

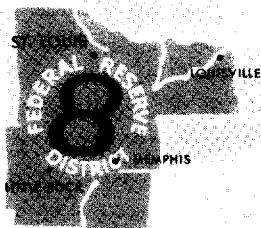
January 1965

FEDERAL RESERVE BANK OF ST. LOUIS

Review

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FEDERAL RESERVE BANK
OF ST. LOUIS

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Continued Monetary and Economic Expansion

SINCE OCTOBER, the rate of monetary expansion has been somewhat slower than the rate which prevailed during the previous nine months. The money supply (demand deposits and currency) rose at a 3.0 per cent annual rate from October to December, compared with a 4.2 per cent rate of increase from January to October. Some short-term interest rates rose in late November, but most rates have remained nearly steady for over a year. Economic activity has continued to expand in recent months.

Monetary Expansion

Total member bank reserves¹ (seasonally adjusted) increased \$140 million from October to December, a 4.0 per cent annual rate of increase. By comparison, reserves rose at a 4.6 per cent rate from January to October and at an average annual rate of 2.4 per cent from 1951 to 1964. The increase in total reserves from October to December resulted from a rise of \$1.2 billion in Federal Reserve holdings of U. S. Government securities which was largely offset by other factors affecting member bank reserves² (see table). One important factor tending to reduce

¹ By law, member banks must keep an amount equal to a prescribed portion of their deposits as reserves in the form of cash in vault or deposits in Reserve Banks. By regulating the volume of these reserves the Federal Reserve System influences the amount of bank credit, bank deposits, and the money supply.

² Currency, gold and foreign deposits at Federal Reserve Banks, float, Treasury operations, borrowings from Reserve Banks, and miscellaneous factors.

MEMBER BANK RESERVES

(Millions of dollars)

	December 1964 ¹	October 1964 ¹	Effect of Change
Federal Reserve holdings of U.S. Government securities	36,150	34,950	+ 1,200
Other factors affecting reserves ²	— 15,062	— 14,002	— 1,060
Total member bank reserves	21,088	20,948	+ 140
Reserves required for Government demand deposits and net interbank deposits	— 1,874	— 1,748	— 126
Reserves available for private deposits	19,214	19,200	+ 14
Reserves required for time deposits	— 4,166	— 4,068	— 98
Reserves available for private demand deposits	15,048	15,132	— 84
Excess reserves	— 324	— 410	+ 86
Reserves required for private demand deposits	14,724	14,722	+ 2

¹ Seasonally adjusted averages of daily figures.

² Currency, gold and foreign deposits at Federal Reserve Banks, float, Treasury operations, borrowings from Reserve Banks, and miscellaneous factors.

reserves in this period was a decline in member bank borrowings at Reserve Banks following the rise in the discount rate from 3½ per cent to 4 per cent.

Even though the reserve base has risen since October, the portion of the base available for private demand deposits (which are money) decreased. From October to December, Government demand deposits at member banks rose \$821 million, net interbank deposits, \$25 million, and time deposits, \$2.4 billion. None of these classes of deposits are included in the money supply, but they must be supported by reserves. After deducting reserves required to support these deposits, reserves available for private demand deposits decreased \$84 million.

Member bank holdings of excess reserves declined \$86 million from October to December. The freed funds offset the decline in reserves available for private demand deposits, resulting in little change in reserves required for private demand deposits. The higher short-term market rates in the latter period increased the alternative costs of holding excess reserve balances.

Despite little change in reserves required for private demand deposits, the demand deposit portion of

the money supply increased \$500 million from October to December. The rise in demand deposits reflected a more rapid expansion in deposits at country member banks (relatively low reserve requirements) and non-member banks (no reserves required at Reserve Banks) than at reserve city banks. The volume of currency in the hands of the public increased \$300 million, and the total money stock accordingly rose \$800 million (3 per cent annual rate).

Interest Rates

Following the increase in the Federal Reserve's discount rate in late November, the differential between short-term and long-term interest rates narrowed. Yields on 90-day Treasury bills, which had been slightly below the 3.60 per cent level, rose to the 3.80-3.90 per cent range subsequent to the discount rate increase. Rates on prime commercial paper and bankers' acceptances rose similarly.

Most other interest rates have remained nearly unchanged for more than a year. Since late October, yields on both long-term Government securities and high-grade corporate bonds have moved within a narrow range. Interest rates on loans by banks and other financial institutions have been virtually unchanged.

Business Developments

Economic activity in the nation during November and December was at a high level, slightly above the level prior to the auto strike. Industrial production rose at a 4.0 per cent annual rate from September to November despite some work stoppages in the latter month resulting from the auto strike. Preliminary data indicate a further gain in output from November to December. Payroll employment rose at a 3.4 per cent annual rate from September to November, compared with an estimated 1.1 per cent annual rate of growth in population of working age (20 years to 64 years). Expenditures on new construction have changed little since early 1964.

Relative price stability continued to prevail in the latter part of 1964. Since September, over-all consumer and wholesale prices have risen only slightly, although some quotations, such as for industrial wholesale commodities, have moved higher.

1964 Economic Developments in the Central Mississippi Valley

Summary

THE YEAR 1964 was one of expanding economic activity in the Central Mississippi Valley.¹ Employment, production, income, and spending increased only moderately during the first five months but rose rapidly after May. Regional advances for the year roughly paralleled national gains.

Payroll employment in five Central Mississippi Valley states combined² increased 2.4 per cent during the year, compared with an estimated 1.1 per cent increase in population (Table I, page 10). For the entire United States, payroll employment grew 2.7 per cent during 1964, while population rose 1.4 per cent.

Personal income rose slightly faster in the Central Mississippi Valley than in the nation. Income in the five Valley states increased only slightly during the first half of the year but advanced rapidly after June, showing a gain of 6.1 per cent from late 1963 to late 1964. The U.S. increase in personal income during 1964 was 5.7 per cent.

Since the economic base of the Central Mississippi Valley is agricultural to a greater extent than for the nation, aggregate income is influenced in considerable measure by agricultural developments. Gross farm income for the five states in 1964 was little changed from 1963. Crop receipts were 1.7 per cent above the previous year, while livestock receipts were down

slightly. Cash receipts from crop and livestock marketings in Kentucky, Mississippi, and Tennessee were higher in 1964 than in 1963; the value of marketings in Missouri and Arkansas declined.

Rising business activity in the Central Mississippi Valley was accompanied by an expansion of loans and investments at banks (Table III, page 10). Total loans at commercial banks which are members of the Federal Reserve System rose 11 per cent during the year, and investments rose 4 per cent.³ Both loans and investments at Valley banks increased at about the same pace during 1964 as at all banks in the United States. Business loans at area banks rose strongly during 1964, though the rate of expansion was not as great as for all banks in the nation.

Deposits at Central Mississippi Valley banks grew 8 per cent during the year, facilitating the rapid expansion in bank credit. Time deposits accounted for most of the increase in total deposits. For all commercial banks in the United States, deposits in late 1964 were also 8 per cent above late 1963.

The overall gain in economic activity in the area consisted of different rates of growth for the individual states and for various metropolitan areas. This article summarizes 1964 economic developments for each of five states, eight metropolitan areas, and some of the larger nonmetropolitan cities. For purposes of comparison, the trend since the 1957-59 base period is used frequently to place recent developments in longer run perspective.

¹When this article went to press, for most of the series latest data available were for November.

²Arkansas, Kentucky, Mississippi, Missouri, Tennessee. For a discussion of employment and population trends in these states from 1957-59 to 1964, see the November 1964 issue of this *Review*.

³Member banks in the Eighth Federal Reserve District, which is composed of one entire state (Arkansas) and parts of six other states (Illinois, Indiana, Kentucky, Mississippi, Missouri, and Tennessee).

States

Arkansas

Overall economic activity in Arkansas continued to advance during 1964, but growth was less than in other recent years. Nonfarm payroll employment jumped in January, then remained at this higher level for the rest of the year. Payroll employment⁴ in late 1964 was 1.5 per cent above a year earlier, a rate of increase less than the 3.7 per cent average annual rate since 1957-59 (Table I). Unemployment as a percentage of the labor force declined from 4.9 per cent in late 1963 to 4.7 per cent in late 1964.

Personal income in the state in late 1964 was 5.8 per cent above a year earlier, about the same increase as in the nation. Arkansas income rose during the first half of the year and declined in subsequent months. The net increase for the year was considerably less than the 7.3 per cent average annual rate since 1957-59.

The rise in personal income occurred despite a decline in farm income. Gross farm income was 3.6 per cent lower in 1964 than in 1963. The decrease reflected a drop of 8.4 per cent in crop receipts and an increase of 3.4 per cent in livestock receipts.

The value of construction contracts rose 10 per cent, a more moderate rate than the rapid increase since early 1962.⁵

Kentucky

Economic activity in Kentucky weakened in early 1964, but gains after midyear more than offset early losses. Payroll employment declined steadily from December 1963 through May 1964 but subsequently increased. On balance, payroll employment increased 2.5 per cent during the year, compared with a population increase of 1.1 per cent (Table I). Manufacturing employment expanded 4.5 per cent, and nonmanufacturing employment increased 1.9 per cent.

⁴"Payroll employment" as used in this article means "nonfarm payroll employment." The unemployment rate is derived from estimates of total employment and the labor force. Total employment includes, in addition to nonfarm payroll employment, estimates of the number employed in agriculture, the self-employed, unpaid family workers, and domestic servants.

⁵Construction contracts are reported when work is started, but actual construction usually extends over a period of several months. The length of time varies with type of construction, availability of materials and labor, and weather conditions. Changes in the volume of contracts therefore indicate the probable future needs of the construction industry for labor and materials. These considerations suggest that construction contracts are not always reliable as a current indicator of construction activity.

Aggregate personal income in late 1964 was 11 per cent higher than a year earlier, an increase substantially above the average rate since 1957-59.

A substantial rise in farm income contributed to the expansion of total income in Kentucky during 1964. Total cash receipts from farm marketings were up 16 per cent over the previous year. Crop receipts increased 52 per cent, primarily because of greater-than-normal sales of tobacco grown the previous year. Livestock receipts were down 2.4 per cent.

The value of construction contracts rose 12 per cent but remained below the peak volume of 1962.

Mississippi

The Mississippi economy continued to grow during 1964 but at a rate below the trend of recent years. Population increased 1.2 per cent (Table I). Payroll employment expanded 2.7 per cent, compared with a 3.1 per cent rate since 1957-59. Manufacturing employment increased somewhat faster than nonmanufacturing employment, continuing the trend pattern which has prevailed since 1957-59.

