

MONTHLY REVIEW

Agricultural and Business Conditions

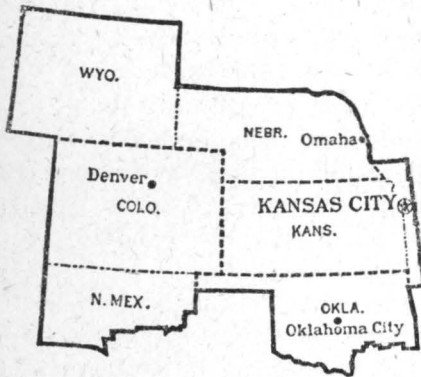
TENTH FEDERAL RESERVE DISTRICT

VOL. 30, No. 1

FEDERAL RESERVE BANK OF KANSAS CITY

JANUARY 31, 1945

Business in the Tenth Federal Reserve District



Winter wheat in the District continues in excellent condition generally. Wet weather has been unfavorable for corn and sorghums piled on the ground awaiting box cars to take it to market.

Abundant feed supplies, following 1944 harvests, have increased cattle and lamb feeding in the eastern part of the District. Hog production declined sharply in 1944; little, if any, increase is in prospect for 1945 despite the improved feed situation.

Meat-packing and flour milling operations were at a very high level in 1944, although activity in the final quarter of the year was down considerably. Output of crude petroleum and coal was little changed in 1944.

Department store sales and cash farm income established new records in 1944. Reduced receipts from livestock marketings, however, are beginning to affect farm income. Nonagricultural employment has declined 5 per cent in the last year.

BUSINESS INDICATORS	DECEMBER 1944 COMPARED WITH DECEMBER 1943								YEAR 1944 COMPARED WITH YEAR 1943							
	% DECREASE				% INCREASE				% DECREASE				% INCREASE			
	40	30	20	10	10	20	30	40	40	30	20	10	10	20	30	40
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																
Sheep																
Production																
Flour																
Cattle Slaughter																
Calf Slaughter																
Hog Slaughter																82
Sheep Slaughter																
Crude Petroleum																
Bituminous Coal																
Construction																
Total Awards																
Res. Awards																59
Value of Permits																
Lumber Sales																
Miscellaneous																
Rainfall																
Cash Farm Income*																
Employment*																

*Latest available

THE PRESIDENT'S BUDGET MESSAGE

In his annual budget message to the Congress, the President recommends a budget of 83 billion dollars for the fiscal year ending June 30, 1946. This figure compares with estimated expenditures of 99 billion dollars for the current fiscal year, and actual expenditures of 94 billion dollars in the fiscal year 1944.

War expenditures in the next fiscal year are estimated at 70 billion dollars, approximately five-sixths of the total. It is stated that this figure might reasonably be anywhere from 60 billion to 80 billion dollars, depending upon the progress of the war. At a later date, this estimate probably will be adjusted either upward or downward in accordance with the requirements of the armed services.

Detailed recommendations for war expenditures will be made in the spring. The budget message, however, gives a general outline of the war expenditures. Most of the war construction has been completed and a relatively small amount of funds will be required for that purpose. Moreover, the armed services have been outfitted with most of their initial equipment. The Merchant Marine needs more ships for the cargo and

the tanker fleet and these will be supplied during the next year. One of the main war expenditures for the fiscal year 1946 will be increased amounts for pay and subsistence of the members of the armed services as a larger number of our men are stationed overseas. The other large war expenditures will be incurred in replenishing supplies and equipment to the combat forces, and in obtaining the newest types of fighting equipment. The types of war expenditure necessarily will shift as the war progresses. Expenditures for the relief and rehabilitation of foreign countries are also a part of the war budget. At present, lend-lease and relief are about one-sixth of the total war outlays.

Nonwar expenditures for the fiscal year 1946 are estimated at 13 billion dollars. The largest nonwar item is 4.5 billion dollars for interest on the public debt. This estimate of the interest cost is nearly twice the amount paid in the fiscal year 1944, and 20 per cent over 1945. The increase will arise from the anticipated growth in the public debt, as no increase is expected in the present low interest rates on Government securities. The largest relative increase appears in the amount to be required for veterans' pensions and benefits. The estimate of 2.6 billion dollars is a fourfold increase over 1944. Refunds of taxes are expected to be 2.7 billion dollars. Social security, aid to agriculture, general public works, and general Government costs are also covered by the 13 billion dollars for nonwar expenditures. The estimated amounts for these functions are approximately the same as for the last two fiscal years, except for a decline in aid to agriculture from 0.7 billion in 1944 to 0.5 billion in 1945 and 0.4 billion in 1946.

Under existing legislation, net receipts are expected to decline from 46 billion dollars in the current fiscal year to 41 billion dollars in the coming fiscal year. The President explains that this will result in part from the 17 billion dollar decrease in Federal expenditures. As this decrease in expenditures will take place before complete reconversion is possible, a decrease in receipts from income and corporation taxes will result. Direct taxes from individuals are estimated at 18.9 billion dollars during the current fiscal year and 15.6 billion dollars in 1946, a decrease of 3.3 billion. Direct taxes on corporations are expected to decline from 17 billion to 16.3 billion dollars. The President states that there can be no reduction in tax rates as long as we are involved in a major war.

