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STATE TAX COLLECTIONS IN THE TENTH DISTRICT

During the war period, state government finances have been overshadowed by the enormous Federal financial operations required for the prosecution of the war. As the states are an integral part of the national economy, the impact of the war inevitably has been reflected in state government finances, and particularly in state revenue. The purpose of this article is to analyze that effect on state tax collections in the Tenth District states. The period covered is the five years beginning with 1940 and ending with 1944, the most recent year for which data are available for all states of the District. Local government taxes are not included in this discussion.

In the seven states which lie wholly or partially in the District, taxes supplied approximately three-fourths of the total revenue received from 1940 to 1944, while receipts from other governmental units, earnings, and miscellaneous revenues accounted for the remainder. For the District states as a unit these proportions remained stable throughout the five-year period, although the dollar tax collections were not constant, but showed extensive growth. In individual states the proportion provided by taxation varied somewhat. The largest variation was in Wyoming, where the proportion provided by taxation expanded from 55 per cent in 1940 to 68 per cent in 1944. The smallest variation occurred in Oklahoma. Taxes contributed the greatest share of the state government revenue in Missouri, where they constituted about four-fifths of the total state revenue.

The peak volume of tax collections during the five-year period was attained in 1944 for the District as a whole and for all states except Colorado and Kansas, where the high points were reached in 1943. The total amount of taxes collected in the District states in 1944 was 361 million dollars, or 73 million more than in 1940. The increase of 1944 over 1940 ranged from 9 per cent in Nebraska to 35 per cent in Kansas. Oklahoma followed closely with a 33 per cent increase.

The rise in state revenue was largely a result of increased collections in three classes of taxes—sales, personal, and pay roll taxes. The greatest relative

growth was in personal taxes, chiefly in the net income tax, whose proceeds in the District states increased 105 per cent. The largest absolute increase, however, was in the sales tax category. Kansas experienced the greatest percentage gain in personal taxes and pay roll taxes with collections in 1944 more than threefold and twofold, respectively, the volume in 1940. The relative gain in sales taxes in Kansas was second only to Oklahoma which showed an increase of 89 per cent.

As would have been expected, motor vehicle and motor fuel taxes declined. However, Oklahoma was an exception to the general trend. The greatest absolute and percentage decreases occurred in Missouri. By 1944, property taxes provided 19 per cent less revenue in the District region than in 1940, although gains were shown in three states. Business and corporation taxes showed a substantial gain in all states which had a corporation income tax.

The expansion in total tax collections was the result of factors inherent in the wartime economy, as tax rates did not increase and in a few cases decreased. The expanded volume of business activity in the District states increased the productivity of most of the principal taxes.

Sales Taxes Sales and use taxes have become one of the chief sources of funds for most District state governments. Such taxes may be levied upon retail dealers' sales or gross receipts, upon the use or consumption of tangible property, upon professional, technical, and other services, or upon sales of specific commodities and services, such as alcoholic beverages, tobacco products, insurance, public utilities, admissions and amusements, and soft drinks.

Of the District states, only Nebraska does not levy a general sales tax. In the other states a uniform rate of 2 per cent prevails, except in New Mexico which has a maximum rate of 2 per cent. All seven states tax alcoholic beverages, but only two, Kansas and Oklahoma, tax tobacco products. In general, specific articles are assessed at flat rates, based on quantity.

The significance of sales taxes as a source of revenue increased steadily during the five years under review. In every state except Nebraska, sales tax collections amounted to one-fourth or more of total taxes in 1940 and to one-third or more in 1944. The general sales taxes, the principal item in this group, and the tobacco taxes made the most pronounced year-to-year gains. Collections attained the greatest volume in 1944, although alcoholic beverage sales reached their peak figures in Missouri in 1942 and in Colorado, Kansas, Nebraska, and New Mexico in 1943.

The gain in sales tax revenue was contrary to predictions made in the early months of the war that such income could be expected to decline, as considerable production would be diverted to war goods which would be exempt from retail taxes. Materialization of these predictions was prevented by the rising dollar volume of retail trade, resulting in part from higher prices.

Motor Vehicle and Motor Fuel Taxes Equally important as sales taxes as a source of revenue in the District states are the taxes from the sale of gasoline and other motor vehicle fuels and from registration and license fees, certificates of title, drivers' licenses, and permits and fees of commercial carriers. Gasoline tax rates are 2 cents to 5½ cents per gallon; license fees are imposed according to weight, age, horsepower, capacity, and mileage.

At the beginning of the five-year period, these levies provided the largest share of income of any class of tax. Even by 1944, they had lost only a little of their importance, although they were surpassed by sales tax collections. On the average, approximately three-fifths to seven-tenths of tax revenues and two-fifths to one-half of total revenues of the individual states were derived from these two categories. Motor vehicle taxes were most significant in Nebraska, yielding about half of total taxes and a third of total revenue in that state.

Since the motor fuel tax was the predominant element, the principal influence in the downward movement of highway taxes was the curtailment of the use of gasoline through its diversion to war activities and through rationing. Receipts from licenses were greatest in Nebraska in 1940; in Missouri in 1941; in Kansas, New Mexico, and Oklahoma in 1942; and in Colorado and Wyoming in 1943. In four states and in the region as a whole, income from licenses in 1944 slightly exceeded the collections of 1940, probably because of increased truck registrations for which license fees were higher than for passenger cars.

Personal Taxes Individual net income, inheritance, estate, gift, and poll taxes compose the division classified as personal taxes. Again Nebraska differs from the other states by not imposing an income tax and by being the only state to include a poll tax as a part of its state system. Wyoming's receipts from personal taxes were extremely small, less than 1 per cent of total tax income, because the inheritance tax is the only levy in the classification.

Although personal taxes supplied a comparatively small proportion of revenue, the remarkable circumstance was the rapid growth, which was largely in income taxes. Every state showed a gain in income tax receipts each year, but the most marked change was in Kansas, where collections for 1944 were nearly four times as large as in 1940. Missouri was the only state in which the increase was less than 100 per cent. The upward trend in income tax receipts was to a great extent the effect of larger earnings from accelerated economic activity resulting from the war.

