

Monthly Business Review

OF THE FEDERAL RESERVE BANK OF DALLAS

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DISTRICT SUMMARY

Conditions in the agricultural and livestock industries of this district continued generally favorable during the past month and, on the basis of the August 1 estimate of the Department of Agriculture, production of principal crops other than cotton will be larger than a year ago. The value of construction contracts awarded turned sharply upward in July, after having declined considerably in the preceding three months. Petroleum production, which had increased sharply in the forepart of July due to the abandonment of the Saturday shut-down, rose moderately from the middle of July to the middle of August. Department store sales declined less than seasonally in July and then increased in the first half of August.

BUSINESS

The business of department stores in principal cities of the Eleventh District held up better than usual in July, resulting in a rise of this bank's adjusted index of sales to 103 per cent of the 1923-1925 average. This figure compares with 101 per cent in June and 106.7 per cent in July last year. The index showed a sharp decline from January through April, but the trend has been upward in the past three months, with the average for the period being only 4 points below that in the corresponding period in 1937. On the basis of sales in the first half of August, indications are that the index will show a further increase for that month. The dollar volume of sales in July reflected a decline of 22 per cent from that a month earlier and was 6.5 per cent less than in July, 1937. On a daily average basis the decrease from a year ago was only 2.7 per cent as July this year had one fewer business days than July last year. The declines from both the previous month and the same month last year was general among reporting stores in the several sections of the district.

Inventories at department stores declined further by an amount larger than is usual at this season and as a consequence the adjusted index of stocks declined for the third consecutive month, and on July 31 stood at the lowest level in nearly two years. The rate of collections on open accounts outstanding evidenced a further seasonal decline in July, whereas the rate of payments on installment accounts remained unchanged. In each case, however, the ratio of collections to outstanding accounts was smaller than a year ago.

The demand for merchandise at wholesale in this district was somewhat sluggish during July. Combined sales of all reporting firms in seven lines of trade reflected a decline of 3 per cent from the preceding month and were 11 per cent less than in July, 1937, which is about the average decline for the first seven months of the year. Among the individual lines of trade, the distribution of tobacco and tobacco products showed a further increase over that a month earlier and a year ago, while declines from July last year, ranging from 4 per cent for groceries to 48 per cent for machinery and equipment, were recorded in other lines of business. Sales of electrical supplies and dry goods exceeded those in June; in the case of dry goods, however, the rise was considerably less than ordinarily occurs at this time. Inventories in some lines were increased seasonally during the month in anticipation of the usual fall buying season, but stocks generally were

lower on July 31 than a year ago. Collections during July were about the same as those of a month earlier, but in relation to accounts outstanding they showed a sizable increase.

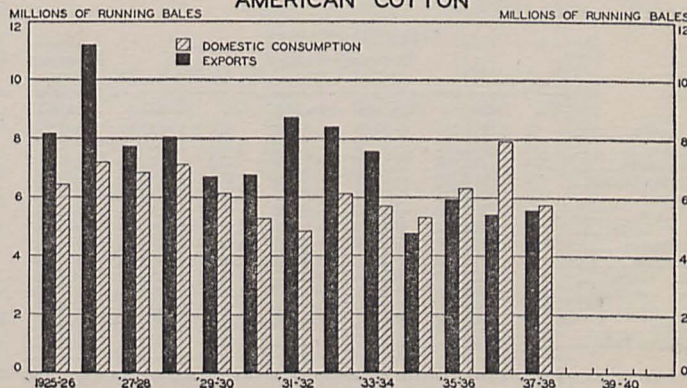
Although the number of commercial failures in this district showed little change from June to July, liabilities of defaulting firms decreased further. Dun and Bradstreet, Incorporated, reported 14 insolvencies during the month, with an aggregate indebtedness of \$129,000.

INDUSTRY

A further contra-seasonal increase was reflected in the domestic consumption of cotton during July, although mill sales of cotton goods apparently declined and were lower than production during the month. Prices of cotton goods, despite reductions in some constructions recently, have been fairly well sustained, but the trend of raw cotton prices has been downward since early in July and the average price at the ten spot markets at the middle of August was only about 50 points higher than the low level reached in May. Exports of cotton from the United States likewise reflected a large counter-to-seasonal increase in July which resulted chiefly from larger takings by the United Kingdom, Italy and Japan. July shipments were also 57 per cent greater than a year ago.

