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SOIL CONSERVATION: A PROBLEM OF COMMUNITY WELFARE

As long as there were unoccupied agricultural areas in the western United States, there was a tendency to disregard the conservation of the soil. Often, the system of farming that promised to yield the largest immediate cash returns was accepted as most desirable. That the long-run productive capacity of the soil might be destroyed or seriously impaired in the process was apparently considered of no consequence for rich, virgin land was always available. This attitude contributed to the adoption of a one-crop system of farming without adequate provision for rotations, cover crops, green manure crops, terracing, strip cropping or other sound conservation practices that would have aided in conserving the soil. With the development of a more highly industrialized economy, the extension of farm mechanization, and increasing soil depletion, the problem of securing sufficient cash to pay taxes, mortgages, living costs and to purchase equipment became more difficult to solve and in many cases the pressure to maintain the single cash crop system was increased.

The deterioration of the soil is only one phase of the fundamental problem confronting agriculture. The recurrent surpluses of various important agricultural commodities and the frequent adverse relationship which has existed between agricultural and non-agricultural prices and incomes are problems which deserve intensive study. Further consideration, however, should be given to an expansion of soil conservation and improvement and to the coordination of such conservation measures with such programs as may be undertaken to cope more adequately with these other aspects of the agricultural problem.

Communities that depended largely on agriculture for their existence have been sorely affected by the deterioration of the soil because, to a great extent, the quality of the soil of an agricultural area determines the area's productivity and its level of income. Many such communities have been prevented from expanding and improving, and their social and economic structure has been progressively undermined. Merchants, bankers and small local manufacturers in such communities too often have been forced to suspend operations or have been prevented from keeping pace with the growth of similar businesses in other areas. Local governments have suffered declines in their revenues from taxes on farm land and have been unable to exercise those functions which tend to broaden the economic and social aspects of rural community life.

In the Southwest the prosperity or depression of agriculture is of the greatest importance to the economic welfare of the area. Despite the comparatively recent industrial growth and development of some of its urban centers, farming enterprises still strongly predominate in the economy of the several states comprising this region. Farmers in the Southwest, in common with those in other agricultural areas of the country, because of a lack of knowledge and understanding of conservation principles or because of financial necessity, or possibly for various other reasons, have not protected their land from the destructive forces of wind and water. As a consequence, extensive damage from erosion and soil deterioration has occurred. Estimates based on figures furnished by the Soil Conservation Service indicate that in the Eleventh Federal Reserve District erosion has stripped away three-fourths of the top soil on approximately one-fourth of the land in farms. Much of the remainder of the land has suffered varying degrees of deterioration. It is estimated that only 10 to 15 per cent of the area is undamaged. The fertility of the soil has been seriously impaired by leaching and poor cultural practices; many of the essential elements have been exhausted and the removal of organic matter has reduced the water-holding capacity of the soil, thus contributing to the breakdown of its structure.

It has now become increasingly clear that steps must be taken to prevent further destruction of the soil and to repair the damage that has already occurred. For many years public and private agencies and individuals have attempted to acquaint the public with the needs and basic principles involved in a sound soil conservation program. As a result of these efforts considerable progress has been made from an educational standpoint and from the physical treatments applied, but the job to be done is too big for individual efforts to accomplish completely. In 1929, the United States Department of Agriculture actively entered the field of soil conservation with the establishment of a number of erosion control experiment stations throughout the country to promote research concerning the basic scientific facts necessary to establish a sound soil conservation program. Four of these stations have been established in Texas; at Temple, Tyler, Dalhart and Bushland, and in addition, the Texas Experiment Substation at Spur has conducted erosion control studies for a number of years.

The extension services of the various states pioneered in making information accumulated by their experiment stations available to farmers, and also aided them in applying this information to the conservation problems of their individual farms. The Agricultural Adjustment Act, passed in 1933, emphasized the importance of conservation and soil building practices by offering cash payments to encourage farmers to reduce the area planted in soil depleting crops by the substitution of soil conserving and soil building crops. In the Southwest this reduction of soil depleting crops led to a more diversified type of agriculture with such soil conserving and improving crops as winter grains, vetch, Austrian winter peas and other legumes being substituted for cotton and wheat. Later legislation provided for payments by the Agricultural Adjustment Administration for such practices as the construction of terraces, drainage systems and ponds, and the improvement of pastures by seeding with approved pasture mixtures and by the application of lime and fertilizers. Also in 1933, the Soil Erosion Service was created in the Department of the Interior to demonstrate on a farm-wide, watershed basis the control of soil erosion by the application of well-known practical conservation measures. The Civilian Conservation Corps also worked in cooperation with the Soil Conservation Service and farmers in the establishment of complete soil conservation programs on individual farms. In 1935, the Soil Erosion Service was transferred to the Department of Agriculture and a permanent agency, the Soil Conservation Service, was created to continue and expand the work started by the Soil Erosion Service.

As a result of, and in conjunction with, Federal activity in the field of soil conservation, all of the states in this Federal Reserve district have passed enabling legislation providing for the establishment of soil conservation districts and state boards of conservation to regulate or advise farmers in the districts. This enabling legislation varies in minor detail from state to state but the general principles as stated in the Texas Soil Conservation Law are typical. This law provided for the establishment of soil conservation districts throughout the State. The objectives of the legislation are set forth as follows: "To provide for the conservation of soil and soil resources of this State, and for the control and prevention of soil erosion, and thereby to preserve natural resources, control floods, prevent impairment of dams and reservoirs, and assist in maintaining the navigability of rivers and harbors, preserve wildlife, protect the tax base, protect public lands and protect and promote the health, safety and general welfare of the people of this State." The law provided for the creation of a State Soil Conservation Board to receive petitions from farm owners interested in organizing a soil conservation district and to aid them in the organization of such districts.

The organization of soil conservation districts in Texas and in other states is initiated by farm owner-operators in any such homogeneous area, as a township, county, or watershed. Under the various state laws local farmers may present a petition to their state conservation board for the organization of a district. The board, then, may call a referendum in which all of the owner-operators

in the affected area may vote. If the plan to establish a district in the area is approved, supervisors are chosen either by election or by appointment by the state board. These supervisors, who are farm owner-operators, are charged with administering the affairs of the district; thus, the control is vested in the farmers living in the area concerned. The supervisors working with land owners and other interested individuals and agencies are charged with the development of a program of conservation for the area. Since the soil conservation districts generally are not permitted to levy taxes or issue bonds, they must depend largely upon other sources for the technical assistance and equipment necessary to carry out their conservation programs.

Technical aid to the various districts is available from the Soil Conservation Service. Upon request of the supervisors of a district, the Soil Conservation Service will assign a staff of technicians to the area to assist farmers in planning, establishing and maintaining soil conservation farming systems. In addition, the Soil Conservation Service can also make various kinds of conservation equipment available to the district, such as terracing and ditching machinery, equipment for laying out contour lines, and other specialized types of machinery.

In Texas, the first soil conservation districts were organized in 1940, and at present eighty-six districts are in operation and receiving assistance from the Soil Conservation Service. An additional forty-one districts have been organized and will soon be in a position to formulate conservation programs for their areas. Sixty-eight per cent of the total land area of Texas is included in these 127 districts, most of which are located in northern and eastern Texas. About twenty-five thousand farmers and ranchers have signed agreements to plan and carry out complete soil conservation programs. The Soil Conservation Service has assisted irrigation farmers in improving their water disposition systems on over twenty-six thousand acres. Drainage work has been confined to assisting farmers in solving their individual problems.

