

MONTHLY BUSINESS REVIEW



of the FEDERAL RESERVE BANK of Dallas

Volume 31

Dallas, Texas, May 1, 1946

Number 5

AGRICULTURE IN AN EXPANDING ECONOMY

FOREWORD: *The Committee for Economic Development recently published a statement of its Research Committee entitled "Agriculture in an Expanding Economy." In our opinion, the Research Committee's statement is of such significance and value to those interested in the agricultural future of the country as to warrant wide distribution. Toward that end, we have availed ourselves of the opportunity to summarize some of the more significant features of the statement in this issue of our Monthly Business Review. Copies of the complete statement may be obtained by writing to Mr. C. Scott Fletcher, Executive Director, Committee for Economic Development, 285 Madison Avenue, New York 17, New York.*

"Agriculture in an Expanding Economy" reviews some of the special problems of postwar agriculture and some of the basic causes of agricultural troubles and suggests some possible remedial measures. It points out that it is important for non-farm business communities to be familiar with existing farm conditions and future prospects; for the economic welfare of the entire nation is affected by changes in farm income and purchasing power. This relationship between farm developments and the general welfare is particularly marked in areas such as the Southwest, where so large a share of the total income is derived directly from agriculture. Likewise, the welfare of the agricultural sector of the economy is vitally affected by developments in the non-agricultural sector. In the words of the Committee:

General policies designed to achieve reasonable stability in the general price level and to keep the industrial-urban economy going at a high level of production are of first-rank importance to farmers.

Agriculture can reach its highest state of well-being only in an environment of high level employment, unrestricted and abundant production, and high purchasing power. These are important to everyone, but they are particularly necessary to farmers. No other factor can possibly mean as much to the welfare of the farmers as good consumer markets. Moreover, high-level industrial production provides a large supply of goods to trade for the products of the farm, thus improving the terms of exchange for the farmer.

During the war period, industrial activity and consumer purchasing power rose to new record levels, and a great flow of goods abroad occurred under lend-lease. As a result, the demand for agricultural products rose sharply. With total agricultural production expanding more than one-fourth and with prices received by farmers doubling during this period, farm incomes reached new record levels. Farm land values climbed at a very rapid rate, so that on March 1, 1945, farm real estate prices for the nation as a whole were about 52 per cent above their 1935-39 averages. In this connection a

recent report of the United States Department of Agriculture estimated that farm land prices in the five states of the Southwest lying entirely or partly in the Eleventh Federal Reserve District advanced from 52 to 80 per cent between March 1940 and March 1946.

The Committee recognizes that farmers are in the best financial position they have occupied in many years. Their liquid assets have increased \$12 billion since 1939, and their indebtedness has been considerably reduced. The equities of farm operators have increased by about \$38 billion since 1940 to a total net worth of \$82 billion in 1945, a large part of this increase being due to the rise in land prices that occurred during the period. The intensive farming operations of the war years, however, have reduced the fertility of the soil, and to that extent, the land is actually less productive and consequently of less real value than current high prices suggest.

In spite of the improved position of agriculture, however, the farm population has declined numerically—falling about 16 per cent—while the total population of the United States has increased more than 5 per cent. The Committee's report points out that while this outward movement from farms has partly corrected the peacetime oversupply of labor on farms, it does not guarantee that the problem of surplus labor will not again present itself in the postwar period. Instead:

... The extent to which surplus workers return to farms after the war is one of the critical questions that will affect farm prosperity. The return of some will be required to replace farmers who want to retire because of old age, women drawn into the farm labor force because of the wartime pinch in particular areas, and very young boys and girls. A further influx of labor into farming will again depress per capita earnings and continue much of the economic and social maladjustment that has attended the "farm problem" the past two decades; it is likely also to continue attempts at political solutions to the problems of this important sector of our economy.

Past experience, according to the Committee, has shown that land and capital, once committed to farm production, tend to remain in production despite changes in farm prices. This tendency is particularly marked if there is any great pressure of workers returning to farms. If the wartime volume of production should be maintained without the continuance of the war-created domestic and foreign demand, farm commodity prices are likely to fall sharply.

Although the drop in farm prices and income may not be as precipitous or as great as the drop which followed World War I, and some measures may be developed to offset the forces leading to the decline, it nevertheless is likely to cause widespread and serious difficulties in agriculture.

Conditions will be made worse if the current trend continues of buying farms on credit and at high prices and if we have unwise, even though well-meant, moves to place large numbers of industrial war workers and returning veterans on the land, with agricultural production as their only source of income.

While the maintenance of a high level of industrial activity and of non-agricultural employment at good wages is looked upon by the Committee as the main hope for general farm prosperity in the postwar period, some segments of agriculture will be confronted by special problems requiring intelligent treatment. These include the problems confronting wheat and cotton producers, the problem of weather hazards, and the problem of soil exhaustion.

The Research Committee points out that the existing volume of wheat production is in excess of the amount that can be consumed, under normal conditions, as bread grain in the United States or in such foreign markets as might be available. Instead of reducing production, however, they suggest that a better solution to the wheat problem might be an expansion of the uses of wheat. For example, if the price of wheat were such as to make it competitive with grains used for feedstuff, a larger volume of it could be utilized for feeding livestock. In the absence of government price support programs, wheat produced in excess of bread and industrial requirements might reach a relationship with corn prices that would encourage both current feeding and a feed storage program which, in the words of the Committee, "lend more stability and profitability to the livestock sector of agriculture."

The problem confronting cotton producers is even more urgent and more complex. The demand created by the war has not moved the great stocks of surplus cotton, particularly the lower grade. Moreover, in the years ahead, American cotton growers will be confronted with increasing competition from foreign growths and synthetic fibers. The Research Committee emphasizes the necessity of maintaining cotton prices at a level that will command a large domestic market and compete successfully for foreign business if we are to find outlets for the cotton produced at near the present volume. Mechanization will "go far toward enabling growers to sell at the lower prices demanded for world markets" as production costs will fall as mechanization progresses. The spread of mechanization will also bring higher returns per worker, but at the same time, will further aggravate the excess labor problem. The Committee, recognizing that mechanization is likely to bring revolutionary changes throughout the South, states, "The remaking of the economy of the cotton South is undoubtedly the most important and the most difficult special problem in agriculture confronting the United States."

A third special problem in agriculture is the economic uncertainty due to erratic weather. The Research Committee estimated that about 40 per cent of the nation's crop land is affected; particularly in the Plains states. It is suggested that a program of crop insurance, the cost of which would be borne by the individual farm, should be considered to deal with this problem.

A system of crop insurance for areas of high climatic risk is recommended by many persons well acquainted with the problems of these areas. The main purpose of crop insurance is to minimize the effect of year-to-year fluctuation in weather upon the individual farmer's income. If the cost of insurance were to be borne by the general public, it would result in the long run in rising land values and rents with little real gain to the individual farm family. The cost should be borne by the parcel of land concerned, and reflected in its value.

The fourth special problem cited in this study—the exhaustion of the soil—is one that affects farmers throughout the country in one way or another. Regarding this problem and its solution, the publication states:

Most of the land of the nation slopes enough to erode, if the soil is improperly handled. Terraces or ditches are usually necessary to remove excess water safely from sloping land. But the terraces must have protected outlets or the water will cut into the soil and aggravate the erosion. Even after the water has been moved safely from a terraced field, there must be a place to put it. To expect the average farmer to deal with this kind of problem, and many others of greater or lesser difficulty, is to expect him to have some degree of proficiency in engineering. Most farmers do not have this proficiency. Most of them are not engineers, or agronomists, or hydrologists, or foresters. They are farmers, and when it comes to dealing with the erosion problems on their lands they almost invariably require technical help and advice if they are to arrive at the correct solution.

... Farmers must do the bulk of the work of conserving and restoring the soil, but the government will have to provide them with technical assistance if the work is to accomplish the desired results and have an assurance of permanence.

It should be noted that the solution of this problem of soil erosion and exhaustion will also aid in solving the problem of variations in crop yields due to weather hazards and the readjustment of marginal areas.

Going on beyond the special problems of postwar agriculture discussed above, the Research Committee has considered basic causes of agricultural troubles in the United States. Among these causes they have included the excessive farm labor supply and the increasing output per worker; the slackening in the rate of increase in demand for farm products; and the instability of farm incomes resulting from fluctuations in the general price level, changes in the volume of demand, and uncertainty in crop yields.

Among these basic causes of agricultural troubles, the Committee characterizes the excess of human resources devoted to agricultural production as the first, and probably the most important, single factor of the "farm problem." They point out that excess labor in agriculture does not evidence itself in mass unemployment but rather in overcrowded, underproductive, and low-paid employment. While most farmers stay at work, they do not have an opportunity to utilize their time completely at a remunerative job.

... The surplus number of workers on farms reflects, first, the slowing down of the non-agricultural industries in the latter inter-war years. Job opportunities off the farm being limited, the normal flow of labor from farm to town dwindled. Meanwhile, the large natural increase of the farm population, greater in rate than that of the urban population, continued to add to the excess supply of labor in agriculture.

