

# MONTHLY REVIEW

## *Agricultural and Business Conditions*

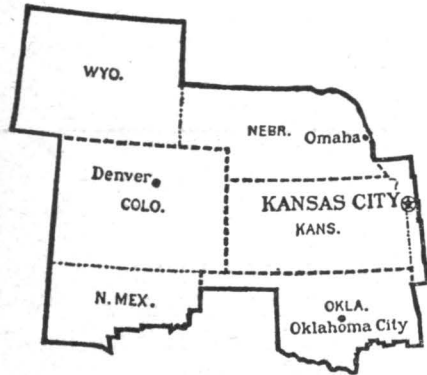
### TENTH FEDERAL RESERVE DISTRICT

VOL. 30, No. 6

FEDERAL RESERVE BANK OF KANSAS CITY

JUNE 30, 1945

#### *Business in the Tenth Federal Reserve District*



Weather conditions in May and early June generally were unfavorable for crops and for farm work, because of excessive moisture in the eastern part of the District and dryness in some sections of the western part. Winter wheat prospects are considerably below earlier expectations, but the crop will still be very large.

The wheat harvest is accentuating the box car shortage, with much wheat being piled on the ground at the beginning of harvest. Prices of wheat, corn, hogs, and many other agricultural products continue at or near ceiling levels. Beef steer prices recently reached their ceiling.

Notwithstanding a pronounced slump since early this year, the general level of department store sales is still much above that of 1944. Cash farm income and industrial employment in the first quarter were somewhat below a year earlier, and employment recently has probably been affected by cutbacks in war production.

BUSINESS INDICATORS	MAY 1945 COMPARED WITH MAY 1944					5 MOS. 1945 COMPARED WITH 5 MOS. 1944						
	% DECREASE		% INCREASE			% DECREASE		% INCREASE				
	40	30	20	10	10	20	30	40	10	20	30	40
<b>Finance</b>												
Bank Debits												
F. R. Bk. Clearings												
Mem. Bk. Loans												
Mem. Bk. Invest.												
Demand Deposits												
Life Ins. Sales												
<b>Trade</b>												
Wholesale Sales												
Dept. Store Sales												
<b>Marketings</b>												
Wheat					275							
Corn										79		
Oats												
Cattle												
Calves												
Hogs	59					60						
Sheep												
<b>Production</b>												
Flour												
Cattle Slaughter												
Calf Slaughter												
Hog Slaughter	62					63						
Sheep Slaughter												
Crude Petroleum												
Bituminous Coal												
<b>Construction</b>												
Total Awards					82							
Res. Awards												
Value of Permits												
Lumber Sales												
<b>Miscellaneous</b>												
Rainfall												
Cash Farm Income*												
Employment*												
*Latest available												

## ZINC AND LEAD PRODUCTION AT PREMIUM PRICES

The market prices of slab zinc and pig lead have been maintained without change since October, 1941, and January, 1942, respectively. On those dates the legal maximum prices were established at 8.25 cents per pound for Prime Western grade slab zinc at East St. Louis and 6.50 cents per pound for common pig lead in New York, or 6.35 cents at St. Louis. Due allowance was made for customary differences in price among grades.

In order to meet the requirements for these metals during the war, it has been necessary to mine ores far too costly to be produced at the ceiling prices. Instead of permitting increases in the market prices of these metals so that the higher metal prices would be reflected in the financial return of all zinc and lead mining operations, the Government has used a plan of differential pricing, known as the Premium Price Plan.

In essence, the Premium Price Plan involves the establishment of production quotas for each property or group of properties for each of these metals produced in that property. For production in excess of such quotas premium payments are made by the Metals Reserve Company to the mining companies. The ores or ore concentrates continue to be sold by mining companies to smelting companies at market prices that do not reflect such payments. The market price of metal, therefore, is not changed by the operation of the plan.

This plan was put into operation in early 1942. It applies to copper, lead, and zinc, although this article is confined to a discussion of lead and zinc. As the premium payments originally provided were 2¾ cents per pound for both lead and zinc, and as the base prices for the metals were 6½ cents and 8¼ cents per pound,

respectively, the premium prices were 9¼ cents for lead and 11 cents for zinc. In early 1943, additional levels of premium payments were provided. In the case of lead, the additional premium was another increment of 2¾ cents per pound, so that, where necessary, a producer might receive 6½ cents base price plus a 5½ cents premium payment, a total of 12 cents per pound. At the same time, two additional levels of premium payments were provided for zinc. As a result, it has been possible to give the producer in certain cases a return based on either 13¾ cents per pound or 16½ cents per pound.

In addition to the payments made under the Premium Price Plan, the Metals Reserve Company has contracted with a few mines to purchase their entire output of these metals. These contracts also provide for over-ceiling prices. However, they represent a very minor proportion of the entire output of lead and zinc.

Data recently released by the Metal Mining Analysis Office of the Office of Price Administration make it possible to determine what prices it has been necessary to pay in order to obtain the necessary mine output. By means of these data, it is also possible to analyze separately the situation in the Tri-State district of Kansas, Missouri, and Oklahoma.