Forty-four soil conservation districts had been issued certificates of organization prior to April 15 of this year in New Mexico and 64 certificates had been issued in Oklahoma. Sixteen districts in Louisiana and 19 in Arizona had received certificates.

It is impossible to estimate accurately the extent of improvements which have resulted from the conservation work already accomplished, but the increase in yields and volume of production during the past fifteen years certainly has been, to a considerable extent, a consequence of the conservation practices undertaken. In those areas of the Southwest where a complete conservation program has been in effect for several years, farmers and ranchers estimate that crop and range production has been increased about 25 per cent above production realized by the use of former farming practices. In addition to the material benefits derived, the conservation work already undertaken has yielded invaluable information regarding the needs for soil conservation and the best methods to employ to achieve most effective results.

Such information can be used to great advantage in planning an expansion of soil conservation and improvement work. During the war period, the work of the Soil Conservation Service has necessarily been curtailed and many farmers have been forced to relax established conservation practices to meet the increased demands for foods, feeds and fibers and because of the shortages of labor and equipment. Now that the war is over and adequate personnel, equipment and supplies may soon be available, increased emphasis should be placed upon the planning and extension of an expanded conservation program.

A good start has been made in solving the problem of maintaining and improving the soils of the Southwest but much work still remains to be done. Soil conservation programs must be considered as long range projects requiring the cooperative participation of farmers, agricultural agencies and

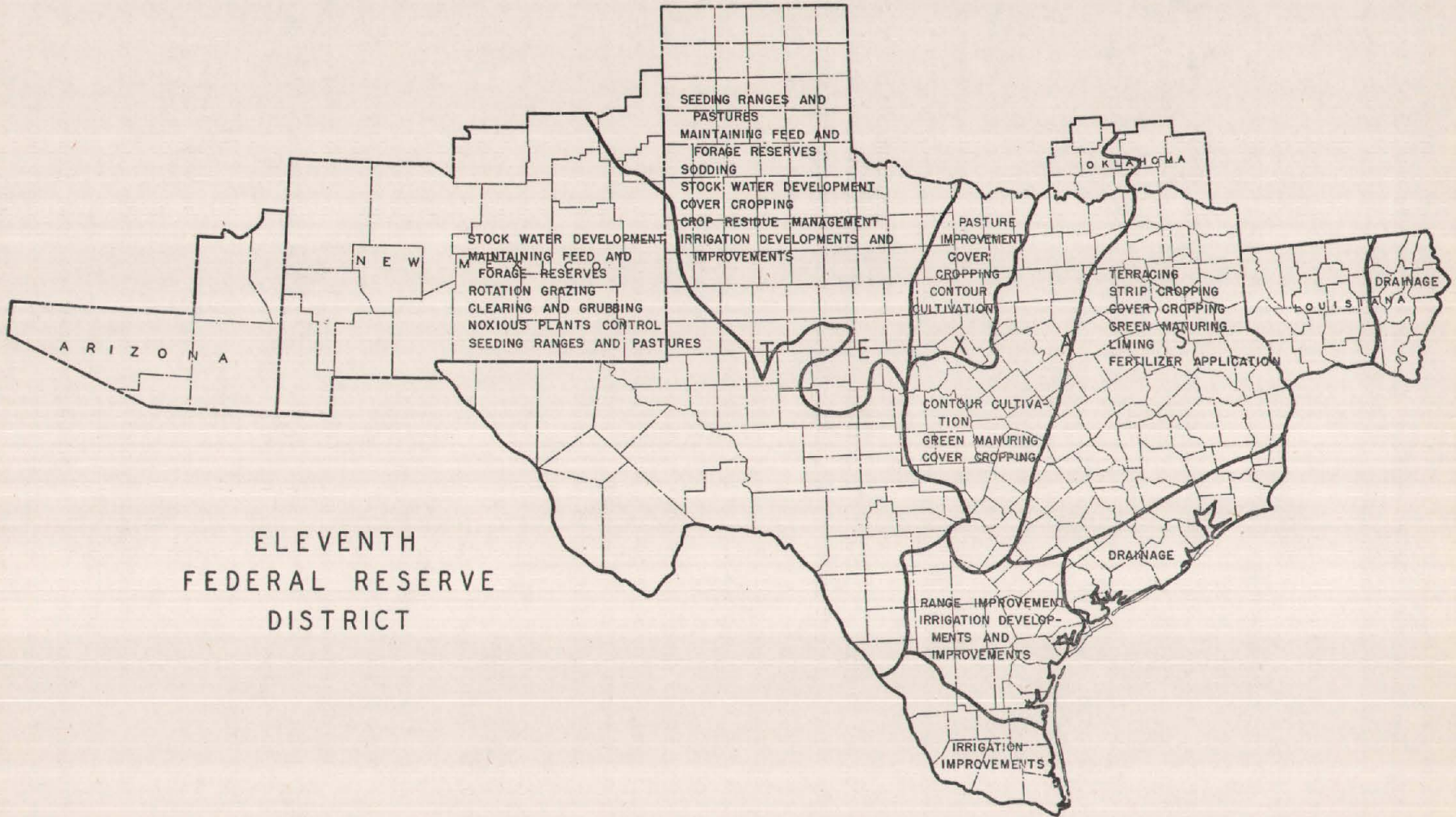
rural business and financial institutions. Estimates for the State of Texas, made by the Soil Conservation Service, indicate the magnitude of the task. Over 10,000,000 acres of grazing land need to be cleared and grubbed; measures of control must be taken with respect to noxious plants on another 10,000,000 acres of grazing land. Of the 66,000,000 acres of land in the State suitable for cultivation, 16,000,000 acres should be terraced, 16,000,000 acres need green manure crops, while cover crops are needed on 9,000,000 acres and strip cropping on 13,000,000 acres. In addition, nearly 28,000,000 acres suitable for crops are in need of the establishment of systematic rotation. The work remaining to be done in the other states of the Southwest is relatively as great and programs must be designed and put into effect for each area.

Programs designed to conserve existing soil resources and to replace elements removed from the soil must carefully co-ordinate all of the various conservation practices. Soil erosion cannot be prevented entirely without taking steps to conserve moisture, to improve the soil structure and to implement scarce, essential elements. Thus, terracing cannot be entirely successful in preventing erosion if the soil structure, due to the lack of organic materials, does not allow the penetration of moisture. The amount of organic matter cannot be increased in the soil if some elements necessary for the growth of plants are lacking. Therefore, it is necessary to plan a complete conservation program and, further, each program must be adapted to all of the peculiar conditions of the particular area. A humid area that is subject to erosion will require an entirely different program from that which would be necessary in a relatively dry, level area. Therefore, in planning a conservation and improvement program consideration must be given to type of soil, topography, climate and type of farming characteristic of the area. Information of this type for the various sections of this Federal Reserve district has been assembled and is available from the United States Department of Agriculture.

From such material it is possible to outline, in a general manner, the type of program suitable to each area. The accompanying map, although not entirely consistent with the following outline, does indicate the principal conservation and improvement requirements which many believe necessary in the major areas of this district.