The excess of expenditures over receipts will result in a deficit of nearly 41 billion dollars, which must be met by borrowing. Federal trust funds will have approximately 5 billion dollars available for investment

GOVERNMENT EXPENDITURES AND RECEIPTS,
FISCAL YEARS 1944-46
(In billions of dollars)

	Estimated 1946	Estimated 1945	Actual 1944
Expenditures:			
War activities.....	69.4	88.0	87.0
Interest on public debt.....	4.5	3.7	2.6
Refunds of taxes.....	2.7	2.2	.3
Veterans' pensions and benefits..	2.6	1.3	.7
Aid to agriculture.....	.4	.5	.7
Social security.....	1.0	1.0	1.0
General public works program.....	.4	.4	.4
General Government.....	1.1	1.2	1.0
Expenditures from anticipated supplemental appropriations.....	.4	.6
Total expenditures.....	82.5	98.9	93.7
Receipts:			
Direct taxes on individuals.....	15.6	18.9	20.3
Direct taxes on corporations.....	16.3	17.0	15.3
Excise taxes.....	5.6	5.7	4.4
Employment taxes.....	2.1	1.8	1.7
Customs.....	.3	.3	.4
Miscellaneous receipts.....	2.9	3.3	3.3
Total receipts.....	42.8	47.0	45.4
Deduct net appropriations for Federal old age and survivors' insurance trust fund.....	1.6	1.3	1.3
Net receipts.....	41.2	45.7	44.1
Excess of expenditures.....	41.3	53.2	49.6
Adjustment for transactions with trust accounts and Gov- ernment corporations and change in Treasury balance.....	-.8	-2.4	14.7
Net increase in public debt.....	40.5	50.8	64.3
Public debt at end of year.....	292.3	251.8	201.0

in Government securities. The remaining 36 billion must be obtained by public borrowing. The net increase in the public debt will not be as large as in the last two fiscal years. Nevertheless, borrowing operations will bring the public debt to 292 billion dollars on June 30, 1946, 32 billion dollars beyond the present statutory debt limit.

The President also recommends several legislative changes. They are: (1) an increase in the borrowing authority of the Farm Security Administration, the Rural Electrification Authority, and the Commodity Credit Corporation; (2) an expansion in the coverage of the Social Security Act; (3) a reorganization of the Office of Education; (4) appropriations for planning postwar public works; (5) provision for time and a half pay for overtime work by Federal employees and

a review of Federal salary rates with a view to re-adjusting them; (6) reduction in the present reserve requirements of the Federal Reserve Banks; (7) permanent national employment service; (8) permanent machinery for the adjustment of labor disputes; (9) approval of the Bretton Woods international monetary proposals; (10) expansion of the lending power of the Export-Import Bank; (11) repeal of legislation restricting Government loans to foreign countries which have defaulted on their war debts; (12) extension of the Economic Stabilization Act which expires June 30, 1945; (13) extension of the Government's authority to renegotiate war contracts; (14) extension of the Lend-Lease Act and legislation for rehabilitation of liberated countries; and (15) development of a tax program for the postwar period.

BUSINESS AND AGRICULTURAL CONDITIONS

FINANCE

Member Bank Credit Earning assets of the 50 weekly reporting banks in the Tenth District decreased 1.7 million dollars in the four weeks ending January 10, 1945. The decrease resulted from a decline of 8.5 million dollars in the volume of loans, which was only partially offset by an expansion of 6.8 million dollars in investments. The largest decrease in loans was a decline of 3.2 million dollars in commercial, industrial, and agricultural loans. Loans to purchase and carry securities, which had expanded during the Sixth War Loan Drive, declined 2.4 million dollars. Real estate loans and loans to banks were virtually unchanged, but other loans, which include consumer loans, declined 2.9 million dollars.

United States Government securities showed a net increase of less than 1 million dollars for the period under review, while the other 5.9 million dollars of increase in investments was accounted for by other securities. There were sizable offsetting changes in the various classes of Government securities, with increases of 11 million and 23 million dollars in certificates of indebtedness and bonds, respectively, while Treasury notes decreased 10 million dollars and Treasury bills 21 million.

Government deposits expanded 11 million dollars in the four weeks ending January 10. At the same time, interbank deposits increased 6 million and time deposits 5 million dollars. Private demand deposits showed a substantial decrease, approximately 50 million dollars. This change arose chiefly from the payment of taxes due December 15, largely corporation and excess profits taxes. The net decrease of approximately 28 million dollars in deposits was reflected in decreases of 17 million in member bank re-

serves, 8 million in balances "due from" banks, and 2 million in earning assets.

Principal items of condition of 50 member banks:

	Change from		
	Jan. 10 1945	Dec. 13 1944	Jan. 12 1944
(In thousands of dollars)			
Loans and investments—total.....	1,987,547	-1,656	+307,050
Loans—total.....	358,284	-8,451	+8,377
Coml., indust., agric.....	224,802	-3,189	-13,178
To security brokers and dealers.....	4,542	-825	+774
Other to purchase or carry secur.....	32,819	-1,557	+18,945
Real estate loans.....	36,978	+18	-3,025
Loans to banks.....	400	-15	+360
All other loans.....	58,743	-2,883	+4,501
Investments—total.....	1,629,263	+6,795	+298,673
U. S. Treasury bills.....	89,679	-20,821	-26,992
U. S. Treas. certif. of indebt.....	349,134	+10,533	+33,650
U. S. Treasury notes.....	363,002	-9,809	+151,014
U. S. Govt. bonds.....	662,323	+23,180	+156,844
Oblig. guar. by U. S. Govt.....	34,470	-2,172	-17,937
Other securities.....	130,655	+5,884	+2,094
Reserve with F. R. Bank.....	405,029	-16,525	+35,010
Balances "due from" banks—net.....	297,061	-7,946	+16,471
Demand deposits—adjusted.....	1,206,912	-49,875	+81,736
Time deposits.....	227,822	+5,422	+51,806
U. S. Govt. deposits.....	306,187	+10,972	+139,258
Deposits "due to" banks—net.....	849,974	+5,961	+76,144

Member Bank Reserves The volume of reserves held by Reserve city banks decreased during the month of December. This is explained largely by the tax payments that were made during the month, as a result of which funds were shifted from member bank account to Treasury account with the Federal Reserve Bank. Reserves of country banks increased slightly during the first half of the month. The required reserves of both city and country banks decreased, particularly in the first half of the month, as funds were shifted from private deposits to war loan account in the member banks as customers paid for Government securities purchased in the war bond drive. Some of the decrease in required reserves arose from the decline in deposits as taxpayers made their

payments due December 15. The decrease in required reserves during the war loan drive was reflected in an expansion of the volume of excess reserves.

