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SOME OBSERVATIONS ON THE COTTON SITUATION

R. B. JOHNSON

The price of cotton on American spot markets has increased approximately 70 per cent since the end of the war, rising to the highest level since the all-time peak reached shortly after World War I. For cotton farmers, present cotton prices are in welcome contrast to the five cent per pound low of the depression years and the nine to fifteen cent range of the 1935-1940 period. Producers of cotton and businessmen whose operations are significantly influenced by the condition of the cotton economy do not observe the sharp rise of cotton prices without some misgivings, however, for they recognize that readjustments in the world cotton economy which may occur in response to an upward trend of cotton prices ultimately may raise difficult problems or even impose heavy penalties upon American cotton growers.

The recent trend and present level of cotton prices confront the American cotton industry with two important questions: one, whether the farmers of the world will respond to increased cotton prices by expanding cotton cultivation and flooding the world market with excessive quantities of cotton lint; two, whether American cotton at present or higher prices can compete successfully in the struggle for postwar domestic and foreign markets with alternative raw materials, including foreign cotton, hemp, paper, and the artificial and synthetic fibers.

Variable factors which are, for the most part, unpredictable, will influence cotton production. The vagaries of the weather, the success of insect control, and governmental policies relative to crop subsidies, prices, and acreage control surely will be factors which will affect the volume of cotton production. Likewise, the cotton farmers' decision to expand or contract production will be influenced by the profit expectancies from alternative crops, the availability of farm labor, fertilizer, and farm machinery, and the need for food and feed crops, which may require a shift from cotton cultivation in some parts of the world.

Cotton consumption will respond to equally diverse and uncertain factors. The rapidity with which the destroyed, damaged, and worn-out textile manufacturing facilities in the world can be replaced, repaired, and enlarged will have an important effect upon the rate of consumption. The levels of income and prices and the volume of purchasing power at home and abroad, together with consumer preferences for goods manufactured from alternative fibers, will strongly influence the magnitude of demand. The character of technological changes in the textile industry and in other fields and the rapidity with which they occur will also have an impact on industrial and consumer demands for fiber products and upon the comparative price advantages of the various competing fibers. Government policies, especially those affecting tariffs, prices, and exchange rates, may be of very great significance. Finally, the availability and cost of the basic requirements of textile production—plant, labor, and raw materials—obviously will determine the upper limits of consumption.

It is obvious from this array of variable factors that definitive answers cannot be given to the two questions which we have raised. Nevertheless, it is possible to draw tentative conclusions concerning the prospective demand for cotton and the supply of that fiber by appraising the factors which are now motivating the cotton economy.

AVERAGE FARM PRICE OF COTTON IN THE UNITED STATES

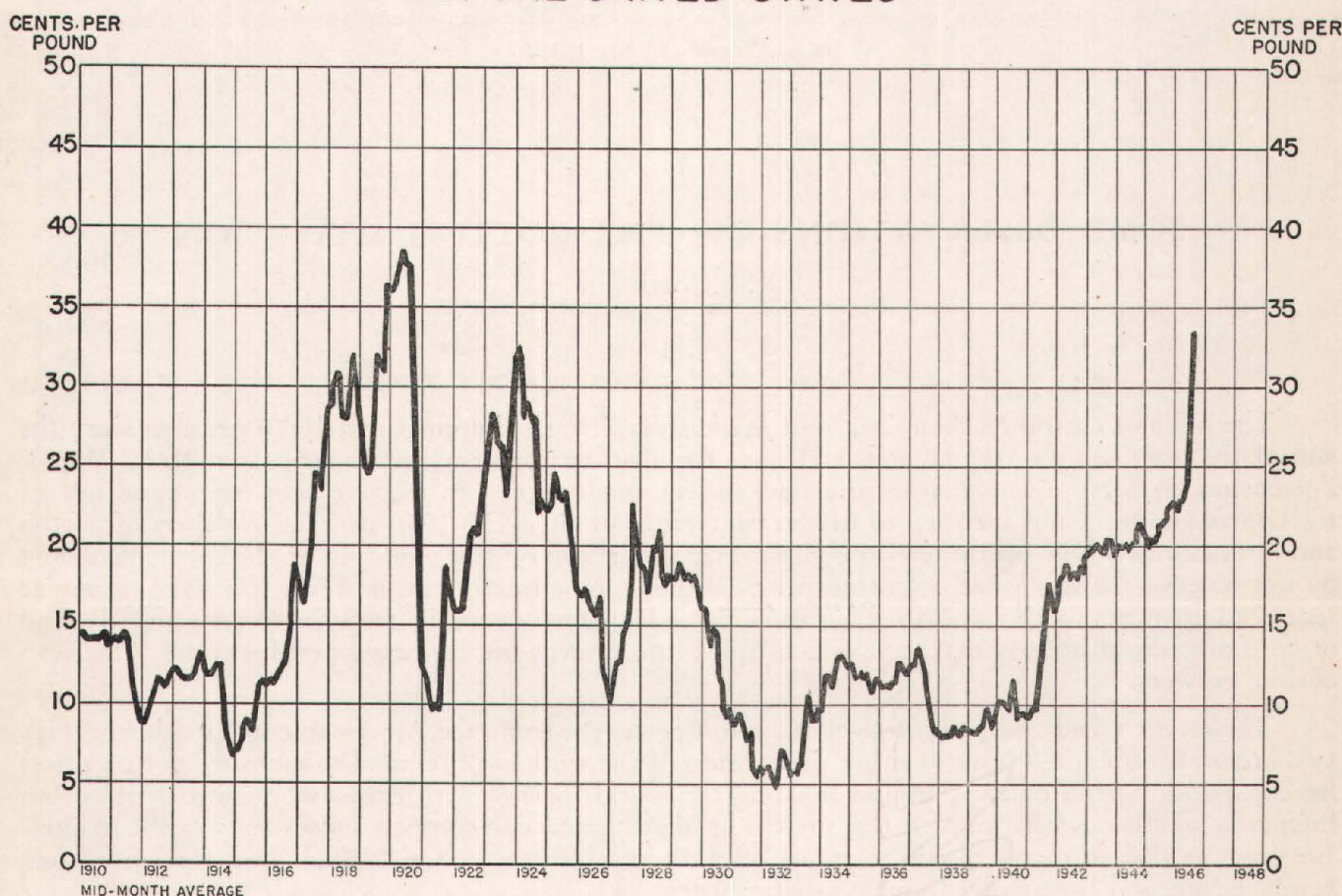


TABLE I. WORLD SUPPLY OF ALL KINDS OF COTTON
1936-1945

Year beginning Aug. 1	(Thousands of running bales)			World production	World supply
	United States	Foreign countries	World total carryover		
1936	5,409	8,240	13,649	30,729	44,378
1937	4,499	9,196	13,695	36,745	50,440
1938	11,533	11,169	22,702	27,509	50,211
1939	13,033	8,605	21,638	27,326	48,964
1940	10,564	9,708	20,272	28,657	48,929
1941	12,166	9,938	22,104	26,121	48,225
1942	10,640	11,979	22,619	26,578	49,197
1943	10,657	13,410	24,067	25,661	49,728
1944	10,744	15,056	25,800	24,804	50,604
1945*	11,160	15,400	26,560	21,650	48,210
1946*	7,520	N.A.	N.A.	.....	.....

*Preliminary and estimated.

SOURCE: United States Department of Agriculture, Bureau of Agricultural Economics.

The Trend of Cotton Supplies

The annual world supply of cotton has been near record levels since the bumper crop of the 1937-1938 season. Whereas world stocks of most agricultural products were seriously depleted during the war, the world carryover of cotton increased by more than 6,000,000 bales between August 1, 1940, and August 1, 1945, and on the latter date was at an all-time peak of 26,560,000 bales. In the United States, moderate reduction of cotton production and marked expansion of consumption by domestic mills more than offset the drop in exports which occurred as a result of the war, and the carryover was reduced by about 2,000,000 bales from the 1939 peak. In foreign countries,

however, the carryover increased substantially from 9,700,000 bales on August 1, 1940, to 15,400,000 bales on August 1, 1945, principally reflecting a decline in consumption in the axis countries.

The effect of the war upon the cotton supply is only partly illustrated by a comparison of aggregate carryover figures, since major changes in the composition and location of stocks took place during the war years. Stocks of cotton in Continental Europe and Japan virtually disappeared, whereas in the principal producing areas other than the United States, heavy stocks accumulated. Moreover, consumption of the better quality and longer staple cotton fibers exceeded production, and lower quality, shorter staple cottons increased in relative importance in the carryover. Supplies of the various types of cotton lint were adequate, however, to meet the immediate needs of the cotton textile manufacturers of the world when the war ended, provided transportation were available to move stocks from producing to consuming areas.

