

MONTHLY REVIEW

Agricultural and Business Conditions

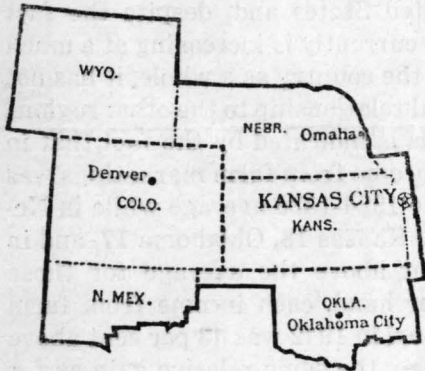
TENTH FEDERAL RESERVE DISTRICT

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FEDERAL RESERVE BANK OF KANSAS CITY

MARCH 31, 1943

Business in the Tenth Federal Reserve District



The moisture situation is causing some uneasiness. It has been very dry nearly everywhere since the first of the year and precipitation in Nebraska has been much below normal since September. With the exception of western Kansas and parts of Nebraska, subsoil moisture generally is satisfactory. The outlook for crops, therefore, is unusually dependent on spring rains.

The recent surge in retail buying is subsiding somewhat. Department store sales in February were nearly 60% above last year but in the last few weeks the gain has been less than half that much. Since Easter is 20 days later than last year, however, the comparison for present sales is with an unusually active period a year ago. Gains in sales in this District are much above those for the country as a whole.

Marketings of grain and livestock are very large and prices are firm. Flour mills and slaughterhouses are unusually busy.

FEBRUARY, 1943 COMPARED WITH FEBRUARY, 1942					BUSINESS INDICATORS	2 MOS. 1943 COMPARED WITH 2 MOS. 1942					
% DECREASE		% INCREASE				% DECREASE		% INCREASE			
40	30	20	10	10		20	30	40	40	30	20	10
					Finance						
					Bank Debits.....						
					F. R. Bk. Clearings.....						
					Mem. Bk. Loans.....						
					Mem. Bk. Invest.....	137					
					Demand Deposits.....						
					Life Ins. Sales.....						
71					Failures (Liab.).....	61					
					Trade						
					Wholesale Sales.....						
					Dept. Store Sales.....	59					
					Marketings						
					Wheat.....	183					
					Corn.....						
					Oats.....						
					Cattle.....						
					Calves.....						
					Hogs.....						
					Sheep.....						
					Production						
					Flour.....						
					Cattle Slaughter.....						
					Calf Slaughter.....						
					Hog Slaughter.....						
					Sheep Slaughter.....						
					Crude Petroleum.....						
					Bituminous Coal.....						
					Construction						
					Total Awards.....	223					
					Res. Awards.....						
75					Value of Permits.....	71					
					Lumber Sales.....	64					
					Miscellaneous						
58					Rainfall.....						
					Cash Farm Income*.....						
					Employment*.....						

*For previous month

AGRICULTURE

Farm Income

Estimates by states of cash income from farm marketings for the entire year 1942 are now available. In Nebraska, cash income from farm marketings during 1942 was 57 per cent greater than in 1941, in New Mexico 49, Colorado 46, Kansas 45, Oklahoma and Wyoming 43, and in Missouri 36 per cent larger. In all states of the District except Nebraska, 1942 farm income exceeded that of 1929—and by a wide margin—and was at the highest level since before 1924, the first year for which state figures have been compiled. Farm income in Nebraska, however, was still somewhat below its high point in 1929. For the whole country, cash income from farm marketings in 1942 totaled nearly 15½ billion dollars, about 38 per cent more than in either 1941 or 1929 and appreciably above the previous record of 14½ billion in 1919. According to the Department of Agriculture, income in 1943 may be from 15 to 20 per cent higher than in 1942 if present prospects for higher prices and larger production should be realized.

Department of Agriculture estimates of cash income received from farm marketings:

	Colo.	Kans.	Mo.	Nebr.	N.Mex.	Okla.	Wyo.
	(In millions of dollars)						
1942.....	234	561	541	459	97	370	90
1941.....	160	388	397	293	65	258	63
1940.....	129	245	274	224	58	189	51
1939.....	125	247	253	221	50	172	47
1938.....	114	230	242	201	48	165	43
1937.....	147	307	260	251	53	191	50
1936.....	132	272	259	281	46	148	45
1935.....	103	241	229	209	37	159	39
1934.....	93	218	195	227	40	131	37
1933.....	79	182	182	193	26	128	28
1932.....	75	179	168	167	24	106	24
1931.....	118	260	216	279	33	127	34
1930.....	173	390	310	408	50	183	46
1929.....	201	524	392	489	69	323	61
1928.....	191	511	384	485	69	316	63
1927.....	192	450	365	418	61	312	52
1926.....	182	474	385	434	50	272	47
1925.....	185	465	386	445	50	348	50
1924.....	167	437	353	421	48	322	43

An unusually large part of the sharp increase in income during 1942 resulted from heavier agricultural production which for the whole country was 12 per cent more than the previous record established in 1941. The main factor in the increase in income, however, was a 29 per cent advance in the general level of prices received by farmers in 1942 as compared with 1941. It is interesting to note that, although production and income were at new highs, farm prices in 1942 were still much below the very high level of 1919. Farmers in 1942 redeemed large quantities of commodities formerly placed under loan, particularly cotton and wheat, the returns from which above the cost of redemption also added materially to their cash income. Producers of virtually all agricultural prod-

ucts shared in the increase in income from farm marketings in 1942. Outstandingly large increases were shown in returns from oil bearing crops such as soybeans, flaxseed, and peanuts, from potatoes, from hogs, and from eggs.

