BUSINESS AND FINANCIAL CONDITIONS

IN THE

THIRD FEDERAL RESERVE DISTRICT
PHILADELPHIA AUGUST 1, 1921

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GENERAL SUMMARY

BUSINESS during July was overtaken by the usual midsummer lethargy, and no outstanding development caused it to deviate to any appreciable extent from the listless, drifting course which it assumed after the active buying movement of late January and February had spent its force. As a result, the relative positions of the more important industries in the Third Federal Reserve District remain unchanged, liquidation continues, and definite improvement in the situation as a whole is still lacking.

Some encouragement is to be found, however, in conditions in the shoe and leather trade, and in certain of the textile lines. The finer grades of upper leathers, especially colored and black kid and calf, are in active demand, and the market at this time is oversold. The export call for these goods, too, is better. But sole leathers and lower grade uppers are being moved in only limited quantities. Manufacturers of high grade shoes for women report the receipt of large-sized orders for fall and winter delivery, and several plants are booked to capacity until October and November. The poorer quality shoes, however, are being disposed of only with great difficulty, price shading is being resorted to continually, and the actual demand is so small that operations are being curtailed.

Of the textiles, silk is making the best showing in this district. The figures indicating the consumption of silk in June were higher than those for any month since the readjustment period in the industry began early last year. Orders already booked and still being booked are of very satisfactory size, the raw silk market displays conservative strength, and the posi-

TABLE OF CONTENTS

tion of the industry as a whole is distinctly favorable. Seasonable cotton fabrics are in good spot demand, but the volume of fall orders is still small. A most favorable factor in the current cotton situation is the increase in exports. The call from the Orient for heavy cotton fabrics is steadily improving, and this has given a decidedly optimistic tone to the markets. The woolen cloth industry is busily engaged in producing materials for autumn delivery to fill orders now on hand, but the volume of fall business being placed at this time is small. There is considerable activity in summer woolens for spot delivery. It is still impossible for the knit goods industry to meet the demand for full-fashioned hosiery, owing to the continuation of the strike in Philadelphia mills, and the importation of German hosiery of this type is being resorted to in order to meet the shortage that has resulted. The business being transacted in underwear is limited, and a large portion of fall orders still remains to be placed. Owing to the lack of interest in heavy weight underwear on the part of jobbers, manufacturers have delayed the opening of the spring 1922 lines.

The foregoing summary may seem to indicate that textiles, as a group, are enjoying a fair amount of activity, but it is of interest to note that, in the main, orders received are for immediate or for early deliveries, and that all purchasers are extremely cautious in making commitments calling for future shipment.

In sharp contrast with conditions in the leather and textile trades are those in the basic industries. The iron and steel business continues in the throes of deep depression, and signs of recovery are few. During the month, the Steel Corporation, although not calling it such, instituted a reduction in wages by eliminating the extra compensation for overtime work, and also made its second formal price revision. But as the newly announced level had already prevailed in the markets for some time, the expected interest failed to develop. Steel prices today are 80 per cent under the war peak, but are still 50 per cent above the ten-year pre-war average; and the latter fact is pointed to by the trade as one of the controlling causes for the absence of demand. Sales are few and small in size, and as a result the industry is operating at 20 per cent of capacity, the lowest per cent in its history.

The coal industry, too, experienced a decidedly sluggish market during July, and present conditions are far from favorable. With the settlement of the British strike and the resultant cancellations, with the accumulations of large stocks at Lake ports, caused by the lack of demand from the Northwest, and with the absence of contract buying, there is little to engender enthusiasm in the bituminous coal situation. However, Secretary Hoover has counselled public utilities to purchase coal at this time, because he believes there is a possibility that with a large percentage of their equipment unfit for use, the railroads will be unable to handle coal shipments in volume if an active demand develops in the fall. This is expected to have some immediate effect in increasing demand. Little activity was displayed in the market for anthracite coal during July, and the situation, if anything, was poorer than that which existed in June. As there is practically no demand for steam sizes, these are being stored at the mines by the companies having facilities for the purpose; but the independents, who for the most part lack such accommodations, have found it necessary to dispose of them at any price obtainable. That the consumer has bought domestic sizes to a larger extent than is commonly supposed, is evidenced by the fact that one and one-quarter million tons more were shipped during the first three months of the present coal year, which began April 1, than were shipped in the same period of 1920. This, coupled with the fact that the storage capacity of dealers is inadequate to handle this excess, leads to the belief that fairly large supplies have been laid in for domestic purposes. At the present time, however, the market is dull and few sales are reported. Although building activity was slightly greater in July than in June, the demand for building materials showed no improvement.

Sales of paper were so small during the month as to force the closing of several mills and the curtailment of operations in others. And this was true despite the fact that, with the return of many of the strikers, printing plants were able to catch up on delayed work. No demand for paper arose from this source because, while printing plants are well occupied in filling back orders, the volume of new business being placed is small, owing to the belief that prices have not yet been thoroughly readjusted. The agricultural situation is far from bright. The recent excessively hot weather and the resultant drought have worked havoc with the fruits and certain other crops, especially in New Jersey and Delaware, and the total yield is expected to be small.

The accompanying table, which is a compilation of 496 replies to a questionnaire on labor conditions, gives a fair picture of industrial activity in this district. It will be seen that the total number of men on the payrolls of the reporting firms on June 30 of this year was 29.9 per cent less than the number employed on the same date of 1920, and 6.7 per cent less than the number on January 1 of this year, a time when

TABULATED STATISTICS ON EMPLOYMENT CONDITIONS IN THE THIRD FEDERAL RESERVE DISTRICT

Table no. 1 As obtained from 496 questionnaires

INDUSTRY	Number of firms reporting	Number of employees Jan. 1, 1920	Number of employees June 30 1920	Percentage of increase or decrease in number of employees for June 30, 1920, compared with Jan. 1, 1920	Number of employees Jan. 1, 1921	Percentage of increase or decrease in number of employees for Jan. 1, 1921, as compared with Jan. 1, 1920	June 30, 1920	Number of employees June 30, 1921	Percentage of increase or decrease in number of employees on June 30, 1921, as compared with Jan. 1, 1920	June 30, 1920	Jan. 1, 1921
Automobiles	5	666	668	+ .3%	599	—10.1%	—10.3%	645	— 3.2%	— 3.4%	+ 7.7%
Boxes—paper	21	1,365	1,539	+12.7%	1,024	—25.0%	—33.5%	1,154	—15.5%	—25.0%	+12.7%
Boxes—wooden	3	189	221	+16.9%	151	—20.1%	—31.7%	128	—32.3%	—42.1%	—15.2%
Brick	12	1,100	1,385	+25.9%	816	—25.8%	—41.1%	953	—13.4%	—31.2%	+16.8%
Caps and clothing	3	295	313	+ 6.1%	275	— 6.8%	—12.1%	323	+ 9.5%	+ 3.2%	+17.5%
Carpets and rugs	18	2,076	2,240	+ 7.9%	795	—61.7%	—64.5%	1,024	—50.7%	—54.3%	+28.8%
Cement	11	6,718	7,344	+ 9.3%	4,846	—27.9%	—34.0%	6,153	— 8.4%	—16.2%	+27.0%
Chemicals	4	448	453	+ 1.1%	457	+ 2.0%	+ .9%	417	— 6.9%	— 7.9%	— 8.8%
Coal	11	6,046	5,626	— 6.9%	6,060	+ .2%	+ 7.7%	5,327	—11.9%	— 5.3%	—12.1%
Confectionery	10	3,585	2,900	—19.1%	2,653	—26.0%	— 8.5%	2,636	—26.5%	— 9.1%	— .6%
Cotton	20	6,252	6,049	— 3.2%	4,691	—25.0%	—22.4%	6,177	— 1.2%	+ 2.1%	+31.7%
Fertilizers	5	465	488	+ 4.9%	328	—29.5%	—32.8%	350	—24.7%	—28.3%	+ 6.7%
Furniture	13	1,971	1,959	— .6%	1,288	—34.7%	—34.3%	1,290	—34.6%	—34.2%	+ .2%
Gas and electric fixtures	6	1,768	1,813	+ 2.5%	1,553	—12.2%	—14.3%	1,285	—27.3%	—29.1%	—17.3%
Glass	3	816	721	—11.6%	213	—73.9%	—70.5%	426	—47.8%	—40.9%	+100.0%
Hardware	8	1,363	1,349	— 1.0%	1,190	—12.7%	—11.8%	940	—31.0%	—30.3%	—21.0%
Hosiery	6	1,472	1,269	—13.8%	816	—44.6%	—35.7%	1,622	+10.2%	+27.8%	+98.8%
Iron and steel	60	45,392	52,924	+16.6%	34,826	—23.3%	—34.2%	24,179	—46.7%	—54.3%	—30.6%
Iron and steel products	63	23,653	23,833	+ .8%	16,062	—32.1%	—32.6%	12,660	—46.5%	—46.9%	—21.2%
Lace	3	708	742	+ 4.8%	589	—16.8%	—20.6%	749	+ 5.8%	+ .9%	+27.2%
Leather	23	4,103	3,201	—22.0%	1,547	—62.3%	—51.7%	2,632	—35.9%	—17.8%	+70.1%
Leather—shoes	20	2,536	2,401	— 5.3%	1,498	—40.9%	—37.6%	2,300	— 9.3%	— 4.2%	+53.5%
Lumber	13	1,727	1,618	— 6.3%	1,489	—13.8%	— 8.0%	1,426	—17.4%	—11.9%	— 4.2%
Paints	8	1,720	1,496	—13.0%	860	—50.0%	—42.5%	838	—51.3%	—44.0%	— 2.6%
Paper	14	2,719	2,797	+ 2.9%	2,584	— 5.0%	— 7.6%	2,714	— .2%	— 3.0%	+ 5.0%
Pottery	15	3,254	3,421	+ 5.1%	2,712	—16.7%	—20.7%	2,634	—19.1%	—23.0%	— 2.9%
Printing and publishing	17	5,062	4,576	— 9.6%	4,733	— 6.5%	+ 3.4%	3,481	—31.2%	—23.9%	—26.5%
Public utilities	16	7,979	8,839	+10.8%	8,672	+ 8.7%	— 1.9%	8,412	+ 5.4%	— 4.8%	— 3.0%
Rubber	8	3,315	3,685	+11.2%	2,125	—35.9%	—42.3%	2,148	—35.2%	—41.7%	+ 1.1%
Silk	28	13,724	12,498	— 8.9%	10,397	—24.2%	—16.8%	12,726	— 7.3%	+ 1.8%	+22.4%
Tobacco	16	4,607	5,037	+ 9.3%	6,162	+33.8%	+22.3%	4,609	+ .04%	— 8.5%	—25.2%
Underwear	9	221	186	—15.8%	189	—14.5%	+ 1.6%	171	—22.6%	— 8.1%	— 9.5%
Wool	23	4,352	3,419	—21.4%	3,075	—29.3%	—10.1%	4,426	+ 1.7%	+29.5%	+43.9%
Otherwise unclassified	1	560	498	—11.1%	540	— 3.6%	+8.4%	493	—12.0%	— 1.0%	— 8.7%
Total	496	162,	167,508	+3.3%	125,815	—22.4%	—24.9%	117,448	—27.6%	—29.9%	— 6.7%

operations were at a decidedly low ebb. An analysis of the table discloses the fact that the iron and steel, printing and publishing, and tobacco industries account for the greater proportion of this decrease. The textile groups show an increase in manufacturing activity, as measured by the number of employees. The totals, however, which disclose an increase in unemployment, are substantiated by the figures of the Pennsylvania State Department of Labor. That bureau estimated the number of unemployed in Altoona, Harrisburg, Johnstown, Philadelphia, Scranton and Williamsport, on July 15, as 204,260; on January 1, 1921, as 81,344; and on March 31, 190,265. The second table compiled from the labor questionnaire gives the time during which the men on the payrolls were actually at work, based upon detailed information given by 415 firms. It is of interest to note that the metal trades, which showed the greatest decrease

TABULATED STATISTICS ON EMPLOYMENT CONDITIONS IN THE THIRD FEDERAL RESERVE DISTRICT

As obtained from 415 questionnaires

Table no. 2 (Number of workers who were employed on June 30, 1921, divided according to hours of employment.)

TEXTILES	Full time	More than half time	Less than half time	Total	Number of firms reporting
Caps and clothing	303	20	0	323	3
Carpets and rugs	492	71	13	576	7
Cotton	5,161	767	111	6,039	18
Hosiery	1,528	53	15	1,596	4
Lace	622	119	8	749	3
Silk	12,629	83	20	12,733	25
Underwear	98	66	5	169	8
Wool	3,142	110	0	3,252	20
Totals	23,976	1,289	172	25,437	88
METALS					
Iron and steel	5,867	9,894	4,636	20,397	48
Iron and steel products	4,861	3,973	2,341	11,175	56
Automobiles	641	4	0	645	5
Hardware	638	284	14	936	7
Totals	12,007	14,155	6,991	33,153	116
BUILDING MATERIALS					
Brick	791	131	31	953	11
Cement	4,887	91	20	4,998	9
Gas and electric fixtures	1,094	161	5	1,260	5

BUILDING MATERIALS	Full time	More than half time	Less than half time	Total	Number of firms reporting
Glass	356	42	28	426	3
Lumber	1,346	6	31	1,383	12
Paints	344	34	24	402	7
Totals	8,818	465	139	9,422	47
MISCELLANEOUS					
Boxes—paper	818	192	24	1,034	17
Boxes—wooden	83	23	22	128	3
Chemicals	438	126	8	572	5
Coal	3,235	1,197	485	4,917	8
Confectionery	1,979	570	19	2,568	7
Fertilizer	215	135	0	350	5
Furniture	606	408	26	1,040	11
Leather	2,416	99	7	2,522	22
Leather—shoes	1,769	407	0	2,176	18
Pottery	687	652	1,295	2,634	15
Printing and publishing	3,023	363	95	3,481	17
Public utilities	8,274	95	43	8,412	16
Rubber	1,228	377	194	1,799	7
Tobacco	1,745	2,455	0	4,200	13
Totals	26,516	7,099	2,218	35,833	164

GRAND SUMMARY

	Full time		More than half time		Less than half time		Total	Number of firms reporting
	Number of employees	Percentage of total	Number of employees	Percentage of total	Number of employees	Percentage of total		
Textiles	23,976	94.2%	1,289	5.1%	172	.7%	25,437	88
Metals	12,007	36.2%	14,155	42.7%	6,991	21.1%	33,153	116
Building materials	8,818	93.6%	465	4.9%	139	1.5%	9,422	47
Miscellaneous	26,516	74.0%	7,099	19.8%	2,218	6.2%	35,833	164
Grand total	71,317	68.7%	23,008	22.1%	9,520	9.2%	103,845	415

in the number of workers, employed only 36.2 per cent of them at full time, 42.7 per cent at more than half-time, and 21.1 per cent at less than half-time. The textile industries were able to give full employment to 94.2 per cent of their workers, and only a fraction of one per cent were engaged at less than half-time. Labor conditions, in general, show little change since last month. The strikes in the full-fashioned hosiery and carpet and rug industries continue, and there are few signs of early settlement. Carpet and rug manufacturers report that a few of their old employees have returned to work under open shop conditions, and that the places of those who refuse to return are being slowly filled. The strike in the allied trades, which was nominally settled by the return of carpenters on July 22, was having little effect on the building situation prior to that time, owing to the general inactivity in building operations. But the strike in the hosiery industry has interfered and still is seriously interfering with production. Hosiery manufacturers, however, declare that they are determined to put into effect the 15 per cent wage reduction which caused the controversy, and that they will not operate their plants on any other basis. The situation in the printing and publishing industry was partially cleared by the abandoning of the strike by one of the two Philadelphia pressmen's unions, and by the return of the press feeders. Compositors, however, are still on strike.

Commercial failures in this Federal Reserve district, as reported by R. G. Dun and Company, continue to increase. There were 71 failures in June, with liabilities of $1,939,408, as compared with 69 in May, with liabilities of $1,516,894.

