
REPORT OF BUSINESS CONDITIONS IN THE ELEVENTH FEDERAL RESERVE DISTRICT

(Compiled by the Federal Reserve Agent, February 18, 1920.)

January business conditions in the Eleventh Federal Reserve District reflected a moderate net gain in the statistical position of practically all lines of trade and industry, as contrasted with the situation a year ago. The inventory season brought out in clear relief the factors which contributed during the year 1919 to the district's general prosperity, as well as those factors which retarded and still retard its permanent progress.

Crop diversification, practiced on a more extensive scale perhaps than ever before attempted in this district, is believed to have contributed as much, by its educational effect, to the permanent progress of the farmers as it did, by its practical results for the year 1919, to their temporary welfare. The labor shortage was and remains the farmer's greatest difficulty and problem, a problem which authorities predict will be still further accentuated in 1920 as a result of the prosperous conditions last year which enabled so many tenant farmers to rise from tenantry to ownership.

Widespread influences tending to bring about an increased cotton acreage this year were again reflected in our correspondents' reports for the month of January. These early estimates indicate a probable average increase of 15 per cent throughout the greater part of the district. That the cotton producers will hesitate to risk an increase much greater than this is reasonably certain from the lessons learned in 1919, still fresh in their minds, as to the profits and benefits which may be fairly expected from diversification and as to the losses which can with certainty be anticipated if they attempt to plant a cotton crop out of all proportion to the visible supply of pickers.

Volume of mercantile trade in January, both in money value and number of transactions, bettered the January, 1919, record by a moderate but satisfactory margin. Lines of merchandise related to building and farming operations recorded an excellent gain over the month of December, 1919, while most of the other lines exhibited the usual seasonal reaction after the holiday period. Commercial failures in the district during January were 33 in number, liabilities involved amounting to \$284,096, as compared with 16 failures with liabilities of \$186,817 in December, 1919, and 48 suspensions and liabilities aggregating \$695,082 in January, 1919.

The total petroleum production of the district for January was 10,934,061 barrels, or a gain of 374,832 barrels over the month of December. Outside of the main fields of development in North Texas, particularly in Comanche, Brown, Eastland and Callahan Counties, a number of new wells were brought in during the past thirty days which may create important additions to the already defined fields, or result in the development of entirely new pools.

Financially the district has now passed the peak season of its surplus funds, and the banks, while continuing to participate as usual in the periodical offerings of Treasury Certificates, report the beginning of a strong demand from their customers for financing their needs during the present year.

AGRICULTURE:

On account of excessive rains very little winter plowing has been done. Preparation for the current year's staple crops are from three to four weeks behind. In West Texas there is still some open cotton yet to be picked, and a large portion of it is being "snapped," due to the scarcity and high cost of labor. In South Texas, although the crop there last year was almost a total failure, preparations are going forward to plant an increased acreage in 1920.

The South Texas rice crop of 1919 is reported to have been the most profitable ever grown, and January reports point to a considerably increased production during the present year.

Winter grain has suffered disastrous effects from weather conditions, and while estimates of its percentual condition are not available the crop is everywhere reported to be exceptionally small and in poor condition.

Winter products of the Lower Rio Grande Valley truck farms are beginning to move to market in force. Operations in that section have so far been favored by good weather.

LIVESTOCK:

All classes of livestock throughout the district are reported to be wintering in exceptionally good condition. During the latter part of January the Arizona district was favored with mild temperatures and clear weather, the ranges being practically free from snow. In the Plains-Panhandle section of Texas very little feed is being used, the supply both of feed and grass being plentiful. The movement of all classes of livestock to the primary markets continues light, although it is expected that the regular spring movement will begin earlier than usual this year, as cattle, sheep and hogs on the ranges are fattening rapidly.