With the sharp rise that took place in 1942, farm income in most states of this District was from three to four times what it was at the depth of the depression in 1932. Severe droughts in 1934 and 1936, however, tended to check subsequent recovery in much of this area. Farm income in this District in the following years consequently was low relative to other sections of the United States and, despite the fact that District income currently is increasing at a much faster rate than for the country as a whole, it has not yet regained its usual relationship to the other regions of the country. This is indicated by the fact that in 1942 national cash income from farm marketings was 43 per cent above the 1924-1929 average while in Nebraska it was only 2, Kansas 18, Oklahoma 17, and in Colorado 26 per cent above the average for those years. On the other hand, cash income from farm marketings in Missouri in 1942 was 43 per cent above the 1924-1929 average, the same relative gain as for the whole country, and in Wyoming it was 70 and in New Mexico 67 per cent higher.

Along with the rapid rise in farm income there has also been a marked increase in the buying power of farm products, or the relationship between prices received by farmers for farm products and prices paid by them for things they buy, including interest and taxes. By late 1941, this ratio had reached 100 per cent of the average from 1910 to 1914 and currently is 111, indicating that farm prices have been increasing relatively faster than other prices and reflecting the unprecedented demand for farm products resulting from high consumer incomes and military and lend-lease requirements incident to the war.

Crops

Farmers' planting intentions in this District at the first of March, as reported to the Department of Agriculture, indicated increased acreages in 1943 for corn, oats, and grain sorghums needed to maintain large numbers of livestock and poultry, for potatoes, for dry beans and peas needed as substitutes for meat, and for flaxseed, soybeans, and peanuts needed for their oil. Farmers' plans for the production of sugar beets are not very definite this early in the season owing to uncertainty regarding labor for thinning and harvesting and the fact that contracts between growers and sugar factories have not been completed in many areas, but the sugar beet acreage seems likely to be reduced sharply because of this crop's high labor re-

quirements, unusual weather difficulties with sugar beets last year, and the more favorable price of alternative crops such as dry beans. Persistent dryness and cold weather in March were reported to be delaying the planting of early crops in many areas of the District and it was indicated that part of the acreage intended for oats, spring barley, and potatoes might be diverted to corn, grain sorghums, and other crops. It should be emphasized, perhaps, that March 1 planting intentions may be altered to a considerable extent by subsequent weather conditions, price changes, and Governmental actions. For the country as a whole, the prospective acreages of flaxseed, rice, oats, and barley exceed the 1943 goals and those for wheat, soybeans, grain sorghums, tobacco, and hay are close to the goals, but the intended acreages for corn and potatoes are a little short and those for peanuts, sugar beets, dry beans, dry peas, and sweet potatoes are considerably short of the goals.

The rather general increase in acreage in prospect for 1943 was somewhat of a surprise in some quarters in view of earlier indications that shortages of farm labor and machinery and other difficulties probably would force a reduction in plantings. Apparently farmers have been encouraged by price support programs, by the recent doubling of production quotas for farm machinery and equipment, and by the deferment of essential farm workers. Although the dwindling labor supply is necessitating shifts between crops and between kinds of livestock to reduce labor requirements particularly in areas adjacent to war industry centers, many farmers at the same time are expanding operations by making more efficient use of equipment, by longer working hours, and by increased use of help from farm families. According to the Department of Agriculture, it still is uncertain whether farmers this year can plant a near-record acreage of crops and care for record numbers of livestock and poultry on farms with present manpower, which is at the lowest level in the nineteen years for which estimates are available. Harvesting the prospective large acreage would become a serious problem if per acre yields should approach last year's record when growing conditions on the whole had been exceptionally favorable.

Following very dry weather in most of the District in January, moisture supplies in February also were light, with precipitation in Wyoming only 64, Colorado 66, New Mexico 32, Nebraska 52, Kansas 59, Oklahoma 46, and in Missouri 45 per cent of normal. Shortages of surface moisture that had developed during February in most of Nebraska, western Kansas, most of Oklahoma and New Mexico, and in portions of Colorado have been partially relieved in March, but accumulating moisture deficiencies would seem to indicate that crop production this year will be more than usually dependent on current and timely rains. Subsoil moisture reserves, however, generally are good except in western Kansas and extending northward into Nebraska. The outlook for irrigation water in western states is quite favorable.

