

MONTHLY REVIEW

Agricultural and Business Conditions

NOV 7 1945
TENTH FEDERAL RESERVE DISTRICT

VOL. 30, No. 10

FEDERAL RESERVE BANK OF KANSAS CITY

OCTOBER 31, 1945

TREASURY FINANCE AND EXCESS RESERVES

The effect of Treasury finance on the reserve positions of the commercial banks is shown clearly by analysis of the data concerning bank reserves contained in the last two call reports, together with reports on reserve position submitted to the Federal Reserve Bank by all member banks.

The accompanying table shows the amounts of excess reserves which the banks of the District carried during the semimonthly periods from March 15 to June 30, 1945. The first reporting period shown was about half way between the close of the Sixth War Loan Drive and the opening of the Seventh, while the last period shown was the closing period of the Seventh Drive.

AVERAGE EXCESS RESERVES OF MEMBER BANKS IN TENTH FEDERAL RESERVE DISTRICT, HALF MONTHS ENDING MARCH 15 TO JUNE 30, 1945

(Dollar amounts in millions; ratios as percentages)

Half Month Ending	RESERVE CITY BANKS		COUNTRY BANKS		ALL MEMBER BANKS	
	Excess Re-serves	Ratio to Re-quired	Excess Re-serves	Ratio to Re-quired	Excess Re-serves	Ratio to Re-quired
Mar. 15.....	29.0	7.4	53.2	30.5	82.3	14.5
Mar. 31.....	26.1	6.6	53.4	30.3	79.5	13.9
Apr. 15.....	29.1	7.3	54.6	30.7	83.7	14.4
Apr. 30.....	29.8	7.3	54.8	30.3	84.6	14.4
May 15.....	33.0	7.9	65.2	35.7	98.2	16.3
May 31.....	29.6	6.9	64.4	35.5	94.0	15.4
June 15.....	33.1	7.7	70.8	39.2	103.8	17.0
June 30.....	49.2	11.8	70.8	39.9	120.0	20.2

The first effect of war loan subscriptions is to increase the excess reserves of the banks by decreasing the required reserves. This is true because payments made by customers of a given bank are in general deposited to the credit of the Treasury in the war loan account of that bank. As individual demand deposits, the subscribers' funds have been subject to a reserve requirement of 20 per cent for reserve city banks and 14 per cent for country banks (6 per cent for time deposits in all banks). When transferred to the war loan account they are no longer subject to any reserve requirement. Hence the reserve requirements of the banks as a whole tend to drop sharply during war loan drives. During the ensuing period, as the funds are transferred by the Treasury to the Reserve Banks and paid out, they reappear in individual and corporate

deposit accounts and the total reserve requirements rise.

The amount of reserves held by the banks is also affected by Treasury financial operations but these changes follow a different pattern. When an individual subscribes for a bond and his check is deposited to the credit of the Treasury in a war loan account, the amount of reserves held by the bank is not affected. Later, when the Treasury transfers the money out, the bank's reserves are reduced by the corresponding amount, and when the funds come back after being disbursed by the Treasury, the reserves are again increased by the same amount.

Hence over the period of a war loan drive and a succeeding interval of gradual disbursement, the pattern tends to take the following form. First, there is a decline in the required reserves with no change in the actual reserves; second, when the funds are transferred to the Reserve Bank the actual reserves drop by 100 per cent of the amount involved and the required reserves are unchanged; third, when the funds come back into the banks through Treasury disbursements, the actual reserves are increased by 100 per cent of the amount and the required reserves are increased only a fraction thereof. The combined effect of these changes is to build up excess reserves during the drives, reduce them sharply when the funds are transferred to the Reserve Banks, and then build them gradually as the Treasury disburses the funds.