- (1) *The alluvial area of eastern Louisiana*—In this area the conservation practices to be emphasized are those that would improve drainage and aid in protecting the land from overflow. In addition, such other soil conserving factors as the maintenance of fertility and prevention of leaching should be given adequate attention.
- (2) *Northwestern Louisiana, eastern Texas and southeastern Oklahoma*—Here, where the red and yellow clay soils predominate, the problem is mainly one of preventing sheet and gully erosion. In this area it is necessary to concentrate on the construction of terraces and waterways and to emphasize the use of strip cropping and cover and green manure crops. Since the mild climate and relatively heavy rainfall of this area have caused heavy losses from leaching, heavy applications of fertilizers will be necessary in some areas while in others lime also must be applied.
- (3) *The prairie region of Texas and Oklahoma*—This region has been subject to damage from erosion and leaching. In many sections the supply of organic matter has been seriously depleted, resulting in poor moisture penetration. The soils of this section are inherently fertile and, in general, are intensively farmed. A program of conservation, therefore, should emphasize the control of erosion and leaching through contour plowing and the use of cover crops. Turning under of green manure crops will also be beneficial in increasing the organic matter content of the soil and in improving the soil's structure. This will allow better penetration of moisture and will reduce the run-off.

PRINCIPAL REQUIREMENTS OF CONSERVATION PROGRAMS FOR MAJOR AREAS



ELEVENTH
FEDERAL RESERVE
DISTRICT

- (4) *The Western Cross Timbers section and the area immediately to the West*—These sections are subject to erosion and, as a consequence, extensive damage has already occurred. It has been suggested by some who have studied the problem that additional land in this area should be retired from cultivation and diverted to grazing lands; that pastures should be improved and measures should be undertaken to conserve moisture.
- (5) *The Rolling Plains and High Plains of northwestern Texas*—This area absorbs moisture readily and holds it well. Most of the area is productive when adequate moisture is available but crops are occasionally curtailed or fail because of drought. Conservation of moisture is the most essential feature of a conservation program in this area, supplemented possibly by improved pasture practices, stock water development, and cover crops and crop residue management to aid in holding the soil in place where the land is in cultivation.
- (6) *The grazing lands of western Texas and southern New Mexico and Arizona*—Here, the main conservation problem is that of improving ranges and increasing their livestock carrying capacity. Cultivation is not practiced extensively in the area except in a few isolated irrigated areas or small valleys. While most of the area is subject to erosion and leaching, the small amount of rainfall prevents this from becoming a serious problem. Consequently, the improvement of ranges would probably be adequate to hold the land.

A statement of the physical requirements of a sound conservation program, however, does not completely picture either the magnitude or the character of the task ahead. In many areas the habits, customs and attitudes of the people are contributing to the destruction of the soil rather than to its conservation. Despite the great efforts, and the progress which has already been made, to acquaint the public with the principles of conservation, much work remains to be done to educate farmers to realize the need for conservation and to understand its basic elements before a soil building and conservation program in the Southwest can move forward on a broad front. The opportunity exists in the educational phase of conservation programming for banks, business and civic organizations, together with the Soil Conservation Service, the Extension Service, agricultural colleges and other interested agencies and individuals, to participate actively in disseminating among farmers the facts of the economic and social importance of soil conservation.

While farmers must accept the largest share of responsibility for carrying out successfully a program of soil conservation, they cannot be expected to accept full responsibility or initiative in creating such a program. In a great many instances, farmers will not have the necessary technical knowledge and, therefore, must enlist the aid of technicians employed by the various local, state and Federal agencies who are qualified to give technical advice and guidance. Moreover, in the majority of cases the financial and material facilities of farmers will not be adequate to complete the task successfully. Therefore, banks and business organizations and institutions in the communities affected have the opportunity to assist farmers in meeting the capital requirements of the program.

In each community all groups have a vital interest in the economic well-being of their community and the communities with which they do business. In rural communities bankers and businessmen are fully aware of the primary importance of agricultural credit to the soundness of their businesses and the volume of their operations. Moreover, many urban organizations recognize that the success of their operations is significantly conditioned by the economic strength of agricultural areas.

From a purely practical point of view, support of soil conservation programs offers several clear advantages to bankers operating in agricultural areas. In the first place, sound soil conservation measures offer the greatest possibility of conserving and, in many cases, replacing the most important capital resources of those engaged in agricultural activities. Although it is probably not possible to measure

the extent statistically with accuracy, the dissipation and improper use of the soil in the South and Southwest has surely been a most important contributing factor in the decline of many agricultural communities and in the generally lower levels of incomes which have characterized agricultural areas so frequently in the past.

Secondly, by preventing the destruction of the soil and the depletion of the farmers' principal capital asset, bankers tend to preserve and strengthen the quality of the basic asset underlying their agricultural credit advances. Moreover, by maintaining the productivity of the soil at a high level, thus contributing to agricultural prosperity, an orderly, sound liquidation of bank credit is more nearly assured; losses through forced liquidation of underlying assets will tend to be minimized.

Thirdly, even though current liquid assets of farmers are very large, it is improbable that many farmers would be able to finance a sound soil conservation program without some financial assistance. Therefore, bankers are offered the opportunity of expanding their loans for agricultural purposes at a time when such loans are comparatively small in amount and when bankers generally are actively seeking new loan outlets.

In making loans for conservation purposes, however, banks should not deviate from sound loan practices. Unless a bank making such loans has an officer on its staff capable of planning the technical aspects of the conservation program and able to estimate the anticipated increased net return to the farmers as a consequence of the conservation expenditures, it probably will desire to avail itself of the technical advice and assistance of a qualified agricultural agency. In most cases it is unlikely that a conservation program for an individual farm can be put into effect and completed within one or two years. Instead, the program generally must involve planning of at least an intermediate term character. It may be that the increase in productive yields and the net return to the farmer will not be reflected in the first or perhaps even the second year the program is in operation. It is important, therefore, that the general program be thoroughly sound and have the approval of those who are qualified to serve as experts in this particular phase of agricultural development.

Since soil conservation loans generally will need to be of several years' maturity, a sound schedule of amortization payments should be worked out. Such payments should be related to the borrower's estimated net increase in returns as developed in the conservation program underlying the loan in order to place the payments within the range of the borrower's ability to pay. In this connection, it has been suggested by some who have studied the question that repayments during the first and second years be nominal or not required, but that quarterly payments be initiated at approximately the time at which the effects of the conservation expenditures begin to become apparent in the net increased return to the farmer.

In view of the extended maturity which is one characteristic of term loans, the factor of management of the borrowing business or property always is especially important to the lending institution. This fact will apply with equal force in the case of soil conservation loans. The banker must be assured that the farmer undertaking the conservation program is capable of carrying it out to a successful conclusion. Proper safeguards should also be taken to protect the bank against loss in the event of foreclosure or against a shrinkage of the farmer's assets through improper management practices.

In concluding, it must be emphasized that this article is not designed to outline any of the specific details or techniques of a soil conservation loan program. Its purpose is to call attention to the importance of the principles of soil conservation, the need for the development of a sound soil conservation program in the Southwestern area, to suggest the part that bankers might take in the initiation and development of such a program and to point out a possible outlet for an expansion of agricultural credit on a sound basis by bank loans in rural communities.

DISTRICT SUMMARY

Department store sales in this district during October increased by more than the usual seasonal amount. The 20 per cent increase over the corresponding period of 1944 was the largest for any month since January. Sales of furniture stores were also substantially larger than in either the preceding month or the same month last year. Petroleum production and refinery operations in this district have recovered sharply from the low levels reached early in October and are at the highest level in about two months. Construction contracts awarded in this district also increased in October and are materially higher than the low level prevailing a year ago. Heavy general rains during late September and the first half of October provided much needed soil moisture in most of the district and stimulated the growth of small grains and range vegetation. With better grazing conditions, livestock have improved and animals are going into the winter in generally good condition. Prospective production of some major crops declined during October. The open weather prevailing since mid-October has enabled farmers to proceed rapidly with harvesting operations.