Personal income in Mississippi was 1.6 per cent higher in late 1964 than in late 1963, compared with a longer run expansion rate of 7.6 per cent. The rate of growth of personal income slowed beginning in late 1963.

Gross farm income was up 1.7 per cent. Crop receipts increased 2.4 per cent, while livestock receipts were about unchanged.

Construction contracts were 18 per cent lower than in 1963 but 75 per cent greater than in 1962.

Missouri

Economic activity in Missouri rose moderately during 1964. Payroll employment increased 1.4 per cent during the year, above the longer run rate of 1.1 per cent (Table I). Manufacturing employment in late 1964 was down 0.2 per cent from a year earlier, reflecting the impact of labor disputes in the automobile industry. Employment in nonmanufacturing expanded 2.0 per cent; the growth rate since 1957-59 was 1.4 per cent per year. Unemployment was 3.9 per cent of the labor force in late 1964, compared with 4.5 per cent in late 1963.

Personal income in Missouri in late 1964 was 4.8 per cent above a year earlier, increasing about the same as the recent trend rate. Income rose during the early months but after April was about unchanged.

A setback in gross farm income for the year had a depressing effect on total personal income. Gross farm

receipts were down 5.1 per cent from 1963, continuing the decline of the preceding year. Receipts from crop marketings fell 10 per cent from 1963 amounts, and those from livestock marketings declined 2.2 per cent.

The value of construction contracts in Missouri rose 18 per cent from 1963 to 1964. Awards for both residential and nonresidential building construction rose rapidly.

Tennessee

Economic activity in Tennessee advanced sharply during 1964, continuing the rapid growth of recent years. Population grew 1.4 per cent (Table I). Payroll employment expanded 4.0 per cent from late 1963 to late 1964, compared with 2.7 per cent in the entire United States. The average annual rate of expansion in Tennessee payroll employment from 1957-59 was 3.1 per cent.

Along with the increased rate of growth of employment, the composition of the increase during the past year differed from earlier years. From 1957-59, manufacturing employment increased at a 3.3 per cent rate, while nonmanufacturing rose at a 3.0 per cent rate. From 1963 to 1964, this pattern changed: manufacturing employment was up 3.0 per cent, while nonmanufacturing employment increased 4.4 per cent.

A strong moving force for rising nonmanufacturing employment was the increased tempo of construction activity during 1964. The dollar amount of construction contracts rose 18 per cent, reflecting a large increase in heavy engineering construction.

The strong advance of the nonfarm sector in the Tennessee economy was accompanied by a moderate increase of gross farm income. Cash receipts from farm marketings in 1964 were 2 per cent above 1963: an 8 per cent gain in crop receipts more than offset a slight decline in livestock receipts.

The widespread gains in the Tennessee economy were reflected in a further rise of personal income, up 6.7 per cent from late 1963 to late 1964. Nationally, the increase was 5.7 per cent.

Metropolitan Areas

Economic activity in major cities of the Central Mississippi Valley showed little change early in the year but picked up briskly after May.⁶ A summary analysis is given for each of these metropolitan centers.

⁶See "Economic Pause in Central Mississippi Valley" in the August 1964 issue of this *Review*. Economic indicators for each metropolitan area in the region are available each month upon request to the Research Department of this bank.

St. Louis

Economic activity in the St. Louis Metropolitan Area increased moderately during 1964, continuing the advance from the recession trough of early 1961. In the first few months of 1964, business activity remained on a plateau, but later in the year spending, employment, and output rose. The net rise in activity during 1964 was probably less in the St. Louis area than for the nation as a whole.

Total employment rose 1.3 per cent, compared with a 0.3 per cent average rate of increase since 1957-59 (Table II, page 10). The increase for the year was 0.6 per cent for Missouri and 1.9 per cent for the nation. Payroll employment in St. Louis advanced 1.5 per cent, significantly more than the longer run trend rate of 0.7 per cent. Unemployment fell from 4.5 per cent of the labor force in late 1963 to 3.8 per cent in late 1964.

The volume of check payments, a frequently used summary measure of local activity,⁷ increased 11 per cent during the year, about the same as the average annual rate of increase since 1957-59.

Manufacturing. Manufacturing in St. Louis continued to expand during 1964. Manufacturing output increased 11 per cent from late 1963 to late 1964,⁸

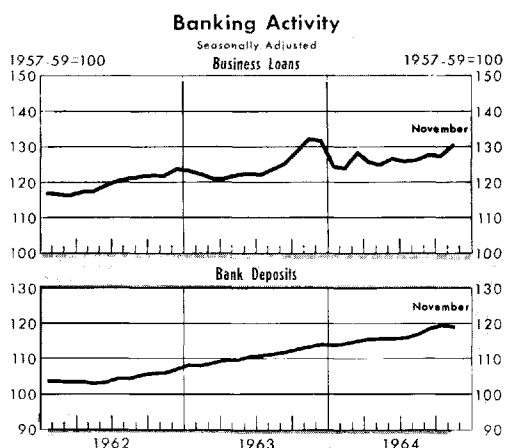
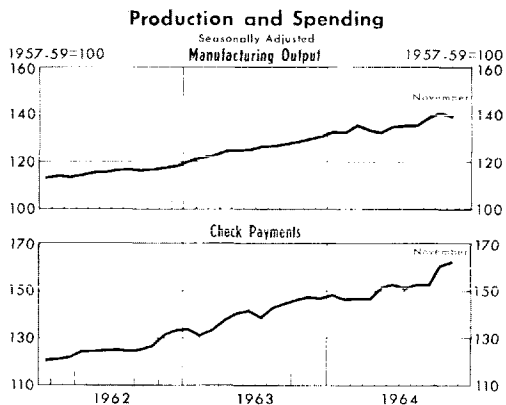
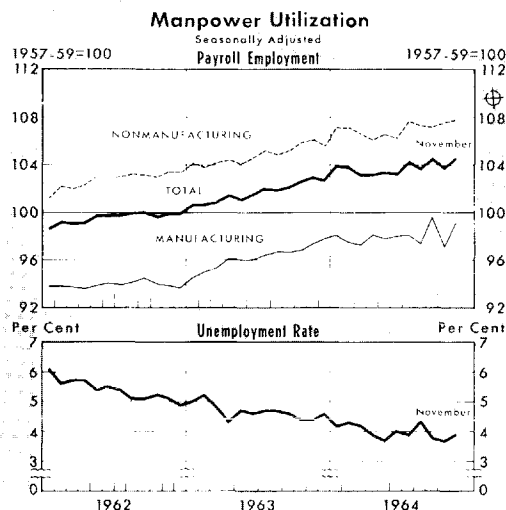
⁷Although the volume of bank debits (check payments) is often used as an indicator of local business conditions, these data should be used carefully and in conjunction with other local economic indicators. The usefulness of debits as an economic indicator is limited because of the large and varying amounts of (1) financial transactions unrelated to production and consumption, (2) transactions from outside the area, (3) payments not resulting in debits at local banks, and (4) outlays recorded several times.

⁸This *Review* for June 1964 presented a new index of "manufacturing output" for each of the metropolitan areas in the Central Mississippi Valley. Whether the index is best denominated an "index of value added" or an "index of manufacturing output" may depend on whether it is considered primarily as an historical series or as an indicator of current developments. As an historical series, it is a value added series in which known value added data are interpolated and extrapolated by use of industrial use of electric power figures. Over a period of time in which any significant price trends have occurred, any other interpretation would be improper.

But, viewed as a current short-run indicator at a time when significant price trends are not in evidence, the series may best be considered as an approximate index of manufacturing output. Industrial use of electric power is used as a proxy for "manufacturing output" by weighting electric power use by value added by manufacture in the respective industries as estimated from time to time by the Census Bureau. A shortcoming of this procedure is that use of electric power as a proxy may introduce bias in the measure of output changes from the last value added benchmark if the use of power relative to output is changing significantly.

It will be noted that in the various metropolitan areas the relation of recent movements of this manufacturing output index to movements of manufacturing employment are far from uniform. (This lack of uniformity is also observable in national series on industrial production and manufacturing employment.) This suggests that this manufacturing output index should be used carefully and in conjunction with indicators of manufacturing employment.

St. Louis



For footnotes to charts see page 16.

compared with a 6.6 per cent average rate of advance since 1957-59.

The 1964 increase in manufacturing output consisted of a 10 per cent rise in durable goods and an 11 per cent rise in nondurables. The longer run trend was composed of 7.0 per cent in durables and 6.1 per cent in nondurables. The advance of nondurable goods output in 1964 continued an accelerated rise of production which began in late 1962.

Employment by manufacturing firms was little changed, suggesting labor productivity gains even if allowance is made for upward bias in the manufacturing output series. Manufacturing employment increased 0.8 per cent in 1964, holding approximately at 1957-59 levels.

Manufacturing employment trends were uneven during the past year: durable goods producers expanded their employment by 2.4 per cent, while producers of nondurables reduced theirs by 1.0 per cent. Industries producing primary and fabricated metals (durables) made the strongest gains. Paper products and chemicals (nondurables) also increased employment.

Outstanding loans to manufacturing concerns at large St. Louis banks declined 15 per cent during 1964. Loans to durable goods producers decreased 9 per cent, and loans to producers of nondurable goods declined 17 per cent.

Construction. Construction contracts in 1964 were 18 per cent higher than in 1963, portending future expansion in actual construction. This increase exceeded the 16 per cent average annual rate of gain since 1957-59. Construction employment in late 1964 was up 2.2 per cent from late 1963. Outstanding loans to contractors by large St. Louis banks were 23 per cent above 1963.

Government and Service Industries. Expansion of government and service industries continued during 1964. Government employment increased 4.0 per cent, compared with a 2.5 per cent average annual rate since 1957-59. Employment in service industries rose 1.9 per cent during 1964, less than the average rate over the past seven years.

Wholesale and Retail Trade. Employment in wholesale and retail trade establishments increased 2.2 per cent, compared with a 0.3 per cent annual rate of increase during the entire period since 1957-59. Outstanding business loans to wholesale and retail firms

at St. Louis banks were 11 per cent higher in late 1964 than a year earlier.

Banking. Bank credit and deposits at St. Louis weekly reporting banks⁹ rose consonantly with the expansion of business activity. Total deposits increased 5.5 per cent from late 1963 to late 1964, a faster rate than the 3 per cent average rate since 1957-59 (Table III). The growth in total deposits was occasioned by a 13 per cent expansion in time deposits. The increase of time deposits for the past year, though high, was slightly less than the 16 per cent annual growth rate since 1957-59.

