

FEDERAL RESERVE BANK OF KANSAS CITY

ASA E. RAMSAY,
CHAIRMAN BOARD OF DIRECTORS
AND FEDERAL RESERVE AGENT

C. K. BOARDMAN,
ASSISTANT
FEDERAL RESERVE AGENT

REPORT OF CONDITIONS IN DISTRICT NO. 10 FOR THE MONTH OF SEPTEMBER, 1919.

Kansas City, Mo., September 20, 1919.

A NOTE of optimism runs through the reports which are coming to the Bulletin this month from the territory within the Tenth Federal Reserve District. It indicates an improvement of conditions as contrasted with the somewhat unsettled and painfully discordant state of a month ago. Still, it cannot be said that we are "out of the woods." In fact, as some assert, we may be merely enjoying an in-between breathing spell with a recurrence of industrial unrest, strikes and other disturbing elements liable to come at any time.

Several factors, all having to do with the basic industries of the district, are mentioned as contributing to the improvement noted. Autumn is now here and the farmer, after months of anxiety and speculation, can see the fruition of his crops and is able to nearly accurately measure the results of his year's efforts. He may not realize the bumper yields and the abnormally high prices his optimistic fancy pictured early in the year, but on the whole he finds 1919 a far better crop year than the average year as to the volume of his productions with prices about double those of pre war years.

The flour mills are grinding up to nearly full capacity everywhere and meat packers' operations, though slightly down at the present, are larger than in the average year. Factories of all kinds, with orders booked for months ahead, are working at as nearly full time as supply of materials and labor will permit.

The oil wells of the district are flowing their largest daily output this month and production is running a little ahead of consumptive demand without further inroads on reserve stocks. The metal mines are showing renewed life, with a promise of greater productivity of precious metals, as well as of lead and zinc which suffered a big slump when the firing of shells and bullets ceased last November and the industry was forced to again look to civilian demands for its prosperity. Coal mining operations offer slightly more encouragement for the winter supply than was offered a month ago, and, unless further hampered by strikes and consequent reduced production, the supply of coal this winter will be better than that of last year. Money is plentiful and easy to earn, people are paying their bills, many are saving, and with the fall trade season on all are buying and buying liberally.

The Price Situation.

In the agitation for lower cost of living there has been a very slight easement of prices on some of the commodity articles, such as to indicate that the crest of the high prices has been reached and passed with some further recessions in early future prospect. But with the output of mills and factories sold in advance on the basis of high production cost it is not believed there will be any appreciable yielding of prices on many manufactured articles until after the turn of the year. In fact, notices of further advances have been given within the present month on several items.

Dealers, both wholesalers and retailers, are exhibiting interest in the nation-wide agitation for lower living costs, and many of them are showing a resistance to high prices. In most instances, however, they are powerless to make any marked reduction beyond the sacrificing of their ordinary profits. One merchant writes: "We (and other retailers) make more profit than we should, but the people seem to want to pay high prices; the ratio of profit on high cost goods is larger than in former years." Various reme-

diaries are proposed for a cure of the present condition. One house manager suggests the placing of restrictions on loans on commodities that are being "hoarded or cornered," such as cotton, wool, provisions and grain, the manager asserting that "we are suffering from corners on commodities rather than shortage."

The State of Trade.

With the volume of trade at its highest peak of the year, and in most lines far in excess of that of last year, the present problem seems to be that of securing sufficient merchandise to meet the demands of customers. The fall buying began early but deliveries are very slow, consequently it is a scramble for goods on the part of retailers in evident disregard of whether prices are liable to go up or down. It is contended that the factors responsible for this scarcity of finished merchandise are largely shortage of materials and skilled workers, high cost of production, strike interruptions and a woeful lack of railroad facilities to insure prompt delivery. It should be understood, however, that this shortage is felt more keenly in some lines than in others, and in the lines hardest hit the fear is expressed by wholesalers and jobbers that they will not be able to obtain enough goods to fill the demands. The situation is such that a number of houses are not pressing sales and for the first time in many years they have withdrawn their salesmen from the road.

