

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

	July	June	Inc. or Dec.	
Bank debits to individual accounts (at 15 cities).....	\$523,450,000	\$515,892,000	Inc.	1.5%
Department store sales.....	.....	.....	Dec.	24.0%
Reserve Bank loans to member banks at end of month.....	\$ 21,661,506	\$ 15,445,810	Inc.	40.2%
Reserve Bank ratio at end of month.....	49.9%	60.4%	Dec.	10.5 points
Building permit valuations at larger centers.....	\$ 7,491,347	\$ 5,441,208	Inc.	37.7%
Commercial failures (number).....	40	50	Dec.	20.0%
Commercial failures (liabilities).....	\$ 242,424	\$ 765,071	Dec.	68.3%
Oil production (barrels).....	13,646,130	13,358,331	Inc.	2.2%
Lumber orders at pine mills (per cent of normal production)	103%	82%	Inc.	21.0 points

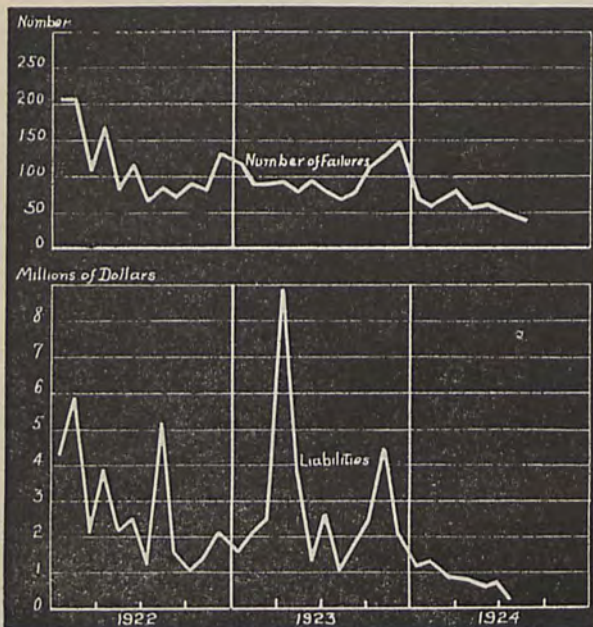
A well-sustained volume of purchasing power in trade circles was a noticeable and somewhat surprising feature of the Eleventh District's business situation, as disclosed by developments during the month of July. Despite the deterrent cross currents of seasonal influences and untoward crop conditions, the district's industrial and mercantile enterprises maintained a steady activity, as reflected by the volume of purchases and payments settled by checks. Bank debits at the leading cities, instead of showing the usual July slump, scored an unexpected gain over the month of June, and a healthier financial condition of trade was revealed in the month's failure statistics, which recorded a twenty per cent decline in the number of defaulting firms and a sixty-eight per cent decrease in the volume of their indebtedness as compared to the defaults occurring in the preceding month.

Credit conditions continued easy, although the running off of investment paper held by commercial banks and the rising demand for funds for agricul-

tural purposes resulted in a moderate increase in the volume of paper rediscounted by the Federal Reserve Bank. The reduction of the rediscount rate from four and one-half per cent to four per cent brought the rate in the Dallas district to a new low level, but did not appear to exert any immediate influence upon the volume or character of rediscount transactions.

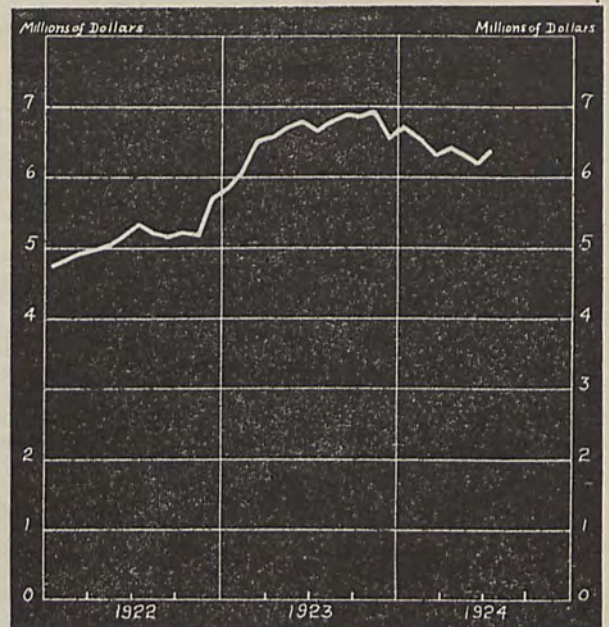
The drouth which has affected a large area of the Southwest during the past two months has further curtailed the district's feed crops, and caused some deterioration in young cotton. Its effects upon the cotton crop, however, have not been devoid of compensating factors, as the hot, dry weather has aided the farmers greatly in keeping insect pests in check. As a whole the agricultural situation is fairly satisfactory, and the farmers, for the first time in many years, find themselves well along the way toward the enjoyment of two prosperous years in succession. The present prospects for marketing another cotton crop of fair proportions and at fair prices have en-

COMMERCIAL FAILURES



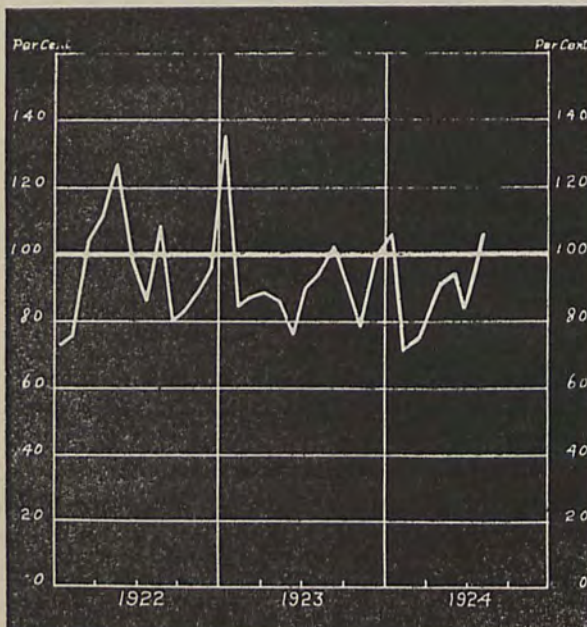
Monthly fluctuations in the number and amount of liabilities of commercial failures in the Eleventh Federal Reserve District.

BUILDING PERMIT VALUATIONS



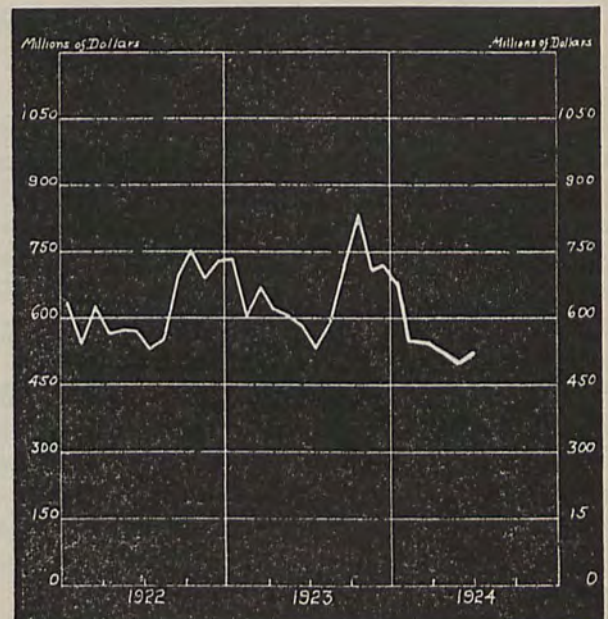
Moving average of building permit valuations at eleven cities in Eleventh Federal Reserve District.

