of farmer borrowers from district banks were tenants or

[3] The 1950 *Census of Agriculture* shows over two-thirds of the nation's farm operators in the age group of 45 years and over.

TABLE X

OUTSTANDING FARM LOANS OF DISTRICT BANKS IN MID-1956
BY TYPE OF FARM AND TENURE OF BORROWER*

Type of Farm	Amount Outstanding			Number of Borrowers		
	Owner-Operator	Tenant or Cropper	Landlord	Owner-Operator	Tenant or Cropper	Landlord
		(Thousands)				
Meat animals	$ 49,928	$ 3,553	$ 3,019	18,824	2,798	917
Dairy	24,275	2,374	2,923	15,031	4,016	1,807
Poultry	8,226	74	—	3,230	407	—
Cash grain	41,030	15,538	4,654	16,950	8,826	1,800
Cotton	71,502	14,496	13,386	34,697	17,800	4,634
Other major product	9,005	757	331	2,932	1,828	590
General	179,452	23,783	20,758	119,302	33,817	9,184
Total	$383,418	$60,575	$45,071	210,966	69,492	18,932

Type of Farm	Average Size of Debt		
	Owner-Operator	Tenant or Cropper	Landlord
Meat animals	$ 2,652	$ 1,270	$ 3,292
Dairy	1,615	591	1,618
Poultry	2,547	182	—
Cash grain	2,421	1,760	2,586
Cotton	2,061	814	2,889
Other major product	3,071	414	561
General	1,504	703	2,260
Total	$ 1,817	$ 872	$ 2,381

*Unclassified types of farms and borrowers omitted.

sharecroppers. Eighth District sharecroppers, who are included in the totals with tenants, usually look to their landlords for credit needs. Thus, most borrowers in the tenant-sharecropper classification were tenants. The ratio of tenant borrowers to owner-operators was nearly the same as the proportion of tenants to owner-operators in the Eighth District states. Tenants accounted for 25 per cent of the borrowers for the two groups and constituted 29 per cent of the total operators in these tenure classes.

A significant portion of farm machinery and equipment loans were purchased from retailers and others.

Larger commercial banks have for many years financed farm equipment sales indirectly through loans to the manufacturers who, in turn, have financed the sales to farmers. The manufacturers customarily borrowed on an unsecured basis and carried a large volume of farmers' obligations. During the past two decades, however, local banks have moved from making only farm production loans into a broader farm credit program involving direct financing of farm equipment purchases. The recent trend has been toward direct dealer-lending agency agreements, giving more banks an opportunity to participate in this type of credit.

In mid-1956 district banks held approximately $70 million in loans for financing farm equipment purchases, over 50 per cent of which were notes purchased from dealers and others. More than one-third of district bank credit to farmers for financing the purchase of automobiles and other consumer durables was accounted for by notes purchased from dealers or other banks. Purchases of loans representing farm credit used for other purposes were relatively insignificant.

TABLE XI

OUTSTANDING FARM LOANS OF DISTRICT BANKS
IN MID-1956 BY PURPOSE AND METHOD ACQUIRED

Major Purpose	Loans Made Direct to Borrower: Amount Outstanding	Loans Made Direct to Borrower: Per cent of Total	Loans Purchased: Amount Outstanding	Loans Purchased: Per cent of Total
	(Thousands)		(Thousands)	
Purchase feeder livestock	$ 32,695	7.2%	$ 206	0.5%
Purchase other livestock	35,104	7.8	167	0.4
Buy machinery, trucks, irrigation equipment, etc.	33,704	7.5	36,399	80.3
Current operating and family living expenses	163,338	36.2	1,831	4.0
Purchase auto or other consumer durables	7,179	1.6	4,565	10.1
Consolidate or pay other debts	35,194	7.8	139	0.3
Buy farm real estate	100,535	22.3	651	1.4
Improve land and buildings	28,461	6.3	372	0.8
Other	14,681	3.3	979	2.2
Total	$450,891	100.0%	$45,309	100.0%

Most of the district farm debt is held by smaller banks, . . .

