

MONTHLY REVIEW

Agricultural and Business Conditions

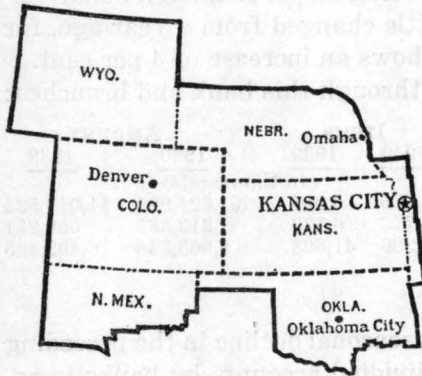
TENTH FEDERAL RESERVE DISTRICT

VOL. 25, No. 8

FEDERAL RESERVE BANK OF KANSAS CITY

AUGUST 30, 1940

Business in the Tenth Federal Reserve District



Very dry and hot weather in July greatly damaged the corn crop but general rains in August have improved the farm outlook. Wheat prices remain weak while those of corn and livestock generally continue strong. Farm income recently has fallen below last year.

Retail and wholesale distribution and life insurance sales in July showed sizable gains over a year ago. Inventories tend to rise. Building activity is at a relatively high level, owing to increased public works construction and residential and commercial building.

Petroleum production and livestock slaughter continue under a year ago, but output of flour has increased and that of coal and zinc remains much above last year. Zinc prices are stronger.

Bank loans and deposits have declined in recent weeks while investments have tended to rise. Check transactions are little changed from last year.

BUSINESS INDICATORS	JULY 1940 COMPARED WITH JULY 1939					7 MOS. 1940 COMPARED WITH 7 MOS. 1939						
	% DECREASE		% INCREASE			% DECREASE		% INCREASE				
	40	30	20	10	10	20	30	40	10	20	30	40
Financial												
Bank Debits												
F. R. Bk. Clearings												
Mem. Bk. Loans												
Mem. Bk. Invest.												
Demand Deposits												
Life Ins. Sales												
Trade												
Wholesale Sales												
Retail Sales												
Dept. Store Sales												
Lumber Sales												
Marketings												
Wheat												
Corn												
Oats												
Cattle												
Calves												
Hogs												
Sheep												
Production												
Flour												
Cattle Slaughter												
Calf Slaughter												
Hog Slaughter												
Sheep Slaughter												
Crude Petroleum												
Bituminous Coal												
Zinc Ore Shipments												
Lead Ore Shipments												
Construction												
Total Awards												
Res. Awards												
Value of Permits												
Miscellaneous												
Rainfall												
Cash Farm Income *												
Employment												
Pay Rolls												

*For previous month

Member Bank Operations

The rapid rise in loans at reporting member banks in the Tenth District during the forepart of July leveled off toward the end of the month and loans declined slightly in the first two weeks of August. The decrease was in commercial loans which previously had shown less than the usual seasonal increase incident to wheat financing. Holdings of Government securities have been little changed in recent months, an increase during the four weeks ending August 14 reflecting sizable purchases of newly issued Government bonds and obligations guaranteed by the Government. Holdings of "other" securities, which had declined substantially since late May, increased slightly during this period. Loans are 12 per cent above and investments 2 per cent below a year ago.

Adjusted demand deposits at reporting member banks rose to a new high level at the middle of August. Interbank deposits and correspondent balances, however, showed a substantial decrease, and reserve balances carried at this bank declined somewhat from their high point of four weeks earlier. Interbank deposits and correspondent balances are little changed from a year ago but adjusted demand deposits are 8 and reserve balances 12 per cent larger.

Principal items of condition of 51 member banks:

	Change from		
	Aug. 14 1940	July 17 1940	Aug. 16 1939
	(In thousands of dollars)		
Loans and investments—total.....	689,169	+7,254	+24,846
Loans—total.....	305,854	-524	+33,344
Coml., indust., agric.....	178,713	-2,436	+17,161
Open market paper.....	21,780	+757	+2,425
To security brokers and dealers	3,384	+12	-973
Other to purchase or carry secur.	9,367	-185	-724
Real estate loans.....	29,696	+253	+4,647
Loans to banks.....	491	+12	+83
All other loans.....	62,423	+1,063	+10,725
Investments—total.....	383,315	+7,778	-8,498
U. S. Treasury bills.....	12,403	-4,839	+7,691
U. S. Treasury notes.....	67,739	+52	-13,677
U. S. Govt. bonds.....	92,178	+3,249	-18,545
Oblig. guar. by U. S. Govt.....	75,838	+8,576	+14,768
Other securities.....	135,157	+740	+1,265
Reserve with F. R. Bank.....	202,431	-4,323	+20,897
Balances with domestic banks.....	318,942	-10,344	+1,197
Demand deposits—adjusted.....	562,004	+5,838	+42,929
Time deposits.....	145,277	-532	+2,079
U. S. Govt. deposits.....	19,160	+1,676	-3,988
Interbank deposits.....	416,457	-13,885	+5,876

Reserve Bank Operations

The rapid rise since last May in note circulation of this bank continued into August, circulation reaching a new high level of 194 million dollars in the first week of the month. During the first half of August, circulation averaged 193½ million as compared with 190¾ million in July, 186⅓ million in June, and about 182¾ million during the three preceding months. Circulation is nearly 20 million above a year ago and more than 27 million above two years ago.

Principal items of condition of the Federal Reserve Bank of Kansas City and branches:

	Change from		
	Aug. 14 1940	July 17 1940	Aug. 16 1939
	(In thousands of dollars)		
Total reserves.....	416,211	+19,880	+20,748
Bills discounted.....	302	-17	+3
Bills purchased.....	Zero	Zero	-16
Industrial advances.....	193	-1	-12
Commit. to make indust. adv.....	152	-7	-466
U. S. Govt. sec., direct & guar....	115,594	-128	-5,116
Total assets.....	572,127	+17,666	+15,293
F. R. notes in circulation.....	193,171	+1,924	+19,647
Member bank reserve deposits....	276,351	-6,269	+16,336

Dollar volume of check collections rose considerably more than is usual during July. Although dollar volume for July was little changed from a year ago, for the year to date it shows an increase of 4 per cent.