BUSINESS

Consumer buying at department stores in this district showed a further acceleration during October when sales of reporting firms exceeded those in the preceding month by 18 per cent and were 20 per cent higher than those in October last year. This is the largest year-to-year gain since January and compares with an average increase of 13 per cent for the first ten months of the year. Although a strong demand was evident for virtually all classes of merchandise during October, buying was especially large in certain items of women's apparel and accessories, men's wear and home furnishings. On the basis of data furnished by weekly reporting stores, it appears that the high sales volume is being maintained during November.

The continuance of the high level of sales, the strong demand for scarce items and the persistent lag in the output and delivery of long-awaited merchandise appear to have aggravated the inventory difficulties of department stores in this district. At the end of October, the value of merchandise stock, although 6 per cent greater than a year ago, was 4 per cent lower than at the end of September. Moreover, the supplies of merchandise on hand are badly distributed among departments. In some of the soft-goods departments, current stocks are equivalent to less than one month's sales, but in other departments stocks are very high in relation to sales. As a result of the heavy sales of men's clothing and furnishings, stimulated by the requirements of discharged servicemen, supplies have declined and are substantially lower than a year ago. The scarcity of piece goods, together with the poor assortments, is curtailing purchases of those items. While the flow of hard goods into trade channels is increasing, the volume is still small and due to the heavy deferred demand, merchants are experiencing difficulty in accumulating stocks.

Furniture store sales showed a further increase of 11 per cent from September to October and were 23 per cent larger than in October last year, reflecting in large part the increased demand

brought about by the return of discharged servicemen to civilian life. As in the case of department stores, the expansion in sales is contributing to the difficulties of furniture stores in accumulating inventories. At the end of October, stocks were about the same as a month earlier and slightly lower than a year ago.

AGRICULTURE

The open weather prevailing since mid-October has been generally favorable for harvesting and other field work but frosts occurring late in October in the western and northern parts of Texas halted the growth of late sorghums, cotton and summer range grasses. Indicated production of cotton, corn, peanuts and pecans on November 1 was below that a month earlier; the estimated rice production was slightly higher and all other field crops remained unchanged. Some difficulty is being experienced in securing adequate labor for the completion of the cotton and peanut harvest. The seeding of small grains is nearing completion and the crop is making good growth.

The United States Department of Agriculture forecast a cotton crop of 9,368,000 bales on November 1 for the United States. This is 111,000 bales below the October 1 forecast and is nearly three million bales below the 10-year (1934-1943) average. The indicated yield declined from 260.7 pounds per acre on October 1 to 249.7 pounds on November 1. Only 5,153,639 bales of cotton were ginned prior to November 1 this year,

WHOLESALE AND RETAIL TRADE STATISTICS

	Number of reporting firms	Percentage change in			Stocks †	
		October 1944	Net sales October 1945 from Sept. 1945	Jan. 1 to Oct. 31, 1945 from 1944	October 1945 from October 1944	Sept. 1945
Retail trade:						
Department stores:						
Total 11th Dist.	48	+20	+18	+13	+ 6	- 4
Dallas.	7	+24	+15	+16	+ 6	- 2
Fort Worth.	4	+19	+17	+12	+ 1	-12
Houston.	7	+10	+20	+ 6	+ 7	+ 2
San Antonio.	5	35	+20	+23	+29	- 4
Shreveport, La.	3	+ 8	+13	+ 6	...	...
Other cities.	22	+16	+18	+10	- 7	- 4
Retail furniture:						
Total 11th Dist.	57	+24	+31	....	+ †	+ 1
Dallas.	5	+34	+24	....	+16	+ 5
El Paso.	3	+17	+52	....	- 8	- 6
Houston.	7	+25	+23	....	....	....
Port Arthur.	3	+ 2	+46	....	....	....
San Antonio.	3	+26	+39	....	....	....
Shreveport, La.	3	+27	+32	....	- 3	- 1
Wichita Falls.	3	+31	+44	....	....	....
Independent stores:*						
Oklahoma.	316	+20	+17	+11	....	....
Texas.	910	+22	+16	+11	....	....
Wholesale trade:*						
Drugs (incl. liquors). . .	10	+ 5	+21	....	- 5	+ 9
Electrical supplies. . .	3	+55	+12	....	....	....
Groceries.	23	+13	+16	+ 1	-18	+18
Hardware.	9	+ 9	+13	+ 8	+11	+ 3

Compiled by United States Bureau of Census (wholesale trade figures preliminary).

†Stocks at end of month.

‡Indicates change less than one-half of one per cent.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS
Daily average sales—(1935-1939=100)

	Unadjusted*			Adjusted				
	October 1945	Sept. 1945	August 1945	October 1944	October 1945	Sept. 1945	August 1945	October 1944
District.	318	292	237	273r	289	278	272	248r
Dallas.	323	303	227	264	294	273	267	240
Houston.	300	269	221	283	273	226	251	267

Stocks—(1935-1939=100)

	Unadjusted*			Adjusted				
	October 1945	Sept. 1945	August 1945	October 1944	October 1945	Sept. 1945	August 1945	October 1944
District.	212	231	212	199	188	206	187	176

*Unadjusted for seasonal variation.

—Revised.

as compared with 8,282,768 bales ginned prior to this date in 1944. A cotton crop of 1,880,000 bales was forecast for Texas on November 1, representing a decline of 120,000 bales below production indicated on October 1 and compared with the 10-year average of 3,112,000 bales. Indicated yield for Texas was 145 pounds per acre, as compared with a yield of 154 pounds a month earlier and an average yield of 160 pounds. Ginnings in Texas prior to November 1 amounted to only 1,144,000 bales, as compared with 1,576,000 bales at the same time last year. Cotton ginned so far this year is slightly lower in grade than that ginned during the same period last year but the staple length averaged more than 1/32-inch longer. The proportion of ginnings reduced in grade because of rough preparations continued to fall below that of last season.

Prospects were reduced throughout Texas with the exception of the southeastern coastal counties where the indicated crop on November 1 was slightly higher than the forecast of a month earlier. The rains of late September and early October, covering most of the State, seriously reduced the rate of harvest and resulted in loss both in quality and quantity of production. Weather conditions after mid-October were generally favorable over most of the State but intermittent rains and heavy dews in the northeastern and north central counties interfered with harvesting and freezing temperatures in the latter part of October in the northwest caused some loss in prospective production in the late planted acreage. In spite of relatively favorable weather conditions during the latter part of October in Oklahoma and Louisiana, harvesting has tended to lag and some cotton still remains in the fields in the northern part of Louisiana and over most of Oklahoma.

The indicated corn production for Texas on November 1 of 66,048,000 bushels was about 2,000,000 bushels lower than that a month earlier and compares with last year's crop of 69,622,000 bushels and the 10-year average of 77,427,000 bushels. Heavy rains during October damaged the crop, reducing yields below early season expectations. The indicated production of grain sorghums remains the same as a month ago at 68,130,000 bushels, an average yield of 15.0 bushels per acre. Harvesting is about complete except on the High Plains where combining has become widespread following late October frosts. The rice harvest was completed in some areas by November 1 and was generally well advanced in all areas; prospects improved during October and the indicated production on November 1 was 17,600,000 bushels, an increase of 400,000 bushels from a month ago. The estimated pecan crop of 32,500,000 pounds on November 1 was 1,500,000 pounds below the estimate for the previous month. The peanut crop was damaged by the heavy rains and harvesting was retarded by shortage of labor. The current estimate of 358,200,000 pounds is about 10 per cent below that on October 1. The indicated production of all other field crops remained unchanged from a month earlier.

