

# MONTHLY BUSINESS REVIEW

OF THE

## FEDERAL RESERVE BANK OF DALLAS

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### DISTRICT SUMMARY

#### THE SITUATION AT A GLANCE Eleventh Federal Reserve District

	May	April	Inc. or Dec.
Bank debits to individual accounts (at 15 cities).....	\$629,034,000	\$669,950,000	Dec. 6.1%
Department store sales.....			Inc. 8.4%
Reserve Bank loans to member banks at end of month.....	\$ 10,492,814	\$ 9,985,308	Inc. 5.1%
Reserve Bank ratio at end of month.....	52.1%	53.0%	Dec. 0.9 points
Building permit valuations at larger centers.....	\$ 10,586,843	\$ 10,117,609	Inc. 4.6%
Commercial failures (number).....	91	66	Inc. 37.9%
Commercial failures (liabilities).....	\$ 802,029	\$ 716,438	Inc. 11.9%
Oil production (barrels).....	12,775,470	11,723,490	Inc. 9.0%
Lumber orders at pine mills (per cent of normal production).....	101%	91%	Inc. 10 points

Brighter agricultural prospects in the Eleventh Federal Reserve District, due to the favorable weather prevailing during the past thirty days, have placed a more encouraging aspect upon the whole business situation. The district's farmers are in the midst of harvesting one of their largest grain crops, the returns from which will provide funds for the liquidation of indebtedness carried over from a year ago, increase the purchasing power of the farm population, and provide money and feed to assist in the cultivation of row crops. Planting operations are practically complete and cultivation of crops is progressing rapidly under generally favorable conditions. With the continuance of fair weather, the farmers will be able to overcome in a short time the handicap of a late start. While crops are not suffering as yet, more rain is needed in many sections to replenish surface moisture. The presence of the boll weevil and other insects has been reported in many portions of the district and although they have done no damage as yet, some concern is felt because weather conditions have been conducive to the propagation and increased activity of insects. Livestock and range conditions remained good. Cattle and sheep are fat and moving to market in large numbers. Market prices for cattle sank to lower levels but stock have been changing hands on the ranges at satisfactory prices. Hog values early in June rose to the highest level since 1920.

Responding to the improved position of agriculture and the return of seasonable weather, trade at both wholesale and retail broadened considerably. Distribution at wholesale, while it was affected to some extent by seasonal influences, gained momentum during the month and was in

a larger volume than in May, 1925. Department store sales disclosed a gain of 8 per cent over the previous month and were 6 per cent larger than in the corresponding month a year ago. Charges to depositors accounts, while 6 per cent less than in April, exceeded those of May, 1925, by 2 per cent.

The principal changes in the financial and banking situation were due to seasonal influences. There was a further withdrawal of deposits and an increase in the demand for bank credit. Deposits of member banks amounted to \$763,582,000 on May 26, which was \$7,931,000 less than a month ago and \$8,000,000 less than on that date last year. Federal Reserve Bank loans to member banks rose to \$11,348,000 on June 15, or \$2,193,000 more than a month earlier and \$5,348,000 larger than on June 15, 1925. The increase in the business mortality rate, as measured by the number of commercial failures, is probably due in a large measure to the weeding out of a considerable number of the smaller firms weakened by the cumulative effects of last year's drouth and poor business during the spring months.

The volume of building operations continued at near the high level of the year. The valuation of permits issued at principal cities was 5 per cent greater than in April and 20 per cent above May, 1925. There was a substantial improvement in the demand for lumber, production, shipment, and new orders for lumber reflecting a considerable gain as compared to both the previous month and the same month last year. The output of cement was also increased.

### CROP CONDITIONS

Generally fair weather and higher temperatures during the past thirty days, following the heavy rains and cool weather during March, April, and the first half of May, have enabled the farmers to make rapid progress with the planting and cultivation of row crops and the harvesting

of small grains. Planting operations are now practically complete and with the continuance of clear weather crops will soon be in a good state of cultivation. While many portions of the district are needing rain to insure the best growth of crops, generally, there is ample subsoil moisture.

Harvesting of wheat and oats is in full swing in South, Central, and North Texas and will extend into the North-western portion of the State during the last half of June. Reports from the harvest fields indicate that the yield in many sections will be the heaviest since 1919. The June 1 condition of the Texas wheat crop was estimated at 95 per cent of normal indicating a yield of 31,497,000 bushels as compared to 6,552,000 bushels in 1925 and 40,178,000 bushels in 1919, the latter figure being the highest on record. The condition of the Texas oat crop on June 1 was also placed at 95 per cent of normal, the highest percentage reported since 1919. Grain crops in New Mexico are making good progress. The proceeds from these crops will go a long way toward enabling the farmers to recoup the losses sustained last year when the grain crops were an almost complete failure. Furthermore, the unusually heavy production of oats in Central and South Texas, where the drouth was most severe last year, will be of material aid in providing feed and money with which to complete the cultivation of row crops.

The Texas corn crop during the past few weeks has made satisfactory growth. The planting of grain sorghums in Northwest Texas was delayed to some extent but in most sections of the district, the crop is making good progress. The June 1 condition of tame hay in Texas was 87 per cent of normal and that of wild hay 89 per cent. Hay crops in New Mexico are progressing favorably.

The district's cotton crop reflected a marked improvement during the past thirty days. The growth of the plant has been rapid and farmers have made good progress with plowing and chopping. The cotton is beginning to fruit in South and South-Central Texas. Reports indicate that in several portions of the district the boll weevils are present and while no damage as yet has been reported, their presence means that should weather favorable for their activity continue, a serious menace to the crop would result.

### LIVESTOCK

Excellent range and livestock conditions still prevail throughout the Eleventh Federal Reserve District. There is an abundance of pasturage and stock water, livestock are fat and are moving to market in large numbers. The present situation presents a marked contrast to that which obtained a year ago when ranges were poor, livestock were thin, and considerable liquidation was in progress due to the lack of feed and water.

