

MONTHLY BUSINESS REVIEW

OF THE

FEDERAL RESERVE BANK OF DALLAS

C. C. WALSH,
Chairman and Federal Reserve Agent

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

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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).....	\$686,862,000	\$665,232,000	Inc. 3.3%
Department store sales.....			Dec. 26.0%
Reserve Bank loans to member banks at end of month.....	\$ 18,266,258	\$ 12,293,852	Inc. 48.6%
Reserve Bank ratio at end of month.....	51.1%	56.5%	Dec. 5.4 points
Building permit valuations at larger centers.....	\$ 7,860,709	\$ 9,415,714	Dec. 16.5%
Commercial failures (number).....	72	39	Inc. 84.6%
Commercial failures (liabilities).....	\$ 969,986	\$ 1,034,020	Dec. 6.2%
Lumber orders at pine mills (per cent of normal production).....	95%	87%	Inc. 8 points

The prospects for the largest volume of agricultural production in the Eleventh Federal Reserve District since 1919 have created a strong undertone of confidence in the business and industrial situation. This spirit of optimism is being reflected in the increased volume of trade, bank debits to individual accounts, freight car loadings and the generally full employment of labor. Debits to individual accounts, contrary to the usual trend at this season, showed a further gain of 3 per cent over the previous month and were 9 per cent larger than in July last year. While department store sales reflected a seasonal decline of 26 per cent, as compared to the previous month, they were 8 per cent greater than a year ago. Distribution at wholesale disclosed a substantial seasonal increase and was well in line with that for the corresponding month in 1925.

The district's labor surplus has been almost entirely absorbed due to the upward trend in general industrial activities and the increased demand for farm labor. Substantial gains in employment were reported in many of the major industries. While some cities report a surplus of building tradesmen, there is a shortage of cotton pickers in some sections and in New Mexico and Arizona the demand for experienced metal miners greatly exceeds the supply. In these States metal mining is showing unusual activity and considerable new development and construction work is being carried on.

The substantial increase during July in the indicated production of feed in this district, together with the large grain crops already harvested, assures the district's farmers of

ample feed with which to make the 1927 crops. This in turn will release a large portion of the returns from the cotton crop for the liquidation of indebtedness and for living expenses during the coming year. The cotton plant again made rapid growth but the progress of fruiting has been disappointing. Insect activity is increasing throughout the cotton growing area with a high infestation in many sections. The damage from these insects is causing serious concern regarding the effect upon final production.

Due in part to the lateness of the cotton crop, there has been a rather heavy demand for credit. While considerable liquidation was obtained from banks in the grain territory, Federal Reserve Bank loans to member banks rose approximately \$7,000,000 during the past six weeks and on August 14 they stood at \$19,184,000, or more than \$9,000,000 above those on that date a year ago. Although member bank deposits normally decline at this season, there was a slight increase this year, as the rise in deposits resulting from the marketing of the grain crops more than offset the withdrawals.

The volume of building, as measured by the valuation of permits issued at principal cities, receded further during the past month but it was maintained at a level well above that for July, 1925. There was a revival of activity at the district's lumber and cement mills, production and shipments for these mills reflecting a substantial increase over the previous month. New orders for lumber, likewise, showed a noticeable gain.

CROP CONDITIONS

A further improvement in crop conditions occurred during the past month. The July rains provided ample moisture in most sections of the district to sustain crops to the end of the growing season and the dry, hot weather prevailing

during the first two weeks of August was generally favorable to cotton and enabled the farmers to rid the fields of weeds and grass. Reports indicate that crops in this district are in a better condition than at any time since 1919.

The corn crop is practically made and high yields are promised. The crop in the southern half of Texas has already matured and it is rapidly maturing in the other sections of the district. The condition of the Texas crop was reported as 92 per cent of normal on August 1, which indicates a total production of 103,492,000 bushels for the State, as compared to 29,809,000 bushels in 1925. In some of the counties in Northwest Texas the early planted grain sorghums are suffering from the lack of moisture but that portion of the crop planted late is doing well. The condition figure of 92 per cent of normal reported on August 1 promises a yield of 50,958,000 bushels for the State, as compared to 30,875,000 bushels last year. The grain sorghums are heading in New Mexico and a good yield is indicated.

The threshing of small grains in Texas is practically completed. The yield of these crops was heavy throughout the State and many localities reported the heaviest per acre yield on record. The harvesting of oats and winter wheat in New Mexico is nearing completion and threshing is well under way.

A further rapid growth of the cotton plant occurred during July, yet the fruiting again failed to keep pace with plant growth and insect activity increased. The dry, hot weather during the first half of August checked the activity of the cotton flea and recent reports indicate that the cotton is fruiting better. Nevertheless, practically all of the district's cotton crop is still infested with insects of one kind or another and the effect of this infestation on the production this year is still problematical. Reports indicate that the condition is somewhat spotted. Some fields appear to have fruited well while others near by are yet without much fruit. Complaints are numerous regarding the activity of the boll weevil and the leaf and boll worms. Picking has become general in the Rio Grande Valley and coast sections of Texas and first bales are becoming numerous in East, Central and North Texas. The crop is somewhat later than usual this year.

