

# MONTHLY REVIEW OF BUSINESS AND INDUSTRIAL CONDITIONS

IN THE

## ELEVENTH FEDERAL RESERVE DISTRICT FEDERAL RESERVE BANK OF DALLAS

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### DISTRICT SUMMARY

#### THE SITUATION AT A GLANCE

Eleventh Federal Reserve District

	November	October	Inc. or Dec.	
Bank debits to individual accounts (at 13 cities).....	\$695,243,000	\$813,238,000	Dec.	14.5%
Department store sales.....	.....	.....	Dec.	11.0%
Reserve Bank loans to member banks at end of month.....	\$ 15,423,162	\$ 21,305,361	Dec.	27.6%
Reserve Bank ratio at end of month.....	55.5%	53.6%	Inc.	1.9 Points
Building permit valuations at larger centers.....	\$ 4,882,124	\$ 5,058,798	Dec.	3.5%
Commercial failures (number).....	127	111	Inc.	14.4%
Commercial failures (liabilities).....	\$ 4,445,724	\$ 2,417,470	Inc.	83.9%
Oil production (barrels).....	19,342,590	16,784,220	Inc.	15.2%
Lumber orders at pine mills (per cent of normal production)	73%	91%	Dec.	18 Points

The heavy rise in the tide of bank deposits and in the volume of their surplus cash reserves is indicative of the large returns for this year's cotton crop and the strong financial position of the Southwest. The problem of finding a profitable employment for these surplus funds is evidenced by the unprecedented demand on the part of both banks and individuals for a short-term investment outlet. The Eleventh District's \$7,200,000 quota of the December 15th treasury certificate issue was oversubscribed by more than \$37,000,000, and although allotments were made to the extent of \$13,964,500, numerous orders have already been placed with the Federal Reserve Bank to buy these certificates in the open market.

The Southwestern farmers are entering the new year in better financial condition than they have enjoyed for several years. Not only have most of them been able to wipe out their indebtedness, but as a rule they have on deposit a comfortable surplus

with the banks. Their present situation, however, is now wholly free from disquieting aspects. The high prices realized for cotton offer the farmers a distinct temptation to branch out; to secure more land than they can well cultivate or pay for; to produce more cotton and less feed, meat, and provisions. In such circumstances the necessity for a careful policy in dispensing credit in 1924 is imperative. The shortage of feed in a great many sections of the district is more acute than it has been for the past several years. In fact this is the most serious problem that confronts the farmers and bankers of the Southwest, on account of its importance as a decisive element in the production cost of the 1924 cotton crop. A further enlargement of the cotton acreage in 1924, at the expense of the feed crop acreage, would undoubtedly prove a costly economic mistake, on account of the loss that the farmers would sustain in sacrificing a large portion of their margin of profit on the cotton crop because of heavy purchases



of feed. That it is unnecessary to incur this loss seems obvious, since by intensive cultural methods they have it in their power as a rule to increase the production of lint cotton per acre without sacrificing their home-grown supply of essential feedstuffs.

The usual November lull in trade made its appearance, but the aggregate volume of business continued large, and optimism was the keynote of trade reports. However, the mortality rate among commercial enterprises, which has reflected an upward trend throughout the fall despite the large distribution of merchandise and good collections, seems to indicate the tendency of some firms to expand more rapidly than conditions warrant, and the injudicious extension of credit and pyramiding of liabilities over two or three seasons by other firms. This is another situation that seems to call for caution in the extension of credit.

The district's oil production for November again set a new record by exceeding the previous month's output by 15 per cent and added to the already large overproduction. However, encouragement, especially as to prices, is found in reports that production at the Corsicana-Powell field has reached its peak and is now rapidly declining. Furthermore, the complete elimination of the proration policies by all crude oil purchasers has had a stimulating effect upon producers.

Employment conditions in Texas as reported by the U. S. Department of Labor, appear favorable for virtually all kinds of workers. Skilled labor seems to be fully employed, the surplus which is released by any one industry being readily absorbed in others. Although common labor is extensively employed, the supply exceeds the present requirements, but the excess is not as large as it has been during the winter season of recent years.

### CROP CONDITIONS

This year's harvesting operations, which have been carried on under difficulty due to the excessive rains, are nearing completion. Fall plowing has made fair progress, but weather conditions have greatly retarded the work. However, an excellent season is in the ground, and the soil is in good condition for the completion of plowing operations as soon as favorable weather permits.

A substantial reduction in this year's Texas wheat acreage was disclosed by the Department of Agriculture in its report issued on December 20th. The area sown to wheat this year was 1,237,000 acres as compared to 1,695,000 acres last fall and 1,784,000 acres in the fall of 1921. For the past three years adverse weather conditions have prevailed during the seeding period. In 1921 and 1922 drouthy conditions prevented the proper germination of the seed and resulted in a poor stand. Seeding operations this fall were greatly delayed by excessive rains and less wheat was sown than was intended earlier in the fall. However, the condition of the growing crop is exceptionally good, being 93 per cent as compared to 76 per cent last fall and 42 per cent in the fall of 1921. The stand is generally good this year and an unusual amount of volunteer wheat is reported.

The picking of the Texas cotton crop (except in the northwest) has been practically completed. The December 1st report of the Department of Agriculture estimated the Texas crop at 4,290,000 bales. On the basis of this estimate, the amount ginned prior to December 1st—3,919,485 bales—represents

91 per cent of this year's yield. Texas has already ginned almost 800,000 more bales than the total 1922 production. However, the grade of this year's crop has been considerably below the grade of last year's crop. In the north and northwest snaps and bollies represent a larger percentage of the crop than usual, being as high as 50 per cent in some localities.

Reports of government observers from the Rio Grande Valley are to the effect that the first shipments of tomatoes, peppers, and grape fruit have been moved. The acreage planted to spinach this year has been placed at 10,315 acres, which is an increase of 1,635 acres over last year. The Texas commercial crop has been estimated to yield 3,356,000 bushels. Although the rains have caused some delay in transplanting, early estimates on the onion acreage indicate that it will exceed that of last year.

### Cotton Movements

Decreased receipts and exports featured the movement of cotton through Houston and Galveston during November. Galveston receipts for November totaled 482,366 bales, as compared to 647,262 bales for October and 448,971 for November, 1922. Exports were 23 per cent smaller than in October, and 17 per cent smaller than in the corresponding month last year. Exports for this season, however, have exceeded those of last season by 12 per cent. Stocks at Galveston on November 30th were approximately 22,000 bales larger than on that date last year. The



amount held in compresses and warehouses continues considerably smaller than a year ago.

The net receipts at Houston for November amounted to 276,518 bales, as compared to 504,557 bales for October and 268,519 bales for November, last year. Exports through the port of Houston for the first four months of this season were 43 per cent larger than for the corresponding period of last season.

Both receipts and exports for this season at all United States ports are well above those of last season. Stocks on November 30th were 47,565 bales less than on that date last year.

## LIVESTOCK

Almost without exception, reports from all sections of the district's range territory are to the effect that ranges are in an unusually good condition and that all classes of livestock are going into the winter in a better condition than for several years past. Continued precipitation and generally moderate temperatures have been beneficial to the growth of winter weeds. However, the weeds in many localities are too small for grazing, but the small grain pasturage, which is unusually good this year, has been of material aid in fattening the cattle.