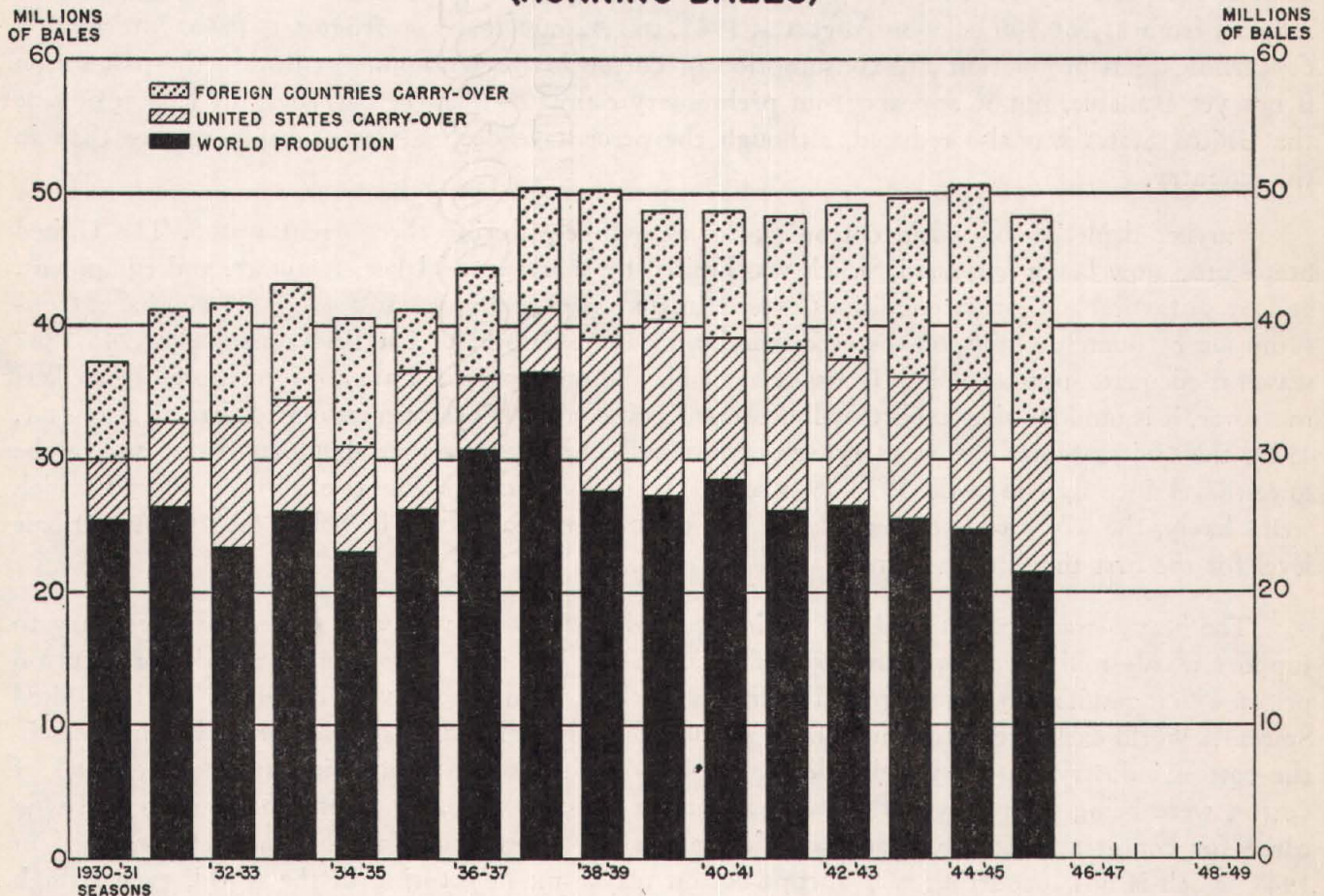
During the first postwar cotton season, the upward trend of world cotton stocks which had persisted throughout the war was reversed. The 1945-1946 cotton crop in the United States, the smallest since 1921, amounted to only 9,015,000 bales, whereas domestic mill consumption totaled 9,166,000 bales and cotton exports rose to 3,500,000 bales. Consequently, the United States carryover was reduced from 11,160,000 bales on August 1, 1945, to 7,520,000 bales on August 1, 1946. Information concerning total production and consumption of cotton in foreign countries during the past season is not yet available, but it appears from preliminary estimates that the carryover of cotton outside the United States was also reduced, although the percentage decline was probably smaller than in this country.

Further depletion of world cotton stocks seems likely during the current season. The United States crop now being harvested, which was limited by shortages of labor, fertilizer, and equipment, and by unfavorable weather conditions, was estimated on September 1 to total 9,171,000 bales. Consumption by domestic mills, on the other hand, may amount to 9,700,000 bales during the 1946-1947 season if adequate supplies of mill labor are available and mill operations are not interrupted by strikes; moreover, it is unlikely that exports will decrease significantly. It has been estimated that by August 1, 1947, the United States cotton carryover may be reduced to fewer than 4,000,000 bales, and to the lowest level since the end of the 1928-1929 season. If stocks in foreign countries also are reduced, which seems likely, the world carryover at the end of the current season will be below the 20,000,000 bale level for the first time in ten years.

The heavy stocks of cotton built up immediately before the war were larger than necessary to support textile mill operations, and exerted a depressing influence upon domestic and world cotton prices which resulted in serious maladjustments in the cotton economy, particularly in the United States. A world carryover averaging about 10,000,000 bales sufficed to support orderly commerce in the cotton industry during the decade of the 1920's when world production and consumption of cotton were being maintained at an annual rate of about 25,000,000 bales. There seems to be no cause for concern, therefore, that the reduction of the carryover from the high level reached in 1945 which is now occurring will disrupt cotton textile manufacturing in the world, even though yearly mill consumption should rise substantially above the 24,000,000 bale level to which it declined during the war, provided a proper balance among the various quality fibers is restored. However, supplies of better quality cottons are extremely short relative to potential demand, and if mills are to be supplied with the higher grades of fiber which they are equipped to process, a substantial increase in the production of such cotton will be necessary. Moreover, if United States consumption of cotton continues near present levels beyond the 1946-1947 season and consumption abroad returns to prewar levels, it will be necessary to increase world production of all types of cotton appreciably above the level of recent years if an acute shortage is to be avoided.

Although the rise of cotton prices to the highest point in more than twenty-five years naturally will be a strong inducement to cotton farmers to expand cotton cultivation, they will also be motivated by other considerations, such as the availability of labor, the need for food and feed, and the profit opportunities offered by other crops. In the United States and Brazil, shortage of farm labor and the prospect of equally attractive returns from other agricultural activities requiring less labor may limit expansion of cotton acreage, while in India and North China, the acute scarcity of food may impel farmers to shift land from cotton cultivation to production of grain and vegetables. However, continuation of cotton prices at their present or higher levels, declines in the prices of alternative crops, or a further easing of the farm labor shortage before the beginning of the next planting season could lead to a substantial increase in cotton acreage. Even without great increases in acreage, favorable weather conditions, together with better quality seed, availability of greater quantities of fertilizer, and improved techniques of insect control, would result in larger yields and an expansion of production.

WORLD SUPPLY OF COTTON (RUNNING BALES)



The Trend of Cotton Consumption

Despite the heavy demand for textiles, annual world consumption of cotton was nearly 4,000,000 bales smaller during most of the war than during the 1936-1940 period. In the United States, mill consumption of cotton rose from 6,858,000 bales during the 1938-1939 season to an all-time peak of 11,170,000 bales during the 1941-1942 season, and was subsequently maintained at a high level despite shortages of mill labor and difficulty in obtaining replacements for worn-out equipment. Consumption abroad declined drastically, however, from 21,649,000 bales in 1938-1939

to 13,790,000 bales in 1942-1943, reflecting principally a marked drop in consumption of cotton in the axis countries and countries occupied by them, which were deprived of access to cotton supplies.

In foreign countries, an acute scarcity of virtually all fiber products developed as a result of the curtailment of textile manufacturing, the diversion of textiles to military use, and the depletion and destruction of stocks of apparel and other textile goods. Moreover, in the United States the expansion of consumption of cotton and other fibers added very little to the inventory of apparel and other fiber products in the hands of civilian consumers. Much of the increase in domestic mill consumption of cotton reflected expanded manufacture of heavy fabrics, such as ducking, which were utilized by the armed services, and strict allocation of textile production limited the quantity of other fabrics which could be offered for civilian consumption. Although lower income groups in this country, due to the wartime increases in their incomes, were able to add to their wardrobe and their supply of household textiles, an important segment of the population found it impossible to replace its stock of textiles with goods of satisfactory quality, and consequently bought sparingly during the war years. Therefore, a large backlog of demand for textile products, particularly those of higher quality, also accumulated in the United States.

The effective foreign demand for cotton will be curtailed for some time by inadequate supplies of foreign exchange. Many countries, particularly those whose productive equipment has been damaged or destroyed, face serious difficulties in establishing a favorable balance of trade and will be dependent, at least in the short-run, upon credits obtained from the Export-Import Bank, from the United States, or from other countries to support a large portion of their imports. Moreover, even if generous loans are granted, these countries must allocate their imports among essential foods and capital goods, as well as textiles and fibers. Nevertheless, while the most pressing needs of the world are being met, it is probable that world demand for cotton will be maintained at a high level.

The principal factors restricting world consumption of cotton in the short-run probably will be the limited capacity of fiber processing establishments and shortage of mill labor, rather than inadequate purchasing power. Even in countries which escaped war damage, textile producing capacity was reduced during the war by depreciation of equipment which could not be replaced immediately. In the United States, intensive operation of textile mills and conversion of cotton textile equipment to wartime uses have caused rapid depreciation of equipment, and some time will be required to replace worn-out and obsolete installations. Furthermore, at this time shortages of labor in the textile industry define capacity operations in this country fairly precisely, and it would be difficult to expand production appreciably, even though the capacity of facilities could be increased quickly.

