

MONTHLY REVIEW

Agricultural and Business Conditions

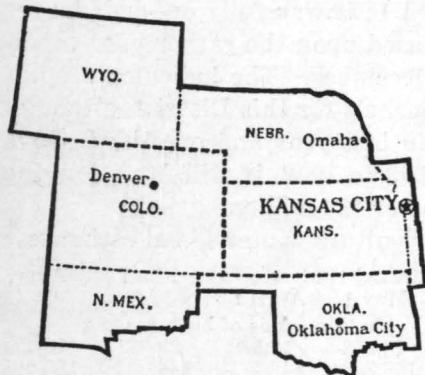
TENTH FEDERAL RESERVE DISTRICT

VOL. 29, No. 6

FEDERAL RESERVE BANK OF KANSAS CITY

JUNE 30, 1944

Business in the Tenth Federal Reserve District



Unusually favorable growing conditions in May and June, following a cool, wet spring, have brightened the crop outlook considerably. Early wheat harvest returns bear out previous high expectations.

The shortage of feed for livestock has largely been relieved by rapid growth of range and pasture feeds. Substantial adjustment of hog numbers to feed supplies is indicated by a decrease of 37 per cent in the 1944 spring pig crop in this District. Poultry flocks also have been reduced sharply.

Livestock slaughter, particularly of hogs, and output of flour continue very large. Coal production shows a further increase over last year, but output of petroleum is somewhat lower.

Department store sales have been maintained in large volume. Industrial employment shows some further decline. Gains in cash farm income recently have narrowed somewhat.

BUSINESS INDICATORS	MAY 1944 COMPARED WITH MAY 1943				5 MOS. 1944 COMPARED WITH 5 MOS. 1943			
	% DECREASE		% INCREASE		% DECREASE		% INCREASE	
	40	30	20	10	40	30	20	10
Finance								
Bank Debits								
F. R. Bk. Clearings								
Mem. Bk. Loans								
Mem. Bk. Invest.								
Demand Deposits								
Life Ins. Sales								
Trade								
Wholesale Sales								
Dept. Store Sales								
Marketings								
Wheat								
Corn								
Oats								
Cattle								
Calves								
Hogs								78
Sheep								
Production								
Flour								
Cattle Slaughter								
Calf Slaughter								142
Hog Slaughter								83
Sheep Slaughter								
Crude Petroleum								
Bituminous Coal								
Construction								
Total Awards					60			
Res. Awards					64			
Value of Permits								
Lumber Sales								
Miscellaneous								
Rainfall								52
Cash Farm Income*								
Employment*								

*Latest available

AGRICULTURE

Crops Growing conditions have been unusually favorable for most District crops since early in May, when the weather changed abruptly "from winter to summer in one week." Following an unusually wet spring, soil moisture supplies generally are excellent. Rains in May relieved a critically dry situation that had developed in southwestern Oklahoma, and additional precipitation in June appeared to be sufficient for current needs in most sections of the District. May rainfall in Nebraska was 107 per cent of normal, in Kansas 102, in Missouri 95, in Oklahoma 88, in Wyoming 98, in Colorado 119, and in New Mexico 92 per cent of normal.

After considerable delay, planting of most crops was practically completed by the middle of June. In Nebraska, indications were that much of the acreage intended for oats, as well as abandoned wheat acreage, would be planted to corn, giving that state possibly an extra million acres in corn; farther south,

the principal shift has been to grain sorghums. Although corn, cotton, sugar beets, grain sorghums, and other crops are late, the over-all crop prospect is markedly better than it was at this time last year. Production of oats in most District states is considerably short of the average from 1933 to 1942, but that of barley is much above average.

Outstanding improvement has occurred in the winter wheat crop. In the seven states, all or parts of which are included in the Tenth District, the June 1 estimate of winter wheat production was 11 per cent higher than that as of May 1 and 18 per cent higher than that as of April 1; it was fully one-half larger than the estimate based upon the rather poor condition of wheat last December. The indicated crop of nearly 335 million bushels for this District, although one-fifth larger than last year and one-third above the average from 1933 to 1942, is still far below the record 1931 crop of over 424 million bushels.

Department of Agriculture winter wheat estimates:

