

MONTHLY REVIEW OF BUSINESS AND INDUSTRIAL CONDITIONS

IN THE

ELEVENTH FEDERAL RESERVE DISTRICT FEDERAL RESERVE BANK OF DALLAS

LYNN P. TALLEY,
Chairman and Federal Reserve Agent

CHAS. C. HALL—W. J. EVANS,
Assistant Federal Reserve Agents.

(Compiled March 15, 1924)

Volume 9, No. 2

Dallas, Texas, April 1, 1924

THIS COPY RELEASED FOR PUBLICATION IN MORNING PAPERS

April 2nd

DISTRICT SUMMARY

THE SITUATION AT A GLANCE Eleventh Federal Reserve District

	February	January	Inc. or Dec.
Bank debits to individual accounts (at 15 cities).....	\$572,857,000	\$666,375,000	Dec. 14.0%
Department store sales.....			Dec. 5.9%
Reserve Bank loans to member banks at end of month.....	\$ 10,181,250	\$ 9,575,093	Inc. 6.3%
Reserve Bank ratio at end of month.....	41.9%	46.3%	Dec. 4.4 points
Building permit valuations at larger centers.....	\$ 6,496,164	\$ 8,347,272	Dec. 22.2%
Commercial failures (number).....	57	68	Dec. 16.2%
Commercial failures (liabilities).....	\$ 1,280,548	\$ 1,170,988	Inc. 9.4%
Oil production (barrels).....	11,788,766	12,024,107	Dec. 2.0%
Lumber orders at pine mills (per cent of normal production)	71%	105%	Dec. 34 points

Sustained activity in trade channels was a prominent feature of the business situation during the past month. Although department store sales and distribution in some lines of wholesale trade during the short month of February disclosed a smaller volume of business than in the previous month, the substantial increases over the corresponding month a year ago indicate that the aggregate volume of business is large. Conservatism is the keynote of trade reports, but such a policy strengthens the outlook for the future.

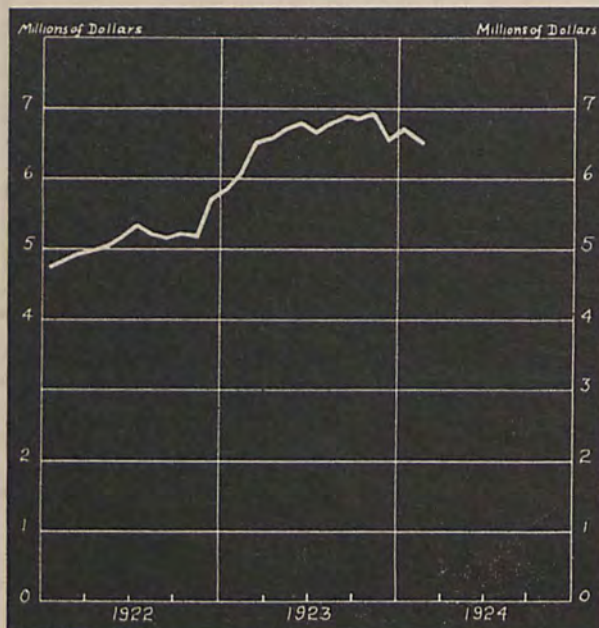
The usual decrease in bank deposits and the increase in the demand for credit which occurs at this season were noted during the past month. That commercial banks have been able to meet the increased credit requirements out of their own resources is evidenced by the light demand for Federal Reserve Bank credit. The loans of the Federal Reserve Bank of Dallas to member banks stood at approximately \$9,900,000 on March 15th, or practically the same amount as carried a month ago, but were

approximately \$9,000,000 lower than loans on that date a year ago. A further evidence of the good financial condition of the district is found in the large subscription to the March 15th issue of 4 per cent Treasury certificates of indebtedness. Although the quota for this district was placed at \$9,600,000, total subscriptions slightly exceeded \$26,000,000, and allotments were made to the extent of \$12,914,000.

Building activity not only fell 22 per cent below the high level of January operations, but was 7 per cent below February, 1923. February lumber orders at pine mills dropped 34 points from the January figure.

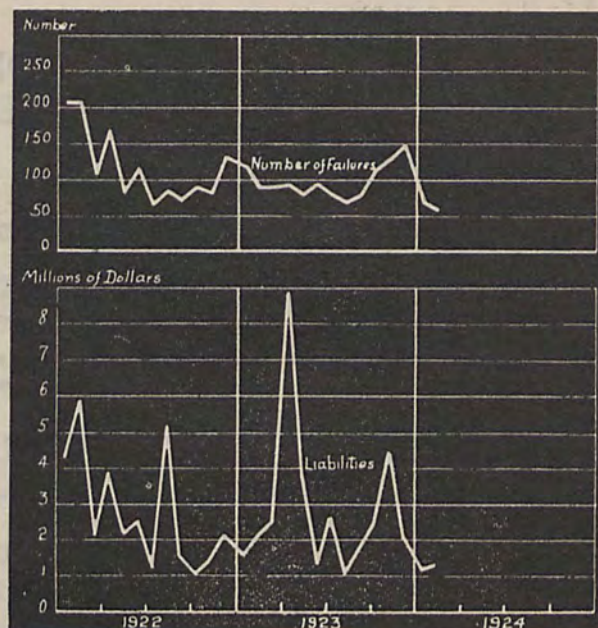
A significant development has been the retarding effect of adverse weather conditions upon farm operations, resulting in some curtailment of the feed crop acreage and accentuating the danger of insect damage to late-planted cotton. The reports from many sections of the district, which indicate that farmers are planning to greatly increase the cotton acreage (largely at the expense of feed crops), have

BUILDING PERMIT VALUATIONS



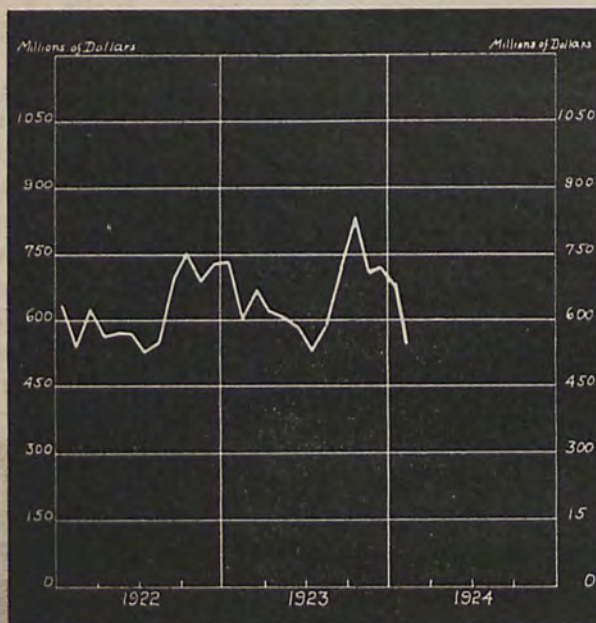
Moving average of building permit valuations at eleven cities in Eleventh Federal Reserve District.

COMMERCIAL FAILURES



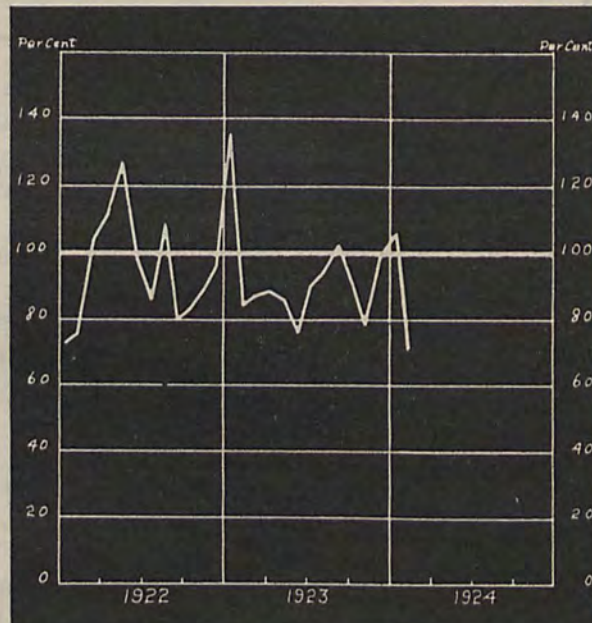
Monthly fluctuations in the number and amount of liabilities of commercial failures in the Eleventh Federal Reserve District.