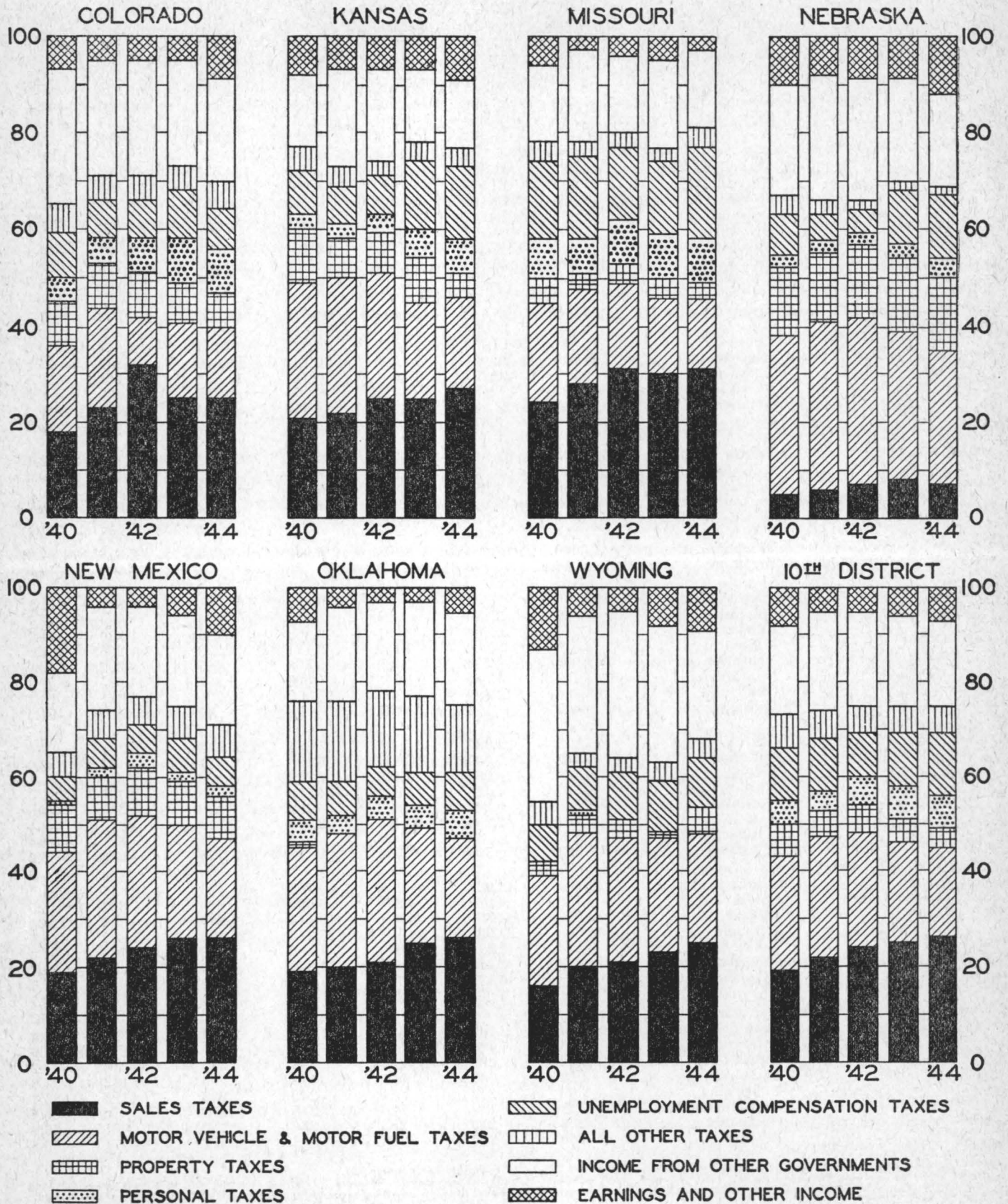
Business and Corporation Taxes Less uniformity is found among the Tenth District states in business and corporation taxes than in any other category. Under this heading are included corporation net income taxes, severance taxes¹, and all licenses and fees paid for the privilege of operating a business or selling certain specified goods. All District states except Nebraska and Wyoming tax the net incomes of business corporations. In Missouri, the separate figures of net income tax paid by corporations and by individuals are not available, and in this study the total is listed under personal taxes. All states require alcoholic beverage licenses, chiefly as measures of control. Although several of the states have severance taxes, Oklahoma is the only state where they constitute an important source of revenue.

Business taxes contributed 8 per cent or less of total tax revenue from 1940 to 1944 excepting Oklahoma where the average yield for the five years was about 20 per cent of total state taxes. This difference is explained by the more lucrative severance taxes in Oklahoma. The effect of the war on business taxes was most noticeable in the tremendous expansion of corporate income tax collections which were affected by higher earnings as were individual income taxes.

Property Taxes The traditional tax on real and personal property, formerly one of the chief producers of state funds, has been supplemented from time to time by other kinds of duties which have practically replaced it as a major source of income. Oklahoma abolished this form of

¹Taxes on the removal of natural products from the land.

PERCENTAGE DISTRIBUTION OF STATE REVENUES BY SOURCES



REVIEW OF AGRICULTURAL AND BUSINESS CONDITIONS

STATE TAX COLLECTIONS IN TENTH DISTRICT STATES, 1940-44*

(Amounts in thousands of dollars)

							Change 1940-44	
		1940	1941	1942	1943	1944	Amount	Per cent
Total Taxes	DISTRICT STATES.....	288,020	306,434	332,007	347,858	360,558	+72,538	+25.2
	Colorado.....	38,970	41,381	43,727	47,460	46,752	+7,782	+20.0
	Kansas.....	42,934	44,556	49,502	59,105	58,012	+15,078	+35.1
	Missouri.....	92,507	106,005	103,937	105,415	113,921	+21,414	+23.1
	Nebraska.....	26,057	24,587	25,679	27,752	28,375	+2,318	+8.9
	New Mexico.....	17,069	18,000	19,937	20,521	21,396	+4,327	+25.4
	Oklahoma.....	62,314	63,264	80,291	79,367	83,131	+20,817	+33.4
	Wyoming.....	8,169	8,641	8,934	8,238	8,971	+802	+9.8
Sales Taxes	DISTRICT STATES.....	75,151	91,869	103,904	115,620	124,535	+49,384	+65.7
	Colorado.....	11,111	13,575	13,626	16,068	16,594	+5,483	+49.3
	Kansas.....	11,866	13,368	16,479	19,119	20,707	+8,841	+74.5
	Missouri.....	27,805	38,341	40,178	41,270	43,962	+16,157	+58.1
	Nebraska.....	1,738	2,174	2,636	3,000	2,850	+1,112	+64.0
	New Mexico.....	4,909	5,229	6,188	7,161	7,906	+2,997	+61.1
	Oklahoma.....	15,441	16,588	21,807	26,053	29,216	+13,775	+89.2
	Wyoming.....	2,281	2,594	2,990	2,949	3,300	+1,019	+44.7
Motor Vehicle and Motor Fuel Taxes	DISTRICT STATES.....	96,093	103,932	109,015	94,579	88,721	-7,372	-7.7
	Colorado.....	10,641	11,956	12,098	10,820	9,979	-662	-6.2
	Kansas.....	15,817	16,703	17,337	14,715	14,147	-1,670	-10.6
	Missouri.....	24,919	26,901	24,219	22,124	20,670	-4,249	-17.1
	Nebraska.....	12,997	13,127	13,581	12,410	11,636	-1,361	-10.5
	New Mexico.....	6,691	7,189	7,292	6,490	6,255	-436	-6.5
	Oklahoma.....	21,613	24,237	30,920	24,888	23,034	+1,421	+6.6
	Wyoming.....	3,415	3,819	3,568	3,132	3,000	-415	-12.2
Personal Taxes	DISTRICT STATES.....	18,993	18,812	25,778	29,787	32,752	+13,759	+72.4
	Colorado.....	3,137	3,371	4,274	5,571	5,629	+2,492	+79.4
	Kansas.....	1,690	1,981	2,865	4,576	5,514	+3,824	+226.3
	Missouri**.....	8,907	9,071	11,741	12,995	12,892	+3,985	+44.7
	Nebraska.....	919	909	851	955	1,697	+778	+84.7
	New Mexico.....	258	308	885**	550	617	+359	+139.1
	Oklahoma.....	4,036	3,094	5,141	5,090	6,352	+2,316	+57.4
	Wyoming.....	46	78	21	50	51	+5	+10.9
Business and Corporation Taxes	DISTRICT STATES.....	25,740	22,663	24,661	26,297	28,631	+2,891	+11.2
	Colorado.....	3,334	2,350	2,326	2,668	3,423	+89	+2.7
	Kansas.....	1,965	2,406	1,981	2,469	2,785	+820	+41.7
	Missouri.....	3,938	3,004	3,159	3,171	4,233	+295	+7.5
	Nebraska.....	959	534	489	568	567	-392	-40.9
	New Mexico.....	1,197	1,365	1,243	1,693	1,882	+685	+57.2
	Oklahoma.....	13,880	12,890	15,356	15,630	15,701	+1,821	+13.1
	Wyoming.....	467	114	107	98	40	-427	-91.4
Property Taxes	DISTRICT STATES.....	27,225	22,986	24,936	25,824	21,934	-5,291	-19.4
	Colorado.....	5,167	5,037	5,660	5,195	5,031	-136	-2.6
	Kansas.....	6,131	4,997	5,465	7,229	3,306	-2,825	-46.1
	Missouri.....	6,727	4,721	4,882	4,559	3,969	-2,758	-41.0
	Nebraska.....	5,640	5,387	5,822	6,182	6,178	+538	+9.5
	New Mexico.....	2,393	2,294	2,485	2,563	2,618	+225	+9.4
	Oklahoma.....	658	36	30	26	37	-621	-94.4
	Wyoming.....	509	514	592	70	795	+286	+56.2
Unemployment Compensation Taxes	DISTRICT STATES.....	42,269	43,923	41,288	53,183	61,116	+18,847	+44.6
	Colorado.....	5,172	4,662	5,243	6,529	5,509	+337	+6.5
	Kansas.....	4,923	4,863	5,091	10,714	11,229	+6,306	+128.1
	Missouri.....	19,688	23,335	19,167	20,748	27,490	+7,802	+39.6
	Nebraska.....	3,444	2,212	2,019	4,388	5,212	+1,768	+51.3
	New Mexico.....	1,393	1,426	1,638	1,849	1,820	+427	+30.7
	Oklahoma.....	6,458	6,170	6,754	7,414	8,502	+2,044	+31.7
	Wyoming.....	1,191	1,255	1,376	1,541	1,354	+163	+13.7
Other Taxes	DISTRICT STATES.....	2,549	2,249	2,425	2,568	2,869	+320	+12.6
	Colorado.....	408	430	500	609	587	+179	+43.9
	Kansas.....	542	238	284	283	324	-218	-40.2
	Missouri.....	523	632	591	548	705	+182	+34.8
	Nebraska.....	360	244	281	249	235	-125	-34.7
	New Mexico.....	228	189	206	215	298	+70	+30.7
	Oklahoma.....	228	249	283	266	289	+61	+26.8
	Wyoming.....	260	267	280	398	431	+171	+65.8

