

# Monthly Business Review

## OF THE FEDERAL RESERVE BANK OF DALLAS

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### DISTRICT SUMMARY

Business and industrial activity in the Eleventh District showed some improvement in July and the first half of August. Department store trade held up better than usual in July and reflected some expansion in the subsequent two weeks. In the latter period sales were moderately larger than a year earlier; whereas, they were at about last year's level in June and July. Wholesale distribution during July continued larger than in the corresponding month of 1938, but the margin of gain was smaller than in the preceding three months. The value of construction contracts awarded increased from June to July, due principally to the larger awards for publicly-financed projects, although the volume was slightly smaller than in July, 1938. Petroleum production increased moderately in July and the first half of August and was in about the same volume as in the corresponding period last year. Following a substantial reduction in crude oil prices, oil wells in Texas were shutdown on August 15 for a period of 15 days and subsequently wells in five other states in the mid-continent area were closed. In July the states affected by the shutdown orders produced 68 per cent of the total output in the United States. The August 1 estimates of the Department of Agriculture indicate that production of most principal crops in this district will be smaller than in 1938.

### BUSINESS

Consumer buying at department stores in principal cities of this district declined by a smaller amount than is usual in July, and continued in about the same volume as in the corresponding month of 1938. In consequence of the less-than-seasonal decrease in sales as compared with the preceding month, this bank's adjusted index of department store sales rose from 101 per cent of the 1923-1925 average in June to 102.6 per cent in July. Preliminary reports indicate that department store sales during the first half of August were about 2 per cent greater than in the comparable period last year. Distribution of merchandise thus far in 1939 remained about 1 per cent above that in the corresponding period of 1938.

On a seasonally adjusted basis, inventories of merchandise on hand at reporting firms declined for the third consecutive month, but the dollar value of stocks on July 31 was 4 per cent greater than a year ago. The rate of collections on both open and instalment accounts during July was about the same as that a month earlier and a year ago.

Distribution of merchandise through wholesale channels decreased by about 5 per cent from June to July. Although the recession was due in part to seasonal factors, it was accentuated by non-seasonal declines in some lines, such as groceries and hardware. In comparison with the corresponding month of 1938, combined sales of 88 establishments in nine lines of trade were slightly higher, but the percentage gain was much smaller than that recorded for a similar comparison in each of the preceding three months. Inventories at firms in most reporting lines were increased seasonally during July, although the combined total at the end of the month was about 4 per cent smaller than on the corresponding date in 1938. The rate of collections on outstanding accounts during July, although smaller than in the preceding month, was slightly higher than in July last year.

Employment and payrolls in Texas, as reported by the Bureau of Business Research of the University of Texas, declined 1.1 per cent and 2.5 per cent, respectively, from June to July. As compared with July, 1938, payrolls were 0.3 per cent lower, but employment showed an increase of 2.4 per cent.

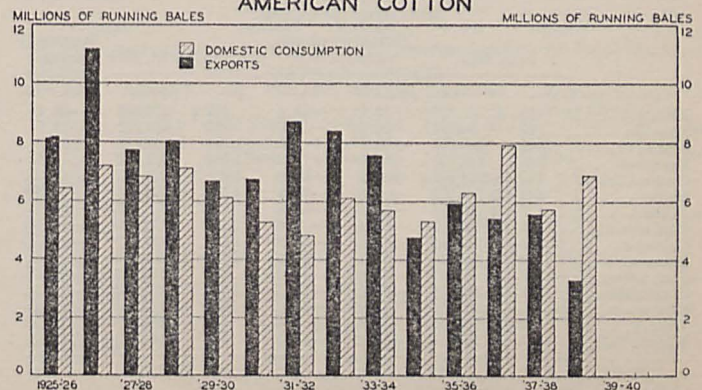
The number and liabilities of commercial failures in this district declined somewhat in July, but continued considerably higher than a year ago. Dun & Bradstreet reported that 24 insolvencies occurred during the month and that these firms had aggregate liabilities of \$223,000.

### INDUSTRY

Consumption of cotton in the United States declined by slightly less than the average seasonal amount from June to July, and it was maintained at a considerably higher level than in July last year. Manufacturers' sales of cotton goods were apparently well sustained during the month, and according to trade reports they were in excess of production with the result that manufacturers' stocks of finished goods showed a further decline. The aggregate demand for cotton textiles in the United States during the past season has been at a relatively high level. The amount of cotton utilized totaled 6,860,000 bales, which is 16 per cent above the amount consumed in the preceding season. While consumption was 14 per cent lower than the record volume used in the 1936-1937 season, it was larger than in any other season in ten years. Mill stocks of raw cotton continued to decrease during July and at the end of the month were at about the same level as on that date in 1936, and were lower than on any other corresponding date since 1924. On the other hand, the world carryover of American cotton on July 31 was at an all-time high level of approximately 14,150,000 bales.