A second important element making for an excess of workers on farms is the continuous improvement in output capacity of farm workers. American agriculture is in the midst of a technical revolution, the counterpart of the technological advance in industry. These changes improve labor efficiency and the output per worker. The labor-saving effect of this revolution has already evidenced itself, and the forward surge in better farm equipment and techniques is still in its early stages.

In many sections of the United States, such as the wheat growing areas, mechanization of farming is an accomplished fact, but other areas, such as the cotton South, are only now approaching mechanized production. As mechanization of farming is extended and existing equipment is improved, the demand for farm labor is expected to decline still further.

Several approaches to the problem of providing additional job opportunities for farm people and thereby relieving the surplus of agricultural workers are examined in the Committee's report.

... A National Labor Outlook, comparable to the Agricultural Outlook developed by the United States Department of Agriculture and the State Agricultural Colleges, has been recommended. Farm workers are especially isolated. They lack knowledge about the types of jobs, working conditions, and earnings that may be available to them elsewhere. Existing employment agencies might be asked to provide specialized placement service to help equalize the nation's labor supply.

Improvements could be made in the educational process that now prevails in rural areas, as a means to improve labor mobility. The vocational training that is available is mainly aimed to train farm youth to continue as farmers. It should be broadened to develop skills and means of earning a livelihood in non-agricultural pursuits for the boys and girls not needed in farm production.

It should not be necessary, in order to bring workers and non-agricultural jobs together, for the workers to do all of the moving. Greater mobility of capital in a decentralizing movement of industry into areas of labor surplus is needed also. ... there should be some definite and organized effort to develop industrial and commercial activity in the very areas in which surplus population is located. The possibilities should not be overlooked that new processing industries using raw material grown in such areas can be located locally.

Attention needs to be given to other barriers that obstruct the migration of farm people. The entry of workers into many fields is blocked by restrictions, some imposed by organized labor groups. ... Social controls inherent in customs and traditions often play a decisive part in checking the movement of people from farms. To ignore these various factors after the war will be to aggravate one of agriculture's major problems, the over-supply and mal-distribution of farm labor.

The second basic cause of agriculture's troubles analyzed by the Committee—a slackening rate of increase in demand for farm products—is the result of a number of conditions. Domestic demand,

the Committee finds, has slackened considerably because of the declining rate of increase in the nation's population. True, the rate of population increase has risen in the past few years as it did in the World War I period, but such a rise cannot be looked upon as permanent. A continuously increasing population would greatly simplify the problem of finding outlets for the ever expanding volume of agricultural production; but as we cannot for long look forward to net population gains of any magnitude, other methods must be found to expand the domestic demand for farm products.

A continuous high level of industrial activity and employment would go far in this direction by increasing the demand for such farm products as are used in industry and by providing incomes for industrial workers so that they might make effective their demands for farm products. However, this latter possibility has definite limitations.

Food demand does not, in fact, keep pace with rises in family incomes; except for the very low income groups, people spend proportionately less on food as their earnings increase. It should be noted, however, that "proportionately less" still permits some increase in food demand as earnings improve, including significant shifts in choice of foods. Low incomes mean a greater consumption of cheaper foods such as grain products and potatoes; with higher incomes there is increased consumption of meat, dairy, and poultry products, fruits and vegetables.

Another factor tending to diminish demand for farm products is the decline in agricultural exports. Although a relatively small percentage of the total volume of agricultural production is exported, nevertheless, exports play a strategic role in the marketing of the products of certain specialized farming areas such as those sections where tobacco, cotton, and wheat are grown. These specialized agricultural areas are suited and developed to produce for export, but if our domestic prices for farm commodities continue above world levels, export subsidies will be required to move any great volume of these commodities; and nations that are primarily raw material producers can be expected to retaliate in effective ways against such a policy. International commodity agreements may, for a time, help us move commodities such as wheat and cotton abroad, but in the long run, American farmers cannot export a large volume of goods if artificially high domestic prices are maintained. "For the long haul," says the Committee, "by the elimination of trade barriers and reductions in tariffs, the over-all volume of our foreign trade—particularly our imports—should increase, thus enlarging export opportunities for commodities in which we have comparative production advantages."

A third basic cause of agricultural troubles, in the judgment of the Committee, is the instability of farm prices and incomes. The costs of production in agriculture are, for the most part, fixed costs and do not vary materially as general business conditions change. Yet the income from which farmers must meet these fixed costs is highly variable and unstable. In an effort to assure some stability in real income, farmers and farm leaders fought for many years to get the concept of parity of purchasing power established in the law. Present laws define "parity" for most farm products as the price which will give a commodity the same exchange value or purchasing power in the present market as it possessed in the base period of 1910-14. An appraisal of the working of the "parity" principle to date is summarized in the following paragraphs from the Research Committee's report:

The five years 1910-14 were designated as the "parity" base period in the bitterly contested farm relief bills of the 'twenties. The Agricultural Adjustment Act of 1933 made parity prices based on the 1910-14 period the standard in setting price goals for agricultural commodities. In that five-year period, farm product prices relative to industry prices had been comparatively satisfactory. As a yardstick in remedying the disastrous collapse of the farm product price structure in the 1920's, the 1910-14 standard had merit. It has much less meaning for agriculture and the economy as a whole in 1946.

Parity as an idea appeals to the public as fair and just. But used as a legal instrument to fix farm product prices, parity based on a relationship that existed 30 years ago has become a liability in American agricultural policy. Making it effective, by means of loans and pur-

chase programs, continues out-grown price relationships and tends to perpetuate past production patterns; resists production changes that are in farmers' long-run interests and builds up surpluses toward an eventual crisis and collapse; it tends to drive a wedge between internal and external prices of farm products that enter export trade, thus opening the way for two-price systems, export dumping, and other measures hostile to a liberal foreign trade policy.

It is the Committee's opinion that while parity does not assure stability of net farm income and a redefinition of parity appears to be overdue, farmers will probably resist any revisions unless some workable plan can be proposed as a substitute. "The needed standard of measurement cannot be expressed in terms of commodity relationships. It should be a policy with two objectives: to create conditions favorable to the enjoyment of at least a fair minimum standard of realized income by farm families, and to guide farm production into the pattern that makes most efficient use of agricultural resources."

If these objectives are to be realized, the Committee suggests that steps should be taken to stabilize the incomes of farm families by other methods than "parity" prices. Wide shifts in the general price level are one cause of instability of income against which the farm population needs protection. Most farmers carry a comparatively large capital debt, and a fall in the general price level makes it necessary for them to meet their credit obligations with products that are of less value than they were when the debt was contracted. This condition gives rise to other problems, for as the farmer attempts to adjust himself to these new conditions, he will try to expand his production, often depressing farm prices still more and depleting his soil. In considering this problem, the Research Committee remarks that:

Many agencies of government are concerned directly or indirectly with fiscal-monetary functions, which influence the general price level. The coordinating of these functions in a program designed to lessen the violent fluctuations of the price level should be made an objective in government policy. Involved are measures pertaining to the issue and retirement of money, to the raising and also the spending of money by government, taxation, public borrowing and repayments, and government loans to individuals and corporations.

Changes in industrial employment and output also cause changes in national income and in the demand for farm products, with consequent disturbing effects on farm incomes. Moreover, farm prices and incomes rise more rapidly and higher than non-farm prices and incomes when business improves and fall more sharply and further when business declines. Therefore, in the opinion of the Committee, the stabilization of the industrial urban economy at a high level of production is of the greatest importance to the farmer, for the attainment of this goal would automatically minimize the instability of farm incomes arising from business fluctuations. However, until this can be accomplished, alternative methods should be sought to offset the effects of such fluctuations upon farm prices and farmers' incomes.

Many proposals have been offered from time to time to deal with this problem of fluctuating farm prices, including the limitation of farm output when unemployment spreads and demand falls, and a system of stabilized prices. However, as the Research Committee's report emphasizes, the first proposal, to limit production, would make food and other farm products more expensive in times of depression and would be of doubtful benefit to the farmer. Moreover, as agriculture is composed of multitudinous small units and because crop and livestock production is of such a nature that plans must be made far in advance, it would be extremely difficult, if not impossible, to control the short-run supply of agricultural goods.

The proposal to establish a system of fixed prices also has many practical difficulties, as suggested by the Committee.

When we try . . . fixing prices by law at levels as high as when demand was at the peak, we encounter the "surplus" problem—what to do with the excess above what the market will take at such floor prices. The government buys it up, either directly or through loans, and

then starts worrying about how to hold it or dump it. Experience confronts us with the fact that merely setting a price or fixing a parity formula by law does not solve farmers' price problems.

Agricultural price policy should be such as to leave prices free to carry most of the load of guiding agricultural production, as well as to gain the largest possible volume of consumption of farm products. Unless prices are free to reflect the volume of demand that can be obtained, farmers will inevitably over-produce some products and under-produce others.

