

Monthly Business Review

OF THE FEDERAL RESERVE BANK OF DALLAS

Volume 25, No. 1

Dallas, Texas, March 1, 1940

This copy is released for publication in morning papers— Mar. 1

DISTRICT SUMMARY

Business and industrial activity in the Eleventh District was fairly well sustained in January, after allowance is made for customary seasonal changes. The adjusted index of department store sales closely approximated the high levels attained in January and December, 1939, and distribution of merchandise through wholesale channels continued somewhat higher than a year ago. The value of construction contracts awarded during January was below that of the preceding month and the same month last year, but was considerably higher than the January total for any other recent year. Although the production of crude petroleum declined from December to January, it continued above that of January last year. Refinery operations exceeded those in either comparative month. January cotton consumption at Texas mills was larger than that for any month in recent years. Total loans at weekly reporting member banks in leading cities showed a noticeable seasonal decline during the first six weeks of 1940.

The agricultural and livestock industries were affected adversely by the low temperatures prevailing during much of January. The severe weather caused a shrinkage in livestock and considerable damage to crops and range feeds. On the other hand, moisture conditions have been improved by the rains and snows received thus far this year. The heavy rains that fell over a large portion of the district after the middle of February were especially beneficial, since they afforded much needed relief in some areas where the moisture deficiency was pronounced, aided the recovery of crops that were damaged by the January freezes, stimulated the growth of green range feeds, and left the soil in good condition for spring plowing and seeding operations.

BUSINESS

Consumer buying at department stores in principal cities of the Eleventh District continued very active in January. Department store sales, which had increased in December to the highest level for any month in more than ten years, declined by about the average seasonal amount in the initial month of 1940; as a consequence, this bank's seasonally adjusted index of sales showed little change from that recorded in December. The dollar value of sales in January was about 3 per cent larger than in the corresponding month of 1939, but the increase was accounted for by an extra business day in January this year. Business during the month was stimulated somewhat by extensive price reductions and clearance sales which were featured by merchants in an effort to clear shelves of winter merchandise. Preliminary reports indicate that sales during the first half of February were about the same as those in the corresponding two weeks of 1939, but on a seasonally adjusted basis, they were at a somewhat lower level than in the preceding month.

Stocks of merchandise at reporting firms were reduced by about the average seasonal amount in January and at the close of the month they were about 7 per cent greater than on that date last year. Collections declined seasonally during January, but they were well in line with those in the corresponding month of 1939.

Demand for merchandise during January at wholesale firms in seven lines of trade operating in the Eleventh District was in about the same dollar volume as in December

and 8 per cent greater than a year ago. Seasonal declines from the preceding month occurred in the sales of drugs, hardware, electrical supplies, and tobacco and tobacco products. Dealers in surgical equipment likewise experienced a reduction in sales. These declines, however, were virtually offset by increases in the business of grocery and machinery and equipment firms. While the demand for tobacco and surgical equipment was below that in January a year ago, all other reporting lines of trade participated in the expansion over a year ago, the gains ranging from 6 per cent for groceries and hardware to 26 per cent for machinery and equipment. Inventories of merchandise at reporting firms were increased seasonally in January and at the close of the month they were about 11 per cent greater than on that date in 1939. The rate of collections in January on accounts outstanding at the beginning of the month was approximately the same as in the corresponding month last year.

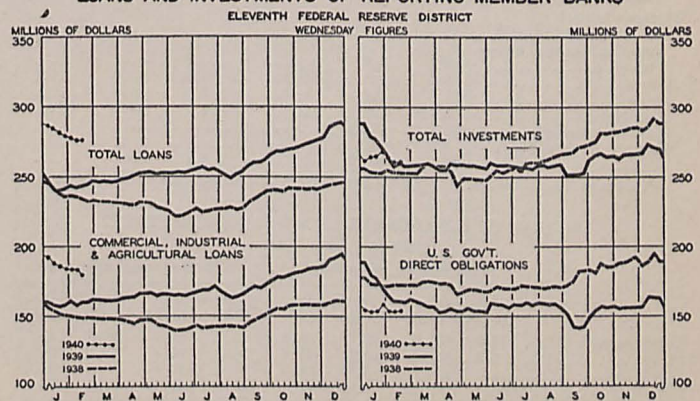
The number and liabilities of commercial failures in the Eleventh District increased moderately from December to January, but were sharply lower than in the corresponding month last year when liabilities of defaulting firms were the largest for any month since the summer of 1935. According to Dun & Bradstreet there were 23 insolvencies in January, with a total indebtedness of \$286,000.

AGRICULTURE

Weather conditions during January had varying effects upon the agricultural and livestock industries in the Eleventh District. Rains and snows over the major portion of the territory improved surface moisture conditions, although they were insufficient in many areas to offset the accumulated deficiency in subsoil moisture. Sub-freezing temperatures, which extended to the Lower Rio Grande Valley, pulverized the soil and placed the ground in good condition for spring plowing and planting operations, but caused a shrinkage in livestock and damaged considerably grain, citrus and truck crops and green range feeds.

