

MONTHLY BUSINESS REVIEW

of the FEDERAL RESERVE BANK of Dallas

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DISTRICT SUMMARY

The output of manufactures in the Eleventh District and the distribution of commodities to consumers continued heavy in January, exceeding the respective totals for the opening month of 1940 by a substantial margin. Employment and payrolls were maintained at a considerably higher level than a year ago. Department store sales declined by less than the average seasonal amount from December to January, and on a seasonally adjusted basis they were near the all-time high. At reporting wholesale trade firms business increased noticeably to a level 17 per cent higher than in January last year. The value of construction contracts awarded declined somewhat from the record total reported in December, but continued much greater than in the corresponding month a year earlier. Daily average crude oil production declined fractionally from December to January, but refinery operations were stepped up, crude oil runs to stills being the highest of record. Production and shipments of lumber increased sharply, following the usual year-end decline. Operating schedules were above those of a year ago at meat-packing establishments and at mills producing cotton textiles, cottonseed products and flour. Production of brick and tile and structural iron and steel products continued to expand. The high level of business and industrial activity is stimulating the demand for bank credit; total loans at weekly reporting banks in this district increased during the first six weeks of this year, although a decline ordinarily occurs at that time.

BUSINESS

Consumer purchases at reporting department stores in this district during January were at the highest level of record for that particular month, and on a seasonally adjusted basis they were near the all-time peak. This bank's index of department store sales, which makes allowance for customary seasonal variations, rose from 116 per cent of the 1923-1925 average in December to 126 per cent in January. The latter figure compares with an index of 113 per cent in January, 1940. The dollar value of sales in January was 14 per cent greater than a year earlier, and reports show that the gain was general among reporting stores located throughout the district. During the first half of February, the distribution of merchandise at weekly reporting department stores was one-fifth greater than in the corresponding period of 1940.

The value of merchandise inventories at reporting firms showed little net change during January, but at the month-end stocks on hand were valued 2 per cent higher than those held at the close of January, 1940.

The aggregate distribution of merchandise through 72 reporting wholesale firms operating in six lines of trade in this district increased 5 per cent from December to January, and total sales in the latter month were 17 per cent greater than in January, 1940. Only one line of trade failed to participate in the gain over the year, which was the largest reported in many months. The distribution of durable goods, including machinery and equipment, electrical supplies, and hardware was sharply higher than a year ago, and sales of groceries and drugs exceeded those in January last year by a substantial margin. Inventories of merchandise at reporting firms were increased seasonally in January and at the close of the month the total averaged about 7 per cent higher than on the corresponding date a year earlier. Stocks at electrical supply houses were especially heavy on January 31, exceeding those on hand a year earlier by more than one-third.

Employment and payrolls in Texas, which had shown substantial increases during the final five months of 1940, declined seasonally in January, but continued well above the totals of a year ago. According to data compiled by the Bureau of Business Research of the University of Texas employment declined 5 per cent from December to January and payrolls were reduced 6 per cent. In comparison with January, 1940, when, according to the Bureau of Labor Statistics, 941,000 persons in Texas were employed in nonagricultural businesses, employment was up about 4 per cent and payrolls were 8 per cent greater.

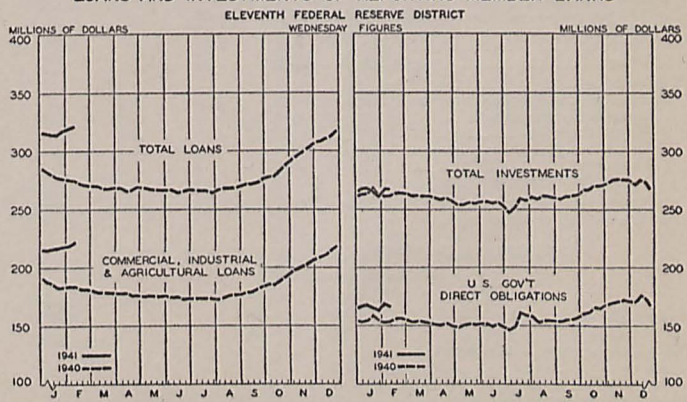
The number of commercial failures in the Eleventh District increased considerably from December to January, but the average liability of defaulting firms showed a noticeable decline, with the result that the aggregate indebtedness declined 28 per cent to a point moderately below that in the initial month of 1940. Dun and Bradstreet reported 41 insolvencies during January with liabilities totaling \$272,000.

AGRICULTURE

On the whole, physical conditions during January were favorable to the agricultural and livestock industries in most sections of the Eleventh District. Farmers generally were able to make considerable progress with plowing operations despite delays caused by intermittent rainfall; nevertheless, much field work remains to be completed, especially in central and east Texas, and north Louisiana. The growth of small grains in Texas made good progress during January. The condition of wheat and oats appears to be normal or better for this season of the year over most of the winter grain producing area, and the current outlook points to above-average yields. A good subsoil season obtains in virtually all sections of the district. During the first half of February, strong winds dried out surface moisture over a large part of Texas and caused considerable shifting of soil in the north and northwest portions of the State.