Sheep	2,232,000	2,190,000
Hogs	2,320,000	2,356,000
Milch cows	1,094,000	1,138,000
Other cattle	4,287,000	4,458,000
Horses	1,164,000	1,199,000
Mules	792,000	784,000
Totals.....	11,889,000	12,725,000

The sheep industry in West Texas is reported to have the best prospects for the current year it has ever known. In the territory tributary to San Angelo there are estimated to be 1,000,000 sheep, from which the wool clip in 1920 is expected to be 8,000,000 to 10,000,000 pounds. The mohair production for this year is estimated at 1,575,000 pounds. The total 1920 sales in this section of wool, mohair and animals sold for slaughter is expected to reach the sum of \$7,000,000.

Comparative receipts of livestock at the leading market of the district during January were as follows:

	1920	1919	Loss or Gain
Cattle	58,098	91,779	L 33,681
Calves	7,067	15,143	L 8,076
Hogs	58,365	141,320	L 82,955
Sheep	9,980	8,867	G 1,113

January, 1920, values at the Fort Worth livestock market showed a general decline as compared with prices a year ago, with the exception of calves, stockers and lambs, which showed increases. The decline had been gradual but steady throughout the year 1919, notwithstanding receipts in all divisions except sheep were uniformly lighter throughout 1919 than in 1918. Top prices for the two months on the various classes of livestock were as follows:

	January	
	1920	1919
Beef steers	\$13.00	\$15.25
Stocker steers	11.25	12.25
Butcher cows	11.25	12.00
Stocker cows	10.65	8.00
Calves	13.50	12.50
Hogs	15.75	17.50

The average quality of the daily runs was disappointing, it being evident that shippers were holding back the better grades awaiting a more favorable market. Range conditions were such that there was apparently no necessity to ship.

LUMBER:

Mills in the pine section continue to complain of bad weather and the scarcity of cars. Orders received during January were heavier in volume than in December, and indicate the approach of a still stronger demand with the coming of spring and better weather. At present a number of mills have no stocks on hand. A favorable feature of the situation, however, as noted during the past month, is the fact that the industry has obtained a better supply of labor, and the manufacturing output will rapidly increase as soon as weather conditions and the car situation permit.

Retail dealers report a healthy increase in orders, and regard the outlook for the immediate future as very encouraging.

OIL:

The North Louisiana fields led the district during the month of January in the increase shown in production, as compared with the month of December. For the same period the Texas fields showed a decrease, while for the district as a whole an increase of 374,832 barrels was recorded, as shown by the following statement:

Field:	December, 1919	January, 1920	Increase	Decrease
North Texas	3,067,540	3,155,100	87,560	
Central West Texas	3,955,612	3,344,090		611,522
Texas Coastal	1,990,517	2,128,921	138,404	
Totals, Texas	9,013,669	8,628,111		385,558
North Louisiana	1,545,560	2,305,950	760,390	
Totals, Eleventh District	10,559,229	10,934,061	374,832	

A total of 778 new oil wells were completed in the district during January, of which 666 were producers having an initial flush production aggregating 394,359 barrels, and 112 were failures. This is regarded as an exceptionally good showing, in view of the handicaps under which operations were conducted, the excessive rains in January having seriously interfered with drilling operations.

The following is a summary of January completions in this district:

Field—	Completions	Producers	Failures	Initial production
North Texas	430	375	55	84,814 barrels
Central West Texas	227	194	33	57,010 barrels
Texas Coastal	41	31	10	55,980 barrels
Texas Wildcats	12	6	6	235 barrels
Totals, Texas	710	606	104	198,039 barrels
North Louisiana	68	60	8	196,320 barrels
Totals, District	778	666	112	394,359 barrels

MANUFACTURING:

Costs of raw material in all manufactures continued to rise during the month of January, although there is some indication that material prices, especially those affecting the textile industry, may be expected to decline in the near future. The foreign exchange situation is beginning to make itself felt in those manufacturing establishments in this district which have developed a foreign trade. Reports from these concerns for the month of January showed a sharp curtailment in transactions with the British Isles, France, Italy, Germany and the Balkan states, although their trade with Holland and Spain was less noticeably affected, while exports to India were on an ascending scale.