Scarcity of merchandise is also believed to be responsible for lack of uniformity in the volume of trade reported by houses in different cities. Some report business steady or improving at 25% to 30% larger in volume than one year ago, while others not more favorably situated, report the increase at 80% to 100%. A few scattered reports show a slight falling off of business from the early summer months but still ahead of last year. Managers of all houses take a hopeful view of the future, asserting that all signs point to a very brisk trade through the fall and winter.

Difficulty is experienced in obtaining supplies of woolen clothing, silks and kindred textiles, all priced at high figures, and some merchants feel that the "top heavy" figure asked for merchandise will result in another period of economy such as was experienced during the war. In fashions the highest priced articles are being purchased. Nothing is going to prevent Madame from appearing well and dressing in the mode, and not until the "low-priced" dollar reaches a still lower value will women be turned aside from purchasing the very best that money can buy. One of the largest houses in the district reports: "The cheaper grades of merchandise have advanced so rapidly in price it is almost impossible to sell goods. We find a tendency on the part of all customers to buy the higher priced goods where they can secure some value."

Notions, dry goods and underwear are experiencing an abnormal trade. Knit goods, especially, are going fast. One of the few lines which seems to be keeping up in stock is carpets, draperies and similar articles. The demand here, too, is good.

Drugs and drug sundries continue very active, the later especially feeling the effect of luxury purchases. As evidence of this feeling it is three months until Christmas, and toys have been going all this month like hot cakes. Books are not going fast, as people are living too fast to read. Jewelry is selling well, though the price of diamonds is too prohibitive.

Staple groceries and foodstuffs are in active demand with stocks in slightly more liberal supply. One of the largest mail order houses reports that com-

paratively low prices on foods have resulted in a very steady trade. Scarcely any effect on this house's sales has been experienced from the Government's selling of spot stocks in this line.

Unusually heavy demands are evident in plumbing and heating and house equipment. This is the natural consequence resulting from real estate and building booms, although one correspondent asserts that increased building material prices is causing hesitancy in building and remodeling homes. It is reported that "raw material, lumber, glass, paints and oil are very much higher during the past forty-five days and is still advancing."

It is not expected that there will be a greater sale of farm implements this year than last, owing to disappointing experiences of farmers in many sections this year. In the dry districts large numbers of gas engines have been sold; in fact, this year's sales have been abnormal because of the drought. The market on auto accessories, recoiling somewhat from the early spurt, is settling down to normal. Tires are not selling in such quantities as one might suppose they would from a month and one-half ago.

Financial.

The tremendously large volume of business in this district is reflected in increased clearing house transactions. Reports from eighteen clearing house cities in this district show that August clearings were the largest of any month this year, being \$206,446,624 larger than in July, and \$326,781,961 larger than the total for August, 1918. Weekly reports to this date in September indicate that the high tide of business is continuing through the month and that the August record of clearing is closely paralleled.

Following are the clearings for August, reported by the eighteen clearing houses, with reports for the corresponding month last year:

	August, 1919	August, 1918	Pct. Inc.
Kansas City Mo. \$	1,113,476,650	\$ 905,775,343	22.9
Omaha, Nebr. . . .	268,731,634	243,426,923	10.4
Denver, Colo. . . .	137,031,365	98,383,502	39.3
St. Joseph, Mo. . . .	74,397,120	75,123,017	1.0
Wichita, Kans. . . .	63,224,884	47,694,460	36.9
Okla. City, Okla. . . .	60,005,823	39,160,404	83.2
Tulsa, Okla.	42,990,670	37,736,651	13.9
Lincoln, Nebr. . . .	24,010,867	20,974,535	14.5
Topeka, Kans.	14,651,402	14,418,400	1.6
Muskogee, Okla. . . .	12,866,517	10,349,855	24.3
Joplin, Mo.	6,522,000	8,020,000	*18.7
Colo. Spgs., Colo. . . .	4,987,774	3,472,058	43.6
Fremont, Nebr. . . .	4,230,266	3,331,989	25.3
Okmulgee, Okla. . . .	3,954,327	-----	---
Hastings, Nebr. . . .	3,465,411	2,375,461	45.9
Kansas City, Kas. . . .	3,064,007	2,328,434	32.5
Pueblo, Colo.	3,012,630	3,047,474	*1.1
Lawrence, Kans. . . .	1,913,887	2,088,777	*8.1
Total, August . . . \$	1,844,537,244	\$ 1,517,755,283	21.5
Total, 8 months. . .	12,247,424,652	11,194,309,685	9.4

*Decrease.