**Movement and Prices** Receipts of cattle and sheep at the Fort Worth market during May were very heavy, showing large increases as compared to both the previous month and the corresponding month last year. Sheep receipts, which totaled 105,430 head, were the largest for any similar month since 1919 and were only about 8,000 head less than total receipts for the first five months of 1925. Receipts of hogs, while slightly greater than in April, were considerably smaller than a year ago.

The outstanding feature of the market during May was the rapid rise in the value of hogs and the comparative steadiness of sheep in the face of extremely heavy receipts. Hog values, following the upturn during the latter part of April, rose rapidly reaching a top of \$14.50, the highest recorded since 1920. Further advances were scored during the first half of June when values were marked up as high as \$15.25. Sheep prices yielded somewhat in response to

the heavy receipts but the market held up well under the circumstances. Losses for the month amounted to \$.75 to \$1.00. Lamb prices on the other hand, showed a slight gain. The cattle market was uneven throughout the month with the general trend downward. Most classes closed lower than a month earlier. There was a good demand for calves throughout the month and under the stimulus of small receipts values were generally steady to slightly higher.

### FORT WORTH LIVESTOCK RECEIPTS

	May 1926	May 1925	Loss or Gain	April 1926	Loss or Gain
Cattle .....	107,919	69,898	G 38,021	80,489	G 27,430
Calves .....	13,546	15,248	L 1,702	14,113	L 567
Hogs .....	17,129	21,546	L 4,417	15,946	G 1,183
Sheep .....	105,430	23,763	G 81,667	32,582	G 72,848

### COMPARATIVE TOP LIVESTOCK PRICES

	May 1926	May 1925	April 1926
Beef Steers .....	\$ 9.10	\$10.00	\$ 9.15
Stocker Steers .....	8.35	7.75	8.50
Butcher Cows .....	6.25	6.75	6.25
Stocker Cows .....	5.25	3.50	5.00
Calves .....	10.25	9.50	10.25
Hogs .....	14.50	12.95	13.50
Sheep .....	8.65	8.50	8.75
Lambs .....	15.75	15.00	15.50

**Cotton Movements** While the receipts and exports of cotton during May at Houston and Galveston reflected a seasonal decline as compared to the previous month, they again showed an increase as compared to the corresponding month last year.

### COTTON MOVEMENTS THROUGH THE PORT OF GALVESTON

	May 1926	May 1925	August 1 to May 31 This Season	Last Season
Net receipts .....	55,790	49,186	2,961,481	3,605,728
Exports .....	125,194	121,935	2,685,658	3,572,839
Stocks, May 31 .....			345,842	137,048

### GALVESTON STOCK STATEMENT

	May 31, 1926	May 31, 1925
For Great Britain .....	9,500	1,400
For France .....	5,800	2,000
For other foreign ports .....	24,100	8,700
For coastwise ports .....	5,000	5,000
In compresses and depots .....	301,442	119,948
Total .....	345,842	137,048

### HOUSTON COTTON MOVEMENTS

	May 1926	May 1925	August 1st to May 31st This Season	Last Season
Receipts—gross .....	64,113	39,577	4,764,506	4,713,551
Receipts—net .....	35,267	14,189	2,583,200	2,618,358
Exports .....	80,371	66,410	1,686,337	1,781,302
Stocks, May 31 .....			434,810	149,544

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

	This Season	Last Season
Receipts .....	9,333,765	9,215,993
Exports: Great Britain .....	2,160,293	2,481,429
France .....	855,813	869,898
Continent .....	3,150,267	3,414,809
Japan—China .....	1,086,142	850,951
Mexico .....	44,981	19,910
Total foreign ports .....	7,297,496	7,636,997
Stocks at all U. S. ports, May 31 .....	826,195	486,272

**SPOT COTTON PRICES**  
( Middling Basis )

	May, 1926		June 15,
	High	Low	1926
New York .....	19.35	18.70	18.05
New Orleans .....	18.44	17.89	17.03
Dallas .....	18.30	17.70	17.00
Houston .....	18.55	18.10	17.85
Galveston .....	18.60	18.15	17.50

**COTTONSEED OIL**

There was a further strengthening in the cottonseed oil market during the past month. Stocks of cottonseed oil on hand were 8,257,000 pounds on May 31, as compared to 23,242,000 pounds on April 30 and 35,865,000 pounds on May 31, 1925. Consumption of cottonseed oil during the past year has been heavy as is shown by the fact that despite the small stocks at the present time, the production during the ten month period ending May 31 this year, amounted to 1,576,151,000 pounds as against 1,372,356,000 pounds during a like period during the previous year.

The average price received for the 5,279,982 pounds shipped by reporting mills in this district during May was \$ .1065 per pound as compared to \$ .1004 per pound received for shipments made in April. Prices on hulls, cake and meal, likewise advanced. Cake and meal brought \$28.52 per ton in May as compared to \$28.00 per ton in April, and hulls sold for an average price of \$9.48 per ton in May as against \$9.00 in April.

**COTTONSEED PRODUCTS SHIPPED AND AVERAGE PRICE RECEIVED**

	May, 1926	
	Products Shipped	Average Price F. O. B. Mill
Crude oil .....	5,279,982 lbs.	\$ .1065 per lb.
Cake and meal .....	7,485 tons	28.52 per ton
Hulls .....	4,665 tons	9.48 per ton
Linters .....	3,400,163 lbs.	.0327 per lb.

**STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS**

	Texas		United States	
	Aug. 1 to May 31	Last Season	Aug. 1 to May 31	Last Season
Cottonseed received at mills (tons).....	1,365,000	1,545,000	5,457,000	4,542,000
Cottonseed crushed (tons) .....	1,375,000	1,527,000	5,426,000	4,501,000
Cottonseed on hand (tons) .....	11,000	23,000	53,000	55,000
Crude oil produced (pounds).....	389,728,000	451,896,000	1,576,151,000	1,372,356,000
Cake and meal produced (tons) .....	647,000	720,000	2,536,000	2,079,000
Hulls produced (tons) .....	389,000	445,000	1,510,000	1,295,000
Linters produced (500 lb. bales) .....	263,000	297,000	1,024,000	877,000
Stocks on hand May 31:				
Crude oil (pounds) ..	487,000	10,776,000	8,257,000	35,865,000
Cake and meal (tons) ..	63,000	21,000	284,000	101,000
Hulls (tons) ..	59,000	26,000	143,000	100,000
Linters (500-lb. bales) ..	37,000	11,000	151,000	55,000

**TEXTILE MILLING**

The past month witnessed a slight increase in the activity of cotton mills in the district but the demand for goods is slow and conditions are generally unsatisfactory. There were 2,867 bales of cotton consumed in May, as compared to 2,757 bales in the previous month and 2,324 bales in May last year. The May production of reporting mills which amounted to 1,277,342 pounds was 2.1 per cent

greater than in the previous month and 37.5 per cent greater than a year ago. There was a slight increase in orders on hand and a considerable increase in stocks. Reflecting the downward trend in the raw cotton market cotton goods prices sank to lower levels.

**TEXTILE MILLING STATISTICS**

	May 1926	May 1925	April 1926
Number bales cotton consumed.....	2,867	2,324	2,757
Number spindles active.....	72,316	70,524	73,316
Number pounds cloth produced.....	1,277,342	928,621	1,250,779

**WHOLESALE TRADE**

The distribution of merchandise at wholesale reflected a substantial improvement during May. Trade throughout the Spring was backward due to the heavy rains and cool weather and retailers found it difficult to move the goods bought earlier in the season. With the return of fair weather and higher temperatures, however, there was an immediate response in buying and goods began to move freely. That retailers are not carrying burdensome stocks is evidenced by the fact that an increase in consumptive demand was followed by an improvement in buying at wholesale. While trade at wholesale in some lines reflected a slight decline from the previous month due to seasonal influences, the volume was substantially larger than in May last year. Collections were reported as poor to fair.

Fair weather and higher temperatures since the middle of May stimulated the demand for dry goods. Retailers have been able to move much of the seasonable merchandise the demand for which had been slow earlier in the spring. Summer goods have been in demand and orders have been reaching the wholesalers in a substantial volume. Sales of reporting wholesale firms were slightly greater than in the previous month and exceeded those of a year ago by 3.4 per cent. Due to the downward trend in the price of raw cotton, the cotton goods market has shown a further weakness. Dealers state that in the light of present business and the favorable prospects for crops, the outlook for the trade is promising.

After showing a decline from the previous month for three consecutive months, the sales of farm implement firms during May reflected an increase of 20.2 per cent over April. While sales were four-tenths of one per cent less than in May last year it should be recalled that distribution in that month was very large, being considerably above any similar month since 1920. Since the advent of weather favorable for farming operations there has been a material improvement in the demand for farm implements. Due to the large grain crop, the demand for harvesting machinery has been good. Prices are generally steady and the outlook is improving.

While the demand for groceries, as measured by the sales of reporting firms, reflected a seasonal recession during May, being 4.6 per cent less than in April, it showed a substantial gain of 7.2 per cent over the corresponding month last year. Buying in most sections of the district is holding up well with some improvement being noted in some localities and dealers generally are optimistic regarding the early fall trade. Prices were about stationary.

While the sales of reporting wholesale drug firms reflected a slight seasonal recession as compared to the previous month, they were 2.7 per cent greater than in May last year. Dealers report that business is holding up well

for this season of the year and that the outlook is becoming more promising. Prices showed no marked changes. Collections were reported as fair for this season of the year.

The demand for hardware at wholesale showed a substantial improvement during the past month, and the gain appeared to be general throughout the district. Farm work which progressed rapidly under favorable conditions stimulated the demand for farm tools and the continuance of active building maintained the demand for builders' hardware. The May sales of reporting firms were not only 6.1 per cent larger than those in April but were 11.9 per cent

greater than a year ago.

CONDITION OF WHOLESALE DURING MAY, 1926  
Percentage of Increase or Decrease in

	—Net Sales—		—Net Sales—	—Stocks—	
	May, 1926 compared with May 1925	April 1926	Jan. 1st to date compared with same Period Last Year	May 1925	April 1926
Groceries	+ 7.2	- 4.6	+ 3.6	+ 8.2	- 3.8
Dry Goods	+ 3.4	+ .5	- 6.9	- 7.8	- 3.1
Farm Implements	- .4	+ 20.2	- 4.8	- 7.0	- 6.2
Drugs	+ 2.7	- .4	- 1.8	+ 3.0	- .9
Hardware	+ 11.9	+ 6.1	+ 2.2	+ 5.8	- 6.8

RETAIL TRADE

The past month witnessed a sharp recovery in department store trade. Sales were not only 8.4 per cent greater than in April but were 6.1 per cent larger than in the corresponding month last year. The fair weather and higher temperature greatly stimulated the demand for seasonable merchandise. Reports indicate that trade during the early part of June continued good. Stocks at the end of May

were 5.2 per cent less than on April 30 and 5.8 per cent less than a year ago. The percentage of sales to average stocks for the first five months of 1926 was 100.1 as compared to 98.2 during the corresponding period of 1925.

The ratio of May collections was 37.5 as compared to 38.6 in April and 40.3 in May, 1925.

