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MONTHLY REVIEW

Agricultural and Business Conditions

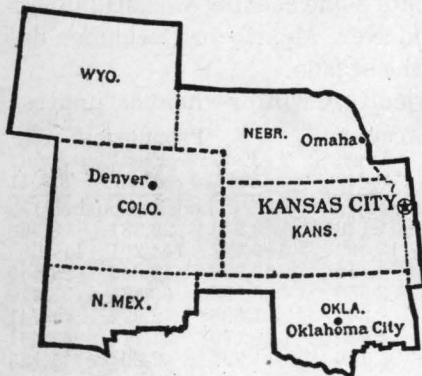
TENTH FEDERAL RESERVE DISTRICT

VOL. 28, No. 12

FEDERAL RESERVE BANK OF KANSAS CITY

DECEMBER 31, 1943

Business in the Tenth Federal Reserve District



December rains and snows improved the moisture situation in many sections of the District. Winter wheat acreage is large but because of acute fall drought the condition of wheat in Nebraska and in the western part of the hard winter wheat belt is poor. Wheat prices are strong.

Livestock marketings and slaughter are very heavy. Cold weather in December required supplemental feeding of livestock and aggravated the already critical feed situation, causing some further liquidation of livestock numbers. Livestock prices tend to decline. Output at meat packing plants and flour mills is at near capacity.

Christmas trade at department stores, allowing for the much earlier start in 1943 than in prior years, probably was about 15 per cent above the previous record in 1942. Pay rolls are still very high, but employment and farm income are now little above a year earlier.

NOVEMBER 1943 COMPARED WITH NOVEMBER 1942					BUSINESS INDICATORS	11 MOS. 1943 COMPARED WITH 11 MOS. 1942				
% DECREASE		% INCREASE				% DECREASE		% INCREASE		
40	30	20	10	10		20	30	40		
					Finance					
					...Bank Debits.....					
					...F. R. Bk. Clearings..					
					...Mem. Bk. Loans.....					
				78	...Mem. Bk. Invest.....					112
					...Demand Deposits.....					
					...Life Ins. Sales.....					
					...Failures (Liab.)....	59				
					Trade					
					...Wholesale Sales.....					
					...Dept. Store Sales....					
					Marketings					
					...Wheat.....					59
					...Corn.....					
					...Oats.....					
					...Cattle.....					
					...Calves.....					
				66	...Hogs.....					
					...Sheep.....					
					Production					
					...Flour.....					
				67	...Cattle Slaughter.....					
				86	...Calf Slaughter.....					
				73	...Hog Slaughter.....					
					...Sheep Slaughter.....					
					...Crude Petroleum.....					
					...Bituminous Coal.....					
					Construction					
66					...Total Awards.....	54				
75					...Res. Awards.....					
				335	...Value of Permits....					
					...Lumber Sales.....					
					Miscellaneous					
64					...Rainfall.....					
					Cash Farm Income*					
					...Employment*.....					

*Latest available

AGRICULTURE

Winter Wheat

Winter wheat acreage planted in states in this District in the fall of 1943 was about one-fourth larger than that planted in the fall of either of the two preceding years and was the largest since 1937. The expansion in winter wheat acreage in 1943, which followed a five-year period of acreage reduction, was due in part to the removal of all previous acreage limitations on wheat and represented the response of farmers to the greatly increased wartime demand for wheat for food, livestock feed, and industrial purposes. Because of dry weather the past fall, however, wheat acreage is appreciably below the War Food Administration goals and is far below the very large acreage sown in the fall of each of the years 1936 and 1937. As a result also of fall drought, the December 1 condition of winter wheat, as a whole, was far below normal and indicated heavy abandonment and relatively low yields per seeded acre. Based on the December 1 condition,

