

# MONTHLY REVIEW

## *Agricultural and Business Conditions*

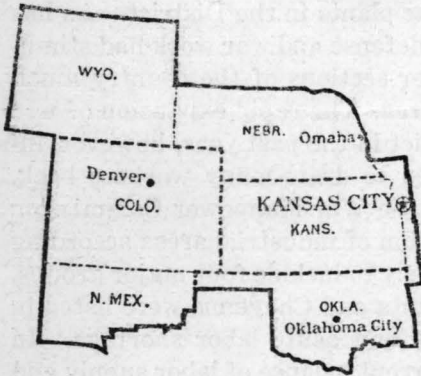
### TENTH FEDERAL RESERVE DISTRICT

VOL. 28, No. 1

FEDERAL RESERVE BANK OF KANSAS CITY

JANUARY 30, 1943

### *Business in the Tenth Federal Reserve District*



Prices of grain and livestock have been strong. Corn is nearly 20 cents a bushel higher than in the early part of November and wheat about 30 cents higher than last July. Lamb prices recently were the highest in 14 years, those of hogs in 22, and of beef steers the highest in 5 years.

Hog production is increasing rapidly in Nebraska and Kansas. These states also have very large numbers of cattle on feed. Kansas has a record number of lambs on feed while the number in Nebraska has been exceeded only once. But lambs on feed in Colorado are a quarter lower than last year and in Wyoming and Oklahoma there has also been a marked decrease in lamb feeding.

War plants are increasingly coming into production and much war housing is under construction. Expanding pay rolls and farm income are stimulating retail trade, department store sales in recent weeks being a quarter higher than a year ago.

DECEMBER 1942 COMPARED WITH DECEMBER 1941					BUSINESS INDICATORS	YEAR 1942 COMPARED WITH YEAR 1941					
% DECREASE		% INCREASE				% DECREASE		% INCREASE			
40	30	20	10	10		20	30	40	40	30	20
<b>Finance</b>											
Bank Debits.....											
F. R. Bk. Clearings.....											
Mem. Bk. Loans.....											
Mem. Bk. Invest.....											
Demand Deposits.....											
Life Ins. Sales.....											
Failures (Liab.).....											
<b>Trade</b>											
Wholesale Sales.....											
Dept. Store Sales.....											
<b>Marketings</b>											
Wheat.....											
Corn.....											
Oats.....											
Cattle.....											
Calves.....											
Hogs.....											
Sheep.....											
<b>Production</b>											
Flour.....											
Cattle Slaughter.....											
Calf Slaughter.....											
Hog Slaughter.....											
Sheep Slaughter.....											
Crude Petroleum.....											
Bituminous Coal.....											
<b>Construction</b>											
Total Awards.....											
Res. Awards.....											
Value of Permits.....											
Lumber Sales.....											
<b>Miscellaneous</b>											
Rainfall.....											
Cash Farm Income*.....											
Employment*.....											
*For previous month.											

82

107

61

87

280

180

64

54

160

76

118

## POPULATION CHANGES

The Bureau of the Census has recently released estimates of civilian population as of May 1, 1942. These estimates, which are shown in the table below, are based mainly on the number of persons registering for War Ration Book Number 1, May 4 to 7, 1942. They do not include persons who have entered the armed forces and have thus been temporarily withdrawn from the civilian population nor do they include persons in the armed forces temporarily stationed in this area for training or other purposes.

Bureau of the Census civilian population estimates:

STATES	Civilian Population		Change from 1940 (%)
	May 1 1942	April 1 1940	
	(In thousands)		
Colorado.....	1,094	1,117	-2
Kansas.....	1,725	1,794	-4
Missouri.....	3,750	3,783	-1
Nebraska.....	1,241	1,313	-5
New Mexico.....	490	532	-8
Oklahoma.....	2,181	2,327	-6
Wyoming.....	233	242	-4
<b>METROPOLITAN AREAS</b>			
Denver.....	398	382	+4
Pueblo.....	74	69	+7
Topeka.....	80	91	-12
Wichita.....	178	143	+24
Kansas City.....	664	656	+1
St. Joseph.....	83	94	-12
Lincoln.....	98	101	-3
Omaha.....	318	313	+2
Oklahoma City.....	217	244	-11
Tulsa.....	211	193	+9

On the basis of these estimates this region, which is predominantly agricultural, lost population rather heavily between the decennial census date in 1940 and the time of the later estimates of civilian population in 1942, probably due in large part to the movement of workers to industrial centers in other sections of the country. As early as 1939, manufacturing plants and particularly shipyards were working on large defense orders for Europe, and defense and war contracts in this country in 1940 and 1941 at first were concentrated largely in previously established industrial centers. War plant construction and expansion consequently did not get under way in this District until in 1941 and 1942. Historically, the population trend in states of this District has been upward except for losses in population in Nebraska, Kansas, and Oklahoma during the 1930 decade attributable generally to the severe droughts of 1934 and 1936. Thus the recent decrease in population in Wyoming, Colorado, New Mexico, and Missouri is a reversal of the previous trend, while the recent decline in Nebraska, Kansas, and Oklahoma followed serious losses in population during the '30s.