Exports of cotton from the United States continued at an extremely low level, the total amounting to only 106,500 bales in July. This amount is 46 per cent below that for July last year and is only slightly more than one-third of the ten-year average for that month. Shipments of cotton to foreign countries during the twelve months ended July 31 aggregated only 3,327,000 bales, which is the smallest volume exported in about 60 years, and compares with a total of 5,598,000 bales in the preceding season. The past twelve months was the fifth consecutive season that exports of cotton have fallen below the 6,000,000-bale level, which contrasts with average annual shipments of more than

DOMESTIC CONSUMPTION AND EXPORTS OF AMERICAN COTTON





8,000,000 bales in the ten seasons prior to 1933. During the past season all major importing countries except Japan decreased their purchases of American cotton. Purchases by Great Britain showed the largest decline, the total being only about one-fourth that of the preceding season. France, Germany and Italy reduced their takings by about one-half. Imports of American cotton by Japan were about one-fourth larger than the relatively low volume of the 1937-1938 season, but continued sharply lower than average takings during the ten years prior to 1937. Factors which contributed to the small exports during the past season include: (1) the relatively large stocks of American cotton held abroad at the beginning of the season, (2) the tendency of foreign consumers of American cotton to restrict purchases to current needs, (3) the increase in the price of American cotton relative to the price of foreign grown staples which resulted in an expansion in the consumption of foreign grown cotton.

## WHOLESALE AND RETAIL TRADE STATISTICS

	Percentage change in:				Ratio July collections to accounts outstanding July 1	
	Net sales		Stocks*		Regular	Installment
	July, 1939	from July, 1938	Jan. 1 to July 31, 1939	from July 31, 1938		
<b>Retail trade:</b>						
Department stores:						
Total 11th Dist. . . . .	— .1	—21.9	+ .9	+ 3.7	—4.4	38.6
Dallas . . . . .	— .4	—20.0	— .3	+ 5.5	—5.1	39.2
Fort Worth . . . . .	—2.1	—26.1	+ 2.1	+ 4.6	—4.9	34.9
Houston . . . . .	—1.3	—26.5	+ 1.4	+ 2.9	—14.2	38.1
San Antonio . . . . .	+ .3	—12.9	— .1	+ 2.2	+ 1.8	41.2
Other cities . . . . .	+ 2.9	—24.8	+ 2.7	+ 1.7	—2.6	38.7
<b>Independent stores:†</b>						
Arizona . . . . .	+ 5.7	—10.3	.....	.....	.....	.....
Oklahoma . . . . .	+ 4.9	—4.3	.....	.....	.....	.....
New Mexico . . . . .	+ 7.6	+ 1.6	.....	.....	.....	.....
Texas . . . . .	+ 6.9	—10.6	.....	.....	.....	.....
<b>Wholesale trade:†</b>						
Machinery, eqpt & supplies (except electrical) . . . . .	+17.4	—10.5	—6.8	—17.4	—2.7	28.4
Dry goods . . . . .	+ 2.9	+ 7.3	+ 4.5	+ 5.0	+18.1	34.9
Groceries . . . . .	—5.1	—8.6	+ .5	—2.8	+ 1.3	84.3
Drugs . . . . .	+ 2.0	+ 7.0	+ 1.9	—2.1	+ .9	69.9
Hardware . . . . .	+11.9	—14.3	+14.9	+ .9	+ 2.7	59.0
Electrical supplies . . . . .	+25.6	+ 7.3	.....	.....	.....	.....
Tobacco & prod's . . . . .	—5.6	—4.2	+ 3.1	.....	.....	85.5
Surgical eqpt. . . . .	—7.4	—10.7	.....	.....	.....	49.5
Automotive suppl's . . . . .	+ 7.7	—14.3	+10.0	—6.9	+ 1.5	81.6

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

## INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1923-25 average=100)

	With seasonal adjustment				Without seasonal adjustment			
	Sales—July		Stocks—July		Sales—July		Stocks—July	
	1939	1938	1939	1938	1939	1938	1939	1938
Total Eleventh Dist. . . . .	102.6	103.0	63.2	60.8	71.8	72.1	57.5	55.3
Dallas . . . . .	110.9	109.9	62.5	58.9	74.3	73.6	58.1	54.8
Fort Worth . . . . .	109.9	112.3	60.9	58.2	82.4	84.2	56.0	53.5
Houston . . . . .	102.6	105.3	42.2	41.2	71.8	73.7	37.6	36.7
San Antonio . . . . .	99.4	101.8	60.8	57.8	67.6	69.2	52.9	50.3

## VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

	July		July		June		Jan. 1 to July 31	
	1939	1938	1938	1939	1939	1939	1939	1938
Eleventh District—total . . .	\$ 14,697	\$ 15,095	\$ 13,596	\$ 11,825	\$ 96,056			
Residential . . . . .	8,179	4,949	5,945	48,820	32,703			
All other . . . . .	6,518	10,146	7,651	63,005	63,353			
United States*—total . . . . .	209,883	239,799	288,316	1,999,247	1,534,071			
Residential . . . . .	109,330	87,978	111,896	753,857	487,016			
All other . . . . .	190,553	151,821	176,420	1,245,390	1,047,055			

\*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

## BUILDING PERMITS

	Percentage change				Percentage change			
	July, 1939		valuation from		Jan. 1 to July 31, 1939		valuation from	
	No.	Valuation	July, 1938	June, 1939	No.	Valuation	July, 1938	June, 1939
Abilene . . . . .	18	\$ 34,195	+12.7	—12.4	172	\$ 370,635	—33.2	
Amarillo . . . . .	42	94,936	—34.1	—57.3	436	1,652,722	+31.9	
Austin . . . . .	244	640,003	+84.7	+ 1.3	1,706	5,148,790	+54.4	
Beaumont . . . . .	142	148,721	+34.0	+15.6	1,032	873,172	+ 9.5	
Corpus Christi . . . . .	140	221,505	+46.5	—61.9	1,051	3,080,753	+65.6	
Dallas* . . . . .	531	788,873	— 7.8	—33.9	4,345	8,104,543	+17.3	
El Paso . . . . .	129	119,484	—26.6	—28.3	736	1,139,703	+27.8	
Fort Worth . . . . .	213	454,997	—29.4	— 2.9	1,703	3,752,949	— 2.0	
Galveston . . . . .	155	120,559	+16.3	—20.6	1,007	921,337	—35.5	
Houston . . . . .	464	1,335,365	—13.9	—34.4	3,513	15,883,660	+ 3.6	
Port Arthur . . . . .	136	83,879	—53.4	—28.1	877	614,038	—40.7	
San Antonio . . . . .	423	355,739	—31.8	—15.5	1,975	2,872,540	—11.1	
Shreveport . . . . .	141	246,500	+13.4	—36.4	1,089	3,317,642	+ 3.2	
Waco . . . . .	73	129,528	—53.1	+ 1.6	465	1,083,119	—37.5	
Wichita Falls . . . . .	96	67,475	+78.4	— 2.5	345	541,072	+20.7	
Total . . . . .	2,947	\$4,841,750	— 9.2	—28.2	20,452	\$49,356,075	+ 9.9	

\*Includes Highland Park and University Park.

The cotton export subsidy program, which became effective on July 27, provides for the payment of 1½ cents per pound net weight on cotton grown in the United States and exported prior to August 1, 1940, if the cotton is sold and delivered for export prior to July 1, 1940. Provisions have also been made for subsidy payments on all articles or products which contain not less than 50 per cent by weight of cotton fiber. Trade reports indicate that actual exports of cotton during the first half of August amounted to only about 100,000 bales, or approximately 18 per cent under those in the same period last year, but press reports quoted the Secretary of Agriculture as stating that about 623,000 bales of cotton and cotton products were shipped or sold for export during the first two weeks of August.

The average price of spot cotton at the ten designated markets has shown a downward trend since the first of August and at the middle of the month was under the nine-cent level for the first time since early in May.

Reflecting the smaller supply of cottonseed available for crushing, operations at cottonseed oil mills in the United States during the 1938-1939 season were sharply lower than in the preceding season, but despite this contraction, activity was maintained at about an average level. With the exception of linters, the demand for cottonseed products declined during the past season; nevertheless, shipments of cake and

## CONSUMPTION, STOCKS AND EXPORTS OF COTTON

	(Bales)			
	July 1939	July 1938	June 1939	August 1 to July 31 This season
Consumption at:				
Texas mills . . . . .	9,182	10,731	10,355	122,460
United States mills . . . . .	521,405	448,453	578,448	6,860,247
U.S. stocks—end of month:				
In consuming estab'ts . . . . .	861,656	1,262,532	1,021,236	.....
Public stg. & compresses . . . . .	11,620,955	9,645,907	11,943,683	.....
Exports from U. S. to:				
United Kingdom . . . . .	7,815	30,707	9,853	401,370
France . . . . .	2,892	4,398	3,234	338,023
Italy . . . . .	14,913	22,234	9,253	275,943
Germany . . . . .	14,699	9,303	14,575	321,335
Other Europe . . . . .	24,174	41,731	17,816	721,320
Japan . . . . .	18,755	69,675	28,000	864,278
All other countries . . . . .	23,283	17,758	30,903	404,571
Total exports . . . . .	106,531	195,706	113,634	3,326,840