The demand for loans shows a continuing and marked decrease. In regard to the general financial situation, however, it is important to discriminate between the surface conditions and the underlying factors. It is necessary to distinguish between the seasonal demands for money and the true situation in respect to money over a period of six to nine months, and it should be borne in mind that recognized authorities anticipate marked contraction will set in soon after the turn of the year. While discouraging price inflation at the present time, it is of grave importance that there be avoided a too heavy swing of the pendulum in the other direction at the beginning of the new year. We are confronted by the very great peril of such an abrupt contraction early in 1920 as will result in industrial stagnation, grave loss of production, labor disorder and all attendant evils with which we are familiar. In the extension of credits care must be exercised that it be done only on a sound basis.

The Crops of 1919.

Weather conditions were far from satisfactory to farmers of the Tenth Federal Reserve District during the months their field crops were in the making, but from a careful survey of the results of their efforts,

it would seem that 1919 has been a fairly good year so far as production is concerned. The Government's reports for September give the combined percentage of all crops of the states of this district (100% representing an average crop) as follows: Colorado 89.3%; Kansas 111.4%; Nebraska 115.1%; New Mexico 108.3%; Missouri 107%; Oklahoma 129.8%; Wyoming 65.3%.

The contribution to the world food supply this year, by the states of Colorado, Kansas, Nebraska, Oklahoma, Wyoming, the western nineteen counties of Missouri and the northern ten counties of New Mexico, all of which constitute the Tenth Federal Reserve District, will be close to 289,742,000 bushels of winter and spring wheat, 356,727,000 bushels of corn and 206,590,000 bushels of oats. This is approximately 91,000,000 bushels more of wheat, 118,000,000 bushels more of corn and 41,000,000 bushels more of oats than were produced in 1918. The district has also produced this year its largest crop of barley, estimated at 30,000,000 bushels as of September 1st condition, while rye production is expected to reach 10,000,000 bushels. Grain sorghums raised this year are estimated at 63,837,000 bushels, while syrup sorghums grown are sufficient to make 1,545,000 gallons of syrup.

The sugar beet acreage this year is 60% larger than in 1912, and the yield indicated on this acreage in Colorado, Wyoming, Nebraska and Kansas is not expected to fall far short of 3,000,000 tons of beets which, on the basis of 262½ pounds sugar extraction to the ton, would indicate about 787,800,000 pounds of beer sugar.

The bean crop is estimated at 1,093,000 bushels and peanuts to the quantity of 620,000 bushels are expected to be harvested this year. Oklahoma now promises a yield of 800,000 to 900,000 bales of cotton on 2,456,000 acres. The potato crop of the district is estimated at 30,482,000 bushels, sweet potatoes at 2,731,000 bushels, rice at 6,844,000 bushels, broom corn at 57,600 tons.

Apples are estimated at 3,702,000 bushels, peaches at 2,325,000 bushels and pears at 546,000 bushels.

These estimates do not include the vast production of alfalfa, clover, tame and wild grasses, amounting to many millions of tons, nor does it include a big crop of watermelons, cantaloupes, and other crops of the fields and gardens.

The wheat acreage sown this fall will be considerably reduced, due to the unfavorable soil conditions for fall plowing and seeding, and to a desire on the part of many of the farmers to return to their pre-war plan of diversified farming.

Grain Movement and Prices.