Although the actual business situation showed no improvement during July, there were political developments which should influence the business outlook favorably, the more important of these being the tabling of the Bonus Bill, the acceptance by the foreign powers of President Harding's invitation to a conference on disarmament and far Eastern problems, the definite steps which were taken to adjust the Irish difficulties, the signing of the resolution declaring peace with Germany, and the commencement of negotiations leading to the early consummation of a formal treaty between the two countries.

A study of wholesale commodity quotations shows that prices are becoming stabilized. The following table gives the index numbers compiled by Bradstreet's, Dun's, and the Bureau of Labor Statistics for the months of November, 1919 to June, 1921, inclusive:

	Bradstreet's	Dun's	Bureau of Labor Statistics
1919—Dec. 1	20.1756	244.639	230
1920—Jan. 1	20.3638	247.394	238
Feb. 1	20.8690	253.748	248
Mar. 1	20.7950	253.016	249
Apr. 1	20.7124	257.901	253
May 1	20.7341	263.332	265
June 1	19.8752	262.149	272
July 1	19.3528	260.414	269
Aug. 1	18.8273	252.288	262
Sept. 1	17.9746	248.257	250
Oct. 1	16.9094	237.341	242
Nov. 1	15.6750	227.188	225
Dec. 1	13.6263	211.628	207
1921—Jan. 1	12.6631	198.600	189
Feb. 1	12.3689	185.822	177
Mar. 1	11.8650	181.921	167
Apr. 1	11.3749	174.404	152
May 1	10.8208	166.658	154
June 1	10.6169	165.995	151
July 1	10.7284	159.833	148

It will be seen that in recent months the rate of decline has been much slower in the indexes of both Dun and the Bureau of Labor Statistics, but that the Bradstreet number of July 1 showed an increase. This is especially significant in view of the fact that, whereas the Bradstreet number showed a decline from the post-war peak, on March 1 of last year, the Dun index continued to rise until June 1, and that of the Bureau of Labor Statistics until July 1. Since the continued drop of prices has been in so large a measure responsible for business inactivity, the recent signs of stabilization are especially encouraging.

FINANCIAL CONDITIONS

DURING the month the Federal Reserve Bank of Philadelphia improved its ratio of reserves to total deposits and Federal Reserve notes in circulation, decreased its loans to member banks, and decreased the number of Federal Reserve notes in circulation. The reporting member banks of the district curtailed their borrow-

SYNOPSIS OF BUSINESS SITUATION

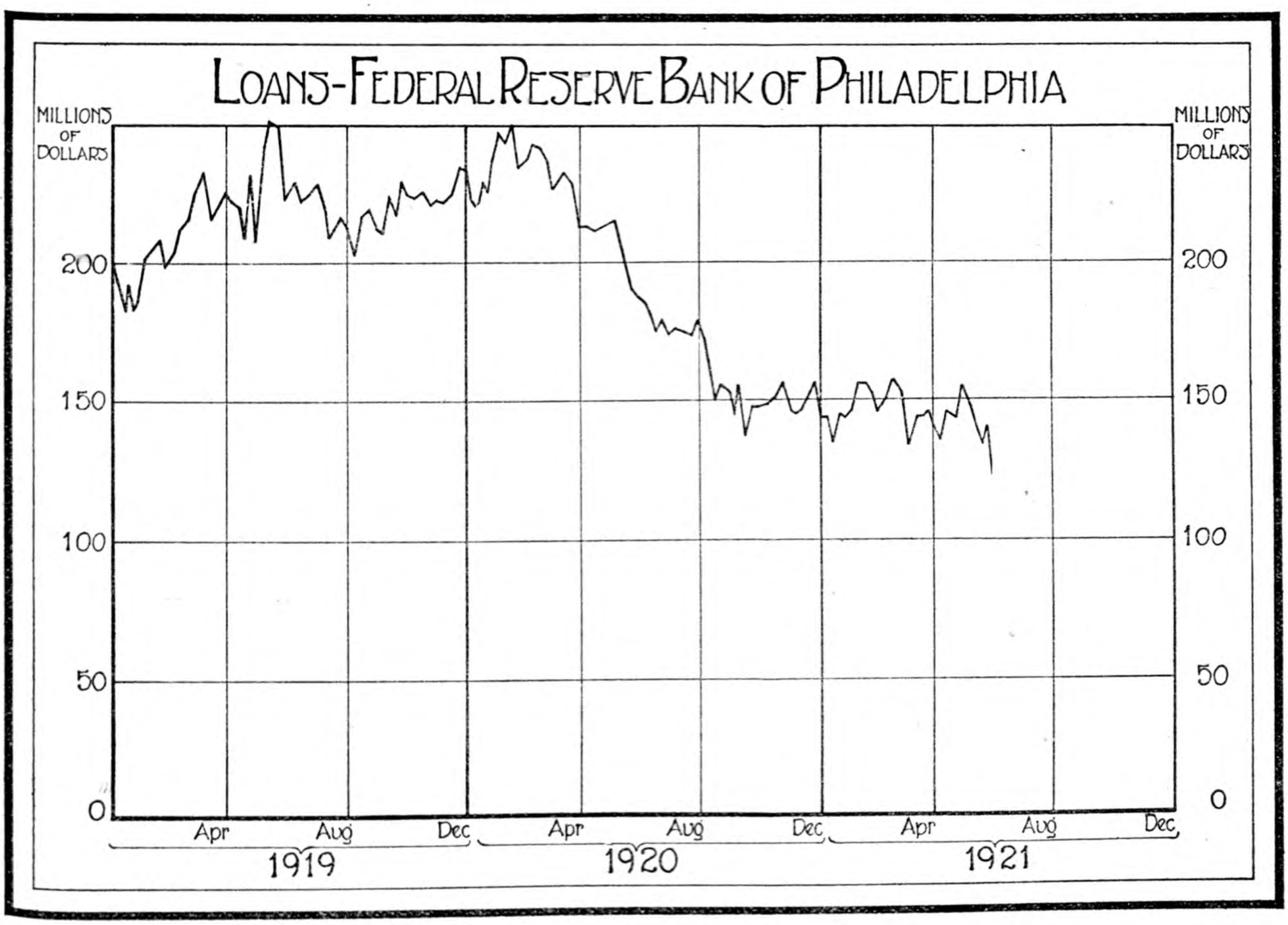
Compiled as of July 21, 1921 — Third Federal Reserve District

Business	Demand	Prices	Raw material or merchandise situation	Collections	Finished stocks
Agriculture	Good	Low but firm			Normal
Automobiles	Fair	Lower	Plentiful—lower	Fair	Sufficient
Carpets and rugs	Fair	Steady to higher	Plentiful	Fair to good	Low in Wiltons Normal in others
Cement	Good	Firm	Easily obtainable	Good	Sufficient
Coal, anthracite	Poor	Slightly higher		Fair	Accumulating
Coal, bituminous	Poor	Lower		Poor	Large
Coke	Poor	Lower	Easily obtainable	Fair	Sufficient
Cotton goods	Fair	Steady	Plentiful	Fair	Sufficient
Cotton yarns	Low	Steady	Plentiful	Fair	Sufficient
Cotton, raw	Poor	Lower	Plentiful	Fair	
Groceries	Slightly better	Lower	Easily obtainable	Fair	Sufficient
Hardware	Fair	Lower	Easily obtainable	Good	Sufficient
Hosiery, seamless, cotton " " silk	Moderate Good	Lower Firm	Abundant Sufficient	Fair Fair	Sufficient Small
Hosiery, full-fashioned	Excellent	Firm	Sufficient	Good	Scarce
Iron and steel	Poor	Lower	Easily obtainable	Fair	Sufficient
Leather, upper	Good	Firm	Sufficient	Good	Sufficient
Leather, heavy	Improved	Firm	Sufficient	Good	Abundant
Lumber	Fair	Steadier	Easily obtainable	Poor	Sufficient
Paint	Slightly less	Firm	Easily obtainable	Poor to fair	Sufficient
Paper	Small	Lower	Easily obtainable	Poor	Smaller
Paper boxes	Small	Lower	Easily obtainable	Poorer	Normal
Pottery	Fair	Steady	Easily obtainable	Poor	Sufficient
Shoes	Good	Firm	Sufficient	Good	Normal
Silk	Good	Firm	Scarce for spot delivery	Good	Normal
Sugar	Improved	Firmer	Easily obtainable	Fair	Sufficient
Tobacco and cigars	Improved	Steady	Scarce in some grades	Good	Sufficient
Underwear, heavy weight	Poor	Lower	Abundant	Fair	Sufficient
Underwear, light weight	Moderate	Steady	Abundant	Fair	Sufficient
Wool cloth	Steady	Firm	Plentiful	Fair	Sufficient
Wool yarns	Fair	Firm	Plentiful	Poor	Sufficient
Wool, raw	Poor	Steady	Plentiful	Good	

ings from the district reserve bank and reduced their outstanding loans and discounts. Collections in the district showed little improvement. Lower rates on commercial paper induced greater offerings. Bankers' acceptances, on the contrary, declined in both volume and rates in comparison with the preceding month.

In the country as a whole the twelve Federal Reserve banks increased their total reserves, decreased their loans to member banks and their Federal Reserve notes in circulation, and increased their reserve ratio. In the latter part of June, one of the banks whose rate of 6½ per cent had applied to all classes of paper except that collateraled by war paper, which enjoyed a 6 per cent rate, changed to a flat 6 per cent rate for all classes; and on July 20, four banks reduced their rates for all classes of paper from 6 to 5½ per cent.

The general tendency among more than 800 reporting member banks was to reduce their loans and discounts and to curtail their borrowings from the Federal Reserve banks. Interest rates have been somewhat easier, although call rates have at times been higher. The bond market has shown an upward trend. The stock market also has moved upward, with the rails leading the industrials. The volume of new securities floated during the first six months of the year was much smaller than it was in 1920, and this is an eloquent bit of testimony as to what has happened to profits in industry. Similar testimony is furnished by the figures pertaining to business failures and banking suspensions, which are very much higher than the corresponding figures for 1920. The fiscal situation may be judged to be better by the fact that the Government intends to retire $132,000,000 of Treasury certificates outright rather than refund them, and by the fact also that operations with the sinking fund, to retire our public debt, have exceeded requirements.

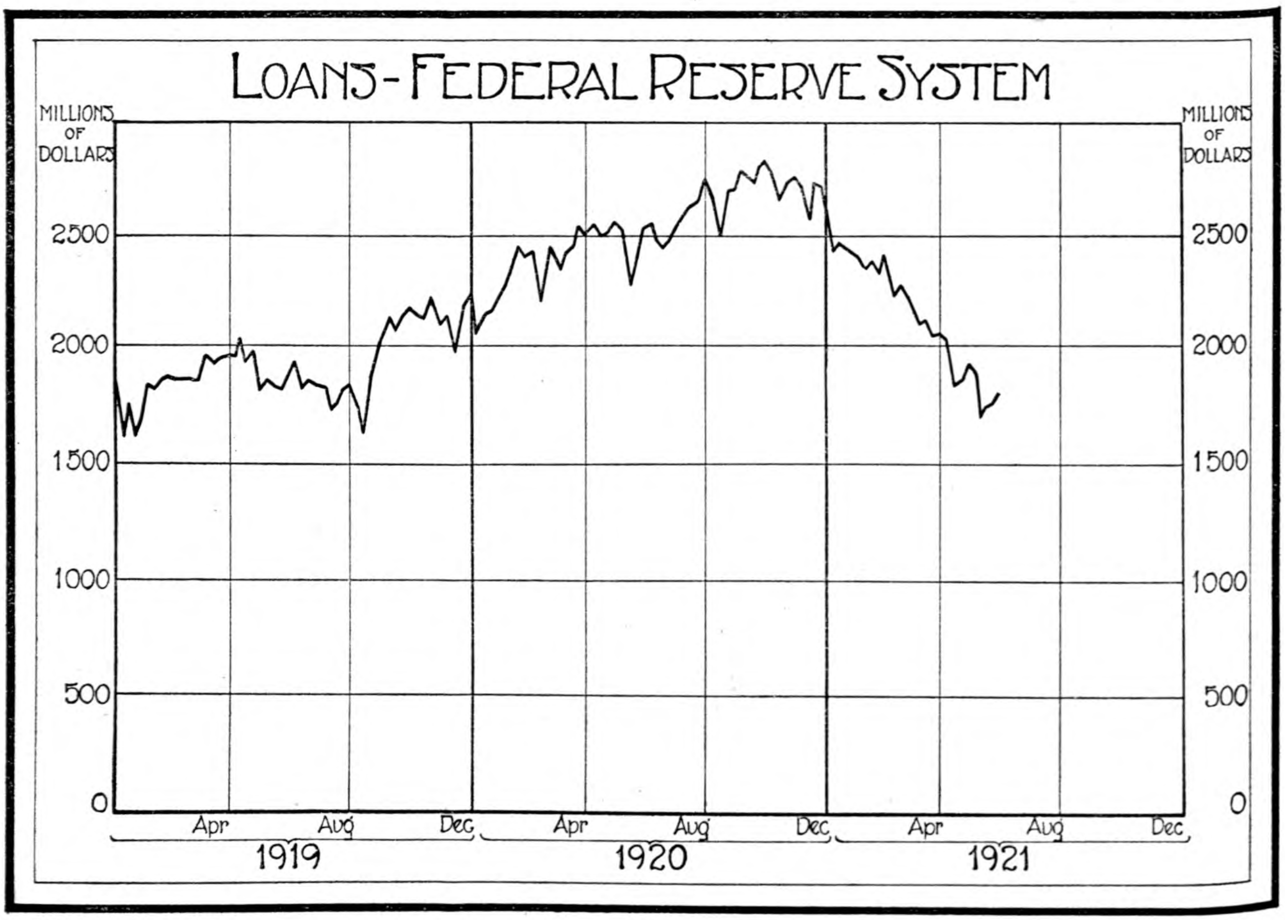


In England, too, there are unmistakable signs of easing financial conditions. The bank rate was lowered early in the month from 6½ to 6 per cent and on July 21 it was further reduced to 5½ per cent; and the Bank of England increased its reserve ratio one-quarter of one per cent. The volume of currency notes outstanding was decreased. The rate of interest on British treasury bills was lowered to 5 per cent, and market rates for commercial paper were also reduced. The stock and bond markets tended upward, the movement in bonds being more pronounced. As in this country, new security issues fell sharply, and business failures rose sharply, in comparison with 1920. Although the first quarter of the current fiscal year showed a deficit in government receipts which gave rise to a greater volume of treasury bills outstanding, it is expected that according to the provisions of the budget, this deficit will be cancelled later on.

The Bank of France slightly increased its reserves and its loans to borrowers, and decreased its notes in circulation. The failure of the Banque Industrielle de Chine, which, it is reported, the government refused to aid, might be regarded as clearing the banking situation of some deadwood and as a step in the necessary process of liquidation. The fact that the French budget for 1922, recently submitted to the French Chamber, will come within two and a half billion francs of balancing, is, comparatively speaking, a good sign. It is not all that could be desired, but it is at least an improvement over all other post-war budgets.

In Germany, the note circulation stands at the highest point yet reported. Loans to borrowers, however, have decreased somewhat, for industry is slowing down there as it is elsewhere.

Foreign exchange rates have moved downward. It is probable that this reflects a seasonal trend rather than a worse economic situation.



In the light of this review, financial conditions of the past month seem to be following the same trend and telling the same general story—with exceptions and some diverse tendencies, of course, —both in Europe and America. And conditions in this district are in alignment with the general trend. Because borrowers are gradually paying off old loans and are asking for a smaller volume of new loans, the position of the banks has gradually been growing stronger, as is reflected by their higher reserve ratios, by their increased reserve holdings, and by their declining volume of loans in comparison with their deposits. The reduction of some of its rates by the Dallas bank, whose reserve ratio is just a little above the legal minimum, indicated a desire to ease the strained credit situation in that district. In spite of the bank's low reserve position, this move was possible in view of the ease with which the bank can borrow from the stronger banks of the system. The reduction of discount rates by the Boston, New York, Philadelphia and San Francisco banks is a natural result of their increasingly strong position; these banks have for some time headed the list as to reserve strength, Boston standing first, New York second, Philadelphia fourth, and San Francisco fifth. Third place is held by Cleveland. This lowering of discount rates in districts of great financial and industrial prominence may be considered as an important step. Lower discount rates ordinarily mean lower interest rates, or at least more money available at the old rate. Lower interest rates, or more money available at the old rate, ordinarily means that those firms undergoing a process of readjustment find the strain a little relaxed, and that those in a position to continue or increase their activity can do so at a lower cost. This lowering of discount rates, easing of interest rates, and improvement in the condition of the banks are perhaps the most encouraging features of the entire situation. They are all the more so when taken in conjunction with fiscal conditions, which seem to be shaping themselves for considerable improvement in the future.

