

# MONTHLY REVIEW

## *Agricultural and Business Conditions*

TENTH FEDERAL RESERVE DISTRICT

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FEDERAL RESERVE BANK OF KANSAS CITY

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### *April Treasury Financing*

In the present fiscal year Government expenditures are averaging about 7 billion a month and of this amount hardly 2 billion a month has been secured in the form of taxes. The President's budget placed expenditures for the fiscal year beginning next July 1 at 109 billion dollars, or about 9 billion a month. It is hardly to be expected that taxes in the next fiscal year will greatly exceed 3 billion a month. This means that somewhere between 5 and 6 billion must be borrowed every month or 15 to 18 billion every few months.

These figures give some indication of the magnitude of the task confronting those who must raise the money, and there is nothing gained by not facing the facts squarely. The April financing must not be regarded as an isolated episode that will pass with the coming of spring. Rather, the country must realize that this much money must be raised every few months so long as the present vast expenditure of funds continues.

The Tenth District has a special responsibility in connection with financing the war. Geographically this District is located nearer the center of the country than any other Reserve district and this fact has been a controlling influence in the location of many war plants and other war activities in this area. Undoubtedly Government expenditures in this part of the country exceed by a wide margin Government receipts. The rate of gain in employment in this area in the last year has been about double that for the whole country and the war demand for food has brought great prosperity to the farm. As a result, the gains in income in this District in the past year have far exceeded those of any other Reserve district.

War generates a tremendous amount of consumer buying power. The demands of war for goods and services superimposed upon the enlarged civilian demand for many of these same things create great business activity and surplus buying power in the hands of the public. With the volume of goods available for

civilian consumption declining and the volume of buying power in the hands of the public increasing, the amount of so-called "hot money," or the money that has no place to go except to bid up the price of scarce merchandise, is expanding rapidly. Some estimates place the amount of this restless money currently as high as 40 billion dollars a year. The hope of avoiding a disastrous rise in prices is closely related to the success of a borrowing program that diverts a very substantial part of this surplus buying power to the use of the Treasury.

In a nutshell this is the problem that confronts those charged with the responsibility of financing the war. And the next big test comes in April. At bottom it is a great campaign of public education. This is the first war every waged by human beings in which the elementary considerations involved in war finance and war price inflation have—in any genuine sense—made a beginning in sinking into the public consciousness. But the surface has scarcely been scratched. The job of arresting the attention of the American people and bringing home to every person—however humble—the few simple facts upon which the issue of a great inflation hinges is one of almost appalling magnitude. But it must be done. War is a great force for lifting people out of their own selfishness and uniting them in the common interest, and no one doubts the response of the American people if they can be made to see the issue clearly. But let no one, also, underrate the problem of getting the picture before them.

The April financing is, then, infinitely more than an ordinary drive for funds. To succeed in its purpose it must be taken to every crossroads of America and much more than the efforts of those directly in charge of the campaign will be required. It must, rather, be a great cooperative effort on the part of bankers, teachers, clergymen, businessmen, and all other thoughtful people who understand the peril involved in the failure to capture for the Treasury's use the rapidly growing amount of surplus purchasing power in the hands of the public.

## SUMMARY

Department store sales in this District in the first three weeks of February were 64 per cent higher than in the corresponding period last year. In the second week in February they were up 85 per cent, sales in many stores being more than twice those of a year ago. Nearly all lines of business are feeling the effect of expanding buying power. Grain and livestock marketings and livestock slaughter have been large. The same thing is true of flour milling. Bank deposits and investments are increasing rapidly but bank loans are nearly a fourth less than last year. Life insurance sales in January were less than half those of January, 1942.

## FINANCE

## Member Bank Credit

Investments at weekly reporting member banks in the Tenth District continued to rise sharply from the third week of January to the third week of February as banks added to their holdings of Government securities. Adjusted demand deposits, after some decline at the turn of the year, again are increasing and both deposits and investments have reached new record levels. Volume of loans, however, has been declining markedly since early this year, reflecting chiefly a decrease in commercial loans and in so-called "all other" loans, which include consumer instalment loans. The magnitude of investments is illustrated by the fact that they are now two and three-fourths times as large as loans and are slightly larger than adjusted demand deposits. Volume of loans is nearly one-fourth less than a year ago but investments are substantially more than double a year earlier and adjusted demand deposits are 44 per cent greater.