In most foreign countries, extensive rehabilitation and replacement of textile manufacturing facilities will be required before cotton consumption can be increased substantially. In Japan, fiber processing equipment was dismantled during the war in order to provide additional factory space for munitions production. Much of the equipment is intact, but factory space is limited, and Japanese textile producers have been deterred from committing themselves to a rehabilitation or expansion program by the fear that facilities would be taken as reparations. In addition, the confused foreign

TABLE II. MILL CONSUMPTION OF COTTON, 1936-1945
(Thousands of running bales)

Year beginning Aug. 1	— American cotton —			— All cotton —		
	In United States	In Foreign countries	Total	In United States	In Foreign countries	Total
1936	7,768	5,325	13,093	7,950	22,688	30,638
1937	5,616	5,179	10,795	5,748	21,825	27,573
1938	6,736	4,513	11,249	6,858	21,649	28,507
1939	7,655	5,221	12,876	7,784	20,702	28,486
1940	9,576	2,291	11,867	9,722	16,820	26,542
1941	10,974	1,186	12,160	11,170	14,286	25,456
1942	10,930	1,313	12,243	11,100	13,790	24,890
1943	9,829	1,250	11,079	9,943	13,826	23,779
1944*	9,457	1,500	10,957	9,576	14,300	23,876
1945*	8,969	N.A.	N.A.	9,166	N.A.	N.A.

*Preliminary and estimated.

SOURCE: United States Department of Agriculture, Bureau of Agricultural Economics.

exchange situation and the destructive inflation which is occurring in Japan are not conducive to a prompt return to normal operations in that country. Progress is being made, nevertheless, in rehabilitating the Japanese textile industry. Stocks of United States cotton have been shipped to Japan and some facilities which were in a stand-by condition have been brought into operation. Moreover, it is reported that Japanese facilities capable of manufacturing spindles and looms are, for the most part, unimpaired. It may be possible, therefore, to expand Japanese textile producing capacity fairly rapidly if a more stable economic and political situation develops and raw materials are delivered in adequate quantities.

In Italy, textile producing facilities, which are concentrated in the north, were not severely damaged, but shortages of raw materials and confused economic conditions have delayed resumption of capacity operations. In Central Europe, the rehabilitation of textile plants, many of which were destroyed or suffered extensive damage, is being delayed by inability to obtain equipment and fuel and by the unstable economic and political situation. The division of Germany and Austria into zones under the administration of the several occupying authorities also may delay expansion of textile manufacturing, since it tends to interrupt commerce between facilities located in the different zones and may deter the long-range capital commitments which will be required in order to expand textile manufacturing capacity.

Despite the difficulties which will tend to limit mill consumption in many foreign countries, the slight upward trend of cotton consumption abroad which Table II indicates has occurred since 1942, may be accelerated during the present season. The rate of increase will be determined to a very considerable extent by the manner in which the rehabilitation and expansion programs progress, by the availability of labor, measured both in terms of quantity and quality, and by the general course of economic and political developments. If developments with respect to these factors are reasonably favorable, consumption of cotton abroad could approach or possibly even exceed the high levels of the immediate prewar years. In that event, world consumption may exceed the record high of prewar years, provided consumption in the United States continues at the high level maintained during recent months.

The Competitive Position of American Cotton

During the two decades of the interwar period, cotton produced abroad became an increasingly vigorous and successful competitor with American cotton in the foreign market, particularly in the 1930's. Although in this twenty year period the increase in world population and the improvement of the standard of living in many countries resulted in a substantial increase in cotton consumption, the increased demand was supplied almost wholly with foreign cottons. American cotton was superior in grade to most cottons produced abroad, but foreign countries were able to compete successfully because of lower production costs, exchange restrictions, trade agreements, and other factors. Foreign mills gradually converted their equipment to consume the shorter staple fibers which were produced outside the United States, and American cotton supplied a progressively smaller portion of the world demand for cotton fiber.

In the years immediately ahead, price competition between American and foreign cotton may be less vigorous than it was before the war, since the world supply of cotton, particularly of the higher grades, is limited. With the expanding demand for cotton textiles, mills not only may consume current production but may have to draw upon accumulated supplies. When cotton production begins to outrun consumption, however, price competition between American cotton and cotton produced abroad will again become vigorous. Foreign cotton still enjoys the advantage of lower costs of production. In fact, the high level of industrial and business activity in America has stimulated competition for labor and contributed to a marked increase in farm wages which may have increased

the spread between the cost of producing cotton in this country and in other areas. American cotton farmers, therefore, may ultimately be faced with the choice of losing a greater share of the foreign market for their product or effecting changes in their production methods which will permit them to compete on a price basis with cotton produced abroad.

During recent years, rapid advances have been made in developing equipment which may permit the mechanization of cotton cultivation and harvesting and the ultimate reduction of unit costs of production in the United States. Such a development, however, would take time and would impose substantial readjustments upon the cotton economy. In order fully to mechanize cotton production, it will be necessary to continue the shift from small to large scale farming, to expand capital investment, and to bring about a greater concentration of cotton acreage in those areas adapted to the use of mechanical equipment. Even though these readjustments should be effected, competition with foreign cotton might remain vigorous. There is also the possibility of mechanization of cotton production in some foreign countries, although the advantages might be less marked than in the United States, partly because of the lower farm wages prevailing abroad. Moreover, unit costs of production in foreign countries generally might be reduced and the quality of product improved through the introduction of better production methods, the use of more fertilizer, and the development and use of better seed. It is reasonable to expect that many of the advancements made in the United States would be extended to foreign countries, thereby tending to offset the competitive advantages which had been gained by American cotton.

Vigorous competition also has developed during the past twenty years between American cotton and the various artificial fibers, of which rayon has been the most important. World production of rayon expanded rapidly from approximately 450,000,000 pounds in 1930 to slightly more than 2,800,000,000 pounds in 1941. During the decade preceding the war, Japan and the industrial countries of Europe found it advantageous to expand production of rayon and other artificial fibers and to reduce consumption of cotton as a means of conserving foreign exchange. Production of rayon in those countries was further accelerated during the war to offset the forced reduction in cotton imports and to provide specialized fibers needed for war purposes.

Extensive destruction of synthetic fiber producing facilities occurred in Central Europe and Japan during 1944 and the concluding months of the war, and it seems likely that rehabilitation will be delayed by inability to obtain equipment and by reluctance to make long-term capital investments during a period of political and economic insecurity. Moreover, shortages of raw materials and fuel will continue to be encountered for some time in those areas. Ultimately, however, the upward trend in production of rayon and other artificial fibers probably will be resumed.

TABLE III. WORLD PRODUCTION OF FOUR TEXTILE FIBERS, 1936-1945
(Millions of pounds)

Year	Cotton	Wool	Rayon	Silk	Four Fiber total
1936	14,700	2,230	1,320	119	18,369
1937	17,600	2,280	1,826	120	21,826
1938	13,200	2,340	1,908	123	17,571
1939	13,100	2,460	2,297	123	17,980
1940	13,700	2,500	2,476	127	18,803
1941	12,500	2,540	2,835	115	17,990
1942	12,750	2,490	2,680	80	18,000
1943	12,800	2,500	2,573	50	17,923
1944	12,350	2,350	2,082	30	16,812
1945	11,100	2,250	1,530	25	14,905

SOURCE: United States Department of Agriculture and Textile Economics Bureau.

In the United States and in most of the other countries which escaped devastation, rayon production currently is above the high levels reached during the war period. The mechanical limitations which will delay expansion of rayon production in Japan and Central European countries probably will not be encountered in other parts of the world. A competitive situation which favored rayon producers over a long period would, therefore, probably induce a substantial increase in production of rayon. In the United States and other countries in the Western Hemisphere, rayon producing capacity is already being expanded rapidly.

In the past, prices have been a secondary factor in determining whether rayon or cotton would be employed in manufacturing many of the products in which either fiber could be used. In such products as women's apparel, decorative fabrics, and the specialized industrial textiles, the raw fiber was only a small component of the cost. In those products, consumer preferences or the characteristics of the fiber were the principal determinants in the selection of the raw material. In many uses, cotton has significant advantages over all other fibers. Its absorbent quality, great strength, and washability have made it a favorite in industry and the home. The artificial fibers, however, also have characteristics which have stimulated their use in preference to cotton. Less waste is involved in processing them, they can be designed for use in a specialized finished product, and they can be supplied to manufacturers on a contract basis in standard quality and at a prearranged price.

During the decade before the war, rayon and other synthesized fibers met an increasing proportion of the need for specialized fibers brought about by style changes and technological advances. Moreover, the synthetic fibers threatened to replace cotton in many fields where it had been traditionally employed. According to studies prepared by representatives of the cotton industry, the competition between rayon and other synthetic fibers and cotton lint was potentially serious in products which accounted for 40 to 50 per cent of the cotton consumed in the United States in 1939. In many of these uses, particularly where the raw material comprised an important portion of the cost of the finished product, the lower relative price of cotton gave it an advantage over other fibers. It is significant, therefore, that whereas the price of raw cotton has risen 70 per cent during the last twelve months and is from 150 to 200 per cent above the 1935-1940 levels, the prices of most of the synthetic fibers, including rayon, have remained stable or have declined. Under these circumstances, comparative prices may become a more important consideration in determining the choice of fibers. This possibility is strengthened by reason of the wartime technological advances in synthetic fibers which widen the area of uses.