	RAINFALL			
	Nov. 1943		11 Mos. 1943	
	Total	Normal	Total	Normal
	(In inches)			
COLORADO				
Denver.....	0.35	0.55	8.63	13.32
Leadville.....	0.35	0.93	20.45	17.55
Pueblo.....	0.35	0.36	8.50	11.17
Lamar.....	0.11	0.53	9.32	15.44
Alamosa.....	0.51	0.20	5.59	6.55
Steamboat Springs.....	0.65	1.49	17.40	21.16
KANSAS				
Topeka.....	0.44	1.52	32.52	32.57
Iola.....	0.21	2.22	39.26	36.75
Concordia.....	0.40	0.99	23.54	25.97
Salina.....	0.23	1.43	24.92	26.50
Wichita.....	0.07	1.39	27.61	29.39
Hays.....	0.36	1.01	15.49	23.07
Goodland.....	0.20	0.73	17.33	18.13
Dodge City.....	0.04	0.73	13.73	19.92
Elkhart.....	0.17	0.84	15.96	16.97
MISSOURI				
St. Joseph.....	0.64	1.58	33.93	34.27
Kansas City.....	0.20	2.22	25.91	33.75
Joplin.....	0.14	2.77	47.97	41.83
NEBRASKA				
Omaha.....	0.61	1.07	22.03	26.84
Lincoln.....	0.81	1.07	21.64	27.14
Norfolk.....	0.64	1.12	19.88	27.43
Grand Island.....	0.14	1.04	14.86	26.31
McCook.....	0.17	0.78	11.11	19.13
North Platte.....	0.24	0.47	14.30	17.86
Bridgeport.....	0.02	0.43	16.32	15.71
Valentine.....	0.12	0.56	14.73	17.73
NEW MEXICO				
Clayton.....	0.09	0.72	6.76	16.24
Santa Fe.....	0.46	0.68	9.08	13.53
Farmington.....	0.17	0.86	6.21	9.01
OKLAHOMA				
Tulsa.....	0.02	2.48	39.42	36.60
McAlester.....	0.31	2.84	37.06	40.66
Oklahoma City.....	0.37	1.87	21.50	29.65
Pauls Valley.....	0.21	2.32	19.49	33.10
Hobart.....	0.45	1.66	14.57	26.97
Enid.....	0.12	1.60	23.84	29.48
Woodward.....	0.43	1.67	16.42	25.00
WYOMING				
Cheyenne.....	0.41	0.52	13.76	14.44
Casper.....	0.53	0.75	8.38	14.42
Lander.....	0.53	0.60	10.35	11.95
Sheridan.....	0.75	0.63	17.07	14.42

prior to any improvement that may have occurred as a result of recent moisture, winter wheat production in this District for 1944 was estimated to be about one-fifth less than that in 1943 despite the increase of one-fourth in acreage. The 1944 wheat crop is indicated to be materially lower in all states of the District except Oklahoma and Missouri, where the 1943 crop had been abnormally small. Included in the estimates of wheat acreage is some acreage that was still intended to be sown at the first of December, some intended primarily for pasture and hay, and an allowance for volunteer acreage which will be harvested for grain. Reports indicate some seeding was still under way in Oklahoma and New Mexico in December despite the lateness of the season.

Department of Agriculture winter wheat estimates:

	FALL SEEDED ACREAGE			PRODUCTION		
	1943	1942	Aver. '31-'40	Est. 1944	Final 1943	Aver. '32-'41
	(Thousand acres)			(Thousand bushels)		
Colo.....	1,474	1,340	1,148	8,844	29,381	8,356
Kans.....	13,311	10,735	13,963	106,488	144,201	117,969
Mo.....	1,714	1,270	2,116	23,996	12,649	27,555
Nebr.....	3,782	3,026	3,556	30,256	60,165	35,078
N. Mex.....	408	326	367	1,836	2,079	1,741
Okla.....	5,130	3,800	4,950	46,170	31,711	47,441
Wyo.....	185	157	146	1,295	2,224	1,123
7 States.....	26,004	20,654	26,246	218,885	282,410	239,263
U. S.....	47,127	37,834	48,015	526,957	529,606	550,181

Widespread rains and snows in December materially improved the moisture situation, breaking a record six-month drought in Oklahoma and bringing much needed moisture to parts of New Mexico, eastern Colorado, and western Kansas that had been dry, although severe drought in Wyoming and much of Nebraska was still largely unrelieved. In many sections of the District, November had been the fifth consecutive month of markedly deficient rainfall. In sharp contrast with the two preceding years, which had been very wet, precipitation in 1943 for the three fall months, September through November, was about one-fourth less than normal in Kansas, Oklahoma, and Wyoming and about one-fifth less in Missouri, while it was little more than half of normal in Nebraska, Colorado, and New Mexico. Winter wheat is in fairly good condition in extreme southeastern Nebraska, in eastern Kansas, and in northeastern Oklahoma, where moisture has been adequate, but the condition of the crop elsewhere in the District generally is poor. This is especially true of Nebraska and along the western edge of the winter wheat belt in western Kansas and eastern Colorado and extending down into New Mexico and Oklahoma. In those areas, much of the preparation of seedbeds for winter wheat and of seeding was done under conditions unfavorable for the germination and growth of the crop. Over a considerable part of the acreage, wheat was seeded in dry soil and had

not yet germinated at the first of December, while much of the wheat that was up showed thin and uneven stands. The recent rains and snows will promote germination of wheat that had not yet emerged but it will be late and slow. The generally poor moisture foundation under much of the 1944 crop will require the accumulation of good moisture reserves before next March and timely rains during the growing season to overcome the handicap of an unfavorable start. Except in limited areas, winter wheat has furnished little or no pasturage for livestock, aggravating a critical feed situation. Reports indicate little apparent damage so far to wheat from low temperatures in December.

Cash wheat prices have risen further, and by late December they were at a new high for the last fifteen years and were approximately at parity, at which level the OPA indicated it would place a ceiling on hard wheat prices. The continued rise in wheat prices reflects the record wartime rate at which wheat is being used, the generally unfavorable outlook for the new winter wheat crop, light marketings in relation to trade needs, and renewed buying of wheat by mills in December after the flour subsidy program went into effect. Early in December, the corn price ceiling was adjusted upward and prices of oats, barley, and grain sorghums were temporarily frozen at the highest levels prevailing during the period November 29 to December 3, pending the establishment of permanent ceilings. Corn prices immediately rose to the new ceiling and prices of other feed grains have remained at the high point reached earlier.