Check collections through this bank and branches:

	ITEMS		AMOUNT	
	1940	1939	1940	1939
	(In thousands)			
July.....	6,055	6,068	\$1,021,985	\$1,017,525
June.....	5,773	6,170	913,385	950,251
Seven months.....	41,290	41,608	6,665,346	6,402,425

Bank Debits

Following a contraseasonal decline in the preceding month, debits to individual accounts by banks in reporting centers of the District increased more than is usual during July. Volume of July payments by check was little different from last year in contrast with an increase of 4 per cent for the year to date.

Payments by check in thirty District cities:

	July		Change from 1939	
	1940	7 Mos. 1940	July	7 Mos.
	(Thousand dollars)		(Per cent)	
Albuquerque, N. M.....	17,241	117,024	+13.0	+11.7
Atchison, Kans.....	3,737	20,981	+4.0	+3.3
Bartlesville, Okla....	27,508	191,192	-10.7	-1.9
Casper, Wyo.....	6,192	41,818	+6.1	+4.4
Cheyenne, Wyo.....	8,889	58,633	+6.9	+4.3
Colo. Springs, Colo....	14,752	92,086	+0.4	+0.9
Denver, Colo.....	153,996	1,068,647	-1.1	+2.4
Emporia, Kans.....	3,489	21,190	+5.6	+0.7
Enid, Okla.....	15,810	80,307	-0.6	+4.8
Fremont, Nebr.....	2,784	19,646	+5.4	+6.8
Gr. Junction, Colo....	3,610	25,329	Zero	+3.2
Guthrie, Okla.....	1,453	9,954	-9.1	-5.9
Hutchinson, Kans....	16,003	89,650	+5.9	+13.5
Indep., Kans.....	2,821	18,787	-5.7	-7.5
Joplin, Mo.....	9,209	64,885	-3.3	-0.2
Kansas City, Kans..	18,775	122,035	-2.5	+5.1
Kansas City, Mo.....	362,104	2,239,844	+2.1	+9.2
Lawrence, Kans.....	4,323	25,366	+10.9	+4.2
Lincoln, Nebr.....	29,076	198,724	-0.6	+3.6
Muskogee, Okla.....	7,236	50,754	-3.8	-5.2
Okla. City, Okla....	99,200	697,914	-5.4	-3.4
Oklmulgee, Okla.....	2,482	18,702	-2.5	+6.6
Omaha, Nebr.....	152,023	995,382	+3.0	+2.3
Pittsburg, Kans.....	3,844	26,465	+9.1	+6.4
Pueblo, Colo.....	13,770	93,575	-9.8	-2.8
Salina, Kans.....	11,473	62,608	+3.4	+7.6
St. Joseph, Mo.....	28,174	189,117	-5.2	+3.8
Topeka, Kans.....	22,348	142,416	-3.2	+4.7
Tulsa, Okla.....	132,370	934,911	+4.8	+5.0
Wichita, Kans.....	51,899	318,508	+0.1	+4.4
District, 30 cities....	1,226,591	8,036,450	+0.6	+4.2
U. S., 274 cities.....	35,947,000	253,741,000	+8.1	+5.7

Trade

RETAIL SALES

Dollar volume at reporting department stores in the District declined considerably less than is usual during July and sales for the month were 6 per cent above a year ago. This was the first sizable gain for any month since early in the year, total sales for the first seven months of 1940 showing an increase of only 2 per cent over 1939. In the first half of August, sales were 2 per cent larger than last year. Retail prices, according to the Fairchild Index, continue at a level about 4 per cent above a year ago.

Stocks of merchandise declined less than is usual during July and inventories, which at the end of June had been little changed from a year ago, at the end of July were about 3 per cent larger than last year. Collections on open accounts averaged 45.7 per cent in July against 45.2 a year ago, while installment collections averaged 16.3 and 15.8 per cent, respectively.

Department store sales and stocks in leading cities:

	SALES			STOCKS	
	No. of Stores	July '40 comp. to July '39	7 Mos.'40 comp. to 7 Mos.'39	July 31, '40 comp. to June 30, '40	July 31, '39
	(Per cent increase or decrease)				
Denver.....	4	+5.0	+3.5	+0.6	+5.7
Kansas City.....	5	+6.0	+2.1	-5.3	+0.4
Oklahoma City...	3	+6.5	-0.7	-6.5	+4.9
Tulsa.....	4	+15.1	+7.7	-6.7	+0.5
Wichita.....	3	+3.9	+3.6	....	....
Other cities.....	18	+3.6	+0.2	-8.7	+1.6
District.....	37	+5.9	+2.3	-4.9	+2.5

Total retail sales in the District in July were about 4 and in the first seven months of the year 3 per cent larger than in the corresponding periods a year ago.

Sales of independent retail stores reported by the Bureau of the Census:

	July 1940 per cent change from July 1939						
	Colo.	Kans.	Mo.	Nebr.	N.Mex.	Okla.	Wyo.
Apparel.....	-2.0	+7.3	+4.6	-2.2	+10.2	-0.3	+4.0
Automobile....	-1.2	-4.4	+10.3	+3.6	+6.4	+6.1	+17.6
Country genl....	-6.0	-5.2	-1.3	+0.5	-6.5	-10.2	+4.2
Department....	+9.9	+3.2	+11.0	+3.6	....	+9.2	....
Drug.....	-1.2	-0.9	+1.1	-4.1	+5.3	-3.2	-1.6
Furniture.....	+20.0	+4.1	+2.3	-6.1	....	+2.0	....
Grocery.....	-9.3	-1.0	-1.1	-3.1	+2.6	-3.2	-3.2
Hardware.....	+2.2	+6.6	+7.9	+13.0	....	+2.2	....
Lbs. & mtls....	-2.6	+17.5	+14.6	+0.4	-5.3	+7.5	+6.2
Total.....	-1.5	+0.6	+7.9	+1.1	+0.9	+3.3	+2.9

WHOLESALE SALES

The value of wholesale sales in this District, which in June had dropped 3 per cent under a year ago, in July was 6 per cent larger than last year, with virtually all lines sharing in the increase. Total sales for the first seven months of 1940 show a gain of 4 per cent over 1939. Inventories continue at a level nearly 8 per cent above a year ago. Collections in July averaged 74.0 per cent as compared with 74.6 per cent in the same month last year.