So long as the demand for synthetic fibers in uses in which they are already preferred exceeds the productive capacity of existing facilities, cotton may not encounter serious competition in most of its traditional uses. Ultimately, however, it appears that the synthetic fibers will compete much more vigorously than in the past for the market which cotton supplies. In the long-run, therefore, comparative prices may become a major factor in determining whether cotton will maintain its relative position with other fibers. The seriousness of the problem is emphasized by the fact that the cotton economy may be required to undergo a painful readjustment to reduce costs of production, whereas a reduction in the unit cost of synthetic fibers may result from an expansion of production.

At this time, American cotton farmers are enjoying the most favorable market for their product which has existed since 1920. The short supplies of desirable cotton staple and of other fibers and the prospective increase in consumption of apparel and other fiber products which have contributed to the high price of cotton may be of brief duration, and could be followed by a period of readjustment which might create serious problems for the cotton economy. The present favorable market situation, however, provides an opportunity for the cotton farmers of the United States to make adjustments in anticipation of the unfavorable developments which may be ahead. Scientific farm management and mechanization of cotton farming would permit reduction of the cost of cotton and improve the competitive situation of American cotton on the domestic and world market. Research in cotton utilization and the development of new uses for cotton could expand the market for cotton lint. The success of the cotton economy in meeting the problems of the future will depend in large part upon the imagination and resourcefulness of the members of the industry. Their ability to adjust will be of great significance to the Southwest, where cotton cultivation and processing account for a significant part of the income of the area and employ a large portion of the labor force.

Review of Business, Industrial, Agricultural, and Financial Conditions

DISTRICT SUMMARY

August sales of reporting department stores in the Eleventh District, pursuing a strong upward trend in keeping with customary seasonal patterns, extended for another month the 30 per cent cumulative gain over last year which had been achieved during the first seven months of 1946. General rains, accompanied by moderate temperatures, throughout most of the district in late August and early September improved the condition of growing crops and ranges, replenished failing stores of stock and irrigation water, checked the deterioration and premature opening of late-planted cotton, and encouraged the planting of commercial truck crops and winter grains. A drop of less than three per cent in construction contract awards during August suggests that the sharp decline which occurred between May and July may be leveling off and that available workmen and the slowly and unevenly increasing supply of building materials are now being utilized mainly for completing construction started earlier in the year. Production of lumber and cement, though increasing, is so far below demand that stocks of both items are extremely low. During August industrial employment, particularly in manufacturing establishments of the district, continued the upward trend observable for the past several months.

BUSINESS

Monthly reports for January through July of this year showing per cent of change from the corresponding months of 1945 in the sales and stocks of certain consumer goods in department stores of this district make it clear that the building up of stocks of men's clothing, women's coats and suits, and men's and women's shoes ran a losing race with increase in sales of these items. During each of the seven months covered by the reports, sales of each of these articles were greater than in the corresponding month of 1945, the amount of increase ranging as high as 64 per cent for women's suits in May and 78 per cent and 106 per cent, respectively, for women's shoes and men's clothing in April. End-of-the-month stocks of each of these articles, however, were smaller for each month of this year than for the corresponding month of 1945, except in July, when stocks of women's shoes, coats, and suits registered nominal increases over July of last year. Obviously, from the sales volume, more of these various goods have been produced and delivered to department stores this year than last. It is equally obvious, from the short inventories, that the rate of turnover has greatly exceeded the rate of increase in supply.

Woolen dress goods, after showing smaller inventories for each of the first five months than for the same months of last year, reversed that trend in June and July, even though the per cent of increase in sales still greatly exceeded the per cent of increase in stocks. For the most part, blankets, comforters, and bedspreads, women's and children's hosiery and other ready-to-wear accessories, silverware, household furniture, and floor coverings have shown fairly steady, and, in a few instances,

rapid, increases in stocks in the face of monthly sales which, with few exceptions, topped those for corresponding months of 1945. Almost any shopper knows that this does not mean that nylons, favorite patterns of silverware, linoleums, and fine rugs can be found any day in abundance on every supplier's shelves or display racks. It does suggest, however, that the supply of such items as these is moving toward a balance with demand, and that, barring further delays and interruptions of production, such balance may be reached within six to twelve months.

Housewares and radios have shown increases in both sales and stocks each month over the corresponding month of last year, the gains being especially heavy since March. Household appliances, such as refrigerators, stoves, sewing and washing machines, electric irons, and vacuum cleaners, which virtually disappeared from dealers' stocks during the war, have been retarded in production and kept in short supply by work stoppages, shortages of vital materials and parts, and uncertainties

WHOLESALE AND RETAIL TRADE STATISTICS

	Number of reporting firms	Percentage change in				
		Net sales		Stocks †		
		August 1945	1946 from July 1946	Jan. 1 to Aug. 31, 1946 from 1945	August 1945	1946 from July 1946
Retail trade:						
Department stores:						
Total 11th Dist.....	48	+ 40	+19	+30	+37	+10
Corpus Christi.....	4	+ 54	+22	+26	+31	+ 3
Dallas.....	7	+ 44	+24	+35	+42	+16
Fort Worth.....	4	+ 36	+26	+24	+29	+ 7
Houston.....	7	+ 47	+14	+35	+51	+ 6
San Antonio.....	5	+ 39	+16	+30	+37	+ 9
Shreveport, La.....	3	+ 27	+ 8	+24	....	....
Other cities.....	18	+ 29	+16	+22	+22	+ 5
Retail furniture:						
Total 11th Dist.....	47	+ 47	— †	....	+58	+13
Dallas.....	3	+ 25	+ 1	....	....	....
Houston.....	5	+ 55	— 2	....	....	....
Port Arthur.....	4	+ 68	+ 3	....	+73	+31
San Antonio.....	3	+ 42	— 3	....	....	....
Wholesale trade*:						
Machinery eqp't & supplies.....	3	+122	+34	....	+32	+19
Automotive supplies.....	4	+ 52	+16	....	....	....
Drugs.....	4	+ 21	+ 5	....	....	....
Groceries.....	24	+ 31	+ 9	+22	+38	+ 5
Hardware.....	13	+ 51	+ 7	+41	....	....

*Compiled by United States Bureau of Census. Wholesale trade figures preliminary.

†Stocks at end of month.

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

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Daily average sales—(1935-1939=100)

	Unadjusted*				Adjusted			
	August 1946	July 1946	June 1946	August 1945	August 1946	July 1946	June 1946	August 1945
District.....	332	290	313	238r	381	381	368	273r
Dallas.....	326	273	307	227	383	379	374	267
Houston.....	326	298	336	221	371	368	387	251

Stocks—(1935-1939=100)

	Unadjusted*				Adjusted			
	August 1946	July 1946	June 1946	August 1945	August 1946	July 1946	June 1946	August 1945
District.....	297	272	246	212	263	252	254	187

*Unadjusted for seasonal variation.

r-Revised.

as to wage and price policies. Despite all this, the aggregate of the monthly reports of department stores in this district shows that both sales and stocks of these goods registered sharp percentage gains, in some instances exceeding 1,000 per cent, during the first seven months of this year, as compared with the same months of 1945—the last seven months of the war. Admittedly, however, with war-time sales and stocks of these appliances near zero, an increase of a few units in an individual dealer's sales or inventories in a given month of this year would be reflected in a high percentage change when compared with the same month a year ago. Very misleading inferences as to the rate of improvement in the supply of these important consumer durables might be drawn from such a figure. It is probably a long road yet to normal conditions of supply and demand in this important line of trade. Nevertheless the high rate of increase month after month in the aggregate of both sales and stocks of all reporting department stores in the district indicates that consumer demand for these appliances is still very strong and that production and supply are making more rapid recovery than the impatient customer who has not yet been able to find the icebox or the washing machine she has been looking for realizes.

Total sales of monthly reporting department stores in this district during August of this year exceeded those of the preceding month by 19 per cent and of the same month last year by 40 per cent. The closing of most of the stores for two days during the third week of August 1945 in celebration of the end of hostilities with Japan may account in part for the wide margin of increase in the month's sales this year. However, when transactions for the third week of the month this year are disregarded, the total sales of weekly reporting stores showed increases ranging from 26 per cent to 44 per cent over corresponding weeks of 1945. The rise in August sales above those of July is in accord with the pattern of previous years, and weekly indexes for the first half of September indicate that sales reached or neared the customary early autumn peak during that period.

Total sales of reporting furniture stores during August showed a very slight decline of less than one-half of one per cent from the level of the previous month, but exceeded those of August 1945 by 47 per cent. The ratio of credit sales to total sales rose to about 77 per cent, showing a moderate increase over the ratio for July. End-of-the-month inventories exceeded those of the previous month by 13 per cent and of August 1945 by 58 per cent.

Only 189 commercial failures out of an annual average of more than 100,000 listed firms were recorded by Dun and Bradstreet from the Eleventh Federal Reserve District during the entire period of United States participation in World War II, December 1941-August 1945, in contrast with 254 such failures recorded during the eleven months of 1941 preceding the attack on Pearl Harbor. The annual rate of failures per 10,000 listed firms dropped from 23.5 in 1941 to 13.4 in 1942 and to 1.2 in 1943. During the whole of 1944 only two failures were recorded from the district, and in 1945, there were only five. So far in 1946 (to September 1) eight failures have been recorded out of more than 115,000 listed firms. For the 12

months following V-J Day the number recorded was 11. The following table compares the record of the district with that of the United States as a whole:

Commercial Failures Eleventh District and United States

Year and area	(1941-1946)		
	No. firms listed (July)	No. failures	Annual failures per 10,000 firms
1941—District.....	116,000	273	23.5
United States.....	2,175,000	11,848	54.5
1942—District.....	115,000	154	13.4
United States.....	2,156,000	9,405	43.6
1943—District.....	102,000	12	1.2
United States.....	2,027,000	3,221	15.9
1944—District.....	94,000	2	.2
United States.....	1,859,000	1,222	6.6
1945—District.....	100,000	5	.5
United States.....	1,913,000	810	4.2
December 1941—			
August 1945			
District.....	105,000†	189	18.0†
United States.....	2,026,000†	15,328	75.6†
September 1945—			
August 1946			
District.....	115,000	11	1.0
United States.....	2,145,000	894	4.2
1946*—District.....	115,000	12	1.1
United States.....	2,145,000	999	4.7

*Figures projected to annual basis on record of first eight months of the year.