LUMBER ORDERS AT PINE MILLS



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

DEBITS TO INDIVIDUAL ACCOUNTS



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

gendered a feeling of confidence in all lines of industry and business, although those who give sober thought to the situation realize that the cotton farmers' margin of profit in this year's crop has been narrowed by their increased expenditures for feed and fertilizer, and take into full account the uncertainties of the future course of the cotton market, as illustrated by the break in price which occurred in August.

Building activity throughout the district took on a new impetus in July, when the volume of construction at the larger cities showed an increase of thirty-seven per cent over the previous month. A brisk activity was reported by the lumber mills, whose new orders booked in July exceeded the volume of

normal production; whereas the volume of business booked in June was eighteen per cent below normal output.

The employment situation shows some improvement, due to the harvest season demand for farm labor, increased activity in the building trades, resumption of operations by cotton seed oil mills, and renewed activity by some of the mines and smelters in the western part of the district. With the completion of harvesting operations in the grain belt the transient supply of farm labor is now shifting to the cotton fields, where the demand for help in harvesting a large cotton crop is absorbing a substantial portion of the surplus supply of labor in the cities.

CROP CONDITIONS

Reports from all sections of the district's agricultural area indicate that conditions are very spotted. The rainfall during the past month has been very irregular, being excessive in some places and slight or none in others. As a whole, however, crops during July suffered from a deficiency in rainfall.

While the cotton crop in Texas has in general made fair progress the lack of rain has been a serious handicap to the growth and proper fruiting of the plant. In no section of the state can the condition of the crop be characterized as either uniformly good or bad, because in each major geographical division there has been a marked lack of uniformity in the supply of moisture. In the localities favored by rains the cotton plant has made satisfactory growth and promises a satisfactory yield. On the other hand, in the drier localities, although the old cotton has held up fairly well, the young cotton has suffered considerably and has made poor growth. There have been an increasing number of complaints as to the shedding of leaves, forms, and small bolls, blooming at the top, and premature opening.

The most favorable conditions have prevailed in the west and northwest sections of the state, due to the greater and more evenly distributed rainfall, and in these sections the crop is reported to be in a better condition than a year ago. On the other hand, in the east and northeast sections where the drouth has been most severe and prolonged, the crop in general is in a very poor condition.

In North Louisiana the protracted drouth has caused a heavy deterioration in the cotton crop as well as in other crops. There was a decline of 20 points in the condition of the cotton crop from June 25th to August 1st, being 58 per cent of normal on the latter date as compared to 78 per cent on the

former. The August 1st condition figure compares to 68 per cent on July 25, 1923. While rain is needed in Oklahoma, the general condition of the crop is better than a year ago, the condition being 76 per cent of normal on August 1st as compared to 63 per cent on July 25th last year.

There is given below the comparative condition of the cotton crop in the various cotton growing states.

State	8-1-24	6-25-24	7-25-23
Texas	66%	70%	71%
Oklahoma	76	72	63
Louisiana	58	78	68
Arizona	92	92	91
North Carolina	58	73	82
South Carolina	60	69	64
Arkansas	71	68	68
Mississippi	67	74	65
Georgia	73	75	48
Alabama	70	70	66

Cotton picking is now well under way in the southern part of Texas, and reports of first bales have become general in other parts of the state, but are about two weeks later than last year's reports. The Bureau of Census reports that 21,924 bales were ginned in the United States prior to August 1st this year as compared to 64,381 bales prior to that date in 1923.

The condition of the Texas corn crop showed a further deterioration of 12 points during July. The estimated condition of 58 per cent of normal on August 1st forecasts a yield of 79,300,000 bushels, which is approximately 17,000,000 bushels less than the short crop of 1923. The crop in South Texas and scattered localities elsewhere has made very satisfactory growth, but the larger portion of the crop is disappointing.

While the grain sorghums are in need of rain, the condition on August 1st was 74 per cent of normal, which is 4 points higher than the condition on August 1, 1923. This year's yield has been estimated at 49,600,000 bushels as compared to 41,602,000 bushels in 1923.

The harvesting and threshing of the Texas wheat crop is practically completed. As a rule the yield was exceptionally good, ranging from 15 to 40 bushels per acre in many localities. In many places the yield was the highest on record. The total yield on August 1st was estimated at 21,816,000 bushels, which compares to 16,370,000 bushels from the 1923 crop.

General rains have fallen over nearly all sections of New Mexico since July 1st and the state's crops have made good progress under the favorable conditions. This situation presents a marked contrast to spotted conditions prevailing in Texas and the drouthy conditions in Louisiana. Practically all crops will show a substantial increase in yields over those of last year. This is particularly true of winter wheat, oats, corn, and grain sorghums. There is given below the estimated yield for 1924 based on the August 1st condition and the final yields of 1923.

	1924	1923
Winter wheat	1,650,000	446,000
Oats	1,601,000	1,160,000
Corn	5,238,000	3,624,000
Grain sorghums	4,437,000	3,690,000

Cotton Movements

The export movement of cotton through the ports of Houston and Galveston during the season ending July 31st reflected a substantial gain over the previous season. There were 2,867,792 bales exported through Galveston, which included 2,080,874 bales shipped direct to foreign ports and 786,918 bales to coastwise ports. A total of 1,065,612 bales was exported through Houston direct to foreign ports during the past season as against 719,942 bales during the previous season. It is significant to note that the foreign movement through these two ports amounted to 3,146,486 bales, or 56 per cent of the total amount exported from the United States.

Foreign exports from all United States ports for the season amounted to 5,657,614 bales as compared to 4,643,235 bales during the previous season, or a gain of 1,014,379 bales. The increased demand from abroad came principally from England, France, and Germany. Stocks at all United States ports amounted to 223,397 bales on July 31st as compared to 183,516 bales last year.

COTTON MOVEMENTS THROUGH THE PORT OF GALVESTON

	July 1924	July 1923	Aug. 1st to July 31st	
			This Season	Last Season
Gross receipts	53,758	21,552	2,891,075	2,402,879
Exports	59,972	50,309	2,867,792	2,448,943
Stocks, July 31st.....			41,954	19,242

GALVESTON STOCK STATEMENT

	July 31, 1924	July 31, 1923
For Great Britain.....	200	100
For France	100	500
For other foreign ports.....	2,000	3,850
For coastwise ports.....	100	800
In compresses	39,554	13,992
Total	41,954	19,242

HOUSTON COTTON MOVEMENTS

	July 1924	July 1923	Aug. 1st to July 31st.	
			This Season	Last Season
Receipts—gross ...	35,134	16,626	3,495,994	2,691,168
Receipts—net	9,460	9,844	1,816,883	1,377,557
Exports	8,023	209	1,065,612	719,942
Stocks, July 31st.....			31,210	23,717

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

	This Season	Last Season
Receipts since Aug. 1st.....	6,951,008	5,935,645
Exports: Great Britain	1,713,474	1,289,907
France	720,622	626,471
Continent	2,637,985	2,052,611
Japan-China	574,357	645,500
Mexico	11,176	28,746
Total foreign ports	5,657,614	4,643,235
Stocks at all U. S. Ports, July 31st	223,397	183,516

SPOT COTTON PRICES

(Middling Basis)

	July, 1924		Aug. 15, 1924
	High	Low	
New York	35.25	29.60	29.40
New Orleans	30.40	28.00	26.90
Dallas	31.60	27.30	28.15
Houston	31.25	28.00	28.25
Galveston	31.90	28.35	28.75

Cotton Consumption There was a further slight decline in the consumption of cotton during July when the month's consumption amounted to 346,671 bales as against 350,277 bales in June and 461,675 bales in July, 1923. The total amount of cotton consumed during the twelve months' period ending July 31st was 5,669,971 bales, as compared to 6,664,710 bales during the previous year, reflecting a decrease of 14.9 per cent.