Wholesale sales and stocks reported by the Bureau of the Census for this District:

	No. of Firms	SALES		STOCKS	
		July '40 comp. to July '39	7 Mos.'40 comp. to 7 Mos.'39	July 31, '40 comp. to June 30, '40	July 31, '39
	(Per cent increase or decrease)				
Auto. supplies.....	17	+8.0	+12.8	+0.7	+12.1
Clothing.....	4	+14.3	....	+33.3	-9.7
Drugs.....	10	+4.1	+4.8	+3.9	+4.2
Dry goods.....	4	+16.8	+4.7	+36.3	+10.7
Electrical goods...	15	+1.9	+17.1	-0.2	+14.2
Farm products....	12	+13.4	+16.1	-6.1	-9.8
Furniture.....	4	+5.0	....	+5.2	+7.6
Groceries.....	34	+7.6	-0.1	-0.4	+7.6
Hardware—total (17)		+7.3	+4.1	-0.4	+0.6
General.....	5	+11.2	....	-0.8	+0.7
Industrial.....	6	-2.1	-1.5	....	....
Plbg. & htg.....	6	+8.6	+4.1	+5.8	-1.8
Jwelry. & opt. gds.	3	+26.3	....	+8.3	+9.3
Machinery.....	6	+13.9	+22.9	+7.0	+19.8
Paper and prod....	5	+5.6	+8.0	+5.2	+11.8
Tobacco & prod....	6	Zero	+1.4	....	....
All other lines.....	19	-2.4	+2.3	+6.4	+13.8
Total.....	156	+6.4	+4.0	+3.1	+7.8

Crops

The corn prospect in this District declined 17 per cent in July because of abnormally high temperatures and dry weather during the last half of the month when a large part of the crop was in the critical tasseling stage. Earlier fair prospects in north-central Kansas and south-central Nebraska were reduced to a near failure. Per acre yields in Nebraska are much below the average from 1929 to 1938 and production in both Nebraska and Kansas is only about half of average, owing to substantial declines in acreage in recent years as well as to below-normal yields. Rains and cooler weather since the first of August have greatly benefited corn in the extreme eastern parts of Nebraska and Kansas but the crop is late and may experience frost injury. In Oklahoma, the bulk of the crop was sufficiently advanced to escape the adverse hot, dry weather. Per acre yields in that state are heavy and production is above average.

Department of Agriculture corn estimates:

	Aug. 1 1940	July 1 1940	Final 1939	Aver. '29-'38
		(In thousands of bushels)		
Colorado.....	8,517	8,350	8,043	14,838
Kansas.....	33,264	49,896	37,220	67,786
Missouri.....	98,325	110,124	122,641	107,653
Nebraska.....	75,175	102,238	82,032	149,599
New Mexico.....	2,225	2,492	2,552	2,847
Oklahoma.....	37,540	35,663	27,216	33,168
Wyoming.....	1,944	1,944	1,771	2,107
Seven states.....	256,990	310,707	281,475	377,998
United States.....	2,248,246	2,415,998	2,619,137	2,299,342

The recent rains were also beneficial to grain sorghums, sugar beets, dry beans, and other late crops that withstood the drought and hot weather.

July rainfall in Kansas averaged only 49, Missouri 42, Nebraska 56, Colorado 73, and New Mexico 59 per cent of normal, while in Wyoming it was 92 and in

Oklahoma 116 per cent of normal. The situation in Nebraska is accentuated by the fact that rainfall for the three months, May through July, was only 54 and for the six months, February through July, only 68 per cent of normal.

Rainfall

	July 1940		7 Mos. 1940	
	Total	Normal	Total	Normal
	(In inches)			
COLORADO				
Denver.....	.62	1.68	7.65	9.30
Leadville.....	2.79	2.99	11.20	11.53
Pueblo.....	1.01	1.94	6.44	7.58
Lamar.....	1.94	2.64	10.56	10.63
Garnett.....	1.14	1.24	3.94	3.84
Steamboat Springs.....	1.62	1.72	16.37	14.07
KANSAS				
Topeka.....	.08	4.27	14.13	20.73
Iola.....	.51	3.60	20.70	22.91
Concordia.....	1.03	3.78	8.18	17.45
Salina.....	.21	3.02	12.54	16.95
Wichita.....	.94	3.38	21.33	18.91
Hays.....	4.21	3.17	12.45	15.10
Goodland.....	4.55	2.58	12.48	11.97
Dodge City.....	1.52	3.14	14.33	13.34
Elkhart.....	1.02	3.02	11.86	10.58
MISSOURI				
St. Joseph.....	2.67	3.78	18.67	22.11
Kansas City.....	.80	4.13	17.46	22.45
Joplin.....	2.46	4.62	21.56	27.72
NEBRASKA				
Omaha.....	1.56	3.54	12.78	17.34
Lincoln.....	2.02	3.85	11.79	17.68
Norfolk.....	1.80	3.58	20.55	18.06
Grand Island.....	1.66	3.55	8.16	16.67
McCook.....	2.03	3.10	12.59	12.88
North Platte.....	.66	2.74	6.70	12.60
Bridgeport.....	2.42	1.98	7.84	11.12
Valentine.....	2.51	3.01	10.54	12.63
NEW MEXICO				
Clayton.....	1.12	2.77	4.68	10.28
Santa Fe.....	.72	2.38	8.02	8.04
Farmington.....	.65	1.39	4.25	4.80
OKLAHOMA				
Tulsa.....	2.66	3.31	28.26	24.14
McAlester.....	4.65	3.06	24.76	26.55
Oklahoma City.....	5.21	2.86	20.68	18.98
Pauls Valley.....	7.05	2.83	27.21	21.41
Hobart.....	2.27	2.54	11.25	17.19
Enid.....	3.00	2.74	13.72	18.42
Woodward.....	3.05	2.93	13.43	15.63
WYOMING				
Cheyenne.....	2.87	2.10	9.20	10.24
Casper.....	.60	1.10	5.24	9.85
Lander.....	.27	.69	7.80	8.58
Sheridan.....	.89	1.22	9.68	10.56