An encouraging decrease is shown in the rate of labor turnover in the factories in this district, the reports indicating that the supply of labor (in quantity if not in quality) is improving in practically all lines. There appears to be no immediate prospect of relief, however, with respect to the car shortage in this section, which is the principal disturbing element of the present situation.

TRADE:

Despite the handicaps of the unsettled price situation, the shortage of cars, slow movement of merchandise enroute from the primary markets, and a mild influenza epidemic in January, reports for that month indicate a generally satisfactory situation in mercantile trade. The buying demand showed considerable strength in comparison with the same month in 1919, although a substantial portion of the net increase in sales is accounted for by the higher scale of prices ruling at this time.

Wholesale Trade.

In the tables shown below will be found a summary of the increases and decreases, expressed in percentual form, of the sales, prices, stocks and outstanding orders reported by various lines of trade for the month of January, 1920, as compared with December, 1919, and January, 1919, based on statistics furnished by reporting firms. While the response to the questionnaires sent out in our January survey was disappointing, and the number of replies received does not warrant their use as an accurate barometer of conditions in all sections of the district, the reporting firms are believed to be sufficiently representative in the character and scope of their operations to warrant the publication of their figures as a partial index to trade conditions.

January, 1920, Wholesale Trade Compared with December, 1919.

Reporting lines—	Firms reporting	Sales	Selling prices	Stocks at end of month	Unfilled orders (factory) at end of month
Groceries	3	Dec. 6%	Inc. 2%	Inc. 3%	.....
Furniture	1	Inc. 15%	Inc. 5%	Inc. 5%	Inc. 20%
Dry Goods	1	Inc. 15%	Inc. 10%	Dec. 10%	Dec. 10%
Drugs	1	Inc. 13%	Inc. 10%	.....	Inc. 10%
Auto supplies	1	Inc. 80%	.....	Inc. 10%	Dec. 10%

January, 1920, Wholesale Trade Compared with January, 1919.

Reporting lines—	Firms reporting	Sales	Selling prices	Stocks at end of month	Unfilled orders (factory) at end of month
Groceries	3	Inc. 6%	Inc. 14%	Inc. 4%	Inc. 6%
Furniture	1	Inc. 25%	Inc. 35%	Inc. 10%	Inc. 30%
Dry Goods	1	Inc. 2%	Inc. 50%	Dec. 15%	Dec. 25%
Drugs	1	Inc. 83%	Inc. 20%	Inc. 25%	Inc. 25%
Auto supplies	1	Inc. 10%	.....	Inc. 10%	Dec. 10%

Retail Trade.

January, 1920, Retail Trade Compared with December, 1919.

Reporting lines—	Firms reporting	Sales	Selling prices	Stocks at end of month	Unfilled wholesale orders at end of month
Groceries	3	Dec. 46%	.....	Dec. 2%	No record
Furniture	2	Dec. 26%	Inc. 12%	Inc. 3%	Inc. 6%
Dry Goods	3	Dec. 48%	Inc. 10%	Dec. 10%	Dec. 10%
Clothing	4	Dec. 27%	Inc. 10%	Inc. 15%	Inc. 15%
Shoes	2	Dec. 28%	Inc. 10%	Dec. 10%	.....
Hardware	2	Inc. 26%	Inc. 5%	Inc. 7%	Inc. 15%
Farm Implements	2	Inc. 52%	.....	Dec. 10%	Inc. 25%
Jewelry	1	Dec. 60%	.....	Inc. 70%	.....

January, 1920, Retail Trade Compared with January, 1919.