The average condition of cattle on Texas ranges as of December 1st was 93 per cent, as compared to 79 per cent on that date a year ago. The condition of sheep advanced one point above the November 1st average and was 5 points higher than on December 1st last year.

Prominent features of the livestock situation are that a minimum of feeding is expected during the winter; losses so far this year have been light; the heavy movement of livestock to market this fall has greatly reduced the number of stock on the ranges with the result that some pastures are reported to be understocked; and conditions appear excellent for a satisfactory calf and lamb crop next year.

### Movements and Prices

The November receipts of cattle, calves, and sheep at the Fort Worth market were considerably less than the receipts of the previous month, but calves were the only class to show a decrease in volume as compared to the corresponding month last year. The gains in other classes were comparatively light. The cattle yarded in November were the smallest in number of any month since April.

Market conditions were generally satisfactory during the past month, but prices sagged to low levels about the middle of the month, when receipts were liberal enough to demoralize the market. However, toward the close of the month when the supply was greatly reduced a strengthening of the market occurred. Cattle prices showed an upward trend during the earlier part of November, but the heavy receipts toward the middle of the month forced prices down to low levels. The market recovered part of the losses during the last week, when there was a reduced supply in the face of a strong demand. In the hog division receipts were scarce and competition was spirited, but the market was erratic. A top price of \$7.65 was paid during the third week, but the month closed with the best going at \$7.00 to

### COTTON MOVEMENTS THROUGH THE PORT OF GALVESTON

	November 1923	November 1922	Aug. 1st to Oct. 31st This Season	Last Season
Gross receipts.....	482,366	448,971	1,867,323	1,648,896
Exports .....	430,287	516,057	1,464,083	1,308,483
Stocks, Nov. 30th.....			421,911	405,148

### GALVESTON STOCK STATEMENT

	Nov. 30, 1923	Nov. 30, 1922
For Great Britain.....	39,472	6,537
For France.....	27,500	8,750
For other foreign ports.....	63,974	29,437
For coastwise ports.....	14,000	14,000
In compresses.....	276,965	346,424
Total .....	421,911	405,148

### HOUSTON COTTON MOVEMENTS

	November 1923	November 1922	Aug. 1st to Nov. 30th This Season	Last Season
Receipts—Gross ....	547,214	530,202	2,553,183	2,085,328
Receipts—Net .....	276,518	268,519	1,420,855	1,149,841
Exports .....	185,897	173,991	648,566	454,198
Stocks, Nov. 30th.....			441,133	399,454

### SEASON'S RECEIPTS, EXPORTS, AND STOCKS AT ALL UNITED STATES PORTS

	This Season	Last Season
Receipts since Aug. 1st.....	3,833,092	3,168,490
Exports: Great Britain .....	818,748	754,676
France .....	345,898	355,565
Continent .....	924,193	909,134
Japan-China .....	246,013	211,707
Mexico .....	972	5,143
Total foreign ports .....	2,335,824	2,236,225
Stocks at all U. S. ports, Nov. 30th .....	1,049,918	1,097,483



\$7.15. Receipts of sheep and lambs were exceptionally small throughout the month, and the supply was below trade requirements. Prices on good wethers ranged from \$6.25 to \$7.00. Some fat lambs sold as high as \$11.50, but the general range on feeder lambs was from \$10.00 to \$10.75. As compared to the ruling prices at the end of the previous month, November closed with quotations about 50 cents lower on calves, 25 cents on hogs, and 75 cents on pigs. On the other hand, steers remained about steady, fat cows and canners strengthened, sheep gained 25 cents, and feeder lambs \$1.00.

The first week in December witnessed a good demand and an active market for all classes of cattle. Several cars of weighty beef steers sold at \$7.50 to \$7.60, while the range on Oklahoma fed yearlings was from \$8.50 to \$8.85, and Texas yearlings brought \$8.75. An advance of \$1.00 was scored on calves. Hog receipts during the first week fell below trade requirements, and a markup of 25 to 30 cents occurred. Quotations on pigs ranged from 50 cents to 75 cents higher.

#### FORT WORTH LIVESTOCK RECEIPTS

	November 1923	October 1923	Loss or Gain	November 1922	Loss or Gain
Cattle .....	83,854	108,160	L	24,306	83,294 G 560
Calves .....	36,934	53,705	L	16,771	46,052 L 9,118
Hogs .....	45,633	43,658	G	1,975	37,011 G 8,622
Sheep .....	27,410	38,298	L	10,888	24,281 G 3,129

#### COMPARATIVE TOP LIVESTOCK PRICES

	November 1923	October 1923	November 1922
Beef steers .....	\$7.00	\$8.00	\$7.50
Stocker steers .....	6.50	7.10	7.00
Butcher cows .....	5.00	5.50	5.85
Stocker cows .....	2.50	3.25	3.50
Calves .....	7.00	7.50	6.35
Hogs .....	7.65	8.30	8.50
Sheep .....	7.00	7.25	7.50
Lambs .....	11.50	12.00	13.50

### TEXTILE MILLING

The November production of nine textile mills of this district reflected a decline of 4.4 per cent as compared to the previous month, and 7.9 per cent as compared to the corresponding month of 1922. These mills consumed 2,787 bales of cotton in November,

as against 3,155 bales for that month last year. There were 88,808 spindles active as compared to 84,376 last year. Both stocks and unfilled orders on hand at the close of November showed a substantial increase as compared to those at the close of October.

### WHOLESALE TRADE

A seasonal slackening in business characterized the distribution of merchandise at wholesale during November. Although farm implements was the only reporting line of trade to show a gain over the preceding month, the distribution of goods in every reporting line was substantially greater than during the corresponding month of 1922. In wholesale channels, the year-end inventory period is at hand, and buying generally is on a moderate scale, due to the fact that retailers are holding their purchases to a minimum in order to close the year with low stocks. Nevertheless, consumer buying has continued brisk throughout the fall, and retail merchants have found it necessary to make frequent replacement orders with the result that wholesale distribution has been well maintained.

Reports being received from many sections of the district indicate that retailers are continuing to reduce their customers' accounts, and retailers are showing a disposition to take their discount on bills with the wholesalers.

#### Dry Goods

Seasonal dullness was evident in the wholesale dry goods trade during November, when the sales of twelve firms reflected a decline of 26.4 per cent as compared to October. That trade was active, however, is shown by the fact that sales were 31.3 per cent above those of the same month last year. As the year-end approaches the disposition to buy as the demand arises remains sharply defined and purchases as a general rule represent fill-in orders.

The continued rise in the raw cotton market is gradually forcing up the price on cotton goods, but the upward trend has failed to stimulate forward buying to any great extent.

Collections continue good, and both wholesalers and retailers are optimistic over the present outlook.

#### Hardware

The sales of reporting hardware firms declined 9.5 per cent as compared to October sales, but were 9.7 per cent greater than November, 1922, sales. The volume of sales for



the five months' period (July 1st to November 30th) showed a gain of 11.4 per cent over the corresponding period of the previous year. The buying demand has been well maintained for this season of the year.

Reports indicate that collections have been good. The market, however, has shown a weakness on some items.

