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Agricultural and Business Conditions

FEDERAL RESERVE BANK
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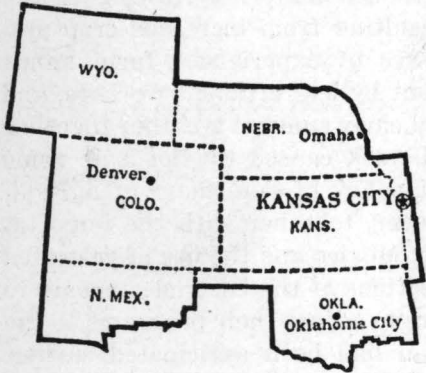
TENTH FEDERAL RESERVE DISTRICT

VOL. 28, No. 7

FEDERAL RESERVE BANK OF KANSAS CITY

JULY 31, 1943

Business in the Tenth Federal Reserve District



Conditions on the farm continue good. Although the acreage is not large, the outlook for corn in the District is very promising. With continued favorable weather, final results will undoubtedly be much above the July 1 estimates of the Department of Agriculture.

Marketings and slaughter of hogs have been very large while until quite recently the opposite was true of cattle. The large number of hogs on farms and the shortage of feed account for large marketings of hogs. Dissatisfaction with the price situation held cattle off the market for a time but grass-fed cattle are now going to market in increasing numbers.

Many country banks report a large accumulation of funds and little demand for money. The sale of wheat, livestock, and other farm products at good prices is enabling farmers to get out of debt to banks and accumulate substantial bank balances.

JUNE 1943 COMPARED WITH JUNE 1942						6 MOS. 1943 COMPARED WITH 6 MOS. 1942						
% DECREASE			% INCREASE			% DECREASE			% INCREASE			BUSINESS INDICATORS
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.....
												Demand Deposits.....
												Life Ins. Sales.....
												Failures (Liab.).....
												Trade
												Wholesale Sales.....
												Dept. Store Sales.....
												Marketings
												Wheat.....
												Corn.....
												Oats.....
												Cattle.....
												Calves.....
												Hogs.....
												Sheep.....
												Production
												Flour.....
												Cattle Slaughter.....
												Calf Slaughter.....
												Hog Slaughter.....
												Sheep Slaughter.....
												Crude Petroleum.....
												Bituminous Coal.....
												Construction
												Total Awards.....
												Res. Awards.....
												Value of Permits.....
												Lumber Sales.....
												Miscellaneous
												Rainfall.....
												Cash Farm Income*.....
												Employment*.....

*Latest available

AGRICULTURE

Crops

The crop outlook in this District continues to improve as a result of the very favorable growing conditions that have prevailed since the first of June, with general warmth and generally adequate soil moisture. June rainfall was considerably above normal except in Oklahoma and adjacent areas extending into south central and southwestern Kansas, southeastern Colorado, and northeastern New Mexico. Many sections received beneficial rains in July, although more moisture as the month progressed would have been helpful, especially in those areas where June rainfall had been light. Prospective yields per acre of most crops are below the very high level of last year and output of many crops may not be as large as in 1942, but even so the production of virtually all important crops in the District except sugar beets, cotton, and fruit, will probably exceed by a wide margin the average from 1932 to 1941.

	RAINFALL			
	June 1943		6 Mos. 1943	
	Total	Normal	Total	Normal
	(In inches)			
COLORADO				
Denver.....	0.92	1.38	6.21	7.62
Leadville.....	2.59	1.16	11.00	8.54
Pueblo.....	0.50	1.36	5.19	5.64
Lamar.....	1.44	2.28	4.56	7.99
Alamosa.....	0.26	0.68	1.40	2.67
Steamboat Springs....	3.09	1.28	13.10	12.35
KANSAS				
Topeka.....	11.46	4.65	19.26	16.46
Iola.....	8.26	5.28	28.48	19.31
Concordia.....	7.38	4.46	16.66	13.72
Salina.....	7.71	4.65	15.02	13.93
Wichita.....	3.43	4.38	14.11	15.81
Hays.....	1.01	4.10	6.61	11.93
Goodland.....	4.72	3.04	10.23	9.28
Dodge City.....	4.34	3.30	7.48	10.18
Elkhart.....	4.99	2.04	7.61	7.56
MISSOURI				
St. Joseph.....	15.71	4.95	25.06	18.27
Kansas City.....	7.66	4.68	16.21	17.66
Joplin.....	4.35	6.00	38.15	23.10
NEBRASKA				
Omaha.....	6.30	4.56	14.55	13.80
Lincoln.....	4.96	4.32	11.46	13.79
Norfolk.....	5.80	4.85	11.05	14.48
Grand Island.....	2.54	4.05	7.01	13.12
McCook.....	2.97	3.18	7.22	9.78
North Platte.....	3.45	3.22	8.61	9.84
Bridgeport.....	2.41	2.51	7.83	9.14
Valentine.....	4.34	2.87	8.77	9.59
NEW MEXICO				
Clayton.....	0.80	1.92	3.50	7.59
Santa Fe.....	0.95	1.08	4.08	5.56
Farmington.....	0.53	0.50	3.82	3.51
OKLAHOMA				
Tulsa.....	5.50	4.88	26.56	20.60
McAlester.....	4.77	4.78	26.66	23.49
Oklahoma City.....	2.07	3.67	16.99	16.12
Pauls Valley.....	1.26	4.31	16.52	18.58
Hobart.....	1.64	3.61	11.40	14.65
Enid.....	3.43	4.24	14.51	15.68
Woodward.....	2.16	3.59	9.73	12.70
WYOMING				
Cheyenne.....	2.34	1.61	9.92	8.11
Casper.....	0.56	1.57	5.57	8.96
Lander.....	1.00	1.15	8.05	7.85
Sheridan.....	3.72	2.04	11.40	9.32