The additional deposits supplied funds to meet a strong loan demand and left a sizable excess which was employed in investments. Typically, in periods of business expansion, loans rise faster than deposits, and banks liquidate investments. Total loans rose at a 9 per cent annual rate from late 1963 to late 1964, a slightly higher rate of expansion than in other recent years. Loans secured by real estate rose substantially. Business loans in late 1964, however, were slightly below the level reached in the last quarter of 1963. Increases in trade credit were about offset by net repayments by manufacturing firms. St. Louis banks expanded their investments over the past year by 7 per cent, more than five times the average rate since 1957-59.

Louisville

Economic activity in the Louisville Metropolitan Area, after hesitating early in the year, moved up strongly in subsequent months. Increases for the year were widespread among the major industries. The advance during the year was at about the same rate as for the rest of the current expansion, which began in early 1961.

⁹Loans and deposits at St. Louis weekly reporting banks as a percentage of loans and deposits at all commercial banks in the St. Louis metropolitan area are smaller than the percentages for other major Central Mississippi Valley metropolitan areas. Loans at St. Louis weekly reporting banks were 56 per cent of the loans at all commercial banks in June 1964. In other major metropolitan areas, loans at weekly reporting banks as a percentage of loans at all commercial banks ranged between 70 per cent and 95 per cent. Deposits at St. Louis weekly reporting banks were 53 per cent of deposits at all commercial banks; for other metropolitan areas, the percentage ranged between 80 per cent and 95 per cent.

Deposits at St. Louis weekly reporting banks have not grown so rapidly as at all commercial banks in the metropolitan area. Deposits at all commercial banks rose at a 5 per cent annual rate from June 1958 to June 1964 and 7 per cent from June 1963 to June 1964. At weekly reporting banks, deposits expanded at a 2 per cent annual rate from June 1958 to June 1964 and 5 per cent from June 1963 to June 1964. The growth rate for loans at all commercial banks and weekly reporting banks was, however, the same for the period from June 1963 to June 1964, 10 per cent.

Employment and spending in Louisville increased significantly during 1964 (Table II). Payroll employment rose 2 per cent, compared with increases of 2.5 per cent in Kentucky and 2.7 per cent in the United States. Unemployment in Louisville continued to decline, falling from 4.1 per cent of the labor force in late 1963 to 3.4 per cent a year later.

Check payments at Louisville banks in late 1964 were 9 per cent higher than a year earlier. This increase was substantially greater than the average rate of expansion since 1957-59.

Manufacturing. Louisville manufacturing continued to advance at a rapid rate from late 1963 to late 1964. Output of manufacturing firms as measured by electric power use rose 10 per cent during 1964, compared with a 7 per cent rate of expansion since 1957-59. Production of durable and nondurable goods rose 8 per cent and 11 per cent respectively.

Manufacturing employment rose 2.7 per cent during 1964, compared with a 0.5 per cent average annual rate since 1957-59. Employment by durable goods manufacturers increased 2.8 per cent, while nondurable goods firms increased employment 2.5 per cent. From early 1961 to late 1963, employment in durables rose at a 5.2 per cent average annual rate and in nondurables, at a 1.5 per cent rate.

Business loans to manufacturers by local banks increased 9 per cent during 1964. Loans to durable goods producers rose 18 per cent, while advances to nondurable goods firms increased 6 per cent.

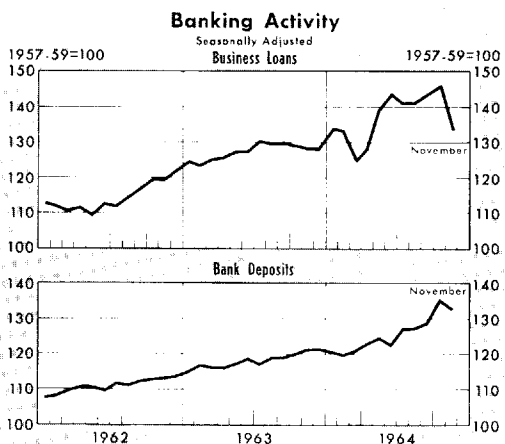
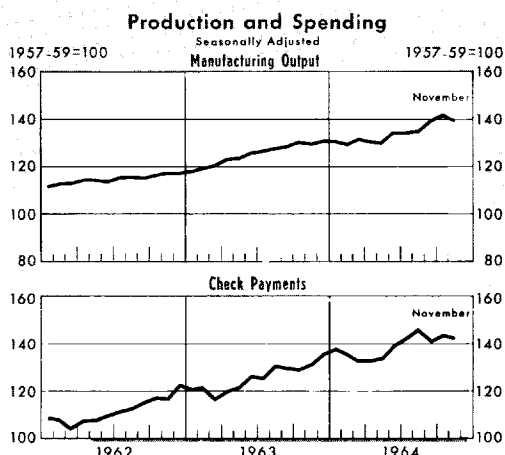
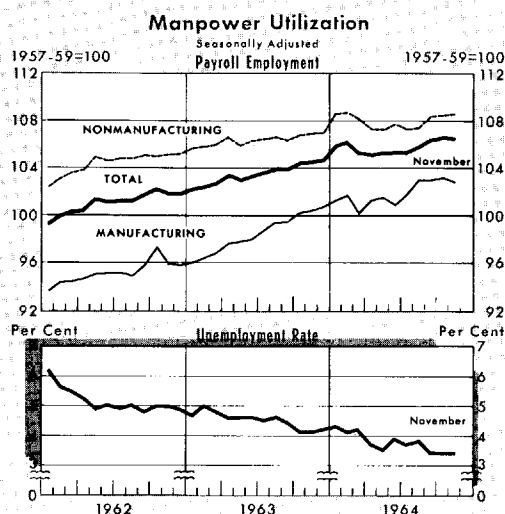
Construction. The value of construction contracts in 1964 was up 19 per cent from the previous year, after falling from 1962 to 1963. Contracts have increased at a 4 per cent average annual rate since 1957-59.

Employment in Louisville's construction industry increased 7 per cent from late 1963 to late 1964, about twice the rate of expansion since 1961. Loans to contractors increased about 1 per cent during the year.

Wholesale and Retail Trade. Activity in the trade sector of the Louisville economy continued to advance during 1964. Employment in trade establishments expanded 1.1 per cent. Loans to wholesale and retail firms by Louisville banks increased 6 per cent during the year.

Banking. A sharp expansion in loans at Louisville area banks facilitated the rise in economic activity. Total loans rose 16 per cent from late 1963 to 1964, almost double the annual rate of expansion for the period beginning in 1957-59 (Table III). Real estate loans increased 30 per cent during the past year, and

Louisville



For footnotes to charts see page 16.

business loans were up 9 per cent. Increases were recorded in most business loan categories.

Louisville banks obtained funds to expand loans primarily from growth in deposits. Total deposits rose 11 per cent during 1964, double the average rate for the period since 1957-59. Time deposits jumped 27 per cent during the year, while demand deposits rose 5 per cent. Investment holdings were about unchanged from a year earlier.

The ratio of loans to total bank credit in November 1964 was 63 per cent, compared with 58 per cent in early 1961. Despite a sharp rise in loans and the decline in investments during 1964, the ratio of loans to total bank credit at Louisville banks remained lower than the ratio for all commercial banks in the United States.

Memphis

Economic activity in the Memphis Metropolitan Area moved up strongly in 1964, continuing an expansion which began in early 1961. The advance was at approximately the same rate as for all of Tennessee and for the nation as a whole.

Most of the various measures of activity in the Memphis area showed strong rates of improvement during the past year. Total employment expanded 2.6 per cent from late 1963, above the long-run rate of 1.6 per cent since 1957-59 (Table II). Rising employment was accompanied by increases in the labor force; the unemployment rate in late 1964 was 3.6 per cent, the same as a year earlier.

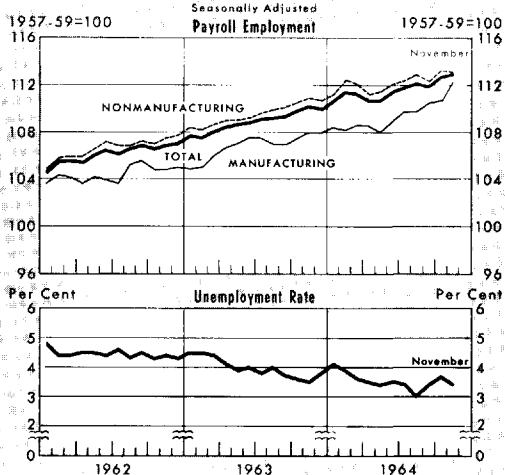
Check payments at Memphis banks, after rising 9 per cent a year from 1957-59 to mid-1963, have since shown little net change.

Manufacturing. Manufacturing in Memphis in 1964 was substantially above 1963 levels, with durable goods showing the larger increases. Total manufacturing output increased 7.6 per cent over the past year, with an 8.3 per cent rise in durables and a 7.2 per cent rise in nondurables. Manufacturing output increased at a 6.6 per cent annual rate from 1957-59 to 1964.

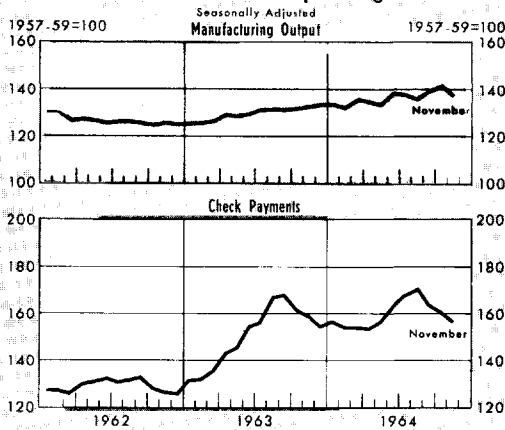
Employment in manufacturing rose 3.8 per cent during the past year, with durable goods firms accounting for the increase. Producers of durables added employees at an 8 per cent rate during 1964, compared with a 5.5 per cent rate since early 1961 and a 2 per cent average rate since 1957-59. Employment by area producers of nondurables was relatively unchanged from 1963 levels during most of 1964.