* Data are for years ending June 30 except for Missouri (December 31) and Wyoming (September 30).

** Corporation net income tax receipts are recorded with individual net income tax receipts in Missouri for period covered, and in New Mexico for 1942.

SOURCES: State Finances, Vol. 3, 1940-43, and Vol. 2, 1944 (preliminary data), Bureau of the Census. Financial reports of the District states.

taxation in 1933, so that during the five-year period all collections represented delinquent taxes. In 1943, Kansas made no general levy on tangible property for state purposes, but retained only the levies for special purposes; therefore, collections in 1944 were reduced to nearly half of those in 1940. The status of property taxes in Colorado, Nebraska, and New Mexico varied little from year to year, and any changes in collections were the result of slight differences in valuations or of fractional changes in rates. No 1942 general property tax was levied in Wyoming; consequently, no collections were reported for 1943. The change in rate from 1.5 mills in 1940 to 2.0 mills in 1944 accounted for the larger collections in Wyoming. The 1944 yield in Missouri was about three-fifths of the yield in 1940, as a result of a 40 per cent reduction in the tax rate.

The relative importance of property taxes was greatest in Nebraska, where they amounted to about one-fifth of taxes collected and about one-seventh of the entire state revenue. Collections in the other states yielded one-eighth or less of the state's total taxes. In Kansas and Missouri, the percentage of state tax revenue supplied by property taxes in 1944 was the lowest of the five-year period.

Unemployment Compensation Taxes The unemployment compensation tax is imposed as a specific percentage of pay rolls of employers of eight or more persons. This tax was adopted by states following the passage of the national Social Security Act of 1935. The Federal law provided for a 3 per cent tax of which 90 per cent may be credited to state unemployment taxes. This standard rate of 2.7 per cent subject to experience-rating provisions is uniform throughout the District states.

After an employer has made contributions to the state unemployment compensation fund for a period of about 3½ to 5 years, depending on the provisions of the state law, he is eligible for a reduction of his contribution rate according to benefits paid or reserve ratio maintained. Subsequent to a reduction, his rate may be either raised or lowered.

In every state but Colorado and Oklahoma, the ratio of pay roll taxes to total state taxes was greater in 1944 than in 1940. Likewise, actual collections increased by 45 per cent in the whole area, 128 per cent in Kansas, and from 7 to 51 per cent in the other six states.

The explanation of this occurrence may be found in war production. The highest continuous level of non-agricultural employment in the District region prevailed from June to December of 1943 which period, according to fiscal years, was the first half of the fiscal year 1944. Manufacturing employment also reached its peak during that fiscal year. Peak employment and peak unemployment tax collections coincided in every state.

Also, as stated above, new establishments were not eligible for a downward adjustment of rates for several years. The payment of the full rate by new firms was a significant factor, as many firms were established after 1940.

In some states a special war risk contribution rate has been applied in recent years to firms showing exceedingly large pay roll expansion. This action was taken in anticipation of large reductions in employment by such firms after the war, which might result in heavy withdrawals from the unemployment compensation funds.

BUSINESS AND AGRICULTURAL CONDITIONS

FINANCE

Member Bank Credit In the four-week period ending August 15, the Tenth District weekly reporting banks increased their "commercial, industrial, and agricultural" loans 15.4 million dollars.

Most of this increase consisted of credit extended by Kansas City banks to grain dealers and flour millers as loans on wheat. Loans to brokers and dealers for purchasing and carrying Government securities expanded contrary to the usual contraction in such loans between war loan drives. The increase was the result of loans by one bank, although loans to brokers and dealers on other securities expanded in several reporting banks.

Investments increased 20.3 million dollars during the four-week period under review. Of this amount, Government security holdings accounted for 14.6 mil-

lion, and other securities 5.7 million.

The volume of deposits in the weekly reporting banks increased 79.2 million dollars in the four-week period under review. Government deposits decreased 43.9 million dollars, while private demand deposits increased 70.1 million, and time deposits 6.7 million. Interbank deposits showed an expansion of 46.2 million dollars, and continued to establish record high figures. This growth in interbank deposits constituted largely proceeds from sales of wheat, and to some extent cattle, by producers whose banks in turn placed a sizeable proportion of the proceeds on deposit with the city banks.

The expansion in total deposits was reflected in increases of 38.0 million dollars in loans and investments, 50.3 million in reserves with the Federal Reserve Bank, and 4.0 million in borrowings by banks,

and a decrease of 4.4 million in net balances due from banks.