Farm employment this summer, according to the Department of Agriculture, is somewhat less than last year and is appreciably below the average for the period from 1937 to 1941, while farm wage rates have continued to rise sharply to new record levels. The decline in farm employment during the past year has been almost wholly in the number of hired workers; the proportion of the farm population working on the farm is higher than a year ago. The proportion of women and of workers under 14 years of age also is higher than last year. The work day of hired workers has been increased and that of farm operators has been lengthened materially, owing to the heavy work load resulting from increased crop production, serious losses of experienced farm hands and their replacement by less efficient workers, and backward spring and early summer weather together with the additional work caused by floods in some areas. The present policy of deferment of agricultural workers, however, together with the importation of workers from Mexico and the use of relocated Japanese in some sections of the District, appears to have enabled farmers to adjust their programs to the situation better than had been anticipated earlier. Labor for the wheat harvest was short, but the shortage of harvest hands, particularly experienced workers, was offset in part by favorable weather conditions during the harvest period.

The winter wheat estimate for Oklahoma was reduced below expectations as the effect of earlier dryness, spring freezes, and insects became more apparent with harvesting, but the estimates for Kansas, Nebraska, and Colorado were raised and wheat production in the District is about 16 per cent above the average from 1932 to 1941 although acreage is 4 per cent below the average for those years. The War Food Administration has asked farmers to increase winter wheat plantings this fall by 14 million acres, principally in Great Plains states. Since parity payments and acreage allotment benefits totaling about 21 cents a bushel were not provided for the 1944 crop, the CCC has inaugurated a program of wheat buying to encourage increased plantings for the 1944 crop. The corn crop was planted somewhat late and a considerable part of the acreage in the eastern part of the District had been washed out by floods and had to be replanted, but corn at present is making rapid progress and prospects indicate that production in this District will be about 28 per cent above average despite the fact that acreage is 4 per cent below average. Farmers this year greatly expanded their acreage of feed crops—corn, oats, and grain sorghums—and there were significant increases also in the acreage of so-called "war crops"—flaxseed, soybeans,

peanuts, dry beans, dry peas, and potatoes. The sugar beet acreage, however, was reduced sharply because of the high labor requirements for this crop and more attractive returns to be had from competitive crops, and the area of cotton in cultivation is very small, June floods having washed out a substantial acreage of cotton in Oklahoma.

Department of Agriculture crop estimates for the seven states wholly or partly in this District:

	ACREAGE		PRODUCTION	
	July 1, 1943	Harv. 1942	July 1, 1943	Harv. 1942
	(1,000 acres)		(1,000 units)	
Corn, bu.....	19,097	17,814	410,671	540,241
Winter wheat, bu.....	19,047	19,130	276,639	374,488
Spring wheat, bu.....	349	348	4,996	5,549
Oats, bu.....	7,686	7,376	202,371	198,108
Barley, bu.....	4,157	4,938	70,848	88,237
Sorghums.....	7,534	6,971	.....	.....
Rye, bu.....	868	860	9,192	10,524
Flaxseed, bu.....	370	291	2,823	2,039
Soybeans.....	1,335	1,077	.....	.....
Peanuts.....	612	327	.....	.....
Tame hay, tons.....	7,889	8,050	10,979	12,766
Wild hay, tons.....	4,769	4,822	4,188	4,841
White potatoes, bu.....	302	260	42,445	41,423
Sugar beets, short tons.....	211	300	2,916	3,541
Dry beans, 100 lb. bags.....	926	671	5,971	4,529
Cotton.....	2,070	2,432	.....	.....
Peaches, bu.....	.....	.....	2,263	2,640
Pears, bu.....	.....	.....	570	1,044
Grapes, tons.....	.....	.....	15	17