Principal items of condition of 50 member banks:

	Change from		
	Feb. 17 1943	Jan. 20 1943	Feb. 18 1942
	(In thousands of dollars)		
Loans and investments—total.....	1,336,923	+41,854	+473,621
Loans—total.....	355,267	-13,527	-108,742
Coml., indust., agric.....	231,336	-8,274	-71,000
Open market paper.....	15,787	-1,572	-14,146
To security brokers and dealers.....	1,776	-1,310	-1,206
Other to purchase or carry secur.....	8,383	+17	-1,598
Real estate loans.....	33,418	-269	+395
Loans to banks.....	15	-15	-78
All other loans.....	64,552	-2,104	-21,109
Investments—total.....	981,656	+55,381	+582,363
U. S. Treasury bills.....	177,144	+25,998	+158,125
U. S. Treas. certif. of indebt.....	151,858	+2,115	+151,858
U. S. Treasury notes.....	150,911	+5,753	+108,746
U. S. Govt. bonds.....	312,052	+16,759	+174,528
Oblig. guar. by U. S. Govt.....	61,995	+3,239	-17,380
Other securities.....	127,696	+1,517	+6,486
Reserve with F. R. Bank.....	347,311	+12,044	+90,216
Balances "due from" banks—net.....	342,812	+3,422	*
Demand deposits—adjusted.....	977,578	+43,164	+298,591
Time deposits.....	147,149	+2,148	+12,370
U. S. Govt. deposits.....	84,665	-19,350	+55,687
Deposits "due to" banks—net.....	734,424	+31,284	*

\*Comparable data not available.

## Bank Debits

Bank debits in this District continue about one-fifth larger than a year earlier. January debits, however, had declined much more than is usual from the preceding month and the rate of deposit turnover also was considerably less. The January rate of about 1.15 times was the same as that for last November and was as low as at any time in recent months.

Bank debits to deposit accounts in District cities:

	Jan. 1943	Jan. 1942	Change from 1942
	(Thousand dollars)		(Per cent)
Colo. Springs, Colo.....	22,790	15,514	+47
Denver, Colo.....	255,008	209,649	+22
Gr. Junction, Colo.....	4,744	4,009	+18
Greeley, Colo.....	6,844*	.....	.....
Pueblo, Colo.....	20,900	18,426	+13
Atchison, Kans.....	4,368	4,297	+2
Emporia, Kans.....	4,976	4,491	+11
Hutchinson, Kans.....	20,100	17,600	+14
Independence, Kans.....	4,261	3,720	+15
Kansas City, Kans.....	33,029	27,180	+22
Lawrence, Kans.....	6,330	4,534	+40
Pittsburg, Kans.....	7,011	6,115	+15
Salina, Kans.....	17,464	13,212	+32
Topeka, Kans.....	35,912	25,021	+44
Wichita, Kans.....	120,839	85,357	+42
Joplin, Mo.....	13,012	17,997	-28
Kansas City, Mo.....	526,506	437,305	+20
St. Joseph, Mo.....	50,999	44,296	+15
Fremont, Nebr.....	6,494	3,753	+73
Grand Island, Nebr.....	10,445*	.....	.....
Lincoln, Nebr.....	37,506	32,090	+17
Omaha, Nebr.....	293,394	209,562	+40
Albuquerque, N. M.....	30,159	23,618	+28
Bartlesville, Okla.....	34,022	33,673	+1
Enid, Okla.....	16,761	15,638	+7
Guthrie, Okla.....	2,122	2,080	+2
Muskogee, Okla.....	16,698	12,231	+37
Okla. City, Okla.....	152,802	132,710	+15
Okmulgee, Okla.....	3,220	3,315	-3
Tulsa, Okla.....	189,203	180,511	+5
Casper, Wyo.....	7,955	7,888	+1
Cheyenne, Wyo.....	18,826	11,580	+63
District, 30 cities.....	1,957,411	1,607,372	+22
U. S., 274 cities.....	54,780,000	48,605,000	+13

\*Not included in total; comparable data not available.

## TRADE

## Department Store Sales

Department store sales in this District in the first three weeks of February were 64 per cent larger than a year earlier, following a January gain of 23 per cent over the preceding year. The extension of rationing to shoes, effective early in February, is widely believed to have been a factor in touching off a heavy buying movement which appeared to center on women's and children's apparel, sales of which were abnormally large for February in view of the fact that Easter, which falls on April 25 this year, is unusually late. Since retail prices, according to the Fairchild Index, on the average are only about 3 per cent higher than a year ago, the increased sales for the most part represent an increase in the physical volume of goods sold. Inventories have been reduced



further from the record level of last summer. Stocks of merchandise on hand at the end of January, however, were fully as large as a year earlier and were equal to about 2.4 months' supply at the current rate of sales as compared with 2.9 months' supply last year. The volume of merchandise on order is nearly double a year ago as retailers seek to maintain stocks.

Department store sales and stocks in leading cities:

No. of Stores	SALES	STOCKS
	Jan. '43 comp. to Jan. '42	Jan. 31, '43 comp. to Jan. 31, '42
(Per cent change)		
Denver.....	7	+22
Hutchinson.....	3	+20
Topeka.....	3	+24
Wichita.....	4	+39
Kansas City.....	8	+24
St. Joseph.....	3	+12
Omaha.....	4	-2
Oklahoma City.....	6	+46
Tulsa.....	6	+20
Other cities.....	30	+17
District.....	74	+23

**Wholesale Sales**

The value of January wholesale sales in this District, as reported by the Bureau of the Census, was slightly above the high level of a year earlier, despite growing shortages in many lines and the necessity for voluntary allocation of available supplies to retailers on a quota basis. Wholesale inventories at the close of January were about 10 per cent under last year.