The Committee discusses the pros and cons of the proposal that the Government, under certain conditions, make direct payments to farmers which might allow sufficient flexibility in prices and at the same time lend a certain degree of stability to farm incomes. These payments would be in an amount equal to the difference between a guaranteed price and the price obtainable in the market. Advocates of this plan argue that the country as a whole would be better off if prices were allowed sufficient flexibility to move all farm products into consumption and thus avoid building up unmanageable surpluses in Government hands. Payments made in this manner would stabilize the farmers' income without disturbing full volume production and trade. Opponents of the plan argue that such payments constitute a "cheap food" device and would make the farmers dependent on subsidy props that might be withdrawn at any time.

The Research Committee suggests, however, that the use made of direct payments in meeting future agricultural problems should have careful objective study. The exact character of such payments would vary with the purpose for which they were made. The Research Committee report discusses three types of payments: First, transition payments that might be made for some time to aid in discharging the Government's obligations to support farm prices for two years after the end of the war. Such payments would allow the Government to meet its commitments with minimum adverse effects on agricultural production, trade, and consumption. Second, payments to offset the decline in demand for farm products during periods of acute industrial depression. A supporting argument for payments of this sort is that they would be made only in the trough of the business cycle and would be counter-cyclical in their general effect. Third, adjustment payments used to aid particular depressed segments of the agricultural economy where a marked transition in production and employment is necessary. Since such adjustments would be spread over long periods, payments should be geared to the adjustment deemed necessary for bringing about better economic balance in the given area.

In the foregoing summary of the special problems and basic difficulties confronting agriculture in the postwar era, as viewed by the Research Committee of the Committee for Economic Development, the complexity of the farm situation has been noted, and some of the more interesting proposals for solving or ameliorating the various troublesome conditions have been briefly examined. The report of the Committee emphasizes the importance to all sectors of our national economy of a well-balanced and prosperous agriculture, and in conclusion states:

The farm is the seedbed of our population increase. It is the most important source of new blood for the cities whose population does not otherwise sustain itself. Standards of nutrition, health, and education in rural areas, therefore, are of prime national concern. To see that the farmers have equal facilities and opportunities in these respects is not merely fair play; it is important to national self-preservation. The whole economy shares the responsibility to see that over-populated rural areas are able to make better provision for educating and training their youth and for health and nutrition. It is important to the nation, too, that farm conditions be attractive enough to hold on the farms a sufficient number of well-qualified persons to make for an improved agricultural economy.

Review of Business, Industrial, Agricultural and Financial Conditions

DISTRICT SUMMARY

Although many stock shelves and clothing racks are still scantily supplied with merchandise, a slowly rising and unevenly apportioned flow of civilian goods is coming through the supply lines and being eagerly bought up from department and furniture stores and other retail establishments by consumers more abundantly endowed with purchasing power than at any previous period in the nation's history. This development is evidenced in the Eleventh Federal Reserve District by moderate gains in the inventories and much more substantial gains in the sales of reporting department and furniture stores during March, as compared with February this year and with March 1945. Throughout the first three months of 1946 reporting department stores in the district registered a cumulative gain in sales of 18 per cent over the high level reached in the first quarter of 1945. Pre-Easter shopping in these stores during the first three weeks in April was in unusually large volume. Farm work and commercial truck gardening made good progress throughout the district in March and April due to a predominance of mild, open weather. Moisture conditions were generally good as a result of rains in the latter half of April, except in the western and southwestern areas, where ranges and range feeds were in somewhat below average condition as a result of insufficient winter and spring precipitation. The Texas wheat crop is expected to yield a harvest of nearly 60,000,000 bushels—the third largest in the history of the State. Receipts of cattle and calves at the principal Texas livestock markets continue light, as compared with a year ago, whereas the movement of sheep has shown an upward trend. Federally inspected packing houses in the district, as elsewhere, report forced curtailment of operations due to the sharp decline in supply of beef cattle. Stocks of corn, wheat, and oats on Texas farms at the beginning of April reached the lowest level for the same date in several years and were significantly below the 1935-1944 averages. Prices of most farm commodities continue to rise. The decline in district production of crude oil resulting from a March cut in Texas allowables was reversed during April by the Railroad Commission's orders raising the daily allowable by nearly 200,000 barrels. Moreover, May allowables have been increased to the level that had obtained in February. In terms of daily average well completions, drilling activity in this district during the first quarter of 1946 was at the highest level since 1941. Both employment and unemployment in Texas industrial centers increased numerically during March, the rate of return of ex-servicemen to the civilian labor force accounting for the latter development. An expansion demand for labor, particularly in the construction industry, reported by the State Director of the United States Employment Service, is expected presently to bring about a further increase of 3 per cent in employment of non-agricultural workers. Adjustment of the construction industry to the provisions of recent orders of the Civilian Production Administration and the National Housing Agency giving top priority in allocation of building materials to the housing program is reflected in a sharp rise in residential contract awards, whether considered dollar-wise or in relation to the volume of awards for industrial and commercial building. Stubbornly persisting shortages in the supply of many vital building materials and in skilled craftsmen are the chief deterrents to rapid expansion in construction activity.

BUSINESS

During March, sales of reporting department stores in this district increased 15 per cent over the preceding month and 14 per cent over March 1945. Cash sales constituted 47 per cent of the total. For the first quarter of this year, the cumulative gain

in the sales of these stores over the same period of last year amounted to 18 per cent. The March increase of 14 per cent over the same month last year was much less than the February gain of 25 per cent over February 1945. This relatively small gain in March of this year over the corresponding month a year ago is, however, a reflection of the fact that in 1945 pre-Easter buying reached its peak in the latter half of March. This year the impact of the annual quest for Easter merchandise will not be fully revealed until sales figures for April are available. Preliminary reports for the first two weeks of the month, however, indicate that sales at department stores in April ran some 50 per cent ahead of the same month last year. Department store stocks at the end of March were 3 per cent above the previous month and 6 per cent larger than at the end of March 1945.

March furniture sales of 52 reporting stores in the district showed a gain of 12 per cent over February and of 38 per cent over March a year ago. In 46 stores which report cash and credit sales separately, total sales were divided on a ratio of 24 per cent to 76 per cent between the two types of transaction. Cash sales were up 9 per cent over the previous month and 50 per cent over March of last year. Credit sales were 14 per cent higher than in February and 32 per cent higher than in March 1945. End-of-the-month stocks had increased at a slower rate than sales, based on reports of 25 stores, which showed inventories 3 per cent higher in March than in the preceding month and 11 per cent higher than in the corresponding month of last year.

A current business development somewhat at variance with trends during the war is a noticeable rise in the number of applications for charge-account and instalment credit, which has been reported by many retail firms. Not only returning veterans but former war-plant workers and other wage earners are apparently

WHOLESALE AND RETAIL TRADE STATISTICS

Retail trade:	Number of reporting firms	Percentage change in			Stocks †	
		Net sales			March 1946 from	
		March 1945	1946 from February 1946	Jan. 1 to Mar. 31, 1946 from 1945	March 1945	February 1946
Department stores:						
Total 11th Dist.....	47	+14	+15	+18	+6	+3
Corpus Christi.....	4	+5	+23	+8	+25	+7
Dallas.....	7	+19	+11	+24	+7	+10
Fort Worth.....	4	+3	+8	+10	+14	+8
Houston.....	7	+17	+21	+17	+12	+11
San Antonio.....	5	+18	+16	+24	+6	+18
Shreveport, La.....	3	+12	+20	+14	....	....
Other cities.....	17	+6	+20	+11	-1	+10
Retail furniture:						
Total 11th Dist.....	52	+38	+12	....	+11	+3
Dallas.....	4	+46	+14	....	+7	-4
Houston.....	8	+56	+18	....	....	....
Port Arthur.....	4	+37	+2	....	-19	+1
San Antonio.....	4	+23	+17	....	....	....
Wholesale trade:*						
Machinery eqpt & supplies.....	3	+9	+38	....	....	....
Automotive supplies.....	4	+29	-7	....	....	....
Drugs.....	5	+18	-2	+21	+22	+8
Groceries.....	23	+16	-1	+22	+18	-2
Hardware.....	9	+26	+8	+26	+13	+5
Tobacco & products.....	3	+99	+39	....	....	....

*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			
	March 1946	Feb. 1946	Jan. 1946	March 1945	March 1946	Feb. 1946	Jan. 1946	March 1945
District 316	299	248	268r	316	339	306	268r	
Dallas 315	325	257	267	315	339	313	267	
Houston 297	275	230	255	309	312	294	265	

Stocks—(1935-1939=100)

	Unadjusted*				Adjusted			
	March 1946	Feb. 1946	Jan. 1946	March 1945	March 1946	Feb. 1946	Jan. 1946	March 1945
District 185	169	161	166	195	190	179	175	

*Unadjusted for seasonal variation.

r-Revised.

seeking to establish their credit so as to be in position to buy consumer goods, both soft and durable, in greater variety as soon as they become available. Credit managers report almost no delinquencies at present in collections on outstanding charge and instalment accounts.