Cash wheat prices, which had been moderately below the loan rate, rose sharply near the end of June and early in July, influenced in part by the abandonment of subsidized sales of Government wheat for processing into alcohol and by the announcement that the CCC would buy wheat direct from farmers at the loan rate. Cash wheat prices in July subsequently eased somewhat but they are still above the loan rate and close to their highest level in seven years although normally wheat prices tend to show marked weakness as the movement of the new crop attains volume. The underlying strength in wheat prices reflects increasing recognition of the need for large quantities of wheat during 1943-44, both for domestic use—for food, livestock feeding, and alcohol—and potentially for flour shipments abroad. Marketings of corn remain negligible, the present ceiling on corn prices favoring feeding corn to hogs rather than marketing it in the form of grain. The corn situation has become quite critical, with the movement of corn through commercial channels insufficient to supply even the needs of processors manufacturing war products, let alone caring for the needs of other processors, feed mixers and manufacturers, and livestock feeders in deficit corn producing sections. The offer of the War Food Administration to pay farmers the difference between the present and any subsequent ceiling on all corn released between July 1 and August 8 was not received favorably by holders of surplus stocks.

The lower range of Kansas City cash grain prices:

	July 28 1943	June 30 1943	May 29 1943	June 30 1942
No. 1 hd., dk. wheat, bu.....	\$1.38½	\$1.38½	\$1.37½	\$1.06½
No. 2 mixed corn, bu.....	1.03¾	1.03¾	1.04	.80
No. 2 white oats, bu.....	.69¼	.71	.71¾	.45¼
No. 2 rye, bu.....	1.02	1.01	.95	.58½
No. 2 barley, bu.....	1.03½	1.04½	.94½	.51¾
No. 2 white kafir, cwt.....	2.77	2.53	2.35	1.26

Livestock

Prices of beef steers have continued to decline, the top price at Kansas City dropping from \$17.10 a hundredweight near the end of April to \$16 late in July. The long decline in lamb prices, however, recently has tended to level off somewhat and hog prices, which had fallen from \$15.65 a hundredweight last April to \$13.55 early in July under the weight of abnormally heavy receipts, have since recovered moderately with more orderly marketings. Uncertainty prevailing in trade circles late in June concerning operation of the subsidy program under the meat price rollback is reported to have contributed to the downward trend of livestock prices. Receipts of cattle and sheep were relatively light in June, but cattle marketings increased in July as grass fat cattle began moving to market and this seasonal expansion in marketings accounted in part for further weakness in cattle prices. In addition, shortages of feed and uncertainty over prospective prices recently have tended to force marketings of grain fed steers that had previously been withheld from the market. At the same time, unprofitable feeding operations and a lack of corn have greatly curtailed the demand for feeder cattle, and stocker and feeder cattle prices have been correspondingly weak. Hog prices at their early July low of \$13.55 a hundredweight at Kansas City probably were down to the Government support level which is \$13.75, Chicago basis, for good to choice butcher hogs weighing 240 to 270 pounds. Effective September 1, the support price will also apply to lighter weight hogs down to 200 pounds. On July 20, the OPA announced that a flat maximum price of \$14.75 a hundredweight, Chicago basis, would be placed on hogs effective early in August. The proposed ceiling on live hogs is considerably above present market prices.

Top carlot livestock prices at Kansas City:

	July 28 1943	June 1943	May 1943	June 1942	June 1941	June 1940
(In dollars per hundredweight)						
Beef steers.....	16.00	16.50	16.60	13.90	12.00	10.50
Stocker cattle.....	15.25	16.35	16.50	13.75	11.50	10.50
Feeder cattle.....	14.50	15.65	15.75	13.35	11.50	10.00
Calves.....	14.00	15.50	16.00	14.50	11.50	9.50
Hogs.....	14.15	14.25	14.50	14.55	10.85	5.50
Spring lambs.....	14.75	15.85	15.90	15.50	12.50	10.75
Slaughter ewes.....	7.75	8.00	9.00	6.00	4.65	3.25