Principal items of condition of 50 member banks:

	Change from		
	Aug. 15 1945	July 18 1945	Aug. 16 1944
	(In thousands of dollars)		
Loans and investments—total.....	2,271,683	+38,003	+361,117
Loans—total.....	380,259	+17,713	+41,921
Coml., indust., agric.....	232,784	+15,424	+19,253
To security brokers and dealers.....	8,153	+2,149	+3,856
Other to purchase or carry secur..	39,117	-999	+12,203
Real estate loans.....	37,387	+755	-102
Loans to banks.....	150	-350	+150
All other loans.....	62,668	+734	+6,561
Investments—total.....	1,891,424	+20,290	+319,196
U. S. Govt. securities—total.....	1,756,850	+14,573	+310,020
Bills.....	107,353	-1,567	-23,921
Certificates of indebtedness.....	406,609	+6,471	+19,947
Notes.....	464,283	+7,908	+161,491
Bonds.....	778,207	+1,629	+189,588
Guaranteed obligations.....	398	+132	-37,085
Other securities.....	134,574	+5,717	+9,176
Reserve with F. R. Bank.....	480,640	+50,304	+94,080
Balances "due from" banks—net.....	305,646	-4,433	+20,933
Demand deposits—adjusted.....	1,375,799	+70,141	+221,118
Time deposits.....	268,343	+6,698	+64,605
U. S. Govt. deposits.....	320,041	-43,935	+6,876
Deposits "due to" banks—net.....	978,604	+46,248	+162,548
Borrowings.....	10,000	+4,000	+10,000

DEPARTMENT STORE TRADE

The dollar volume of department store sales in this District in July was 13 per cent larger, and in the first seven months of the year 15 per cent larger, than in the corresponding periods last year. In the two-week period ending August 11, sales showed a gain of 18 per cent over last year. Dollar volume for the following week, ending August 18, was sharply under a year ago, but on a daily average basis sales still were 9 per cent above last year, after allowing for the fact that stores in most cities were closed one day, and in some cities two days, in celebration of the Japanese surrender. Sales declined less than is usual from June to July, and the seasonally adjusted index of daily average sales rose from 218 per cent of the 1935-39 average in June to 243 in July, or within three points of the record level of 246 per cent last February.

The percentage increases in department store sales, however, are by no means uniform over the District. At Wichita, for example, the gains in sales for some time have been relatively small, owing to the rapid readjustments in war activity that had been taking place at that center even before the end of the war. July department store sales at Wichita, and also at St. Joseph, were little changed from a year ago as compared with the District increase of 13 per cent, and the increases for Hutchinson and Omaha were markedly below average.

In July, for the third successive month, department store stocks increased contrary to the usual seasonal trend, a situation similar to that prevailing in both of the last two years. The retail value of inventories at

	BANK DEBITS		Change from '44	
	July 1945	7 Mos. 1945	July	7 Mos.
	(Thousand dollars)		(Per cent)	
Colo. Springs, Colo.....	26,050	166,109	+3	+4
Denver, Colo.....	296,601	2,138,222	+13	+10
Gr. Junction, Colo.....	6,102	48,426	-5	+7
Greeley, Colo.....	8,591	70,904	+15	+21
Pueblo, Colo.....	25,019	156,121	+9	+11
Atchison, Kans.....	7,827	47,973	+8	+8
Emporia, Kans.....	6,299	46,686	-13	+1
Hutchinson, Kans.....	36,327	202,906	+5	+11
Independence, Kans.....	4,413	30,501	-5	-2
Kansas City, Kans.....	38,204	282,973	-7	-1
Lawrence, Kans.....	8,689	58,003	+17	+23
Parsons, Kans.....	5,679	42,311	+1	+4
Pittsburg, Kans.....	6,431	46,100	-1	-2
Salina, Kans.....	32,751	153,047	-9	-4
Topeka, Kans.....	62,569	424,711	+3	+4
Wichita, Kans.....	216,750	1,550,924	+7	+16
Joplin, Mo.....	16,807	119,220	0	+3
Kansas City, Mo.....	731,546	4,881,751	+2	+8
St. Joseph, Mo.....	54,144	391,728	+2	-5
Fremont, Nebr.....	6,356	48,967	+6	+8
Grand Island, Nebr.....	12,907	98,004	+7	+7
Lincoln, Nebr.....	52,160	356,440	-16	+2
Omaha, Nebr.....	345,303	2,412,410	+14	+4
Albuquerque, N. M.....	39,196	259,299	+16	+22
Bartlesville, Okla.....	44,610	312,874	+9	+9
Enid, Okla.....	46,006	200,508	+18	+28
Guthrie, Okla.....	2,272	19,516	-4	+12
Muskogee, Okla.....	14,885	110,037	-2	+1
Okla. City, Okla.....	189,619	1,383,700	0	+11
Okmulgee, Okla.....	3,961	27,517	+20	+11
Tulsa, Okla.....	279,913	2,005,500	+6	+18
Casper, Wyo.....	12,212	78,874	+15	+13
Cheyenne, Wyo.....	16,561	131,494	-3	+2
District, 33 cities.....	2,656,760	18,308,756	+5	+9
U. S., 334 cities.....	79,163,000	567,187,000	+9	+11

the end of July was 5 per cent larger than a year earlier, and outstanding orders were 24 per cent larger than a year ago. The volume of merchandise on order on July 31 was one and one-third times the amount of actual stocks on hand, a very high ratio.

Department store sales and stocks in leading cities:

	No. of Stores	SALES		STOCKS
		July '45 comp. to July '44	7 Mos. '45 7 Mos. '44	July 31, '45 comp. to July 31, '44
		(Per cent increase or decrease)		
Denver.....	7	+21	+16	+3
Hutchinson.....	3	+6	+21	*
Topeka.....	3	+18	+19	*
Wichita.....	4	+1	+8	*
Joplin.....	3	+19	+9	*
Kansas City.....	8	+18	+16	+16
St. Joseph.....	3	-1	+9
Omaha.....	4	+9	+12	*
Oklahoma City.....	6	+11	+16	+5
Tulsa.....	5	+15	+22	+19
Other cities.....	32	+4	+12	-4
District.....	78	+13	+15	+5

*Not shown separately but included in District total.

INDUSTRIAL PRODUCTION

Meat Packing Operations at meat-packing plants in July, as indicated by packers' purchases at leading District markets, were sharply below the high level of the corresponding month a year ago. The slaughter of cattle was down 15 per cent, calves

43, hogs 46, and sheep 24 per cent. For the first seven months of the year, cattle slaughter was slightly larger than in the same period of last year, and sheep slaughter was 5 per cent larger, while that of hogs showed a decrease of 61 per cent and of calves 20 per cent. July was the third successive month of 1945 in which cattle slaughter fell below the corresponding month of 1944. The July decrease in cattle slaughter was due in part to smaller marketings, as cattle were being held on grass longer than last year. In addition, a smaller proportion of current cattle marketings this year than last was going to immediate slaughter, and a larger proportion was being diverted to feed lots for finishing on grain.

United States cold storage stocks of beef on August 1 at 261 million pounds, as compared with 168 million a year ago, were the largest on record for the August 1 date. Pork holdings, estimated at 343 million pounds, as compared with 646 million last year, were the smallest on record for August. Lard stocks, aggregating only 79 million pounds against 342 million last year, also were very small. The over-all stock situation, however, had improved noticeably during July, as beef holdings declined less than is usual during the month and holdings of pork and lard had increased contrary to the usual seasonal trend.