	RAINFALL				Indicated 1944			Final 1943	Aver. '33-'42	
	May 1944		5 Mos. 1944		June 1	May 1	April 1			
	Total	Normal	Total	Normal	(In thousands of bushels)					
COLORADO										
Denver.....	1.35	2.21	8.70	6.27	13,262	13,262	12,529	29,381	10,427	
Leadville.....	0.88	1.33	7.01	7.50	174,640	158,268	146,421	144,201	125,965	
Pueblo.....	1.90	1.60	6.14	4.52	23,400	22,620	24,853	12,649	26,851	
Lamar.....	7.38	2.13	15.63	5.29	45,390	39,338	39,711	60,165	39,360	
Alamosa.....	0.47	0.82	2.06	2.23	2,244	2,040	1,428	2,079	2,040	
Steamboat Springs.....	5.01	2.04	12.53	11.53	73,872	64,638	56,430	31,711	48,419	
KANSAS					2,072	2,072	1,665	2,224	1,298	
Topeka.....	2.81	4.42	17.87	11.51	7 States.....	334,880	302,238	283,037	282,410	254,360
Iola.....	5.58	4.80	20.94	14.15	U. S.....	714,148	662,275	601,759	529,606	570,675
Concordia.....	3.83	3.84	15.80	8.49						
Salina.....	2.06	3.91	14.53	9.28						
Wichita.....	2.04	4.66	21.49	11.20						
Hays.....	2.77	3.51	12.33	7.71						
Goodland.....	3.08	2.52	10.93	6.16						
Dodge City.....	6.95	2.85	14.22	7.27						
Elkhart.....	6.83	2.42	15.75	5.85						
MISSOURI										
St. Joseph.....	4.40	4.70	21.33	13.38						
Kansas City.....	4.14	3.94	22.26	12.56						
Joplin.....	3.05	5.36	17.32	17.10						
NEBRASKA										
Omaha.....	4.21	3.77	13.95	9.28						
Lincoln.....	2.50	4.08	16.07	9.51						
Norfolk.....	7.48	3.69	17.60	9.09						
Grand Island.....	5.90	4.02	15.84	9.27						
McCook.....	1.93	2.87	16.37	7.02						
North Platte.....	2.60	2.78	9.73	6.64						
Bridgeport.....	3.09	2.71	7.57	6.27						
Valentine.....	2.09	2.82	8.03	6.75						
NEW MEXICO										
Clayton.....	5.07	2.40	6.66	5.27						
Santa Fe.....	0.38	1.19	1.48	4.25						
Farmington.....	1.00	0.57	3.70	3.11						
OKLAHOMA										
Tulsa.....	5.50	5.23	16.64	15.95						
McAlester.....	5.63	5.97	18.29	18.71						
Oklahoma City.....	2.72	4.88	15.74	12.45						
Pauls Valley.....	6.89	5.20	16.90	14.27						
Hobart.....	3.42	4.64	11.80	11.04						
Enid.....	2.01	4.34	10.47	11.44						
Woodward.....	1.51	3.51	14.67	9.11						
WYOMING										
Cheyenne.....	2.00	2.43	7.88	6.52						
Casper.....	2.78	2.25	6.65	6.87						
Lander.....	1.89	2.26	11.69	6.74						
Sheridan.....	3.46	2.65	9.94	7.30						

Marketings of wheat generally continued light during May but expanded in June as the wheat harvest spread northward through Oklahoma and into Kansas. Cash wheat prices, which had been at the ceiling since it was established early last January, declined about 12 cents a bushel during June, reflecting the improvement in the crop outlook and adjusting downward to a new crop basis. Late in the month, there still was considerable uncertainty regarding the size of the wheat movement this year, owing to the favorable financial position of farmers, abundance of storage space on farms and in country elevators, shortages of box cars, lack of labor for unloading wheat, and recent declines in cash wheat prices. However, cash wheat prices are still about 7 cents a bushel above the loan rate. This is the first time since the loan program was inaugurated in 1938 that cash wheat prices at the beginning of harvest have exceeded the loan rate.

The lower range of Kansas City cash grain prices:

	June 27 1944	May 31 1944	Apr. 29 1944	May 29 1943
No. 1 hd., dk. wheat, bu. \$1.52½	\$1.63*	\$1.63*	\$1.63*	\$1.37½
No. 2 mixed corn, bu. 1.13¾*	1.13¾*	1.13¾*	1.13¾*	1.04
No. 2 white oats, bu. .84½	.85*	.85*	.85*	.71¾

*Ceiling price.

Livestock The 1944 spring pig crop in this District was 37 per cent smaller than that of 1943, and the number of sows to farrow this fall is indicated to be 42 per cent smaller than last year. The sharpest declines in hog production—around 50 per cent—are shown for Colorado, Wyoming, Kansas, and Oklahoma. For the country as a whole, the spring pig crop was down 24 per cent, and the fall pig crop is expected to drop 34 per cent below last year. The sharp decrease in hog production represents chiefly an adjustment of hog numbers to feed supplies.

Department of Agriculture pig crop estimates:

	PIGS SAVED		SOWS FARROWED			
	1944	1943	Aver. '33-'42	1944*	1943	Aver. '33-'42
	Spring		Fall			
	(In thousands)					
Colorado.....	262	560	235	27	68	33
Kansas.....	1,198	2,229	1,225	130	260	155
Missouri.....	3,112	4,137	2,522	359	561	346
Nebraska.....	2,859	4,581	2,607	144	240	158
New Mexico...	80	99	55	10	14	9
Oklahoma.....	647	1,314	692	97	171	108
Wyoming.....	70	118	58	7	15	7
Seven states..	8,228	13,038	7,394	774	1,329	816
United States	55,925	73,911	46,224	4,990	7,594	4,674

*Number indicated to farrow from breeding intentions reports.