DEBITS TO INDIVIDUAL ACCOUNTS



Monthly fluctuations in debits to individual accounts at fifteen cities in the Eleventh Federal Reserve District.

LUMBER ORDERS AT PINE MILLS



Monthly fluctuations of lumber orders at pine mills in Eleventh Federal Reserve District. Normal production 100=per cent.

given rise to serious concern with respect to the district's agricultural outlook. Such a program, together with the fact that spot cotton on March 15th was selling at approximately five cents per pound less than at the beginning of February, is construed by many of the district's bankers as a factor that must be reckoned with in the dispensing of credit during the present growing season.

The employment situation is considerably improved compared with a month ago. In practically all the larger cities of the district the winter surplus of skilled labor has been absorbed. Although there is still a slight surplus of common labor, this condition will probably be relieved as soon as seasonal work opens up on the farms and on highway construction.

A study of the labor situation in the Southwest

reveals the need of an augmented supply of skilled labor to take care of the increased demand arising from the rapid growth of such industries as textile manufacturing and the building trades. To this end the state of Texas has recently provided for the establishment of a new Technological College to be located at Lubbock, Texas, in the heart of what is regarded as the most promising new cotton growing region of the South. During the past month another undertaking, with a similar purpose in view, has been launched under private initiative with the view of establishing in Dallas a vocational school for the training of skilled operatives in the building crafts, the new institution to be known as the Dallas Vocational School. It is believed that such institutions will play an important part in meeting the demand for skilled labor needed by the rapidly growing industries of the Southwest.

CROP CONDITIONS

The heavy snows and frequent rains during the past month have interfered materially with crop preparations and have delayed the planting of corn and the seeding of spring oats and wheat. Some corn has been planted but reports from certain sections are to the effect that there is danger of the seed rotting in the ground before germination. Planting is unusually late and farmers are waiting for the ground to dry sufficiently to complete operations.

The preparation of land for cotton in different sections of the district shows various stages, ranging from a very small percentage to a relatively high percentage, depending largely upon the drainage and kind of soil. Much of the land in South Texas is either planted or fully prepared, but in the Southeast and Central sections only a small percentage of the work is completed.

The recent snows have greatly benefited the fall sown oats and wheat. Many fields which a month ago showed the effects of freezes are now greening and making good growth. The plants are well rooted and have ample moisture to insure speedy development as soon as the ground gets warm.

The fruit crop in the northern portion of the district was the source of much apprehension during the recent cold wave. While there was some injury to the crop, late reports indicate that the effects were not serious. However, the trees are beginning to bloom, which is the critical stage, and should extremely low temperatures obtain serious injury would result.

The observers for the Department of Agriculture report that the acreage of truck crops in the Rio

Grande Valley has been greatly increased this year. All crops are late, due to the unfavorable weather conditions in the planting and transplanting season, but the plants are in good condition and the movement of cabbage, spinach, beets, and carrots are in full sway.

According to the report of the Department of Agriculture, the holding of cereals on Texas farms on March 1st, with the exception of corn, were in excess of the holdings on that date of 1923. The report states that the quantity of corn remaining on farms was estimated at 27,968,000 bushels, which is the smallest amount since the low reserves of the spring of 1919. Only 5 per cent of the last year's crop was shipped out of the counties where grown. The report states further that it has been necessary to import an unusually large amount of corn this year. A similar situation obtains in New Mexico, where the supply remaining on farms is insufficient to meet the requirements until harvest.

On the other hand, the amount of oats remaining on Texas farms was estimated at 11,291,000 bushels as against 5,689,000 bushels last year. Hay supplies on farms were estimated at 328,000 tons as compared to 311,000 tons the preceding season.

Feed Prospects

In response to an inquiry sent out by the Federal Reserve Agent to the member banks of the district in regard to the prospects for feed crops during the present season, numerous letters have been received from bankers throughout the district. The outstanding feature of these replies is the almost

unanimous opinion that the cotton acreage this year will be substantially increased. In many sections this action will result in a corresponding reduction in feed crops. The danger of such a situation should not be overlooked. The greatly increased cotton acreage involves the hazard of an overproduction of cotton, which would have the effect of materially reducing the money return from the crop. Furthermore, it would necessitate the importation of a larger amount of feed to make the 1925 crop. The seriousness of the situation is augmented by the fact that, according to the Department of Agriculture, the present reserves of corn on farms in this district are the smallest since the low reserves of 1919. Should there occur a break in cotton prices similar to that in 1920, the year 1925 will be a disastrous one for those farmers who do not have a feed supply. Such prospects should not be passed over lightly.

Many replies indicate that even where the farmers have had the intention of planting a sufficient acreage to feed crops, they are now becoming disheartened because of the rains which have delayed plowing, and are expressing their intentions of abandoning the idea of planting feed in favor of a larger cotton acreage. It should be borne in mind, however, that, notwithstanding the lateness of the season, the abundant moisture in the soil will probably permit planting as late as April 1st and should carry the grains well through the summer.

It is encouraging to note that a concerted effort is being made by the bankers of the district to obtain a larger acreage of feed crops. A plan put forward by some bankers is to have their farmer customers raise a two years' supply of feed so that in case of a failure one year they will have a sufficient supply to carry them over. Other bankers are making it plain to their farmer customers that they will not furnish them accommodations unless they attempt to raise their own feed supply. Still others, especially in East Texas, are encouraging greater feed production through a co-operative effort to place fertilizer in the hands of the farmers.

A resume by sections is given below:

North Texas—There will probably be a sufficient feed supply raised. A normal acreage of corn will be planted, but the acreage of wheat and oats has been reduced. The cotton acreage will be increased.

East Texas—On account of the low yield of corn last year and the large returns from cotton, the farmers are showing a disposition to plant a large acreage of cotton at the expense of feed crops. The seriousness of the situation is augmented by the fact

that the present supply of feed is short and it will be necessary for the banks to finance the purchase of a sufficient supply to make this year's crop.

Central Texas—The feed acreage will be reduced and the cotton acreage increased. The lateness of the season and the high price of cotton are causing farmers to plant more cotton.

South Texas—Indications are that in most communities a sufficient supply of feed will be raised. There is a possibility of a slight increase in the cotton acreage.

West and Northwest Texas—Most of the farming lands in this section were planted to grain and other feed crops until about two or three years ago. While enough feed is always produced to supply local needs and some is shipped out, the success of cotton raising during the past two years has caused the farmers to greatly increase the cotton acreage and to reduce the feed acreage.

Oklahoma—The failure of feed crops last year has caused farmers to plant a larger acreage this year. In a majority of the communities it is reported that about fifty per cent of the land will be planted to feed crops and fifty per cent to cotton. The bankers are almost unanimous in their warnings to farmers that they will rigidly restrict loans to buy feed after this year, because under normal conditions the yield of feed crops is abundant.

Cotton Movements The movement of cotton through the port of Galveston showed a further decline during the past month. February receipts were 125,446 bales less than in January, but were 15,004 bales greater than in February, 1923. Exports were 82,021 bales less than in the previous month, and 23,046 bales less than in the corresponding month last year. Stocks on hand at Galveston declined from 325,013 bales on January 31st to 261,692 bales on February 29th. It is to be noted that on February 29th for the first time this season the amount on hand in compresses and warehouses was greater than on the corresponding date of the previous season.

The February exports through the port of Houston amounted to 67,428 bales, being slightly less than in January, but 29 per cent greater than in the corresponding month of 1923. Net receipts for February amounted to 54,341 bales as against 26,179 bales in February last year.