With the sudden end of the war in August, meat supplies not needed for military and other noncivilian requirements appear to be rising sharply. The improvement in the meat situation reflects a seasonal increase in cattle marketings, as well as cutbacks in military needs and uncertainty as to whether financial arrangements will be made for sending large quantities of meat to Europe. Civilian meat supplies for the October-December quarter are forecast by the Department of Agriculture to be at an annual rate of 145 pounds per capita as compared with less than 120 pounds in the first three quarters of the year, and the supply may be even larger if an unusually heavy run of cattle to market this fall should develop. It was announced that point values on many cuts of meat would be reduced, effective in September, and indications are that meat rationing may be terminated in the near future.

Flour Milling Southwestern flour production in July was 11 per cent above a year ago, the same rate of increase as for the first seven months of the year. Except for some slackening early in July, incident to the July 4 holiday, and again at the middle of August, in celebration of the Japanese surrender, flour milling operations continue at a very high level, around 93 per cent of full-time capacity. This percentage of activity refers to the proportion of over-all

capacity used in the production of flour only. It may soon be increased somewhat as the grinding of wheat into grits for the manufacture of industrial alcohol is reduced.

The end of the war promises relief from many of the difficulties that have hampered flour production. Ordnance cutbacks and cancellation of war contracts are expected to remedy freight car shortages immediately. Bag supplies are expected to increase noticeably, as textile stocks now held by the military are believed to be sufficient for all of its present and future needs. Increased labor supplies, however, have thus far had little effect on the labor situation at flour and feed mills, where the principal shortage is in unskilled labor on the packing floor and in the warehouse. Highly-paid war workers have been reluctant to accept such jobs because of the lower wage scale allowed.

Late in July, as in late June, the forward contracting of flour was in large volume, continued heavy buying by Government procurement agencies being augmented by civilian orders in anticipation of a reduction in the domestic milling subsidy rate for the following month. In many cases, the volume of unfilled orders on the mill's books reached its highest level on record. At the same time, stocks of flour in the hands of domestic bakers and jobbers in August were low in view of the approaching fall and winter period of heavy consumption, and mills generally were from two to four weeks behind schedule on shipping directions. Consequently, peace seems certain not to alter the need for maximum mill grind for some months to come. Moreover, mills are anxious to reduce their unfilled order balances as fast as possible, as the volume of unfilled orders currently is much higher than it was at the time the domestic milling subsidy was inaugurated. If the subsidy should be discontinued, mills would receive payments on unfilled orders on hand only to the extent of the original unfilled order balance.

The Government announced the termination of war-time lend-lease assistance to England and Russia, effective as of V-J Day. Up to late August, however, the cancellation of flour contracts by the Army was negligible, awaiting clarification of how much surplus and undelivered Army flour could be turned over to the Department of Agriculture. This agency has been designated as the channel for all purchases of supplies, now on a cash basis, by foreign nations, and also for purchases by the United Nations Relief and Rehabilitation Administration. UNRRA as yet lacks funds, and most countries have not yet indicated the quantity of flour required or how quickly they will want shipments.

Petroleum National crude oil production in July attained a daily rate of 4,925,700 barrels daily, in comparison with the certified rate of 4,889,900 barrels daily. This is an increase of 8 per cent over July, 1944. For the Tenth District the increase was 12 per cent. For August the Petroleum Administration for War certified a daily production rate of 5,240,000 barrels of all petroleum liquids, an increase of 16,900 barrels daily over the July quota. During the week ended August 18, national crude oil production averaged 4,932,650 barrels daily, an increase of 5.4 per cent over the corresponding period of last year.

Because of the rapid changes in the market for petroleum liquids which have resulted from the cessation of hostilities with Japan, the Petroleum Administration for War certification of a production rate for September has been delayed. It is uncertain at this writing whether Federal production certifications will continue until market conditions are more settled, or will be replaced by state controls. In any case, fields will no longer be pushed beyond maximum efficiency rates. It is believed that the first major curtailment will be in Texas, from which state considerable crude petroleum has been moving to California under subsidy for refining.

Plans for rapid reconversion of the petroleum industry had already been made prior to the announcement of the end of the Pacific war. The Petroleum Administration for War has indicated that the oil industry will be out from under Federal control by the beginning of 1946. Many restrictions on refinery operations have already been lifted. Gas rationing was lifted immediately upon announcement of the end of the war. Reduction in 100-octane use and cancellation of contracts for toluene for explosives will free base stock refining capacity for motor gasoline. This reduction will also permit an improvement of octane rating of civilian grades. Rationing of fuel oil has been stopped although large quantities of this product will still be needed by the Navy to maintain supply and transport ships. As of August 11, residual fuel oil stocks were down 25 per cent from the corresponding date last year.

Employment In May, the latest month for which figures are available, little change was shown in the status of employment in the states which lie wholly or partially in the Tenth District. Nonagricultural employment remained at the level which had prevailed since January, and manufacturing employment continued the downward movement which began in March.

Compared with May, 1944, the level of nonagricultural employment in the District region was practi-

cally unchanged despite slight increases in Nebraska, New Mexico, and Oklahoma. With the exceptions of Colorado and Kansas, the number of factory employees was equal to or above the number employed during the same period the year before. However, the declines in these two states, largely in Kansas, were sufficient to reduce manufacturing employment in the District as a whole by 1 per cent. Reduced manufacturing employment was primarily the result of curtailment of some lines of war production; the increases that occurred in four states probably were caused by employment of personnel by firms which started operating during the last year. In the District as a whole, a slightly greater decline in manufacturing employment as compared with nonagricultural employment indicated some absorption of factory employees by nonagricultural establishments.

Department of Labor estimates of nonagricultural employment:

	May	Aver.	Change from '44	
	1945	5 Mos. 1945	May	5 Mos.
	(Number)		(Per cent)	
Colorado.....	260,000	257,800	-1	-2
Kansas.....	393,000	397,000	-4	-3
Missouri.....	948,000	945,400	0	-1
Nebraska.....	258,000	259,800	+1	+1
New Mexico.....	81,400	79,300	+4	+3
Oklahoma.....	377,000	377,800	+1	+1
Wyoming.....	60,500	60,100	-2	-1
Seven states.....	2,377,900	2,377,200	0	-1
United States.....	37,678,000	37,891,000	-3	-2

In the United States as a whole, manufacturing employment dropped 8 per cent below the level of May, 1944, as a result of cutbacks in munitions industries. The year-to-year decline of 3 per cent in nonagricultural employment followed, at approximately the same rate of decrease, the downward course which was apparent in 1944. The level in 1944 was, on the average, 3 per cent below that in 1943. The number of nonagricultural employees remained at the same level as in April, while the number in factories declined 2 per cent.

Cancellation of war contracts resulted in the dismissal of approximately 90,000 workers by prime contractors of the District in the period August 15 through August 24. Reports of the War Manpower Commission covering those plants which dismissed more than 200 workers indicate that 27,000 lay-offs were made in Kansas City, Missouri; 14,000 in Wichita; 12,400 in Oklahoma City; 11,000 in Denver; 8,500 in Tulsa; 6,700 in Omaha; and 6,600 in Kansas City, Kansas.

