

MONTHLY REVIEW

Agricultural and Business Conditions

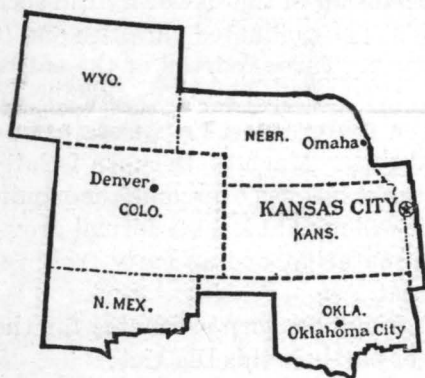
TENTH FEDERAL RESERVE DISTRICT

VOL. 29, No. 8

FEDERAL RESERVE BANK OF KANSAS CITY

AUGUST 31, 1944

Business in the Tenth Federal Reserve District



Generous moisture in July and August maintained the generally excellent condition of ranges and pastures in the District and virtually assured a large corn crop. However, early frosts remain a distinct threat to late corn.

Cattle feeding operations on August 1 were down sharply from a year earlier. The decline in cattle feeding probably has been checked by recent marked improvement in the feed outlook.

Livestock slaughter, except for hogs, continues very large, but output of flour, petroleum, and coal has recently been below last year. Zinc smelter subsidies are expected to encourage the smelting of Joplin zinc concentrates and reduce concentrate stockpiles.

Department store sales have been maintained at a very high rate. Cash receipts from farm marketings are much above the previous record in 1943. Non-agricultural employment is below last year's high level.

| BUSINESS INDICATORS | JULY 1944 COMPARED WITH JULY 1943 | | | | | 7 MOS. 1944 COMPARED WITH 7 MOS. 1943 | | | | | | |
|----------------------|--------------------------------------|----|------------|----|----|--|----|------------|----|----|----|-----|
| | % DECREASE | | % INCREASE | | | % DECREASE | | % INCREASE | | | | |
| | 40 | 30 | 20 | 10 | 10 | 20 | 30 | 40 | 40 | 30 | 20 | 10 |
| Finance | | | | | | | | | | | | |
| Bank Debits | | | | | | | | | | | | |
| F. R. Bk. Clearings | | | | | | | | | | | | |
| Mem. Bk. Loans | | | | | | | | | | | | |
| Mem. Bk. Invest. | | | | | | | | | | | | |
| Demand Deposits | | | | | | | | | | | | |
| Life Ins. Sales | | | | | | | | | | | | |
| Trade | | | | | | | | | | | | |
| Wholesale Sales | | | | | | | | | | | | |
| Dept. Store Sales | | | | | | | | | | | | |
| Marketings | | | | | | | | | | | | |
| Wheat | | | | | | | | | | | | |
| Corn | | | | | | | | | | | | |
| Oats | | | | | | | | | | | | |
| Cattle | | | | | | | | | | | | |
| Calves | | | | | | | | | | | | 70 |
| Hogs | | | | | | | | | | | | |
| Sheep | | | | | | | | | | | | |
| Production | | | | | | | | | | | | |
| Flour | | | | | | | | | | | | |
| Cattle Slaughter | | | | | | | | | | | | |
| Calf Slaughter | | | | | | | | | | | | 180 |
| Hog Slaughter | | | | | | | | | | | | 52 |
| Sheep Slaughter | | | | | | | | | | | | |
| Crude Petroleum | | | | | | | | | | | | |
| Bituminous Coal | | | | | | | | | | | | |
| Construction | | | | | | | | | | | | |
| Total Awards | | | | | | | | | | 53 | | |
| Res. Awards | | | | | | | | | | 62 | | |
| Value of Permits | | | | | | | | | | | | |
| Lumber Sales | | | | | | | | | | | | |
| Miscellaneous | | | | | | | | | | | | |
| Rainfall | | | | | | | | | | | | |
| Cash Farm Income* | | | | | | | | | | | | |
| Employment* | | | | | | | | | | | | |
| | | | | | | | | | | | | |

*Latest available

AGRICULTURE

Crops Nearly all sections of the District received good rains in July, which materially improved the outlook for corn, grain sorghums, and many other crops. July rainfall in Wyoming was 110 per cent of normal, in Nebraska 128, in Colorado 106, in Kansas 152, in Oklahoma 110, and in New Mexico 97 per cent of normal, while in Missouri it was only 74 per cent of normal. The July rains were especially heavy in the western parts of Nebraska and Kansas and in sections of eastern Colorado. Wet weather at harvest time reduced the Kansas winter wheat crop, and rust caused a decrease in the estimate for Nebraska. During the first half of August, the weather generally was rather hot and dry, but in the third week of the month lower temperatures and moderate to heavy rains gave promise of a bumper corn crop for many sections of Nebraska and assured good corn and grain sorghums crops in Kansas, while scattered showers in Oklahoma checked a rapid decline in the

condition of cotton, corn, and pastures that had been under way since late July.

According to August 1 prospects, corn production in this District in 1944 seems likely to be about 17 per cent larger than a year ago and almost double the average output from 1933 to 1942, which includes the drought years of the middle 30's. In Nebraska, the leading corn producing state in this District, the corn crop as of August 1 was estimated at about 254 million bushels. This compares with a record of 294 million bushels harvested in 1927. In addition to a very large acreage planted to corn this year there has been a continued expansion in the use of hybrid seed corn, which outyields open-pollinated varieties and is more drought resistant. Three-fourths of the entire 1944 Nebraska corn acreage, including practically all of the acreage in the eastern part of the state, was planted with hybrid corn. Much of the corn is late. The late planted acreage has not overcome the handicap of a late start; it will need at least a normal growing season to reach maturity, and an early frost remains a distinct threat.