For the 36 months from February, 1942, through January, 1945, the Tri-State district produced 630,474 tons of recoverable zinc, compared with 1,579,064 tons in the United States exclusive of the Tri-State district, or 28.5 per cent of the total mine output of recoverable zinc. The Tri-State district produced 96,585 tons of recoverable lead in the same period, and 1,238,625 tons were produced elsewhere in the United States. Thus the Tri-State district produced 7.2 per

ZINC MINE OUTPUT AT CEILING AND OVER-CEILING PRICES  
(In percentages of total production)

	TRI-STATE DISTRICT					ALL OTHER UNITED STATES				
	Feb.-Dec. 1942	12 Mos. 1943	12 Mos. 1944	Jan. 1945	36 Mos. Total	Feb.-Dec. 1942	12 Mos. 1943	12 Mos. 1944	Jan. 1945	36 Mos. Total
Ceiling Production .....	43.9	6.0	10.4	6.4	20.4	83.6	60.4	48.7	49.6	63.3
Over-Ceiling Production..	56.1	94.0	89.6	93.7	79.6	16.4	39.7	51.3	50.4	36.7
A Premium .....	55.8	46.3	32.8	35.2	45.0	15.8	27.1	33.2	36.1	25.9
B Premium .....	0.3	29.1	32.8	33.4	20.5	0.4	7.4	10.9	6.7	6.4
C Premium.....	*	17.4	21.0	20.9	12.7	0.2	4.2	6.1	6.6	3.7
M.R.C. Mine Contracts..	....	1.2	2.9	4.2	1.4	0.1	0.9	1.1	1.0	0.7

\*Less than .05 of 1 per cent.

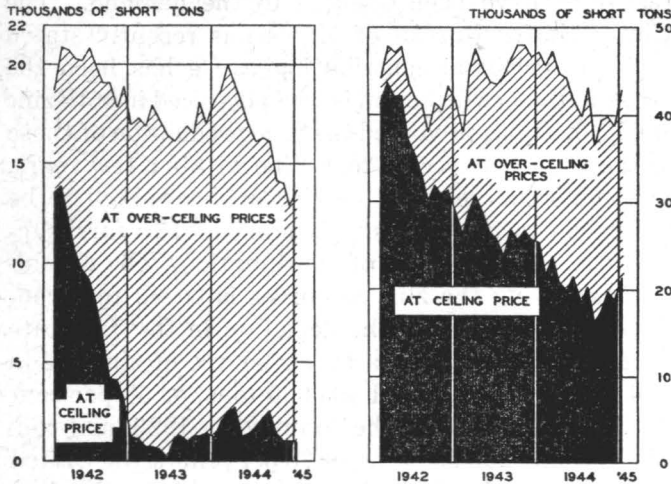
LEAD MINE OUTPUT AT CEILING AND OVER-CEILING PRICES  
(In percentages of total production)

	TRI-STATE DISTRICT					ALL OTHER UNITED STATES				
	Feb.-Dec. 1942	12 Mos. 1943	12 Mos. 1944	Jan. 1945	36 Mos. Total	Feb.-Dec. 1942	12 Mos. 1943	12 Mos. 1944	Jan. 1945	36 Mos. Total
Ceiling Production .....	35.2	5.4	10.8	9.1	16.6	86.1	71.9	52.7	42.0	70.0
Over-Ceiling Production..	64.8	94.7	89.2	90.9	83.4	13.9	28.2	47.4	58.0	30.0
A Premium .....	64.1	75.4	67.3	58.2	69.0	13.5	20.3	37.5	44.6	23.9
B Premium .....	0.8	18.7	19.5	30.1	13.5	0.4	7.9	9.8	13.4	6.1
M.R.C. Mine Contracts..	....	0.6	2.4	2.6	1.0	....	....	....	....	....

MINE OUTPUT OF RECOVERABLE ZINC

Tri-State District

All Other U. S.



Monthly figures, February, 1942, through January, 1945.

cent of the total mine output of recoverable lead.

Slightly over one-half of the United States zinc ore mined from February, 1942, through January, 1945, was brought out on the basis of the ceiling price, whereas, in the case of lead, two-thirds of the United States production was at the ceiling price. It is apparent, however, that the production costs have increased during the period of the war, as the proportion of ceiling price production has declined. During 1944, less than two-fifths of the zinc and less than one-half of the lead was produced at ceiling prices.

As is shown on the accompanying graphs, the Tri-State district has produced only a minor portion of its output of lead and zinc at ceiling prices, whereas the opposite situation has prevailed for the rest of the country. For the 36-month period, only about 20 per cent of the Tri-State zinc ore was produced on the basis of the ceiling price, compared with 63 per cent for the rest of the country. The output at the premium prices of 11 cents, 13¾ cents, and 16½ cents per pound was 45 per cent, 21 per cent, and 13 per cent, respectively, compared with 26 per cent, 6 per cent, and 4 per cent for the rest of the country.

Prices paid for production during the calendar year 1944 are more representative of the current cost situation and possibly more meaningful with respect to the postwar situation, as those data are more recent and cover a period when all classes of over-ceiling prices were in effect. During that year, only 10 per cent of the Tri-State zinc was produced on the basis of the ceiling price in contrast to 49 per cent elsewhere. Output at the premium prices of 11 cents, 13¾ cents, and 16½ cents per pound was 33 per cent, 33 per cent, and 21 per cent, respectively, and for the rest of the country it was 33 per cent, 11 per cent, and 6 per cent. Approximately 3 per cent was produced

under special Metals Reserve Company mine contracts in the Tri-State area and 1 per cent elsewhere.

A review of the lead situation from February, 1942, through January, 1945, indicates that the ceiling price mine output constituted about 17 per cent of the Tri-State production and 70 per cent of the output in the remainder of the United States. The premium price of 9¼ cents per pound was paid for 69 per cent of the Tri-State mine output, compared with 24 per cent for the rest of the country, while the premium price of 12 cents was paid for 14 per cent and 6 per cent, respectively.

