

FEDERAL RESERVE BANK OF KANSAS CITY

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REPORT OF CONDITIONS IN DISTRICT No. 10, FOR THE MONTH OF JUNE, 1919.

Kansas City, Mo., June 25, 1919.

A HIGH tide of general business and industrial activity is showing this month in reports to this bank from all sections of the Tenth Federal Reserve District. The reports uniformly agree that there is increased confidence and more satisfactory progress in practically every line of trade and productivity, a happy condition which is ascribed to the fact that the greatest yield of wheat in history is now practically assured for 1919, and possibly the greatest year for all crops. Manufacturing is rapidly increasing, the oil industry is expanding, mining is assuming a more cheerful aspect and building is nearing the "boom" stage. The reports emphasize the fact that there never was a time when the masses of the American people were so prosperous as they are at this time; never another time when so large a proportion of the Nation's assets were in the hands of the people for them to use and enjoy; never a time when there were more opportunities to earn money, to spend, to invest, to pay debts, or to save for a "rainy day." Aside from some small fear expressed here and there that excessive rains may have been injurious to the ripening wheat, delaying the harvest and to some extent retarding farm operations, the reports are more satisfactory than any that have been received this year.

General Business.

Thirty-nine leading houses, wholesale and retail merchants of the various lines, manufacturers and lumber dealers, in cities scattered over the district, sent in reports to the Bulletin covering operations in the month of May and forecasting conditions for the immediate future. Twenty-two of these reports say business is improving, fifteen say it is steady, while only two say it is unsettled. In the reports sixteen give percentage of increase of trade over the corresponding month in 1918. One reports 10% increase, one 15%, three 20%, four 25%, three 30%, one 35%, one 40% and two 55%.

Factors favorable to business and general prosperity most frequently mentioned in these reports are: Good crop conditions, full employment of labor, more money in circulation among the people, consumers buying more freely, no war activities, new people coming in, new oil discoveries, revival of building, and an increase of confidence. The only unfavorable factors mentioned are: Low prices of lead and zinc ores, cold or unseasonably wet weather, and bad roads. One correspondent says advancing prices make merchandising difficult.

Collections are reported by nine as excellent, by twenty as good, and by four as fair, while it is asserted that "this splendid payment activity will no doubt be reflected in increased purchases after harvest is over and probably throughout the year." Business failures are fewer than at any time in a quarter of a century, according to the reports.

Mercantile.

An analysis of reports of wholesale and retail merchants and mail order houses shows that the retail dry goods trade is particularly healthy, and as it is made up of numerous small sales it is evident it is based on actual current consumption. Retail houses handling dry goods, clothing, shoes and kindred lines are doing a heavy business and it is remarked that generally the people are demanding better goods. The great difficulty—as in other lines—is the great in-

ability of manufacturers to supply the trade, it being apparent that the makers of goods were lagging at the time, a few weeks ago, the people were hesitating about buying and looking in for price reductions.

There is a good demand for groceries and very little expectation on the part of customers that prices will go lower, although beef has shown a slight decline in price in the present month. Heavy purchases of coffee are noticeable because of the generally known fact that the coffee crop will be extremely short on account of the decreased acreage in the South American regions which ordinarily supply the North American trade. The small acreage is due to the fact that growers were discouraged during the war.

Hardware, particularly building hardware, is experiencing a good trade in common with paints, oils and other materials for buildings and repairs.

Jewelry, drug sundries, furniture, carpets and draperies are likewise showing activity. In fact all lines are going strong—including musical instruments and automobiles—because there is a realization that good times are here for some time to come and prices are not going to take a big tumble soon if they really come down at all.

One large mail order house writes that it is feeling the effect of the expectations of the country at large that the wheat crop will be exceptional both in quantity of grain produced and increased acreage. It adds: "Our customers seem to be very willing to purchase the articles we offer, the more so, we believe, because of the fact that by our special 'flyers' issued at short intervals we have been able to keep very close to the market in our offerings."

Financial.