LIVESTOCK

The July rainfall which covered most of the range territory in the Eleventh Federal Reserve District, stimulated the growth of grass and filled the surface tanks with water. In most sections ranges and livestock are in excellent condition, yet there are a few localities, particularly in West and Northwest Texas and Southeastern New Mexico where moisture is needed to insure fall and winter pasturage and to replenish the supply of stock water. Some reports from Southeastern New Mexico indicate that the ranges are browning and stock water is becoming scarce. Livestock continues to take on flesh rapidly and in some sections the movement to market will be earlier than usual. There seems to be a tendency in many sections to hold young stock for restocking purposes.

Movements and Prices

The movement of livestock to the Fort Worth market during July was on a more restricted basis than in either the previous month or the same month last year. Sheep receipts showed a heavy loss from the large movements during the two previous months, yet they were larger than in the same month last year. Receipts of calves, while greater than in June,

were materially below July, 1925. The supply of cattle and hogs was considerably below those of either the previous month or the same month a year ago.

The cattle market showed but little change during the month. While prices moved upward at times the movement was usually of short duration. The hog market gradually worked to lower levels throughout the month. Sheep and lamb prices were generally steady.

FORT WORTH LIVESTOCK RECEIPTS

	July 1926	July 1925	Loss or Gain	June 1926	Loss or Gain
Cattle	81,933	117,627	L 35,694	94,201	L 12,268
Calves	15,078	29,416	L 14,338	12,101	G 2,977
Hogs	11,882	18,203	L 6,321	16,272	L 4,390
Sheep	41,453	35,104	G 6,349	97,564	L 56,111

COMPARATIVE TOP LIVESTOCK PRICES

	July 1926	July 1925	June 1926
Beef steers	\$ 9.00	\$ 9.90	\$ 8.50
Stocker steers	7.60		8.10
Butcher cows	6.00	6.25	6.50
Stocker cows	5.25		5.25
Calves	10.50	9.00	10.35
Hogs	15.25	14.20	15.30
Sheep	8.50	7.75	8.50
Lambs	12.50	13.50	15.75

Cotton Movements

The smaller production of cotton in 1925, a considerable portion of which was of a low grade, largely accounted for the smaller receipts and exports of cotton at Texas ports—Houston and Galveston. While receipts at all United States ports were in excess of a half-million larger for the season just closed than for the previous season, exports were slightly smaller. Exports to Great Britain and the Continent reflected a substantial decline but those to France, Japan, China, and Mexico increased.

COTTON MOVEMENTS THROUGH THE PORT OF GALVESTON

	July 1926	July 1925	August 1 to July 31 This Season	Last Season
Net receipts	38,093	31,241	3,051,246	3,650,932
Exports	172,580	53,478	2,967,995	3,709,079
Stocks, July 31			149,926	51,572

GALVESTON STOCK STATEMENT

	July 31, 1926	July 31, 1925
For Great Britain	200	200
For France	500	600
For other foreign ports	2,200	1,100
For coastwise ports		500
In compresses and depots	147,026	49,172
Total	149,926	51,572

HOUSTON COTTON MOVEMENTS

	July 1926	July 1925	August 1 to July 31 This Season	Last Season
Receipts—gross	64,355	56,665	4,891,825	4,784,025
Receipts—net	18,332	42,531	2,617,929	2,668,265
Exports	75,843	37,369	1,830,867	1,868,440
Stocks, July 31			226,636	72,956

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

	August 1 to July 31	
	This Season	Last Season
Receipts.....	10,037,603	9,557,735
Exports: Great Britain.....	2,285,585	2,544,298
France.....	916,412	900,839
Continent.....	3,511,512	3,656,981
Japan-China.....	1,246,261	922,654
Mexico.....	48,197	20,018
Total foreign ports.....	8,007,967	8,044,740
Stocks at all U. S. ports, July 31.....	462,325	211,666

SPOT COTTON PRICES
(Middling Basis)

	July, 1926		Aug. 14, 1926
	High	Low	
New York.....	19.35	17.85	18.00
New Orleans.....	19.00	17.37	17.53
Dallas.....	18.50	17.20	16.70
Houston.....	18.50	17.15	17.05
Galveston.....	18.55	17.45	17.05

COTTON CONSUMED AND ON HAND

	COTTON GROWING STATES				UNITED STATES			
	July 1926	July 1925	August 1 to July 31 This Season	August 1 to July 31 Last Season	July 1926	July 1925	August 1 to July 31 This Season	August 1 to July 31 Last Season
Cotton consumed.....	334,752	327,040	4,497,998	4,220,010	460,918	483,926	6,450,987	6,193,417
Cotton on hand July 31st:								
(a) in consuming establishments.....			625,246	428,647			1,096,521	865,842
(b) in public storage and compresses.....			1,709,210	389,488			1,936,662	514,006