The most significant feature of all, however, is the decline in profits that is taking place. That profits are being very greatly reduced may be seen in almost any financial report that has been issued recently, as well as in the increase in business mortality, the decline in stock values, and the falling off in the issue of new securities. This decline in profits has been caused, for the most part, by high costs of production, by prices that instead of keeping in advance of costs ceased to rise and finally fell, thus wiping out the margin between cost and selling price, and by a shrinking volume of trade. The high costs of production were due mainly to high prices of materials, high wages, high overhead charges, and high cost of money. Insofar as high costs still obtain they are due to the same causes in varying degrees of importance. It is true that in certain industries wages and prices of materials have declined substantially, and that in some localities interest rates and perhaps even overhead charges are lower. But still there are important instances of wages being maintained at a high level by wage agreements, important instances of high prices of materials, of overhead charges fixed at high figures by contract, and finally, of high interest rates on large amounts of capital borrowed when the boom was at its height. Because of this lagging tendency of overhead charges, wages, and interest rates to undergo adjustment, costs of production have not kept pace with the declines in volume of trade and selling prices, and the result has been that profits were, and are, being drastically cut down. As security values are based largely on earning power, investors have been revising their estimates of security values. The direction of this revision was downward, as was shown by the decided slump in the market last month. Since then, prices reacted and have fluctuated on a little higher level, indicating either: (1) influence of easier money; or, (2) reaction from a downward revision of values more severe than was warranted; (3) an increasingly bright future outlook as to profits; or (4) a combination of them. It is significant to note, however, that, both on the slump and on the recent reaction, those securities of proven earning power have fared best. Promoters and others have not been as much attracted by prospects of making profits in business as they were last year, as is evidenced by the decline in the volume of new securities offered. Thus it will be seen that the inability to produce at low costs and to sell at low prices with a profit, is one of the chief factors of the present industrial situation, and one that must be solved before any substantial recovery is possible. It is for this reason chiefly that our foreign trade question is of such grave concern.

Present industrial conditions will not be remedied by readjusting some elements of our industrial organization and leaving others unadjusted. Finance, of course, is only one of the elements of that organization; but it is the one which seems to have shown the most improvement and to be more nearly in a position to resume normal operations. Moreover, the lower prices are, the easier it is to finance a given volume of business. It is safe to assume, then, that when prices reach, or approach, the bottom, the banks ought to be able easily to finance any revival in business.

Savings Deposits

A further decrease in deposits during June was reported by 24 savings banks in this district. The figures are: July 1, 1921—$305,514,366; June 1, 1921—$306,931,038; July 1, 1920—$291,799,640. This was the fourth consecutive month of this decline, the fall from the peak of March 1 being $4,487,000, or 1.5 per cent. During the first three months deposits declined both in the Philadelphia and outside banks, but in June there was a slight increase outside of Philadelphia which was counterbalanced by a larger decrease in that city.

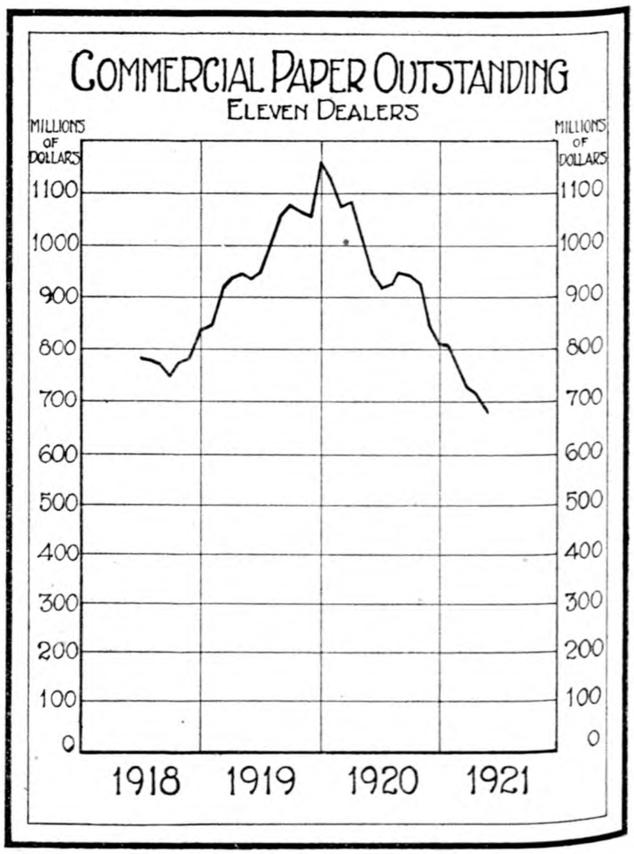
	In Philadelphia	Outside Philadelphia	Totals
1921—July 1.....	$252,716,953	$52,797,413	$305,514,366
June 1.....	254,169,801	52,761,237	306,931,038
May 1.....	255,317,181	52,902,375	308,219,556
April 1.....	256,335,641	53,066,733	309,402,374
March 1.....	256,901,359	53,100,429	310,001,788
1920—July 1.....	241,623,135	50,176,505	291,799,640

Commercial Paper

Sales of commercial paper in this district show an increase over last month. Since the beginning of July there has been a larger amount of money available for purchases of this kind, according to the dealers, not so apparent in Philadelphia as in the outlying cities and towns.

Lower money rates and better business in some lines have brought a number of names into the market in the past few weeks that have not been offered for some time past, materially increasing the volume of paper offered. The accompanying chart of the commercial paper outstandings of eleven dealers was prepared from data furnished by the Federal Reserve Bank of New York. This chart covers a period from July 31, 1918, to the end of June, 1921. The peak of the outstandings was reached on January 31, 1920, with a total of $1,157,000,000. From that point there was an almost steady decline to $684,000,000 at the end of June, or 41 per cent.

Recent offering sheets of the dealers contain a large number of names of firms handling or manufacturing shoes, groceries, dry goods, leather and meat products, as well as retail merchandising concerns. Names that have sold at 6 per cent are increasing, but the recent sales generally average 6¼ and 6½ per cent.



Bankers' Acceptances

A further decline during June in the sale of bankers' acceptances has been reported by dealers. Five dealers had sales totaling $6,355,000 in June, as compared with $13,185,000 in May, a decrease of 53 per cent. As a result of the decline in foreign trade, the volume of prime bankers' bills is not large, and demand is in excess of supply. Import and export transactions in sugar, cotton, wool, silk, and grain are the principal sources of acceptances lately. Twelve member banks in this Reserve district show a smaller amount of their own acceptances outstanding on July 10 than on June 10, although they report a small increase in the amount executed during the last month. Comparative figures for these banks are given below:

	Executed during preceding month	Outstanding on date given
1921—March 10	$5,325,000	$14,127,000
April 10	4,558,000	13,234,000
May 10	5,611,000	12,892,000
June 10	2,795,000	10,798,000
July 10	3,121,000	9,286,000

National banks were empowered to accept by the Federal Reserve Act, but did not make active use of this privilege until 1916 and 1917. Data which appear in the Comptroller's call reports, though not very recent, show the trend clearly. The highest amount of acceptances outstanding on any call date thus far was $438,430,000 on May 4, 1920. The decline since that time has been steady—$431,198,000 on June 30, 1920; $375,416,000 on December 29, 1920; $345,644,000 on February 21, 1921; and $287,177,000 on April 28, 1921.

Selling rates declined further during the month, in keeping with the general lowering of money rates Comparative rates for eligible members' bills follow:

Maturity	July	June	May	April
30 days	5⅛–¼%	5½–⅝%	5½–⅝%	5½–⅝%
60 days	5⅛–¼%	5½–⅝%	5⅝–¾%	5½–¾%
90 days	5¼–⅜%	5½–⅝%	5⅝–⅞%	5⅝–¾%
6 months	5⅜–½%	5¾–6 %	....	....

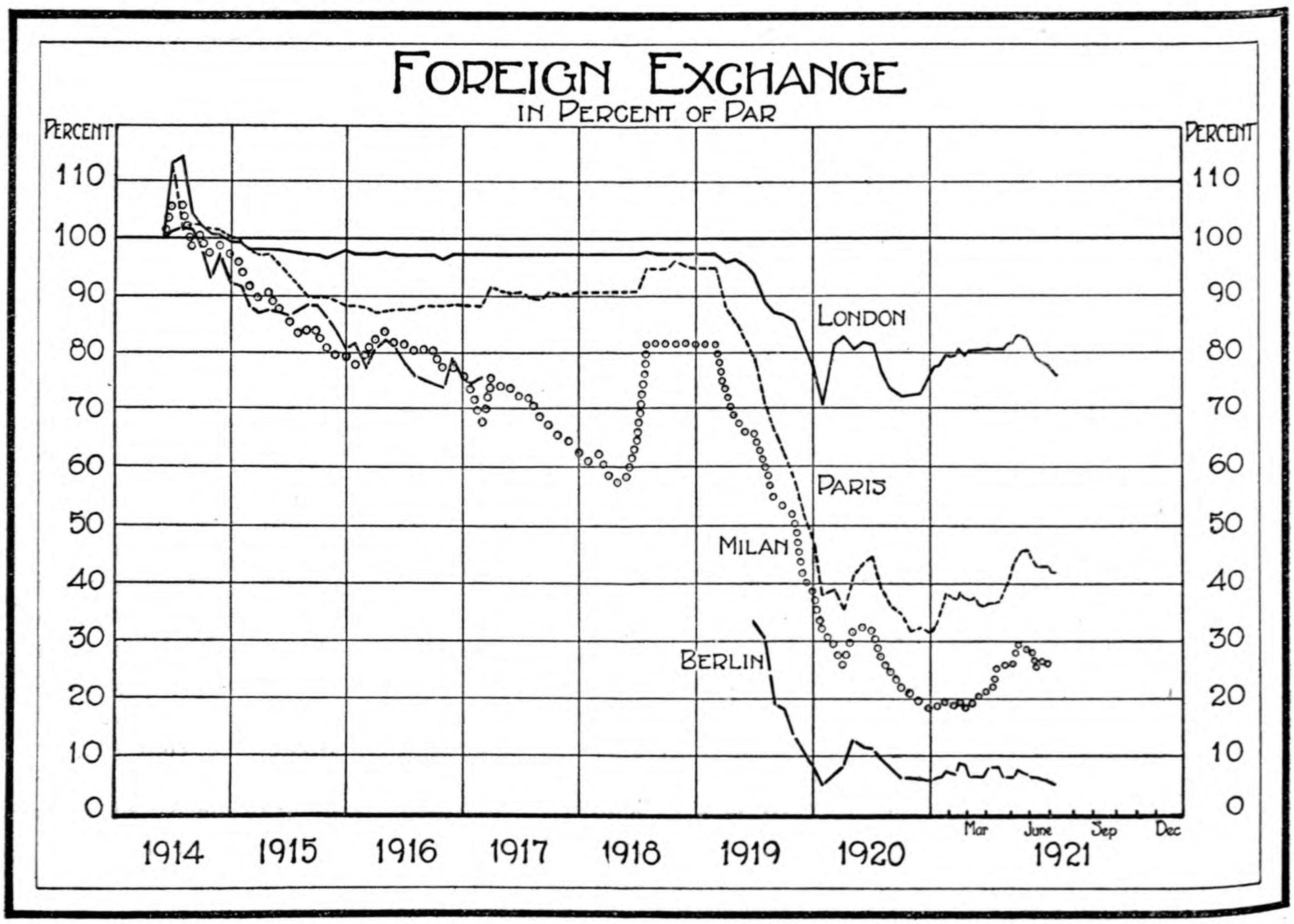
FOREIGN EXCHANGE

THE past few weeks have witnessed violent and, in many cases, perplexing fluctuations in foreign exchange rates. Although many partial recoveries have been recorded, the general trend of practically all foreign currencies has been toward lower levels since the high quotations recorded last May. This tendency has been especially marked in the case of European rates, sterling, guilders and lire leading the reaction. Pounds sterling were quoted on July 25 at $3.57 as compared with $4.00 on May 20, the high point of the year. This was a net loss of 10.8 per cent. Guilders dropped from 36.30 cents on May 14 to 31.11 cents on July 25, a decline of 14.3 per cent. The changes in Scandinavian rates have been equally pronounced, Swedish and Norwegian crowns falling respectively from 23.80 cents and 16.10 cents on May 20 to 20.35 cents and 12.96 cents on July 25. Marks and pesetas have also declined, but the latter rate fell much less violently than the other Continental currencies. Marks fell from 1.84 cents on May 13 to 1.27 on July 25, a net loss of .57 cents or 31 per cent. Pesetas lost only 1.23 cents during the same period, declining from 14.01 on May 2 to 12.78 on July 25.

The factors that affect foreign exchange rates are so many and various that the reasons for the recent erratic fluctuations are rather obscure, especially since bankers report only a small volume of bills coming on to the market. It is probable, however, that the negotiations leading to the fixing of the German indemnity and the subsequent payment of a portion of this sum in dollar exchange had a considerable influence upon the exchange market. European allied rates rose steadily during the first part of the year and reached their high quotations in the latter part of May, immediately preceding the initial payment on the reparations account. Immediately following this payment the dollar rose steadily in value, and this is attributed to the fact that the first payment was required to be made in dollars, which necessitated large purchases of dollar credits for German account through Holland and England.

The accompanying chart shows the bewildering fluctuations which have characterized the German, French, Italian and English rates during the past two years and, in fact, since the declaration of war nearly seven years ago. Although only the rates on currencies of the principal belligerents are given, the fluctuations in other foreign currencies have been equally erratic. It will be seen that, although these currencies have depreciated almost continuously during, and subsequent to, the war, the depreciation has been most severe during 1920 and 1921. The war demands of the belligerents upon the United States, together with the depreciation of their currencies and the termination of international gold shipments, led to an almost immediate decline in the dollar value of their currencies. Without the stabilization afforded by gold shipments, these currencies fluctuated widely and to the detriment of international trade. The British Government immediately took steps to correct this condition by "pegging" the rate of exchange between England, France and the United States. This was accomplished by establishing dollar credits in this country for the purchase of a sufficient amount of the current offerings to keep the rates approximately stabilized. This method, which was later practiced by the Italian Government, was successful in steadying the rates at what was known as the "war par." During this period—from October, 1915, to April, 1919—the British and French rates fluctuated only moderately, remaining at discounts of 2 and 10 per cent respectively from the gold par of exchange. Likewise, the Italian rate was stabilized at a discount of 18 per cent, from August, 1918, to April, 1919. Quotations on Berlin were, of course, discontinued from the time we entered the war until April, 1919.

During the latter month, however, the Allied Governments removed this artificial support and



these rates plunged rapidly during the ensuing few months to levels very close to those prevailing at the present time. Although fluctuations during the last two years have been quite violent, being unrestrained by artificial influences, they have been seasonal in their character, as is indicated by the fact that the rise during the summer of 1920, and the subsequent reaction have been virtually duplicated during the present year. These fluctuations are no doubt partly due to changes in trade and financial balances between these countries, but it is doubtful if the extreme and continuous depreciation is entirely attributable to these causes.

The United States is practically the only country in the world today which is actually on a gold basis. Hence the value of any foreign currency quoted in dollars represents the actual gold value of the currency in question on the date of the transaction. Evidence of this is seen in the fact that the price of gold on the London market on any day is fixed by the rate of dollar exchange on that day. Consequently the dollar exchange rate is a reflection of the gold values of foreign currencies and therefore an indication of the currency inflation which has taken place abroad. It is interesting in this connection to compare the exchange rates between these countries and the United States with the relative commodity prices in these various countries and n the United States. The foregoing table shows the index numbers for May for the countries whose rates are shown in the chart, compared with the average exchange rates quoted during the month.