The survey showed that small banks supplied the bulk of all bank credit to farmers. Banks with less than $3 million of deposits held the obligations of over 50 per cent of the farmer-borrowers and almost one-half the volume of farm debt to banks outstanding. Ninety per cent of the debt, owed by about nine-tenths of the borrowers, was held by banks with less than $10 million deposits. Approximately 53 per cent of the loan volume of borrowers having net worths of less than $25,000 was held by banks with less than $3 million deposits.

. . . but loan participations enable banks to serve the credit needs of large-scale farms.

Although participation loans as a group represented only about 2 per cent of the total volume of farm debt held by district banks, participation arrangements have been an important development in supplying credit to farmers with large seasonal needs. Approximately 90 per cent of such loans were made to cotton farmers. An average of 40 per cent of the volume of participation loans was retained by the banks originating them. There are two principal reasons for the development of participation arrangements in the district, particularly in the Cotton Belt. First, statutory limitations based on the size of a bank's capital and surplus accounts put a ceiling on the amount that that may be loaned to one individual or business and prevent many banks from handling some large loans generated locally. Second, seasonal fluctuations in deposits, and thus availability of funds to lend, are pronounced for many banks in the cotton-producing areas. Local banks have met this problem by offering to city correspondents large loans on a participation basis.

The survey demonstrated that banks have adjusted lending practices to meet farmers' changing credit needs.

A comparison of the data reported in the two surveys suggests that during recent years district banks have changed the policies governing their lending to farmers. The volume of agricultural loans has rapidly expanded. The wide variety of collateral pledged for loans of each purpose has departed from conventional credit practice. The terms of loans have become more flexible and appear to be more nearly designed for each specific borrower need. Furthermore, through planned note renewals many loans to farmers written with short-term maturities are in practice carried by banks for relatively long periods.

Students of agricultural credit have often pointed to a gap between the amount of intermediate-term credit

TABLE XII

OUTSTANDING FARM LOANS OF DISTRICT BANKS IN MID-1956 BY TYPE OF CREDIT AND SIZE OF BANK

(Dollar amounts of loans in thousands)

Type of Loan	Deposit Size of Bank			
	Under $3 Million	$3 to 10 Million	$10 Million and Over	All Banks
Intermediate-term loans	$ 69,131	$ 62,697	$14,122	$145,950
Loans for current expenses	94,433	80,547	23,089	198,069
Loans to purchase farm real estate	48,675	43,042	9,469	101,186
Loans to consolidate debts and other purposes	24,166	21,507	5,322	50,995
Total	$236,405	$207,793	$52,002	$496,200

TABLE XIII

OUTSTANDING FARM LOANS OF DISTRICT BANKS IN MID-1956 BY NET WORTH OF BORROWER AND SIZE OF BANK

Net Worth of Borrower	Deposit Size of Bank			
	Under $3 Million	$3 to $10 Million	$10 Million and Over	All Banks
Under $3,000	$ 13,364	$ 8,971	$ 3,427	$ 25,762
3,000-9,999	66,699	42,619	10,359	119,677
10,000-24,999	85,158	71,263	10,505	166,926
25,000-99,999	58,370	62,138	13,443	133,951
100,000 and over	12,689	18,486	10,636	41,811
Unknown	125	4,316	3,632	8,073
Total	$236,405	$207,793	$52,002	$496,200

supplied and the amount required to finance resource combinations essential to efficient farming units. The success of credit for such purposes hinges primarily on increased productivity rather than on the present value of security. For this reason banks and other agricultural lending agencies were once slow to adopt lending programs to meet intermediate-credit needs. More recently, however, it has become clear that able borrowers almost unfailingly do increase the productivity of themselves and their land through judicious use of credit, and greater emphasis has thus been placed on "ability to pay debts" as a criterion of farm credit extension. Banks are apparently bridging the once serious gap in the agricultural credit market.

A large percentage of farm loans outstanding are being made for adjustments in resource use. Loans of this type have encouraged desirable changes in farming systems, and it seems certain that a more efficient agriculture is the result. Nor will technically more efficient farm units be the only outcome of resource transfers. Farmers will produce more and more of the kinds of food and fiber for which demand is strengthening relative to supply and less and less of the old staples for which demand is decreasing relative to supply. In this way a step toward solution of the American farm problem will be taken.