Memphis

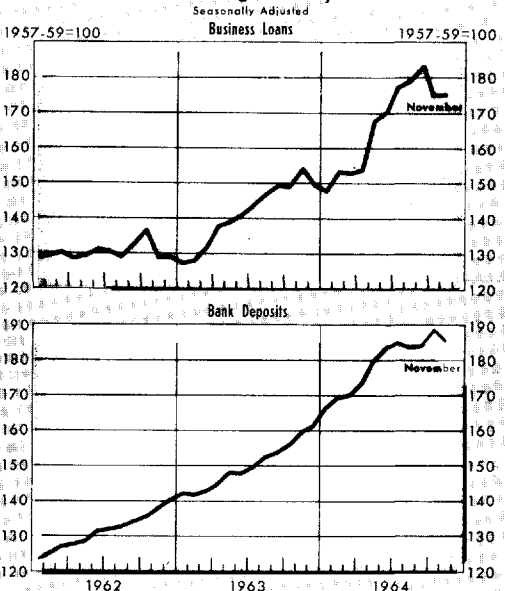
Manpower Utilization



Production and Spending



Banking Activity



For footnotes to charts see page 16.

Bank loans to manufacturers increased 9 per cent during the year. This increase consisted of a 35 per cent increase in loans to producers of durable goods and a 5 per cent increase to manufacturers of nondurables.

Construction. Construction contracts in 1964 ran well ahead of 1963, but construction employment in late 1964 was down 2.6 per cent from a year earlier. The dollar value of building contracts was up 18 per cent; residential contracts decreased 2.2 per cent, while nonresidential contracts jumped 41 per cent. Loans by Memphis banks for construction purposes increased markedly during the year.

Wholesale and Retail Trade. During 1964 trade employment advanced 3.2 per cent, twice the rate of increase since 1957-59. Loans for trade purposes increased 3.9 per cent during the year.

Banking. The strong expansion of economic activity in the Memphis area during the past year was reflected in banking activity. Loans, investments, and deposits increased markedly. Total loans rose 11 per cent (Table III). Corresponding to the strong growth in business activity, business loans expanded 17 per cent, continuing the rapid rate of expansion that began in early 1963. Real estate loans and loans to financial institutions also rose sharply, each by about 30 per cent. Investment portfolios expanded 25 per cent.

A large expansion in deposits produced the funds banks needed to increase loans and investments. Total deposits rose 19 per cent during 1964, greater than the average annual rate of 14 per cent since 1957-59. Most of the expansion in total deposits was accounted for by an increase in time deposits, which have been expanding steadily at over a 30 per cent annual rate since 1957-59. Demand deposits increased 6 per cent during the year.

Little Rock

Economic activity in the Little Rock Metropolitan Area increased moderately during 1964, after rising rapidly from mid-1962 to late 1963.

Employment in late 1964 was slightly higher than a year earlier, reflecting a pause in the strong growth since 1957-59. Total employment increased 1.1 per cent from late 1963 to late 1964, compared with an annual rate of increase of 2.4 per cent since 1957-59 (Table II). Payroll employment expanded 1.9 per cent during the year, compared with a 3.5 per cent rate since 1957-59. The unemployment rate continued downward in 1964, falling to 2 per cent toward the end of the year.

Table I
ECONOMIC INDICATORS
Central Mississippi Valley States
Annual Rates of Change

	Population ¹		Total Employment ²		Payroll Employment ²		Manufacturing Employment ²		Nonmanufacturing Employment ²		Unemployment Rate ³		Personal Income ⁴		Gross Farm Income ⁵		Construction Contracts ⁵	
	1957-59 to 1964	1963 to 1964	1957-59 to 1964	1963 to 1964	1957-59 to 1964	1963 to 1964	1957-59 to 1964	1963 to 1964	1957-59 to 1964	1963 to 1964	1963	1964	1957-59 to 1964	1963 to 1964	1957-59 to 1964	1963 to 1964	1957-59 to 1964	1963 to 1964
Arkansas	1.9	1.6	1.6	—0.7	3.7	1.5	5.3	1.5	3.1	1.5	4.9	4.7	7.3	5.8	7.1	— 3.6	15.8	9.5
Kentucky	1.1	1.1	n.a.	n.a.	2.2	2.5	2.6	4.5	2.1	1.9	n.a.	n.a.	6.4	10.9	6.3	15.9	6.7	12.1
Mississippi	1.7	1.2	2.3	2.1	3.1	2.7	3.9	4.6	2.7	1.8	4.9	4.0	7.6	1.6	7.6	1.7	13.7	—18.4
Missouri	0.8	0.6	0.4	0.6	1.1	1.4	0.4	—0.2	1.4	2.0	4.5	3.9	5.0	4.8	1.0	— 5.1	11.6	18.4
Tennessee	1.6	1.4	n.a.	n.a.	3.1	4.0	3.3	3.0	3.0	4.4	n.a.	n.a.	6.6	6.7	2.4	2.0	14.8	18.1
Total 5 States	1.3	1.1	n.a.	n.a.	2.3	2.4	2.4	2.2	2.2	2.4	n.a.	n.a.	6.1	6.1	4.1	0.3	12.0	9.8
United States	1.7	1.4	1.3	1.9	2.0	2.7	0.8	1.9	2.5	2.6	5.7	5.2	5.8	5.7	2.1	— 0.8	6.4	3.7

¹ Rates computed from 1957-59 average and from July 1, 1963 to July 1, 1964.

² Rates computed from 1957-59 average and from 4th quarter 1963 to 4th quarter 1964 estimated.

³ Unemployment as a per cent of the labor force, 4th quarter 1963 and 4th quarter 1964 estimated.

⁴ Rates computed from 1957-59 average and from 4th quarter 1963 to September-October 1964 average, except U.S. rates, which are computed to October-November 1964 average.

⁵ Rates computed from 1957-59 average and from 1963 total to 1964 total estimated.

n.a.—Not available.

Sources: U.S. Bureau of the Census, U.S. Bureau of Labor Statistics, U.S. Department of Agriculture, U.S. Department of Commerce, *Business Week*, F. W. Dodge Corp., and state employment security offices.

Table II
ECONOMIC INDICATORS
Central Mississippi Valley Metropolitan Areas
Annual Rates of Change

	Total Employment ¹		Payroll Employment ¹		Manufacturing Employment ¹		Non-manufacturing Employment ¹		Unemployment Rate ²		Mfg. Output Total ¹		Mfg. Output Durables ¹		Mfg. Output Nondurables ¹		Check Payments ¹		Construction Contracts ³	
	1957-59 to 1964	1963 to 1964	1957-59 to 1964	1963 to 1964	1957-59 to 1964	1963 to 1964	1957-59 to 1964	1963 to 1964	1963	1964	1957-59 to 1964	1963 to 1964	1957-59 to 1964	1963 to 1964	1957-59 to 1964	1963 to 1964	1957-59 to 1964	1963 to 1964	1957-59 to 1964	1963 to 1964
St. Louis	0.3	1.3	0.7	1.5	—0.3	0.8	1.2	1.8	4.5	3.8	6.6	10.5	7.0	10.4	6.1	10.7	9.9	10.9	15.5	17.5
Louisville	0.6	1.9	1.0	2.0	0.5	2.7	1.4	1.7	4.1	3.4	6.9	9.5	4.9	7.8	8.3	10.5	6.7	9.2	4.3	18.9
Memphis	1.6	2.6	2.0	2.6	1.8	3.8	2.1	2.3	3.6	3.6	6.6	7.6	6.6	8.3	6.5	7.2	8.9	— 1.7	10.8	18.2
Little Rock	2.4	1.1	3.5	1.9	4.8	3.5	3.2	1.5	2.8	2.1	9.9	10.7	n.a.	n.a.	n.a.	n.a.	10.4	— 5.8	11.9	16.5
Evansville	0.0	1.8	0.5	2.0	—0.5	4.5	1.1	0.5	4.1	3.4	5.9	11.9	n.a.	n.a.	n.a.	n.a.	5.0	6.6	6.4	43.2
Springfield	2.6	3.7	2.7	4.9	5.8	5.0	1.6	4.4	4.3	4.1	8.6	8.1	n.a.	n.a.	n.a.	n.a.	6.8	4.8	7.9	24.7
Fort Smith	2.3	2.1	4.8	2.1	7.8	6.6	3.3	—1.1	3.9	3.5	8.2	5.0	n.a.	n.a.	n.a.	n.a.	8.2	— 2.0	n.a.	n.a.
Pine Bluff	2.4	3.3	2.9	4.0	2.4	6.4	3.1	3.1	5.0	4.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7.3	15.5	n.a.	n.a.

¹ Rates computed from 1957-59 average and from 4th quarter 1963 to 4th quarter 1964 estimated.

² Unemployment as a per cent of the labor force, 4th quarter 1963 and 4th quarter 1964 estimated.

³ Rates computed from 1957-59 average and from 1963 total to 1964 total estimated.

n.a.—Not available at the time this *Review* went to press.

Sources: F. W. Dodge Corp., state employment security offices, and the Federal Reserve Bank of St. Louis from reports of utility companies and commercial banks.

Table III
BANKING INDICATORS
Central Mississippi Valley Metropolitan Areas
Annual Rates of Change¹

	Bank Credit		Investments		Total Loans		Business Loans		Total Deposits		Demand Deposits		Time Deposits	
	1957-59 to 1964	1963 to 1964	1957-59 to 1964	1963 to 1964	1957-59 to 1964	1963 to 1964	1957-59 to 1964	1963 to 1964	1957-59 to 1964	1963 to 1964	1957-59 to 1964	1963 to 1964	1957-59 to 1964	1963 to 1964
St. Louis ²	4.7	8.2	1.3	7.2	7.2	8.5	4.6	— 1.3	3.5	5.5	—2.1	—0.7	15.8	13.0
Louisville ²	5.4	9.3	1.6	— 0.7	8.5	16.2	6.3	9.3	5.4	11.2	1.6	4.7	21.1	26.9
Memphis ²	12.7	15.3	12.3	25.3	12.9	11.3	11.9	16.8	13.8	18.5	3.4	5.5	34.1	30.5
Little Rock ²	9.3	6.4	— 1.2	—12.8	20.8	17.6	15.0	7.0	7.6	3.7	3.9	—4.3	19.5	22.2
Evansville ²	6.8	7.3	2.4	— 8.9	9.5	16.3	14.1	20.0	5.6	8.2	2.7	4.2	13.1	15.8
Springfield ³	n.a.	n.a.	n.a.	n.a.	10.0	— 2.1	n.a.	n.a.	n.a.	n.a.	5.4	9.4	n.a.	n.a.
Fort Smith ⁴	n.a.	n.a.	n.a.	n.a.	13.8	13.9	n.a.	n.a.	11.1	10.3	n.a.	n.a.	n.a.	n.a.
Pine Bluff ⁴	n.a.	n.a.	n.a.	n.a.	20.0	16.9	n.a.	n.a.	8.8	7.2	n.a.	n.a.	n.a.	n.a.
Central Miss. Valley ⁵	7.1	7.9	3.4	3.5	10.6	11.0	7.5	6.8	5.7	7.8	1.3	2.1	16.6	16.1
United States ⁴	7.9	8.1	3.8	2.9	11.4	11.4	9.2	10.6	6.7	7.8	1.9	3.5	15.1	12.4

¹ Computed from the 1957-59 average and from 4th quarter 1963 to 4th quarter 1964 estimated.

