

MONTHLY REVIEW

Agricultural and Business Conditions

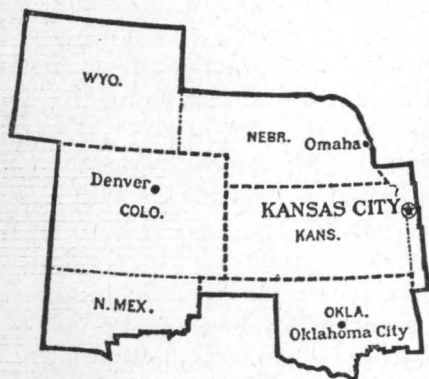
TENTH FEDERAL RESERVE DISTRICT

VOL. 30, No. 3

FEDERAL RESERVE BANK OF KANSAS CITY

MARCH 31, 1945

Business in the Tenth Federal Reserve District



Moisture supplies are abundant in nearly all sections of the District, so much so that spring farm work in many areas is considerably behind schedule. A very large acreage of winter wheat is in excellent condition. Spring plantings of most staple crops seem likely to be reduced by shortages of manpower and many types of machinery.

An acute shortage of box cars continues to restrict grain marketings and is curtailing the production and distribution of flour and feed. Hog slaughter is down sharply from last year. The reduced slaughter of hogs accounts in large part for the scarcity of meat for civilian consumption.

Department store sales have risen to a new record high. Cash receipts from farm marketings have leveled off but still show a small increase over a year ago, while nonagricultural employment is down slightly from last year. Manufacturing employment has declined appreciably.

BUSINESS INDICATORS	FEBRUARY 1945 COMPARED WITH FEBRUARY 1944					2 MOS. 1945 COMPARED WITH 2 MOS. 1944						
	% DECREASE		% INCREASE			% DECREASE		% INCREASE				
	40	30	20	10	10	20	30	40	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	53											
Cattle												
Calves												
Hogs	67											
Sheep												
Production												
Flour												
Cattle Slaughter												
Calf Slaughter												
Hog Slaughter	70											
Sheep Slaughter												
Crude Petroleum												
Bituminous Coal												
Construction												
Total Awards												
Res. Awards												
Value of Permits												57
Lumber Sales												
Miscellaneous												
Rainfall												
Cash Farm Income*												
Employment*												

*Latest available

SEVENTH WAR LOAN DRIVE

Nonbank investors will be asked to subscribe a minimum of 14 billion dollars in the Seventh War Loan Drive. Seven billion dollars represents the goal for subscriptions by individuals (including partnerships and personal trusts), and this amount includes a quota of 4 billion dollars for Series E War Savings Bonds. As is shown by the accompanying table, the individual and E bond quotas are larger than the corresponding quotas for any previous drive and larger than the respective amounts sold in any previous drive. The largest amount of E bonds sold in any war loan drive was 3,187 million dollars in the Fourth drive. The maximum drive sales to individuals were 6,351 million in the Fifth drive.

The security offerings include Series E, F, and G savings bonds; Series C savings notes; $\frac{7}{8}$ per cent certificates; $1\frac{1}{2}$ per cent, $2\frac{1}{4}$ per cent, and $2\frac{1}{2}$ per cent bonds. From June 18 to June 30, commercial banks will be permitted, on the basis of their time deposits, to make limited subscriptions for Series F and G savings bonds and for the $\frac{7}{8}$ per cent certificates and $1\frac{1}{2}$ per cent bonds offered during the drive. The amount subscribed by banks will not be considered as part of the drive sales. Commercial banks will not be permitted to own the $2\frac{1}{4}$ per cent or $2\frac{1}{2}$ per cent marketable bonds offered in the drive until within ten years of the respective maturity dates. The $1\frac{1}{2}$ per cent bonds will be available for subscription only by individual investors. The maturities of the marketable securities have not been announced.

The drive period for individuals will extend from May 14 to June 30. An intensification of activities in the sale of Series E bonds will begin April 9 when persons on pay roll savings plans will be asked to enlarge their participation in these plans. All sales of savings bonds and savings notes processed through the Federal Reserve Banks between April 9 and July 7 will be credited to the drive. From June 18 through

June 30, subscriptions will be received from all other nonbank investors for the $2\frac{1}{4}$ per cent and $2\frac{1}{2}$ per cent marketable bonds and $\frac{7}{8}$ per cent certificates.

In its borrowing program the Treasury is emphasizing two objectives: first, to put as large a proportion as possible of the Government debt in the hands of nonbank investors, and second, to draw the maximum amount of borrowed funds from the income of subscribers. These standards are incidental to the general objective of minimizing the inflationary effect of the wartime deficit by sterilizing as much individual current purchasing power as possible.

During previous drives several practices developed which conflicted with the anti-inflationary objectives of the Treasury. Plans for the Seventh War Loan Drive have been designed with a view to reducing these practices to a minimum. All nonbank investors, both individual and corporate, are requested to refrain from selling securities previously acquired to obtain funds to subscribe for securities offered in the Seventh drive. This practice developed in previous drives, partly because it was often possible to realize a profit from selling securities which had become eligible for bank purchase and replacing them with new issues, and partly because of a desire to help the local community meet its quota in the drive. Some transactions of this sort are regarded as legitimate where the securities sold are of a different maturity from those purchased and the operation constitutes a readjustment of portfolio in line with the subscriber's general investment policy.