COTTON CONSUMED AND ON HAND

	COTTON GROWING STATES				UNITED STATES			
	July 1924	July 1923	Aug. 1st to July 31st		July 1924	July 1923	Aug. 1st to July 31st	
			This Season	Last Season			This Season	Last Season
Cotton consumed.....	241,069	308,262	3,861,026	4,247,748	346,671	462,654	5,688,111	6,666,092
Cotton on hand at end of July:								
(a) in consuming establishments.....			339,439	532,076			719,827	1,093,618
(b) in public storage and compresses..			526,671	753,283			673,934	938,903

COTTONSEED PRODUCTS

Reports received from 98 cottonseed oil mills located in the Eleventh Federal Reserve District show that 3,956,502 pounds of crude cottonseed oil were shipped by these mills during July, for which an average price of \$.0985 per pound (f. o. b. the mill) was received. This compared to an average price of \$.0832 per pound obtained from the crude oil shipped by 99 mills during June. There were 7,475 tons of cottonseed cake and meal shipped during July, the average price of which was \$38.96 per ton. The

average price received for linters during July was \$.0483 per pound as compared to \$.0532 in June.

COTTONSEED PRODUCTS SHIPPED DURING JULY, AND AVERAGE PRICES RECEIVED

	Shipped	Average Price
Crude oil	3,956,502 lbs.	\$.0985 per lb.
Cake and meal.....	7,475 tons	38.96 per ton
Hulls	5,412 tons	12.21 per ton
Linters	4,338,140 lbs.	.0483 per lb.

STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS

	TEXAS		UNITED STATES	
	Aug. 1st to July 31st	Aug. 1st to July 31st	Aug. 1st to July 31st	Aug. 1st to July 31st
	This Season	Last Season	This Season	Last Season
Cottonseed received at mills (tons).....	1,324,000	974,344	3,321,000	3,245,807
Cottonseed crushed (tons).....	1,321,000	970,327	3,304,000	3,241,557
Cottonseed on hand, July 31st (tons).....	11,000	8,161	22,000	12,786
Crude oil produced (pounds).....	372,415,000	285,948,505	978,992,000	1,002,922,464
Cake and meal produced (tons).....	614,000	459,413	1,516,000	1,487,067
Hulls produced (tons).....	384,000	289,575	939,000	943,773
Linters produced (500-lb. bales).....	258,000	177,050	669,000	610,161
Stocks on hand July 31st				
Crude oil (pounds).....	553,000	1,617,327	2,545,000	2,900,209
Cake and meal (tons).....	9,000	3,517	44,000	49,766
Hulls (tons)	15,000	4,370	35,000	15,615
Linters (500-lb. bales).....	8,000	3,383	52,000	27,565

LIVESTOCK

Range conditions in New Mexico and Arizona were greatly improved during the past month as a result of the moderate to heavy rains which fell over practically all the range territory in those states during July and the early part of August. The drouthy condition which had prevailed in New Mexico during May and June was effectively relieved and both ranges and livestock have shown a steady improvement. The supply of stock water has been replenished and is reported to be ample for present needs. Livestock are in fair to excellent condition. The only exception noted is in the extreme southeastern portion, where ranges are dry and livestock in poor condition.

The conditions in Texas, however, are not so favorable. Although rains have fallen in scattered localities, particularly in West and Panhandle sections,

the month was generally dry. Nevertheless, the deep subsoil moisture obtained from the abundance of rain during the winter and spring was a big factor in sustaining the grass during the period of hot dry weather. Livestock have held up fairly well under the prevailing conditions, but have not been gaining weight except in favored localities.

The condition of Texas ranges was reported as 81 per cent of normal on August 1st, which was a loss of six points during July as compared to a deterioration of seven points during the same month a year ago. The condition of cattle on August 1st was 86 per cent of normal as compared to 90 per cent on July 1st and 92 per cent on August 1st last year. There was a deterioration of 8 points in the condition of sheep and goat ranges during July as against a decline of 2 points during July, 1923. The decline

in the condition of sheep averaged 5 points this year as against 4 points last year.

Movements and Prices July witnessed the continuance of heavy receipts of cattle and calves on the Fort Worth market and prices slumped to lower levels as a reaction to the heavy supply. A total of 103,787 head of cattle and 30,784 head of calves were offered during the month, the supply of calves being the largest of any month this year and that of cattle the largest of any month except May. The exceptionally heavy receipts toward the middle of the month drove prices to the very lowest levels, but part of the loss was regained later in the month when receipts became more moderate. The month closed with prices on steers 25 to 50 cents lower, yearlings 50 cents lower, calves 25 to 50 cents off, and cows ruling generally steady.

The July receipts of sheep showed a heavy decrease, both as compared to receipts during the previous month and the corresponding month last year. With the demand generally in excess of the supply offered, the market evidenced a gradual upward trend throughout the month. The increase in lamb values amounted to 50 to 75 cents, while sheep scored an advance of \$1.00. The top price on lambs was \$12.25 and wethers sold up to \$7.75.

While hog receipts were more plentiful than in June, the demand greatly exceeded the supply, being followed by a sensational advance in price. The hog market notched \$10.75, which was the highest level reached since July, 1922. Although there was a subsequent reaction in the market, the month closed with the best bringing \$9.75, which was \$2.25 above the close of the previous month.

FORT WORTH LIVESTOCK RECEIPTS

	July 1924	June 1924	Loss or Gain	July 1923	Loss or Gain
Cattle	103,787	82,649	G 21,138	104,428	L 641
Calves	30,784	21,612	G 9,172	36,725	L 5,941
Hogs	22,880	20,590	G 2,290	20,631	G 2,249
Sheep	20,294	54,259	L 33,965	60,672	L 40,378

COMPARATIVE TOP LIVESTOCK PRICES

	July 1924	June 1924	July 1923
Beef steers	\$ 8.25	\$ 7.75	\$ 9.15
Stocker steers	5.50	6.65	7.50
Butcher cows	4.40	6.00	5.00
Stocker cows	3.50	3.50	3.50
Calves	8.00	8.50	7.75
Hogs	10.75	7.55	8.10
Sheep	7.75	7.00	7.60
Lambs	12.25	14.75	14.00

TEXTILE MILLING

Unsatisfactory conditions still prevail in the textile industry. During the month of July some of the mills were closed down, while others operated on a part-time basis. Smaller consumption of cotton, fewer active spindles, and reduced production were the outstanding features of the reports received. The July production of nine mills amounted to 1,040,256 pounds as compared to 1,078,290 pounds in June and 1,230,704 pounds in July a year ago. These mills consumed 2,399 bales of cotton during July as against 2,456 in June and 2,684 in July, 1923.

The reports show that the unfilled orders on hand

at the mills are increasing, and that signs of improvement in the demand for goods are beginning to appear.

TEXTILE MILLING STATISTICS

	July 1924	June 1924	July 1923
Number bales cotton consumed	2,399	2,456	2,684
Number spindles active	88,776	91,276	86,368
Number pounds cloth produced	1,040,256	1,078,290	1,230,704

WHOLESALE TRADE

A general improvement in the wholesale channels of distribution was visible during July. Every reporting line of trade showed an increase in sales, both as compared to the previous month and the corresponding month of the previous year. Furthermore, late reports indicate that the August distribution is proving even more satisfactory than that of July. Accompanying this general increase in sales is the more optimistic feeling regarding the future

course of trade as the closer approach to the fall season gives promise of fairly good returns from the cotton crop. While merchants are continuing to follow a conservative buying policy, they are making purchases in larger quantities and are beginning to place orders in moderate amounts for forward delivery. This situation presents a marked contrast to the hesitation in buying and steadily declining sales which were the outstanding features of trade

conditions during the three previous months. Of course, this inactivity in business was due in part to the unseasonable spring weather and summer dullness, but the generally unfavorable progress of crops and the slowing down in industrial activity were important factors.