Beef steer prices reached \$16.85 a hundredweight at Kansas City late in May, their highest point in more than a year, and continued at this level through early June but subsequently declined somewhat under the influence of liberal marketings. By early May, prices of good to choice hogs within the Government "support range" of 200 to 270 pounds had dropped to the so-called support price of \$13.50 a hundredweight; the pressure of heavy receipts has prevented any appreciable recovery from that level and has forced prices of other grades and weights to sharp discounts. Near the middle of May, the support range was extended for an indefinite period to include good to choice hogs weighing 180 to 200 pounds to protect growers in liquidating lightweight hogs.

Top carlot livestock prices at Kansas City:

	June 27 1944	May 1944	Apr. 1944	May 1943	May 1942	May 1941
	(In dollars per hundredweight)					
Beef steers.....	16.50	16.85	16.50	16.60	13.90	11.75
Stocker cattle.....	13.65	14.10	14.50	16.50	14.50	12.15
Feeder cattle.....	14.25	14.75	14.35	15.75	13.15	11.15
Calves.....	14.00	14.00	14.00	16.00	15.00	12.00
Hogs.....	13.55	13.50	13.85	14.50	14.25	9.40
Lambs.....	14.25	16.25	16.40	15.90	15.50	12.00
Slaughter ewes....	6.50	9.00	9.10	9.00	8.00	6.50

Range and pasture feed, after a late start, developed rapidly in May and June. Livestock have made good gains, partially overcoming the effects of short feed supplies and adverse weather late in the winter and during the spring. The general abundance of grass has materially eased the feed situation, and new crop oats, barley, hay, and wheat will further relieve the acute shortage of livestock feeds.

At the present time, pastures and ranges are furnishing ample feed for milk cows and other cattle and consequently are delaying cattle liquidation. According to trade reports, however, a very large increase in cattle marketings is anticipated between mid-July and December, with possible market gluts next fall when receipts of range cattle and grass-fat cattle reach their peak. Substantial adjustment already has been made in hog numbers, the country's 1944 pig crop being estimated at 88 million head as compared with 121½ million in 1943. Sharp adjustment has recently been made in poultry flocks also, while sheep numbers had begun to decline more than a year ago.

The spring movement of southwestern cattle to the Osage pastures of Oklahoma was 27 per cent smaller, and to the Blue Stem (Flint Hills) pastures of Kansas 6 per cent smaller, than last year. Nevertheless, pastures in both areas are well stocked for the grazing season, large numbers of local cattle and of cattle carried over through the winter supplementing the reduced in-movement.

Farm Income Cash income from farm marketings in this District in April was 7 per cent larger than a year ago as compared with an increase of 17 per cent for the first four months of 1944. Kansas farm income in April dropped below the preceding year, while income in New Mexico continued to show a relatively large decrease from 1943. In other District states, the April rate of gain generally was considerably less than that for previous months.

Department of Agriculture farm income estimates:

	Apr. 1944	4 Mos. 1944	Change from '43	
	(Thousand dollars)		Apr.	4 Mos.
			(Per cent)	
Colorado.....	23,642	91,990	+24	+27
Kansas.....	49,391	196,360	-2	+8
Missouri.....	48,948	202,983	+9	+19
Nebraska.....	54,158	246,382	+14	+31
New Mexico.....	5,612	19,023	-19	-21
Oklahoma.....	23,168	99,217	+1	+4
Wyoming.....	5,336	19,216	+12	+22
Seven states.....	210,255	875,171	+7	+17
United States.....	1,401,947	5,714,230	+6	+14

TRADE

Retail Sales Dollar volume of sales at reporting department stores in the District in May was 21 per cent larger than last year as compared with an increase of only 8 per cent for the first five months of the year. Gains in department store sales for May were reported from all principal cities, the increases ranging from 15 per cent at Denver to 34 per cent at Wichita. In the first three weeks of June, however, sales were very little larger than a year ago, when the expiration of a shoe ration coupon resulted in abnormally heavy sales not only of shoes but of other apparel items as well.

At the end of May, department store stocks were 7 per cent above, and outstanding orders 16 per cent below, the corresponding date in 1943. This was the first month in more than a year and half that orders showed a decline from the preceding year. The amount of merchandise on order currently is about one-fourth less than at its peak in July, 1943. Nevertheless, the volume of outstanding orders is still very large. Since January, 1943, orders have generally exceeded stocks on hand, much of this time by a wide margin; whereas during prewar 1940, orders averaged less than one-third of stocks on hand. Orders increased somewhat during May, reflecting liberal commitments for fall and Christmas merchandise two to three months ahead of the usual date.

Department store sales and stocks in leading cities:

No. of Stores	SALES		STOCKS	
	May '44	5 Mos. '44	May 31, '44	
	comp. to May '43	comp. to 5 Mos. '43	comp. to May 31, '43	
(Per cent increase or decrease)				
Denver.....	7	+15	+3	+9
Hutchinson.....	3	+23	+14	*
Topeka.....	3	+26	+15	*
Wichita.....	4	+34	+17	*
Joplin.....	3	+26	+8	*
Kansas City.....	8	+18	+6	+21
St. Joseph.....	3	+30	+18
Omaha.....	4	+22	+10	*
Oklahoma City.....	6	+33	+18	-1
Tulsa.....	6	+22	+9	+23
Other cities.....	30	+13	+2	-3
District.....	77	+21	+8	+7

* Not shown separately but included in District total.