The winter wheat crop in the Texas Panhandle apparently escaped serious injury from the low temperatures in January. Top growth was retarded, but a heavy snow cover provided protection against freezes and aided in the development of a good root system. In some areas of the State where grain crops received a poor start and were not protected by snow, damage was extensive, particularly to oats. For the State as a whole, the condition of grain crops on February 1 was far below the average for that date.

LOANS AND INVESTMENTS OF REPORTING MEMBER BANKS



In the commercial vegetable and citrus growing areas of south Texas the extent of the damage to all crops resulting from the freezes has not been fully determined, but it is apparent that crop losses were heavy. Tender vegetable crops were virtually destroyed and the production of beets, cabbage, green peas, Irish potatoes and spinach will be smaller than earlier expectations. The development and growth of those vegetable crops that appear to have escaped serious injury has been retarded, and harvesting will be somewhat later than usual. In the Lower Rio Grande Valley hardy winter crops suffered some damage, but cloudy weather during the period of low temperatures, together with the gradual moderation from the extreme temperatures, prevented heavy losses. Some acreages of truck crops for spring harvest will be replanted.

Citrus crops in the Lower Valley suffered severe damage, but the loss of trees is believed to be small. According to the Department of Agriculture, approximately 35 per cent of the citrus crops remaining for harvest was destroyed, which indicates a physical loss of 2,800,000 boxes of grapefruit and 280,000 boxes of oranges. Moreover, large quantities of grapefruit affected by the freezes were shipped to canneries during the cold weather for immediate utilization. The indicated production of grapefruit and oranges in Texas on February 1 amounted to 12,400,000 boxes and 2,450,000 boxes, respectively, which compares with an actual harvest of 15,670,000 boxes of grapefruit and 2,815,000 boxes of oranges from the 1938 blooms.

The severe weather also caused a marked decline in the condition of livestock ranges, particularly in the southern half of the district where winter grass and weeds were susceptible to damage from freezing temperatures. Prospects for grazing on grain pastures during the remainder of the winter is poor because of the set-back in growth these crops sustained in January. Despite the deterioration that occurred in January, the outlook for spring range feeds is generally good, since with the improved moisture conditions the new crop of range vegetation should make rapid growth. The condition of livestock declined in January, but animals were in good condition to withstand the cold weather and losses were very light, being limited largely to young calves and

lambs. Heavy supplemental feeding was general. According to the Department of Agriculture, the supply of grass-fat cattle and sheep for spring marketing should be fairly large in view of the generally favorable outlook for early spring grazing. Contracting for spring delivery, however, has been light thus far.

FINANCE

Following a recovery in the first half of January from a seasonal contraction in December, daily average reserves of member banks carried with the Federal Reserve Bank of Dallas showed little change in the subsequent four weeks. During the first half of February reserves averaged about \$218,000,000 daily, a total which was only slightly under the all-time high recorded in the first half of January and 21 per cent greater than that for the corresponding period of 1939. Required reserves likewise have been relatively steady since the first of the year, and as a result excess reserves have been maintained at a level about 60 per cent of required reserves. Earning assets of this bank increased slightly during the month ended February 15, but on that date the total was \$12,200,000 less than a year ago due chiefly to smaller holdings of United States Government securities. Federal Reserve notes of this bank in actual circulation reflected a further seasonal contraction between January 15 and February 15, but on the latter date the total was \$3,200,000 greater than a year earlier.

Total loans at weekly reporting member banks in this district declined \$11,600,000 during the first six weeks of 1940, reflecting the liquidation of commercial and industrial loans that usually occurs after the turn of the year and a contraction in "all other" loans, a substantial portion of which consists of personal loans. Although the net decline in loans thus far this year has been much more pronounced than that in the corresponding period of 1939, total loans on February 14 were still \$31,300,000 greater than a year earlier. The investments of reporting banks showed little net change during the first six weeks of 1940, which contrasts with a reduction of \$25,500,000 in the corresponding period of 1939. Security holdings at the middle of February were in about the same volume as on that date last year; whereas, at the beginning of 1940 they were \$27,000,000 smaller. Total loans and investments on February 14 this year were \$10,700,000 less than six weeks earlier, but \$31,000,000 greater than a year ago.

Following a marked decline in the last half of December, occasioned by the usual withdrawal of funds over the year-