	Index numbers	Ratio to U S. index number	Average exchange rate in per cent of par
England	191	79.0	81.4
France	328	46.0	44.0
Italy	547	27.6	27.2
Germany	1429	10.6	5.3
United States	151	....	....

The second column was obtained by dividing the United States index number, which is a gold price index number, by each of the other index numbers in turn. This quotient thus represents approximately the commodity value of the dollar in each of the countries listed, or the "purchasing power parity" between the United States and these countries. A comparison of this purchasing power parity with the exchange rates for the past two years shows a remarkable similarity between the two, which leads to the belief that the exchange rate between two countries, in the absence of the stabilizing effects of gold shipments, depends very largely upon the commodity values of the two currencies in question. In other words the rate of exchange is a reflection of the inflation, and of the decline in purchasing power, of the currency that is quoted at a discount. A return of these rates to the nominal gold par of exchange, in the absence of uncontrolled gold shipment, must be accompanied by a deflation of the currency and an elevation of the commodity purchasing power of these currencies to a level equivalent to that of the dollar In fact this depreciation, extreme as it is, is not per se, prohibitive to international trade, but the violent fluctuations which have occurred during recent months make legitimate trade between countries extremely hazardous, as an expected profit on imported or exported merchandise may be turned into a loss through a change in the rate of exchange before the payment of the account. Some stabilization of rates even at the present low levels would be preferable to such violent and unpredictable fluctuations as are occurring constantly.

RETAIL TRADE

JUNE business in the retail trade as measured in dollars shows a decline, compared with June, 1920, of 7.3 per cent. Last year the sensational reduction sales were still in progress, so that the showing for this year, when it is considered that heavy reductions in prices in nearly all lines have been in progress for the entire twelvemonth, is remarkably good.

In the department stores the departments that are showing to the best advantage are those that handle merchandise which, in the minds of the buying public, has passed through a period of thorough liquidation. Fashion and the diminished purse of the buyer also play important parts in determining the volume of sales. Gloves are but slightly in vogue, and the two-piece suit has been superseded by the one-piece dress. Desire to economize has caused a large increase in home sewing, and the purchase of dress patterns has increased accordingly. For the same reason gingham has displaced silk as the leading fabric of the season.

In the agricultural and steel and iron producing sections of the district, trade is more restricted than elsewhere, because of lack of purchasing power and increase in unemployment. Two branches of business are especially affected by the shortage in houses, namely furniture and household furnishings.

During the past month particular attention has been given to special sales. The store buyers watch eagerly for opportunities to purchase merchandise at especially low prices. This when purchased is well advertised and priced sufficiently low to attract the public, with the result that a quick turnover is effected.

Stores handling merchandise of medium price, and at the same time maintaining high standards of quality, are in a rather better position than the average. In the city department stores the sections where lower priced goods are sold, are reported to be extremely busy. The number of sales in retail business in general has shown a marked increase, although it is not possible to give the exact figures. The so-called buyers' strike appears to be a thing of the past, but in all cases reported, the sales unit is smaller than it was in 1920. Buying, both by the retail trade and by the public, is marked by conservatism, the chance for an upturn in prices being considered small.

Sales of high-class jewelry, measured in dollars, are 20 per cent less than they were at this time last year. Since, however, prices are likewise 20 per cent lower, it is clear that the number of sales has not fallen off. One feature in which the jewelry business differs from the retail trade in general is that collections are poor.

RETAIL TRADE REPORT

Third Federal Reserve District — January to June, 1921

	Net sales compared to: Same month year ago	Net sales compared to: Cumulative period (Jan. 1 to end of month named) year ago	Stocks end of month compared to: Same month year ago	Stocks end of month compared to: Previous month	Stocks to sales Cumulative period (Jan. 1 to end of month named)	Outstanding orders to total purchases 1920
Firms in Philadelphia:						
January	+2.9%	+2.9%	— .8%	—13.8%	281.8%	4.4%
February	+3.4%	+4.4%	—11.6%	+ 4.2%	314.3%	7.9%
March	+ .9%	+2.0%	—20.4%	+ 5.4%	330.5%	7.6%
April	—2.5%	+1.8%	—20.5%	+ 1.4%	313.5%	8.6%
May	—8.8%	—1.9%	—17.0%	— .5%	314.2%	7.5%
June	—9.5%	—3.3%	—11.9%	— .9%	311.9%	8.2%
Firms outside Philadelphia:						
January	+3.2%	+3.2%	—10.7%	— 7.4%	479.2%	4.8%
February	+4.7%	+1.6%	—12.4%	+ 9.4%	508.6%	6.1%
March	+4.6%	+2.1%	—14.3%	+ 7.3%	465.8%	6.1%
April	+5.8%	+3.7%	—13.0%	+ .8%	426.4%	4.9%
May	—4.8%	+ .7%	— 8.2%	+ 2.7%	447.7%	5.0%
June	— .8%	+1.9%	—12.9%	— 4.6%	432.3%	5.4%
All reporting firms:						
January	+3.0%	+3.0%	— 4.5%	—11.5%	357.5%	4.5%
February	+3.7%	+3.6%	—11.8%	+ 5.5%	365.6%	7.4%
March	+1.8%	+2.0%	—19.0%	+ 5.9%	361.9%	7.3%
April	— .4%	+2.3%	—18.7%	+ 1.3%	340.4%	7.8%
May	—7.8%	—1.2%	—14.9%	+ .2%	346.1%	7.0%
June	—7.3%	—1.9%	—12.1%	— 1.7%	341.0%	7.5%

IRON AND STEEL

PROFOUND stagnation still prevails in the iron and steel industry, in spite of substantial price reductions recently announced by the leading producers. On July 5, one of the larger independents published a new scale of prices for standard products, and this action was duplicated a few days later by all the leading independent companies and by the Steel Corporation. Some such formal action had been expected, as the schedule of prices announced April 13 had been frequently shaded by both the independents and the Corporation subsidiaries during the past few months. That this new level is in no sense a "stabilization" of prices is evidenced by the fact that even the new prices have recently been shaded by some of the smaller companies.

The following table, showing present prices (as quoted in the Iron Age) of standard products compared with those of last year, is indicative of the extent of liquidation which has taken place in these materials:

	July 12, 1921	July 13, 1920	Per cent decline
No. 2 X Philadelphia pig iron..	$25.50	$48.15	47.1
No. 2 Valley furnace pig iron..	20.50	45.00	54.5
Basic Valley furnace pig iron..	19.20	46.00	57.5
Bessemer Pittsburgh pig iron..	22.96	47.40	51.6
Bessemer billets, Pittsburgh...	33.00	60.00	45.0
Open hearth billets, Philadelphia	38.74	69.10	43.9
Wire rods, Pittsburgh	43.00	75.00	42.6
Iron bars, Philadelphia	.0215	.0475	54.6
Steel bars, New York.........	.0228	.0402	43.3
Beams, New York	.0238	.0327	27.2
Wire nails, Pittsburgh	.0275	.04	31.2
Plain wire, Pittsburgh	.025	.035	28.6

Although these prices are from 30 to 60 per cent below those of last year and are even greater reductions from the highest point reached for steel products in 1917, they are still 40 to 50 per cent above the pre-war average.

The fact that the new price level failed to stimulate additional business shows clearly that the price factor does not dominate the situation, but that consumers simply have no present need of these materials. Demand for nearly all lines is practically extinct, but some firms report a few inquiries from automobile and oil-tank manufacturers. Consumers' stocks have been steadily decreasing during the past months, and no attempt is being made to replenish them. Although the trade believes the present prices to be as low as production costs permit, consumers do not seem to fear advancing prices and hence are buying only as their needs render it necessary. In spite of the present apathy in the trade, the ruinous competition and price cutting which prevailed in previous years are not now in evidence. The prosperous war years enabled most of the larger manufacturers to entrench themselves strongly financially, and the present policy seems to be to shut down their plants or curtail operations rather than attempt to force their goods upon the market irrespective of price. Although a few exceptions to this practice are found among the smaller companies, it seems to be the policy generally followed by the larger producers.

Hence, present production is at a rate not more than sufficient to meet current demands and manufacturers' stocks, although very small, are not accumulating, except where the operation of the by-product ovens makes it profitable to consume the coke produced by manufacturing pig iron. Many firms report that their plants are entirely closed down, but the average production throughout the district is probably slightly over 20 per cent. Production figures for the month of June indicate that the industry as a whole is not operating at more than one-fifth of capacity at the present time. Pig iron production during June registered another sharp decline from the previous month, the total output being 1,064, 833 tons, or 35,494 tons per day, as compared with 1,221,221 tons, or 39,394 tons per day, in May. This is the lowest daily average production recorded since January, 1908, when production declined to 33,918 tons per day, following the panic of 1907. This did not reflect as serious a condition as the present, however, for the total capacity of the country was not more than half what it is now. June witnessed a net decline of 14 in active blast furnaces, leaving a total of 76 furnaces in blast on July 1, as compared with 319 in blast nine months ago.

Unfilled orders of the U. S. Steel Corporation again declined, the total reported on June 30 being 5,117,868 tons, a decline of 364,619 tons from the total of 5,482,487 tons reported on May 31. This figure represents the eleventh consecutive monthly decrease from the high total of 11,118,468 tons reported on July 31, 1920.

Steel ingot production underwent a similar decline, the total output for June reported by the American Iron and Steel Institute being 1,003,406 tons, a decline of 262,444 tons from May's total of 1,265,850. Production reports clearly indicate that the iron and steel industry is at the lowest level in its history, when present activities are compared with actual capacity.

Declining prices and curtailment of operations have been accompanied by increasing unemployment and further wage reductions. All of the large independents announced wage cuts of 10 to 15 per cent when the new price level was announced, and the Steel Corporation abrogated the overtime pay for the ten hour and twelve hour day, a change that amounted to a virtual wage reduction of about 10 per cent.

Manufacturers of machinery and machine tools report a similar dearth of demand, many letters stating that the present readjustment is the most severe ever experienced by the industry. Wages, prices, and production have shown a like tendency to go lower, but manufacturers' stocks at present probably are more plentiful than are those of iron and steel manufacturers. The industry is awaiting patiently the revival of demands from the railroads, which is expected to follow improvement in their financial position.

Manufacturers of chains, wire and similar products report a greater activity than exists in iron and steel, but operations and production in general average less than 50 per cent of normal.

Credit conditions in the iron and steel and allied industries are generally unchanged, although some firms report that a few cancellations followed the recent price reduction. Collections, as a rule, are satisfactory, but a tendency to tardiness is still noted on the part of the railroads.

AUTOMOBILES

THE wave of price cutting in the automobile business, which commenced early in May, has swept through the industry to such an extent that nearly all makes of cars and trucks have been reduced. Of the ninety large automobile manufacturers in the country, over two-thirds have lowered prices during the present year. These decreases have varied from $25 to $2,000 in amount, and from 5 to 35 per cent from the high quotations of 1920. Although the larger dollar cuts were made in the high priced cars, the more substantial percentage reductions were made in the low and medium priced cars. The average reduction throughout the industry is probably between 10 and 15 per cent.

In most cases, the response of purchasers to these changes has been satisfactory, and this is especially noteworthy in view of the marked lack of interest they showed in early spring. Even now a subsidence of this stimulated demand is noticeable, and the midsummer season bids fair to be duller than usual. That greater economy in purchasing is being experienced is evidenced by the relatively better demand for the lower priced cars and for used cars of all types. Motor dealers and hardware dealers report an exceptionally good demand for accessories and parts, which is a further indication that many owners are repairing and rebuilding their old cars rather than purchase new ones. The call for trucks, which, of course, is dependent upon the commercial and industrial situation, is very poor, sales averaging about 25 per cent of last year's volume. Except for the most popular make of low priced cars, which is selling in record quantities, the demand for automobiles has been from 40 per cent to 50 per cent less than that of last year.

Producers are watching the market carefully and are endeavoring to prevent accumulation of cars by holding production very close to the existing need. In fact, some producers are so cautious as to run their factories at far less than capacity even in the face of an accumulation of unfilled orders. With the exception of the Ford Company, the automobile industry as a whole has probably not averaged more than 50 per cent this year of the amount of its production during the first half of 1920, which, of course, was a record year.

In spite of curtailed output and decreased volume of sales, many of the larger companies have materially improved their financial position by writing off high priced raw materials purchased last year, and by making greater operating economies. Wages have been materially reduced, and raw materials, especially rubber and iron and steel, are obtainable at much lower prices.

COAL AND COKE

Anthracite

INCREASING dulness is becoming apparent in the anthracite market as summer advances. Although production still continues at the rate maintained during the spring months, it is evident that larger amounts of the domestic sizes are now being stored by dealers than during the early months of the year. Steam sizes continue to move but sluggishly, and practically all of the company output of these sizes is being stored at the mines. The independents, having little storage capacity, have been forced to sell their steam sizes for what they would bring in competition with bituminous.

The contrast between the situation with respect to steam sizes and that with respect to domestic is indicated by a report of the Anthracite Bureau of Information, which shows that whereas shipments of steam sizes for the first quarter of the present coal year have declined more than 750,000 tons from the total for the first quarter of the preceding coal year, shipments of domestic sizes exceed last year's figure by 1,255,000 tons. It is evident from this that domestic consumers have been laying in their winter's supply in fairly large quantities. Deliveries to New England and to the Lakes have not been great enough to account for these extra shipments, and dealers' storage capacities are hardly sufficient to accommodate such amounts of domestic sizes.

Retail prices were advanced the usual 10 cents per ton on July 1, plus an additional 15 cents per ton to pay the new state tax. Steam coals continue to be sacrificed by the independents, and recently these operators have reduced the price of their domestic sizes, which is usually a sure indication of a sluggish market.

Bituminous

The inevitable midsummer dulness in the soft coal trade has been accentuated by the gradual disappearance of the two best outlets for bituminous coal,—the Lake shipments and the export demand resulting from the British strike. The settlement of this strike and the resumption of mining in Great Britain has resulted in several cancellations of contracts placed during the shortage, and in a general lack of future orders. Many dealers still have contracts, however, and current deliveries continue at a fairly good rate. The heavy movements of coal to the Lake ports, however, are slackening considerably, and little interior demand is being felt, as much the same industrial inactivity as exists in the East seems to prevail in the Northwest. In spite of this dull market, receipts of coal at the Lake docks during the present season to June 30 have been 3,788,400 tons, as compared with receipts of only 959,000 tons during the same period of 1920. Local demand continues to be very dull. The largest orders come from railroads and public utilities, but not even these companies are placing future contracts.

The reports of the United States Geological Survey indicate that production is going on at a low rate, averaging less than 1,300,000 tons daily, which is 25 per cent less than last year's daily average. Firms in this district report declining operations, and many owners are closing their mines entirely during the summer months. Operations and output in general do not average more than 60 per cent in this district, and this inactivity has resulted in decreased employment. Many mines have released 30 to 50 per cent of their former working forces, and wages and working hours also have been reduced. Operators have frequently been able to lower wages without difficulty, occasionally even in union fields, by offering the alternative of full time employment at a smaller wage, or part time employment at the union scale. The result has been that those operators who reduced the scale of wages have been able to work at a higher rate than those adhering to the union scale. Many union miners have migrated from the highly unionized districts, where inactivity was great, and accepted the 1917 wage in non-union fields.

Collections are still rather slow in the case of the railroads.

Coke

Beehive coke production has continued its uninterrupted decline during the past month, and the daily average output for the two weeks ending July 16, as reported by the United States Geological Survey, was only 7,000 tons, as compared with a daily average of 8,000 tons for the preceding two weeks. The severity of the present readjustment is apparent from the fact that the present output is only 11.7 per cent of the daily output of 60,000 tons reported in July, 1920.