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

| | RAINFALL | | | |
|-----------------------|-------------|--------|-------------|--------|
| | July 1944 | | 7 Mos. 1944 | |
| | Total | Normal | Total | Normal |
| | (In inches) | | | |
| COLORADO | | | | |
| Denver..... | 1.92 | 1.68 | 11.43 | 9.33 |
| Leadville..... | 1.95 | 3.06 | 9.07 | 11.77 |
| Pueblo..... | 2.91 | 2.05 | 9.39 | 7.93 |
| Lamar..... | 2.88 | 2.50 | 18.91 | 9.96 |
| Alamosa..... | 1.91 | 1.17 | 4.00 | 4.04 |
| Steamboat Springs.... | 1.01 | 1.52 | 15.74 | 14.39 |
| KANSAS | | | | |
| Topeka..... | 3.43 | 3.41 | 24.71 | 18.92 |
| Iola..... | 4.73 | 3.06 | 31.06 | 22.26 |
| Concordia..... | 5.15 | 3.10 | 25.05 | 15.74 |
| Salina..... | 6.07 | 2.70 | 22.91 | 16.48 |
| Wichita..... | 5.49 | 2.89 | 28.58 | 18.67 |
| Hays..... | 6.78 | 2.87 | 20.19 | 14.67 |
| Goodland..... | 7.44 | 2.67 | 19.93 | 11.60 |
| Dodge City..... | 5.40 | 2.67 | 24.15 | 13.13 |
| Elkhart..... | 5.34 | 2.40 | 21.58 | 10.62 |
| MISSOURI | | | | |
| St. Joseph..... | 2.38 | 3.78 | 28.14 | 22.11 |
| Kansas City..... | 3.54 | 3.82 | 29.58 | 21.06 |
| Joplin..... | 1.02 | 4.62 | 25.85 | 27.72 |
| NEBRASKA | | | | |
| Omaha..... | 2.37 | 3.54 | 22.25 | 17.38 |
| Lincoln..... | 2.17 | 3.85 | 24.42 | 17.68 |
| Norfolk..... | 2.60 | 3.50 | 27.21 | 17.23 |
| Grand Island..... | 3.72 | 3.13 | 25.00 | 16.39 |
| McCook..... | 7.45 | 2.83 | 26.57 | 13.12 |
| North Platte..... | 3.67 | 2.74 | 15.96 | 12.60 |
| Bridgeport..... | 5.74 | 2.09 | 17.37 | 10.87 |
| Valentine..... | 6.04 | 3.01 | 19.77 | 12.63 |
| NEW MEXICO | | | | |
| Clayton..... | 2.24 | 1.98 | 10.02 | 9.12 |
| Santa Fe..... | 3.52 | 2.44 | 6.78 | 7.85 |
| Farmington..... | 0.93 | 1.05 | 4.68 | 4.51 |
| OKLAHOMA | | | | |
| Tulsa..... | 1.89 | 3.31 | 24.82 | 24.14 |
| McAlester..... | 2.40 | 3.06 | 23.33 | 26.55 |
| Oklahoma City..... | 1.76 | 2.86 | 23.64 | 18.98 |
| Pauls Valley..... | 2.99 | 2.83 | 23.60 | 21.41 |
| Hobart..... | 4.90 | 2.54 | 22.55 | 17.19 |
| Enid..... | 1.83 | 2.74 | 16.79 | 18.42 |
| Woodward..... | 4.47 | 2.93 | 20.60 | 15.63 |
| WYOMING | | | | |
| Cheyenne..... | 4.00 | 2.10 | 13.85 | 10.23 |
| Casper..... | 1.14 | 1.28 | 9.06 | 9.60 |
| Lander..... | 1.06 | 0.99 | 14.77 | 8.88 |
| Sheridan..... | 1.55 | 1.22 | 21.03 | 10.56 |

| | Aug. 1 | July 1 | Final | Aver. |
|---------------------------|-----------|-----------|-----------|-----------|
| | 1944 | 1944 | 1943 | '33-'42 |
| (In thousands of bushels) | | | | |
| Colorado..... | 16,796 | 14,144 | 14,430 | 11,721 |
| Kansas..... | 105,570 | 86,216 | 84,318 | 44,701 |
| Missouri..... | 149,938 | 149,938 | 139,810 | 102,573 |
| Nebraska..... | 253,721 | 218,725 | 216,632 | 116,838 |
| New Mexico..... | 2,970 | 2,880 | 2,930 | 2,614 |
| Oklahoma..... | 33,522 | 31,710 | 23,350 | 26,488 |
| Wyoming..... | 1,104 | 1,104 | 1,243 | 1,830 |
| Seven states..... | 563,621 | 504,717 | 482,713 | 306,765 |
| United States..... | 2,929,117 | 2,980,136 | 3,076,159 | 2,369,384 |

Wheat Supplies According to the War Food Administration, United States wheat supplies for the 1944-45 crop year will total 1,525 to 1,550 million bushels, based upon a carry-over of 316 million bushels last June 30, a 1944 crop of 1,132 million bushels as indicated by August 1 prospects, and expected imports of 75 to 100 million bushels. This is the third largest supply in history, being exceeded only by a supply of 1,588 million bushels of wheat last season and 1,601 million bushels two seasons ago.

The 1944 wheat crop in this country is by far the largest on record, and for the first time in three years the crop is expected to meet prospective requirements without reducing the size of the carry-over. In the past year, heavy inroads were made into our wheat surplus by livestock feed and industrial alcohol requirements. Because of the shortage of other feeds, the unprecedented amount of over 500 million bushels of wheat was fed to livestock as compared with normal peacetime feeding of about 125 million bushels a year. In addition, more than 100 million bushels was used

in the manufacture of industrial alcohol, chiefly for war purposes. The nonfood use of wheat exceeded by a considerable margin the use of wheat for food, including flour exports. This heavy nonfood use of wheat caused a reduction in carry-over stocks from the very high level of 622 million bushels on June 30, 1943, to 316 million bushels on June 30, 1944, in spite of record imports of wheat from Canada which were used as livestock feed. The 1944 wheat carry-over of 316 million bushels, although only half that of 1943, nevertheless is large in comparison with a prewar (1935-39) average carry-over of only 155 million.