Since the first of this year, receipts of wheat at principal District markets have been exceptionally heavy. Marketings have been even larger than they were at harvest time last summer and have greatly congested handling facilities at interior points. The generally satisfactory progress of the new winter wheat crop and advancing wheat prices, which have risen appreciably above the loan rate, have caused farmers to redeem and sell large quantities of wheat that had been stored under loans and to market holdings of "free" wheat as well. In addition, receipts recently have contained a large proportion of CCC

RAINFALL

	Feb. 1943		2 Mos. 1943	
	Total	Normal	Total	Normal
	(In inches)			
COLORADO				
Denver.....	0.10	0.53	0.37	0.93
Leadville.....	1.30	1.42	2.80	2.64
Pueblo.....	0.46	0.47	0.72	0.78
Lamar.....	0.02	0.60	0.20	0.86
Alamosa.....	0.27	0.14	0.32	0.44
Steamboat Springs.....	2.00	2.41	3.35	4.63
KANSAS				
Topeka.....	0.64	1.51	0.79	2.45
Iola.....	1.06	1.47	1.33	2.80
Concordia.....	0.68	0.88	0.86	1.49
Salina.....	0.82	1.08	1.08	1.70
Wichita.....	0.67	1.25	0.94	2.03
Hays.....	0.79	0.82	0.88	1.15
Goodland.....	0.32	0.53	0.57	0.84
Dodge City.....	0.24	0.77	0.37	1.18
Elkhart.....	0.08	0.56	0.18	0.84
MISSOURI				
St. Joseph.....	0.79	1.67	1.00	2.95
Kansas City.....	0.61	1.47	0.92	2.66
Joplin.....	0.98	1.68	1.06	3.84
NEBRASKA				
Omaha.....	0.50	0.89	0.55	1.59
Lincoln.....	0.58	0.95	0.76	1.59
Norfolk.....	0.46	0.88	1.17	1.47
Grand Island.....	0.68	0.80	0.76	1.35
McCook.....	0.10	0.66	0.28	1.00
North Platte.....	0.08	0.53	0.29	0.92
Bridgeport.....	0.11	0.48	0.42	0.87
Valentine.....	0.11	0.55	0.42	1.03
NEW MEXICO				
Clayton.....	Trace	0.50	0.05	0.72
Santa Fe.....	0.25	0.75	0.65	1.42
Farmington.....	0.70	0.76	1.03	1.30
OKLAHOMA				
Tulsa.....	0.68	1.66	0.70	3.34
McAlester.....	0.70	2.20	0.93	5.07
Oklahoma City.....	0.89	1.11	0.92	2.30
Pauls Valley.....	0.44	1.50	0.50	3.09
Hobart.....	0.30	0.96	0.30	1.72
Enid.....	0.60	1.18	0.69	2.24
Woodward.....	0.16	1.08	0.27	1.68
WYOMING				
Cheyenne.....	0.53	0.64	1.09	1.06
Casper.....	0.28	0.85	1.08	1.51
Lander.....	0.34	0.63	1.38	1.19
Sheridan.....	0.58	0.70	1.28	1.55

wheat moving to terminal storage to relieve congestion at country elevators. Corn marketings also had been in exceptionally heavy volume but declined sharply near the middle of March when temporary corn price ceilings in effect since January 11 were replaced on March 12 by permanent ceilings which established maximum prices somewhat below anticipated levels. Since receipts of corn for some time had been insufficient to satisfy the abnormally heavy demand from industries and feeders, this curtailment of corn marketings caused serious stringency.

Cash wheat prices early in March had risen slightly above their previous peak in 1937 and were as high as at any time since the 1928-1929 crop season. Price strength in wheat reflected increased use of wheat for domestic consumption, in livestock feeding, in the manufacture of alcohol, and in the lend-lease program, and wheat prices have also been influenced by pending Congressional legislation which would prohibit the deduction of Government payments from parity in arriving at ceilings on agricultural products and which would revise parity formulas upward to include labor costs. Wheat prices, however, have recently weakened somewhat under the pressure of heavy marketings. Cash corn prices since early in March have been at ceiling levels, with the demand from feeders and from distillers and other manufacturers much in excess of supplies on the open market.

The lower range of Kansas City cash grain prices:

	Mar. 29 1943	Feb. 27 1943	Jan. 30 1943	Feb. 28 1942
No. 1 hd., dk. wheat, bu...	\$1.38½	\$1.41	\$1.37½	\$1.21½
No. 2 mixed corn, bu.....	.98	.95¼	.93½	.77¾
No. 2 white oats, bu.....	.66	.62¾	.63	.55
No. 2 rye, bu.....	.87½	.87	.81½	.77½
No. 2 barley, bu.....	.90½	.85	.84	.59½
No. 2 white kafir, cwt....	1.94	1.71	1.59	1.17

Livestock

Receipts of cattle at principal District markets in February were 16, hogs 23, and sheep 16 per cent larger than a year ago. Marketings of cattle were especially heavy, being 38 per cent above the February average of the past ten years, while hog marketings were about 20 and those of sheep 12 per cent above average. Marketings of calves were little different from a year ago and 37 per cent below average. The heavy receipts of cattle reflected to a considerable extent liberal marketings of fed steers that had been on feed for only a relatively short time. Last fall there had been some delay in the movement of feeder cattle into feed lots, and the current strong price trend, especially on lower grades of cattle, together with a renewal of talk of price ceilings on live animals, is encouraging the early marketing of short-fed beef steers. The large receipts of sheep include

marketings from the record number of lambs on wheat pasture in western Kansas. Hog receipts, although large, continue much below earlier expectations, and this relative scarcity in comparison with demand for meats as in the case of all livestock has been an important factor in price strength.