A record production of 24,000,000 boxes of grapefruit and 4,800,000 boxes of oranges is forecast for Texas, representing increases of 8 per cent and 9 per cent, respectively, over last year's production. The size of the fruit at the beginning of the

season was somewhat smaller than usual and growers have shown a tendency to delay shipments of fruit, especially oranges, to gain the advantage of the better fruit sizing resulting from the improved moisture situation. The quality of the fruit has been good compared with the usual quality of early season production.

Weather conditions prevailing during October over most of the Texas commercial vegetable areas were conducive to crop growth and seed germination, although part of the non-irrigated Coastal Bend district is suffering slightly from lack of moisture. Open weather has enabled growers to clean some crops that were becoming weedy. Insect damage has been less than usual. The indicated production of 5,320,000 bushels of spinach compares closely with the ten-year average harvest. Beet production, estimated at 1,370,000 bushels, is expected to be about 50 per cent above average. The eggplant harvest is in progress over most of the area with good yields reported. Since tomato plants did not hold the set indicated on October 1, yields are expected to be below those of last year. The outlook for Texas cabbage is generally favorable but heavy shipments are not expected until the last half of December.

Due to the marked improvement during October, range conditions in this district are generally good, except in southern

CASH FARM INCOME

(Thousands of dollars)

	August 1945		August 1945	Total receipts	
	Receipts from Crops	Livestock*		August 1944	January 1 to August 31 1944
Arizona.....	1,257	2,654	3,911	3,848	91,050
Louisiana.....	4,239	5,772	10,011	9,449	96,608
New Mexico.....	3,441	3,845	7,286	6,269	47,290
Oklahoma.....	15,146	26,230	41,376	58,842	280,186
Texas.....	40,136	40,958	81,094	91,633	671,994
Total.....	64,219	79,459	143,678	170,041	1,188,007

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

SOURCE: United States Department of Agriculture.

LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	October 1945	October 1944	September 1945	October 1945	October 1944	September 1945
Cattle.....	101,387	117,182	94,727	32,375	34,441	30,352
Calves.....	91,783	79,207	64,228	54,389	50,261	51,994
Hogs.....	12,560	54,495	13,521	5,084	12,937	5,107
Sheep.....	125,033	166,802	222,713	43,711	49,172	106,907

COMPARATIVE TOP LIVESTOCK PRICES

(Dollars per hundred weight)

	Fort Worth			San Antonio		
	October 1945	October 1944	September 1945	October 1945	October 1944	September 1945
Beef steers.....	\$15.25	\$15.00	\$15.75	\$15.50	\$12.75	\$13.25
Stocker steers.....	13.50	12.50	13.25	.....	.....	.....
Heifers and yearlings.....	15.25	15.00	15.75	14.00	12.75	14.25
Butcher cows.....	13.00	11.50	12.50	11.50	11.00	11.50
Calves.....	13.60	13.00	13.00	13.50	12.00	13.00
Hogs.....	14.65	14.55	14.55	14.65	14.25	14.55
Lambs.....	13.00	13.50	13.00	11.75	13.00	10.25

CROP PRODUCTION—(Thousands of units)

Crop	Unit	Texas		Eleventh District	
		Estimated Nov. 1, 1945	1944	Estimated Nov. 1, 1945	1944
Cotton.....	Bales	1,880	2,646	2,366	3,380
Winter wheat.....	Bushels	37,881	74,746	38,617	75,775
Corn.....	Bushels	66,048	69,622	80,147	82,016
Oats.....	Bushels	43,546	38,690	48,705	44,159
Barley.....	Bushels	5,075	10,780	10,585*	18,478*
Tame hay.....	Tons	1,511	1,536	2,080	2,115
Potatoes, Irish.....	Bushels	5,022	5,016	5,832	6,010
Potatoes, sweet.....	Bushels	4,350	5,025	15,672†	14,165†
Rice.....	Bushels	17,600	19,208	40,366†	41,368†

*Arizona, New Mexico, Oklahoma and Texas.

†Louisiana, Oklahoma and Texas.

SOURCE: United States Department of Agriculture.

MONTHLY BUSINESS REVIEW

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS
IN LEADING CITIES

(Thousands of dollars)

	Nov. 14, 1944	Nov. 15, 1944	October 10, 1945
Total loans and investments.....	\$1,973,380	\$1,563,640	\$1,870,258
Total loans.....	527,185	363,471	448,405
Commercial, industrial, and agricultural loans.....	323,791	265,094	289,751
Loans to brokers and dealers in securities.....	6,448	2,098	4,452
Other loans for purchasing or carrying securities.....	102,829	37,302	65,857
Real estate loans.....	27,023	21,140	25,840
Loans to banks.....	308	160	365
All other loans.....	60,789	47,017	59,110
Total investments.....	1,451,201	1,200,169	1,421,853
U. S. Treasury bills.....	76,373	78,878	69,328
U. S. Treasury certificates of indebtedness.....	402,919	360,145	397,298
U. S. Treasury notes.....	293,354	216,247	278,742
U. S. Government bonds.....	620,352	480,514	620,045
Obligations guaranteed by United States Gov't.....	863	20,434	863
Other securities.....	57,340	43,951	55,577
Reserves with Federal Reserve Bank.....	405,934	358,549	394,119
Balances with domestic banks.....	257,604	226,230	245,406
Demand deposits—adjusted*.....	1,389,725	1,198,053	1,345,723
Time deposits.....	279,167	208,936	273,985
United States Government deposits.....	244,362	119,901	215,139
Interbank deposits.....	646,434	557,133	591,560
Borrowings from Federal Reserve Bank.....	None	None	None

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

DEBITS TO INDIVIDUAL ACCOUNTS

(Thousands of dollars)

	October 1945	October 1944	Pctg. change over year	September 1945	Pctg. change over month
Abilene.....	\$ 19,240	\$ 18,716	+ 3	\$ 17,200	+12
Amarillo.....	49,790	43,856	+14	41,056	+21
Austin.....	74,394	73,963	+ 1	71,147	+ 5
Beaumont.....	57,079	54,871	+ 4	53,950	+ 6
Corpus Christi.....	57,066	52,726	+ 8	59,488	- 4
Corsicana.....	7,771	7,023	+11	6,883	+13
Dallas.....	549,922	548,691	+ 1	491,147	+12
El Paso.....	72,674	61,520	+18	58,510	+24
Fort Worth.....	203,893	207,289	- 2	193,128	+ 6
Galveston.....	44,587	43,735	+ 2	41,792	+ 7
Houston.....	553,412	534,674	+ 4	559,987	- 1
Laredo.....	11,696	11,472	+ 2	11,199	+ 4
Lubbock.....	31,037	29,536	+ 5	27,532	+13
Monroe, La.....	22,727	18,896	+20	18,549	+23
Port Arthur.....	18,947	21,873	-13	20,722	- 9
Roswell, N. M.....	9,914	8,788	+13	8,285	+20
San Angelo.....	19,433	14,887	+31	18,959	+ 3
San Antonio.....	169,360	140,113	+21	155,427	+ 9
Shreveport, La.....	79,439	81,373	- 2	76,547	+ 4
Texarkana*.....	18,834	22,006	-14	17,165	+10
Tucson, Ariz.....	34,747	28,006	+24	31,124	+12
Tyler.....	30,510	22,702	+34	23,650	+29
Waco.....	36,125	29,872	+21	27,736	+30
Wichita Falls.....	34,592	26,948	+28	30,239	+14
Total—24 cities.....	\$2,207,239	\$2,103,536	+ 5	\$2,051,422	+ 7