The production of by-product coke for June, as reported by the Geological Survey, was 1,540,000 tons, an amount several times as large as the production of beehive. Inasmuch as the maximum capacity of the nation's 81 plants is approximately 3,510,000 tons per month, it is apparent that the industry is operating at less than 50 per cent of the normal rate. This situation is even more distressing in view of the almost total cessation of beehive coke manufacture.

Although demand for beehive coke is constantly slackening, the by-product output is being largely consumed by blast furnaces operated in conjunction with the ovens, the pig iron being more easily stored than the coke.

Prices have changed but little, the price of $2.75 for furnace, and $4.00 for foundry coke, being quite firmly established. As in the iron and steel industry, the price factor alone does not seem to be a deterrent to purchasing; demand seems simply to be entirely lacking.

BUILDING MATERIALS

ALTHOUGH the carpenters in Philadelphia abandoned their strike and returned to work on July 22, that of other building workers continues at this writing. However, the entire building strike for some time past has not been a serious check upon building operations. The volume of construction in this district, during July, although greater than it was in June, has been so far below normal that contractors have had no difficulty in finding a suffiicient supply of labor. Labor is especially plentiful in the smaller cities and in the suburbs, and building activities are relatively greater in these districts than in the larger centers.

The following table shows the number of permits issued and the estimated cost of construction in the principal cities of the Third Federal Reserve district for the months of May and June, 1921, and for June, 1920:

Cities	June, 1921 Number	June, 1921 Estimated cost	May, 1921 Number	May, 1921 Estimated cost	June, 1920 Number	June, 1920 Estimated cost
Allentown...	68	$207,968	72	$255,450	63	$173,250
Altoona.....	184	243,947	305	172,888	96	32,917
Atlantic City	237	1,096,770	267	111,674	81	71,100
Camden	114	183,507	86	166,908	97	139,090
Harrisburg..	45	426,395	49	223,555	48	101,625
Lancaster...	33	106,795	67	124,399	36	128,200
Philadelphia.	1,407	4,587,395	1,430	3,569,890	1,213	6,743,015
Reading	278	297,250	312	367,750	240	261,850
Scranton....	64	206,019	77	131,545	84	87,160
Trenton	134	149,731	145	645,631	162	430,453
Wilkes Barre	77	94,975	95	140,318	76	52,124
Williamsport	36	63,945	54	89,414	9	14,010
Wilmington..	84	172,640	94	146,481	135	336,602
York	113	38,302	134	98,889	74	172,872
Totals....	2,874	$7,875,639	3,187	$6,244,792	2,414	$8,742,268

It will be seen that the June figures show an increase in the number of permits issued as compared with the same month of 1920, in spite of a considerable decrease in the estimated cost of construction. Although this is partly a result of decreased building costs, it is probably more largely due to the fact that a relatively greater proportion of the total building permits issued during June were for the construction of houses, garages and other small structures and for repairs and alterations involving a moderate expenditure. A comparison of the totals of the numbers and estimated costs of permits for the cities for the first six months of the years 1920 and 1921 gives even more striking support to this view. During the six months ending June 30, 1921, a total of 14,895 permits were issued, representing estimated construction costs of $30,768,876, as compared with a total of 13,134 permits and an estimated cost of $57,869,113 during the corresponding period of 1920. Although these figures are in no sense accurate records of construction completed, they serve to give an approximate indication of the building situation in this district.

In spite of the continued high rents and shortage of houses, construction demands seem to await lower freight rates and lower labor costs. Present building costs are between 70 and 75 per cent above those of 1914, and the major portion of this increase is attributable to increased freight rates on building materials and to higher wages. The expectation by builders that these costs will early be reduced, accounts for their hesitancy in expending large sums in an investment of such a permanent nature as a building. A reawakening of demand must result, it is believed, as soon as building costs are approximately stabilized, even if the point of stabilization be considerably above pre-war levels.

Lumber

No increase has occurred in the demand for lumber within the past month, and buying is still limited to small orders for immediate needs. The present business in lumber in this district is only from 50 to 60 per cent of normal, and improvement is not expected at this time of the year. The finer grades of hardwood seem to be more in demand than other lumber. This lack of demand for cheaper grades, as well as local competition, high freight rates and low prices make it unprofitable for firms operating Southern mills to ship these grades to local markets. Freight rates are indeed a dominant factor in the whole lumber situation and are such as to leave on many grades little or no margin of profit.

Some reductions in prices on Douglas fir and yellow pine occurred toward the end of June. Definite quotations on lumber are difficult to secure, as there is a considerable range of prices on each particular grade; but the general level is from 30 to 50 per cent below that of last year. Prices have been steadier recently than they were a few months ago, when the decline was rapid and when many firms were of the opinion that the bottom had been reached.

Stocks have been fairly large, but some dealers, because of the small demand, have permitted their supplies of certain grades to become somewhat depleted. The continued operation of mills sometimes even at a loss, caused stocks to accumulate for a time, but recently more mills have closed down, either because of lack of orders or of the custom of closing over the Fourth of July, and stocks are now diminishing.

Some small firms report difficulty in securing adequate credit accommodations, particularly for extension of business. Collections are still poor.

Paint

The paint market is now in the midst of the period of summer inactivity, which this season is being felt by the trade to a greater extent than for the past few years. Some houses report a volume of sales in June greater than in May, but demand in July has fallen off. The greater part of present business is being furnished by the retail trade, as the use of paint by individuals this year has been extensive. The corporation demand is small, and the firms supplying this trade are doing little business. A corporation that would formerly order one car each of several kinds of paint, now orders one car only, to consist of different grades.

Stocks on hand are normal, and though activities are reduced in some cases, they are being maintained at full capacity in others, depending upon the character of the trade supplied. Manufacturers usually continue operating through July and August in order to accumulate stocks to meet the fall demand. Labor is fairly easy to secure, except that skilled workers are inclined to strike if wages are lowered. Few wage reductions, however, have been made.

Prices remain steady at a level 25 per cent below that of last year. There is some anticipation of a further decline, but no actual cuts have been announced. White lead is quoted at 13 cents as against 15½ cents last July. The prices for most raw materials are low, particularly of thinners. Linseed oil, however, has recently gone somewhat higher.

Collections are reported variously as being poor to fair.

Cement

This time last year the cement industry was operating on a reduced basis, owing to difficulty in procuring coal. Shipments of orders could not be made on time because of the car shortage; and because more business was offered than could be handled, prices in many cases were not even quoted. Under such circumstances, much unfilled business was carried over from the first half of the year to the second, with the result that an abnormally large number of sales were made between June and January 1st. This year, production and shipments during June and during the first six months of the year have exceeded those of the same periods in 1920. Stocks are smaller, but are sufficient to care for the demand. And as there is no transportation trouble, orders are being handled promptly. Many firms report that demand has been falling off in July, and in general, business is not expected to equal the record of last year. Operations are still large, many plants running at capacity.

Raw materials are in ample supply and are easily obtainable at lower prices. As most companies have their own raw material quarries, the chief article they must buy is gas slack coal. For 17 years the price of this ranged from 30 to 50 cents per ton at the mines, and the freight amounted to $2. At present, the lowest price quoted is $1.40 per ton, and the freight rate is $3.57, making the delivered price $4.97, as against $2.50 formerly. Thus the present cost of coal is double what it was in 1914, although there has been a reduction in the past year. But even so, it is considered by some that cement manufacturers are paying the operator less for fuel than it costs him to mine it. Wages in the cement industry have been reduced 20 per cent, but are still nearly twice as high as they were in 1914. It has been estimated that coal and wages account for 75 per cent of the cost of cement.

Prices are 20 per cent below those of last year. The present price is $2.00 per barrel, as compared with the nominal quotation of $2.50 in July, 1920. No change has occurred within the past month; in fact, the present figure has been quoted, in some cases, since March.

Collections have been holding up well and are considered good.

Hardware

Hardware dealers in this district report that no improvement has been felt in their business since last month, but that dulness which has prevailed in the trade for some time has been accentuated by the usual summer slackening. Sales values average from 20 to 30 per cent below those of last year, but owing to general price reductions the volume of deliveries is about the same. The strenuous competition which has characterized the trade recently continues to depress prices, and a few dealers have announced further reductions of from 5 to 10 per cent during the past month. Prices now average about 30 per cent below the highest quotations of 1920.

Most dealers have plentiful stocks, and manufacturers frequently report an accumulation, as in many instances they are operating, not in response to urgent demand, but merely to keep their organizations intact. Raw materials, especially steel products, are plentiful and for several months now have shown a tendency to fall in price.

Wage reductions by hardware manufacturers have been rather general, and so severe has competition been in the wholesale trade that several companies have made similar readjustments in salaries.

The accompanying table is an indication of sales and credit conditions in the trade during June as reported by dealers in this district:

WHOLESALE HARDWARE TRADE

	June 1921 compared to May 1921	June 1921 compared to June 1920
Net sales during month	+1.2%	—33.4%
Accounts outstanding at end of month	— .5%	—28.2%

Ratio of accounts outstanding to sales:

June, 1921	167.5%
May, 1921	169.4%
April, 1921	155.2%
March, 1921	172.2%
Feb., 1921	213.3%
Jan., 1921	193.2%

POTTERY

CHANGES in the demand for pottery within the last month have occurred only in sporadic instances. Some firms report more business, others less. A falling off in sales usually occurs in July and August, and in some instances this can already be noticed. It is quite uniformly agreed that the present demand is only 50 per cent of that of last summer. Operations vary with individual firms. Some have closed down for the summer; others are running at from 20 to 50 per cent of capacity and one is running on full time, owing to the steady demand for its special product. Stocks are entirely adequate to care for present business, and in some cases are quite heavy.

Prices have, in general, not changed materially within the past month; they are still approximately 20 per cent less than last year. A few further reductions are reported, and frequently where prices have not been lowered, special concessions are granted. One firm states that the average price for its products was $9.61 in July, 1920, $8.00 last month, and $7.50 now. Raw materials are becoming cheaper and can be obtained in any quantities.

Reductions are reported in the wages of unskilled labor, and in a few cases, of skilled labor. But many firms cannot reduce the wages they are paying to skilled workers because of agreements entered into in November, 1920. A conference has been requested to consider the question, but no results are to be expected for a month or two.

A few firms report that collections are fair, but the majority find them to be poor. There seems to be a tendency for jobbers to agree upon 90 days as the most satisfactory period of grace.

WOOL

Wool Cloth

THE between season period has been largely responsible for the inactivity in woolen and worsted goods during the past month. Practically all of the business for fall and winter goods has been placed, and purchasers are now mainly concerned with securing sample goods at the earliest possible date. It is anticipated that difficulties will be experienced in securing these, for the late start on production and the consequent shortness of the present season has retarded deliveries on fall merchandise to a marked extent.

Buyers are requesting an early opening of light weight lines for spring. This desire, though not approved of by manufacturers or selling agents, will probably bring about the showing of certain staple lines in the latter part of July. This would serve to establish a price basis and would be followed by the opening of fancy lines during August.

What styles of fabrics will be favored by the public next spring is still largely a matter of opinion. The increase in the demand for serges is attributed largely to satisfactory price quotations. One manufacturer finds another explanation in the scarcity of serge stocks, resulting from past inactivity in production. During the present season herringbone and pencil stripes have been the staple products, and as yet the curtailment of orders for these goods, which was expected to follow more thorough distribution, has not occurred. Indeed, one prominent retailer even predicts that the demand for them during the coming season will be greater than it has been.

In the dress goods trade, conditions are less satisfactory than in men's wear. Reasonable demand for tweeds, for fancy skirtings and for coating materials for use with fancy skirts, has resulted in small purchases, but generally speaking, the business is unsatisfactory as compared with that in men's goods. This is largely attributed to the use of cotton goods in summer wear and to the high prices still asked for desirable garments.

Wool and Worsted Yarns

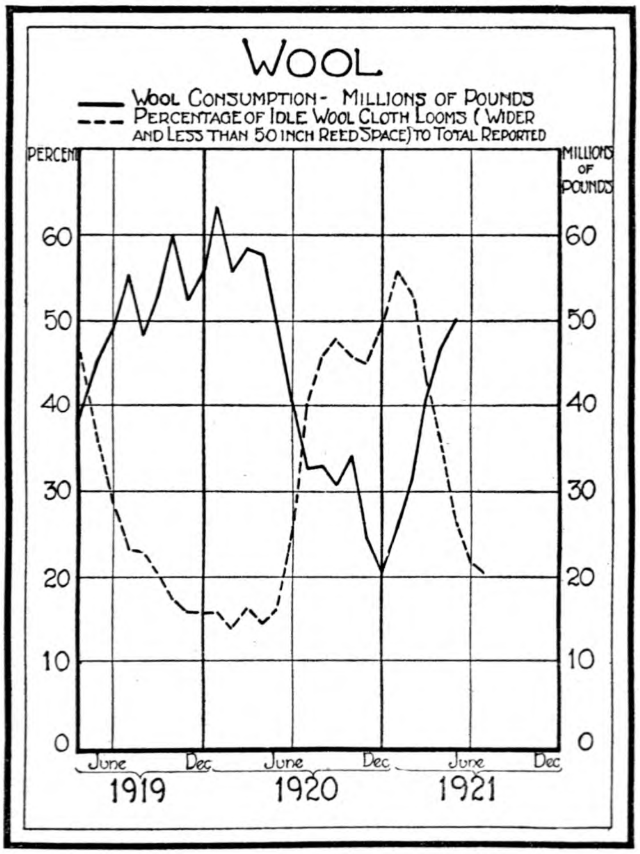
The usual seasonal dulness, slightly accentuated by general industrial inactivity, has prevailed during the past month in the woolen and worsted yarn market. Mills producing men's wear have been tolerably active, and the acceptance of duplicate orders by some firms has necessitated purchases of additional yarn. In other cases, new buyers have been forced to enter the market by the complete depletion of yarns held in stock. However, all orders have been for small quantities and are such as to show on how close a margin the manufacturer is operating.

The condition of the finer counts of yarn is considered especially satisfactory. Fall production has consumed large amounts of these, and the light weight seasons will require an even greater volume of 2-40s and 2-50s. In addition, many mills are not able to produce the finer counts. Because of the demand that has existed for finer counts, the available supply is small, and spinners who are able to produce them are well pleased with future prospects.

The knitting trade, especially that in bathing suits, has developed beyond expectations, and some operators have had difficulty in securing suitable yarns. One large producer of knitting yarns, however, considers that the market is unsatisfactory at present, and is therefore putting the larger part of his production in stock, in order to be in a better position to fill the future requirements of the trade. Business in hosiery and underwear yarns, though still dull, shows improvement over that of June Carpet and rug yarns are more active, and it is expected that the gradual return of rug looms to production will stimulate a demand that has been sluggish since the beginning of the rug weavers' strike in January.

Raw Wools

Dulness in wool textiles is reflected in the raw wool market. Buying in small amounts continues, as spinners are forced to meet immediate needs. Prices have receded slightly on the coarser grades, and advanced on half blood and better wools. Dealers are of the opinion that further recessions in the value of fine wools are doubtful, as the market is well cleaned up of desirable grades.



Buying in western markets continues, especially in Texas and Oregon. Three-eighth scombing wool has sold as high as 55 cents, scoured, although the average price is between 48 cents and 52 cents. Fine Australian wools are scarce, and values range from 90 cents to $1.00, clean. Carpet wools are gaining in strength and importations are increasing, in anticipation of the enactment of a permanent tariff law.

The foregoing chart shows the steady increase in the consumption of raw wool from 20 million pounds in December, 1920, to 50 million pounds in May, 1921. During the same time, a corresponding decrease has occurred in the percentage of idle cloth looms of all sizes to the total number reported. With the single exception of carpet looms, all other textile machinery is likewise showing increased productivity.

COTTON

Cotton Goods

THE cotton goods market displays slightly increased activity in some lines though in others it has shown no gain during the past month. Some time ago manufacturers of print cloths contended that present production costs made it impossible for them to sell at a profit. To remedy this situation they reduced output considerably, with the result that print cloths were immediately subject to an increasing demand. Prices, however, did not advance, because large accumulated stocks of print cloth were still on hand.