Although collections during July reflected a seasonal slowing down, some dealers state that they have been very satisfactory.

Dry Goods Active buying characterized the wholesale dry goods trade during July. The sales of eleven firms were not only 36.6 per cent greater than June sales, but were 1.5 per cent in excess of sales during July a year ago. The opening of the fall buying season at distributing centers during the latter part of July and the early part of August has greatly stimulated trade. Buyers from all sections of the district have made their appearance at the wholesale markets, and reports indicate that they have been buying in liberal quantities to meet fall requirements.

The upturn in the price of raw cotton was followed by higher quotations on cotton goods. This has stimulated buying to some extent. Nevertheless, the merchants are still adhering to the conservative policy of buying and are showing no disposition to make purchases beyond the well-defined requirements for the fall trade.

Groceries An improvement in the demand for groceries was noted during the past month when the sales of ten grocery firms reflected an increase of 2.5 per cent over the June sales, and 11.5 per cent over July, 1923, sales. While buying was restricted in some sections on account of the drouthy conditions and poor crop prospects, the increased demand seems to be fairly general over the district. Prices during July were generally steady with an upward trend on some items. Sugar has shown a further advance and some canned goods have strengthened. Collections showed a seasonal slowing down.

Farm Implements The July sales of reporting farm implement firms were not only 16.5 per cent greater than June sales, but were 15.4 per cent in excess of sales during the corresponding month of 1923. However, the distribution was generally light, as this is the dull period in the trade and heavy buying is not expected until later in the season. It will be recalled that following the

harvesting of the larger cotton crop last fall, for which a good price was received, the sales of farm implements for several months reflected large gains over the previous year. Despite this heavy buying, however, the replacement of farm machinery has been generally below normal. Reports from many sections of the district were to the effect that farmers repaired their old implements instead of replacing them. This was especially marked during the spring and summer months, due to the rising costs incident to the making of crops, and generally unsatisfactory crop conditions.

The present outlook is encouraging in view of the fact that a fairly large cotton crop for Texas is forecasted and the price on this staple is being maintained at a relatively high level.

Prices remained firm and July collections were generally satisfactory.

Drugs The renewed buying in the drug trade, which became evident early in July, continued throughout the month and the late reports from dealers regarding the early August sales indicate that the buying movement is strengthening. The July sales of seven firms reflected an increase of 8.8 per cent over the previous month and were 10.3 per cent greater than the July, 1923, sales. It will be noted that the gain over the corresponding month of the previous year was somewhat greater in July than in June, the increase in the latter month being 7.6 per cent. The July collections were reported to be generally satisfactory. The present outlook seems to indicate an active business throughout the fall season.

Hardware A slight increase in the demand for hardware was reflected in reports received from wholesale firms during July. The sales of these firms were 1.4 per cent greater than June sales, and were 5.8 per cent greater than sales during the corresponding month of 1923. While the demand for seasonable goods slowed down to some extent, there was an active demand for builders' hardware. Conservative buying is still the ruling policy of retailers, but reports indicate that some few orders for future delivery are beginning to appear.

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

	Net Sales July, 1924 Compared With		Stocks July, 1924 Compared With	
	July 1923	June 1924	July 1923	June 1924
	Groceries	+11.5	+ 2.5	- 4.2	+ 4.3
Dry Goods	+ 1.5	+36.6	+ 2.5	+ 6.2
Farm Implements.....	+15.4	+16.5	+11.8	+ 8.2
Drugs	+10.3	+ 8.8	+ 6.7	+ 4.0
Hardware	+ 5.8	+ 1.4	-11.3	- 4.1

RETAIL TRADE

Although the sales of twenty-three Texas department stores reflected a seasonal decline of 24.0 per cent as compared to the previous month, they were 4.8 per cent in excess of sales during the corresponding month of last year. The midsummer clearance sales featured by the department stores during July were well patronized.

Stocks on hand at the end of July showed but little change, being 1.1 per cent less than those on hand at the end of June and 1.2 per cent greater than those on hand at the close of July a year ago. The ratio of stocks to sales was 574.9 per cent in July

this year as compared to 580.9 per cent in July last year.

The ratio of outstanding orders to last year's purchases was 9.1 per cent on July 31st as compared to 4.7 per cent on June 30th. This increase is indicative of the fact that merchants are now placing orders for fall delivery.

Collections reflected a seasonal slowing down during July, but were better than a year ago. The ratio of July collections to accounts receivable on July 1st was 37.3 per cent as compared to 38.5 per cent in June and 36.8 per cent in July a year ago.

BUSINESS OF DEPARTMENT STORES

	Dallas	Fort Worth	Houston	All Others	Total District
Total Sales—					
July, 1924, compared with July, 1923.....	+ 3.5	- 5.7	+ 4.3	+ 10.4	+ 4.8
July, 1924, compared with June, 1924.....	- 22.1	- 21.5	- 35.4	- 19.4	- 24.0
Credit Sales—					
July, 1924, compared with July, 1923.....	+ 10.8	+ 12.6	+ 5.2	+ 15.6	+ 11.5
July, 1924, compared with June, 1924.....	- 17.4	- 18.1	- 44.7	- 23.5	- 25.2
Stocks—					
July, 1924, compared with July, 1923.....	+ 1.0	- 2.1	+ 4.1	+ .9	+ 1.2
July, 1924, compared with June, 1924.....	- 2.8	- 4.4	- 1.7	+ 1.8	- 1.1
Ratio of stocks to sales.....	602.2	597.6	535.9	551.4	574.9
Ratio of outstanding orders to last year's purchases.....	10.2	14.1	4.9	7.4	9.1
Ratio of July collections to Accounts Receivable, due and outstanding July 1, 1924.....	33.8	35.0	42.4	39.7	37.3

FINANCIAL

The downward movement in the volume of checks charged to depositors' accounts in fifteen principal cities of the Eleventh Federal Reserve District which had been in progress since last December was checked during July, when there was an increase of

1.5 per cent over June. This increase occurred despite the fact that July usually shows a decline from June. The July volume amounted to \$523,450,000 as compared to \$515,892,000 in June and \$529,358,000 in July a year ago.