The most unfavorable development to agriculture in this district during January occurred in portions of the truck growing area of south Texas, where a heavy frost in the latter half of the month destroyed limited quantities of winter vegetables, including snap beans, eggplant, peppers and squash. It is believed that some damage also occurred to the strawberry, tomato and spring corn crops. In addition to the damage resulting from frosts, many fields of beets, carrots, onions and spinach in the Lower Rio Grande Valley suffered heavy losses from torrential rains. Harvesting operations have been delayed in virtually all sections of the vegetable growing area.

LOANS AND INVESTMENTS OF REPORTING MEMBER BANKS



Although January weather was unfavorable to growing crops in south Texas, it was generally favorable to the outlook for crop production in the dry-land areas of that district. According to the Department of Agriculture, there will likely be a considerable increase in the early seeding of commercial truck crops in non-irrigated areas. Shipments of vegetables and citrus fruit from south Texas prior to February 16 totaled approximately 13,000 car loads, which was about one-third smaller than in the corresponding period of the preceding season.

The indicated production of oranges and grapefruit in Texas showed no change in January and reports indicate that citrus groves are in good condition, with most of the fruit remaining for harvest of relatively large size.

The preliminary 1941 cotton acreage allotment for Texas has been placed at 9,777,000 acres by the Agricultural Adjustment Administration. This figure, however may be increased somewhat due to allowances under the minimum allotment provisions of the Agricultural Adjustment Act of 1938. The preliminary allotment for Texas is 139,500 acres less than that allotted in 1940, which represents 38 per cent of the total reduction for the United States.

The condition of livestock ranges in the Eleventh District continued well above the average during January. Excessive moisture in limited areas of east and southeast Texas caused some additional grass-rot, but elsewhere the generally favorable moisture conditions and mild temperatures were conducive to the growth of winter weeds and grasses. The outlook for livestock grazing on early spring feeds is favorable provided unseasonably cold weather does not occur during the remainder of the winter. Livestock weights remained above-average in January. In those areas where range feed is short, considerable supplemental feeding has been resorted to, but the plentiful supply and use of these feeds have prevented a heavy shrinkage in animal weights. Reports indicate that the demand for cattle is strong and some contracts for spring delivery have been closed at comparatively high prices. Some ranchers, however, have shown a reluctance to sell in the hope of obtaining higher prices. The strong physical condition of sheep and the relatively high contract prices being offered indicate that there may be a much heavier spring movement of yearling lambs to market than was the case a year ago.

According to the Department of Agriculture, the number of livestock on feed in Texas at the beginning of 1941 was much greater than that a year earlier. This development may be accounted for in part by the generally good condition of

pastures, the abundance of supplemental feeds and the continued growth of the livestock industry in that State. The number of cattle on feed January 1, 1941, amounted to 168,000 head, which was the largest for any recent year and 17 per cent greater than a year earlier. The number of sheep and lambs in Texas at the beginning of the current year that were being fed for subsequent marketing totaled 290,000 head, which was nearly 60,000 head greater than a year earlier. It is probable that the number of Texas lambs on feed throughout the United States is the largest on record.

FINANCE

In contrast with a decline that ordinarily occurs at the beginning of each year, total loans at weekly reporting member banks in the Eleventh District showed a further net expansion during the first six weeks of 1941, reflecting chiefly a sustained demand for funds to finance the high level of business and industrial activity. On February 12 total loans outstanding at reporting banks amounted to \$322,000,000, which was nearly \$3,000,000 higher than at the close of 1940 and \$46,500,000 greater than a year earlier. The expansion in loans during the first six weeks of the current year compares with a ten-year, 1931-1940, average decline of \$12,000,000 for that period. Among the individual classes of loans, advances for commercial, industrial and agricultural purposes rose \$3,800,000 during the six-week period and "all other" loans, including chiefly personal and instalment loans, expanded by about \$1,000,000. These increases were partially offset, however, by declines in other classes of loans, particularly loans to customers for trading in securities. Investments of reporting banks showed a net expansion of \$5,400,000 between December 31 and February 12, reflecting increases in holdings of direct obligations of the United States Government and in corporate and municipal securities. Total loans and investments on February 12 were at an all-time peak, exceeding those of a year ago by \$52,000,000.

Following the usual temporary withdrawal of funds during the final week of December, adjusted demand deposits at reporting banks, which include chiefly individual, partnership and corporation deposits, showed one of the sharpest rises on record during the subsequent six weeks, and on February 12 they were at a new record high. Other classes of deposits evidenced a net decline of \$4,400,000 during the period as a result of substantial withdrawals of United States Government deposits. Nevertheless, total deposits on February 12 were \$30,000,000 greater than at the beginning of 1941, and \$68,000,000 above those of a year ago. The expansion in deposits at