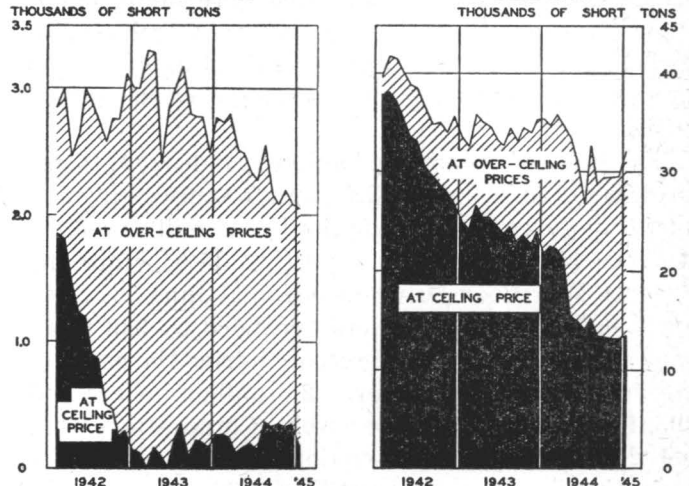
An examination of the lead figures for 1944 shows a situation very similar to that of zinc, as only about 11 per cent of the Tri-State mine output was obtained at the ceiling price. The comparable figure for the United States exclusive of the Tri-State area was 53 per cent. Premium prices of 9¼ cents and 12 cents per pound accounted for approximately 67 per cent and 20 per cent of the Tri-State output, respectively. Elsewhere 38 per cent was produced at 9¼ cents and 10 per cent at 12 cents. Approximately 2.4 per cent of the Tri-State output was under special Metals Reserve Company contracts, whereas such contracts were not used in the rest of the country.

Congress has just passed a bill providing for the extension of the Premium Price Plan until June 30, 1946. In the course of the hearings and the debate on the bill, there was considerable dispute as to whether all classes of premiums should be non-cancellable, and the bill was originally passed by the two houses of Congress with unlike provisions in this respect. As finally passed, however, the bill reads, "The premium price plan for copper, lead and zinc is being extended until June 30, 1946, on the same terms as heretofore, except that all classes of premiums shall be non-

MINE OUTPUT OF RECOVERABLE LEAD

Tri-State District

All Other U. S.



Monthly figures, February, 1942, through January, 1945.

cancellable unless necessary in order to make individual adjustments of incomes to specific mines."

The Senate committee's report which recommended that this provision be incorporated in the bill includes a discussion of the meaning of "individual adjustment." The aim of the committee was to prevent cancellation "across the board" and not to prevent the use of the present method of adjusting individual quotas upward and downward to return the producer a reasonable profit plus amortization and other allowances. The committee recognized that it might be necessary in specific cases to cancel an individual C, B, or special copper premium. The intention was to prohibit the use of cancellation as a mechanism for forcing mines to shut down.

There has been considerable discussion recently concerning the exhaustion of the domestic supplies of zinc and lead ores. The United States has been virtually self-sufficient in these metals for many years. During the present war, however, it has been neces-

sary to import large quantities of these metals as our resources have been unequal to the demand. The United States Bureau of Mines has recently stated that the principal contributing cause has been the ore situation, as depletion is well advanced in both zinc and lead. It has predicted that the production of these metals may be expected to decline within a few years, as commercial reserves of zinc are estimated to be equivalent to 19 years' supply and lead 12 years' supply at the 1935-39 rate of consumption. The conclusion regarding the zinc resources is based to a considerable degree upon the depletion in the Tri-State district, as it has been a major source of zinc ore in past years. It produced 400,000 tons, or 55 per cent of the total output of the country, in 1926, and contributed only 200,000 tons, or 28 per cent of the United States output, in 1944. It is apparent from the data presented in this article that both zinc and lead ores are mined in the Tri-State area under relatively high cost conditions.

## BUSINESS AND AGRICULTURAL CONDITIONS

### FINANCE

**Seventh War Loan** Tenth District sales of bonds in the Seventh War Loan Drive have exceeded the District's quota by 228 million dollars. E bond sales have lagged, however, and as of June 28 were 39 million dollars short of the E bond quota. Although sales of other bonds to individuals have reached their established goal, the lag in E bonds kept total individual sales 1 million dollars below their quota as of June 28. The purchases by corporations and other institutional buyers carried the District across its goal, as their subscriptions exceeded the quota for such buyers by 229 million dollars.

**Member Bank Credit** In spite of a decrease in commercial, industrial, and agricultural loans, total loans of the Tenth District weekly reporting banks increased during the four-week period ended June 13, primarily as a result of an expansion in loans for purchasing and carrying Government securities.

The 50 weekly reporting banks expanded their loans to others than brokers and dealers for purchasing and carrying Government securities by 7.8 million dollars between May 9, the last reporting date before the Seventh War Loan Drive opened, and June 13. Such loans to brokers and dealers expanded by 349 thousand dollars. During the preceding drive the peak increases of these items were 12.6 million dollars and 995 thousand dollars, respectively. Corporations were not eligible to enter subscriptions until June 18. The Seventh drive continued until June 30.

Most of the increase in these loans to June 13 took place in the reporting week ended June 6. The explanation is that the marketable securities were dated June 1, and began to draw interest as of that date. An examination of the loan figures for credit extended on Government securities to others than brokers and dealers by the 50 reporting banks indicates a net increase by 21 banks, a net decrease by 5, and no change by the other 24. Of the last 24 banks, 16 carried no loans of this type. Only five banks showed any net increase in their loans on Government securities to brokers and dealers, and only six of the weekly reporting banks held any loans extended to brokers and dealers for carrying Government securities.

The Government security holdings of the weekly reporting banks increased during the four-week period ended June 13, with large offsetting changes in the various classes of Government securities. The volume of Treasury notes held by the banks increased greatly. A large proportion of this expansion resulted from an exchange on June 1, 1945, of Treasury certificates of indebtedness and Home Owners' Loan Corporation bonds for Treasury notes. Accordingly, Treasury certificate holdings of the District weekly reporting banks declined approximately 45 million dollars, and Government guaranteed securities declined 18.6 million dollars. These decreases combined total 63.6 million, compared with an increase of 88.9 million in Treasury notes.