Reporting lines—	Firms reporting	Sales	Selling prices	Stocks at end of month	Unfilled wholesale orders at end of month
Groceries	3	Inc. 1%	Inc. 25%	Dec. 7%	No record
Furniture	2	Inc. 118%	Inc. 45%	Inc. 46%	Inc. 6%
Dry Goods	3	Inc. 38%	Inc. 30%	Inc. 12%	Inc. 20%
Clothing	4	Inc. 25%	Inc. 25%	Inc. 17%	Inc. 20%
Shoes	2	Inc. 10%	Inc. 20%	Dec. 10%	.....
Hardware	2	Inc. 75%	Inc. 31%	Inc. 20%	Inc. 15%
Farm Implements	2	Inc. 195%	Inc. 10%	Dec. 10%	Inc. 25%
Jewelry	1	Inc. 30%	Inc. 25%	Inc. 75%	.....

BANKING AND FINANCE:

A comparison of the condition statements of the Federal Reserve Bank of Dallas as of December 31 and January 31, shows a decrease from \$6,420,000 to \$1,037,000, in bills purchased in open market, denoting the usual seasonal preparation for taking care of the needs of Eleventh District member banks for the current year. The following is a statement of the principal items of resources and liabilities:

	December 31	January 31
Total cash reserves	\$59,411,000	\$60,302,000
Bills discounted, members'	58,316,000	62,523,000
Bills purchased	6,420,000	1,037,000
Net deposits	46,337,000	48,641,000
Federal Reserve Notes in circulation.....	74,930,000	71,922,000
Ratio of reserves to combined note and deposit liability.....	48%	50.1%

For the 1919-1920 crop moving season our federal reserve note circulation reached a peak total of \$75,450,630 on January 5, 1920, as compared with a high mark of \$63,534,620 on October 11, 1918, for the 1918-1919 season.

An analysis of the condition reports of 44 selected banks in the larger cities of the district, as of January 2 and January 30, 1920, respectively, discloses the following changes in their principal items of resources and liabilities:

	Jan. 2	Jan. 30	Inc.	Dec.
Total U. S. securities owned.....	\$ 70,000,000	\$ 72,000,000	2.9%	
Cash reserves	39,000,000	47,000,000	20.5%	
Loans and investments.....	258,000,000	265,000,000	2.7%	
Total deposits	321,000,000	295,000,000		8.1%
Due Federal Reserve Bank, rediscounts and collateral notes	12,000,000	32,000,000	166.6%	

Bank clearings at the principal centers for the month of January, 1920, recorded a heavy gain over the same month last year, the January, 1920 total of \$555,539,695 being 53 per cent larger than the 1919 total, and 135 per cent larger than the total for January, 1917. Detailed figures are appended below covering January clearings for the years 1917, 1918, 1919 and 1920:

JANUARY CLEARINGS.

	1920	1919	Inc. or Dec.	1918	1917
Austin	\$ 8,871,135	\$ 21,231,642	Dec. 58.2%	\$ 25,136,587	\$ 16,096,909
Beaumont	7,930,121	6,443,060	Inc. 23.1%	5,803,764	5,374,707
Dallas	194,760,494	119,925,880	Inc. 62.4%	97,213,510	58,906,815
El Paso	32,207,012	22,629,859	Inc. 42.3%	17,196,483	17,113,308
Fort Worth	97,724,682	65,625,074	Inc. 48.9%	71,336,212	47,317,409
Galveston	35,327,600	27,252,666	Inc. 29.6%	27,949,634	24,198,662
Houston	134,703,830	75,095,229	Inc. 79.5%	76,728,607	59,198,157
Shreveport	25,518,821	13,370,181	Inc. 90.9%	12,804,331	8,061,500
Waco	18,496,000	11,408,496	Inc. 62.1%	16,901,154	.....
Totals.....	\$555,539,695	\$362,982,087	Inc. 53.0%	\$350,970,282	\$236,267,530

Discount and Interest Rates.