The lower range of Kansas City cash grain prices:

	Dec. 30 1943	Nov. 30 1943	Oct. 30 1943	Nov. 30 1942
No. 1 hd., dk. wheat, bu..	\$1.64	\$1.58 ¹ / ₄	\$1.53 ¹ / ₄	\$1.24 ¹ / ₄
No. 2 mixed corn, bu.....	1.13 ³ / ₄ *	1.03 ³ / ₄ *	1.03 ³ / ₄ *	.81
No. 2 white oats, bu.....	.85**	.80 ¹ / ₂	.77	.53 ¹ / ₂
No. 2 rye, bu.....	1.26	1.15	1.13	.64 ¹ / ₂
No. 2 barley, bu.....	1.16 ¹ / ₂ **	1.16 ¹ / ₂	1.13 ¹ / ₂	.71
No. 2 white kafir, cwt....	2.36**	2.29	2.34	1.18

*Ceiling price. **Temporary maximum price.

Livestock

Early in December, the outlook for cattle feeding operations this winter was somewhat improved, according to the Department of Agriculture. Although there will still be a reduction in the number of cattle fed as compared with the previous year, the decrease will not be as large as seemed probable earlier, because of a heavy movement of stocker and feeder cattle into feed lots during November. Marketings of cattle in recent months have been very heavy and have included a large supply of cattle suitable for stocker and feeder purposes. Prices of stockers and feeders dropped sharply to their lowest point for 1943 and are considerably below the record level of 1942,

while prices of good and choice slaughter cattle have declined relatively little, thus tending to encourage the buying of unfinished cattle for feeding. As a result, shipments of stocker and feeder cattle into the Corn Belt in November were almost as large as the record shipments of the preceding year. Outside the Corn Belt, the largest percentage reductions in cattle feeding will be in those areas where feed supplies are short. Prices of feed grains and hay in western states are higher relative to a year ago than prices in the Corn Belt, and supplies of sugar beet feeds are much smaller than last year. Nevertheless, reports indicate that where feed is available many livestock growers and dealers who delayed marketing their cattle until after the sharp break in prices will feed these cattle or have them fed in preference to selling. Many such cattle have been moved to ranch pastures for a short feeding period before being sold. Consequently, rather heavy marketings of short-fed cattle may be expected early in 1944. As previously indicated, few highly finished cattle are being produced. Operators continue to express preference for medium and heavy-weight feeder cattle, with many calves going to slaughter instead of into feed lots. The recent increase in the ceiling price of corn is expected by the Department of Agriculture to increase further the tendency toward marketings of short-fed cattle from the Corn Belt this winter.

Very large shipments of feeder lambs into feeding sections during November have considerably changed the lamb feeding situation also, with the reduction in lamb feeding operations this season now expected to be much less than seemed probable earlier. Excluding Kansas, the total volume of feeding in the Corn Belt seems likely to be larger this winter than last. The marked reduction in the number of lambs finished on wheat pastures in Kansas, however, will more than offset the increased total for the remainder of the Corn Belt. In Nebraska, record November shipments into the Scottsbluff area brought the total seasonal movement into that area up to that of last year, and for the state as a whole the movement has exceeded last year. In western states, the volume of lamb feeding in Colorado will be only slightly below last year as compared with a decrease of 15 to 20 per cent expected earlier, and there will not be the sharp decrease in feeding in New Mexico that had been anticipated. Operations in the Arkansas Valley of Colorado are much above earlier indications, and the important northern Colorado feeding section and other areas of that state will feed about as many lambs as last winter. The heavy movement that took place in November resulted both from previous delay in shipments of feeder lambs from some states and from increased

purchases of lambs by feeders at the sharply lower level of feeder lamb prices that prevailed by November. In some of the western states, relatively large numbers of lambs are being fed by or for growers and traders who were not willing to sell their lambs at the lower prices. Because of the high prices of feed grains and especially of hay, it is probable that many lambs, as in the case of cattle, will be marketed after only a short feeding period.

Generally mild, open weather through early December had been favorable to livestock and had made it possible to utilize ranges, pastures, and field feeds fully and thus conserve hay and other feeds, but low temperatures and snow near the middle of December necessitated extensive feed-lot feeding of livestock, greatly intensified the demand for feedstuffs, and caused a heavy drain on the limited and inadequate supplies of feed grains and concentrates. Ranges and pastures will benefit from the recent moisture, which will soften range grass and supply needed stock water, but even so range feed is very short in Oklahoma, in parts of New Mexico, in western Colorado, and in central and southcentral Wyoming. In fact, the decline in range conditions from July to December in much of this area was greater than in any other year except 1934. Hay and other feeds are none too plentiful and reports from stockmen indicate a strong and urgent demand for high protein feed and concentrates, with very little available. In addition, wheat pastures are virtually lacking this winter. Because of this situation, the recent cold weather and snow have been very severe on livestock, with reports of serious death losses of cattle and sheep in western Kansas from inability to secure protein supplement feed.