On the other hand, six of the ten metropolitan areas in this District have gained rather heavily in civilian population despite the substantial number of men who

have entered the armed forces. These gains, for the most part, reflect a large movement of workers from the smaller towns and rural areas to centers of war activity within the District and serve to emphasize the critical shortage of labor on farms. The civilian population of the Wichita area, according to these estimates, increased 24 per cent between 1940 and 1942, and smaller increases occurred in the Tulsa, Pueblo, Denver, Omaha, and Kansas City metropolitan areas. It should be pointed out, of course, that the May 1 estimates do not reflect the full effect of expanded employment or of subsequent increases in working forces at war plants in the District. As has already been stated, defense and war work had stimulated activity in other sections of the country much earlier than in this area. The rapid expansion of war activity in this District in the past year, however, increasingly has tended to draw many workers back.

Early in January, the War Manpower Commission revised its classification of industrial areas according to available labor supply to include four major groups. In this District, Wichita and Cheyenne were listed in Group I, areas of current acute labor shortage. In Group II, areas of current balance of labor supply and demand but of imminent labor shortage, were Pueblo, Parsons, Grand Island, Chouteau, and McAlester. In Group III, areas of presently adequate labor supply and of no impending shortage for at least six months, were Denver, Kansas City, Omaha, Oklahoma City, and Tulsa. In Group IV, areas of labor surplus, the War Manpower Commission placed Joplin, St. Joseph, Lincoln, and Albuquerque. It is interesting to note that the acute labor shortage at Wichita had already attracted the largest increase in civilian population last May, while there is still an adequate or surplus labor supply at Lincoln, St. Joseph, and Oklahoma City despite reported decreases in civilian population.

## AGRICULTURE

*Crops*

The winter wheat crop quite generally was protected by snow covering from the unusually low temperatures which occurred in January, and the condition of winter wheat, on the whole, continues excellent. December was an exceptionally wet month in many sections of the District, following a rather dry November, and precipitation for the entire year 1942 was markedly above normal although somewhat less than in the preceding year. Precipitation in 1942 and 1941, expressed as a percentage of normal, was as follows: Colorado, 114 and 136; Kansas, 125 and 138; Missouri, 115 and 105; Nebraska, 114 and 104; New Mexico, 109 and 196; Oklahoma, 125 and 143; and Wyoming, 111 and 128. In most states of the Dis-

trict, 1942 was the third successive year of abundant rainfall. Because of present very favorable moisture conditions, the Department of Agriculture anticipates that 1943 will be another year of heavy crop production despite shortages of farm labor, machinery, and equipment. Acreage yields, however, are not expected to approach the record level reached in 1942 when weather conditions as a rule were almost ideal. To insure maintenance of abundant feed supplies, the Department of Agriculture has raised the 1943 corn goal from 95 to 100 million acres and the barley goal from 18 to 21 million acres.

Cash wheat prices continued to advance through the first week of January, reaching a level about 10 cents above the 1942 loan rate and but little below their high of 1937, wheat prices having risen about 30 cents a bushel since last July. The rise in wheat prices, however, leveled off toward the middle of January, checked in part by some expansion in marketings and by the placing of a ceiling on corn prices.

On January 12, the OPA "froze" corn prices at existing levels to halt further sharp corn price advances as corn prices had risen about 20 cents a bushel since early November and had reached a point which, together with Government payments, represented parity returns to producers. This action was designed to maintain cheap feed prices to encourage maximum production of meat, poultry, and dairy products.

The lower range of Kansas City cash grain prices:

	Jan. 27 1943	Dec. 31 1942	Nov. 30 1942	Dec. 31 1941
No. 1 hd., dk. wheat, bu...	\$1.37	\$1.34¼	\$1.24¼	\$1.20½
No. 2 mixed corn, bu.....	.93¼	.87¾	.81	.75
No. 2 white oats, bu.....	.63	.57¼	.53½	.51½
No. 2 rye, bu.....	.77	.74	.64½	.67
No. 2 barley, bu.....	.84½	.75	.71	.56½
No. 2 white kafir, cwt....	1.59	1.47	1.18	1.08

Industrial utilization of both wheat and corn is very large, in addition to the abnormally heavy demand for corn for livestock feeding. The amount of grain available for purchase on the open market in recent months, however, has been relatively small and cash prices consequently have been exceptionally strong. Receipts of grains at District markets have been unusually heavy but primarily because of the inflow of wheat to terminals for storage and the movement of corn from surplus producing areas to importing areas. A substantial part of the 1942 wheat crop was placed under Government loans and farmers generally have tended to hold supplies of "free" wheat for higher prices, while very favorable feeding ratios have encouraged farmers to feed corn to livestock rather than market it as a cash crop. Rising wheat prices recently have attracted some "free" wheat to market but wheat prices have not risen sufficiently above the loan rate to cause any considerable liquidation of wheat stocks under loan.