All these effects, of course, are partly offset and obscured by other transactions affecting the required and actual reserves, such as the flow of funds between customers of different banks, the sale and purchase of securities by the banks, member bank borrowing from the Federal Reserve Bank, the flow of currency back and forth between the public and the banks, and so on. The total amount of reserves held by Tenth District banks has had a strong upward trend throughout the war period. In spite of these complications, the effects of the war loan drives are readily to be observed.

The accompanying table classifies the banks of the

MEMBER BANKS IN TENTH FEDERAL RESERVE DISTRICT, BY SIZE GROUPS, CLASSIFIED ACCORDING TO PERCENTAGE RATIO OF EXCESS RESERVES TO REQUIRED RESERVES FOR HALF MONTHS ENDING MARCH 15 AND JUNE 30, 1945¹

Volume of Deposits (In millions)	I. NUMBER OF BANKS										Total	
	Less than 5 Per Cent		5-15 Per Cent		15-50 Per Cent		50-100 Per Cent		Over 100 Per Cent			
	Mar.	June	Mar.	June	Mar.	June	Mar.	June	Mar.	June		
Over 50	12	8	7	8	1	4	....	....	....	....	20	20
10-50	9	7	16	18	20	15	1	5	2	3	48	48
5-10	17	6	28	26	37	38	3	14	3	4	88	88
3-5	20	6	25	21	40	51	11	13	7	12	103	103
2-3	9	4	22	16	39	38	13	19	11	17	94	94
1-2	25	6	47	37	110	98	39	61	27	46	248	248
Under 1	11	8	36	20	55	67	22	27	21	23	145	145
All banks	103	45	181	146	302	311	89	139	71	105	746	746
	II. PERCENTAGE OF NUMBER IN GROUP											
Over 50	60	40	35	40	5	20	....	....	....	....	100	100
10-50	19	15	33	38	42	31	2	10	4	6	100	100
5-10	20	7	32	30	42	43	3	16	3	4	100	100
3-5	20	6	24	20	38	49	11	13	7	12	100	100
2-3	10	4	23	18	41	40	14	20	12	18	100	100
1-2	10	2	19	15	44	40	16	24	11	19	100	100
Under 1	8	5	25	14	38	46	15	19	14	16	100	100
Average	14	6	24	19	40	42	12	19	10	14	100	100

¹ For country banks, the data used are averages for the half months ending on dates indicated, and for reserve city banks, the two weeks ending on March 16 and June 29, respectively.

District according to the percentages of excess reserves which they carried in the two semimonthly periods ending on March 15 and on June 30, respectively.

This table brings out clearly an inverse relationship between size of the bank and the proportion of excess reserves which it tends to carry. The largest banks carry the smallest excess reserves; the smallest banks carry the largest excess reserves; and the similar pattern running through the intermediate groups is fairly regular, though of course there is wide variation between banks of the same size.

As would be expected from the totals shown in the first table, the change between the first half of March and the last half of June is very striking. In March, 103 banks in the District carried excess reserves of less than 5 per cent of the required reserves; in June, only 45. The number carrying from 5 per cent to 15 per cent excess fell from 181 to 146. The number of

banks carrying from 15 to 50 per cent excess reserves showed little change, while those carrying over 50 per cent increased from 160 to 244. The increase in the proportion of excess reserves is noticeable in banks of all sizes. Among the 20 banks having over 50 million dollars in deposits, 4 banks dropped out of the class with less than 5 per cent of excess, one moving into the 5-15 per cent group, and the other 3 into the 15-50 per cent group. In the group of banks with less than a million dollars in deposits, 3 dropped out of the lowest excess reserve group and 16 out of the next lowest, while the remaining groups with excess reserves above 15 per cent all showed increases. The intermediate groups showed similar changes.

In the last reporting period included in the table, 18 country banks showed excess reserves of more than 200 per cent of required reserves, 3 being above 400 per cent. The highest ratio reported by a reserve city bank was 134 per cent.