Stocks at all United States ports on February 29th were 794,541 bales, which is 72,649 bales greater than on that date a year ago.

COTTON MOVEMENTS THROUGH THE PORT OF GALVESTON

	February 1924	February 1923	Aug. 1 to Feb. 29	
			This Season	Last Season
Gross receipts.....	132,612	117,608	2,632,587	2,196,277
Exports	195,873	218,919	2,389,566	2,021,425
Stocks, Feb. 29th.....			261,692	239,587

GALVESTON STOCK STATEMENT

	Feb. 29, 1924	Feb. 28, 1923
For Great Britain.....	12,894	6,772
For France	7,100	900
For other foreign ports.....	25,408	35,950
For coastwise ports.....	6,000	7,500
In compresses	210,290	188,465
Total	261,692	239,587

HOUSTON COTTON MOVEMENTS

	February 1924	February 1923	Aug. 1 to Feb. 29	
			This Season	Last Season
Receipts—Gross	130,058	89,354	3,286,280	2,562,248
Receipts—Net	54,341	26,179	1,740,385	1,332,450
Exports	67,428	47,881	955,015	650,753
Stocks, Feb. 29th.....			232,571	175,861

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

	This Season	Last Season
Receipts since Aug. 1st.....	5,826,603	4,960,589
Exports: Great Britain.....	1,420,349	1,160,836
France	552,645	502,615
Continent	1,723,466	1,500,257
Japan-China	451,199	411,754
Mexico	5,209	13,549
Total foreign ports	4,152,868	3,589,011
Stocks at all U. S. Ports, Feb. 29th	794,541	721,892

SPOT COTTON PRICES

(Middling Basis)

	February, 1924		March 15, 1924
	High	Low	
New York.....	34.85	29.00	29.25
New Orleans.....	34.50	29.25	29.38
Dallas	33.95	28.50	28.65
Houston	34.65	29.00	29.35
Galveston	34.85	29.20	29.65

LIVESTOCK

Livestock and range conditions throughout the district have shown a further improvement during the past month. While heavy snows and low temperatures over a large portion of the range territory caused the stock to shrink considerably and retarded the growth of weeds and grass on the ranges, most of the livestock have come through in good condition and but few losses have been reported.

The condition of Texas ranges was reported by the Department of Agriculture to be 91 per cent of normal on March 1st, which compares to 89 per cent on February 1st and 84 per cent on March 1, 1923. While there was some deterioration in the condition of cattle in West Texas and in the plains section due to low temperatures and heavy snows and in East Texas on account of the shortage of feed, the average condition for the state as a whole remained at 90 per cent of normal. This was 6 points higher than the condition on the same date of 1923. The March 1st condition of sheep was two points higher than on February 1st and 7 points higher than on the corresponding date of last year.

Movements
and Prices

The February receipts of all classes of livestock reflected a substantial decrease as compared to January, but slight increases in the receipts of all classes ex-

cept hogs were registered as compared to February, 1923. The supply of livestock coming on the market during the past month was fairly well in line with that of recent years.

Market prices as a general rule were satisfactory during the month. There was a strong demand for sheep and lambs at all times, and receipts continually fell short of trade requirements with the result that some attractive prices were paid. Fat lambs sold as high as \$14.00, while feeder lambs sold for \$13.50. Sheep values reached the high point of the year; wool ewes ranged up to \$9.25; fall shorn wethers brought \$9.00; and freshly shorn wethers sold for \$8.25. The prices being paid for sheep at the close of February were fully \$1.25 higher than at the close of the previous month, and lamb prices were \$1.00 higher. Cattle and hogs sold on a fluctuating market throughout the month, but at the close cattle were selling well in line with prices at the end of the previous month and hogs had gained ten cents. Calves gained fully 75 cents. While the receipts of hogs at Fort Worth were never sufficient to meet the requirements of packers, the large numbers brought in from other centers were sufficient to hold quotations well in line with those at other centers.

FORT WORTH LIVESTOCK RECEIPTS

	February 1924	January 1924	Loss or Gain	February 1923	Loss or Gain
Cattle	44,567	67,032	L	22,465	35,841 G 8,726
Calves	9,460	19,375	L	9,915	7,295 G 2,165
Hogs	43,135	53,332	L	10,197	43,843 L 708
Sheep	9,085	14,849	L	5,764	5,912 G 3,173

COMPARATIVE TOP LIVESTOCK PRICES

	February 1924	January 1924	February 1923
Beef steers.....	\$ 8.50	\$ 8.50	\$ 8.75
Stocker steers.....	6.25	7.15	7.30
Butcher cows.....	5.75	6.35	5.50
Stocker cows.....	3.75	3.75	4.00
Calves	8.50	7.50	9.00
Hogs	7.65	7.80	8.50
Sheep	9.25	8.50	9.00
Lambs	14.00	13.50	14.50

TEXTILE MILLING

The February production of twelve textile mills in Texas amounted to 1,920,773 pounds as compared to 1,958,072 pounds in January, and 1,817,725 pounds in February, 1923. These mills were operating 117,152 spindles during February as against 114,692 in January and 104,304 during the corresponding month of last year. The February consumption of cotton amounted to 4,385 bales as compared to 3,908 bales in the previous month and 3,849 in February, 1923. Unfilled orders on hand at the close of February were considerably below those on hand at the end of either the previous month or the corresponding month a year ago. Stocks, on the other hand, are increasing.

Cotton goods prices have shown a downward trend during the past month, following the decline in raw cotton prices. Due to the unstable condition of the market, buying has been limited to actual needs.

TEXTILE MILLING STATISTICS

	February 1924	February 1923	January 1924
Number bales cotton consumed	4,385	3,849	3,908
Number spindles active.....	117,152	104,304	114,692
Number pounds cloth produced	1,920,773	1,817,725	1,958,072

WHOLESALE TRADE

While some lines of trade in the wholesale channels of distribution reported smaller sales in February, due principally to the short month and bad weather, an active demand was in evidence throughout the month. Although sales of drugs, farm implements, dry goods, and furniture were smaller than January sales, all reporting lines of trade except furniture reflected large gains in sales as compared to the corresponding month of 1923.

Contrasted with the situation which obtained a year ago when there was a shortage of goods in some lines and when dealers were showing a disposition to anticipate consumer demand, conservatism is now the ruling factor in business. However, the fact that an over-extension of commitments is being avoided strengthens the outlook for the future. While buying as the need arises is the prevailing policy, in many cases frequent purchases are being made to replace depleted supplies.

In most cases prices are holding steady, but a decline on some articles has been noted, particularly in cotton goods.

Many dealers report that collections have shown a general slowing down. Despite the fact that collections generally slow down at this season, this situa-

tion is not altogether encouraging in view of the good financial conditions prevailing at this time.

Dry Goods

The active demand for dry goods which materialized in January was well maintained during the past month. The February sales of twelve firms were only 2.2 per cent below January sales despite the short month and reflected an increase of 19.4 per cent over sales in February last year. Sales for the first two months of the year were 20.5 per cent in excess of those during the corresponding period of 1923. Although unfavorable weather conditions have greatly restricted purchases, buying has been active and is expected to increase as the season advances.

The recent declines in the price of raw cotton have had an unsettling effect on the cotton goods market. Furthermore, it is causing greater caution among buyers in regard to placing commitments for future delivery. Lower prices are now being quoted on some lines, notably gingham and sheeting. Silks are also slightly lower.

Conservative buying is a prominent feature of the trade. Buyers are following the policy of making purchases on a basis commensurate with well defined needs.

The outlook is good for a comparatively large distribution during the spring.

Farm Implements After showing a substantial increase over each previous month since August, 1923, the sales of reporting farm implement firms during February reflected a decline of 14.5 per cent as compared to January sales. However, the large increase of 89.2 per cent as compared to February, 1923, indicates the greatly improved distribution of farm implements which is now being obtained. The present demand for farm implements is heavier than it has been since 1920.