Livestock prices continue very strong despite liberal marketings and dressed meat price ceilings. Late in March, beef steers reached \$17 a hundredweight, a level which was but little below the September, 1937, peak of \$17.25 and which was the highest for any March on record except for 1919 when beef steers sold at \$18.50 a hundredweight. The advance on lower grades of slaughter cattle has been even more pronounced and this has had a strengthening effect upon stocker and feeder cattle prices. At Kansas City, the average cost of steers shipped to the country was at an all-time high of \$14.73 a hundredweight near the middle of March. This level, which is rather high in view of prevailing ceiling prices for dressed beef and represents the most unfavorable margin between feeder cattle and fat cattle prices since last July, reflects the broad demand this spring for stockers and feeders to utilize relatively cheap pasture and rough feeds. Hog prices early in March had risen to \$15.60 a hundredweight, a new high since 1920. Widely publicized reports that a ceiling on prices of live hogs was imminent caused a sharp drop from this level but hog prices subsequently recovered virtually all of the decline when it was announced that no action was contemplated for some time. Lamb prices late in March had reached \$16.50 a hundredweight, a new fourteen-year high, but have since declined somewhat.

Top carlot livestock prices at Kansas City:

	Mar. 29 1943	Feb. 1943	Jan. 1943	Feb. 1942	Feb. 1941	Feb. 1940
	(In dollars per hundredweight)					
Beef steers.....	17.00	16.00	16.50	13.75	12.50	10.50
Stocker cattle.....	16.10	15.90	14.00	13.25	12.00	10.50
Feeder cattle.....	15.25	15.00	13.85	11.90	11.50	9.00
Calves.....	16.00	15.50	15.50	14.50	13.00	11.00
Hogs.....	15.45	15.45	15.05	13.00	7.90	5.35
Sheep.....	13.25	13.50	13.75	10.25	9.75	7.75
Lambs.....	15.65	16.15	16.00	12.25	10.85	9.75

Ranges in eastern Wyoming and Colorado and in western Nebraska and Kansas generally carry a good supply of old feed. Grazing conditions, however, are less favorable in the western parts of Wyoming and Colorado, in New Mexico, and in Oklahoma, and virtually all sections of the District late in March were badly in need of moisture to start spring grass. Cattle and sheep wintered well and death losses have been light although storms and cold weather early in March were hard on livestock and necessitated heavy supplemental feeding. Except for some local shortages, supplies of hay, grains, and roughages generally are plen-

tiful, but everywhere the demand for high protein feeds greatly exceeds the amount available. This general shortage of high protein feeds has caused increased feeding of wheat to livestock. Wheat pastures in western Kansas have furnished good feed but show the effects of overgrazing and of recent limited moisture, while grain pastures in Oklahoma also are short. Herds of cows and breeding ewes generally are in a strong, healthy condition and stockmen anticipate good calf and lamb crops this year. Preliminary reports indicate that pasture leasing in the Blue Stem section of Kansas this spring has been exceptionally active and unusually early.

Wool

The production of shorn wool in this District in 1942 was somewhat larger than in 1941, local market prices averaged about 12 per cent higher, and cash income from wool rose 16 per cent. Wool production in New Mexico was slightly under the high level of the preceding year, but in Wyoming production was about as large as a year earlier and in Colorado and other states it was appreciably larger. The increase in production in 1942 reflected chiefly an increase in the number of sheep shorn as fleece weights generally were unchanged or were somewhat lighter. A reduction in the number of sheep shorn, however, occurred in New Mexico and was responsible for the decrease in wool production in that state, while heavier fleece weights in Kansas largely accounted for the increase in wool production in that state.

Department of Agriculture shorn wool estimates:

	PRODUCTION		PRICE		INCOME	
	1942	1941	1942	1941	1942	1941
	(000 pounds)		(cents per lb.)		(000 dollars)	
Colorado.....	14,896	13,561	39	33	5,809	4,475
Kansas.....	5,921	5,665	38	34	2,250	1,926
Missouri.....	11,052	10,621	42	39	4,642	4,142
Nebraska.....	4,086	3,496	37	32	1,512	1,119
New Mexico.....	16,726	17,294	35	32	5,854	5,534
Oklahoma.....	3,071	2,890	34	31	1,044	896
Wyoming.....	33,320	33,379	39	34	12,995	11,349
Seven states.....	89,072	86,906	38	34	34,106	29,441
United States.....	392,373	390,568	40	36	157,235	138,656

Total production of wool in the United States in 1942 was at a record level of over 459 million pounds, including 67 million pounds of pulled wool. An additional million pounds of wool was shorn from lamb and sheep skins as part of the process of producing shearling skins for use in making aviators' equipment. Mill consumption of apparel wool in 1942 totaled 1,075 million pounds. Of this amount, 540 million pounds was domestic wool. This rate of consumption, reflecting principally the demand for military fabrics as use of wool for civilian fabrics had been sharply curtailed, was much larger than in any previous year and wool consumption is expected to continue very heavy.