Total feed supplies for the 1943-44 season are about the same as a year earlier, but the number of grain-consuming livestock units on farms is about 10 per cent larger, leaving an appreciably smaller supply per animal unit. In an effort to level off feed grain prices and to draw more corn into commercial channels, the OPA in December authorized an average increase of 9 cents a bushel in the ceiling price of corn, raised the price of Government feed wheat an equivalent of 20 cents a bushel, and froze the price of oats, barley, and grain sorghums preparatory to issuance of permanent ceiling regulations on these grains. This action also was part of a program to bring prices of the various feed grains more nearly in line with one another, to make more feed available for deficit areas, and to use and conserve present supplies of the various grains in the most efficient way possible in producing a maximum volume of livestock products—especially milk and eggs. Prospective feed supplies for 1944 are indicated to be sufficient to meet the 1944 goals which call

for decreased production of chickens, turkeys, and hogs and a reduction in the number of cattle and calves and of sheep and lambs on farms during the year.

The adjustment of livestock numbers to feed supplies apparently has already begun as evidenced by very heavy marketings in November and December, by the declining trend of hog production, and by the lighter weights at which animals are being marketed. November receipts of calves at leading District markets were about one-third and cattle two-thirds greater than the November average of the past ten years, while receipts of hogs and sheep were more than double the average. Marketings of cattle continue heavy from Oklahoma and Kansas and have increased markedly from New Mexico and other western areas after a rather slow start last fall. Marketings of sheep and lambs from many western sections also have been later than usual, the delay accounting in part for the recent large volume of receipts. The heavy marketings enforced price declines on the lower grades of slaughter cattle, on stocker and feeder cattle and lambs, and on hogs, but prices of best beef steers and fat lambs have been fairly well maintained. The top price of hogs by mid-November had dropped to the support level of \$13.50 a hundredweight at Kansas City for good to choice hogs weighing 200 to 270 pounds, and prices have since shown little change. Weights above and below the support range, however, have sold at a considerable discount, and in December the support range was extended to include hogs weighing 270 to 300 pounds. The cattle price stabilization program went into effect late in December, following the establishment for the principal beef cattle markets of maximum and minimum prices, by grades, which packers may pay for live cattle and qualify for full subsidy payments.

Top carlot livestock prices at Kansas City:

	Dec. 30 1943	Nov. 1943	Oct. 1943	Nov. 1942	Nov. 1941	Nov. 1940
	(In dollars per hundredweight)					
Beef steers.....	16.00	16.00	16.10	16.60	12.75	13.75
Stocker cattle.....	13.00	13.25	13.25	14.50	11.25	10.50
Feeder cattle.....	13.25	13.50	13.50	14.75	10.90	10.50
Calves.....	14.00	14.00	14.00	14.50	12.50	11.00
Hogs.....	13.55	14.15	14.50	14.20	10.50	6.15
Lambs.....	14.90	15.00	14.75	15.10	11.50	9.75
Slaughter ewes.....	6.75	6.35	6.15	6.60	5.60	4.35

The 1943 fall pig crop for the country as a whole was 10 per cent larger than that of 1942 and the largest ever produced. Hog production, however, has apparently passed its peak as fall farrowings showed substantially less than the 25 per cent increase over 1942 indicated last June and spring farrowings for 1944 are expected to fall 16 per cent below the record level of 1943. In some states of this District, the downward trend in hog production was already under

way even before last fall, the 1943 fall pig crop in Nebraska dropping 10 and that in Oklahoma 6 per cent under a year earlier while the Kansas crop was very little above the previous year. Moreover, the largest decreases in farmers' farrowing intentions for next spring are indicated in the states from Kansas and Arkansas westward to New Mexico and in the Rocky Mountain states. The corn-hog ratio is still moderately favorable to hog production, but farmers' breeding intentions apparently have been influenced more by a number of other factors, including difficulties in marketing the large 1943 spring pig crop, the reduced support prices announced for hogs from the 1944 spring crop, the recent increase in the ceiling price of corn, the shortage of high protein feeds, and other conditions unsatisfactory to hog producers.

Farm Income

Cash income from farm marketings in this District in the first ten months of 1943 was about one-fourth larger than that in the corresponding period of 1942. Gains in farm income, however, have narrowed rapidly in recent months and had largely disappeared by October, when income in Kansas was unchanged from a year earlier and in Missouri, Oklahoma, New Mexico, and Wyoming fell appreciably below the preceding year. The large decline shown for Wyoming was due to smaller returns from both crops and livestock, but in other states the decrease was mostly in income from crops—principally wheat, cotton, and fruit—and reflected in part smaller production in 1943. Receipts from the sale of livestock and livestock products generally continue much above a year earlier, aided chiefly by large marketings of meat animals and higher prices received for dairy and poultry products. Changes in income are brought about both by variations in the physical quantity of farm products sold and by changes in prices. The very rapid and substantial rise since 1940 in the general level of prices received by farmers for farm products and the marked upward trend in the total volume of farm marketings tended to level off during 1943, thus accounting in large part for the progressive narrowing of gains in total farm income since early in the year.