The continued wet, cold weather, which has greatly retarded farm operations, has naturally slowed down the demand for implements at retail. However, as soon as weather conditions enable the farmers to resume work an improvement in the trade should be noted. It seems evident that there is a large potential demand for implements in view of the improved condition of the farmer and the depleted supply of farm machinery in his hands.

The present situation is somewhat different from that which obtained a year ago. Although distribution was large during the first few months of 1923, the shortage of goods in the hands of manufacturers curtailed distribution to some extent. Furthermore, the manufacturers were forced to raise prices on account of the ever-increasing cost of production and this fact naturally caused farmers to become more and more hesitant about purchasing new implements. This year prices have remained on a steady basis throughout the season, which in turn has tended to increase the confidence of buyers.

Dealers generally are very optimistic regarding the outlook for the current year.

Hardware. The February reports from twelve wholesale hardware firms reflect an increase of 5.2 per cent in sales as compared to the previous month, and an increase of 19.2 per cent as compared to February, 1923, sales. Dealers state that the buying demand is good, but that purchases are being made on a conservative basis. The continued active building operations have maintained

the heavy demand for builders' hardware, which has been in evidence for some time.

Prices on some articles have reflected slight declines, but these have been offset by advances on other items.

Drugs. While the February sales of eight wholesale drug firms were 9.8 per cent less than the January sales, they were 17.3 per cent greater than sales in February last year. Sales for the first two months of this year were 13.8 per cent in excess of those for the corresponding period of 1923. Buying for immediate needs has been good, but retailers have shown no disposition to place orders for forward delivery. The drug trade has shown a considerable improvement during the past year and dealers state that the outlook for the current year is good.

Prices have shown a tendency to strengthen.

Furniture. The furniture trade experienced the usual February quietness during the past month. Sales reflected a decline of 1.9 per cent as compared to the previous month, and a decline of 6.3 per cent as compared to the corresponding month a year ago. The retail distribution of furniture in the country sections has been greatly retarded during the first two months of this year because of inclement weather and bad roads. However, reports are to the effect that building operations in these sections are active, and it is to be expected that a good distribution will be obtained during the next few months.

Groceries. Although there was a heavy demand for groceries in January, the February sales of reporting firms were 2.1 per cent greater than in the previous month. It is to be noted further that sales were 24.1 per cent greater than in the corresponding month a year ago, while in January they were only 16.4 per cent greater.

Late reports indicate that buying early in March was well in line with that during the first two months of the year. Prices generally have remained steady. Dealers state that the outlook for the next few months is very promising.

CONDITION OF WHOLESALE TRADE DURING FEBRUARY, 1924
Percentage of Increase or Decrease in

	Net Sales February, 1924 Compared With		Net Sales Jan. 1st to Date Com- pared With Same Period Last Year	Stocks February, 1924 Compared With	
	February 1923	January 1924		February 1923	January 1924
Groceries	+24.1	+ 2.1	+20.5	+11.0	+4.9
Dry Goods	+19.4	- 2.2	+12.9	+24.6	+1.7
Furniture	- 6.3	- 1.9	- 7.7
Farm Implements.....	+89.2	-14.5	+75.0	+31.4	+5.3
Drugs	+17.3	- 9.8	+13.8	+ 2.6	- .6
Hardware	+19.2	+ 5.2	+14.1	+16.5	+4.1

RETAIL TRADE

The February distribution at retail was maintained at a fairly high level. While the sales of twenty-four firms declined 5.9 per cent from January sales, due to seasonal influences, they were 11 per cent greater than February, 1923, sales.

Stocks on hand at the close of February were 10.7 per cent greater than at the close of January and 10.6 per cent greater than those carried at the close of February last year. The ratio of stocks to sales for the first two months of the year was 508.1 per cent as against 478 per cent for the corresponding period of last year.

The ratio of outstanding orders to last year's purchases at the close of February was 8.2 per cent as compared to 8.7 per cent at the close of January and 9.2 per cent at the close of February, 1923.

February collections reflected the normal slowing down at this season of the year. The ratio of February collections to accounts receivable on February 1st was 38.5 per cent as compared to 40.0 per cent in January and 38.2 per cent for February a year ago.

BUSINESS OF DEPARTMENT STORES

	Dallas	Fort Worth	Houston	All Others	Total District
Total Sales—					
February, 1924, compared with February, 1923.....	+14.7	+10.0	+ 5.8	+10.0	+11.0
February, 1924, compared with January, 1924.....	+ 1.0	+ 6.1	— 9.4	—16.5	— 5.9
Jan. 1st to date compared with same period last year	+10.5	+ 7.8	+ 6.7	+ 7.9	+ 8.6
Credit Sales—					
February, 1924, compared with February, 1923.....	+18.0	+14.2	+19.0	+11.7	+16.0
February, 1924, compared with January, 1924.....	+ 5.4	+10.9	— 4.6	—15.6	— 2.6
Jan. 1st to date compared with same period last year	+12.6	+10.2	+14.7	+11.2	+12.3
Stocks—					
February, 1924, compared with February, 1923.....	+ 7.8	+ 4.1	+11.1	+16.0	+10.6
February, 1924, compared with January, 1924.....	+13.2	+11.3	+ 8.1	+11.4	+10.7
Ratio of stocks to sales.....	465.4	609.5	459.6	540.1	508.1
Ratio of outstanding orders to last year's purchases.....	9.6	9.3	5.7	5.9	8.2
Ratio of February collections to Accounts Receivable, due and outstanding Feb. 1, 1924.....	37.0	35.3	42.0	40.2	38.5

FINANCIAL

Checks charged against individual accounts at banks in fifteen cities of the Eleventh Federal Reserve District amounted to \$572,857,000 in February as compared to \$666,375,000 in January and \$602,287,000 in February, 1923. The decline of 14 per cent from January was due to the short month of

February and to seasonal influences. As compared to a year ago, all cities except Fort Worth, Galveston, and Texarkana showed a gain, but the large decreases at the above cities offset the increases at other cities, causing a decline of 4.9 per cent for the district as a whole.

CHARGES TO DEPOSITORS' ACCOUNTS

	February, 1924	February, 1923	Inc. or Dec.	January, 1924	Inc. or Dec.
Albuquerque	\$ 9,318,000	\$ 8,389,000	+11.1	\$ 10,020,000	— 7.0
Austin	18,962,000	14,979,000	+26.6	21,520,000	—11.9
Beaumont	15,913,000	15,220,000	+ 4.6	17,734,000	—10.3
Corsicana	7,942,000	4,978,000	+59.5	10,175,000	—21.9
Dallas	168,471,000	159,058,000	+ 5.9	203,546,000	—17.2
El Paso	33,107,000	28,543,000	+16.0	31,677,000	+ 4.5
Fort Worth	63,746,000	105,992,000	—39.9	76,408,000	—16.6
Galveston	37,730,000	73,963,000	—49.0	51,954,000	—27.4
Houston	114,001,000	99,384,000	+14.7	129,103,000	—11.7
Roswell	2,858,000	1,920,000	+48.9	2,314,000	+23.5
San Antonio	30,685,000	26,826,000	+14.4	34,513,000	—11.1
Shreveport	35,790,000	29,428,000	+21.6	39,874,000	—10.2
Texarkana	7,984,000	10,948,000	—27.1	8,422,000	— 5.2
Tucson	7,941,000	6,475,000	+22.6	7,693,000	+ 3.2
Waco	18,409,000	16,184,000	+13.7	21,422,000	—14.1
Totals, Eleventh District	\$572,857,000	\$602,287,000	— 4.9	\$666,375,000	—14.0

Acceptance Market. The volume of acceptances executed by accepting banks of this district that were outstanding at the end of February reflected a further sharp decline as compared to those outstanding at the close of January. The heavy reduction during the past two months represents a seasonal trend. The total volume of acceptances outstanding on February 29th amounted to \$817,653.25 as compared to \$1,713,683.50 on January 31st. The amount based on the domestic shipment and storage of goods declined from \$697,028.00 on January 31st to \$253,372.25 on February 29th, and those executed against import and export transactions decreased from \$1,016,655.50 on January 31st to \$564,281.00 on February 29th. The holdings of the Federal Reserve Bank of this type of paper reflected a slight decline during the month, being \$42,023,654.70 on February 29th as compared to \$43,895,031.89 on January 31st.