WHOLESALE AND RETAIL TRADE STATISTICS

Retail trade:	Number of reporting firms	Percentage change in:			
		Net Sales		Stocks*	
		January, 1941 compared with Jan., 1940	Dec., 1940	January, 1941 compared with Jan., 1940	Dec., 1940
Department stores:					
Total Eleventh District.....	46	+14	-50	+ 2	- 1
Dallas.....	7	+10	-47	+ 9	+ 2
Fort Worth.....	4	+25	-55	- 3	- 8
Houston.....	7	+11	-51	- 6	-21
San Antonio.....	5	+19	-45	+ 4	- †
Shreveport.....	3	+14	-58	.....	.....
Other cities.....	20	+13	-53	- 6	+ 5
Independent stores:†					
Arizona.....	251	+10	-20	.....	.....
New Mexico.....	158	+14	-17	.....	.....
Oklahoma.....	542	+21	-33	.....	.....
Texas.....	1,059	+20	-32	.....	.....
Wholesale trade:†					
Machinery, equipment & supplies.....	5	+36	+40	+ 5	- 1
Drugs (including liquors).....	9	+ 9	-12	+13	+ 2
Electrical supplies.....	10	+56	-10	+38	+ 4
Groceries.....	32	+13	+12	+ 2	+ 9
Hardware.....	12	+ 7	+ 4	+ 3	+ 7
Tobacco and products.....	4	- 1	-28	.....	.....

*Stocks at close of month. †Compiled by United States Bureau of Census. ‡Change less than one-half of one per cent.

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

	November, 1940			Total receipts			
	Receipts from:		Government payments	Nov. 1940	Nov. 1939	Jan. 1 to Nov. 30 1940	Nov. 1939
	Crops	Livestock*					
Arizona.....	3,555	4,760	366	8,681	10,046	52,825	53,983
Louisiana.....	14,443	2,368	1,020	17,831	19,281	104,369	118,070
New Mexico.....	2,401	9,550	292	12,243	14,472	54,175	51,994
Oklahoma.....	14,491	8,440	2,254	25,185	20,255	185,705	179,816
Texas.....	34,066	22,141	8,992	65,199	54,316	531,930	503,552
Total.....	68,956	47,259	12,924	129,139	118,370	929,004	907,415

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

LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio	
	January 1941	January 1940	December 1940	January 1941	December 1940
	Cattle.....	39,521	41,449	42,181	15,726	14,894
Calves.....	24,952	23,475	27,565	26,721	17,923
Hogs.....	67,438	40,554	58,867	15,993	13,172
Sheep.....	26,223	38,776	28,738	6,908	5,230

COMPARATIVE TOP LIVESTOCK PRICES (Dollars per hundredweight)

	Fort Worth			San Antonio	
	January 1941	January 1940	December 1940	January 1941	December 1940
	Beef steers.....	\$11.50	\$ 9.35	\$11.00	\$12.00	$ 8.50
Stocker steers.....	11.50	8.50	9.75	10.25	7.25
Heifers and yearlings.....	11.50	10.00	12.00	11.50	12.50
Butcher cows.....	7.25	6.50	6.75	6.85	6.50
Calves.....	10.00	9.00	9.00	9.75	8.25
Hogs.....	8.45	5.85	6.85	8.25	5.85
Lambs.....	9.75	8.50	8.75	8.50	7.25

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1923-1925 average=100)

	January 1941	December 1940	November 1940	January 1940
Sales (daily average) without seasonal adjustment.....	96	201	131	86
Sales (daily average) with seasonal adjustment.....	126	116	117	113
Stocks without seasonal adjustment.....	62	62	77	61
Stocks, with seasonal adjustment.....	71	71	69	70

these banks since the turn of the year has resulted in large additions to their reserves at the Federal Reserve Bank and to their deposits at other domestic commercial banks.

Reserve balances of all member banks in this district have followed a noticeable upward trend since the turn of the year, and on February 14 they had reached a record high of \$257,000,000. During the first half of February total reserves averaged \$250,000,000 daily, which was \$32,000,000 greater than the average for the first half of February, 1940. The expansion in member bank reserves since the beginning of the current year has been much greater than the increase in required reserves, resulting from the gain in commercial bank deposits, and as a consequence daily average excess reserves reached a new peak during the first half of February, exceeded by a substantial margin the previous maximum of \$90,000,000 recorded in July last year.

Total earning assets of the Federal Reserve Bank of Dallas showed little change between January 15 and February 15, although member bank borrowings, which had been in small volume, were completely liquidated on the latter date. Following the Christmas holiday, Federal Reserve notes of this bank in actual circulation showed the usual downward trend until January 24. After that date a substantial increase in the demand for currency developed, with the result that by February 15 note circulation had risen to a point only moderately below the all-time peak of \$98,400,000 established on December 23, 1940. The recent increase in note circulation reflects primarily shipments of currency to meet payrolls of workmen at army cantonments that are under construction and to pay the salaries of soldiers at the several army camps located in this district.

INDUSTRY

The value of construction contracts awarded in the Eleventh District during January was much smaller than that reported for the preceding month due chiefly to a reduced volume of awards for National Defense projects. The December total included the value of contracts for several defense projects that had been awarded earlier in the year, but had not been included in construction figures at that time because of insufficient detail information. Nevertheless, the value of construction work initiated during January closely approximated the monthly average for 1940, which was an all-time high, and was more than one-third greater than in January last year. The value of residential building, which was augmented by the letting of additional contracts for United States Housing Authority projects, was nearly double that in the opening month of 1940. The value of contracts awarded for nonresidential building was likewise sharply higher than in January last year, reflecting chiefly increased awards for privately-financed manufacturing structures. Engineering construction, including public works and public utilities construction, was about one-fifth lower than a year ago due to smaller awards for streets and highways and electric light and power projects.