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

	Oct. 1943	10 Mos. 1943	Change from '42	
	(Thousand dollars)		(Per cent)	
			Oct.	10 Mos.
Colorado.....	39,735	238,042	+7	+31
Kansas.....	54,971	572,250	0	+25
Missouri.....	70,641	519,871	-5	+22
Nebraska.....	51,203	520,818	+24	+42
New Mexico.....	22,783	76,946	-4	+25
Oklahoma.....	45,243	307,486	-10	+8
Wyoming.....	18,512	70,411	-11	+1
Seven states.....	303,088	2,305,824	0	+25
United States.....	2,253,200	15,307,169	+15	+26

DEPARTMENT STORE TRADE

Dollar volume of sales at reporting department stores in the District in November was 25 per cent above a year earlier, and sales were maintained in large volume in December although the gain over the preceding year for the first three weeks of December measured only 10 per cent. Christmas trade, as a whole, reached a new high level in 1943 but was spread out over a much longer period than usual because of the necessity for October and November mailings of gifts to men and women in the armed forces and possibly because of fear of depleted stocks later in the season. In addition, extensive promotions of Christmas merchandise in November and urgent pleas to shop and mail early because of shortages of clerical help also tended to encourage consumers to buy far in advance of the normal date. Reports indicate exceptionally heavy buying of higher-priced goods and a concentration of sales on apparel items, especially women's apparel and accessories, in the absence of many other types of merchandise. Reflecting in part the early start of Christmas shopping, department store stocks declined contraseasonally during November for the second consecutive month. Inventories are still somewhat larger than a year earlier but have declined to about 2.1 months' supply at the current rate of sales as compared with 2.7 months' supply the previous year. The volume of outstanding orders continues very large and is in excess of actual stocks on hand.

Department store sales and stocks in leading cities:

No. of Stores	SALES		STOCKS
	Nov. '43 comp. to Nov. '42	11 Mos. '43 comp. to 11 Mos. '42	Nov. 30, '43 comp. to Nov. 30, '42
	(Per cent increase or decrease)		
Denver.....	7	+23	+22
Hutchinson.....	3	+35	+29
Topeka.....	3	+21	+29
Wichita.....	4	+30	+32
Joplin.....	3	+18	+10
Kansas City.....	8	+20	+21
St. Joseph.....	3	+33	+29
Omaha.....	4	+23	+24
Oklahoma City.....	6	+45	+49
Tulsa.....	5	+28	+27
Other cities.....	31	+15	+19
District.....	77	+25	+26

*Not shown separately but included in District total.

PRODUCTION

Meat Packing

Livestock slaughter in this District, which had previously been relatively less heavy than in the country as a whole, has recently reached near record proportions as seasonal increases in hog slaughter have been accompanied by a continued high level of cattle and sheep slaughter. The tremendous expansion in meat-packing operations despite manpower shortages is illustrated by the fact that packers' purchases of

cattle and calves at leading District markets in November were fully two-thirds greater than the November average of the past ten years while purchases of hogs and sheep were considerably more than double the average. Thus far, meat-packing facilities in this area have generally been sufficient to handle the heavy marketings of hogs. Temporary congestion developed early in December at Omaha and the situation at times has been rather tight at Wichita but good clearances in hog receipts have been effected at St. Joseph and Kansas City. Part of the increased output of meats was made available to civilians through the lowering of ration point values on many cuts of meats, but a large proportion of the increased production will go to the armed forces or will be stockpiled to meet war requirements during periods of seasonally light slaughter. According to the Department of Agriculture, total per capita meat consumption, including shipments to the armed forces but excluding lend-lease shipments, appeared to be little different in the first nine months of 1943 from that in the same period of 1942 although there have been marked shifts in the kinds of meat consumed, apparent per capita consumption of beef and veal declining about 14 and lamb and mutton 4 per cent while consumption of pork increased about 13 and miscellaneous meats 6 per cent.

Flour Milling

Southwestern flour milling operations averaged 93 per cent of capacity during November, and by the second week of December they had reached 95 per cent of full-time capacity. This is the highest rate of activity since the fall of 1939, when milling operations late in September had risen momentarily to 97 per cent of capacity following the outbreak of war in Europe and a heavy rush of buyers into the flour market. Shipping directions on old contracts continue heavy, and many mills recently have experienced increasing difficulty in meeting the demand for flour, with operations restricted somewhat by shortages of bags and labor and by transportation difficulties. Except for Government orders and moderate sales of family grades of flour, new flour sales in November were very light, southwestern sales dropping by the last week of the month to an all-time low of 6 per cent of capacity as sales to bakers were largely cut off by advancing wheat prices and the resulting squeeze between wheat prices and the ceiling price on flour. The inauguration of the flour subsidy program on December 1, however, relieved this situation, and flour sales increased markedly early in December. Effective December 1 and until further notice, mills in this area are eligible to receive monthly payments of 16 cents a bushel on hard wheat and 5½ cents a bushel on soft wheat ground into flour during the calendar month.