## 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) . . . . .	1,068,257	1,760,548	4,258,904	6,621,356
Cottonseed crushed (tons) . . . . .	1,194,826	1,601,267	4,470,611	6,325,733
Cottonseed on hand July 31 (tons) . . . . .	54,504	182,073	119,880	337,118
Production of products:				
Crude oil (pounds) . . . . .	354,127,418	477,891,971	1,409,188,525	1,961,485,735
Cake and meal (tons) . . . . .	566,235	751,611	2,023,523	2,830,420
Hulls (tons) . . . . .	317,605	419,565	1,161,069	1,625,932
Linters (running bales) . . . . .	265,327	331,891	1,115,916	1,470,528
Stocks on hand July 31:				
Crude oil (pounds) . . . . .	8,923,230	3,258,562	53,358,547	9,722,283
Cake and meal (tons) . . . . .	25,065	46,569	120,794	214,611
Hulls (tons) . . . . .	29,280	31,124	78,104	133,153
Linters (running bales) . . . . .	127,329	105,430	484,853	457,464

SOURCE: Bureau of Census.

## CRUDE OIL PRODUCTION

	July, 1939		Increase or decrease in daily average production from	
	Total production	Daily avg. production	July, 1938	June, 1939
North Texas . . . . .	4,839,850	156,124	+ 9,255	+ 2,244
West Texas . . . . .	8,490,300	273,881	+30,192	+25,241
East Texas . . . . .	14,889,550	480,308	—52,405	+ 8,123
South Texas . . . . .	7,074,450	228,208	— 7,755	+ 2,878
Texas Coastal . . . . .	7,062,100	227,810	+16,605	+12,455
Total Texas . . . . .	42,356,250	1,366,331	— 4,108	+50,611
New Mexico . . . . .	3,371,200	108,748	+ 7,832	+ 943
North Louisiana . . . . .	2,186,200	70,523	—10,209	—2,672
Total District . . . . .	47,913,650	1,545,602	— 6,485	+48,882

SOURCE: The Oil Weekly, Houston, Texas.

## RECEIPTS, EXPORTS, AND STOCKS OF COTTON AT THE PORTS OF HOUSTON AND GALVESTON—(Bales)

	Increase or decrease in daily average production from			
	July 1939	July 1938	June 1939	August 1 to July 31 This season
Receipts . . . . .	76,173	42,812	66,500	2,122,144
Exports . . . . .	82,277	129,434	81,558	3,772,256
Stocks, end of month . . . . .	1,002,366	1,236,712	1,023,783	2,295,179



meal and hulls exceeded production and end-of-season stocks of these products were sharply lower than a year earlier. Shipments of cottonseed oil, on the other hand, were much smaller than production, with the result that inventories rose sharply and on July 31 were the largest of record for that date. During the past season exports of cottonseed products declined while imports showed a substantial increase.

Daily average production of crude oil in the Eleventh District and the United States increased about 3 per cent from June to July, and while output in this district was in about the same volume as a year ago, it was 8 per cent greater in the United States, reflecting chiefly the marked expansion in production in Illinois. Output in that state during July averaged approximately 271,000 barrels daily as compared with a daily production of only about 43,000 barrels in the corresponding month of 1938. Daily average production in the Eleventh District during July was about 3 per cent below demand as estimated by the Bureau of Mines; whereas, it was 1 per cent higher in the United States. Crude oil runs to refinery stills in the United States declined moderately in July from the record level established during June. In consequence of this reduction and the continued heavy demand for gasoline, stocks of motor fuel declined further by 6 per cent during the month. Nevertheless, inventories of gasoline on August 5 were still 1 per cent greater than on that date last year. Stocks of crude oil showed a further moderate decline during the month. Drilling activity increased considerably from June to July, and although the daily average number of wells completed in this district was 10 per cent lower than in July, 1938, it was 9 per cent larger in the United States.

During the second week of August prices of crude oil in the mid-continent area were reduced by an average of about 20 cents per barrel by some major purchasers, with the result that the new schedules brought prices to the lowest levels since September, 1933. Following the reduction in crude oil prices, the Texas Railroad Commission ordered a 15-day shutdown, effective August 15, of virtually all wells in the State. Similar orders have also been issued by production authorities in some other leading oil-producing states.

Following declines in the preceding two months, the value of construction contracts awarded in this district increased 8 per cent during July, but the total was moderately lower than in July, 1938. Residential and public utility construction rose sharply during the month, the value in each case exceeding that of a year ago by a wide margin. With the exception of April this year, awards for residential building were larger than for any other month since May, 1928. The expansion in residential building is accounted for largely by the letting of contracts for the construction of United States Housing Authority slum-clearance projects, and for army barracks at San Antonio, Texas. The value of awards for one-family dwellings was slightly lower in July than in June. The value of awards for non-residential building and public works construction during July was much smaller than in either the preceding month or the corresponding month last year.