Daily average member bank reserves:

	Held	Required	Excess	Ratio Excess
	(In millions of dollars)			to Required (Per cent)
Reserve city banks				
Dec. 16-31, 1944.....	435	386	49	13
Dec. 1-15, 1944.....	440	388	52	14
Nov. 16-30, 1944.....	451	405	46	11
Dec. 16-31, 1943.....	385	353	32	9
Country banks				
Dec. 16-31, 1944.....	231	162	69	43
Dec. 1-15, 1944.....	231	163	68	42
Nov. 16-30, 1944.....	228	168	60	36
Dec. 16-31, 1943.....	190	132	58	44

Bank Debits Dollar volume of debits to deposit accounts at banks in the 33 reporting cities of the Tenth District was 9 per cent higher in December than in the same month in 1943. For the year 1944 also, debits were 9 per cent higher than for the year 1943. These changes compare with increases of 19 per cent for December and 12 per cent for the entire year in the United States as a whole. All but 5 reporting cities in the District showed increases for December. Changes varied over the District from a decrease of 18 per cent at Emporia, Kansas, to an increase of 77 per cent at Oklahoma City.

Sixth War Loan Subscriptions to the Sixth War Loan in the Tenth District aggregated \$658,175,579. A comparison of this figure with the District quota of \$456,670,000 shows that the quota was oversubscribed approximately 44 per cent. Sales of Series E bonds totaled \$165,743,698, or 18 per cent over the quota. Tenth District sales for previous war loan drives were, successively, \$313,662,277, \$589,240,850, \$601,096,303, \$580,610,408, \$709,370,012.

TRADE

Department Store Sales Dollar volume of sales at reporting department stores in this District in December was 17 per cent larger and for the entire year 1944 was 11 per cent larger than in the corresponding periods of 1943. Sales increased much less than usual from November to December, as was perhaps to be expected after the substantial increase in sales that occurred during November because of early Christmas buying. Sales both for December and for the year were at a new record level; the unadjusted index of daily average sales was 339 per cent of the 1935-39 average in December and 205 per cent for the year 1944. Sales have been maintained in large volume in January, despite shortages of apparel and textiles, particularly cottons; in the first three weeks of January, dollar sales showed an increase of about 13 per cent over a year earlier. Inventories at department stores declined considerably

BANK DEBITS

	Dec.	Year	Change from '43	
	1944	1944	Dec.	Year
	(Thousand dollars)		(Per cent)	
Colo. Springs, Colo.....	26,275	278,924	+3	+3
Denver, Colo.....	310,078	3,407,466	+1	+12
Gr. Junction, Colo.....	8,410	82,697	+7	+3
Greeley, Colo.....	12,250	112,832	+13	+8
Pueblo, Colo.....	25,891	256,288	+12	+5
Atchison, Kans.....	7,052	75,270	+2	+10
Emporia, Kans.....	6,100	81,135	-18	+10
Hutchinson, Kans.....	28,181	314,227	+2	+14
Independence, Kans.....	5,598	53,128	+25	0
Kansas City, Kans.....	42,430	480,666	+2	+11
Lawrence, Kans.....	8,337	85,414	+17	+12
Parsons, Kans.....	6,884	71,249	+15	+8
Pittsburg, Kans.....	7,279	79,742	+1	-5
Salina, Kans.....	21,184	273,033	-7	+5
Topeka, Kans.....	54,927	665,922	+7	+4
Wichita, Kans.....	187,539	2,355,108	+2	+26
Joplin, Mo.....	18,955	202,929	+6	+17
Kansas City, Mo.....	766,529	7,913,821	+4	+7
St. Joseph, Mo.....	64,746	697,722	-4	+9
Fremont, Nebr.....	7,246	80,092	+1	+2
Grand Island, Nebr.....	15,174	158,798	+22	+6
Lincoln, Nebr.....	55,132	586,726	+15	+7
Omaha, Nebr.....	365,798	3,957,427	+5	+2
Albuquerque, N. M.....	35,551	372,775	+6	+6
Bartlesville, Okla.....	49,843	511,640	+7	+20
Enid, Okla.....	22,688	270,151	+8	+28
Guthrie, Okla.....	3,720	31,766	+32	+23
Muskogee, Okla.....	23,003	196,310	+15	+4
Okla. City, Okla.....	245,343	2,079,562	+77	+19
Okmulgee, Okla.....	5,164	43,428	+8	-3
Tulsa, Okla.....	351,015	3,080,731	+16	+17
Casper, Wyo.....	11,655	125,447	-2	+17
Cheyenne, Wyo.....	21,259	221,057	-13	+8
District, 33 cities.....	2,821,236	29,203,483	+9	+9
U. S., 334 cities.....	91,271,000	891,899,000	+19	+12

more than seasonally during December, with the result that year-end stocks were down 12 per cent from 1943. The decline in stocks was accompanied by an increase in the volume of merchandise on order, which on December 31 was 29 per cent above 1943.