Wheat consumption during the 1944-45 crop year will continue very large, although it is expected to be somewhat below the record amount consumed the preceding year as a result of an anticipated sharp reduction in the amount of wheat fed to livestock. Essential requirements for the current season, as tentatively estimated by the War Food Administration late in July, total 1,115 million bushels as compared with a disappearance of 1,272 million bushels last season and a peacetime domestic consumption of only 677 million bushels, based on the average disappearance between 1932 and 1941. Of the 1,115 million bushels total, the War Food Administration has allocated 931 million for civilian food, feed, seed, and industrial uses, 118 million for use of the armed forces and lend-lease, and 65 million bushels for relief of liberated areas. Since the total allocation is somewhat less than this year's crop, expected imports of 75 to 100 million bushels would permit the carry-over to rise from 316 million bushels on June 30, 1944, to perhaps as much as 435 million bushels in 1945.

As in the United States, the 1944 wheat carry-over in the other major exporting countries—Canada, Argentina, and Australia—was markedly below a year earlier while substantially above prewar levels. For these four countries, wheat stocks on June 30 this year were estimated at 1,170 million bushels, down from the record level of 1,748 million bushels in 1943, but two and a half times average stocks of only 457 million bushels from 1935 to 1939. Moreover, the exportable surplus in these countries as of August 1 was placed at close to 1,500 million bushels without provision for possible surpluses from the coming Southern Hemisphere harvests. This amount is more than double the volume of world imports for the twelve months just prior to the war, when Europe was building up reserves, and appears to be much above probable needs in the first postwar year.

Wheat growers in this country currently are benefiting from large crops, subsidized consumption, and supported prices, which are well above world markets. With the approach of the new crop movement,

cash wheat prices declined sharply from ceiling levels last June, but the decline was halted early in July by Commodity Credit Corporation purchases of wheat on the open market and by an upward revision in the 1944 loan rate to 90 per cent of parity. Continued heavy buying by the Commodity Credit Corporation since that time and a marked increase in the amount of wheat being stored under loan have supported wheat prices at the loan rate. The Government is committed to support wheat prices at a minimum of 90 per cent of parity for at least two full crop years after the war.

Near the middle of August, the War Food Administration set the 1945 wheat acreage goal at approximately 68.5 million acres, 1.9 million more than was planted for harvest this year. Because of the improved wheat supply situation this year, the War Food Administration has recommended that farmers not exceed the 1945 goals. In the five principal wheat producing states of this District, the 1945 goals represent an increase of 2.1 million acres over the acreage seeded for the 1944 harvest. By states, the 1945 goal and actual 1944 plantings are as follows: Kansas, 13,500,000 and 13,317,000 acres; Oklahoma, 5,800,000 and 5,130,000; Nebraska, 4,300,000 and 3,881,000; Missouri, 2,500,000 and 1,714,000; and Colorado, 1,725,000 and 1,665,000 acres.

Livestock The number of cattle on feed for market in Kansas at the first of August was 43 per cent smaller than a year ago, in Missouri 45, in Nebraska 46, and in the Corn Belt as a whole 41 per cent less. Last April, Kansas had 28 per cent fewer cattle on feed than a year earlier, Missouri 22, Nebraska 32, and the Corn Belt 23 per cent fewer. The further sharp contraction of cattle feeding operations as compared with last year was due primarily to a shortage of corn and of protein supplemental feeds. Because of the scarcity of feed supplies, there has been a marked shortening of the feeding period as compared with last season, which has resulted in larger marketings of fed cattle so far this year than last, despite reduced cattle feeding operations. The effect of increased marketings, with fewer cattle on feed, made the decrease in feeding operations from last year cumulative and caused the decrease in the number of head on feed in August to be much larger than that in April. In addition, excellent range and pasture feed has made cattlemen reluctant to place cattle on grain feed so long as good gains can be realized from grass pasturage this summer.

From January through May, shipments of feeder cattle into Corn Belt states each month in 1944 were below the corresponding month of 1943. In June and July, however, shipments rose substantially above

last year. This development, no doubt, was chiefly the result of the marked improvement in the feed situation in recent months. Availability of excellent grass pasturage and of new crop wheat, oats, barley, and grain sorghums has reduced the demand for manufactured feeds. Except for corn and millfeeds, supplies of most feedstuffs are ample for current requirements. Based on August 1 prospects, the production of corn, oats, barley, and grain sorghums this year will total about 112 million tons, little below last year's output of 115 million tons, while hog and poultry numbers on farms have been cut drastically. Near the middle of August, the Office of Price Administration assured feeders that no increase in corn prices, or reduction in maximum prices for cattle as established by the cattle price stabilization program, was contemplated this fall or winter.

In the latter part of August, the top price of best beef steers reached \$17.50 a hundredweight at Kansas City. This was the highest price for beef steers since 1928 and reflected the scarcity of choice grain-fed cattle. Prices for the plentiful supply of lower grades of slaughter cattle, however, have declined, and the price spread between common and choice beef steers has widened to about \$8 a hundredweight. A seasonal shrinkage in hog receipts in July permitted hog prices to rise to their ceiling, and prices continued at the ceiling during August. Slaughter lamb prices recently have fluctuated widely in response to marked variations in the volume of marketings, but the seasonal decline in fat lamb prices has apparently ended.