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

†Indicates change less than one-half of one per cent.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

(Average daily figures—Thousands of dollars)

		Combined total		Reserve city banks		Country banks	
		Gross demand	Time	Gross demand	Time	Gross demand	Time
October 1943.....	\$3,181,242	\$248,606	\$1,705,587	\$148,123	\$1,475,655	\$100,483	
October 1944.....	3,705,142	324,328	1,920,004	203,792	1,785,138	120,536	
June 1945.....	4,299,715	409,205	2,189,248	263,505	2,110,467	145,700	
July 1945.....	4,481,169	398,157	2,306,773	249,764	2,174,396	148,393	
August 1945.....	4,504,204	417,936	2,293,633	265,659	2,210,571	152,277	
September 1945.....	4,518,798	438,792	2,276,265	281,535	2,242,533	157,257	
October 1945.....	4,562,119	438,196	2,290,933	278,991	2,271,186	159,205	

FINANCE

The most important factor affecting financial activities in this district during recent weeks has been the Victory Loan Drive which began October 29 and will continue through De-

CONDITION OF THE FEDERAL RESERVE BANK

(Thousands of dollars)

	Nov. 15, 1945	Nov. 15, 1944	October 15, 1945
Total cash reserves.....	\$495,561	\$562,623	\$483,554
Discounts for member banks.....	200	353	200
Foreign loans on gold.....	1,410	None	300
U. S. Government securities.....	910,960	631,959	892,702
Total earning assets.....	912,570	632,312	893,212
Member banks reserve deposits.....	749,420	627,754	716,337
Federal Reserve Notes in actual circulation.....	623,622	531,462	616,142

SAVINGS DEPOSITS

	Number reporting banks	October 31, 1945		Percentage change in savings deposits from	
		Number of savings depositors	Amount of savings deposits	Oct. 31, 1944	Sept. 30, 1945
Beaumont.....	3	12,368	\$ 7,436,196	+24.7	+ 1.4
Dallas.....	8	126,757	65,081,189	+36.5	+ 2.3
El Paso.....	2	26,713	20,054,100	+37.9	+ 2.9
Fort Worth.....	3	39,093	29,895,775	+35.0	+ 2.0
Galveston.....	3	23,024	18,757,418	+21.2	+ 1.2
Houston.....	4	91,936	61,863,550	+26.4	+ 1.7
Lubbock.....	2	846	712,119	+33.1	+ 7.8
Port Arthur.....	2	5,825	5,202,545	+25.6	+ 2.0
San Antonio.....	5	34,545	39,221,267	+32.6	+ 1.6
Shreveport, La.....	3	32,382	24,150,554	+34.9	+ 1.9
Waco.....	3	8,950	8,270,240	+36.0	+ 2.8
Wichita Falls.....	3	7,146	4,776,928	+21.3	+ 1.5
All other.....	57	58,220	46,228,286	+30.1	+ 2.2
Total.....	104	467,805	\$331,640,167	+31.4	+ 2.0

ember 8, with savings bonds and Treasury savings notes processed by the Federal Reserve banks through December 31 to be counted toward the drive. Although the \$11,000,000,000 National goal for this drive is considerably lower than the \$14,000,000,000 to \$16,000,000,000 goals of other recent drives, the large volume of subscriptions being received in this district is exerting the customary influence upon financial developments.

Following the pattern characteristic of other drive periods, the deposits of weekly reporting member banks in this district increased sharply after the opening of the Victory Loan Drive, with all classes of deposits participating in the increase. In consequence, total deposits increased by \$133,280,000 between October 10 and November 14, reaching a new high level of \$2,566,000,000 on the latter date. This expansion in deposits was utilized by reporting banks to increase their reserves with the Federal Reserve Bank by \$11,800,000, their balances with correspondent banks by \$12,200,000 and their loans and investments by \$108,100,000.

The \$78,780,000 increase in total loans of reporting member banks between October 10 and November 14 reflected both the seasonal increase in loans to business and the extension of loans associated with subscriptions to Government security issues being offered during the Victory Loan Drive. Loans to brokers and dealers and to others for security trading, the major portion of which is secured by Government obligations, increased by \$35,900,000 during the five weeks, and the total of \$109,300,000 on November 14 was about the same as the previous peak reached at the close of the Seventh War Loan Drive. Although commercial, industrial and agricultural loans usually increase at this season, the large increase of \$34,000,000 which occurred chiefly in the first two weeks of November suggests that regular lines may have been utilized to obtain funds to enter subscriptions for drive securities. Moreover, "all other" loans increased by \$7,700,000 during the five weeks, or by an amount somewhat larger than usually occurs in such loans.

Between October 10 and November 14, the investments of reporting banks were increased by \$29,400,000, largely offsetting the reduction that occurred during the preceding four weeks. About one-half of the increase occurred in holdings of Treasury notes and most of the remainder occurred in holdings of Treasury bills and certificates of indebtedness. Holdings of Treasury bonds showed little change during the five weeks and on November 14 were about \$15,000,000 under the peak reached early in September.

The average reserve balances of member banks in this district continued to expand during October and the first half of November, reaching a new all-time peak of \$736,000,000 in the latter period. Following the Seventh War Loan Drive, the transfer of funds from Government war loan accounts to the deposit accounts of individuals, partnerships and corporations increased the reserve requirements of member banks with the result that average required reserves rose from \$522,000,000 in the first half of July to the new all-time peak of \$604,000,000 in the last half of October. During most of this period the increase in required reserves was more pronounced than the expansion in

reserve balances, with the result that excess reserves declined from \$148,000,000 to \$109,000,000 during the same period.

The circulation of this bank's Federal Reserve notes rose to a new peak of \$624,000,000 on November 14, but the net expansion of about \$7,000,000 during the preceding thirty days was the smallest for any similar period since April this year. Although Federal Reserve note circulation usually shows a seasonal expansion during the fall months, the expansion during the past three months has been much smaller than during any corresponding period since 1941.

INDUSTRY

Information released by the War Manpower Commission shows that 96,000 jobless persons were registered with the United States Employment Service in Texas early in November, and that 40,000 job openings were on file with that agency. These figures, of course, do not represent the total number of unemployed persons or of jobs available since many persons seeking employment are not registered and management no longer is obligated to file its labor requirements with the Employment Service. The discharge of servicemen is becoming a more significant factor in the employment situation. It is estimated that 60,000 Texans were released from the services in October, which is twice the number discharged in September, and a further acceleration is anticipated during the next few months. Although an excess of applicants over registered job openings is fairly general over the State, the excess is most pronounced in Dallas where there was an excess of 7,750 at the middle of November. Amarillo was the only major manpower area in the State reporting no excess labor; however, the United States Department of Labor, in its classification of labor market areas, listed Austin, Beaumont, El Paso, Houston and San Antonio as cities in balance.

Although the production of crude petroleum and refinery operations reached a low level early in October due to the strike, output increased sharply following the resumption of operations. Crude oil production during October amounted to 1,700,000 barrels daily which represented a decline of 322,000 barrels, or 16 per cent, from the September output, but by early November the daily rate had increased to approximately 2,063,000 barrels daily, the highest since early in September. In view of the anticipated demand for crude oil, the Texas Railroad Commission increased substantially allowances in Texas for November and made a further upward adjustment for December.