It is impossible to predict at this time how much actual unemployment may result from these lay-offs, or the time when such unemployment might occur.

Some withdrawals from the labor force of both a temporary and permanent nature can be expected. Many of the terminated employees will take vacations and will not seek reemployment immediately, some will return to their former homes to seek job opportunities, certain of the overage workers will retire, youths will resume their education, and a large number of women may return to household duties. These withdrawals will be offset to some extent, of course, by the return of veterans and of those persons who emigrated from the District in the earlier stages of the war.

Although the mass terminations came more suddenly than had been expected, the shock should be cushioned by the demand for labor in the trade and service fields, as well as in agriculture. Retail stores, wholesale firms, laundries, garages, hotels, restaurants, hospitals, and numerous other business establishments have experienced labor shortages throughout the war period and report a number of vacancies now available. Several areas have also announced construction projects which will require labor within a few months.

AGRICULTURE

Farm Land Values The wartime rise in farm land values shows no sign of slackening. The national index of farm land values (average values in 1912-14 taken as 100) rose 13 points, from 117 to 130, in the year ended July 1. This compares with 11 points between the corresponding dates in 1942 and 1943, and 15 points between 1943 and 1944.

As is shown in the accompanying charts, there is a wide variation between states in the rate of increase over the past few years. Of the states in this District,

Colorado's rate of increase since 1935-39 is the third highest in the country (93 per cent), and New Mexico and Wyoming are also in the top flight, with increases of 71 and 81 per cent, respectively. Nebraska shares with Rhode Island the fifth place from the bottom (25 per cent), while Oklahoma, Kansas, and Missouri rank near the middle of the national scale, with respective increases of 46, 50, and 54 per cent. The national average is 57 per cent.

However, these ratios, which are the ones commonly cited, are not wholly representative of the effect of the war on land prices. Comparisons with the 1935-39 base reflect not only the war boom but also, for the Middle West, recovery from the most unfavorable succession of crop years within the memory of the present generation of farmers. In some areas the improvement in productivity on this account alone, if it is permanent, outruns the increase in land prices. This is particularly true in farming areas where the value of land sank almost to nothing in the drought period, and consequently the percentage increases are measured from a very low base.

If we measure from 1941 instead of from 1935-39, we get a better picture of the effect of the wartime inflation, and find less divergence between different state ratios of increase. For example, the increase in Nebraska land values is 60 per cent from 1941 and only 25 per cent from 1935-39, while the increase in Colorado is only 78 per cent from 1941 as compared with 93 per cent from 1935-39.

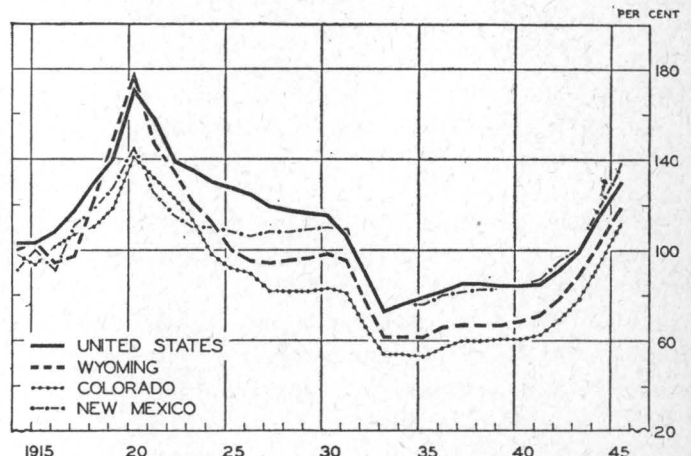
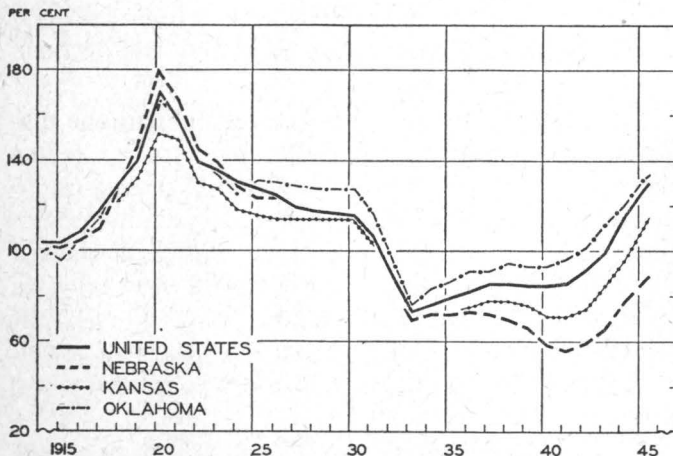
Among the chief causes of the general rise since 1941 are, of course, the high level of farm prices, the expectation of continued Government support for farm incomes, and the large accumulation of funds

FARM REAL ESTATE VALUES

1912-14 Average=100

Plains States

Mountain States



Bureau of Agricultural Economics' indexes of estimated value per acre of all farm land with improvements. March 1 of each year through 1945, with curve extended to show a preliminary interim estimate as of July 1, 1945. The index for Missouri is not shown in the charts because it is dominated by Missouri counties outside the Tenth District.

available for purchase of land. These are the same factors which led to the rise of farm prices during and just after the first World War, and have caused considerable apprehension as to whether the stage is being set for another disastrous collapse. However, two other factors underlying the present upswing must be taken into consideration; namely, the increase in average rainfall, already mentioned, and the low level of interest rates. In the upswing of 1916-20 there was only a minor improvement in weather conditions, and interest rates were actually rising. The latter factor is of more importance than is generally realized. Other things being equal, a farm which is worth \$10,000 when the interest rate is 6 per cent is worth \$15,000 with an interest rate of 4 per cent, if both rates are considered permanent.

Moreover, the farm credit situation is much stronger than it was during the previous land boom. The proportion of sales that are entirely for cash, which has been high throughout the war, increased further during the past year, and the average down payment on other sales also rose, averaging 44 per cent in the first quarter of 1945 as compared with 33 per cent for the year 1942. Nevertheless, about one sale in eight involved a mortgage of 75 per cent or more of the purchase price.

On the basis of samples, it appears that the financing of farm purchases is distributed as follows: individual lenders, 46 per cent; commercial banks, 21 per cent; insurance companies, 13 per cent; land banks, 11 per cent; and all other lenders, 9 per cent. The land banks, and probably the insurance companies, are lending rather less than the amount they are collecting through repayments.

The Department of Agriculture estimates that active farmers were the buyers in 63 per cent of transactions made during the year ended March 1. This is higher than the number of active farmers who were sellers, but the latter figure is rising. Sales by insurance companies and other corporations have fallen to a low figure because of the near exhaustion of their farm land holdings.

Wheat Supplies The latest estimates of the Department of Agriculture indicate that the domestic wheat supply, including imports, will be slightly larger than that of last year, which was the third largest in history. The crop is estimated, as of August 1, at 1,146 million bushels, and the carry-over at 281 million. The accompanying table shows the year-end supply and the distribution for the seven years ending June 30, 1944, the semi-final estimate for 1944-45, and the preliminary forecast for 1945-46.

The estimates shown in the table for 1944-45 and 1945-46 reflect the outlook as of July 1. In the August crop report the estimate of the current crop is raised by 17.6 million bushels; revised estimates of distribution taking account of this increase of supply are not yet available. It appears certain that the figure for industrial use for the coming year will be reduced because of the decreased need for industrial alcohol, while export requirements may be increased because of the opening up of China.