Top carlot livestock prices at Kansas City:

| | Aug. 29 1944 | July 1944 | June 1944 | July 1943 | July 1942 | July 1941 |
|---------------------|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| | (In dollars per hundredweight) | | | | | |
| Beef steers..... | 17.50 | 17.00 | 16.85 | 16.35 | 14.75 | 12.75 |
| Stocker cattle..... | 13.75 | 13.75 | 13.75 | 15.25 | 13.75 | 11.65 |
| Feeder cattle..... | 14.50 | 14.85 | 14.50 | 14.50 | 13.25 | 11.50 |
| Calves..... | 14.00 | 14.00 | 14.00 | 14.00 | 14.50 | 12.00 |
| Hogs..... | 14.50 | 14.50 | 13.55 | 14.15 | 14.60 | 11.60 |
| Lambs..... | 15.00 | 14.75 | 15.75 | 15.25 | 15.00 | 11.60 |
| Slaughter ewes..... | 5.00 | 6.50 | 8.75 | 7.75 | 5.75 | 5.00 |

Cash Farm Income Cash receipts from farm marketings continue to run substantially above the high level of 1943. Moreover, for the first half of the year, gains in most of the states of the Tenth Federal Reserve District exceeded the increase in the national average. The increases are due in part to higher prices, but chiefly to bumper crops and heavy livestock marketings. Whereas the improvement in the spring months was due primarily to increased receipts from livestock, the gains for June are primarily due to the wheat harvest and are concentrated in Oklahoma and Kansas.

Cash receipts from farm marketings for the seven states which lie wholly or partially in the Tenth Fed-

eral Reserve District, and the United States, are reported by the Department of Agriculture as follows:

| | June 1944 | 6 Mos. 1944 | Change from '43 (Per cent) | |
|--------------------|--------------------|----------------|-------------------------------|--------|
| | (Thousand dollars) | | June | 6 Mos. |
| Colorado..... | 14,432 | 127,875 | -9 | +20 |
| Kansas..... | 66,437 | 310,035 | +27 | +10 |
| Missouri..... | 52,176 | 309,454 | -1 | +12 |
| Nebraska..... | 51,326 | 354,038 | +2 | +23 |
| New Mexico..... | 4,633 | 28,971 | +11 | -16 |
| Oklahoma..... | 47,903 | 169,498 | +84 | +19 |
| Wyoming..... | 4,034 | 27,962 | -3 | +14 |
| Seven states..... | 240,941 | 1,327,833 | +17 | +15 |
| United States..... | 1,503,553 | 8,669,378 | +9 | +11 |

TRADE

Department Store Sales Daily average sales at reporting department stores in this District declined much less than is usual from June to

July, and the seasonally adjusted index rose from 192 per cent of the 1935-39 average in June to 221 per cent in July, the highest level yet recorded. Dollar volume of sales in July was 11 per cent larger than a year ago; on a daily average basis, however, July sales were 21 per cent higher than last year, there being two less trading days this year than last. In the first three weeks of August, dollar volume of sales continued about 11 per cent above a year ago. In July, for the third successive month, department store stocks increased contrary to the usual seasonal movement. However, these contraseasonal increases in stocks were not nearly so pronounced as those which occurred at this time last year. As a result, month-end inventories were down 2 per cent, and the volume of outstanding orders was down 7 per cent, from the corresponding date in 1943.

Department store sales and stocks in leading cities:

| No. of Stores | SALES | | STOCKS | |
|--------------------|---------------------------------|-----------------------------------|---------------------------------------|-------|
| | July '44 comp.to July '43 | 7 Mos.'44 comp.to 7 Mos.'43 | July 31,'44 comp.to July 31,'43 | |
| | (Per cent increase or decrease) | | | |
| Denver..... | 7 | + 5 | + 3 | -7 |
| Hutchinson..... | 3 | +23 | +14 | * * * |
| Topeka..... | 3 | +14 | +14 | * |
| Wichita..... | 4 | +13 | +15 | * |
| Joplin..... | 3 | + 4 | + 7 | * |
| Kansas City..... | 8 | + 8 | + 6 | +5 |
| St. Joseph..... | 3 | +21 | +16 | |
| Omaha..... | 4 | +25 | +10 | * |
| Oklahoma City..... | 6 | +14 | +16 | -7 |
| Tulsa..... | 4 | + 3 | + 7 | * |
| Other cities..... | 31 | +18 | + 4 | +3 |
| District..... | 76 | +11 | + 8 | -2 |

*Not shown separately but included in District total.

Wholesale Sales According to preliminary figures of the Department of Commerce, sales of 129 wholesalers in this District in July were 3 per cent under those of a year ago, while for the first seven months of the year wholesale sales were 6 per cent above the level of the preceding year. The July sales of distributors of auto supplies, confectionery, and electrical goods showed an increase over

last year, but for most other lines there was an appreciable decrease. Wholesale inventories at the end of July were 20 per cent above a year earlier.

PRODUCTION

Meat Packing Cattle slaughter in July, as indicated by packers' purchases at leading District markets, was 26 per cent larger than a year ago, reflecting in part a rather heavy movement of grass-fat cattle to market. The slaughter of calves in July was more than three times that in the same month last year and sheep slaughter was 16 per cent larger, but hog slaughter was down 19 per cent. This was the first month since late in 1941 that hog slaughter showed any appreciable decrease from the corresponding month of the preceding year. In the first half of 1944, when the bulk of the huge 1943 fall pig crop was being marketed and when substantial liquidation in breeding stock was taking place, packers' purchases of hogs were fully two-thirds larger than a year earlier. Following a reduction of 37 per cent in the 1944 spring pig crop in this District, however, it seems likely that hog slaughter for the last half of 1944 will be considerably less than that a year earlier.