BUSINESS AND AGRICULTURAL CONDITIONS

FINANCE

Member Bank Credit During the four-week period ending October 17, the earning assets of the Tenth District weekly reporting banks expanded by 25.3 million dollars. Loans continued to decline, however, chiefly because of the contraction in "commercial, industrial, and agricultural" loans which has been in progress since the middle of August. The volume of loans on Government securities also declined somewhat. Three fifths of the increase in loans on Government securities which took place during the Seventh War Loan Drive has now been liquidated, and such loans aggregate about 26

million dollars compared with approximately 16 million before the drive opened.

Investments held by the reporting banks increased 33.3 million dollars during the period under review, as Government security holdings expanded by 31.7 million dollars to reach a new high figure. Both Treasury notes and Treasury bonds are held by the reporting banks in greater volume than ever before.

While Government deposits of the District reporting banks showed the typical decline for a period between war loan drives, private demand deposits, time deposits, and interbank deposits continued to increase to new high levels. Total deposits expanded by 55.3

million dollars. This increase was reflected in an expansion of 25.3 million dollars in loans and investments, 17.0 million dollars in reserves with the Federal Reserve Bank, and 14.1 million dollars in balances "due from" banks.

Principal items of condition of 50 member banks:

	Change from		
	Oct. 17 1945	Sept. 19 1945	Oct. 18 1944
	(In thousands of dollars)		
Loans and investments—total.....	2,284,162	+25,254	+417,596
Loans—total.....	360,078	-8,064	+31,170
Coml., indust., agric.....	219,219	-7,996	+10,670
To security brokers and dealers.....	7,389	+57	+3,704
Other to purchase or carry secur.....	31,793	-1,199	+9,409
Real estate loans.....	38,070	+415	+1,122
Loans to banks.....	635	+85	+635
All other loans.....	62,972	+574	+5,630
Investments—total.....	1,924,084	+33,318	+386,426
U. S. Govt. securities—total.....	1,787,842	+31,749	+376,033
Bills.....	89,603	+15,085	+3,007
Certificates of indebtedness.....	429,193	-11,351	+38,123
Notes.....	467,033	+4,387	+175,934
Bonds.....	801,617	+23,630	+196,003
Guaranteed obligations.....	396	-2	-37,034
Other securities.....	136,242	+1,569	+10,393
Reserves with F. R. Bank.....	476,087	+17,010	+69,326
Balances "due from" banks—net.....	303,341	+14,134	+24,243
Demand deposits—adjusted.....	1,457,417	+46,038	+213,129
Time deposits.....	281,667	+5,167	+65,589
U. S. Govt. deposits.....	215,777	-24,835	+37,430
Deposits "due to" banks—net.....	982,971	+28,884	+165,338
Borrowings.....	17,500	-250	+17,500

DEPARTMENT STORE TRADE

Dollar volume of department store sales in this District in September was only 4 per cent larger than a year ago as compared with a gain of 12 per cent for the first three quarters of the year. The relatively small increase for September was due largely to one less trading day this year. To some extent, also, it probably reflected a smaller volume of advance Christmas gift buying in 1945 for shipment to members of the armed forces overseas, an actual or anticipated reduction in consumer income following the end of the war, increased selectivity of consumer purchases of merchandise, and the desire of some customers to restrict their buying until durable goods and other scarce items again become available. In the first three weeks of October, sales showed an increase of 11 per cent over last year. Sales increased somewhat more than is usual from August to September, and the seasonally adjusted index of daily average sales increased from 214 per cent of the 1935-39 average in August to 217 per cent in September.