#### FINANCE

Total earning assets of the Federal Reserve Bank of Dallas showed a further decline of \$2,720,000 between July 15 and August 15, reflecting this bank's pro rata share of the net reduction in the System's holdings of United States Government securities. Total bills discounted by this bank increased slightly during the month, but continued below those of a year ago. During the first half of August daily average reserves of member banks maintained at the Federal Reserve Bank of Dallas increased to an all-time high record, and in

consequence of a much smaller expansion in required reserves, estimated excess reserves rose sharply to the highest level since February, 1937. This bank's circulation of Federal Reserve notes increased further during the month ended August 15, and on that date the total was about \$2,000,000 greater than a year ago.

Loans at weekly reporting member banks in leading cities of the Eleventh District, which had increased by \$16,600,000 between January 18 and July 12, showed a nonseasonal decline of \$5,456,000 during the subsequent four weeks. There was a substantial liquidation in loans to brokers and dealers in securities and a decrease in advances for commercial, industrial and agricultural purposes, which were only partially counterbalanced by moderate increases in other types of loans. Total loans on August 9 were about \$24,500,000

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

	Aug. 15, 1939	Aug. 15, 1938	July 15, 1939
Total cash reserves.....	\$243,564	\$200,456	\$230,650
Discounts for member banks.....	375	510	346
Other bills discounted.....	59	None	59
Industrial advances.....	552	848	567
Bills bought in the open market.....	16	16	16
United States Government securities.....	93,291	84,993	96,025
Total earning assets.....	94,293	86,337	97,013
Member bank reserve deposits.....	195,803	169,721	185,932
Federal Reserve notes in actual circulation.....	77,273	75,306	76,955
Commitments to make industrial advances.....	None	51	None

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

	Aug. 9, 1939	Aug. 10, 1938	July 12, 1939
Total loans and investments.....	\$510,859	\$488,486	\$513,540
Total loans.....	250,993	226,507	256,449
Commercial, industrial and agricultural loans.....	164,490	143,884	169,856
Open market paper.....	1,687	1,665	1,652
Loans to brokers and dealers in securities.....	3,515	2,562	5,125
Other loans for purchasing or carrying securities.....	13,807	13,838	13,582
Real estate loans.....	21,231	20,703	21,061
Loans to banks.....	448	642	346
All other loans.....	45,815	43,213	44,827
United States Government direct obligations.....	159,481	170,741	158,185
Obligations fully guaranteed by United States Govt.....	45,127	39,975	44,078
Other securities.....	55,258	51,263	54,828
Reserves with Federal Reserve Bank.....	124,972	101,381	121,714
Balances with domestic banks.....	246,369	211,600	251,946
Demand deposits—adjusted*.....	448,533	400,097	458,737
Time deposits.....	135,562	132,581	135,207
United States Government deposits.....	31,841	24,932	31,115
Interbank deposits.....	217,397	194,079	214,516
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.

#### DEBITS TO INDIVIDUAL ACCOUNTS (In thousands of dollars)

	July 1939	July 1938	Pctg. change over year	June 1939	Pctg. change over month
Abilene.....	\$ 7,845	\$ 7,697	+ 1.9	\$ 8,158	— 3.8
Austin.....	32,709	29,479	+11.0	34,295	— 4.6
Beaumont.....	22,253	22,087	+ .8	22,713	— 2.0
Corsicana.....	2,841	2,641	+ 7.6	2,826	+ .5
Dallas.....	238,816	214,666	+11.3	245,569	— 2.7
El Paso.....	25,648	23,438	+ 9.4	25,521	+ .5
Fort Worth.....	83,800	83,913	— .1	84,088	— .3
Galveston.....	21,864	26,650	—18.0	22,541	— 3.0
Houston.....	214,484	207,763	+ 3.2	220,186	— 2.6
Port Arthur.....	8,695	8,226	+ 5.7	9,567	— 9.1
Roswell.....	4,283	4,056	+ 5.6	4,499	— 4.8
San Antonio.....	67,706	65,382	+ 3.6	75,392	—10.2
Shreveport.....	40,911	39,665	+ 3.1	41,868	— 2.3
Texarkana*.....	6,624	6,904	— 4.1	6,340	+ 4.5
Tucson.....	9,588	9,996	— 4.1	11,546	—17.0
Tyler.....	10,901	11,127	— 2.0	12,221	—10.8
Waco.....	12,680	11,791	+ 7.5	13,474	— 5.9
Wichita Falls.....	14,393	15,509	— 7.2	15,065	— 4.5
Total.....	\$826,041	\$790,990	+ 4.4	\$855,869	— 3.5