As was done before the Sixth War Loan Drive, the Treasury has requested the cooperation of all banking institutions in attaining its objective of placing Government securities in the hands of nonbank investors. In past drives, subscribers often borrowed from banks in order to make subscriptions which were larger than they could pay for out of current savings before the

WAR LOAN DRIVE QUOTAS AND SALES

(In millions of dollars)

	First Drive	Second Drive	Third Drive	Fourth Drive	Fifth Drive	Sixth Drive	Seventh Drive
E bonds							
Quotas.....	*	*	3,000	3,000	3,000	2,500	4,000
Sales.....	726	1,473	2,472	3,187	3,036	2,868	
Other sales to individuals							
Quotas.....	*	*	2,000	2,500	3,000	2,500	3,000
Sales.....	867	1,817	2,905	2,122	3,315	3,014	
Total sales to individuals							
Quotas.....	*	2,500	5,000	5,500	6,000	5,000	7,000
Sales.....	1,593	3,290	5,377	5,309	6,351	5,882	
Other nonbank sales							
Quotas.....	*	5,500	10,000	8,500	10,000	9,000	7,000
Sales.....	6,267	10,186	13,567	11,421	14,288	15,739	
Total nonbank sales							
Quotas.....	4,000	8,000	15,000	14,000	16,000	14,000	14,000
Sales.....	7,860	13,476	18,944	16,730	20,639	21,621	

*No separate quota.

next war loan drive, expecting to sell the securities at a profit after the drive. Bonds bought through such speculative subscriptions often found their way into the portfolios of the banks soon after they became eligible for bank purchase. The Treasury has asked the banks to decline to make speculative loans for the purchase of Government securities during the Seventh drive, and to refuse to accept subscriptions which appear to be speculative.

Another objectionable practice in past drives was that of indirect subscriptions for bank account. Directors, officers, or other persons close to the management of a bank would subscribe for bonds which they did not want, with the understanding that these bonds would be turned over to the bank when they became eligible for bank purchase after the close of the drive. Usually such indirect subscriptions were financed by bank loans and the banks acquired the

bonds without profit to the subscriber. The Treasury is requesting the banks to refrain from making loans for the purpose of acquiring the drive securities merely for their own account. There is no objection to loans by banks to facilitate permanent investment in Government securities. Some subscribers want to buy additional securities out of anticipated income. In such cases loans are in order, but they should be on a short-term or amortization basis, fully repayable within periods not exceeding six months.

Another practice to which the Treasury has expressed opposition involves the acquisition by a bank of outstanding securities with the understanding that a substantially like amount of new securities will be subscribed for through the same bank, thus enabling the bank to expand its war loan deposit account. The banks have been asked to refrain from making such arrangements.

BUSINESS AND AGRICULTURAL CONDITIONS

FINANCE

Member Bank Credit Earning assets of the weekly reporting banks of the Tenth District decreased 12.4 million dollars in the four weeks ended March 14, 1945. An expansion of 18.4 million in investments was partly offset by a decrease of 6.0 million in loans. Loans for purchasing and carrying Government securities showed the typical reduction for a period following a war loan drive, with a decline of 3.7 million. Commercial, industrial, and agricultural loans declined 2.6 million.

The largest changes in investments were an increase of 49.3 million dollars in Treasury certificates and a decrease of 61.2 million in Treasury notes. These changes arose largely from the Treasury exchange of certificates for three issues of maturing notes. Treasury bond holdings rose 22.7 million for the four-week period, and 153.9 million over a year ago. Three-fifths of the net increase in Treasury bond holdings for the year has occurred in the past four months.

Deposits of the District weekly reporting banks exhibited the typical shift from war loan account to private account that occurs after war loan drives. Government deposits decreased 45.7 million dollars and nonbank private demand accounts increased 33.2 million. Interbank deposits recovered 36.7 million of the loss in volume which they sustained earlier in the year. Time deposits continued to grow, as they expanded 5.6 million dollars. The net increase of 29.8 million in deposits was reflected in increases of 12.4 million in earning assets and 8.8 million in net balances due from banks, and decreases of 9.8 million in borrowings by these banks and 3.0 million in their reserves with the Federal Reserve Bank.

Principal items of condition of 50 member banks:

	Mar. 14 1945	Feb. 14 1945	Change from Mar. 15 1944
(In thousands of dollars)			
Loans and investments—total.....	2,007,388	+12,442	+227,362
Loans—total.....	344,195	-5,996	+11,440
Coml., indust., agric.....	217,846	-2,556	-2,194
To security brokers and dealers..	4,244	+97	+1,105
Other to purchase or carry secur.	26,682	-3,740	+9,674
Real estate loans.....	36,889	+247	-2,495
Loans to banks.....	530	+80	+530
All other loans.....	58,004	-124	+4,820
Investments—total.....	1,663,193	+18,438	+215,922
U. S. Treasury bills.....	84,679	+5,733	-33,299
U. S. Treas. certif. of indebt.....	410,288	+49,267	+70,439
U. S. Treasury notes.....	308,851	-61,176	+39,047
U. S. Govt. bonds.....	704,504	+22,725	+153,591
Oblig. guar. by U. S. Govt.....	25,960	-406	-18,101
Other securities.....	128,911	+2,295	+4,245
Reserve with F. R. Bank.....	401,506	-3,033	+25,166
Balances "due from" banks—net..	279,403	+8,792	+3,284
Demand deposits—adjusted.....	1,308,590	+33,150	+164,604
Time deposits.....	239,688	+5,583	+59,393
U. S. Govt. deposits.....	236,869	-45,735	-12,825
Deposits "due to" banks—net.....	796,795	+36,696	+29,640
Borrowings.....	12,250	-9,800	+10,250