United States cold storage stocks of meat on August 1 (including Government holdings) were 20 per cent larger than a year ago. Pork stocks, which accounted for over two-thirds of the total, were up 18 per cent, while holdings of beef were nearly double what they were last year and holdings of lamb were up 33 per cent. Lard stocks showed an increase of 43 per cent as compared with a year earlier. The August 1 stocks of meat were the largest for this time of year since 1933, and lard stocks were the largest on record for the season. Cold storage holdings of meat and lard declined sharply during July. The decrease in stocks of pork and lard was substantially greater than is usual for that month, owing in part to a marked reduction in hog slaughter, while the decrease in stocks of beef and lamb was contraseasonal.

Flour Milling Southwestern flour milling operations averaged about 82 per cent of full-time capacity during July, their highest level since early in the year, and in the first half of August operations were maintained at a rate of about 84 per cent of capacity. The July output of flour was little changed from a year ago. Production at Kansas City, Salina, and Wichita was moderately higher than last year, but at other centers and interior mills it was lower.

July normally is the period of heavy forward buying of flour, when the new wheat crop comes onto the market. This year, however, the usual pattern of sales was materially altered. Instead of a concentration of forward purchases in July, heavy month-end

buying took place in May, June, and July, and exceptional dullness prevailed at other times during those months. Southwestern flour sales in the last week of May reached 246 per cent of capacity, in the last week of June 210 per cent, and at the end of July about 123 per cent of capacity; in the middle of June sales were only 14 per cent of capacity, in the middle of July 32 per cent, and in the second week of August only 7 per cent of capacity, a near-low record.

Petroleum Under the pressure of military needs the Petroleum Administration for War set the quota of petroleum liquids for July at 4,907,700 barrels per day. Although the attained rate for the month of 4,604,032 barrels per day fell short of the authorized rate, crude oil production in the United States in July showed a 4 per cent increase over the record level of June. Moreover, during the week of July 22, crude oil production reached a new peak of 4,622,400 barrels daily, an increase of 12 per cent over last year's output for the corresponding period. During the week of August 12 another new record of 4,656,100 barrels daily was reached. The Petroleum Administration for War raised the oil quota for August to 4,945,400 barrels daily and has authorized for September the production of oil at the rate of 5,051,000 barrels daily.

Crude oil production reported by the American Petroleum Institute and the Bureau of Mines:

| | July 1944 | 7 Mos. 1944 | Change from '43 | |
|--------------------|--------------------|----------------|-----------------|--------|
| | (Thousand barrels) | | July | 7 Mos. |
| | | | (Per cent) | |
| Colorado..... | 263 | 1,632 | +28 | +27 |
| Kansas..... | 8,523 | 58,066 | -5 | -9 |
| Nebraska..... | 28 | 231 | -46 | -46 |
| New Mexico..... | 3,356 | 23,717 | -1 | +11 |
| Oklahoma..... | 10,536 | 71,041 | +2 | -2 |
| Wyoming..... | 2,735 | 18,444 | -5 | -2 |
| Six states..... | 25,441 | 173,131 | -2 | -3 |
| United States..... | 142,725 | 955,637 | +12 | +14 |

Despite the soaring production of the past five weeks, the constant war demands for petroleum products have reduced crude oil stocks to the lowest level in twenty-two years. As of August 5, crude oil stocks were down 6 per cent from the same date in 1943. Residual fuel oil stocks also showed a decrease of 16 per cent from last year, while gasoline stocks increased 12 per cent as compared with the corresponding figure for 1943. During the week of August 5, refinery runs were up 19 per cent from last year.

A controversy between independent operators and the Interior Department over the recent ruling on public lands oil leases, requiring advance payment of at least one-half of the first year's rental, was discussed at a meeting of the House public lands subcommittee at Artesia, New Mexico, on August 14. Critics of the Department's policy contend that the

requirement is unduly burdensome for operators with small capital, and will discourage development. New Mexico is making its first attempt to operate under an oil unitization plan. The Oil Conservation Commission has issued an order, which provides for joining all leases in the 20,471 acre Pichacho area, in Lincoln County, for development as a single unit.

Zinc Smelters treating Joplin (Tri-State) zinc concentrates are now able to receive a subsidy from the Metals Reserve Company, a subsidiary of the Reconstruction Finance Corporation. Subsidy payments to such zinc smelters may be arranged by contract between the smelting company and the Metals Reserve Company, and several contracts already have been executed.

Actual smelting costs have risen substantially since our entry into the war, but the base price of Joplin zinc concentrates at \$55.28 per ton, and the base price of zinc metal at 8¼ cents per pound for Prime Western grade, have remained unchanged. Consequently the margin for the smelting operation has been materially reduced. Under these circumstances the volume of Joplin concentrates processed has been declining in recent months to such an extent that the Government has found it necessary to stockpile Joplin concentrates, and these stockpiles have increased steadily, even though mine output of zinc ore has been decreasing. It is expected that the smelter subsidies will encourage the smelting of these concentrates so that the current mine output will be taken off the market and the Government's stockpiles reduced.

The shortage of cadmium relative to requirements, making it one of the most critical war metals, was an important factor behind the decision to subsidize the smelting of Joplin zinc concentrates. The Government wishes to encourage the maximum treatment of these concentrates in order that their cadmium content may be recovered.

The new subsidy payments to zinc smelters have not modified the Government's program of paying premium prices for over-quota mine production of zinc and lead ores.

Employment The total civilian labor force of the nation increased from April to May, 1944, by approximately 800,000, reaching 52.8 millions. The bulk of the increase was in agricultural employment which rose by 1,100,000. The increase, which consisted chiefly of women, was entirely of a seasonal character.