Wholesale Sales According to preliminary figures of the Department of Commerce, sales of 127 wholesalers in this District in May were 13 per cent larger, and in the first five months of the year were 8 per cent larger, than in the corresponding periods of 1943. Distributors of auto supplies, beer, drugs, electrical goods, groceries, and paper reported large increases in May sales over last year. Only sales of lumber and building materials and of machinery fell below 1943. Wholesale inventories at the end of May were 10 per cent higher than a year earlier.

PRODUCTION

Meat Packing Operations at meat-packing plants in the District continue very heavy. Cattle slaughter in May, as indicated by packers' purchases at leading District markets, was 19 per cent larger, and that of hogs 41 per cent larger, than in the corresponding month last year, while calf slaughter in May was nearly four times as large as a year ago. Sheep slaughter was down moderately from last year. Marketings of hogs from the 1943 fall pig crop were unusually heavy during May, seriously congesting meat-packing facilities at many markets and necessitating temporary embargoes on hog shipments

to some centers until packers could absorb the large numbers of hogs held over from day to day. The spring peak in hog marketings apparently was reached in May, hog receipts declining in June.

According to trade reports, the difficult position of packers for many months with respect to beef slaughter has recently become worse, owing to advancing cattle prices. This increase in cattle prices, which is asserted to be due in large part to bidding up by black market operators, has made progressively severe the price squeeze between live cattle prices and the ceiling prices on dressed beef under which legitimate packers must operate. The ceiling prices for dressed beef established last December are reported to have frozen at a loss most beef slaughtering operations unless cattle could be bought at the lower end of the stabilization range. Definite steps to alleviate this situation are now being considered by the Office of Price Administration.

United States cold storage stocks of meat on June 1 (including Government holdings) were 63 per cent larger than a year ago and were the largest for this season since 1920. Lard stocks, which were almost three times what they were in 1943, were the largest on record for this time of year. Notwithstanding the removal of most cuts of meat from rationing, in part to relieve an acute shortage of storage space, cold storage holdings of meat declined little more than is usual during May. Pork stocks declined 2 per cent during the month as compared with an average decline of 1 per cent for May during the last five years, and lamb holdings decreased 14 per cent as compared with an average decrease of 13 per cent. In the case of beef cattle, only some cuts of which were made point-free, stocks declined only 10 per cent as compared with an average decline of 13 per cent. Lard had previously been removed from rationing last March, and lard stocks decreased 3 per cent during May although an average increase of 8 per cent has occurred in that month in recent years.

Flour Milling Southwestern flour milling operations have recently increased somewhat, reaching 83 per cent of full-time capacity in the second week of June as compared with an average of 79 per cent in May and 76 per cent in April. The output of flour in May exceeded that of a year ago by 15 per cent. Appreciable gains were reported for all principal milling centers except Wichita, where labor shortages were a factor in limiting production.

A substantial amount of flour was sold during the week ending June 3, when sales rose sharply to 246 per cent of milling capacity. Most of the sales for the week occurred within the space of a few hours on the evening of May 31, following announcement of a

reduction of 6½ cents a bushel, effective June 1, in the Government subsidy rate on hard wheat ground into flour. The flour subsidy was inaugurated last December to enable mills to operate within price ceilings established for flour. Between December, 1943, and May, 1944, the subsidy was increased from 16 cents to 25½ cents, the reduction to 19 cents in June being the first since the program was inaugurated. Since flour prices recently had dropped below the ceiling, the decrease in the subsidy indicated a corresponding increase in flour prices. In the most intensive period of sales activity since Pearl Harbor, large bakers bought freely for July, August, and September delivery, some as far ahead as December.

In contrast with actual and anticipated shortages of wheat at many mills in May, most mills in June appeared to have ample stocks to carry them over until wheat from the new crop comes onto the market in volume around the first of July. Flour sales in June, following the heavy buying at the end of May, lapsed into the usual dullness preceding the harvest rush of wheat to market.

Petroleum Production of crude oil in the United States continued at a very high rate during May, and indications are that the June report will show a still higher level of output. Production in the Tenth District, however, was substantially at the same level in May of this year as in the corresponding period last year, a moderate decline in Kansas being offset by scattered gains in other states.

In the week ending May 13, for the first time during the current year, gasoline stocks went above the level of the corresponding week of 1943. In the four weeks which followed, the level of stocks changed only slightly as compared with substantial declines in the same period last year, so that as of June 10, stocks were 7 per cent above the level of 1943. In California, stocks were down from last year by 25 per cent, while in almost all other parts of the country they were higher than last year. In Kansas and Oklahoma the increase was over 25 per cent.

As of June 10, United States crude oil stocks were down 5.5 per cent, and residual fuel oil stocks 23.9 per cent, from last year, while gas-oil and distillate stocks were up 9.4 per cent.

Employment Nonagricultural employment shows a further decline from the peak level reached last fall. By March, the latest month for which state data are available, total nonagricultural employment in this District had dropped 3 per cent under that of a year ago, and manufacturing employment, which had previously shown marked increases, was unchanged from the preceding year. For the

country as a whole, more recent data indicate a continuation of the decline in nonagricultural employment through May, owing in part to the completion of many war contracts, curtailments in others, and decreases in consumer goods production.