Member Bank Reserves The average volume of reserves held by both Reserve city and country banks of the Tenth District in the latter half of February was larger than during the latter half of January. Required reserves increased also, despite a decrease in the average volume of deposits. This resulted from the shift in deposits from reserve-free war loan accounts to private accounts. For country banks, a second factor was the decline in the net demand balances due from other banks. These balances are deducted from gross demand deposits in determining a bank's net demand deposits subject to reserve requirements. Although both total reserves and required reserves increased, the relative magnitudes were such that the average volume of excess

reserves was larger for the city banks and smaller for the country banks than a month earlier.

Daily average member bank reserves:

	Held	Required	Excess	Ratio Excess to Required
	(In millions of dollars)			(Per cent)
Reserve city banks				
Feb. 16-28, 1945.....	419	389	29	8
Feb. 1-15, 1945.....	413	381	32	8
Jan. 16-31, 1945.....	413	386	27	7
Feb. 16-29, 1944.....	385	347	39	11
Country banks				
Feb. 16-28, 1945.....	227	173	53	31
Feb. 1-15, 1945.....	224	171	53	31
Jan. 16-31, 1945.....	224	168	56	33
Feb. 16-29, 1944.....	192	127	65	51

Bank Debits In both the Tenth District and the United States as a whole, the dollar volume of debits to deposit accounts in February was slightly lower than in the corresponding month a year earlier. A war loan drive during February, 1944, resulted in a large volume of debits to deposit accounts at that time, whereas there was no war loan drive in February of this year. Among the reporting cities of the Tenth District the volume of bank debits compared with a year earlier showed considerable variation, however, ranging from a decrease of 30 per

cent at Salina, Kansas, to an increase of 20 per cent at Greeley, Colorado.

DEPARTMENT STORE TRADE

Dollar volume of sales at reporting department stores in this District in February was 16 per cent larger than in the same month of 1944. Sales increased more than is usual from January to February, and the seasonally adjusted index of daily average sales rose from 241 per cent of the 1935-39 average in January to 246 per cent in February. This was a new record level, two points above the previous high of 244 last November. In the first three weeks of March, dollar volume showed an increase of 29 per cent over a year ago. Part of this increase, however, probably was due to the somewhat earlier date of Easter this year, April 1 as compared with April 9 last year.

Continued expansion in the dollar volume of sales reflects to a considerable extent a pronounced further shift in buying to higher priced goods, either because consumers with excess purchasing power desire better quality merchandise or because of the disappearance of many lower priced lines. This is especially true of clothing, sales of which in recent years have constituted an increasing proportion of total sales at department stores. The War Production Board and the Office of Price Administration have recently taken action to assure adequate production and distribution of essential low and medium priced garments in an effort to reduce clothing costs to the consumer. This action indicates that a larger proportion of cotton, rayon, and woolen garments than has been recently available will be obtainable in lower priced lines when apparel to be manufactured under the new program begins to reach retailers this summer.

Department store sales and stocks in leading cities:

	No. of Stores	SALES		STOCKS
		Feb. '45 comp. to Feb. '44	2 Mos. '45 comp. to 2 Mos. '44	Feb. 28, '45 comp. to Feb. 29, '44
(Per cent increase or decrease)				
Denver.....	7	+17	+18	-12
Hutchinson.....	3	+24	+29	*
Topeka.....	3	+13	+23	*
Wichita.....	4	+12	+9	*
Joplin.....	3	+5	+11	*
Kansas City.....	8	+19	+19	+4
St. Joseph.....	3	+12	+16
Omaha.....	4	+16	+14	*
Oklahoma City.....	6	+12	+20	-7
Tulsa.....	4	+23	+29	*
Other cities.....	32	+13	+17	-11
District.....	77	+16	+19	-8

*Not shown separately but included in District total.

INDUSTRIAL PRODUCTION

Meat Packing Cattle and calf slaughter in February, as indicated by packers' purchases at leading District markets, was moderately higher than a year earlier, while sheep slaughter was down slightly and hog slaughter showed a substantial drop.

BANK DEBITS

	Feb.	2 Mos.	Change from '44	
	1945	1945	Feb.	2 Mos.
(Thousand dollars)				
			(Per cent)	
Colo. Springs, Colo....	19,607	43,268	-8	0
Denver, Colo.....	271,855	568,859	+3	+2
Gr. Junction, Colo....	6,214	13,862	+3	+6
Greeley, Colo.....	10,007	21,028	+20	+19
Pueblo, Colo.....	17,563	39,207	-4	-1
Atchison, Kans.....	5,856	12,726	-8	0
Emporia, Kans.....	5,853	12,874	-11	-4
Hutchinson, Kans....	23,294	55,391	-18	-5
Independence, Kans..	4,177	9,216	-8	+1
Kansas City, Kans....	38,953	79,933	+10	-5
Lawrence, Kans.....	7,151	15,271	+6	+15
Parsons, Kans.....	5,147	11,616	-9	-1
Pittsburg, Kans.....	6,337	13,091	-8	-6
Salina, Kans.....	17,351	38,619	-30	-25
Topeka, Kans.....	52,673	114,874	-8	-1
Wichita, Kans.....	189,723	420,276	+6	+12
Joplin, Mo.....	14,512	31,813	+1	+1
Kansas City, Mo.....	586,408	1,293,474	-2	+1
St. Joseph, Mo.....	51,059	117,024	-20	-14
Fremont, Nebr.....	6,395	13,643	-6	-2
Grand Island, Nebr..	13,546	28,717	+7	+4
Lincoln, Nebr.....	41,635	89,173	-14	-11
Omaha, Nebr.....	302,971	642,843	-9	-6
Albuquerque, N.M.*	30,711	70,980	+13	+23
Bartlesville, Okla....	40,568	86,777	+8	+13
Enid, Okla.....	21,316	48,850	+6	+25
Guthrie, Okla.....	2,507	5,736	+1	+14
Muskogee, Okla.....	14,017	31,084	-8	-1
Okla. City, Okla.**	167,297	374,683	0	+13
Okmulgee, Okla.....	3,641	8,086	+7	+15
Tulsa, Okla.....	260,202	545,474	+18	+19
Casper, Wyo.....	9,795	22,025	+6	+10
Cheyenne, Wyo.....	16,977	39,510	-5	+8