**CONSTRUCTION**

Construction awards in the Kansas City area (Nebraska, Kansas, Oklahoma, and western half of Missouri) in January were about two and one-half times those of the corresponding month a year ago, according to figures of the F. W. Dodge Corporation. Although war construction in this District has receded further from the peak levels of last summer and fall, awards for all types of construction except residential building still were unusually large for January. Total awards for the month, about 83 per cent of which represented publicly-financed work, were the largest for any January on record.

Construction figures of F. W. Dodge Corporation:

	Jan. 1943	Jan. 1942	Change from 1942
	(Thousand dollars)		(Per cent)
Residential building.....	4,279	3,806	+12
Nonresidential bldg.....	8,000	2,650	+202
Public wks. constr.....	3,171	744	+326
Utility construction.....	3,537	350	+911
Kansas City area.....	18,987	7,550	+151
37 Eastern states.....	350,661	316,846	+11

The value of building permits issued in eighteen reporting District cities continues substantially below a year earlier, reflecting the virtual cessation of all private building for the duration of the war. The value

of permits in January was only one-third as large as last year, and only two cities reported any increase over a year ago—Wichita and Kansas City, Kansas, both of which have a critical housing shortage. Lumber sales at reporting retail yards in January were 60 per cent larger than a year earlier, but most of this lumber is going into war plants and other war work such as housing for war workers.

**PRODUCTION**

**Petroleum**

Proved crude oil reserves in most states of the District, according to the Oil and Gas Journal, decreased rather markedly during 1942, reflecting chiefly a drastic decline in drilling and exploratory operations following the establishment of ceiling prices on crude oil. Only in Colorado and New Mexico did new discoveries and extensions of present fields exceed production for the year. In terms of years' supply at the 1942 rate of withdrawal, present reserves in New Mexico are much larger than a year ago and in Oklahoma and Nebraska they are slightly larger as production in these three states during 1942 was relatively light and was materially lower than in the preceding year. The number of years' supply remaining in Colorado, Kansas, and Wyoming is considerably below a year ago when measured by the very high rate of production prevailing in those states in 1942.

Crude reserves reported by the Oil and Gas Journal:

	Jan. 1 1943	Jan. 1 1942	Change from 1942	Jan. 1 1943	Jan. 1 1942
	(Thousand barrels)		(%)	(Years' supply)	
Colo. and Utah.....	31,286	29,597	+6	13.5	17.1
Kansas.....	896,819	941,938	-5	9.3	11.4
Nebr. and Mo....	2,755	2,928	-6	2.0	1.5
New Mexico.....	649,637	643,296	+1	19.7	16.6
Oklahoma.....	1,121,226	1,202,527	-7	8.2	7.9
Wyoming.....	333,393	359,649	-7	10.2	11.9
Eight states.....	3,035,116	3,179,935	-5	....	....
United States...	20,675,899	21,219,039	-3	14.9	15.2

The heavy demand for crude oil and petroleum products for war purposes emphasizes the need for finding additional reserves. At the same time, the increasing disparity between crude oil prices and operating costs, serious losses of technical and skilled workers to the armed forces and to the competitive labor market, and shortages of such critical materials as steel have discouraged drilling operations. There has been no general advance in crude prices since May, 1941, although operating costs have risen substantially since that time. In some fields, production has been greatly increased to reduce unit costs, and the rate of output is so high as to endanger the full recovery of proved reserves. A very important factor in the outlook for reserves is the steadily diminishing size of new pools found. In this District, 3,218 wells

completed in 1942 uncovered about 772,000 barrels daily of new production compared with 4,815 wells and about 1,863,000 barrels daily of new production in 1941. Thus, while the number of wells drilled declined only one-third, the amount of new production discovered decreased nearly 60 per cent.

#### Meat Packing

Operations at meat packing plants in the District continue at a rather high level, although the slaughter of cattle and sheep in January was not quite so heavy as in the preceding year. The large numbers of cattle moving into feed lots rather than direct to packers and some slowing in marketings of fed steers following the freezing of corn prices probably were contributing factors in the smaller cattle slaughter. Hog slaughter apparently reached its winter peak last December and has been considerably below expectations. Reports indicate that butchering on the farm is increasing and this development, together with "black market" operations in meats, may be limiting the commercial slaughter of cattle and hogs to some extent. Packers' purchases of sheep continue abnormally heavy, purchases in January exceeding those of a year ago by 17 per cent. The January slaughter of cattle was 7, hogs 24, and sheep 15 per cent above the average of the preceding ten years.