WHOLESALE AND RETAIL TRADE STATISTICS

	Percentage change in:				Ratio Jan. collections to accounts outstanding January 1	
	Net sales		Stocks*		Regular	Instalment
	Jan., 1940 from January 1939	from December 1939	Jan., 1940 from January 1939	from December 1939		
Retail trade:						
Department stores:						
Total 11th Dist.	+ 3.1	-53.2	+ 6.5	- 1.1	41.0	15.1
Dallas.	+ 5.1	-50.3	- .3	- 3.1	39.6	16.5
Fort Worth.	+ 4.9	-62.7	+10.9	- 6.1	36.3	10.4
Houston.	+ 2.4	-51.6	+13.8	-13.8	40.8	...
San Antonio.	+ .6	-49.9	+ 6.7	+19.3	46.4	13.7
Other cities.	+ 1.1	-55.8	+13.4	+ 1.4	43.6	19.7
Independent stores:†						
Arizona.	+10.2	.....	.....	.....	.....	.....
Oklahoma.	- 5.0	-44.0	.....	.....	.....	.....
New Mexico.	+ 6.7	.....	.....	.....	.....	.....
Texas.	+ 2.7	-35.9	.....	.....	.....	.....
Wholesale trade:†						
Machinery, equipment & supplies (except electrical).....	+26.1	+ 8.3	.....	.....	.....	.....
Groceries.	+ 6.3	+ 6.4	+12.0	+ 4.4	88.9	.....
Drugs.	+15.2	-10.1	+ 7.2	+ 2.0	80.2	.....
Hardware.	+ 5.6	- 3.7	+13.6	+14.8	65.7	.....
Electrical supplies.	+24.2	-14.6	.....	.....	.....	.....
Tobacco and products.	- 6.0	-32.1	.....	.....	.....	.....
Surgical equipment.	-20.0	-15.2	+31.4	+ 8.1	35.2	.....

*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—Jan. 1940	Jan. 1939	Stocks—Jan. 1940	Jan. 1939
Total Eleventh Dist. .	112.6	113.9	69.8	65.2
Dallas.	110.2	108.8	68.3	68.4
Fort Worth.	111.4	110.0	65.8	56.3
Houston.	95.4	101.0	51.6	47.1
San Antonio.	83.8	86.3	62.0	56.6

CASH FARM INCOME (In thousands of dollars)

Source	Texas			Eleventh District*		
	1939	1938	1937	1939	1938	1937
Cotton.	\$120,862	\$136,051	\$212,433	\$193,501	\$210,900	\$296,126
Cottonseed.	17,538	19,982	32,092	28,496	31,170	45,955
All grains†.	36,034	38,521	54,892	90,640	92,764	124,766
Corn.	3,874	4,595	6,025	6,025	8,074	8,518
Wheat.	17,911	18,140	33,914	50,950	51,945	83,627
All vegetables‡.	23,466	21,431	29,429	46,060	43,088	53,296
Irish potatoes.	1,046	1,350	2,569	3,359	3,853	4,925
Truck crops.	20,519	17,985	24,366	37,556	33,606	42,399
Fruits and nuts.	11,530	10,569	15,222	20,795	18,962	26,876
Total all crops.	\$223,515	\$239,945	\$355,548	\$423,821	\$439,591	\$591,307
Livestock§.	218,713	217,391	243,922	405,617	389,075	427,264
Government payments.	110,755	68,814	36,010	170,189	113,245	62,112

Total farm income. \$552,983 \$526,150 \$635,480 \$999,627 \$941,911 \$1,080,683

*Eleventh District figures represent combined totals for the five states wholly or partially attached to the Eleventh District. †Includes corn, wheat, oats, barley, rice and grain sorghums. ‡Includes Irish and sweet potatoes and truck crops. §Includes receipts from the sale of livestock and livestock products.

SOURCE: United States Department of Agriculture.

FORT WORTH LIVESTOCK RECEIPTS (Number)

	January 1940	January 1939	Change over year	December 1939	Change over month
	Cattle.	41,595	48,488	-6,893	34,813	+ 6,782
Calves.	23,075	28,263	-5,188	23,602	+ 427
Hogs.	39,049	31,035	+ 8,014	31,568	+ 8,081
Sheep.	38,637	45,129	-6,492	24,496	+14,141

end, adjusted demand deposits at reporting banks increased sharply during the first six weeks of 1940 and on February 14 they were at a new all-time high. Interbank deposits have fluctuated widely thus far this year, and at the middle of February they were \$2,300,000 smaller than six weeks earlier. Total deposits on February 14 were \$22,500,000 greater than at the beginning of 1940 and \$108,000,000 above those of a year ago. The net expansion in deposits and the contraction in loans and investments since the turn of the year has augmented greatly the volume of idle funds held by these banks, most of which have been placed on deposit at other commercial banks in the United States.

INDUSTRY

Low temperatures prevailing during much of January retarded construction activity in the Eleventh District and apparently caused a delay in the letting of some contracts. Nevertheless, the value of contracts awarded was maintained in relatively large volume, the total for the month being only moderately below the average monthly value of awards for 1939. Contracts let for non-residential building expanded 20 per cent from December to January, and public works construction initiated during January, although 16 per cent lower than in December, was 50 per cent greater than the 1939 average. Following a sharp rise in December, awards for public utility construction declined by about 50 per cent in January, but continued much higher than a year ago. Residential building followed the downward trend that had been in evidence during the preceding four months. The value of awards for this type of construction was 30 per cent smaller than in January, 1939, and below that for any other month in almost two years. The contraction in residential building during recent months has been due largely to seasonal factors and to a reduction in awards for slum-clearance projects.