Condition of Member Banks in Selected Cities. There was a further reduction of \$12,023,000 in the net demand deposits of fifty-two member banks in selected cities during the five weeks' period between January 30th and March 5th. On the other hand, their time deposits rose \$2,356,000 during the same period, reducing the net decline of total deposits to \$9,667,000. Following the downward trend of deposits, the reserves of these banks declined from \$27,102,000 on January 30th to \$25,993,000 on March 5th. The commercial loans of these banks amounted to \$214,465,000 on March 5th as compared to \$222,019,000 on January 30th, representing a net reduction of \$7,554,000 during the period. Their bills payable and rediscounts with the Federal Reserve Bank reflected a slight increase, being \$4,487,000 on March 5th as against \$4,367,000 on January 30th. Due to the heavy withdrawal of deposits, the ratio of loans to net demand deposits rose from 90 per cent on January 30th to 91 per cent on March 5th. The ratio on the latter date was four points higher than on February 28, 1923.

CONDITION STATISTICS OF MEMBER BANKS IN SELECTED CITIES

	March 5, 1924	Feb. 28, 1923	Jan. 30, 1924
1. Number of reporting banks.....	52	52	52
2. U. S. securities owned.....	\$56,469,000	\$54,656,000	\$56,168,000
3. All other stocks, bonds and securities owned.....	14,654,000	9,017,000	14,115,000
4. Loans secured by U. S. Government obligations.....	3,208,000	7,852,000	3,163,000
5. Loans secured by stocks and bonds other than U. S. Government obligations	62,857,000	52,392,000	63,720,000
6. All other loans.....	211,257,000	207,999,000	218,856,000
7. Net demand deposits.....	235,176,000	247,213,000	247,199,000
8. Time deposits.....	90,013,000	74,762,000	87,657,000
9. Reserve with Federal Reserve Bank.....	25,993,000	25,700,000	27,102,000
10. Bills payable and rediscounts with Federal Reserve Bank.....	4,487,000	3,071,000	4,367,000
11. Ratio of loans (*) to net demand deposits.....	91%	87%	90%

*Loans include only items 4 and 6.

Operations of the Federal Reserve Bank. There was a slight increase in the amount of accommodation extended member banks during the past month. Loans on February 29th were \$10,181,250 as compared to \$9,575,093.15 on January 31st. While bill-of-lading drafts and member bank collateral notes steadily declined, there was a gradual increase in the number and amount of notes rediscounted. A seasonal upward trend in the demand for bank credit manifested itself during February. The number of banks borrowing from the Federal Reserve Bank increased from 110 on January 31st to 141 on February 29th, or an increase of 31 banks. It will be noted, however, from the accompanying chart that the demand for Federal Reserve credit is substantially less than a year ago.

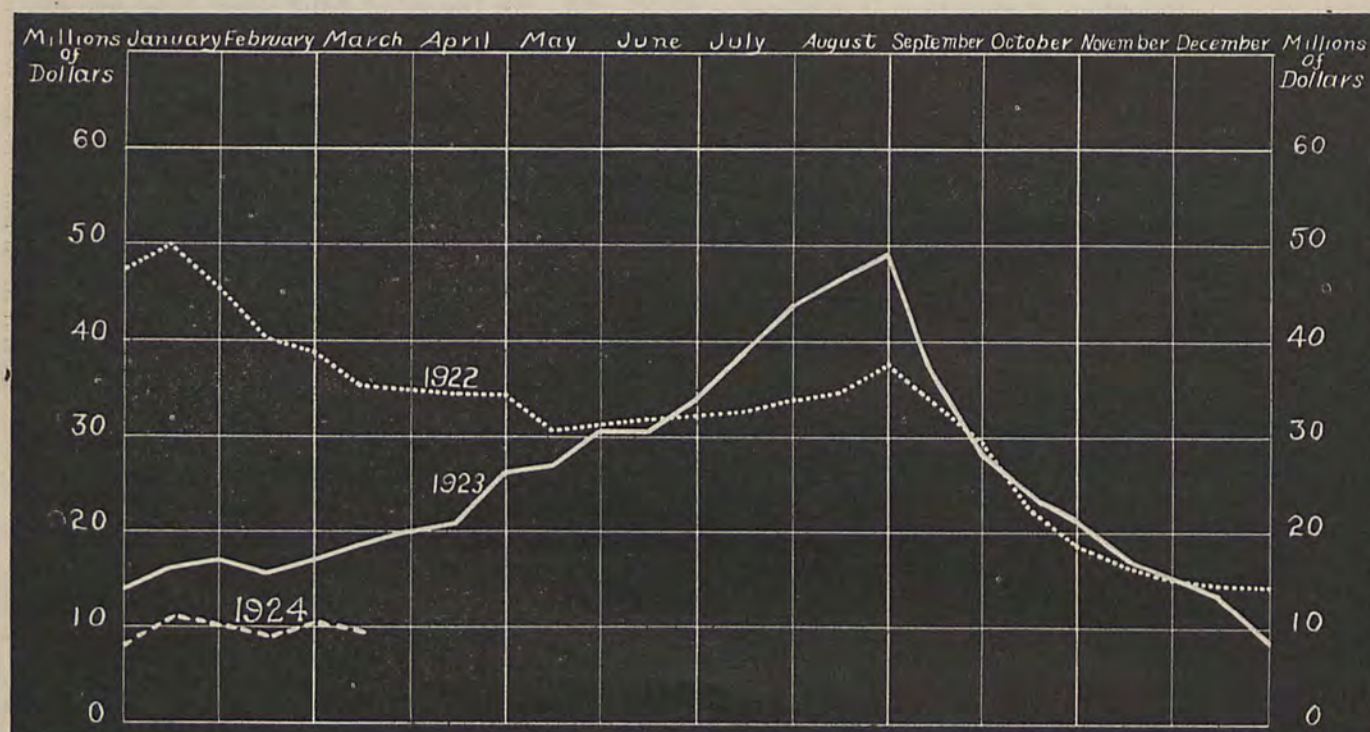
Loans on February 29th were \$6,731,998.17 less than on the last day of February a year ago.

The total volume of bills held reflected a slight decline during the month, being \$53,470,125.04 on January 31st as compared to \$52,204,904.70 on February 29th, distributed as follows:

Member banks' collateral notes secured by U. S. Government obligations.....	\$ 1,441,050.00
Rediscounts and all other loans to member banks	8,740,200.00
Open market purchases (Bankers' acceptances)	42,023,654.70
Total bills held.....	\$52,204,904.70

Federal reserve notes in actual circulation on February 29th amounted to \$44,800,160, which was approximately \$1,000,000 less than those in circu-

lation on January 31st, but \$14,000,000 more than those in circulation on February 28, 1923. The reserve deposits of member banks amounted to \$56,- 487,507.31 on February 29th as compared to \$57,- 964,141.21 on January 31st, reflecting a net decline of \$1,476,633.90 during the month.



LOANS OF THE FEDERAL RESERVE BANK OF DALLAS TO MEMBER BANKS DURING 1922, 1923, AND 1924.

Deposits of Member Banks. A \$30,095,000 decrease in demand deposits was reflected by the reports from member banks in the Eleventh Federal Reserve District between January 23rd and February 27th. However, there was an increase of \$5,963,000 in the time deposits of these banks during the same period.