#### Flour Milling

Southwestern flour milling operations declined somewhat in February from an exceptionally high rate of 93 per cent of capacity reached late in the preceding month. Flour sales to bakers had been very heavy early in January, following an upward revision in OPA ceilings on flour prices, and Government orders for lend-lease and military purposes also were abnormally large. Much of this buying both by bakers and by the Government was for immediate shipment. Prior to the raising of the ceiling on flour prices, bakers for the most part had been unable to buy flour and their stocks had been dwindling rapidly. In many cases, the backlog of orders on mills' books was at a record level and production schedules were increased to near capacity to meet deliveries on contracts. The growing conversion of equipment to grind wheat for distillery manufacture into war alcohol also has served to maintain operations at a high level. The January production of flour at southwestern mills was 13 per cent heavier than a year ago and nearly one-third above the ten-year average.

#### Employment

Total nonagricultural employment in this District in December was 14 per cent larger than a year earlier and during 1942 it averaged about 11 per cent above the preceding year. Employment in manufacturing

industries alone was more than one-third higher for December and more than one-fourth higher for the year and may be expected to rise further as war plants now being constructed come into full operation. Early in February, a 48-hour minimum work week was established in areas designated by the War Manpower Commission as having a critical labor shortage. This action, designed to make available more manpower from the limited labor supply, affects two cities in this District—Wichita and Cheyenne.

Department of Labor estimates of total nonagricultural employment:

	Dec.*	Nov.	Change from 1941	
	1942	1942	Dec.*	Nov.
	(Number)		(Per cent)	
Colorado.....	311,000	309,000	+18	+17
Kansas.....	439,000	431,000	+33	+31
Missouri.....	978,000	976,000	+5	+7
Nebraska.....	278,000	271,000	+26	+23
New Mexico.....	85,700	84,600	+9	+4
Oklahoma.....	373,000	367,000	+10	+9
Wyoming.....	61,900	62,700	+10	+7
Seven states.....	2,526,600	2,501,300	+14	+13
United States.....	38,956,000	38,533,000	+8	+7

\*Preliminary.

The Bureau of the Census in January estimated the civilian labor force for the whole country, including agricultural workers, at 52,400,000 persons compared with 53,200,000 a year ago. This decline is mainly the result of heavy withdrawals of men for military service. Male labor reserves have been virtually exhausted, and nonworker replacements in jobs have failed to keep pace with military withdrawals. The number of employed persons in the labor force, estimated at 51,000,000 this year and 48,900,000 last year, has increased about 4 per cent, but the number of unemployed persons in the labor force, currently estimated at 1,400,000 compared with 4,300,000 a year earlier, is substantially lower and reflects the fact that the great majority of the unemployed have been absorbed either into employment or into the armed forces. The composition of the labor force is steadily changing to include a larger proportion of women, although the increase in women workers has not been sufficient to maintain the labor force at 1942 and 1941 levels or to fill existing needs for labor.

## AGRICULTURE

### Farm Labor

The Department of Agriculture estimates that between April, 1940, and October, 1942, nearly 3 million actual or potential farm workers were lost to other employment paying higher wages or to the armed forces and that between October, 1942, and October, 1943, the already depleted farm labor reserves may be reduced by an additional 1.2 million. In view of the higher agricultural goals established for 1943, the need for farm labor this year will be at least as great as



it was last year. To meet the increasingly critical labor shortage, farmers already have had to draw upon the help of women, children, and older men on the farm and to employ inexperienced nonfarm persons. Scarce supplies of labor, machinery, and equipment have been more effectively utilized through longer hours of operation and through pooling. In some cases, underemployed workers in less productive areas have been moved to more productive ones. The substitution of women and children, however, is necessarily limited by the fact that heavy farm work such as plowing and harvesting can be adequately performed only by adult male labor, and further losses of herders, shearers, range riders, and dairy workers will seriously endanger the attainment of the goals for livestock and livestock products.

### Crops

Winter wheat continues generally in good condition, although volunteer fields in western Kansas show rather heavy damage from dryness and earlier cold weather while alternate freezing and thawing has caused some heaving in northcentral and north-eastern Kansas and in Nebraska. In Oklahoma, winter wheat appears to have withstood the cold without serious injury but fall sown oats have been badly damaged. Wheat has furnished extensive grazing for livestock, with some reports of overgrazing and soil blowing from Kansas and Oklahoma. In the western third of Kansas and extending northward into Nebraska, subsoil moisture reserves are not nearly so favorable as they were a year ago. Much of the volunteer wheat acreage is in that area and consequently will require normal rainfall well spaced to produce maximum yields. January precipitation in Wyoming was 123, Colorado 129, and in New Mexico 73 per cent of normal, but in Nebraska it was only 44, Kansas 26, Oklahoma 6, and in Missouri 16 per cent of normal. In Oklahoma and Missouri, it was the driest January on record, while Kansas had the least amount of moisture for any month in almost seven years. Prospects for summer irrigation water in western states are very favorable because of heavy snow storage in the mountains.