Following a sharp seasonal year-end decline, operations at lumber mills in this district were stepped up in January to about the average level prevailing during the latter half of 1940. Production of lumber during the month averaged nearly one-third higher than a year earlier and shipments exceeded those of a year ago by more than 50 per cent. As forward buying showed a marked increase, unfilled orders on the books of reporting mills rose sharply to a level about double that at the beginning of February, 1940. Mill stocks of lumber continue to decline.

Daily average production of crude oil in the Eleventh District and in the United States during January continued the moderate downward trend that had been in progress since September, 1940. Although the month-to-month curtailment in crude oil output since last September has been small, the decline over the period for the United States has amounted to

144,000 barrels daily. Lower production allowables in the Eleventh District and a sustained downward trend in output in Illinois have accounted for about four-fifths of the decline. Aggregate output in the country as a whole is currently near the lowest level recorded since the Mid-Continent shutdown in August, 1939.

In contrast with the curtailment in crude oil production during the five months ended in January this year, refinery

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

	Feb. 15, 1941	Feb. 15, 1940	Jan. 15, 1941
Total cash reserves	\$311,606	\$248,635	\$297,081
Discounts for member banks	None	69	12
Other bills discounted	None	151	18
Industrial advances	278	483	278
United States Government securities	86,834	94,362	86,835
Total earning assets	87,112	95,065	87,143
Member bank reserve deposits	256,005	217,682	244,118
Federal reserve notes in actual circulation	97,225	80,431	95,119

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

	Feb. 12, 1941	Feb. 14, 1940	Jan. 8, 1941
Total loans and investments	\$589,238	\$537,126	\$582,304
Total loans	321,677	275,186	315,695
Commercial, industrial and agricultural loans	222,975	182,522	216,133
Open market paper	1,413	2,040	1,517
Loans to brokers and dealers in securities	4,676	2,892	5,033
Other loans for purchasing or carrying securities	12,186	13,963	12,640
Real estate loans	22,509	21,921	23,268
Loans to banks	686	246	598
All other loans	57,232	51,002	56,506
United States Government direct obligations	166,872	153,167	167,218
Obligations fully guaranteed by United States Govt.	38,855	51,936	40,423
Other securities	61,834	56,837	59,028
Reserve with Federal Reserve Bank	159,837	141,473	149,204
Balances with domestic banks	291,896	294,248	282,598
Demand deposits—adjusted*	542,989	474,822	520,377
Time deposits	136,957	135,788	135,936
United States Government deposits	22,977	31,016	29,609
Interbank deposits	289,715	282,547	279,592
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 collections.

DEBITS TO INDIVIDUAL ACCOUNTS
(In thousands of dollars)

	January 1941	January 1940	Pctg. change over year	December 1940	Pctg. change over month
Abilene	\$ 11,552	\$ 9,050	+28	\$ 10,130	+14
Austin	38,416	36,684	+ 5	43,056	-11
Beaumont	27,136	25,262	+ 7	28,285	- 4
Coriicana	4,310	3,546	+22	4,171	+ 3
Dallas	304,493	277,437	+10	334,728	- 9
El Paso	49,534	31,518	+57	50,595	- 2
Fort Worth	100,418	89,184	+13	109,502	- 8
Galveston	26,790	28,396	- 6	32,932	-19
Houston	250,528	257,517	+ 9	292,633	- 4
Port Arthur	10,919	9,773	+12	10,605	+ 3
Roswell	4,855	4,255	+14	5,744	-15
San Antonio	84,657	70,445	+20	84,077	+ 1
Shreveport	53,227	47,817	+11	53,845	- 1
Texarkana*	10,002	7,272	+38	9,951	+ 1
Tucson	14,360	12,358	+16	13,120	+ 9
Tyler	14,438	12,166	+19	13,215	+ 9
Waco	15,896	13,996	+14	16,267	- 2
Wichita Falls	17,650	16,057	+10	17,521	+ 1
Total	\$1,069,181	\$952,728	+12	\$1,130,377	- 5

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

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, 1939	\$1,192,054	\$223,681	\$672,652	\$123,805	\$519,402	\$99,876
January, 1940	1,340,235	233,470	775,643	129,435	504,592	104,035
January, 1941	1,346,346	233,023	783,742	128,161	562,604	104,862
September, 1940	1,408,515	233,323	814,555	128,295	593,960	105,028
October, 1940	1,469,895	233,412	842,576	128,213	627,319	105,199
November, 1940	1,474,217	237,308	841,903	131,622	632,314	105,686
December, 1940	1,469,895	239,594	856,234	133,199	639,618	106,395
January, 1941	1,495,852					