The United States Government deposits in the reporting banks increased substantially from May 16 to June 13 as a result of the expansion of war loan ac-

counts during the war loan drive. However, private deposits also increased as a slight decrease in private demand deposits was more than offset by an increase in time deposits, the latter continuing to expand during the war loan drive. Interbank deposits also increased. A net expansion of 42.8 million dollars in deposits was reflected by an increase of 39.7 million in loans and investments, an increase of 8 million in reserves with the Federal Reserve Bank, and a decrease of 5.3 million dollars in balances with other banks.

Principal items of condition of 50 member banks :

	Change from		
	June 13 1945	May 16 1945	June 14 1944
	(In thousands of dollars)		
Loans and investments—total.....	2,071,544	+39,731	+345,404
Loans—total.....	338,468	+6,612	+37,557
Coml., indust., agric.....	204,520	-3,717	+14,255
To security brokers and dealers.....	5,128	+367	+1,454
Other to purchase or carry secur..	31,611	+7,965	+16,833
Real estate loans.....	38,144	+376	+100
Loans to banks.....	50	-100	+50
All other loans.....	59,015	+1,721	+4,865
Investments—total.....	1,733,076	+33,119	+307,847
U. S. Govt. securities—total.....	1,594,966	+25,417	+303,790
Bills.....	90,751	-7,653	-12,529
Certificates of indebtedness.....	352,512	-44,976	+38,969
Notes.....	415,967	+88,926	+130,376
Bonds.....	729,861	+7,738	+174,929
Guaranteed obligations.....	5,875	-18,618	-27,955
Other securities.....	138,110	+7,702	+4,057
Reserve with F. R. Bank.....	441,836	+8,034	+60,354
Balances "due from" banks—net.....	304,415	-5,327	+38,787
Demand deposits—adjusted.....	1,391,440	-2,648	+178,392
Time deposits.....	255,041	+3,479	+60,503
U. S. Govt. deposits.....	184,891	+24,037	+63,444
Deposits "due to" banks—net.....	882,997	+17,959	+128,320
Borrowings.....	3,000	0	+3,000

DEPARTMENT STORE TRADE

Dollar volume of department store sales in this District in May was only 6 per cent larger than last year, while for the first five months of 1945 it was 15 per cent larger than in the corresponding period of 1944. In the first two weeks of June, however, sales showed a gain of 17 per cent over last year. Sales increased more than is usual from April to May, and the seasonally adjusted index of daily average sales rose from 199 per cent of the 1935-39 average in April to 203 per cent in May. Nevertheless, the index is still much below the record level of 246 per cent last February.

Department store inventories increased contrary to the usual seasonal trend during May and at the end of the month the dollar value of inventories was 6 per cent higher than a year earlier. This was the first year-to-year increase reported for stocks for any month since June, 1944. However, the ratio of stocks to sales remains low and the volume of merchandise on order, which is almost one and one-half times stocks on hand, is very large. Since it is recognized that a considerable proportion of the merchandise on order, particularly of "soft lines" such as apparel, probably will not be delivered, merchants generally

	BANK DEBITS		Change from '44	
	May 1945	5 Mos. 1945	May 1945	5 Mos. 1945
	(Thousand dollars)		(Per cent)	
Colo. Springs, Colo.....	23,131	113,486	+10	+4
Denver, Colo.....	319,953	1,504,605	+24	+9
Gr. Junction, Colo.....	6,824	35,450	+13	+11
Greeley, Colo.....	9,596	51,975	+24	+22
Pueblo, Colo.....	23,766	107,865	+32	+12
Atchison, Kans.....	6,763	32,246	+16	+7
Emporia, Kans.....	7,968	34,004	+21	+3
Hutchinson, Kans.....	29,604	134,603	+37	+8
Independence, Kans.....	4,047	21,496	-1	-1
Kansas City, Kans.....	40,644	199,024	+7	+1
Lawrence, Kans.....	8,641	39,906	+46	+27
Parsons, Kans.....	6,373	29,543	+21	+4
Pittsburg, Kans.....	6,082	31,944	+5	-2
Salina, Kans.....	20,877	102,717	+23	-2
Topeka, Kans.....	63,957	288,871	+22	+5
Wichita, Kans.....	218,375	1,121,820	+30	+22
Joplin, Mo.....	17,684	83,409	+10	+5
Kansas City, Mo.....	713,973	3,376,215	+11	+8
St. Joseph, Mo.....	54,262	282,004	+2	-6
Fremont, Nebr.....	7,363	35,615	+24	+9
Grand Island, Nebr.....	13,950	71,117	+21	+7
Lincoln, Nebr.....	52,903	240,754	+23	+3
Omaha, Nebr.....	341,128	1,668,306	+15	0
Albuquerque, N. M.....	36,294	181,531	+30	+23
Bartlesville, Okla.....	45,652	221,635	+13	+12
Enid, Okla.....	26,329	121,645	+66	+37
Guthrie, Okla.....	2,684	14,331	+19	+17
Muskogee, Okla.....	16,651	77,250	+20	0
Okla. City, Okla.....	197,997	945,637	+19	+13
Okmulgee, Okla.....	3,949	19,258	-5	+8
Tulsa, Okla.....	294,452	1,387,978	+20	+19
Casper, Wyo.....	10,932	55,230	+16	+16
Cheyenne, Wyo.....	17,735	93,026	+16	+2
District, 33 cities.....	2,650,539	12,724,496	+18	+9
U. S., 334 cities.....	81,723,000	389,903,000	+22	+11

anticipate a serious shortage of many clothing items heretofore least affected by the war.