CLIFTON B. LUTTRELL
MARIE WAHLIG

Survey OF CURRENT CONDITIONS

BUSINESS ACTIVITY in the Eighth Federal Reserve District in November held close to the October rate. Industrial activity showed largely seasonal changes. But construction contracts awarded continued to decline, and bank loans rose less than usual. Department store sales, on the other hand, improved somewhat more than seasonally from the reduced October level.

Comparison of several indicators with their year-earlier levels also suggests that the district economy has recently shown little increase in activity. Employment during October in three of the five largest metropolitan areas of the district was less than a year earlier. Construction contracts awarded and power consumed by industries were also below last year's level. Notwithstanding the more than seasonal increase in department stores sales in the first four weeks of November, they were only about on a par with a year earlier.

Industry

Industrial activity in the Eighth District showed largely seasonal changes from October to November. St. Louis area steel mills, which have lagged behind the strong national steel production rates in the poststrike period, made up the difference in early November, operating at weekly levels up to 105 per cent of rated capacity. District coal production continued its winter pickup; operations in October were at the highest rate for that month since 1951. Crude oil output was close to 390,000 barrels per day in November, 4 per cent over a year ago and not far from the postwar record rate of 392,900 barrels per day set in September this year.

Sharp seasonal gains occurred in automobile assembly plants during November in both district and nation. Despite extra hours on Saturdays, however, national automobile output in November was scaled down to an estimated 570,000 cars from an earlier schedule of 650,000. This volume represents considerable gain from October's 389,000 but falls far short of the 748,500 cars assembled in November a year ago. Farm implement makers in the district began limited rehiring in November after inventory reducing shutdowns since late September.

Operating rates at reporting southern pine lumber mills continued to exceed year-ago levels in November, though the usual winter slackening occurred. Hardwood mills in the south showed greater seasonal drops; after operating at 98 per cent of capacity in September their rates dropped to 96 per cent in October and to about 90 per cent in November.

Livestock slaughter at district meat packing plants continued strong. Slaughter at eight district meat packing centers in October totaled 885,000 head this year compared to 765,000 a year ago, largely reflecting an increase in hogs processed.

Shoe production at district plants in October was at about year ago levels on a daily average basis; November production, estimated for the nation at 46 million pairs, maintained the October rate but was ahead of the strike-reduced rate of November 1955.

Construction

The gradual tapering in construction activity continued in October. Construction contracts awarded in the nation during the month declined more than usual, and on a seasonally adjusted basis were substantially lower than at the beginning of the year. Reflecting the decline in awards in recent months, new construction outlays rose less than seasonally from June through October. Most of the decline has been in private construction, as outlays by Federal, state and local governments continued close to peak levels. Private housing starts have continued their general downward trend during recent months, and on a seasonally adjusted basis in October were at an annual rate of close to 1 million units. In the first 10 months of this year the seasonally adjusted annual rate of private nonfarm housing starts averaged approximately 1.1 million units, about one-sixth less than the actual number started in 1955.

In the district, the value of contracts awarded for new construction in October was somewhat less than a year earlier, and on a seasonally adjusted basis substantially less than at this year's peak reached in February. This trend evidently continued in the first half of November when the value of awards in the St. Louis territory of F. W. Dodge Corporation, which contains most but not all of the Eighth District, declined from the October rate and was substantially less than a year earlier. Residential building awards in the district dropped about one-half from the first quarter to the three months ending in October. Contracts awarded for other than residential construction fell 23 per cent in the same period.

Trade

District department store sales in the first two weeks of November lagged somewhat, but in the following two weeks jumped ahead of the year earlier level. Retailers were hopeful that the improvement at mid-month signalled the end of the October lull in consumer buying at department stores. In that month sales failed to rise the usual amount and, on a daily average basis, were 3 per cent less than in October 1955. Furniture store sales were equal to sales in October 1955 on a daily average basis.

Inventories at reporting furniture and department stores in the district were 4 per cent larger than a year earlier at the start of November.