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

#### SAVINGS DEPOSITS July 31, 1939

	Number of reporting banks	Number of savings depositories	Amount of savings deposits	savings deposits from	
				July 31, 1938	June 30, 1939
Beaumont.....	3	9,952	\$ 3,851,623	+ 1.1	— 1.8
Dallas.....	8	89,288	26,714,238	+ 1.5	— 3.3
El Paso.....	2	17,106	8,240,044	+ 3.8	— 1.3
Fort Worth.....	3	35,947	13,836,825	+ 2.6	— 3.3
Galveston.....	4	18,649	12,127,027	+ 3.8	+ .2
Houston.....	10	75,188	30,409,748	+ 5.0	— .01
Port Arthur.....	2	5,952	2,936,685	+ 6.0	+ .5
San Antonio.....	5	23,682	18,320,646	+ 2.5	— 4.2
Shreveport.....	3	25,306	11,864,490	+ 4.1	+ 2.4
Waco.....	3	8,371	4,671,499	+ 1.8	+ .9
Wichita Falls.....	3	7,541	3,899,884	+ 5.3	— 2.0
All other.....	69	60,670	29,964,128	+ 3.2	— 1.3
Total.....	115	377,652	\$166,836,837	+ 3.2	— 1.5



higher than a year earlier. Investments of these banks were increased \$2,775,000 during the four weeks ended August 9, reflecting chiefly an expansion in holdings of United States Treasury bills. Total loans and investments on August 9 were \$2,681,000 smaller than four weeks earlier, but \$22,373,000 greater than a year ago.

Adjusted demand deposits at these banks, which had shown an upward trend since the beginning of the year, declined by \$10,204,000 between July 12 and August 9. This decrease was partially offset, however, by an expansion of \$3,962,000 in other classes of deposits, and on August 9 total deposits exceeded those of a year ago by \$81,644,000. These banks shifted a portion of their balances maintained at other domestic commercial banks to the Federal Reserve Bank with the result that reserves on August 9 were \$3,258,000 higher than four weeks earlier.

#### AGRICULTURE

Agricultural prospects in the Eleventh District were affected adversely by unfavorable weather conditions during July. Although general rains were received in most areas about the middle of the month, the hot, dry weather prevailing during the subsequent two weeks depleted moisture supplies and caused a deterioration in the condition of most crops. On August 1 the prospective per acre yields of most summer crops were below those of a year ago and the 1928-1937 averages. During the first two weeks of August rains fell over most sections of the district, but additional moisture would be beneficial in virtually all areas, particularly in central Texas, New Mexico and southeastern Arizona.

According to the August 1 report of the Department of Agriculture, the estimated production of cotton in this district during 1939 is 13 per cent less than in 1938, due principally to a smaller yield per acre. In Texas the condition of cotton on August 1 in nearly all of the principal producing areas was below that of a year ago, but there were only a few local areas where the crop was reported to be exceptionally poor. The indicated per acre yield in this state was placed at 142 pounds, as compared with an actual yield of 168 pounds in 1938 and a ten-year average yield of 147 pounds. Prospective production in Texas was forecast at 2,577,000 bales, representing declines of 17 and 37 per cent, respectively, from that of a year ago and the ten-year average. During the past three decades, there have been only two years, 1921 and 1934, when production was lower than the estimate for the current crop. Production estimates for Louisiana and New Mexico were moderately higher than a year ago, but declines were indicated for Oklahoma and Arizona. The production forecast for the United States was placed at 11,412,000 bales, which is 4 per cent less than the 1938 harvest. Reports indicate that damage to cotton in this district from insect infestation has been exceptionally light thus far this year.

The acreage planted to grain sorghums in Texas in 1939 was considerably larger than in 1938, but the crop has been damaged by hot, dry weather with the result that the estimated production on August 1 was 9 per cent lower than the 1938 harvest. The indicated production of this crop in Oklahoma and New Mexico is about the same as that of a year ago, but in Arizona it is almost 50 per cent smaller. The prospective production of peanuts is much higher than a year ago in Oklahoma and Texas due to increased acreages. The unfavorable weather prevailing in July reduced the prospective production of corn and tame hay, and caused a sharp decline in the condition of citrus trees in the Rio Grande Valley. The indicated production of rice in Texas is larger than last year's harvest due to the increased acreage.

Livestock ranges in most sections of the Eleventh District

showed some improvement during July, and the condition of range feeds in many areas is now fair to good. Moisture conditions at the end of the month, however, were not generally satisfactory, as rainfall during July was spotty. In much of north-central Texas, southeastern Arizona and portions of New Mexico, rainfall during the month was light and existing moisture supplies in these and some other areas were depleted by high temperatures. Since August 1 rainfall has been fairly general over the major portion of the range territory, and moisture conditions have shown an improvement. Cattle and calves held up well during July, and sheep and goats made good gains in those areas favored with improved range conditions. According to the Department of Agriculture, shipments of cattle and calves from Texas during the first half of 1939 exceeded those in that period of 1938 by 10 per cent; whereas, movements of sheep and lambs were about one-fifth smaller. The increase in shipments of cattle reflected in part the forced movements occasioned by poor range conditions.