Grain Marketing

Marketings of new crop wheat, after a late start, were heavy during July, exceeding the average for that month during the past ten years by 31 per cent and, together with the large carry-over of the 1939 crop, taxing terminal storage facilities. As in the preceding month, an unusually large proportion of wheat receipts went into storage for Government loans. Corn marketings in July also were heavy, being about five times what they were a year ago and nearly double the ten-year average. Supplies of "free" corn, however, are very limited, most of this movement representing a transfer of Federal corn from farm to market storage.

July grain receipts at five District markets:

	Wheat	Corn	Oats
	(In bushels)		
Hutchinson.....	7,842,000	....	....
Kansas City.....	41,288,000	842,000	52,000
Omaha.....	8,939,000	4,898,000	16,000
St. Joseph.....	6,944,000	324,000	134,000
Wichita.....	9,112,000	1,000	....
July 1940.....	74,125,000	6,065,000	202,000
June 1940.....	8,963,000	2,459,000	152,000
July 1939.....	61,823,000	1,220,000	1,165,000
7 Mos. 1940.....	113,734,000	16,784,000	3,083,000
7 Mos. 1939.....	133,569,000	11,183,000	6,300,000

Cash wheat prices weakened further in July and the first half of August. The cash price of wheat is now considerably below the Federal loan level and tends to be depressed by large total domestic supplies and a limited export and milling demand. Supporting factors include the decreasing amount of "free" wheat available for processing and the relatively high level of corn prices.

The lower range of cash grain prices at Kansas City:

	Aug. 24	July 31	June 29	July 31
	1940	1940	1940	1939
No. 1 hd., dk. wheat, bu..	\$.67 $\frac{1}{4}$	\$.71 $\frac{1}{4}$	\$.70 $\frac{1}{4}$	\$.66 $\frac{1}{2}$
No. 2 mixed corn, bu.....	.64 $\frac{1}{2}$	.66	.62 $\frac{1}{2}$	.44
No. 2 white oats, bu.....	.27	.30	.31 $\frac{1}{2}$	.28 $\frac{1}{2}$
No. 2 rye, bu.....	.42	.45	.38	.43 $\frac{1}{2}$
No. 2 barley, bu.....	.41	.47	.40	.39 $\frac{1}{2}$
No. 2 white kafir, cwt....	1.05	1.13	1.29	1.06

Livestock

MARKETINGS

Marketings of cattle, calves, and sheep increased considerably and hog marketings declined as is usual during July. Receipts of cattle were 7 per cent larger than a year ago, but those of calves were 7 and of sheep 14 per cent smaller, while hog receipts were little changed from last year. Marketings of cattle and calves were about 5, hogs 20, and sheep 10 per cent below the July ten-year average.

July livestock receipts at six District markets:

	Cattle	Calves	Hogs	Sheep
	Denver.....	25,807	3,411	36,993	183,440
Kansas City.....	111,986	23,226	138,408	76,856
Oklahoma City.....	47,446	17,851	30,178	24,133
Omaha.....	108,073	10,379	128,931	144,525
St. Joseph.....	26,600	4,953	66,340	51,160
Wichita.....	22,974	4,437	24,687	12,245
July 1940.....	342,886	64,257	425,537	492,359
June 1940.....	239,116	48,655	509,212	454,327
July 1939.....	321,623	69,233	423,113	569,565
7 Mos. 1940.....	1,852,366	335,549	3,782,763	3,492,865
7 Mos. 1939.....	1,965,021	371,719	2,892,303	3,768,023

PRICES

Livestock prices, which had advanced strongly during the forepart of July, declined somewhat after the middle of the month. Principal weakening factors were increased marketings, a seasonal deterioration in the quality of receipts, which included a liberal proportion of stocker and feeder grass cattle and lambs, and a sharply curtailed consumer demand for meat because of extremely hot weather. The late July de-

cline in cattle and hog prices was very moderate in comparison with the preceding rise but the decline in lamb prices was severe, owing in part to the fact that lamb prices since last March had held at a relatively high level for the season. In the second week of August, following a period of lighter marketings and after cooler weather and rains had revived pastures, livestock prices again turned upward. The rise was especially marked for grain-fed steers, which advanced to the highest level since last spring, and for hogs, which reached the highest level since last October, while lamb prices recovered substantially.

Top livestock prices at the Kansas City market:

	Aug. 24 1940	July 1940	June 1940	July 1939	July 1938	July 1937
(In dollars per hundredweight)						
Beef steers.....	11.90	11.50	11.00	10.25	12.35	16.65
Stocker cattle.....	10.00	9.75	10.50	10.00	9.10	10.00
Feeder cattle.....	10.25	10.00	10.00	9.00	10.50	13.25
Calves.....	10.00	9.50	9.50	10.00	9.00	10.00
Hogs.....	6.95	6.80	5.50	7.05	10.05	12.75
Sheep.....	7.75	8.25	7.00	7.75	6.50	8.50
Lambs.....	9.65	10.75	10.75	10.15	9.35	11.10

STOCKERS AND FEEDERS

Shipments of stocker and feeder livestock from markets to the country continued heavy through July, with shipments of cattle 31, calves 13, and sheep 24 per cent above the July average of the past ten years.