European requirements are still highly uncertain. Food shortages exist in so many countries that the volume of domestic exports will probably be determined by the willingness of United States authorities to permit depletion of our own supply rather than by the demands of the rest of the world. World wheat production in 1945 outside the Soviet Union and China is estimated to be 5 per cent below that of 1944, and stocks in the three principal exporting countries other than the United States are down from last year by over 300 million bushels.

The national goal for the 1946 crop has been set at 68.9 million acres, which is practically the same as the acreage planted for 1945 harvest. For the major wheat producing states of this District, the goals compare with the 1945 acreage as follows:

	Plantings 1944-45	Goal 1945-46
Kansas.....	13,627,000	13,000,000
Oklahoma.....	5,779,000	5,800,000
Nebraska.....	3,910,000	4,000,000
Missouri.....	1,800,000	2,500,000
Colorado.....	1,727,000	1,850,000

UNITED STATES WHEAT SUPPLY AND DISTRIBUTION (In millions of bushels)

Crop Year (July 1- June 30)	SUPPLY				DISTRIBUTION						
	Carry- over July 1	New Crop	Imports incl. Flour	Total Supply	Food	Feed	Seed	Indus- trial Use	Exports incl. Flour	Total Disap- pearance	Stocks June 30
1937-38	83.2	873.9	0.6	957.7	474.6	132.5	94.1	*	103.4	804.6	153.1
1938-39	153.1	191.9	0.3	1,073.3	481.4	156.8	75.5	0.1	109.5	823.3	250.0
1939-40	250.0	741.2	0.3	991.5	475.4	115.1	72.9	0.1	48.3	711.8	279.7
1940-41	279.7	813.3	3.5	1,096.5	478.5	121.6	74.3	0.1	37.1	711.6	384.9
1941-42	384.9	943.1	3.7	1,331.7	487.8	116.2	62.3	1.9	31.4	699.6	632.1
1942-43	632.1	974.2	1.0	1,607.3	537.0	292.4	65.0	56.7	34.5	985.6	621.7
1943-44	621.7	841.0	136.0	1,598.7	543.1	486.7	77.5	109.3	65.4	1,282.0	316.7
1944-45**	316.7	1,078.6	42.0	1,437.3	550.0	295.7	80.8	85.0	145.0	1,156.5	280.8
1945-46**	280.8	1,128.7	15.0	1,424.5	560.0	231.0	81.0	85.0	215.0	1,172.0	252.5

* Less than 50,000 bushels.

** Preliminary estimates as of July 1, 1945. The estimates for feed, industrial use, and exports have a wide margin of error.

Crops July rainfall was normal or above in eastern Colorado and in much of Nebraska, Kansas, and Oklahoma. August rains brought relief to some sections of the District, notably eastern New Mexico, that had previously been dry. Precipitation in August, however, generally was moderate, and by late in the month hot weather was intensifying the need for additional moisture. Based upon August 1 estimates, most District crops this year will be materially larger than those last year, with the principal exceptions of corn, grain sorghums, dry beans, and cotton. In general, the crop situation is least favorable in New Mexico, because of dryness nearly all season, and is most favorable in Nebraska, which produced a bumper wheat crop this year. Corn prospects improved considerably during July, but the crop is still about one-third short of that last year. As was the case a year ago, corn is late and the outcome depends upon the holding off of killing frosts.

Department of Agriculture corn estimates:

	Aug. 1 1945	July 1 1945	Final 1944	Avg. '34-'43
	(In thousands of bushels)			
Colorado.....	13,266	11,055	16,283	11,335
Kansas.....	72,864	54,648	114,793	45,090
Missouri.....	117,477	104,424	162,554	102,409
Nebraska.....	222,508	179,718	329,855	115,032
New Mexico.....	1,800	1,800	3,510	2,628
Oklahoma.....	23,440	19,045	32,958	26,821
Wyoming.....	1,212	1,212	1,260	1,734
Seven states.....	452,567	371,902	661,213	305,049
United States.....	2,844,478	2,685,328	3,228,361	2,433,060

Cash wheat prices declined sharply from late June to late July as receipts of new crop wheat increased, prices of some grades of wheat falling from the ceiling almost to the loan rate. Wheat prices have since recovered somewhat, influenced chiefly by Commodity Credit Corporation purchases of wheat at prices slightly above the loan rate. On August 25, CCC announced that it would purchase unredeemed loan wheat from the 1945 crop as a means to assure parity returns to growers, the same as it did on the 1944 crop. Under this program, farmers placing 1945 wheat under loan will have the option of selling such wheat next spring to CCC at 15 cents a bushel above the applicable loan value, less interest and other charges, but at not more than the ceiling price.

Livestock According to estimates of the Department of Agriculture, the number of cattle on feed for market in Nebraska on August 1 was 40 per cent larger and in Kansas 20 per cent larger than the small number on feed a year earlier. Notwithstanding these increases for 1945 over 1944, cattle feeding operations are still much below any other recent year. This is the first year since 1941 that the number of

cattle on feed in these two states on August 1 was larger than the previous year. In Colorado, the principal western cattle feeding state, cattle feeding also was up materially, but here, too, the comparison is with a low level of feeding in 1944. Difficulties in locating supplies of corn and of concentrates, relatively high prices of feeder cattle, and a shortage of labor appear to be the chief factors retarding expansion of cattle feeding commensurate with the demand for beef. There are no restrictions on the use of wheat for feed. The recently proposed Government subsidy program for feed wheat, however, has been tabled.

In August, for the third consecutive month, the top price of grain fed beef steers at Kansas City was at that market's ceiling of \$17.65 a hundredweight. Prices of lower grades of slaughter cattle also have been maintained at a fairly high level, although late in August they were under considerable pressure as marketings of grass fat cattle, previously delayed, were expanding to seasonal proportions. The small supplies of hogs continued to sell readily at the ceiling. Prices of lambs declined sharply, dropping from \$16.35 a hundredweight late in July to \$13.10 late in August. This price break was partly a reaction to high market prices in relation to dressed meat ceilings and partly an adjustment for deterioration in quality of marketings. It also was influenced in large measure by the elimination on August 5 of the packer subsidy on sheep and lambs in favor of a subsidy paid direct to producers and feeders.

The packer subsidy that was eliminated amounted to 95 cents a hundredweight on all sheep and lambs slaughtered. The new producer and feeder subsidy is \$1 a hundredweight on sheep and \$1.50 to \$3.15 on lambs, according to the weight and the season when marketed, and applies to all sheep and lambs sold for slaughter on or after August 5, 1945, through June 30, 1946. The purpose of this new subsidy program is to offset the increased costs and current losses incurred by sheep raisers, to halt the liquidation of sheep and lamb numbers, and to encourage lamb feeding operations to increase meat supplies. Although the subsidy is designed to insure a greater return to sheep and lamb producers and thus stimulate production, the recent break in market prices has apparently nullified any gain.