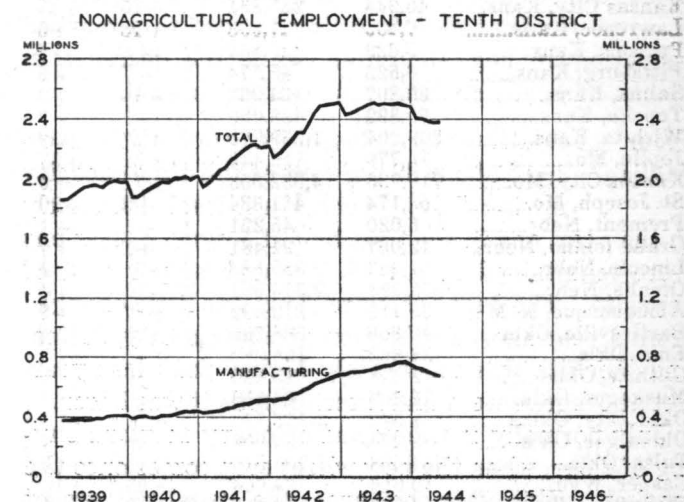
As is shown by the accompanying chart, nonagricultural employment in the Tenth District made a slight gain from April to May, 1944, the latest month for which state figures are available, while manufac-

turing employment continued downward. All District states except Wyoming showed a drop in non-agricultural employment from May, 1943, with a loss for the District of 4 per cent. The May level was about that of July, 1942. In factory employment, declines of 26 per cent in Colorado and 8 per cent in Missouri were partially offset by increases in other states, bringing the level of employment to about that of the end of 1942.

Department of Labor estimates of total nonagricultural employment:

| | Aver. | | Change from '43 | |
|--------------------|-------------|----------------|-------------------|--------|
| | May 1944 | 5 Mos. 1944 | May (Per cent) | 5 Mos. |
| | (Number) | | | |
| Colorado..... | 262,000 | 262,000 | -7 | -7 |
| Kansas..... | 409,000 | 409,400 | -4 | -4 |
| Missouri..... | 947,000 | 949,400 | -4 | -2 |
| Nebraska..... | 255,000 | 256,600 | -7 | -4 |
| New Mexico..... | 78,200 | 77,100 | 0 | -3 |
| Oklahoma..... | 372,000 | 375,000 | -3 | 0 |
| Wyoming..... | 61,800 | 60,500 | +2 | +3 |
| Seven states..... | 2,385,000 | 2,390,000 | -4 | -3 |
| United States..... | 38,684,000 | 38,781,000 | -3 | -2 |

During July, the War Manpower Commission reclassified Oklahoma City as a Group III (slight surplus) labor market area. This area had previously been classified in Group II (labor stringency). In addition, four small areas—Enid, Hutchinson, Joplin, and Muskogee—which had been in Group IV (substantial surplus) and in which there is a minimum of war production activity were dropped from the list. On the other hand, the emphasis which is being placed upon the production of heavy ammunition is causing additional demands for labor in some areas. An ordnance plant near Lawrence is asking for 5,000 more workers; four other ordnance plants—two in Nebraska, one in Oklahoma, and one in Kansas—also will need additional workers.



Bureau of Labor Statistics' estimates of full- and part-time wage and salary workers in nonagricultural establishments, excluding domestic servants and personnel of the armed forces, for the seven states that lie wholly or partially within the Tenth District. Mid-month figures; latest shown are for May, 1944.

FINANCE

Member Bank Credit Government security holdings of weekly reporting banks in the Tenth District established a new record during the past month. These holdings increased 2 per cent between the middle of July and the middle of August, and were 28 per cent above their level of a year ago. One-half of the increase during the past year has been in Treasury bonds and the remainder has been in notes and certificates of indebtedness. Holdings of Treasury bills and guaranteed issues have decreased over the year period.

In the month following the war loan drive, funds flowed from war loan accounts to customers' deposit accounts, reversing the developments during the drive. Adjusted demand deposits of weekly reporting banks in the District increased 44 million dollars while United States Government deposits decreased 43 million dollars. Time deposits continued to increase, reaching a level 3 per cent above the previous month and 25 per cent above the level a year earlier. The weekly rate of increase declined during the war loan drive, but has since returned to the rate of increase that has been typical for several months. The growth in time deposits during the past year has shown considerable variation among the reporting

cities, ranging from 5 per cent in Pueblo to 60 per cent in Wichita. Other increases are: Oklahoma City, 13 per cent; St. Joseph, 16 per cent; Kansas City, Topeka, and Tulsa, 21 per cent; Denver, 25 per cent; and Omaha, 36 per cent.

Principal items of condition of 50 member banks:

| | Aug. 16 1944 | July 19 1944 | Change from Aug. 18 1943 |
|--------------------------------------|-----------------|-----------------|--------------------------------|
| (In thousands of dollars) | | | |
| Loans and investments—total..... | 1,910,566 | +18,407 | +313,196 |
| Loans—total..... | 338,338 | -5,943 | -2,041 |
| Coml., indust., agric..... | 213,531 | -344 | -15,240 |
| To security brokers and dealers..... | 4,297 | -1,211 | +938 |
| Other to purchase or carry secur.. | 26,914 | -4,059 | +18,918 |
| Real estate loans..... | 37,489 | -505 | -4,537 |
| Loans to banks..... | 0 | 0 | 0 |
| All other loans..... | 56,107 | +176 | -2,120 |
| Investments—total..... | 1,572,228 | +24,350 | +315,237 |
| U. S. Treasury bills..... | 131,274 | -1,153 | -33,266 |
| U. S. Treas. certif. of indebt..... | 386,662 | +21,931 | +135,562 |
| U. S. Treasury notes..... | 302,792 | +5,958 | +67,818 |
| U. S. Govt. bonds..... | 588,619 | +16 | +157,714 |
| Oblig. guar. by U. S. Govt..... | 37,483 | 0 | -14,153 |
| Other securities..... | 125,398 | -2,402 | +1,562 |
| Reserve with F. R. Bank..... | 386,560 | +10,351 | +15,117 |
| Balances "due from" banks—net..... | 284,713 | -4,346 | -9,614 |
| Demand deposits—adjusted..... | 1,154,681 | +44,344 | +52,719 |
| Time deposits..... | 203,738 | +5,336 | +40,361 |
| U. S. Govt. deposits..... | 313,165 | -42,783 | +184,541 |
| Deposits "due to" banks—net..... | 816,056 | +15,332 | +31,522 |