The Department of Agriculture estimates the United States spring pig crop at about 74 million head and the fall crop, based upon farmers' breeding inten-

tions, at about 53 million head. This would mean a combined crop of 127 million head for 1943 as compared with the previous record of 105 million in 1942 and an average yearly crop of 73 million from 1932 to 1941. In interpreting breeding intentions this fall, no allowance was made for any action which the War Food Administration may take to induce farmers to hold down their fall farrowings, nor for the fact that the corn-hog ratio is declining and that corn supplies relative to the number of hogs to be fed are not as abundant as would ordinarily be indicated by the current corn-hog ratio as calculated from current market prices for corn and hogs. Corn and protein supplemental feeds are difficult to obtain nearly everywhere, and the full realization of fall breeding intentions will depend upon the outlook for new crops of feed grains, particularly barley and corn, shortages in the production of which would tend to increase marketings of bred sows which already are above normal. In this District, the spring pig crop was 36 per cent larger than last year and the number of sows to farrow this fall is indicated to be about 25 per cent larger than a year earlier. The District percentage increase in the spring pig crop was much above the national increase of 22 per cent but the indicated increase for the fall crop is the same as that for the whole country. The spring pig crops in Colorado, New Mexico, Oklahoma, and Missouri set a new record, while hog production in Kansas and Nebraska was the largest since 1933 and in Wyoming since 1929. Hog numbers on farms in Nebraska and Kansas are still far below earlier peaks.

Department of Agriculture pig crop estimates:

	PIGS SAVED			SOWS FARROWED		
	Spring	Aver.		Fall	Aver.	
	1943	1942	'32-'41	*1943	1942	'32-'41
	(In thousands)					
Colorado.....	560	362	239	80	60	32
Kansas.....	2,289	1,679	1,294	340	266	159
Missouri.....	4,137	3,452	2,499	635	534	340
Nebraska.....	4,581	3,008	2,762	335	264	157
New Mexico....	99	74	54	15	14	8
Oklahoma.....	1,364	978	676	230	174	105
Wyoming.....	118	88	56	17	13	6
Seven states...	13,148	9,641	7,580	1,652	1,325	807
United States	74,050	60,946	45,256	8,515	6,825	4,511

*Number indicated to farrow from breeding intentions reports.

An abundant supply of green feeds and extensive use of pastures, according to the Department of Agriculture, provide the only immediate bright outlook to the feeding problem. Stocks of corn, oats, barley, and grain sorghums on farms at the first of July are estimated at about 28.6 million tons which, together with the forecast of 1943 production of feed grains of about 107 million tons, gives a total prospective supply of about 135.6 million tons for the 1943-44 feeding season. Even allowing for a reduction in the July 1, 1944, carry-over of feed grains to a minimum, available

supplies still are appreciably less than the amount consumed the past season, while the number of live-stock units is about 10 per cent greater than a year ago and is still increasing. The corn situation continues extremely tight and serious, recent efforts to induce selling of corn at present ceiling prices having been largely unsuccessful. With corn and other ingredients used in the manufacture of protein concentrate feeds almost unobtainable, the shortage of commercial protein feedstuffs has become exceedingly acute. High protein feeds are essential to the efficient production of milk, eggs, and meat, and the Government has announced that ceiling prices on these feeds will be raised to discourage any excessive feeding, particularly of hogs. Liquidation of livestock and dairy herds and poultry flocks is beginning to be reported as a result of insufficient supplies of feedstuffs to produce normal marketable weights or maintain normal milk production. Sales of CCC wheat for feed were resumed near the middle of July and it was later announced that, in view of the present emergency, all CCC wheat stocks would be used for this purpose if necessary before corn from the new crop becomes available.

Ranges and pastures in the District generally are good to very good except for short, dry feed in south central and parts of southeastern Colorado. June rains relieved, at least temporarily, a seriously dry situation in New Mexico. In July, however, more rain was needed in many sections of the District to maintain the growth of grass and assure grazing for late summer and early fall. Cattle and sheep are generally in excellent condition. Calf and lamb crops are developing well and have made good gains on grass. During the spring and early summer, there had been a very active demand for cattle to run on pastures and ranges, and principal grazing areas are well stocked this season, owing in part to the corn-feed situation which would seem to require a maximum use of grass and roughages to put cattle in slaughter flesh and a minimum use of corn and protein concentrates. Recently, the demand for cattle for grazing purposes has slowed appreciably. Western cattle feeders so far have purchased very few cattle for feed-lot finishing during the fall and winter feeding season, and contracting of range cattle and lambs for fall delivery to Corn Belt feeders was virtually at a standstill in July, with buyers reluctant to pay asking prices.