Department store sales and stocks in leading cities:

	No. of Stores	SALES		STOCKS	
		Dec. '44 comp. to Dec. '43	12 Mos. '44 comp. to 12 Mos. '43	Dec. 31, '44 comp. to Dec. 31, '43	Dec. 31, '43 comp. to Dec. 31, '43
		(Per cent increase or decrease)			
Denver.....	7	+13	+7	-24	*
Pueblo.....	3	+11	+11	*	*
Hutchinson.....	3	+29	+21	*	*
Topeka.....	3	+21	+18	*	*
Wichita.....	4	+17	+17	*	*
Joplin.....	3	+8	+9	*	*
Kansas City.....	8	+16	+11	+5	*
St. Joseph.....	3	+27	+18	*	*
Omaha.....	4	+17	+12	*	*
Oklahoma City.....	6	+17	+15	-13	*
Tulsa.....	4	+26	+11	*	*
Other cities.....	30	+17	+9	+9	*
District.....	78	+17	+11	-12	*

*Not shown separately but included in District total.

Wholesale Sales According to preliminary figures of the Bureau of the Census, December wholesale sales in the Tenth District were little changed from a year earlier, increased sales of electrical goods, groceries, jewelry, and paper being offset by smaller sales of drugs, hardware, and tobacco. Total sales for the year 1944 increased 6 per cent over

1943, with virtually all lines except tobacco sharing in this increase. Wholesale stocks at the end of 1944 were about the same as a year earlier, despite a marked decline in wholesale grocery, farm products, and jewelry stocks.

INDUSTRIAL PRODUCTION

Meat Packing Calf slaughter, as indicated by packers' purchases at leading District markets, in December was 18 per cent above a year earlier, and for the entire year 1944 it was nearly double that for the year 1943. Cattle and hog slaughter in December were below the high level of the preceding year, but for 1944 as a whole cattle slaughter increased 9 per cent and hog slaughter increased 13 per cent. Throughout most of 1944, the slaughter of cattle was higher than in 1943, but hog slaughter in the last half of the year was down substantially, as the sharply smaller 1944 spring pig crop moved to market. With fewer sheep and lambs on ranges and farms, sheep and lamb slaughter showed a decrease of 9 per cent for December and of 5 per cent for the year.

Flour Milling Southwestern flour milling operations in 1944 were maintained at a very high rate, and output of flour was little changed from that in 1943. In the final quarter of the year, however, operations were appreciably below those in the corresponding period of 1943, and December output showed a decline of 15 per cent from the preceding year. The lower level of operations in recent months has been due in large part to a shortage of box cars and of labor for filling bags and loading cars.

Government buying of flour for civilian feeding in liberated countries was in large volume early in January, but otherwise flour sales currently are rather light. With wheat prices and flour prices virtually at the ceiling, neither mills nor domestic buyers are eager to contract large amounts of flour for distant delivery. For the most part, consequently, domestic business is on a hand-to-mouth basis, while the backlog of unfilled orders on mills' books has gradually declined and stocks of flour in the hands of users have been permitted to drop to a relatively low level.

Petroleum The Petroleum Administration for War set the December production rate of all petroleum liquids at 5,026,400 barrels daily. The attained rate of crude oil production for the month was 4,708,000 barrels daily, a decrease of 19,600 barrels from the output in November.

The output of crude oil in the Tenth District for 1944 was about 2 per cent below the level of 1943, although production for the United States as a whole was some 12 per cent higher than for 1943. The decline in the District was due chiefly to falling output

in Kansas. Oklahoma, which was expected at the beginning of the year to show a considerable decrease, has maintained practically the level of 1943.

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

	Dec. 1944	Year 1944	Change from '43	
	(Thousand barrels)		(Per cent)	
Colorado.....	287	2,993	+35	+29
Kansas.....	8,355	98,954	+1	-7
Nebraska.....	32	417	+3	-34
New Mexico.....	3,214	39,563	-7	+3
Oklahoma.....	11,147	124,450	+9	+1
Wyoming.....	2,978	32,715	+12	-1
Six states.....	26,013	299,092	+4	-2
United States.....	145,950	1,677,660	+8	+12

For January a production rate of 5,040,800 barrels daily was certified to the various oil producing states, an increase of 14,400 barrels over the December quota. During the week ended January 20, national daily output of crude oil averaged 4,710,550 barrels, a rise of 7 per cent from the corresponding period of 1943.

Crude oil stocks as of January 13 were 7 per cent below the figure for last year. Gasoline stocks were up 13 per cent from 1943 while gas oil and distillate stocks showed a decline of 8 per cent. Refinery runs during the week of January 13 rose 9 per cent from the corresponding period of last year.

Oil producers are showing concern over the petroleum industry's ability to maintain production at the nation's current high emergency requirements without injuring its future capacity to produce. Because of the higher production schedule set for 1945, there will be a greater strain on current producing fields, many of which are already operating in excess of their maximum efficiency rates. The need for discovering new producible reserves has become an urgent and critical problem if present huge withdrawal rates are to be maintained, as the oil industry's surplus producing ability available at the outset of the war is now in use. Oil producers cite three principal factors for the current failure to drill as many exploratory wells as required: (1) physical difficulties in connection with the shortage of materials, equipment, manpower, and transportation; (2) an increasing trend toward diminishing returns on prospecting effort during the last two years, requiring more exploration and more drilling to establish a given volume of new reserves; (3) maintenance of crude oil price ceilings at prewar levels despite sharply increased risks, costs, and taxes. Oil executives believe that an even greater deficiency in bringing in new reserves is in prospect for 1945.