**Farm Implements** With the picking of the cotton crop nearly complete and with the farmers beginning their winter plowing, the demand for farm implements at wholesale continues to increase. The November sales of reporting firms were 15.2 per cent greater than October sales, and exceeded the November, 1922, sales by 43.8 per cent. The distribution for the five months' period (July to November) was 42.1 per cent larger than for the corresponding period of the previous year.

The retail merchants generally are very optimistic over the outlook for another year. The large cotton crop in Texas, which was produced at a relatively low cost and which has been marketed at a good price, has been a profitable one for the farmers. Although they are not as yet buying heavily, the retail implement merchants are making preparations for the spring trade. Numerous local shipments are being made to supply the immediate needs, but these are being supplemented by forward orders which will be shipped direct from factories, and which are being placed in anticipation of the spring demand. It will be recalled that last year but little forward buying was done, and when the heavy demand for implements, which materialized early in the fall, continued through the spring of 1923, the factories were unable to keep production in line with demand. Consequently, a shortage for many items resulted.

Collections throughout the fall have been good. Almost complete liquidation has been obtained in practically every section with the exception of the northwest. In that section continued rains have wasted a considerable amount of cotton and have caused heavy losses of feedstuff. This, of course, has substantially reduced the farmers' returns and has prevented them from liquidating their indebted-

ness to the same extent as other sections where conditions have been more favorable.

Farm implement prices have remained firm.

**Furniture** The sales of reporting furniture firms, after showing a steady increase since July, reflected a decline of 7.6 per cent as compared to October. While the November sales did not show as large an increase over the corresponding month of 1922 as did October, it will be remembered that last year the slowing down in business did not occur until December. The buying demand continues heavy, and the outlook for the immediate future is good, due to the active building program. Prices have remained steady.

**Groceries** The grocery trade reflected a further slowing down in the volume of business during the past month. The November sales of reporting firms were 13.3 per cent less than October sales, but were 7.2 per cent larger than November, 1922, sales. The slackening in demand is due to the fact that this is the inventory period, and retailers generally reduce stocks as low as possible previous to that time. However, the generally heavy consumer buying has been reflected in the good demand for immediate shipments. Prices during the past month have remained firm. Dealers in several sections of the state report that the outlook is better than it has been for the past two or three years.

**Drugs** After reaching a peak of the fall distribution in October, the November sales of eight drug firms reflected a seasonal decline of 14.7 per cent. However, as compared to November, 1922, sales, a gain of 16.7 per cent was registered. Although the year-end slowing down in trade occurs in November and December, dealers report that the buying demand is generally strong, and considerably better than a year ago.

Collections were good during November, and late reports indicate that payments early in December were satisfactory. Some dealers state that there has been a noticeable reduction in old accounts. Drug prices, as a rule, have remained steady with but few changes noted.

#### CONDITION OF WHOLESALE TRADE DURING NOVEMBER, 1923.

Percentage of Increase or Decrease in

	NET SALES		—Net Sales— July 1st to date compared with same period last year.	STOCKS	
	Nov. 1923 compared with	Oct. 1923		Nov. 1923, compared with	Oct. 1923
Groceries .....	+ 7.2	—13.3	+10.7	+ 2.9	— 3.8
Dry Goods.....	+31.3	—26.4	+18.0	+24.8	—16.1
Furniture .....	+10.3	— 7.6	+ 8.0		
Farm Implements.....	+43.8	+15.2	+42.1	+20.2	+ 4.7
Drugs .....	+16.7	—14.7	+12.8	+ 9.5	+ 6.4
Hardware .....	+ 9.7	— 9.5	+11.4	+13.1	— 5



## RETAIL TRADE

A slight recession from the heavy distribution during October, which was largely seasonal, characterized retail trade in November. The sales of twenty-four firms were 11.0 per cent less than October sales, but were 7.1 per cent greater than November, 1922, sales. Retailers report that the volume of December business is proving very satisfactory. Christmas shopping is being done on a larger scale than a year ago, and there are evidences that more expensive gifts are being purchased. It has also been reported that utility gifts are proving immensely popular among shoppers. The buying of winter clothing, stimulated by the first real cold weather which came about the middle of the month, has augmented December sales.

Stocks on hand at the close of November were five-tenths of one per cent less than those on hand at the close of October, but were 6.7 per cent greater

than those on hand at the close of November a year ago. The ratio of stocks to sales for the five months' period July 1st to November 30th was 472.6 per cent, as compared to 464.3 per cent for the corresponding period of 1922.

The ratio of outstanding orders to last year's purchases declined from 7.1 per cent at the close of October to 4.5 per cent at the close of November. This indicates that the department stores have placed in stock the larger portion of the fall orders and are waiting until after the turn of the year to make new commitments.

Collections reflected a slight increase. The ratio of November collections to accounts receivable on November 1st was 40.3 per cent, as compared to 39.9 per cent for October, and 38.3 per cent for November, 1922.

## BUSINESS OF DEPARTMENT STORES

	Dallas	Fort Worth	Houston	All Others	Total District
<b>Total Sales—</b>					
November, 1923, compared with November, 1922.....	+ 6.9	— .9	+ 6.2	+12.0	+ 7.1
November, 1923, compared with October, 1923.....	—15.2	— 7.9	— 4.1	—11.1	—11.0
July 1st to date compared with same period last year	+ 7.6	+ 3.1	+10.1	+ 7.3	+ 7.1
<b>Credit Sales—</b>					
November, 1923, compared with November, 1922.....	+ 7.6	— 1.2	+20.8	+13.5	+10.3
November, 1923, compared with October, 1923.....	—14.8	— 6.4	— 4.2	—12.2	—11.5
July 1st to date compared with same period last year	+ 8.0	+11.1	+23.6	+10.8	+11.5
<b>Stocks—</b>					
November, 1923, compared with November, 1922.....	+14.4	+ 4.6	+ 6.4	+ .8	+ 6.7
November, 1923, compared with October, 1923.....	+ 1.1	— .2	+ 1.0	— 3.0	— .5
Ratio of stocks to sales.....	460.3	497.1	476.5	474.5	472.6
Ratio of outstanding orders to last year's purchases.....	2.6	5.5	7.5	7.2	4.5
Ratio of November collections to Accounts Receivable, due and outstanding on Nov. 1, 1923.....	37.0	39.2	42.3	44.7	40.3

## FINANCIAL

After reaching the highest point on record in October, there was a seasonal decline in the volume of public spending as measured by debits to individual accounts at the principal cities in the Eleventh District. The November decline is due to the fact that the movement of cotton usually reaches a peak

in October. Debits at thirteen cities amounted to \$695,243,000 in November, as compared to \$813,238,000 in October, and \$678,682,000 in November, 1922. This represents a decline of 14.5 per cent as compared to October, but a gain of 2.3 per cent over the corresponding month of last year.