Jobbers and retailers, as well as producers and consumers, are affected by two recent orders of the Office of Price Administration suspending price ceilings on a long list of heavy industrial machinery and equipment and on several hundred consumer items rated by the agency as "of only minor importance in living costs or in the cost of doing business." The order covering industrial goods was described as the most extensive suspension thus far authorized. The articles covered by the second order account for about 2.5 per cent of the total annual production of consumer goods and include significant items of personal, household, or professional use. The suspension orders reserve the authority of the OPA to reinstate controls in case of unwarranted rises in prices. In a move intended to release for delivery to retailers thousands of women's garments hanging unfinished on manufacturers' racks because of lack of linings, the Civilian Production Administration, on April 18, ordered rayon fabric producers and finishers to set aside 15 million yards of lining fabrics quarterly to be used exclusively for women's and girls' suits, coats, and jackets.

That there is still a great reservoir of purchasing power putting inflationary pressure on prices of all commodities in short supply is evident from (1) the accumulation at the end of 1945 of more than \$140 billion of liquid assets in the hands of individuals; (2) the increase in total civilian employment, exclusive of workers on farms, to 44,700,000 in February, as compared with 42,450,000 in September; and (3) current private wage and salary payments approximating the V-J Day level of \$82 billion annually and exceeding by \$7 billion the amount of such payments in September 1945. Out of current income, wage and salary earners are now reported to be spending more and saving less than during the war years.

With deferred demand for civilian consumer and producer goods more insistent and purchasing power more abundant and more widely distributed than ever before in our history, the potential volume of wholesale and retail trade in this district, as in the nation, is at present limited largely by the rate and variety of civilian production. On this point available figures pertaining to the national output may be used to appraise the current and prospective trade developments in the district as well as in the country at large. During the first quarter of 1946, the production of civilian goods and services for the nation as a whole rose to an annual rate of more than \$150 billion—the highest the nation has ever known—and constituted 85 per cent of the total national output, according to the April report of the Director of War Mobilization and Reconversion. Thus, even after adjustments have been made in the money value of the output to offset the effect of price increases for some commodities and services, the volume of civilian goods, though still far below demand in many lines, is rising. Work stoppages during the winter in the basic steel, electrical, and automotive industries not only retarded the tempo of total production but also made the rate of advance uneven in different industries.

Even so, the Civilian Production Administration reports that output of cotton fabrics has risen steadily since mid-December, and woolen and rayon fabrics are at present being produced for civilian uses in greater quantities than at any previous period in the nation's history. Consumer durable goods which are currently above or approaching prewar rates of production include automobile tires, washing machines, radios, vacuum cleaners, electric irons, and bicycles. With steel mills now operating at a fairly high percentage of capacity and with other basic in-

dustries recovering from the paralyzing effects of industrial disputes, the output of refrigerators, sewing machines, electric ranges, automobiles, trucks, and farm machinery is expected to increase rapidly unless the current strike of soft coal miners forces new stoppages in steel mills, fabricating plants, and transport facilities.

It should be remembered, however, that the output of such industries as iron, steel, heavy machinery, power, and crude oil, which supply basic materials for producers rather than consumer goods, strongly influence the index of total civilian production and private spending. This fact explains in part why shortages of many consumer goods continue at a time when total civilian production is at an all-time high. Other factors to be reckoned with in accounting for the scarcity of many things the public is eager to buy are (1) the time required to refill the war-depleted supply lines from producer to consumer, (2) alleged withholding of some commodities from the market by manufacturers pending individual or industry-wide price increases, or by distributors awaiting notice of the prices established for certain articles, and (3) the unprecedented volume of deferred consumer demand which absorbs the current unevenly rising output of goods at a rate so rapid as to prevent any substantial replenishment of inventories.

AGRICULTURE

Mild, open weather of March and most of April allowed field work throughout this district to make good progress, and April rains improved moisture conditions in most of the district. Some localities in the western part, however, are still in need of rain. A report of prospective plantings indicates a moderate decrease of from 5 to 10 per cent in acreage of feed crops and a slightly increased food crop acreage. Most ranges were below average condition on April 1. Sheep and cattle were generally in average or slightly below average condition. Serious feed shortages continued, and grain stocks on farms were at their lowest level in several years.

The April 1 general crop report of the United States Department of Agriculture forecasts a 1946 wheat yield of 59,940,000 bushels for Texas from the largest acreage ever seeded in the State. While falling below the 71,558,000 bushels produced in 1944, the 1946 crop is expected to be the third largest ever harvested in Texas. The prospective yield of 10.0 bushels per seeded acre for this year is 1.9 bushels above the 1945 figure and 1.8 bushels above the 10-year (1935-1944) average. The size of the final harvest, however, will depend largely upon weather conditions in April and May. Subsoil moisture was deficient on April 1 in the important northwestern wheat area, and good general rains in that section were needed to prevent further losses in acreage and yield. In other wheat areas, due to generally adequate rainfall, the crop has made good progress. Damage has not been excessive from the infestation of green bugs which are reported in many areas.

Most of the corn acreage in the north central area of Texas was seeded by April 1 under generally favorable conditions, and in the southern areas the crop was up to a stand. A substantial portion of the corn crop in northern Louisiana was still unplanted on April 1. In the early planting areas of Texas much of the sorghum acreage was up to a stand, and in the more northern areas progress was being made in the preparation of seed beds for planting. Planting of cotton was virtually completed in southern and south central Texas and was reported under way in the north central counties at the first of April.

Commercial truck crops made satisfactory progress in most Texas districts during March. High temperatures, particularly

during the latter part of the month, were very favorable for early planted spring vegetables and hastened the maturity of the south Texas onion crop. Most spring truck crops were making about usual growth at the beginning of April, but it was expected that tomatoes would be a little later than last year. Harvest of the Lower Valley potato crop and the south Texas onion crop was under way on April 1. Conditions were favorable for planting operations in the mid-season and late districts, and tender varieties of vegetables were being planted in some extreme northeastern counties. The 1946 indicated production for Texas of snap beans, cucumbers, onions, Irish potatoes, and tomatoes shows an increase over the production in 1945, with late spring onions and early Irish potatoes from the Lower Valley showing the greatest increase.

Ranges and range feeds in Texas improved seasonally during March, but the condition for the State as a whole on April 1 was slightly below average. The southern, southwestern, western, and northwestern areas because of insufficient winter rains have had poor feed growth. Oklahoma ranges improved in March and were reported to be in better than average condition on April 1. Grain fields furnished good pasture until livestock were removed in the latter part of March. In eastern Oklahoma, where soil moisture was adequate and warm weather prevailed, the growth of new grasses was 5 to 15 days earlier than average, and the need for supplemental feeding was reduced. Dry conditions in New Mexico, except in the higher areas and in the north, have retarded the starting of new grass, and old range feed was reported to be short on April 1. Similar conditions have resulted in short range feed in southern Arizona. Oklahoma, New Mexico, and Arizona reported shortages of hay and other feedstuffs. Texas, however, reported adequate hay to meet present needs but short supplies of grains and protein concentrates.

Cattle were reported to be at near average condition on April 1 in Oklahoma and Texas, showing some improvement over last month. In New Mexico and Arizona, however, cattle were below average and had declined in condition from a month earlier. Slight gains were registered by sheep in Texas and Arizona, but in both these states and in New Mexico they were in below average condition on April 1. Mild temperatures were favorable for early lambs, but improved ranges will be needed to put a large volume of them in slaughter condition by July 1. Some thousands of Arizona early spring lambs were marketed in March, most of them weighing upwards of 90 pounds, but it was reported that the feed situation might force the sale of many others in April, regardless of weight.

Total receipts of cattle and calves at Fort Worth and San Antonio markets in March fell far below receipts for the same month last year but showed some increase over the shorter marketing month of February 1946. According to press reports, selling activity of Panhandle wheat fed cattle reached a peak in Amarillo during the first week of April, and is expected to decline sharply after the end of the month to a seasonal summer slump. Hogs moved into Fort Worth and San Antonio markets in greater volume during March than during the same month last year but fell about 26 per cent below the previous month. The movement of sheep was about 10 per cent above March of last year and about 24 per cent above the February movement.

Packers in the Southwest and elsewhere have been forced to curtail operations due to sharply reduced supplies of cattle. The United States Department of Agriculture estimated that beef and veal slaughtered under Federal inspection in March were about 23 per cent below the March 1945 slaughter, while lamb and mutton increased about 17 per cent and pork about 3 per cent.