Metals Late in December the War Production Board issued a revision of Order M-38, which restricts the use of lead. This action was taken on the basis of estimates that the requirements for lead for

1945 exceeded the available supply. In an endeavor to reduce lead consumption 15 to 20 per cent so as to bring it in line with supply, lead uses were placed in three classes, namely, prohibited uses, unrestricted uses, and restricted uses. A major proportion of civilian uses are in the restricted category. Any person requiring lead for one of the restricted uses is limited to an amount equivalent to 60 per cent of his 1944 rate of consumption for that purpose.

Meanwhile, the War Production Board has stated that increased Army requirements will keep cadmium high on the list of critical metals throughout 1945. Estimated 1945 requirements are up about 5 per cent over 1944 requirements, while estimated 1945 production is 10 per cent below the 1944 level.

Employment Nonagricultural employment in the Tenth District decreased by October, the latest month for which figures are available, to a level 5 per cent below that of a year ago, a decline slightly greater than the 4 per cent prevailing for the past six months. The lower level reflected a loss in employment in all states except Wyoming where the number of workers remained practically unchanged. Data for the nation as a whole showed a similar pattern—a loss of 3 per cent from the previous year during the period from April through September and of 4 per cent in October. Manufacturing employment in the District dropped by the greatest percentage (11) thus far during the year despite gains in three of the seven states.

Department of Labor estimates of nonagricultural employment:

	Oct.	Aver.	Change from '43	
	1944	10 Mos. 1944	Oct.	10 Mos.
	(Number)		(Per cent)	
Colorado.....	267,000	263,700	-7	-7
Kansas.....	403,000	407,800	-4	-3
Missouri.....	947,000	949,600	-5	-3
Nebraska.....	260,000	257,200	-2	-3
New Mexico.....	79,100	78,200	-1	-2
Oklahoma.....	374,000	375,400	-6	-3
Wyoming.....	61,900	61,600	0	+2
Seven states.....	2,392,000	2,393,500	-5	-4
United States.....	38,364,000	38,710,000	-4	-3

These diverse movements probably were caused partly by curtailment or changes in some types of war production and expansion in other lines where manufacturing facilities were being completed and more contracts granted. Workers released because of curtailment in production were absorbed to some extent by other industries, as was indicated by a greater proportionate reduction in manufacturing than in total nonagricultural employment, and possibly a relatively small number by the interregional recruitment program. Also, there was a tendency for women workers to discontinue working because of

home duties or because they had tired of working. In the country as a whole, there were gains in four major industry divisions.

Because of acceleration of the war and the increased need for war products and for men in the armed forces, a critical manpower situation is anticipated. In the District, the urgent need is for men rather than women, although some areas have a shortage of women workers. Two areas, Denver and Pueblo, have been transferred from Group III (adequate labor supply) to Group II (labor stringency). These were the first reclassifications since September.

Part of the additional manpower required probably will be supplied by men returning from war service. During October, 63,233 veterans of the present war, 10,529 of whom were disabled in some manner, were placed in jobs by the United States Employment Service. Data for the states in the District showed 5,084 placements of World War II veterans, including 456 handicapped.

AGRICULTURE

Crops Winter wheat, although dormant, continues in excellent condition generally and has afforded much feed for livestock except where fields have been too muddy to be pastured. Alternate freezing and thawing caused some heaving in limited areas, but wheat apparently was not affected to any appreciable extent by the low temperatures of December and early January. Both November and December were wet months, especially over the eastern part of the District, and precipitation was substantially greater than in the corresponding months of the previous year. Moisture conditions in 1944 as a whole also were better than in 1943 and were unusually favorable for crop production for the fourth successive year. Precipitation in 1944 and 1943, expressed as a percentage of normal, was as follows: Wyoming, 112 and 89; Colorado, 101 and 87; New Mexico, 101 and 80; Nebraska, 124 and 78; Kansas, 142 and 93; Oklahoma, 113 and 90; and Missouri, 97 per cent both years.

The recent wet weather impeded field work and, together with labor shortages, further delayed the completion of corn, sorghum, cotton, and peanut harvest. Large quantities of the sorghum grain remain piled on the ground in western Kansas because of insufficient box cars to move the bumper crop that farmers have available for market. Rail facilities are being used to the maximum to move this grain, which is high in moisture content, before heavy losses occur.

It is reported that about 100 million bushels of corn of high moisture content is piled on the ground in Nebraska because cribs and elevators are overflowing. This corn, almost one-third of Nebraska's record 1944

RAINFALL
 Dec. 1944
 Total Normal
 Year 1944
 Total Normal
 (In inches)

