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FARM CREDIT—A CHALLENGE TO BANKERS

As a consequence of developments which were an outgrowth of wartime financing, commercial banks invested an increasing proportion of their resources in Government securities during the war years. In the years ahead, refunding operations of the Treasury and possibly Government requirements for some new money may lead to continued though lesser demands upon commercial bank resources. It is already apparent, however, that in the shift to peacetime operations commercial banks will seek to expand their loan portfolios. Agricultural loans offer many banks, particularly the so-called "country banks," an attractive opportunity to employ idle funds profitably. Moreover, such loans, if soundly made and administered, will assist farmers generally in carrying out the difficult program of readjustment that is necessary to stabilize agriculture on a sound peacetime basis.

Institutions other than commercial banks have made an increasing volume and proportion of funds available to farmers during the past two decades. These comparatively new credit sources, for the most part agencies of Government, have established themselves as more or less permanent competitors whose loan policies must be thoroughly understood and carefully considered by commercial banks in the formulation of an expanding agricultural loan program if banks are to maintain their leadership in this field.

The uses of agricultural credit obviously vary widely but, in a broad sense, fall either into that category of loans intended to perform a function of social rehabilitation or into the class of loans whose function is that of the production of economic goods. Loans of the type which serve principally a social rehabilitation function are usually made by Government agencies and do not constitute a satisfactory outlet for commercial bank funds. Consequently, such loans should not be considered competitive with the services of commercial banking institutions. In the majority of instances, however, agricultural credit performs the function of supplying seasonal or short-term working capital to farmers for productive purposes. This type of loan and, to some extent, agricultural loans of a semi-fixed or a fixed capital nature do constitute a proper outlet for commercial bank funds. Therefore, to the extent that other agencies offer to meet the demand for such loans they are competitive with the commercial banking system.

It should be an objective of commercial banks, particularly those located in and serving agricultural communities, to accept the leadership in providing for the credit needs of agriculture. At times during the past two decades commercial banks have accepted that responsibility more fully than at other times. When, for one reason or another, the credit requirements of agriculture apparently have not been fully satisfied by the functioning of the credit sources which existed at the time, new agencies have appeared on the scene and usually have remained as competitive institutions. The present period of readjustment seems to be an especially propitious time for commercial banks to reassert their leadership in this field and to bear their full share of responsibility in the development of a broader and more sound agricultural loan program.

In the field of farm mortgage credit, commercial banks, although never a dominant factor, have maintained their proportion of the total of such loans at a fairly constant level. Between 1930 and 1945,

the volume of farm mortgage debt in the United States declined by approximately 45 per cent, but throughout the period commercial bank holdings of such debt ranged between 7 per cent and 9 per cent of the total amount outstanding.

On the other hand, since 1930 the proportion of total farm mortgage debt held by Government-sponsored agencies has increased significantly. In 1930, Federal land banks and joint-stock land banks together held about 19 per cent of the farm mortgage debt. After that date loans of the joint-stock land banks declined sharply in importance, but that shrinkage was more than offset by the entrance into the field of the Federal Farm Mortgage Corporation and the Farm Security Administration. By 1939, those four Government agencies together held approximately 44 per cent of the total farm mortgage debt. During the war years the proportion of holdings of these agencies declined, but still represented about 33 per cent of the total debt in 1945.

Farm mortgage loans held by insurance companies declined from approximately 22 per cent of the total outstanding in 1934 to about 14 per cent in 1937, and then turned upward to reach 18 per cent in 1945. The greatest relative decline since 1930 in holdings of farm mortgage debt occurred in connection with loans held by individuals and others, principally commercial establishments supplying merchandise or service to farmers. Since 1939, however, the volume of such loans by these lenders has remained relatively stable in amount, thus representing a larger proportion of the total farm mortgage debt in 1945 than in 1939. The pattern of farm mortgage debt holdings by the various lending institutions in the five states all or a part of which comprise the Eleventh Federal Reserve District is closely similar to the national trends briefly stated above.

In the field of non-real estate farm credit it is not possible to obtain an entirely satisfactory picture of the total debt pattern because data covering the amount of credit extended to farmers by individuals, retail and wholesale establishments, gins, oil mills, and other similar enterprises are not available. Although there are some indications that in recent years the proportion of the total non-real estate farm credit extended by these miscellaneous sources has declined, the amount outstanding is still significant. The accompanying chart shows that the large increase in the volume of non-real estate agricultural loans has been due to the activity of various Government agencies. It is also apparent from the chart that commercial banks, always a dominant factor in the field, continue to be the most important loan source. Commercial bank loans of this type, excluding loans guaranteed by the Commodity Credit Corporation, represented 51 per cent of all non-real estate loans of the principal lending agencies in 1935, as against 36 per cent in 1945. If, however, the non-real estate loans made by commercial banks which were guaranteed by the Commodity Credit Corporation are added to the commercial bank total, the relative proportion of the total non-real estate farm debt in 1945 was 68 per cent as compared with 69 per cent in 1935. To a considerable extent commodity loans of this type are of a character which under normal conditions and with proper safeguards would be made by commercial banks without a guarantee. The guarantee by the Commodity Credit Corporation is an outgrowth of a system involving resort to pegged prices.

Despite the substantial increase which has occurred during the war in the amount of liquid assets held by farmers, it is quite possible that an increase in the demand for farm mortgage credit and non-real estate farm credit will appear during the next several years. There are several reasons which tend to give support to such a possibility.

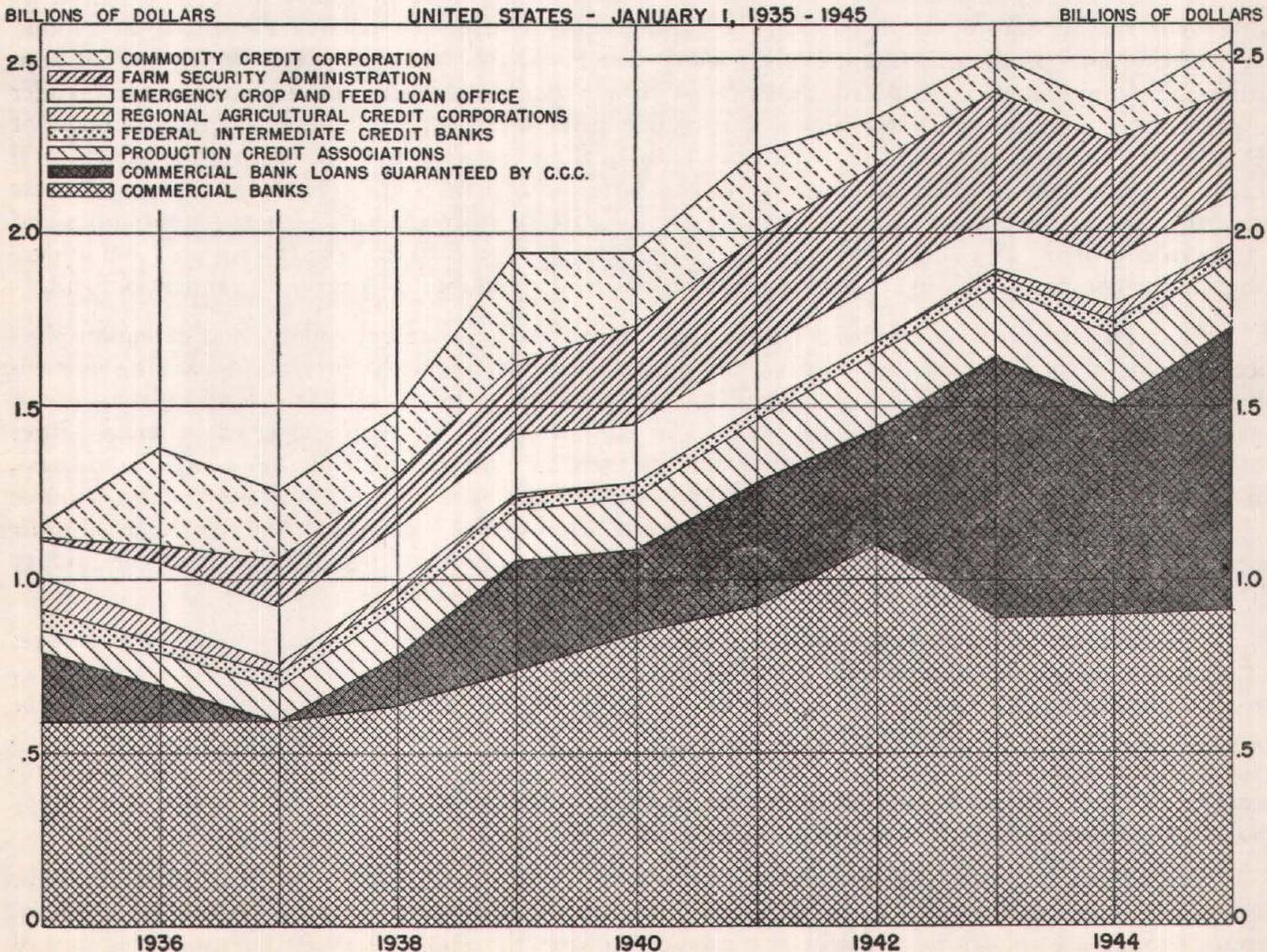
A survey made by the Army in 1944 among its personnel revealed that many servicemen intended at that time to return to farms after their discharge from the Service. Moreover, a large part of that group indicated their desire to purchase farms for their own operation. It is true that many such servicemen may have considerable savings and may be able to secure loans under the Servicemen's Readjustment Act, but if such prospective farmers are to operate productive, family-sized farm units many of them will probably require additional financing. An additional demand for farm property may arise from war workers desiring to return to farming and others seeking to establish part-time farms. A study made by the National Planning Association indicated that there was a substantial number of such war workers who desired to return to full-time farming, while others who wished to remain in industrial occupations indicated a desire to live on small farms near to cities so that they could supplement their industrial wages by the real income from agricultural products raised on their own land.