**Livestock**

Hog production in this District currently is increasing at a rate of about 40 per cent a year as compared with an increase of 24 per cent for the country as a whole. In most states of the District and for the whole country, hog production in 1942 was by far the largest on record, but in Nebraska and Kansas it was still much below the high level of the early '30s just preceding the 1934 drought which practically denuded farms of hogs. Hog production in those states, however, is now coming back very rapidly and will have recovered completely this year if present breeding intentions for 1943 materialize. Last October, the Secretary of Agriculture asked farmers to increase their 1943 spring farrowings by 10 per cent. In December, the goal was revised upward, calling for an increase of 15 per cent over 1942 in both the spring and fall pig crops and a 10-pound increase in the aver-

**RAINFALL**

	Dec. 1942		Year 1942	
	Total	Normal	Total	Normal
	(In inches)			
<b>COLORADO</b>				
Denver.....	0.35	0.73	16.45	14.05
Leadville.....	1.84	1.08	19.20	18.63
Pueblo.....	0.49	0.50	18.36	11.67
Lamar.....	0.71	0.61	19.91	15.40
Alamosa.....	0.27	0.28	7.31	6.83
Steamboat Springs.....	3.61	1.96	25.16	23.12
<b>KANSAS</b>				
Topeka.....	2.74	0.98	40.59	33.55
Iola.....	2.94	1.30	43.76	38.08
Concordia.....	1.74	0.63	28.30	26.38
Salina.....	1.96	0.77	43.19	27.27
Wichita.....	3.14	1.00	41.19	30.07
Hays.....	1.22	0.62	29.61	23.69
Goodland.....	0.49	0.56	25.41	18.70
Dodge City.....	0.88	0.57	24.54	20.58
Elkhart.....	1.14	0.54	28.53	17.61
<b>MISSOURI</b>				
St. Joseph.....	2.50	1.29	38.46	35.56
Kansas City.....	2.43	1.33	41.02	37.11
Joplin.....	3.12	1.89	52.80	43.72
<b>NEBRASKA</b>				
Omaha.....	0.56	0.93	26.70	27.77
Lincoln.....	1.66	0.80	28.82	27.94
Norfolk.....	0.79	0.81	24.78	23.24
Grand Island.....	0.87	0.75	25.57	26.19
McCook.....	0.50	0.51	23.39	19.64
North Platte.....	0.15	0.53	29.74	18.39
Bridgeport.....	0.24	0.59	22.92	16.30
Valentine.....	0.11	0.61	21.29	18.34
<b>NEW MEXICO</b>				
Clayton.....	0.25	0.42	22.20	15.28
Santa Fe.....	1.15	0.74	10.60	13.44
Farmington.....	0.78	0.44	5.37	9.45
<b>OKLAHOMA</b>				
Tulsa.....	1.71	1.98	46.78	38.61
McAlester.....	4.65	2.67	45.66	43.33
Oklahoma City.....	2.07	1.50	35.78	31.15
Pauls Valley.....	2.49	1.66	46.32	34.76
Enid.....	3.31	1.18	35.53	30.66
Woodward.....	1.45	0.88	26.38	25.88
<b>WYOMING</b>				
Cheyenne.....	0.22	0.55	23.69	14.99
Casper.....	0.39	0.99	11.04	15.44
Lander.....	0.15	0.68	16.94	12.73
Sheridan.....	0.55	0.64	16.51	15.06

age weight of hogs marketed. Reflecting the present profitableness of hogs, breeding intentions subsequently showed a prospective national increase of 24 per cent in 1943 spring farrowings and have necessitated an upward revision in the corn acreage goal.

Department of Agriculture pig crop estimates:

	PIGS SAVED				SOWS FARROWED	
	Fall		Spring		Spring	
	1942	1941	1942	1941	1943*	1942
	(In thousands)					
Colorado.....	384	239	362	226	95	67
Kansas.....	1,692	1,189	1,679	1,016	377	269
Missouri.....	3,551	2,857	3,452	2,670	685	531
Nebraska.....	1,602	1,071	3,008	2,022	741	494
New Mexico...	90	58	74	50	18	13
Oklahoma.....	1,148	806	978	676	212	163
Wyoming.....	81	48	88	59	21	15
Seven states..	8,548	6,268	9,641	6,719	2,149	1,552
United States	43,721	35,493	61,013	49,234	12,027	9,668

\*Number indicated to farrow from breeding intentions reports.

According to the Department of Agriculture, the number of cattle on feed for market in the Corn Belt on January 1 was the largest of record for that date. Recent revisions in the beef price ceilings had helped materially to clarify the price outlook for cattle feeders and, although the new ceilings do not favor long feeding to a high degree of finish, they are generally favorable for the production of moderately well-finished grades of beef cattle. The largest increases in cattle feeding this year are in the western part of the Corn Belt where corn supplies are now back to pre-drought levels, cattle feeding in Nebraska showing an increase of 20 and in Kansas of 26 per cent as compared with a year earlier. For the most part, the increase is due to a marked increase in the number of farms feeding cattle rather than to increased feeding by regular cattle feeders. Cattle feeding in Oklahoma also is larger this year than last, but in western states the number of cattle on feed is smaller.