	Dec. 1944 Total	Dec. 1944 Normal	Year 1944 Total	Year 1944 Normal
COLORADO				
Denver.....	0.15	0.73	13.03	14.08
Leadville.....	0.69	1.09	12.42	18.70
Pueblo.....	0.03	0.50	11.26	12.02
Lamar.....	0.57	0.59	21.94	15.12
Alamosa.....	0.17	0.37	5.84	7.21
Steamboat Springs.....	2.10	2.28	21.75	23.37
KANSAS				
Topeka.....	5.08	1.03	44.32	32.58
Iola.....	2.99	1.46	48.31	37.57
Concordia.....	0.87	0.66	38.82	25.24
Salina.....	2.11	0.75	35.42	27.00
Wichita.....	3.98	1.02	43.62	30.37
Hays.....	0.93	0.64	29.70	23.05
Goodland.....	0.25	0.63	24.02	17.98
Dodge City.....	1.16	0.57	34.29	20.46
Elkhart.....	2.12	0.72	28.47	17.13
MISSOURI				
St. Joseph.....	4.57	1.29	48.94	35.62
Kansas City.....	3.74	1.20	49.64	34.53
Joplin.....	1.59	1.89	44.84	43.72
NEBRASKA				
Omaha.....	0.47	0.93	30.89	27.81
Lincoln.....	0.60	0.80	35.35	27.98
Norfolk.....	0.42	0.84	37.05	26.72
Grand Island.....	0.05	0.72	31.63	25.66
McCook.....	0.44	0.60	30.36	19.62
North Platte.....	0.24	0.53	18.49	18.41
Bridgeport.....	0.47	0.50	21.57	15.72
Valentine.....	0.14	0.61	24.65	18.37
NEW MEXICO				
Clayton.....	0.51	0.46	18.28	15.20
Santa Fe.....	0.66	0.72	14.61	14.37
Farmington.....	1.11	0.62	8.50	8.65
OKLAHOMA				
Tulsa.....	1.48	1.98	40.74	38.81
McAlester.....	3.12	2.67	36.55	43.33
Oklahoma City.....	2.30	1.50	35.36	31.15
Pauls Valley.....	2.16	1.66	40.87	34.76
Hobart.....	2.39	1.34	33.35	28.31
Enid.....	2.81	1.18	33.87	30.66
Woodward.....	2.35	0.88	33.38	25.88
WYOMING				
Cheyenne.....	0.55	0.55	15.57	15.01
Casper.....	0.30	0.78	11.67	14.60
Lander.....	0.55	0.68	19.58	12.97
Sheridan.....	1.28	0.64	24.58	15.08

crop of 330 million bushels, is subject to serious damage from wet weather if left too long. Producers desire to market this wet corn while cold weather prevails and before the grain goes out of condition. Local demand for feeding is greatly reduced, the sharply smaller 1944 pig crop alone having reduced the demand for corn in Nebraska by 50 million bushels this season while the corn crop was 113 million bushels larger than the 1943 crop. Although prospects for obtaining box cars to move corn are poor, it is doubtful whether terminals could begin to handle the large corn surplus even if cars were available, as labor shortages at warehouses prevent facilities for drying and conditioning grain from operating at capacity.

Livestock According to estimates of the Department of Agriculture, the number of cattle on feed for market on January 1, 1945, in Kansas and Nebraska was 15 per cent larger than a year earlier, in Oklahoma 43 per cent larger, and in Wyoming 14 per

cent larger. These changes compare with an increase of 5 per cent for the country as a whole. The rather pronounced increase in cattle feeding in these states is the result chiefly of heavy feed grain production in 1944—especially corn and grain sorghums—and of abundant winter wheat pasturage this season. In Colorado and New Mexico, however, cattle feeding is down from last year, marking the third successive year of decline. Nebraska ranks third in the nation in cattle feeding, being exceeded by Iowa and Illinois, while Kansas is in fourth place and Missouri in fifth place. Cattle feeding in Nebraska is about normal again. The increase over a year ago, however, is much less than expected earlier, and the number of cattle on feed is far below the number that could be fed in view of the large amount of corn, hay, and forage on hand. The limiting factor appears to be the shortage of farm labor.

Department of Agriculture estimates of cattle on feed for market on January 1:

	1945	1944	1943	1942	1941	1940
	(In thousands)					
Colorado.....	137	148	160	162	138	135
Kansas.....	322	280	318	265	200	145
Missouri.....	293	279	310	290	290	265
Nebraska.....	391	340	400	300	270	229
New Mexico.....	9	12	17	30	24	20
Oklahoma.....	60	42	70	66	62	50
Wyoming.....	16	14	16	18	16	15
Seven states.....	1,228	1,115	1,291	1,131	1,000	859
United States..	4,173	3,967	4,445	4,185	4,065	3,633

Five important changes in the cattle stabilization program were announced on January 10 to become effective January 29. These were: (1) an absolute ceiling on prices of live beef cattle and calves (\$17.65 a hundredweight at Kansas City, to be reduced to \$17.15 beginning July 2) above which price no animal may be bought or sold; (2) an increase in subsidy payments to slaughterers of \$1 a hundredweight on choice grade beef and 50 cents on good grade beef, the subsidy payment on choice beef to be reduced by 50 cents beginning July 2; (3) a corresponding upward adjustment in the maximum prices of the stabilization ranges for good and choice cattle, within which packers' average monthly prices paid for such cattle must fall in order for the packer to qualify for subsidy payments; (4) average monthly payments by any slaughterer in excess of the maximum prices of the stabilization ranges are made an OPA violation, while formerly such excess payments merely disqualified a slaughterer from receiving full subsidy payments; and (5) OPA will specify to packers the maximum percentages of good and choice cattle they may slaughter or deliver over a month's time, the purpose of this allocation being to effect a more equitable distribution of quality beef and, together with more rigid control

of live cattle prices, to combat more effectively black market operations in beef.