District, 33 cities..... 2,265,318 4,920,003 -1 +3
U. S., 334 cities..... 70,250,000 152,993,000 -1 +7

*January, 1945, figure for Albuquerque, in thousands of dollars, revised to 40,269.

**Back data for Oklahoma City have been revised as follows, in thousands of dollars: August, 1943, 147,469; September, 1943, 186,885; October, 1943, 166,124; November, 1943, 161,089; December, 1943, 200,207; January, 1944, 164,321; February, 1944, 167,022; March, 1944, 184,300.

The slaughter of hogs was little more than one-third that in the corresponding month a year ago, when hog slaughter had been at or near a record rate. Cattle and sheep slaughter continues in large volume, purchases of cattle exceeding the February average of the past ten years by 46 per cent and those of sheep by 19 per cent.

United States cold storage stocks of pork and lard declined contraseasonally during February, in sharp contrast to the heavy accumulation which took place last year. Stocks of beef and pork and total meat holdings on March 1 were appreciably less than half the heavy stocks on hand a year earlier, while lard stocks were only one-fifth as great as those of a year earlier. Holdings of pork and of all meats on March 1 were the smallest on record for that date, but holdings of beef and lamb were relatively large.

Reflecting the extreme tightness in meat supplies, the War Food Administration on March 17 announced that the civilian allotment of meat would be reduced from an annual rate of 130 pounds per person in the first quarter of this year to 115 pounds for the second quarter, the lowest level in ten years. The civilian allotment for the second quarter of 1945 is at a rate approximately 30 pounds below the record high consumption of 1944 and about 10 pounds below the average of the prewar years 1935 to 1939. Lend-lease shipments also will be curtailed greatly for this period, while increased supplies will be made available for use of the armed forces.

Flour Milling Southwestern flour milling operations rose from an average of 90 per cent of full-time capacity in January to 93 per cent in February and continued at about this level in the early weeks of March. Although production is somewhat below the record level of a year ago, it is nevertheless very heavy, despite shortages of manpower and especially of box cars—both for moving wheat to the mill and for shipping flour and feed out.

The maintenance of a high level of flour milling operations is due to a number of factors. Government buying is very heavy, and domestic buyers are seeking flour to establish reserve stocks to offset any further slowing in deliveries. In addition, mills with adequate wheat stocks on hand are grinding wheat and storing the flour for which they cannot obtain cars. This type of operation, however, is unusual and has just about reached the saturation point, as mills customarily grind the wheat only about as fast as the flour can be shipped. Consequently, mills that have been shutting down a day or two a week for want of shipping facilities may soon be idle for longer periods of time if the box car shortage is not relieved.

Mills, as a whole, are in the unprecedented position of being unable to accept all orders for flour, even at full ceiling prices, and have found it necessary to accept orders on the basis of actual need, to protect all of their customers. Government purchases alone currently occupy almost as much of milling capacity as total purchases did before the war. The recently announced army food relief plans involve the shipment of approximately 140 million bushels of wheat through September and 3 million sacks of flour monthly during April, May, and June and seem likely to complicate transportation difficulties.

Moreover, mills are unable to contract flour that cannot be ground before June 30, because of uncertainty over continuation of the domestic milling subsidy beyond that date, as the necessary funds have not yet been appropriated by Congress. Frequent interruptions to production schedules are reported to have forced milling costs in an increasing number of cases above the margin allowed by the present flour ceiling. The domestic milling subsidy on hard wheat ground into flour was increased from 25½ cents a bushel in February to 27 cents in March, the highest rate thus far.

Petroleum Changes in crude oil reserves of the United States occurring in 1944, and also in the Tenth Federal Reserve District, reversed the downward trend of 1943. (See Monthly Review, March 31, 1944, p. 5). More than two billion barrels of new petroleum reserves were added to the oil supply of the nation during 1944. The reserves resulting from the discovery of new oil pools amounted to 511,000,000 barrels, the highest figure since 1938, while additions to reserves by further development of older pools increased the supply by another 1,556,000,000 barrels. The net gain in proved oil reserves, after withdrawals, amounted to 389,000,000 barrels. Reserves in the Tenth District were increased by 51,755,000 barrels.