COTTONSEED PRODUCTS

Due to the inactive season of the year, the volume of cottonseed products shipped from 48 reporting cottonseed oil mills in this district during July was small. However, there was an increase in the average price received on all classes of products as compared to the price received for products shipped during June. Crude oil sold at an average price of \$.1268 per pound, compared to \$.1072 per pound in June; cake and meal averaged \$28.42 per ton in July, as compared to \$28.62 per ton in June, while hulls brought \$8.11 per ton in July, as compared to \$7.82 per ton in June. Linters sold for \$.0370 per pound in July as against \$.0355 per pound in June.

cotton during the month as against 2,094 bales in June and 1,268 bales in July, 1925. Reports indicate that orders are beginning to come in in a larger volume but the erratic cotton market is causing buyers to exercise extreme caution in buying.

TEXTILE MILLING STATISTICS

	July 1926	July 1925	June 1926
Number bales cotton consumed.....	2,004	1,268	2,094
Number spindles active.....	58,276	46,964	58,276
Number pounds cloth produced.....	842,729	592,684	938,626

WHOLESALE TRADE

A gradually expanding demand for merchandise was the characteristic feature in the wholesale channel of distribution during July. Buying was on a larger scale than in either the previous month or the same month last year. Due to the favorable prospects for agriculture, retailers are now making commitments with increased confidence and optimism regarding fall trade is the ruling sentiment. Nevertheless, a conservative policy is being followed as merchants are showing a tendency to restrict purchases to such an extent as to be able to keep inventories in balance with actual consumer demand. Collections in all lines were reported to be slow although some improvement has been noted in certain quarters.

The demand for dry goods in wholesale channels during July reflected a slight decline though the recession was not surprising in view of the fact that business during the normally dull months—May and June—was unusually active this year. Sales of reporting firms were two-tenths of one per cent less than in June and were 2.4 per cent less than in July last year. The first half of August witnessed the arrival at principal market centers of a large number of buyers to make purchases for fall trade. Dealers report that the volume of business so far in August has been very satisfactory and that prospects for the fall trade are promising. While retailers are showing a disposition to buy more freely for forward delivery, yet conservatism is still the ruling policy. Collections are generally slow.

Coincident with the improvement in agricultural conditions, there has been an increased demand for farm implements. Sales for July were not only 14.3 per cent greater than in June, but exceeded those of the same month last year by 62.5 per cent bringing total sales to the highest

COTTONSEED PRODUCTS SHIPPED AND AVERAGE PRICE RECEIVED

	July, 1926	
	Products Shipped	Average Price F. O. B. Mill
Crude oil.....	124,555 pounds	\$.1268 per lb.
Cake and meal.....	4,183 tons	28.42 per ton
Hulls.....	2,703 tons	8.11 per ton
Linters.....	2,231,770 pounds	.0370 per lb.

STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to July 31 This Season	August 1 to July 31 Last Season	August 1 to July 31 This Season	August 1 to July 31 Last Season
Cottonseed received at mills (tons).....	1,383,000	1,587,918	5,539,000	4,623,470
Cottonseed crushed (tons).....	1,393,000	1,572,437	5,539,000	4,605,227
Cottonseed on hand (tons).....	11,000	21,093	24,000	32,276
Crude oil produced (pounds).....	394,454,000	463,264,477	1,611,689,000	1,403,643,975
Cake and meal produced (tons).....	657,000	738,847	2,588,000	2,125,618
Hulls produced (tons).....	395,000	460,600	1,541,000	1,330,764
Linters produced (500-lb. bales).....	267,000	290,636	1,043,000	897,375
Stocks on hand July 31:				
Crude oil (pounds).....	547,000	1,125,000	1,903,000	2,660,818
Cake and meal (tons).....	28,000	7,000	152,000	18,976
Hulls (tons).....	42,000	10,000	98,000	39,503
Linters (500-lb. bales).....	10,000	3,000	68,000	18,912

TEXTILE MILLING

The July production of reporting cotton mills reflected a decline of 10.2 per cent, as compared to the previous month but was 42.2 per cent above that for the corresponding month a year ago. These mills consumed 2,004 bales of

point reached in any corresponding month since the 1920 depression. While the outlook for fall trade is dependent to a large extent upon the outcome of the cotton crop, fundamental conditions are much sounder than at this time last year. Prices remained generally steady.

Reports from wholesale drug firms in this district indicate that conditions in the trade are showing considerable improvement. The July sales of these firms were 2.7 per cent larger than in June and were 3.5 per cent greater than in July, 1925. Dealers state that the buying demand during the first half of August was brisk and that the outlook for fall trade is promising. While collections continued slow during July, they showed an improvement over those for June. Prices remained generally unchanged.

A further improvement in the distribution of groceries at wholesale took place during the past month. The July sales evidenced a further gain of 3.0 per cent over the previous month and were 1.0 per cent larger than in the same month a year ago. The improvement appears to be general

throughout the district. Prices were reported to be steady.