Since the 1919 crop of wheat began to move marketward the receipts at the terminal centers of this district have been in larger volume than last year, the increase varying from 15% to 35% at different centers. As a consequence there have been large accumulations of wheat stocks in elevators, in addition to a large shipping demand. Since the heavy run of wheat began grain has been shipped, except at brief intervals, under the blanket permit system, owing to the congestion of railroad yards, which was largely due to inadequacy of cars for out-shipments of grain, flour and mill-feed. Receipts of oats are also about one-half the volume of a year ago at this time.

The large receipts and accumulated supplies of wheat brought about a lower range of prices this month, dark hard wheat commanding not more than 10c premium above the Government guarantee, with large quantities of wheat selling at the guaranteed price. Abundant supplies in sight, despite substantial reductions from the early estimate, brought a downward turn to corn prices. From the high levels obtaining early in August around \$2 basis, September corn dropped to \$1.40 by September 16th. September oats at the same date, were down to 67c, a decline of 9c from the selling price on August 15th.

With a generally satisfactory demand, and orders booked for thirty to sixty days ahead, the flour mills of the district are operating this month at a little below full capacity and millers have not been pushing sales. Prices have shown some slight weakening in the past four weeks. On September 16th carlot quo-

tations (Kansas City) on hard wheat flour were, per barrel, as follows: Short patent \$10.40@10.70; Long patent \$10.00@10.40; Straight \$9.50@10.00; Clears \$7.50@9.50; Low grade \$6.50@7.00.

Live Stock Movement.

The heavy fall movement of cattle which started about the middle of August brought the receipts for that month up to within 20,542 of the high August record of last year, the movement continuing through September to date with a supply slightly in excess of the corresponding period last year. August receipts of hogs were 256,188 less than in August a year ago, and for the first half of September the supply at the six markets has been about the same as at this time last year. Receipts of sheep have been unprecedentedly heavy this year, the August marketings totaling 1,149,075 at the six markets, of which Omaha received 687,071. Following are the official receipts at the six markets combined for the month of August of this year and last year:

	August, 1919	August, 1918
Cattle	599,715	620,257
Calves	86,543	62,654
Hogs	433,497	639,685
Sheep	1,149,075	647,384
Horses and mules.....	19,750	15,750

The increase of common to fair kinds of cattle was reflected in sharp declines in prices which had a tendency to weaken the price on choice grass fed cattle. The supply of prime finished fed steers was hardly up to the demand and prices on this grade were not materially affected, the top price for the month being \$19, and around \$18.50 at the close of the month, about the same on September 16th.

The hog market in August was uneven, opening with prices well above \$22 and closing at \$19.50. Further declines and demoralization came during the first half of September as a result of diminishing export demand and unsettled feeling in the meat trade. By September 6th packers' droves were selling at \$19.02; one week later they sold at \$16.23; on September 16th they were sold at \$16.75@17.25.

Mutton prices have shown a downward tendency, the big movement from the ranges having started two weeks earlier than last year. Choice range lambs sold up to \$17.75 at the middle of August and at the close of the month the extreme top was \$15, while native lambs were \$2.50@3.00 lower. A strong killing demand in September checked further sharp declines and on September 16th the best western lambs were \$15.25 and natives \$14.50.

Packers' operations in August, as compared with the record for August, 1918, as shown by their purchases of meat, were:

	August, 1919	August, 1918
Cattle	273,460	293,136
Calves	53,894	35,545
Hogs	341,078	462,890
Sheep	315,015	232,858

With an increased supply of rough feed in the country and pastures freshened by seasonal rains, conditions for feeding live stock were materially improved in the district.

Petroleum.

Production of oil from the wells of this district has been maintained at its highest stage during the last six weeks or two months. The average daily flow from the Kansas wells has been on the up-grade, until it is now above 84,500 barrels a day and increasing steadily. Oklahoma wells are flowing a daily output of around 222,000 barrels. In the Wyoming-Colorado fields the production is now more than 40,000 barrels daily.