The number of sheep and lambs on feed for market in the Corn Belt on January 1 also was at a new high level for that date. The number on feed in Kansas, including sheep and lambs being finished on wheat pastures as well as those in feed lots, is the largest and in Nebraska the second largest of record, with lamb feeding operations in Kansas 25 and in Nebraska 15 per cent heavier than a year ago. Outside the Corn Belt, however, lamb feeding generally is down rather sharply from the preceding year. In Colorado, lamb feeding operations are 26 per cent smaller than a year earlier and are the second smallest for all years of record. Prior to this year, Colorado has always had the largest number of sheep and lambs on feed January 1 of all states, but present numbers are smaller than those in both Nebraska and Kansas, which now rank first and second, respectively. Lamb feeding is also materially lower in Wyoming and Oklahoma.

Ranges and pastures in most sections of the District are in very good condition because of favorable fall moisture, and winter wheat has furnished additional excellent grazing for livestock in Kansas, Oklahoma, and the eastern parts of Colorado and New Mexico. Snows and storms in December and January, however, greatly restricted the use of range and pasture feeds and of wheat fields and necessitated considerable supplemental feeding of livestock. Supplies of hay, roughage, and feed grains, although higher in price than a year ago, quite generally are ample, but there is a shortage of high protein feeds such as oilseed meal and cake to be mixed with corn and other grains to provide balanced rations.

Marketings of livestock continue in large volume, although receipts of cattle at District markets in December and of hogs in the early weeks of January were somewhat below a year earlier. Snow-covered pastures and muddy feed lots recently have been contributing factors in the large receipts of cattle and particularly of sheep. In addition, the rapid rise in corn prices, together with other increased costs and the increasing scarcity of experienced farm labor, was encouraging an early marketing of fed steers, and the pronounced tendency in range areas to cull sheep flocks closely has helped to maintain sheep marketings at a high level. Hog marketings, although very large, have not been quite so heavy as anticipated. A number of factors may be responsible for this situation. One is the decidedly favorable feeding ratio which is encouraging the feeding of hogs to heavier weights. Although somewhat lower than last fall, this ratio is still very favorable and probably will continue so, since a ceiling has now been placed on corn prices and a floor under hog prices. In addition, trade reports indicate that there has been a large increase in butchering on the farm, thus tending to reduce to some extent the number of hogs coming to market. Adverse weather and truck transportation difficulties, as well as the Government's request to refrain from liberal marketings during December and January, also may have served to hold down hog marketings.

Livestock prices have advanced strongly since the middle of December. Prices of beef steers and hogs previously had been adversely influenced by civilian meat quota restrictions and had been adjusting downward to revisions in ceilings on wholesale meat prices. By the latter part of January, beef steer prices had recovered nearly all of their decline from a five-year peak of \$16.60 a hundredweight in November and hog prices had recovered virtually all of their decline from a twenty-two-year high of \$15.15 last October, while lamb prices had risen to \$16 a hundredweight, their highest point in fourteen years. Prices of live

animals appear to be somewhat higher than justified by ceilings on dressed meats, reflecting the relative scarcity of marketings in comparison with the unprecedented wartime demand for meat for the armed forces, for lend-lease purposes, and for civilian use.

Top carlot livestock prices at Kansas City:

	Jan. 27 1943	Dec. 1942	Nov. 1942	Dec. 1941	Dec. 1940	Dec. 1939
	(In dollars per hundredweight)					
Beef steers.....	16.50	15.75	16.60	14.60	14.10	11.00
Stocker cattle.....	14.00	13.85	14.50	12.25	10.85	10.00
Feeder cattle.....	13.75	13.75	14.75	11.80	10.65	9.00
Calves.....	15.50	15.00	14.50	13.50	11.00	10.00
Hogs.....	14.90	14.80	14.20	11.40	6.90	5.80
Sheep.....	13.75	13.10	12.75	10.50	8.00	7.75
Lambs.....	15.90	15.50	15.10	12.50	9.50	9.10

Farm Income

Cash income from farm marketings in this District in November was 54 per cent greater and in the first eleven months of 1942 it was 44 per cent greater than in the preceding year. The general level of prices received by farmers averaged nearly 30 per cent higher in 1942 than in 1941 and the volume of crops and livestock marketed, including crops stored under Government loans, was materially larger.