The buying of hardware at wholesale reflected a further recession during July. Sales of reporting firms were 2.9 per cent less than in June and were 1.3 per cent below those for the corresponding month a year ago. Increased buying during early August was reported from several sections. Dealers state that the prospects for fall business are good. Prices are firm with a slight upward trend. Collections are slow.

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

	—Net Sales— July, 1926 compared with		—Stocks— July, 1926 compared with	
	July, 1925	June, 1926	July, 1925	June, 1926
Groceries	+ 1.0	+ 3.0	+17.9	+15.8
Dry goods	— 2.4	— .2	—12.7	+12.5
Farm implements	+62.5	+14.3	— 1.9	— .9
Drugs	+ 3.5	+ 2.7	+ 2.7	+ 1.8
Hardware	— 1.3	— 2.9	+ 8.4	+ 1.7

RETAIL TRADE

Summer dullness was the characteristic feature of department store trade during the past month. The July net sales of reporting department stores in this district reflected a further seasonal decline of 26.0 per cent, but were 7.6 per cent larger than in the corresponding month last year. The sales of these firms during the first seven months of the current year have averaged 3.4 per cent above those during the same period of 1925. The largest increases over last year have been registered during the past three months. During the past month the stores have featured widespread "clearance sales" to move the summer merchandise to make room for fall goods.

Stocks of merchandise on hand at the end of July were 3.3 per cent less than at the close of June and 5.3 per cent less than at the end of July, 1925. The percentage of sales to average stocks during the first seven months of the current year was 155.4 as compared to 150.7 during the same period in 1925, reflecting a more rapid turnover of stocks.

The ratio of outstanding orders to last year's purchases rose from 5.1 at the end of June to 8.5 at the end of July, due to the purchases of merchandise for fall delivery.

Collections showed a further seasonal decline during the month, the ratio of July collections being 35.6 as compared to 36.2 in June.

BUSINESS OF DEPARTMENT STORES

	Dallas	Fort Worth	Houston	All Others	Total District
Total Sales					
July, 1926, compared with July, 1925.....	+ 9.3	+12.7	+ 5.1	+ 4.6	+ 7.6
July, 1926, compared with June, 1926.....	—23.8	—19.8	—34.2	—26.6	—26.0
Jan. 1 to date, compared with same period last year.....	+ 2.0	+11.6	+ 5.2	— .1	+ 3.4
Credit Sales:					
July, 1926, compared with July, 1925.....	+12.0	+17.7	— 1.4	+ 5.6	+ 8.5
July, 1926, compared with June, 1926.....	—26.7	—26.2	—48.2	—32.1	—32.3
Jan. 1 to date, compared with same period last year.....	+ 3.8	+18.5	+ 4.5	+ 3.4	+ 5.5
Stocks:					
July, 1926, compared with July, 1925.....	—12.7	+15.0	— 5.3	— 9.1	— 5.3
July, 1926, compared with June, 1926.....	— 7.1	— 3.7	— .6	+ 1.8	— 3.3
Percentage of sales to average stocks in					
July, 1925.....	13.4	15.3	20.0	22.1	16.9
July, 1926.....	15.8	14.5	21.7	24.9	18.5
Percentage of sales to average stock					
January 1 to July 31, 1925.....	129.6	115.0	178.4	198.5	150.7
January 1 to July 31, 1926.....	136.4	115.1	191.0	202.4	155.4
Ratio of outstanding orders to last year's purchases.....	9.2	6.3	7.6	8.8	8.5
Ratio of July collections to accounts receivable, due and outstanding July 1, 1926.....	34.0	32.6	37.7	37.7	35.6

FINANCIAL

Due to the continued activity in trade and industry, bank debits to individual accounts at fifteen principal cities in this district reflected a further gain of 3.3 per cent, as compared to the previous month and were 8.8 per cent larger than in July a year ago. It is significant to note that the latter figure represents the largest increase of a current month over the corresponding month of a previous year registered in nearly a year.

Acceptance Market There was a considerable increase in the volume of acceptances executed by accepting banks in this district during July. Acceptances outstanding on July 31 amounted to \$1,926,055.00, as compared to \$1,341,364.42 on June 30. Those

DEBITS TO INDIVIDUAL ACCOUNTS (In Thousands of Dollars)

	July 1926	July 1925	Inc. or Dec.	June 1926	Inc. or Dec.
Austin	\$ 16,339	\$ 14,874	+ 9.8	\$ 19,835	—17.6
Beaumont	19,895	17,392	+14.4	20,005	— .5
Corsicana	6,242	6,359	— 1.8	6,436	— 3.0
Dallas	193,105	184,649	+ 4.6	189,309	+ 2.0
El Paso	28,456	31,525	— 9.7	29,846	— 4.7
Fort Worth	90,843	73,692	+23.3	79,318	+14.5
Galveston	40,387	33,994	+18.8	33,921	+19.1
Houston	139,984	126,160	+11.0	135,154	+ 3.6
Roswell	2,684	3,436	—21.9	2,757	— 2.6
San Antonio	40,037	37,769	+ 6.0	42,541	— 5.9
Shreveport	40,401	37,550	+ 7.6	38,117	+ 6.0
Texarkana	10,170	8,835	+14.5	10,966	— 7.3
Tucson	8,494	8,568	— .9	9,824	—13.5
Waco	14,104	14,856	— 5.1	14,089	+ .1
Wichita Falls	35,721	31,791	+12.4	33,114	+ 7.9
Total, 11th District	\$686,862	\$631,500	+ 8.8	\$665,232	+ 3.3