†Average.

‡45 months.

SOURCE: Dun and Bradstreet.

AGRICULTURE

Drought conditions which had prevailed over most of the district since mid-July were relieved by general rains during the latter part of August and early September. Field operations, temporarily interrupted by the rains, were resumed in most areas during the second week of September. The crop report of the United States Department of Agriculture on September 1 indicated a decline in production of cotton and peanuts from the totals indicated a month earlier but an increase in production of corn, hay, rice, and broomcorn. Wheat seeding was in full swing on the High Plains by mid-September, and the preparation of land for the planting of small grains was well advanced in the Low Rolling Plains and in the north-central areas. Crops made good progress in the commercial vegetable areas during the first half of September as the result of improved growing conditions. Ranges were improved by rains in all parts of the district except for scattered areas in western Texas and New Mexico and Arizona where additional moisture is needed.

The Crop Reporting Board of the United States Department of Agriculture forecast a 9,171,000 bale cotton crop for the United States on September 1. This estimate, which is 1.3 per cent below the forecast on August 1, compares with a 1945 crop of 9,015,000 bales and a 10-year (1935-44) average of 12,555,000 bales. The crop of 1,775,000 bales forecast for Texas is the smallest since 1889, and compares with the 1945 harvest of 1,794,000 bales, and the 10-year average of 3,137,000 bales. The acreage for harvest in Texas, estimated at 6,064,000 acres, is slightly above the area harvested in 1945, but only about 66 per cent of average. The per acre yield for the State is estimated at 141 pounds, compared with 146 pounds last year, and an average of 166 pounds. The decline in prospective pro-

duction since August 1 is attributed to the continued drought and excessive temperatures which prevailed throughout the State during most of August, severely damaging growing cotton and resulting in the premature opening of many bolls. Rain in late August and early September checked deterioration and premature opening of bolls, but was too late to produce much additional fruit for maturity unless frost comes later than usual. Harvest was completed in the southern and Coastal Bend areas of Texas by September 1, and was well advanced in central Texas by the middle of the month, with some picking under way in most of the northern areas. In Louisiana the indicated production on September 1 of 290,000 bales was the same as the August 1 forecast, while in Oklahoma the forecast was revised downward to 300,000 bales on September 1.

Corn production for Texas was estimated at 67,456,000 bushels on September 1, or about 2,000,000 bushels above that of the preceding month, in comparison with the 1945 crop of 66,832,000 bushels and a 10-year average of 80,209,000 bushels. The estimated yield per acre of 17 bushels is above that of last year and above average. Production of grain sorghums was forecast at 51,268,000 bushels, unchanged from the previous month. Though the smallest crop since 1940, it is above average. The yield per acre, however, which was estimated at 14 bushels, is considerably below average. Conditions were unfavorable during most of August in the important areas of northwest Texas, where some of the earlier acreage was damaged beyond recovery. The late-planted acreage in that area, however, was greatly improved by the rains of late August and early September. Hay prospects were improved on September 1 over the previous month, and a crop of 1,549,000 tons is forecast for the State. Harvesting of hay made good progress during most of August under favorable weather conditions.

Prospects for the Texas peanut crop were reduced to such an extent during August that a total yield of only 324,700,000 pounds was forecast on September 1. This is about eight per cent below the August 1 forecast and slightly below the 1945 production. Some improvement in the late acreage is expected due to recent rains. The indicated production of rice for the State on September 1 of 17,200,000 bushels is slightly below last year's crop, but approximately 24 per cent above the 10-year average. Rains late in August caused damage to some of the early matured crop, but most of it had been harvested earlier under favorable conditions. The indicated yield of 43 bushels per acre on September 1 is slightly below that of 1945, and considerably below average. The indicated production of 25,500,000 pounds of pecans on September 1 was unchanged from the previous month's estimate, but the production of broomcorn was raised to 5,900 tons, slightly above the forecast on August 1, and about 13 per cent above average.

Because of improved weather conditions in the fall and early winter commercial vegetable areas, crops made good progress during the first part of September. Most of the early beet and carrot acreage was planted by the middle of the month, and spinach was being seeded. Some vegetable acreage was seeded in the non-irrigated Coastal Bend area under generally favorable moisture conditions. Early fall-crop transplantings of eggplant,

CASH FARM INCOME

(Thousands of dollars)

	May 1946		May 1946	Total receipts		
	Crops	Livestock*		May 1946	January 1 to May 31 1946	1945
Arizona.....	5,955	4,591	10,546	11,806	65,613	57,873
Louisiana.....	7,177	5,099	12,276	12,185	65,598	73,410
New Mexico.....	655	5,422	6,077	6,393	26,299	30,726
Oklahoma.....	12,021	17,282	29,303	29,920	126,924	149,700
Texas.....	35,290	63,933	99,223	108,844	414,518	454,831
Total.....	61,098	96,327	157,425	169,148	698,949	771,540

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

SOURCE: United States Department of Agriculture.

CROP PRODUCTION—(Thousands of units)

Crop	Unit	Texas		Eleventh District	
		Estimated Sept. 1, 1946	1945	Estimated Sept. 1, 1946	1945
Cotton.....	Bales	1,775	1,794	2,178	2,258
Winter wheat.....	Bushels	53,613	41,778	54,283	42,546
Corn.....	Bushels	67,456	66,832	78,107	80,483
Oats.....	Bushels	37,375	42,441	40,727	47,001
Barley.....	Bushels	3,616	3,857	5,442*	9,187*
Tame hay.....	Tons	1,316	1,344	1,894	1,937
Potatoes, Irish.....	Bushels	6,510	4,648	7,271	5,433
Potatoes, sweet.....	Bushels	5,120	4,524	16,620†	16,093†
Rice.....	Bushels	17,200	18,000	33,708†	41,028†

*Arizona, New Mexico, Oklahoma, and Texas. †Louisiana, Oklahoma, and Texas.
‡Louisiana and Texas.

SOURCE: United States Department of Agriculture.

TEXAS—COTTON PRODUCTION BY CROP REPORTING DISTRICTS

(Thousands of 500-pound gross weight bales)

	Sept. 1, 1946 forecast	1945	10-year average 1935-1944
1-N. North High Plains.....	20	15	59
1 S. South High Plains.....	165	105	480
2. Permian Plains.....	325	380	563
3. North Central.....	15	17	61
4. Northern Texas Prairies.....	540	587	832
5. East Texas.....	120	119	417
6. Trans-Pecos.....	90	80	70
7. Edwards Plateau.....	15	27	58
8. Southern Texas Prairies.....	195	227	340
9. Coastal Prairies.....	60	106	133
10. South Texas.....	230	131	124
State total.....	1,775	1,794	3,137

SOURCE: United States Department of Agriculture, Bureau of Agricultural Economics.

LIVESTOCK RECEIPTS—(Number)

	Fort Worth		San Antonio		
	August 1946	August 1945	August 1946	August 1945	July 1946
Cattle.....	101,211	93,073	121,904	41,813	27,668
Calves.....	56,339	55,932	53,699	25,099	37,124
Hogs.....	33,370	18,493	33,141	7,010	4,231
Sheep and Goats.....	168,483	226,198	276,672	55,397	84,401

COMPARATIVE TOP LIVESTOCK PRICES

(Dollars per hundred weight)

	Fort Worth			San Antonio		
	August 1946	August 1945	July 1946	August 1946	August 1945	July 1946
Beef steers.....	\$19.00	\$16.00	\$19.00	19.50	\$14.00	\$19.00
Stocker steers.....	15.75	13.75	16.50	.....	.....	.....
Heifers and yearlings.....	19.00	16.00	18.00	.....	14.00	18.50
Butcher cows.....	14.00	12.50	15.50	14.00	11.50	14.00
Calves.....	17.00	13.50	13.35	17.00	13.25	18.50
Hogs.....	25.00	14.55	24.50	22.75	14.55	21.00
Lambs.....	22.00	13.00	19.00	15.75	11.75	17.50

peppers, and tomatoes were in good condition, and broccoli in the Laredo-Winter Garden-Eagle Pass area was making good progress at mid-September.

Continuation of drought conditions over most of the district during the first three weeks of August resulted in further deterioration of ranges and caused critical shortages of feed in many western areas. However, general rains in late August and early September covered all of the district except scattered areas in western Texas and in New Mexico and Arizona. Ranges were revived and stock water supplies replenished. Fall range pros-

pects are generally good except in those scattered western drought areas where additional rain is needed to assure fall grass. Prospects are good for early wheat pastures in the Texas Panhandle. The condition of Texas ranges on September 1 was not so good as on the same date in 1945, and was below the 20-year (1925-44) average for that date.