Top carlot livestock prices at Kansas City:

	Jan. 29 1945	Dec. 1944	Nov. 1944	Dec. 1943	Dec. 1942	Dec. 1941
	(In dollars per hundredweight)					
Beef steers.....	16.00	16.00	16.50	16.10	15.75	14.60
Stocker cattle.....	13.40	13.50	13.75	13.00	13.85	12.25
Feeder cattle.....	13.60	13.75	14.15	13.75	13.75	11.80
Calves.....	14.00	14.00	14.00	14.00	15.00	13.50
Hogs.....	14.50	14.50	14.50	13.55	14.80	11.40
Lambs.....	15.40	14.60	14.70	14.50	15.50	12.50
Slaughter ewes.....	8.15	7.00	6.60	7.40	8.00	5.85

The number of sheep and lambs on feed for market on January 1 showed a substantial increase over a year earlier in Kansas and Oklahoma—mostly in lambs on wheat pasture—and there was some increase in lamb feeding in Colorado, chiefly in the Northern Colorado and dry land areas of the state. Lamb feeding operations were reduced in the Arkansas Valley and Western Slope sections of Colorado, in the important Scottsbluff feeding area of Nebraska and Wyoming, and in most other sections of the District. Although Colorado normally is the nation's leading lamb feeding state, Kansas ranks first this year for the second time in three years, while Colorado is second. Nebraska ranked first a year ago but is in third place this year. Colorado, which this year had only 840,000 head of sheep and lambs on feed for market, is the only state that ever had more than a million on feed. On January 1, 1930, it had over 2 million lambs on feed.

Department of Agriculture estimates of sheep and lambs on feed for market on January 1:

	1945	1944	1943	1942	1941	1940
	(In thousands)					
Colorado.....	840	825	860	1,115	865	925
Kansas.....	900	370	924	660	530	210
Missouri.....	200	240	225	199	170	170
Nebraska.....	801	900	890	774	565	675
New Mexico.....	58	137	147	145	160	141
Oklahoma.....	60	40	65	75	65	45
Wyoming.....	225	250	200	280	290	300
Seven states.....	3,084	2,762	3,311	3,248	2,645	2,466
United States..	6,630	6,537	6,979	6,928	6,479	5,841

Hog production in 1944 dropped sharply under the exceedingly high level of 1943. The combined 1944 spring and fall pig crop was down about one-fourth in Missouri and New Mexico, nearly 40 per cent in Nebraska, and about one-half in Kansas, Oklahoma, Colorado, and Wyoming. Short feed supplies through the early part of the year and an unfavorable feeding ratio were mainly responsible for the drastic cut in hog production in 1944. The advance in hog prices and general improvement in crop prospects last summer apparently had little effect in inducing farmers to modify their fall farrowing plans to any appreciable extent; the fall pig crop showed as sharp a decline as the spring crop and was about in line with farmers'

breeding intentions as reported on June 1. Moreover, despite present abundant feed supplies and the War Food Administration's current urging to increase hog production, the indicated number of sows to farrow in the spring of 1945 is little different from the number farrowed in the spring of 1944. The 1945 livestock goals call for an increase of about one-third in the spring pig crop in Nebraska and Kansas. Farmers' breeding intentions, however, indicate an increase of only 12 per cent in Nebraska, no increase in Kansas, and a further marked decrease in most other District states. To encourage hog production, the War Food Administration in January extended the present price support program for hogs to March 1, 1946.

Department of Agriculture pig crop estimates:

	PIGS SAVED				SOWS FARROWED	
	Fall		Spring		Spring	
	1944	1943	1944	1943	1945*	1944
	(In thousands)					
Colo.....	177	401	262	560	37	46
Kans.....	777	1,641	1,198	2,229	199	199
Mo.....	2,557	3,602	3,112	4,137	470	511
Nebr.....	845	1,447	2,859	4,581	567	506
N. Mex.....	64	87	80	99	12	15
Okla.....	601	1,077	647	1,314	94	106
Wyo.....	44	92	70	118	9	12
7 States.....	5,065	8,347	8,228	13,038	1,388	1,395
U. S.....	31,325	47,672	55,428	74,034	8,522	9,187

*Number indicated to farrow from breeding intentions reports.

Farm Income Cash receipts from farm marketings in November generally were below those of a year earlier, chiefly as the result of smaller receipts from livestock. The November decrease was most marked in western states of the District, especially New Mexico, where income for the first eleven months of 1944 also was down from the preceding year. In other District states, total income for the first eleven months of 1944 was above that in the corresponding period of 1943, reaching a new record level. Although the gains in farm income for 1944 over 1943 generally were moderate, an increase of nearly one-fourth was reported for Oklahoma, where bumper output of a number of crops in 1944 greatly increased farm income. Cash receipts from farm marketings in 1945 may decline appreciably from the high level of 1944 because of anticipated further reductions in receipts from livestock.

Department of Agriculture estimates of cash receipts from farm marketings:

	Nov. 1944	11 Mos. 1944	Change from '43	
	(Thousand dollars)		Nov.	11 Mos.
			(Per cent)	
Colorado.....	39,625	297,774	-11	+5
Kansas.....	49,357	651,343	-2	+5
Missouri.....	77,401	656,659	+4	+10
Nebraska.....	51,169	580,406	-4	+1
New Mexico.....	19,449	90,179	-29	-14
Oklahoma.....	51,857	440,677	+11	+24
Wyoming.....	11,436	86,492	-21	+2
Seven states.....	300,294	2,803,530	-4	+7
United States.....	2,187,913	18,530,728	+9	+7

FEDERAL RESERVE BANK OF KANSAS CITY

NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Production and employment at factories increased somewhat in December. Retail buying was exceptionally active in December and the first half of January and wholesale commodity prices advanced.

INDUSTRIAL PRODUCTION

Total industrial production was maintained in December at the level of the preceding month, which was 232 per cent of the 1935-39 average, according to the Board's index. Manufacturing output showed a slight rise because of increased output of war products, while minerals production declined, reflecting a sharp drop in coal production.

Gains over the November levels of activity in the machinery, transportation equipment, chemicals, petroleum refining, and rubber industries followed a renewed drive to expand output of critical munitions. Military events in December resulted in higher production schedules for munitions and in additional Federal measures to assure manpower for war output and to increase inductions into the armed services. Stringent limits were placed on the use of metals in civilian products under the programs initiated last fall.