Farm Income

Cash income from farm marketings in this District continues at a level nearly half again higher than last year, and farm income in Wyoming, which had been running below a year earlier because of much smaller sales of sheep and lambs, has now risen above last year. Income from crops so far in 1943 shows a gain

of 78 per cent and that from livestock and its products an increase of 38 per cent over 1942. Among crops, the greatest increases in income have been in returns from feed grains, wheat, and oil-bearing crops such as soybeans and flaxseed. For livestock items, there has been an especially marked increase in income from poultry and eggs, and returns from meat animals and dairy products also show substantial increases. During the first five months of 1942, income from crops accounted for about one-fifth and returns from livestock about four-fifths of total cash income from farm marketings. The proportion of farm income derived from the sale of crops was somewhat higher this year than last, but the smaller total crop production in prospect for 1943, together with anticipated record marketings of livestock next fall, may tend to lower the proportion of income derived from crops in the last half of this year. The general level of prices received by farmers for farm products in June was 26 per cent above a year earlier and 79 per cent above the 1935-39 average, while prices paid by farmers for articles they buy, including interest and taxes, were only 8 per cent above a year earlier and 27 per cent above the 1935-39 average. The more rapid rise in prices received than in prices paid indicates the marked improvement that has taken place in the relative position of the farmer.

Department of Agriculture farm income estimates:

	May	5 Mos.	Change from '42	
	1943	1943	May	5 Mos.
	(Thousand dollars)		(Per cent)	
Colorado.....	18,323	90,594	+52	+44
Kansas.....	46,498	228,396	+52	+54
Missouri.....	52,347	222,832	+46	+36
Nebraska.....	49,065	236,863	+61	+57
New Mexico.....	5,949	30,095	+28	+47
Oklahoma.....	21,914	116,903	+20	+35
Wyoming.....	4,546	20,269	+7	-4
Seven states.....	198,642	945,952	+46	+44
United States.....	1,399,722	6,418,950	+41	+36

DEPARTMENT STORE TRADE

Dollar volume of sales at reporting department stores in this District in June was 42 per cent larger than a year earlier, and in the first three weeks of July sales continued about 40 per cent above last year. Contrary to the usual trend, sales this year increased appreciably from May to June, reflecting in part the advent of warmer weather and heavy buying of shoes and other apparel items as well, just prior to the expiration of the shoe ration coupon. A heavy demand for furniture and household furnishings also was a factor in the high level of June sales. Despite credit restrictions and inventory control, the movement of goods into consumers' hands continues unabated, and the War Production Board recently has requested the cooperation of merchants in eliminating "scare" ad-

vertising and in curbing promotional sales that tend to stimulate consumer overbuying.

Inventories at department stores also increased from May to June contrary to the usual seasonal trend. Stocks on hand, however, are 13 per cent below the peak level reached at this time last year and represent only 2.5 months' supply at the current rate of sales as compared with 4.4 months' supply last year. At the same time, the volume of merchandise on order has expanded rapidly and is more than three times what it was a year ago. In fact, the volume of such merchandise purchased but not yet delivered is one-third greater than present stocks on hand. This exceptionally large amount of orders outstanding, of course, reflects principally the effort of stores to maintain stocks but it is also due in part to other factors, including unusually early buying of items for Christmas trade, increasing slowness in deliveries, and the tendency to pad orders in the hope of obtaining a larger supply when allotments of available goods are made by manufacturers and distributors.

Department store sales and stocks in leading cities:

	No. of Stores	SALES		STOCKS
		June'43 comp. to June'42	6 Mos.'43 comp. to 6 Mos.'42	June30,'43 comp. to June30,'42
(Per cent increase or decrease)				
Denver.....	7	+40	+33	-26
Hutchinson.....	3	+50	+39	*
Topeka.....	3	+47	+38	*
Wichita.....	4	+48	+40	*
Joplin.....	3	+27	+9	*
Kansas City.....	8	+33	+28	-16
St. Joseph.....	3	+59	+32	....
Omaha.....	4	+34	+30	*
Oklahoma City.....	6	+73	+58	-2
Tulsa.....	6	+43	+28	-7
Other cities.....	31	+37	+32	-1
District.....	78	+42	+34	-13

*Not shown separately but included in District total.

PRODUCTION

Meat Packing

Cattle slaughter in July tended to increase when grass fat cattle began moving to market in volume, and supplies of beef for the armed forces again have approximated requirements. In June, cattle slaughter as indicated by packers' purchases at leading District markets had been little more than half as large as a year earlier and was one-fifth below the June average of the past ten years, owing to the pronounced withholding of cattle from the market by producers which caused a temporary scarcity of cattle for slaughter. Because of uncertainties regarding the continuation of subsidy payments to processors to absorb the roll-back in meat prices effective in the latter part of June, packers already in a difficult position with respect to operating margins had hesitated to buy cattle except at some price concession, while producers were unwilling to market their cattle at prices bid by packers.

The relatively light production of beef and veal in recent months, however, has been more than offset by greatly increased hog slaughter and by moderate gains in sheep slaughter. Hog slaughter in June was more than one-third heavier than a year ago and was double the ten-year average.