Again, and perhaps more important, many who now own and operate farms may seek to enlarge the size of their farm units in order to take advantage of the production economies made possible by

operating a larger-sized unit with adequate mechanical equipment. That development may be particularly important in areas of the Cotton Belt, since improved cotton picking machines and cultivating equipment and practices make it desirable wherever practicable to shift to a more completely mechanized operation. This trend may be accomplished in part by combining several small tenant operated units into a larger single unit under one management. In some of these cases, there would be no change in ownership and possibly no need for additional financing. On family-owned and operated units, however, there may be a tendency to enlarge the tract farmed, since the family, with the aid of mechanical equipment, would be able to cultivate a larger area of land and thus increase its income. Finally, if substantial mechanization is to occur, it must be applied to tracts of land larger than the average family-sized farm in order to be economically efficient. All of these influences increasing the demand for land plus the impetus to speculation caused by the present high agricultural prices tend to increase land prices, making purchase of land a more expensive and hazardous undertaking. Banks can be of good influence in not financing speculation in land.

Changes in operational patterns of farming during the years ahead may give rise to additional financing demands. The probability of increasing mechanization has already been mentioned, and the expansion of rural electrification, which was in progress before the war, will probably be greatly accelerated. Improved farming and more extensive use of fertilizers, together with improved soil conservation practices, will contribute to the demand for farm credit. Mechanization and improved farming methods may also bring about shifts in types of farming, leading in some instances to greater

NON-REAL-ESTATE LOANS TO FARMERS HELD BY SELECTED LENDING AGENCIES



SOURCE: U.S. DEPARTMENT OF AGRICULTURE, B.A.E.

specialization, such as livestock, dairying, or other specialty farming. These developments may require farmers to seek additional funds for new capital outlays and, temporarily, for larger working capital.

Lending institutions should, of course, proceed with care in making such agricultural loans. In so far as possible, they should determine accurately the probable future returns from the use of the funds and, thus, not only protect their own positions but perform a genuine service to the would-be borrowers. Banking institutions should use every precaution to avoid becoming the unwilling holders of farm real estate. Uncertainties at this time with respect to supply and demand relationships for numerous agricultural products, together with the related problem of the future level of agricultural prices, also tend to introduce a note of caution into the situation, but do not militate against the development of a sound agricultural loan program designed to meet farm credit requirements during the coming years. In fact, recognition of the existence of such possible factors tends to make the establishment of such a program even more desirable.

There are banks, recognized in agricultural circles and in rural communities for their strong leadership, which have been outstandingly successful in the development of coordinated, progressive agricultural programs. Such banks have recognized the opportunity to render a valuable service to their respective communities, while enhancing the profitableness of their own operations. They have consciously determined to develop their leadership in the field of agricultural credit in the areas of which their communities are the center. Probably the principal attribute accounting for the success of these banks has been their strong forward-looking leadership, but it is also important to recognize that these banks have approached the problem systematically, have left nothing to chance, and have overlooked little to develop and publicize the programs which they have sponsored.

A great many more banks, in fact the very substantial proportion of all commercial banks, do observe in their operation one or more of the various elements which represent the essentials of a sound agricultural loan program. Perhaps in the case of these banks the principal quality which has not been sufficiently emphasized is deliberate direction of their agricultural credit activity toward the broader aspects of the community's development in its fullest sense. Moreover, there may have been in many of these cases a tendency to take a passive rather than an active position toward meeting the agricultural credit requirements of their community. If this latter statement is correct, the fundamental cause probably lies in the failure of bank management to analyze fully the agricultural potentialities and requirements of the area and to develop a flexible program designed to lend the full support and leadership of the community's private banking institutions to the community's agricultural development.

State and national banking associations and committees, agricultural colleges and extension services, certain of the Federal Reserve banks, and numerous special articles in prominent banking journals have from time to time suggested and outlined the principal elements of a sound agricultural credit program for banks, particularly those located in rural areas. While such suggested programs differ somewhat in detail, most of them contain essentially the same basic recommendations. Any one of them, if deliberately and faithfully applied, would produce for the bank and its community very desirable results. Therefore, perhaps the most important point for emphasis is that each such bank should draw upon these suggestions and develop a program which fits the needs and peculiarities of its community and, then, consciously carry out the features of that program consistently.

The first step in the development of a commercial bank agricultural program should be to secure, if necessary, the services of a person fully informed and experienced in agricultural practices and operations and then to delegate to that individual responsibility for the task, giving him support to the greatest extent possible. In many banks there is at least one officer or key employee who either meets the qualifications of an agricultural specialist or who, within a comparatively short time and with reasonable study, could develop those qualifications. In other instances, it might be more satisfactory to employ a person to carry out this particular job.

A corollary step which might be taken as an adjunct to the designation of an agricultural specialist is the appointment of a small working advisory committee of the representative farmers of the community. Such a committee, composed of men familiar with the agricultural practices and problems of the community, could undoubtedly be of the greatest assistance to the bank in formulating its program

and in adjusting that program to give it the flexibility to meet the requirements of particular instances. To obtain the greatest value from such a committee it is important that the committee be recognized and operate as a functioning advisory committee and not as a perfunctory body.

The second logical step in the development of an agricultural credit program obviously should be to study carefully the agricultural characteristics of the community which the bank serves. Such a study cannot be made satisfactorily from behind a desk; it must be made as a field study. The agricultural specialist of the bank, working in conjunction with the bank's advisory committee, should spend considerable time, at least in the early stages of the program's development, contacting farmers in the area at their farms. In this manner he should be able to determine rather precisely the type of farming in the area, the condition of the farm units, the general prospects of the area's agricultural development, and the requirements for its sound growth and expansion. It is also important that the agricultural specialist should consult and work with the county agent, the FSA supervisor, county agricultural committees, and other agricultural specialists in the area and, in his farm visits and other contacts with farmers, should appraise as accurately as possible the intangible factor of farm management ability. Furthermore, the agricultural specialist should familiarize himself to the greatest extent possible with price developments and marketing conditions, inasmuch as such factors greatly influence and affect the production and distribution of a community's agricultural goods. As a result of such a thorough study the bank's program should begin to take form if the agricultural specialist would set down specifically the particular conditions existing in the community's agriculture which need strengthening and, against those conditions, the requirements necessary to effect the desired improvement.

On the basis of the agricultural specialist's appraisal up to this point, the third step in the development of the bank's program should be a careful determination of the agricultural loan potential of the area. This involves making an estimate of the amount of credit currently being extended to farmers in the area by such lending agencies as those of the Government, insurance companies, individuals, merchandise establishments, and others. It also involves an analysis of the character of the credit being extended, to determine whether such credit could be handled at least as efficiently and economically by a commercial banking institution. Out of such an analysis may arise the possibility of subsequent loan shifts to a commercial banking institution, provided it is clear that such shifts would be more economic and in the interest of the community's agriculture and its banks. While an exact estimate of that amount of credit extended by others probably cannot be ascertained, usable estimates may be obtained from county records, from the knowledge held by members of the bank's advisory committee with regard to local conditions, from the agricultural committees of banking associations, the extension services of some agricultural colleges, other such agencies and institutions, and from miscellaneous published material.

After the agricultural specialist has made a reasonable estimate of the amount of credit being extended to farmers in the area by other lending agencies, he should then attempt to estimate the potential credit demand of the area which is not at the time being satisfied. Obviously, it is important to study carefully the character of that unsatisfied credit potential to determine what part of it would be acceptable as sound commercial bank loans. On the basis of this determination and the estimate of the amount of credit currently being extended in the area by other lending agencies which might be at least as efficiently and economically handled by commercial banks, it should be possible to obtain a reasonably accurate estimate of the total loan potential of the area that could be financed on a sound basis by commercial banks. On the basis of such an estimate, with, of course, necessary modifications as conditions might change, a bank could set tentative goals toward which its agricultural program would be pointed.

It is proper to re-emphasize at this point the importance of making a very careful study of the nature of the loans extended by competitive credit agencies, because of their significance in the community's agricultural loan potential and its determination. Since the end of the First World War, and particularly since the depression of the 30's, other credit agencies have been established which in a greater or lesser degree tend to be competitive with commercial banking institutions. To the extent that this condition prevails in an area, it is desirable that the banks of the area study carefully the character of the operations of these competitive agencies to determine whether it is possible for the banks, operating as privately owned institutions, to modify their loan practices or to meet more fully the peculiar needs

of each individual farmer in the community and thus to strengthen their competitive position. Keen competition should be accepted as a challenge to be met by providing better service patterned to meet reasonable individual needs at a fair cost.

At this stage in the development of such a program it would be necessary to take steps to assure that the program is being carried out in an orderly, systematic manner. Haphazard and hit-or-miss procedures and policies will undermine the full achievement of any program's potentialities. Consequently, there should be adequate though simple internal records to keep the agricultural specialist constantly informed of the progress being made with respect to fulfillment of the program, the financial condition of the bank's agricultural borrowers, potential loan outlets to specific farmers, and such other detailed information as is necessary to measure the bank's progress in this field. To be valuable, such records must be simple, they must be readily usable, and must reveal a maximum of information with a minimum of time consumption and "card shuffling."

Among other things, the records should show the dates of farm visits, the condition of farms at time of visits, and the estimates of loan potential to such farmers. They should also include a credit statement from all borrowing farmers in the area and, to whatever extent possible, estimates of the credit strength of non-borrowing farmers. It is obviously true that some of this latter group might not under any conceivable circumstances become good credit risks. Records pertaining to those farmers might be separated and placed in an inactive file. On the other hand, it is highly probable that a considerable number of the non-borrowing farmers, with proper counsel and treatment, might become desirable credit customers of the bank. That group represents an important potential source of new credit business.

When credit extension is made, the bank should work out with the borrowing farmer a budget of estimated expenses and receipts in order to impress the borrower in a most effective manner with the importance of careful financial management and to provide for the bank's records a statement which will show the course of repayment of the credit. It is also possible that by careful budgeting of expenses and receipts farm loans could be tailored better to meet the requirements of the borrower as he progresses through a production season or loan cycle and afford him more economic financing, while at the same time providing profitable business and building his good will toward the banking institution. Moreover, such a practice would tend to improve the competitive position of commercial banks with respect to loan policies.