Department store sales and stocks in leading cities :

	No. of Stores	SALES		STOCKS	
		May '45 comp. to May '44	5 Mos. '45 comp. to 5 Mos. '44	May 31, '45 comp. to May 31, '44	
		(Per cent increase or decrease)			
Denver.....	7	+7	+15	0	
Hutchinson.....	3	+10	+24	*	
Topeka.....	3	+3	+17	*	
Wichita.....	4	-3	+9	*	
Joplin.....	3	-12	+6	*	
Kansas City.....	8	+7	+16	+22	
St. Joseph.....	3	-6	+11	....	
Omaha.....	4	+2	+11	*	
Oklahoma City.....	6	+9	+18	+17	
Tulsa.....	4	+16	+25	*	
Other cities.....	32	+2	+13	-2	
District.....	77	+6	+15	+6	

\*Not shown separately but included in District total.

INDUSTRIAL PRODUCTION

**Meat Packing** Cattle slaughter in May, as indicated by packers' purchases at leading District markets, was below the level of the corresponding month of 1944 for the first time this year. Hog slaughter, as in other months this year, was only about one-third as large as that in 1944. Sheep and lamb slaughter alone showed an increase in May over the preceding year.

Total United States meat production in 1945 is estimated to be about 22.5 billion pounds on a dressed meat basis, 9 per cent less than the record production of 24.6 billion pounds in 1944 but 39 per cent larger than the 16.2 billion pound average from 1935 to 1939. The decline in meat production in 1945 is mainly the result of a substantial drop in hog slaughter following a sharp reduction in the size of the 1944 pig crop. Pork output in 1945 is indicated at 10.3 billion pounds, or 20 per cent below that in 1944. Output of beef and veal, however, is expected to set a new record this year, totaling about 11.2 billion pounds, or 5 per cent more than the previous high last year.

United States cold storage stocks of pork on June 1, at 303 million pounds, and stocks of lard, at 64 million pounds, were the lowest on record for that date. A year before, pork stocks had totaled 769 million pounds and lard stocks 490 million. The sharp shrinkage in pork stocks has pulled total meat holdings down to the third lowest level on record for June 1, total meat holdings having declined from 1,160 million pounds a year ago to 603 million pounds at the present time. Stocks of beef and lamb are still relatively large, although beef stocks on June 1 were down to 214 million pounds from 244 million a year ago and lamb stocks were down to 13½ million pounds from 14½ million last year.

**Flour Milling** Southwestern flour milling operations increased slightly from 91 per cent of full-time capacity in April to 93 per cent in May, when flour output was nearly one-fifth larger than last year. Some further increase in operations was indicated for June, especially at Wichita, as labor shortages at mills have been eased somewhat by production cutbacks at war plants and by the employment of school boys during the summer vacation period. The transportation situation, although still critical, also has eased appreciably. At Omaha, most mills early in June were operating on a seven-day week instead of the usual six.

**Petroleum** In May the Petroleum Administration for War certified to the various oil-producing states a production rate of 4,866,500 barrels of crude oil daily. The attained rate of national crude oil output for the month rose to 5,173,193 barrels daily, exceeding the quota by 306,693 barrels daily.

During June the Petroleum Administration for War certified a production rate of 5,192,100 barrels daily of all petroleum liquids. The rate represents a decrease of 6,380 barrels daily in total petroleum liquids from the record May certification of 5,198,480 barrels daily. In the Tenth District, the Oklahoma crude oil quota was increased by 2,500 barrels daily in June be-

cause of increased productive capacity. The Wyoming quota was also raised for the purpose of maintaining a westward movement of fuel oils.

Crude oil production data for the Tenth Federal Reserve District are presented in the following table:

	May	5 Mos.	Change from '44	
	1945	1945	May	5 Mos.
	(Thousand barrels)		(Per cent)	
Colorado.....	361	1,460	+42	+30
Kansas.....	8,798	40,909	+2	-1
Nebraska.....	30	132	-14	-24
New Mexico.....	3,429	15,977	+2	-7
Oklahoma.....	12,717	56,639	+21	+12
Wyoming.....	3,541	15,648	+41	+19
Six states.....	28,876	130,765	+14	+6
United States.....	160,368	733,612	+14	+9

During the week ended June 9, national crude oil production was 4,851,050 barrels daily, an increase of 7 per cent over the corresponding period of last year. Crude oil stocks, as of June 2, were down 3 per cent from last year while gasoline stocks showed an increase of 2 per cent. Residual fuel oil stocks and gas oil and distillate stocks declined 24 per cent and 9 per cent, respectively. Refinery runs were up 4 per cent from 1944.

Reports indicate that the 1½ million dollar oil-shale demonstration plant, which is to be constructed near Rifle, Colorado, will be ready for operation by the end of this year. The plant will be operated jointly with a research laboratory of the University of Wyoming at Laramie with the object of finding a method of converting the nation's reserves of oil shale into an auxiliary of liquid fuels and lubricants. It has been estimated that there are about 91 billion barrels of recoverable shale oil in the United States. Of this amount, it is judged that approximately 48 billion barrels are available in the Rifle district, where the Government owns large reserves of shale. The development of the oil shale would provide the United States with a supply of domestically produced motor fuel to be drawn upon as our crude oil reserves continue to diminish.

**Employment** The level of nonagricultural employment in the Tenth District was quite stable during the first quarter of 1945, as data showed practically no change following the seasonal drop from December. By March, the latest month for which figures are available, employment had reached the level which prevailed during the same month in 1944, whereas in January and February it was somewhat below that of the corresponding periods of the previous year.

Manufacturing employment had decreased 1 per cent compared with March a year ago, although there were increases in four of the seven states which lie wholly or partially in the District. Nebraska reflected

the greatest percentage increase and Kansas the greatest percentage decrease. A drop of 1 per cent from February was the first downward movement since last October. Stable nonagricultural employment accompanied by the decline in the number of manufacturing workers indicated a shifting of employees to other industry divisions during the month.

In the country as a whole, nonagricultural employment was 663,000 (2 per cent) lower than in March, 1944, but there was practically no seasonal change. Manufacturing employment showed a greater relative decline (7 per cent). This decrease reflected a downward movement of employment in munitions industries, principally in the transportation equipment group which included shipbuilding and aircraft production. Rising employment was reported only in aluminum and small-arms ammunition plants.