Cold Storage Holdings

The very high level of hog slaughter in June resulted in a sharp increase in United States cold storage stocks of lard and a much smaller than usual decrease in stocks of pork. Lard holdings on July 1 were more than double a year earlier and were the third largest on record for that date although little more than half as large as at their all-time peak two years ago. Storage stocks of beef decreased more than seasonally, owing principally to a temporary scarcity of cattle for slaughter, and since the middle of June Federally inspected packers have been required to set aside 45 per cent of their production of the better grades of steer and heifer beef for the use of the armed forces. The movement of butter, cheese, and frozen eggs into storage was significantly heavier than normal during June. Manufacturers currently must set aside for the Government 50 per cent of their output of butter and 70 per cent of their output of cheddar cheese, while the demand for frozen eggs for immediate drying and for storage for later drying has expanded rapidly to meet military and lend-lease needs. Stocks of poultry, which is not rationed, are only one-third and of cheese about one-half what they were a year ago, but stocks of butter and eggs are considerably higher, with holdings of butter at a new high level for this time of year and those of frozen eggs the greatest ever recorded.

United States cold storage holdings:

	July 1 1943	June 1 1943	July 1 1942	Aver. '38-'42
	(In thousands of units)			
Beef, lbs.....	81,383	90,060	81,556	52,659
Pork, lbs.....	515,499	519,798	522,173	547,818
Lamb and mutton, lbs.....	7,857	10,284	5,313	3,238
Poultry, lbs.....	25,193	20,963	79,200	73,602
Miscellaneous meats, lbs....	99,886	93,557	112,062	79,294
Lard and rendered fat, lbs.	220,192	166,129	102,260	213,197
Eggs, shell, cases.....	8,995	8,266	7,935	7,021
Eggs, frozen (case equiv.)	8,597	6,707	7,427	4,733
Butter, creamery, lbs.....	157,955	82,761	117,111	114,287
Cheese, all varieties, lbs.....	144,461	97,327	261,935	146,726

Flour Milling

Southwestern flour milling operations recently have improved considerably, rising to 80 per cent of capacity in the middle of July from a low of 66 per cent early in June. Production currently is about 12 per cent higher than a year earlier and is one-fifth above the average of the past ten years but it is relatively less heavy than in early months this year. Sales of family flour continue to be restricted by consumer rationing of shortening for home baking, and sales of

bakery flour although steady have been comparatively light for several months, owing in part to the fact that many bakers already had contracted for their needs for some time ahead. Flour sales usually increase sharply in July as the new wheat crop comes onto the market. Sales in the first three weeks of July rose to an average weekly rate of about 144 per cent of milling capacity as compared with a weekly rate of about 54 per cent during June, but the volume of new crop flour contracted by bakers was reported to be appreciably below normal and trade reports indicate that the buying that took place was stimulated principally by temporary strength in wheat prices and the fear that because of the ceiling on flour prices mills again would be forced by advancing wheat prices to withdraw flour quotations. In such an event, the OPA on July 15 announced that the CCC by means of a "hold-the-line" subsidy would buy wheat and sell it to mills at a price that would permit maintenance of the current flour price ceilings and hence the present price of bread. Wheat prices have eased somewhat from early July levels but are still very close to the level used as a basis for the flour price ceiling.

Petroleum

Crude oil production in this District in June again dropped under the level of a year earlier, further accentuating the shortage of crude supplies in the face of a greatly increased demand for refined products, particularly for war purposes. Known reserves of crude petroleum are being drawn upon at a record rate, while new discoveries to replenish reserves have dropped sharply. Despite the handicaps of relatively low prices for crude oil, dwindling supplies of manpower, and shortages of equipment, operators in this District completed about as many new wells in the first half of 1943 as in the corresponding period of 1942, and at the first of July there were 10 per cent more wells being drilled than a year earlier. The significant feature of drilling activity, however, is that new crude oil supplies discovered this year have been less than half of the already greatly reduced amount discovered in the comparable period last year. Storage stocks of crude above ground are at an exceptionally low level and many refineries are now dependent on current crude production for their operations, having depleted working stocks on hand. The summer agricultural demand for gasoline has far exceeded expectations. In order to make available adequate gasoline for essential farm operations, all restrictions on percentage yields of gasoline were removed for July, but at the same time allocations of crude to refineries have had to be reduced because of declining production and reports indicate that the lifting of restrictions on percentage yields has had little effect in increasing total

gasoline supplies. Inventories of many refined products are relatively light, and the situation is expected to become increasingly serious in the last half of 1943, when the demand for refined products, including seasonal accumulations of fuel oil, will have to be supplied largely from current refinery operations.