Some idea of the general improvement coming to this district may be gained by a glance at the reports of the clearing houses, which show that banking transactions were heaviest of this year in May. The clearings reported from eighteen cities amounted to \$1,620,282,564 for the month, being \$212,076,509 larger than April clearings and \$90,160,895 larger than clearings in March, which was the next best month this year. The May, 1919, total is also \$242,436,266 or 17% larger than the bank clearings in May, 1918, when the war was at its height. The reports of eighteen clearing houses, with comparisons, follow:

	May, 1919	May, 1918
Kansas City, Mo.....	\$ 943,908,481	\$ 764,594,368
Omaha, Nebr.	244,533,606	239,543,835
Denver, Colo.	142,141,533	110,275,039
St. Joseph, Mo.....	74,706,388	72,261,901
Wichita, Kas.	48,926,763	38,003,650
Oklahoma City, Okla..	47,144,620	35,090,425
Tulsa, Okla.	41,214,319	51,284,359
Lincoln, Nebr.	22,523,474	18,500,151
Topeka, Kas.	12,964,338	14,779,288
Muskogee, Okla.	11,579,397	9,433,824
Joplin, Mo.	7,143,000	8,165,694
Okmulgee, Okla.	4,898,618	-----
Colorado Springs, Colo.	4,139,000	3,301,000
Fremont, Nebr.	3,533,572	3,236,029
Pueblo, Colo.	3,372,837	3,089,162
Kansas City, Kas.....	3,066,882	2,073,708
Hastings, Nebr.	2,726,179	2,495,648
Lawrence, Kas.	1,709,557	1,713,217

Clearings May, 1919...\$1,620,282,564 \$1,377,846,298
Clearings five months...\$7,280,090,964 \$7,048,515,593

The demand for loans in this district continues strong and rates firm. With harvest now upon us in certain portions of the district, it is expected that the demand will be heavy for another sixty days, after which time considerable liquidation is anticipated.

A very large proportion of the banks in this district made payments in full for Victory Liberty Loan subscriptions, necessitating the rediscounting of paper and heavy borrowing against Government issues. This situation cannot be corrected until after crops have been marketed.

Agriculture.

It is now settled beyond a reasonable doubt that the Tenth Federal Reserve District will roll up its largest crop of wheat this season, although there is some speculation as to whether the high estimates of June 1st will be realized when the harvest is over and the grain is threshed out.

Reports to the state agricultural departments place the combined acreage of all wheat in the states and parts of states of this district at approximately 20,250,000 acres, against a combined area of 17,750,000 acres in 1918. Estimates of the probable yield on this acreage is from 382,000,000 bushels to 340,000,000 bushels, based on the June 1st condition, which was above 90% in all states of the district.

Heavy and frequent rains and damp, cloudy weather in May and early June caused red rust on a large area of wheat in Oklahoma, Kansas, Missouri and Nebraska, while the rank growth resulted in much of the wheat falling. Reports, however, indicate that the rust did little damage as it did not reach the heads containing the grain, while in all but a few instances the warm weather and sunshine following brought up the wheat so it could be cut without material loss. In Wyoming wheat is reported exceptionally good in patches favored by plentiful showers, and medium to poor in regions less favored with moisture. In Colorado and New Mexico, where cold weather held on into May and retarded growth, the wheat is heading out well and promises a good yield.

The harvesting which began in Oklahoma early in June is now under way as far north as Central Kansas. Federal and state employment agencies, with commercial and civic bodies in cities and towns co-operating, are endeavoring to supply plenty of harvesters, and generally with fair success. While complaint of a shortage of labor are coming from numerous sections, it is believed the situation will be handled and the wheat will be taken care of.

The frequent rains over the eastern half of this district also were unfavorable to the proper growth and development of oats and rye, and also for the proper cultivation of corn. Considerable damage to corn by cut worms is reported in many sections, necessitating much replanting. Freezing weather late in May did considerable damage to small crops in Colorado. The fruit crop is reported fair in the Missouri valley. In the mountain regions some damage to fruit by frost is reported.

Grain Movement.