Texas farm stocks of grain on April 1 were at the lowest level for that date in several years. Corn stocks amounted to 12,803,000 bushels, compared with 17,123,000 bushels a year ago and the 10-year average of 20,764,000 bushels. Wheat stocks were estimated at only 1,044,000 bushels, compared with 5,725,000 bushels a year ago and the 10-year average of 2,313,000 bushels. The April 1 supply of 6,366,000 bushels of oats held on farms was below farm stocks of 7,720,000 bushels at the same time last year and the 10-year average of 8,170,000 bushels.

The March 15 local price report of the United States Department of Agriculture showed that prices received by farmers in Texas for most crop and livestock items were continuing to rise. Grain sorghums, potatoes, beef cattle, veal calves, and citrus fruits were significantly higher on that date than a month earlier. Prices of turkeys and milk declined slightly, and eggs continued the seasonal decline. Prices of other items sold by farmers were unchanged or only slightly higher.

CASH FARM INCOME

(Thousands of dollars)

	December 1945		Dec. 1945	Total receipts		
	Receipts from Crops	Livestock*		Dec. 1944	Jan. 1 to Dec. 31 1945	Dec. 31 1944
Arizona.....	13,415	5,065	18,480	12,740	137,327	121,136
Louisiana.....	22,455	7,757	30,212	27,972	240,835	237,802
New Mexico.....	3,461	5,066	8,527	10,720	117,363	100,899
Oklahoma.....	15,714	16,009	31,723	30,957	429,085	471,634
Texas.....	50,182	41,940	92,122	109,461	1,177,353	1,208,898
Total.....	105,227	75,837	181,064	191,850	2,101,963	2,140,369

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

SOURCE: United States Department of Agriculture.

LIVESTOCK RECEIPTS—(Number)

	Fort Worth			San Antonio		
	March 1946	March 1945	February 1946	March 1946	March 1945	February 1946
Cattle.....	41,272	56,333	33,989	17,619	20,019	17,688
Calves.....	11,732	22,017	12,713	15,935	13,606	13,234
Hogs.....	55,679	47,097	75,604	8,062	7,181	11,017
Sheep.....	108,742	95,813	83,354	21,225	22,811	21,827

COMPARATIVE TOP LIVESTOCK PRICES

(Dollars per hundred weight)

	Fort Worth			San Antonio		
	March 1946	March 1945	February 1946	March 1946	March 1945	February 1946
Beef steers.....	\$17.35	\$16.25	\$17.35	\$16.50	\$15.25	\$16.50
Stocker steers.....	15.75	14.00	15.50	.....	.....	.....
Heifers and yearlings.....	17.35	16.50	17.35	16.50	14.75	16.50
Butcher cows.....	13.90	12.75	13.75	14.50	12.00	13.00
Calves.....	16.00	14.50	16.10	16.00	14.75	15.50
Hogs.....	14.65	14.55	14.65	14.65	14.55	14.65
Lambs.....	14.75	16.00	14.50	14.25	15.00	14.15

PLANTED ACRES—TEXAS AND FIVE STATES

(Thousands of acres)

	Texas			Five States*		
	Average 1935-44	1945	Indicated 1946	Average 1935-44	1945	Indicated 1946
Corn.....	5,100	4,262	3,921	8,849	7,253	6,910
Winter wheat.....	4,426	5,167	5,994	4,426†	5,167†	5,994†
Oats.....	1,781	1,946	1,849	3,490	3,395	3,234
Barley.....	303	385	250	806*	726*	578*
Flax.....	32‡	65	82	71*	107*	106*
Rice.....	299	400	412	821*	984*	1,008*
All sorghums.....	6,755	7,840	7,056	9,407	10,236	9,498
Irish potatoes.....	56	57	62	144	139	146
Sweet potatoes.....	59	53	65	175*	187*	205*
Soy beans alone§.....	30	9	6	144*	124*	118*
Cowpeas alone§.....	537	254	241	783*	377*	354*
Peanuts alone§.....	549	882	794	756*	1,164*	1,065*
All tame hay.....	1,207	1,431	1,345	2,727*	3,182*	3,075*

†Short-time average. §Grown alone for all purposes; partly duplicated in hay acreage.

*Arizona, Louisiana, New Mexico, Oklahoma and Texas. †Texas only. *Arizona, New Mexico, Oklahoma and Texas. *Texas, Arizona, and Oklahoma. °Louisiana and Texas. *Texas, Louisiana and Oklahoma. °Acreage harvested.

SOURCE: United States Department of Agriculture.

FINANCE

The gross demand and time deposits of member banks in this district averaged \$5,567,000,000 during March, showing a moderate increase of \$13,000,000 as compared with the preceding month, after having declined sharply in February. The deposit expansion occurred at country banks and more than offset the decline at reserve city banks. The reserve balances of member banks in the district averaged \$741,000,000 during the first half of April, or moderately higher than the averages during February and March, but still sharply below the high level reached in December and January. Required reserves increased sharply during March, causing a sharp decline in excess reserves. During the last half of March, excess reserves averaged only \$109,500,000 in comparison with an average of \$151,400,000 during the first half of January. Member banks have reduced their balances with correspondents by about \$170,000,000 since the peak was reached in the first half of January at approximately \$915,000,000.

Federal Reserve notes of this bank in actual circulation have continued to decline, and on April 15, the total circulation amounted to \$589,100,000, which was \$6,131,000 less than a month earlier. During the four months since the peak was reached at mid-December 1945, this bank's Federal Reserve note circulation has declined by approximately \$38,000,000, and the total is now at the lowest level since last July.

The substantial changes in the principal asset and liability items of weekly reporting member banks in leading cities of this district between March 13 and April 10 were associated with the cash redemption of outstanding obligations of the United States during the period and with payments of the March 15 installment of income taxes. During the four weeks, deposits in these banks declined by approximately \$87,600,000, due to the heavy withdrawals from Treasury war loan accounts and from interbank balances. These banks also added \$3,900,000 to their reserve with the Federal Reserve Bank. To obtain the funds needed to meet the deposit withdrawals and the increase in reserve balances, the weekly reporting banks withdrew \$21,000,000 from their balances with correspondent banks and reduced their total loans and investments by \$63,100,000.

The loans of these banks showed a further increase of \$6,300,000, reflecting the continued expansion in real estate loans and in "all other" loans, which include personal and installment lending. In contrast with the sharp increase that had occurred in the preceding six months, commercial, industrial, and agricultural loans declined slightly during the four weeks ended April 10. Total loans of \$682,000,000 on April 10 were \$276,000,000, or about 68 per cent, higher than on the corresponding date last year. The investments of reporting banks were reduced by \$69,400,000 during the four-week period. Although holdings of Treasury bonds increased by \$6,300,000, holdings of all other classes of Government securities declined substantially. The reduction in certificates of indebtedness and Treasury notes was associated with the Treasury redemption in cash on March 15 and April 1 of the maturing and called issues of these securities. In order to adjust reserve positions, reporting banks sold Treasury bills to the Federal Reserve Bank under repurchase option.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(Thousands of dollars)

	April 15, 1946	April 15, 1945	March 1946
Total cash reserves.....	\$471,209	\$554,359	\$480,142
Discounts for member banks.....	50	None	50
Foreign loans on gold.....	1,280	None	1,280
U. S. Government securities.....	877,923	699,005	880,224
Total earning assets.....	879,253	699,005	881,554
Member bank reserve deposits.....	728,751	644,547	704,053
Federal Reserve Notes in actual circulation.....	589,082	556,966	595,213

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS
IN LEADING CITIES—Eleventh Federal Reserve District

(Thousands of dollars)

	April 10, 1946	April 11, 1945	March 13, 1946
Total loans and investments.....	\$2,132,987	\$1,676,312	\$2,196,112
Total loans.....	682,278	406,407	675,978
Commercial, industrial, and agricultural loans.....	403,681	269,225	403,812
Loans to brokers and dealers in securities.....	6,474	4,702	6,120
Other loans for purchasing or carrying securities.....	151,377	50,527	151,747
Real estate loans.....	36,101	22,366	33,605
Loans to banks.....	349	154	386
All other loans.....	84,296	59,433	80,308
Total investments.....	1,450,709	1,223,365	1,520,134
U. S. Treasury bills.....	53,465	71,892	68,217
U. S. Treasury certificates of indebtedness.....	454,072	388,445	503,294
U. S. Treasury notes.....	214,739	219,816	227,096
U. S. Government bonds.....	663,446	533,231	657,194
Obligations guaranteed by United States Gov't.....	145	9,981	145
Other securities.....	64,842	46,540	64,188
Reserves with Federal Reserve Bank.....	390,834	355,825	386,951
Balances with domestic banks.....	234,617	225,485	255,507
Demand deposits—adjusted*.....	1,394,354	1,252,969	1,397,608
Time deposits.....	299,585	238,744	296,543
United States Government deposits.....	413,882	177,873	467,102
Interbank deposits.....	556,987	513,089	591,111
Borrowings from Federal Reserve Bank.....	None	None	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)