United States wheat stocks at the beginning of this year totaled 1,162 million bushels, or about 268 million bushels above their previous record a year earlier. Of the 1,162 million bushels, approximately 630 million was owned by the CCC or was held by it as collateral for loans, leaving about 532 million bushels of "free" wheat. Receipts of wheat at District markets recently have been unusually heavy as wheat prices are sufficiently high to attract a large volume of "free" wheat that had previously been held off the market

and to cause considerable redemption and sale of loan wheat, particularly of 1941 grain that had been resealed in 1942. Receipts of corn and other grains also have been very heavy, reflecting marketings from the large crops produced in 1942 and extensive liquidation of corn that had been resealed under the 1941 and prior loan programs. Utilization of wheat by flour mills and of corn by both industries and feeders is at an abnormally high rate.

The rapid rise since last July in cash wheat prices leveled off during the forepart of January, since which time prices have been little changed. The buoyant effect of heavy buying by mills to cover record sales of flour to the Government and of the revival of legislation which would redefine parity to include labor costs has been about offset by sharply increased wheat marketings, proposed ceilings on wheat prices, and to some extent by the offering of CCC wheat for sale at parity prices. The CCC already has disposed of some of its soft wheat at parity prices as the market price of soft wheat has reached the parity level, but the market price of hard wheat is still somewhat below parity. Cash corn prices remain close to ceiling levels that had been established on January 12 to prevent a further price rise and to assure the maintenance of current favorable livestock feeding ratios. The temporary discontinuance of CCC sales of wheat for feed recently has strengthened cash corn prices.

The lower range of Kansas City cash grain prices:

	Feb. 25 1943	Jan. 30 1943	Dec. 31 1942	Jan. 31 1942
No. 1 hd., dk. wheat, bu...	\$1.38	\$1.37½	\$1.34¼	\$1.23
No. 2 mixed corn, bu.....	.95¼	.93½	.87¾	.79¼
No. 2 white oats, bu.....	.62¼	.63	.57¼	.57½

### Livestock

Livestock marketings in January, although relatively less heavy than in other recent months, were about 17 per cent above the average of the preceding ten years. The large receipts of cattle at District markets included an unusually heavy proportion of fed steers, and the decrease from a year earlier in the average weight of cattle marketed that had been so evident late in 1942 was less noticeable in January as the "freezing" of corn prices tended to check liquidation of half-fat steers. The large receipts of sheep represented to a considerable extent the movement to market of supplies from the record number of lambs being fattened on wheat pastures in western Kansas. Receipts of both cattle and sheep at District markets exceeded those of a year ago by an appreciable amount, but receipts of hogs were slightly smaller. Hog marketings, although large, have been considerably less this winter than anticipated. A number of factors may be responsible for this situation. A late survey indicates that the 1942 spring pig crop, which started

moving to market last fall, was smaller than had first been estimated. Farmers are holding back more hogs for breeding purposes than had been expected and also are delaying marketings to feed hogs to heavier weights because of the very favorable feeding ratio. Rather widespread "black market" operations also may have served to reduce market receipts.

Livestock prices generally are very strong, the urgent demand for meat apparently outweighing other factors such as liberal marketings and dressed meat price ceilings. Beef steers that have been fed for a comparatively short period of three to five months recently have been selling up to \$16.25 a hundredweight as compared with a six-year high for beef steers of \$16.60 last November, while hog prices by the third week of February had reached \$15.45 a hundredweight, a new twenty-three-year high, and lambs had risen to \$16.15, a new fourteen-year high. Because of the demand for beef, packers have been competing actively with feeders for cattle suitable for immediate slaughter. As a result, the average price of stocker and feeder steers at the middle of February was \$13.30 a hundredweight, the highest level in available records and well above the previous high point in the spring of 1929.

#### Top carlot livestock prices at Kansas City:

	Feb. 25 1943	Jan. 1943	Dec. 1942	Jan. 1942	Jan. 1941	Jan. 1940
	(In dollars per hundredweight)					
Beef steers.....	15.80	16.50	15.75	14.35	13.75	11.25
Stocker cattle.....	15.00	14.00	13.85	12.25	12.00	10.25
Feeder cattle.....	14.25	13.85	13.75	12.00	12.25	9.15
Calves.....	15.50	15.50	15.00	14.50	13.00	11.50
Hogs.....	14.90	15.05	14.80	11.90	8.70	5.75
Sheep.....	13.50	13.75	13.10	10.65	9.50	7.85
Lambs.....	16.00	16.00	15.50	12.70	10.65	9.25

On the following page will be found Department of Agriculture estimates of the number and value of livestock on farms on January 1. Figures are shown for the last three years, for 1938 when numbers generally were at or near their recent low, and for 1934 when numbers were relatively large. The upward swing in the cattle cycle continued through 1942 and the rate of increase in hog numbers was greatly accelerated, with gains in this District outstripping those for the country as a whole. The further increase in cattle and hog numbers in 1942 reflected heavy production of feed grains and hay crops, relatively high livestock prices, and the efforts of producers to meet increased meat animal production goals. Sheep numbers have declined somewhat from their rather high level of a year ago, owing to substantial reductions in feeding operations in a number of important feeding areas and to some liquidation of range sheep and particularly of breeding ewes because of the shortage of experienced herders and the

anticipated difficulty in securing lambing and shearing crews. Following a sharp increase in livestock prices during the past year, the inventory value of livestock on farms is far greater than a year ago.