executed against import and export transactions rose from \$721,807.39 on June 30 to \$1,213,255.00 on July 31, and those based on the domestic shipment and storage of goods increased from \$619,557.03 on the former date to \$712,800.00 on the latter date.

Condition of Member Banks in Selected Cities

The loans and investments of member banks in selected cities on August 4 show but little change from those on June 30. Investments reflected a net decline of \$972,000 and loans increased \$1,819,000. The expan-

sion of loans is due to the amount of credit extended upon stock and bond security. The item "all other loans" (largely commercial) actually declined \$588,000. The net demand deposits of these banks reflected a further decline of \$7,298,000 but time deposits increased slightly. Bills payable and rediscounts with the Federal Reserve Bank amounted to \$6,875,000 on August 4, as compared to \$3,215,000 on June 30, and \$2,255,000 on August 5, 1925. The ratio of loans to net demand deposits which stood at 91 per cent on August 4 was 2 points higher than a month earlier and 7 points higher than a year ago.

CONDITION STATISTICS OF MEMBER BANKS IN SELECTED CITIES

	August 4, 1926	June 30, 1926	August 5, 1925
1. Number of reporting banks.....	48	48	48
2. U. S. securities owned.....	\$ 53,194,000	\$ 54,368,000	\$ 54,422,000
3. All other stocks, bonds and securities owned.....	23,173,000	22,971,000	20,740,000
4. Loans secured by U. S. Government obligations.....	4,409,000	4,034,000	3,107,000
5. Loans secured by stocks and bonds other than U. S. Government obligations.....	71,011,000	68,979,000	76,858,000
6. All other loans.....	227,406,000	227,994,000	206,238,000
7. Net demand deposits.....	253,908,000	261,206,000	250,128,000
8. Time deposits.....	99,662,000	99,349,000	96,455,000
9. Reserve with Federal Reserve Bank.....	27,361,000	28,573,000	28,505,000
10. Bills payable and rediscounts with Federal Reserve Bank.....	6,875,000	3,215,000	2,255,000
11. Ratio of loans* to net demand deposits.....	91%	89%	84%

*Loans include only items 4 and 6.

Savings Deposits

The savings deposits of 98 banks in this district operating a savings department reflected a decline of 1.1 per cent during July, but at the close of the month they were 8.3 per cent

larger than on the same date a year ago. There were 259,473 savings depositors on July 31, as compared to 258,658 on June 30 and 242,930 on July 31, 1925.

SAVINGS DEPOSITS

	Number of Reporting Banks	July 31, 1926	July 31, 1925	Inc. or Dec.	June 30, 1926	Inc. or Dec.
		Number of Depositors	Amount of Savings Deposits		Number of Depositors	Amount of Savings Deposits
Beaumont	4*	5,075	\$ 2,291,752	5,019	\$ 2,251,875	+ 1.8
Dallas	7	48,433	16,720,911	43,681	15,556,612	+ 7.5
El Paso	3	17,121	5,937,153	16,479	5,684,412	+ 4.4
Fort Worth	4	19,563	6,286,740	18,999	5,505,434	+14.2
Galveston	3	12,735	8,595,832	13,491	8,451,141	+ 1.7
Houston	12*	56,069	26,402,579	50,646	23,781,749	+11.3
San Antonio	6	26,078	12,288,893	23,749	11,471,800	+ 7.1
Shreveport	3	20,800	9,454,290	20,072	8,245,061	+14.7
Waco	5	8,178	4,930,350	7,977	4,607,556	+ 7.0
Wichita Falls	3	7,107	3,229,051	6,742	2,688,733	+20.1
All Others	48*	38,314	17,998,184	36,175	17,212,707	+ 4.6
Total	98	259,473	\$114,125,735	242,930	\$105,407,080	+ 8.3

*Only 3 banks in Beaumont, 11 banks in Houston and 46 banks in all others reported the number of savings depositors.

AUGUST DISCOUNT 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	4½-5	8	4½-7	5-6	5-8	5½-7
Rate charged on loans to other banks, secured by bills receivable	4½-5	6-7	5-6	5	5-6	5-6
Rate on loans secured by prime stock exchange or other current collateral (not including loans placed in other markets through correspondent banks):						
(a) demand	4½-6	8	5-8	5-6	5-8	6-7
(b) time	4½-6	8	5-8	5-6	5-8	6-8
Rate on commodity paper secured by warehouse receipts, etc.	5-7	8	6-8	5-7	6-8	6-8
Rate on cattle loans	6-7	8	6-8	6-8	4-8	8

Deposits of Member Banks

There was an increase in the net demand deposits of member banks during July coincident with the marketing of the large wheat crop. These deposits which amounted to \$589,748,000 on July 28 were \$1,673,000 greater than on June 23 and \$8,710,000 greater than on July 29, 1925. This was the first time during the present year that the net demand deposits of member banks have exceeded those for the corresponding date of the previous year. Time deposits of these banks declined \$1,528,000 during June.