July stocker-feeder shipments from four markets:

	Cattle	Calves	Hogs	Sheep
Denver.....	5,038	509	146	20,393
Kansas City.....	46,172	10,306	2,192	13,276
Omaha.....	24,390	4,197	889	43,062
St. Joseph.....	5,585	888	1,161	4,847
July 1940.....	81,185	15,900	4,388	81,578
June 1940.....	44,227	13,710	4,362	43,484
July 1939.....	58,113	16,300	4,260	79,849
7 Mos. 1940.....	416,469	96,773	35,245	387,343
7 Mos. 1939.....	435,472	97,658	29,566	402,614

On August 1, the number of cattle on feed for market in Nebraska was 6, Kansas 15, and Missouri 16 per cent smaller than a year ago, while in Colorado the decrease measured 15 to 20 per cent. These decreases reflect the general unprofitableness of feeding operations this year, resulting from the scarcity and relatively high price of "free" corn in some areas and from the relatively high price of feeder cattle. In addition, prospects for a corn crop in some sections are rather poor. The number on feed in Missouri is about a third and in Kansas a tenth of what it was in 1933.

RANGES AND PASTURES

Extremely dry, hot weather in July caused stock water shortages and a further sharp decline in the condition of ranges and pastures in southern Wyoming, eastern Colorado, northeastern New Mexico, and the western parts of Nebraska, Kansas, and Oklahoma. Cooler weather and rains toward the end of July and in the forepart of August partially relieved this situation in some sections and improved the outlook for fall and winter ranges. There is a good crop

of dry, matured feed in northern Wyoming, western Colorado, and in central and eastern Oklahoma. Live-stock continues generally in good condition, with but little forced selling due to short feed. A strong local demand for cattle is reported, and fall marketings are expected to be smaller than last year. Contracting of feeder lambs for fall delivery to Corn Belt and western feeders remains rather limited, owing in part to smaller feed production in the western Nebraska and Colorado lamb feeding areas.

WOOL

The 1940 wool clip in this District was about 2 per cent larger than last year and nearly 8 per cent above the 1929-1938 average, reflecting an increase both in the number of sheep shorn and in the average weight per fleece. Prices at western wool auctions late in July averaged 26 to 28 cents a pound, grease basis, which was about on a parity with Boston prices and 5 to 9 cents a pound higher than prices obtained for the 1939 clip. The Boston wool market was very dull during the first three weeks of July but late in the month and early in August trading improved sufficiently to check a declining tendency in prices.

Department of Agriculture shorn wool estimates:

	WOOL PRODUCTION			SHEEP SHORN		
	1940	1939	Aver. '29-'38	1940	1939	Aver. '29-'38
	(Thousand pounds)			(Thousand head)		
Colorado.....	14,170	13,244	12,886	1,667	1,635	1,605
Kansas.....	3,874	3,753	3,346	510	456	470
Missouri.....	9,910	9,387	7,829	1,480	1,380	1,170
Nebraska.....	2,860	3,157	2,766	363	896	368
New Mexico.....	15,756	15,168	16,291	2,159	2,133	2,347
Oklahoma.....	2,144	2,106	1,333	268	260	166
Wyoming.....	32,456	32,932	30,859	3,346	3,395	3,288
Seven states.....	81,170	79,747	75,310	9,793	9,655	9,414
United States....	388,692	377,397	361,528	48,414	47,394	45,496

Farm Income

Cash farm income in the District in June, as in the preceding month, was under the level of a year ago. During June, income from farm marketings dropped 6 per cent below last year, Government payments were about a third less, and total income was 9 per cent smaller. During the first six months of the year, however, income from farm marketings was 4 per cent above a year ago, Government payments were nearly a fourth larger, and total income showed a gain of about 7 per cent.

Department of Agriculture farm income estimates:

	June 1940	6 Mos. 1940	Change from 1939	
	(Thousand dollars)		June	6 Mos.
			(Per cent)	
Colorado.....	6,226	54,827	-0.1	+7.7
Kansas.....	15,968	120,451	-15.9	+3.9
Missouri.....	20,970	121,684	+11.7	+10.5
Nebraska.....	16,717	127,477	+3.2	+10.3
New Mexico.....	2,096	17,489	-24.2	+23.2
Oklahoma.....	10,977	73,385	-37.6	-5.3
Wyoming.....	2,240	17,546	-3.4	+16.2
Seven states.....	75,194	532,859	-9.3	+6.7
United States.....	587,153	3,823,728	+0.7	+8.3

Meat Packing

Notwithstanding heavier market receipts, packers' purchases of cattle in July fell slightly below a year ago, while purchases of calves were somewhat larger despite smaller marketings. Purchases of hogs and sheep also were under a year ago, July being the first month since February, 1939, in which hog slaughter was less than in the corresponding month of the preceding year. The slaughter of cattle was 12, calves 23, hogs 16, and sheep 14 per cent below the July ten-year average.

July packers' purchases at six District markets:

	Cattle	Calves	Hogs	Sheep
Denver.....	17,324	2,500	24,667	31,172
Kansas City.....	46,914	10,834	123,647	61,166
Oklahoma City.....	16,161	11,473	23,220	14,683
Omaha.....	71,335	6,072	106,631	91,663
St. Joseph.....	17,728	4,000	59,359	46,163
Wichita.....	10,231	3,922	22,934	10,928
July 1940.....	179,693	38,801	360,458	255,775
June 1940.....	135,404	26,520	441,613	267,715
July 1939.....	181,455	37,516	370,926	272,854
7 Mos. 1940.....	1,072,974	200,946	3,300,493	2,061,946
7 Mos. 1939.....	1,117,336	223,173	2,529,274	2,183,771

Cold Storage Holdings

After allowing for usual July changes, United States cold storage holdings tended generally to increase. August 1 stocks of beef were 2 and butter 13 per cent below the average for that date during the past five years, but stocks of pork were 30, lamb 80, poultry 48, miscellaneous meats 29, eggs 7, and cheese 23 per cent above the average. Stocks of lard, which were two and a half times the average, and of poultry were at record levels for that date. Total stocks of meats, although larger than in recent years, are below the level of most pre-drought years.