Daily average production of crude petroleum in the United States, which had risen to an all-time high level in December, declined in January due to a noticeable contraction in output in the Eleventh District occasioned by reduced allowances in Texas and New Mexico. In comparison with January last year, petroleum production in this district was only 2 per cent higher; whereas, in the United States it was up 10 per cent, reflecting chiefly the increased output in Illinois. In the latter State, daily average production amounted to about 351,000 barrels in January this year as compared with 137,000 barrels in the corresponding month of 1939. Utilization of crude petroleum during January was well in line with production, and in consequence stocks of crude oil showed little change over the month, the total at the end of the period being 13 per cent lower than a year ago. Following declines in the preceding two months, crude oil runs to refinery stills in the United States increased slightly in January, exceeding those of a year ago by a substantial margin. The expansion in refinery operations occurred simultaneously with a further decline in the consumption of motor fuel, with the result that gasoline stocks continued to increase. On February 3 inventories of this product were 10 per cent greater than five weeks earlier and were higher than at any time during 1939. Heavy consumption of gas and fuel oils during January resulted in a continuation of the sharp downward trend in stocks of these products, which are currently considerably below those of a year ago.

Discoveries of new supplies of crude oil in both the Eleventh District and the United States continued at a high rate during 1939. According to data compiled by the *Oil Weekly*, the proved petroleum reserves in this country on January 1, 1940, amounted to 18,750,000,000 barrels, this total being the highest of record and representing a net increase of about 8 per cent over that a year earlier. During the

past five years the amount of oil discovered has been about double the amount produced. For several years Texas has been responsible for a large share of the annual increase in petroleum reserves. During 1939 the net increase in reserves in this State amounted to 427,000,000 barrels, or 30 per cent of the nation's total, and exceeded that of any other state, despite the extensive discoveries in Illinois. The known

CONDITION OF THE FEDERAL RESERVE BANK

(In thousands of dollars)

	Feb. 15, 1940	Feb. 15, 1939	Jan. 15, 1940
Total cash reserves	\$248,535	\$204,187	\$256,177
Discounts for member banks	69	176	4
Other bills discounted	151	None	151
Industrial advances	483	621	487
Bills bought in the open market	None	16	None
United States Government securities	94,362	106,419	94,362
Total earning assets	95,065	107,232	95,004
Member bank reserve deposits	217,582	178,503	222,741
Federal Reserve notes in actual circulation	80,431	77,208	81,386
Commitments to make industrial advances	None	44	None

CONDITION STATISTICS OF MEMBER BANKS IN LEADING CITIES

(In thousands of dollars)

	Feb. 14, 1940	Feb. 15, 1939	Jan. 10, 1940
Total loans and investments	\$537,126	\$506,428	\$548,172
Total loans	275,186	243,933	283,965
Commercial, industrial and agricultural loans	182,522	160,243	188,170
Open market paper	2,040	833	1,749
Loans to brokers and dealers in securities	2,892	2,943	3,033
Other loans for purchasing or carrying securities	13,963	14,462	14,145
Real estate loans	21,921	19,373	22,416
Loans to banks	246	224	236
All other loans	51,602	45,855	54,216
United States Government direct obligations	153,167	161,185	153,132
Obligations fully guaranteed by United States Govt.	51,936	45,089	53,596
Other securities	56,837	56,221	57,479
Reserves with Federal Reserve Bank	141,473	107,938	138,522
Balances with domestic banks	294,248	290,580	261,903
Demand deposits—adjusted*	474,822	430,472	459,494
Time deposits	135,788	134,499	137,122
United States Government deposits	31,016	33,894	32,689
Interbank deposits	282,547	217,170	270,659
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 the 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
January, 1938	\$1,116,242	\$215,115	\$608,648	\$119,174	\$507,594	\$ 95,941
January, 1939	1,192,054	223,681	672,652	123,805	519,402	99,376
September, 1939	1,255,034	231,820	729,653	128,084	525,981	103,736
October, 1939	1,305,705	231,363	760,455	127,567	545,250	103,796
November, 1939	1,340,118	232,340	777,045	128,081	563,073	104,259
December, 1939	1,344,386	234,145	777,931	130,299	566,455	103,846
January, 1940	1,340,235	233,470	775,643	129,435	564,592	104,035

DEBITS TO INDIVIDUAL ACCOUNTS

(In thousands of dollars)

	January 1940	January 1939	Pctg. change over year	December 1939	Pctg. change over month
Abilene	\$ 9,050	\$ 8,571	+ 5.6	\$ 9,917	- 8.7
Austin	36,684	31,487	+16.5	39,330	- 6.7
Beaumont	25,262	23,106	+ 9.3	26,738	- 5.5
Corsicana	3,546	3,477	+ 2.0	4,220	-16.0
Dallas	277,437	246,274	+12.7	326,097	-14.9
El Paso	31,518	30,220	+ 4.3	35,877	-12.1
Fort Worth	89,184	83,877	+ 6.3	104,386	-14.6
Galveston	28,396	28,403	0.0	29,689	- 4.4
Houston	257,517	230,312	+11.8	283,263	- 9.1
Port Arthur	9,773	9,266	+ 5.5	10,723	- 8.9
Roswell	4,255	4,164	+ 2.2	5,639	-24.5
San Antonio	70,445	67,880	+ 3.8	78,508	-10.3
Shreveport	47,817	45,205	+ 5.8	54,966	-13.0
Texasiana*	7,272	7,160	+ 1.6	9,328	-22.0
Tucson	12,353	11,905	+ 3.8	13,159	- 6.1
Tyler	12,166	12,143	+ .2	13,621	-10.7
Waco	13,996	14,177	- 1.3	16,926	-17.3
Wichita Falls	16,057	14,149	+13.5	17,997	-10.8
Total	\$952,728	\$871,776	+ 9.3	\$1,080,384	-11.8