Department of Labor estimates of total nonagricultural employment:

	Mar.	Feb.	Change from '43	
	1944	1944	Mar.	Feb.
	(Number)		(Per cent)	
Colorado.....	259,000	265,000	-8	-5
Kansas.....	409,000	411,000	-5	-5
Missouri.....	949,000	952,000	-2	-1
Nebraska.....	255,000	258,000	-4	-1
New Mexico.....	76,400	76,800	-3	-3
Oklahoma.....	375,000	377,000	+1	+1
Wyoming.....	59,400	60,800	+1	+5
Seven states.....	2,382,800	2,400,600	-3	-2
United States.....	38,681,000	38,840,000	-2	-1

The labor market forecasts of the War Manpower Commission have recently been shortened to cover a period of only two months instead of six as had previously been the case. The shorter base period for classifying important labor market areas according to adequacy of labor supply was adopted because war production has leveled off, new war construction is no longer in the offing, and many local production adjustments, including cutbacks, are taking place. Group I labor market areas are those in which acute labor shortages exist, or in which shortages will become acute which endanger essential production. Group II areas are those in which serious, but not acute, labor shortages exist which endanger essential production, or areas which are approaching a balanced demand-supply situation. Group III areas are those in which a substantially balanced situation or moderate labor surplus currently exists, or in which a moderate surplus is anticipated. Group IV areas are those in which a substantial labor surplus exists or will develop, or areas which are experiencing or will experience drastic reductions in essential production, with limited possibilities of local absorption of displaced workers who remain in the area. As is shown in the accompanying table, on June 1 there were two areas in this District in Group I, four in Group II, and seven each in Groups III and IV.

The War Manpower Commission classification of labor market areas in this District as of June 1:

Group I	Hastings, Nebr.	Cheyenne, Wyo.
Group II	Wichita, Kans. Grand Island, Nebr.	Lincoln, Nebr. Oklahoma City, Okla.
Group III	Colorado Springs, Colo. Denver, Colo. Pueblo, Colo. Kansas City, Mo.	Omaha, Nebr. McAlester, Okla. Tulsa, Okla.
Group IV	Hutchinson, Kans. Topeka, Kans. Joplin, Mo. St. Joseph, Mo.	Albuquerque, N. Mex. Enid, Okla. Muskogee, Okla.

In an effort to allocate labor in the order of its urgency to the war effort, the War Manpower Commission has recently instituted a national system of priority referrals, based upon methods locally developed and tested in previous operations. In general, the priority referral plan involves: (1) the establishment of a nation-wide system of priority referrals, which provides that employers may hire male workers only from those referred by the United States Employment Service or other approved agencies; (2) the setting of employment ceilings in all labor shortage areas (Groups I and II) to limit the total number of men that may be employed in specified establishments; (3) the creation not later than July 1 of manpower priorities committees in all of these areas to decide which industries are entitled to priorities in the referral of available male labor; and (4) the intensification of the recruiting activities of the USES so that men may be transferred from areas of labor surplus into those areas where urgent war production requires more labor. The degree to which the priority referral plan will be operated in individual areas will be determined by regional and national manpower needs. In this District, state-wide manpower priority committees in Nebraska, Colorado, and Wyoming and area committees in Kansas City, Wichita, Oklahoma City, and Tulsa have been operating for some time.

CONSTRUCTION

Contract Awards Construction awards in the Kansas City area (Nebraska, Kansas, Oklahoma, and western Missouri) in 1944 show a further decline from the peak level of 1942, when war construction was being initiated in large volume. The value of contracts awarded in this area in May, according to figures of the F. W. Dodge Corporation, was about 13 million dollars as compared with 25½ million dollars in May, 1943, and the record monthly level of nearly 125 million dollars in October, 1942. With the construction phase of the war program largely completed, construction activity has dropped back below the prewar (1941) rate, and current awards are limited almost wholly to additional projects related directly to the war effort or to essential war center needs.

Construction figures of F. W. Dodge Corporation:

	May	5 Mos.	Change from '43	
	1944	1944	May	5 Mos.
	(Thousand dollars)		(Per cent)	
Residential building.....	1,927	9,902	-35	-64
Nonresidential bldg.....	3,698	26,895	-59	-61
Public wks. construc.....	3,589	15,742	-25	-55
Utility construction.....	3,784	16,058	-57	-60
Kansas City area.....	12,998	68,597	-49	-60
37 Eastern states.....	144,202	796,355	-39	-51

Building Permits The value of building permits issued in seventeen reporting District cities in 1944 has increased somewhat from the very low level of 1943. Nevertheless, city building permits continue to be confined chiefly to necessary alterations and repairs to existing structures, and building activity is still at a low ebb, because of War Production Board restrictions on all nonessential civilian construction, difficulties in obtaining materials and labor, and other factors. Although at many centers the percentage increases over 1943 appear very substantial, this appearance is due to the fact that the increases are measured from extremely low 1943 bases. In the seventeen reporting cities, permits totaled about \$2,717,800 in May this year as compared with \$2,611,500 last year and \$6,599,000 in May, 1942, at about the time the War Production Board restrictions on private building went into effect.