Discount and interest rates charged on various classes of paper by banks in six of the leading centers of the district during the month of January, 1920, are quoted in the tables appended below. Quotations include "high,"

"low" and "customary" rates applicable to commercial paper of both long and short maturity, interbank loans, paper secured by industrial securities or other miscellaneous collateral, cattle loans, commodity paper secured by warehouse receipts, etc., and loans secured by government securities. Rates quoted on commercial paper purchased in the open market are largely nominal, as the volume of actual investments in this class of paper here is very small, except for a short period following the fall movement of crops.

	Dallas			Ft. Worth			Houston			San Antonio			Shreveport			Waco		
	H	L	C	H	L	C	H	L	C	H	L	C	H	L	C	H	L	C
1. Prime Commercial paper:																		
Customers' 30 to 90 days.....	7	6	6	8	6	6	6½	5½	6	8	6	6	7	6	7	7	6	7
Customers' 4 to 6 mos.....	7	6	6	8	6	7	7	6	6	8	6	6	8	6	8	8	6	7
Open market 30 to 90 days.....	7	6	6	6	6	6	6	6	6				8	6	8	6	6	6
Open market 4 to 6 mos.....	7	6	6	6	6	6							8	6	7	6½	6	6
2. Interbank loans	6	6	6	6	6	6	5½	5	5½	6	6	6	7	6	6	6	6	6
3. Collateral loans, demand.....	8	7	8	8	6	8	7	6	7	8	6	7	8	7	8	8	7	8
Collateral loans, 3 months.....	8	6	7	8	6	8	8	6	7	8	6	7	8	7	8	8	7	8
Collateral loans, 3 to 6 mos.....	8	5	6	8	6	8	7	6	7	8	6	7	8	7	8	8	7	8
4. Cattle loans	8	6	7	8	6	8	8	6	7	8	6	7	7	6½	7			
5. Loans secured by warehouse receipts, Bs/L, etc.....	8	6	6½	8	6	6½	7	6	6½	8	6	7½	8	7	8	8	6	8
6. Loans secured by Government securities	8	4¾	6	8	5	6	8	5	6	8	6	6	7	6	7	8	5	7

LABOR:

The outstanding development in the district's labor situation during the past thirty days was the recent presidential order extending indefinitely the operation of the government's wartime modification of the immigration laws, by which Mexican laborers will be admitted indefinitely to the Southwestern states under a waiver of the head tax and literacy test. Under what is known as the "contract labor plan," adopted as a war measure, by which farmers could contract with immigration officers for the importation of Mexican laborers under a waiver of the head tax of \$8, a total of 300,000 Mexicans were brought into this district in 1919 through Texas ports of entry. Notwithstanding this movement, which was conducted to reinforce the supply of farm labor, there was and is an acute shortage of farm labor throughout the district. It was the government's intention to return to Mexico on February 1, 1920, all Mexicans brought in under the contract labor plan, and the significance of its decision to postpone this step indefinitely can be comprehended from the fact that it is estimated that this deportation would have reduced the 1920 production of Texas cotton by 1,000,000 bales. Some authorities have estimated that one-fourth of the entire annual crop production of Texas, valued at \$250,000,000, is produced by Mexican labor. This class of labor is also largely used in railroad construction and repair work, and in many municipalities it contributes the chief supply of labor for public improvements.

Outside of agriculture there have been no notable changes in the labor situation during the past month. A movement, however, which is attracting much interest is the recent organization of "open shop associations" in a number of municipalities in this district. There have been a few local strikes, but the district is comparatively free from serious disturbances.