United States cold storage holdings:

	Aug. 1 1940	July 1 1940	Aug. 1 1939	Aver. '35-'39
(In thousands of units)				
Beef, lbs.....	41,977	45,972	33,456	42,647
Pork, lbs.....	548,771	598,522	454,766	422,578
Lamb and mutton, lbs.....	3,337	3,254	1,893	1,858
Poultry, lbs.....	82,361	82,336	64,918	55,616
Miscellaneous meats, lbs.....	77,284	79,368	69,013	59,874
Lard, lbs.....	303,068	306,774	139,815	121,182
Eggs, shell, cases.....	7,773	7,513	7,024	7,487
Eggs, frozen (case equiv.)..	4,427	4,296	4,125	3,876
Butter, creamery, lbs.....	124,244	81,005	165,183	143,038
Cheese, all varieties, lbs.....	138,030	114,362	117,598	112,453

Flour Milling

Operations at southwestern flour mills increased appreciably during July and output for the month was somewhat larger than a year ago and about 2 per cent above the July ten-year average. Although flour sales had been rather heavy near the middle of May, subsequent contracting for new crop flour in July was abnormally small and the backlog of orders on mills' books is below normal for this season of the year. Trade reports indicate that flour stocks in the hands

of bakers and jobbers are low. On July 16, the Government flour export subsidy program was extended to include flour exported from all parts of the continental United States to the Americas. Export sales have since shown some slight improvement.

Flour output reported by the Northwestern Miller:

	July 1940	7 Mos. 1940	Change from 1939 July	7 Mos.
(In barrels)				
Kansas City.....	519,000	3,639,000	-13.5	-9.3
Salina.....	197,000	1,321,000	-12.4	-13.2
Wichita.....	159,000	966,000	-14.1	-16.9
Other cities.....	1,226,000	7,777,000	+17.7	+9.1
Southwest.....	2,101,000	13,703,000	+2.4	-0.9
United States*.....	5,597,000	37,726,000	-1.9	-3.2

*Represents about 64 per cent of total output in United States.

Petroleum

Preliminary estimates indicate that daily average crude oil production in the District was maintained during July close to the level of the three preceding months and was about equal to the July average of the past ten years. Output both in July and in the first seven months of 1940 was below last year.

Gross crude oil production reported by the American Petroleum Institute and the Bureau of Mines:

	July 1940	7 Mos. 1940	Change from 1939 July	7 Mos.
(In barrels)				
Colorado.....	114,000	750,000	-9.5	-3.7
Kansas.....	5,708,000	37,031,000	+4.0	+5.8
Nebraska.....	6,000	16,000	....	....
New Mexico.....	3,252,000	23,373,000	-3.3	+5.7
Oklahoma.....	12,837,000	91,637,000	-8.0	-7.5
Wyoming.....	2,258,000	14,242,000	+17.6	+20.3
Six states.....	24,175,000	167,049,000	-2.7	-1.6
United States.....	111,409,000	799,310,000	+0.4	+8.8

Stocks of crude petroleum produced in this District are gradually rising and are now only 4 per cent smaller than a year ago. Proved reserves declined during the first half of 1940 in all states of the District except Kansas, where initial production from new wells was a third larger than last year. The domestic crude oil situation has improved with the rescinding of the early July cut in crude prices in North Texas.

Coal

Output of bituminous coal in the District in July was 18 and in the first seven months of the year about 14 per cent larger than last year.

Bituminous coal production estimated from reports of the Department of the Interior:

	July 1940	7 Mos. 1940	Change from 1939 July	7 Mos.
(In tons)				
Colorado.....	299,000	3,311,000	+23.0	+12.0
Kans. & Mo.....	379,000	3,689,000	+20.3	+16.1
New Mexico.....	74,000	664,000	-9.8	-4.7
Oklahoma.....	75,000	783,000	+120.6	+64.5
Wyoming.....	385,000	2,937,000	+10.0	+7.7
Six states.....	1,212,000	11,384,000	+18.4	+13.5
United States.....	36,080,000	256,105,000	+22.8	+33.5

Zinc and Lead

July shipments of zinc from the Tri-State district were considerably heavier than a year ago, while those of lead were little changed from last year. Demand for zinc increased sharply toward the end of July and early in August, with buyers taking all supplies available at the current rate of production. Zinc concentrate prices strengthened in August and are little below their recent high of last fall but lead prices declined and are now at the lowest level in a year.

July ore shipments from the Tri-State district:

	ZINC ORE		LEAD ORE	
	Tons	Value	Tons	Value
Kansas.....	10,299	\$ 424,821	1,333	\$ 76,749
Missouri.....	1,769	73,410	269	15,455
Oklahoma.....	27,411	1,135,050	2,177	125,891
July 1940.....	39,479	\$1,633,281	3,779	\$ 218,095
June 1940.....	35,133	1,434,503	3,694	213,279
July 1939.....	28,589	858,762	3,849	213,399
7 Mos. 1940.....	238,646	9,186,968	26,208	1,554,382
7 Mos. 1939.....	225,091	6,664,873	36,140	1,953,080

Employment and Pay Rolls

Employment in the District in July was about 2 and pay rolls nearly 4 per cent above a year ago. For the year to date, employment shows an increase of 3 and pay rolls of 5 per cent.