Department of Agriculture farm income estimates, exclusive of Government benefit payments:

	Nov. 1942	11 Mos. 1942	Change from 1941	
	(Thousand dollars)		Nov. 1941	11 Mos. 1941
			(Per cent)	
Colorado.....	36,263	218,114	+57	+46
Kansas.....	49,677	506,304	+79	+40
Missouri.....	54,235	481,798	+30	+38
Nebraska.....	41,618	408,312	+57	+55
New Mexico.....	22,000	83,726	+48	+42
Oklahoma.....	48,971	332,771	+64	+47
Wyoming.....	13,522	82,944	+47	+38
Seven states.....	266,286	2,113,969	+54	+44
United States.....	1,764,406	13,867,267	+43	+39

TRADE

Retail Sales

Department store sales in this District in the first three weeks of January were 28 per cent larger than a year earlier, following a December gain of 22 per cent over the preceding year. Christmas trade had been at a very high level, and the maintenance of year-to-year gains in January is indicative of the abnormally large volume of buying that is taking place as there had also been a heavy buying movement under way at this time last year. The current high rate of consumer purchases, particularly of staple goods, has resulted in a further reduction in inventories from the record level of last summer. Stocks on hand at the end of December were slightly smaller than a year ago, although still about one-fourth larger than two years ago, and were equal to about 1.3 months' supply at the current rate of sales as compared with 1.7 months' supply one year previous.

Orders outstanding, however, are more than double what they were a year ago as retailers seek replacements. Effective in the second quarter of 1943, inventories of the larger distributors will be limited by the War Production Board to the same ratio to sales that average stocks at the beginning of the corresponding quarters of 1939, 1940, and 1941 bore to average sales in those periods.

Department store sales and stocks in leading cities:

	No. of Stores	SALES		STOCKS
		Dec. '42 comp. to Dec. '41	Year '42 comp. to Year '41	Dec. 31, '42 comp. to Dec. 31, '41
(Per cent increase or decrease)				
Denver.....	7	+25	+17	-5
Topeka.....	3	+30	+14	....
Wichita.....	4	+36	+34	....
Joplin.....	3	+4	+12	....
Kansas City.....	8	+23	+19	0
St. Joseph.....	3	+17	+8	....
Omaha.....	4	+6	+14	....
Oklahoma City.....	6	+27	+16	-3
Tulsa.....	5	+16	+22	+1
Other cities.....	32	+17	+10	-1
District.....	75	+22	+17	-2

Wholesale Sales

The value of wholesale sales in this District in December, as reported by the Bureau of the Census, was 5 per cent larger than a year earlier and total sales for 1942 showed an increase of 11 per cent over 1941. Wholesale inventories declined 22 per cent during 1942, being reduced not only by heavy purchases of retailers but also by the inability of wholesalers to secure replacements.

PRODUCTION

Meat Packing

The slaughter of cattle and sheep at meat-packing plants in this District in 1942 was about 16 and that of hogs 23 per cent larger than the average of the preceding ten years. Cattle slaughter in recent months has been considerably less heavy than it was during the first three quarters of 1942, owing chiefly to the fact that large numbers of cattle again are moving into feed lots rather than direct to packers, but the slaughter of hogs and sheep has been abnormally heavy, reflecting a seasonal increase in marketings from the huge 1942 spring pig crop and some liquidation in sheep numbers on farms and ranches. The 1943 goals of the Department of Agriculture call for an increase of 28 per cent in pork and of 7 per cent in beef and veal production over 1942 and allow for a small decrease in production of lamb and mutton. The attainment of the 1943 production goals, which represent a new high in output of meats, will provide sufficient meat supplies to fill large lend-lease and military requirements but will satisfy only part of the record civilian demand for meats.

**Cold Storage Holdings**

United States cold storage stocks generally are less than a year ago except for pork and lamb, stocks of which recently have been accumulating rapidly because of very heavy slaughter. Holdings of meats, poultry, and cheese on January 1 were large in comparison with average holdings for that date from 1938 to 1942 but not as compared with present huge war-time food demands. During December, stocks of cheese had decreased much more than is usual and stocks of beef and poultry had declined contrary to the usual trend. Holdings of lard, eggs, and butter are abnormally small.

United States cold storage holdings:

	Jan. 1 1943	Dec. 1 1942	Jan. 1 1942	Aver. '38-'42
	(In thousands of units)			
Beef, lbs.....	129,019	130,454	135,478	87,720
Pork, lbs.....	488,333	291,841	468,538	484,568
Lamb and mutton, lbs.....	35,058	26,462	7,936	4,859
Poultry, lbs.....	188,037	193,263	218,392	171,402
Miscellaneous meats, lbs...	84,147	73,307	104,645	88,081
Lard, lbs.....	83,540	53,251	181,237	160,760
Eggs, shell, cases.....	259	1,170	549	566
Eggs, frozen (case equiv.)	2,198	3,369	2,548	2,204
Butter, creamery, lbs.....	25,104	45,937	114,436	76,624
Cheese, all varieties, lbs....	131,771	153,806	201,613	132,859

**Flour Milling**

Flour sales by southwestern mills increased sharply early in January, rising to 213 per cent of capacity in the first week of the month, following an upward revision in OPA ceilings on flour prices. Prior to the raising of the ceiling on prices, flour sales and particularly sales of bakery flour had been almost completely stalemated and stocks in the hands of bakers had declined to an unusually low level. The temporary emergency ceiling had been based on the highest price at which mills sold or offered to sell flour during the period from September 28 to October 2, but since that time wheat prices had risen sharply. Consequently, mills in many instances were left without sufficient operating margins and increasingly were forced to withdraw quotations.