BUSINESS OF DEPARTMENT STORES

Total Sales	Dallas	Fort Worth	Houston	All Others	Total District
May 1926, compared with May 1925	+ 4.3	+ 26.6	+ 2.6	- 0.4	+ 6.1
May 1926, compared with April 1926	+ 2.9	+ 12.0	+ 6.8	+ 12.4	+ 8.4
Jan. 1 to date, compared with same period last year	+ .6	+ 12.4	- 1.0	- 3.4	+ 1.0
Credit Sales:					
May 1926, compared with May 1925	+ 4.3	+ 36.1	+ 3.6	+ 3.8	+ 7.8
May 1926, compared with April 1926	+ .3	+ 7.9	+ 14.3	+ 11.9	+ 6.0
Jan. 1 to date, compared with same period last year	+ 2.6	+ 20.4	+ 2.6	+ 3.2	+ 5.0
Stocks:					
May 1926, compared with May 1925	- 7.3	- 1.1	- 4.5	- 7.3	- 5.8
May 1926, compared with April 1926	- 5.3	- 4.4	- 4.9	- 5.7	- 5.2
Percentage of sales to average stocks in					
May 1925	18.6	15.6	21.9	22.0	19.3
May 1926	20.3	18.2	23.7	23.4	21.0
Percentage of sales to average stock					
Jan. 1 to May 31, 1925	97.6	80.4	121.5	106.5	98.2
Jan. 1 to May 31, 1926	100.1	82.7	128.2	107.9	100.1
Ratio of outstanding orders to last year's purchases	4.0	2.5	1.6	4.4	3.9
Ratio of May collections to accounts receivable due and outstanding					
May 1, 1926	34.5	35.9	41.7	42.2	37.5

FINANCIAL

The volume of public spending during May, as measured by checks charged to depositors' accounts at banks in fifteen principal cities in the Eleventh District, reflected a further seasonal recession of 6.1 per cent as compared to April but showed a gain of 1.7 per cent over May, 1925. As compared to the previous month, all reporting cities with the exception of San Antonio, Texarkana and Wichita Falls, showed a decline.

DEBITS TO INDIVIDUAL ACCOUNTS  
(In Thousands of Dollars)

	May 1926	May 1925	Inc. or Dec. 1926	April 1926	Inc. or Dec. 1926
Austin	\$ 16,571	\$ 19,148	-13.5	\$ 20,797	-20.3
Beaumont	19,875	18,273	+ 7.7	20,165	- 2.4
Corsicana	5,945	8,466	-29.8	6,742	-11.8
Dallas	180,898	175,781	+ 2.9	192,282	- 5.9
El Paso	30,742	30,119	+ 2.1	31,730	- 3.1
Fort Worth	73,338	66,444	+10.4	75,229	- 2.5
Galveston	31,040	35,729	-13.1	37,023	-16.2
Houston	126,094	118,450	+ 6.5	140,238	-10.1
Roswell	2,752	2,767	- .5	2,762	- .4
San Antonio	39,949	41,170	- 3.0	38,222	+ 4.5
Shreveport	36,986	36,548	+ 1.2	39,359	- 6.0
Texarkana	10,650	8,313	+28.1	10,230	+ 4.1
Tucson	9,071	8,844	+ 2.6	9,170	- 1.1
Waco	12,872	14,876	-13.5	14,586	-11.8
Wichita Falls	32,451	33,550	- 3.3	31,410	+ 3.3
Total, 11th District	\$629,034	\$618,478	+ 1.7	\$669,950	- 6.1

Acceptance  
Market

Following a decline during the three previous months, the volume of outstanding acceptances executed by accepting banks of this district showed a substantial increase during May.

The amount of these acceptances outstanding on May 31 totaled \$2,035,399.78 as against \$1,461,285.51 on April 30. Acceptances executed against export and import transactions rose from \$930,210.51 on April 30 to \$1,386,438.33 on May 31 and those based on the domestic shipment and storage of goods increased from \$531,075.00 on the former date to \$648,961.45 on the latter date.

Condition of Member Banks in Selected Cities Reports from member banks in selected cities disclose that only minor changes in their condition occurred during the past month. Their investments declined \$1,865,000; loans were reduced \$1,950,000; bills payable and rediscounts with the Federal Reserve Bank declined \$1,034,000; and deposits showed a net gain of \$707,000. When the combined statement of these banks for June 2, 1926, is compared with that for the same date in 1925 it will be observed that investments during the year have declined \$503,000; loans have increased \$20,780,000; deposits have increased \$7,386,000; reserves with Federal Reserve Bank have declined \$3,896,000; and bills payable and rediscounts with Federal Reserve Bank have risen \$2,396,000. It is significant to note that while these banks were carrying approximately \$4,400,000 excess reserves with the Federal Reserve Bank at this time last year, the reserves being carried this year are only slightly above actual requirements. The ratio of loans to net demand deposits was 88 per cent on June 2, 1926, as compared to 89 per cent on May 5, 1926, and 82 per cent on June 3, 1925.

CONDITION STATISTICS OF MEMBER BANKS IN SELECTED CITIES

	June 2, 1926	May 5, 1926	June 3, 1925
1. Number of reporting banks.....	48	48	48
2. U. S. securities owned.....	\$ 52,262,000	\$ 53,611,000	\$ 56,755,000
3. All other stocks, bonds and securities owned.....	23,623,000	24,139,000	19,633,000
4. Loans secured by U. S. Government obligations.....	4,040,000	2,989,000	3,269,000
5. Loans secured by stocks and bonds other than U. S. Government obligations.....	72,245,000	73,854,000	69,905,000
6. All other loans.....	229,296,000	230,688,000	211,627,000
7. Net demand deposits.....	264,002,000	263,280,000	263,355,000
8. Time deposits.....	100,091,000	100,106,000	92,852,000
9. Reserve with Federal Reserve Bank.....	29,020,000	29,041,000	32,916,000
10. Bills payable and rediscounts with Federal Reserve Bank.....	3,637,000	4,671,000	1,241,000
11. Ratio of loans* to net demand deposits.....	88%	89%	82%

\*Loans include only items 4 and 6.

Savings Deposits

The savings deposits as of May 31, of 97 banks in this district which operate a savings department, were two-tenths of one per cent less than those on April 30 but were 8.8 per cent greater than on May 31, 1925. These banks were carrying 233,870 savings accounts on May 31, as compared to 233,290 on April 30 and 217,297 on the last day of May a year ago.