	March 1946	March 1945	Pctg. change over year	February 1946	Pctg. change over month
Abilene.....	\$ 23,477	\$ 19,740	+19	\$ 20,590	+14
Amarillo.....	54,100	51,084	+ 6	49,196	+10
Austin.....	105,825	97,966	+ 8	80,486	+31
Beaumont.....	58,774	61,893	- 5	58,232	+ 1
Corpus Christi.....	70,547	57,713	+22	51,345	+37
Corsicana.....	7,573	6,746	+12	7,138	+ 6
Dallas.....	634,528	583,680	+ 9	571,593	+11
El Paso.....	81,172	66,170	+23	74,549	+ 9
Fort Worth.....	218,050	224,125	- 3	195,677	+11
Galveston.....	58,571	50,266	+17	43,246	+35
Houston.....	666,873	634,393	+ 5	566,838	+18
Laredo.....	14,858	12,604	+18	13,748	+ 8
Lubbock.....	39,310	33,339	+18	36,148	+ 9
Monroe, La.....	24,738	18,973	+30	21,941	+13
Port Arthur.....	25,899	26,410	- 2	24,285	+ 7
Roswell, N. M.....	12,849	9,444	+36	10,571	+22
San Angelo.....	21,026	16,008	+31	19,021	+11
San Antonio.....	205,436	164,177	+25	172,328	+19
Shreveport, La.....	93,074	84,828	+10	76,932	+21
Texarkana*.....	21,185	23,260	- 9	16,319	+30
Tucson, Ariz.....	46,509	35,295	+32	39,922	+16
Tyler.....	29,853	24,207	+23	26,792	+11
Waco.....	43,472	29,419	+48	35,171	+24
Wichita Falls.....	43,440	30,262	+44	35,483	+22
Total-24 cities.....	\$2,601,139	\$2,362,002	+10	\$2,247,551	+16

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

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Average of daily figures—Thousands of dollars)

		Combined total		Reserve city banks		Country banks	
		Gross demand	Time	Gross demand	Time	Gross demand	Time
March	1944.....	\$3,320,226	\$277,705	\$1,725,356	\$171,392	\$1,594,870	\$106,313
March	1945.....	4,050,000	367,380	2,045,585	232,600	2,604,415	\$134,780
November	1945.....	4,824,008	444,663	2,441,944	284,172	2,382,064	160,491
December	1945.....	5,109,360	451,887	2,634,630	285,371	2,474,730	166,516
January	1946.....	5,215,222	452,353	2,681,476	286,583	2,533,746	165,770
February	1946.....	5,097,096	457,348	2,620,309	293,575	2,476,787	163,773
March	1946.....	5,101,702	465,564	2,592,431	296,725	2,509,271	168,829

SAVINGS DEPOSITS

March 30, 1946

Percentage change in
savings deposits from

	Number reporting banks	Number of savings depositors	Amount of savings deposits	March 31, 1945	Feb. 28, 1946
Beaumont.....	3	12,525	\$ 7,749,703	+17.6	+ .6
Dallas.....	8	128,887	69,319,956	+27.5	+ 1.0
El Paso.....	2	28,443	22,582,799	+35.6	+ 1.3
Fort Worth.....	3	39,730	31,282,758	+23.8	+ .5
Galveston.....	4	23,812	19,748,989	+18.7	+ 1.7
Houston.....	8	94,536	63,572,101	+18.2	+ .5
Lubbock.....	2	880	1,033,686	+91.1	+ .2
Port Arthur.....	2	6,035	5,477,674	+22.8	+ 1.4
San Antonio.....	5	35,559	41,789,700	+25.6	+ .9
Shreveport, La.....	3	33,146	25,614,083	+26.2	+ 1.1
Waco.....	3	9,255	8,712,592	+28.4	+ .9
Wichita Falls.....	3	7,212	4,710,319	+13.6	+ .02
All other.....	57	60,221	49,392,417	+24.5	+ 1.2
Total.....	103	480,241	\$350,960,787	+24.3	+ .9

INDUSTRY

Production of crude petroleum in this district during March declined 12 per cent from February to a daily average rate of 2,015,000 barrels, while production outside the district continued unchanged at the February rate. April production is expected to increase somewhat. Initially the Texas Railroad Commission set April allowables for the state at 45,000 barrels per day above allowables for March; but on April 9, in response to urgent requests from United States naval procurement officials for an increase in crude production as a means of making fuel oil more readily available for the Navy's needs, the Commission amended the producing schedule to permit 24 rather than 21 days production during the month. It is estimated that this latter action will result in an increase of 140,000 barrels in daily average production.

Reflecting the decline in production, Eleventh District crude stocks decreased 10,273,000 barrels during the six weeks ended April 13 and constituted 48.8 per cent of the total stocks of crude in the United States, compared with 51.5 per cent on March 2 and 55 per cent one year ago. District crude runs to refinery stills remained unchanged at a daily average rate of 1,406,000 barrels. Outside this district, daily crude runs increased 45,000 barrels during the five weeks to an average of 3,256,000 barrels. Stocks of gasoline for the nation as a whole remained virtually unchanged during March. By April 13, however, they had dropped to 102,444,000 barrels, compared with 95,777,000 a year ago. Residual fuel oil stocks registered a moderate increase of 573,000 barrels to an estimated total of 37,362,000 barrels during the week ended April 13, compared with approximately 38,660,000 barrels a year ago.

Drilling activity in the Eleventh District during the first three months of the current year, as measured by daily average well completions, was at the highest level of any quarter since 1941. Completions averaged 23.5 daily, representing approximately an 18 per cent increase over the first quarter of 1945. Total United States completions during the past three months increased approximately 12 per cent over the same period last year, to a total of 5,808. Of the 2,137 completions in the district, 1,293, or slightly better than 60 per cent, were producing oil wells.

For Texas as a whole, March witnessed an increase both in total employment and in total unemployment, the latter development being due to the rate of return of ex-servicemen to the civilian labor force. The State Director of the United States Employment Service reports an expansion demand for labor, especially in the construction industry, which should result very soon in a further increase of 3 per cent in numbers employed and a corresponding decrease in unemployment in the major industrial centers. Data recently released show Texas unemployed workers as totaling 200,000 persons. In 26 labor market areas, there was 11 per cent unemployment compared with 7.5 per cent two months ago and 15 per cent in the spring of 1940. Only 4 of the 26 areas enjoy a balanced labor market. They are El Paso, Borger, Amarillo, and the Galveston-Texas City area.

Cotton consumption in March at United States mills, which aggregated 804,000 bales, was 15 per cent above that in February, but 8 per cent below consumption in March 1945. Total domestic consumption of 5,958,000 bales during the first eight months of the 1945-46 season was 8.5 per cent less than for the same period last year.

Continuing the downward trend observed in January, production of Portland cement at Texas mills during February declined to 742,000 barrels, a 6 per cent drop within the month. While this production rate was somewhat lower than that of recent months, it represented an increase of 60 per cent from February 1945. Moreover, February shipments of 810,000 bar-

rels were 14 per cent and 63 per cent above shipments in January 1946 and February 1945, respectively. Stocks at the end of February totaled 669,000 barrels, or 34 per cent less than those existing one year earlier.

The construction industry is currently adjusting itself to the provisions of an order issued on March 26 by the Civilian Production Administration which is designed to give top priority in allocation of building materials to the veterans' housing program. This order requires prospective builders, with certain exceptions noted below, to obtain a permit from the nearest regional office of the CPA before beginning construction. Applications for the building of homes or other housing

COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	August 1 to March 31 This season	Last season	August 1 to March 31 This season	Last season
Cottonseed received at mills (tons).....	617,091	922,949	3,050,550	4,191,921
Cottonseed crushed (tons).....	661,708	765,736	2,899,177	3,507,550
Cottonseed on hand March 31 (tons).....	39,582	188,859	369,721	795,977
Production of products:				
Crude oil (thousand lbs.).....	190,175	233,346	902,888	1,694,362
Cake and meal (tons).....	306,200	381,978	1,279,035	1,609,390
Hulls (tons).....	154,239	178,570	694,274	812,051
Linters (running bales).....	208,801	234,907	879,766	1,026,399
Stocks on hand March 31:				
Crude oil (thousand lbs.).....	5,881	11,605	24,321	36,793
Cake and meal (tons).....	13,999	25,879	55,571	104,520
Hulls (tons).....	7,952	19,797	38,199	57,807
Linters (running bales).....	13,521	27,033	69,964	98,394

SOURCE: United States Bureau of Census.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

	March 1946	March 1945	February 1946	August 1 to March 31 This season	Last season
Consumption at:					
Texas mills.....	17,854	17,641	16,798	129,640	128,526
United States mills.....	803,937	857,431	746,994	5,958,150	6,509,391
U. S. stocks—end of month:					
In consuming establs.....	2,388,733	2,237,853			
Public stg. & compresses.....	8,628,879	11,720,524			

CRUDE OIL PRODUCTION—(Barrels)

	March 1946		Increase or decrease in daily average production from	
	Total production	Daily avg. production	March 1945	February 1946
North Texas.....	7,065,600	227,922	— 9,330	— 10,335
West Texas.....	13,630,000	441,290	— 34,842	— 61,103
East Texas.....	13,849,300	440,752	— 82,361	— 20,123
Southwest Texas.....	9,133,600	294,632	— 57,020	— 60,222
Texas Coastal.....	13,244,400	427,239	—136,983	—114,461
Total Texas.....	56,972,900	1,837,835	—320,536	—266,244
New Mexico.....	2,969,850	95,802	— 8,080	— 2,632
North Louisiana.....	2,568,500	82,855	+ 12,558	+ 2,170
Total District.....	62,511,250	2,016,492	—316,058	—266,706

SOURCE: Estimated from American Petroleum Institute weekly reports.