## CHARGES TO DEPOSITORS' ACCOUNTS

	November, 1923	October, 1923	Inc. or Dec.	November, 1922	Inc. or Dec.
Albuquerque .....	\$ 10,540,000	\$ 8,979,000	+17.4	\$ 9,721,000	+ 8.4
Austin .....	22,363,000	20,239,000	+10.5	16,405,000	+36.3
Beaumont .....	15,914,000	16,495,000	— 3.5	14,170,000	+12.3
Dallas .....	217,059,000	218,769,000	— .8	183,245,000	+18.5
El Paso .....	28,756,000	28,604,000	+ .5	30,137,000	— 4.6
Fort Worth .....	73,611,000	83,464,000	—11.8	105,617,000	—30.3
Galveston .....	78,301,000	149,585,000	—47.7	93,268,000	—16.0
Houston .....	136,063,000	164,383,000	—17.2	123,952,000	+ 9.8
San Antonio .....	33,295,000	35,236,000	— 5.5	28,865,000	+15.3
Shreveport .....	36,913,000	39,079,000	— 5.5	37,764,000	— 2.3
Texarkana .....	9,501,000	11,288,000	—15.8	7,061,000	+34.6
Tucson .....	9,184,000	7,791,000	+17.9	8,473,000	+ 8.4
Waco .....	23,743,000	29,326,000	—19.0	20,004,000	+18.7
<b>Totals, Eleventh District .....</b>	<b>\$695,243,000</b>	<b>\$813,238,000</b>	<b>—14.5</b>	<b>\$678,682,000</b>	<b>+ 2.3</b>



**Acceptance Market** The volume of acceptances executed by accepting banks of this district and outstanding on the last day of the month reflected a slight decline in November, but was still relatively large. The total outstanding on November 30th was \$3,727,571.05 as compared to \$4,164,668.28 on October 31st. The amount executed against import and export transactions dropped from \$3,294,308.92 on October 31st to \$2,785,825.72 on November 30th, but the amount based on the domestic shipment and storage of goods increased from \$870,359.36 on October 31st to \$941,745.33 on November 30th. The Federal Reserve Bank continued to increase its investments in this type of paper, the amount of its holdings being \$42,373,583.52 on November 30th as compared to \$32,117,720.46 on October 31st.

**Condition of Reserve City Banks** The net demand deposits of reserve city banks reflected a further increase during the past month, reaching a total of \$260,504,000 on November 28th, as compared to \$251,102,000 on October 31st, or a net gain of \$9,402,000 during the four-week period. There was an expansion in loans during the same period of \$5,631,000. There was a sharp decline in the bills payable and rediscounts with the Federal Reserve Bank, being \$4,967,000 on November 28th as compared to \$8,617,000 on October 31st, or a net reduction of \$3,650,000. However, their borrowings from the Federal Reserve Bank were \$1,301,000 greater than on November 29, 1922. The ratio of loans to net demand deposits was 88 per cent on November 28th, as compared to 89 per cent on October 31st, and 90 per cent on November 29, 1922.

## CONDITION STATISTICS OF MEMBER BANKS IN SELECTED CITIES

	Nov. 28, 1923	Oct. 31, 1923	Nov. 29, 1922
1. Number of reporting banks.....	52	52	52
2. U. S. securities owned.....	\$53,181,000	\$ 53,113,000	\$48,016,000
3. All other stocks, bonds and securities owned.....	13,655,000	12,309,000	8,651,000
4. Loans secured by U. S. Government obligations.....	3,072,000	3,060,000	4,917,000
5. Loans secured by stocks and bonds other than U. S. Government obligations .....	66,005,000	62,888,000	54,897,000
6. All other loans.....	226,937,000	221,318,000	209,917,000
7. Net demand deposits.....	260,504,000	251,102,000	240,187,000
8. Time deposits.....	79,384,000	76,833,000	69,468,000
9. Reserve with Federal Reserve Bank.....	28,283,000	28,447,000	26,043,000
10. Bills payable and rediscounts with Federal Reserve Bank.....	4,967,000	8,617,000	3,666,000
11. Ratio of loans (*) to net demand deposits.....	88%	89%	90%

\*Loans include only items 4 and 6.

**Operations of the Federal Reserve Bank** A further recession in our loans to member banks occurred during November and the first half of December. The net reduction in November amounted to \$5,882,198.80. During the first thirteen days of December member banks' borrowings declined \$1,439,773.29, the total volume of outstanding loans on December 13th being \$13,983,389.07. At the close of November there were 141 banks borrowing from the Federal Reserve Bank, as compared to 208 on October 31st, indicating that 67 banks completely retired their lines during November.

Due to the large increase in investments in bankers' acceptances our total bills held increased from \$53,423,081.32 on October 31st to \$57,796,745.88 on November 30th, distributed as follows:

The actual circulation of Federal reserve notes declined \$1,292,685 during the past month, being \$56,494,965 on November 30th, as compared to \$57,787,650 on October 31st. There was a further reduction of \$1,636,590 in the circulation of these notes during the first thirteen days of December. The reserve accounts of member banks declined from \$59,146,596.18 on October 31st to \$58,348,680.24 on November 30th, but had risen to \$61,247,591.31 on December 13th.

**Deposits of Member Banks** As the season advances the volume of member banks' deposits continues an upward course. The total net demand deposits of member banks rose from \$629,944,000 on October 24th to \$654,398,000 on November 28th. It is significant to note that these deposits have increased \$168,754,000 since July 25th.

Member banks' collateral notes secured by U. S. Government obligations.....	\$ 3,299,300.00
Rediscounts and all other loans to member banks .....	12,123,862.36
Open market purchases (bankers' acceptances) .....	42,373,583.52
Total bills held.....	\$57,796,745.88



### DEPOSITS OF MEMBER BANKS (000's Omitted)

	All Member Banks		Banks in Cities With a Population Less Than 5,000		Banks in Cities With a Population Between 5,000 and 14,999		Banks in Cities With a Population Between 15,000 and 99,999		Banks in Cities With a Population Over 100,000	
	Total Demand	Total Time	Demand	Time	Demand	Time	Demand	Time	Demand	Time
April 25, 1923.....	527,082	138,213	150,690	18,021	87,901	20,885	118,429	51,546	170,062	47,761
May 23, 1923.....	514,274	139,612	145,741	17,902	86,847	21,626	113,985	51,278	167,701	48,806
June 27, 1923.....	496,227	141,251	139,013	18,261	84,832	21,692	109,330	50,897	163,052	50,401
July 25, 1923.....	485,644	139,868	133,796	18,507	84,405	22,014	107,579	50,940	159,864	48,407
Aug. 29, 1923.....	501,088	139,356	149,580	18,516	87,772	22,989	103,508	49,699	160,228	48,152
Sept. 26, 1923.....	574,421	139,472	186,786	18,344	101,334	22,978	109,108	50,264	177,193	47,886
Oct. 24, 1923.....	629,944	139,723	209,681	17,447	107,980	23,381	116,717	50,541	195,566	48,354
Nov. 28, 1923.....	654,398	143,713	220,297	17,111	111,284	23,479	117,596	52,550	205,221	50,573

**Discount Rates** There is presented the "high," cities listed below for the thirty-day period ending December 15th. "low," and "customary" rates charged by commercial banks in the