CHARGES TO DEPOSITORS' ACCOUNTS

	July 1924	July 1923	Inc. or Dec.	June 1924	Inc. or Dec.
Albuquerque	\$ 10,425,000	\$ 10,262,000	+ 5.2	\$ 10,303,000	+ 1.2
Austin	13,400,000	11,956,000	+12.1	12,556,000	+ 6.7
Beaumont	17,364,000	16,299,000	+ 6.5	18,461,000	- 5.9
Corsicana	7,156,000	6,504,000	+10.0	7,820,000	- 8.5
Dallas	147,278,000	128,462,000	+14.6	145,519,000	+ 1.2
El Paso	33,715,000	28,252,000	+19.3	36,326,000	- 7.2
Fort Worth	65,964,000	62,193,000	+ 6.1	60,333,000	+ 9.3
Galveston	26,450,000	71,838,000	-63.2	23,936,000	+10.5
Houston	104,678,000	104,581,000	+ .1	101,774,000	+ 2.9
Roswell	2,838,000	2,180,000	+30.2	2,412,000	+17.7
San Antonio	31,081,000	27,962,000	+11.2	33,990,000	- 8.6
Shreveport	34,431,000	31,047,000	+10.9	33,560,000	+ 2.6
Texarkana	6,802,000	8,445,000	-19.5	7,339,000	- 7.3
Tucson	7,596,000	6,605,000	+15.0	8,380,000	- 9.4
Waco	14,272,000	12,772,000	+11.7	13,183,000	+ 8.3
Totals, Eleventh District	\$523,450,000	\$529,358,000	- 1.1	\$515,892,000	+ 1.5

Acceptance Market There was a further decline during July in the volume of acceptances executed by accepting banks in this district and which were outstanding on the last day of the month. The total outstanding acceptances amounted to \$379,385.94 on July 31st as against \$1,319,226.13 on June 30th. Acceptances based on the domestic shipments and storage of goods declined from \$1,232,225.13 on June 30th to \$277,946.32 on July 31st, while those executed against export and import transactions rose from \$87,001.00 on the former date to \$101,439.60 on the latter date.

The volume of bankers' acceptances held in the portfolio of the Federal Reserve Bank of Dallas declined from \$7,872,413.06 on June 30th to \$4,872,043.54 on July 31st.

Condition of Member Banks in Selected Cities Reports from 51 member banks in selected cities reflected a further decline in deposits and an increase in loans. The net demand deposits of these banks declined from \$212,359,000 on July 2nd to \$211,435,000 on August 6th, and time deposits dropped from \$87,813,000 to \$87,246,000 during the same period. There was a net increase of \$3,331,000 in their commercial loans and \$1,385,000 in loans on corporate securities. The total loans and investments of these banks showed only a slight increase, being \$321,972,000 on August 6th as compared to \$319,594,000 on July 2nd. These banks increased their borrowings from the Federal Reserve Bank from \$3,117,000 on July 2nd to \$7,905,000 on August 6th. The ratio of loans to net demand deposits rose from 94 per cent on July 2nd to 96 per cent on August 6th.

CONDITION STATISTICS OF MEMBER BANKS IN SELECTED CITIES

	Aug. 6, 1924	July 2, 1924	Aug. 1, 1923
1. Number of reporting banks.....	51	51	52
2. U. S. securities owned.....	\$ 44,310,000	\$ 46,553,000	\$ 54,265,000
3. All other stocks, bonds and securities owned.....	13,333,000	13,428,000	10,350,000
4. Loans secured by U. S. Government obligations.....	3,272,000	3,063,000	4,002,000
5. Loans secured by stocks and bonds other than U. S. Government obligations	61,024,000	59,639,000	50,470,000
6. All other loans.....	200,033,000	196,911,000	196,906,000
7. Net demand deposits.....	211,435,000	212,359,000	205,480,000
8. Time deposits	87,246,000	87,813,000	74,930,000
9. Reserve with Federal Reserve Bank.....	23,230,000	22,394,000	21,116,000
10. Bills payable and rediscounts with Federal Reserve Bank.....	7,905,000	3,117,000	14,218,000
11. Ratio of loans * to net demand deposits.....	96%	94%	98%

* Loans include only items 4 and 6.

Operations of the Federal Reserve Bank A marked expansion in our loans to member banks has occurred since the first of July. This increase in the demand for Federal Reserve Bank credit was general over the district, and was about equally divided between country and city

banks. There was an increase in loans of \$6,215,696.03 during July and by August 8th, the day on which loans reached the peak for the season so far, they had risen to \$22,679,746.69, representing a further expansion of \$1,018,240.15. However, by August 15th loans had declined to \$21,646,553.41. The rela-

tively light demand for Federal Reserve Bank credit this year is reflected in the fact that on August 15th last year our loans stood at \$46,161,937.52, or more than twice the volume of loans carried this year. The number of borrowing banks increased from 317 on June 30th to 363 on July 31st, despite the fact that a number of banks completely retired their lines with the Federal Reserve Bank during July out of the proceeds of the sale of wheat, wool, and mohair. The number borrowing on July 31st compares with 538 on the corresponding date of 1923, which is a further indication of the light demand for reserve credit.

The total volume of bills held by this bank increased from \$23,318,223.57 on June 30th to \$26,533,550.08 on July 31st, distributed as follows:

Member banks' collateral notes secured by U. S. Government obligations.....	\$ 2,174,700.00
Rediscounts and all other loans to member banks	19,486,806.54
Open market purchases (Bankers' acceptances)	4,872,043.54
Total bills held.....	\$26,533,550.08

There was a further decrease of \$1,550,555 in the actual circulation of Federal reserve notes between June 30th and July 31st, but the circulation of these notes has shown a slight expansion since the first of the month, due to the gradually increasing demand for currency incident to the gathering and marketing of the cotton crop. The circulation on August 15th amounted to \$41,002,010.00, as compared to \$34,384,835.00 on the same date in 1923. The reserve deposits of member banks declined from \$48,813,097.85 on June 30th to \$48,494,122.19 on July 31st, or a net loss of \$318,975.66.

Deposits of Member Banks Reports from all member banks in the Eleventh District show a decrease of \$9,802,000 in net demand deposits and an increase of \$561,000 in time deposits between June 25th and July 23rd. The combined deposits of these banks on July 23, 1924, reflected an increase of \$34,965,000 as compared to those on July 25, 1923.

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
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
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
Mch. 26, 1924.....	568,800	155,257	176,712	18,740	99,307	24,690	112,565	54,718	180,216	57,109
Apr. 23, 1924.....	549,057	156,666	169,188	18,572	96,425	27,724	111,201	53,001	172,243	57,369
May 28, 1924.....	522,820	154,085	159,426	18,729	91,306	27,108	106,372	51,407	165,716	56,841
June 25, 1924.....	512,565	157,153	154,458	18,554	90,265	27,775	104,316	51,860	163,526	58,964
July 23, 1924.....	502,763	157,714	150,791	19,029	87,191	27,977	101,102	51,851	163,679	58,857

Savings Deposits Reports from 106 banks in the Eleventh Federal Reserve District which operate savings departments showed a decrease of 1.8 per cent in the amount of savings on deposit with them on July 31st as compared to those of June 30, 1924, but an increase of

10.8 per cent over those reported by these banks for July 31, 1923. The 99 banks reporting the number of their savings depositors showed a total of 221,097 depositors on July 31st as compared to 220,133 on June 30th and 193,963 on July 31st last year.

SAVINGS DEPOSITS

	Number of Reporting Banks	July 31, 1924	July 31, 1923	Inc. or Dec.	June 30, 1924	Inc. or Dec.
Beaumont.....	4	2,459,434	2,125,632	+15.7	2,411,176	+2.0
Dallas.....	6	12,203,574	10,494,601	+16.3	12,486,972	-2.3
El Paso.....	4	7,316,073	6,464,029	+13.2	7,380,558	- .9
Fort Worth.....	5	4,905,170	4,665,531	+ 5.1	5,141,803	-4.6
Galveston.....	3	7,210,678	6,828,409	+ 5.6	7,367,620	-2.1
Houston.....	11	19,223,028	17,140,509	+12.1	19,945,713	-3.6
San Antonio.....	5	9,702,083	9,097,874	+ 6.6	9,775,747	- .8
Shreveport.....	5	10,894,851	8,783,613	+24.0	10,948,604	- .5
Waco.....	5	3,099,406	2,351,449	+31.8	3,144,122	-1.4
Wichita Falls.....	4	1,619,911	2,201,100	-26.4	1,640,893	-1.3
All other.....	54	17,412,611	16,546,181	+ 5.2	17,543,560	- .7
Total.....	106	96,046,819	86,698,928	+10.8	97,786,768	-1.8

NUMBER OF SAVINGS DEPOSITORS

	Number of Reporting Banks	July 31, 1924	July 31, 1923	June 30, 1924
Beaumont.....	3	4,630	3,909	4,592
Dallas.....	6	40,266	34,581	40,187
El Paso.....	4	21,979	19,176	21,916
Fort Worth.....	5	16,527	15,624	16,415
Galveston.....	3	11,959	11,842	11,790
Houston.....	10	37,056	26,423	36,949
San Antonio.....	5	15,724	14,204	15,638
Shreveport.....	4	20,918	18,798	20,743
Waco.....	5	5,821	5,111	5,798
Wichita Falls.....	3	6,514	6,050	6,539
All others.....	51	39,703	38,245	39,566
Total.....	99	221,097	193,963	220,133

Discount Rates There is presented below the pre-vailing rate charged during the seven-day period ending August 12th by the commercial banks in the cities listed below.