Operations of the Federal Reserve Bank

A rapid expansion in Federal Reserve Bank credit took place during the past month. Loans to member banks rose from \$12,293,352 on June 30 to \$18,266,258 on July 31, or an increase of \$5,972,406. The increased demand for credit has come from both the country banks and the reserve city banks. The fact that the cotton crop this year is from two to four weeks later than during the past few seasons, has necessitated a greater amount of borrowing than was anticipated earlier in the season. During July and

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
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.....	659,813	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
June 23, 1926.....	588,075	166,827	259,630	44,937	328,445	121,890
July 28, 1926.....	589,748	165,299	262,499	45,628	327,249	119,671

the early days of August practically all the banks in the wheat belt of the district retired their lines with the Federal Reserve Bank. On July 31 there were 343 banks borrowing from the Federal Reserve Bank, as compared to 312 on June 30 and 262 on July 31, 1925.

Total bills held increased from \$21,683,236.66 on June

For the fourth consecutive month the production of crude oil in the Eleventh Federal Reserve District showed an increase over the previous month, and a new high mark for the year was reached during July. The yield for the month amounted to 14,292,770 barrels, as compared to 12,897,700 barrels in June, or an increase of 31,134 barrels in daily average production. Total production for the seven months this year is yet 17,735,968 barrels below that for the same period of last year. Drilling operations were carried on at a rapid rate during the month. The completion of 1,035 wells of which 601 were producers, as compared with 420 successful wells in June from 729 completions, marks July as a record month in drilling operations. Initial production from the successful wells amounted to 183,671 barrels, compared to 97,243 barrels from new producers in June.

PETROLEUM

The daily average output of oil of the various fields in Texas amounted to 401,818 barrels, as compared to 368,343 barrels in June, representing an increase of 33,475 barrels over the previous month. With the exception of a slight loss in the Central-West Texas district, all Texas fields shared in the increase. The substantial gain in production of the Gulf Coast area was due primarily to increased output in the Spindletop field, where considerable activity was in progress during July. Of 64 completions in the Panhandle region, 57 were producers of oil and 5 were gas wells. This field, located in the North Texas district, contributed 34,715 barrels of new production and increased its total output from 1,203,360 barrels in June to 1,785,600 barrels in July. Wild cat operations in Texas were considerably increased during the month. The North Louisiana area registered a slight decline in daily average production in July.

OIL PRODUCTION

	July		June		Increase or Decrease	
	Total	Daily Avg.	Total	Daily Avg.	Total	Daily Avg.
North Texas.....	4,533,830	146,254	3,785,690	126,189	Inc.	748,190
Central-West Texas.....	2,218,170	71,554	2,224,970	74,166	Dec.	6,800
East-Central Texas.....	1,649,500	53,210	1,544,630	51,487	Inc.	104,870
Texas Coastal.....	2,808,600	90,600	2,325,270	77,509	Inc.	483,330
Southwest Texas.....	1,246,200	40,200	1,169,740	38,992	Inc.	76,460
Total, Texas.....	12,456,350	401,818	11,050,300	368,343	Inc.	1,406,050
North Louisiana.....	1,836,420	59,239	1,847,400	61,580	Dec.	10,980
Total, District.....	14,292,770	461,057	12,897,700	429,923	Inc.	1,395,070

JULY DRILLING RESULTS

Field—	Completions	Producers	Gas Wells	Failures	Initial Production
North Texas.....	452	265	5	182	49,944
Central-West Texas.....	250	152	10	88	29,693
East-Central Texas.....	3	3	—	—	6,950
East Texas.....	1	—	1	—	—
Texas Coastal.....	95	67	—	28	78,101
Southwest Texas.....	52	43	9	—	11,575
Texas wildcats.....	56	3	1	52	1,370
Total, Texas.....	909	533	26	350	177,633
North Louisiana.....	126	68	13	45	6,038
July totals, district.....	1,035	601	39	395	183,671
June totals, district.....	729	420	33	276	97,243

CRUDE OIL PRICES

TEXAS—		Aug. 9, 1926	Aug. 12, 1925
Texas Coastal (Grade "A").....		\$1.60	\$1.50
North and Central Texas (52 gr. and above).....		3.57	—
Texas Panhandle (39 gr. and above).....		1.90	—
*Prices for August 12, 1925, not available on a comparable basis.			
LOUISIANA—		Aug. 9, 1926	Aug. 12, 1925
Caddo (38 gr. and above).....		2.45	2.20
Bull Bayou (38 gr. and above).....		2.25	2.00
Homer (35 gr. and above).....		2.20	1.95
Haynesville (33 gr. and above).....		2.10	1.85
De Soto crude.....		2.30	2.05