Movement of grain to the markets in May and in the first half of June was somewhat smaller in volume than it was in the earlier weeks of this year. Still, the receipts of wheat, oats and rye at this season are heavier than a year ago at this time. Corn receipts are considerably less than last year at this time, which is due to the short crop of last fall.

Even with a record wheat crop in sight there has been no material weakening of prices such as might have been anticipated. This is due mainly to the fact that stocks of 1918 wheat are pretty well cleaned up and only a small supply of old wheat is in the hands of the farmers. No. 2 hard wheat sold on June 7th at \$2.52@2.54 at Missouri River points. Corn was also maintaining its remarkably high record, No. 2 selling at \$1.75@1.77 on the same date.

While a large majority of dealers apparently are holding back their orders until the new wheat crop begins to arrive at the markets, the millers have been

producing flour at close to 40% capacity, while at this time last year their operations were below 16% capacity. Millers, however, would welcome an opportunity to make a general cleanup before beginning on the new 1919 wheat, and they are not pushing sales.

Live Stock Markets.

While receipts of cattle at the six markets of this district dropped off about 50,000 head, or nearly 7%, in May as compared with the receipts of May, 1918, the supply of calves, hogs and sheep, and also of horses and mules, showed a substantial gain over the record of a year ago. The record of May and of the first five months of the year, with figures showing receipts for the same month and five-months period last year, is here given:

	Month of May		Five Months	
	1919	1918	1919	1918
Cattle	438,882	468,146	2,278,186	2,449,267
Calves	32,392	24,137	162,304	112,950
Hogs	909,850	831,739	5,293,265	4,840,494
Sheep	442,429	375,323	2,302,522	2,269,526
Horses & Mules	5,756	5,048	56,670	86,108

In the face of the slight falling off in receipts of cattle top prices of native steers were \$17.50 in May as compared with \$19.50 in April and \$17.75 in May of last year. The May prices, however, were \$4.00 higher than the top in the same month in 1917. A further decline in cattle prices in the first half of this month brought the top price for native steers to \$15.25@16.00 June 16th. Hogs were highest of the year in May, \$21.10 for tops as compared with \$17.70 in May, 1918. On June 16th the top price was \$20.80. With more liberal supplies, best lambs were selling around \$18.00@18.35 at the beginning of June and on the 15th at \$17.50@18.50.

Packers' purchases of cattle for slaughter at the houses in this district are slightly under the purchases a year ago, but hog killing operations and sheep slaughter show a decided increase. The purchases by packers are shown in the following:

	Month of May		Five Months	
	1919	1918	1919	1918
Cattle	187,473	222,287	1,130,465	1,155,173
Calves	22,004	16,684	113,608	95,202
Hogs	763,083	658,376	4,262,886	3,725,212
Sheep	292,139	226,792	1,457,369	1,300,532

There seems to be no let up in the demand for horses and mules to go to the harvest fields, while the oil fields are drawing heavily on the markets for big horses and the supply is far from meeting the demands even at the unheard of prices now being paid.

Petroleum.

The ever-growing demand for petroleum products and the removal of restrictions imposed by the Government during the war, are responsible for greater activity in prospecting for oil and in developing new fields in order to stimulate production to a point where demands can be met.

The May record, for which returns are complete, shows an increase of 12,373 barrels new production daily in the states of Oklahoma, Kansas and Wyoming, and a total of 1,247 new wells as against 1,020 new wells in April. A summary of new developments in these fields for the month of May follows:

	Number Wells Completed	Barrels Daily New Production	New Rigs and Drillings
Kansas	366	8,691	527
Oklahoma	858	41,410	1,529
Wyoming	23	5,920	358
Total May	1,247	56,021	2,414
Total April	1,020	43,628	2,343
Gain	227	12,393	71

The field reports show the number of dry wells in the three states was thirty-six more than in April while there was a decrease of nine in the number of gas wells.

Intensive development of the older and known fields and new oil discoveries both in the Mid-Continent and Wyoming fields, are rapidly bringing oil production up to the point where the flow will soon reach the high record of 1917 and the first half of 1918. There is greater activity in oil development in every section of oil territory than has been since this Nation entered the war, and with a better supply of experienced men now available, operations are less hampered than for many months.