AUGUST 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.....	4-6	6-8	5-6	5-6	6-8	6-7
(b) Running 4-6 months.....	4½-6	6-8	5-6	4½-5	6-8	6-7
Rate charged on loans to other banks, secured by bills receivable.....	5-6	6-8	6		5-6	5-6
Rate on ordinary commercial loans running 30-60-90 days secured by Liberty Bonds and certificates of indebtedness (not including loans to enable purchase of bonds).....	4-6	8	5-6	6	6	6
Rate on loans secured by prime stock exchange or other current collateral:						
(a) Demand.....	6	....	6-7	5-6	7-8	6-7
(b) Time.....	6-7	8	6-8	5-6	6-7	6-7
Rate on commodity paper secured by warehouse receipts, etc.....	5-7	8	6	5-6	6-8	6-8
Rate on cattle loans.....	7-8	8-10	6-8	6-7	7-8	....

FAILURES

A further improvement in the commercial failure statistics of the Eleventh Federal Reserve District was disclosed in the report by R. G. Dun and Company for the month of July. There were 40 insolvencies with liabilities amounting to \$242,424 as compared to 50 defaults in June with an aggregate

indebtedness of \$765,071 and 81 failures in July a year ago with liabilities totaling \$2,576,000. The July statistics disclosed the fact that there were fewer failures and smaller liabilities in that month than in any month since the depression period. The low failure record during the present year seems to have been due largely (1) to the fact that the weed-

ing out of the weak firms which had been in progress since the depression period was practically completed during the fall of 1923, (2) to the return to more conservative methods in the operation of business, and (3) to the ease in credit conditions which have enabled firms to obtain ample funds with which to operate their concerns.

COMMERCIAL FAILURES

	Eleventh Federal Reserve District				All Federal Reserve Districts			
	1924		1923		1924		1923	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
January	68	\$1,170,988	117	\$ 1,524,107	2,108	\$ 51,272,508	2,126	\$ 49,210,497
February	57	1,280,548	91	2,104,596	1,730	35,942,037	1,508	40,627,939
March	74	950,677	91	2,474,504	1,817	97,651,026	1,682	48,393,138
April	56	881,236	93	8,874,897	1,707	48,904,452	1,520	51,491,941
May	58	720,652	78	3,779,959	1,816	36,590,905	1,580	41,022,277
June	50	765,071	97	1,293,018	1,607	34,099,031	1,358	28,678,276
July	40	242,424	81	2,576,000	1,615	36,813,238	1,231	35,721,188
Total	403	\$6,011,596	648	\$22,627,081	12,400	\$341,273,197	10,955	\$295,145,256

PETROLEUM

Although there were 13,646,130 barrels of crude oil produced in the Eleventh Federal Reserve District during July as compared to 13,358,331 barrels in June, this increase was due to the longer month, as the daily average production declined 5,081 barrels. Continued curtailment of drilling programs was responsible for the decreased production, and was further noted in the decreased number of new wells completed during July. There were only 461 wells completed during the month, of which 312 were successful and netted a flush production of 86,591 barrels of oil as compared to 493 completions in June, of which 339 were successful and furnished an initial flow of 85,028 barrels.

during July as compared to 449 completions in June. The initial production of the successful wells showed a better average than in June, when the 277 successful wells produced 79,059 barrels of oil, as compared to a flush production of 71,910 barrels from the 303 producers completed in June.

A slight increase of 359 barrels was registered in daily average production of crude oil in Louisiana during July, when there were 1,949,174 barrels produced as compared to 1,875,510 barrels in June. There were 52 wells completed during July, of which 27 were successful and yielded a flush production of 7,532 barrels as compared to 44 completions during June, of which 18 were successful and netted an initial flow of 13,118 barrels.

In Texas all fields except the North Texas area showed increases in total production in July as compared to June, but the increases were due to the longer month, as all fields except the miscellaneous ones showed decreases in daily average production. There were 11,696,956 barrels of oil produced during the month as compared to 11,482,821 barrels in June, but there was a decrease of 5,440 barrels in the daily average production. Production in the Archer County field continued to decline during July and the total for the month fell below the million-barrel mark, which had been maintained during May and June. There were 409 wells completed in Texas

Crude Oil Prices Prices of crude oil at Eleventh District fields continued to decline during July, and on August 8th all Louisiana oils, Corsicana light, Texas Coastal, and Mexia oils showed a 25-cent reduction from the posted prices on July 12th. Currie crude declined 50 cents per barrel, while Corsicana heavy oil remained steady. The gravity schedule on North Texas oil was changed during July, making 33 the highest gravity and a price of \$1.50 per barrel was posted on this grade.

CRUDE OIL PRICES

	Aug. 8, 1924	Aug. 9, 1923		Aug. 8, 1924	Aug. 9, 1923
Texas—			Louisiana—		
Corsicana light	\$1.50	\$1.00	Caddo (38 gravity and above)	\$1.35	\$1.45
Corsicana heavy	1.00	.50	Bull Bayou (38 gravity and above)	1.30	1.35
Texas Coastal	1.50	1.25	Homer (35 gravity and above)	1.35	1.45
Mexia	1.50	1.00	Haynesville (33 gravity and above)	1.25	1.30
Currie	1.50	1.00	De Soto Crude	1.35	1.45
North Texas (33 gravity and above)	1.50				

OIL PRODUCTION

Field—	July		June		INCREASE OR DECREASE			
	Total	Daily Avg.	Total	Daily Avg.	Total	Daily Average		
North Texas	2,559,325	82,559	2,560,826	85,361	Dec.	1,501	Dec.	2,802
Central-West Texas	5,396,310	174,074	5,264,995	175,500	Inc.	131,315	Dec.	1,426
Texas Coastal	2,290,583	73,890	2,258,820	75,294	Inc.	31,763	Dec.	1,404
Miscellaneous fields	1,450,738	46,798	1,398,180	46,606	Inc.	52,558	Inc.	192
Total, Texas	11,696,956	377,321	11,482,821	382,761	Inc.	214,135	Dec.	5,440
North Louisiana	1,949,174	62,876	1,875,510	62,517	Inc.	73,664	Inc.	359
Totals, Eleventh District.....	13,646,130	440,197	13,358,331	445,278	Inc.	287,799	Dec.	5,081

JULY DRILLING RESULTS

Field—	Completions	Producers	Failures	Initial Production
North Texas	195	116	79	11,636
Central-West Texas	92	72	20	21,534
Texas Coastal	64	55	9	19,649
Miscellaneous fields	29	29*	...	26,120
Texas Wildcats	29	5	24	120**
Totals, Texas	409	277	132	79,059
North Louisiana	52	35***	17	7,532
July totals, district.....	461	312	149	86,591
June totals, district.....	493	339	154	85,028

* Includes 1 gas well.
 ** Includes 15,000,000 cu. ft. gas.
 *** Includes 8 gas wells.