Value of building permits issued in District cities:

	May	5 Mos.	Change from '43	
	1944	1944	May	5 Mos.
	(Dollars)		(Per cent)	
Colo. Springs, Colo.	55,802	187,996	+473	+120
Denver, Colo.....	472,630	2,052,505	+2	+85
Pueblo, Colo.....	93,958	182,446	0	+34
Hutchinson, Kans...	3,824	62,651	-35	+153
Kansas City, Kans..	144,833	1,586,374	+905	+1,448
Salina, Kans.....	29,945	48,960	-89	-91
Topeka, Kans.....	151,290	178,195	+1,172	+553
Wichita, Kans.....	213,859	620,484	-63	-80
Joplin, Mo.....	10,200	61,535	+97	+73
Kansas City, Mo.....	521,975	2,104,400	-17	+101
St. Joseph, Mo.....	13,000	26,750	+484	+225
Lincoln, Nebr.....	58,774	425,572	-27	+113
Omaha, Nebr.....	376,395	1,880,649	+149	+307
Okla. City, Okla.....	362,134	1,381,942	+285	+266
Shawnee, Okla.....	2,628	11,313	+96	+30
Tulsa, Okla.....	169,670	478,742	+57	-6
Cheyenne, Wyo.....	36,872	282,712	-65	-67
District. 17 cities.....	2,717,789	11,573,226	+4	+33

FINANCE

Business Failures Business failures have been declining sharply since the middle of 1942, according to figures of Dun and Bradstreet, and in the first five months of 1944 the number of Tenth District business failures was at an unprecedentedly low level. Only 16 failures were reported for the five-month period as compared with the previous low of 36 failures in the same period of 1943. The amount of liabilities involved in failures, however, was \$1,709,000 this year as against only \$360,000 last year. Thus, while there was a further decline in the number of failures, there was some increase in the average size of concerns failing. In terms of percentage change, the increase in liabilities appears to be very large. Since the increase is measured from the very low level reached in 1943 and the large percentage increase consequently may be misleading, this item has been omitted from the bar chart appearing

on Page 1 of the Monthly Review. The amount of liabilities involved in business failures, although higher than in 1943, is still abnormally small.

The war has affected business failures in two different and important ways. On the one hand, shortages of manpower and civilian goods have resulted in a rapidly declining business birth rate, thus greatly curtailing the number of concerns which otherwise would open up for business and quickly close. On the other hand, increased business activity and record consumer purchasing power have kept in business many concerns which ordinarily might go out. It is true, of course, that shortages of manpower and critical materials, together with rising costs, have seriously affected many established businesses, particularly smaller manufacturing concerns not easily convertible to war production; some of these concerns have closed but not necessarily "failed."

Member Bank Credit Loans of weekly reporting member banks continued to decline between the middle of May and the middle of June, chiefly because of contraction in "commercial, industrial, and agricultural" loans. Investments increased considerably, chiefly in United States Government bonds and "other securities," and at mid-June were 20 per cent larger than a year ago. Demand

deposits of individuals, partnerships, and corporations continued the increase which has been in progress since the decline incident to the Fourth War Loan Drive, and reached a new record peak. It is expected that these deposits will temporarily decline as deposits are shifted to United States Government account during the current war loan drive.

Principal items of condition of 50 member banks:

	Change from		
	June 14 1944	May 17 1944	June 16 1943
(In thousands of dollars)			
Loans and investments—total.....	1,726,140	+7,570	+216,918
Loans—total.....	300,911	-9,145	-18,275
Coml., indust., agric.....	190,265	-9,481	-22,977
To security brokers and dealers.....	3,674	-265	+167
Other to purchase or carry secur.....	14,778	-78	+6,474
Real estate loans.....	38,044	-679	+4,312
Loans to banks.....	0	0	-99
All other loans.....	54,150	+1,358	-6,152
Investments—total.....	1,425,229	+16,715	+235,193
U. S. Treasury bills.....	103,280	+855	-79,228
U. S. Treas. certif. of indebt.....	313,543	-635	+94,124
U. S. Treasury notes.....	285,591	+2,642	+109,272
U. S. Govt. bonds.....	554,932	+6,420	+132,303
Oblig. guar. by U. S. Govt.....	33,830	+46	-24,003
Other securities.....	134,053	+7,387	+2,725
Reserve with F.R. Bank.....	381,482	+5,979	+15,461
Balances "due from" banks—net.....	265,628	+11,389	-38,550
Demand deposits—adjusted.....	1,213,048	+33,282	+155,056
Time deposits.....	194,538	+3,941	+41,697
U. S. Govt. deposits.....	121,447	-32,569	-15,845
Deposits "due to" banks—net.....	754,677	+22,318	+7,359