Reports of developments in the month of August, which are now available, show a good increase of completed wells and of new daily production. While there were fewer rigs being installed in that month there was a substantial increase in the number of new wells in process of drilling. The record of development for August, with figures for July for comparison, follows:

	No. Wells Completed	Brls. Daily New Prod.	New Wells Rigs Drilling
Kansas	397	19,655	150 360
Oklahoma	747	53,866	463 1,088
Wyoming	27	5,500	131 303
August total ..	1,171	79,021	744 1,751
July total	1,092	68,864	780 1,694
Inc. or dec.....	79	10,157	36 57

The oil shale areas in the western part of Colorado are attracting attention of capitalists and it is creditably reported that plans are being made for the erection of plants in Garfield county near DeBeque and Grand Valley.

Mining.

There was quite a little improvement in metal mining conditions in Colorado during August. The evidence of this is not so much in any great increase in production as in renewed interest in mining, which is shown by several important deals in mining property throughout the state which are now pending or have recently been consummated. The rare metal mines, with the exception of those producing carnotite, are still inactive, awaiting Congressional action on the tariff bills mentioned in the Bulletin last month.

In the Missouri-Kansas-Oklahoma district there was a slowing down of the market for zinc ores in August from the promise of the preceding month which reflected on the general economic situation. This came largely as a result of the difficulty of obtaining cars for shipping out the ore purchased, the market range being dependent on the movement of ore. The range for zinc blende ores was \$45 to \$50 per ton for the month, closing with \$46 for the high grades and \$45 for second grades. The average price for calamine was \$29.48 for the month. Shipments of blende ores totaled 34,148 tons and of calamine ores 892 tons for the month. Production grew noticeably during the month and unless shipments reach very much greater tonnages the surplus stocks will again reach beyond record heights.

Lead ores were decidedly strong all month, the range being \$62.50@70.00, closing strong. Some outside buying brought the price up to \$70, local buyers holding their bids to \$65. Many mines have again started up operations and production is rated close to 8,800 tons weekly.

How long this will continue is a mooted question in view of the fact that it is impossible to obtain cars for shipment. The cars that are supplied are being repaired by the shippers in order to get out the ore. The lumber bill for car repairs was very large. Any car that can be pressed into service is used, no matter what it costs the shipper to repair it.

The situation in the coal mining districts, while showing some improvement as to production, is still causing much uneasiness, due to the fear of a tie-up of more of the mines by strikes now threatened, which would mean further curtailment of production and increased shortage of coal for the coming winter. Lack of cars for shipment of coal also adds to the gravity of the situation as to the winter supply.

Building.

The high speed at which building has been maintained since the beginning of the season—in the face of high prices for material and labor and a shortage of both—promises to continue to the end of the year, although there is a fear that many large projects calling for steel in their construction may be interfered with by the pending strike of steel workers. The August activity closely parallels that of July and the volume is but slightly below that of June, as disclosed by the number of permits issued and the estimated cost of construction. The percent of increase over the corresponding month of last year, however, is very large, for the reason that little was doing in building in August, 1918, when all America was bending itself to the task of ending the war quickly and with victory to the allied forces. The number of permits for buildings issued in August in fifteen cities of this district, together with the estimated cost of their construction, is shown in the following, which is a summary of the reports from the fifteen cities named—and indicates what is going on in the smaller cities and towns everywhere in the district:

	Permits Issued	Est. Cost	Pct. Inc.
Kansas City, Mo.....	395	\$1,122,255	304
Tulsa, Okla.	192	871,885	452
Omaha, Nebr.	160	783,110	151
Denver, Colo.	278	690,900	209
Oklahoma City, Okla..	127	590,035	439
Kansas City, Kans....	47	583,020	2079
Lincoln, Nebr.	52	461,700	1632
Okmulgee, Okla.	62	440,400	386
Wichita, Kans.	112	316,705	63
St. Joseph, Mo.....	49	58,910	*37
Pueblo, Colo.	53	84,700	212
Topeka, Kans.	41	52,443	250
Joplin, Mo.	21	31,675	*9
Muskogee, Okla.	10	19,050	4662
Colorawo Spgs., Colo..	24	11,781	104
August, 1919, record..	1623	\$6,118,569	288

For the eight months of 1919 now passed the reports of the cities included in the above show a total of 12,370 permits issued for the erection of buildings of an estimated cost of \$35,242,219. Compared with the record of the first eight months of 1918, which was the lowest for years on account of the war, the 1919 figures show an increase of 6,303 permits and an increase of \$17,395,931 in the cost of construction, the increase being nominally 100%. Still it is asserted on every hand that building is seriously retarded by

high prices of material and labor, a shortage of building mechanics, and the volume reflected by the reports for the present year is far below what it would be were conditions more satisfactory.