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

30, to \$27,525,242.91 on July 31, distributed as follows:

Member bank collateral notes secured by U. S. Government obligations.....	\$ 2,927,050.00
Rediscounts and all other loans to member banks.....	15,339,208.35
Open market purchases (Bankers' Acceptances).....	9,258,984.56
Total bills held.....	\$27,525,242.91

Federal reserve notes in actual circulation reflected a further expansion of \$2,223,710 during July, being \$37,939,115 on July 31, as compared to \$35,715,405 on June 30. The daily average of reserve deposits for July amounted to \$56,185,425 as against \$56,563,380 in June.

FAILURES

Contrary to the usual trend the number of commercial failures in the Eleventh Federal Reserve District reflected a sharp upturn in July. Firms defaulting during the month numbered 72 as compared to 39 in June and 33 in July, 1925. On the other hand, the indebtedness of defaulting firms declined slightly from the previous month but was substantially higher than a year ago, amounting to \$969,986 in July this year, \$1,034,020 in the previous month, and \$350,729 in July, 1925.

LUMBER

Increased activity in the lumber industry was evidenced during July, production, orders and shipments reflecting increases over the previous month. Reports show that actual production rose from 13 per cent below normal production in June to 10 per cent below normal production in July, while the amount of lumber shipped from the mills during July was 6 per cent below normal production, as compared to shipments of 9 per cent below normal production in June. Orders received during the month were 95 per cent of normal production, an increase of 8 points over the previous month. Stocks on hand at the close of July were 21 per cent below normal stocks at that time, whereas, at the end of June stocks were 23 per cent below normal.

Unfilled orders on the books of 51 reporting mills on July 31, amounted to 65,948,253 feet of lumber, as compared to 62,257,825 feet on the books of 49 mills at the end of June.

JULY PINE MILL STATISTICS

Number of reporting mills.....	51
Production	104,504,318 feet
Shipments	109,323,286 feet
Orders	110,897,499 feet
Unfilled orders, July 31.....	65,948,253 feet
Normal production	116,867,448 feet
Stocks, July 31	253,851,998 feet
Normal stocks	322,706,187 feet
Shipments below normal production.....	7,044,162 feet—6%
Actual production below normal.....	11,863,130 feet—10%
Orders below normal production.....	5,969,949 feet—5%
Stocks below normal	68,854,189 feet—21%

BUILDING

A further substantial recession in the volume of construction occurred in July, yet it was still materially above that of July, 1925. The valuation of permits issued at twelve principal cities of this district, which amounted to \$7,860,709, was 16.5 per cent less than June, but exceeded

that for July last year by 6.8 per cent. The total volume for the first seven months of 1926 was 22.5 per cent greater than for the corresponding period of 1925. Construction activity has declined recently in some cities where it was exceedingly large early in the year.

BUILDING PERMITS

BUILDING PERMITS														
	July, 1926		July, 1925		Inc. or Dec.	June 1926		Inc. or Dec.	Seven Months					Inc. or Dec.
	No.	Valuation	No.	Valuation		No.	Valuation		Dec.	1926		1925		
										No.	Valuation	No.	Valuation	
Austin	25	\$ 71,840	39	\$ 89,001	— 19.3	43	\$ 167,540	— 57.1	302	\$ 757,397	326	\$ 591,315	+ 28.1	
Beaumont	153	147,074	148	94,677	+ 55.3	156	112,620	+ 30.6	1,225	1,033,866	1,174	1,035,305	— .1	
Dallas	275	960,288	504	1,990,346	— 51.8	349	2,292,352	— 58.1	2,591	11,692,872	3,521	17,897,176	— 34.7	
El Paso	41	39,855	73	199,786	— 80.1	68	76,543	+ 47.9	465	669,734	469	990,908	— 32.4	
Fort Worth	245	1,351,503	266	753,893	+ 79.3	286	2,208,054	— 38.8	2,455	12,104,852	1,633	5,650,767	+114.2	
Galveston	231	1,128,830	294	279,101	+304.5	285	433,221	+160.6	1,858	2,384,573	1,999	1,149,608	+107.4	
Houston	501	1,937,613	538	1,539,453	+ 25.9	555	1,761,946	+ 10.0	3,476	18,526,048	3,925	13,010,578	+ 42.4	
Port Arthur	109	89,192	117	108,107	— 17.5	127	101,107	— 11.8	877	905,782	967	767,210	+ 18.1	
San Antonio	282	728,760	334	1,347,510	— 45.9	251	633,265	+ 15.1	2,145	9,497,804	2,297	5,864,645	+ 62.0	
Shreveport	230	533,979	212	333,208	+ 60.3	256	282,962	+ 88.7	1,842	2,619,948	1,738	3,454,695	— 24.2	
Waco	25	85,190	47	97,745	— 12.8	40	100,965	— 15.6	280	805,865	457	1,360,916	— 40.8	
Wichita Falls	117	786,585	133	530,475	+ 48.3	184	1,245,139	— 36.8	1,232	6,967,832	930	3,698,108	+ 88.4	
Total	2,234	\$7,860,709	2,705	\$7,863,302	+ 6.8	2,600	\$9,415,714	— 16.5	18,748	\$67,966,573	19,436	\$55,471,231	+ 22.5	