The world utilization of American cotton during the 1937-1938 season was somewhat smaller than in the preceding season due entirely to a reduction in domestic consumption. Coincident with the general slowing down of industrial activity in the United States, the operations of domestic cotton mills were reduced in an effort to liquidate inventories and to bring production into closer alignment with demand. As a consequence, cotton consumption during the twelve months ended July 31 totaled only 5,756,000 bales which was 28 per cent less than the record total of 7,950,000 bales consumed in the preceding season. On the other hand, exports of American cotton showed a slight increase, notwithstanding a noticeable decline in foreign textile activity in recent months. The larger exports resulted from the increased takings of European countries which more than offset the sharp reduction in shipments to the Orient. Factors accounting for the heavier exports to European countries include the favorable price relationship between American cotton and foreign grown cotton that obtained during the greater part of the season and the replenishment of warehouse supplies of cot-

DOMESTIC CONSUMPTION AND EXPORTS OF AMERICAN COTTON



tion in some countries. Nevertheless, exports of cotton continued at the relatively low level that has prevailed since the 1933-1934 season. Shipments aggregated 5,598,400 bales in the 1937-1938 season as against 5,440,000 bales in the previous season and a ten-year average of 7,010,000 bales. In the ten years prior to the 1934-1935 season, exports were considerably larger than domestic consumption but in the past four seasons they have been smaller. This relationship has been due to the lower volume of exports rather than to an expansion in the domestic use of cotton. Although domestic consumption in the 1936-1937 season was at a record level, the average for the latest five seasons is about the same as the average for the preceding ten-year period. In recent years the foreign production of cotton has shown a rapid expansion with the result that the percentage of American cotton consumed by world textile mills has shown a substantial de-

cline. The world carry-over of American cotton on August 1 this year totaled about 13,500,000 bales, which was slightly larger than the previous record established in 1932.

As a result of the record supply of cottonseed available from the 1937 cotton crop and the good demand for cottonseed products, cottonseed oil mills in the United States operated at an unusually high level throughout the 1937-1938 season. For the entire season, the volume of cottonseed crushed and the amount of products produced were about 40 per cent larger than in the preceding season. Despite the heavy production, the end-of-season stocks of crude cottonseed oil, while higher than a year earlier, were smaller than in most other recent years. On the other hand, stocks of

WHOLESALE AND RETAIL TRADE STATISTICS

	Percentage change in:				Ratio July collections to accounts outstanding July 1	
	Net sales		Stocks*		Regular	Installment
	July, 1938 from July, 1937	June, 1938 from July, 1937	July, 1938 from July, 1937	June, 1938 from July, 1937		
Retail trade:						
Department stores:						
Total 11th Dist.	-6.5	-22.2	-1.2	-8.0	-7.6	38.3
Dallas	-5.9	-20.7	-1.9	-3.6	-7.9	38.5
Fort Worth	-6.4	-20.9	-.9	-14.0	-10.5	35.8
Houston	-3.4	-26.6	+2.3	-6.5	-12.2	39.0
San Antonio	-5.3	-17.4	+ .4	-5.0	-4.6	41.4
Other cities	-11.3	-25.5	-4.6	-13.8	-5.3	36.5
Independent stores:†						
Arizona	-22.4	-9.5	.....	.....	.....	.....
Oklahoma	-16.6	-9.6	.....	.....	.....	.....
New Mexico	-19.1	-3.5	.....	.....	.....	.....
Texas	-14.7	-9.2	.....	.....	.....	.....
Wholesale trade:†						
Machinery, equipment & supplies (excl't electrical)	-47.7	-52.3	-34.1	.....	.....	.....
Dry goods	-29.0	+5.5	-15.6	-23.7	+17.8	33.5
Groceries	-4.3	-2.3	-6.9	-2.6	+5.4	94.2
Drugs	-4.8	-3.4	+2.1	+1.5	+3.4	69.0
Hardware	-14.4	-1.9	-12.9	-7.1	-1.1	56.7
Electrical supplies	-15.9	+1.2	-17.5	-22.7	-6.2	.....
Tobacco & prod.	+4.7	+6.1	.....	.....	.....	108.5

†Compiled by United States Department of Commerce. *Stocks at close of month.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1923-25 average=100)

	With seasonal adjustment		Without seasonal adjustment	
	Sales—July, 1938	Stocks—July, 1937	Sales—July, 1938	Stocks—July, 1937
Total Eleventh Dist.	103.0	106.7	60.8	64.9
Dallas	109.9	112.1	58.9	60.6
Fort Worth	112.3	112.4	58.2	67.6
Houston	105.3	108.9	41.2	41.3
San Antonio	101.8	103.5	57.8	62.0

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

	July, 1938	July, 1937	June, 1938	January 1 to July 31, 1937
	Eleventh District—total.	\$ 15,095	\$ 10,871	\$ 12,826	$ 96,056
Residential	4,949	3,586	5,507	32,703
All other	10,146	7,285	7,319	63,353
United States*—total.	239,799	321,603	251,006	1,537,405
Residential	87,978	81,046	85,682	487,016
All other	151,821	240,557	165,324	1,050,389