TRADE

Retail Sales

Department store sales in this District in the first three weeks of March were 23 per cent larger than a year earlier. This gain was about the same as that for January but was substantially lower than that for February when sales had been 59 per cent above the preceding year and when a heavy buying movement centering on women's and children's apparel had developed, influenced in part by the extension of rationing to shoes early in the month. Toward the end of February the buying rush had largely subsided, and sales in March were further curtailed to some extent by unseasonably cold weather. Nevertheless, the volume of merchandise being sold continues very large, especially in view of the fact that the March comparison is with a period of rapidly increasing Easter buying a year ago. The Easter date last year fell on April 5 while this year it is April 25.

Inventories at department stores increased during February but by substantially less than the usual amount and at the close of the month were 6 per cent lower than a year earlier when inventories had been building up to the peak reached last summer. In relation to the heavy volume of sales in February this year, month-end stocks represented little more than two months' supply, while stocks last year had been equal to nearly four months' supply. The volume of merchandise on order at the end of February was 84 per cent larger than a year ago, reflecting not only urgent reorders for spring merchandise but also heavy commitments for next fall which this year have been placed much earlier than usual.

Department store sales and stocks in leading cities:

No. of Stores	SALES		STOCKS	
	Feb. '43	2 Mos. '43	Feb. 28, '43	
	comp. to Feb. '42	comp. to 2 Mos. '42	comp. to Feb. 28, '42	
(Per cent increase or decrease)				
Denver.....	7	+59	+39	-10
Hutchinson.....	3	+69	+42	*
Topeka.....	3	+61	+42	*
Wichita.....	4	+66	+52	*
Joplin.....	3	+35	+13	*
Kansas City.....	8	+55	+39	0
St. Joseph.....	3	+46	+27	....
Omaha.....	4	+65	+28	*
Oklahoma City.....	6	+86	+65	-9
Tulsa.....	6	+42	+30	+3
Other cities.....	30	+51	+34	-2
District.....	77	+59	+39	-6

*Not shown separately but included in District total.

Retail trade in general was much more active in February this year than last, according to Bureau of the Census reports. Exceptionally outstanding gains were shown in sales at apparel, department, dry goods, and jewelry stores. Increases in sales were less pronounced at furniture and hardware stores.

Sales of independent retail stores, by states, as reported by the Bureau of the Census:

	Feb. 1943 per cent change from Feb. 1942						
	Colo.	Kans.	Mo.	Nebr.	N.Mex.	Okla.	Wyo.
Apparel.....	+87	+68	+68	+81	+136	+91	+62
Automobile.....	-14	+3	-23	+29	-7	-3	+2
Department.....	+74	+70	+30	+51	....	+86	....
Drug.....	+29	+33	+24	+29	+35	+24	+25
Dry goods.....	+35	+77	+60	+74	+66	+72	....
Food.....	+27	+30	+32	+35	+23	+34	+29
Furniture.....	+7	+9	+3	+38	+28	+30	....
General.....	+43	+36	+34	+44	+16	+22	+24
Hardware.....	+8	+3	+9	+22	-10	+12	....
Jewelry.....	+90	+57	+69	....	....	+92	....
Lbr. and mtls..	-2	+34	+24	+65	+25	+11	-12
Miscellaneous..	+5	0	+4	+54	+33	+45	+20
Total (weighted)	+25	+32	+31	+45	+18	+53	+18

Wholesale Sales

The value of February wholesale sales in this District, as reported by the Bureau of the Census, was 11 per cent larger than a year earlier. This increase is especially significant in view of the high level of wholesale sales at this time last year and also in view of the fact that sales in some lines, notably furniture and hardware, increasingly are being affected by shortages of critical materials such as metals and lumber. In some lines also, particularly dry goods, drugs, hardware, and groceries, sales have been restricted to some extent by voluntary allocations of merchandise to retailers on a quota basis. Sales of furniture and hardware distributors are little changed from a year ago, but sales of clothing, drug, dry goods, and grocery distributors have been much higher. According to trade reports, however, heavy buying of groceries recently has subsided somewhat since point rationing went into effect. Wholesale inventories at the close of February were about 18 per cent lower than a year earlier.

PRODUCTION

Meat Packing

Continued heavy operations at meat-packing plants are indicated by the fact that February packers' purchases of cattle at leading District markets were 27, hogs 23, and sheep 6 per cent above the February average of the past ten years. Cattle slaughter, however, has dropped somewhat below a year earlier, calf slaughter is exceptionally light, and that of hogs and sheep is relatively less heavy than in other recent months. An abnormally large country demand for stocker and feeder animals is curtailing to some extent the volume of cattle and sheep going to immediate slaughter, while increased farm butchering also has tended to restrict commercial livestock slaughter. In order to assure ample supplies of meat for the armed forces and for lend-lease purposes, civilian meat quotas have been further reduced by means of a temporary order issued early in March, requiring all

plants operating under Federal inspection to set aside for Government use 80 per cent of the canner and cutter grades of beef, 40 per cent of other beef, 30 per cent of the veal, 35 per cent of the lamb and mutton, and 45 per cent of the pork produced during the period from March 15 to April 30.