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

LUMBER

Increased activity at the pine mills of the Eleventh Federal Reserve District was manifested during the month of July when there were substantial increases in the orders received at the mills and the shipments made. Shipments from the reporting mills were 6 per cent above the actual July production of these mills, as compared to 2 per cent below production during June. Orders received during July were for a total footage of lumber 3 per cent above the normal July production of the mills, which compared to 18 per cent below normal production during June. The production rate at the mills remained at the same figure as during June, 14 per cent below normal, consequently stocks declined and were 17 per cent below normal as compared to 12 per cent below normal during June. Unfilled orders on the books

of the 50 reporting mills on July 31st amounted to 55,334,656 feet as compared to 40,792,422 feet on the books of 49 reporting mills at the close of June.

The lumber market is on a much firmer basis than it has been for several months.

JULY PINE MILL STATISTICS

Number of reporting mills.....	50
Production	95,985,316 feet
Shipments	101,834,855 feet
Orders	115,030,375 feet
Unfilled orders July 31st.....	55,334,656 feet
Normal production	111,634,509 feet
Stocks, July 31st.....	281,546,992 feet
Normal stocks	339,127,161 feet
Shipments above production.....	5,849,539 feet= 6%
Actual production below normal	15,649,193 feet=14%
Orders above normal production	3,395,866 feet= 3%
Stocks below normal.....	57,580,169 feet=17%

BUILDING

While the number of building enterprises begun during July in eleven principal cities of this district remained practically stationary as compared to those of June, there was an increase of 37.7 per cent in their valuation, and an increase of 49 per cent as compared to July, 1923. There were 2,565 permits

issued at the reporting cities during July, which had a valuation of \$7,491,347, which compared to 2,561 permits with a valuation of \$5,441,208 issued in June, and 2,741 permits having a valuation of \$5,028,464 issued in July, 1923.

Although the total number of building projects

launched during the first seven months of 1924 continued to be much smaller than those of the corresponding period of 1923, their valuation showed a decrease of only six tenths of one per cent. The

total valuation of these permits amounted to \$50,354,287 at the close of July as compared to \$50,681,426 at the close of July, 1923.

BUILDING PERMITS

	July 1924		July 1923		Inc. or Dec.	June 1924		Inc. or Dec.	First Seven Months				Inc. or Dec.
	No.	Valuation	No.	Valuation		No.	Valuation		1924		1923		
									No.	Valuation	No.	Valuation	
Austin.....	35	93,600	53	75,476	+ 24.0	38	64,707	+ 44.7	308	730,930	401	1,208,356	- 39.5
Beaumont.....	228	245,481	243	351,122	- 30.1	200	148,506	+ 65.3	1,498	1,630,527	1,072	1,651,864	- 1.5
Dallas.....	366	2,230,311	370	1,761,603	+ 26.6	397	1,882,666	+ 18.5	2,931	16,949,769	2,958	13,850,480	+ 22.4
El Paso.....	56	230,465	89	87,715	+162.7	53	155,929	+ 47.8	482	1,225,340	661	1,381,065	- 11.3
Fort Worth.....	233	1,614,155	232	567,454	+184.5	205	506,770	+ 218.5	1,474	5,387,020	1,965	5,292,802	+ 1.8
Galveston.....	272	297,710	395	110,488	+169.5	293	158,404	+ 87.9	2,193	2,174,322	2,297	1,035,112	+110.1
Houston.....	551	1,109,879	608	747,469	+ 48.5	592	1,452,243	- 23.6	4,138	10,115,579	4,024	12,820,251	- 21.1
Port Arthur.....	120	125,631	156	193,380	- 35.0	149	116,781	+ 7.6	1,169	991,688	1,239	1,925,557	- 48.5
San Antonio.....	323	626,376	308	659,762	- 5.1	313	361,730	+ 73.2	2,419	4,645,031	2,305	5,656,091	- 17.9
Shreveport.....	311	737,279	255	406,600	+ 81.3	274	486,752	+ 51.5	2,034	5,261,204	2,003	5,086,569	+ 3.4
Waco.....	70	180,460	32	67,395	+167.8	47	106,720	+ 69.1	442	1,242,877	314	773,279	+ 60.7
Total.....	2,565	7,491,347	2,741	5,028,464	+ 49.0	2,561	5,441,208	+ 37.7	19,088	50,354,287	19,240	50,681,426	- .6

CEMENT

After declining for two consecutive months, shipments of Portland cement from Texas mills during July increased 10.2 per cent as compared to June and were 7.5 per cent greater than during July, 1923. There were 409,000 barrels of cement produced during July as compared to 390,000 barrels during June and 397,000 barrels in July a year ago. For the fifth consecutive month stocks of cement held at the mills at the end of the month registered a decline as compared to those on hand at the end of the previous

month, but were greater than those held on the corresponding dates of the previous year. There were only 264,000 barrels of cement held at the mills at the close of July as compared to 298,000 barrels at the end of June, and 187,000 barrels on July 31, 1923.

Shipments of Portland cement increased 5.0 per cent during the first seven months of 1924 as compared to the same period of 1923, and production increased 4.8 per cent.

PRODUCTION, SHIPMENTS, AND STOCKS OF PORTLAND CEMENT
(Barrels)

	July, 1924	July, 1923	Per Cent Inc. or Dec.	June, 1924	Per Cent Inc. or Dec.	First Seven Months		Per Cent Inc. or Dec.
						1924	1923	
Production of Texas mills.....	409,000	397,000	+ 3.0	390,000	+ 4.9	2,638,000	2,516,000	+ 4.8
Shipments from Texas mills.....	442,000	411,000	+ 7.5	401,000	+10.2	2,652,000	2,525,000	+5.0
Stocks at end of the month at Texas mills.....	264,000	187,000	+41.2	298,000	-11.4			

SUMMARY OF NATIONAL BUSINESS CONDITIONS

(Compiled by the Federal Reserve Board as of August 20, 1924.)

Production in basic industries, after a considerable decline in recent months, was maintained in July at the same level as in June. Factory employment continued to decline. Wholesale prices increased for the first time since early in the year, reflecting chiefly the advance in the prices of farm products.

PRODUCTION

The Federal Reserve Board's index of production in basic industries, which had declined 22 per cent between February and June, remained practically unchanged during July. Iron and steel and woolen industries showed further curtailment, while production of flour, cement, coal, and copper was larger than in June. Factory employment decreased 4 per cent in July, owing to further reduction of forces in the textile, metal, and automobile industries. Building contract awards showed more than the usual seasonal decline in July, but were 10 per cent larger than a year ago. Crop conditions, as reported by the Department of Agriculture, were higher on August 1st than a month earlier. Estimated production of nearly all of the principal crops except tobacco was larger than in July, and the yields of wheat, oats, rye, and cotton are expected to be considerably larger than last year.

TRADE

Railroad shipments increased in July owing to larger loadings of miscellaneous merchandise, grain, and coal. Wholesale trade was 3 per cent larger in July, owing to increased sales of meat, dry goods, and drugs, but was 3 per cent smaller than a year ago. Retail trade showed the usual seasonal decline in July, and department store sales were 1 per cent greater and mail order sales 7 per cent less than a year ago. Merchandise stocks at department stores continued to decline during July and were only slightly larger at the end of the month than a year earlier.