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

SAVINGS DEPOSITS

January 31, 1940

	Number of reporting banks	Number of savings depositors	Amount of savings deposits	Percentage change in savings deposits from	
				Jan. 31, 1939	Dec. 31, 1939
Beaumont	3	9,927	\$ 3,928,815	+ 1.0	+ .2
Dallas	8	89,404	26,422,708	- 1.6	- 1.0
El Paso	2	17,842	8,320,911	+ 2.2	- 1.9
Fort Worth	3	35,839	13,197,915	- 3.6	- .5
Galveston	4	18,839	12,176,635	+ 1.6	+ .3
Houston	10	76,513	30,975,865	+ 5.2	- .1
Port Arthur	2	5,786	3,105,278	+ 8.5	- .2
San Antonio	5	22,713	17,909,650	- 5.2	- 1.6
Shreveport	3	25,286	12,023,437	+ 4.9	+ 8.8
Waco	3	8,329	4,702,437	+ 4.4	- 1.2
Wichita Falls	3	7,271	3,736,378	- 2.4	- 1.5
All other	69	60,787	30,326,109	+ 3.1	+ .6
Total	115	378,836	\$166,826,138	+ 1.0	- .4

reserves in the Eleventh District on January 1, 1940, constituted about 60 per cent of the total in the United States.

Producing wells in the United States at the beginning of 1940 numbered 381,000, or approximately 11,500 more than at the beginning of 1939. One-half of the net expansion during the year occurred in the Eleventh District, bringing the estimated number of producers to about 95,000 on January 1, 1940. The rate of production per well in the nation as a whole amounted to 9.7 barrels daily in 1939, which compares with an average of about 17.5 barrels daily in the Eleventh District.

The daily average number of wells completed in the United States during January was lower than in December but about 29 per cent larger than in January, 1939. The increase over a year ago in the Eleventh District, however, was only about 14 per cent. The number of drilling rigs in operation in this district at the beginning of February was 4 per cent greater than a month earlier and 13 per cent above that of a year ago.

Cotton mill activity in the United States, as measured by the volume of cotton consumed, increased from December to January, and continued much higher than in the corresponding month a year earlier. Although the expansion over the preceding month was smaller than the average gain for that season, it will be recalled that cotton consumption was exceedingly heavy in December. Moreover, the 730,000 bales of cotton consumed in January this year was, with one exception, the largest for any month for which data are available. During the first half of the current season domestic mills utilized over 4,000,000 bales of cotton, which is greater than that for any corresponding period and 19 per cent larger than the amount processed in the first six months of the 1938-39 season. New orders for cotton textiles were apparently below output in January, with a consequent reduction in the backlog of unfilled orders that had been accumulated during the latter part of 1939. Trade reports indicate that at some mills unsold inventories of cotton products increased in January. Prices of most types of cotton textiles have declined somewhat since the first of the year but they are still appreciably higher than a year ago. Following substantial increases in the preceding four months, mill stocks of raw cotton were reduced 4 per cent in January, but the total at the end of the month was considerably larger than on the same date last year. Supplies of cotton in public storage and compresses were reduced sharply further in January, and at the close of the month they were 11 per cent

VALUE OF CONSTRUCTION CONTRACTS AWARDED (In thousands of dollars)

	January 1940	January 1939	December 1939
Eleventh District—total.....	\$ 15,344	\$ 18,221	\$ 17,603
Residential.....	4,366	6,227	4,762
All other.....	10,978	11,994	12,841
United States*—total.....	196,191	251,673	354,093
Residential.....	77,400	80,163	88,681
All other.....	118,791	171,510	265,417

*37 states east of the Rocky Mountains.
SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

	January, 1940		Pctg. change valuation from	
	Number	Valuation	Jan., 1939	Dec., 1939
Abilene.....	19	\$ 64,035	— 19.0	+282.4
Amarillo.....	47	132,747	— 22.8	+ 24.2
Austin.....	291	483,268	— 42.6	+ 75.2
Beaumont.....	75	78,700	— 14.3	— 7.8
Corpus Christi.....	192	1,311,810	+ 34.0	+636.1
Dallas*.....	431	872,378	— 40.9	+ 40.0
El Paso.....	58	135,717	— 43.6	— 15.8
Fort Worth.....	155	283,113	— 14.7	— 29.8
Galveston.....	102	335,590	+149.0	+213.4
Houston.....	401	3,065,705	+ 79.7	+ 88.9
Port Arthur.....	70	65,258	— 52.8	— 6.5
San Antonio.....	436	437,082	— 30.4	— 5.4
Shreveport.....	127	307,555	— 4.9	+ 14.2
Waco.....	71	152,943	— 49.4	+166.9
Wichita Falls.....	28	88,030	+ 51.8	— 66.4
Total.....	2,503	\$8,415,431	+ 7.4	+ 67.7

*Includes Highland Park and University Park.

smaller than a year earlier.