Top carlot livestock prices at Kansas City:

	Aug. 27 1945	July 1945	June 1945	July 1944	July 1943	July 1942
	(In dollars per hundredweight)					
Beef steers.....	17.65	17.65	17.65	17.00	16.35	14.75
Stocker cattle.....	14.50	15.15	15.40	13.75	15.25	13.75
Feeder cattle.....	14.75	15.50	15.75	14.85	14.50	13.25
Calves.....	14.00	15.50	15.00	14.00	14.00	14.50
Hogs.....	14.50	14.50	14.50	14.50	14.15	14.60
Lambs.....	13.10	16.35	16.00	15.00	15.25	15.00
Slaughter ewes....	6.00	8.25	7.85	6.50	7.75	5.75

NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Industrial activity declined further in July and the early part of August and was sharply curtailed in the latter part of the month as munitions cut-backs were greatly accelerated. Retail trade was maintained in July and early August at a high level for this season of the year.

INDUSTRIAL PRODUCTION

Industrial production in July, the last full month of high level production for war, was 212 per cent of the 1935-39 average, according to the Board's seasonally adjusted index, as compared with 220 in June. Following the surrender of Japan most munitions contracts were cancelled, and as a result it is expected that munitions output and industrial production will show much larger declines in August.

Production of aircraft declined about 20 per cent in July and operations at shipyards and in other munitions industries were reduced considerably from the June rate. Steel production in July and the early part of August was about 5 per cent below the June level. In the week following Japan's surrender activity at steel mills decreased sharply to a rate of 70 per cent of capacity. Production of nonferrous metals continued to decline in July, while output of lumber and stone, clay, and glass products was maintained.

Production of most nondurable goods declined somewhat in July, but, as a group, output of these products was slightly above a year ago. Cotton consumption was 14 per cent below the preceding month and was 11 per cent below last July. Activity in the meat-packing, canning, and baking industries, after allowance for seasonal changes, was down somewhat from June. Production of alcoholic beverages rose sharply as distilleries were released from industrial alcohol production. Activity in chemical, rubber, and other nondurable goods industries declined slightly.

Contracts awarded for private construction continued to rise sharply in July and were more than three times the low level prevailing last summer, according to F. W. Dodge Corporation data. Contracts for privately-owned non-residential building showed the largest increase. On August 21, all restrictions over the construction of industrial plants were removed.

DISTRIBUTION

Department store sales declined much less than is usual from June to July, and the Board's seasonally adjusted index rose from 201 to 218 per cent of the 1935-39 average. Sales in July were 15 per cent larger than in the corresponding period last year. During the first two weeks of August sales were about 20 per cent larger than a year ago.

COMMODITY PRICES

Wholesale commodity prices generally showed little change from the early part of July to the early part of August. Following the announcement of peace negotiations prices of cotton and grains declined somewhat—especially contracts for delivery next year—while prices of most other basic commodities continued unchanged.

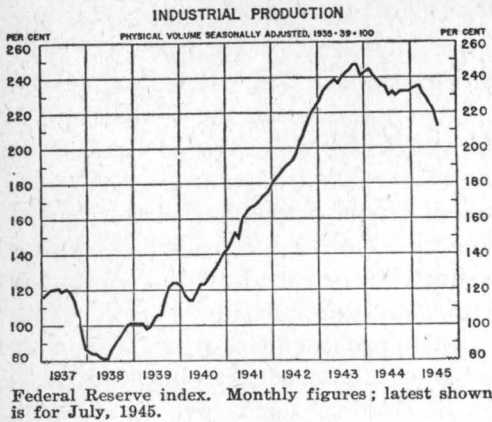
Retail prices advanced somewhat further in June. Food prices rose 2 per cent and retail prices of clothing, housefurnishings, and miscellaneous items continued to show slight advances.

BANK CREDIT

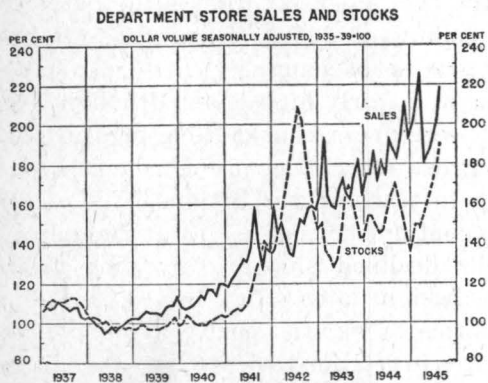
Loans and investments at reporting banks in 101 leading cities declined by 1.2 billion dollars between the close of the Seventh War Loan and mid-August. Reflecting repayments on advances made during the drive, loans for purchasing or carrying Government securities declined by a billion dollars. Loans both to brokers and dealers and to other bank customers decreased by approximately 500 million dollars each, compared to drive and immediate pre-drive increases of 1.1 billion and 1.8 billion dollars, respectively. While bank holdings of Treasury bonds continued their steady week-to-week increase, holdings of bills and certificates, which had increased during the drive, began to decline again in late July and August. On balance, the total portfolio of Government securities declined by 350 million dollars. Holdings of other securities showed a small increase over the six-week period.

Following the close of the Seventh Drive, deposits of businesses and individuals began to increase again as Treasury expenditures transferred funds from war loan to private accounts. The average level of required reserves accordingly rose by about 500 million dollars between the drive-end low point and mid-August. Reserve balances increased by about 300 million dollars and excess reserves dropped by about 200 million to around 1.2 billion outstanding; this was still somewhat above the generally prevailing interdrive level of slightly less than a billion dollars.

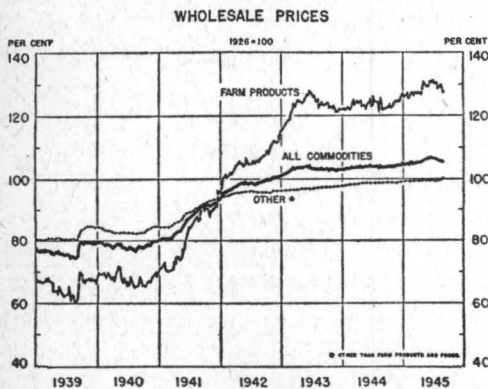
Member bank borrowing from the Federal Reserve Banks, which had declined to a minimum by the close of the Seventh Drive, increased by 275 million dollars in the subsequent six-week period ended August 15. Reserve funds were also supplied to member banks through an increase of 125 million dollars in Government security holdings at the Reserve Banks, as well as by temporary fluctuations in other Federal Reserve Bank credit and in Treasury deposits at the Reserve Banks. Only partially offsetting increases in such funds were a currency outflow of 520 million dollars and a small decline in gold stock. The currency outflow during July, 360 million dollars, was the largest in the past few months; early August increases were also substantial.



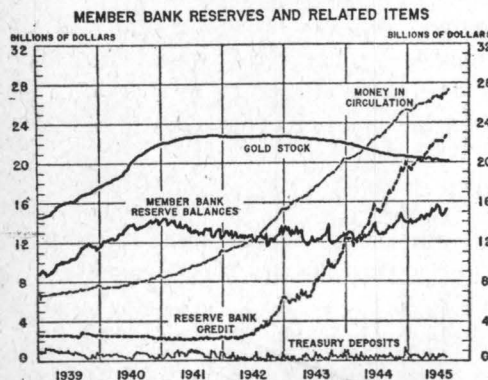
Federal Reserve index. Monthly figures; latest shown is for July, 1945.



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



Bureau of Labor Statistics' indexes. Weekly figures; latest shown are for week ending August 18, 1945.



Wednesday figures; latest shown are for August 15, 1945.