SAVINGS DEPOSITS

	Number of Reporting Banks	May 31, 1926		May 31, 1925		Inc. or Dec.	April 30, 1926		Inc. or Dec.
		Savings Depositors	Amount of Savings Deposits	Savings Depositors	Amount of Savings Deposits		Number of Savings Depositors	Amount of Savings Deposits	
Beaumont	2	4,016	1,310,162	3,847	1,352,687	+ 3.1	3,993	1,323,634	+ 1.0
Dallas	7	48,806	17,380,777	43,323	15,507,673	+12.1	48,426	17,000,160	+ 2.2
El Paso	3	17,106	6,089,686	16,407	5,798,222	+ 5.0	17,338	6,057,908	+ .5
Fort Worth	3	14,408	5,886,810	14,369	4,983,290	+ 8.0	14,520	5,367,888	+ .4
Galveston	3	12,657	8,023,572	13,549	8,386,421	- 3.8	12,756	8,602,665	- 6.7
Houston	13*	46,477	26,377,061	39,261	23,447,285	+12.5	46,060	26,377,865	None
San Antonio	6*	20,958	11,901,039	18,907	11,163,457	+ 6.6	20,891	12,015,371	- 1.0
Shreveport	4*	20,540	10,487,796	20,069	9,327,338	+12.4	20,533	10,609,591	- 1.1
Waco	5	8,153	4,795,517	7,893	4,399,852	+ 9.0	8,123	4,779,893	+ .3
Wichita Falls	3	7,073	3,261,498	6,878	2,157,317	+51.2	7,072	3,299,764	- 1.2
All Others	48*	33,676	15,355,917	32,794	15,007,143	+ 2.3	33,578	15,110,359	+ 1.6
Total	97	233,870	110,369,835	217,297	101,480,685	+ 8.8	233,290	110,545,098	- .2

\*Only 11 banks in Houston, 5 banks in San Antonio, 3 banks in Shreveport and 45 banks in all others reported the number of savings depositors.

JUNE 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	4-8	5-6	4-8	5-7
(b) running 4-6 months.....	4 1/4-6	6-8	4-8	5-6	4-8	5-7
Rate charged on loans to other banks, secured by bills receivable	4-5	6-7	5-6	5	6	5-6
Rate on ordinary commercial loans running 30-60-90 days secured by Liberty Bonds and Certificate of Indebtedness (not including loans to enable purchase of bonds)	4-6	6-8	5-6	5-6	6-8	6-7
Rate on loans secured by prime stock exchange or other current collateral:						
(a) demand.....	6-7	8	6-8	5-6	6-8	6-7
(b) time.....	6-7	6-8	6-8	5-6	6-8	7
Rate on commodity paper secured by warehouse receipts, etc.	4 1/2-8	8	6-8	5-6	6-8	6-8
Rate on cattle loans.....	6-8	8-9	6-8	6-8	7-8	-----

Deposits of Member Banks

There was a further seasonal decline in the combined deposits of member banks in the Eleventh District during the past month. These deposits which amounted to \$763,582,000 on May 26, were \$7,931,000 less than on April 28 and \$8,050,000 below those on May 27, 1925. The decline in net demand deposits during the month amounted to \$7,362,000 and the reduction in time deposits totaled \$569,000.

Operations of the Federal Reserve Bank

A further expansion in the demand for Federal reserve bank credit occurred during the past month representing the normal seasonal borrowing at this season with which to finance agricultural operations. While the total amount of our loans to member banks, which stood at \$10,492,814 on May 31, was only \$507,506 greater than those on April 30, this increase does not fully represent the expansion in the demand for credit from banks in the rural sections as there was a substantial reduction in the indebtedness of the reserve city banks during the month.

DEPOSITS OF MEMBER BANKS

	Total Demand	Total Time	Banks in cities with a population of less than 15,000		Banks in cities with a population of over 15,000	
			Demand	Time	Demand	Time
May 27, 1925.....	605,626	166,006	277,145	48,771	328,481	117,235
June 24, 1925.....	588,601	167,218	267,143	47,978	321,468	119,240
July 29, 1925.....	581,038	168,600	261,957	47,643	319,081	120,957
Aug. 26, 1925.....	590,664	168,110	268,000	47,585	322,664	120,525
Sept. 23, 1925.....	632,784	169,415	296,777	48,393	336,007	121,022
Oct. 28, 1925.....	667,413	166,601	318,302	45,861	349,111	120,740
Nov. 25, 1925.....	674,507	166,821	322,213	46,190	352,294	120,631
Dec. 23, 1925.....	668,749	163,290	316,643	44,446	352,106	118,844
Jan. 27, 1926.....	659,313	167,330	308,899	44,722	350,914	122,608
Feb. 24, 1926.....	654,003	171,024	303,350	45,557	350,653	125,467
March 24, 1926.....	637,392	169,159	287,084	45,178	350,308	123,981
April 28, 1926.....	605,845	165,668	272,389	44,633	333,456	121,035
May 26, 1926.....	598,483	165,099	265,613	45,085	332,870	120,014

There were 264 borrowing banks at the end of May, as compared to 198 a month earlier, indicating that there was a wider distribution of our loans among member banks. On

May 31, 1925, there were 197 borrowing banks owing us \$5,220,394.

The total amount of bills held by this bank increased from \$19,549,629.39 on April 30 to \$20,326,792.16 on May 31, distributed as follows:

Member bank collateral notes secured by U. S. Government obligations	\$ 1,706,650.00
Rediscunts and all other loans to member banks	8,786,164.43
Open market purchases (Bankers' Acceptances)	9,833,977.73
<b>Total bills held</b>	<b>\$20,326,792.16</b>

Federal reserve notes in actual circulation fluctuated within narrow limits during the month, amounting to \$35,538,005 on May 31, as compared to \$35,935,480 on April 30. The average circulation for the month was \$35,648,000. Following the low point of \$34,980,975 reached on May 27, there has been a gradual expansion in the circulation of

these notes reflecting the seasonal demand for currency. The daily average of member bank reserve deposits amounted to \$57,977,130 during May, as compared to \$59,371,272 during April, representing a decline of \$1,394,142.