Summer dress goods continue to lead in the demand for cotton fabrics. Ginghams are scarce, and it is reported by one firm that premiums have been paid to secure immediate delivery. This scarcity of gingham has led to the use of coarser and cheaper materials, such as osnaburgs, suiting fabrics and chambrays, as substitutes. Novelties of all kinds are receiving attention from buyers.

The cotton goods export trade has recently been stimulated by the fact that customers who have been inactive for some time are again entering the market. The total business done is slight as compared with pre-war trade, but the recurrence of small orders from abroad points to the growing confidence of foreign merchants. The bulk of the goods sold has been 3 and 4 yard sheeting.

Competition for the limited volume of business available has become very keen throughout the cotton goods industry. As one manufacturer states, "fighting for business has been the big factor in keeping our mills running." Those in the trade who realized the importance of low prices in securing orders have been able to maintain operations at from 80 to 100 per cent capacity, although their profits are said to be small and in some cases nil. Manufacturing costs are still relatively high. Efforts to reduce wages in southern mills have thus far been unsuccessful, but it is reported that steps have been taken to bring about the arbitration of the strikers' and mill owners' differences.

Cotton Yarns

No appreciable increase in the demand for cotton yarns was noticeable during the first three weeks of July. Inquiries were few in number, and practically all were for immediate delivery. Prices have changed but little, though on carded Southern yarns they have receded from one to two cents per pound. Holders of distress stocks who were forced to liquidate have accepted even greater reductions, but these transactions cannot be considered indicative of actual market conditions. The market for combed yarns is in a better position and has fluctuated less widely. In some cases improved prices were brought about by the decision of operators to accept no offers that were below the cost of production.

Large stocks of yarn obtained at a relatively high price are still held by dealers and manufacturers, and until these yarns are consumed it is unlikely that the market will experience any great activity. The present dulness in many lines of cotton goods and the reduced operations of spinning mills have led a number of dealers to conclude that no marked improvement will be noticed for some time.

The slump in the price of raw cotton was immediately followed by a sympathetic drop in yarns. However, the settlement of British labor difficulties, with its promise of an early resumption of cotton exports and the increased interest in cotton goods which is being shown by the foreign trade, are indications of a clearing horizon and give assurance that confidence in yarn quotations will eventually be restored.

Raw Cotton

The recent less favorable crop report and advices concerning better industrial conditions abroad have been partially responsible for the increased firmness of the raw cotton market. Advances have been greatest in the spot market, although future prices have gained strength under increased buying.

Consumption of foreign and domestic cotton in American mills in May amounted to 439,884 bales, as compared with 408,883 in April, 437,933 in March, 385,563 in February, 366,270 in January, and 294,851 in December, 1920.

SILK

THE silk industry occupies a decidedly favorable position at the present time. One important firm reports a larger business for the first six months of 1921 than for any similar period in its history. Prices in the primary markets have remained firm. Canton prices are advancing as a result of the receipt of information that reelers are sold up until September. As the Italian market is also sold well in advance, purchasers in order to secure deliveries for the near future, have had to turn to Yokohama.

Recent arrivals of silk have partially eased the demand for spot silks, but there is still a shortage of certain grades, particularly of new style Canton, both in 14-16 and 20-22 sizes.

June consumption of raw silk by American mills was slightly in excess of 33,000 bales. This amount is equal to that used during the month of greatest activity in 1919. The following figures for 1921 show the gradual increase in consumption, and the decrease in the volume of raw silk in storage at the end of each month:

1921	Storage 1st of month bales	Imports bales	Total bales	Storage end of month bales	Consumption bales
Jan.	44,536	9,499	54,035	31,859	22,176
Feb.	31,859	12,794	44,653	27,928	16,525
Mar.	27,928	14,043	41,971	16,386	25,585
Apr.	16,386	32,552	48,938	20,038	28,900
May	20,038	27,712	47,750	20,541	27,209
June	20,541	28,857	49,398	15,552	33,846

Purchasers of raw silk are following a very conservative policy, in view of the increased shortage of raw silk for immediate delivery. This condition indicates that the increased imports are being more widely distributed throughout the industry instead of being concentrated in a few places. The conservative attitude of buyers is probably strengthened by recent advices from Japan to the effect that the Syndicate holdings amount to 42,000 bales. In spite of reported shortage of cocoons it is believed that liquidation of Syndicate holdings will bring quotations below the present levels, which are still considered by manufacturers to be too high.

Retail merchants have noticed a slight decrease in the demand for silk goods, and they attribute this to the competition of cotton fabrics. Woolens and worsteds have been affected to a marked degree by a tendency on the part of consumers to economize, but dealers do not expect any further curtailment of the sales of silk. Spot trading has been featured by rapidly increasing calls for silk sport skirtings. Supplies of these, however, are small and buyers report difficulty in obtaining desirable assortments.

Prices have held firm at prevailing levels for some time.

HOSIERY

FULL-FASHIONED silk hosiery is still the bright spot in the hosiery trade. Owing to the continuation of the strike in Philadelphia full-fashioned mills, the output of the country is not large enough to supply the demand. This has caused business to increase in artificial silk and mock-fashion silk lines, with the result that manufacturers of these goods also are working to capacity to fill orders. Prices on all such articles have easily been maintained and in some cases advanced.

As there is no indication of an early break in the strike, buyers are turning to Europe, especially to Germany, for a supply of goods to supplement the domestic output. It is reported that some foreign goods are now in the hands of New York jobbers for distribution to the trade.

Better grades of lisle hosiery show a slightly improved activity, and low end cotton has been moving in larger quantity, but only when concessions have been made in price. In the export trade, May was the poorest month of the year for cotton, and the best for artificial silk hosiery. Manufacturers of cotton hosiery expect that the demand will improve, but the situation is a difficult one. Buyers are continually demanding lower prices, though under present conditions lower prices are impossible unless goods are to be marketed at a loss.

OPERATIONS IN THE HOSIERY INDUSTRY

	June 1921 compared to May 1921	June 1921 compared to June 1920
Firms selling to the wholesale trade:		
Product manufactured during June	+17.3%	—48.1%
Finished product on hand June 30	— 3.1%	—68.1%
Raw materials on hand June 30	+ 6.2%	—44.2%
Orders booked during June	—42.7%	+804.0%
Unfilled orders on hand June 30	—13.4%	—11.2%
Firms selling to the retail trade:		
Product manufactured during June	+26.7%	—70.9%
Finished product on hand June 30	+10.5%	—65.6%
Raw materials on hand June 30	— 2.2%	— 5.1%
Orders booked during June	+65.0%	+283.7%
Unfilled orders on hand June 30	+40.0%	+25.2%

UNDERWEAR

DURING June a fair number of orders was received for the late spring trade in underwear, and operations were 75 per cent of capacity or better, in the case of the majority of our reporting firms. The production was in excess of that of May, 1921, but considerably below that of June, 1920. As to the size of stocks of heavy weights carried over by jobbers opinions vary greatly, but judging from the small purchases last season, it seems unlikely that there is an abnormally large supply in the hands of either jobbers or retailers. Buying for the fall trade continues to lag, and it is estimated that though the season is so far advanced, little more than one-quarter of the normal business has been placed. As production has been curtailed and is now more nearly adjusted to consumption than it has been for some months, and as the remainder of the buying season is short, there will in all likelihood be a lack of supply, such as existed in the spring season just past. Unless there is a marked increase of buying within the next few weeks, it be will impossible for manufacturers to fill orders within the season, for the output of wool and cotton ribbed underwear is particularly small, and in the opinion of some firms has amounted to not more than 15 per cent of normal since last December. At present buyers seem to be awaiting the August cotton crop report, in the conviction that this will give them information on which to shape their future policy more intelligently.

Prices are much lower than they were a year ago; in some cases almost 50 per cent lower. During the last month reductions were made by a few mills in the hope of stimulating business, but the move did not prove successful.

Owing to the lateness of the fall season, the opening of the spring season has been postponed until September 1. Last year under similar conditions several postponements were made and some manufacturers are of opinion that several will be made this year also.

CONDITIONS IN THE UNDERWEAR INDUSTRY

	June 1921 compared to May 1921	June 1921 compared to June 1920
Product manufactured during June	+13.2%	—37.7%
Finished product on hand June 30	+ .5%	+65.9%
Raw materials on hand June 30...	+49.5%	—40.7%
Orders booked during June......	+43.9%	+59.7%
Unfilled orders on hand June 30. .	—22.9%	—59.4%

CARPETS AND RUGS

THE summer period has brought on the usual seasonal dulness in the carpet and rug market. Both jobbers and retailers are still buying conservatively, but they are unanimous in the opinion that there is no menacing over-supply of floor coverings. Indications of confidence are also found in the new price list of the Alexander Smith & Sons Carpet Company, effective July 11. In this, advances of from two to three per cent from their May quotations are made on all Axminster rugs. But tapestries and velvets and the entire line of carpets remain unchanged. Other bright spots in the market are the increasing importations of carpet wool and the decrease in the number of idle carpet looms.

The production of Wilton and Brusse's rugs is still retarded by the weavers' strike, which began in January when the manufacturers announced a 25 per cent reduction in wages and the reinstatement of creeler boys. An offer of a 20 per cent reduction subsequently made to the weavers was refused, the weavers agreeing, however, to accept a 15 per cent reduction. The manufacturers despairing of success by conciliation and feeling that many weavers desired to return to their looms, announced that on June 15 the mills would resume operations on an open shop basis. In no case, however, did enough weavers return to permit of economic operation of the plants, and the manufacturers decided to train new weavers. Labor officials stated that it would take seven years to break in new weavers, but saleable patterns of plain construction were produced at the end of the seventh week.

The scarcity of Wilton and Brussels rugs has been a distinct advantage to producers of lower quality floor coverings. Axminsters have thus far received the greatest amount of benefit, but it is expected that the demand will extend to the cheaper lines when retail buying commences in the fall.

SHOES AND LEATHER

Shoes

IN THE shoe trade all efforts are now being concentrated on securing orders for the Fall season. The stocks in the hands of manufacturers, jobbers and retailers on July 1 were very materially smaller than they were at the beginning of the year, and are pretty generally in need of being replenished. Consequently manufacturers are for the most part well supplied with business, especially those making ladies', misse's and girls' shoes of high grade; and prices as a rule have been firmly maintained. On medium and low grades of women's and girls' shoes some price concessions have been made, and manufacturers of these are not so well off as regards the volume of orders placed as are those making high grade shoes. Few firms in this district manufacture men's shoes, but those that do, report an improving demand.

Styles for women have changed but little since spring, except that the ball strap is no longer demanded. Heavy stitching predominates, and single and double straps continue to be in vogue. High shoes are being ordered in smaller quantities than low shoes, but they are expected to be in stronger demand later in the season. The leathers in greatest requisition are calf and kid, especially in black and the darker shades of brown. Side and patent leathers are being cut in fair quantities, and black satin is also called for.

Labor, except in one department, is plentiful, and its increased efficiency has been an important factor in lowering costs. Some factories are obliged to send out part of their work, owing to the scarcity of skilled women workers in the fitting room.

Collections are good in all sections of the country except certain parts of the South, where losses in cotton and tobacco have seriously affected all lines of business.

Leather

Upper leathers for shoes continue to sell freely. Glazed kid, in both black and colors in the higher grades, is now sold ahead, and the demand cannot be supplied. This has caused an increased business in lower grades, with the result that the domestic demand for these leathers is now about normal and the export demand is increasing. In past years foreign trade has taken many grades which are of slow sale in this country. As stocks of glazed kid in England are now reduced to a low point, some shipments have been made to that market and recently several of the largest firms there have been inquiring for important quantities. Holland, Spain, Italy, Japan and New Foundland have also bought, so that the tanners are looking with confidence toward a steady improvement in export demand. The output of glazed kid is slowly increasing, but manufacturers as a rule are selling more than they are at present producing. An analysis of recent reports of the Department of Commerce, Bureau of the Census, shows in a very concrete way the improvement in the glazed kid business.

On March 1, 1921, there were on spot and in transit	9,798,000 goat skins
On April 1, 1921, there were on spot and in transit	8,652,000 goat skins
On May 1, 1921, there were on spot and in transit	7,740,000 goat skins
On June 1, 1921, there were on spot and in transit	8,789,000 goat skins

The increase recorded for June 1, after the previous steady decline, was due to heavy arrivals during May. These were caused by increased purchases made possible by better trade conditions. For the same periods the stocks of leather made from goat skins were as follows:

March 1 on hand	22,731,000 skins
April 1 on hand	23,888,000 skins
May 1 on hand	22,757,000 skins
June 1 on hand	22,691,000 skins

Sole leather continues in abundant supply. Sales have fallen off in July, but there has been no change of consequence in price; the high grades are moving best. Double shoulders for welting leather have sold more freely, so that some of the makers of this leather are behind on deliveries to shoe manufacturers. The lack of foreign trade is severely felt in all branches of the heavy leather business. Belting butts continue to be neglected, reflecting the general dulness in manufacturing plants throughout the country. The total number of butts on hand and in process on June 1 was 1,403,330, an increase since April 1 of 121,923. Consumption, which in April showed an improvement over previous months, fell off in May to approximately its former total, or about 43,391. It is estimated that there is a sufficient stock on hand to last, under normal conditions, for eighteen months.

Hat leather is one of the few leathers in which the manufacturer is doing a very satisfactory business. Volume and price are both to his liking. Fleshings, used almost entirely by the glove trade, are stagnant. Skivers are moving in only small volumes, and mostly in the higher grades.

Raw Skins and Hides

Calf skins have held steady at 18 cents and the business being done in them is very considerable. The fact that the market has ceased fluctuating rapidly has allowed the tanners to obtain steady supplies and to keep their product at a uniform price. Goat skins of the most desired qualities on spot or for early delivery have found a ready market, and quotations, despite some falling off in the number of purchases by tanners, continue to hold firm in the foreign shipping points. Those selections that produce a large proportion of spready and low grade skins can still be bought at the same prices as have prevailed during the past few months, which are lower than they have been for some years.

Activity in the hide market has been governed almost entirely by the course of the Fordney Tariff Bill in the House of Representatives. Early in the month dulness prevailed. But when the motion to place a duty of 15 per cent on hides was passed the market became active, large sales were made, and prices strengthened. At the present writing, however, hides have been restored to the free list and the effect of this action is still to be seen.

PAPER

ALTHOUGH some paper distributors report that sales in June exceeded those in May, the general demand for paper has shown no improvement worth noting within the past few months. Some are of the opinion that the paper trade is at the lowest point in its history. Department of Commerce figures show that during May, 1921, 1,031 machines were idle, of which 691 were inactive because of lack of orders; whereas in the same month last year only 439 machines were idle, 7 because of no orders.

There has been no improvement in the situation in this district since May. In fact, during July some additional mills have either lessened production or closed down. This, however, is partly due to seasonal dulness, as mills frequently closed during July and August before the abnormally large demand of the last few years required that production be continued throughout the year. On the other hand, it is thought by some that existing stocks of certain grades of paper are so low that it will be necessary to resume operations in order to supply the current market. The present demand is spotty, and, for particular grades, to meet immediate needs only. According to those who hold the more optimistic opinion, many of these grades are exhausted and will have to be manufactured if orders are received for them. Dealers' purchases have been small for several months and hence the supply of paper on their shelves is low. Consequently, more of the business that is being received is transmitted directly to manufacturers. These previously had felt only a small part of the demand for paper, because the dealers with their large stocks were able to handle all orders. The question then is will the mill stocks be large enough to supply demands, or will further production be necessary. Some are inclined to think that the supply is sufficient. Government figures show that stocks of all grades in mills on June 1 exceeded those of the same date for last year and that most of them were larger than they have been for the past three years. This supply was less than on May 1, as shipments during May exceeded production.

On July 6, the printing strike, which has been in existence for two months, came to an end in one of its branches. The members of the Pressmen's Union No. 4, consented to return to work, and all for whom positions were open were taken back by the employers. The other pressmen's union and the compositors are still out. The latter are needed by the trade, but for some time the shops have been able to handle all business offered. The demand for paper has been quite steady recently, as none of the printers possessed stocks of any considerable size.