Perhaps one of the most important requirements of a well-rounded agricultural credit program is that proper and full publicity be given to the program, setting forth the banking facilities which are available to the farmers of the community. It is probably true that too often the general public is not fully familiar with the real services which are offered to it by banks and with the special advantages which are inherent in bank credit properly used. The bank should avail itself of every opportunity to present its program to the farmers of its area through personal visits, contacts, and published material. The manner of presentation of the bank's publicity is particularly important. The objective should be to present the information in such a clear, understandable manner as to assure as fully as possible acceptance of the program by the farmers of the area and appreciation of its value and significance to them individually and to the farming community as a whole.

One phase of the bank's publicity activity, and one which may be most far-reaching in its ultimate effects, is that of cooperating as fully as possible with various groups on worthwhile projects for the purpose of improving generally the community's agricultural status. In rural communities banks can probably contribute greatly in this respect by participating in the educational work of their respective communities and by encouraging and giving reasonable financial support to the club activities of farm youth. In many areas the need for soil conservation work is so important that banks can make a genuine contribution to the agriculture of the community and to their own stature in the community if they will encourage and participate with civic clubs, agricultural groups, and other such interests in the furtherance of the needed program. Also, assuming that a bank has a capable agricultural specialist and an active working committee of farmers to assist him, it should be possible to stimulate interest in agricultural improvement programs such as more efficient methods of dairy farming, improvements of livestock, information with respect to the value of new crops to the area, seed advances and improvements, and generally more efficient farm management practices.

Review of Business, Industrial, Agricultural and Financial Conditions

DISTRICT SUMMARY

Consumer buying at department stores in this district was in record volume during December. Sales rose 33 per cent from November to December and were 13 per cent larger than in December 1944. During the first half of January 1946, sales continued well above the high level attained in that period last year. December sales of furniture firms also increased substantially and were about 14 per cent in excess of those in the same month of the preceding year. Crude oil production in this district rose further in December, and daily average production was only 8 per cent below the high level prevailing in that month of 1944. Crude oil runs to refinery stills in this district also increased in December and were only moderately below the peak level attained in August. Well completions in December were at the highest rate in about four years. Construction contracts awarded, which had increased substantially in November, were apparently maintained close to the higher level in December. Weather conditions during December were conducive to the completion of harvesting operations and to progress with winter plowing. Although some sections of the district received rains during the month, moisture supplies are deficient over much of the district, particularly in the western half. Small grains have made generally good growth in north and central Texas, but are poor to only fair in the wheat growing sections of northwest Texas.

BUSINESS

Buying at retail firms in this district during 1945 was in record volume, with increases over the preceding year being registered in virtually every important line of trade. Although preliminary estimates indicate that consumer incomes declined somewhat as compared with those in 1944, the volume of buying showed a further expansion since consumers were apparently inclined to spend a larger proportion of total income. During the course of the year, many items of consumers durable goods, some of which had virtually disappeared from the market during the war period, became available in larger quantities, and the demand for them was so great that retail establishments generally were unable to build up a sizable backlog of these items. There were some items that were in ample supply and retailers were able to increase inventories despite exceptionally large sales. On the other hand, the available supplies of many items of soft goods were inadequate to meet the heavy demand, with the result that stocks of merchandise had declined to a very low level before the end of the year. This was particularly true of men's clothing and furnishings where the heavy demand which was accelerated by the return of former servicemen to civilian life, accentuated greatly the existing shortages. The same situation also prevailed to some extent with respect to furniture and other household goods. During the period of heavy Christmas shopping, when supplies of many items normally purchased in this season were depleted, consumers showed a disposition to purchase luxury goods to meet their requirements.

At department stores in this district, sales followed an irregular trend, reflecting consumer reactions to war developments, but total sales for the year were 13 per cent above those in 1944 and about 150 per cent above those in 1939. During the first quarter of 1945, the strong demand for merchandise maintained sales at a level of about 19 per cent above that in the corresponding period of 1944. During the second quarter, however, the prevailing uncertainties about future employment conditions created by the termination of the war in Europe, which apparently had a depressing effect upon buying, were accompanied by a decline in sales which was greater than is usual at that season. The recovery that became apparent in July and early August was interrupted by the sudden termination of the war with Japan. For

a period of approximately six weeks, sales fluctuated widely from week to week but on the average, were maintained at a level close to that obtaining in the corresponding period in 1944. In the final quarter, however, there was a marked recovery with sales showing a wide margin of gain over those a year earlier. During December, sales were in record volume, reflecting increases of 33 per cent as compared with the previous month and 13 per cent as compared with December 1944. Inventories declined approximately 20 per cent during December, despite the large receipts of merchandise during the month. While year-end inventories in some departments were very small, total inventories on December 31 were about 15 per cent greater than the low volume a year earlier. During 1945, cash sales constituted about 53 per cent of total sales, or about the same proportion as in the preceding year. Collections on regular accounts on the average represented about 65 per cent of outstanding accounts on the first of each month.

Sales of furniture stores in this district increased substantially toward the end of the year and in December were 14 per cent in excess of those in the same month a year earlier. The increase in cash sales was much larger than that in total sales. Sales during 1945 exceeded those in the previous year by about 14 per cent. Inventories of furniture declined about 11 per cent during December and at the end of the year were at approximately the same level as a year earlier.

At retail outlets in other lines of trade, the percentage increases as compared with a year earlier varied widely. According to the data compiled by the Department of Commerce on independent retail establishments in Texas, some of the larger increases occurred in those lines where shortages during the war period had restricted sales. This was particularly true of the lumber, building and hardware groups where sales were about one-fourth higher than those in the preceding year. Sales of filling stations showed an increase nearly as large, reflecting the heavy

WHOLESALE AND RETAIL TRADE STATISTICS

	Number of reporting firms	Percentage change in				
		Net sales		Stocks †		
		December 1945 from Dec. 1944	November 1945 from Dec. 31, 1944	December 1945 from Dec. 1944	November 1945 from Dec. 1944	
Retail trade:						
Department stores:						
Total 11th Dist.	44	+13	+33	+13	+11	-21
Dallas	7	+14	+28	+15	+13	-21
Fort Worth	4	+7	+35	+11	+19	-20
Houston	4	+12	+38	+7	+10	-28
San Antonio	7	+24	+32	+23	+17	-13
Corpus Christi	4	+7	+42	+13	+5	-29
Shreveport, La.	3	+11	+48	+6	....	....
Other cities	14	+1	+27	+7	-6	-21
Retail furniture:						
Total 11th Dist.	52	+14	+12	....	-3	-11
Dallas	3	+14	-2	....	....	....
Houston	8	+13	+7	....	....	....
Port Arthur	3	+41	+15	....	....	....
San Antonio	3	+12	+12	....	....	....
Wichita Falls	3	+1	-3	....	....	....
Wholesale trade:*						
Automotive supplies	4	+27	+3	....	+27	-4
Drugs	5	+16	-16	....	+12	-2
Electrical supplies	3	+43	+12	....	....	....
Groceries	20	+3	-8	+2	+5	+8
Hardware	4	-2	-24	+9	....	....

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

†Stocks at end of month.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

	Daily average sales—(1935-1939=100)							
	Unadjusted*				Adjusted			
	Dec. 1945	Nov. 1945	October 1945	Dec. 1944	Dec. 1945	Nov. 1945	October 1945	Dec. 1944
District	470	352	318	417r	288	288	289	256r
Dallas	454	357	323	399	287	295	294	245
Houston	461	334	300	412	290	276	273	256
	Stocks—(1935-1939=100)							
	Unadjusted*				Adjusted			
	Dec. 1945	Nov. 1945	October 1945	Dec. 1944	Dec. 1945	Nov. 1945	October 1945	Dec. 1944
District	169	202	218	149	202	189	193	177

*Unadjusted for seasonal variation.

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demand for gasoline following the discontinuance of rationing. Sales of shoes and women's ready-to-wear continued to show large increases over those in the preceding year. During most of the year, sales of automobile dealers were smaller than in the preceding year but showed exceptionally large gains during the latter part of the year. Food sales, which had increased substantially in 1944, showed only a moderate increase during 1945.

AGRICULTURE

The weather continued dry throughout most of December over a large part of the Eleventh District. The condition of ranges deteriorated and serious shortages of range feeds developed in many areas. Freezing temperatures in the middle of December ended all tender truck crops in the southern part of Texas and misting rains interfered with field work and harvesting operations. Splendid growing weather prevailed during the last week of the month and field work made rapid progress. The December rains in the Coastal Bend area were helpful in providing surface moisture, but there remains a serious deficiency in subsoil moisture. All of the truck crop area is in need of rains, particularly in the Winter Garden irrigated district where the supply of water from streams is low and some crops are badly in need of moisture. Heavy rains accompanied the storms that occurred over the eastern part of the district early in January. The 5,994,000 acres of winter wheat seeded in Texas for harvest in 1946 exceeded that in 1945 by 16 per cent, but the dry weather of December was unfavorable to the development of this crop.

Agricultural production in Texas during 1945 declined substantially from the high level reached during the preceding year, reflecting a reduction in acreage and lower per acre yields for some of the major crops. The harvested acreage totaled only 27,000,000 acres, which was about 2,000,000 acres, or 7 per cent, below the large acreage in 1944 and slightly under the 10-year average. The reduction in harvested acreage, which was confined chiefly to corn, grain sorghums, and cotton, was due primarily to the extreme drought in the northwest, the excessive spring rains in the eastern areas, and the difficulties experienced as a result of an inadequate labor supply. The smaller acreage of these crops, however, was partially offset by the larger acreage of wheat, oats and several of the minor crops. Due to the unfavorable weather prevailing during the planting season, farmers found it necessary to make substantial shifts in the acreage intended for specific crops. The poor growing conditions at critical periods in various areas were largely responsible for the sharply lower per acre yields of such crops as wheat, barley, grain sorghums and cotton. While the per acre yields of most major crops and many minor crops were smaller than the high yields obtained in 1944, they were close to the 10-year average.

Cotton production declined to a 56-year low with an estimated crop of 1,820,000 bales from 6,000,000 acres in 1945 as compared with 2,646,000 bales from 7,185,000 acres in 1944. The early season drought on the High Plains and excessive rainfall in northcentral and northeastern Texas reduced the intended acreage and heavy late rains and insect damage resulted in a greatly reduced yield for the State. The intended corn acreage

CASH FARM INCOME

(Thousands of dollars)

	October 1945		Total receipts		
	Receipts from Crops	Receipts from Livestock*	October 1945	October 1944	Jan. 1 to Oct. 31 1945
Arizona	3,171	6,148	9,319	7,357	106,476
Louisiana	28,805	6,947	35,752	42,361	158,705
New Mexico	5,467	19,176	24,643	21,466	81,565
Oklahoma	21,160	25,247	46,407	62,852	354,239
Texas	96,137	60,744	156,881	181,140	944,453
Total	154,740	118,262	273,002	315,176	1,645,438
					1,662,589

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

SOURCE: United States Department of Agriculture.

LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	December 1945	December 1944	November 1945	December 1945	December 1944	November 1945
Cattle	64,472	71,761	94,167	27,361	20,420	37,266
Calves	41,776	40,396	81,134	19,540	28,953	42,790
Hogs	96,469	79,292	41,207	19,950	12,334	6,812
Sheep	86,448	85,122	104,371	22,448	26,434	36,856

COMPARATIVE TOP LIVESTOCK PRICES

(Dollars per hundred weight)

	Fort Worth			San Antonio		
	December 1945	December 1944	November 1945	December 1945	December 1944	November 1945
Beef steers	\$16.50	\$15.00	\$16.85	\$15.75	\$14.00	\$16.00
Stocker steers	14.25	12.50	13.50	.....	.....	.....
Heifers and yearlings	16.25	15.50	16.00	15.50	13.80	15.00
Butcher cows	13.25	12.00	13.00	12.50	11.00	12.00
Calves	14.25	14.00	13.75	14.75	13.50	13.75
Hogs	14.65	14.55	14.65	14.65	14.55	14.65
Lambs	14.00	14.00	14.10	13.00	13.00	12.00

NUMBER OF LIVESTOCK AND PRODUCTION OF LIVESTOCK PRODUCTS FOR 1945 AND GOALS FOR 1946—TEXAS—(In thousands)

	Indicated 1945 production or number	1946 goals
Milk (pounds)	.....	4,467,000
Eggs (dozen)	278,000	220,818
Milk cows	.....	1,396
Turkeys	4,701	4,465
Cattle and calves*	7,510	7,600
Sheep and lambs*	10,091	10,091
Spring pig farrowing	187	191

*End of year numbers.

SOURCE: United States Department of Agriculture, Production and Marketing Administration.

CROP PRODUCTION—(Thousands of units)

	Unit	Texas			Five States ^a		
		1945	1944	1934-1943 average	1945	1944	1934-1943 average
Cotton	Bales	1,820	2,646	3,112	2,742	4,152	4,614
Corn	Bushels	66,832	69,622	77,427	119,077	125,321	130,584
Winter wheat	Bushels	41,778	71,558	30,337	115,527*	161,186*	82,012*
Oats	Bushels	42,441	38,600	33,425	67,610	72,418	63,462
Barley	Bushels	3,857	10,080	3,345	9,167*	17,778*	9,836*
Rice	Bushels	18,000	17,248	12,938	41,028†	38,566†	33,152†
Broomcorn	Tons	6	9	5	18,700‡	40,000‡	23,040‡
Grain sorghums	Bushels	60,921	96,724	38,497	70,651	117,409	48,938
Sorghum for forage	Tons	3,364	4,051	3,901	4,893	6,026	5,363
Tame hay	Tons	1,344	1,482	1,098	4,348	4,408	3,283
Wild hay	Tons	223	243	212	89	949	657
Peanuts for nuts	Pounds	354,600	325,800	166,053	474,400§	439,460§	213,237§
Irish potatoes	Bushels	4,648	5,016	3,840	10,566	12,296	9,435
Sweet potatoes	Bushels	4,524	5,025	4,318	16,098§	14,165§	12,462§
Peaches	Bushels	2,774	1,517	1,567	4,087	2,375	2,510
Oranges	Boxes	4,500	4,400	2,164	6,050¶	5,910¶	2,938¶
Grapefruit	Boxes	23,000	22,300	12,043	27,500¶	26,050¶	14,593¶
Pecans	Pounds	32,250	45,000	24,380	62,450¶	73,400¶	49,128¶

^aArizona, Louisiana, New Mexico, Oklahoma, Texas. ^bArizona, New Mexico, Oklahoma, Texas. ^cLouisiana, and Texas. ^dNew Mexico, Oklahoma, Texas. ^eLouisiana, Oklahoma, Texas. ^fArizona, Louisiana, Texas. ^gTexas and Arizona.

SOURCE: United States Department of Agriculture.

VALUE OF TEXAS CROPS

Crop	Value of production (thousands of dollars)		Per cent of total	
	1945*	1944	1945*	1944
Corn	80,198	84,939	10.6	9.2
Wheat	61,414	99,466	8.1	10.9
Rice	34,560	32,081	4.6	3.5
Other grains, except sorghums	33,269	40,647	4.4	4.4
Sorghums, all kinds	128,066	151,868	17.0	16.6
Peanuts for nuts	27,859	24,435	3.7	2.7
Cotton lint	193,830	261,112	25.7	28.5
Cottonseed	39,273	58,847	5.2	6.4
Vegetables and fruits	121,549	124,790	16.1	13.6
Other crops	35,096	38,161	4.6	4.2
Total value of field crops, fruits, nuts, and truck crops	754,914	916,346	100.0	100.0

*Preliminary.

SOURCE: United States Department of Agriculture.

ACREAGE OF PRINCIPAL CROPS PLANTED AND HARVESTED IN 1945 AND GOALS FOR 1946—TEXAS—(Thousands of acres)

	Indicated planted acreage		Acreage harvested	
	1945	1945	1945	1946
Cotton	6,400	6,000	7,000	7,000
Corn	4,668	4,177	4,950	4,950
Wheat	5,028	4,642	5,200	5,200
Oats	1,996	1,805	1,830	1,830
Barley	393	266	434	434
Sorghum for all purposes (except for syrup)	7,632	7,238	7,800	7,800
Sorghum for grain	4,542	4,069	4,500	4,500
Tame hay	1,639	1,431	1,550	1,550
Peanuts for nuts	886	788	905	905
Flaxseed	60	60	100	100
All potatoes	63	63	61	61
Sweet potatoes	60	52	56	56
Commercial potatoes	31	31	25	25
Legumes and grasses (alfalfa and sudan)	41	41	94	94
Rye	26	26	25	25

SOURCE: United States Department of Agriculture.

was also reduced by the heavy spring rains in spite of the fact that some of the land intended for cotton was planted to late corn. The tropical storm of August 27-28 caused considerable damage to the crop in southeastern Texas. The yield was drastically reduced in some western and southern counties by the unusually dry weather during the growing season with some counties suffering an almost complete failure. Estimated production of 66,832,000 bushels for 1945 compares with 69,622,000 bushels last year and a 10-year average of 77,427,000 bushels.

The planted acreage of all sorghum of 7,840,000 acres in 1945 was about 6 per cent below the record acreage of the preceding year. In the northwest, much of the crop was planted late and yields were reduced by the late October freezes, but conditions were favorable elsewhere and state yields were about average. Production of grain sorghum for 1945 is estimated at 60,921,000 bushels as compared with 96,724,000 last year and a 10-year average of 38,497,000 bushels. Acreage for grain was estimated at 4,069,000 acres in 1945 as compared with 5,103,000 in 1944. The 1945 wheat crop was estimated at 41,778,000 bushels as compared with 71,558,000 last year and an average production of 30,337,000. The yield per acre of 9.0 bushels compares with 18.5 bushels in 1944 and an average of 10.1 bushels. Weather conditions were favorable for harvesting and machinery and labor were adequate. Favorable weather conditions resulted in average yields of oats and the estimated production of 42,441,000 bushels was well above that of the previous year. The 1945 barley crop of 3,857,000 bushels was slightly larger than average but only about one-third of the record production in 1944.

The tropical storm during the harvesting season caused considerable damage to the Texas rice crop, but total production of 18,000,000 bushels was about 4 per cent above that in 1944. Some losses of peanuts occurred due to heavy rains during the harvesting season but the 1945 yield of 450 pounds per acre was the same as last year and slightly higher than average. Production of peanuts totaled 354,600,000 pounds as compared with 325,800,000 in 1944 and an average production of 166,053,000 pounds. Irish and sweet potato production was estimated at about 10 per cent below last season. The combined production of hay and roughage, estimated at 5,493,000 tons, was about 17 per cent below the 1944 production.

The gross value of crops harvested in Texas, which had shown a substantial increase during each of the preceding five years and amounted to \$916,000,000 in 1944, declined to \$755,000,000 in 1945, a reduction of 18 per cent. The decrease was fairly general among crops, the principal exceptions being rice, peanuts and some of the important commercial truck crops. The lower value reflects chiefly the smaller production since price changes of individual commodities were small, and on the whole the price level in 1945 was about the same as in 1944. The three major crops—cotton, wheat and grain sorghums—which showed pronounced declines in production accounted for about nine-tenths of the decline in the value of all crops. The effects of the declines in production and the value of crops were most acute in northwest Texas where the drought curtailed production of all major crops.

The generally favorable range and livestock conditions prevailing at the end of 1944 continued during the first four months of 1945, reflecting the mild temperatures and adequate rainfall. In subsequent months, however, ranges in many sections deteriorated rapidly, due to drought conditions which

caused a shortage of stock water and necessitated supplemental feeding in some areas. While the early fall rains improved the situation in many sections, the late October frosts halted the growth of summer grasses in the northwest and the subsequent moisture deficiency over a large portion of the range territory retarded the growth of winter weeds and grasses and of winter grains. Dry weather in December and early January brought further declines in ranges, and, as a result, range conditions over most of the district are now below the twenty-year average. The shortage of grain sorghums and cottonseed and the difficulty of obtaining substitute concentrates have not only reduced feeding activity in the southwest but are also presenting serious problems to ranchers for carrying stock through the winter. This shortage of range grasses and other feeds resulted in considerable shrinkage in cattle and sheep throughout the district during December and on January 1, the reported condition was well below average.

Receipts of cattle of 1,352,000 head at Fort Worth and San Antonio markets in 1945 were slightly above those for the previous year. Calf receipts of 879,000 head were 8.5 per cent above 1944 receipts, while sheep increased 10.8 per cent to 3,480,000 head in 1945. The volume of hogs declined 54 per cent to a total of 579,000 head, but receipts in December increased considerably above those for the same month in 1944. Volume of movement of all other livestock in December fell below that of the corresponding month of the preceding year.