### FAILURES

The business mortality rate in the Eleventh Federal Reserve District as measured by the insolvency statistics, reflected a sharp upturn during May. The 91 failures in May was the largest number reported for any month since January and compares to 66 insolvencies in April and 56 defaults in May, 1925. The liabilities of insolvent firms, which amounted to \$802,029, showed only a moderate increase over the \$716,438 indebtedness of firms defaulting in April and reflected a very large decline from \$1,956,651 owed by firms which failed in May last year.

### PETROLEUM

The production of crude oil in the Eleventh Federal Reserve District registered a large increase during May, when 12,775,470 barrels of oil were produced as compared to 11,723,490 barrels in April, being an increase of 21,329 barrels in the daily average production. Although May was the record month for the year in oil production yet the amount produced fell 2,833,602 barrels short of that for the corresponding month of last year. It is interesting to note that the increase in production for the month was accompanied by a decrease in the number of producing wells completed and a substantial reduction in the amount of initial production from new wells. There were 711 wells completed during May, of which 405 were successful and yielded an initial flow of 106,215 barrels of oil, compared to 737 completions in April with 453 producers which added 121,910 barrels of new production.

The average daily production of all Texas fields reflected an increase of 15,060 barrels over April, due to the substantial gains in production in the North Texas, Central-West, and Texas Coastal fields. The daily average for May amounted to 355,503 barrels compared to 340,443 barrels in April and 443,924 barrels for May of last year.

Hutchinson and Carson County fields, located in the Panhandle district continued to hold the center of interest during the month. The increase in drilling activities and the completion of record sized wells boosted their initial production from 11,845 barrels in April, to 26,480 barrels in May, and increased the total output approximately 375,000 barrels over the previous month. The completion of 5 producers in the Spindletop section, yielding an initial flow of 10,870 barrels of oil, was a major factor of the increased production from the Texas Coastal district. Total production of crude oil in North Louisiana increased from 1,510,200 barrels in April to 1,754,885 barrels in May, due principally to the Urania field whose production alone increased 162,550 barrels during the month.

**Crude Oil Prices** During the past thirty days there was a general advance in the posted price of crude oil at the various fields in the Eleventh District. An increase of 25 cents per barrel was posted at the North and Central Texas and all North Louisiana fields and a 10 cent advance on crude per barrel was announced on Grade "A" at the Texas Coastal field.

### OIL PRODUCTION

	May		April		Increase or Decrease			
	Total	Daily Avg.	Total	Daily Avg.	Total	Daily Avg.		
North Texas.....	3,292,675	106,215	2,847,000	94,900	Inc.	445,675	Inc.	11,315
Central-West Texas.....	2,270,905	73,255	2,140,590	71,353	Inc.	130,315	Inc.	1,902
East-Central Texas.....	1,723,340	55,592	1,707,600	56,920	Inc.	15,740	Dec.	1,328
Texas Coastal.....	2,529,720	81,604	2,328,600	77,620	Inc.	201,120	Inc.	3,984
Southwest Texas.....	1,203,945	38,837	1,189,500	39,650	Inc.	14,445	Dec.	813
<b>Total, Texas</b> .....	<b>11,020,585</b>	<b>355,503</b>	<b>10,213,290</b>	<b>340,443</b>	Inc.	<b>807,295</b>	Inc.	<b>15,060</b>
North Louisiana.....	1,754,885	56,609	1,510,200	50,340	nc.	244,685	Inc.	6,269
<b>Total, District</b> .....	<b>12,775,470</b>	<b>412,112</b>	<b>11,723,490</b>	<b>390,783</b>	Inc.	<b>1,051,980</b>	Inc.	<b>21,329</b>

### MAY DRILLING RESULTS

Field—	Com-pletions	Pro-ducers	Gas Wells	Fail-ures	Initial Production
North Texas.....	336	182	3	151	35,403
Central West Texas.....	162	85	4	73	15,995
East Central Texas.....	1	1	—	—	35
East Texas.....	7	3	3	1	70
Texas Coastal.....	62	48	—	14	25,241
Southwest Texas.....	18	14	4	—	14,996
Texas Wildcats.....	39	9	1	29	3,817
<b>Total, Texas</b> .....	<b>625</b>	<b>342</b>	<b>15</b>	<b>268</b>	<b>95,557</b>
North Louisiana.....	86	63	12	11	10,658
<b>May totals, District</b> .....	<b>711</b>	<b>405</b>	<b>27</b>	<b>279</b>	<b>106,215</b>
<b>April totals, District</b> .....	<b>737</b>	<b>453</b>	<b>32</b>	<b>252</b>	<b>121,910</b>

### CRUDE OIL PRICES

	June 9, 1925	June 12, 1925
<b>TEXAS—</b>		
Texas Coastal (Grade "A").....	\$1.60	\$1.75
North and Central Texas (52 gr. and above).....	3.57	*
Texas Panhandle (39 gr. and above).....	1.90	—
*Prices for June 12, 1925, not available on a comparable basis.		
<b>LOUISIANA—</b>		
Caddo (38 gr. and above).....	\$2.45	\$2.05
Bull Bayou (38 gr. and above).....	2.25	1.85
Homer (35 gr. and above).....	2.20	1.80
Haynesville (33 gr. and above).....	2.10	1.70
De Soto Crude.....	2.30	1.90

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

LUMBER

With the advent of more favorable weather during the last half of May, there was a substantial improvement in the lumber industry in the Eleventh Federal Reserve District. The statistics for the month disclose that production rose from 13 per cent below normal in April to 4 per cent below normal in May; shipments increased from slightly below normal production in April to 3 per cent above normal production in May; and new orders received rose from 91 per cent of normal production in April to 101 per cent in May. Due to the heavy shipments the unfilled

orders on the books of 51 mills totaled 67,781,448 feet on May 31, as compared to 71,617,175 feet on April 30.