These rates of payment represent the excess of market prices of wheat at the first of December over the wheat price used by the OPA as the basis of the flour price ceilings. Under the subsidy arrangement, mills generally are confining sales to the amount of flour that can be produced during the current month, and sales late in December again were declining, owing in part to the fact that many mills already had sold up to their capacity for the month and were hesitant to accept additional business because of some uncertainty over the continuation of the subsidy and in part to a further rise in wheat prices that was tending to renew the price squeeze on flour.

Petroleum

Crude oil production in this District in 1943 was little changed from that in 1942, increased output in Wyoming, Colorado, New Mexico, and Kansas offsetting smaller production in Oklahoma and Nebraska, where the productive capacity of many fields has declined considerably. Oil production in Kansas reached a new record level in 1943, although in the last quarter of the year output fell somewhat below a year earlier. In practically all fields of this District, crude production is at the highest rate consistent with approved conservation practices, and reports indicate that some fields possibly are being drained too rapidly. At the same time, storage stocks of crude above ground in this area have been drawn down to a very low level, and crude supplies are still inadequate to meet the heavy wartime demand for petroleum and refined products. The demand for gasoline, in particular, has been much greater than was anticipated, because of sharp upward revisions in the estimated amount of motor fuel required to meet expanding military and export requirements. According to the Petroleum Administration for War, this situation points to a critical crude oil shortage unless manpower, materials, and incentives are sufficient to meet the projected national program of 5,000 exploratory wells for 1944 in order to provide additional supplies of crude oil. A discovery of major importance occurred late in 1943 in Wyoming, and important new reserves have been developed in Oklahoma. Except in Wyoming, however, the amount of oil being added to reserves by discovery has been far below withdrawals in production, and reserves generally continue to decline, although the decline in productive capacity in Oklahoma has begun to level off noticeably in recent months. Reflecting curtailed civilian consumption of gasoline and other refined products as a result of restrictions imposed by the war, more than 20 per cent of the oil industry's retail outlets in the fifteen states comprising the Mid-Continent area were closed between January 1, 1942, and October 1, 1943, with

approximately three-fourths of this decrease taking place during 1942. In Oklahoma, the loss in retail outlets has measured 27 and in Kansas 34 per cent since this country's entry into the war.

Employment

Total nonagricultural employment in this District, according to the latest estimates available, in September was little changed from a year earlier although employment in manufacturing industries was about 18 per cent above the preceding year. The number of workers employed in manufacturing industries as a whole continues to rise to successive new high levels each month despite the recent curtailment of production of small arms ammunition, and there was a seasonal increase in the number of workers engaged in retail trade during the pre-Christmas season, including many new temporary and part-time employees. Total employment, on the other hand, is tending to decline. Employment in Wyoming, Colorado, and New Mexico earlier in 1943 already had dropped below the very high level of 1942, and by September declines also were reported for Nebraska and Kansas. Only in Missouri and Oklahoma is employment still above the preceding year, the gain for Oklahoma being due in large part to the bringing into operation of new war production facilities and the marked expansion in manufacturing production that took place in that state during 1943.

Department of Labor estimates of total nonagricultural employment:

	Sept.	Aug.	Change from '42	
	1943	1943	Sept.	Aug.
	(Number)		(Per cent)	
Colorado.....	290,000	287,000	-9	-7
Kansas.....	414,000	412,000	-3	+1
Missouri.....	989,000	989,000	+3	+4
Nebraska.....	263,000	264,000	-1	+4
New Mexico.....	80,700	83,200	-5	-5
Oklahoma.....	399,000	403,000	+7	+12
Wyoming.....	62,100	61,900	-7	-3
Seven states.....	2,497,800	2,500,100	0	+3
United States.....	38,227,000	38,245,000	0	+1

FINANCE

Member Bank Operations

Loans at weekly reporting member banks in the Tenth District recently have been declining, following a five-month rise through late October. Volume of loans in the third week of December was 14 per cent above the 1943 low point of early June but was 5 per cent below the 1943 high at the beginning of the year. Investments were at a new record level at the middle of November but have since declined appreciably, owing principally to a substantial decrease in holdings of Treasury bills as a result in part of sales to the Reserve Bank under option to repurchase. Demand deposits of individuals and corporations in recent

weeks have been rising and by the middle of December they had exceeded their previous peak of last September just prior to the Third War Loan drive. Demand deposits have shown an additional rise of 23 per cent in the last year, and banks continued to invest their funds in Government securities, holdings of which rose further by 68 per cent during 1943.