### NOVEMBER DISCOUNT RATES

	Dallas			El Paso			Ft. Worth			Houston			San Antonio			Waco		
	H	L	C	H	L	C	H	L	C	H	L	C	H	L	C	H	L	C
Prime Commercial paper:																		
Customers' 30 to 90 days.....	6	5	5½	10	6	8	7	5	6	7	6	6	8	6	7	8	6	7
Customers' 4 to 6 months.....	6	5	5½	10	8	8	7	5	5½	8	6	6	8	6	7	8	6	7
Open market 30 to 90 days.....	6	5	5½	5½	4	4½	5½	5	5½	6	5	5½	---	---	---	7	5	5½
Open market 4 to 6 months.....	6	5	5½	10	8	8	5½	5	5½	6	5	5½	---	---	---	7	5½	5½
Interbank loans.....	7	5	5½	9	6	8	7	6	6½	6	5	6	8	6	6	7	6	6
Collateral loans, demand.....	6	5	6	10	8	8	10	6	8	8	6	6	8	6	7½	8	6	7
Collateral loans, 3 months.....	8	5	6½	10	8	8	10	6	8	8	6	6	8	6	7½	8	6	7
Collateral loans 3 to 6 months.....	8	5	6½	10	8	8	10	6	8	8	6	6	8	6	7½	8	6	7
Cattle loans.....	8	6	7½	10	8	8	8	7	8	8	7	7	8	6	7½	8	8	8
Loans secured by warehouse receipts, Bs-L, etc.	8	6	6½	10	8	8	8	5	6	8	6	7	8	6	7½	8	6	7
Loans secured by government securities.....	8	5	6½	10	8	8	6	6	6	8	5	6	8	6	6½	8	6	7½

**Savings Deposits** Reports from 121 banks which operate a savings department reflect a gain of 2.5 per cent in savings deposits between October 31st and November 30th. There has been an increase of 17.9 per cent in these deposits since November 30th a year ago. The number of savings depositors, as reported by 114 banks, was 243,083 on November 30th, as compared to 240,266 on October 31st, and 208,390 on November 30, 1922.

### SAVINGS DEPOSITS

	Number of Reporting Banks:	Nov. 30, 1923	Nov. 30, 1922	Inc. or Dec.	Oct. 31, 1923	Inc. or Dec.
Beaumont.....	4	2,221,286	1,692,400	+31.3	2,204,347	+ .8
Dallas.....	6	11,353,560	8,774,071	+29.4	10,955,759	+ 3.3
El Paso.....	5	8,798,157	6,971,380	+26.2	8,660,082	+ 1.6
Fort Worth.....	6	6,916,845	6,412,838	+ 7.9	6,839,979	+ 1.1
Houston.....	14	19,559,830	16,369,529	+19.5	19,275,220	+ 1.5
San Antonio.....	6	9,512,163	8,714,313	+ 9.2	9,542,514	— .3
Shreveport.....	5	10,605,899	8,431,529	+25.8	9,510,398	+11.5
Waco.....	5	2,596,923	1,913,831	+35.7	2,511,325	+ 3.4
Wichita Falls.....	4	1,799,177	2,503,446	—39.1	1,869,063	— 3.7
All others.....	66	24,280,372	21,046,514	+15.4	23,931,930	+ 1.5
<b>Total.....</b>	<b>121</b>	<b>97,644,212</b>	<b>82,829,851</b>	<b>+17.9</b>	<b>95,300,617</b>	<b>+ 2.5</b>



## NUMBER OF SAVINGS DEPOSITORS

	Number of Reporting Banks	Nov. 30, 1923	Nov. 30, 1922	Oct. 31, 1923
Beaumont .....	3	7,151	5,961	7,090
Dallas .....	6	37,495	29,807	37,311
El Paso .....	5	27,222	25,463	26,916
Fort Worth .....	5	13,854	13,076	13,771
Houston .....	14	54,409	42,237	53,001
San Antonio .....	5	14,752	12,779	14,570
Shreveport .....	5	21,355	18,345	21,031
Waco .....	5	5,408	4,589	5,325
Wichita Falls .....	4	6,449	4,686	6,371
All Others .....	62	54,988	51,447	54,880
<b>Total</b> .....	<b>114</b>	<b>243,083</b>	<b>208,390</b>	<b>240,266</b>

## FAILURES

For the third consecutive month both the number and indebtedness of commercial failures reflected sharp increases as compared to the previous month. There were 127 defaults in November with an aggregate indebtedness of \$4,445,724, which compares to 111 failures in October with liabilities amounting to \$2,417,470, and 83 insolvencies in November, 1922,

involving liabilities of \$1,361,108. It is to be noted that there were more failures in November than in any previous month of this year. Furthermore, the volume of indebtedness involved in these defaults has been exceeded in only three months during the past eight years.

## COMMERCIAL FAILURES

	Eleventh Federal Reserve District				All Federal Reserve Districts			
	1923		1922		1923		1922	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
January .....	117	1,524,107	207	4,326,594	2,126	49,210,497	2,723	73,795,780
February .....	91	2,104,596	207	5,889,143	1,508	40,627,939	2,331	72,608,393
March .....	91	2,474,504	107	2,121,725	1,682	48,393,138	2,463	71,608,192
April .....	93	8,874,897	167	3,865,301	1,520	51,491,941	2,167	73,058,637
May .....	78	3,779,959	84	2,175,351	1,530	41,022,277	1,960	44,402,886
June .....	97	1,293,018	114	2,481,679	1,358	28,678,276	1,740	38,242,450
July .....	81	2,576,000	64	1,230,581	1,231	35,721,188	1,753	40,010,313
August .....	68	1,020,596	85	5,198,294	1,319	34,334,722	1,714	40,279,718
September .....	79	1,757,766	70	1,480,222	1,226	28,696,649	1,566	36,908,126
October .....	111	2,417,470	91	1,014,291	1,673	79,301,741	1,708	34,647,438
November .....	127	4,445,724	83	1,361,108	1,704	50,291,708	1,737	40,265,297
<b>Total eleven months.....</b>	<b>1,033</b>	<b>32,268,637</b>	<b>1,279</b>	<b>31,144,289</b>	<b>16,877</b>	<b>487,770,076</b>	<b>21,862</b>	<b>565,827,230</b>

## PETROLEUM

Although another new high record was established in oil production for the Eleventh Federal Reserve District during November, there was a general decline in the output of practically all the major producing areas, with the exception of the Powell field, which alone produced more oil in November than the whole state of Texas produced during a similar period during the early months of this year. The district's total output for November amounted to 19,342,590 barrels as compared to 16,784,220 barrels in October. The number of wells completed declined from 361 in October to 308 in November, but 505,633 barrels of new production were added from the 234 successful completions in November as compared

with a flush production of 442,325 barrels from the 281 successful completions in October.

The output of Texas fields rose from 14,741,506 barrels in October to 17,589,150 barrels in November. While the new producers completed numbered 196 wells in November as compared to 248 wells in October, the new production added in the former month amounted to 503,740 barrels, as against 441,513 barrels in the latter month.

An increase of 3,329,085 barrels in the production of the Powell field brought the November yield of that field to 9,824,325 barrels. There were 111 completions and only nine were failures, with the initial flow of producing wells totaling 471,480 barrels. The



Stephens County and Desdemona-Gorman fields were the only other major producing areas in the Central-West Texas section to register an increase in production. The total yield of this section for November amounted to 12,463,120 barrels, as compared to 9,262,995 in October. There were 143 completions, including 124 producers, with a flush production of 478,070 barrels, as against 164 completions in the previous month, of which 147 were successful, yielding an initial flow of 346,530 barrels.