The new ceiling, which became effective January 4, represented an average increase of about 10 per cent in flour prices at mills and was accompanied by an order of the Secretary of Agriculture designed to effect certain economies in the baking industry and eliminate pressure for higher ceiling prices on bread. This order, effective January 18, discontinued consignment selling of bread by bakers, limited the number of varieties of bread which could be made or sold in any one week, prohibited the slicing of bread for home consumption, and required that all white bread must be enriched to approved nutritive standards. At the same time, the CCC announced that it would support the price of by-product millfeeds.

Southwestern flour production is at a record level. In December, output was more than one-third larger than the average of the preceding ten years, and for the year 1942 it was 14 per cent above average. This high level of production reflects a substantial rise in flour consumption during the past year, due principally to greatly increased business at bakeries and restaurants, an increase in consumer purchases of flour products such as macaroni, and a higher per capita consumption in the army than in civilian life. Trade reports indicate that consumer buying of flour itself, however, has probably declined. Some mills recently have begun the grinding of CCC wheat into grits for manufacture by distillers into war alcohol. Although the production of this so-called "alcomeal" is still on a small scale, this new development which utilizes present idle plant capacity may become increasingly important.

**Petroleum**

Crude oil production in this District in 1942 was about 8 per cent above the average of the preceding ten years but was slightly below output in 1941. Production in Kansas reached a new high level, following widespread field development in the preceding year, but in Oklahoma daily average production late in 1942 had dropped to its lowest level, barring shutdowns, since 1922. Thus far, conditions growing out of the war, including transportation difficulties, the rubber shortage, and civilian rationing of some refined products, have tended to curtail the overall output of crude oil. The huge and rapidly growing war needs for refined products such as aviation gasoline, lubricants, and heavy fuel oils have been met by restricting civilian consumption of motor gasoline and heating oils and by heavy withdrawals of crude from storage for processing rather than increasing the output of crude itself. Storage stocks of crude oil in this District decreased about 20 per cent during 1942 to their lowest level in many years. At the same time, a drastic decline in drilling and exploratory operations during 1942 following the establishment of ceiling prices on crude oil, together with a consequent sharp drop in new discoveries to offset current production, constitutes a serious threat to future petroleum supplies.

**CONSTRUCTION**

Construction awards in the Kansas City area (Nebraska, Kansas, Oklahoma, and western half of Missouri) in 1942 were more than double their previous high in 1941. This increase represented chiefly a tremendous expansion in construction for war purposes as civilian construction since last April has been greatly curtailed by War Production Board restrictions on nonessential building. Over 90 per cent of

all the construction work undertaken during the year was publicly financed and was related to the war effort, either directly as in the case of war plants, air fields, and cantonments, or indirectly as in the case of housing, roads, and utilities to meet war center needs. In December, awards continued much above the preceding year but had dropped substantially under the peak level reached earlier in 1942, reflecting a shift in emphasis from new construction to a more intensive use of existing facilities.

Construction figures of F. W. Dodge Corporation:

	Dec.	Year	Change from 1941	
	1942	1942	Dec.	Year
	(Thousand dollars)		(Per cent)	
Residential building.....	10,485	109,520	+180	+48
Nonresidential bldg.....	11,355	318,787	+32	+203
Public wks. constr.....	26,349	119,535	+515	+115
Utility construction.....	27,122	104,389	+747	+61
Kansas City area.....	75,311	652,231	+280	+118
37 Eastern states.....	708,716	8,255,061	+64	+37

The value of building permits issued in eighteen reporting District cities in 1942 was only about one-half as large as in 1941. Only two cities reported an increase in building for the year—Wichita and Kansas City, Kansas, both of which have a critical housing shortage. The decline in urban building was especially pronounced in the last half of the year, the value of December permits being only one-third as large as a year earlier. Such permits, which for the most part represent private work, show the effect of successive curtailments of civilian construction by the War Production Board and of increasing controls and limitations with respect to the use of critical materials.

FINANCE

Member Bank Credit

Investments at weekly reporting member banks in the Tenth District rose sharply further during the five weeks ending January 20, reflecting chiefly an increase in holdings of the new 7/8 per cent Treasury certificates of indebtedness as banks received their allotments from December subscriptions. Investments are at a new record level but adjusted demand deposits have declined somewhat from their high point at the middle of December. Payments by bank depositors for new Government security issues account in part for the recent decline in adjusted demand deposits. Loans declined considerably from the middle of December to the third week of January, owing principally to a rather sharp decrease in "all other" loans, which include consumer instalment loans. Investments are considerably more than double what they were at this time last year and adjusted demand deposits are 40 per cent greater, but the volume of loans is one-fifth less.