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. 23, 1923.....	654,398	143,713	220,297	17,111	111,284	23,479	117,596	52,550	205,221	50,573
Dec. 26, 1923.....	646,691	144,711	212,277	16,096	111,802	22,669	121,106	51,572	201,506	54,374
Jan. 23, 1924.....	624,577	151,263	203,456	17,097	108,159	23,834	117,440	52,699	195,522	57,633
Feb. 27, 1924.....	594,482	157,225	190,629	17,848	103,777	24,253	118,698	53,085	181,378	62,039

Discount Rates. There is presented below the pre- seven-day period ending March 15th by the com-
vailing rate charged during the mercial banks in the cities listed below:

MARCH DISCOUNT RATES

Prevailing Rates:

	Dallas	El Paso	Fort Worth	Houston	San Antonio	Waco
Rate charged customers on prime commercial paper such as is now eligible for rediscount under the Federal Reserve Act:						
(a) Running 30-60-90 days.....	5	8	6	6	8	7
(b) Running 4-6 months.....	5½	8	6	7	8	7
Rate charged on loans to other banks, secured by bills receivable.....	6	7	6	5½	6	6
Rate on ordinary commercial loans running 30-60-90 days secured by Liberty Bonds and certificates of indebtedness (not including loans to enable pur- chase of bonds).....	6	8	6	6	8	6
Rate on loans secured by prime stock exchange or other current collateral:						
(a) Demand	6	8	6	7	8	7
(b) Time	6	8	6	7	8	7
Rate on commodity paper secured by warehouse receipts, etc.....	7	8	6	7	8	7
Rate on cattle loans.....	7	8	8	8	8	8

Savings Deposits. Reports from 114 banks of this dis- on the latter date were 13.8 per cent greater than
trict which operate a savings de- on February 28, 1923. The number of savings de-
partment reflect an increase of nine- positors of 107 banks on February 29th was 245,774
tenths of one per cent in savings deposits between as compared to 242,028 on January 31st and 217,664
January 31st and February 29th. Savings deposits on February 28, 1923.

SAVINGS DEPOSITS

	Number of Reporting Banks	Feb. 29, 1924	Feb. 28, 1923	Inc. or Dec.	Jan. 31, 1924	Inc. or Dec.
Beaumont.....	3	1,571,261	1,216,764	+29.1	1,551,180	+1.3
Dallas	6	11,536,129	10,025,358	+15.1	11,573,175	— .3
El Paso	5	8,568,018	7,145,295	+19.9	8,661,818	+1.1
Fort Worth	6	7,360,646	6,903,099	+ 6.6	7,265,392	+1.3
Galveston	3	7,280,363	6,387,439	+14.0	7,030,517	+3.6
Houston	13	20,529,803	17,610,148	+16.6	20,079,645	+2.5
San Antonio	6	9,756,243	9,217,112	+ 5.8	9,594,762	+1.7
Shreveport	5	11,066,436	8,715,076	+27.0	11,294,078	—2.0
Waco	5	2,921,275	2,157,190	+35.4	2,924,459	— .1
Wichita Falls	4	1,706,252	2,398,361	—28.9	1,749,158	—2.5
All others	59	17,342,086	15,859,320	+ 9.3	17,056,583	+1.7
Total	115	99,638,512	87,635,162	+13.7	98,780,767	+ .9

NUMBER OF SAVINGS DEPOSITORS

	Number of Reporting Banks	Feb. 29, 1924	Feb. 28, 1923	Jan. 31, 1924
Beaumont	3	7,526	6,450	7,315
Dallas	6	38,340	32,444	37,938
El Paso	5	27,391	25,346	27,093
Fort Worth	5	18,256	17,297	18,151
Galveston	3	11,214	11,720	11,007
Houston	13	54,807	44,746	53,861
San Antonio	6	20,053	17,794	19,794
Shreveport	4	20,352	18,215	20,245
Waco	5	6,740	4,879	5,639
Wichita Falls	4	6,590	6,232	6,552
All others	54	38,870	36,911	38,792
Total	108	250,139	222,034	246,387

FAILURES

A further improvement occurred in the business mortality rate in the Eleventh Federal Reserve District during February, the number of insolvencies being 57 as compared to 68 in January and 91 in February, 1923. It is significant to note that the February defaults were fewer in number than in any month since November, 1920. The total liabilities of failures reported in February amounted to \$1,280,-

548 as compared to \$1,170,988 in January and \$2,104,596 in February, 1923.

The combined statistics for all Federal Reserve Districts show the total indebtedness of defaulting firms during February to be \$35,942,037 as compared to \$51,272,508 for January and \$40,627,939 for February, 1923.

COMMERCIAL FAILURES

	February, 1924		February, 1923		January, 1924	
	No.	Amount	No.	Amount	No.	Amount
Boston	140	\$ 2,608,111	150	\$ 4,637,721	203	\$ 7,173,862
New York	300	5,594,337	262	8,883,288	407	8,884,038
Philadelphia	82	2,376,178	58	1,024,670	113	2,157,916
Cleveland	135	2,824,143	121	6,293,852	175	6,160,933
Richmond	128	3,456,937	109	2,452,891	152	3,505,170
Atlanta	129	2,361,030	135	4,029,704	136	2,452,051
Chicago	243	8,733,400	195	3,081,365	251	12,641,812
St. Louis	97	1,489,558	81	1,008,734	143	1,669,880
Minneapolis	85	1,216,850	72	2,217,789	104	1,129,225
Kansas City	129	1,968,081	89	1,154,384	168	2,035,090
DALLAS	57	1,280,548	91	2,104,596	68	1,170,988
San Francisco	205	2,032,864	145	3,738,945	188	2,291,543
Total	1,730	\$35,942,037	1,508	\$40,627,939	2,108	\$51,272,508

PETROLEUM

While the actual production of crude oil in the Eleventh Federal Reserve District declined from 12,024,107 barrels in January to 11,788,766 barrels in February, on account of the shorter month, the daily average yield amounted to 406,509 barrels for February as compared to 387,874 barrels for January, reflecting a net gain of 18,635 barrels. The general revival of drilling activity following the steady upward trend in crude oil values began to manifest itself in February, when there was an increase in the number of wells completed. The February completions show 310 wells with 208 producers, which compares to 223 completions in January with 163 producers. A substantial increase was also registered in the amount of new production added. The initial yield obtained from the successful completions in February amounted to 84,851 barrels as against 28,071 barrels in January. There was a gain of 17,870 barrels in the daily average output of Texas fields, being 347,532 barrels in February as compared to 329,662 barrels in January. February drilling operations netted 280 new wells, of which 182 were successful as compared to 193

completions in January, including 138 producers. The new production added in February amounted to 81,595 barrels as compared to 26,949 barrels in January. Increased drilling operations have been noted, particularly in the North and Central-West Texas districts.

The Louisiana fields registered the same number of completions in both January and February, but the initial production from the 26 producing wells completed in February amounted to 3,256 barrels as compared to 1,122 barrels in January. The February daily average output gained 765 barrels as compared to the previous month.

Crude Oil Prices.

A further general advance in crude oil prices has been posted during the past month. An increase of 60 cents per barrel was posted on Corsicana light oil; 25 cents on North Texas and Currie oil; 15 cents on Mexia oil; and from 10 to 15 cents on Louisiana oil. This situation reflects the exceptionally strong demand for oil which has been in evidence for some time.