The record 1945 lamb crop for Texas of 5,284,000 head exceeded that of 1944 by about 15 per cent and the previous record crop of 1941 by about 12 per cent. The 1945 crop constituted about 19 per cent of the total United States crop, representing the greatest proportion of the total for any year previously recorded. Preliminary figures on 1945 wool production in Texas indicate that it will fall substantially below the 80,180,000 pounds produced in 1944.

The production goals for Texas for 1946 call for an increase of over 1,000,000 acres above the 1945 planted acreage. Substantial increases were approved for cotton, tame hay, wheat, legumes and grasses, corn, flaxseed and sweet potatoes. The program also calls for an increase in the spring pig crop and in the number of cattle and calves. The goal for sheep and lambs is unchanged from the 1945 number on farms. Most of the other goals are only slightly lower than the 1945 indicated totals.

FINANCE

Although victory on all major war fronts had been achieved by August of 1945, Government expenditures in the Eleventh Federal Reserve District continued in huge volume and apparently exceeded by a substantial margin withdrawals in the form of taxes and the sale of securities, thereby contributing to the further expansion in bank deposits. The combined gross demand and time deposits of all member banks in the district showed a sharp rise for the fourth consecutive year, and in December averaged \$5,512,000,000, representing an increase of \$1,148,000,000, or 26 per cent, over the average in December 1944. The rate of expansion in time deposits again exceeded that in demand deposits, but the expansion in volume occurred chiefly in demand deposits. In contrast to the situation prevailing in 1944, the expansion in deposits at reserve city banks, both in actual amount and in percentage, was greater than at country banks and reflected in large part the growth during the latter part of the year in interbank balances and in war loan

MONTHLY BUSINESS REVIEW

deposits. Whereas in 1944 the growth in time deposits at reserve city banks was twice as great as at country banks, the growth during 1945 at each class of bank was about the same.

The reserve balances of member banks in this district, after declining in February, showed a rapid upward movement throughout the remainder of the year and in December averaged approximately \$750,000,000, which was about \$132,000,000 higher than the average in December 1944. Reflecting the rapid growth in deposits, the required reserves of member banks increased substantially and in December averaged \$603,000,000 or approximately \$112,000,000 higher than in December of the preceding year. Excess reserves during the year reflected wide fluctuations due to the effect of war loan drives, but average excess reserves throughout the year were maintained at a higher level than in 1944. The balances of member banks in this district maintained with correspondent banks increased sharply during 1945 and in December averaged \$848,000,000, or approximately \$125,000,000 in excess of those during December 1944.

During the war period, the circulation of Federal Reserve notes of this bank showed a very rapid expansion, rising from approximately \$84,000,000 at the end of 1939 to \$619,000,000 on December 31, 1945. The rate of expansion was especially rapid during the early years of the war period but has shown a noticeable slowing down in the past two years. Prior to 1945, there had been an almost uninterrupted increase in the circulation of Federal Reserve notes of all denominations, but during the past year virtually all of the expansion occurred in notes of the twenty, fifty, and hundred dollar denominations, with the principal declines taking place in notes in denominations of \$500 and above. During 1945, the net increase in total circulation amounted to \$72,000,000, as compared with an expansion of \$130,000,000 in 1944 and \$165,000,000 in 1943.

The diminished rate of expansion and the relative demand for the various denominations of currency were influenced by several factors. The decline in the circulation of large denominations took place largely in the second and third quarters of the year and was apparently associated with the rumors early in March that the Treasury was giving consideration to retiring from circulation currency of the larger denominations and also with the Treasury requirement, instituted late in May, that all financial institutions report to Federal Reserve banks all unusual currency transactions. In the following months, the return flow of large denomination currency was accelerated and the demand for such currency diminished. At the same time there was an increased demand for currency of some of the smaller denominations. During the third quarter, when former war workers were making readjustments in employment, there was a heavy demand for currency.

Coincident with the heavy demand for currency in connection with pre-Christmas shopping, total circulation of Federal Reserve notes of this bank reached an all-time peak of \$627,000,000 on December 13 and remained close to that level during the subsequent two weeks. After the Christmas holiday there was a rapid return of currency from circulation, and by January 15, 1946, total circulation had declined to \$610,000,000, or \$17,000,000 under the peak.

At weekly reporting member banks in this district, deposits showed substantial increases during each war loan drive and

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS
IN LEADING CITIES

(Thousands of dollars)

	Jan. 9, 1946	Jan. 10, 1945	Dec. 12, 1945
Total loans and investments	\$2,173,302	\$1,686,300	\$2,198,923
Total loans	667,250	410,550	666,560
Commercial, industrial, and agricultural loans	382,587	273,410	358,553
Loans to brokers and dealers in securities	6,422	4,529	5,994
Other loans for purchasing or carrying securities	173,541	59,752	200,493
Real estate loans	29,395	22,546	27,600
Loans to banks	1,447	113	1,317
All other loans	73,858	50,200	72,633
Total investments	1,506,052	1,275,750	1,532,333
U. S. Treasury bills	90,956	85,289	96,138
U. S. Treasury certificates of indebtedness	494,432	325,044	441,875
U. S. Treasury notes	216,931	263,931	281,566
U. S. Government bonds	641,923	537,156	655,086
Obligations guaranteed by United States Gov't.	253	20,484	263
Other securities	61,557	43,846	57,405
Reserves with Federal Reserve Bank	396,664	353,881	401,517
Balances with domestic banks	312,315	236,168	261,156
Demand deposits—adjusted*	1,356,514	1,163,951	1,346,350
Time deposits	287,700	215,254	279,632
United States Government deposits	483,786	288,746	493,416
Interbank deposits	673,549	540,260	600,335
Borrowings from Federal Reserve Bank	None	3,000	None

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

DEBITS TO INDIVIDUAL ACCOUNTS

(Thousands of dollars)

	Dec. 1945	Pctg. change from—		Total year		Percentage change from 1944
		Dec. 1944	Nov. 1945	1945	1944	
Abilene	24,074	+15	+12	224,684	219,346	+2
Amarillo	50,707	+13	-1	576,233	521,733	+10
Austin	74,998	-2	+5	892,807	937,399	-5
Beaumont	60,530	-14	+2	701,886	679,445	+3
Corpus Christi	69,676	+21	+18	707,639	601,304	+18
Corsicana	8,928	+1	+4	84,160	78,542	+7
Dallas	778,104	+14	+34	7,057,650	6,526,796	+8
El Paso	89,716	+14	+6	808,870	718,574	+13
Fort Worth	246,047	-7	+8	2,624,195	2,576,299	+2
Galveston	53,371	+10	+20	548,165	539,307	+2
Houston	696,269	+8	+17	7,065,345	6,491,289	+9
Laredo	12,807	+3	+8	147,830	140,938	+5
Lubbock	36,705	+7	-3	382,836	340,717	+12
Monroe, La.	23,933	+10	+5	231,651	219,468	+6
Port Arthur	24,600	+3	+14	270,123	280,215	-4
Roswell, N. M.	11,767	+17	+1	113,041	104,623	+8
San Angelo	20,030	-1	-5	216,662	186,758	+16
San Antonio	201,506	+17	+11	2,002,266	1,757,610	+14
Shreveport, La.	95,128	-6	+8	1,004,139	969,124	+4
Texarkana*	20,621	-18	-1	242,004	239,645	+1
Tucson, Ariz.	39,589	+18	+5	411,699	341,993	+20
Tyler	32,159	+22	+12	309,393	266,836	+16
Waco	39,891	+14	+13	365,245	333,163	+10
Wichita Falls	40,788	+23	+7	395,175	331,785	+19

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

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
December 1943	\$3,285,643	\$263,522	\$1,731,939	\$160,223	\$1,553,704	\$103,299
December 1944	4,024,825	338,689	2,066,946	213,069	1,957,882	125,620
August 1945	4,504,204	417,936	2,293,633	265,559	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
November 1945	4,824,008	444,663	2,441,944	284,172	2,382,064	160,491
December 1945	5,059,671	451,887	2,634,630	285,371	2,425,041	166,516

SAVINGS DEPOSITS

December 31, 1945

Percentage change in
savings deposits from

	Number reporting banks	December 31, 1945		Percentage change in savings deposits from	
		Number of savings depositors	Amount of savings deposits	Dec. 31, 1944	Nov. 30, 1945
Beaumont	3	12,369	\$ 7,584,401	+24.2	+1.3
Dallas	8	127,311	66,931,406	+34.1	+1.7
El Paso	2	27,168	21,334,498	+39.4	+5.6
Fort Worth	3	39,141	30,709,872	+31.0	+1.4
Galveston	4	23,101	13,882,075	+19.1	+1.4
Houston	8	92,524	62,742,770	+24.2	+1.8
Lubbock	2	881	1,035,421	+92.1	+43.0
Port Arthur	2	5,594	5,263,686	+25.5	+0.4
San Antonio	5	34,855	40,808,848	+31.1	+2.2
Shreveport, La.	3	32,417	24,614,439	+32.6	+1.1
Waco	3	9,043	8,494,540	+35.5	+2.0
Wichita Falls	3	7,068	4,778,249	+20.3	-1.1
All other	57	58,607	47,294,611	+28.4	+1.6
Total	103	470,079	\$30,274,825	+29.7	+1.7

CONDITION OF THE FEDERAL RESERVE BANK

(Thousands of dollars)

	Jan. 15, 1946	Jan. 15, 1945	Dec. 15, 1945
Total cash reserves	\$530,244	\$554,079	\$503,131
Foreign loans on gold	1,410	None	1,410
U. S. Government securities	893,791	662,173	909,500
Total earning assets	895,201	662,173	910,910
Member bank reserve deposits	791,348	620,899	763,561
Federal Reserve Notes in actual circulation	610,670	540,622	624,843

comparatively small declines between drives. In the closing months of the year, the rise in deposits was particularly large, reflecting the effects of factors associated with the Victory Loan Drive. In consequence, total deposits of these banks reached the new all-time peak on January 9, 1946 of \$2,802,000,000, representing an increase of \$593,000,000, or 27 per cent, over those on the same date of the preceding year. Although the major increase percentagewise occurred in Government deposits, consisting largely of war loan accounts, all classes of deposit accounts shared substantially in the increase. During the year, these banks utilized the funds obtained through the increase in deposits to expand their reserves with the Federal Reserve Bank by \$43,000,000, their balances with correspondents by \$76,000,000, and their loans and investments by \$487,000,000.