MAY PINE MILL STATISTICS

Number of reporting mills	51
Production	104,434,265 feet
Shipments	112,297,836 feet
Orders	110,167,140 feet
Unfilled orders, May 31	67,781,448 feet
Normal production	109,123,313 feet
Stocks, May 31	261,665,953 feet
Normal stocks	318,980,507 feet
Shipments above normal production	3,174,523 feet= 3%
Actual production below normal	4,689,048 feet= 4%
Orders above normal production	1,043,827 feet= 1%
Stocks below normal	57,314,554 feet= 18%

BUILDING

The volume of building at principal cities of this district during May continued at the high rate established during the earlier months of the year. The valuation of permits issued during the month totaled \$10,586,843 which reflects an increase of 4.6 per cent as compared to April and 20.3

per cent as compared to May, 1925. Cumulative figures of the value of permits issued during the first five months of 1926, which amounted to \$50,690,150 show a gain of 24.4 per cent over those for the corresponding period of 1925.

BUILDING PERMITS

	May 1926		May 1925		Inc. or Dec.	April 1926		Inc. or Dec.	Five Months				Inc. or Dec.
	No.	Valuation	No.	Valuation		No.	Valuation		1926		1925		
Austin	28	\$ 32,815	32	\$ 78,425	+ 58.2	42	\$ 116,087	+ 71.7	234	518,017	238	397,119	+ 30.4
Beaumont	197	116,326	187	119,517	- 2.7	265	278,281	- 58.2	916	774,172	867	830,484	- 6.8
Dallas	314	1,709,021	437	3,804,113	- 55.1	428	1,405,687	+ 21.6	1,967	8,440,232	2,544	14,256,858	- 40.8
El Paso	64	124,521	61	246,427	- 49.5	75	109,350	+ 13.9	356	553,336	354	705,302	- 21.5
Fort Worth	346	1,766,340	208	510,913	+ 245.7	400	1,799,505	- 1.8	1,924	8,545,295	1,081	3,647,688	+ 134.3
Galveston	288	90,208	263	154,229	- 41.5	314	148,417	- 39.2	1,342	822,522	1,435	679,195	+ 21.1
Houston	487	3,011,737	542	1,648,674	+ 82.7	545	3,232,824	- 6.8	2,420	14,826,489	2,819	9,246,745	+ 60.3
Port Arthur	147	80,041	126	45,784	+ 74.8	137	71,677	+ 11.7	641	715,483	731	498,596	+ 43.5
San Antonio	311	2,517,289	339	886,785	+ 183.9	296	771,152	+ 226.4	1,612	8,185,779	1,646	3,876,562	+ 109.9
Shreveport	248	335,275	249	311,120	+ 7.8	271	235,214	+ 42.5	1,356	1,803,007	1,293	2,811,501	- 35.9
Waco	50	155,063	62	261,200	- 40.6	63	204,342	- 24.1	215	619,710	346	1,117,471	- 44.5
Wichita Falls	198	648,207	163	733,201	- 11.6	207	1,745,123	- 62.9	931	4,936,108	650	2,676,333	+ 84.4
Total	2,678	10,586,843	2,669	8,800,388	+ 20.3	3,043	10,117,609	+ 4.6	13,914	50,690,150	14,004	40,743,854	+ 24.4

CEMENT

The May production of cement reflected a gain of 10.2 per cent, as compared to the previous month and was 15.8 per cent greater than in the corresponding month last year. Shipments from the mills during May, while the

same as in April, were 4.2 per cent larger than in May, 1925.

Production during the first five months of 1926 was 9.6 per cent greater than during the same period of 1925 and shipments were 1.6 per cent larger.

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

	May 1926		May 1925		Inc. or Dec.	April 1926		Inc. or Dec.	Five Months		Inc. or Dec.
	No.	Valuation	No.	Valuation		No.	Valuation		1926		
Production at Texas Mills	454,000		392,000		+ 15.8	412,000		+ 10.2	2,040,000	1,862,000	+ 9.6
Shipments from Texas mills	447,000		429,000		+ 4.2	447,000		None	2,005,000	1,974,000	+ 1.6
Stocks at end of month at Texas mills	508,000		258,000		+ 96.9	501,000		+ 1.4			

THE CATTLE SITUATION

The difficulties experienced by cattlemen since 1920 are traceable in the main to the post-war readjustments necessary for the industry to revert to a peace-time basis.

Any analysis of present conditions must take into consideration the situation which obtained immediately preceding the war. For several years prior to 1914 the cattle herds of this country had been gradually diminishing and the exports of beef and live cattle had almost disappeared. In 1914 the exportation of beef had dwindled to 33,000,000 pounds and live cattle to 18,000 head, but in the same year the importation of beef had risen to 254,000,000 pounds and 868,000 head of cattle. This condition was brought about largely by the disappearance of free ranges in the United States and the consequent rise in the cost of production and the increasing competition from South America, where the large area of free ranges was stimulating the expansion of the industry

on a low cost production basis. In fact, the latter country had played a large part in supplanting the United States as a source of supply for European demand.

The outbreak of the war and the rapidly increasing demand for meats which followed, greatly stimulated the cattle industry in the United States. As the war progressed, the demand for beef became heavier and heavier; as the importation of meats from South America became more and more hazardous, and as the importance of seeking closer markets due to transportation problems became more vital, the European countries turned to the United States as a source of meat supplies. That the increase in demand was immediate is reflected in the fact that our exports for the year ending June 30, 1915, rose to 278 million pounds. This supply, however, was made available largely by a reduction in domestic consumption rather than by increased production.

But, under the stimulus of a rapidly increasing demand and rising prices, the beef herds of this country were again built up and by January 1, 1919, they were fully twenty-five per cent larger than those on January 1, 1914. Exports of beef in the year ending June 30, 1918, rose to 522 million pounds. Cold storage holdings of beef amounted to 335 million pounds on January 1, 1919. Furthermore, the expansion of the industry and the creation of the large surplus of beef had taken place on a high cost basis. Thus the situation at the close of the war indicated that the industry had been greatly expanded to meet abnormal conditions, and drastic readjustments were necessary to bring about normal conditions.