A major factor contributing to the heavy withdrawal of cotton from public storage has been the noticeable increase in foreign demand for American cotton. Exports thus far this season have been at the highest rate in six years and they were nearly double those in the first half of the 1938-1939 season. In January, shipments were in excess of 1,000,000 bales. Although it was usual for exports to equal or exceed that figure in some early months of each season between 1924 and 1933, there has been only one month since that time in which exports exceeded those in January this year. Shipments to Great Britain and France were very large during January, accounting for more than one-half the total. Likewise, these countries have taken about 44 per cent of the cotton exported from the United States in the six months ended January 31, 1940. China and Spain have again become important purchasers of American cotton, takings in the first half of the current season having totaled 468,750 bales as compared with only 40,825 bales in the same period of the 1938-1939 season. Exports this season have been stimulated by favorable prices of American cotton in relation to foreign grown cotton, the Government export subsidy, a disposition of foreign buyers to replenish depleted stocks of American cotton, and the large consumption of cotton in some foreign countries.

Raw cotton prices in the United States fluctuated within a comparatively small range during the first six weeks of 1940. On February 15 the price of cotton, middling, 15/16-inch staple, at the ten spot markets averaged 10.81 cents per pound, which was 3 per cent lower than at the beginning of the year, but about one-fourth higher than on that date last year.

According to the *Rayon Organon* the production and consumption of rayon in the United States recorded new highs in 1939. Production amounted to 384,000,000 pounds, which was about one-third greater than in 1938, and consumption totaled 462,000,000 pounds, or 41 per cent above that in the preceding year. Imports of rayon fiber in 1939 were more than double those in 1938.

CRUDE OIL PRODUCTION (Barrels)

	January, 1940		Increase or decrease in daily average production from	
	Total production	Daily avg. production	Jan., 1939	Dec., 1939
North Texas.....	5,008,650	161,569	+17,137	— 7,542
West Texas.....	8,305,900	267,932	+29,690	— 17,073
East Texas.....	14,716,100	474,713	+ 2,174	— 72,584
South Texas.....	6,452,450	208,144	— 29,145	— 18,632
Texas Coastal.....	7,090,400	228,723	+13,721	— 17,333
Total Texas.....	41,573,500	1,341,081	+33,577	—133,164
New Mexico.....	3,230,200	104,200	+ 5,502	— 4,916
North Louisiana.....	2,128,150	68,650	— 2,895	— 726
Total District.....	46,931,850	1,513,931	+36,184	—138,806

SOURCE: *The Oil Weekly*, Houston, Texas.

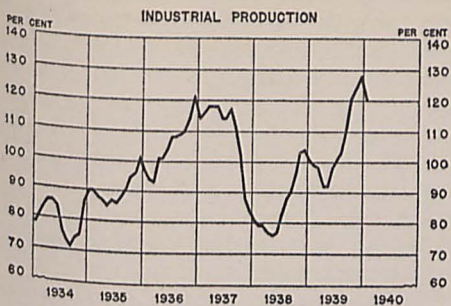
CONSUMPTION, STOCKS AND EXPORTS OF COTTON

	(Bales)			August 1 to This season	January 31 Last season
	January 1940	January 1939	December 1939		
Consumption at:					
Texas mills.....	12,827	10,378	11,049	71,002	61,755
United States mills.....	730,143	598,132	652,695	4,041,845	3,396,840
U. S. stocks—end of month:					
In consuming estab'mts.....	1,776,931	1,630,427	1,859,664	.....	.....
Public stg. & compresses.....	13,206,819	14,757,627	14,581,642	.....	.....
Exports from U. S. to:					
United Kingdom.....	379,699	41,465	162,873	1,333,297	285,458
France.....	178,310	20,691	67,451	487,674	293,734
Italy.....	67,527	22,036	93,761	310,728	173,129
Germany.....	106,917	31,399	None	18,992	200,135
Other Europe.....	161,019	59,696	169,825	815,525	486,351
Japan.....	70,954	123,932	583,190	583,190	528,351
All other countries.....	133,156	43,273	188,878	611,637	224,693
Total exports.....	1,026,628	289,514	806,720	4,161,043	2,191,881
RECEIPTS, EXPORTS, AND STOCKS OF COTTON AT THE PORTS OF HOUSTON AND GALVESTON—(Bales)					
Receipts.....	331,642	105,277	471,859	3,032,522	1,816,237
Exports.....	503,351	237,303	455,738	2,393,202	1,469,064
Stocks, end of month.....	1,586,136	1,557,085	1,762,632	.....	.....