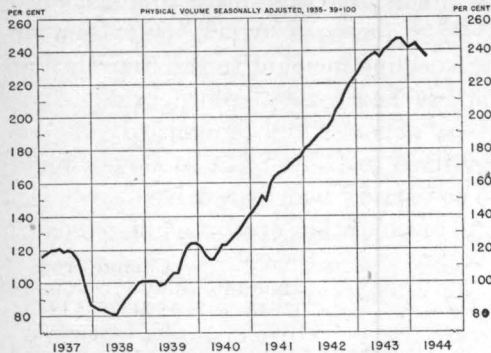
Excess reserves for all Tenth District member banks averaged 86 million dollars for the month of May and of this amount three-fifths was held by country banks. The excess reserves of reserve city banks were 9 per cent of their required reserves compared with 18 per cent a year ago, and the country banks' excess reserves were 37 per cent of their required reserves compared with 74 per cent a year earlier, the high point for 1943. Total reserves have increased during the past year but the growth in deposits has increased reserve requirements by a larger amount than the increase in total reserves. Excess reserves should increase during the current war loan drive as deposits are shifted to Government war loan accounts, which require no reserves.

Daily average Tenth District member bank reserves:

	BANK DEBITS		Change from '43	
	May 1944	5 Mos. 1944	May	5 Mos.
	(Thousand dollars)		(Per cent)	
Colo. Springs, Colo.....	21,081	109,112	+10	+1
Denver, Colo.....	258,092	1,377,066	+8	+11
Gr. Junction, Colo.....	6,048	31,888	+22	+27
Greeley, Colo.....	7,710	42,525	+4	+8
Pueblo, Colo.....	18,064	96,092	+10	-2
Atchison, Kans.....	5,812	30,221	+14	+18
Emporia, Kans.....	6,583	32,983	+11	+12
Hutchinson, Kans.....	21,585	124,502	+12	+16
Independence, Kans.....	4,091	21,636	+5	+2
Kansas City, Kans.....	37,935	196,846	+14	+15
Lawrence, Kans.....	5,938	31,470	+8	-2
Parsons, Kans.....	5,281	28,327	+11	+6
Pittsburg, Kans.....	5,791	32,495	-3	-9
Salina, Kans.....	17,004	103,881	+3	+8
Topeka, Kans.....	52,328	275,598	+14	+5
Wichita, Kans.....	167,546	917,443	+24	+32
Joplin, Mo.....	16,018	79,151	+16	+20
Kansas City, Mo.....	640,392	3,113,202	+6	+7
St. Joseph, Mo.....	53,335	300,485	+14	+22
Fremont, Nebr.....	5,960	32,674	+5	+1
Grand Island, Nebr.....	11,553	66,548	-12	+9
Lincoln, Nebr.....	43,012	234,207	-8	+6
Omaha, Nebr.....	295,723	1,665,462	-6	+7
Albuquerque, N. M.....	27,894	147,536	+5	+4
Bartlesville, Okla.....	40,494	198,736	+40	+23
Enid, Okla.....	15,906	88,974	+12	+12
Guthrie, Okla.....	2,261	12,221	+25	+21
Muskogee, Okla.....	13,827	77,018	+10	+4
Okla. City, Okla.....	166,320	708,250	+16	-9
Okmulgee, Okla.....	4,135	17,888	+22	+9
Tulsa, Okla.....	245,996	1,167,041	+24	+18
Casper, Wyo.....	9,440	47,624	+28	+24
Cheyenne, Wyo.....	15,236	90,854	+15	+12
District, 33 cities.....	2,248,391	11,499,956	+9	+10
U. S., 334 cities.....	67,269,000	352,661,000	+5	+11

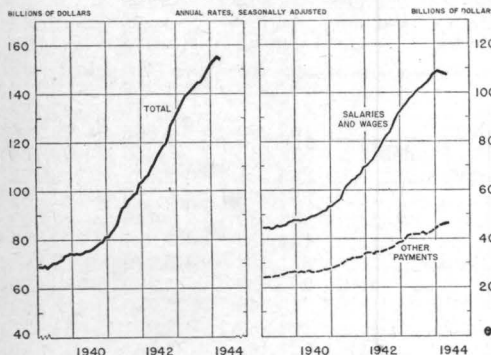
	Held	Required	Excess	Ratio Excess to Required
	(In millions of dollars)			(Per cent)
Reserve city banks				
May, 1944.....	391	358	34	9
April, 1944.....	379	350	30	9
March, 1944.....	383	350	33	9
May, 1943.....	364	308	56	18
Country banks				
May, 1944.....	194	142	52	37
April, 1944.....	194	137	56	41
March, 1944.....	192	131	61	47
May, 1943.....	173	100	74	74
All member banks				
May, 1944.....	585	499	86	17
April, 1944.....	573	486	87	18
March, 1944.....	575	481	94	20
May, 1943.....	537	408	129	32

INDUSTRIAL PRODUCTION



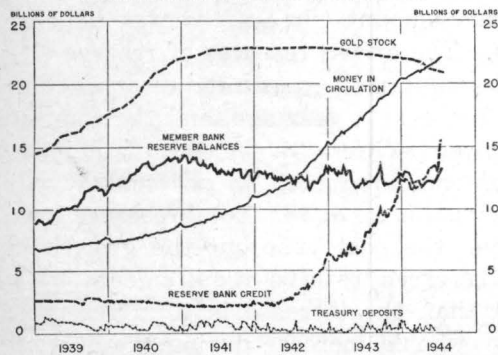
Federal Reserve index. Monthly figures, latest shown is for May, 1944.