Cattle generally came through the drought period in fair to good flesh, but their condition was below average on September 1, and some mature cows in dry areas were thin. The growth of calves and yearlings in dry areas was retarded, with the result that they may be marketed at weights somewhat lighter than usual. Improved feed conditions, however, are expected to check the heavy movement of cattle which occurred in July and August. Sheep and lambs now in only fair to good flesh are soon expected to regain weight on new range feed. The reported condition of sheep on September 1, however, was well below the condition a month earlier and was the lowest recorded at this season since the drought year of 1934. Lambs, though generally in better flesh than ewe flocks, had their mid-summer growth retarded by shortage of range feed.

Combined receipts of all classes of livestock at the Fort Worth and San Antonio markets during August fell below those for the preceding month as well as for August of last year. The movement of sheep declined 37 per cent in August from the totals for July, and cattle receipts dropped 18 per cent.

The August 15 price report of the United States Department of Agriculture showed a decline from the high levels recorded in July in prices received by Texas farmers for many products. The most significant declines occurred in the prices of corn, grain sorghums, beef cattle, calves, sheep, and lambs, while wheat, oat, and barley prices dropped slightly. Sharp price advances continued for cotton, cottonseed, and hogs, with cotton reaching a level of 33.6 cents per pound, only 2.6 cents below the March 1920 peak. Hog prices advanced to a new record of \$20.30 per hundredweight—\$1.70 above the previous high in August 1919.

FINANCE

Gross demand deposits of member banks in this district showed a decline for the fifth consecutive month during August, as the Treasury, continuing its recent policy, utilized war loan balances to retire part of a maturing certificate issue. The daily average for August was \$28,000,000 less than for July, but still nearly \$500,000,000 more than a year ago.

Average reserve balances of member banks reached an all-time high during the first half of September, amounting to \$770,000,000, or \$10,000,000 higher than the average for August. Pressure on member bank reserves, as a consequence of

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(Thousands of dollars)

	Sept. 15, 1946	Sept. 15, 1945	August 15, 1946
Total gold certificate reserves.....	\$500,697	\$467,300	\$495,014
Discounts for member banks.....	1,790	200	1,000
Foreign loans on gold.....	4,160	300	3,840
U. S. Government securities.....	805,925	805,884	911,463
Total earning assets.....	901,785	896,384	916,303
Member bank reserve deposits.....	763,820	700,419	763,642
Federal Reserve Notes in actual circulation.....	602,306	606,737	602,863

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

(Thousands of dollars)

	Sept. 11, 1946	Sept. 12, 1945	August 7, 1946
Total loans and investments.....	\$1,986,674	\$1,891,997	\$2,013,662
Total loans.....	696,166	442,443	685,291
Commercial, industrial, and agricultural loans....	430,776	283,809	418,538
Loans to brokers and dealers in securities.....	9,356	4,290	8,605
Other loans for purchasing or carrying securities..	114,330	74,731	123,444
Real estate loans.....	45,456	24,205	44,580
Loans to banks.....	371	382	333
All other loans.....	95,877	55,026	89,791
Total investments.....	1,290,508	1,449,554	1,328,371
U. S. Treasury bills.....	49,207	73,928	49,062
U. S. Treasury certificates of indebtedness.....	344,584	412,450	379,284
U. S. Treasury notes.....	180,871	283,271	181,536
U. S. Government bonds.....	643,021	624,796	645,664
Obligations guaranteed by United States Gov't..	145	863	145
Other securities.....	72,680	54,246	72,680
Reserves with Federal Reserve Bank.....	410,191	384,435	397,633
Balances with domestic banks.....	213,756	248,102	217,492
Demand deposits—adjusted*.....	1,500,530	1,326,379	1,469,518
Time deposits.....	316,257	267,419	312,090
United States Government deposits.....	153,492	249,036	192,426
Interbank deposits.....	539,942	600,708	552,427
Borrowings from Federal Reserve Bank.....	500	None	None

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

DEBITS TO INDIVIDUAL ACCOUNTS

(Thousands of dollars)

	August 1946	August 1945	Pctg. change over year	July 1946	Pctg. change over month
Abilene.....	\$ 23,958	\$ 16,011	+50	\$ 23,898	+1
Amarillo.....	63,406	45,568	+39	71,660	+12
Austin.....	84,916	53,245	+46	79,653	+7
Beaumont.....	61,029	54,740	+11	62,743	+3
Corpus Christi.....	69,084	65,429	+4	65,143	+6
Corpus Christi.....	7,242	5,350	+35	6,782	+7
Dallas.....	725,951	534,034	+36	752,827	+4
El Paso.....	81,878	54,652	+50	85,245	+4
Fort Worth.....	259,708	193,656	+34	305,746	+15
Galveston.....	55,030	44,749	+23	57,202	+4
Houston.....	695,593	546,105	+27	682,115	+2
Laredo.....	15,175	11,745	+29	14,827	+2
Lubbock.....	38,157	26,188	+46	38,399	+1
Monroe, La.....	26,904	16,936	+57	25,244	+5
Port Arthur.....	29,276	22,956	+28	25,980	+13
Roswell, N. M.....	10,848	8,991	+25	11,426	+5
San Angelo.....	24,454	16,070	+52	26,270	+7
San Antonio.....	207,301	160,939	+29	218,192	+5
Shreveport, La.....	99,132	74,895	+32	92,017	+8
Texarkana.....	21,509	16,979	+27	21,030	+2
Tucson, Ariz.....	44,104	29,848	+48	43,899	+1
Tyler.....	31,959	24,126	+32	30,245	+6
Waco.....	41,119	27,882	+47	42,367	+3
Wichita Falls.....	37,590	29,804	+26	37,131	+1
Total—24 cities.....	\$2,755,023	\$2,086,598	+32	\$2,820,042	+2

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

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

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
August 1944.....	\$3,655,893	\$307,179	\$1,925,789	\$192,204	\$1,730,104	\$114,975
August 1945.....	4,504,204	417,936	2,293,633	265,659	2,210,571	152,277
April 1946.....	5,012,062	472,155	2,520,721	300,908	2,491,341	171,247
May 1946.....	4,966,772	480,926	2,480,288	305,520	2,486,484	175,406
June 1946.....	4,967,846	486,339	2,461,342	310,839	2,496,504	175,500
July 1946.....	4,942,638	494,265	2,437,422	313,893	2,505,216	180,372
August 1946.....	4,914,883	496,842	2,402,647	316,175	2,512,236	180,667

SAVINGS DEPOSITS

August 31, 1946

Percentage change in savings deposits from

	Number reporting banks	Number of savings depositors	Amount of savings deposits	August 31, 1945	July 31, 1946
Beaumont.....	3	12,590	\$ 7,732,296	+ 7.3	- 1.2
Dallas.....	8	130,337	73,811,236	+ 19.0	+ .5
El Paso.....	2	30,978	22,887,957	+ 20.6	+ .1
Fort Worth.....	3	41,005	33,135,707	+ 15.1	+ .1
Galveston.....	4	24,719	20,741,376	+ 13.9	+ .8
Houston.....	8	104,410	70,824,434	+ 10.3	+ .3
Lubbock.....	2	967	2,440,286	+261.2	+ .4
Lubbock.....	2	6,064	5,448,722	+ 9.4	+ .5
San Antonio.....	5	38,853	44,394,321	+ 18.0	+ 1.1
Shreveport, La.....	3	33,268	26,208,850	+ 13.3	+ .1
Waco.....	3	9,300	9,776,226	+ 18.3	+ .3
Wichita Falls.....	3	7,437	4,176,016	+ 3.4	+ 1.6
All other.....	57	61,373	51,536,454	+ 16.7	+ .4
Total.....	103	501,301	\$373,111,881	+ 15.7	+ .2

the Treasury's debt retirement program, resulted in a decline in average excess reserves for the last half of August to \$94,-000,000, the lowest level since October 1944. Required reserves were up \$5,000,000 over the last half of July to \$650,000,000.

Federal Reserve notes of this bank in actual circulation on September 15 were \$602,000,000, approximately the same as a month earlier. This indicates a leveling off of the expansion that began in May, which resulted in an increase of \$14,000,000 in note circulation from May 15 to August 15, 1946. The fact that there was little change in note circulation from August 15 to September 15 is in contrast with developments during the same period a year ago, when notes in circulation increased \$11,000,000.

Commercial, industrial, and agricultural loans of weekly reporting member banks continued to expand during the five weeks period ending September 11. Although the increase for this period of \$12,200,000 was only half that recorded for the preceding four weeks, the total of \$430,800,000, outstanding on September 11 was at an all-time peak and 52 per cent higher than a year earlier. "All other loans," which includes personal and instalment loans, also reached an all-time high, increasing by \$6,100,000 during the five-week period to \$95,900,000, or 72 per cent above the amount outstanding at the end of the war. The substantial increase in both these loan categories in recent months is attributable to a variety of factors, including an increasing amount of consumer goods that are reaching the market, expanding production, and continuing rises in prices. The net increase in total loans of only \$10,900,000 was due to an offsetting decrease of \$9,100,000 in loans to others than brokers and dealers for security trading, reflecting the continued liquidation of loans obtained during the Victory Loan drive to carry Government securities.

A decline in total investments of \$37,900,000 more than offset the net increase in loans, so that total loans and investments showed a net decrease of \$27,000,000. The decline in investments resulted principally from a reduction of \$34,700,-000 in certificate holdings occasioned by the Treasury's cash redemption of part of the certificate issue which matured September 1.

