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FEDERAL RESERVE BANK OF KANSAS CITY

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REPORT OF CONDITION IN DISTRICT NO. 10 for the Month of February, 1919.

Kansas City, February 19, 1919.

Transition from a war to a peace basis is under way in the Tenth Federal Reserve District. Generally, and in a large way, it is making rapid progress although in some lines of industry the change involves intricate problems that, in the present state of the business mind, are quite difficult of solution. It is agreed that the one big problem which stands in the way of harmonious and equitable adjustment is how to get down from high war prices to equitable peace prices without working unnecessary hardships or entailing undue losses.

The bank clearings of seventeen clearing house cities of the district, considered a fair index to the volume of business, exhibit a total of \$1,495,332,000 in January, 1919, as compared with \$1,462,000,000 in December, 1918, and \$1,389,721,000 in January, 1918, indicating a gain of about 2.6% for January, 1919, over December and 7% over January of last year. While the volume of business reflected by these figures would indicate that business is rapidly returning to normal conditions, an analysis of the situation discloses that this is largely the result of the continued heavy movement of agricultural products and live stock to the markets under stimulus of prices but little if any below the high peak of war prices.

There are many signs to indicate a return to former activity of those manufacturing industries which were idle during the war or else given over to the making of war essentials, since restrictions as to labor, fuel and materials have been removed by the government. Most of the present activity, however, is in filling orders that have been on the books, many of them for months. New orders are coming slowly, due to the high cost of everything that enters into the cost of production. While it can be said that the movement of factories to peace basis is more rapid, for the reason that their products are generally essential, it is certain that manufacturing in this district can not reach its wonted activity until there is a price readjustment on an equitable basis. The same condition also exists as to building, improvements both public and private, road construction, railroad work, etc., all of which are retarded by high prices of materials and labor. And this in the face of the fact that there is an increasing demand for all kinds of manufactured products, machinery, tractors, automobiles, trucks, lumber and building materials of all kinds, such as would if unhampered, make 1919 the best year in history.

Throughout the Tenth Federal Reserve District, however, the sentiment respecting the future is one of optimism. It has its foundation in the knowledge that as an agricultural, meat-producing, mining and oil-producing section there is no limit to be placed on its resources, and that the United States will be called upon to not only supply a large portion of the food for Europe but to help with its products and manufactures in the reconstruction of the battle-rent regions, in addition to supplying a rapidly growing trade with other countries and on other continents.

MERCANTILE February shows a substantial improvement in most lines of mercantile trade. Wholesalers report country buying for immediate requirements of their custom and holding back orders for future delivery in anticipation of falling prices. Wholesalers are making little effort to book orders for future until prices are readjusted. With few heavy orders it is the vast number of small orders that are making for the present volume of business.

Mail order houses, sending out "Flyers," or 60-day sale books, to bring January and February up to the same state of activity as in November and December, are reporting surprising results. There is this information to be gained from the reception of the sale books of the mail order concerns: The country has plenty of money and is willing to spend it if right prices are made on commodities; and sales this year are exceptionally large, in many cases increasing 100% over January and February business last year.

Retailers report good business. Department stores are having a steady run of trade since their January sales, which were generally satisfactory, except in Kansas City, where the street car strike interfered to some extent. Small merchants in cities are doing a fair business while country merchants have little to complain of except uncertainty as to future prices.

A survey of the mercantile situation discloses dry goods, shoes and millinery in good demand, with indication of slight reductions, especially in cotton goods; but mild winter weather has made demand for clothing and wearing apparel only fair. In the face of reports that prices are steadily slipping there is a good demand for groceries and food stuffs. Drug sundries continue one of the most active commodities. Paints and wall paper are exceptionally strong, though building material has not felt the impetus which optimists have prophesied. Heavy hardware and machinery show a good increase over last year. The heating and plumbing trade is reviving. Musical instruments are going well. Carpets, draperies and furniture are unusually strong. In general the whole tone of trade is strong and healthy.