SAVINGS DEPOSITS

	January 31, 1941			Percentage change in savings deposits from	
	Number of reporting banks	Number of savings depositors	Amount of savings deposits	Jan. 31, 1940	Dec. 31, 1940
Beaumont	3	10,183	\$ 4,282,956	+ 9.0	+ .9
Dallas	8	91,181	26,669,193	+ .9	+ .2
El Paso	2	19,293	8,406,888	+ 1.0	- 1.3
Fort Worth	3	35,019	13,108,395	- .7	- .6
Galveston	4	18,609	12,088,566	+ 4.2	+ .3
Houston	10	77,505	32,291,714	+ 3.4	- 2.3
Port Arthur	2	5,877	3,235,927	+ .2	- 1.4
San Antonio	5	23,065	17,940,848	+ 1.5	+ 3.1
Shreveport	3	25,136	12,208,328	+ 3.5	+ 4.4
Waco	3	8,123	4,539,092	- 2.6	- .2
Wichita Falls	3	7,107	3,640,831	+ 2.0	- .4
All others	69	62,323	30,919,089		
Total	115	383,421	\$169,331,827	+ 1.5	- .2

operations have been well sustained. In this district daily average crude oil runs to refinery stills during January were at an all-time high level and in the United States as a whole they were only 1 per cent smaller than the peak recorded in June last year. The contraction in crude petroleum output and the heavy volume of crude oil runs to refinery stills over the past several months are reflected in above-ground stocks of crude oil, which were reduced by about 2 per cent between August 31, 1940, and February 1, 1941. On the latter date, stocks in the United States totaled 261,200,000 barrels. Stocks of gasoline increased sharply during January, and at the close of the month the volume on hand closely approximated that of a year ago. Inventories of heating oil in the United States showed a marked seasonal decline during the month, and stocks of industrial fuel oil decreased moderately.

The domestic demand for cotton textiles continued heavy in the opening month of 1941 and cotton mill activity increased further. The volume of raw cotton consumed in the United States during the month aggregated 843,300 bales, which was an all-time high for any single month, exceeding the previous peak established in March, 1937, by 9 per cent. Notwithstanding the heavy production of cotton goods during January, mill sales of cotton textiles appear to have exceeded output with a consequent increase in unfilled orders. Prices of cotton goods showed further advances during the month. During the first half of the 1940-1941 cotton year, domestic mills consumed cotton at the rate of 737,900 bales monthly for a cumulative total of 4,427,000 bales. The rate of consumption during that period was at an all-time peak, and the aggregate amount of cotton utilized during the six months exceeded the previous maximum for that period recorded in the 1939-1940 season by about 10 per cent. Consuming establishments continued to make heavy purchases of raw cotton during January, though there was little net change from a month earlier in the volume of stocks on hand January 31 due to the high rate of consumption during the month. At the close of January mill stocks of raw cotton amounted to 1,875,000 bales, which was 6 per cent greater than the volume on hand a year earlier. Inventories of cotton in public storage and compresses on January 31 totaled 14,668,000 bales and of this amount slightly more than 11,000,000 bales represented Government loan stocks. According to the Commodity Credit Corporation, 2,984,000 bales of the 1940 cotton crop had been pledged as collateral for Government loans prior to February 12. Repossessions prior to that time amounted to approximately 118,000 bales, leaving a net total of 2,876,000 bales of the 1941 crop under the loan.

VALUE OF CONSTRUCTION CONTRACTS AWARDED (In thousands of dollars)

	January 1941	January 1940	December 1940
Eleventh District—total.....	20,768	15,344	41,221 r
Residential.....	8,448	4,366	11,976 r
All other.....	12,320	10,978	29,245 r
United States*—total.....	305,205	196,191	456,189
Residential.....	111,306	77,400	159,275
All other.....	193,899	118,791	296,914

*37 states east of the Rocky Mountains. r—Revised.

SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

	January, 1941		Percentage change valuation from	
	Number	Valuation	Jan., 1940	Dec., 1940
Amarillo.....	64	\$ 173,960	+ 31	- 29
Austin.....	207	392,158	- 19	- 39
Beaumont.....	112	307,310	+290	+269
Corpus Christi.....	232	1,202,464	- 8	+387
Dallas*.....	657	1,048,691	+ 20	- 65
El Paso.....	137	223,032	+ 64	+ 66
Fort Worth.....	227	500,882	+ 77	+168
Galveston.....	138	111,029	- 67	+171
Houston.....	428	2,004,075	- 45	- 36
Port Arthur.....	112	84,416	+ 29	+ 69
San Antonio.....	500	1,083,085	+148	+ 20
Shreveport.....	126	324,940	+ 6	+ 47
Waco.....	80	165,085	+ 8	+104
Wichita Falls.....	32	58,125	- 34	- 94
Total.....	3,052	\$7,679,252	- 8	- 23

*Includes Highland Park and University Park.

Domestic cotton prices, which had declined by nearly one and one-half cents per pound between June 15 and November 1 last year, recovered about one-half of that decline during the final two months of 1940. Since the beginning of the current year prices have fluctuated within narrow limits around the level attained on December 31, 1940. On February 15 the price of raw cotton, middling, 15/16-inch staple, at ten designated spot markets averaged 10 cents per pound, which was 7 per cent above the 1940 low of 9.31 cents per pound recorded during the last half of October. The relative strength in cotton prices during recent weeks reflects in part the heavy domestic consumption of raw cotton and the comparative scarcity of cotton in commercial trade channels as a result of large Government loan stocks.