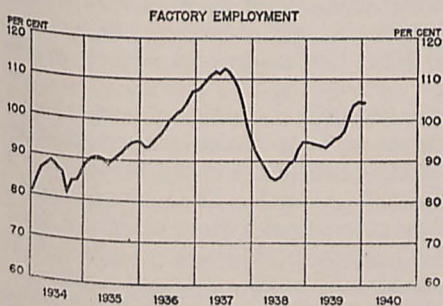
MARCH 1, 1940

NATIONAL SUMMARY OF BUSINESS CONDITIONS

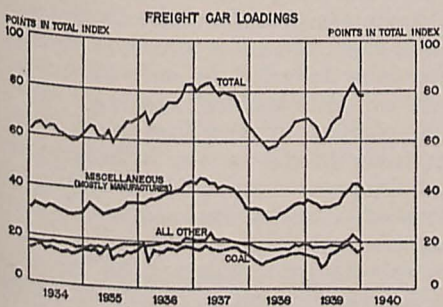
(Compiled by the Board of Governors of the Federal Reserve System)



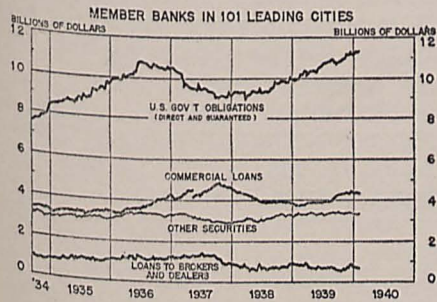
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934 to January, 1940.



Index of number employed, adjusted for seasonal variation, 1923-1925 average = 100. By months, January, 1934 to January, 1940.



Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average = 100. Miscellaneous, coal, and all other expressed in terms of points in the total index. By months, January, 1934 to January, 1940.



Wednesday figures, September 5, 1934 to February 10, 1940. Commercial loans based on new classification beginning May 19, 1937.

In January and the first half of February industrial activity declined from the high level reached in the latter part of 1939. Retail trade, which had been in large volume, decreased more than seasonally, while merchandise exports were maintained.

PRODUCTION

Volume of industrial production declined somewhat from December to January, and consequently the Board's index, which allows for a considerable seasonal increase, dropped sharply from the high level of 128 reached in December to 120 in January. Data available for the first half of February indicate a further sharp reduction in the index.

Steel ingot production, which had been above 90 per cent of capacity during most of the fourth quarter of 1939, has declined steadily since the turn of the year and by the middle of February was at about 69 per cent of capacity. Plate glass production, which also had reached high levels in the latter part of 1939, was reduced in January and lumber production showed a considerable decrease owing in part to unusually cold weather in the Southern regions. Automobile production in January was larger than is usual at this season. In the latter part of the month, however, and in the first half of February, as retail sales of new cars declined seasonally and dealers' stocks, which had been lower than usual at the beginning of the year, rose rapidly, the output of cars declined. In the machinery industries activity was generally sustained at the advanced levels reached in December.

Output of cotton textiles in January continued at about the high rate of other recent months but production of woolen textiles declined further from the peak levels of October and November, and output of silk products remained in small volume. Activity at meat-packing establishments was maintained in January at the high level prevailing for several months. Coal production rose sharply, following a marked reduction in December, and was at about the high level reached last October. Output of crude petroleum continued in large volume.

Value of contracts awarded for both public and private construction declined considerably in January, according to reports of the F. W. Dodge Corporation. Awards for private residential building showed a greater than seasonal reduction and were lower than the level prevailing a year ago. Contracts for other private work declined somewhat but remained in larger volume than in the corresponding period last year.

EMPLOYMENT

Factory employment and pay rolls, which had risen sharply during the latter half of 1939, declined by somewhat more than the usual seasonal amount from the middle of December to the middle of January, according to reports from leading industrial States.

DISTRIBUTION

Sales at department stores, variety stores, and mail-order houses in January declined more than seasonally from the high level of December. Total freight-car loadings showed a seasonal decline; shipments of miscellaneous freight and grain decreased, while coal loadings increased considerably.

FOREIGN TRADE

Exports of United States merchandise, which usually decline in January, were maintained this year at the high level reached in December. Shipments of cotton, which have been large in recent months, rose further, while exports of many industrial products declined. Exports to the United Kingdom increased sharply, owing mainly to larger cotton shipments.

Reflecting principally acquisitions of foreign gold, the country's monetary gold stock increased by \$287,000,000 during January and by \$132,000,000 in the first two weeks of February.

COMMODITY PRICES

Prices of copper, lead, and silk showed marked declines from the middle of January to the middle of February and there were smaller decreases in prices of some other basic industrial materials, such as steel scrap, wool, and textile yarns. Prices of foodstuffs, on the other hand, showed little change in this period.

GOVERNMENT SECURITY MARKET

Prices of United States Government securities declined slightly during the latter half of January from the recovery peak reached early in the month but regained part of these losses during the first half of February.

BANK CREDIT

Total loans and investments at reporting member banks in 101 leading cities rose during the five weeks ending February 7 as a result of increases in holdings of Government securities at New York City banks. Loans to security brokers and dealers and commercial loans declined. Demand deposits continued to increase during the period.