In this district, the curtailed operations in the early part of the month had the effect of reducing October crude oil runs to refinery stills to an average of 1,125,000 barrels daily. This figure, however, was only 5 per cent less than that during the previous month, since Texas Gulf Coast refineries quickly achieved normal production after resumption of operations. Crude oil runs in the Texas Gulf Coast area reached 93 per cent of capacity during the week ended October 27, as compared with approximately 27 per cent three weeks earlier. At the end of October crude oil runs to refinery stills in this district were averaging more than 1,450,000 barrels daily, which was only

about 120,000 barrels daily under the wartime peak reached at mid-August. Crude oil runs in the United States averaged 4,234,000 barrels daily during October, or 200,000 barrels in excess of production; consequently, the September and early October increase in crude oil stocks has been largely eliminated. Total crude oil stocks on November 10 had declined 7,550,000 barrels from 227,554,000 barrels on October 13, the highest level since July, 1944. About two-thirds of the decline in stocks between October 13 and November 10 occurred in this district.

Drilling activity in this district increased slightly during October, with an average of 23 well completions daily, whereas completions declined 11 per cent in the areas outside this district. Approximately 19,700 wells were completed in the United States during the first ten months of 1945, an increase of 10 per cent as compared with the same period in 1944, but materially below the 26,400 completions during the first ten months of 1941. In the Eleventh District over 6,700 wells were completed during the first ten months of this year, or a 19 per cent increase over completions during the comparable period of 1944, but 40 per cent fewer than during the same period in 1941. While the percentage of completions thus far in 1945 represented by dry wells was smaller than during the comparable period of 1944, it was larger than during the first ten months of 1941.

During October cotton consumed by Texas mills totaled 15,666 bales, representing increases of 7.5 per cent from that in September and of 4.9 per cent as compared with that in October, 1944. While this is the first increase in the year-to-year comparison since June, 1943, consumption during the first ten months of 1945, which amounted to 161,200 bales, was only 3.7 per cent smaller than during the corresponding period last year.

A late harvest, combined with the shortest Texas cotton crop in over fifty years, resulted in a 30 per cent decrease in receipts of cottonseed at Texas mills during the first three months of the current crushing season, as compared with the same period of 1944. The three months' receipts of 337,000 tons were the lowest of record. Although Texas stocks at the beginning of the current season were the highest in eight years, the small receipts thus far this season, together with larger crushings than a year ago, have resulted in holding stocks on October 31 at a level one-third below last year, and the lowest for that date since 1919. Moreover, it appears that Texas mills have received about 50 per cent of the State's estimated cottonseed production. Shipments of cake and meal from Texas mills during the current season have been larger than a year earlier while shipments of hulls have been smaller. On October 31, Texas mill stocks of cake and meal were 30 per cent lower than a year ago and the lowest of record for that date. The relatively low level of cake and meal stocks and smaller production in prospect during the remainder of this season are causing some concern among Southwest feeders over the potential shortage of feeds during the winter months.

The value of construction contracts awarded in this district during October rose to \$23,770,000, which was 39 per cent

more than during the preceding month and the highest for October since 1942. Moreover, total construction awards in this district for the first ten months of the year, amounting to \$226,000,000, were 68 per cent above the total during the same period last year. In comparison with the preceding month, residential awards rose approximately 50 per cent, but the larger public works and utilities awards in Texas accounted for the major portion of the gain.

CRUDE OIL PRODUCTION—(Barrels)

	October 1945		Increase or decrease in daily average production from	
	Total production	Daily avg. production	October 1944	Sept. 1945
North Texas.....	6,669,400	215,142	— 32,337	— 14,270
West Texas.....	10,883,650	351,036	—140,974	— 87,016
East Texas.....	11,318,700	365,110	—155,271	— 71,784
South Texas.....	7,584,250	244,033	— 90,444	— 41,495
Texas Coastal.....	11,023,050	355,532	—182,989	—102,693
Total Texas.....	47,479,050	1,531,532	—601,715	—317,258
New Mexico.....	3,054,300	98,526	— 5,944	— 4,104
North Louisiana.....	2,187,850	70,576	— 2,326	— 497
Total District.....	52,721,200	1,700,634	—610,485	—321,859

SOURCE: Estimated from American Petroleum Institute weekly reports.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

	(Thousands of dollars)			
	October 1945	October 1944	September 1945	January 1 to October 31 1945
Eleventh District—total...	\$ 23,770	\$ 10,498	\$ 17,116	\$ 226,204
Residential.....	4,438	1,517	2,979	32,410
All other.....	19,332	8,981	14,137	193,794
United States*—total.....	316,571	144,845	278,262	2,598,531
Residential.....	59,886	23,805	42,580	388,959
All other.....	256,685	121,040	235,682	2,209,572

*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

BUILDING PERMITS

	October 1945		Percentage change valuation from		Jan. 1, to Oct. 31, 1945		Percentage change valuation from 1944	
	No.	Valuation	Oct. 1944	Sept. 1945	No.	Valuation	No.	Valuation
Abilene.....	24	\$ 44,950	+846	— 86	147	\$ 618,013	+ 86	+ 86
Amarillo.....	141	482,752	+068	+ 19	1,043	2,330,653	+119	+119
Austin.....	233	678,640	+728	+ 65	1,454	2,785,689	+360	+360
Beaumont.....	243	197,272	+138	+159	1,655	1,500,196	+100	+100
Corpus Christi.....	199	479,601	+ 67	+ 53	1,802	3,133,011	+ 76	+ 76
Dallas.....	956	2,138,462	+368	+ 42	7,342	10,823,741	+ 68	+ 68
El Paso.....	121	269,140	+103	— 13	756	1,270,418	+ 1	+ 1
Fort Worth.....	367	1,007,609	+206	+ 54	3,296	6,152,390	+110	+110
Galveston.....	77	81,060	+ 8	— 86	645	1,214,204	+ 29	+ 29
Houston.....	484	1,823,980	+ 53	+ 14	3,647	21,046,195	+155	+155
Lubbock.....	171	408,496	+361	+ 82	1,389	2,190,046	+130	+130
Port Arthur.....	119	85,544	+312	— 37	907	604,453	+126	+126
San Antonio.....	1,073	1,377,514	+ 93	+ 15	8,611	6,075,441	+ 57	+ 57
Shreveport, La.....	248	473,798	+289	+104	2,161	2,306,785	+ 88	+ 88
Waco.....	76	136,580	+557	+ 33	821	1,605,765	+ 23	+ 23
Wichita Falls.....	43	94,289	+490	+ 65	432	530,617	+129	+129
Total.....	4,575	\$9,779,957	+165	+ 12	36,118	\$64,093,617	+100	+100

COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to October 31 This season	Last season	August 1 to October 31 This season	Last season
Cottonseed received at mills (tons).....	336,934	477,623	1,532,539	2,400,396
Cottonseed crushed (tons).....	220,136	211,121	918,003	977,561
Cottonseed on hand Oct. 31 (tons).....	200,997	298,148	832,884	1,541,091
Production of products:				
Crude oil (thousand lbs.)....	66,674	61,362	284,317	294,423
Cake and meal (tons).....	101,861	99,464	403,778	442,343
Hulls (tons).....	50,134	49,086	216,994	228,114
Linters (running bales).....	69,342	64,992	274,840	281,909
Stocks on hand October 31:				
Crude oil (thousand lbs.)....	10,602	12,848	49,903	55,978
Cake and meal (tons).....	17,200	25,117	56,375	69,945
Hulls (tons).....	25,231	18,807	68,023	46,967
Linters (running bales).....	26,085	29,727	97,042	101,732

DOMESTIC CONSUMPTION OF STOCKS OF COTTON—(Bales)

	October 1945	October 1944	Sept. 1945	August 1 to October 31	
				This season	Last season
Consumption at:					
Texas mills.....	15,666	14,941	14,574	47,736	48,334
United States mills.....	759,806	798,976	701,000	2,200,617	2,425,139
U. S. stocks—end of month:					
In consuming estab'n'ts....	1,912,212	1,971,866	.....	.....	.....
Public stg. & compresses....	6,230,766	11,984,390	.....	.....	.....