*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

	July, 1938		Percentage change valuation from		Jan. 1 to July 31, 1938		Percentage change valuation from 1937	
	No.	Valuation	July, 1937	June, 1938	No.	Valuation	1937	1937
	Amarillo	63	\$ 144,153	+ 80.8	- 5.1	281	\$ 1,252,916	+138.5
Austin	190	346,517	+ 20.5	-11.2	1,358	3,334,341	+ 29.9	.....
Beaumont	134	110,987	+ 1.0	+ 1.9	926	797,431	+ 9.3	.....
Corpus Christi	98	151,240	-67.9	-53.4	984	1,860,647	-20.7	.....
Dallas*	677	855,475	+ 2.1	-10.7	4,709	6,908,284	- 6.1	.....
El Paso	99	162,763	+152.0	-11.8	581	891,576	+13.5	.....
Fort Worth	196	644,664	+ 89.5	+ 3.9	1,488	3,828,325	-25.3	.....
Galveston	146	103,686	+ 45.1	+ 20.5	1,117	1,428,976	+ 93.2	.....
Houston	420	1,550,320	+ 68.1	-56.3	3,079	15,338,585	+ 27.1	.....
Port Arthur	146	179,856	+192.5	-123.1	935	1,036,041	+ 66.9	.....
San Antonio	208	521,961	+ 84.9	-47.2	1,960	3,231,656	+ 9.0	.....
Shreveport	167	217,369	+ 31.0	+ 10.9	1,025	3,214,320	+ 74.4	.....
Waco	57	276,221	+201.5	-294.0	381	787,923	+14.5	.....
Wichita Falls	31	37,832	+ 49.7	- 63.5	394	427,062	+118.7	.....
Total.	2,632	\$5,303,044	+ 33.9	- 32.1	19,198	\$44,338,083	+ 15.0	.....

*Includes Highland Park and University Park.

STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to July 31, This season	Last season	August 1 to July 31, This season	Last season
Cottonseed received at mills (tons)	1,756,463	947,822	6,616,060	4,519,024
Cottonseed crushed (tons)	1,603,039	934,826	6,325,498	4,498,321
Cottonseed on hand July 31 (tons)	176,216	22,872	332,057	42,394
Production of products:				
Crude oil (pounds)	477,891,971	266,306,445	1,965,993,076	1,363,978,069
Cake and meal (tons)	751,611	439,127	2,830,399	2,031,488
Hulls (tons)	419,565	246,734	1,624,579	1,144,138
Linters (running bales)	331,891	201,796	1,471,918	1,126,873
Stocks on hand July 31:				
Crude oil (pounds)	3,258,562	1,236,295	9,722,283	2,557,298
Cake and meal (tons)	46,569	7,859	216,503	41,952
Hulls (tons)	31,124	6,940	131,156	43,422
Linters (running bales)	105,430	11,764	479,564	61,547

SOURCE: Bureau of Census.

CONSUMPTION, STOCKS AND EXPORTS OF COTTON

	(Bales)			
	July, 1938	July, 1937	June, 1938	August 1 to July 31, This season
Consumption at:				
Texas mills	10,731	11,141	10,248	118,313
United States mills	449,511	583,011	442,742	5,756,096
U.S. Stocks—end of month:				
In consuming estab'nts.	1,226,983	1,285,543	1,416,161	.....
Public stg., compresses	9,641,201	2,813,305	9,696,667	.....
Exports from U. S. to:				
United Kingdom	30,707	24,336	21,641	1,551,843
France	4,398	2,608	7,873	715,850
Italy	22,234	10,603	19,448	505,454
Germany	9,303	23,136	16,921	655,894
Other Europe	41,731	13,075	57,879	935,352
Japan	69,575	28,000	30,286	690,513
All other countries	17,758	22,554	21,830	543,509
Total exports	195,706	124,312	175,878	5,598,415

RECEIPTS, EXPORTS, AND STOCKS OF COTTON AT THE PORTS OF HOUSTON AND GALVESTON

	(Bales)			
	July, 1938	July, 1937	June, 1938	August 1 to July 31, This season
Receipts	42,814	20,125	48,893	3,772,258
Exports	129,434	60,135	137,273	3,000,382
Stocks, end of month	1,236,712	522,375	1,338,944	2,933,545

CRUDE OIL PRODUCTION

	July, 1938		Increase or decrease in daily average production from:	
	Total Production	Daily Avg. Production	July, 1937	June, 1938
North Texas	4,552,950	146,869	- 4,345	+ 13,619
West Texas	7,554,350	243,689	+ 7,610	+ 35,245
East Texas	16,514,100	532,713	-69,439	+ 77,938
South Texas	7,314,850	235,963	+ 320	+ 30,625
Texas Coastal	6,547,350	211,205	+ 6,582	+ 23,127
Total Texas	42,483,600	1,370,439	-49,266	+180,554
New Mexico	3,128,400	100,916	-13,514	+ 10,198
North Louisiana	2,502,700	80,732	- 7,873	+ 1,757
Total district	48,114,700	1,552,087	- 70,653	+192,509

SOURCE: The Oil Weekly, Houston, Texas.