Crude oil reserves are reported by the American Petroleum Institute as follows:

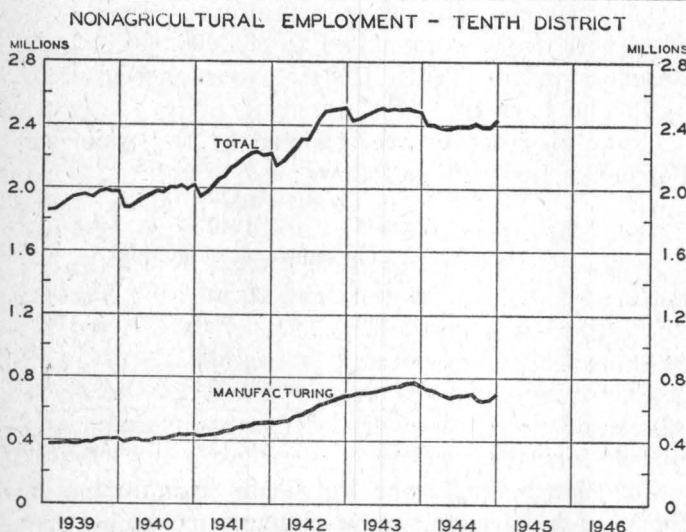
	Jan. 1 1945	Jan. 1 1944	Change during 1944
	(In thousands of barrels)		
Colorado.....	88,823	45,111	+43,712
Kansas.....	601,751	645,852	-44,101
Nebraska.....	581	1,000	-419
New Mexico.....	562,564	653,981	-91,417
Oklahoma.....	970,262	908,618	+61,644
Wyoming.....	581,730	499,394	+82,336
Six states.....	2,805,711	2,753,956	+51,755
United States.....	20,453,231	20,064,152	+389,079

For March, 1945, the Petroleum Administration for War called upon the oil industry to reach a new production rate of 5,118,760 barrels daily of all petroleum liquids as compared with the previous

record-breaking rate of 5,074,850 barrels daily certified in February of this year. For the midwestern states, the March production quota represents a net increase of 1,150 barrels daily over that of February. This increase consists of an addition of 3,000 barrels of petroleum per day certified to Oklahoma and a decrease of 1,850 barrels per day in natural gasoline production. The decrease in the natural gasoline production certification results from an anticipated seasonal decline in the amount of natural gas handled. During the week ended March 10, crude oil production in the nation averaged 4,770,750 barrels daily and production of allied and distillate products averaged 325,410 barrels.

According to reports of the materials and production division of the Petroleum Administration for War, requirements for crude oil will be considerably in excess of production during all of 1945 and 1946, necessitating increased imports. The reports also indicated that the maximum efficient rate of petroleum production will fall off very rapidly unless manpower and materials are available to complete 27,000 new wells in 1945 and 30,000 in 1946. The total number of completions in 1944 as reported by the Oil and Gas Journal was 19,477.

Employment The course of employment in the Tenth District during 1944 was more stable than in the past few years as is shown by the chart. The level of nonagricultural employment was lower (4 per cent) than in the preceding period, and the previous high was not regained after the seasonal drop during January as it was in 1943. The pattern of manufacturing employment differed somewhat, showing a gradual decline to the low point, in October,



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 December, 1944.

of the two-year period which was followed by a rise; whereas in 1943, there was a continuous increase to the peak in November followed by a decline.

In December, the latest month for which figures are available, corresponding upturns in both categories of employment were noticeable. The number of workers in nonagricultural pursuits reached the highest point of the year and showed the greatest monthly increase (43,000) since September, 1942. Manufacturing employment was the highest since March, 1944, with the greatest monthly increase (10,300) since October, 1943, even though the level was 7 per cent below that of the period a year ago.

Department of Labor estimates of nonagricultural employment:

	Dec.	Aver.	Change from '43	
	1944	12 Mos. 1944	Dec.	12 Mos.
	(Number)		(Per cent)	
Colorado.....	270,000	264,400	-3	-7
Kansas.....	407,000	407,200	-4	-4
Missouri.....	964,000	950,500	-3	-3
Nebraska.....	266,000	258,200	-1	-3
New Mexico.....	80,500	78,500	+2	-2
Oklahoma.....	384,000	376,200	-2	-3
Wyoming.....	63,200	61,700	+3	+2
Seven states.....	2,434,700	2,396,700	-2	-4
United States.....	38,888,000	38,697,000	-3	-3

The December gain was partly seasonal because of the annual increased demand for workers in trade. However, larger manufacturing employment was principally the effect of concentration upon increased war production, especially munitions, and the attempt to secure all available manpower for such production. Agricultural workers probably were the chief source of supply, as such employment was decreased by over a million from November to December in the country as a whole. A comparatively large portion of this number was family workers, and part was absorbed by the armed forces. Normal increase in the labor force, recruitment of persons ordinarily not employed, and discharged veterans also contributed to the labor supply. In December in the District, 4,688 veterans of the present war (approximately 11 per cent of the total monthly increase) were placed in jobs.

The March reclassification of labor market areas transferred Wichita from Group II (labor stringency) to Group III (slight surplus) and Topeka from Group IV (substantial surplus) to Group III.

AGRICULTURE

Crops Soil moisture supplies are abundant in nearly all sections of the District, with excessive moisture in some areas—notably Oklahoma, where February precipitation was 226 per cent of normal. The prolonged wet weather thus far has been very beneficial to winter wheat, which was greening rapidly under the influence of unseasonably high

temperatures in the latter half of March. The wet weather, however, delayed completion of the harvest of last year's sorghum, corn, and cotton crops and has caused seed bed preparation for the planting of spring crops to fall behind schedule.