Department of Labor estimates of nonagricultural employment follow:

	Mar.	Aver.	Change from '44	
	1945	3 Mos. 1945	Mar.	3 Mos.
	(Number)		(Per cent)	
Colorado.....	258,000	257,300	0	-2
Kansas.....	398,000	399,300	-3	-3
Missouri.....	950,000	945,000	0	-1
Nebraska.....	260,000	261,000	+2	+1
New Mexico.....	79,500	78,500	+4	+3
Oklahoma.....	380,000	379,000	+1	+1
Wyoming.....	60,500	60,300	+2	0
Seven states.....	2,386,000	2,380,400	0	-1
United States.....	38,062,000	37,990,000	-2	-2

June reclassification of labor market areas indicated little change in the labor supply of the District. Some areas showed improvement while in others the supply was tighter. Grand Island and Lincoln, Nebraska, were changed from Group II (labor stringency) to Group III (adequate labor supply). Topeka was transferred from Group III to Group II and Kansas City and St. Joseph from Group IV (substantial surplus) to Group III.

**AGRICULTURE**

**Crops** During May and the forepart of June, weather conditions over much of the District continued unfavorable for crops and for farm work. Excessive moisture in the eastern part of the District caused further delay in the planting of spring crops, especially of corn in the important corn-producing sections of southeastern Nebraska, north-eastern Kansas, and northwestern Missouri. Much replanting of cotton was necessary in southeastern Oklahoma, where this crop is the latest on record. Rainfall was inadequate in southwestern Kansas, in the western and Panhandle areas of Oklahoma, and in much of New Mexico, May marking the fourth consecutive month of dry weather in New Mexico.

Early in June, the development of oats, flax, barley, corn, soy beans, cotton, peanuts, and many other spring crops was considerably behind normal, wet weather this spring having delayed crop plantings generally and unseasonably cool temperatures having retarded plant growth. Large acreages of grain sorghums and soy beans are in prospect, since farmers did not plant the acreages of oats and corn that they had intended. Sugar beets have made satisfactory progress in Colorado, Wyoming, and Nebraska, with prisoner of war labor partially relieving the critical shortage of workers for cultivating and thinning beets.

When the winter wheat crop emerged from the dormant stage last spring, the condition of the crop was excellent nearly everywhere in the District. During April and May, however, the wheat prospect in Oklahoma was reduced sharply by leaf rust, by excessive moisture in the eastern part of the state, and by the development in May of drought in the western part of

	RAINFALL			
	May 1945		5 Mos. 1945	
	Total	Normal	Total	Normal
	(In inches)			
<b>COLORADO</b>				
Denver.....	2.06	2.21	5.89	6.24
Leadville.....	1.92	1.33	8.66	7.46
Pueblo.....	0.91	1.60	4.42	4.28
Lamar.....	0.87	2.22	4.16	5.48
Alamosa.....	0.40	0.80	1.71	2.18
Steamboat Springs.....	2.65	2.11	12.38	11.31
<b>KANSAS</b>				
Topeka.....	6.68	4.42	21.28	11.51
Iola.....	3.82	4.80	16.59	14.15
Concordia.....	7.33	3.84	14.89	8.49
Salina.....	3.75	3.91	13.53	9.28
Wichita.....	1.28	4.66	11.83	11.20
Hays.....	3.78	3.51	8.84	7.71
Goodland.....	2.26	2.52	5.18	6.16
Dodge City.....	1.56	2.85	7.93	6.94
Elkhart.....	2.51	2.42	5.71	5.85
<b>MISSOURI</b>				
St. Joseph.....	5.25	4.70	17.51	13.32
Kansas City.....	5.55	3.94	17.73	12.50
Joplin.....	6.98	5.36	23.80	17.10
<b>NEBRASKA</b>				
Omaha.....	5.83	3.77	14.44	9.24
Lincoln.....	5.62	4.08	13.95	9.47
Norfolk.....	7.40	3.69	13.12	9.06
Grand Island.....	4.51	4.02	10.16	9.27
McCook.....	2.91	2.87	6.31	7.02
North Platte.....	2.43	2.78	5.43	6.62
Bridgeport.....	3.04	2.71	7.66	6.27
Valentine.....	2.38	2.82	5.32	6.72
<b>NEW MEXICO</b>				
Clayton.....	0.35	2.47	2.71	5.36
Santa Fe.....	0.21	1.19	3.35	4.25
Farmington.....	Trace	0.57	2.95	3.11
<b>OKLAHOMA</b>				
Tulsa.....	1.33	5.05	17.87	15.39
McAlester.....	3.68	6.04	32.04	18.52
Oklahoma City.....	2.59	4.88	17.87	12.45
Pauls Valley.....	2.29	5.31	19.72	14.27
Hobart.....	0.25	4.25	10.44	10.65
Enid.....	1.08	4.08	12.48	11.03
Woodward.....	1.27	3.53	9.28	9.18
<b>WYOMING</b>				
Cheyenne.....	1.31	1.43	7.41	5.50
Casper.....	1.07	2.25	3.95	6.87
Lander.....	1.82	2.26	9.04	6.70
Sheridan.....	2.29	2.65	6.70	7.28

the state. In May, also, the winter wheat prospect in Kansas was reduced substantially by soil nitrogen deficiency over the western two-thirds of the state, by continued heavy rains in the east, and by drought in the southwest. Winter wheat prospects in New Mexico have been more than cut in half by drought since April 1. For the seven states wholly or partially included in this District, the indicated crop of about 406 million bushels as of June 1, without allowance for any deterioration that may have taken place since then, was 6 per cent below the estimate for a month earlier. Nevertheless, winter wheat production is still very large, the June 1 estimate falling little below the record 1931 crop of 424 million bushels and exceeding last year's production by 13 per cent and the 1934-43 average by 51 per cent.