PRODUCTION, SHIPMENTS AND STOCKS OF PORTLAND CEMENT AT TEXAS MILLS—(In thousands of barrels)

	Production		Shipments		Stocks, end of month	
	1938	1937	1938	1937	1938	1937
January	334	552	530	372	752	910
February	444	469	532	491	664	809
March	664	592	646	576	681	807
April	751	520	580	651	853	688
May	717	625	612	683	958	746
June	611	610	664	608	905	689
July	630	631	507	606	1,027	715
Total, 7 mos.	4,151	3,999	4,071	4,017	.....	.....

SOURCE: United States Bureau of Mines.

linters and cake and meal were the highest on record. During the past season imports of cottonseed products were reduced sharply while exports showed a substantial increase.

Following the downward trend in the second quarter, construction contracts awarded in the Eleventh District increased 18 per cent from June to July and were more than one-third larger than in July, 1937. The high level of building activity during July was due chiefly to a sharp increase in public works projects, but contracts for other classes of building were well sustained. While residential building declined further by 10 per cent from June to July, the decrease was less than usually occurs at this time, and awards were 38 per cent greater than a year ago.

Coincident with the heavy volume of building activity in the Eleventh District, the operations of Portland cement mills in Texas during the first seven months of 1938 rose to an exceptionally high level. Production was larger than in any similar period for which data are available, and with one exception shipments were in record volume. Mill stocks of cement on July 31 were somewhat larger than at the beginning of the year and 44 per cent greater than on July 31, 1937.

The production of crude petroleum both in the Eleventh District and in the United States increased sharply during the first week of July, reflecting chiefly the return to production on a six-day basis in Texas. In the subsequent weeks production in this district showed a further moderate expansion and in the first half of August was at the highest level since last November. However, the production rate in the first two weeks of August was 8 per cent below the record rate established in August last year. Refinery operations in the United States also increased but the output of motor fuel continued below demand, necessitating further withdrawals of gasoline from storage. Despite this decline, gasoline stocks on August 6 were 9 per cent larger than a year ago. Crude oil in storage decreased further in July and at the end of the month was 6 per cent lower than a year earlier. Well completions in this district declined further by 11 per cent in July and were about one-fourth fewer than in July, 1937.

FINANCE

The average reserves of member banks maintained with the Federal Reserve Bank of Dallas, which were at the lowest level of the year during June, rose somewhat in July and remained at the higher level during the first half of August. Although a portion of the increase was absorbed by the higher required reserves resulting from the expansion of deposits of member banks, estimated excess reserves during the first half of August averaged about \$2,500,000 higher than in the last half of June. In the latest period total reserves were about 45 per cent in excess of requirements. Although member bank borrowings from the Federal Reserve bank reflected a seasonal increase of \$187,000 from July 15 to August 15, the volume of such discounts continued small and was below that a year ago. Industrial advances increased slightly during the past month. Federal Reserve notes in actual circulation, which had declined substantially during the preceding ten months due in part to seasonal factors, fluctuated within narrow limits between the middle of July and the middle of August, with the total of \$75,300,000 at the end of the period being \$16,535,000 less than a year earlier.

The customary seasonal expansion in the demand for commercial, industrial and agricultural loans accounted for a further increase of \$1,492,000 in total advances of weekly reporting member banks in leading cities of the Eleventh

District during the four weeks ended August 10. This increase, however, was much smaller than that which occurred during the corresponding period in 1937, and as a conse-

CONDITION OF THE FEDERAL RESERVE BANK (In thousands of dollars)

	Aug. 15, 1938	Aug. 15, 1937	July 15, 1938
Total cash reserves.....	\$200,456	\$199,622	\$209,651
Discounts for member banks.....	510	1,329	323
Industrial advances.....	848	1,196	814
Bills bought in the open market.....	16	87	16
United States Government securities.....	84,963	98,634	84,963
Total earning assets.....	86,337	101,246	86,116
Member bank reserve deposits.....	169,721	179,600	171,607
Federal Reserve notes in actual circulation.....	75,306	91,841	75,629
Commitments to make industrial advances.....	51	302	91