OIL PRODUCTION

Field—	FEBRUARY		JANUARY		INCREASE OR DECREASE	
	Total	Daily Avg.	Total	Daily Avg.	Total	Daily Average
North Texas	2,016,925	69,549	2,085,390	67,271	Dec. 68,465	Inc. 2,278
Central-West Texas	5,303,520	182,880	5,343,560	172,373	Dec. 40,040	Inc. 10,507
Texas Coastal	2,007,390	69,220	2,320,955	74,869	Dec. 313,565	Dec. 5,649
Miscellaneous fields	750,607	25,883	469,630	15,149	Inc. 280,977	Inc. 10,734
Total, Texas	10,078,442	347,532	10,219,535	329,662	Dec. 141,093	Inc. 17,870
North Louisiana	1,710,324	58,977	1,804,572	58,212	Dec. 94,248	Inc. 765
Totals, Eleventh District.....	11,788,766	406,509	12,024,107	387,874	Dec. 235,341	Inc. 18,635

FEBRUARY DRILLING RESULTS

Field—	Completions	Producers	Failures	Initial Production
North Texas	132	76	56	13,065
Central-West Texas	88	53	35	11,740
Texas Coastal	32	29	3	37,090
Miscellaneous fields	16	16	18,565
Texas Wildcats	12	8	4	1,135
Totals, Texas	280	182	98	81,595
North Louisiana	30	26	4	3,256
February totals, District.....	310	208	102	84,851
January totals, District.....	223	163	60	28,071

CRUDE OIL PRICES

Texas—	Mch. 15, 1924	Mch. 17, 1923	Louisiana—	Mch. 15, 1924	Mch. 17, 1923
Corsicana light	\$2.00	\$1.50	Caddo (38 gravity and above).....	\$1.85	\$2.40
Corsicana heavy	1.00	.90	Bull Bayou (38 gravity and above).....	1.80	2.00
Texas Coastal	1.65	1.75	Homer (35 gravity and above).....	1.85	2.40
Mexia	2.00	2.20	Haynesville (33 gravity and above).....	1.75	2.40
Currie	2.25	2.60	De Soto Crude.....	1.85	2.20
North Texas (39 gravity and above).....	2.25	2.60			

(Oil statistics compiled by the Oil Weekly, Houston, Texas.)

LUMBER

The production rate of Eleventh District pine mills was well maintained during February, but new orders received at the mills and shipments reflected a sharp decline. The actual production for February was equivalent to 90 per cent of normal production as compared to 93 per cent in January. Orders dropped from 5 per cent above normal production in January to 29 per cent below normal production in February. February shipments were 8 per cent below the month's actual production as compared to 11 per cent above normal production in January. The unfilled orders on the books of 48 mills on February 29th amounted to 55,699,854 feet as against 68,103,356 feet on the books of 45 mills at the close

of January. Stocks on hand at the close of February were 19 per cent below normal as compared to 29 per cent on January 31st.

FEBRUARY PINE MILL STATISTICS

Number of reporting mills.....	48
Production	91,508,832 feet
Shipments	83,947,591 feet
Orders	72,208,836 feet
Unfilled orders Feb. 29th.....	55,699,854 feet
Normal production	101,215,969 feet
Stocks, Feb. 29th.....	257,406,818 feet
Normal stocks	316,799,253 feet
Shipments below production.....	7,561,241 feet= 8.3%
Actual production below normal	9,707,137 feet= 9.6%
Orders below normal production	29,007,133 feet=28.7%
Stocks below normal.....	59,392,435 feet=18.7%

BUILDING

In eleven principal cities of the Eleventh Federal Reserve District building operations reflected a marked slowing down during February, both the number of permits issued and the estimated construction costs being considerably below the January totals. The valuation of permits issued at these cities amounted to \$6,496,164 in February as com-

pared to \$8,347,272 in January and \$6,967,474 in February, 1923. This represents a decline of 22.2 per cent from the previous month and 6.8 per cent from the corresponding month of 1923. However, the valuation of permits issued during the first two months of 1924 was 9.7 per cent greater than during the corresponding period of 1923.

BUILDING PERMITS

	February, 1924		February, 1923		Inc. or Dec.	January, 1924		Inc. or Dec.	First Two Months				Inc. or Dec.
	No.	Valuation	No.	Valuation		No.	Valuation		1924		1923		
									No.	Valuation	No.	Valuation	
Austin.....	40	199,038	35	557,975	— 64.3	45	82,245	+ 142.0	85	281,283	100	692,065	— 59.4
Beaumont.....	196	166,975	134	319,133	— 47.7	184	135,205	+ 23.5	380	302,180	258	477,358	— 36.7
Dallas.....	444	2,179,694	453	1,750,495	+ 24.5	379	2,996,770	— 27.3	823	5,176,464	920	4,560,295	+ 13.3
El Paso.....	54	85,595	77	177,270	— 51.7	74	89,058	— 3.9	128	174,653	178	479,880	— 63.6
Fort Worth.....	199	784,241	237	550,369	+ 42.5	198	619,114	+ 26.7	397	1,403,355	552	1,408,156	— .3
Galveston.....	354	183,993	287	111,562	+ 64.9	232	642,372	— 71.4	587	826,365	588	277,261	+ 198.0
Houston.....	529	967,518	484	1,675,051	— 42.2	558	2,068,664	— 53.2	1,087	3,036,182	1,003	2,380,534	+ 27.5
Port Arthur.....	190	149,962	123	695,860	— 78.4	175	142,287	+ 5.4	365	292,249	269	866,074	— 66.3
San Antonio.....	219	783,170	262	624,220	+ 25.5	375	658,910	+ 18.9	594	1,442,080	608	1,214,925	+ 18.7
Shreveport.....	240	841,073	230	355,265	+ 136.7	289	761,186	+ 10.5	529	1,602,259	546	879,663	+ 82.1
Waco.....	52	154,905	39	150,274	+ 3.1	58	151,461	+ 2.3	110	306,366	102	294,042	+ 4.2
Total.....	2,517	6,496,164	2,361	6,967,474	— 6.8	2,568	8,347,272	— 22.2	5,085	14,843,436	5,124	13,530,258	+ 9.7

SUMMARY OF NATIONAL BUSINESS CONDITIONS

(Compiled by the Federal Reserve Board as of March 25, 1924.)

Employment at industrial establishments increased in February and the output of basic commodities was slightly larger. Distribution both at wholesale and retail continues large. Wholesale prices were somewhat higher, and there was a further increase in the volume of borrowing for commercial purposes.

PRODUCTION

The Federal Reserve Board's index of production in basic industries, adjusted to allow for length of month and other seasonal variations, increased less than one per cent in February. Production of pig iron, steel ingots, and flour increased, while mill consumption of cotton and production of cement and lumber declined. Factory employment advanced one per cent in February, following successive decreases during the three preceding months. Increases in working forces were reported by most industries, and were particularly large at iron and steel plants, automobile factories, and textile finishing establishments. Fuller employment through a reduction of part time work is indicated by an increase of over 5 per cent in average weekly earnings. Building activity was slightly less than in January, though contracts awarded were 7 per cent larger than a year ago.

TRADE

Railroad shipments in February were in greater daily volume than in January, and carloadings of practically all important commodities were larger than a year ago. The daily average volume of wholesale business increased about 5 per cent in February, but was slightly smaller than a year ago. Sales of meat, dry goods, and hardware were larger than in February, 1923, while sales of shoes were smaller. Department store sales in February averaged about the same daily volume as in January, and about 8 per cent more than a year ago, while merchandise stocks at these stores at the end of the month were 6 per cent above last year's level. Business of mail order houses and chain stores also showed increased activity in comparison with January.

PRICES

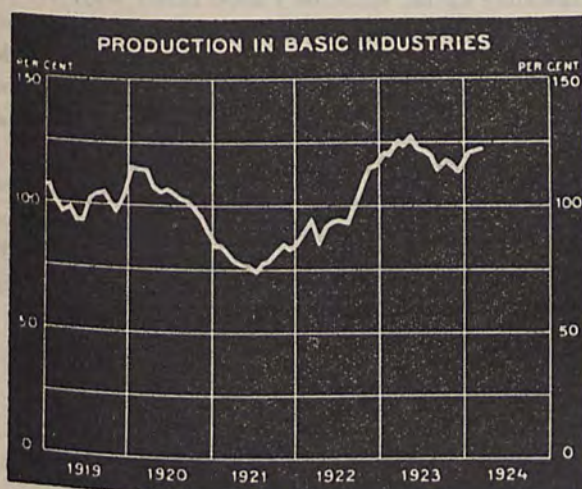
Wholesale prices as measured by the index of the Bureau of Labor Statistics advanced slightly in February. Prices of fuel, metals, and building materials increased, while prices of farm products, clothing, and chemicals declined. During the first two weeks in March price declines occurred in wheat, cotton, silk, hides, and rubber, and price advances in hogs, copper, and crude petroleum.