INCOME PAYMENTS TO INDIVIDUALS



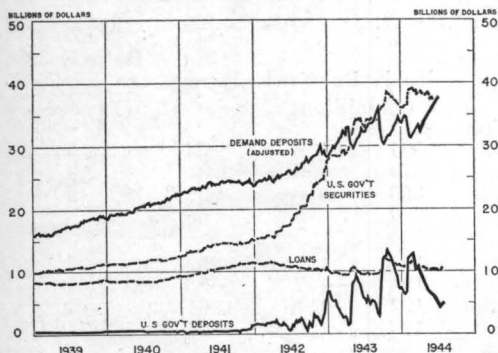
Based on Department of Commerce estimates. Wages and salaries include military pay. Monthly figures raised to annual rates, latest shown are for April, 1944.

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures, latest shown are for June 14, 1944.

MEMBER BANKS IN LEADING CITIES



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 June 14, 1944.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Industrial activity and employment declined slightly further in May. Value of retail trade was maintained in May and the first three weeks of June and commodity prices showed little change.

INDUSTRIAL PRODUCTION

Industrial production continued to decline in May and the Board's seasonally adjusted index was 237 per cent of the 1935-39 average as compared with 239 in April. Small declines in output of metal products and nondurable goods accounted for most of the decrease in the total index.

Steel production was maintained at a high rate. Supplies of aluminum and magnesium continued to exceed military requirements after further curtailment of output in May, and relaxation of restrictions on the use of these metals in civilian products was announced on June 18. Activity in munitions industries declined slightly in May. Aircraft production was at approximately the same daily average rate as in the preceding month. Deliveries of merchant ships declined somewhat from the April rate, reflecting curtailment of Liberty ship construction; the number of Victory ships delivered rose further in May.

Output of lumber and of stone, clay, and glass products declined further in May. Additional Federal control was established over lumber consumption, effective in the third quarter, in order to assure sufficient supplies for essential requirements.

Production of most nondurable goods was likewise somewhat lower in May than in April. Cotton consumption declined 6 per cent from the rate prevailing earlier this year to a level 16 per cent below May, 1943. Output of manufactured dairy products showed a large seasonal rise in May while manufacture of most other food products declined somewhat, after allowance for seasonal changes.

Output of crude petroleum and coal continued to rise and iron ore production reached an exceptionally high level for this season of the year.

DISTRIBUTION

Department store sales in May were maintained at the April level, and the Board's seasonally adjusted index, as recently revised, was 173 per cent of the 1935-39 average. During the first half of June sales continued at about the April-May rate and were 4 per cent larger than in the corresponding period last year.

Railroad freight traffic was maintained at a high level during May and the early part of June.

COMMODITY PRICES

Wholesale commodity prices continued to show little change in May and the early part of June. Retail prices showed a further slight increase in May. The wholesale price index and the cost of living index of the Bureau of Labor Statistics were both at the same level as they were in May, 1943.

AGRICULTURE

Crop prospects on June 1 were better than on the same date in the last 10 years except 1942. The total wheat crop appeared likely to exceed a billion bushels as compared with a harvest of 836 million bushels in 1943 and 974 million in 1942. Prospects for other grains, however, were not as favorable and, with grain stocks reduced, it is expected that total supplies available to meet food, feed, and industrial needs will continue short. In recent months the feed situation has been eased by generally good condition of the hay crops and pastures.

BANK CREDIT

In the five months from the beginning of the Fourth War Loan Drive to the beginning of the Fifth Drive, Federal Reserve Bank holdings of U. S. Government securities increased by more than 3 billion dollars. Member bank borrowings at Federal Reserve Banks also increased somewhat during the period, and at times exceeded 200 million dollars for the first time in more than a decade. These additions to Reserve Bank credit supplied the market with funds to meet a growth of nearly 2 billion dollars in money in circulation, an increase of 700 million in member bank required reserves, and a loss of gold of 700 million. Excess reserves, which declined to as low as 600 million dollars during the period, amounted to 1.1 billion on June 14.

During the Drive, purchases of Government securities by businesses and individuals will shift deposits to reserve-exempt Government war-loan accounts and reduce the amount of reserves that member banks are required to hold. This will result in some further increase in excess reserves and some repurchases of Government securities by member banks from the Reserve Banks.

Adjusted demand deposits at member banks in leading cities have risen by about 5¼ billion dollars since the end of the Fourth Drive and are more than 2¼ billion dollars above the level prevailing prior to that Drive. Time deposits also increased steadily.

Government security holdings at reporting banks declined by close to 2 billion dollars between mid-February and mid-June, following an increase of around 3 billion during the Fourth Drive. Bill holdings declined substantially, paralleling increases in such holdings at the Reserve Banks. Loans to brokers and dealers in securities, which by the end of May had declined well below their early January levels, increased somewhat in the first two weeks of June preparatory to the Drive. Other loans for handling Government securities are close to their pre-Fourth Drive level. Again in the Fifth Drive, as in the previous one, borrowings for speculative purchases will be discouraged.