CONDITION STATISTICS OF MEMBER BANKS IN LEADING CITIES (In thousands of dollars)

	Aug. 10, 1938	Aug. 11, 1937	July 13, 1938
Total loans and investments.....	\$488,486	\$502,554	\$480,388
Total loans.....	226,507	228,723	225,015
Commercial, industrial and agricultural loans.....	143,884	143,456	142,081
Open market paper.....	1,665	3,422	1,562
Loans to brokers and dealers in securities.....	2,562	2,858	2,723
Other loans for purchasing or carrying securities.....	13,838	15,234	13,725
Real estate loans.....	20,703	21,316	20,633
Loans to banks.....	642	881	445
All other loans.....	43,213	41,556	43,846
United States Government direct obligations.....	170,741	193,629	172,783
Obligations fully guaranteed by the U. S. Government.....	39,975	29,935	31,323
Other securities.....	51,263	50,267	51,267
Reserves with Federal Reserve Bank.....	101,381	108,256	102,997
Balances with domestic banks.....	211,600	142,765	218,931
Demand deposits—adjusted.....	400,097	390,187	406,069
Time deposits.....	132,551	121,578	130,394
United States Government deposits.....	24,932	18,075	25,016
Interbank deposits.....	194,079	176,727	191,234
Borrowings from Federal Reserve Bank.....	None	None	None

†Includes all demand deposits other than interbank and United States Government, less cash items reported as on hand or in process of collection.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

	(Average of daily figures—in thousands of dollars)					
	Combined total		Reserve city banks		Country banks	
	Gross demand	Time	Gross demand	Time	Gross demand	Time
July, 1936.....	\$ 999,460	\$199,576	\$578,721	\$109,652	\$420,739	\$89,924
July, 1937.....	1,053,745	201,893	584,117	110,629	469,628	91,264
March, 1938.....	1,096,362	218,188	601,354	121,102	499,008	97,086
April, 1938.....	1,074,855	217,942	592,059	120,896	482,796	97,046
May, 1938.....	1,073,302	219,459	599,164	121,153	474,138	98,306
June, 1938.....	1,077,586	220,991	605,323	121,945	472,263	99,046
July, 1938.....	1,089,421	220,912	614,076	121,906	475,345	99,006

SAVINGS DEPOSITS

	July 31, 1938				Percentage change in savings deposits from	
	Number of reporting banks	Number of savings depositors	Amount of savings deposits	July 31, 1937		June 30, 1938
				July 31, 1937	June 30, 1938	
Beaumont.....	3	9,721	\$ 3,807,956	+ 5.1	+ .4	
Dallas.....	8	90,665	26,321,169	+ 2.9	+ .4	
El Paso.....	2	16,100	7,941,003	+ .7	+ 2.8	
Fort Worth.....	3	38,132	13,480,383	+ 4.5	+ .6	
Galveston.....	4	18,524	11,566,242	+ 3.0	+ 1.0	
Houston.....	10	71,888	28,972,823	+ 2.6	+ .4	
Port Arthur.....	2	6,098	2,771,249	+12.0	+ 3.3	
San Antonio.....	5	23,919	17,872,229	+ 6.8	+ .8	
Shreveport.....	3	24,632	11,393,560	+ 2.3	+ .02	
Waco.....	3	9,227	4,757,526	+ 4.8	+ 2.2	
Wichita Falls.....	3	7,273	3,704,043	+10.6	+ 1.1	
All others.....	70	59,303	29,274,107	+ 4.2	+ 1.0	
Total.....	116	375,542	\$161,862,290	+ 3.6	+ .4	

DEBITS TO INDIVIDUAL ACCOUNTS

	(In thousands of dollars)				
	July 1938	July 1937	Pctg. change over year	June 1938	Pctg. change over month
Abilene.....	\$ 7,697	\$ 8,644	-11.0	\$ 7,934	- 3.0
Austin.....	29,479	27,724	+ 6.3	31,872	- 7.5
Beaumont.....	22,087	25,984	-15.0	22,456	+ 1.6
Corsicana.....	2,641	3,241	-18.5	2,772	- 4.7
Dallas.....	214,666	252,917	-15.1	227,403	+ 5.6
El Paso.....	23,438	26,110	-10.2	24,324	+ 3.6
Fort Worth.....	83,913	112,250	-25.2	87,157	+ 3.7
Galveston.....	26,650	30,053	-11.3	25,794	+ 3.3
Houston.....	207,703	235,347	-11.7	198,222	+ 4.8
Port Arthur.....	8,226	9,838	-16.4	8,999	+ 8.6
Roswell.....	4,056	3,638	+11.5	3,988	+ 1.7
San Antonio.....	65,382	68,958	- 5.2	69,817	+ 6.4
Shreveport.....	39,665	48,136	-17.6	41,479	+ 4.4
Texarkana*.....	6,904	8,414	-17.9	7,023	+ 1.7
Tucson.....	9,996	10,904	- 8.3	11,819	-15.4
Tyler.....	11,127	15,686	-29.1	11,418	+ 2.5
Waco.....	11,791	13,669	-13.7	11,943	+ 1.3
Wichita Falls.....	15,509	17,431	-11.0	16,680	+ 7.0
Total.....	\$790,990	\$918,944	-13.9	\$811,100	- 2.5