Employment

Nonagricultural employment in the District, according to the latest estimates available, is about 9 per cent above a year earlier, reflecting in large part a gain of 27 per cent in employment in manufacturing industries alone. Employment in transportation and in Government service also is higher than a year ago, but the number of workers engaged in coal and metal mining, crude oil production, construction, trade, and in a number of service lines such as laundries and dry cleaning generally is considerably below last year. For the country as a whole, 58 per cent of all wage earners in manufacturing industries are in those industries closely associated with the production of military supplies, including principally metal working industries, chemicals, and rubber, as compared with 51 per cent a year ago and 36 per cent in 1939.

Department of Labor estimates of total nonagricultural employment:

	Apr.	Mar.	Change from '42	
	1943	1943	Apr.	Mar.
	(Number)		(Per cent)	
Colorado.....	282,000	280,000	+8	+9
Kansas.....	428,000	430,000	+25	+30
Missouri.....	975,000	972,000	+4	+6
Nebraska.....	268,000	266,000	+21	+23
New Mexico.....	78,900	78,700	-9	-3
Oklahoma.....	371,000	366,000	+5	+8
Wyoming.....	59,000	58,600	+7	+8
Seven states.....	2,461,900	2,451,300	+9	+12
United States.....	38,336,000	38,115,000	+7	+8

FINANCE

Member Bank Operations

Loans at weekly reporting member banks in the Tenth District have increased rather markedly since the middle of June, reflecting an expansion in commercial loans as is usual at the time of the wheat harvest and a further increase in real estate loans. The volume of loans, however, is 11 per cent smaller than a year ago and is 28 per cent below the high point reached near the end of 1941. Investments continue to increase. Early last April, holdings of Government securities by these 50 weekly reporting banks had aggregated about 895 million dollars. By the middle of May, following the Second War Loan drive, this figure had risen to 1,077 million. Government security holdings subsequently declined to 1,041 million at the end of June, but in the first three weeks of July they rose to a new high level of 1,107 million dollars as banks added to their holdings of Treasury notes.

A year ago, the investment in Government securities had totaled 464 million, and early in 1942 it had been only 290 million just before bank holdings of Government securities began to rise sharply. The Treasury has announced a Third War Loan drive for next September. Bank deposits also have continued to rise to new record levels.

Principal items of condition of 50 member banks:

	July 21	Change from	
	1943	June 16 1943	July 22 1942
(In thousands of dollars)			
Loans and investments—total.....	1,569,525	+60,303	+602,043
Loans—total.....	338,024	+18,838	-43,502
Coml., indust., agric.*.....	225,563	+12,321	-32,197
To security brokers and dealers.....	3,353	-154	+736
Other to purchase or carry secur.....	8,042	-262	-735
Real estate loans.....	41,758	+8,026	+6,761
Loans to banks.....	76	-23	+50
All other loans.....	59,232	-1,070	-18,117
Investments—total.....	1,231,501	+41,465	+645,545
U. S. Treasury bills.....	179,537	-2,971	+115,636
U. S. Treas. certif. of indebt.....	218,537	-882	+182,720
U. S. Treasury notes.....	227,866	+51,547	+127,214
U. S. Govt. bonds.....	428,358	+5,729	+229,501
Oblig. guar. by U. S. Govt.....	51,646	-6,187	-12,665
Other securities.....	125,557	-5,771	+3,139
Reserve with F. R. Bank.....	360,032	-5,989	+72,072
Balances "due from" banks—net.....	299,924	-4,254	-32,674
Demand deposits—adjusted.....	1,079,161	+21,169	+331,476
Time deposits.....	157,114	+4,273	+21,000
U. S. Govt. deposits.....	137,774	+482	+97,297
Deposits "due to" banks—net.....	769,144	+21,826	+186,487

*Includes open market paper previously shown separately.