Every producing area in the North Texas field registered a decline as compared to the previous month. The November output amounted to 2,141,110 barrels, as against 2,261,920 barrels in October. The November completions numbered 60 wells, including 41 producers, making a flush production of 4,025 barrels, which compares to 83 completions in October, including 55 producers with an initial flow of 9,203 barrels.

For the third consecutive month the production in the Texas Coastal fields reflected a decline. The November yield amounted to 2,399,020 barrels, as compared to 2,596,250 barrels in October. There were 33 wells completed in November, of which 26 were successful, yielding an initial production of 21,105 barrels.

The Louisiana production declined to 1,753,440 barrels, which is the smallest output recorded in any one month for nearly four years.

### Crude Oil Prices

During the past thirty days a reduction of ten cents to fifteen cents per barrel was posted on oil at the various Louisiana fields, and a reduction of ten cents per barrel was posted on Corsicana heavy oil.

### OIL PRODUCTION

Field—	November		October		Increase or Decrease	
	Total	Daily Avg.	Total	Daily Avg.	Total	Daily Avg.
North Texas.....	2,141,110	71,370	2,261,920	72,965	Dec. 120,810	Dec. 1,595
Central-West Texas.....	12,463,120	415,437	9,262,995	298,806	Inc. 3,200,125	Inc. 116,631
Texas Coastal.....	2,399,020	79,968	2,596,250	83,750	Dec. 197,230	Dec. 3,782
Miscellaneous fields.....	585,900	19,530	620,341	20,011	Dec. 34,441	Dec. 481
Totals, Texas.....	17,589,150	586,305	14,741,506	475,532	Inc. 2,847,644	Inc. 110,773
North Louisiana.....	1,753,440	58,448	2,042,714	65,894	Dec. 289,274	Dec. 7,446
Totals, 11th District.....	19,342,590	644,753	16,784,220	541,426	Inc. 2,558,370	Inc. 103,327

### NOVEMBER DRILLING RESULTS

Field—	Completions	Producers	Failures	Initial Production
North Texas.....	60	41	19	4,025
Central-West Texas.....	143	124	19	478,070
Texas Coastal.....	33	26	7	21,105
Miscellaneous fields.....	5	4	1	525
Texas Wildcats.....	15	1	14	15
Totals, Texas.....	256	196	60	503,740
North Louisiana.....	52	38*	14	1,893
November totals, District.....	308	234	74	505,633
October totals, District.....	361	281	80	442,325

\*Includes one gas well.

### CRUDE OIL PRICES

Texas—	Dec. 8, 1923	Dec. 9, 1922	Louisiana—	Dec. 8, 1923	Dec. 9, 1922
Corsicana light.....	\$1.00	\$1.00	Caddo (38 gravity and above).....	\$1.10	\$1.80
Corsicana heavy.....	.40	.65	Bull Bayou (38 gravity and above).....	1.05	1.15
Texas Coastal.....	1.00	1.25	Homer 35 gravity and above).....	1.10	1.40
Mexia.....	1.00	1.25	Haynesville (33 gravity and above).....	1.00	1.25
Currie.....	1.00	.....	DeSoto Crude.....	1.10	1.25
North Texas 40 gravity and above).....	1.25	1.80			



## LUMBER

There was a sharp decline in the production rate of Eleventh District pine mills during November. The actual production was 8 per cent below normal, as compared to 3 per cent below normal in October. Shipments dropped from 7 per cent above production in October to 5 per cent below production in November. The new orders received at the mills showed a further sharp decline, being 27 per cent below normal production in November as compared to 9 per cent in October. The decline in shipments and orders was due largely to seasonal influences, as the retail yards generally reduce their stocks as low as possible before the close of the year. The unfilled orders on the books of 46 mills at the close of November amounted to 50,398,200

feet as compared to 59,695,880 feet on the books of 48 mills at the close of October. Stocks on hand November 30th were 17 per cent below normal as compared to 19 per cent on October 31st.

## NOVEMBER PINE MILL STATISTICS

Number of reporting mills.....	46
Production .....	96,882,663 feet
Shipments .....	91,930,656 feet
Orders .....	82,334,136 feet
Unfilled orders, November 30th..	50,398,200 feet
Normal production .....	104,526,064 feet
Stocks, November 30th.....	265,358,635 feet
Normal stocks .....	311,381,597 feet
Shipments below production.....	4,952,007 feet= 5%
Actual production below normal..	7,643,401 feet= 8%
Orders below normal production	22,191,928 feet=27%
Stocks below normal.....	46,022,962 feet=17%

## BUILDING

A further seasonal decline in building operations was reflected in the number and total estimated cost of new projects begun during November at eleven principal cities in the Eleventh Federal Reserve District. The valuation of permits issued at these centers amounted to \$4,882,124 in November as compared to \$5,058,798 in October, and \$3,998,287 in November a year ago. It will be observed that while

there was a decline of 3.5 per cent as compared to the previous month, the November valuation was 22.1 per cent larger than the corresponding month of 1922. There were 2,438 permits issued in November as compared to 2,916 in October, and 2,317 in November, 1922. Waco was the only city to issue more permits in November than during the previous month.

## BUILDING PERMITS

	November, 1923		November, 1922		Inc. or Dec.	October, 1923		Inc. or Dec.	First Eleven Months				Inc. or Dec.
	No.	Valuation	No.	Valuation		No.	Valuation		1923		1922		
									No.	Valuation	No.	Valuation	
Austin.....	40	38,050	29	52,500	- 27.5	51	115,159	- 67.0	565	1,497,053	342	611,652	+ 144.8
Beaumont.....	196	120,094	84	61,291	+ 95.9	303	185,919	- 35.3	2,056	2,632,639	1,144	1,398,858	+ 88.2
Dallas.....	333	1,186,080	396	1,415,222	- 16.2	340	1,006,380	+ 15.9	4,335	19,858,917	4,308	17,462,790	+ 13.7
El Paso.....	63	56,035	88	155,030	- 63.9	88	98,350	- 43.0	940	2,024,345	1,078	3,012,820	+ 32.7
Fort Worth.....	181	586,031	201	478,428	+ 22.5	203	931,415	- 37.1	2,748	7,734,235	2,338	6,268,749	+ 23.4
Galveston.....	331	64,090	350	74,999	- 14.1	372	152,444	- 58.0	3,714	1,843,015	3,855	2,056,670	- 10.4
Houston.....	453	941,593	510	671,197	+ 40.3	570	1,278,529	- 26.4	5,778	17,480,133	6,289	12,704,416	+ 37.6
Port Arthur.....	218	190,647	102	80,253	+ 137.7	235	217,664	- 12.4	2,163	2,798,235	1,144	1,091,089	+ 156.4
San Antonio.....	318	394,685	285	573,355	- 31.2	409	568,350	- 30.5	3,579	7,769,846	3,967	7,063,480	+ 10.0
Shreveport.....	261	1,202,199	241	377,887	+ 218.1	301	400,238	+ 200.4	3,126	8,693,405	2,617	5,346,809	+ 62.6
Waco.....	44	102,620	31	58,125	+ 76.6	40	104,350	- 1.7	486	1,153,362	2,455	1,986,124	- 41.9
Total.....	2,438	4,882,124	2,317	3,998,287	+ 22.1	2,910	5,058,798	- 3.5	29,490	73,485,185	27,527	59,003,457	+ 24.5

## CEMENT

After showing a steady decline for three months, the production of Portland cement at Texas mills

reflected a gain of 4.8 per cent as compared to October. The November production amounted to



348,000 barrels, as against 332,000 barrels in October, and 311,000 barrels in November, 1922. Shipments during November totaled 320,000 barrels, as compared to 326,000 in October and 304,000 in November, 1922. Stocks at the end of November were 11.9 per cent larger than those at the end of October,

and 51.2 per cent greater than those at the close of November, 1922.