² Weekly reporting banks.

³ Total loans are for all Federal Reserve member banks, and total deposits are for all commercial banks.

⁴ All commercial banks.

⁵ Member banks in the Eighth Federal Reserve District.

n.a.—Not available at the time this *Review* went to press.

Sources: Federal Reserve Bank of St. Louis and Board of Governors of the Federal Reserve System.

Checks drawn on Little Rock banks, after rising at a 10 per cent average annual rate since 1957-59, leveled off during 1964. At year's end, payments were 6 per cent below a year earlier.

Manufacturing. Little Rock manufacturing rose in 1964, with output and employment increasing significantly. Output of manufacturing firms, reflecting sharp gains in the spring and early summer, increased 11 per cent during 1964, compared with a 10 per cent average rate since 1957-59.

Manufacturing employment rose 3.5 per cent during 1964, less than the average annual rate since 1957-59. The metals industry showed the strongest employment gains, increasing 10 per cent during the year. Indebtedness of manufacturers to Little Rock banks fell by 13 per cent. Loans to nondurables manufacturers were down 20 per cent, while loans to producers of durable goods increased 7 per cent.

Construction. Indicators of Little Rock construction activity showed mixed trends during 1964. The value of contracts rose 17 per cent. Construction employment declined 2.9 per cent during the year, while loans to the industry by Little Rock banks increased 16 per cent.

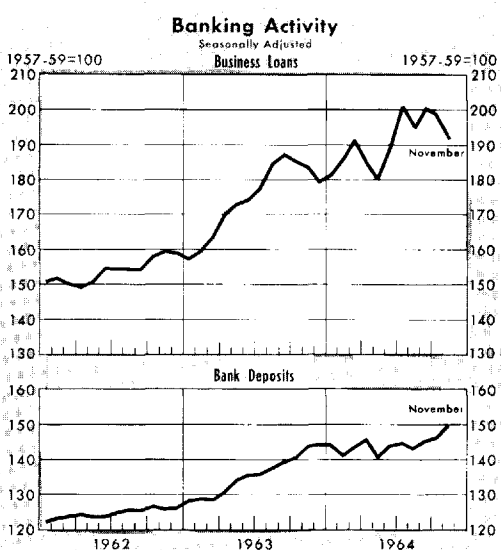
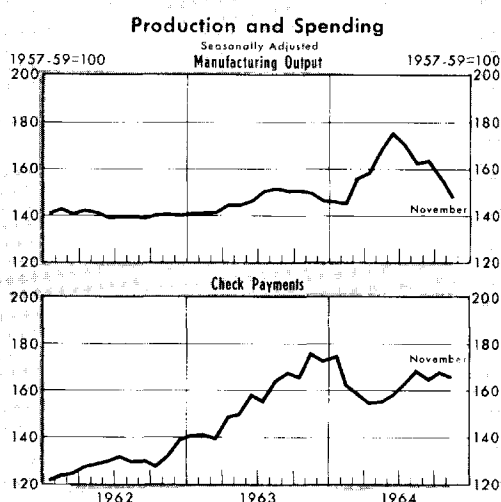
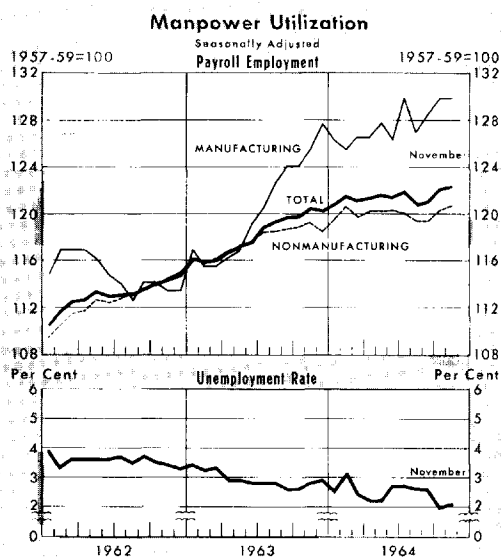
Government. Government employment, almost one-sixth of Little Rock's total, declined 2.3 per cent during 1964, compared with a 4.0 per cent rate of increase since 1957-59.

Banking. Total loans at Little Rock banks expanded 18 per cent during 1964 (Table III). Business loans rose 7 per cent, and both real estate and consumer loans increased markedly. Deposits increased 4 per cent, with a decline in demand deposits more than offset by expansion of time deposits.

Little Rock banks obtained funds to accommodate strong loan demands from net reduction of security holdings as well as from the moderate increase of deposits. Investment holdings declined 13 per cent during 1964, falling to early 1961 levels. The ratio of loans to bank credit at weekly reporting Little Rock banks rose from 63 per cent in late 1963 to a relatively high 69 per cent in November 1964. The ratio of loans to total bank credit for commercial banks in the nation as a whole was 63 per cent in late 1964.¹⁰

¹⁰ See "Bank Loans, 1961-1964" in the October 1964 issue of this *Review* and the November 1964 issue of the Federal Reserve *Bulletin*.

Little Rock



For footnotes to charts see page 16.

Evansville

Economic activity in the Evansville area increased, on balance, during 1964. Following some contraction through late spring because of labor disputes in the fabricated metals and construction industries, activity moved strongly upward for the rest of the year.

Broad measures of economic activity—employment and spending—reflected both the hesitation early in the year and the net improvement from 1963 to 1964. Total employment late in the year rose to 1.8 per cent above late 1963, regaining the 1957-59 level (Table II). Payroll employment increased 2 per cent during 1964, to a level slightly above the 1957-59 average. Unemployment was 3.4 per cent of the labor force late in the year, compared with 4.1 per cent in late 1963 and 6.8 per cent in 1961.

Check payments rose significantly during the past year, with most of the gain occurring in June and July. Check payments in the late months of the year were 6.6 per cent greater than a year earlier and have expanded at a 5 per cent average annual rate since 1957-59.

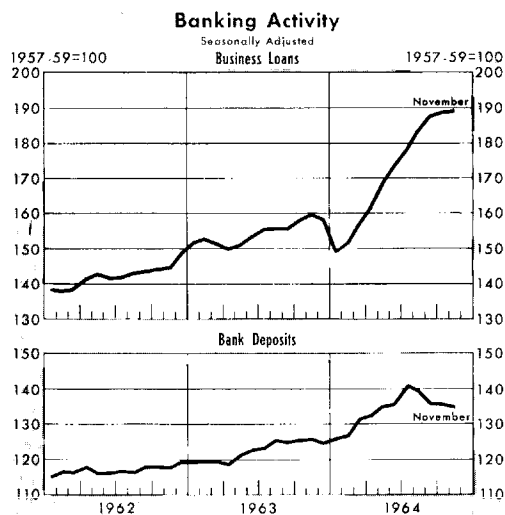
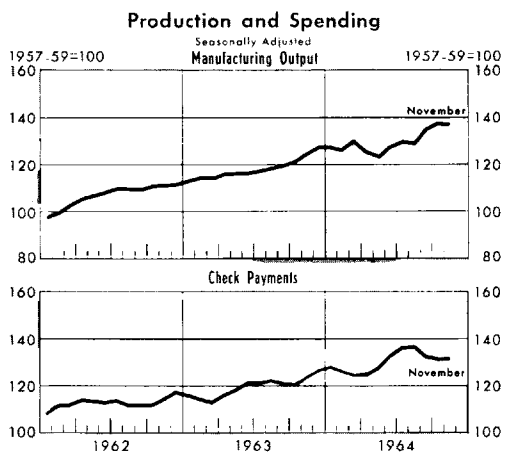
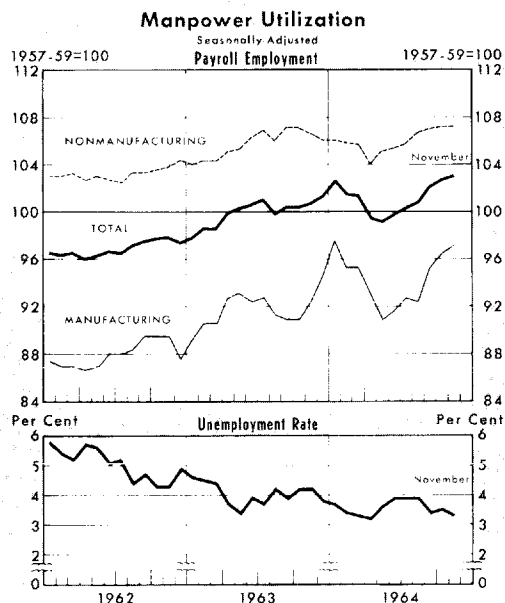
Manufacturing. Manufacturing in Evansville dipped sharply in the spring, mainly because of labor disputes. However, subsequent gains raised manufacturing output in late 1964 to 12 per cent above late 1963. This increase was about twice the average rate of advance since 1957-59.

Manufacturing employment advanced 4.5 per cent during 1964 but had yet to attain its 1957-59 level. Employment by durable goods manufacturers increased 6 per cent on balance during the year; for nondurables the advance was 2.2 per cent.

Banking. Total loans at Evansville banks rose 16 per cent from late 1963 to late 1964, compared with an average 10 per cent annual rate since 1957-59 (Table III). Real estate loans increased 25 per cent and business loans, 20 per cent.

Funds needed to grant loans were acquired from both deposit growth and net reduction of security holdings. Total deposits increased 8 per cent during the year. Time deposits rose a little more rapidly than in other recent years, probably encouraged by a change in Indiana banking regulations permitting banks to pay interest on time deposits at rates competitive with banks in neighboring states.

Evansville



For footnotes to charts see page 16.

Investment portfolios were reduced 9 per cent during the past year. The ratio of loans to total bank credit increased from 64 per cent in early 1961 and 65 per cent in the fourth quarter of 1963 to the relatively high level of 70 per cent in November 1964.

Springfield, Missouri

Economic activity in the Springfield, Missouri, area advanced during 1964, continuing the rapid expansion since 1957-59.