BANK CREDIT

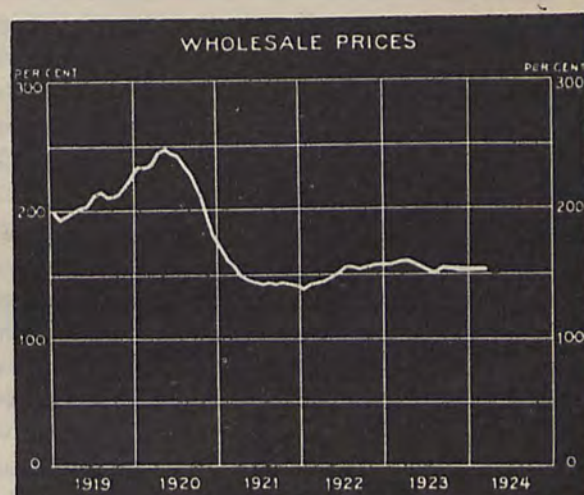
The volume of borrowing for commercial purposes at member banks in leading cities in the early part of March continued the increase which began in the latter part of January, and on March 12th total loans of the reporting banks were higher than at any time since the seasonal peak at the turn of the year, and about \$275,000,000 higher than a year ago. At the Federal reserve banks during the four-week period ending March 19th a further decline in the volume of discounts for member banks and of acceptances was offset by an increase in the holdings of United

States securities, so that total earning assets were at about the same level as in February. Federal reserve note circulation continued to decline while the total money in circulation increased.

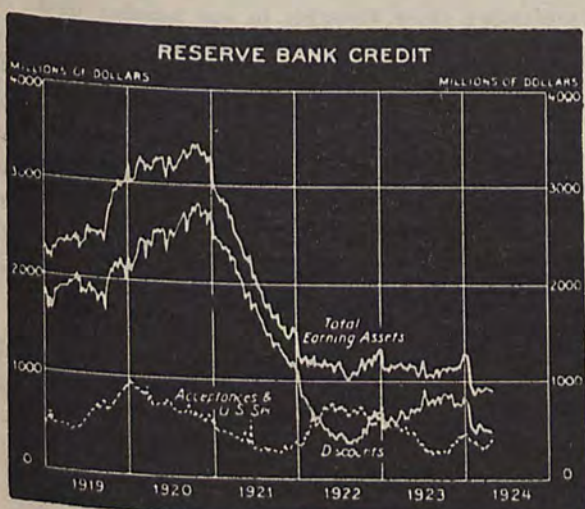
Easier money conditions were reflected in a slight decline in rates for commercial paper to $4\frac{1}{2}$ per cent and also in lower rates for bankers' acceptances and reduced yields on treasury certificates. The March offering of \$400,000,000 of one-year treasury certificates bearing interest at 4 per cent as compared to $4\frac{1}{4}$ per cent on a similar issue sold in December, was oversubscribed.



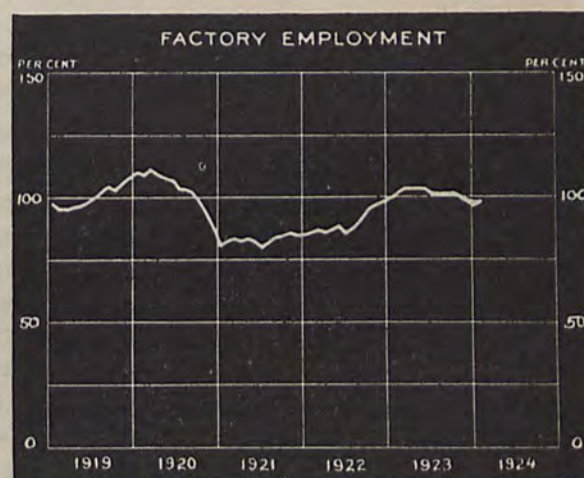
Index of 22 basic commodities corrected for seasonal variation (1919=100). Latest figure, February 121.



Index of U. S. Bureau of Labor Statistics. (1913=100, base adopted by Bureau.) Latest figures, February 152.



Weekly figures for 12 Federal Reserve Banks. Latest figure, March 19.



Index for 33 manufacturing industries (1919=100). Latest figure—February 99.

The following letter to member banks in the Eleventh Federal Reserve District is being issued simultaneously with this issue of the REVIEW, by Federal Reserve Agent Talley:

COST AND PRICE

Recent reports are to the effect that the Eleventh District's cotton acreage for 1924 will be considerably larger, and the cost of producing the crop will be materially higher, than in 1923. The acreage expansion can of course be attributed in a large measure to the price received by the growers for last year's production. That there is also a definite relation between last season's price level and the current season's production costs is a fact that is perhaps not so generally recognized, but one that deserves the closest attention by all who are genuinely interested in the progress and welfare of our leading industry. The situation, therefore, seems to make this an appropriate time to call the attention of our member banks to some of the fundamental factors that enter into the relation between the cost and price of cotton, using the term "cost" in the broader sense to cover the producer's expenditures during the crop-growing season.

Unlike the merchant or manufacturer, whose operating policies are predicated upon the inflexible rule that costs must ALWAYS be held down to an irreducible minimum, the farmer usually relies upon the price received for the previous season's crops as the basis for determining the amount of funds he may safely expend during the current growing season. For example, it will be recalled that much of the distress in which our farmers found themselves in the fall of 1914, when the outbreak of the war forced the price of cotton below 7 cents per pound, was largely due to the fact that at the time the crop was planted spot cotton was commanding 12 to 13 cents per pound, and the growers had adjusted their production outlay accordingly. On the other hand, in the spring of the following year, 1915, the prevailing price was only 8 cents per pound, and although the 1915 crop was produced on 8-cent price basis, the market advanced to 11 cents in the fall and yielded the producers an unexpected return.

Then in 1920 the disastrous cotton history of 1914 repeated itself, when a crop planted while the price was around the 40-cent level was sold on the average at the 15-cent level.

These references to the past would, of course, serve no useful purpose now if it were true that production costs were no more subject to the producer's control than is the price he receives for his product. But so long as the farmer is free to decide (1) the amount of acreage he can successfully cultivate; (2) whether his crops will be produced by himself or by hired labor; (3) whether he will raise his own living at home, or obtain it by purchase; and (4) whether he will adopt

an economical or extravagant standard of living—he cannot escape the realization that his crop production costs are not only well within his power to control, but can actually be predetermined and budgetized.

Since he exercises, therefore, an almost complete control over "costs," but can neither control nor foresee the "price" he will receive, it necessarily follows that the cotton farmer's problems are problems of COST, and not of PRICE.

In summing up the situation I hope that I may, without presumption, point out to our member banks that a very definite opportunity and obligation confronts them in the form of their privilege to exercise a reasonable degree of bank supervision over the expenditure of funds loaned for agricultural purposes. That such supervision can serve a most helpful and timely purpose in bringing the agricultural industry in this section to a permanently profitable basis has become more clearly apparent than ever before in the light of the conditions under which the farmers are now operating, and which may be summarized as follows:

Crop production costs constitute the one definitely determinable and controllable factor of crop profits; are inseparably related to the yield per acre; and in the final analysis depend upon the producer's methods of operation and methods of living, which in turn are largely right or wrong according to the influence exerted upon them by the banker to whom he looks for credit assistance and intelligent counsel.

In presenting these thoughts to our member banks at this particular time, the beginning of a new crop-growing season, we have in mind the fact that if production costs are held to a minimum from the very beginning of the season such a program would prove far more effective for insuring profitable production than to permit costs to take care of themselves, and, then, after they were incurred, to seek recourse to some arbitrary price-fixing plan in conflict with economic laws in the hope of recovering both cost and desired profits upon their products.

While cotton is the only commodity referred to in this discussion (on account of its paramount position in our productive industries), the same principles here enunciated would constitute the only satisfactory basis for the profitable production of any other commodity.