Exports of cotton from the United States continued in small volume during January, totaling only 52,200 bales as against shipments of more than 1,000,000 bales in January, 1940. During the first half of the current season, exports totaled 653,600 bales, which was less than one-fifth the volume exported in the corresponding period of the preceding season. Shipments to the United Kingdom and Russia account for about three-fourths of total cotton exports thus far this season.

Operations at cottonseed oil mills in the United States during the first half of the 1940-1941 season averaged somewhat lower than in the corresponding period of the preceding season, due in part to a curtailment in the demand for cottonseed products. During the six months, August, 1940, through January, 1941, mill shipments of cottonseed oil and cake and meal were 10 per cent smaller than in that period a year earlier and movements of hulls and linters were about one-fourth smaller. In contrast with the decline in operations at all mills in the United States, the volume of cottonseed crushed and the production of products at Texas mills have averaged appreciably higher than in the first six months of the 1939-1940 season. Although shipments of cottonseed hulls and linters from Texas mills thus far this season have been considerably smaller than in the comparable period a year earlier, movements of oil and cake and meal have shown an increase.

STATISTICS ON COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to January 31 This season	Last season	August 1 to January 31 This season	Last season
Cottonseed received at mills (tons).....	996,207	859,533	3,914,555	3,739,461
Cottonseed crushed (tons).....	804,092	776,108	2,876,981	3,061,686
Cottonseed on hand January 31 (tons).....	207,862	138,493	1,076,416	798,401
Production of products:				
Crude oil (pounds).....	243,073,203	223,185,436	917,191,673	956,943,544
Cake and meal (tons).....	373,723	367,072	1,278,942	1,373,670
Hulls (tons).....	204,817	200,671	722,085	773,142
Linters (running bales).....	196,650	178,257	767,220	770,313
Stocks on hand January 31:				
Crude oil (pounds).....	33,189,406	24,894,333	91,212,501	80,865,104
Cake and meal (tons).....	70,739	71,380	215,358	217,083
Hulls (tons).....	92,232	61,698	196,746	150,523
Linters (running bales).....	76,201	106,923	250,942	333,284

SOURCE: Bureau of Census.

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

	January 1941	January 1940	December 1940	August 1 to January 31 This season	Last season
	Receipts.....	96,141	332,389	195,360	1,480,508	3,037,554
Exports.....	85,679	519,240	98,013	612,021	2,418,672
Stocks, end of month.....	1,967,962	1,570,698	1,966,926	.....	.....

CONSUMPTION, STOCKS, AND EXPORTS OF COTTON—(Bales)

	January 1941	January 1940	December 1940	August 1 to January 31 This season	Last season
	Consumption at:				
Texas mills.....	20,373	12,827	22,408	110,555	71,002
United States mills.....	843,274	731,793	775,472	4,427,291	4,041,936
U. S. stocks—end of month:					
In consuming estab'nts.....	1,874,611	1,775,598	1,833,864	.....	.....
Public stg. & compresses.....	14,668,189	13,200,600	15,046,513	.....	.....
Exports from U. S. to:					
United Kingdom.....	18,218	379,699	19,564	326,718	1,333,297
France.....	None	178,310	None	None	487,674
Italy.....	None	67,527	None	None	310,728
Germany.....	None	None	None	None	18,992
Other Europe.....	5,305	106,917	42,129	152,005	815,525
Japan.....	9,754	161,019	8,865	39,470	583,190
All other countries.....	18,907	141,944	36,817	141,938	620,425
Total exports.....	52,184	1,035,416	107,375	660,131	4,169,891

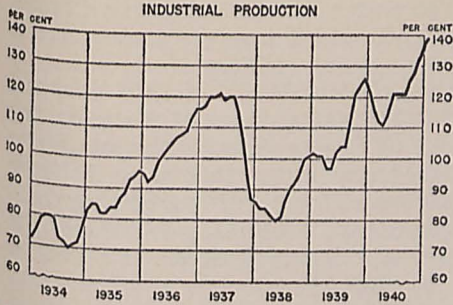
MONTHLY BUSINESS REVIEW

March 1, 1940

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, 1935-1939 average = 100. By months, January, 1934 to January, 1941.

Industrial activity continued at a high level in January and distribution of commodities was maintained in large volume.

PRODUCTION

In January volume of industrial production declined less than seasonally and the Board's adjusted index rose one point further to 139 per cent of the 1935-39 average. There were further considerable increases in activity in industries making machinery, aircraft, ships, and similar products important in the defense program, and output of industrial materials, such as steel and nonferrous metals, continued at near capacity rates. Lumber production also was in unusually large volume owing to demand arising from construction under the defense program as well as from private building.

Automobile production, which ordinarily declines considerably at this time of year, was maintained at a high rate in January and the first half of February. This reflected in part an unusually large volume of retail sales and in part the industry's efforts to build up dealers' stocks of cars as much as possible with a view to having an adequate supply on hand in case priorities or work on defense orders should necessitate curtailment of automobile production. Currently dealers' stocks of new cars are probably near record levels.