Farmers' spring planting intentions as of March 1 indicated that the total acreage in crops in this District in 1945 will be somewhat smaller than that in 1944, chiefly as a result of shortages of manpower and machinery. Farmers increased winter wheat seedings considerably last fall, partly because of the low labor requirements of wheat and the favorable moisture situation at planting time, but spring plantings of most staple crops will be appreciably below a year earlier. An increase in the acreage of oats is in prospect unless wet weather delay to planting forces farmers to shift part of the acreage intended for oats to other crops as it did last year. An increase in acreage also is in prospect for flaxseed, soybeans, peanuts, and sugar beets to meet the war situation.

RAINFALL

	Feb. 1945		2 Mos. 1945	
	Total	Normal	Total	Normal
	(In inches)			
COLORADO				
Denver.....	0.34	0.53	1.03	0.93
Leadville.....	1.51	1.47	2.47	2.65
Pueblo.....	0.53	0.47	1.41	0.78
Lamar.....	0.41	0.52	1.81	0.81
Alamosa.....	0.21	0.14	0.55	0.41
Steamboat Springs....	3.45	2.44	4.79	4.79
KANSAS				
Topeka.....	1.27	1.30	1.71	2.21
Iola.....	1.72	1.55	2.29	3.00
Concordia.....	1.10	0.89	1.70	1.38
Salina.....	1.44	1.08	2.25	1.70
Wichita.....	0.84	1.24	1.91	1.95
Hays.....	0.67	0.77	1.35	1.11
Goodland.....	0.13	0.56	0.75	0.82
Dodge City.....	0.97	0.78	2.40	1.15
Elkhart.....	0.39	0.75	1.54	1.05
MISSOURI				
St. Joseph.....	1.47	1.67	2.06	2.95
Kansas City.....	0.85	1.49	1.23	2.73
Joplin.....	2.45	1.68	3.34	3.84
NEBRASKA				
Omaha.....	1.26	0.89	1.73	1.59
Lincoln.....	2.02	0.95	2.71	1.59
Norfolk.....	0.95	0.88	1.52	1.49
Grand Island.....	0.47	0.85	0.79	1.41
McCook.....	0.21	0.67	0.87	1.08
North Platte.....	0.29	0.53	0.70	0.92
Bridgeport.....	0.72	0.35	1.26	0.74
Valentine.....	0.60	0.55	1.18	1.03
NEW MEXICO				
Clayton.....	0.36	0.40	1.28	0.66
Santa Fe.....	0.52	0.80	0.86	1.42
Farmington.....	0.47	0.71	1.24	1.25
OKLAHOMA				
Tulsa.....	2.87	1.49	3.51	3.17
McAlester.....	6.74	2.27	8.22	4.88
Oklahoma City.....	2.91	1.11	4.12	2.30
Pauls Valley.....	4.41	1.62	5.35	3.08
Hobart.....	0.90	1.00	2.91	1.86
Enid.....	0.72	1.15	2.07	2.25
Woodward.....	0.69	1.05	2.39	1.80
WYOMING				
Cheyenne.....	1.03	0.64	2.00	1.06
Casper.....	0.49	0.76	0.74	1.36
Lander.....	0.53	0.63	0.90	1.19
Sheridan.....	1.03	0.70	1.47	1.55

The increase in acreage of sugar beets, which are high in labor requirements, is made possible by special efforts to provide imported and prisoner of war labor. Even so, the prospective sugar beet acreage is still much below the average from 1934 to 1943 and constitutes only a partial recovery from the very low acreage of the last two years.

Department of Agriculture estimates of spring planting intentions for this seven-state area:

	Indicated	Planted	Average
	1945	1944	1934-43
	(In thousands of acres)		
Corn.....	19,528	20,693	19,897
Spring wheat.....	394	409	800
Oats.....	8,337	8,059	7,848
Barley.....	2,603	3,607	3,600
Tame hay*.....	7,921	7,851	7,385
All sorghums.....	7,380	8,470	8,126
Potatoes.....	277	284	326
Sweet potatoes.....	22	24	25
Dry beans.....	742	828	764
Dry peas.....	45	47	47
Flaxseed.....	286	248	160
Soybeans.....	1,093	1,035	656
Cowpeas.....	104	117	242
Peanuts.....	300	275	150
Sugar beets.....	252	220	281

*Acreage harvested.

The box car shortage continues to restrict the movement of wheat and other grains to market, and terminal market prices remain firmly wedged at the ceiling. Reports indicate that the organized program in Nebraska to provide crib storage for some 100 million bushels of corn, which was piled on the ground and in danger of spoilage, was largely completed by the middle of March. Much of the corn coming to market is high in moisture content and, because of overloaded drying facilities, is suffering damage even in terminal storage. In Kansas, large amounts of wet corn and sorghum grain remain piled on the ground and the grain has deteriorated considerably since the advent of warm weather in late March. Interior elevators and farm storage facilities generally are filled to capacity, box cars are not available in sufficient quantity for moving old crop grain, and the new wheat harvest is only about two months away.