Flour Milling

During the first three weeks of March, southwestern flour production utilized about 84 per cent of milling capacity in this area as compared with 85 per cent in February and 90 in January. Mills increasingly are diverting part of their capacity to the production of wheat grits for distillery manufacture into war alcohol. Total milling operations consequently are at a considerably higher rate than is indicated by the production of flour alone. Flour production continues very heavy, output in February exceeding that of a year ago by 16 and the February ten-year average by 30 per cent. The volume of orders on mills' books is abnormally large, due not only to record buying by the Government but also to heavy forward buying by bakers and distributors, many of whom have contracted for their needs well into the summer. According to trade reports, stocks of flour in the hands of bakers and jobbers are much larger than usual because of greatly increased consumer demand, especially for bakery products, and much of the recent heavy forward buying was due, in part at least, to fear that advancing wheat prices and the consequent narrowing of operating margins under the flour price ceilings would again force mills to withdraw quotations. Since late in February, flour prices have been at the ceiling and wheat prices have been above a level equivalent to the flour price ceiling.

Petroleum

Crude oil production in this District is 8 per cent larger than the average of the past ten years but is little changed from a year earlier, with sharply increased output in Kansas, Colorado, and Wyoming about offset by marked decreases in Oklahoma, New Mexico, and Nebraska. The steady decline in storage stocks of crude oil in this District leveled off near the first of this year. Since that time there has been a further decrease of 1½ million barrels in Oklahoma, but Kansas and New Mexico have each added over 1 million barrels of crude to storage. On the whole, petroleum production currently is in better balance with demand than in most of 1942, civilian consumption of gasoline and fuel oils having been greatly curtailed, but even so refineries in some middle western and mid-continent areas are still short of crude supplies for the processing of war products, including aviation gasoline and fuel oils and other products re-

quired by industries and civilians engaged in war work. To meet this situation, a partial pooling of crude oil supplies was instituted early in March whereby additional crude is being made available to plants which need it to maintain maximum production of war products and which can deliver products with a minimum use of transportation facilities. In order to maintain proved reserves and to assure sufficient petroleum for war needs, the Petroleum Administrator for War has called for the drilling during 1943 of at least 4,500 wildcat wells, 1,500 more than were ever drilled before in any one year.

CONSTRUCTION

Construction awards in the Kansas City area (Nebraska, Kansas, Oklahoma, and western half of Missouri) in February as in the preceding month were at the highest level on record for this time of year, while total construction in the 37 states east of the Rocky Mountains was 9 per cent less than a year earlier, according to figures of the F. W. Dodge Corporation. February awards for residential building in this area were fully one-third under a year earlier, but awards for nonresidential building and for public works and utility construction were substantially larger. Publicly-financed projects that are closely related to the war effort, including housing for war workers as well as war plants and auxiliary roads and utilities, accounted for 96 per cent of all the construction work being undertaken.

Construction figures of F. W. Dodge Corporation:

	Feb.	2 Mos.	Change from '42	
	1943	1943	Feb.	2 Mos.
	(Thousand dollars)		(Per cent)	
Residential building.....	7,480	11,759	-35	-23
Nonresidential bldg.....	28,477	36,477	+1,449	+713
Public wks. construc.....	4,558	7,729	+625	+463
Utility construction.....	7,532	11,069	+716	+770
Kansas City area.....	48,047	67,034	+223	+199
37 Eastern states.....	393,517	744,178	-9	-1

FINANCE

Member Bank Credit

Investments at weekly reporting member banks in the Tenth District continued to rise sharply from the middle of February to the middle of March, reflecting sizable additions to holdings of Government securities. Adjusted demand deposits also were rising rapidly but loans have declined somewhat further to their lowest point in about two years. Both investments and adjusted demand deposits have reached new record levels, with investments nearly two and one-half times and deposits about one and one-half times as large as a year earlier. Volume of loans is nearly one-fourth less than a year ago, when it had been at the highest point in many years and but little below the all-time high in 1929.

Principal items of condition of 50 member banks:

	Change from		
	Mar. 17 1943	Feb. 17 1943	Mar. 18 1942
(In thousands of dollars)			
Loans and investments—total.....	1,366,281	+29,358	+496,803
Loans—total.....	352,282	-2,985	-105,188
Coml., indust., agric.....	230,186	-1,150	-67,172
Open market paper.....	15,159	-628	-15,023
To security brokers and dealers.....	1,573	-203	-1,501
Other to purchase or carry secur.....	7,683	-700	-1,955
Real estate loans.....	33,211	-207	-29
Loans to banks.....	46	+31	+31
All other loans.....	64,424	-128	-19,539
Investments—total.....	1,013,999	+32,343	+601,991
U. S. Treasury bills.....	185,292	+8,148	+166,347
U. S. Treas. certif. of indebt.....	149,956	-1,902	+149,956
U. S. Treasury notes.....	161,384	+10,473	+120,641
U. S. Govt. bonds.....	335,436	+23,384	+186,411
Oblig. guar. by U. S. Govt.....	54,973	-7,022	-25,227
Other securities.....	126,958	-738	+3,863
Reserve with F. R. Bank.....	365,743	+18,432	+124,189
Balances "due from" banks—net.....	325,861	-16,951	*
Demand deposits—adjusted.....	1,012,073	+34,495	+341,719
Time deposits.....	147,796	+647	+14,089
U. S. Govt. deposits.....	64,909	-19,756	+29,196
Deposits "due to" banks—net.....	750,874	+16,450	*

*Comparable data not available.