FINANCIAL There is little change in the financial situation in this district. Bankers are lending hearty co-operation in an effort to bring about an adjustment to normal conditions as speedily as possible. Money is in good demand for agricultural, commercial and industrial requirements. Immediate requirements of the Government will cause interest rates to remain firm.

AGRICULTURE Western farmers are exhibiting no apparent uneasiness over the matter of readjustment. They realize that demands on America for food will be heavy, at least until European agriculture is restored, and that they will receive fair prices for all the products their acres produce. With rain or snow falling this month in generous quantities over the district to maintain ample reserve moisture in the soil for spring operations, and the early return of the soldiers and sailors to relieve them of a big part of their burdens, farmers are planning operations on a more extensive scale than usual.

While the wheat acreage is considerably larger than in any previous year, there is no indication that other crops are to be neglected. Dry weather experiences of last year may cause some farmers to reduce their acreage of corn, but with good soil conditions in prospect at seeding time and good prices for corn, it is not believed there will be any material reduction of corn acreage. Uncertainty in potato growing is causing some growers to reduce their potato acreage and plant potato ground to other crops from which returns are more satisfactory. In the sugar beet regions the growers, having made good profits last year, are contracting to sell the products of all the acres they can handle, and it is predicted the sugar beet industry will attain unprecedented proportions this year.

An encouraging sign for agriculture is the report from Wyoming, Colorado and New Mexico that large areas of lands available for farming are to be planted to crops this year, as the returns from farming operations in those regions in the past two years are influencing many people to turn to agriculture.

Movement of grain to the markets continues in heavy volume. Receipts of wheat at the principal markets of this district since January 1st have been about 80% larger than for the corresponding six weeks at the beginning of last year. Receipts of corn are 15% larger and oats 27% larger.

A firmer tone has been given the flour market by the maintenance of high prices for cash wheat in the face of continued slack demand for flour for both domestic and foreign trade. The mills have been operating at about 57% capacity since January 1st, the output of flour for the first six weeks of 1919 being 1,782,935 barrels, as compared with 1,731,061 barrels in the same period of 1918, the increase for this year amounting to 2.9%.

LIVE STOCK Large supplies of meat animals are coming to the markets of this district. Although the figures are slightly below those of the last six weeks of 1918, they are considerably higher than the receipts for the corresponding six weeks of 1918. Receipts for January, 1919, are here given, with those of December and January, 1918, for comparison:

	Jan., 1919	Dec., 1918	Jan., 1918
Cattle	650,273	696,189	550,856
Hogs	1,598,851	1,320,172	1,064,427
Sheep	471,543	486,490	534,427

The receipts of cattle are unusually heavy for this season. Fat steers ranged up to \$18.40 per hundred pounds compared with \$13.50 a year ago, and Colorado beet pulp fed steers sold up to \$17 as compared with \$13 a year ago.

The markets were taxed to capacity in January with hogs and only the guaranteed minimum price kept them at \$17.10 and above. The increase of 534,460 head, or a fraction better than 50%, above the receipts for January, 1918, is said to have been largely the result of last year's short corn crop, or else a disposition on the part of the farmer to sell his high priced corn in November and December rather than feed it to hogs at a fixed minimum price. The average weight of hogs for the six markets in January was 206 pounds as against 215 pounds in January, 1918.

Packers maintained slaughtering operations on a high scale in January. Their purchases for slaughter were 349,926 cattle, 1,255,935 hogs and 273,610 sheep, an increase of 14% on cattle, 40.5% on hogs and 9% on sheep over the slaughter record for January, 1918.

PETROLEUM Notwithstanding there is a threatened slump in the price of crude oil, operators see no good reason why peace demands should not be as large as were war demands, and whatever slump may come they believe it will not materially affect production. As evidence of their faith in the stability of the oil business, extensive preparations are going forward for an unprecedented volume of business during the months to come.