For the first eleven months of this year production was 20.9 per cent greater than for the corresponding period of 1922, while shipments were 14.7 per cent greater.

PRODUCTION, SHIPMENTS AND STOCKS OF PORTLAND CEMENT  
(Barrels)

	November, 1923	November, 1922	Per Cent Inc. or Dec.	October 1923	Per Cent Inc. or Dec.	First Eleven Months		Per Cent Inc. or Dec.
						1923	1922	
Production of Texas mills.....	348,000	311,000	+11.9	332,000	+ 4.8	3,948,000	3,266,000	+20.9
Shipments from Texas mills.....	320,000	304,000	+ 5.3	326,000	— 1.8	3,889,000	3,392,000	+14.7
Stocks at the end of the month at Texas mills.....	254,000	168,000	+51.2	227,000	+11.9			



# SUMMARY OF NATIONAL BUSINESS CONDITIONS

(Compiled by the Federal Reserve Board as of December 24, 1923.)

Production of basic commodities and factory employment decreased in November. Distribution of merchandise by wholesalers and retailers was somewhat less active, and wholesale prices showed a further slight recession.

## PRODUCTION

Production in basic industries decreased about 2 per cent in November. The decline was due chiefly to reduced production of iron and steel and smaller sugar meltings. The Federal Reserve Board's new index of factory employment, which is shown by the accompanying chart, also declined, due to lessened activity at iron and steel plants and large seasonal reductions at clothing establishments. The volume of employment is now 2 per cent smaller than in the spring, but 3 per cent larger than a year ago. Contract awards for new buildings were smaller in November than in October in all reporting districts except New York, but were 20 per cent larger than a year ago. Final estimates by the Department of Agriculture show larger yields of corn, oats, tobacco and cotton than in 1922, and smaller yields of wheat, hay and potatoes. The total value of agricultural production at December 1st prices was 12 per cent larger than in 1922. Each of the ten principal crops except wheat showed an increase in value.

## TRADE

Railroad freight shipments in November showed about the usual seasonal decline from October, but were in heavier volume as compared with previous years. Wholesale trade was 13 per cent less in November than in October which is more than the usual decrease at this season, but sales continued to be slightly larger than a year ago. Sales of hardware, drugs, and meat were larger than in November, 1922, while sales of shoes were smaller. Retail business was smaller than in October in most lines. Sales of mail order houses declined more than sales in department stores, but were 11 per cent larger than a year ago.

## PRICES

The Bureau of Labor Statistics index of wholesale prices declined in November to a point four per cent

lower than last spring and about 3 per cent lower than a year ago. The chief reductions occurred in prices of animal products, fuel, and house furnishings. Prices of clothing and crops, on the other hand, increased and the latter group averaged higher than in any month since 1920. During the first half of December prices of sheep, beef, sugar, cotton, silk, and rubber declined, while quotations on crude oil, wheat, and wool were slightly higher.

## BANK CREDIT

The total volume of credit extended by member banks in clearing cities showed but little change between the middle of November and the middle of December. A seasonal reduction in commercial and agricultural loans in most districts was accompanied by increased loans on securities, with the result that total loans remained practically constant. During the same period borrowings at the Federal reserve banks were also practically unchanged. Holdings of acceptances increased somewhat partly in connection with the financing of cotton exports. The increased demand for currency for holiday trade was reflected in both a moderate expansion in Federal reserve note circulation and a reduction in gold certificates held by the Federal reserve banks. Rates on commercial paper sold in the open market continued to show an easier tendency as indicated by increased purchases at 4 and  $4\frac{3}{4}$  per cent, particularly in interior districts. The December issues of one-year  $4\frac{1}{4}$  per cent and six months 4 per cent treasury certificates, compared with  $4\frac{1}{4}$  per cent on a six months issue held in September were largely oversubscribed.