Mining.

With the coming of good weather in the mountainous sections of Colorado the metal mining industry showed its first signs of improvement since the signing of the armistice. Removal of restrictions affecting exports of silver, together with the rising price and indications of a further rise, has created a stir in many of the old silver camps somewhat akin to the old times when silver was in its palmy days. The price of silver in May averaged 6.11 cents an ounce higher than the April price and June 16th the Colorado settlement price was up to \$1.12½ an ounce, with world stocks of silver bare, the mining interests of this district are preparing for the greatest activity in silver production that has ever been known.

A better price for lead and zinc has created a more confident feeling in the Colorado mining regions. Very little more labor is employed in the producing mines, however, for the reason that prices are not yet commensurate with the costs of production. Wage reductions were extended to all camps and effected a reduction of approximately 50 cents per day for all classes of labor engaged in the industry. Some of the camps report a shortage of skilled miners, which apparently indicates that these men are finding other lines of employment.

Reports from the Joplin district show the average price of zinc blende ore, which was \$38.87 per ton in April, dropped to \$37.80 for the month of May. Calamine ores dropped from an average of \$26.61 in April to \$24.80 for May. Shipment of blende ores averaged 9,255 tons per week and of calamine ores 260 tons a week.

The lead ore market opened at \$57.00 a ton and closed at the same price for the month of May, the average price for the month being \$57.15 per ton. Shipments averaged 1,579 tons per week. The market for this grade of ore has shown a downward tendency.

Operations are being carried on at less than 50% capacity. Stocks of zinc blende ores on hand at the opening of May were 18,000 tons and at the close of the month 16,000 tons. With lead ore the month opened with 150 tons surplus stocks and closed with 200 tons.

The coal situation shows very little if any improvement in the last thirty days. Production has dropped off since the beginning of the year about 25% in Missouri, 20% in Kansas and 39% in Oklahoma, in the five months period, on account of lack of demand. With the knowledge that present high price levels are to be maintained for an indefinite period, consumers are buying a little more freely than a month ago for their winter supplies, but unless there is heavier buying to stimulate productive demand there is a strong probability that the people will face a tremendous coal shortage in the coming winter.

Building.

Further increase of building operations and a return to pre-war activity is reflected in the late reports from fifteen cities of this district. Each city in the month of May made a substantial gain over its record in May of last year, the figures in the aggregate showing the increase to be 80.1%. The May reports also show an improvement amounting to 28.4% over building in

April of this year, while the volume of building operations in the first five months of 1919 is 35.6% larger than it was in the corresponding five months of 1918. The May record made up from reports to the Federal Reserve Bulletin follows:

	No. Permits	Est. Cost	Pct. Gain
Omaha, Nebr.	215	\$ 1,042,220	106.7
Denver, Colo.	366	928,180	71.2
Kansas City, Mo.	494	883,665	49.8
Oklahoma City, Okla.	194	746,112	101
Tulsa, Okla.	242	663,735	28.5
Okmulgee, Okla.	71	331,050	155.6
Wichita, Kas.	114	274,780	41.1
Lincoln, Nebr.	85	221,330	126
Kansas City, Kas.	61	107,080	63
Pueblo, Colo.	74	91,521	230
Topeka, Kas.	65	91,112	296
St. Joseph, Mo.	64	77,690	122
Muskogee, Okla.	27	76,020	666
Joplin, Mo.	37	72,785	324
Colorado Springs, Colo.	61	32,373	133
May, 1919	2,170	\$ 5,639,753	80.1
May, 1918	1,380	3,131,439	
Five Months, 1919	7,202	\$16,283,809	35.6
Five Months, 1918	4,419	12,005,036	

A striking feature of the building situation in this section is the tendency to make war-deferred repairs and additions. The reports, however, show that in these fifteen cities for which official information is obtainable only \$389,812 or 7.8% of the total of May investment went into these repairs and additions, leaving 92.2% of the money for new construction.