| | BANK DEBITS | | Change from '43 | |
|--------------------------|--------------------|----------------|-----------------|--------|
| | July 1944 | 7 Mos. 1944 | July | 7 Mos. |
| | (Thousand dollars) | | (Per cent) | |
| Colo. Springs, Colo.... | 25,191 | 159,261 | +9 | +5 |
| Denver, Colo..... | 261,852 | 1,939,797 | 0 | +10 |
| Gr. Junction, Colo..... | 6,449 | 45,071 | +22 | +27 |
| Greeley, Colo..... | 7,496 | 58,729 | +9 | +11 |
| Pueblo, Colo..... | 22,874 | 140,670 | +6 | +2 |
| Aitchison, Kans..... | 7,247 | 44,553 | +13 | +18 |
| Emporia, Kans..... | 7,191 | 46,350 | +30 | +16 |
| Hutchinson, Kans..... | 34,530 | 182,829 | +16 | +15 |
| Independence, Kans..... | 4,643 | 31,193 | -16 | -1 |
| Kansas City, Kans..... | 40,944 | 285,831 | +15 | +17 |
| Lawrence, Kans..... | 7,435 | 47,098 | +18 | +5 |
| Parsons, Kans..... | 5,629 | 40,504 | +2 | +7 |
| Pittsburg, Kans..... | 6,522 | 46,774 | -7 | -6 |
| Salina, Kans..... | 35,807 | 164,963 | +10 | +9 |
| Topeka, Kans..... | 60,892 | 408,050 | -9 | +8 |
| Wichita, Kans..... | 202,204 | 1,339,775 | +17 | +29 |
| Joplin, Mo..... | 16,779 | 115,440 | +22 | +23 |
| Kansas City, Mo..... | 716,735 | 4,532,553 | +11 | +9 |
| St. Joseph, Mo..... | 53,174 | 411,834 | +3 | +20 |
| Fremont, Nebr..... | 6,020 | 45,221 | -1 | +1 |
| Grand Island, Nebr..... | 12,067 | 91,481 | +1 | +7 |
| Lincoln, Nebr..... | 61,987 | 350,588 | +31 | +12 |
| Omaha, Nebr..... | 303,994 | 2,314,961 | -12 | +4 |
| Albuquerque, N. M.... | 33,710 | 212,499 | +17 | +6 |
| Bartlesville, Okla.... | 40,868 | 286,698 | +24 | +24 |
| Enid, Okla..... | 38,882 | 156,083 | +68 | +31 |
| Guthrie, Okla..... | 2,376 | 17,430 | +26 | +25 |
| Muskogee, Okla..... | 15,202 | 108,858 | +4 | +4 |
| Okla. City, Okla..... | 189,522 | 1,110,330 | +20 | +1 |
| Okmulgee, Okla..... | 3,295 | 24,802 | -26 | 0 |
| Tulsa, Okla..... | 264,488 | 1,703,612 | +19 | +20 |
| Casper, Wyo..... | 10,616 | 69,654 | +25 | +23 |
| Cheyenne, Wyo..... | 17,058 | 129,012 | +12 | +13 |
| District, 33 cities..... | 2,523,679 | 16,662,504 | +9 | +11 |
| U. S., 334 cities..... | 72,945,000 | 509,459,000 | +12 | +14 |

Member Bank Reserves As funds were shifted into reserve-free war loan accounts during the fore part of July, required reserves of member banks decreased and their excess reserves increased. This change in reserve position occurred at both the reserve city banks and the country banks, but it was more pronounced in the former group. The excess reserves of the reserve city banks reached their highest point for the current calendar year with the previous high point occurring during the Fourth War Loan Drive in February. During the latter half of July the daily average of required reserves of the member banks increased to approximately the same level as for the last half of June. This increase in required reserves, accompanied by a small decline in daily average reserves held, resulted in a decrease in excess reserves.

Daily average member bank reserves:

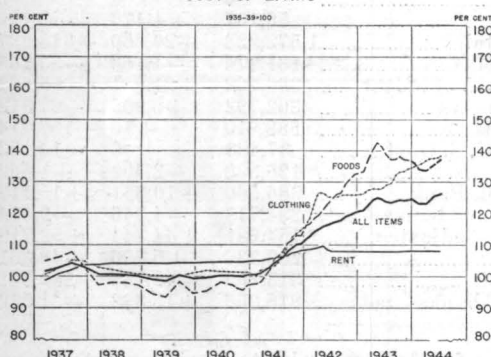
| | Held | Required | Excess | Ratio Excess to Required |
|---------------------------|--------------------------|----------|--------|-----------------------------|
| | (In millions of dollars) | | | (Per cent) |
| Reserve city banks | | | | |
| July 16-31, 1944.. | 394 | 357 | 37 | 10 |
| July 1-15, 1944.... | 400 | 349 | 50 | 14 |
| June 16-30, 1944.. | 400 | 358 | 42 | 12 |
| July 16-31, 1943.. | 381 | 336 | 45 | 13 |
| Country banks | | | | |
| July 16-31, 1944.. | 200 | 141 | 60 | 42 |
| July 1-15, 1944.... | 202 | 137 | 66 | 48 |
| June 16-30, 1944.. | 203 | 141 | 62 | 44 |
| July 16-31, 1943.. | 166 | 110 | 56 | 51 |
| All member banks | | | | |
| July 16-31, 1944.. | 594 | 498 | 97 | 19 |
| July 1-15, 1944.... | 602 | 486 | 116 | 24 |
| June 16-30, 1944.. | 603 | 500 | 104 | 21 |
| July 16-31, 1943.. | 546 | 446 | 101 | 23 |