Total deposits of weekly reporting member banks continued the decline which has been in evidence since March of this year, when the Treasury began to use war loan balances to retire in cash maturing security issues. Although adjusted demand and time deposits continued to increase, the decrease in Government and interbank deposits more than offset the increase, resulting in a net decline of \$16,200,000 in total deposits. The increase in adjusted demand deposits reflects in part the increase in loans and in part the shift from Government to private deposits as non-bank investors received cash from matured Government securities. Adjusted demand deposits, as well as time deposits, are now at an all-time high level. Although the present growth in time deposits is proceeding at about one-half the wartime rate, the continued upward trend is significant in view of the investment mediums available and of the increasing supply of consumer goods and the accelerated pace of consumer spending.

COTTONSEED AND COTTONSEED PRODUCTS

	Texas		United States	
	This season	August 1 to August 31 Last season	This season	August 1 to August 31 Last season
Cottonseed received at mills (tons).....	73,921	69,179	110,983	113,982
Cottonseed crushed (tons).....	30,220	35,641	88,540	123,165
Cottonseed on hand Aug. 31 (tons).....	101,015	117,737	140,411	209,165
Production of products:				
Crude oil (thousand lbs.)....	8,702	10,618	26,021	37,517
Cake and meal (tons).....	14,551	17,168	37,972	54,947
Hulls (tons).....	6,395	7,508	19,841	28,672
Linters (running bales).....	9,274	10,152	26,112	36,065
Stocks on hand August 31:				
Crude oil (thousand lbs.)....	3,272	3,036	12,090	12,107
Cake and meal (tons).....	5,263	8,102	27,765	40,684
Hulls (tons).....	6,936	15,908	25,276	57,089
Linters (running bales).....	13,590	6,589	46,346	18,559

SOURCE: United States Bureau of Census.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

	August 1946	August 1945	July 1946
Consumption at:			
Texas mills.....	18,899	17,496	17,567
United States mills.....	855,511	738,449	729,958
U.S. stocks—end of month:			
In consuming establishments.....	2,082,606	1,832,600	2,282,118
Public storage and compresses.....	3,834,242	7,739,166	4,464,546

CRUDE OIL PRODUCTION—(Barrels)

	August 1946		Increase or decrease in daily average production from	
	Total production	Daily avg. production	July 1946	August 1945
Total North Texas.....	7,746,100	249,874	+ 3,307	N.A.
Panhandle.....	2,629,550	84,824	— 321	N.A.
North Texas.....	5,116,550	165,050	+ 3,628	N.A.
West Texas.....	16,242,400	523,948	—70,275	N.A.
Total East Texas.....	14,437,850	465,738	— 1,160	N.A.
East Central Texas.....	4,615,050	148,873	— 2,948	N.A.
East Texas.....	9,822,800	316,865	+ 1,788	N.A.
Southwest Texas.....	12,378,600	399,309	— 6,032	N.A.
Coastal Texas.....	15,135,700	488,248	—22,168	N.A.
Total Texas.....	65,940,650	2,127,117	—96,328	—96,112
New Mexico.....	3,101,550	100,050	+ 1,655	— 2,823
North Louisiana.....	2,613,500	84,306	+ 1,321	+14,542
Total District.....	71,655,700	2,311,473	—93,352	—84,393
Outside District.....	78,325,100	2,526,617	+10,752	+10,949
United States.....	149,980,800	4,838,090	—82,600	—73,444

SOURCE: Estimated from American Petroleum Institute weekly reports.

N.A.—Not Available.

BUILDING PERMITS

	August 1946		Percentage change valuation from		Jan. 1 to Aug. 31, 1946		Percentage change valuation from 1945	
	No.	Valuation	Aug. 1945	July 1946	No.	Valuation		
Abilene.....	69	\$ 186,840	+432	+ 17	717	\$ 3,152,145		*
Amarillo.....	194	471,185	+161	— 32	1,687	5,583,250		+287
Austin.....	304	1,302,940	+242	— 31	2,959	12,557,591		+640
Beaumont.....	307	404,284	+ 90	+ 26	2,000	2,430,431		+ 98
Corpus Christi.....	297	1,280,621	+259	+ 59	2,145	7,335,645		+214
Dallas.....	1,628	6,189,103	+348	+113	10,173	35,741,858		+398
El Paso.....	133	336,335	+159	+ 46	882	3,005,958		+334
Fort Worth.....	556	1,577,662	+113	+ 10	4,939	17,950,700		+300
Galveston.....	150	166,533	+197	— 45	962	1,626,640		+185
Houston.....	514	1,640,159	+ 18	+ 41	5,160	41,864,628		+145
Lubbock.....	178	436,402	+103	— 45	1,616	7,283,276		+366
Port Arthur.....	164	195,644	+164	+ 24	1,413	1,654,821		+332
San Antonio.....	1,238	1,586,090	+308	+ 13	9,973	17,285,556		+395
Shreveport, La.....	327	686,296	+133	— 14	2,625	6,822,732		+326
Waco.....	154	348,083	+ 50	— 62	1,121	3,485,674		+199
Wichita Falls.....	72	162,904	+226	— 20	577	1,510,721		+298
Total.....	6,285	\$16,971,081	+178	+ 20	48,949	\$169,201,626		+271

*Over 1,000 per cent.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(Thousands of dollars)

	August 1946†	August 1945	July 1946-r	January 1 to August 31 1946	1945
Eleventh District—total...	33,158	18,890	34,162	411,165	185,318
Residential.....	14,897	4,046	11,816	181,824	24,993
All other.....	18,261	14,844	22,346	229,341	160,325
United States*—total.....	679,909	263,608	717,991	5,335,636	2,003,698
Residential.....	284,025	42,711	281,227	2,198,725	286,493
All other.....	395,884	220,897	436,764	3,136,911	1,717,205

†Preliminary. r-Revised.

*37 states east of the Rocky Mountains.

SOURCE: F. W. Dodge Corporation.

The increase in reserve balances with the Federal Reserve Bank, a portion of which was a required increase, was made possible by drawing down balances with correspondent banks and by the decrease in investments.

INDUSTRY

The value of construction contract awards in the Eleventh District has declined from the postwar peak of \$85,000,000 reached in May of this year to \$34,000,000 in July and to an estimated \$33,000,000 in August. The decline reflects principally a drop in the value of awards for residential construction, which totaled \$11,800,000 in July as compared with \$51,000,000 in May, when it was at an all-time high. Although there has been some improvement in production of essential building materials, shortages of lumber, builders' hardware, and plumbing fixtures continue to delay completion of dwellings despite government controls designed to channel materials into residential construction. Moreover, rising costs of construction and the prospect that material shortages may continue apparently are deterring initiation of new residential construction. During June and July, considerably fewer dwelling units were started in the metropolitan areas and in representative smaller cities of the district than during April and May. Moreover, the number of units started during the first seven months of the year falls considerably short of the rate required to meet the goal of the Veterans' Housing Program.

Declines of moderate proportions have also occurred since May in the value of awards for non-residential and engineering construction in this district, perhaps reflecting reluctance of commercial and manufacturing organizations to undertake expansion or modification of facilities while building materials are scarce and the trend of building costs is uncertain, as well as the effect of Civilian Production Administration regulations

Dwelling Units Started and Required

	Number started*		Number required 1946-1947†
	January-May 1946	June-July 1946	
Amarillo.....	625	176	1,800
Austin.....	1,179	933	3,680
Beaumont.....	198	78	3,100
Corpus Christi.....	401	186	3,470
Dallas.....	3,152	741	12,580
El Paso.....	185	44	3,820
Fort Worth.....	2,248	589	7,530
Galveston.....	80	69	2,910
Houston.....	2,442	698	16,780
San Antonio.....	1,593	623	10,630
Waco.....	372	135	2,530
Texas metropolitan.....	12,475	4,272	68,830
Shreveport.....	514	193	3,340
11 representative Texas cities of 10,000 to 50,000†.....	1,981	776	10,487

*Bureau of Labor Statistics estimates based on building permits.

†To fulfill Veterans' Housing Program.

†Brownsville, Bryan, Denton, Laredo, Lubbock, Marshall, Port Arthur, San Angelo, Sweetwater, Tyler, and Wichita Falls.

which forbid the starting of less essential construction. The value of construction contract awards in this district will be substantially larger during 1946, however, than during any prior year of record except 1942, even though the declining trend of awards continues. During the first seven months of this year, the aggregate value of awards in the district exceeded that for any full year other than 1941 and 1942, and the value of residential awards was greater than in any year of record.

Value of Construction Contract Awards in the Eleventh District

Period	(Millions of dollars)			Total
	Residential	Non-residential	Engineering	
1937.....	46.6	58.3	46.7	151.6
1938.....	65.7	63.3	58.5	187.5
1939.....	83.4	61.4	54.3	199.1
1940.....	96.0	99.4	78.3	273.7
1941.....	123.7	164.1	159.1	446.9
1942.....	156.8	459.7	297.7	914.2
1943.....	88.7	147.5	120.7	356.9
1944.....	24.0	87.9	66.3	178.2
1945.....	42.5	163.7	72.7	278.9
1946 (January-July).....	168.5	144.1	67.0	379.6

SOURCE: F. W. Dodge Corporation.