Employment and spending in late 1964 were significantly above year-earlier levels. Total employment increased 3.7 per cent during 1964 and has risen at an average 2.6 per cent annual rate since 1957-59 (Table II). Payroll employment rose 4.9 per cent from late 1963 to late 1964 and has increased at an average 2.7 per cent rate since 1957-59. Unemployment was below 1963 levels for most of 1964, declining from 4.3 per cent of the labor force in late 1963 to 4.1 per cent in late 1964.

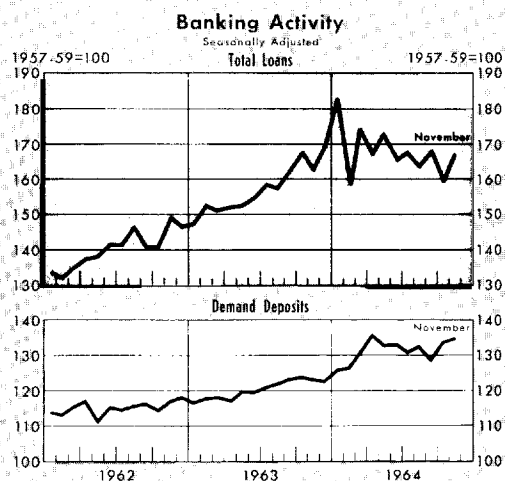
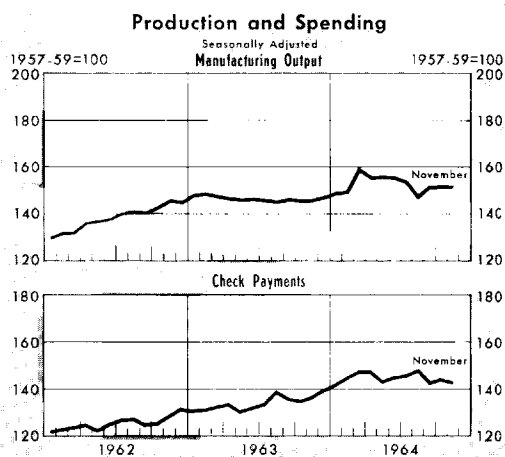
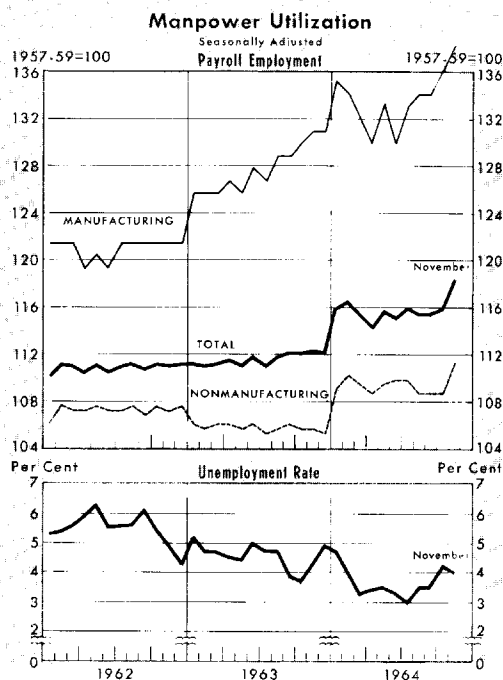
Check payments rose early in the year and then remained about unchanged. Late in the year, check payments were 4.8 per cent above late 1963 and up at a 6.8 per cent average annual rate from 1957-59.

Manufacturing. Manufacturing in the Springfield area was more irregular during 1964 than in most other cities. When related to 1957-59, activity in the past year was fluctuating about a very high level. Manufacturing employment late in the year was 5 per cent above a year earlier and has risen at a 5.8 per cent per year rate since 1957-59. Output of manufacturing firms, as measured by electric power use, rose 8.1 per cent during 1964 and was up at an average 8.6 per cent annual rate from 1957-59.

Nonmanufacturing. Employment in the nonmanufacturing sector of the local economy showed little net change during most of 1964, after rising sharply in January. Increases for the year were greatest in trade, services, and government.

Banking. Total loans outstanding at Springfield banks were slightly lower in the fourth quarter of 1964 than in the same period of the previous year (Table III). In late 1963 and early 1964 total loans rose sharply, but subsequent declines offset the expansion. Demand deposits rose 9 per cent from late 1963 to late 1964, and area banks were able to add to their investment holdings. Most of the deposit expansion occurred in the first quarter of the year.

Springfield, Missouri

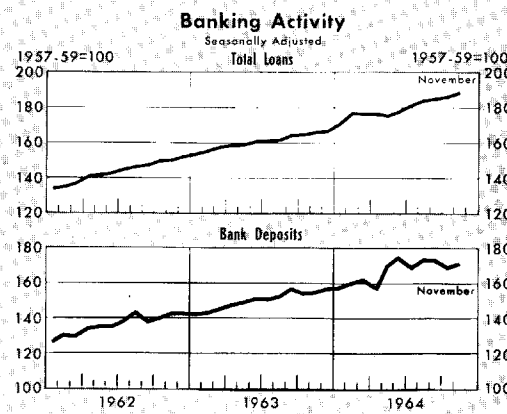
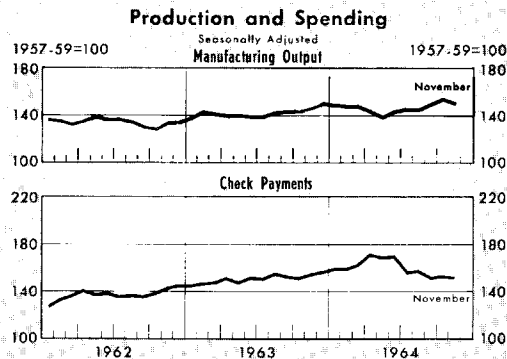
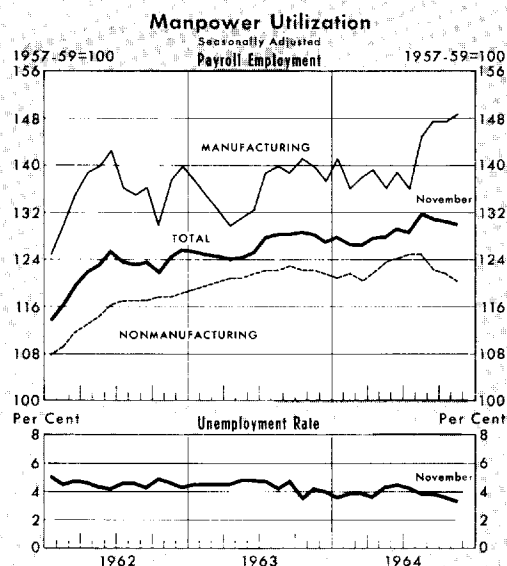


For footnotes to charts see page 16.

Fort Smith

Economic activity in the Fort Smith Metropolitan Area advanced moderately during 1964, as it has since mid-1962. Since the late 1950's, economic activity has shown a pronounced rise, but most of the gains occurred during 1961 and the first half of 1962.

Fort Smith



For footnotes to charts see page 16.

Employment rose during the past year, but more slowly than the longer term trend rate. Total employment increased 2.1 per cent during 1964, compared with an average rate of increase of 2.3 per cent since 1957-59 (Table II). Payroll employment expanded 2.1 per cent during the year, significantly below the longer run average rate of 4.8 per cent. Unemployment fell to 3.5 per cent of the labor force late in the year, compared with 3.9 per cent a year earlier.

The volume of checks drawn on Fort Smith banks rose through early summer but declined subsequently. Payments in late 1964 were down slightly from late 1963, compared with an average annual rate of increase of 8 per cent since 1957-59.

Manufacturing. Payroll employment increases during the year were primarily in the manufacturing sector of the Fort Smith economy, occurring chiefly in the late summer. Manufacturing employment rose 6.6 per cent during the year, a little below the 7.8 per cent longer run rate.

Manufacturing output, which expanded at about the same rate as employment, was 5 per cent higher in late 1964 than a year earlier. The average annual rate of increase since 1957-59 has been 8.2 per cent.

Nonmanufacturing. Employment in the nonmanufacturing sector of the Fort Smith economy was about unchanged during the year. Increases in construction and transportation were about offset by declines in trade and government.

Banking. Loans and deposits at Fort Smith banks increased substantially during 1964, continuing the longer run trend since 1957-59. Total loans expanded 14 per cent from late 1963 to late 1964, and total deposits rose 10 per cent (Table III).

Pine Bluff

During 1964 economic activity in the Pine Bluff Metropolitan Area rose significantly, with increases greatest in the first half of the year. This pattern was in contrast with the pattern for all of Arkansas, which experienced an early plateau followed by an upward movement of activity.

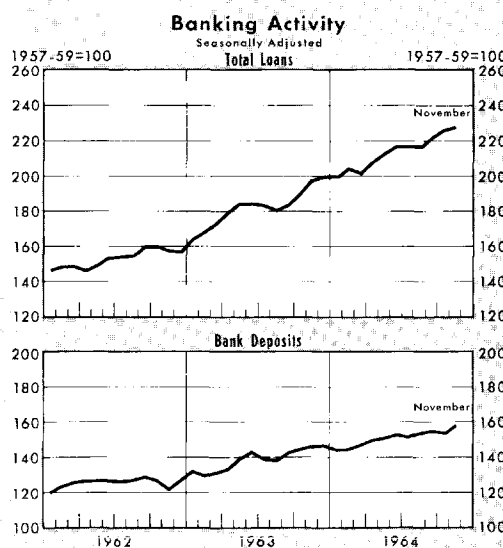
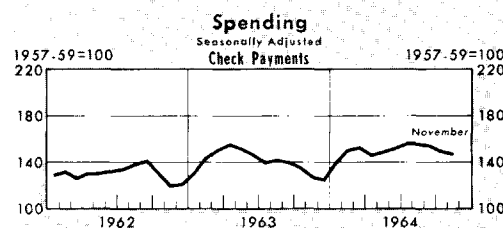
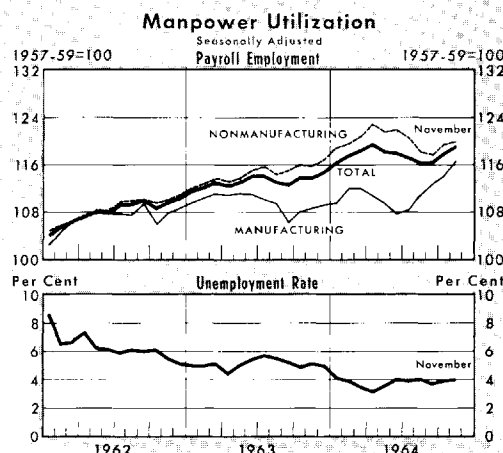
Employment and spending rose rapidly during the early months and subsequently declined. Total employment showed a net increase of 3.3 per cent, above the longer run growth rate (Table II). Check payments rose 16 per cent during the year, more than twice the average rate of increase since 1957-59.