Bank Debits

	June	6 Mos.	Change from '42	
	1943	1943	June	6 Mos.
(Thousand dollars)				
(Per cent)				
Colo. Springs, Colo.....	20,962	128,566	-33	0
Denver, Colo.....	264,362	1,499,503	+21	+22
Gr. Junction, Colo.....	5,084	30,827	+28	+35
Greeley, Colo.*.....	7,020	46,240	+31	.....
Pueblo, Colo.....	18,772	116,580	0	+18
Atchison, Kans.....	5,693	31,336	+42	+32
Emporia, Kans.....	4,952	34,416	+31	+38
Hutchinson, Kans.....	22,133	129,033	+36	+54
Independence, Kans.....	4,673	25,788	+36	+30
Kansas City, Kans.....	37,775	209,474	+29	+41
Lawrence, Kans.....	6,366	38,499	+53	+59
Parsons, Kans.*.....	5,516	32,189	.....	.....
Pittsburg, Kans.....	7,134	42,960	+14	+20
Salina, Kans.....	22,527	118,483	+96	+75
Topeka, Kans.....	32,078	209,622	+21	+51
Wichita, Kans.....	172,670	867,193	+68	+67
Joplin, Mo.....	13,908	80,004	-21	-22
Kansas City, Mo.....	603,214	3,509,471	+30	+36
St. Joseph, Mo.....	47,384	292,718	+22	+28
Fremont, Nebr.....	6,426	38,899	+47	+62
Grand Island, Nebr.*.....	12,530	83,595	+38	.....
Lincoln, Nebr.....	43,705	264,455	+19	+38
Omaha, Nebr.....	324,392	1,873,684	+31	+46
Albuquerque, N. M.....	30,137	172,546	+20	+28
Bartlesville, Okla.....	35,885	197,595	+15	+7
Enid, Okla.....	16,400	95,781	+22	+25
Guthrie, Okla.....	1,971	12,063	+27	+14
Muskogee, Okla.....	15,827	89,730	-25	-1
Okla. City, Okla.....	156,867	937,731	+27	+26
Okmulgee, Okla.....	3,850	20,302	+26	+16
Tulsa, Okla.....	218,741	1,203,744	+32	+20
Casper, Wyo.....	9,533	47,943	+13	+14
Cheyenne, Wyo.....	17,602	98,896	+50	+51
District, 30 cities.....	2,171,023	12,417,842	+28	+33
U. S., 274 cities.....	63,208,000	362,986,000	+26	+28

*Not included in total; complete 1942 data not available.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Manufacturing activity was maintained at a high level in June while mineral production declined reflecting mainly reduced output of coal. In the early part of July coal production was resumed in large volume. The value of retail trade continued large.

INDUSTRIAL PRODUCTION

The Board's seasonally adjusted index of total industrial production declined slightly in June from the high level of other recent months. Activity continued to increase at plants producing war products in the chemical, rubber, and transportation equipment industries. These increases were more than offset by a sharp drop in coal production and a temporary reduction in output of coke, pig iron, and steel.

Finished aircraft production, in terms of airframe weight, was 3 per cent higher in June than in May. Delivery of supplies for the Army ground forces rose 1 per cent over May. Tonnage of cargo vessels delivered from merchant shipyards was not up to the record May level; it was, however, higher than in any other month.

In industries manufacturing nondurable goods output as a whole showed little change from May to June. Activity at cotton mills declined—consumption of 917,000 bales of cotton was 50,000 less than in June, 1942.

Output at coal mines in June was 30 per cent below May due to the work stoppages, but early in July both anthracite and bituminous coal production recovered to above the levels prevailing a year ago. Crude petroleum production was maintained in June and moved upward in July partly in anticipation of the completion of the pipeline from Texas to the East Coast. Lake shipments of iron ore in June were 6 per cent below the same month last year due to unfavorable weather conditions.

The volume of construction contracts awarded in June was about the same as in May. The value of awards in June was at the lowest level for this month since 1936, according to the F. W. Dodge Corporation.

DISTRIBUTION

Value of consumer nondurable goods sold at retail was in near-record volume in June and the early part of July, while sales of durable goods, many of which are becoming increasingly scarce, were generally below previous peak levels.

Carloadings of revenue freight declined in June, reflecting the drop in coal shipments. Loadings of grain showed the usual increase at this season and the movement of most other commodities was maintained in large volume.

COMMODITY PRICES

Wholesale prices of most commodities showed little change in the early part of July, following a decline during June of 1 per cent in the general index. This decline reflected chiefly reductions ordered in maximum prices of butter and meat and seasonal decreases in prices of fresh fruits and vegetables.

AGRICULTURE

Aggregate crop production this year is expected to be 10 per cent smaller than last year but 5 per cent above the average of the preceding 5 years, according to the July 1 official report. Of the major crops, production prospects for grains are the lowest compared with last season, while there are indications of considerably larger harvests for dry beans and peas, flaxseed, and potatoes. Output of livestock products has continued in larger volume than a year ago.

BANK CREDIT

During June and the first three weeks of July there was an increase of about 1.4 billion dollars in Reserve Bank holdings of United States Government securities. Continued currency outflow, and increases in required reserves due to the growth of deposits, were reflected in the increased demand for Reserve Bank credit. The expansion in Reserve Bank credit was in the form of Treasury bills sold by member banks to the Federal Reserve Banks under options to repurchase. Holdings of bills showed wide fluctuations during the period as member banks adjusted their reserve positions through sales and repurchases. A large part of the Treasury bills came from New York City banks where excess reserves continued to be low. Total loans and investments of New York City banks have declined recently. Other reporting member banks have shown a continued growth in deposits and U. S. Government securities.

The quarterly report of customer rates at commercial banks for the middle of June showed a further rise in rates charged on loans by large banks throughout the country.