*Includes the figures of two banks in Texarkana, Arkansas, located in the Eighth District.

quence total loans fell below those outstanding a year earlier for the first time since the spring of 1936. Investments of these banks in direct obligations of the United States Government were reduced \$2,042,000 between July 13 and August 10, but a substantial increase in the holdings of obligations fully guaranteed by the United States Government more than offset this decline, with the result that total investments rose \$6,600,000 to the highest level since the middle of last November. Aggregate loans and investments on August 10 were \$8,100,000 greater than four weeks earlier, but \$14,068,000 smaller than a year ago.

Following a substantial increase in the first half of July, adjusted demand deposits at reporting banks declined \$5,972,000 in the subsequent four weeks, but this decrease was largely offset by increases in interbank and time deposits. Since July, 1937, time deposits have shown a gradual upward trend and on August 10 this year they were at the highest level in several years.

AGRICULTURE

The prospective production of agricultural products in the Eleventh District continued very promising during July as weather conditions were generally favorable for growing crops. The clear, dry weather during the first half of the month enabled farmers to place their crops in a good state of cultivation and general rains in the subsequent two weeks provided ample moisture supplies in all sections of the district except in south Texas and in limited areas of north-west Texas. Excessive rainfall and the resultant floods caused considerable damage to crops along the Colorado River basin.

The indicated production of cotton in this district, as reflected by the August 1 estimate of the Department of Agriculture, is 35 per cent less than the 1937 harvest, due chiefly to the greatly reduced acreage. The crop is in generally good condition and the estimated per acre yield, although considerably lower than last year's heavy yield, is much larger than the 1927-1936 average. In Texas the condition of the crop on August 1 was above average in all sections of the State except in the South Plains district and the indicated per acre yield of 170 pounds compares with an actual yield of 197 pounds in 1937, and a ten-year average yield of 140 pounds. Production is estimated at 3,425,000 bales, which represents a decrease of 34 per cent from last year's harvest of 5,154,000 bales. In the other four states attached to the Eleventh District declines in estimated production ranged from 16 per cent in Oklahoma to 43 per cent in Louisiana. The August 1 forecast for the United States was placed at 11,988,000 bales as compared with the record harvest of 18,946,000 bales last year.

Current reports are to the effect that insect infestation is spreading in many sections of this district and that boll weevils, boll worms and leaf worms are causing considerable damage to cotton, particularly in those areas where recurring showers have handicapped poisoning operations. Frequent rains in some sections are also causing root rot and the shedding of forms and young bolls.

Substantial increases in the area planted and the estimated per acre yield of grain sorghums in Texas resulted in a forecast of 63,612,000 bushels on August 1, which is 22 per cent greater than the 1937 production. The indicated harvest of this crop in Oklahoma, New Mexico and Arizona is also larger than a year ago. The condition of corn, oats and tame hay in this district showed little change in July, and the estimated production of these crops on August 1 was about the same as that a month earlier.

The condition of livestock ranges in the Eleventh District

was improved considerably by the heavy general rains which fell during July. Since the rains, ranges have made rapid growth and with a surplus of feed crops being produced in many sections prospects are favorable for ample feed supplies during the fall and winter months. Conditions in South Texas and in limited areas of the Texas Panhandle, however, are still poor due to the lack of moisture. Except for the dry areas, cattle and sheep are in good to excellent condition. According to the Department of Agriculture, cattle will enter feed lots in good flesh this year and indications point to a substantial increase in feeding operations in Texas.

The indicated production of wool in Texas during 1938, as estimated by the Department of Agriculture, was placed at 76,903,000 pounds, which is an increase of 1.4 per cent over the record production in 1937. In New Mexico the estimated production of wool showed a further moderate decline, while in Arizona production increased slightly.

The number of lambs docked in Texas during 1938 was estimated at 4,615,000 head, exceeding the previous record established last year by 11 per cent. The indicated lamb crop in New Mexico was placed at 1,248,000 head, a decrease of 8 per cent from a year ago, but in Arizona the crop increased from 484,000 head in 1937 to 503,000 head this year.