Employment

Employment trends in the nation during October were generally favorable. Nonagricultural employment rose more than seasonally from September to October and reached an all time record of 52.4 million, 1.2 million above a year earlier. Employment in manufacturing rose more than usual as automobile plants and their suppliers stepped up hiring, radio and television plants increased activity and employment in nondurable goods industries dropped less than usual. Rising manufacturing activity in recent months has been accompanied by some increase in the average work week. In October the average work week of manufacturing production workers was 40.6 hours compared with a low of 40.1 reached in May and July. Wages continued to rise. In October average hourly earnings of factory workers reached $2.02, an increase of 11 cents in the past year. Insured unemployment in the week ended November 3, although higher than a year earlier, was about the same as four weeks earlier.

In contrast to the strong demands for labor in the nation, employment in some of the district's larger metropolitan areas was not as high as a year ago. In St. Louis, Louisville and Evansville the number of wage and salaried workers in nonagricultural establishments was less than a year earlier. Employment in St. Louis was steady from September to October as gains in manufacturing employment were about offset by declines in nonmanufacturing activities, but remained about 1 per cent less than a year earlier. Employment in Evansville rose in October about the usual amount following seasonal cutbacks in manufacturing operations in September, but remained 8 per cent less than a year earlier. In Louisville employment declined slightly from September to October reflecting net cutbacks in both manufacturing and nonmanufacturing activities, and was a little less than a year earlier. In Memphis and Little Rock, however, nonfarm employment was greater than a year earlier.

Banking

Total loans at weekly reporting banks in the district rose $16 million or 1 per cent during the five weeks ended November 21, reflecting an increase in business loans, offset in part by net reductions in the other loan categories. The business loan expansion was somewhat less than seasonal. Some firms apparently did not experience a normal contraction in activities and indebtedness in the summer, and, with large amounts of funds on hand, were able to maintain a high level of activity during the fall with somewhat smaller bank borrowing. Certain other borrowers reportedly were not able to obtain all the funds requested since the demand for bank loans exceeded the supply of funds flowing into the banks. At banks reporting information by industry, food processors made heavier than normal net borrowings for this time and sales finance companies and public utilities increased their indebtedness. On the other hand, the expansion of borrowings by commodity dealers was less than average for this period and contractors made net repayments.

Loans to brokers and dealers for purchasing or carrying securities were reduced $4 million and real estate loans fell $3 million. "Other," largely consumer, loans were down moderately in the period.

Agriculture

Moisture conditions on most district farms improved during November. Late October and November rainfall combined with relatively mild temperatures contributed to better grazing prospects. Small grains also showed general improvement, although some stands were hindered by lack of rain at planting time.

District farm income continued to improve. The 1956 January through September total was thirteen per cent above that for the same period of last year and 1 per cent above that for 1954. Income from both crops and livestock was running ahead of last year's levels. However, only income from crops exceeded that of 1954.

Most district farm commodity prices increased for the four-week period ending November 23. Hogs, eggs, and all major crop prices were above those of October 26. A decline in the prices of cattle, milk, and broilers partially offset this increase.

Monthly Review Index—1956

FEDERAL RESERVE BANK OF ST. LOUIS

PAGE NUMBER GUIDE

Agriculture*

Pages

Banking and Finance*

Pages

Business Conditions, Income, Population*

District Business Statistics

*See, also, *District Business Statistics* and *Survey of Current Business Conditions*

MONTHLY REVIEW INDEX

*See, also, *District Business Statistics* and *Survey of Current Business Conditions*