Department of Agriculture winter wheat estimates:

	Indicated 1945			Final 1944	Aver. '34-'43
	June 1	May 1	April 1		
	(In thousands of bushels)				
Colo.....	24,415	23,130	21,672	16,827	13,126
Kans.....	212,480	239,040	231,557	191,624	133,700
Mo.....	23,940	24,795	26,100	23,800	26,420
Nebr.....	77,574	70,186	70,818	35,009	42,787
N. Mex.....	1,838	2,940	4,550	2,795	2,127
Okla.....	62,468	67,900	75,127	85,914	48,435
Wyo.....	3,060	3,060	2,548	2,106	1,508
7 States.....	405,775	431,051	432,372	358,075	268,103
U. S.....	797,255	835,186	862,515	764,073	585,994

The 1945 wheat harvest began in southwestern Oklahoma in the last week of May, but progress northward was slowed by frequent showers and wet fields. Despite new storage construction, the recent improvement in box car supplies, and the progress made in moving out old crop wheat to make room for the new crop, available space at local elevators was filled quickly and the supply of box cars is still inadequate to handle the overflow. Consequently, it has been necessary to dump a considerable amount of new crop wheat on the ground at the beginning of harvest. This year there are no box cars stored in the wheat belt to move the new crop, although normally about 25,000 to 30,000 cars are waiting to handle the harvest. Some relief by late June was anticipated, however, as the Army wheat export program involving movement of grain to the Gulf was expected to be sufficiently well advanced by that time to permit the release of some cars to the southwestern wheat area.

Cash wheat prices at Kansas City at the middle of June were at or near the higher ceiling authorized late in May to permit parity prices to growers as provided by law. Wheat prices showed the widest premium over the loan rate for any season since the loan programs were instituted in 1938. This strength in wheat prices at the beginning of harvest was attributed in large part to the virtual depletion of old wheat stocks at mills, continued heavy demand for

flour, especially by Government agencies, and the general expectation that transportation facilities would not be available to move all of the new wheat farmers would like to sell. Cash corn prices also were at the ceiling. An artificially tight corn situation has developed recently, with marketings far below current needs for livestock feeding, for processing corn products, and for the manufacture of mixed feeds. Effective June 16, a ban was placed on corn exports and on distiller purchases of corn for both industrial and beverage alcohol.

**Livestock** In June, the top price of beef steers at Kansas City reached that market's ceiling of \$17.65 a hundredweight for the first time since the ceiling was established last January. This was the highest beef steer price for any month since November, 1928, and heifer cattle prices at \$17.35 were the highest on record. The all-time peak of beef steer prices, however, was \$25.25 in December, 1918. Two loads of grass fat steers, the first of the season, reached Kansas City on June 19. These steers averaged about a thousand pounds each and sold for \$13.90 to \$14.00 a hundredweight. According to market interpretations, grass cattle of this price and weight, if sold for slaughter, are eligible for the recently announced feeder subsidy of 50 cents a hundredweight, the same as grain fed cattle. Lamb prices had been declining seasonally but strengthened somewhat in June. The small supplies of hogs continued to sell readily at the ceiling.

Top carlot livestock prices at Kansas City:

	June 20 1945	May 1945	Apr. 1945	May 1944	May 1943	May 1942
	(In dollars per hundredweight)					
Beef steers.....	17.65	17.50	17.25	16.85	16.60	13.90
Stocker cattle.....	14.75	15.50	15.50	14.10	16.50	14.50
Feeder cattle.....	15.50	15.90	15.60	14.75	15.75	13.15
Calves.....	15.00	15.00	14.00	14.00	16.00	15.00
Hogs.....	14.50	14.50	14.50	13.50	14.50	14.25
Lambs.....	16.00	16.10	16.75	16.25	15.90	15.50
Slaughter ewes....	7.85	9.00	9.25	9.00	9.00	8.00

The spring movement of southwestern cattle into the Blue Stem (Flint Hills) pastures of Kansas was 15 per cent larger than that in either 1944 or 1943. The movement into the Osage pastures of Oklahoma also was 15 per cent larger than last year but was 15 per cent less than two years ago. The number of local cattle and of cattle carried over through the winter in these areas is almost as large as a year ago and is considerably larger than in any year from 1939 to 1943. Consequently, these pastures are well stocked for the summer grazing season. Cattle were shipped in somewhat later than last year, but the better condition of cattle this year, excellent pasture feed, and the good gains being made on grass indicate that marketing may be slightly earlier than last season.



# FEDERAL RESERVE BANK OF KANSAS CITY

## NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Industrial activity and factory employment continued to decline slightly in May. Value of department store sales increased in May and the early part of June, following the sharp decline in April.

### INDUSTRIAL PRODUCTION

As a result of further decreases in activity at munitions plants, the Board's seasonally adjusted index of industrial production declined in May to 227 per cent of the 1935-39 average as compared with 231 in April.

A further reduction in operations at shipyards accounted for most of the decrease in activity at munitions plants, although there were small decreases in activity in the machinery and aircraft and other transportation equipment industries. The decline in aircraft was in accordance with reductions in schedules made prior to VE day. At the end of May the Army Air Forces announced a cutback in procurement which will reduce total military aircraft production in the last quarter of the year to a level 30 per cent below that of March.

Steel production was maintained at a high level in May but declined somewhat during the first three weeks of June. Production of nonferrous metal products showed a sharp drop in May following a large rise earlier this year. In June brass mill products and aluminum were made available for general civilian use and after July 1 some steel also will be released.

Production of textile, leather, paper, chemical, and petroleum products showed little change in May and total output of nondurable goods was at a level 3 per cent above that of a year ago.