The exports of beef from Argentina increased from 940 million pounds in 1914 to 1361 million pounds in 1918, which would seem to indicate that that country had likewise been increasing its beef herds.

During the period immediately following the close of the war the European demand for meat continued at a high level but with the clearing of transportation difficulties the European countries again sought the low priced beef. Therefore, the exports of meat from the United States reflected a rapid decline, being 485 million pounds for the fiscal year 1919, 217 millions for 1920, and 55 million pounds for 1921. At the same time the imports of beef showed a rapid increase, but the tide of imports was stemmed by the imposition of the tariff in 1921. Thus with the disappearance of the export outlet, the enormous supply of cattle had to be disposed of in this country where the domestic market had undergone only normal growth and where during part of the time the supply of pork was large and prices were low. The effect of these factors was nearly disastrous and the liquidation necessarily long drawn out and difficult. Following the close of the war cattle prices shared in the general upward movement, reaching a peak in 1919, but remaining at a high level until well into 1920. Once the decline was under way, however, it was rapid and drastic, and at the close of 1921, or within 18 months after prices had definitely turned downward, cattle were selling at from one-half to one-third of their former value. Furthermore, in the case of cows, on which the decline was most drastic, there was hardly a market at any price. Such a decline occurred despite the fact that there was a substantial reduction in the number of cattle placed on the market. To have placed the whole of the surplus on the market at one time would have spelled disaster for both cattleman and creditor. While the cattleman's first impulse was to market as few cattle as possible until prices improved, the natural increase in the herds, the cost of feeding and the difficulty of obtaining credit incident thereto, together with the large burden of indebtedness carried over from the period of peak prices and the adverse physical conditions in the Southwest, made it imperative that liquidation be obtained as rapidly as the market would absorb the supply. Yet, the cattleman had many choices as to the way he would market his product. He could market his calves as veal, as baby beef, as feeder yearlings, as two-year old feeders, or as three or four-year olds. Consequently, he placed them upon the market in so far as it was feasible for him to do so, in the form in which they would furnish the best return. The public was demanding choice cuts of meat and thus the cattleman found it advantageous to place the younger stock upon the market in larger and larger numbers, in fact to such an extent as to greatly reduce the supply of future breeding stock.

At the end of 1921 cattle prices had reached a low level and the surplus of beef in cold storage had been eliminated and it seemed that the industry was on the verge of recovery. Prices strengthened noticeably during the first half of 1922 but no sooner than relief seemed in sight than the liquidation of hogs made its appearance and continued well into 1925, prolonged by the poor corn crop of 1924. The competition from cheap pork combined with the increasing urge for the liquidation of old indebtedness brought to market increasing numbers of cattle and caused prices to again recede

to a low level. In August 1924, prices of beef steers at Chicago were lower than in the corresponding month of 1922 and 1923 and were not materially higher than the low of 1921. With the burdensome supply of hogs eliminated and large numbers of cattle marketed in the two previous years which had greatly reduced the supply, and with prices again at a low level, improvement seemed inevitable. During the latter part of 1924 and the first eight months of 1925, prices of beef steers and the stocks of beef in cold storage rose rapidly, reaching the highest levels since 1920.

The question arises as to what is the present position of the industry and what may the cattleman expect in the next few years. At this point we can do no more than analyze present conditions and let the future speak for itself. Since the low point in 1921, the number of animals slaughtered yearly has been showing a steady increase. The number of animals on farms has been declining rapidly, indicating that consumption has been going on at a more rapid rate than production and the declines in 1924 and 1925 were larger than in the previous two years. The present supply of cattle is not materially higher than in 1914 and, in view of the increase in population and the steady gain since 1921 in the per capita consumption of beef, does not appear to be excessive. History shows that a decrease in the number of cattle produced tends to raise cattle prices over a considerable period of time. Beef steer prices are not materially higher than in 1923 and 1924 and stocks of beef in cold storage are smaller for this season than even in 1922. Competition from pork is no longer a depressing factor.

Against these favorable factors, however, must be considered other factors which may tend to counteract the favorable ones. The physical condition of the ranges are good practically everywhere and cattle are fat. While the calf run is lighter than a year ago the movement of cattle appears to be heavier. From 1921 to 1925 inclusive the cattle shipped from many sections were thin because of the insufficient pasturage on which to fatten them and there was a larger percentage of calves included in these shipments. Consequently the supply of beef obtained from the kill was smaller than is obtained from the same number of cattle placed upon the market today. Therefore, the heavier movement during the current year combined with weightier cattle indicates an increased supply of beef. It should be observed that while the prices at which cattle have been changing hands on the ranges have continued upward with the present contract price even higher than current levels, the prices of cattle at market centers have been steadily declining since August, 1925. In other words, the two curves have been moving in opposite directions and at the present there seems to be a rather wide divergence. This would seem to indicate that over-liquidation has occurred, particularly in some sections. The cattleman must consider whether the future supply and demand for beef will be such for him to market profitably cattle bought at current levels.

Imports of fresh beef and veal during the nine months ending March 31, 1926, amounted to 13,667,000 pounds as compared to 7,900,000 pounds in the corresponding period of the previous year. While current imports are small as compared to those of earlier years, any material improvement in the price situation may enable the South American meats to compete profitably with our meats.

Liquidation in the cattle industry has been in progress since 1921 and it has been most severe in the Southwest where adverse physical conditions have hastened movements to market. The present tendency appears to be for the cattleman to restock. The demand for stockers has been good and in many instances cattle have changed hands on the ranges at substantially higher prices than those obtaining at the market centers. At what phase of the cycle does the industry stand? Has the industry over-liquidated? Has the point of stabilization arrived? These are questions to which the cattleman must give serious consideration.