During the first half of 1938 receipts from the sale of principal farm products in the five states wholly or partially attached to the Eleventh District were 6 per cent larger than in the corresponding period of 1937. Receipts in Texas, Oklahoma and Arizona showed increases ranging from 8 to 25 per cent, but in New Mexico and Louisiana farm income was down 13 per cent in each instance. Larger receipts from cotton, wheat and livestock were the sustaining factors in the three states showing increases, while the smaller income from livestock, cotton and truck crops largely accounted for the decreases in New Mexico and Louisiana. Government benefit payments during the first half of 1938 totaled \$50,070,000 as compared with \$58,422,000 in the same period of 1937. This decrease was insufficient to offset the gain in receipts from marketings, however, and as a consequence aggregate farm income including Government payments during the period was 2 per cent larger than a year ago. Total receipts in June were 5 per cent smaller than a month earlier, but 16 per cent greater than in June last year.

CROP PRODUCTION

(In thousands of units)

Crop	Unit	Texas		Eleventh District	
		Estimated 1938	1937	Estimated 1938	1937
Cotton.....	Bales	3,425	5,154	4,146	6,329
Winter Wheat.....	Bushels	35,397	41,690	36,371	42,807
Corn.....	Bushels	85,104	72,048	101,063	86,945
Oats.....	Bushels	34,875	30,432	37,778	33,087
Grain sorghums.....	Bushels	63,612	52,336	86,754*	71,758*
Tame hay.....	Tons	1,042	831	1,441	1,211
Rice.....	Bushels	13,000	12,250	13,000†	12,250†
Irish potatoes.....	Bushels	2,950	3,456	3,765	4,268
Sweet potatoes.....	Bushels	4,800	3,744	13,764‡	11,364‡

*Oklahoma, Texas, New Mexico and Arizona. †Texas only. ‡Louisiana, Oklahoma and Texas.
SOURCE: United States Department of Agriculture. Data for Eleventh District derived from estimates by states.

CASH FARM INCOME FROM SALE OF PRINCIPAL FARM PRODUCTS AND GOVERNMENT BENEFIT PAYMENTS

(In thousands of dollars)

	June, 1938		Government payments	Total receipts			
	Receipts from:			June 1938	June 1937	Jan. 1 to June 30	
	Crops	Livestock*			1938	1937	
Arizona.....	\$ 860	\$ 1,539	\$ 118	\$ 2,517	\$ 2,111	\$ 24,603	\$ 19,911
Louisiana.....	1,396	1,432	1,174	4,002	5,450	35,375	41,994
New Mexico.....	144	1,066	419	1,629	1,536	12,908	15,056
Oklahoma.....	7,828	5,971	2,185	15,984	11,481	69,776	68,119
Texas.....	13,219	17,495	2,402	33,116	28,643	189,694	176,569
Total...	\$23,447	\$27,503	\$ 6,298	\$57,248	\$49,221	\$332,356	\$324,649

*Includes receipts from sale of livestock and livestock products.
SOURCE: United States Department of Agriculture.

SEPTEMBER 1, 1938

NATIONAL SUMMARY OF BUSINESS CONDITIONS

(Compiled by the Board of Governors of the Federal Reserve System)

Industrial activity increased in July, when there is usually a considerable decline, and rose somewhat further in the first three weeks of August.

PRODUCTION

Volume of industrial production increased from 77 per cent of the 1923-1925 average in June to 83 per cent in July, according to the Board's index which is adjusted for changes in the number of working days and for usual seasonal variations. Steel output rose sharply, lumber production also increased, and output of cement and glass was maintained. Automobile production declined somewhat further. In the first three weeks of August activity at steel mills was at a rate of around 40 per cent of capacity as compared with an average of 35 per cent in July, while in the automobile industry there was more than the usual seasonal reduction in output as producers closed plants somewhat earlier than in other recent years to prepare for the shift to new model production.

At textile mills activity in July showed a further rise, marked increases being reported in mill consumption of cotton and wool and in shipments of rayon yarn. Shoe production also increased substantially, following a decline in June.

Bituminous coal production advanced somewhat in July, and output of crude petroleum was at a much higher rate, reflecting chiefly a return to production on a six-day week basis in Texas. Anthracite production decreased sharply following a considerable volume of output during May and June.

Value of construction contracts awarded in 37 eastern states showed little change from June to July, according to figures of the F. W. Dodge Corporation. Contracts for residential building continued to increase, and there was an increase also in commercial building, reflecting the award of a contract for a large office building. Factory construction remained at a low level and declines were reported in most other types of construction.