Wool The production of shorn wool in this District in 1944 was 16 per cent below the high level of 1943. The decrease was due chiefly to a sharp reduction in the number of sheep shorn. Somewhat lighter weights per fleece also contributed in part to the decline. Although sheep numbers are still relatively large in the eastern half of this District, the manpower shortage has seriously curtailed the sheep raising industry in western states, 1944 marking the third or fourth successive year of decline in the number of sheep and lambs on farms and ranges in Wyoming, Colorado, and New Mexico. Cash income from wool in 1944 decreased proportionally to production. Local market prices, the highest since 1920,

increased slightly in Colorado and Wyoming, but in most other states of the District they averaged about the same in 1944 as in 1943.

Department of Agriculture shorn wool estimates:

	PRODUCTION		PRICE		INCOME	
	1944	1943	1944	1943	1944	1943
	(000 pounds)		(cents per lb.)		(000 dollars)	
Colorado.....	13,259	15,458	41	39	5,436	6,029
Kansas.....	5,148	7,155	37	39	1,905	2,790
Missouri.....	9,596	10,711	43	43	4,126	4,606
Nebraska.....	3,149	4,744	38	38	1,197	1,803
New Mexico.....	14,574	15,718	37	37	5,392	5,816
Oklahoma.....	2,203	3,194	34	34	749	1,086
Wyoming.....	27,591	32,997	40	39	11,036	12,869
Seven states...	75,520	89,977	40	39	29,841	34,999
United States.	347,094	384,378	42	42	147,264	159,953

Wool production in the United States in 1944 (including 71 million pounds of pulled wool) totaled 418 million pounds, a decrease of 7 per cent from 1943. United States mill consumption of domestic and foreign apparel wool in 1944 exceeded a billion pounds for the fourth successive year, and consumption is likely to continue at this level in 1945 because of the heavy demand for woolen goods for both military and civilian use. Prices to domestic wool growers in 1945 will average about the same as in 1944, as the Commodity Credit Corporation is again purchasing virtually the entire domestic production at ceiling prices, less transportation and marketing costs.

During the first half of 1945, mills will be working almost wholly on Government orders, most of which specify the use of at least 50 per cent of domestic wool. Consequently, the large stocks of 1943 and 1944 domestic wool held by the Commodity Credit Corporation and by wool dealers, aggregating 360 million pounds at the beginning of this year and equivalent to a full year's supply of domestic wool at the 1944 rate of consumption, will be considerably reduced before the 1945 clip is available late in the spring. Domestic wool stocks had been accumulating rapidly in 1943 and 1944, when a shift from military to civilian production caused mills to shift to use of foreign wool, as large quantities of foreign wool were available at considerably lower prices than comparable domestic wools. The stockpile of foreign wool held by the Defense Supplies Corporation has been reduced from an original total of close to 330 million pounds early in 1944 to around 60 million pounds.

The world carry-over of wool last July at the beginning of the 1944-45 season was the largest on record. An even larger carry-over is in prospect next July, as any increase in world consumption sufficiently large to check the accumulation of world wool stocks is largely contingent upon the restoration of the wool textile industry in continental Europe, which accounted for about 40 per cent of the world's wool consumption before the war. World wool production

has declined somewhat from the record level reached earlier in the war but is still very high. Drought in Australia, where about one-fourth of the world's wool is produced, and growers' fears of low prices after the war may cause a further decrease in world production in 1945. In most important wool-producing countries, however, production will be supported to some extent in the next few years by Government programs.

Livestock Beef steer prices advanced slightly further during March, the top price at the Kansas City market reaching \$16.75 a hundredweight near the end of the month, a new high since last fall. This price, however, is still considerably below the \$17.50 level prevailing in September and October, 1944, and the live cattle ceiling of \$17.65 at this market. Lamb prices declined somewhat in March from their 16-year high of \$17 a hundredweight established late in February. The reduced supply of hogs continued to sell readily at the \$14.50 ceiling.

Top carlot livestock prices at Kansas City:

	Mar. 28 1945	Feb. 1945	Jan. 1945	Feb. 1944	Feb. 1943	Feb. 1942
	(In dollars per hundredweight)					
Beef steers.....	16.75	16.60	16.50	16.25	16.00	13.75
Stocker cattle.....	14.75	14.40	13.50	14.50	15.90	13.25
Feeder cattle.....	14.50	14.50	14.00	14.65	15.00	11.90
Calves.....	14.00	14.00	14.00	14.00	15.50	14.50
Hogs.....	14.50	14.50	14.50	13.60	15.45	13.00
Lambs.....	16.35	17.00	15.85	16.50	16.15	12.25
Slaughter ewes....	9.00	9.50	8.25	8.60	9.00	6.75

Heavy supplemental feeding of livestock was necessary late in February and early in March in Wyoming and Colorado, where ranges and pastures generally were covered with snow. Supplemental feeding has also been heavy in much of Oklahoma and Kansas, as wet weather has greatly restricted the use of winter wheat pasture. Feed supplies, however, are ample in virtually all sections of the District.

Pasture leasing in the Blue Stem (Flint Hills) area of Kansas began even earlier this year than in either of the two preceding years, but leasing activity recently has slowed appreciably. Trade reports indicate that, although about 75 per cent of the Kansas pastures had been leased by the middle of March in preparation for the annual inward movement of southwestern cattle, scheduled to start about April 10, there is some doubt that pastures will be fully stocked. Favorable conditions in Texas may tend to hold below a year ago the shipments of cattle from that state to northern pastures to be fattened on grass before being marketed. In addition, the number of locally owned cattle in the Blue Stem area is reported to be considerably reduced, as many stockmen have hesitated to restock their pastures because they feel present prices of stocker and feeder cattle are too high in relation to beef cattle prices.