Coal production declined 8 per cent in May as anthracite output dropped sharply due to interruptions in mine operations in the first three weeks of the month. In the early part of June, production of both anthracite and bituminous coal increased to about the level that prevailed earlier in the year but was still somewhat below the rate of output in June, 1944. Output of crude petroleum was maintained in record volume in May and the early part of June.

### DISTRIBUTION

Department store sales, which had declined sharply in April, increased in May and the first half of June, after allowance is made for the usual seasonal change. In May sales were 4 per cent larger than in May, 1944, while sales during the first two weeks of June were 16 per cent greater than in the corresponding period last year.

Most classes of freight carloadings showed seasonal increases in May and the early part of June and remained at a level slightly above last year's high level. Railroad shipments of manufactured goods, which reached a record volume in March of this year, have declined only slightly since that time.

### COMMODITY PRICES

Wholesale prices of consumer goods continued to advance from the middle of May to the middle of June. Anthracite was raised \$1 a ton, food prices increased somewhat further, and various miscellaneous products were higher. On the other hand, it was announced that maximum prices on used cars would be reduced 4 per cent on July 1 and additional new regulations have been issued recently covering prices of clothing, automobile repairs, and some consumer durable goods.

### BANK CREDIT

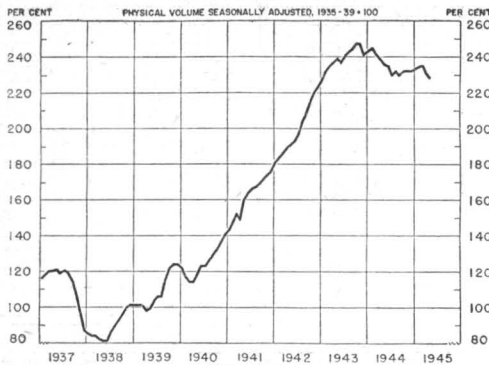
During the four weeks ending June 13, covering the period of intensified sales of securities to individuals in the Seventh War Loan, loans and investments at reporting banks in leading cities increased by close to 1.7 billion dollars. Loans for purchasing and carrying Government securities rose by 620 million dollars, as investors adjusted their portfolios in anticipation of security purchases. Advances to brokers and dealers accounted for 360 million of the increase and loans to others for 260 million. Government security holdings of reporting banks rose by 825 million dollars, reflecting continued purchases of bonds.

Deposits of individuals and businesses at weekly reporting banks increased by about 1.3 billion dollars during the first four weeks of the drive. U. S. Government deposits at these banks declined by 300 million dollars. The time deposit expansion slackened, presumably due to the war loan drive. As a result of these developments the weekly average level of required reserves at all member banks increased by around 200 million dollars during the first four weeks of the drive.

Reserve funds to meet the increase in required reserves and a reduced currency drain of 160 million dollars were supplied through an increase of 435 million in the Government security portfolios of Reserve Banks and by substantial member bank borrowing from the Reserve Banks shortly prior to and early in the drive. Borrowing from the Reserve Banks rose in early June to over 900 million dollars outstanding, the largest amount since the spring of 1933. The total increase in Reserve Bank credit more than offset reserve needs and the average level of excess reserves rose by about 350 million dollars to close to 1.4 billion outstanding in mid-June.

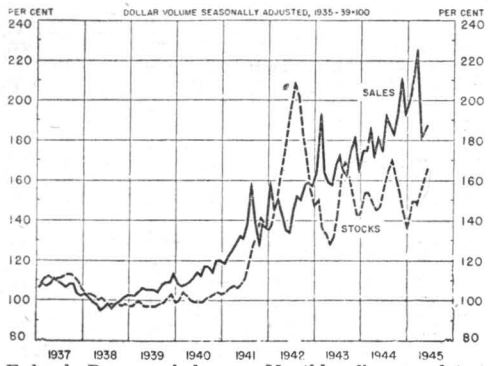
In the week ending June 20, when large payments were made by corporations and others for securities purchased in the drive, there was a shift of deposits from private accounts to reserve free war loan accounts and a consequent reduction of 440 million dollars in required reserves of member banks. Member bank borrowings declined in the week by nearly 550 million dollars. Reserve Bank holdings of Government securities, however, increased further.

### INDUSTRIAL PRODUCTION



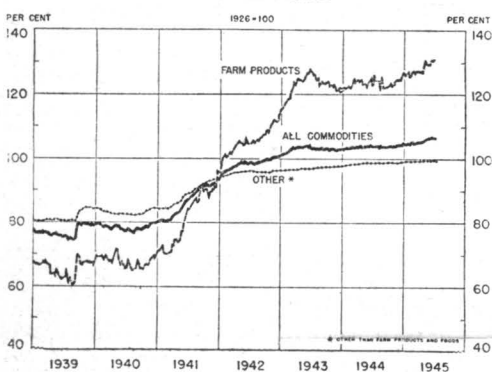
Federal Reserve index. Monthly figures; latest shown is for May, 1945.

### DEPARTMENT STORE SALES AND STOCKS



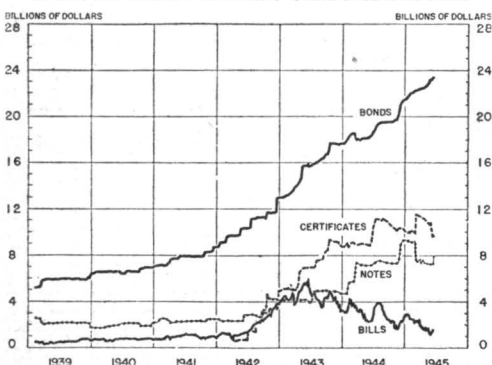
Federal Reserve indexes. Monthly figures; latest shown are for May, 1945.

### WHOLESALE PRICES



Bureau of Labor Statistics' indexes. Weekly figures; latest shown are for week ending June 16, 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 June 13, 1945.