Production of lumber has increased steadily in the Southwest and in Texas during 1946. In June, Texas production was approximately 100 per cent greater than in January of this year and 50 per cent greater than in June 1945. Comparable increases have also occurred in other Southwestern states. Although the lumber shortage has been eased slightly during recent months by the expansion of production, available data indicate that stocks at Southwestern mills approached the lowest level of record during September and were from 50 per cent to 75 per cent smaller than during the years immediately before the war.

Lumber Production 1937-1946

	(Millions of board feet)		
	United States	Southwest*	Texas
1937.....	25,997	4,030	1,126
1938.....	21,646	3,300	1,028
1939.....	24,975	3,651	1,137
1940.....	28,934	4,118	1,271
1941.....	33,476	4,338	1,329
1942.....	36,332	4,566	1,384
1943.....	34,622	4,311	1,274
1944.....	32,534	3,473	896
1945.....	27,356	3,023	809
1946 (January-June).....	15,671	1,754	481

*Arkansas, Arizona, Louisiana, New Mexico, Oklahoma, and Texas.

SOURCE: Civilian Production Administration and United States Department of Agriculture.

Monthly shipments of Portland cement from Texas mills were maintained near peak levels and above monthly production between February and July of this year. Consequently, stocks at the mills were steadily reduced, and at the end of July were at the lowest level since September 1942, and equal to somewhat less than a two-week supply at the current rate of consumption.

Daily Average Crude Oil Production Selected Periods

Period	(Thousands of barrels)		
	United States	Eleventh District	Outside District
June 1946, peak, U. S. and District.....	4,933	2,425	2,508
July 1946, peak, outside District.....	4,926	2,384	2,542
August 1946.....	4,838	2,311	2,527
August 1945.....	4,912	2,396	2,516
August 1941.....	3,939	1,614	2,326
August 1940.....	3,500	1,357	2,143

SOURCE: American Petroleum Institute.

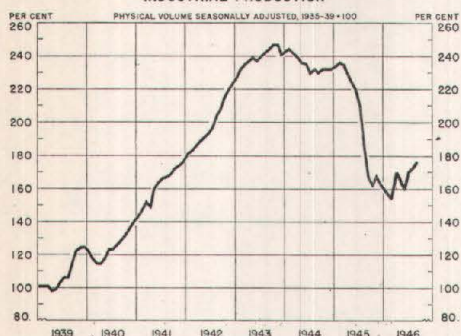
Production of crude petroleum declined slightly in the Eleventh District during August and September, and is currently being maintained at about 2,300,000 barrels daily, as compared with the all-time district high of 2,425,000 barrels daily reached in June of this year. Outside the district, there has also been a decline, but of smaller amount, from the July 1945 peak of 2,542,000 barrels daily. Compared with 1939-1940 levels, however, district production is up more than 50 per cent, in contrast with an increase of somewhat less than 30 per cent in production outside the district.

OCTOBER 1, 1946

NATIONAL SUMMARY OF BUSINESS CONDITIONS

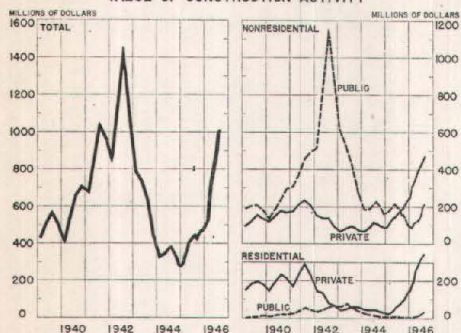
(Compiled by the Board of Governors of the Federal Reserve System)

INDUSTRIAL PRODUCTION



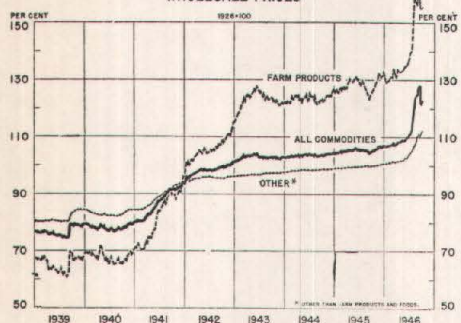
Federal Reserve index. Monthly figures, latest shown is for August.

VALUE OF CONSTRUCTION ACTIVITY



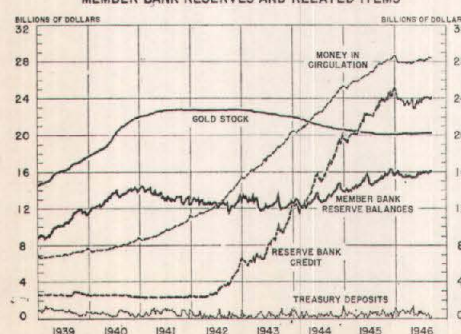
Figures beginning in 1944 are joint estimates of the Departments of Commerce and Labor; earlier figures estimated by Commerce. Data exclude repair and maintenance work. Monthly averages of quarterly data prior to July 1944; monthly data, thereafter. Latest figures shown are for August.

WHOLESALE PRICES



Bureau of Labor Statistics' indexes. Weekly figures, latest shown are for week ending September 21.

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures, latest shown are for September 18.

Production and employment at factories continued to expand in August. The value of retail trade reached new record levels, reflecting partly further advances in prices for goods. In the early part of September prices of agricultural commodities were reduced considerably by Federal action.

INDUSTRIAL PRODUCTION

Industrial production rose further in August to a new peacetime peak and, according to the Board's seasonally adjusted index, the level of output was 176 per cent of the 1935-39 average as compared with 172 in July.

Production of durable manufactures continued to gain, reflecting further advances in output of metals and metal products. Activity at steel mills averaged 88 per cent of capacity in August as compared with 85 per cent in July and operations in September have been maintained at about the August rate. Output of copper continued to advance in August and exceeded the pre-strike rate in January. Activity in the machinery and automobile industries increased in August. Output of passenger cars rose 10 per cent and trucks, 13 per cent; production of trucks totaled 105,500 units, which was the highest monthly rate on record.

Production of nondurable goods as a group advanced in August to the same level as in June, 162 per cent of the 1935-39 average, after a large decline in July due chiefly to vacations in the textile, leather, paper, and tobacco products industries. Output of paperboard rose in August to a level slightly above the previous peak and continued at about this rate during the first three weeks of September. Federally inspected meat production in August, after allowance for seasonal changes, was 16 per cent below the high July rate, and a sharp further curtailment occurred in September. Output of flour and bakery products showed further large gains in August, reflecting improved wheat supplies. Production of most other nondurable goods increased slightly from July to August.

Minerals production declined two per cent in August, reflecting slight decreases in output of coal and crude petroleum. Output of metals showed little change.

CONSTRUCTION

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, declined somewhat further in August, reflecting a drop of one-fourth in nonresidential building awards. Residential building awards increased slightly in August following large decreases in June and July. Value of new construction activity continued to rise in August but preliminary figures indicate that activity showed little change in September.

EMPLOYMENT

Nonagricultural employment increased by about 550,000 from July to August to a level more than 1½ million above August 1945. Over 300,000 workers were added in manufacturing, and employment in most other industries continued to increase. The number of persons unemployed declined by 230,000 in August.

DISTRIBUTION

Department store sales in August reached a new high of 289 per cent of the 1935-39 average as compared with 273 in July and an average level of 254 in the first half of the year, according to the Board's seasonally adjusted index. Sales during the first three weeks of September continued at a high level. Value of department store inventories, after allowing for seasonal changes, increased from 222 per cent of the 1935-39 average at the end of July to 225 at the end of August.

Freight carloadings continued to rise in August and, after allowing for seasonal changes, were at the highest level since the early part of 1945. Increased shipments of coal, coke, forest products, and miscellaneous freight more than offset declines in other classes.

COMMODITY PRICES

Prices of livestock and meats were reduced sharply at the beginning of September by the re-establishment of Federal price ceilings over these commodities. Reflecting mainly that action, the general index of wholesale prices declined 4 per cent from the middle of August to the latter part of September, following an advance of 13 per cent in the preceding 6 weeks after the lapse of Federal price control. Prices of dairy products and some other agricultural and industrial commodities have advanced further in recent weeks.

AGRICULTURE

Crop production this year is expected to be slightly larger than the previous record reached in 1942 despite the small cotton crop and reduced output of oil-bearing crops. This is the second season of a small cotton crop and stocks have been reduced considerably from the high levels existing from 1938 to 1945 but the carryover on August 1 was still substantially larger than the average levels prevailing in earlier years. The feed supply situation is expected to be improved this season because of the larger feed crops as well as the reduced number of livestock on farms. Total output of fruits and vegetables is indicated to be substantially greater than last season and larger than in any previous year.

BANK CREDIT

Treasury withdrawals from its deposits at banks to retire public debt, together with an increase in currency in circulation, in August and early September resulted in moderate pressure on member bank reserves, and banks sold short-term Government securities to the Reserve banks. In the first half of September deposits of businesses and individuals increased considerably, and required reserves rose by about 200 million dollars. There was some decline in the following weeks, largely the result of income tax payments.

Commercial and industrial loans at member banks in 101 leading cities showed a further sharp increase during August and the first three weeks of September, and have risen by about 1.5 billion dollars since June. Real estate and consumer loans also continued to increase. Loans for purchasing and carrying securities declined by over 500 million. Holdings of Treasury certificates declined by about 2 billion, reflecting primarily Treasury debt retirement operations, while holdings of Government bonds increased slightly further.

SECURITY PRICES

Prices of common stocks declined sharply during the first three weeks of September. Bond yields rose somewhat in August and September, while short-term interest rates showed little change.