BUILDING PERMITS

	March 1946		Percentage change valuation from		Jan. 1 to Mar. 31, 1946		Percentage change valuation from 1945	
	No.	Valuation	Mar. 1945	Feb. 1946	No.	Valuation	from 1945	
Abilene.....	103	\$ 677,112	*	+ 9	274	\$ 1,822,772	*	
Amarillo.....	239	1,106,507	+400	+ 27	689	2,675,243	+452	
Austin.....	531	1,917,725	+928	+ 22	1,324	4,890,679	+799	
Beaumont.....	301	556,418	+254	+101	729	1,063,111	+238	
Corpus Christi.....	374	1,747,757	+543	+220	822	3,059,874	+419	
Dallas.....	1,523	6,499,019	+942	+ 28	3,961	17,165,520	*	
El Paso.....	116	350,590	*	+ 30	323	1,026,753	+596	
Fort Worth.....	714	3,512,765	+519	+ 16	1,953	8,516,577	+547	
Galveston.....	136	344,650	+650	+220	308	716,768	+334	
Houston.....	912	15,390,620	+203	+182	2,217	28,918,668	+324	
Lubbock.....	258	752,725	+566	+ 34	653	1,740,194	+298	
Port Arthur.....	210	299,899	+807	+ 36	579	812,625	+953	
San Antonio.....	1,488	4,645,577	+887	+138	3,615	9,199,524	+603	
Shreveport, La.....	432	2,132,497	*	+165	1,064	3,578,403	+531	
Waco.....	173	519,973	+660	+112	389	977,888	+355	
Wichita Falls.....	93	209,817	+332	+ 87	229	691,592	+722	
Total.....	7,603	\$40,663,441	+406	+ 87	19,119	\$86,856,191	+498	

*Over 1,000 per cent.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(Thousands of dollars)

	March 1946	March 1945	February 1946	January 1 to March 31 1946	1945
Eleventh District—total.....	\$ 61,592	\$ 38,034	\$ 37,573	\$ 134,845	\$ 71,050
Residential.....	28,796	2,458	9,776	48,294	4,512
All other.....	32,796	35,576	27,797	86,551	66,538
United States*—total.....	697,953	328,874	387,369	1,442,493	616,780
Residential.....	275,241	26,943	102,079	467,035	65,779
All other.....	422,352	301,931	285,320	975,458	551,001

*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

for veterans will receive ready approval. The beginning of any other type of construction, including commercial buildings, industrial plants, farm construction, and housing for non-veterans, will be denied a permit unless, in the judgment of the citizens' advisory committee associated with the regional CPA office, the project is essential and non-deferrable. The same rule applies to the beginning of any major repairs, additions, or alterations of existing structures or of fixtures and mechanical equipment which are directly a part of the building.

The order does not require authorization for the completion of construction jobs in progress on March 26 if prior to that date materials which are to be "an integral part of the structure" had been incorporated into it on the site. The number of commercial and industrial projects which are thus exempted constitutes a sizable volume of construction which, until completed, will compete for a share of the nation's short supply of building materials. An index of this condition is found in the fact that construction contracts awarded in this district during the twelve weeks of 1946 prior to the issuance of the order included approximately \$49,025,000 of nonresidential to \$33,-350,000 of residential construction.

The order exempts construction and repair of roads, streets, railway tracks, fences, bridges, tunnels, pipe and power lines, sewers, mines, wells, dams, or canals; also repair and maintenance work in industrial, utility, and transportation structures, "unless such work is capitalized for taxation purposes." These are, for the most part, engineering projects which do not draw heavily upon the materials required for construction of homes.

Certain other construction and repair projects do not require CPA authorization if the costs are not in excess of the amounts listed below:

- | | |
|---|----------------|
| (1) Houses designed for five families or less..... | \$ 400 a job |
| (2) Hotel, resort, apartment house, or other residential building for occupancy of more than five families | \$1,000 a job |
| (3) Commercial or service establishment | \$1,000 a job |
| (4) Farm building, excluding farmhouses | \$1,000 a job |
| (5) Church, school, hospital, charitable institution, or public building | \$1,000 a job |
| (6) Factories, processing and assembly plants, lumber camps, transportation terminals, utility structures, and similar establishments, excepting service stations and garages | \$15,000 a job |
| (7) Other structures | \$ 200 a job |

Federal Government projects are exempted, but plans for such projects are being re-examined and sifted by an inter-agency committee.

By an amendment announced on April 11 to the CPA's Priorities Regulation 33, the priorities assistance system for obtaining building materials for construction of veterans' housing was expanded to include new classes of individuals, notably builders of non-veteran housing accommodations which were under construction before March 26. Except in unusual cases, however, applications for priorities to complete such structures will not be approved if the proposed sale price is more than \$15,000 or the shelter rental more than \$120 a unit per month. The amendment also extends "veterans' preference" in building, or in buying or renting housing accommodations built with priorities assistance, to present members of the Armed Forces and the Merchant Marine, Americans who served with allied forces in the war, and to the spouses of members of the Armed Forces who died in service in World War II.

With a view to making more housing available to veterans of limited means, the National Housing Administration issued an order on April 20 directing that at least one-fourth of all housing built for veterans be for rent at moderate prices, and that of

the remainder built for sale half must be priced below a dividing line figure which varies from \$9,000 down to \$4,500 for different communities, and the other half must not be sold for more than the previously established ceiling of \$10,000. It is said to be the intention of the NHA, by this order and by the priority action for which it provides, to channel most of the country's residential building materials into houses considerably under the present \$10,000 sales and \$80 rental limit.

The order does not, however, affect priorities already issued for veterans' emergency housing under earlier orders of the NHA or the CPA.

The virtual ban on the beginning of new industrial construction may improve demand for surplus government-owned war plants which can be converted without major expenditures of money and building materials into suitable housing for new or expanding civilian industries. Recent press releases of the War Assets Administration reveal considerable progress in the disposal of industrial plants and machinery.

It seems unlikely that the total number and value of building permits issued and of construction contracts awarded will be diminished; on the contrary, the number may even be increased, but construction activity will be heavily concentrated in the field of housing. The priority which the CPA order of March 26 and the recent amendment to PR 33 give to the construction of homes for veterans may be expected to increase both the number and the dollar volume of applications coming from ex-servicemen to commercial banks of this district for government-guaranteed mortgage loans. At the same time, a decline seems inevitable in loans for commercial and industrial construction, a field in which commercial banks are not large lenders.

Current data reveal that, despite shortages of materials and some uncertainties as to forthcoming Government regulations, the value of construction contracts awarded during March in this district was well sustained, compared with the previous month. The value of all contracts awarded in the district during the month totaled \$61,592,000, in comparison with \$37,300,000 during the previous month and \$38,000,000 in March 1945. In residential awards, not only does the total of \$28,762,000 represent an increase of 152 per cent over February, but the value of residential awards was greater in March this year than for any other month on record except December 1942, when only 7 per cent of the awards were privately financed.

Meanwhile, troublesome deficits in supply of vital materials are indicated by official estimates of production for 1946. In such important items as brick, lumber, clay sewer pipe, cast-iron soil pipe, structural clay tile, and gypsum board and lath, anticipated deficits of national production in relation to demand range from 12 per cent to 31 per cent. Similar shortages are reported for asphalt roofing, bathtubs, lavatories, and sinks. Even full capacity production is reported to be short of next year's requirements for such items as soil pipe, wallboard, building blocks, and plywood.

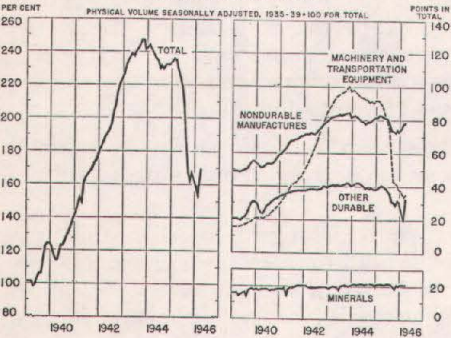
The most recent report of the Director of War Mobilization and Reconversion states that lumber production difficulties are being ironed out and that the outlook is improving. Total United States lumber production during January was 1,900,-000,000 board feet, or 16 per cent less than during January 1945. Production during the first quarter is expected to total slightly more than 6 billion board feet, or approximately 750,-000,000 board feet less than during the same period last year and 1.8 billion board feet below the output for the first three months of 1941. Of the total lumber production, 40 per cent has been set aside for veterans' preference housing, whereas about 25 per cent of the lumber produced during the decade preceding the war was used in new residential building.