Reporting banks added approximately \$230,000,000 to their investment portfolios during 1945, with practically all of the increase being accounted for by larger holdings of United States Government securities. Holdings of Treasury bonds increased by \$105,000,000 and certificates of indebtedness by \$169,000,000, while holdings of Treasury notes declined by \$47,000,000. On January 9, 1946, holdings of Treasury bills and certificates of indebtedness, which mature in one year or less, constituted 39 per cent of total investments as compared with 32 per cent on the corresponding date in 1945.

Total loans of reporting banks showed a net increase of approximately \$257,000,000 during the year ended January 9, 1946. The increase occurred chiefly in loans to others than brokers and dealers for security trading and in commercial, industrial, and agricultural loans. The increase of approximately \$114,000,000 in loans for security trading reflects the impact of borrowing by nonbank investors for the purchase of Government securities during the Seventh War Loan Drive and the recent Victory Loan Drive. Although the demand for funds for commercial, industrial, and agricultural purposes apparently increased substantially during 1945, the sharp rise in these loans during war loan drives suggests that the proceeds of the loans may have been used to some extent to purchase Government securities.

Reports received from more than one hundred commercial banks in this district which operate savings departments indicate a further sharp increase during 1945. The magnitude of the increase in both the number of savings depositors and in the amount of savings deposits was greater than in any preceding year. On December 31, 1945, the reporting banks had 470,000 savings depositors with aggregate savings deposits of \$340,000,000. These figures represent increases over those a year earlier of 47,000 in the number of depositors and of \$78,000,000, or 30 per cent, in the amount of deposits. The growth in the number of depositors was equivalent to the total net increase that occurred during the three preceding years. It is significant that the increases, both in savings deposits and the number of depositors, were general throughout the district.

INDUSTRY

Industrial developments in the Eleventh Federal Reserve District during 1945 were influenced primarily by the developments on the war fronts. In contrast with 1944, when activity was maintained at a high level by the large and continuous output of war supplies and materials, production during 1945 underwent major readjustments necessitated by the termination of the European war in May, the surrender of Japan in August and the subsequent conversion of war plants to the production of civilian goods. The termination of the European War necessitated certain production shifts as well as a reduction in output of many war goods, permitted relaxation of some controls and made possible some reconversion of war plants to, and accelera-

tion in, the production of civilian goods. With the sudden surrender of Japan and the widespread cancellation of contracts manufacturers were able to initiate reconversion, or to shift immediately to the production of civilian goods. Such industries as cement, lumber, petroleum, synthetic rubber, textiles and foods, with virtually no problems of reconversion, immediately turned their production into the civilian market; in other cases, such as various machinery and chemical industries, there were firms with reconversion problems of considerable magnitude. Finally, there was a group of plants especially designed for such purposes as shipbuilding, aircraft manufacture, shell loading and the production of explosives, the postwar utilization of which remains in doubt.

Manufacturing employment in this district experienced a phenomenal increase during the war period. The number of wage earners in Texas manufacturing establishments rose from 127,000 in 1939 to a peak of nearly 400,000 in November 1943, of which over 175,000 were employed in three major war industries; namely, aircraft, ordnance and shipbuilding. From November 1943 to October 1945 there was a downward trend in the number of wage earners in manufacturing establishments. The rate of decline was accentuated by the end of hostilities, first in Europe and then in the Orient. The downward trend was reversed in October 1945 and by the end of the year it appears from available information that the total number of wage earners was 75 per cent to 100 per cent above that of 1939. The number of persons engaged in non-manufacturing activities continued at a high level during the year. Virtually all related groups of establishments had a larger employment at the end of 1945 than a year earlier. Monthly gains were reported by practically all major groups during the last three months of the year. Nevertheless, the estimated number of employees in non-agricultural, business and Government establishments declined by nearly 100,000 persons during the first nine months of the year. Although unemployment has increased, the rise has been smaller than was forecast some months ago. The end of the year brought the normal seasonal lay-offs, supplemented this year by the influx of returning veterans. Job opportunities are at a relatively low level in some Texas cities, while employment in other communities has been affected adversely by the unavailability of housing.

Construction activity in the Eleventh District showed a sharp increase in 1945, reversing the declines from the record level of 1942 that occurred during 1943 and 1944. The value of construction contracts awarded during 1945 is estimated at about \$285,000,000, or about 60 per cent above that in the preceding

COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to December 31 This season	December 31 Last season	August 1 to December 31 This season	December 31 Last season
Cottonseed received at mills (tons).....	577,463	793,111	2,649,488	3,687,683
Cottonseed crushed (tons).....	447,988	466,522	1,924,282	2,120,749
Cottonseed on hand Dec. 31 (tons).....	213,674	358,235	943,552	1,678,660
Production of products:				
Crude oil (thousand lbs.)....	135,278	139,782	598,299	649,147
Cake and meal (tons).....	207,488	219,689	849,630	971,230
Hulls (tons).....	103,440	108,910	457,126	490,322
Linters (running bales).....	141,394	144,438	580,293	618,120
Stocks on hand Dec. 31:				
Crude oil (thousand lbs.)....	12,642	12,589	45,633	54,589
Cake and meal (tons).....	13,955	25,271	52,827	78,107
Hulls (tons).....	22,916	24,035	58,887	50,815
Linters (running bales).....	21,930	35,033	103,654	118,194

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

	December 1945	December 1944	November 1945	August 1 to This season	December 31 Last season
Consumption at:					
Texas mills.....	13,652	13,770	15,775	77,163	77,188
United States mills.....	651,784	758,809	743,450	3,505,851	4,020,386
U. S. stocks—end of month:					
In consuming estabm'ts....	2,380,324	2,320,596	.....	.....	.....
Public stg. & compresses..	10,504,564	13,379,245	.....	.....	.....

year. This amount represents a slight increase over the value of contract awards during the year 1940 and exceeds that of any year prior to the period of war expansion. During 1945 privately financed construction became increasingly more important. In fact, over 50 per cent of all contracts awarded in Texas was privately financed, whereas in 1942 and 1944 private construction amounted to only 6 per cent and 34 per cent, respectively, of total construction. Moreover, the November report shows only 24 per cent of total Texas construction to be publicly financed. Approximately 90 per cent of the 1945 residential building was financed with private funds as compared with 80 per cent in 1944 and less than 25 per cent the two preceding years. The proportion of non-residential construction privately financed during 1945 was approximately 70 per cent in contrast with 43 per cent in the previous year and only 3 per cent during 1942 and 1943. Likewise, public works and utilities were financed with private funds to an increasing degree the past year. The major portion of the volume of awards, as well as the largest increases, occurred in manufacturing plants, commercial structures and institutional buildings. Residential building awards also increased substantially although the total number of units provided was fewer than during 1944. However, due to a decline in the construction of apartment buildings, the number of one-family dwellings constructed increased with about 35 per cent being for owner occupancy as compared with less than 10 per cent during 1944. The shortage of housing facilities is acute in the large cities and in many of the medium size cities and smaller towns, which presents a most crucial problem for the year 1946. Even with restored priorities on building materials and the release of surplus Federal houses, the outlook at present indicates that only a relatively small part of the existing and prospective needs can be met for many months, particularly in view of the rapid return of men and women from the Services.

Coincident with the expansion in construction activity, the production and shipments of cement by Texas mills increased approximately 25 per cent over the respective totals in 1944, with production for the first eleven months averaging 655,000 barrels monthly. The industry maintained a production rate slightly above that prevailing in 1939, but it was 35 per cent below the peak wartime rate recorded in 1942.

Production of lumber in the four states of Texas, Louisiana, New Mexico and Arizona declined for the third consecutive year due to the continued shortages of labor and equipment in the lumber industry. The four-state production, amounting to 1,441,196,000 board feet during the first nine months of 1945, was 16 per cent under that in the comparable period of 1944 and was at the lowest rate in more than ten years. Although lumber production in the United States was better sustained than in the Southwest, being only 13 per cent smaller than in 1944 for the January-September period, it was insufficient to meet the heavy demand. Moreover, the rapid postwar decline in national production continued contra-seasonally during October. The downward trend in stocks, which was started by the unusual war requirements, has been accelerated by a combination of expanded civilian demands and decreased postwar production of lumber. As of the end of September 1945, lumber stocks in the South totaled approximately 1,200,000,000 board feet, or 24 per cent less than a year earlier. Total United States stocks were one-third as large as in December 1941 and equivalent to only six weeks production at the current rate.

Production of crude oil in this district during 1945 averaged 2,222,000 barrels daily, or slightly more than in the preceding

year. Total district production of 810,581,000 barrels constituted 48 per cent of the United States total. District production increased each month during the first eight months of 1945, the daily average production rising from 2,303,000 barrels during January to an all-time peak of 2,395,866 barrels during August. Production declined sharply during September and October, reflecting adjustments following the termination of the war and the strike of workers at refineries and pipelines, averaging only 1,700,684 barrels daily during October. However, November production increased more than 350,000 barrels per day over the preceding month, and the further increase of 2 per cent in December raised the daily average rate to 2,099,000 barrels or to a level only 8 per cent below that prevailing in December 1944. Production of crude oil outside this district during December was virtually unchanged from the previous month and only slightly less than in December 1944. The relatively larger decline in district production during recent months reflects a relief of pressure upon fields which were producing in excess of maximum efficiency rates. It should be borne in mind that this district

CRUDE OIL PRODUCTION—(Barrels)

	December 1945		Increase or decrease in daily average production from	
	Total production	Daily avg. production	Dec. 1944	Nov. 1945
North Texas.....	7,153,900	230,771	+ 308	+ 3,001
West Texas.....	14,478,950	467,063	- 4,689	+12,343
East Texas.....	13,678,000	441,226	- 71,308	- 1,394
South Texas.....	9,765,100	315,003	- 30,453	+16,633
Texas Coastal.....	14,595,050	470,808	- 82,160	+10,008
Total Texas.....	59,671,000	1,924,871	-188,302	+41,091
New Mexico.....	3,031,650	97,795	- 5,884	+ 3,583
North Louisiana.....	2,369,600	76,439	+ 5,181	+ 1,813
Total District.....	65,072,250	2,099,105	-189,005	+46,487

SOURCE: Estimated from American Petroleum Institute weekly reports.