## A NEW INDEX

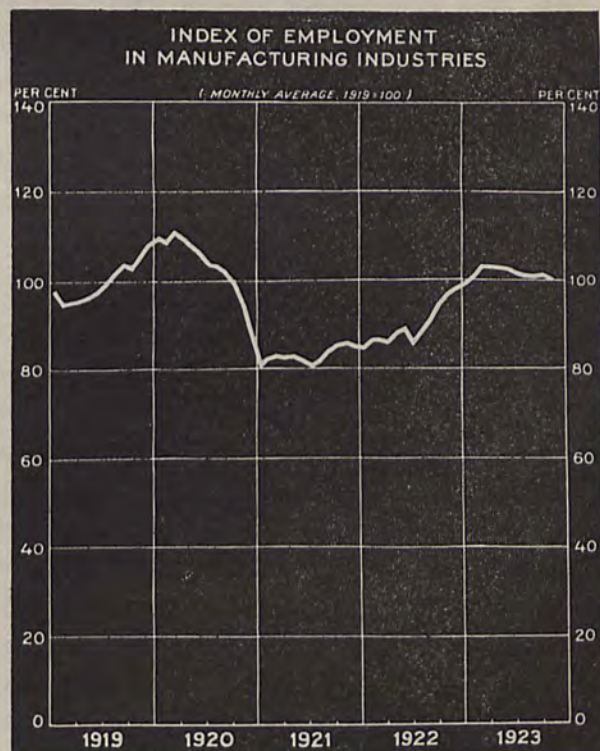
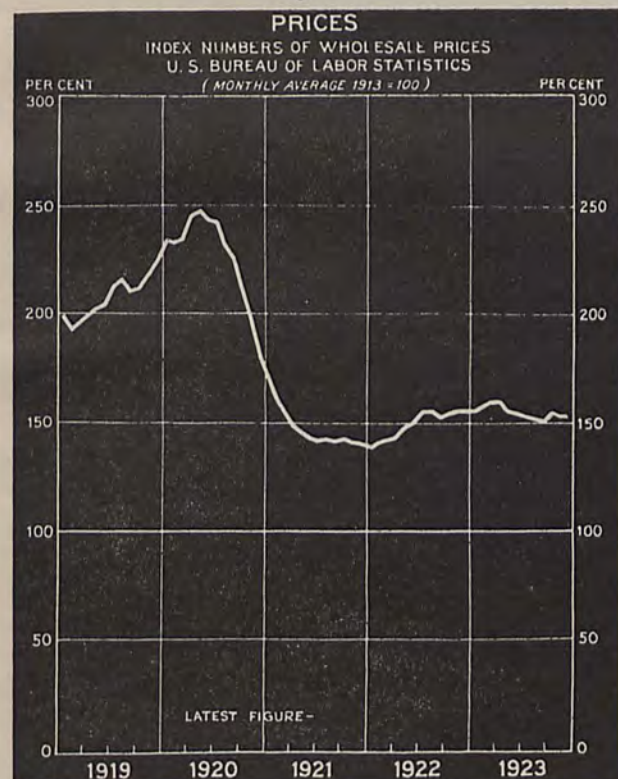
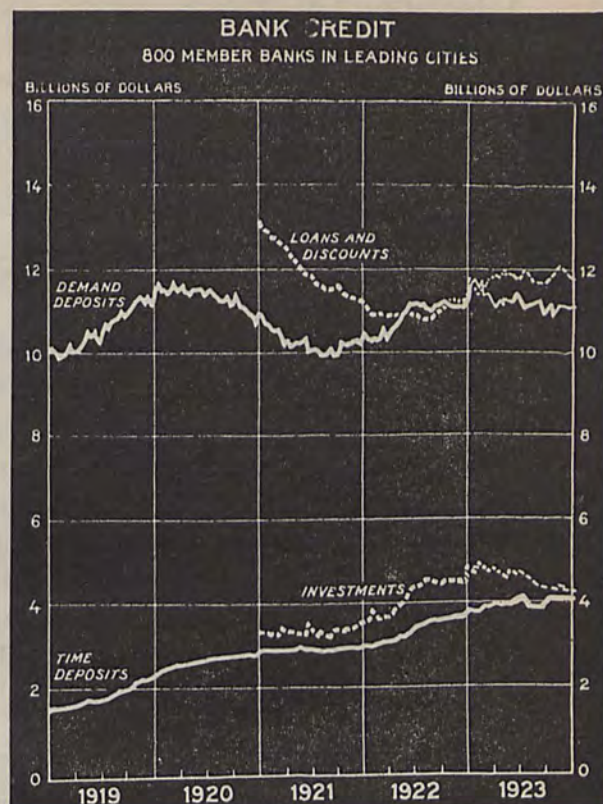
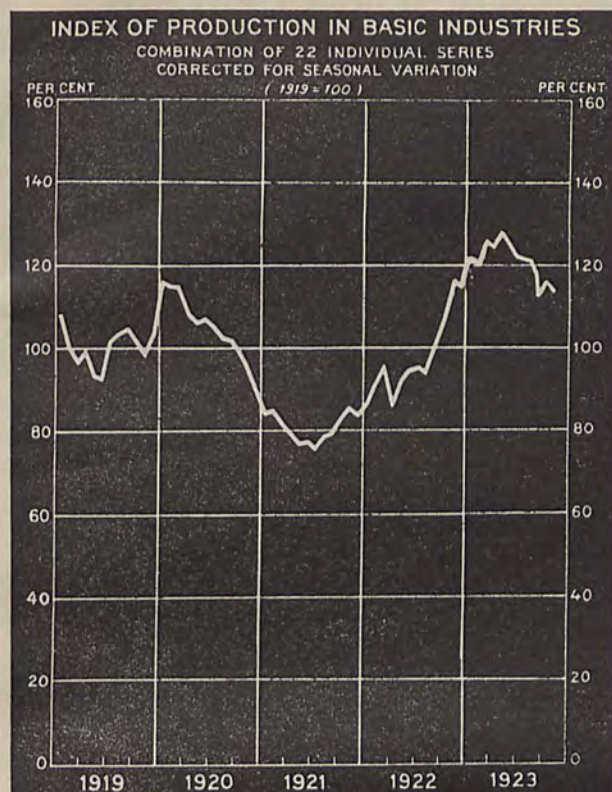
This month we present for the first time a chart showing the new index of employment in manufacturing industries, compiled by the Federal Reserve Board's Division of Research and Statistics. Wide industrial and geographical representation in the composition of the index is obtained by using data collected by a number of Federal and State agencies covering 33 separate industries which are grouped into 10 general classes, as follows: metals, textiles, lumber, vehicles, paper and printing, food, leather,



stone, clay and glass, tobacco, and chemicals. The final index and each of the 10 group indexes were obtained by combining the 33 individual industry series, weighting them in accordance with their relative importance as determined by the number employed according to the census of manufactures of 1919 and 1921. The index is expressed in terms of percentages with the monthly average for 1919 as the base, i. e., 100 per cent. It is so constructed that its movements, although they do not measure the total

volume of employment, reflect increases or decreases in this volume. No correction was made for normal seasonal variations, because, although those fluctuations are noticeable in individual industries, they vary as to time and degree and in the final index largely offset each other. A full description of the data and methods used in compiling this index and of the results obtained was published in the December issue of the Federal Reserve Bulletin.





Note: Base Adopted by United States Bureau of Labor Statistics



For the information of the readers of the Review there is reprinted below a letter recently issued by the Federal Reserve Agent of this bank to member banks in the Eleventh Federal Reserve District, on the subject of "Feed."

## F E E D

"Recent reports received by this bank, both from its own field men and from government sources, indicate that the Eleventh Federal Reserve District is again confronted with a seriously deficient feed crop. While the farmers in some sections of the district have produced sufficient feed to supply their needs until the next crop is harvested, it is apparent that an unusually short crop has been produced in the district as a whole.

"We realize, of course, that in a few sections of the district the soil is not adapted to the production of feedstuffs in needed kinds and quantities. The fact still remains, however, that even in those sections in which soil and climatic conditions offer superior advantages for the growing of corn, oats, hay, and other feedstuffs the production of these staples has been gradually diminishing from year to year, and in a large part of this area the cotton acreage has shown a steady expansion.

"The upward trend in the cotton market during recent years has probably had as much to do with the steady decline in feedstuff production in the Southwest as have the unfavorable weather conditions to which the feed crops have been subject. The theory that high cotton prices justify enlargement of the cotton acreage at the expense of essential feed crops is a dangerous fallacy. No community can afford the economic loss involved in paying the freight and profit upon a supply of feed which it can produce at home. What the Southwest needs is not a larger cotton acreage at the expense of

the feed crop acreage, but a larger yield of cotton lint per acre, which can be accomplished by intensive cultural methods, aided and encouraged by the credit facilities of our banks.

"The time has come, in our opinion, when this matter should receive the serious attention of our member banks in those communities which do not produce feedstuffs in commercial quantities. As a matter of sound banking policy, recognition should be given, to a greater degree than has apparently been given heretofore, to the obligation that rests upon a bank to establish a definite relation between its policy in dispensing credit to agricultural producers and the policy of these producers themselves as to the use of the credit so dispensed. I therefore earnestly commend to your serious consideration the importance of discussing the feed problem with your farmer customers in connection with their plans for the coming year. After giving due consideration to their feed requirements for the approaching winter and spring and to the adaptability of their soil for feed production you can doubtless formulate a credit policy that will encourage them to adopt a diversified and intensive production program that will enable them to produce on their own land as large a portion as possible of the feed and other products that they will need for home consumption. Credit dispensed to our agricultural producers upon any other basis than **that which will tend to reduce their operating costs to a minimum** cannot be said to serve their best interest nor contribute to their permanent prosperity."