MAY 1, 1946

NATIONAL SUMMARY OF BUSINESS CONDITIONS

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

INDUSTRIAL PRODUCTION



Federal Reserve index. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are March, 1946.

Industrial production advanced considerably in March and appears to have declined only moderately in the early part of April notwithstanding a complete shutdown in the bituminous coal industry and some reduction in output at steel mills. The value of retail trade has continued to set new records during this period and wholesale commodity prices have risen further.

INDUSTRIAL PRODUCTION

Production at factories and mines, according to the Board's seasonally adjusted index, rose from a level of 153 per cent of the 1935-39 average in February to 169 in March. This is slightly above the level reached last November before production was reduced by strikes in the automobile, electrical equipment, and steel industries. In April the index will probably show a decline of 3 or 4 points as decreases in coal and steel are only partly offset by continued increases in other industries.

The large increase shown by the total index in March was due for the most part to a sharp recovery in steel ingot production following settlement of the labor dispute. There were production gains also in industries manufacturing automobiles, machinery, stone, clay and glass products, furniture, textiles, paper and rubber products. These gains in steel and other industries were offset only in small part by declines in the nonferrous metal industries, some food industries and crude petroleum.

Steel ingot production for the month of March averaged 84 per cent of capacity as compared with 20 per cent in February and at the end of March was close to 90 per cent. Subsequently, due to reduced coal supplies, steel output declined and by the fourth week of April was down to a rate of 74 per cent of capacity. In the automobile and machinery industries production increased substantially during the latter part of March and the early part of April, reflecting improvement in steel supplies and settlement of important wage disputes.

Output of stone, clay, and glass products continued to advance in March and production in the first quarter of this year exceeded the previous peak levels reached at the beginning of 1943.

Output of nondurable goods rose further in March to a level of 168 per cent of the 1935-39 average, the highest level since last June. Production of nondurable goods for civilian use is now in larger volume than at any previous time. Activity at woolen mills has shown an exceptionally large advance since the end of last year, and with marked increases in cotton consumption and rayon shipments, the Board's index of textile production in March was at a level of 162 per cent of the 1935-39 average. This equals the previous peak rate at the beginning of 1943.

Mineral production declined in March as a further advance in coal production was more than offset by a decline in crude petroleum output and by work stoppages at important metal mines. Activity at bituminous coal mines was suspended beginning April 1 owing to a labor-management dispute over a new wage contract.

EMPLOYMENT

Employment in nonagricultural establishments rose by about 600,000 in March after allowance for seasonal changes. This rise reflected increased employment in manufacturing—largely in the iron and steel group—and continued gains in trade and construction. There were further substantial releases from the armed forces. The total number of persons unemployed remained at a level of about 2,700,000 in March.

DISTRIBUTION

Department store sales rose sharply in March and continued at a high level in the first half of April. Total sales during the Easter season are estimated to have been about one-fourth higher than last year.

Freight carloadings during March were close to the record rate for that month reached last year. In the first three weeks of April loadings declined, reflecting the stoppage of bituminous coal production. Shipments of most other classes of revenue freight continued to increase.

COMMODITY PRICES

Wholesale prices of agricultural and industrial commodities continued to advance from the middle of March to the third week of April. The general level of wholesale prices is now higher than last September by something over four per cent. In recent weeks ceiling prices for a number of products have been raised considerably and where ceilings have been removed prices have generally risen. A bonus of 30 cents a bushel has been granted on wheat delivered by May 25 under the certificate plan to help meet the critical food situation abroad, and a like payment has been offered for 50,000,000 bushels of corn. Subsidy payments for some commodities have been increased to prevent further price advances.

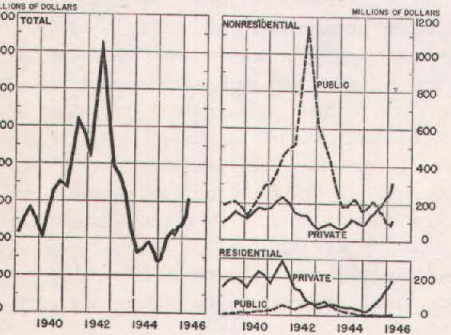
BANK CREDIT

Member bank reserve positions tightened in the last half of March as Treasury deposits at the Reserve Banks were increased by large income tax collections. Banks sold short-term Government securities largely to the Reserve Banks, and drew down their reserve balances to meet this loss of funds. Reserve positions were eased on April 1 in connection with the cash redemption of 2.0 billion dollars of Treasury certificates on that date, and in the following weeks banks bought Government securities and reduced borrowings at Reserve Banks.

Commercial and industrial loans at member banks in leading cities increased further. Loans to workers and dealers rose at the end of March in connection with Treasury security retirement operations and declined sharply in the week ending April 3. Deposits, other than those of the Treasury, fluctuated considerably, reflecting large income tax payments and the April 1 tax assessment date in Illinois.

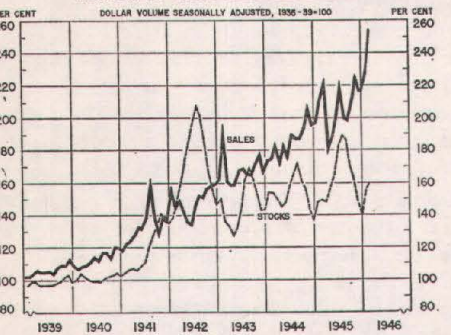
Yields on long-term Treasury bonds have remained relatively steady following a sharp decline in January and the first half of February.

VALUE OF CONSTRUCTION ACTIVITY



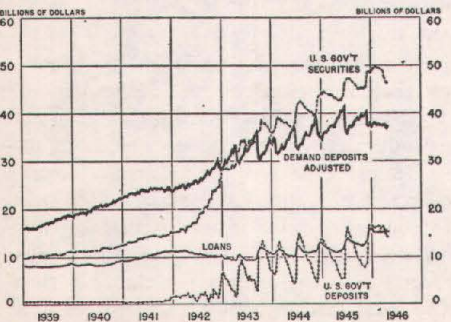
Figures beginning in 1944 are joint estimates of the Departments of Commerce and Labor; earlier figures estimated by Commerce. Data exclude repair and maintenance work. Monthly averages of quarterly data prior to July, 1944; monthly data, thereafter. Latest figures shown are for March, 1946.

DEPARTMENT STORE SALES AND STOCKS



Federal Reserve indexes. Monthly figures, latest shown are for February, 1946.

MEMBER BANKS IN LEADING CITIES



Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown, are for April 10, 1946.

FEDERAL RESERVE BANK OF DALLAS
COMPARATIVE STATEMENT
 (IN THOUSANDS OF DOLLARS)

ASSETS

	INCREASE (NO SIGN) OR DECREASE (MINUS SIGN) SINCE		
	April 24 1946	April 17 1946	April 25 1945
Gold Certificates on hand and due from U. S. Treasury	433,763	—10,305	—54,246
Redemption Fund for F. R. Notes	25,894	— 24	5,750
Total Gold Certificate Reserves	459,657	—10,329	—48,496
Other Cash	10,842	— 1,000	1,983
Discounts and Advances	1,330		1,280
Industrial Loans			
U. S. Government Securities:			
Bills	510,826	14,039	116,509
Certificates	267,801	— 22	40,160
Notes	64,632	2,696	21,701
Bonds	38,223	5	—10,690
Total U. S. Govt. Securities	881,482	16,718	167,680
Total Loans and Securities	882,812	16,718	168,960
Due from Foreign Banks	4		
F. R. Notes of other Banks	3,414	— 467	535
Uncollected items	101,330	10,955	17,443
Bank premises	820		— 59
Other assets	2,435	170	— 52
Total assets	1,461,314	16,047	140,314

LIABILITIES

F. R. Notes	587,892	— 2,241	32,063
Deposits:			
Member banks—reserve account	719,131	— 1,575	96,575
U. S. Treasurer—General Account	11,790	1,294	— 9,192
Foreign	22,001	585	—11,765
Other deposits	1,591	— 204	— 1,200
Total deposits	754,513	100	74,418
Deferred availability items	96,945	18,077	29,320
Other liabilities including accrued dividends	482	46	59
Total liabilities	1,439,832	15,982	135,860

CAPITAL ACCOUNTS

Capital paid in	6,566	4	910
Surplus (Section 7)	10,670		4,645
Surplus (Section 13b)	1,307		
Other capital accounts	2,939	61	— 1,101
Total Liabilities and Capital Accounts	1,461,314	16,047	140,314
Commitments to make industrial loans	178		178