TOTAL AND DAILY AVERAGE CRUDE OIL PRODUCTION

Eleventh Federal Reserve District

(Thousands of barrels)

Month	1945		1944	
	Total production	Daily average production	Total production	Daily average Production
January.....	71,394	2,303	64,816	2,091
February.....	64,968	2,320	60,886	2,099
March.....	72,309	2,333	63,722	2,056
April.....	70,373	2,346	63,000	2,100
May.....	72,875	2,351	67,693	2,182
June.....	70,595	2,353	66,472	2,216
July.....	73,912	2,384	69,726	2,249
August.....	74,272	2,396	70,969	2,289
September.....	60,676	2,023	69,988	2,333
October.....	52,721	1,701	71,646	2,311
November.....	61,579	2,053	69,287	2,310
December.....	65,072	2,099	70,931	2,288
Year			Total production	Daily average production
1939.....			544,725	1,493
1940.....			552,983	1,511
1941.....			576,253	1,579
1942.....			546,730	1,498
1943.....			656,808	1,799
1944.....			809,056	2,211
1945.....			810,726	2,222

SOURCE: American Petroleum Institute.

DRILLING ACTIVITY—1939-1945

Eleventh Federal Reserve District

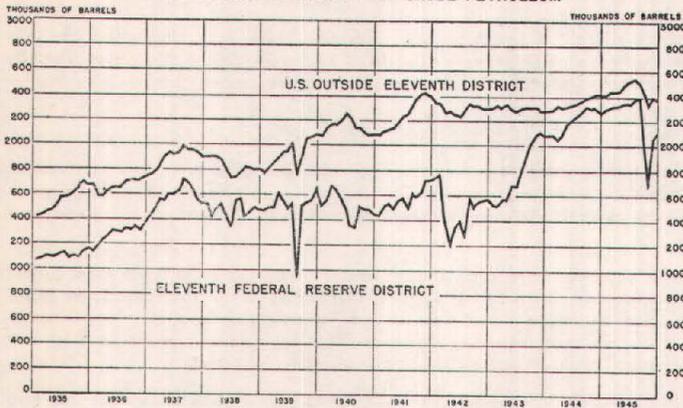
Year	Total completions	Producing wells*	Per cent of total	Dry holes	Per cent of total
1939	10,611	7,945	74.9	2,666	25.1
1940	11,136	8,497	76.3	2,639	23.7
1941	11,352	8,672	76.4	2,680	23.6
1942	5,737	3,873	67.5	1,864	32.5
1943	4,641	2,721	58.6	1,920	41.4
1944	6,725	4,297	63.9	2,428	36.1
1945	8,100	5,392	66.6	2,708	33.4

*Includes oil and gas wells.

SOURCE: The Oil Weekly, Houston, Texas.

accounted for the major portion of the wartime expansion in production; consequently, it is only logical that contraction should be greater in our district.

DAILY AVERAGE PRODUCTION OF CRUDE PETROLEUM



Drilling activity in the Eleventh District, as measured by the number of well completions, increased 21 per cent over that in 1944, but remained 30 per cent below the level obtaining in 1941. A total of 8,100 wells was drilled during 1945, compared with 6,725 well completions during 1944. Dry holes were encountered in the drilling of 2,708 wells or 33 per cent of the total drilled in 1945. Approximately 60 per cent of total well completions in the Eleventh District during 1945 were concentrated in coastal, northern and western districts of Texas. Well completions outside this district during 1945 showed little change from the low level of the preceding year.

Stocks of Eleventh District refinable crude oil increased fractionally during December, but at the end of the year the total of 112,000,000 barrels was about 8 per cent smaller than at the end of December 1944. This decline contrasts with an increase of approximately 5 per cent during 1945 in stocks outside this district. Although the net withdrawals from crude oil stocks throughout the United States were relatively small during 1945, the 2 per cent decline reduced total United States stocks to 219,000,000 barrels, the lowest end-of-the-year level in over fifteen years.

Crude runs to refinery stills in the United States, which averaged 4,718,000 barrels daily during 1945, showed an increase of 4 per cent over that in 1944. Although refinery activity declined substantially in September and October, it had recovered to a high level by the end of the year. Crude oil runs to refinery stills during December, which amounted to 4,600,000 barrels daily, were only 7 per cent lower than in that month of 1944. In this district crude runs to refinery stills of 1,451,000 barrels daily during December actually exceeded those of December 1944 and were less than 4 per cent lower than during August, or the last war month. It appears that the decline in gasoline consumption by the armed forces was for a time largely offset by increased consumption following the revocation of rationing. Until November, the gasoline demand continued to exceed that for the corresponding period of 1944. For the past two months, however, the demand has been smaller than a year earlier and gasoline stocks have risen from 71,000,000 barrels at mid-October to 95,000,000 barrels at the end of 1945. The demand for heating oils has been so great that adjustments have been made in ceiling prices for certain grades on the East Coast and the refinery ratio of burning oils, especially kerosene and light fuel oil, to total oils has been increased to a level somewhat above that prevailing a year ago. Despite this action fuel oil stocks have declined sharply during recent weeks.

Cotton textile activity in the United States declined during December despite the critical shortage of cotton fabrics and an

accumulated demand which cannot be supplied for many months. December consumption which aggregated 651,784 bales, was 12 per cent less than the previous month and 14 per cent lower than in the corresponding 1944 month; however, consumption for the first five months of the current season declined only 11 per cent as compared with the same period a year earlier. The latest report showed mill cotton stocks to be fractionally larger than a year earlier; however, cotton in public storage and at compresses amounted to only 10,505,000 bales, approximately 20 per cent less than a year previously. Cotton consumption in Texas decreased 13 per cent to 13,652 bales during December. This rate of consumption represented a decrease of 9 per cent from the level prevailing in December 1944, but it is about 24 per cent greater than that of the corresponding 1939 month. Texas consumption for the first five months of the current season was virtually unchanged from that of the same period a year earlier; however, it was somewhat below the high levels of 1940 to 1943.

BUILDING PERMITS

	December 1945		Percentage change valuation from		Jan. 1 to Dec. 31, 1945		Percentage change valuation from 1944	
	No.	Valuation	Dec. 1944	Nov. 1945	No.	Valuation	No.	Valuation
Abilene.....	64	\$ 165,530	+710	-	†	260	\$ 949,883	+166
Amarillo.....	185	747,445	*	+ 3	1,397	3,801,818	+202	
Austin.....	252	1,028,183	*	- 18	2,020	5,072,205	+604	
Beaumont.....	130	157,632	+365	- 11	1,994	1,833,973	+120	
Corpus Christi.....	125	393,836	+136	- 52	2,148	4,343,784	+107	
Dallas.....	875	5,874,439	*	+144	9,235	19,110,353	+166	
El Paso.....	72	580,410	*	+139	995	2,003,698	+ 53	
Fort Worth.....	411	1,155,367	+636	+ 1	4,156	8,446,892	+151	
Houston.....	60	102,933	- 55	+ 35	792	1,393,602	+ 17	
Lubbock.....	505	17,516,291	*	+594	4,677	41,087,844	+343	
Lubbock.....	177	1,125,240	+758	+137	1,779	3,795,992	+226	
Port Arthur.....	101	213,871	+441	+ 29	1,138	983,739	+200	
San Antonio.....	940	6,841,525	+956	+320	10,752	14,545,056	+195	
Shreveport, La.....	157	173,777	+ 9	+ 1	2,490	2,662,939	+ 72	
Waco.....	56	140,500	+330	+ 2	950	1,784,157	+ 37	
Wichita Falls.....	60	141,660	*	+ 16	576	794,916	+199	
Total.....	4,170	\$36,363,639	*	+197	45,359	\$112,700,831	+203	

*Over 1,000 per cent.

†Change less than one-half of one per cent.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

Eleventh Federal Reserve District

(Thousands of dollars)

Month	Total awards		Residential awards		All other awards	
	1945	1944	1945	1944	1945	1944
January.....	15,216	16,822	951	4,166	14,265	12,656
February.....	17,800	8,791	1,103	1,973	16,697	6,818
March.....	38,034	22,206	2,458	5,423	35,576	16,783
April.....	31,242	12,865	3,263	2,815	27,979	10,050
May.....	11,558	9,939	3,964	966	7,594	8,973
June.....	25,374	10,089	4,290	1,872	21,084	8,217
July.....	27,204	9,451	4,918	1,894	22,286	7,557
August.....	18,890	16,456	4,046	515	14,844	15,941
September.....	16,452	17,247	2,940	386	13,512	16,861
October.....	24,186	10,498	4,509	1,517	19,677	8,981
November.....	30,266	13,966	3,774	1,255	26,492	12,711
December.....	*	29,894	*	1,188	*	28,706
Year.....	178,224	178,224	23,970	23,970	154,254	154,254

*Not available.

SOURCE: F. W. Dodge Corporation.

PORTLAND CEMENT STATISTICS—TEXAS MILLS

(Thousands of barrels)

Month	Production		Shipments		Stocks (end of month)	
	1945	1944	1945	1944	1945	1944
January.....	553	430	512	449	1,050	1,116
February.....	465	479	497	470	1,018	1,124
March.....	576	456	598	549	997	1,032
April.....	566	575	572	622	991	984
May.....	651	541	615	512	825	1,014
June.....	661	454	730	579	757	888
July.....	726	530	758	575	724	843
August.....	715	554	715	560	725	837
September.....	685	597	774	527	638	907
October.....	812	530	790	579	659	848
November.....	801	523	902	478	558	893
December.....	*	501	*	385	*	1,010
Total.....	6,160	6,160	6,285	6,285		

*Not available.