Preliminary figures of the Department of Labor:

	EMPLOYMENT		PAY ROLLS	
	July 1940	7 Mos. 1940	July 1940	7 Mos. 1940
	(Per cent change from a year ago)			
Colorado.....	+3.8	+1.7	+2.0	+3.6
Kansas.....	+2.3	+4.4	+2.0	+4.0
Missouri.....	+2.3	+4.3	+3.8	+6.0
Nebraska.....	+3.1	+2.6	+5.0	+5.3
New Mexico.....	+14.5	+3.9	+25.5	+2.1
Oklahoma.....	Zero	Zero	+2.8	+1.6
Wyoming.....	-1.5	-3.2	+5.9	+8.9
Seven states.....	+2.4	+3.1	+3.7	+4.9

Building

Construction awards in the Kansas City area in July, as in other recent months, were substantially heavier than a year ago, so that total awards for the year to date are now 18 per cent above last year. Public works construction and residential building continue in large volume and there was a marked expansion during July in nonresidential building, principally in commercial, manufacturing, educational, and public classifications. Utility construction, which in July was 29 per cent smaller than a year ago, is lagging far behind last year.

Construction figures of F. W. Dodge Corporation:

	July	7 Mos.	Change from 1939	
	1940	1940	July	7 Mos.
	(Thousand dollars)		(Per cent)	
Residential building..	3,802	25,220	+17.6	+2.4
Nonresidential bldg...	3,214	21,181	+34.0	-5.5
Public wks. construc..	7,760	34,302	+116.2	+152.6
Utility construction...	1,078	5,813	-29.0	-53.9
Kansas City area.....	15,854	86,516	+47.6	+18.1
37 Eastern states.....	398,673	2,021,760	+32.9	+1.1

The value of building permits issued in reporting District cities, which in June had been 43 per cent smaller than a year ago, in July was 21 per cent larger than last year. So far in 1940, the value of permits is little changed from 1939.

Value of building permits issued in District cities:

	July	7 Mos.	Change from 1939	
	1940	1940	July	7 Mos.
	(Dollars)		(Per cent)	
Albuquerque, N. M.	179,000	1,250,000	+19.3	-16.3
Cheyenne, Wyo.....	70,000	753,000	+9.4	+27.4
Colo. Springs, Colo.	58,000	575,000	+23.4	-31.7
Denver, Colo.....	1,046,000	8,024,000	+24.1	+21.5
Hutchinson, Kans...	33,000	271,000	+65.0	-24.9
Joplin, Mo.....	48,000	350,000	-37.7	+14.4
Kansas City, Kans.	27,000	685,000	-47.1	-73.3
Kansas City, Mo.....	370,000	1,760,000	+23.3	+2.6
Lincoln, Nebr.....	179,000	1,435,000	+9.8	-9.7
Okla. City, Okla.....	700,000	3,329,000	+39.4	+10.7
Omaha, Nebr.....	979,000	3,571,000	+248.4	+4.7
Pueblo, Colo.....	84,000	641,000	+100.0	+17.0
Salina, Kans.....	34,000	382,000	-19.0	+27.8
Shawnee, Okla.....	14,000	129,000	+16.7	+38.7
St. Joseph, Mo.....	23,000	200,000	-95.5	-83.2
Topeka, Kans.....	132,000	1,031,000	+32.0	+59.8
Tulsa, Okla.....	422,000	3,134,000	-0.9	+17.6
Wichita, Kans.....	198,000	1,504,000	+11.9	-0.5
District, 18 cities....	4,596,000	29,024,000	+20.8	-1.4

Lumber

Board feet sales of lumber at reporting retail yards in the District rose sharply during July and were 18 per cent larger than in the same month a year ago. This was the first increase for any month this year, total sales for the first seven months of 1940 showing a decrease of 4 per cent from 1939.

Lumber stocks declined considerably during July and at the end of the month were 6 per cent below a year earlier. July collections averaged 37.8 per cent as compared with 33.7 per cent last year.

Lumber trade at 150 retail yards in the District:

	July 1940	
	per cent change from June 1940	July 1939
Sales of lumber, board feet.....	+28.8	+17.6
Sales of all materials, dollars.....	+7.5	+6.9
Stocks of lumber, board feet.....	-2.0	-6.1
Outstandings, dollars.....	-3.5	-0.5

Life Insurance

Life insurance sales in the District in July, for the fourth consecutive month, were above a year ago, the July increase measuring 20 per cent.

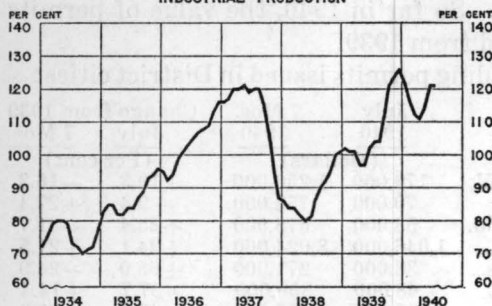
The Life Insurance Sales Research Bureau report:

	July	7 Mos.	Change from 1939	
	1940	1940	July	7 Mos.
	(Thousand dollars)		(Per cent)	
Colorado.....	5,134	33,394	+24.9	-3.4
Kansas.....	6,601	44,001	+6.2	-4.2
Missouri.....	17,815	117,676	+18.1	-6.6
Nebraska.....	6,205	38,436	+44.1	-1.2
New Mexico.....	1,019	8,639	+0.2	+12.7
Oklahoma.....	8,914	55,945	+26.2	-5.8
Wyoming.....	780	6,241	-19.4	-19.5
Seven states.....	46,468	304,332	+19.9	-5.0
United States.....	566,061	3,856,931	+22.4	+0.1