The District Record

Industry

VARIOUS INDICATORS OF INDUSTRIAL ACTIVITY

	Oct. 1956	Oct. 1956* compared with Sept. 1956	Oct. 1956* compared with Oct. 1955
Industrial Use of Electric Power (Thousands of KWH per working day, selected industrial firms in 6 district cities)	n.a.	n.a.	n.a.
Steel Ingot Rate, St. Louis area (Operating rate, per cent of capacity)	96	+ 9	— 1
Coal Production Index—8th Dist. (Seasonally adjusted, 1947-49=100)	87 p	–0–	+ 1
Crude Oil Production—8th Dist. (Daily average in thousands of bbls.)	391.2	–0–	+ 4
Freight Interchanges at St. Louis. (Thousands of cars—25 railroads—Terminal R. R. Assn.)	114.0	+13	–0–
Livestock Slaughter—St. Louis area. (Thousands of head—weekly average)	136.8	+12	+ 4
Lumber Production—S. Pine (Average weekly production—thousands of bd. ft.)	220.9	+ 5	+ 6
Lumber Production—S. Hardwoods. (Operating rate, per cent of capacity)	96	— 2	— 7

* Percentage change is shown in each case. Figures for the steel ingot rate, Southern hardwood rate, and the coal production index, show the relative percentage change in production, not the drop in index points or in percents of capacity.

p Preliminary. n.a. Not available.

Banking

BANK DEBITS[1]

	October 1956 (In millions)	October, 1956 compared with September 1956	October, 1956 compared with October 1955
Six Largest Centers:			
East St. Louis—National Stock Yards, Ill.	$ 168.2	+21%	+26%
Evansville, Ind.	179.3	+17	+11
Little Rock, Ark.	200.0	+11	+ 8
Louisville, Ky.	358.5	+20	+15
Memphis, Tenn.	1,049.4	+34	+14
St. Louis, Mo.	3,091.8	+24	+ 9
Total—Six Largest Centers	$5,053.7	+19%	+11%
Other Reporting Centers:			
Alton, Ill.	$ 40.0	+11%	+ 7%
Cape Girardeau, Mo.	18.8	+ 6	+22
El Dorado, Ark.	40.7	+ 5	+ 3
Fort Smith, Ark.	58.3	+ 8	+ 7
Greenville, Miss.	40.5	+28	+ 5
Hannibal, Mo.	11.3	+ 9	+ 8
Helena, Ark.	18.0	+46	+17
Jackson, Tenn.	35.0	+20	+12
Jefferson City, Mo.	87.5	—10	+17
Owensboro, Ky.	49.1	+ 9	— 1
Paducah, Ky.	27.0	+ 8	+ 8
Pine Bluff, Ark.	72.2	+52	+40
Quincy, Ill.	15.7	—17	+ 3
Sedalia, Mo.	16.1	+ 8	+10
Springfield, Mo.	100.9	+13	+17
Texarkana, Ark.	22.5	+ 6	+ 6
Total—Other Centers	$ 670.1	+13%	+13%
Total—22 Centers	$5,723.8	+18%	+11%

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

1956 Oct.	1956 Sept.	1955 Oct.
170.3	155.5	152.8

[1] Debits to demand deposit accounts of individuals, partnerships and corporations and states and political subdivisions.

Agriculture

CASH FARM INCOME

(In thousands of dollars)	Sept. 1956	Percentage Change: Sept.'56 from Sept.'55	Percentage Change: Jan. thru Sept. 1956 compared with 1955	Percentage Change: Jan. thru Sept. 1956 compared with 1954
Arkansas	$ 92,686	+38%	+37%	+16%
Illinois	191,311	+15	+10	+ 1
Indiana	99,971	+ 5	— 2	— 7
Kentucky	29,140	— 7	— 9	—15
Mississippi	80,054	+17	—26	+13
Missouri	122,173	+24	+ 6	— 6
Tennessee	56,066	+32	+16	–0–
7 States	671,401	+19	+ 9	— 1
8th District	349,930	+24	+13	+ 1

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

Construction

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

	Sept. 1956	Aug. 1956	Sept. 1955
Unadjusted			
Total	198.9 p	212.6	230.3
Residential	188.9 p	223.6	252.3
All Other	203.6 p	207.5	220.0
Seasonally adjusted			
Total	177.2 p	174.3	204.9
Residential	167.2 p	186.3	223.3
All Other	181.8 p	168.7	196.4

* 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 OF EIGHTH DISTRICT MEMBER BANKS