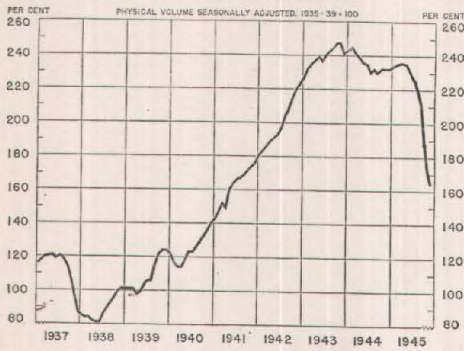
MONTHLY BUSINESS REVIEW

DECEMBER 1, 1945

NATIONAL SUMMARY OF BUSINESS CONDITIONS

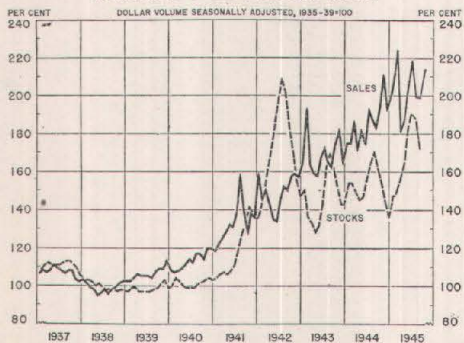
(Compiled by the Board of Governors of the Federal Reserve System)

INDUSTRIAL PRODUCTION



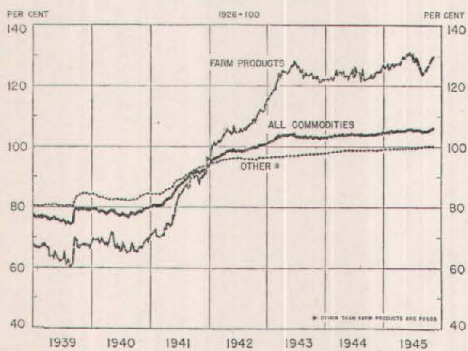
Federal Reserve index. Monthly figures, latest shown is for October, 1945.

DEPARTMENT STORE SALES AND STOCKS



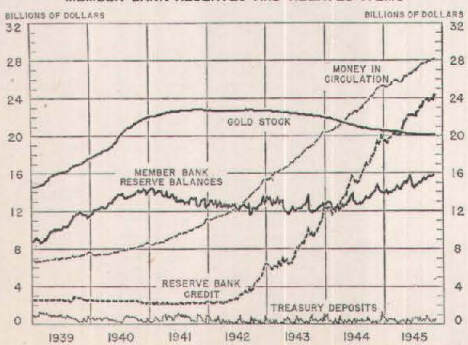
Federal Reserve indexes. Monthly figures, latest shown are for October, 1945.

WHOLESALE PRICES



Bureau of Labor Statistics' indexes. Weekly figures, latest shown are for the week ending November 17, 1945.

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures, latest shown are for November 14, 1945.

Industrial output declined somewhat further in October but in the early part of November production in important basic industries increased. Value of retail sales continued to advance considerably in October and early November reflecting in part small increases in prices.

INDUSTRIAL PRODUCTION

Output at factories and mines continued to decline in October reflecting a further curtailment in munitions activity and reduced production as a result of industrial disputes in some industries. The Board's seasonally adjusted index decreased 4 per cent in October and at 164 per cent of the 1935-39 average the index was at the same level as in the middle of 1941. In the first half of November output in such basic industries as coal, coke, petroleum, iron and steel, and automobiles was above the October level.

Activity in the machinery and transportation equipment industries showed only small declines in October in contrast to the sharp reductions in recent months when most of the war production in these lines had been terminated. Activity at automobile factories rose substantially in October and there were also important increases in output of civilian products in other reconverted factories.

Steel production was reduced in October as a result of a temporary curtailment in coal supplies but since the end of October steel mill operations have increased considerably. Wage-rate disputes in the West Coast lumber region resulted in a reduction of 18 per cent in total lumber output in October.

Output of nondurable goods as a group was maintained in October. Further reductions in output of explosives and aviation gasoline and other products used for war purposes were offset by increases in output of many peacetime products.

Output of coal and crude petroleum decreased sharply in the early part of October as a result of industrial disputes. Since the last week of October production of these minerals has increased considerably; in the early part of November bituminous coal production was at the highest rate since the spring of 1944.

EMPLOYMENT

Employment in munitions industries and in Federal war agencies declined further in October, while in most establishments engaged in civilian activities employment increased. Employment at automobile factories gained about 10 per cent in October, and there were important increases in some other manufacturing lines, in construction, and in the trade and service industries. Employment at coal mines dropped temporarily as a result of work stoppages.

DISTRIBUTION

Distribution of commodities to consumers continued to increase in October and the first half of November. Sales at retail stores selling both durable and nondurable goods were about 15 per cent higher than a year ago. At department stores sales advanced 8 per cent from September to October, according to the Board's seasonally adjusted index, and, on the basis of the rate of sales during the first half of November a new peak is indicated this month.

Railroad shipments of revenue freight have increased since the early part of October, although they usually decline during this season, and in the middle of November they were almost as large as in the same period a year ago. The increased number of carloadings has reflected a sharp rise in coal shipments since the miners have gone back to work as well as a steady expansion in shipments of merchandise for civilian use.

COMMODITY PRICES

Wholesale prices of farm products and foods continued to advance from the middle of October to the middle of November and reached the previous peak levels prevailing in June. Prices of cotton, grains, and various other products were above the June levels, while prices of fresh fruits and vegetables were below the earlier seasonal peaks. Butter prices rose to the new maximum level after the subsidy was discontinued in October; the subsidy on flour was increased for the month of November.

Maximum prices for cotton goods, building materials, and various other industrial products were raised somewhat further, while in certain other cases, like nylon hosiery, reductions in maximum prices were announced. The prices announced for new passenger cars were close to 1942 levels, which were substantially above 1939 prices.

BANK CREDIT

Since the end of hostilities the rate of monetary expansion has slackened, reflecting reduced Government expenditures. Government war loan accounts at member banks in leading cities were reduced 5.1 billion dollars between August 15 and November 14, compared with a decline of 7.8 billion in the same period last year. Adjusted demand deposits at these banks increased 2.1 billion in the three months, compared with 4.5 billion last year. The growth in time deposits was only slightly less than in the same period a year ago. Currency in circulation has also grown at a much slower rate; during the past three months the increase was less than half that of the same period last year.

With reduced expansion in member bank required reserves and in currency, Reserve Bank credit has increased more slowly than in previous interdrive periods. A part of the increase has been in advances to member banks. Member bank excess reserves have increased somewhat and at 1.2 billion dollars are larger than usual at this stage of war loan drives.

Commercial loans at reporting banks, both those in New York City and outside, have increased somewhat more than the usual seasonal amount. Since the beginning of September these loans have grown 650 million dollars compared with 340 million during the same period of 1944. Loans for purchasing and carrying United States Government securities, though contracting as usual in periods between war loan drives, continued well above previous interdrive levels. By mid-November such loans both to brokers and dealers and to other customers were already starting to expand in connection with the current drive.