Output of metals decreased somewhat further in December. In the first three weeks of January steel production continued to decline, partly because of severe weather conditions. Output of aluminum has been held at a level of about 90 million pounds per month since last autumn. The curtailment of aluminum sheet production during 1944 was reported in January to have led to a critical supply situation for this product in the light of the recently raised aircraft schedule.

Lumber production showed the usual seasonal decline in December. Output for the year 1944 was about 5 per cent below 1943, and a further decline is expected in 1945 due to continued shortages of manpower and equipment.

Cotton consumption and output of manufactured foods were maintained in December at the level of the preceding month. There were declines in shoe production and in activity at paper mills.

Output of coal in December was about 12 per cent below average production in the preceding 11 months. In order to assure supplies to meet the most essential needs, restrictions on less essential civilian uses of coal were instituted in January. Crude petroleum production was maintained in December in large volume, while output of iron ore showed the large seasonal decline customary in this month.

DISTRIBUTION

During the November-December Christmas shopping season department store sales rose to new high levels and were 15 per cent larger than in the corresponding period a year ago. The high level of sales was maintained in the first half of January, taking into account usual seasonal changes in trade.

Carloadings of railroad freight declined more than usual in December. During the first two weeks of January loadings were 5 per cent less than during the same period a year ago, owing to decreases in all classes of freight except miscellaneous shipments.

COMMODITY PRICES

The general level of wholesale commodity prices advanced somewhat from the early part of December to the middle of January. Prices of most farm products were higher. After the middle of January grains and cotton declined but were still above early December levels. Steel scrap, which had been considerably below ceiling levels in the autumn, showed a sharp price rise. Prices of nonferrous metal scrap, cement, and various other industrial materials also increased in December and the early part of January.

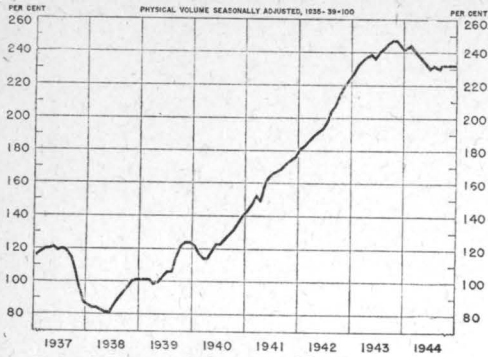
BANK CREDIT

In the four weeks ended January 17, Government security holdings at weekly reporting member banks increased further. Loans for purchasing and carrying Government securities declined from the level reached during the Sixth War Loan Drive; most of the decline was in the loans to customers, but loans to brokers and dealers also were reduced moderately. The Government securities added to reporting member bank holdings in this period consisted mainly of bonds and bills.

Excess reserves held by member banks declined relatively little from the peak reached during the Sixth War Loan Drive. Reserve requirements increased, but member bank reserve balances also increased by approximately the same amount. Spending of Treasury balances and a reduction of nonmember deposits at Reserve Banks more than offset a decline in holdings of Government securities by the Federal Reserve Banks. Currency in circulation declined 130 million dollars during the three weeks following the Christmas peak, the largest decline for any corresponding period since early 1942.

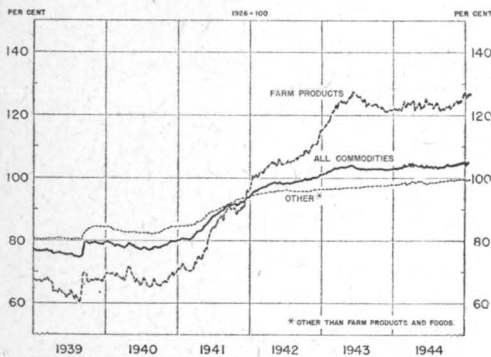
Following the Sixth War Loan Drive, adjusted demand deposits renewed their increase, and time deposits increased at a more rapid rate than demand deposits. Between war loan drives, time deposits in all banks have been increasing at the rate of almost three-quarters of a billion dollars a month.

INDUSTRIAL PRODUCTION



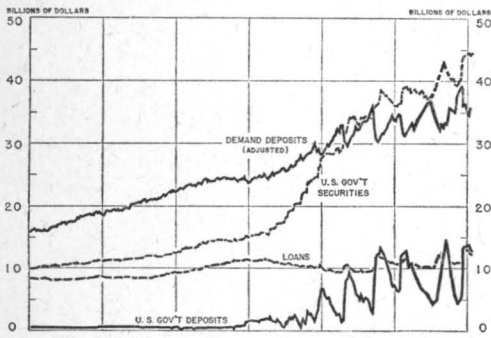
Federal Reserve index. Monthly figures; latest shown is for December, 1944.

WHOLESALE PRICES



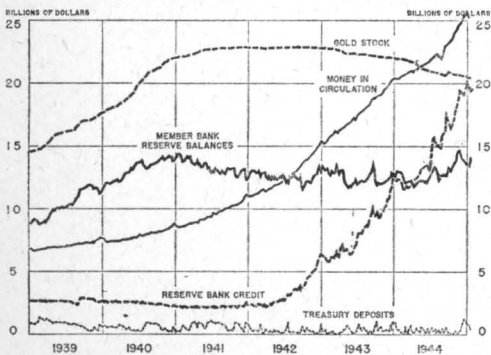
Bureau of Labor Statistics' indexes. Weekly figures; latest shown are for week ending January 20, 1945.

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 January 17, 1945.

MEMBER BANK RESERVES AND RELATED ITEMS



Wednesday figures; latest shown are for January 17, 1945.