The Labor Situation.

While most of the local strikes at the various cities and industrial centers of this district have been settled on terms generally satisfactory to both sides, and while but few strikes of consequence are now pending, the general situation is far from being easy. The proposed nation-wide steel strike, if it comes, would seriously affect supplies for many industrial plants in this district, as well as the steel plants here, in addition to tying up construction calling for the use of steel. A strike of mine workers is now threatened and if not averted and it should become general, it would cut short the supply of coal at a time when every pound is needed for winter fuel and to keep the industries and railroads going.

Reports indicate that there is a great shortage in many parts of the district of skilled labor while there is practically full employment of common labor. The labor situation at the mines and in the oil fields is becoming easier and the railroads are less hampered now by shortage of help. But generally the reports agree that there is plenty of work for everybody in sight for many weeks to come.

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

RESOURCES

	At Close of Business	
	Sept. 12, 1919	Sept. 19, 1919
Gold Coin and Certificates....	\$ 152,662.50	\$ 209,662.50
Gold Settlement Fund F. R. Bd.	16,217,331.02	26,825,097.23
Gold with F. R. Agt.....	40,226,755.00	35,678,800.00
Gold Redemption Fund.....	5,088,677.20	4,581,432.20
Gold with Foreign Agents...		2,183,053.74
Legal Tender Notes, Silver, etc.	219,552.00	319,819.00
Bills Discounted:		
Secured by Govt. War Obligations	44,959,468.37	41,455,202.84
All other	27,595,847.78	34,530,559.43
Bills Bought in open market..	25,243,687.39	18,590,825.76
U. S. Govt. Bonds.....	8,867,700.00	8,867,700.00
U. S. Cert. of Indebtedness..	11,802,500.00	12,609,000.00
Bank Premises	401,535.86	401,535.86
Uncollected Items and Other Deductions from Gross Dep.	79,131,571.95	88,841,621.40
5% Redemption Fund Against F. R. Bank Notes.....	891,840.00	891,840.00
All Other Resources.....	508,489.68	553,374.25
Total Resources	\$261,307,668.75	\$274,489,527.22

LIABILITIES

	At Close of Business	
	Sept. 12, 1919	Sept. 19, 1919
Capital Paid In.....	\$ 3,903,700.00	\$ 3,904,400.55
Surplus	3,957,137.55	3,957,137.55
Government Deposits	4,198,172.13	5,374,603.15
Due to Members, Res. Act....	78,275,365.36	82,741,628.37
Other Deposits	4,245,159.87	3,977,907.15
Deferred Availability Items...	54,632,345.88	61,016,645.20
F. R. Notes in Actual Circulation	93,486,315.00	94,683,460.00
F. R. Bk. Notes in Actual Circulation	17,240,600.00	17,393,500.00
All Other Liabilities.....	1,368,872.93	1,440,245.80
Total Liabilities	\$261,307,668.75	\$274,469,527.22

OTHER TOTALS

Total Gold Reserves.....	\$ 61,905,027.72	\$ 69,747,864.67
Total Earning Assets.....	118,469,203.54	116,053,288.03
Total Gross Deposits.....	141,351,043.24	153,110,783.87
Ratio of Total Reserves to Net Deposit and F. R. Notes Liabilities Combined	39.7%	43.3%
Ratio of Gold Res. to F. R. Notes in Actual Circulation After Setting Aside 35% Against Net Deposit Liabilities	42.9%	49.1%

CLEARINGS

Total Clearings for Week....	\$248,742,817.75	\$268,464,063.96
Total Number of Items Handled.	681,186	631,161