Cattle numbers in this District increased 8 and in the whole country 4 per cent during 1942. The largest relative increases in the last year were in Nebraska, Kansas, and Oklahoma. Cattle numbers in the United States have reached a new record level over 5 million head above the 1918 peak and nearly 4 million head above the 1934 peak. Cattle numbers in Missouri and Oklahoma also are the largest of record and in Kansas they are the highest since 1904, but in Nebraska, Wyoming, Colorado, and New Mexico, numbers are still below what they were in 1934 just before the drought years. The number of cows and heifers being kept for milking purposes increased moderately in 1942. Although there has been widespread reallocation of dairy animals, there has apparently been no general liquidation of milking herds.

Hog numbers in this District increased 37 and in the United States 22 per cent during 1942. The largest relative increases occurred in Nebraska, Kansas, Colorado, and Wyoming. Hog numbers for the whole country are at a new high level about 11½ million head above 1933 and 4⅓ million head above the previous record in 1923. In Colorado, the number of hogs also is the largest on record, and in Kansas, Oklahoma, and Missouri, hog numbers have recovered substantially from the drastic decline that began in 1933 with the Government slaughter program and that was greatly accelerated by the 1934 and 1936 droughts. In Nebraska, where drought liquidation had been most severe, hogs are coming back rapidly but numbers are still far below pre-drought levels.

The number of sheep and lambs declined 3 per cent during 1942 both in this District and in the whole country. A year ago, sheep and lamb numbers in the United States had been at a record high and in most states of this District numbers at that time also had been very large. The declines consequently were from a relatively high level. The largest percentage decreases in the last year were in Colorado and Oklahoma, but a marked increase occurred in Kansas and Nebraska. As a result, present sheep and lamb numbers in Kansas are the largest and in Nebraska close to the largest on record. In all states of the District except Kansas there was a decline in the number of stock sheep on farms and ranches and in Colorado, Wyoming, Oklahoma, and Missouri, there were sharp reductions in the number of sheep and lambs on feed as well. Substantial increases in the number of sheep and lambs on feed in Kansas and Nebraska largely account for the gain in total numbers in those states.



LIVESTOCK ON FARMS JANUARY 1  
 Estimated by the United States Department of Agriculture  
 Number, in thousands of head Value, in thousands of dollars