Manufacturing. The largest net gains in Pine Bluff payroll employment during 1964 were in manufactur-

ing. On balance, manufacturing employment rose 6.4 per cent during the year, substantially above the 2.4 per cent average expansion rate since 1957-59. Furniture and fixtures, and stone, clay, and glass products were the industry leaders during the past year.

Nonmanufacturing. Employment in the nonmanufacturing sector of the Pine Bluff economy expanded 3.1 per cent, the same as the trend rate since 1957-59.

Pine Bluff



For footnotes to charts see page 16.

Banking. Loans and deposits at Pine Bluff banks expanded strongly from the last quarter of 1963 to late 1964, at rates slightly less than the average rates since 1957-59. Total loans rose 17 per cent during the year, and deposits increased 7 per cent (Table III). For the period from 1957-59 to late 1964, loans rose at a 20 per cent annual rate, and deposits increased at a 9 per cent annual rate.

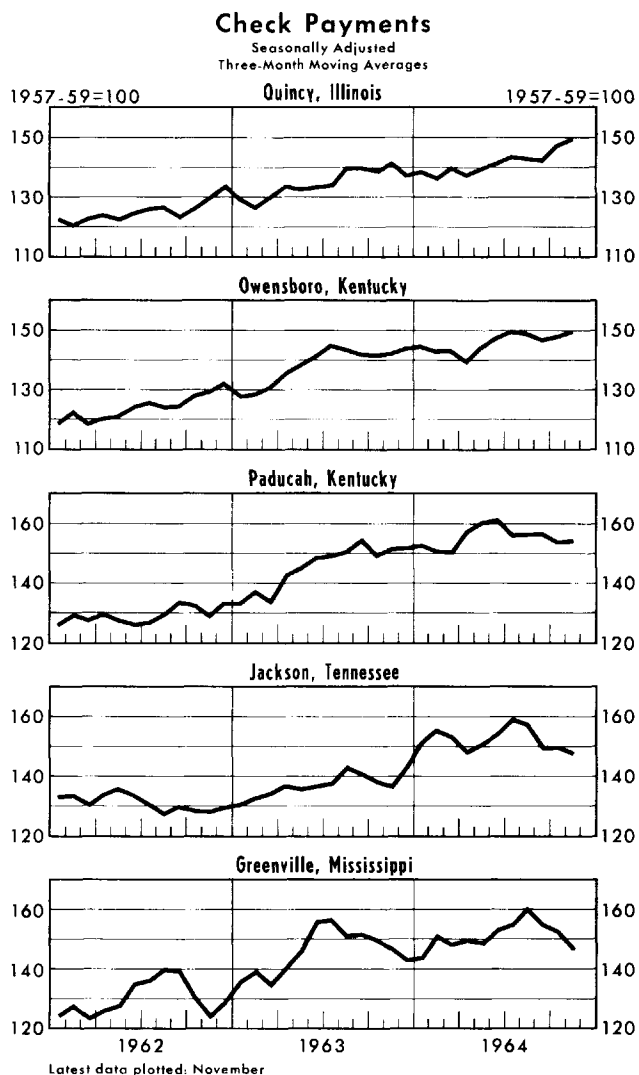
Nonmetropolitan Cities

The pace of economic activity during 1964 in non-metropolitan cities of the Central Mississippi Valley roughly paralleled that of metropolitan areas. Advances in activity were generally at moderate rates.

Payroll employment rose 2 per cent or more in Quincy, Illinois, Paducah, Kentucky, and El Dorado and Helena, Arkansas. Employment was little changed from 1963 in Greenville, Mississippi, Jackson, Tennessee, and Cape Girardeau and Hannibal, Missouri (Table IV). Fragmentary data indicate that Sedalia, Missouri, experienced a substantial decline in employment during the year.

Both check payments and demand deposits increased from 1963 to 1964 at most of the larger non-metropolitan cities in the Central Mississippi Valley. At several of the smaller cities both check payments and demand deposits declined.

Examination of the accompanying charts indicates how the intrayearly movement of check payments differed among cities. Check payments in Jackson, Tennessee, and Greenville, Mississippi, rose sharply



Footnotes to Charts

The **manufacturing output index** is an average of the indexes for five months centered on the middle month (except for the latest two months, which are averages of four months and three months).

The **check payments index** is an average of the indexes for three months centered on the middle month (except for the latest month, which is a two-month average).

The **business loans index** is based on data supplied by weekly reporting banks.

The **bank deposits indexes** for St. Louis, Louisville, Memphis, Little Rock, and Evansville are based on data supplied by weekly reporting banks.

The **total loans index** for Springfield is based on reports of all Federal Reserve member banks.

The **total loans indexes** for Fort Smith and Pine Bluff are computed from data supplied by all commercial banks.

The **demand deposits index** for Springfield is computed from statistics on demand deposits of individuals, businesses, and local governments submitted by all commercial banks.

The **demand deposits indexes** for Fort Smith and Pine Bluff are based on reports supplied by all commercial banks.

during the first half of the year, then declined during the fall. Such an intrayearly pattern was not apparent for the three more northern cities, nor for Jackson and Greenville prior to 1962. These declines in check payments during the fall—the cotton harvesting season—may be attributed to a large shift from hand harvesting to machine harvesting of cotton. This change in harvesting method resulted in a reduction in the number of agricultural workers hired during this season. The resulting decrease in wage payments was reflected in a decline of check payments.¹¹

¹¹ If this intrayearly movement for Jackson and Greenville persists, it will be regarded as a new seasonal fluctuation, and the process of seasonally adjusting the check payment series will remove this intrayearly pattern from the series for these cities.

Table IV
ECONOMIC INDICATORS
Central Mississippi Valley Nonmetropolitan Cities¹
Rates of Change from 1963 to 1964

	Payroll Employment ²	Check Payments ³	Demand Deposits ³
Quincy, Illinois	3.2	5.8	6.3
Owensboro, Kentucky	n.a.	5.4	2.9
Greenville, Mississippi	— 0.8	— 0.1	1.2
Paducah, Kentucky	2.8	1.7	0.0
Jackson, Tennessee	0.3	8.1	4.3
El Dorado, Arkansas	2.2	6.3	0.6
Cape Girardeau, Missouri	— 0.4	— 3.2	—7.4
Sedalia, Missouri	—11.6	—11.7	—4.7
Hannibal, Missouri	0.6	— 1.0	—0.6
Helena, Arkansas	2.5	0.6	3.4

¹ Listed in order of 1960 population.

² Computed to last month in 1964 for which data were available from same month in 1963.

³ Computed from 4th quarter 1963 to 4th quarter 1964 estimated.

n.a.—Not available.

Sources: State employment security offices and reports of commercial banks.

Farm Products in the Central Mississippi Valley¹

THE SITUATION AND PROSPECTS for agriculture were discussed in the December 1964 issue of this *Review*. This article presents a more detailed analysis of commodities of major importance to the Central Mississippi Valley.

The outlook for district livestock producers in 1965 is generally more favorable than a year earlier. Some improvement is expected in returns from beef cattle, dairy products, and poultry. Receipts from hogs may not change greatly, and returns from eggs will probably decline.

The value of most crop sales will vary directly with production in 1965, since most crop prices are supported by the Government. The announced support levels are down slightly for the 1965 wheat, corn, and cotton crops.

Beef Cattle

Profit prospects for producers of beef cattle are somewhat more favorable for 1965 than the 1964 experience. Beef production will probably be only 2 or

3 per cent higher in 1965 than in the previous year. Prices for fed cattle may average slightly higher as a result of the smaller rate of increase in production, a continued rise in demand, and a reduction of pork supplies.

The current upswing in beef production may be nearing a peak. Cattle on farms on January 1, 1965 were estimated at about 106.7 million head, less than 1 per cent above a year earlier.

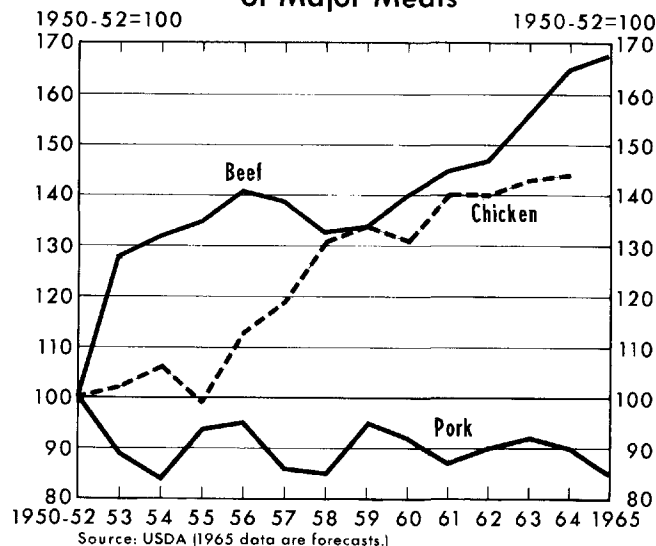
Slaughter in 1965 is expected to increase only slightly over the 1964 level, compared with the 9.5 per cent increase a year earlier. Fed cattle marketings are expected to remain high during the winter months. Price relationships in the fourth quarter of 1964 encouraged large replacements in feed lots. Such cattle will be ready for slaughter in the first half of 1965.

The growing demand for beef contributes to the prospects for slightly higher prices for beef cattle. Both volume of sales and prices have increased since the mid-1950's. Per capita consumption rose from 63.4 pounds in 1950 to an estimated 100.4 pounds in 1964, an increase of 58 per cent (see chart). In comparison, per capita consumption of chicken increased

¹ Primarily a summary of information presented at the United States Department of Agriculture Outlook Conference, November 16-19, 1964.

about 50 per cent to 31.0 pounds, and pork consumption declined 7 per cent to 64.1 pounds. Per capita beef consumption for 1965 is forecast at 102.5 pounds.

**Trend in Per Capita Consumption
of Major Meats**



Hogs

Hog prices will probably average slightly higher in 1965 than in 1964 in view of the outlook for somewhat smaller per capita supplies of pork.