Bank Debits

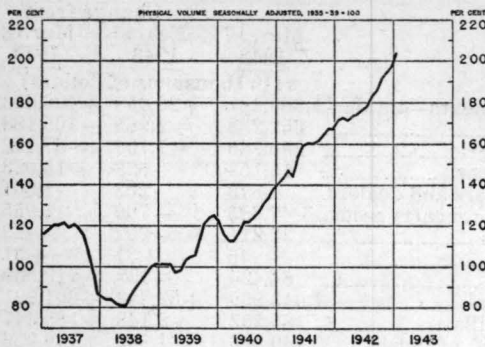
Bank debits in this District in February were more than one-third larger than a year earlier. The rate of deposit turnover, however, was only 1.06 times as compared with a velocity of about 1.35 last summer, deposits having increased faster than debits.

Bank debits to deposit accounts in District cities:

	Feb. 1943	2 Mos. 1943	Change from '42	
	(Thousand dollars)		Feb.	2 Mos.
	(Per cent)		(Per cent)	
Colo. Springs, Colo.....	20,660	43,450	+44	+45
Denver, Colo.....	239,638	494,646	+29	+25
Gr. Junction, Colo.....	3,976	8,720	+23	+20
Greeley, Colo.*.....	7,228	14,072	....	....
Pueblo, Colo.....	17,075	37,975	+18	+15
Atchison, Kans.....	4,619	8,987	+23	+12
Emporia, Kans.....	5,305	10,281	+41	+25
Hutchinson, Kans.....	21,538	41,638	+66	+36
Independence, Kans.....	3,905	8,166	+23	+19
Kansas City, Kans.....	31,445	64,474	+55	+36
Lawrence, Kans.....	6,188	12,518	+59	+49
Parsons, Kans.*.....	5,491	10,817	....	....
Pittsburg, Kans.....	7,094	14,105	+28	+21
Salina, Kans.....	17,636	35,100	+52	+42
Topeka, Kans.....	31,088	67,000	+46	+45
Wichita, Kans.....	133,385	254,224	+80	+59
Joplin, Mo.....	11,306	24,318	-21	-25
Kansas City, Mo.....	525,414	1,051,920	+43	+31
St. Joseph, Mo.....	46,590	97,589	+41	+26
Fremont, Nebr.....	5,441	11,935	+55	+64
Grand Island, Nebr.*.....	10,160	20,605	....	....
Lincoln, Nebr.....	36,674	74,180	+31	+24
Omaha, Nebr.....	269,865	563,259	+47	+43
Albuquerque, N. M.....	24,190	54,349	+24	+26
Bartlesville, Okla.....	28,429	62,451	-4	-1
Enid, Okla.....	14,127	30,888	+20	+13
Guthrie, Okla.....	1,972	4,094	+7	+5
Muskogee, Okla.....	13,400	30,098	+34	+35
Okla. City, Okla.....	138,741	291,543	+13	+14
Okmulgee, Okla.....	2,757	5,977	+5	0
Tulsa, Okla.....	166,956	356,159	+3	+4
Casper, Wyo.....	6,625	14,580	+10	+5
Cheyenne, Wyo.....	13,328	32,154	+39	+52
District, 30 cities.....	1,849,367	3,806,778	+34	+27
U. S., 274 cities.....	51,871,000	106,651,000	+25	+18

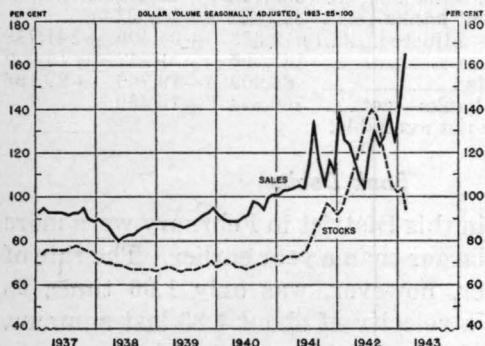
*Not included in total; comparable data not available.

INDUSTRIAL PRODUCTION



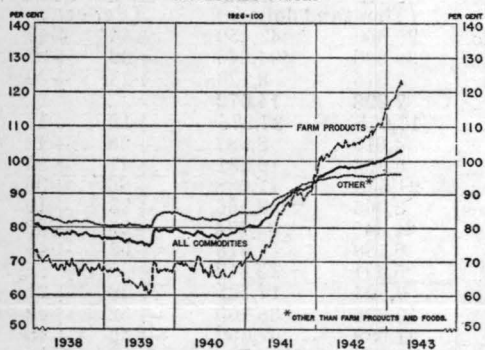
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100. Latest figures shown are for February, 1943.