Principal items of condition of 50 member banks:

	Jan. 20 1943	Change from	
		Dec. 16 1942	Jan. 21 1942
(In thousands of dollars)			
Loans and investments—total.....	1,295,069	+43,411	+437,333
Loans—total.....	368,794	-11,937	-93,966
Coml., indust., agric.....	239,610	-2,098	-57,111
Open market paper.....	17,359	-2,139	-10,755
To security brokers and dealers.....	3,086	+418	415
Other to purchase or carry secur..	8,366	-259	-1,605
Real estate loans.....	33,687	+70	+494
Loans to banks.....	30	0	-141
All other loans.....	66,656	-7,929	-24,430
Investments—total.....	926,275	+55,348	+531,299
U. S. Treasury bills.....	151,146	-6,407	+132,606
U. S. Treas. certif. of indebt.....	149,743	+48,067	+149,743
U. S. Treasury notes.....	145,158	+3,144	+103,341
U. S. Govt. bonds.....	295,293	+12,195	+159,694
Oblig. guar. by U. S. Govt.....	58,756	-1,326	-19,208
Other securities.....	126,179	-325	+5,123
Reserve with F. R. Bank.....	335,267	-14,284	+80,709
Balances "due from" banks—net.....	339,390	+4,204	*
Demand deposits—adjusted.....	934,414	-10,224	+265,086
Time deposits.....	145,001	+2,406	+9,879
U. S. Govt. deposits.....	104,015	+18,602	+71,559
Deposits "due to" banks—net.....	703,140	+18,015	*

\*Comparable data not available.

Bank Debts

Bank debts in this District were about one-fourth larger in 1942 than in the previous year, a rate of gain nearly double that for the country as a whole. The relatively large increase for this District reflects the very rapid expansion in wartime activity that has taken place in this area during the past year.

Bank debts to deposit accounts in District cities:

	Dec.	Year	Change from 1941	
	1942	1942	Dec.	Year
	(Thousand dollars)		(Per cent)	
Colo. Springs, Colo.....	30,137	291,890	+66	+63
Denver, Colo.....	296,317	2,869,971	+25	+22
Gr. Junction, Colo....	5,201	51,391	+22	+13
Greeley, Colo.....	8,165*	.....	.....	.....
Pueblo, Colo.....	24,513	263,600	+22	+26
Atchison, Kans.....	4,710	51,995	+4	+23
Emporia, Kans.....	5,438	57,476	+9	+23
Hutchinson, Kans....	25,125	206,937	+49	+25
Independence, Kans.....	4,763	45,290	+18	+20
Kansas City, Kans....	37,858	338,455	+44	+33
Lawrence, Kans.....	6,285	57,313	+31	+19
Pittsburg, Kans.....	9,850	82,470	+54	+49
Salina, Kans.....	18,551	192,580	+32	+44
Topeka, Kans.....	33,978	312,917	+45	+26
Wichita, Kans.....	137,906	1,220,757	+63	+51
Joplin, Mo.....	14,530	183,400	-24	+28
Kansas City, Mo.....	612,961	5,748,681	+26	+20
St. Joseph, Mo.....	49,416	486,942	+19	+23
Fremont, Nebr.....	7,171	59,483	+81	+46
Grand Island, Nebr..	12,035*	.....	.....	.....
Lincoln, Nebr.....	41,148	425,850	+25	+19
Omaha, Nebr.....	316,864	2,893,677	+40	+33
Albuquerque, N. M..	28,988	299,277	+10	+12
Bartlesville, Okla....	39,852	382,882	+2	+4
Enid, Okla.....	15,433	164,406	+1	+4
Guthrie, Okla.....	2,433	22,733	-8	+8
Muskogee, Okla.....	21,554	202,942	+57	+70
Okla. City, Okla.....	193,625	1,663,106	+23	+18
Okmulgee, Okla.....	3,552	35,254	-3	+2
Tulsa, Okla.....	291,367	2,198,838	+16	+15
Casper, Wyo.....	8,664	96,262	+5	+9
Cheyenne, Wyo.....	17,040	151,279	+35	+15
District, 30 cities.....	2,305,230	21,058,054	+27	+24
U. S., 274 cities.....	64,990,000	607,124,000	+15	+13

\*New reporting center; not included in total.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Industrial activity continued at a high level in December and the first half of January and distribution of commodities to consumers was sustained. Prices of farm products and retail foods advanced further, while prices of most other commodities showed little change.

PRODUCTION

Industrial production in December showed less than the usual decline from November and the Board's seasonally adjusted index rose two points further to 196 per cent of the 1935-39 average. Munitions output continued to increase, raising total durable goods production to a level 33 per cent higher than in December a year ago, while for the same period production of nondurable goods was only 4 per cent larger and mineral output was somewhat lower.

Value of construction contracts awarded in December, according to the F. W. Dodge Corporation, was somewhat higher than in November. Contracts for apartment-type buildings for housing war workers continued to rise and public works increased sharply, while awards for manufacturing buildings declined further.