In 1964 hog slaughter declined from early spring to late summer. In the fourth quarter, however, slaughter was somewhat above year-earlier levels.

The recent pig crop and farrowing intentions reports indicate a substantial reduction in marketings of hogs in the first half of 1965. The number of breeding animals, however, points to only a moderate reduction.

With a reduction in pork supplies in the first nine months of 1965, hog prices will probably average above year-earlier levels. The margin, however, is expected to narrow later in the year if prices are sufficiently high in the first half to provide incentive for increased production.

Dairy Products

Cash receipts from dairy products are expected to increase slightly from 1964 to 1965.

The number of dairy farms and dairy cattle will probably continue to decline in 1965, but the increase in output per cow is expected to maintain total milk production at 1964 levels. The number of farms with milk cows fell about 50 per cent from 1950 to 1964, and the number of milk cows on farms has also

declined steadily. Milk production per cow in 1965 is expected to exceed the 7,800 pounds of 1964, continuing the upward trend of about 3 per cent per year from 1954 to 1963.

Prices received by farmers for milk averaged about \$4.14 per cwt. in 1964 and are expected to average near this level in 1965. Dairy production has exceeded market demand at support price levels for many years, with the excess removed through Government purchase programs. These price support programs are expected to continue through 1965.

Milk marketings in 1965 are expected to be greater than in 1964. Farmers sold about 119.4 billion pounds of milk in 1964: 105.9 billion pounds through commercial channels, about 8 billion pounds to the Government through price support operations, and the remainder through military, National School Lunch, and Special Milk Programs.

Stocks of dairy products, held chiefly by the Government, declined sharply in 1964 as a result of heavy donations to both domestic and foreign users and a sharp increase in export sales.

Poultry and Eggs

Returns from sales of chickens, primarily broilers, are expected to be somewhat higher in 1965, while returns from eggs may be slightly less.

Prices of live broilers in the first half of 1965 are expected to average well above the 14 cents per pound estimated for 1964. Hatchery supply flocks will be smaller in this period than a year earlier. Higher prices in these months will, however, tend to encourage broiler output in the second half of the year which, coupled with increased beef supplies, is likely to depress prices.

Broiler meat currently accounts for 88 per cent by weight of chickens slaughtered and more than 70 per cent of all poultry meat. By 1964 per capita broiler consumption had increased to 27.3 pounds from 8.4 pounds in 1950. Great reductions in production costs and low prices in relation to other meats have brought about this expansion in production and consumption.

Larger egg supplies in 1965 are expected to keep prices and cash receipts below 1964 levels. By spring the laying flock is expected to contain about 2 per cent more hens than in 1964. In addition to the larger flock, further gain is expected in egg production per hen. The major reason for the 2.5 per cent gain in egg production in 1964 was a sizable increase in eggs laid per hen.

Feed Grain (Corn, Oats, Barley, and Sorghums)

Feed grain production² in 1964 plus carry-over from previous years is estimated at 206 million tons, 6 per cent less than a year earlier and 25 million tons below the 1960 peak. A carry-over of 58 million tons at the end of 1964-65 is anticipated. This is 11 million tons less than a year earlier but still about 40 per cent of annual use.

Production of feed grains totaled 137 million tons in 1964, down 19 million from a year earlier. Acreage planted was down 4 per cent for corn, 7 per cent for oats, 11 per cent for barley, and 4 per cent for sorghums. Yields per acre for the four crops averaged 7 per cent below year-earlier levels, the first decline since 1953.

Total use of feed grains in 1965 will probably decline slightly from year-earlier levels. Domestic use is expected to decline about 3.7 million tons from the 133 million in 1964, but exports will probably equal the 1964 record of 18.7 million tons.

Feed grain prices in the 1964-65 marketing year are expected to average slightly above year-earlier levels, continuing the trend of the past three years. Higher Government loan rates and reduced production will give strength to prices. Corn prices have advanced more than other feed grains and are expected to be a little higher than in 1963-64. Prices for Government corn sold for unrestricted use will be based on the October 1964 national average loan rate of \$1.10 per bushel and will probably rise 1.5 cents per month for storage costs. The loan rate for the 1965 corn crop will be down to \$1.05 per bushel.

Wheat

Wheat production in 1964 plus carry-over from previous years was 2,187 million bushels, well below supplies for most recent years. Carry-over of 900 million bushels was 295 million bushels less than a year earlier and about 500 million less than the 1961 peak. Despite the reduction of carry-over stocks into the current marketing season, they are still equivalent to about 70 per cent of the expected disappearance for the year.

Production of wheat has not changed greatly since the mid-1950's, totaling 1,286 million bushels in 1964, 1,138 million bushels in 1963, and an average of 1,203 million bushels in the six years 1957-62.

² Corn accounts for about three-fourths of total feed grain production.

Wheat disposition in 1964-65 is expected to total 1,291 million bushels, 616 million for domestic purposes and 675 million exports. Domestic use, totaling 576 million bushels in 1963-64 and an average of 603 million in 1957-61, has been relatively stable. Exports, however, rose from an average of 548 million bushels in 1957-61 to 860 million bushels in 1963 and were a major factor in the decline of wheat stocks. Exports will probably decline to about 675 million bushels in 1964-65. The record level in 1963-64 resulted from poor 1963 crops in a number of European countries and the Soviet Union. Production in these countries in 1964 was considerably better.

The average price of wheat in 1965 will probably be near the Government price support loan rate of \$1.25 per bushel, 5 cents below the 1964 rate. The value of certificates which can be earned by eligible producers will, however, rise by 5 cents per bushel. Thus, the total Government payments plus price support loans will not differ greatly from 1964 levels.

Rice

Rice production has increased substantially in recent years. The 1964 crop was a new record of 72.5 million cwt.,³ 2.4 million above 1963 production and 22.5 million above the 1957-61 average.

Disappearance of rice has grown about the same amount as production. Domestic use has made only moderate gains, rising from an average of 27.1 million cwt. in 1957-61 to 29.2 million in the marketing year 1963-64.⁴ On the other hand, exports have increased rapidly. Exports are estimated at 41.6 million cwt. for 1964-65 in comparison with the average of 25.2 million for the five years 1957-61. About half of the milled rice exports are under specified programs in exchange for foreign currencies. The other exports are "commercial dollar sales" with Government export payments.

With production and disappearance growing at about the same rate, carry-over stocks of rice have remained small. Carry-over into 1964-65 was 7.5 million cwt., compared with 7.7 million in 1963 and an average of 15.2 million in the five years 1957-61.

Cotton

Cotton production in the 1964-65 marketing year⁵

³ Rough rice equivalent.

⁴ Beginning August 1.

⁵ Beginning August 1.

is expected to exceed domestic use plus exports for the fourth consecutive year. The 1964 crop of 15.4 million bales was the largest since 1953.

Disappearance is expected to total 15.0 million bales,⁶ up 0.7 million from a year earlier. In contrast with the general decline since the early 1950's, domestic use of cotton in 1964-65 is expected to rise to about 9.7 million bales, 1.1 million more than last year. This expected gain is the result of legislation which provides for resale of Government stocks to domestic users at less than original costs.⁷ Net exports of cotton have averaged somewhat more in recent years than in the early 1950's. This higher level was facilitated by substantial Government assistance.

Anticipated carry-over of 13 million bales next August is up 0.6 million from a year earlier and the largest since the all-time high of 14.5 in 1956.

Cotton prices, like a number of other crop prices, reflect Government price supports. The Government acts as a residual purchaser for all supplies that the market will not take at the loan rate. The loan rate for the 1965 cotton crop of 29.0 cents per pound is one cent per pound less than the 1964 rate.

Tobacco

Production of the major tobaccos, burley and flue-cured, in 1964 was well below that of 1963. Burley production of 617 million pounds was down 18 per cent, and the flue-cured crop of 1,286 million pounds was down 6 per cent.

Despite this substantial decline, production exceeded estimated disposition (see table). Exports are expected to decline slightly as a result of large crops overseas. Domestic consumption, however, is expected to be slightly higher with the recent recovery of cigarette consumption from the year-earlier slump. Per capita consumption of tobacco has trended down from a peak of 13.1 pounds in 1952 to 11.6 pounds in 1964. Unfavorable reports regarding effects of smoking on health and the larger per cent of the population under 18 years of age at the latter date have probably been factors in the decline.

Carry-over stocks of tobacco, already at high levels, are expected to rise further during the current market-

⁶ About 100,000 bales of long staple cotton are imported.

⁷ Prices paid by domestic mills in October averaged 26.8 cents per pound, while the price received by farmers in mid-October averaged 30.95 cents.

PRODUCTION, DISPOSITION, AND CARRY-OVER STOCKS OF LEADING TOBACCOS

(Millions of pounds)

Year	Production	Carry-over Stocks ¹	Disposition ¹	
			Domestic	Exports
FLUE-CURED				
1959-62 average	1,249	2,122	779	452
1963	1,371	2,282	772	502
1964	1,286	2,379	780 ²	490 ²
1965		2,395 ²		
BURLEY				
1959-62 average	560	1,170	515	44
1963	755	1,228	523	54
1964	617	1,406	530 ²	50 ²
1965		1,443 ²		

¹ Year beginning July 1 for flue-cured and October 1 for burley.

² Preliminary estimates based on *Outlook* information.

Source: USDA.

ing year. Carry-over of burley will be about two and one-half times estimated use, compared with the 1959-62 carry-over which averaged about double annual use. Estimated carry-over of flue-cured at the end of 1964-65 is also somewhat greater relative to use than the average ratio for 1959-62.

Soybeans

Soybean production increased from an average of 412 million bushels per year in 1955-56 to 702 million in 1963-64. The gains resulted from both increased acreage and increased yields. Acreage rose from an average of 20.7 million in 1955-56 to 30.6 million in 1963-64, and yields per acre rose from 20.9 to 23.6 bushels.⁸

Supplies of soybeans in the current marketing year beginning October 1, 1964 are estimated at 734 million bushels, up 17 million from a year earlier. Carry-over stocks on October 1, 1965, however, are expected to be only 15 million bushels, compared with 32 million bushels in 1964 and an average of 24.8 million bushels for 1955-62.

Total soybean use, domestic plus export, rose from an average of 409 million bushels per year in 1955-56 to 702 million in 1963-64, an increase of 71 per cent. Exports rose during the period from 139 million to 306 million bushels, or 120 per cent. Approximately two-thirds of the exports in 1963-64 was for dollars, requiring little or no Government assistance.

⁸ Yields per acre harvested.