	ALL CATTLE AND CALVES					MILK COWS AND HEIFERS KEPT FOR MILK				
	1943	1942	1941	1938	1934	1943	1942	1941	1938	1934
Colorado.....	1,649	1,586	1,442	1,430	1,773	117,756	85,622	60,716	44,873	25,709
Kansas.....	3,889	3,568	3,186	2,505	3,860	254,661	180,054	131,923	77,830	58,672
Missouri.....	3,228	3,017	2,846	2,350	2,875	216,863	157,935	117,758	81,475	44,275
Nebraska.....	3,596	3,306	3,046	2,780	3,980	253,324	177,943	131,415	89,071	69,650
New Mexico.....	1,314	1,288	1,238	1,288	1,560	78,406	64,050	46,324	35,343	22,152
Oklahoma.....	3,067	2,788	2,512	2,160	2,750	166,154	117,346	84,205	56,743	30,525
Wyoming.....	947	885	827	820	1,050	64,797	49,890	37,523	26,470	16,800
Seven states.....	17,690	16,438	15,097	13,333	17,848	1,151,961	832,840	609,864	411,805	267,783
United States.....	78,170	75,162	71,461	65,249	74,369	5,445,098	4,140,256	3,091,259	2,386,808	1,322,281
Colorado.....	246	244	237	235	300	25,338	17,568	13,509	10,810	6,600
Kansas.....	817	786	749	709	967	77,615	57,378	43,442	31,905	21,274
Missouri.....	1,052	1,021	963	934	1,097	89,420	65,344	48,150	41,096	20,843
Nebraska.....	707	672	626	629	820	73,528	50,400	38,186	30,192	21,320
New Mexico.....	83	82	79	74	81	6,889	5,166	3,555	2,812	2,025
Oklahoma.....	903	852	796	718	838	65,919	47,712	35,820	26,566	13,408
Wyoming.....	70	69	68	68	78	6,930	5,382	4,352	3,400	2,106
Seven states.....	3,878	3,726	3,518	3,367	4,181	345,639	248,950	187,014	146,781	87,576
United States.....	26,946	26,398	25,478	24,466	26,931	2,684,129	2,056,148	1,551,679	1,333,886	727,137
Colorado.....	656	400	308	253	440	13,979	6,257	2,139	2,485	1,496
Kansas.....	2,458	1,672	1,276	804	2,430	50,785	24,884	9,449	7,861	8,384
Missouri.....	4,914	3,931	3,606	2,622	4,113	101,796	56,660	26,020	27,470	14,190
Nebraska.....	3,491	2,375	1,813	1,507	5,010	97,073	45,745	17,513	18,566	21,543
New Mexico.....	143	110	99	80	67	2,639	1,614	705	770	241
Oklahoma.....	1,495	1,099	956	730	1,180	22,996	12,068	5,194	6,081	3,245
Wyoming.....	125	84	76	60	87	2,628	1,328	569	747	300
Seven states.....	13,282	9,671	8,134	6,056	13,327	291,896	148,556	61,589	63,980	49,399
United States.....	73,660	60,377	54,256	44,525	58,621	1,660,652	942,931	452,586	501,352	239,760
Colorado.....	2,615	3,004	2,582	2,853	3,028	28,416	27,535	18,554	17,356	12,818
Kansas.....	1,539	1,327	1,136	614	689	15,252	10,496	7,079	3,580	2,687
Missouri.....	1,695	1,770	1,695	1,441	1,310	17,057	15,641	11,321	9,782	4,978
Nebraska.....	1,285	1,208	942	859	1,055	12,730	10,774	6,493	5,015	4,395
New Mexico.....	2,162	2,248	2,310	2,170	2,757	20,335	18,092	14,013	11,262	8,822
Oklahoma.....	394	438	398	375	183	3,318	3,179	2,184	2,134	586
Wyoming.....	3,781	3,934	3,838	3,543	3,873	38,235	37,991	28,900	22,392	15,879
Seven states.....	13,471	13,929	12,901	11,855	12,895	135,343	123,708	88,544	71,521	50,165
United States.....	55,089	56,735	54,283	51,210	53,503	533,327	488,468	365,496	312,893	202,241
Colorado.....	211	213	213	239	297	13,477	10,093	9,830	16,137	12,177
Kansas.....	375	371	375	450	604	26,759	20,073	19,573	28,225	32,012
Missouri.....	519	519	524	534	531	36,318	27,641	30,362	41,855	31,329
Nebraska.....	458	458	467	523	666	29,165	22,024	21,881	35,024	38,628
New Mexico.....	120	120	125	135	143	6,130	4,928	4,914	6,926	5,720
Oklahoma.....	351	344	355	400	421	21,139	14,822	16,263	24,969	22,313
Wyoming.....	128	125	125	133	158	6,113	4,571	4,788	7,802	5,688
Seven states.....	2,162	2,150	2,184	2,414	2,820	139,101	104,152	107,611	160,938	147,867
United States.....	9,678	9,907	10,214	10,995	12,052	773,917	641,520	697,352	999,336	806,038
Colorado.....	11	12	13	13	22	990	798	868	1,109	1,188
Kansas.....	59	60	63	70	120	4,983	3,936	4,120	5,920	8,400
Missouri.....	192	194	209	214	264	18,543	14,131	16,032	23,024	20,328
Nebraska.....	43	47	48	55	83	3,464	2,944	3,056	4,802	6,142
New Mexico.....	11	11	11	10	19	875	638	689	798	1,045
Oklahoma.....	130	138	139	165	258	10,289	8,600	9,136	14,814	18,318
Wyoming.....	2	2	2	15	3	140	126	134	1,500	180
Seven states.....	448	464	485	542	769	39,284	31,173	34,035	51,967	55,601
United States.....	3,712	3,813	3,922	4,250	4,945	473,118	409,929	420,469	524,408	407,567

\*State figures computed by this bank.

## NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Industrial activity rose further in January and the first half of February. Retail sales continued in large volume in January and were at an exceptionally high level early in February.

## PRODUCTION

Volume of industrial production showed another marked gain in January reaching a level of 200 per cent of the 1935-1939 average, according to the Board's adjusted index, compared with 197 in December. The increase reflected largely a growth in activity in the munitions industries, including production of chemicals for war purposes.

Activity at shipyards and in aircraft and machinery plants continued to expand sharply. Deliveries of completed merchant ships in January were somewhat less than in December but were still at the high level of over 1 million deadweight tons. Total iron and steel production rose to the level of last November, but was still slightly below the October peak, and electric steel output, important for munitions manufacturing, reached a record level  $5\frac{1}{2}$  times as large as in the 1935-1939 period. Operations at steel mills were near capacity during the first three weeks of February.

Nondurable manufactures, as a group, continued to show little change. Production of meats under Federal inspection, except beef, declined sharply from the high level in December. Output of most other foods was maintained; production for military and lend-lease needs, particularly of highly processed foods, rose further and there was a corresponding decline in output of these products for civilians. Newsprint consumption declined in January as a result partly of a Federal order restricting newsprint use.

Mineral production declined slightly in January, reflecting a small reduction in output of crude petroleum. Output at coal and metal mines showed little change. Anthracite production in the first half of January was reduced by an industrial dispute, but for the month of January as a whole, output was only 3 per cent lower than in December.