(In Millions of Dollars)	Weekly Reporting Banks: Nov. 21, 1956	Weekly Reporting Banks: Change from Oct. 17, 1956	All Member Banks: Oct. 31, 1956	All Member Banks: Change from Sept. 26, 1956
Assets				
Loans[1]	$1,652	$+ 16	$2,648	$+ 53
Business and Agricultural	879	+ 23		
Security	57	— 4		
Real Estate	272	— 3		
Other (largely consumer)	467	— 1		
U. S. Government Securities	897	+ 24	1,902	+ 67
Other Securities	219	— 2	485	— 6
Loans to Banks	51	+ 5		
Cash Assets	933	—100	1,514	+ 19
Other Assets	48	+ 1	71	–0–
Total Assets	$3,800	$— 56	$6,620	$+133
Liabilities and Capital				
Demand Deposits of Banks	$ 742	$— 82	$ 840	$+ 62
Other Demand Deposits	2,111	+ 27	3,934	+ 65
Time Deposits	575	— 4	1,266	+ 10
Borrowings and Other Liabilities	91	+ 2	90	— 7
Total Capital Accounts	281	+ 1	490	+ 3
Total Liabilities and Capital	$3,800	$— 56	$6,620	$+133

[1] 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: Oct., 1956 compared with Sept., '56	Net Sales: Oct., 1956 compared with Oct. '55	Net Sales: 10 mos. '56 to same period '55	Stocks on Hand	Stocks-Sales Ratio	Percentage of Accounts and Notes Receivable Outstanding Oct. 1, '56, collected during Oct.: Instal. Accounts	Percentage of Accounts and Notes Receivable Outstanding Oct. 1, '56, collected during Oct.: Excl. Instalment Accounts
8th F.R. District Total	+12%	— 1%	+ 5%			16	49
Fort Smith Area, Ark.[1]	+ 2	— 3	+ 2				43
Little Rock Area, Ark.	+16	+ 8	— 7	Monthly stocks and stocks-sales ratio data not available in time for publication in the *Monthly Review*. Data will be supplied upon request.		13	45
Quincy, Ill.	+16	+ 1	— 5				
Evansville Area, Ind.	+ 6	— 5	+ 2				
Louisville Area, Ky., Ind.	+15	–0–	+ 5			19	46
Paducah, Ky.	— 3	+ 9	+ 8				
St. Louis Area, Mo., Ill.	+11	— 3	+ 5			17	60
Springfield Area, Mo.	+ 9	+ 7	+ 6				
Memphis Area, Tenn.	+14	— 1	+ 5			10	33
All Other Cities[2]	+12	+ 6	+10				

[1] 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.

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

OUTSTANDING ORDERS of reporting stores at the end of October, 1956, were 3 per cent lower than on the corresponding date a year ago.

INDEXES OF SALES AND STOCKS—8TH DISTRICT

	Oct. 1956	Sept. 1956	Aug. 1956	Oct. 1955
Sales (daily average), unadjusted[3]	131	130	118	135
Sales (daily average), seasonally adjusted[3]	119	127	129	122
Stocks, unadjusted[4]	n.a.	145	136	145
Stocks, seasonally adjusted[4]	n.a.	134	136	130

[3] Daily average 1947-49=100
[4] End of Month average 1947-49=100
n.a. Not available.

Trading days: October, 1956—27; September, 1956—24; October, 1955—26.

RETAIL FURNITURE STORES

	Net Sales: October, 1956 compared with Sept. '56	Net Sales: October, 1956 compared with Oct. '55	Inventories: October, 1956 compared with Sept. '56	Inventories: October, 1956 compared with Oct. '55
8th Dist. Total[1]	+12%	+ 3%	+1%	+ 4%
St. Louis Area	+12	+ 6	—2	+ 2
Louisville Area	+ 8	— 9	+4	+ 8
Memphis Area	— 4	—28	*	*
Little Rock Area	+16	+14	+7	+17
Springfield Area	+ 8	+ 4	+9	+ 5

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

[1] In addition to the following cities, shown separately in the table, the total 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

	October '56	Sept. '56	Oct. '55
Cash Sales	15%	14%	14%
Credit Sales	85	86	86
Total Sales	100%	100%	100%