Reports on new work are that 629 rigs were up and 1,723 wells were drilling on February 1, in the oil regions of this district. Besides, there is great activity in prospecting all through these regions, particularly in Wyoming, Colorado and New Mexico, with prospects of new fields being developed.

Severe winter weather and unpreparedness to meet it proved a serious handicap to both production and new development in January. Wells completed in Kansas, Oklahoma and Wyoming in that month were 743, which is 243 less than in December. The fact that there were fewer wells developed, however, was more than offset by new production which was 51,749 barrels daily, or 20,912 barrels more than the initial daily production in December. Oklahoma supplied the increase that made January the best month for new daily production in two years, excepting October, 1917, and May, 1918. The first half of February finds Oklahoma with an average daily production amounting to 213,300 barrels, with the total for Kansas 80,400 barrels daily. Kansas has been lagging in development on account of work being interfered with by cold weather and heavy snows, but promises a rapid rise of production with good weather.

MINING A reduction in the price of lead and zinc and a slackening up of the demand for coal, coupled with inability of operators to work out a corresponding reduction of operating expenses, has seriously affected the mining industry and made it extremely difficult to readjust itself to after-the-war conditions. The fields are now filling up with experienced miners returned from military or naval service and but for the depressing conditions described everything would be in good shape for a year of great activity.

Production of metals in Colorado continued to decline through January owing chiefly to the drop in market prices of lead and zinc. The largest lead producer in that state pulled its pumps and ceased operations at depth. Smaller producers stopped shipments and one of the two concerns which has a normal production of 25,000,000 pounds annually has already stopped shipping and is preparing to close down unless better conditions in the zinc market obtain soon.

In the Missouri-Kansas-Oklahoma or Tri-state district the situation is about the same, although operators there are more optimistic. During January the Joplin District shipped 26,636 tons of zinc blende with an average value of \$43.44 per ton, 466 tons of calamine at an average price of \$36.01, and 6,906 tons of lead at an average price of \$60.00. In the case of blende ores this shipment was an increase of 647 tons over January, 1918, while calamine showed a decrease of 304 tons. There was also an increase of 1,604 tons of lead ore over January, 1918.

The year opened with a considerable surplus stock and it was noted by the end of the month that shut downs of mines and fairly heavy shipments was rapidly eating into the surplus stocks, which at the month's close registered 22,000 tons of zinc and 200 tons of lead.

The market showed decided weakness at the month end both for lead and zinc, the general average base being \$40.00 for zinc and \$50.00 for lead.

Operators have been perfecting a local zinc chapter of The American Mining Congress, which will look after the interests of the mine operators of Missouri, Kansas, Oklahoma and Arkansas.

Some improvement is reported in the gold mining industry. Both the Cripple Creek lode mines and placer mines are preparing for increased activity during the coming summer.

The mild weather has slowed up the demand for coal, held the retailers at a standstill with enough coal to finish the season, and at the same time has increased operating expenses at the mines. Operators are cutting down their output accordingly. They say they cannot change the cost of production, as the miners' wages must stand as they are until peace is declared. The only solution, they say, is to increase prices or sit tight and wait to see what is going to happen.

CONSTRUCTION Waiting for an adjustment of prices of materials and wage schedules is the explanation for the hesitancy of building and public improvements to get back to a normal or pre-war basis. While January made a good start toward getting back, as building permits indicate, the gain only brought that month's volume up to about one-fourth the usual volume of building operations for the usually dullest month of the year. In no manner did it reflect the large business that is waiting for action looking to a settling down on a more equitable or at least a more satisfactory basis. Permits for the erection of buildings in cities of the district, reported to the Federal Reserve Bulletin by the building superintendents are given for January, 1919, with comparisons for December and January, 1918:

	No. Permits Issued	Estimated Cost of Buildings	Average Cost per Building
January, 1919.....	573	\$1,334,392	\$2,328.78
December, 1918.....	260	481,342	1,851.31
January, 1918.....	367	1,215,007	3,310.64

It is estimated that, with the entire district nearly two years behind in building, there is enough work in sight to furnish employment to every member of the building trades for many months to come. But under present prices a large part of the construction work, particularly the building of homes, will be held back until the situation becomes easier.