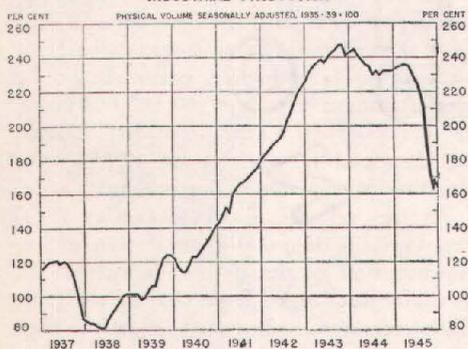
SOURCE: Bureau of Mines.

FEBRUARY 1, 1946

NATIONAL SUMMARY OF BUSINESS CONDITIONS

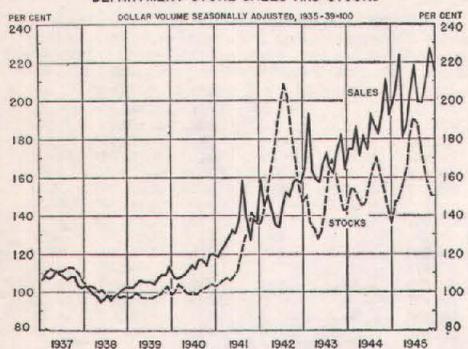
(Compiled by the Board of Governors of the Federal Reserve System)

INDUSTRIAL PRODUCTION



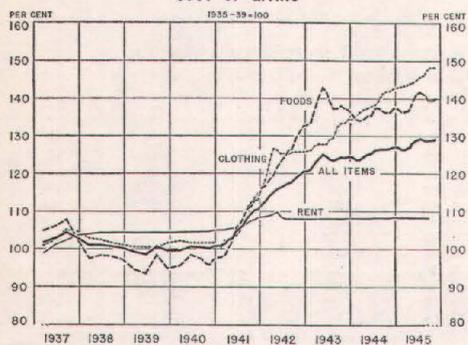
Federal Reserve index. Monthly figures, latest shown is for December, 1945.

DEPARTMENT STORE SALES AND STOCKS



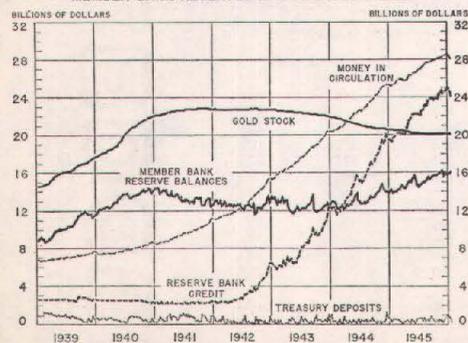
Federal Reserve indexes. Monthly figures, latest shown are for December, 1945.

COST OF LIVING



Bureau of Labor Statistics' indexes. Last month in each calendar quarter through September, 1940, monthly thereafter. Mid-month figures, latest shown are for December, 1945.

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures, latest shown are for January 16, 1946.

Industrial output declined slightly in December and, with new strikes occurring within the past two weeks, a large decrease is indicated in January. The value of retail trade in December and the early part of January was maintained at record levels, after allowing for seasonal charges.

INDUSTRIAL PRODUCTION

The Board's seasonally adjusted index of industrial production decreased from 168 per cent of the 1935-39 average in November to 164 in December. The decline was due mainly to the stoppage of work at leading automobile plants and to holiday influences on activity in the steel, textile, paper, and mining industries.

Output of most types of producers equipment and of many consumer durable goods showed further gains in December and increases also occurred in output of construction materials. These gains, however, were more than offset by suspension of operations at automobile plants and total durable goods output declined by three per cent, reflecting decreases not only in output of automobiles and parts but also of such other metal products as diesel locomotives and refrigerators.

Steel production declined slightly in December owing to most plants being shut down for two days in observance of the Christmas holiday. In the first three weeks of the month steel production was above the November rate and output was resumed at a high level during the first three weeks of January. In the following week, however, steel output dropped to five per cent of capacity as negotiations for a new wage contract collapsed.

Output of nondurable goods in December was maintained at about the level of the preceding month. Meat production continued at a high level in December and the early part of January. Activity at most meat-packing plants was suspended in the latter part of January due to an industrial dispute. Production of cigarettes declined considerably, reflecting an accumulation of stocks resulting from increased output for civilian use since the end of the war. Output of tires for civilians increased substantially in November and December and rationing was eliminated on January 1. Cotton consumption declined in December, reflecting holiday influences.

Coal production in December was about 10 per cent below the November level because of reduced operations at mines around the Christmas holiday. A high rate of output was maintained in both bituminous and anthracite coal mines in the early part of January. Output of crude petroleum and of metals was generally maintained in December.

Awards for private construction, especially contracts for manufacturing and commercial buildings and those for residential building for sale or rent, continued to advance sharply in November and the early part of December.

EMPLOYMENT

Employment in most lines of activity continued to rise in December, after allowing for seasonal changes. Gains in employment in trade, transportation, construction, and most durable and nondurable goods industries were offset in part by the loss in employment due to the automobile strike.

DISTRIBUTION

Sales at department stores were about 10 per cent larger in December than a year ago, and in the first three weeks of January sales continued to show about the same increase above the relatively high level in the corresponding period of 1945. Most other types of stores in recent months have shown even larger increases in sales than department stores, and the total value of retail trade has been running 12 to 15 per cent above year-ago levels.

COMMODITY PRICES

Prices of most farm products and foods were maintained at advanced levels in December and the early part of January. Ceiling prices were re-established for citrus fruits; egg prices also declined, reflecting seasonal increases in supplies.

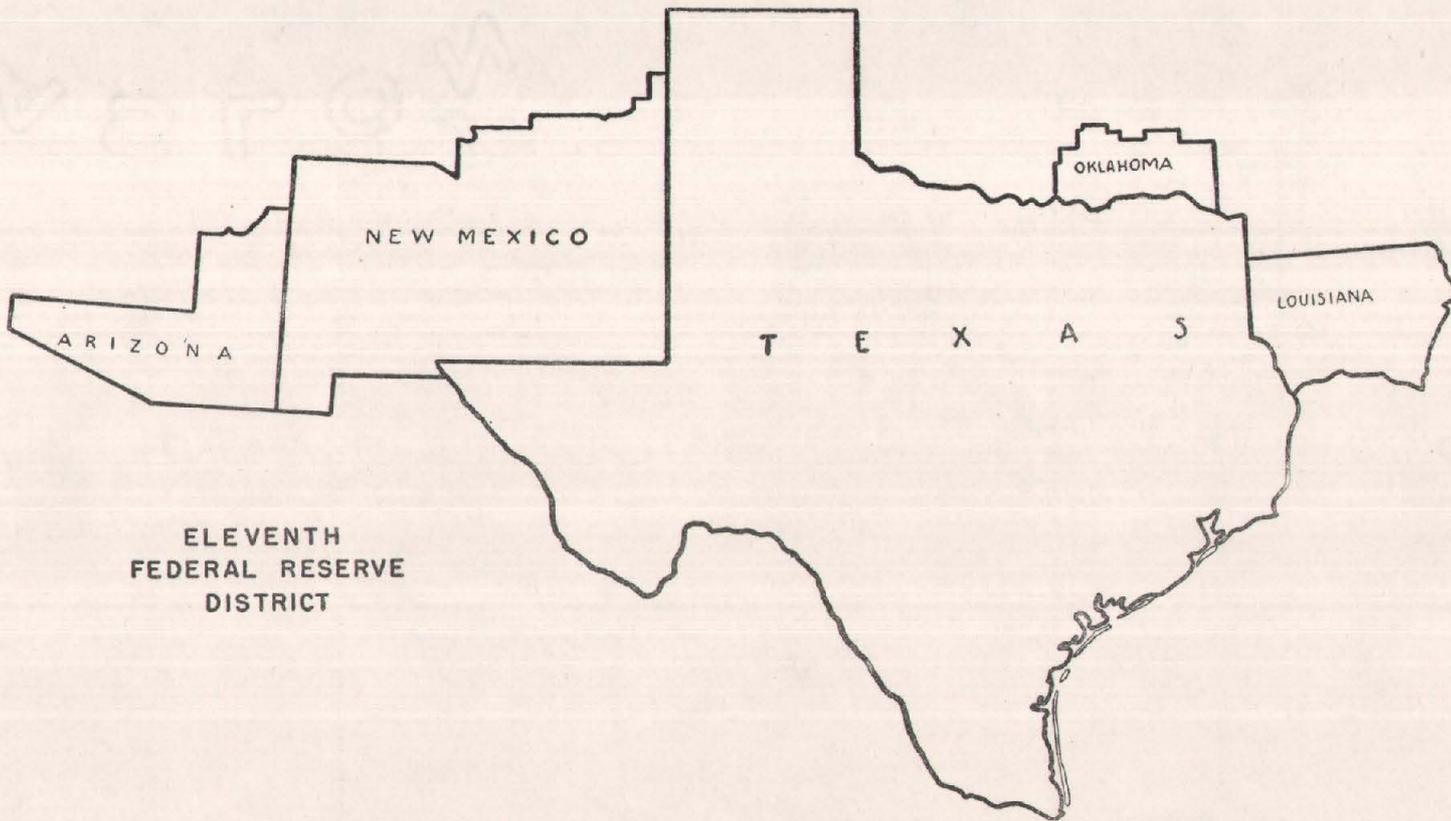
Price ceilings for furniture, printing machinery, furnaces, and various other manufactured products were advanced and there were indications that the general level of steel prices would be raised.

SECURITY MARKETS

Prices of Treasury bonds have risen sharply in recent weeks with the result that yields are now at the lowest levels on record. Stock market prices rose sharply in January to the highest levels for a number of stocks since 1930. Effective January 21, the Board of Governors of the Federal Reserve System raised margin requirements for listed stocks to 100 per cent.

BANK CREDIT

Return flow of currency of almost 700 million dollars, following the Christmas rise, together with a reduction of Treasury deposits at Federal Reserve Banks early in January, provided member banks with substantial amounts of reserve funds. At the same time, bank loans made for purchasing and carrying Government securities during the Victory Loan Drive were reduced. Member banks continued to increase their holdings of Government securities, while the Federal Reserve Banks reduced their portfolio. Bank deposits have shown little change since the sharp decline in demand deposits adjusted and the increase in U. S. Government deposits during the Victory Loan Drive.



ELEVENTH
FEDERAL RESERVE
DISTRICT