FEDERAL RESERVE BANK OF KANSAS CITY

NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Industrial activity continued to increase slightly in February and the early part of March. Value of department store sales was one-fifth greater than in the same period last year. Wholesale commodity prices generally showed little change.

INDUSTRIAL PRODUCTION

The Board's seasonally adjusted index of industrial production was 235 per cent of the 1935-39 average in February, as compared with 234 in January and 232 in the last quarter of 1944.

Steel production, which declined further in the first part of February as a result of continued severe weather conditions, showed a substantial increase at the end of the month and in the first three weeks of March. Average output of open hearth steel during February was 2 per cent above the January rate, while electric steel production increased 7 per cent. Output of nonferrous metals continued to rise slightly in February, largely reflecting increased military demands. Activity in the machinery and transportation equipment industries was maintained at the level of the preceding month; a decline in shipbuilding offset a slight increase in output of most other munitions industries. Production of lumber and stone, clay, and glass products in February was at about the January level.

Production of most nondurable goods showed little change in February. Output of cotton goods and shoes, however, rose 5 per cent from the preceding month to a level slightly above that of a year ago. Output of explosives and small arms ammunition showed further large gains. Activity at meat-packing establishments continued to decline, as pork and lard production dropped further and was 50 per cent below the peak level reached a year ago. In March it was announced that supplies of meat available for civilians in the second quarter of 1945 would be 12 per cent less than in the first quarter. Activity in rubber products industries in January and February was 6 per cent above last autumn, reflecting chiefly a sharp increase in production of military truck tires.

Minerals output rose slightly in February, reflecting increased output of anthracite and a further gain in crude petroleum production. Anthracite production recovered in February and the first two weeks of March from a large decline during January. Bituminous coal production showed little change in February from the January level and declined slightly in the early part of March.

DISTRIBUTION

Department store sales in February, which usually show little change from January, increased considerably this year. Value of sales in February and the first half of March was 22 per cent larger than in the corresponding period a year ago, reflecting the earlier date of Easter this year and continuation of the freer spending in evidence since the middle of 1944.

Freight carloadings, which had declined at the end of January and the early part of February owing to severe weather conditions, have increased since that time. Shipments of miscellaneous freight were in larger volume in the 5-week period ending March 17 than in the corresponding period of 1944, while loadings of most other classes of freight were less.

BANK CREDIT

Treasury expenditures during February and the first half of March continued to increase the total volume of deposits and currency held by the public. Adjusted demand deposits at weekly reporting banks in 101 cities increased 1.4 billion dollars and time deposits rose about 200 million dollars during the four-week period ended March 14. Currency in circulation increased 350 million dollars over the same period, but declined somewhat in the week following. To meet the resulting increase in required reserves as well as the currency drain, Federal Reserve Bank holdings of United States Government securities increased 395 million dollars in the four weeks ended March 14, while reductions in nonmember and in Treasury deposits at the Reserve Banks supplied 450 millions of reserve funds to member banks. Excess reserves have remained at an average level of about a billion dollars.

The increase in Federal Reserve holdings of Government securities roughly paralleled the decline in commercial bank holdings. Reporting banks reduced their portfolios by 260 million dollars in the four weeks. Holdings of Treasury notes declined by 1.7 billion dollars while certificate holdings increased by 1.4 billion dollars, reflecting the March 1 Treasury exchange offer. Bill holdings were reduced by 210 million dollars. Bond holdings, however, continued to increase. Total loans for purchasing and carrying Government securities declined by 230 million dollars and commercial loans by 185 million.

INDUSTRIAL PRODUCTION



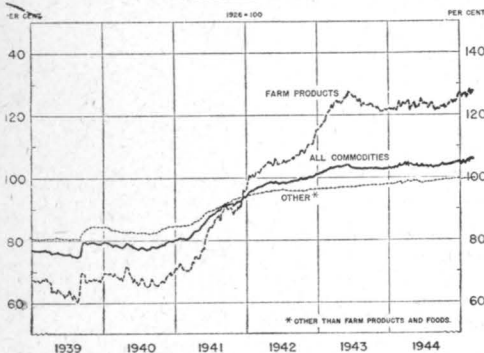
Federal Reserve index. Monthly figures; latest shown is for February, 1945.

DEPARTMENT STORE SALES AND STOCKS



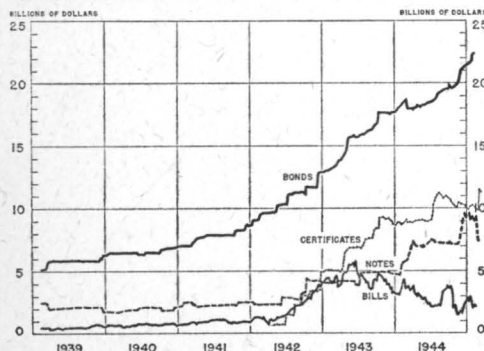
Federal Reserve indexes. Monthly figures; latest shown are for February, 1945.

WHOLESALE PRICES



Bureau of Labor Statistics' indexes. Weekly figures; latest shown are for week ending March 17, 1945.

GOVERNMENT SECURITY HOLDINGS OF BANKS IN LEADING CITIES



Excludes guaranteed securities. Data not available prior to February 8, 1939; certificates first reported on April 15, 1942. Wednesday figures; latest shown are for March 14, 1945.