The outstanding feature of the building situation, however, is the remarkable demand for dwellings. This is not confined to a few of the larger cities where increased industrial activities are attracting more people, but it extends everywhere throughout the Tenth Federal Reserve District. Cities, towns and villages in the oil fields are growing more rapidly than it is possible to provide homes for the new residents. This accounts in a great measure for the large increase of building operations shown in the preceding reports.

Labor.

Reports from cities and towns over this district indicate fewer labor troubles than would be expected from published reports of unrest in many parts of the world. Very little unemployment is reported by the Bulletin's correspondents, while there are many reports which show a shortage of skilled men, some reporting a shortage of experienced clerks and office help, and a few reports of growing scarcity of common labor. The harvest fields are attracting large numbers of men from cities and towns, and this is making common labor scarce in a good many places.

Fifteen cities report no strikes, while most of the strikes of a local nature are in a fair way of adjustment. Demands for a shorter working day and for higher wages have been made and in most instances they have been granted.

There is some speculation as to what will follow the expiration of the contract between the United Mine Workers and the coal operators of the country, known as the Washington Agreement, which probably will terminate some time in July. Already the Policy Committee of the United Mine Workers has issued a statement of their demands, which, in addition to an advance in wages, calls for a 6-hour day instead of an 8-hour day, as now exists, and five days a week.

Generally the labor situation is reported in this district as good, fair, excellent, and in a few instances as about normal.

Combined Balance Sheet
FEDERAL RESERVE BANK OF KANSAS CITY
 June 13, 1919.

RESOURCES

Gold Redemption Fund F. R. Notes.....	\$ 14,345,552.20	
Gold with F. R. Agent.....	27,254,580.00	
Gold Settlement Fund.....	36,900,669.58	
Gold Certificates and Coin.....	75,400.00	
Legal Tender Notes, Silver Certificates, etc....	206,131.00	
Total Cash Reserves.....	78,872,332.73	
Nickels and Cents.....	13,617.84	
National Bank Notes.....	266,010.00	
Bank Notes of Other Fed. Res. Banks.....	17,500.00	
F. R. Notes of other Fed. Res. Banks.....	529,900.00	
Unassorted Currency.....	1,820,644.00	
Total Cash.....		\$ 81,430,004.62
5% Redemption Fund Fed. Res. Bank Notes..	713,700.00	
Transit Items.....	52,794,597.45	
Checks and Other Cash Items.....	1,430,600.65	
Exchanges for Clearing House.....	1,014,018.16	
Domestic Transfers Purchased.....	7,940,000.00	63,892,916.26
Secured by Government War Obligations:		
Member Banks' Collateral Notes.....	46,288,200.00	
All Others.....	1,826,855.40	
Otherwise Secured and Unsecured:		
Member Banks' Collateral Notes.....	3,787,485.52	
All Others.....	30,355,480.35	
Bills Purchased in Open Market.....	9,594.67	
U. S. Bonds Owned.....	8,867,500.00	
U. S. Certificates of Indebtedness.....	6,883,000.00	
Total Earning Assets.....		98,018,115.94
Bank Premiums.....		400,538.25
All Other Resources.....		382,409.79
Total Resources.....		\$244,123,984.86

LIABILITIES

Federal Reserve Notes in Actual Circulation..	\$ 95,993,335.00	
Fed. Reserve Bk. Notes in Actual Circulation..	12,487,920.00	
Total Circulation.....		\$108,481,255.00
U. S. Treasurer General Account.....	17,421,778.87	
Members, Reserve Account.....	69,651,333.19	
Other Deposits.....	1,061,519.59	
All Other Transit Items.....	39,164,486.47	
Total Gross Deposits.....		127,299,118.12
Capital Paid In.....	3,760,950.00	
Surplus Fund.....	2,421,426.71	
Gross Earnings.....	\$2,098,091.92	
Less Expense Current.....	477,976.12	
	1,620,115.80	7,802,492.51
All Other Liabilities.....		541,119.23
Total Liabilities.....		\$244,123,984.86

RESERVE

Ratio of Total Reserves to Net Deposit and Note Liability Combined..	50.0%
Gold Reserve Against Fed. Res. Notes After Setting Aside 35% against	
Net Deposit Liability.....	59.6%