Principal items of condition of 50 member banks:

	Dec. 22	Change from	
	1943	Nov. 17	Dec. 23
	(In thousands of dollars)		
Loans and investments—total.....	1,721,034	-36,804	+476,620
Loans—total.....	356,516	-6,142	-23,603
Coml., indust., agric.....	242,486	-767	-18,318
To security brokers and dealers.....	4,666	-1,530	+2,036
Other to purchase or carry secur..	11,593	-1,156	+3,020
Real estate loans.....	40,342	-61	+6,852
Loans to banks.....	0	-1,000	-30
All other loans.....	57,429	-1,628	-17,163
Investments—total.....	1,364,518	-30,662	+500,223
U. S. Treasury bills.....	135,765	-45,032	-15,507
U. S. Treas. certif. of indebt.....	323,287	+9,751	+222,068
U. S. Treasury notes.....	228,717	-5,416	+85,162
U. S. Govt. bonds.....	497,236	+4,854	+215,477
Oblig. guar. by U. S. Govt.....	53,015	-64	-6,299
Other securities.....	126,498	+5,245	-678
Reserve with F. R. Bank.....	366,705	-1,880	+5,107
Balances "due from" banks—net.....	278,350	-17,399	-55,876
Demand deposits—adjusted.....	1,131,900	+20,220	+213,202
Time deposits.....	171,865	+2,069	+29,288
U. S. Govt. deposits.....	179,438	-80,640	+83,776
Deposits "due to" banks—net.....	786,569	-4,243	+84,933

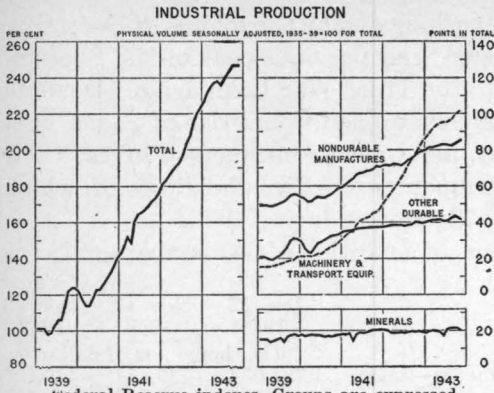
Bank Debits

	Nov.	11 Mos.	Change from '42	
	1943	1943	Nov.	11 Mos.
	(Thousand dollars)		(Per cent)	
Colo. Springs, Colo....	24,920	246,241	-8	-6
Denver, Colo.....	303,939	2,988,685	+7	+16
Gr. Junction, Colo.....	7,745	66,503	+60	+44
Greeley, Colo.*.....	10,984	93,981	+49
Pueblo, Colo.....	23,941	221,614	-19	-7
Atchison, Kans.....	6,066	61,265	+41	+30
Emporia, Kans.....	7,375	66,460	+15	+28
Hutchinson, Kans.....	23,661	248,106	+20	+36
Independence, Kans.....	3,993	48,686	-16	+20
Kansas City, Kans....	36,536	392,200	+15	+30
Lawrence, Kans.....	5,759	69,400	+1	+36
Parsons, Kans.*.....	5,568	60,199
Pittsburg, Kans.....	5,938	76,759	-18	+6
Salina, Kans.....	20,215	237,543	+14	+36
Topeka, Kans.*†.....	47,969	588,919	+7
Wichita, Kans.....	152,908	1,685,185	+40	+56
Joplin, Mo.....	15,107	155,407	+26	-8
Kansas City, Mo.....	617,518	6,680,770	+23	+30
St. Joseph, Mo.....	59,292	570,923	+42	+30
Fremont, Nebr.....	6,420	71,360	-3	+36
Grand Island, Nebr.*	11,953	146,769	-5
Lincoln, Nebr.....	46,157	500,750	+25	+30
Omaha, Nebr.....	311,813	3,536,389	+19	+37
Albuquerque, N. M....	29,963	318,850	+1	+18
Bartlesville, Okla....	37,855	379,008	+24	+10
Enid, Okla.....	18,930	190,270	+51	+28
Guthrie, Okla.....	2,571	23,096	+19	+14
Muskogee, Okla.....	15,030	167,986	-8	-7
Okla. City, Okla.....	118,293	1,602,201	-23	+9
Okmulgee, Okla.....	3,825	39,927	+13	+26
Tulsa, Okla.....	223,778	2,321,536	+29	+22
Casper, Wyo.....	9,598	94,863	+13	+8
Cheyenne, Wyo.....	14,444	179,629	+7	+34

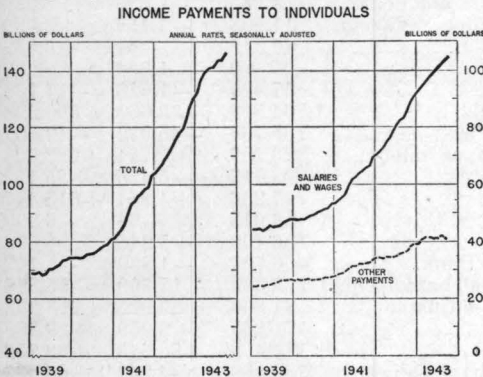
District, 29 cities..... 2,153,590 23,241,612 +16 +26
 U. S., 334 cities..... 65,025,000 696,002,000 +21 +25
 *Not included in total; data prior to May, 1942, not available.
 †Figures include additional banks reporting since May, 1942.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