Prices on most grades of paper continued to decline, but some of them are quite steady and are thought to have reached bottom. The book and fine paper markets are spotty. It has been estimated that the general level of fine paper prices is about 100 per cent above the 1914 basis. There have been recent cuts in the quotations on coarse and wrapping paper, but these failed to stimulate demand and served only to demoralize the market. Kraft was reduced from 8 cents to 6 cents, and newsprint also declined.

Raw materials are easy to get in any quantities, and prices continue to drop. The paper-stock market is particularly dull. Collections of scrap paper are small, because of the low prices paid; quotations on rags are also lower. Price cutting has been prevalent in the chemical pulp market, but a better demand has recently developed for ground wood. Many mills have anticipated reductions in raw materials and are basing quotations for finished paper upon possible lower prices in the future.

Credit accommodations are easily secured, wherever desired, and the prevailing rate of interest is 6 per cent. Collections seem to be growing worse, as they are described in most cases as being poor.

PAPER BOXES

SOME paper box manufacturers report that June was the best month of the year. Sales were greater than they were in any previous month since last fall,and in number of boxes sold, compare favorably with the volume of sales during June, 1920. In fact, one manufacturer goes so far as to say that June could be considered as a normal month. But this opinion is not held by the entire trade, and conditions are still considered generally to be far from normal. In July, the trade has been affected by the usual seasonal dulness and sales have fallen off.

In the paper box trade, a good indication of the volume of business being done is the extent of manufacturing operations, as goods are usually made only after receipt of an order for them. At present, production is variously estimated at from 35 to 60 per cent of last year's volume, the figure of 50 per cent being the one most commonly given. Although it is the general custom of the trade to make goods only on order, some manufacturers this year adopted the policy of carrying stock for certain customers, whose orders could usually be anticipated. Deliveries of these supplies have been deferred in many cases beyond the expected date, and although these stocks will, no doubt, eventually be sold, they must be carried by the manufacturer, until the customer needs them. In a few cases, however, specifications have been changed, and this has caused a loss which the box-maker has had to bear.

The market continues to be a buyer's market. No reliable quotations can be given, as prices change with each transaction. Competition is still keen, and prices are therefore computed on the lowest possible basis. The average quotations on different grades of boxes range from 30 to 50 per cent below the level of this time last year.

The raw material market is still dull and prices have reached new low levels. Box board is being offered at about $28 per ton as compared with $30 a month ago. Some manufacturers who formerly made their own board find that now they can buy it cheaper than they can make it. Board is considered to be a good investment at the present price, and at least one manufacturer is filling every available space with it. Others are prevented from following the same course by large stocks on hand, lack of storage space, or inability to secure funds to carry extra supplies. Other manufacturing costs have not changed materially. Wage reductions in the industry have been few.

GROCERIES

OUR statistical reports show an improvement in the wholesale grocery trade during June. Sales exceeded those of May by 4.7 per cent, and the ratio of accounts outstanding to net sales has fallen to 96.5 per cent. With the exception of March, which was an unusually good month in the trade, the June figures are the most favorable that have been received since the beginning of the reporting service a year ago. The volume of sales as compared with those of June, 1920, shows a decrease of 46.9 per cent; the corresponding figure in May was 43.4 per cent. This further decline is not encouraging, but it may be partially accounted for by falling prices.

The demand in July has in general been about the same as it was in June, though improvement is noticed in some lines. For a while there was considerable buying of dairy products for storage purposes. This took a fairly large supply of these commodities from the market, and caused a rise in prices which has continued, even though the storage demand has been filled. Butter rose approximately ten cents a pound during the month and is still firm. The Philadelphia market was not so strong as the others, but it followed the advance.

The canned goods situation is a subject of frequent comment by reporting firms. Canned goods have been low in price and abundant in amount. Consequently the acreage planted to truck products for canning purposes was smaller than usual. But late frosts materially damaged the fruit crops, and the recent drought has injured vegetables. Therefore a short pack of canned goods is expected this season, and a good demand is looked for next winter, above all for fruits, owing to the scarcity of fruit for home canning. As a result, the market has been fairly active this month and prices have advanced on many varieties. California fruits seem to be in particular request and are becoming difficult to secure. Especially strong is the interest manifested in the buying of canned goods for future delivery.

Sugar is the most important commodity in the grocery trade, and the condition of the sugar market affects general buying. The demand for this product in July has become firmer, and the price has risen above the June quotations, which fell to the lowest point since November, 1915. The arrival of the canning season and the hot weather demand for soft drinks are chiefly responsible for the stronger market.

The fresh produce market is in full summer activity. Fruits and vegetables have been coming in from California and the South in good quantities, and recently supplies have been received from adjacent territory, though as this district was affected by the dry weather to a greater extent than other sections, it will not provide as great a supply as usual. Prices have ranged well below those of last season, but as a whole have been steady. Lemons shot up in price from $2 per crate in May to $13 at the end of June, owing to the hot weather, the holiday demand, and small stocks. The price fell in July, but is still high. Potatoes recovered from their early summer depression and are now bringing better prices.

Collections are considered by the trade to be fair. The decrease in the ratio of accounts outstanding to sales indicates that they have improved.

WHOLESALE GROCERY TRADE

	June 1921 compared to May 1921	June 1921 compared to June 1920
Net sales during month	+4.7%	—46.9%
Accounts outstanding at end of month	+3.3%	—40.5%

Ratio of accounts outstanding to sales:

June, 1921	96.5%
May, 1921	103.7%
April, 1921	102.3%
March, 1921	90.8%
Feb., 1921	106.3%
Jan., 1921	101.3%

SUGAR

UNDER normal conditions, more than 50 per cent of the sugar needed to supply the American market comes from foreign countries,

Source	Amount (short tons)	Per cent of total supply	Producing season
Foreign sources:			
Cuba, "preferential duty," sugar	1,930,000	48	December-June
All other (Java ½, Germany ½) full duty sugar	150,000	4	May-November (Java)
Territories of the U. S.			
Hawaii	550,000	14	November-July
Porto Rico	335,000	8	January-June
Philippines	115,000	3	November-June
Continental U. S.:			
Domestic beet (refined)	610,000	15	July-January
Domestic cane (raw and refined)	310,000	8	October-January
Total	4,000,000	100	
Exports	50,000		
Net available for consumption	3,950,000		

and of the remainder more than half is imported from territories of the United States. Most of these supplies enter commerce as raw sugar to be refined in this country, and the seasons are so distributed that sugar is entering our market in every month of the year. The preceding table (compiled by the War Industries Board) shows the average amount of sugar consumed by the United States and the sources from which it was derived during the five years preceding 1914.

One result of this large dependence upon foreign sources is that domestic prices have little relation to domestic stocks of raw sugar, but depend upon the world supply. This was admirably illustrated by what happened during the war when European countries entered the Cuban market after their usual sources of supply failed. When the war began, prices in the United States were lower than they had been since 1895. The average price in 1913 for refined sugar was 4.28 cents per pound, and for raw sugar 3.51 cents. This situation was caused by record-breaking crops successively in 1912, 1913, and 1914, and by a reduction in tariff rates, the anticipation of which had depressed the market. When the war broke out Great Britain immediately entered the Cuban market in order to supply her needs, and American consumers, beginning to fear a shortage, bought in large quantities. As a result, the price of raw sugar rose in two weeks from 3.29 cents to 6.51 cents. It remained at that price for a month, and then fell again to 3.45 cents.

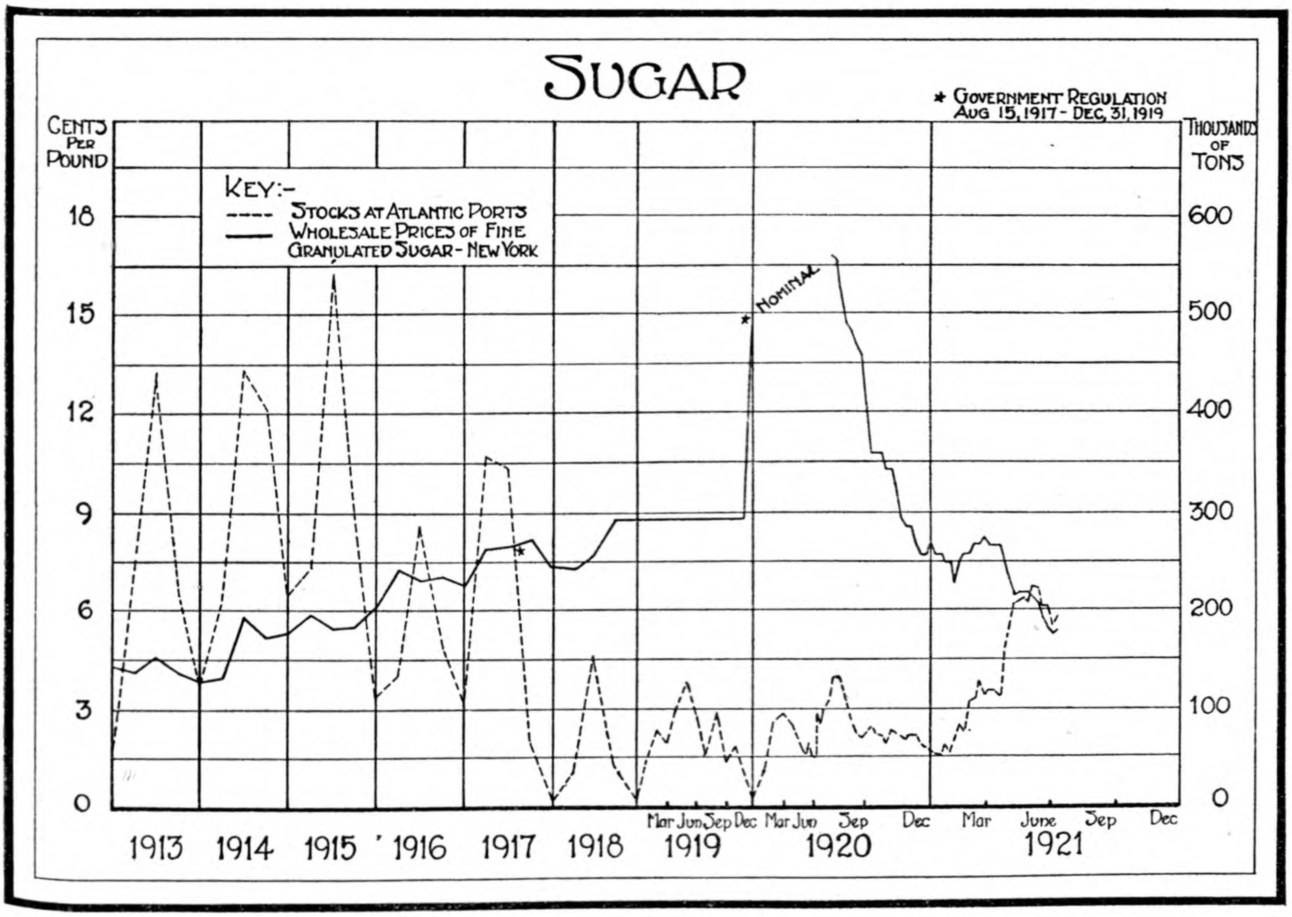
In 1915, a short Cuban crop, extensive European buying, and higher freight charges sent the price up to 5 cents in August. But expectation of free duty on sugar caused it to fall again, until it became known that the clause would not be adopted. In 1916, a large crop, reduced consumption, and concentration of allied purchases, tended to depress prices. But corporation control of the crop, sufficient funds to finance holdings in Cuba, import duties, and curtailed production in European countries, were the factors sufficiently strong to offset this tendency and cause a continued advance. The usual summer slump came, however, when the public refused to pay the prices demanded. Early in 1917, labor troubles in American refineries and in Cuba caused high prices in spite of large stocks in the Atlantic ports. Raw sugar was quoted at $6 per 100 pounds when the United States entered the war, having almost doubled in price since 1913.

In August, 1917, government control was instituted, and although prices of food could not be fixed absolutely, much was accomplished in this direction by withdrawing licenses from dealers who disobeyed the regulations. Maximum prices were determined, reports of stocks, consumption, etc., were required, and arbitrary apportionment was adopted. The Cuban crop was contracted for by the Food Administration at $4.60 f.o.b. Cuba. This price was raised to $5.50 in September, 1918. The prices on refined sugar were changed frequently during the period, and ranged from 7.45 cents to 9.00 cents, less 2 per cent discount for cash. The latter figure remained fixed from September, 1918, to December, 1919.

Early in 1919 buying of sugar was light. The chief reason for this lack of demand was the fixed price guaranteed by the continuation of government control. Householders and manufacturers, not fearing the usual spring rise, did not attempt to keep stocks of sugar, but bought only for the moment. Another factor was the inability of Great Britain to send ships for its purchases. Refiners' stocks became large and there was no market for raws. The Sugar Equalization Board then began a campaign of propaganda through newspapers to encourage buying, and fearing a repetition of war rationing, householders and manufacturers responded and began accumulating sugar. At the same time, the British Royal Commission sent ships to lift their export granulated. In consequence an abnormal demand developed, which could not be checked by the natural force of a rising price. In July, buying of the 1919-20 Cuban crop began at 6.50 cents, f.o.b. Cuba, at which figure it was offered to the Sugar Equalization Board, and rejected. Buyers from all over the world attempted to guarantee themselves a sufficient supply, and the price of sugar futures rose rapidly. Then government control of sugar was extended by Congress into 1920, to be exercised at the President's discretion. The President, however, decided not to exercise control over the raw market, and the year ended with the price of raws fluctuating between 12 cents and 13 cents, duty paid. The old crop of refined remained fixed at 9 cents, less 2 per cent for cash, but some refiners were allocating the new crop to customers at figures ranging from 15.20 cents to 16.75 cents.

Willett and Gray Trade Journal characterized 1920 as the most remarkable year ever experienced in the history of the sugar business, particularly as to the high prices, and the rapidity of the advance and of the subsequent decline. Under the influence of heavy Cuban production, raws declined spasmodically from 12.79 cents, duty paid, to 10.16 cents on March 2. But from March 2 to May 19, the price rose, with only one slight interruption, until it reached 23.57 cents. The previous highest price for raws had been 21.75 cents, which was paid in 1864 for a grade known as Havana Browns. The highest price for centrifugals had been 13 cents, obtained in 1869. The causes of this phenomenal rise were several: (1) An idea prevailed throughout the world that there would be a sugar shortage. (2) Cuba was indifferent about selling, hoping to obtain 25 cents, c. & f. (3) The premium on dollar exchange gave the United States an advantage in the market, and American buyers made large purchases regardless of the price asked. (4) The European crop was small, and European buyers bought heavily before the harvest began.

The Lever Food Control Law acted as a check upon refiners, so that the anomalous situation developed in which refined quotations were lower than the current market price for raws. Refiners made allocations at prices based on the actual cost of the raw sugar from which the refined grade was made. There was no open market for refined sugar from the first of the year until



August 12. The highest allocation prices were made in June and varied with the different refiners from 22 cents to 26.50 cents, less 2 per cent. During May and June, allocations were made for July and August for shipment at 22.50 cents. These caused much trouble later on, as the market declined before shipments were made on many of these contracts, and many buyers refused acceptance. Recent test cases have been decided in favor of the refiners.

The decline in raws began on May 19 and continued steadily until October 8. In that period they dropped from 22½ cents to 6¾ cents, c. & f. The price fell further to 5.50 cents, c. & f., on November 12, which was below the figure paid for the 1918-1919 crop, and to 4.75 cents, c. & f., on November 22, being then lower than the contract price for the 1917-18 crop. The year closed with sales made at 4⅜ cents c. & f. After the establishment of an open market for refined sugar on August 12, the price continued to decline during the remainder of the year, closing at 7.90 cents, less 2 per cent for cash, or 7.742 net cash.

The causes of the 1920 slump were as follows: (1) As a result of the rise in Cuban prices, large imports of full duty sugar were made. Shipments were received from Java, Asia, South America, Central America, the British West Indies and Europe, and the consumption of full duty sugar by the United States increased tenfold in 1920. (2) Large stocks were held in Cuba for higher prices. (3) The British Royal Commission discontinued purchases with the beginning of the decline. (4) Demand decreased when the market began to fall. (5) Invisible stocks in consumers' hands were large, and when prices became lower, buying ceased until these accumulated stocks could be used.