The Department of Agriculture estimated the 1939 lamb crop in Texas at 4,030,000 head, which represents a decline of 13 per cent from the record number of lambs docked in 1938. The number of lambs docked in New Mexico increased somewhat in 1939, and in Arizona there was little change from that a year earlier. The United States lamb crop was about 1 per cent smaller than in 1938 but it was 3.7 per cent larger than in 1937.

The production of wool in Texas during 1939 was estimated by the Department of Agriculture at 76,809,000 pounds, which is 3 per cent smaller than the record production in 1938, but 32 per cent above the average production during the ten-year period 1928-1937. The decline in production this year occurred despite an increase of 2 per cent in the number of sheep shorn and resulted from the lighter weight per fleece, which was caused by the unfavorable effect on animals of the extended drouth that prevailed in the sheep growing territory during the winter and spring months of 1938-1939. The indicated wool production in New Mexico and Arizona is also smaller than a year ago due to both a smaller number of sheep shorn and a lighter weight per fleece. The estimated production in the United States was placed at 375,699,000 pounds, which compares with a production of 371,972,000 pounds in 1938.

CROP PRODUCTION  
(In thousands of units)

Crop	Unit	Texas		Eleventh District	
		Estimated Aug. 1, 1939	1938	Estimated Aug. 1, 1939	1938
Cotton.....	Bales	2,577	3,086	3,313	3,819
Winter wheat.....	Bushels	29,390	35,046	30,402	36,020
Corn.....	Bushels	80,355	75,648	94,320	91,577
Oats.....	Bushels	32,660	36,920	35,355	39,563
Grain sorghums.....	Bushels	42,744	46,951	59,031*	63,744*
Barley.....	Bushels	3,304	2,363	11,836*	6,757*
Tame hay.....	Tons	993	1,012	1,402	1,403
Rice.....	Bushels	13,158	13,005	13,158†	13,005†
Irish potatoes.....	Bushels	2,666	2,950	3,370	3,778
Sweet potatoes.....	Bushels	4,032	4,350	13,054‡	12,750‡
Peanuts.....	Pounds	128,700	117,000	154,505‡	142,000‡

\*Oklahoma, Texas, New Mexico and Arizona. †Texas only. ‡Texas, Oklahoma, and Louisiana. Other data for Eleventh District derived from estimates by states.

SOURCE: United States Department of Agriculture.

CASH FARM INCOME FROM SALE OF PRINCIPAL FARM PRODUCTS AND  
GOVERNMENT BENEFIT PAYMENTS  
(In thousands of dollars)

	June, 1939		Government payments	Total receipts		Jan. 1 to June 30 1939	1938
	Crops	Livestock*		June 1939	June 1938		
Arizona.....	\$ 1,260	\$ 1,222	\$ 328	\$ 2,810	\$ 2,517	\$ 21,039	\$ 24,603
Louisiana.....	1,405	1,641	2,327	5,373	4,002	35,879	35,375
New Mexico....	466	1,506	611	2,583	1,629	13,123	12,908
Oklahoma.....	6,540	6,523	4,179	17,242	15,984	71,608	69,776
Texas.....	11,222	17,543	10,269	39,034	33,116	182,145	189,684
Total.....	\$20,893	\$28,435	\$17,714	\$67,042	\$57,248	\$323,794	\$332,356

\*Includes receipts from the sale of livestock and livestock products.

SOURCE: United States Department of Agriculture.

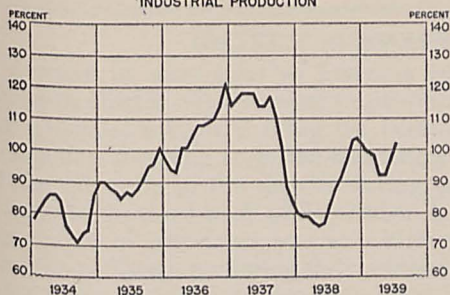


September 1, 1939

## NATIONAL SUMMARY OF BUSINESS CONDITIONS

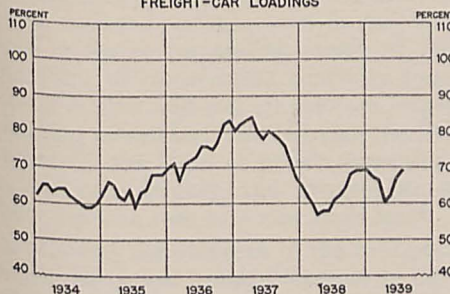
(Compiled by the Board of Governors of the Federal Reserve System)

## INDUSTRIAL PRODUCTION



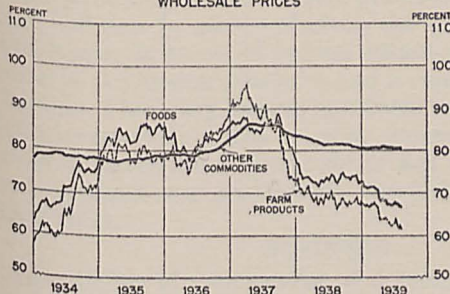
Index of physical volume of production adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934 to July, 1939