EMPLOYMENT

Factory employment and payrolls, which usually decline at this season, increased somewhat from the middle of June to the middle of July. There were substantial increases in the number employed at textile mills, clothing establishments, and shoe factories, and at railroad repair shops there was a slight increase. In the machinery and automobile industries employment declined somewhat further. In non-manufacturing industries the principal changes in employment were a decrease at mines and an increase on the railroads.

AGRICULTURE

A domestic cotton crop of 12,000,000 bales was indicated on August 1, according to the Department of Agriculture. Last season the crop was 19,000,000 bales and, with world consumption of American cotton about 11,000,000 bales, the carry-over increased sharply to 13,500,000 bales. The wheat crop was forecast at 956,000,000 bushels, as compared with 874,000,000 bushels harvested last year and usual domestic consumption of about 670,000,000 bushels. Production estimates for most other major crops were slightly under the large harvests of a year ago. Preliminary estimates by the Department of Agriculture indicate that cash farm income, including Government payments, will total \$7,500,000,000 for the calendar year 1938, a decline of 12 per cent from last year, which was the highest since 1929.

DISTRIBUTION

In July department store sales declined by less than the usual seasonal amount, while sales at variety stores and mail-order houses decreased seasonally. Retail sales of automobiles increased somewhat, although there is ordinarily a decline in July. In the first half of August sales at department stores showed less than the usual seasonal rise.

Freight-car loadings increased from June to July, reflecting chiefly larger shipments of grain, coal, and miscellaneous freight.

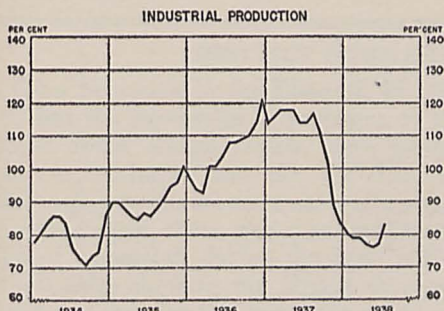
COMMODITY PRICES

Prices of grains, cotton, livestock and meats were lower in the third week of August than in the middle of July, while prices of most industrial commodities were unchanged. Steel scrap advanced further in July, then declined somewhat in the first half of August. Cotton grey goods also declined in the early part of August, while prices of copper and rubber were maintained, following increases in the latter part of July.

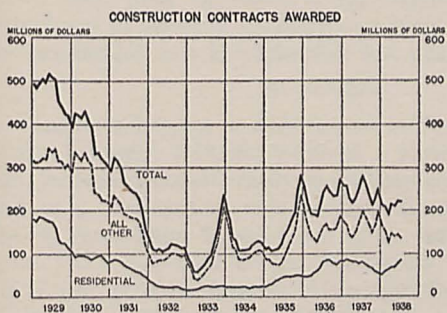
BANK CREDIT

Excess reserves of member banks declined by about \$230,000,000 in the five weeks ending August 17 to a total of \$2,930,000,000, following a steady growth from the middle of April to a peak on July 13. The decline in reserves was largely the result of an increase in Treasury deposits with the Reserve banks, reflecting receipts from weekly Treasury bill offerings in excess of maturities and a sale of Reconstruction Finance Corporation notes. Most of the decrease in excess reserves was at city banks.

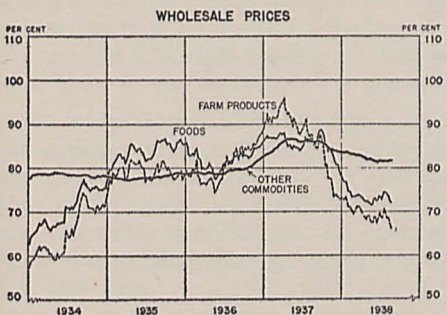
Following substantial declines since the autumn of last year, commercial loans and brokers loans at reporting member banks in 101 leading cities increased somewhat during the first half of August. Member banks in leading cities added about \$170,000,000 to their holdings of investments in the middle of July, mainly United States Government guaranteed obligations, but thereafter their holdings showed little change.



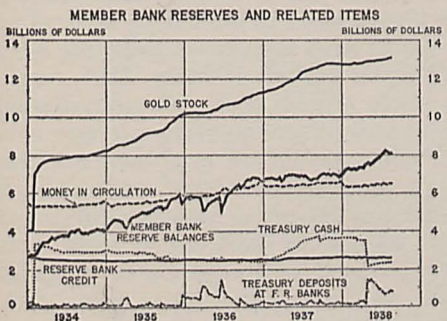
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to July, 1938.



Three-month moving averages of F. W. Dodge data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for June and July and estimate for August.



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending August 20, 1938.



Wednesday figures, January 3, 1934, to August 17, 1938.