CASH FARM INCOME IN THE ELEVENTH FEDERAL RESERVE DISTRICT

Revised estimates of cash income of farmers in the five states wholly or partially included in the Eleventh Federal Reserve District show that cash receipts from the sale of farm products, including livestock, during 1939 were approximately the same as in 1938 but nearly one-fifth smaller than in 1937. The revised estimates, which make allowance for revisions in estimated production of farm products and in average prices received by farmers, reflect upward adjustments in income for each of the past four years, the most pronounced increases being in cash receipts from marketings of livestock and livestock products. Cash income from the latter sources during 1939 was estimated at \$406,000,000, which was 4 per cent greater than in 1938, but 5 per cent less than the revised estimates for 1937. The expansion over 1938 in cash income from operations of the livestock industry offsets a corresponding decline in cash receipts from the sale of farm crops. Cash income from crops last year amounted to \$424,000,000, which was below that for any other year since 1934. Supplementing cash receipts from the sale of farm products, Government benefit payments to farmers of \$170,000,000 during 1939 were 50 per cent greater than the amount disbursed in 1938, the year in which the previous maximum was reached. When Government payments are included, farm income from all sources in 1939 was 6 per cent larger than that in the preceding year.

The accompanying chart portrays the marked variations in cash income of farmers in this district during the past sixteen years. During the five years from 1924 through 1928 cash receipts averaged approximately \$1,300,000,000 annually. In the subsequent four years, cash income declined sharply, reaching a depression low of about \$500,000,000 in 1932. Since that time cash farm income from the sale of products has shown an upward trend and cash receipts from marketings have been augmented considerably by Government benefit payments. The expansion in cash income since 1932, however, has not been shared proportionately by all branches of the agricultural and livestock industries. Cash income from the sale of crops in 1939 was less than one-half the 1924-1928 average and only 29 per cent greater than in 1932. On the other hand, receipts from marketings of livestock and livestock products in 1939 were nearly two and one-half times the low income of 1932 and 38 per cent greater than the five-year average.

An important factor in the variation in cash income over the sixteen-year period has been the wide fluctuations in prices received by farmers for their products. On the whole, prices of farm products were at a comparatively high level from 1924 through 1928, the general index being 46 per cent above the 1910-1914 average. In the subsequent four years, however, when cash farm income was declining, average prices of farm products fell about 56 per cent, or nearly as much as the percentage decrease in cash farm income during that period. After 1932 there was a sharp recovery in prices, and by 1937 the index of farm prices had risen to the highest level since 1930. Cash farm income also reached its post-depression high in 1937, but the larger income was not due entirely to the higher prices, since the production of some major crops was very large. There were also heavy marketings of livestock and livestock products in 1937 at favorable prices. The smaller cash income from agricultural crops during the past two years has resulted not only from the lower level of prices but also from the smaller production of some of the principal cash crops.

From the standpoint of individual commodities, the most significant change over the period has occurred in cash receipts from the sale of cotton. During the five years from 1924 to 1928 cash income from that commodity was heavy

due both to a large annual production and to the relatively high average prices. The sharp decline in cotton prices from 1928 to 1932 was largely responsible for the reduction in cash income from cotton during that period, the total having dropped to an amount less than one-third of the 1924-1928 average. Cash receipts from the sale of cotton have varied considerably during the past few years; yet, in 1937, when production was equivalent to the 1924-1928 average, income from that source was only 50 per cent larger than in 1932. Cash income from marketings of cotton in 1939 was virtually the same as that in 1932, the higher prices received being about counterbalanced by the smaller production.

Cash income from the sale of wheat, which had declined materially from 1929 to 1932, also reached a post-depression high in 1937 when cash receipts were about four times those five years earlier and 12 per cent above the 1924-1928 average. In comparison with 1937, smaller production and lower prices in 1938 and 1939 reduced cash income from marketings of wheat by about 40 per cent, but in each of the latter years cash receipts were nearly three times those in 1932. Cash income from the sale of truck crops in 1939 was likewise smaller than in 1937; but it was higher than in any other year of record.

In contrast with the moderate recovery of cash receipts from the sale of farm crops, cash income from marketings of livestock and livestock products has expanded sharply in recent years. The restricted production of some agricultural products since 1932 has encouraged a more extensive development of the livestock industry in order to utilize more effectively the non-commercial crops and to provide new sources of revenue. Virtually all branches of the livestock industry have contributed to the expansion of cash farm income that has occurred in the past seven years. One factor has been the growth in the sheep industry over the past sixteen years which has made possible sharp increases in marketings of sheep and wool. There has also been a noticeable expansion in the dairy industry. In each of the past few years, marketings of cattle and calves have been in record or near record volume, and prevailing prices on the whole have been favorable in comparison with those for principal farm crops. Average annual cash receipts from operations of the livestock industry during the past four years have constituted 45 per cent of total farm income, as against an average of only 23 per cent during the five years from 1924 to 1928. This rising proportion of total cash farm income derived from the sale of livestock and livestock products has been due to larger aggregate cash receipts, as well as to the lower cash income from the sale of agricultural crops. As pointed out previously, Government benefit payments have been assuming increasing importance in total farm income; in 1939, they were equivalent to 20 per cent of the amount received from the sale of farm products.