In the cotton textile industry, activity in January showed some further increase from the record level reached in December but the rise was less than usually occurs at this season. At wool textile mills there was some decline from the high level of November and December, while output at rayon mills was maintained in large volume. Defense program orders for textiles, particularly wool and cotton products, have been substantial for some time, and these combined with considerable civilian demand have resulted in the accumulation of large order backlogs at most mills. Activity at meat-packing establishments was reduced in January owing chiefly to a sharp decline in hog slaughter, which had been exceptionally large in the latter part of 1940. Shoe production advanced by less than the usual seasonal amount following a high rate of output in November and December.

At mines output of most metals continued at record levels in January. Production of fuels was sustained in large volume but was not at such high levels as output of other minerals owing in part to the existence of considerable stocks, particularly of petroleum products.

Value of construction contracts, as reported by the F. W. Dodge Corporation, declined in January. The decrease reflected chiefly a sharp reduction in awards for public construction from the exceptionally large December total, which had included a number of defense projects not previously reported by the Dodge Corporation for lack of detailed information. Contracts awarded for private nonresidential building declined somewhat in January but as in December were twice as large as the amount awarded in the corresponding period a year ago. Awards for private residential building increased and on a seasonally adjusted basis were at the highest level since the middle of 1929.

DISTRIBUTION

Distribution of commodities to consumers in January was maintained at the high level reached in the latter part of 1940. Sales at department and variety stores declined seasonally following an unusually large amount of Christmas trade, while sales of automobiles continued near the rate prevailing in December. In the early part of February department store sales were sustained in large volume.

Total freight-car loadings, which usually decline from December to January, showed little change this year and the Board's seasonally adjusted index rose two points further to 86 per cent of the 1923-25 average.

WHOLESALE COMMODITY PRICES

Prices of industrial materials and foodstuffs generally showed little change from the middle of January to the middle of February. Some imported commodities, principally coffee, cocoa, rubber, and tin, rose slightly and there were increases also in prices of lard and wool tops, while declines were reported for livestock and meats, hides, grains, lumber, and scrap metals. Prices of some finished commodities, particularly textile products, showed advances in this period.

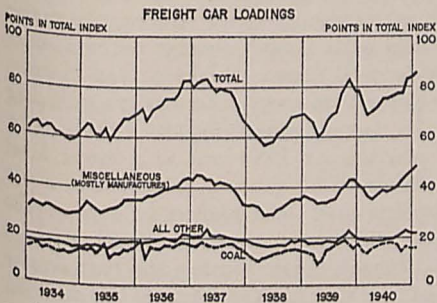
BANK CREDIT

Total loans and investments at reporting member banks in 101 leading cities increased substantially during January and the first half of February, reflecting largely purchases of new Defense Notes issued by the Government. Commercial loans at these banks increased further while loans to New York security brokers and dealers declined.

UNITED STATES GOVERNMENT SECURITY PRICES

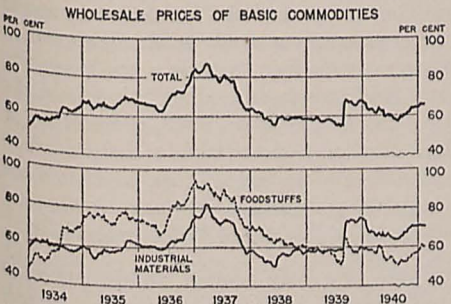
Prices of United States Government securities continued to decline in the latter half of January and the first half of February, more than canceling the gains from the end of October to the peak on December 10. The 1960-65 bonds on February 14 were selling on a yield basis of 2.28 per cent, compared with a low of 2.03 per cent on December 10.

FREIGHT CAR LOADINGS



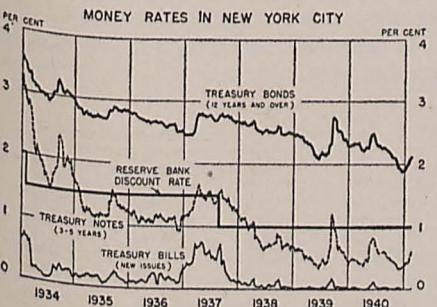
Index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average = 100. Miscellaneous, coal, and all other expressed in terms of points in the total index. By months, January, 1934 to January, 1941.

WHOLESALE PRICES OF BASIC COMMODITIES



Federal Reserve groupings of Bureau of Labor Statistics' data. Thursday figures, January 4, 1934 to February 13, 1941.

MONEY RATES IN NEW YORK CITY



For weeks ending January 6, 1934 to February 15, 1941.

PERTINENT FACTS ABOUT THE PETROLEUM INDUSTRY*

The rate at which petroleum reserves in the United States were discovered declined for the third consecutive year during 1940, and the year's total discoveries of approximately 1,600,000,000 barrels were the smallest since 1935, but were still relatively high as compared with other years. Despite record production during 1940, the industry made a net addition of 252,000,000 barrels to proved underground reserves, bringing the total to an all-time peak of 18,735,000,000 barrels, a fourteen-year supply at the current rate of production. Accretions to proved reserves occurred principally in the states of Texas and Illinois. The largest net gain occurred in Illinois, where net additions amounted to 193,000,000 barrels and slightly exceeded those in Texas which totaled 182,000,000 barrels. The only other important additions were 52,000,000 barrels in Louisiana and 35,000,000 barrels in Kansas. In other states proved reserves either showed unimportant increases or actually declined. The significant declines included 157,000,000 barrels in California and 43,000,000 barrels in Oklahoma. In the matter of total proved reserves, Texas continues to lead by a wide margin, having a total of 9,950,000,000 barrels, or 53 per cent of the United States total. California ranks second with 18 per cent, while Louisiana, which ranks third, has only 6.5 per cent of known reserves in the United States.