BUILDING:

With figures from Houston and Shreveport missing, building permits issued during January in seven cities of the Eleventh District aggregated 1,073, covering valuations amounting to \$4,342,877, an increase, compared with January, 1919, of 89 in number and \$3,880,626—or 839 per cent—in valuations. The aggregate value of January construction about equaled the monthly average for the year 1919. January activities were predominantly devoted to the erection of new structures, of which business houses formed a large proportion. Detailed figures follow:

JANUARY					
	1919		1920		
	No.	Valuation	No.	Valuation	Inc. or Dec.
Austin	4	\$ 2,450	12	\$ 161,990	Inc. 6,508%
Beaumont	41	28,956	57	93,997	Inc. 224%
Dallas	46	109,820	201	1,840,140	Inc. 1,575%
El Paso	75	39,250	117	284,809	Inc. 625%
Fort Worth	59	92,725	184	1,356,820	Inc. 1,363%
Galveston	548	61,108	276	60,661	
San Antonio	211	127,942	226	544,460	Inc. 325%
Totals.....	984	\$462,251	1,073	\$4,342,877	Inc. 839%

STATEMENT OF CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

At close of Business FEBRUARY 27, 1920

RESOURCES

Gold coin and certificates in vault.....	\$ 7,018,170.00
Gold settlement fund.....	14,018,504.55
Gold with foreign agencies.....	2,933,376.11
Gold with Agent for retirement of F. R. Notes.....	32,182,465.00
Gold redemption fund.....	2,469,989.90
Total gold reserves.....	\$58,622,505.56
Legal tender notes, silver, etc.....	\$ 830,718.35
Total reserves.....	\$59,453,223.91
Bills discounted—Secured by Government war obligations.....	\$ 53,904,300.67
All other.....	17,944,074.58
Bills bought in open market and acceptances acquired from other F. R. Banks.....	1,750,052.00
Total Bills on Hand.....	\$ 73,598,427.25
U. S. Government bonds.....	3,966,000.00
U. S. Victory Notes.....	8,300,000.00
U. S. Certificates of indebtedness.....	8,300,000.00
All other earning assets.....	8,300,000.00
Total earning assets.....	\$ 85,864,427.25
Bank premises.....	596,516.40
5% redemption fund against F. R. Bank notes.....	562,200.00
Uncollected items.....	44,639,098.91
All other resources, including amounts due from foreign banks.....	1,700,496.73
Total Resources.....	\$192,815,963.20

LIABILITIES

Capital paid in.....	\$ 3,483,150.00
Surplus.....	3,029,937.23
Government deposits.....	3,660,932.44
Due to member banks' reserve account.....	64,231,768.06
Other deposits, including foreign government credits.....	2,166,528.00
Deposits on which reserve is computed.....	66,398,296.06
F. R. notes in actual circulation.....	77,088,940.00
F. R. Bank notes in circulation—net liability.....	9,669,500.00
Deferred availability items.....	28,593,479.42
All other liabilities.....	891,728.05
Total Liabilities.....	\$192,815,963.20
Rediscounts for other Federal Reserve Banks.....	\$ 23,500,000.00

OFFICERS

W. F. RAMSEY, Federal Reserve Agent. R. L. VAN ZANDT, Governor.

LYNN P. TALLEY, Deputy Governor.

CHARLES C. HALL, Asst. Federal Reserve Agent.

R. BUCKNER COLEMAN, Assistant Cashier.

FRED HARRIS, Assistant Cashier.

SAM R. LAWDER, Cashier.

DWIGHT P. REORDAN, Assistant Cashier.

W. C. WEISS, General Auditor.

C. B. TEAGARDEN, Asst. Gen. Auditor.

E. F. Gossett, Mgr Houston Branch
Paul S. Miller, Cashier
J. W. Wendroff, Q. F. R. A.

R. R. Gilbert, Mgr El Paso Branch
M. Crump, Cashier
R. L. King, Q. F. R. A.

S. J. Nadel, Executive Assistant

This summary of agricultural and commercial conditions in the Eleventh Federal Reserve District is issued in the belief that a concise review of trade will be of interest to our member banks, business men of the district and friends of the Federal Reserve System.

The information given is obtained by the Federal Reserve Agent from sources believed to be reliable.

Those desiring the letter furnished them regularly will receive it without charge upon application.