DEPARTMENT STORE SALES AND STOCKS



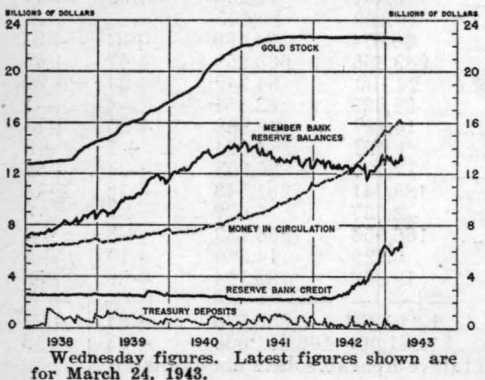
Federal Reserve monthly indexes of value of sales and stocks, adjusted for seasonal variation, 1923-25 average=100. Latest figures shown are for February, 1943.

WHOLESALE PRICES



Bureau of Labor Statistics' weekly indexes, 1926 average=100. Latest figures shown are for week ending March 20, 1943.

MEMBER BANK RESERVES AND RELATED ITEMS



NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Industrial activity continued to advance in February and the early part of March. Retail sales of merchandise, particularly clothing, were exceptionally large in February but declined somewhat in March. Wholesale prices, particularly of farm products, advanced further.

PRODUCTION

Total industrial output continued to increase in February and the Board's adjusted index rose to 203 per cent of the 1935-1939 average as compared with 199 in January. Larger output at coal mines, steel mills, and armament plants was chiefly responsible for the rise in the index. February deliveries of finished munitions, including a record of 130 merchant ships, considerably exceeded the previous month.

Activity at steel mills reached the peak set last October. Operations averaged 98 per cent of the mills' capacity, which has been increased since that time to a figure above 90 million tons of ingots annually.

Lumber production, which declined in January owing largely to unfavorable weather, increased in February somewhat more than is usual at this season.

Output of textile products remained at the high level of other recent months. Cotton consumption was slightly lower than the corresponding month of the previous year, while rayon and wool consumption were somewhat higher than last year. Shoe production, unchanged from January, was close to the level set by the War Production Board order which limits output of shoes for civilians in the six months beginning March 1 to the number produced in the last half of 1942. Meat packing declined less than seasonally after a reduction in January, while output of most other foods was lower.

Coal output rose sharply in February with the general adoption of the six-day work week in the mines. Operations in the anthracite mines increased to the high level of last summer while output of bituminous coal was the highest in many years.

The value of construction contracts awarded in February was about the same as in January, according to reports of the F. W. Dodge Corporation. Total Federal awards for war construction remained at a level about one-third as large as during last summer. Federal awards for housing continued to decline in February.

DISTRIBUTION

Department store sales increased considerably in February and the Board's seasonally adjusted index rose to a new high level of 167 per cent of the 1923-25 average. Previous peaks had been 143 in January and 138 in January and November of 1942. The increase in February reflected a new buying wave that began early in the month and centered chiefly in clothing items. In the first half of March the buying wave subsided somewhat and sales declined from the high level reached during February.

Freight carloadings showed more than a seasonal rise in February and the first two weeks of March and the Board's adjusted index averaged 4 per cent higher than in January. Large off-seasonal movements of grain continued to be the most unusual feature of carloadings.

COMMODITY PRICES

Prices of a number of commodities advanced further in February and in the early part of March. Farm products have continued to show the largest increases and prices received by farmers in the middle of March are estimated to be about 30 per cent higher than a year ago. Fruit and vegetable prices are considerably higher now than during the same season last year. Prices of bread grains and grains used for livestock feeding have advanced sharply in recent months and livestock prices have also risen further.

In retail markets the largest advances have continued to be in food prices. In the latter part of February maximum levels were established for leading fresh vegetables following sharp price increases resulting in part from the restrictions on retail sales of canned and dried vegetables and fruits.

BANK CREDIT

Excess reserves of member banks remained generally above 2 billion dollars during the first two weeks of March, compared with an average of about 1.8 billion during the latter part of February. During the four weeks ending March 17 total Reserve Bank holdings of Government securities showed an increase of 470 million dollars. Purchases of special Treasury one-day certificates moderated the effect of large scale shifts of funds over the tax payment period. These purchases began early in March and on March 17 the certificate outstandings were 980 million dollars. Holdings of other United States Government securities declined by 510 millions.

Reflecting the payment of taxes in cash, money in circulation rose less rapidly early in March and declined slightly around the middle of the month.

The gain in reserve funds occurred mainly at banks outside the central reserve cities; at New York City and Chicago banks, reserves remained close to requirements.

In the four-week period ending March 17, member banks in 101 leading cities increased their holdings of Government securities by 920 million dollars. Prices of Government securities continued steady.

Demand deposits at banks in leading cities increased sharply over the four-week period. There were also increases in interbank deposits, indicating accumulation of funds by country banks.