## FREIGHT-CAR LOADINGS



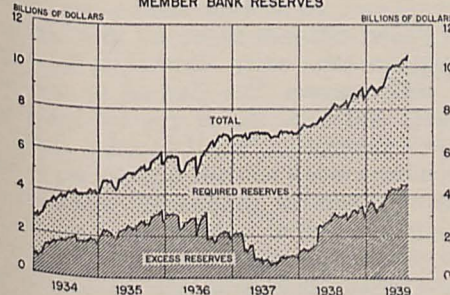
Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934, to July, 1939.

## WHOLESALE PRICES



Indexes compiled by the United States Bureau of Labor Statistics, 1926 = 100. By weeks, 1934 to week ending August 12, 1939.

## MEMBER BANK RESERVES



Wednesday figures of total member bank reserve balances at Federal Reserve banks, with estimates of required and excess reserves, January 3, 1934, to August 16, 1939.

In July industrial activity, seasonally adjusted, rose sharply and was close to the level reached last December. Prices of some industrial materials increased in recent weeks while those for agricultural products continued to decline.

## PRODUCTION

The Board's index of industrial production, according to preliminary returns, advanced to 102 per cent of the 1923-1925 average in July as compared with 98 in June and 92 in April and May. The advance in July reflected chiefly a considerable further increase in output of iron and steel, which usually declines at this season. Steel ingot production rose from an average rate of 52 per cent of capacity in June to 57 per cent in July and in the first three weeks of August was maintained around 60 per cent which for the month would represent about the usual seasonal increase. Lumber production showed little change in July, although a decline is usual.

In the automobile industry output showed a sharp seasonal curtailment during July and the first half of August, reflecting preparations for the shift to new model production which will be made about a month earlier this year than in other recent years.

Retail sales of new cars continued in excess of production and dealers' stocks were greatly reduced. Plate glass production declined sharply in July, following a substantial increase in June.

Changes in output of nondurable manufactures in July were largely of a seasonal nature. At cotton textile mills and meat-packing establishments activity showed somewhat less than the usual declines and at sugar refineries output increased from the low level reached in June. Flour production continued in substantial volume.

Mineral production expanded further in July as output of bituminous coal continued to increase and petroleum production, which had been reduced in June, rose sharply. On August 14 the Texas Railroad Commission ordered a shutdown of most Texas oil wells for 15 days, beginning August 15, and subsequently similar shutdowns were ordered in several other important oil producing states.

Value of construction contracts, as reported by the F. W. Dodge Corporation, increased somewhat in July, owing principally to a small rise in contracts for public projects. Awards for residential work, both public and private, were practically unchanged from the June total.

## EMPLOYMENT

Factory employment, which usually declines in July, was maintained this year at about the June level and payrolls showed a less than seasonal decrease, according to reports from a number of leading industrial states.

## DISTRIBUTION

Sales at department and variety stores in July showed about the customary seasonal decline. In the first half of August department store sales increased.

Freight-car loadings increased further from June to July. Loadings of coal continued to expand and shipments of miscellaneous freight, which usually decline at this season, showed little change.

## COMMODITY PRICES

Prices of most farm products and foods declined from the beginning of July to the middle of August. Some industrial materials, principally steel scrap, nonferrous metals, and textile fabrics, showed advances in this period, while crude petroleum prices were reduced.

## AGRICULTURE

On August 1 prospects for major crops were about the same as a month earlier, according to the Department of Agriculture. The first official estimate on cotton indicated a crop of 11,400,000 bales, somewhat smaller than last year's crop and 2,400,000 bales less than the 1928-1937 average. World carryover of American cotton, however, was estimated to have been somewhat larger on August 1 than the record volume of a year ago.

## BANK CREDIT

Total loans and investments of member banks in 101 leading cities increased substantially during the four weeks ending August 9, reflecting chiefly increases in holdings of United States Government obligations and the purchase by New York banks of a large share of a new issue of New York State short-term notes. Commercial loans continued to increase at New York banks but declined at banks in 100 other leading cities as corn and cotton loans that were approaching maturity were taken over by the Commodity Credit Corporation in accordance with a standing agreement. Deposits at reporting banks remained at high levels.

Excess reserves of member banks increased further to new high levels in the latter part of July and the first half of August, owing principally to gold imports and net Treasury disbursements, partly offset by a reduction in Federal Reserve bank holdings of Treasury bills.

## MONEY RATES

The average rate on new issues of 90-day Treasury bills has increased slightly in recent weeks and on August 10 was 0.032 per cent. Prices of Treasury bonds showed little change from the middle of July to the middle of August.