In spite of the slowness of building to recover, the lumber trade is reported as gaining strength every day, with no indications that prices will come down. In fact well informed dealers say the high prices will prevail until the mills and logging camps recover from the effects of the labor shortage of last year which caused a curtailment of production for civilian needs. Trade in other materials, which are generally 15% to 50% above pre-war prices, is only fair, although the demand for cement is growing stronger as spring with its improvement operations approaches.

LABOR The labor situation has assumed a more cheerful aspect in the last two weeks. While there have been some revisions of wage scales, there has been no marked reductions out of harmony with present commodity prices. No general revision of wages downward has been undertaken, although there are indications of a tendency toward a settling down on a higher level than pre-war wage levels. Manufacturers and large industries are meeting the situation by eliminating extra time or overtime. In some instances there have been increases, as in the case of the meat packers who have agreed to a 10% advance of wages to employees.

Nearly all of the industries report abundant labor now available and operators are greatly improving the efficiency of their forces. Labor is also more plentiful in the oil industry and an easier situation now prevails after the acute shortage of labor last year. Assurance that the farm labor situation this year will be greatly relieved is now given by an announcement of the early return of the American fighting forces in France. More than 25% of the men from the Western States in the services came from farms and are expected to go back to the farms.

Indications now point to a settlement of the dispute between the building trades unions and the Kansas City Builders Association.

Aside from the usual number of unemployed in the cities and towns at this season of inactivity in out-door work there is little unemployment in this district except some miners in the lead and zinc fields who have been thrown into enforced idleness by shut-downs, and men of the building trades who are holding out for increased wages. Generally, the number of unemployed is considered negligible, and it is the consensus of opinion that by early spring practically all of the men returned from service will have been absorbed in their usual occupations.

Statement of Condition of the
FEDERAL RESERVE BANK OF KANSAS CITY
INCLUDING BRANCHES

At close of business February 20th, 1919.

RESOURCES

Gold with Federal Reserve Agent.....	\$ 47,784,750.00
Gold Coin and Certificates & Redemption Fund.....	6,744,059.70
Gold Held with Foreign Agencies.....	291,443.73
Credit Balances, Gold Settlement Fund.....	36,945,533.03
Legal Tender Notes, Silver Certificates and Subsidiary Coin..	265,638.00
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Total Reserve Cash.....	\$ 92,031,424.46
Total Non-reserve Cash.....	8,780,812.78
Commercial Paper Rediscounts.....	29,887,832.60
Member Banks Collateral Notes.....	40,426,383.26
Acceptances.....	10,863,560.88
U. S. Bonds to Secure Circulation.....	8,000,000.00
Other U. S. Bonds.....	867,700.00
U. S. Certificates of Indebtedness to Secure Circulation.....	5,320,000.00
U. S. Certificates of Indebtedness.....	96,000.00
Bank Premises.....	400,000.00
Due from other Federal Reserve Banks.....	10,117,864.84
Due from Depository Banks & Trust Companies.....	18,960,702.37
Due from Branches.....	3,418,366.12
All other Resources.....	1,254,405.99
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Total Resources.....	\$230,425,053.30

LIABILITIES

Capital Paid In.....	\$ 3,711,900.00
Surplus.....	1,210,713.35
Reserve Deposits, Net.....	66,930,335.58
U. S. Government Deposits, General Account.....	14,411,125.49
U. S. Government Deposits, Special Account.....	18,960,702.37
Federal Reserve Notes.....	109,551,165.00
Federal Reserve Bank Notes.....	13,252,000.00
All Other Liabilities.....	2,397,111.51
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Total Liabilities.....	\$230,425,053.30

CLEARINGS

Total Clearings for Week.....	\$127,223,741.12
Total Number of Items Handled.....	343,439