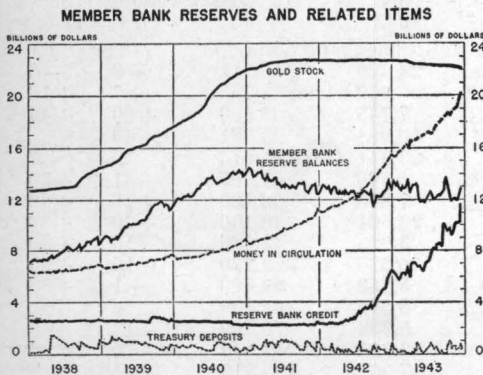
By the Board of Governors of the Federal Reserve System



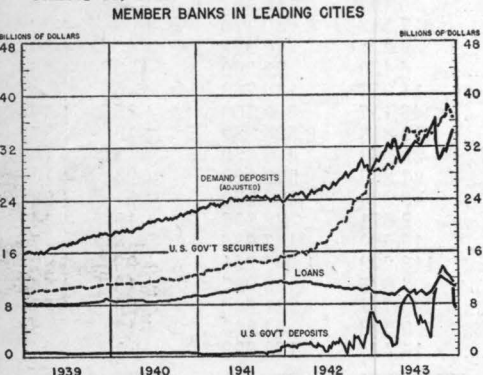
Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for November, 1943.



Based on Department of Commerce estimates. Wages and salaries include military pay. Monthly figures raised to annual rates, latest shown are for October, 1943.



Wednesday figures, latest shown are for December 15, 1943.



Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for December 15, 1943.

Industrial activity was maintained at a high level in November and the early part of December. Value of retail sales during the Christmas buying season has been larger than last year's record sales.

INDUSTRIAL PRODUCTION

Industrial production in November was at 247 per cent of the 1935-39 average, the same as in October and 2 points higher than in September according to the Board's seasonally adjusted index. Further increases in munitions production in November were offset in the total index by smaller output of coal and steel.

The reduction in steel output from the high October rate was small and reflected partly a decline in war orders for some types of steel products. Activity in the machinery and transportation equipment industries continued to rise in November. The Board's machinery index, which had been stable from April to August, advanced 5 per cent in the past 3 months as a result of increases in output of electrical equipment and other machinery, which includes aircraft engines.

Total output of nondurable goods in November continued at the level of recent months. Activity in woolen mills showed little change as increased production of civilian fabrics, resulting from the lifting of restrictions on the use of wool, offset reduced output of military fabrics. Production of manufactured food products continued at a high level. Federally inspected meat production in November was one-fourth larger than a year ago. Newsprint consumption in November declined to a level 15 per cent below the same month last year. Output in the rubber products and petroleum refining industries continued to increase.

Coal production increased sharply in the latter part of November but for the month as a whole bituminous coal output was down 9 per cent from October and anthracite 19 per cent. In the early part of December output of bituminous coal was at the highest rate in many years.

DISTRIBUTION

Notwithstanding a reduced selection of merchandise, department store sales in November were about 10 per cent greater than the large volume of sales in November, 1942, and in the first three weeks of December sales were about the same as a year ago. Value of department store stocks at the end of October was reported to be 9 per cent smaller than a year ago and it is estimated that, contrary to the usual seasonal movement, stocks declined in November.

Freight carloadings were maintained in large volume in November and in the first half of December. Loadings of coal during the four weeks ending December 11 were at the highest rate in many years, following a sharp drop in the first half of November. Shipments of grain and livestock were in unusually large volume for this time of year.

COMMODITY PRICES

Grain prices continued to advance from mid-November to mid-December and reached levels more than one-fourth higher than a year ago. Wholesale prices of other farm and food products showed little change, while prices of various industrial commodities, including coal, were increased somewhat.

The cost of living, which had increased 4 per cent in October, declined .2 per cent in November, according to the Bureau of Labor Statistics index.

BANK CREDIT

Excess reserves at all member banks fluctuated around one billion dollars in November and December, maintaining an average level slightly below that which prevailed during the previous month. During the five weeks ending December 22, reserve funds were absorbed by a pre-holiday rise in money in circulation of about 800 million dollars, and required reserves continued to increase as Treasury expenditures transferred funds from Government accounts to private deposits. Needed reserves were supplied to member banks through an increase of 1.7 billion dollars in Government security holdings at the Reserve Banks. Additions to Treasury bill holdings accounted for the larger part of the increase, but certificate holdings also rose substantially.

During November and the first half of December, loans and investments at reporting member banks in 101 leading cities declined by around 2½ billion dollars, after increasing by 6¼ billion in September and October. Holdings of all types of Government securities decreased. Bill holdings, mainly because of sales to the Reserve Banks, showed the largest decline. Loans for purchasing or carrying securities continued to decline over the period.