PRICES

Wholesale prices, as measured by the index of the Bureau of Labor Statistics, increased more than 1 per cent in July. Prices of farm products, foods, and clothing increased, while prices of building materials again declined sharply, and prices of metals, fuel, and house furnishings also decreased. During the first half of August quotations on corn, beef, sugar, silk, copper, rubber, and anthracite advanced, while prices of cotton, flour, and bricks declined.

BANK CREDIT

Commercial loans of member banks in leading cities, owing partly to seasonal influences, increased considerably early in August. Loans secured by stocks and bonds, and investments continued to increase, so that at the middle of August total loans and investments of these banks were larger than at any previous time. Further growth of demand deposits carried them also to the highest level on record.

Between the middle of July and the middle of August Federal reserve bank discounts for member banks declined further and their holdings of acceptances decreased somewhat. United States security holdings increased, however, and total earning assets of Federal reserve banks remained practically unchanged.

Continued easing in money rates in the New York market during July and early August is indicated by a decline of one-fourth of one per cent in prevailing rates for commercial paper to 3 to $3\frac{1}{4}$ per cent. After the middle of August there was some advance in open market rates for bankers' acceptances and short-term government securities. During August the discount rate at the Federal Reserve Bank of New York was reduced from $3\frac{1}{2}$ to 3 per cent and at the Federal Reserve Banks of Cleveland and of San Francisco from 4 to $3\frac{1}{2}$ per cent.

COTTONSEED PRODUCTS INDUSTRY

(Note: The following is the second of a series of special articles reviewing the growth and development of the cottonseed products industry and some of the financial and economic problems with which it is now confronted.)

BUYING OF COTTONSEED

From the very beginning the small mills predominated, the guiding purpose in their construction being, not necessarily to utilize the whole of the apparently unlimited seed supply, but rather to bring the manufacturer closer to the source of this supply. In the early days the mills had no difficulty in purchasing cottonseed because there was always an abundant supply and the farmers were willing and anxious to dispose of their surplus seed at whatever price the mills would offer. At this period the mills purchased the seed direct from the farmers. However, as the demand for seed increased the local ginners began to buy seed from the farmers and resell to the mills. The ginner learned that by acting as a middle man between the farmer and mill his earnings could be greatly augmented. The farmers were willing to dispose of their surplus seed to the gins as they were busy with their harvests and were willing to sacrifice a shade in the price of the seed in order to save time and trouble in the deliveries to the mill. However, in time this change in the system of marketing the seed brought a new problem to the cottonseed oil mill. When the ginners entered the seed business they naturally made contracts with certain mills to deliver them the seed acquired by the gin, allowing a certain specified margin of profit. As the industry developed and the number of mills increased the individual mill began to find it more and more difficult to obtain a sufficient supply of seed for a season's crush. Mills which had had contracts with ginners to supply them with seed often found at the beginning of the season that another mill had offered a wider margin of profit and had obtained the contract. This practice not only led to reckless competition and speculation among the mills, but also encouraged the ginners to speculate. The number of mills had increased to the point where the industry was becoming overcrowded and the mills were experiencing an ever increasing difficulty in obtaining a sufficient supply of seed on which to operate. The ginners, being in an exceptionally advantageous position, had virtually gained control of the seed supply and with encouragement from some of the mills, they began to demand a larger profit on the seed. Consequently, many mills in order to obtain a season's crush at a fair price entered into the gin business. This development called for a greater outlay of capital and brought the mill in direct competition with the gins. The ginners, in order to meet this competition, often cut the price on ginning, thus inducing the farmers to sell their seed to them and then offset the loss from ginning with their larger profits on seed.

Speculation in seed buying has thus developed to be a constant menace and source of loss to the industry. The mill owners, having a large investment tied up in manufacturing plants, are placed under a strong incentive and temptation to operate the mills at full capacity every season, with little regard for the relation between the cost of the raw material and the price obtainable for the finished products. Thus the mills have often been willing to pay a price for the seed which, on the basis of the price of the products at the time the seed were bought, compelled the mills to depend upon a future upturn in cottonseed products market as their only chance to escape a heavy if not ruinous loss. Confronted by a visible loss at the time the seed were purchased, in case the price of products did show the expected advance the mills made a profit, but if the market went against them their losses were accordingly augmented. These hazards have been sharply accentuated in recent years, when short cotton crops and high price levels have subjected the products market to the uncertainties of exceptionally violent "swings."

Although the short supply of seed during the past three or four seasons has had a tendency to inflate the value of the raw material, it has not justified the mills in bidding the price of seed above their apparent manufacturing value. The mill must look beyond such factors as the supply of seed to determine the price at which they can afford to buy them, since the products cannot be sold at an arbitrary price, but must compete with other products. One of the most important

factors in the cottonseed products industry is the fact that the consumers market offers substitutes for each and every by-product of cottonseed. This fact, of course, is the basis of the fundamental principle of the industry, namely, that in the final analysis the price of cottonseed products must be governed by the price of competitive and interchangeable products and not by the demand for cottonseed. The buying of seed upon any other basis is wrong in principle and ultimately brings trouble to the buyer. Thus on the one hand the mills have been tempted to bid up the price of seed because of the short supply and keen competition, but on the other hand they have had to sell their products at a price level controlled by those products which may be substituted for cottonseed products.

It should be borne in mind that if and when proper relations are established between the various classes of "middlemen" now engaged in the purchase and sale of cottonseed it should be possible for the mills to reduce the cost of their raw material to a level more in consonance with its manufacturing value without unduly depressing the price received by the primary producers of cottonseed. The farmer is certainly entitled to a fair margin of profit upon all of his products, including cottonseed. At the same time, if present conditions in the cottonseed oil mill business continue it is obvious that in the long run the farmers and mills will suffer alike as the maintenance of seed prices at artificially high levels will tend to drive so many mills out of business that the inevitable result will be to reduce the country's crushing capacity below the visible supply of seed, thus depriving the farmer of the opportunity to dispose of his seed upon a competitive and profitable market. The economic loss which such a contingency would ultimately inflict upon the seed producer would more than wipe out any fractional part of high profits which he might temporarily enjoy in the meantime from a continuance of inflated seed prices. It seems clear, therefore, that it is as much to the farmers' interest as it is to the mills' to bring about a stabilization of cottonseed values.

Under present conditions the mills often buy seed at a price in excess of its "conversion value." The effects of this practice have been apparent during the past few years, when mill after mill has encountered financial difficulties and many of them have gone out of existence, or shut down for indefinite periods. Others have been able to continue in business merely because of the financial support given them by their stockholders or directors. The manufacture of cottonseed products is a legitimate industry and should be operated on a legitimate basis of manufacture. This can be done only by purchasing the seed on a basis which will allow for the cost of conversion and a reasonable profit. The industry has become a necessity in the life of the nation and if the small mills have not the courage to place it upon a sound and profitable basis then it must ultimately pass into the hands of a small group of powerful interests who will make efficient methods of manufacture and marketing the true basis of competition. If, as a result of the elimination of the numerous small mills, the price of seed falls to a point where it will be profitable for a few large concerns to take over the industry, the result will not only be calamitous in so far as the large amount of capital now invested in cottonseed oil mills is concerned, but would seriously affect our farms and our returns from the cotton crop, because as it always happens in such instances, the price paid for seed would fall far below their real value.

The responsibility for and the effect of speculation in seed buying are not wholly confined to the mills. The banks which finance them are also involved. Too often the banker advances funds to the mill to buy the seed without informing himself as to whether or not the price paid for the raw material affords a reasonable margin for manufacturing it at a fair profit. This subject will be treated in detail in a subsequent article. In the next issue of the REVIEW this series of articles will take up for discussion the subject "Methods of Financing the Cottonseed Oil Industry."