Well completions during 1940 exceeded those in 1939 by 11 per cent and with the exception of 1937 were the largest in 20 years. The 30,560 wells completed during 1940 included nearly 6,800 dry holes, although the number of failures in 1940 represented a slightly smaller percentage of total completions than was the case in the preceding year. In Texas, where the 9,775 wells drilled constituted nearly one-third of the United States total, the gain of 4 per cent in the number of completions as compared with 1939 was much smaller than the national average. Although large increases in drilling occurred in north Texas, in west-central Texas, and in the Texas Panhandle, those gains were nearly offset by sharp declines in other sections of the State. The most pronounced percentage increases in drilling took place in a few states where completions constituted a relatively small part of the Nation's total completions, but a very large percentage of completions in those states represented dry holes, probably indicating that the activity represented in large part wild-cat drilling. The states which had a large number of completions, as well as substantial percentage increases in activity, included Louisiana, Kansas and Indiana.

A significant feature of drilling activity during the year was the large amount of this work carried on by the smaller companies, usually referred to as 'independents.' According to the data compiled by *The Oil Weekly*, the independents accounted for 72 per cent of all wells completed during 1940. Among the six major oil producing states, Illinois and California were the only states where the larger oil companies drilled more than one-half of the wells. In the other four states, the proportion of wells drilled by independents ranged from 56 per cent in Louisiana to 78 per cent in Oklahoma. The proportion was 62 per cent in Kansas and 66 per cent in Texas. Nearly all of the 10,000 wells completed outside these six states were drilled by independents.

During 1940, completions of oil producing wells continued to exceed abandonments by a wide margin. At the end of the

year, there were 392,000 producing wells in the United States, an increase of nearly 12,000 wells over the number a year earlier. In Texas there were net additions of approximately 5,000 wells, bringing the total at the end of 1940 to 95,500 producing wells, of which 40,600 wells, or 43 per cent, were flowing wells. The ratio of flowing wells in New Mexico to the total number of producers in that State is much higher than in Texas, but that State has only 3,300 producing wells. These two states, together with Louisiana and California, at the end of 1940 had 47,473 flowing wells out of a total of 48,670 such wells in the United States.

Notwithstanding the increase in the number of producing wells, the average daily output per well in the United States was slightly higher than in the preceding year, resulting in a record production of petroleum in 1940. Among the major oil producing states, Texas with a daily average per well output of 14.5 barrels ranks well above Oklahoma and Kansas, but ranks considerably lower than most other heavy producing states. The Texas per well output which showed a decline for the third consecutive year during 1940 was at a lower level than at any time in more than 20 years. Louisiana had a per well output of 59.9 barrels daily, the highest of any of the major producing states. California ranked second with a per well output of 41.2 barrels daily. During the past decade the average daily output per well in New Mexico has declined from 93.7 barrels to 34.2 barrels, reflecting a much more rapid growth in the number of producing wells than in the demand for petroleum from that State. In Illinois, the per well output was only 21.6 barrels daily, even though production in that State is not subject to proration. The low average is due primarily to the large number of wells in old fields where the recovery of oil is very small, but there is a tendency for output of wells in new fields to decline after being brought into production. During the first half of 1940, production in Illinois rose rapidly and reached a peak with a daily average output in excess of 500,000 barrels late in June of that year. Since that time, the trend of production has been downward and currently amounts to only about 325,000 barrels daily.

During January this year, the daily average number of wells completed in the United States was the smallest for any month since the early part of 1939 and 13 per cent lower than in January, 1940. Declines from a year ago in states included in this district were: Texas, 20 per cent; Louisiana, 16 per cent; and New Mexico, 68 per cent. In all of these states the number of drilling rigs in operation on February 1 was sharply lower than on that date last year.

CRUDE OIL PRODUCTION—(Barrels)

	January, 1941		Increase or decrease in daily average production from	
	Total production	Daily avg. production	Jan., 1940	Dec., 1940
North Texas.....	5,803,050	171,066	+ 9,497	-10,857
West Texas.....	7,398,250	238,653	-29,279	+ 2,147
East Texas.....	13,329,150	429,973	-44,740	- 2,317
South Texas.....	5,755,050	185,647	-22,497	- 1,769
Texas Coastal.....	7,309,950	235,905	+ 7,082	+ 1,361
Total Texas.....	39,095,450	1,261,144	-79,937	-11,435
New Mexico.....	3,125,900	100,835	- 3,365	- 497
North Louisiana.....	2,137,700	68,958	+ 308	+ 392
Total District.....	44,359,050	1,430,937	-82,994	-11,540

SOURCE: Estimated from American Petroleum Institute weekly reports.

*This article is based on data published by *The Oil Weekly*, Houston, Texas.