Value of construction contracts awarded, according to figures of the F. W. Dodge Corporation, was much smaller in January than in other recent months, but was still slightly higher than a year ago. Reductions occurred in all types of public awards, which now account for most of the total. A decline has been indicated for some time as a result of actions of the War Production Board designed to limit construction activity to projects that are essential. On October 23, 1942, it had established a committee to review proposals for new construction; through February 12, work on projects estimated to cost 1.3 billion dollars was stopped either by the War Production Board or by the Government agencies initiating them.

## DISTRIBUTION

Distribution of commodities to consumers was in large volume in January and the first half of February. Retail sales of merchandise declined less than seasonally in January and rose sharply in the first half of February when a buying wave developed, particularly in clothing. At department stores, sales increased considerably in the first week of February and then reached an exceptionally high level during the second week, stimulated partly by the announcement of shoe rationing.

Freight carloadings declined somewhat less than seasonally in January and substantial increases in loadings of most types of commodities occurred in the first two weeks of February.

## COMMODITY PRICES

The average level of wholesale commodity prices continued to advance in January and the early part of February. Prices of most farm products showed further increases. Maximum wholesale and retail prices were raised for a number of miscellaneous commodities including coal, while reductions were effected in maximum prices for some items like rayon tops and waste.

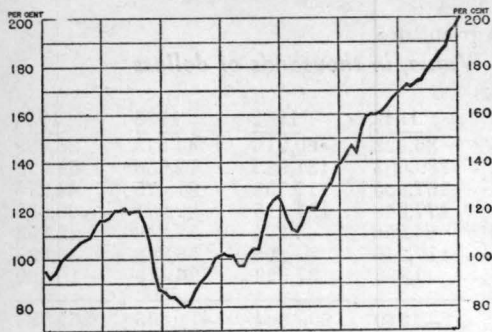
Retail prices of foods continued to rise from mid-December to mid-January with increases in meats, dairy products, and processed fruits and vegetables.

## BANK CREDIT

Excess reserves of member banks declined from an average level of about 2.2 billion dollars in the last half of January to 1.6 billion early in February, but increased somewhat around the middle of the month. Increases in currency in circulation continued to be the major factor responsible for the decline, although substantial fluctuations occurred in Treasury balances and Reserve Bank credit. Most of the decline in excess funds was at banks in New York City and Chicago, where reserves have recently been close to legal minimum requirements. Over the five-week period ending February 17, the currency drain amounted to 520 million dollars, bringing circulation to 15.8 billion.

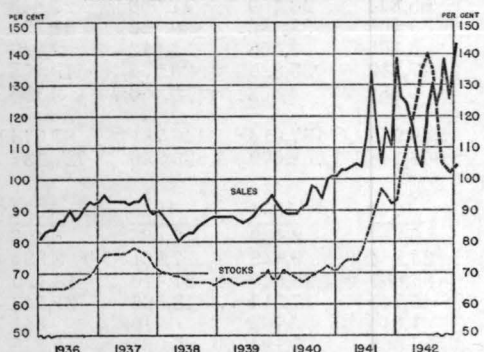
Holdings of Government obligations at reporting banks in leading cities outside New York and Chicago increased by 640 million dollars over the five-week period ending February 17. At banks in New York and Chicago, holdings of Government securities declined by 360 million, principally through sales to the Reserve Banks for the purpose of restoring reserves. Government deposits at banks were reduced in the period, while other deposits increased.

## INDUSTRIAL PRODUCTION



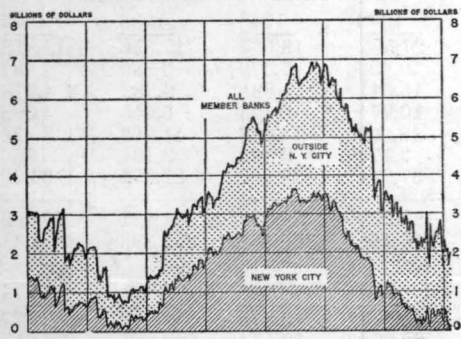
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100. Latest figure shown is for January, 1943.

## DEPARTMENT STORE SALES AND STOCKS



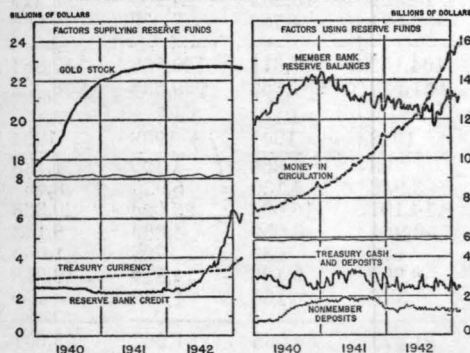
Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average=100. Latest figures shown are for January, 1943.

## EXCESS RESERVES OF MEMBER BANKS



Wednesday figures, partly estimated. Latest figures shown are for February 17, 1943.

## MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures. Latest figures shown are for February 17, 1943.