The decline which began over a year ago has continued, with but few slight interruptions to date. Prices on January 1 were 5.52 cents, duty paid, for raws, and 7.90 cents for refined. The domestic beet crop was 50 per cent above that of 1920 and 27 per cent greater than the record crop in 1915. The new Cuban crop was estimated, at that time, at 4,000,000 tons, the largest in history. Moreover, there was a carry-over in the United States of beet and cane sugar of 1,993,545 tons, as compared with 375,111 tons in 1920 and 686,582 tons in 1919. Falling prices in January failed to stimulate demand and stocks increased. In addition to this the trade wished to avoid a repetition of previous situations in which a rise in price was followed by a break that had destructive consequences.

Lack of money in Cuba to finance holdings served to increase the supply of sugar on the market. Conditions were so bad that a moratorium was decreed in that country on October 11 and continued until January 31, when a measure providing for the gradual liquidation of debts was passed by the Cuban Congress. About the middle of February the Cuban Sugar Finance Commission was appointed by the President to market the crop. This commission, by agreement among the planters, secured control of about 75 per cent of the crop. All sales were to be made through the commission and distributed pro rata among the planters; the price established was to be based on market conditions. On March 2, 100,000 tons were sold by the commission at 4.75 cents, c. & f., equaling 5.77 cents, duty paid. Other sales were made at intervals, and at prices as high as 5.25 cents, c. & f. The appointment of the commission with its control over the crop, brought an improvement in the market during February and March. The price of refined sugar rose from 6.85 cents on February 11 to 8.25 cents on March 17. Refiners became more active and meltings increased. The high point in prices on raws fo· the year was reached on the 17th, when sales were made at 6.27 cents, duty paid.

In addition to a seasonal dulness in April and May, other factors caused the market to decline again. These were the large visible stocks in the United States and Cuba, dulness and large supplies in the candy and soft-drink trades, low condensed milk exports, lack of speculative buying, uncertainty as to the Emergency Tariff Bill then pending in Congress, and the improved European crop situation. The tariff bill became effective May 28, and the duty on Cuban sugar was increased from 1.0048 cents per pound to 1.60 cents, and that on foreign imports was fixed at 2 cents. Then we witnessed the anomaly of an article declining in prices as the tariff on it became higher. The reason for this was that the increase had to be carried by producer and could not be shifted to the consumer.

June began with a dull and declining market, which continued throughout the month. The present situation is characterized by an abnormally light demand for this season of the year. Usually during the summer, a large quantity of sugar is used for canning, but this year the fruit crop is practically a failure, and the possible consumption of sugar for canning purposes is limited. In addition, the present prices of canned goods are very low, and the carry-over from last year is large. The confectionery trade is doing little business and is well stocked with sugar. Moreover, the consumer has no fear of a shortage of sugar or of higher prices, and is therefore buying only for every-day needs. Commitments are not made for future delivery because of the uncertainty of the market.

The stock situation is another drag upon the trade. Total stocks on hand in all American ports are about 120 per cent above those on the same date last year, and 40 per cent greater than those of 1919. Stocks in Cuba are even larger, but these are largely under the control of the Sugar Finance Commission. The better part of the supply for the past few months has come from Porto Rico, the Philippines, and from full-duty sources. But full-duty sugar is refined for export trade, as the duty paid is returned when the sugar has been exported; and the fact remains that nearly half of our own supply comes from Cuba. The question is, can we secure enough from other sources to avoid paying the higher price demanded by the Cuban Sugar Finance Commission? The invisible supplies—i. e., those in the hands of consumers—are considered to be small, as purchases have been limited for so long a time. Stocks of refined sugar held by refiners are said to be large. Meltings to date are lower than in previous years, and refiners are operating on only an 80 per cent basis.

The lowest point in prices was reached in June. Raws sold at as low as 4.00 cents, duty paid, and many refiners quoted fine granulated at 5.20 cents, less 2 per cent for cash. During that month, trading was characterized by keen competition and severe price cutting. Irregular and special concessions were granted, such as guaranteeing prices upon arrival. During the early weeks of July a better demand was noted and prices were firmer, owing, no doubt, to the rise of a small seasonal demand stimulated by hot weather sales of soft drinks, and to the fact that Java prices are higher than prices in the American market and to suggested plans for financing the Cuban crop. The Cuban Finance Commission re-entered the market and sold 20,000 bags at 3 cents, c. & f., equal to 4.6 cents, duty paid, which, although a decline of seven-eights of a cent from the last scale, is considered a good price in the present market and helped to steady it. Again on July 14 the commission sold 50,000 bags at the same price, which would indicate that they have definitely entered the market on a 3 cent basis. Only two refiners still quote fine granulated at 5.20 cents; the others having raised their quotations to 5.75 cents and 5.90 cents. These two can supply only a small part of what is wanted at 5.20 cents, so that buyers in immediate need of sugar are forced to pay the higher prices.

The situation, although improved recently, is still one of uncertainty. The summer demand has not developed to anything like what it has been in previous years, and the season is now approaching in which a decline in price usually occurs. The statistical position of the trade is not clear. Stocks in American ports and in Cuba are large, but the invisible supply is supposed to be small, and any increased consumption should be felt immediately by the refiners. Another factor is the strained financial situation in Cuba, and the doubt as to whether the Cuban planters can secure sufficient credit to hold the crops much longer. Considerable optimism has been engendered, however, by the steady and even slightly rising market in both raw and refined sugars during July.

AGRICULTURE

EXTREMELY dry weather from the middle of May to the latter part of June materially retarded the development of crops throughout this district. The damage was particularly great in Delaware and New Jersey. Crops in Pennsylvania had a good start and bumper yields were promised until the dry weather came. Their condition is now about normal. It has been estimated by the local statistician of the Bureau of Markets and Crop Estimates that the drought caused a loss to Pennsylvania of 1,000,000 bushels of wheat, 7,000,000 bushels of oats, 285 tons of hay, and proportionate losses in corn, potatoes and tobacco. The weather in July has been, on the whole, favorable to crop growth. Local rains are still needed in places, but other sections have been fairly well watered.

The acreage planted to various crops has not been materially changed since last year. More white potatoes have been planted throughout the district, and the New Jersey sweet potato acreage is somewhat larger. The area planted to tomatoes in New Jersey and Delaware is smaller, owing to the fact that few canneries will operate this year. The tobacco acreage in Lancaster county has been reduced because of poor planting weather.

The condition of the different crops varies considerably. Wheat production, it is believed, will exceed that of last year, and is above the average for the past ten years. The dry spell furnished good weather for harvesting. The corn crop is also promising. Hay is being harvested, but the yield is light. The condition of the rye crop is about 90 per cent of normal, and that of oats, 77 per cent of normal. As mentioned last month, the tree fruits were practically destroyed by late frosts and will not average 20 per cent of normal. Small fruits were hurt by the dry weather and their production was slight. Early potatoes were a failure because of the drought, particularly in New Jersey and Delaware. As their growth was checked, they had to be marketed in an immature state, which naturally depressed the price. Grass lands and truck crops also suffered considerably.

Conflicting reports have been received regarding the use of fertilizer. The largest number indicate that less has been used this year than last. On the other hand, some are to the effect that because of lower prices, the amount used this year is slightly greater. Leguminous crops have been substituted for fertilizer and used for cover crops by some of the more progressive farmers, but this practice is not as general as it should be. The following comparative quotations furnished by the New Jersey Department of Agriculture show the decline in prices of fertilizer materials since last year:

AVERAGE NEW YORK WHOLESALE PRICES OF STANDARD FERTILIZER MATERIALS

	June 1921 (Cents per lb.)	June 1920 (Cents per lb.)
Nitrogen from nitrate soda	16.43	25.14
Nitrogen from sulphate ammonia	9.76	26.59
Nitrogen from dried blood	18.21	48.58
Phosphoric acid from acid phosphate 16%	3.83	6.02
Potash from sulphate potash	6.88	17.50

The prices paid for farm products have dropped probably more rapidly within the past year than those of any other group of commodities, but some advances have taken place recently, owing to the poor condition of this year's crops. The accompanying table, presenting data furnished by the State Department of Agriculture of New Jersey, gives some idea of the change in prices within the last two years:

	July 1921	June 1921	July 1920	June 1919
Corn (bushel)	$0.90	$0.85	$1.91	$1.78
Wheat (bushel)	1.35	1.35	2.88	2.36
Hay (ton)	22.50	19.30	40.00	33.00
Potatoes (bushel)	.70	.70	4.00	1.74

The financial status of the farmers is quite serious in some sections. This is particularly true of Delaware, owing to the fact that this is the third unfortunate year in agriculture for that state. It has been estimated by the State Board of Agriculture that the returns to Delaware farmers this year will be reduced approximately $3,000,000 on fruits, $1,500,000 on wheat, $1,000,000 on tomatoes, and $1,000,000 on potatoes, as compared with those of a normal yield. In many sections of the district, farmers have had to borrow money to meet obligations, even at times of the year in which they ordinarily have ready cash. Particularly serious is the condition of those who bought farms or orchards at the abnormally high prices prevailing in 1919 and 1920. Some dissatisfaction is expressed regarding present marketing facilities, but little action has been taken to improve them. In New Jersey, public markets have been established for certain truck products and are said to be a success. Standardization and grading of crops are being discussed and have been tried with some things, particularly tomatoes and tobacco.

TOBACCO

Cigars

THE cigar industry has recently experienced a general improvement. The demand for cigars is increasing slowly, and sales are of larger size and occur more frequently. Collections on cigar stamps sold in Lancaster during June were greater than in May, but were smaller than in June of last year; and these figures are representative of the general situation. Although business has improved, the demand is still spotty and is not up to last year's standard, which, it must be remembered, was a high one.

The ten cent sizes are still the best sellers, according to manufacturers who make cigars that retail at many prices. To be sure, some higher priced cigars are selling well, but these are exceptions. From the industrial sections of the district there is a demand for cheap cigars. In the central section of Philadelphia the medium priced products sell best, and the new five-cent brands are not very popular. On standard cigars considerable price cutting is being done by retailers.

Operations have been increased in many factories. Some, which were running only part of the time, are now working at capacity. Production is being regulated by sales, so that stocks will not accumulate in the factories, and as retailers' and distributors' stocks are at present rather low, any change in demand is felt directly by the manufacturers. Distributors are being advised to buy only to supply immediate needs in order to avoid the chance of their dumping cigars on the market at cut prices, should a decrease in demand come and leave them with large stocks.

Skilled workers are easy to secure. Although wages have been reduced in the cigar trade, no further cuts have been made recently. More emphasis is placed on quality of workmanship, and therefore better cigars are being produced now than when production was large and labor hard to secure.

Collections in the cigar trade are good.

Leaf

The Sumatra sales were the dominant factors in the leaf market during the last month. High prices ruled during the first four inscriptions, and American purchases were smaller than usual. These expensive purchases of the new crop stimulated interest in old Sumatra in commerce, and some sales were made at good prices.

The Lancaster county 1920 crop is in the hands of the packers, who have made some sales at prices ranging around 28 cents. The condition of the packings is still uncertain and manufacturers are not buying in large quantities. The 1921 crop was retarded by the June drought, but has been aided by recent rains. A few crops were damaged by storms and had to be replanted, and some growers held back planting until after the dry spell. Because of these things the crop is not very far advanced for this season of the year.

COMPILED AS OF JULY 23, 1921

This business report will be sent regularly without charge to any address upon request

CHARGES TO DEPOSITORS' ACCOUNTS

other than banks' or bankers', as reported by Clearing Houses

	July 13, 1921	June 15, 1921	July 14, 1920
Altoona	$3,209,000	$3,190,000	$2,314,000
Chester	4,078,000	4,459,000	5,789,000
Harrisburg	6,853,000	7,056,000	3,468,000
Johnstown	4,962,000	4,866,000	4,998,000
Lancaster	4,390,000	4,871,000	6,274,000
Philadelphia	289,668,000	307,859,000	347,789,000
Reading	4,563,000*	7,267,000	5,894,000
Scranton	17,474,000	15,754,000	17,074,000
Trenton	10,552,000	11,100,000	11,620,000
Wilkes-Barre	8,578,000	8,546,000	10,013,000
Williamsport	4,295,000	3,644,000	5,480,000
Wilmington	7,132,000	7,621,000	7,732,000
York	3,717,000	3,923,000	4,638,000
Totals	$369,471,000	$390,156,000	$433,083,000

*Smaller number of banks reporting.

RESOURCE AND LIABILITY ITEMS
of Member Banks
in Philadelphia, Camden, Scranton and Wilmington
(000's omitted)

	At the close of business		
	July 13, 1921	June 8, 1921	Jan. 7, 1921
Loans and discounts:			
Secured by U. S. securities	$48,623	$40,262	$37,934
Secured by other stocks and bonds	192,948	190,586	198,983
All other	343,188	348,187	378,718
Investments:			
United States bonds	46,993	46,611	45,283
U. S. Victory notes	6,330	8,749	11,342
U. S. Treasury notes	9,271	......	......
U. S. certificates of indebtedness	7,976	9,809	12,447
Other bonds, stocks and securities	157,711	159,863	154,363
Total loans, discounts and investments	$813,040	$804,067	$839,070
Demand deposits	625,106	621,181	672,893
Time deposits	41,316	41,065	36,976
Borrowings from Federal Reserve Bank	76,504	110,482	110,036

STATEMENT
Federal Reserve Bank of Philadelphia
(000's omitted)

RESOURCES	July 20, 1921	Month ago	Year ago
Gold reserves	$204,415	$176,235	$162,557
Legal tender, etc.	3,753	5,019	270
Total reserves	$208,168	$181,254	$162,827
Discounts—secured by U. S. securities	85,638	104,111	140,499
Discounts—all other	33,197	34,969	41,128
Purchased bills	1,492	8,149	11,085
U. S. securities	28,379	48,489	33,070
Total earning assets	$148,706	$195,718	$225,782
Uncollected items	48,626	67,426	77,362
All other resources	1,502	2,059	2,206
TOTAL RESOURCES	$407,002	$446,457	$468,177

LIABILITIES	July 20, 1921	Month ago	Year ago
Capital paid in	$8,613	$8,616	$8,326
Surplus	17,564	17,010	13,069
Government deposits	3,674	1,303	2,816
Member banks — reserve account	99,208	105,406	106,062
Other deposits	1,388	1,954	3,108
Total deposits	$104,270	$108,663	$111,986
Federal Reserve notes	219,130	226,633	255,772
Federal Reserve Bank notes	8,946	11,078	19,179
Deferred availability items	44,883	70,159	58,030
All other liabilities	3,596	4,298	1,815
TOTAL LIABILITIES	$407,002	$446,457	$468,177

BUSINESS INDICATORS

	July 18, 1921	Percentage increase or decrease compared with	
		Previous month	Year ago
Philadelphia banks:			
Loans	$673,177,000	—3.2%	—10.1%
Deposits	605,330,000	+ .7%	—12.7%
Ratio loans to deposits	111.2%	115.7%*	108.% *
Federal Reserve Bank:			
Discounts and collateral loans	$117,510,000	—12.2%	—3.11%
Reserve ratio	65.4%	57.8%*	49.2%*
90-day discount rate	5½%	6%*	6.%*
Commercial paper	6¼-6½%	6¾-7%*	8.%*

	June, 1921	Percentage increase or decrease compared with	
		Previous month	Year ago
Bank clearings:			
In Philadelphia	$1,769,343,000	+9.9%	—22.5%
Elsewhere in district	156,506,000	+12.7%	—10.4%
Total	$1,925,859,000	+10.1%	—21.6%
Building permits, Philadelphia	4,587,395	+28.5%	—32.0%
Post office receipts, Philadelphia	1,161,581	+.6%	—10.2%
Commercial failures in district (per Dun's)	71	69*	26*
Latest commodity index figures:			
Annalist (food prices only)	159.130	—3.5%	—48.4%
Dun's	159.833	—3.7%	—38.6%
Bradstreet's	10.7284	+1.0%	—44.6%

*Actual figures