INDUSTRIAL PRODUCTION



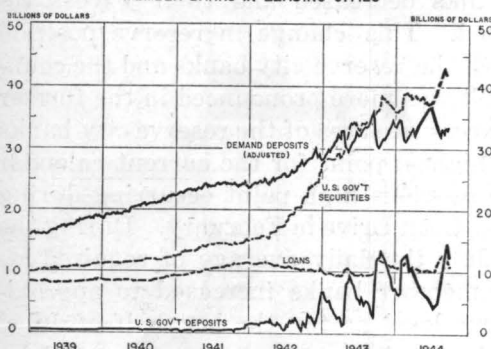
Federal Reserve index. Monthly figures; latest shown is for July, 1944.

COST OF LIVING



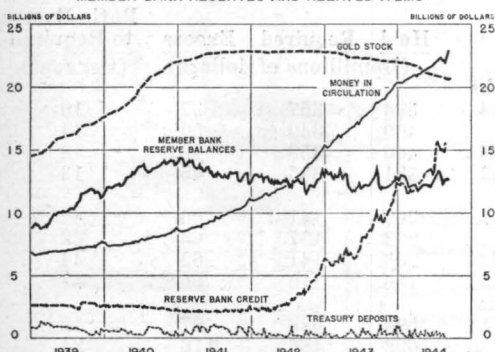
Bureau of Labor Statistics' indexes. Last month in each calendar quarter through September, 1940; monthly thereafter. Mid-month figures; latest shown are for July, 1944.

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 August 16, 1944.

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures; latest shown are for August 16, 1944.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Industrial production and employment declined slightly further in July. Wholesale commodity prices generally continued to show little change, while the cost of living increased somewhat.

INDUSTRIAL PRODUCTION

Output at factories and mines continued to decline slightly in July and the Board's seasonally adjusted index was 233 per cent of the 1935-39 average as compared with 235 in June. The decrease in industrial production largely reflected small declines in a number of industries due to continued minor readjustments in the munitions program and to manpower shortages.

Output of steel and of nonferrous metals declined further in July to levels respectively 8 per cent and 20 per cent below the high levels of last autumn. A small decrease in activity in transportation equipment industries reflected partly the indirect effects of manpower shortages in foundries and continued readjustments in the shipbuilding and aircraft industries. In August a cut-back in aircraft production was announced which was expected to result in the immediate release of 20,000 aircraft workers and the gradual release of 100,000 more during the balance of this year.

Production of manufactured dairy products and meats, after allowance for seasonal change, was maintained in July while output of other food products declined slightly. Cotton consumption showed little change from the rate of the last two months. Activity in the rubber products industry continued to decline slightly in July and supplies of heavy truck and bus tires available for civilians during the third quarter were substantially below estimated needs. Output of chemicals likewise continued to decline slightly.

Crude petroleum output and metal mining were maintained in large volume during July. Coal production dropped 5 per cent from the level of the preceding month, but for the year through August 12 was approximately 8 per cent above the corresponding period of last year, reflecting uninterrupted operations, longer working hours, and a great expansion of strip mining.

So far this year the value of construction contracts awarded, as reported by the F. W. Dodge Corporation for 37 states, has fluctuated around 160 million dollars a month—the lowest level since early 1935.

DISTRIBUTION

Department store sales declined considerably less than is usual in July, and have continued in August at a higher level than a year ago.

Freight carloadings continued to rise in July and were maintained at a high level during the first two weeks in August. There were considerable increases in shipments of grain, forest products, and miscellaneous freight, offset partly by a small decrease in coal shipments.

AGRICULTURE

Dry weather during July in the east central area has reduced somewhat national prospects for corn, hay, and potatoes. Aggregate crop production, however, is likely to exceed last year by 5 per cent, reflecting chiefly a record wheat crop 35 per cent larger than last year.

Total production of all feed grains is estimated at 112 million tons compared with 115 million tons produced in 1943. While hay production, except in the drought areas, has been large, it will provide a smaller supply per animal unit than has been available in any of the last six years.

Crop prospects for most fruits and vegetables, except potatoes, are better than last year. Tobacco production is indicated as being above average and cotton yields may be good as dry weather has held the boll weevil in check.

BANK CREDIT

In the five weeks following the close of the Fifth War Loan Drive, loans by banks for purchasing and carrying U. S. Government securities declined sharply; calls on war loan deposits and subsequent Treasury expenditures increased adjusted demand deposits and consequently required reserves; the rapid outflow of currency into circulation was renewed; and excess reserves declined.

In the five weeks from July 12 through August 16 loans to brokers and dealers for purchasing and carrying Government securities declined 500 million dollars to about the pre-drive level. Loans to others for purchasing and carrying Government securities declined about the same amount, but are still considerably larger than before the drive. Commercial loans continued to show little change.

Treasury war loan balances at all depositories declined in the five-week period by 2.7 billion dollars. At weekly reporting banks, Government deposits fell by 2.2 billion during the same period and adjusted demand deposits increased by 1.4 billions. Time deposits continued the steady increase that has been in progress for more than a year.

Following a slackened rate of outflow during the war loan drive, currency renewed its rapid outflow and in the next few weeks increased at a rate of about 500 million dollars a month. The resulting drain on bank reserves and the increase in required reserves were met in part by purchases of Government securities by the Reserve Banks and in part by a decline in excess reserves.

Weekly average excess reserves of all member banks declined about 300 million dollars from their peak during the war loan drive and amounted close to 1.1 billion dollars in mid-August. The rate of decline was about the same at reserve city and at country banks.