The value of construction was 3.2 billion dollars in the fourth quarter of 1942, according to preliminary estimates of the Department of Commerce. This was about 25 per cent lower than the peak of 4.3 billion reached in the previous quarter, but slightly higher than that of the fourth quarter of 1941. Installations for direct military use and industrial facilities accounted for almost three-quarters of the total, and residential building contributed somewhat less than half of the remainder. For the year as a whole, construction is valued at 13.6 billion dollars—of which almost four-fifths was publicly financed—an increase of one-fifth over 1941. The increase took place entirely in military and industrial projects, which rose 4.4 billion dollars. All other types of construction declined.

DISTRIBUTION

Distribution of commodities to consumers was maintained at a high level in December and the first half of January, after allowance for the sharp fluctuations that are customary at this time of year. The 1942 Christmas buying season exceeded that of any previous year, value of sales at department stores, for example, being about 15 per cent larger in November and December than in the corresponding period of 1941. The increase over the year period reflected in part price advances but there was also an increase in the volume of goods sold.

COMMODITY PRICES

Prices of agricultural commodities advanced sharply from the early part of December to the middle of January. Maximum prices designed to restrict further increases were issued for some of these commodities, including corn and mixed feeds. For certain other products, however, like potatoes and truck crops, Federal price supports were increased. Wholesale prices of most other commodities continued to show little change.

From mid-November to mid-December retail food prices advanced 1.6 points to about 133 per cent of the 1935-39 average. Further increases in these prices are indicated in January as a result of advances permitted recently in maximum levels for such items as flour, milk, and poultry.

BANK CREDIT

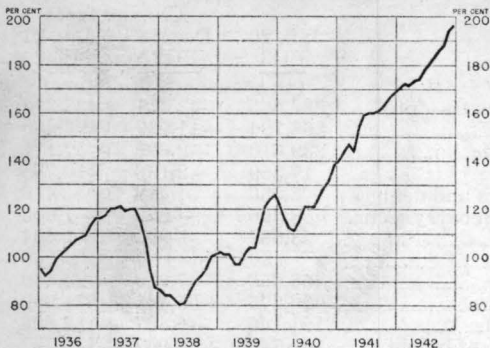
Excess reserves of member banks declined sharply in the last week of December, and during the first half of January they averaged about 2.2 billion dollars, as compared with 2.5 billion for most of December. Large payments to the Treasury for new securities, some increase in currency, and other end-of-year requirements were responsible for drains on reserves during the last week of December. There were, however, substantial sales of Treasury bills to Federal Reserve Banks under options to repurchase. In the early part of January, reduction in Treasury balances at the Reserve Banks and a return flow of currency supplied banks with additional reserves, and some of the bills sold to the Reserve Banks were repurchased. During this period Reserve Bank holdings of Government securities, which had increased to 6.2 billion dollars by December 31, declined to below 6 billion.

Reflecting largely purchases of the 7/8 per cent certificates of indebtedness delivered in the week of December 30, holdings of direct and guaranteed Government obligations at reporting member banks in 101 cities increased by 1.8 billion dollars to 28 billion over the four weeks ending January 13. New York City banks took 640 million of the 1.5 billion dollars of certificates sold to reporting banks. Commercial loans in New York City declined by 90 million dollars; outside New York there was little change. Loans to brokers and dealers rose sharply in December during the Victory Fund campaign, but declined correspondingly in the following weeks. Other loans continued to decline.

UNITED STATES GOVERNMENT SECURITY PRICES

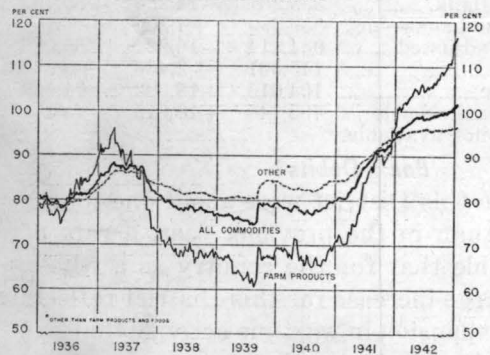
Subsequent to the close of the Victory Fund drive in December prices of United States Government securities increased. Long-term taxable bonds are yielding 2.32 per cent on the average, and long-term partially tax-exempt bonds 2.06 per cent.

INDUSTRIAL PRODUCTION



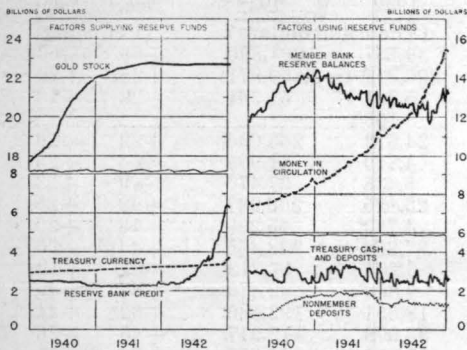
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100. Latest figure shown is for December, 1942.

WHOLESALE PRICES



Bureau of Labor Statistics' weekly indexes, 1926 average=100. Latest figures shown are for week ending January 16, 1943.

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures. Latest figures shown are for January 13, 1943.

MEMBER BANK RESERVES



Wednesday figures. Required and excess reserves, but not the total, are partly estimated. Latest figures shown are for January 13, 1943.