CEMENT

Production of cement at the Texas mills reflected a sharp increase over the previous month. There were 459,000 barrels of cement produced during July, representing an increase of 10.3 per cent over June and 1.1 per cent over the same month of last year. Shipments for the month were practically the same as in July, 1925, but were 2.2 per cent more than in June this year. Stocks on hand July 31, as

compared to June 30, decreased 1.3 per cent but were 103.4 per cent more than those held at the end of the corresponding month of last year. Total shipments for the seven-month period of the current year amounted to 2,923,000 barrels, or an increase of 2.1 per cent over that for the same period of last year, while total production increased 7.8 per cent for the same period.

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

	July 1926	July 1925	Inc. or Dec.	June 1926	Inc. or Dec.	Seven Months		Inc. or Dec.
						1926	1925	
Production at Texas Mills.....	459,000	454,000	+ 1.1	416,000	+10.3	2,915,000	2,705,000	+7.8
Shipments from Texas mills.....	464,000	463,000	+ .2	454,000	+ 2.2	2,923,000	2,863,000	+2.1
Stocks at end of month at Texas mills.....	472,000	232,000	+103.4	478,000	— 1.3			

SUMMARY OF NATIONAL BUSINESS CONDITIONS

(Compiled by the Federal Reserve Board as of August 25, 1926)

Production in basic industries and factory employment and payrolls declined slightly in July, but the decrease in production was smaller than is usual at this season. Wholesale prices, after a further decline in July, were at the lowest level in nearly two years.

PRODUCTION

The Federal Reserve Board's index of production in basic industries, which is adjusted for seasonal variations, increased about one per cent in July. Declines in the output of iron and steel and anthracite, and in the activity of textile mills, were larger than the usual seasonal reductions, while production of flour, copper, zinc, cement and petroleum increased. The manufacture of automobiles declined further and was smaller than a year ago. Factory employment and payrolls showed the usual seasonal decline in July, which is due largely to closing for stock-taking and repairs and to summer vacations. Declines were noted in nearly all the important industries for which reports are received, with the exception of leather and shoes and certain food products and building materials. Building contracts awarded in 37 states east of the Rocky Mountains declined in July for the fourth consecutive month and, as in June, were smaller than a year ago. Figures for the first three weeks in August were also below those for the corresponding period of last year. The principal decreases were in the New York and Atlanta districts. The composite condition of all crops, as reported by the Department of Agriculture, shows an improvement of 2 per cent in July owing largely to the increase in the expected production of wheat. Cotton production, on the basis of August 16 conditions, is estimated at 15,248,000 bales, compared with an output of 16,104,000 in 1925.

TRADE

Volume of trade at wholesale and retail showed a further seasonal decline in July, but continued to be large. Retail trade was larger than a year ago, while wholesale trade was slightly smaller. Sales of department stores and mail order houses declined less than is usual at this season and were 4 per cent and 13 per cent, respectively, larger than in July

of last year. Merchandise inventories at department stores continued to decline in July and at the end of the month were in about the same volume as last year. Stocks of meat, dry goods and shoes carried by wholesale firms were smaller than a year ago, but stocks of groceries, hardware and drugs were larger.

Shipments of goods by railroads were maintained at a high level during July for nearly all types of commodities. Loadings of grain were larger than for any month since October, 1924, and were in record volume for July.

PRICES

The Bureau of Labor Statistics index of wholesale commodity prices declined about 1 per cent in July to the lowest level since September, 1924. Price declines were shown for most commodity groups, particularly farm products and foods, while prices of steel and other metals advanced. In the first three weeks of August the prices of grains, cotton and rubber declined further, while cattle, hogs, potatoes, coal and coke advanced in price.

BANK CREDIT

Between the middle of July and the middle of August total loans and investments of member banks in leading cities increased slightly, reflecting a growth in the seasonal demand for credit for commercial purposes. Loans on securities on August 18 were in about the same volume as a month earlier, while the banks' investments declined. Between July 21 and August 18 discounts for member banks and the holdings of acceptances increased considerably, while United States security holdings were somewhat reduced, with the consequence that the total volume of reserve bank credit increased by about \$50,000,000.

Money market conditions became firmer in August. The rate on commercial paper, which was 4 per cent in June and July, increased to $4\frac{1}{4}$ - $4\frac{1}{2}$ per cent and the rate on 90-day bankers' acceptances advanced to $3\frac{3}{4}$ per cent. The discount rate of the Federal Reserve Bank of New York was advanced on August 13 from $3\frac{1}{2}$ to 4 per cent.