NATIONAL SUMMARY OF BUSINESS CONDITIONS

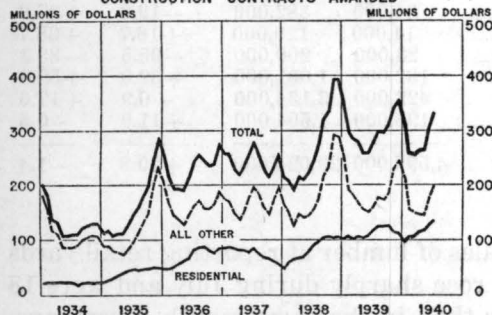
By the Board of Governors of the Federal Reserve System

INDUSTRIAL PRODUCTION



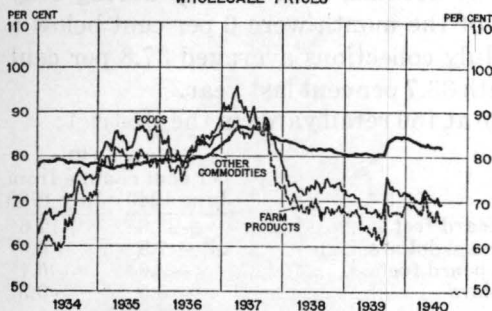
Index of physical volume of production, adjusted for seasonal variation, 1935-1939 average = 100. By months, January, 1934, through July, 1940.

CONSTRUCTION CONTRACTS AWARDED



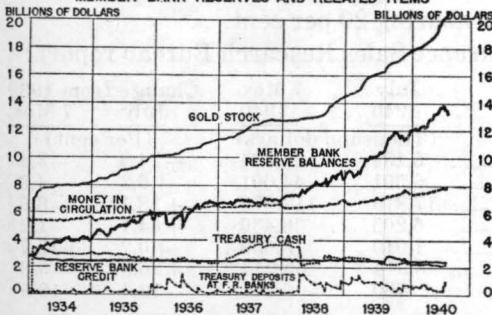
Three-month moving averages of F. W. Dodge Corporation data for value of contracts awarded in 37 Eastern States, adjusted for seasonal variation. Latest figures based on data for May and June and estimate for July.

WHOLESALE PRICES



Indexes compiled by the United States Bureau of Labor Statistics, 1926=100. By weeks, 1934 through week ending August 10, 1940.

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures, January 3, 1934, through August 7, 1940.

Volume of industrial output was steady during July and the first half of August, after a rapid expansion in May and June. Employment continued to increase. Reflecting mainly awards for national defense projects, construction contracts rose to the highest level in ten years. Prices of basic commodities declined somewhat further.

Production.—In July the Board's revised index of industrial production stood at 121 per cent of the 1935-39 average, according to preliminary data. This is the same as in June and 17 points above the level prevailing a year ago before the outbreak of war. In most lines activity was maintained at the levels reached in June or increased further.

Steel production in July was at about 85 per cent of capacity and in the first half of August there was an increase to about 90 per cent. Production of pig iron and coke and output of nonferrous metals were also in large volume. In the machinery, shipbuilding, and aircraft industries, where new orders had been large during the first half of the year and a considerable backlog of unfilled orders had accumulated, activity was maintained at high levels in July, although ordinarily there are declines at this season. Lumber production declined sharply early in July but has subsequently increased accompanying a considerable rise in new orders.

In the automobile industry output declined sharply in July and the first half of August as plants were closed to prepare for the shift to new model production. The decline was greater than at this season in other recent years, reflecting the fact that production had been at high levels during the first half of 1940 and large stocks had accumulated. These stocks were reduced considerably in July as production was curtailed and retail sales continued large.

Textile production increased considerably further in July, reflecting chiefly a marked rise in activity at woolen mills where output is still below the levels of a year ago. Production of cotton and rayon textiles was maintained in July and was in larger volume than last summer, while activity at silk mills increased somewhat from the exceptionally low level reached in June. Shoe production increased seasonally, while output of manufactured foods, which in June had been unusually large for that time of year, showed less than the customary increase in July.

Coal production has risen further and shipments of iron ore down the Lakes have continued at near-capacity rates. Petroleum production has been curtailed sharply, however, reflecting partly a continued high level of stocks of petroleum products.

Value of new construction work undertaken increased sharply in July, owing mainly to a further rise in public construction, and was at the highest level in the past decade, according to reports of the F. W. Dodge Corporation and the Federal Reserve Bank of San Francisco. Awards for both residential and nonresidential private building increased somewhat, although some decline is usual at this season.

Increases were most pronounced in the Atlantic, Gulf, and Pacific Coast States, reflecting awards of additional contracts for naval air station and shipyard construction. In the central portions of the country there were generally small increases, although in some areas awards were lower.

Distribution.—Distribution of commodities to consumers was sustained in July at about the levels prevailing in the first half of the year. Sales at department stores declined more than seasonally, while sales at variety stores showed little change, although a decline is usual in July.

Total freight carloadings increased seasonally in July. Shipments of grain showed a considerable rise and loadings of coal and coke continued to advance, while shipments of miscellaneous freight, which include most manufactured products, declined by somewhat more than the usual seasonal amount.

Commodity Prices.—Prices of basic commodities declined somewhat further from the middle of July to the middle of August, with decreases chiefly in prices of commodities influenced by foreign supplies, such as lead, rubber, cocoa, and coffee. Prices of steel scrap and zinc, on the other hand, advanced somewhat in this period.

Bank Credit.—Total loans and investments at reporting member banks in 101 leading cities increased substantially during the five weeks ending August 14, owing mainly to purchases of direct and guaranteed securities newly issued by the United States Government. Sale of these securities caused a large increase in Treasury balances with the Federal Reserve Banks. As a result of this temporary development, excess reserves declined by \$450,000,000 in this period despite an increase of over \$500,000,000 in monetary gold stock.

Government Security Market.—Prices of United States Government securities were relatively steady during July and the early part of August but declined slightly around the middle of August accompanying news of intensification of European warfare. The yield on the 1960-65 bonds increased to 2.39 per cent on August 14 compared with 2.34 per cent on July 1 and 2.26 per cent on April 2 at the year's peak in prices.