Department store inventories declined during September contrary to the usual seasonal trend, and at the end of the month stocks were very little larger than a year earlier. Outstanding orders, however, were 28 per cent larger than a year ago. The current huge volume of merchandise on order, which is one and a third times actual stocks on hand, would seem to indicate that merchants are overbought, except for

	BANK DEBITS		Change from '44	
	Sept. 1945	9 Mos. 1945	Sept.	9 Mos.
	(Thousand dollars)		(Per cent)	
Colo. Springs, Colo.....	23,715	213,737	+8	+5
Denver, Colo.....	296,814	2,733,720	+5	+10
Gr. Junction, Colo.....	7,732	62,678	+9	+8
Greeley, Colo.....	11,083	91,465	+5	+18
Pueblo, Colo.....	20,898	200,679	0	+9
Atchison, Kans.....	6,001	60,680	0	+8
Emporia, Kans.....	6,455	59,628	0	+1
Hutchinson, Kans.....	25,219	266,288	+13	+14
Independence, Kans.....	4,477	39,474	+31	+2
Kansas City, Kans.....	36,341	356,698	-4	-1
Lawrence, Kans.....	8,209	74,081	+25	+21
Parsons, Kans.....	5,184	52,917	-6	+2
Pittsburg, Kans.....	6,993	59,344	+7	0
Salina, Kans.....	20,913	210,846	+4	0
Topeka, Kans.....	53,703	539,955	+13	+6
Wichita, Kans.....	178,582	1,935,910	-11	+11
Joplin, Mo.....	18,653	155,549	+11	+5
Kansas City, Mo.....	651,544	6,259,008	0	+7
St. Joseph, Mo.....	60,447	511,030	+12	-2
Fremont, Nebr.....	7,283	63,140	+5	+8
Grand Island, Nebr.....	14,071	125,795	+8	+8
Lincoln, Nebr.....	49,800	457,660	+16	+4
Omaha, Nebr.....	337,632	3,110,518	+5	+5
Albuquerque, N. M.....	39,608	342,565	+31	+26
Bartlesville, Okla.....	44,085	402,989	+2	+8
Enid, Okla.....	23,086	255,688	+15	+26
Guthrie, Okla.....	2,844	24,830	+10	+12
Muskogee, Okla.....	14,326	140,668	-4	+3
Okla. City, Okla.....	168,951	1,728,246	-4	+9
Okmulgee, Okla.....	3,939	36,226	+26	+17
Tulsa, Okla.....	248,050	2,521,287	-5	+14
Casper, Wyo.....	10,850	101,813	+6	+12
Cheyenne, Wyo.....	18,018	166,490	+5	+2
District, 33 cities.....	2,425,506	23,361,602	+2	+8
U. S., 334 cities.....	71,172,000	711,590,000	+1	+10

the realization that there is little hope of securing delivery on more than a fraction of the merchandise on order. Merchants generally do not anticipate an adequate supply of goods until well into next spring and, in the meantime, feel impelled to maintain their orders at a high level.

Department store sales and stocks in leading cities:

	No. of Stores	SALES		STOCKS	
		Sept.'45 comp.to Sept.'44	9 Mos.'45 comp.to 9 Mos.'44	Sept.30,'45 comp.to Sept.30,'44	Sept.30,'44
		(Per cent increase or decrease)			
Denver.....	7	+10	+15	-3	
Pueblo.....	3	+7	+11	*	
Hutchinson.....	3	+5	+17	*	
Topeka.....	3	+4	+16	*	
Wichita.....	4	-6	+4	*	
Joplin.....	3	+9	+9	*	
Kansas City.....	8	+4	+12	+8	
St. Joseph.....	3	+12	+10	....
Omaha.....	4	+5	+10	*	
Oklahoma City.....	6	+1	+13	+9	
Tulsa.....	5	-3	+16	+22	
Other cities.....	30	+7	+10	-8	
District.....	79	+4	+12	+1	

*Not shown separately but included in District total.

INDUSTRIAL PRODUCTION

Meat Packing September cattle slaughter, as indicated by packers' purchases at leading District markets, was slightly above that in the corresponding month a year ago, while the slaughter of calves, hogs, and sheep continued sharply below last

year. The heavy volume of cattle slaughter in September represented a new high since the 1934 drought. Nevertheless, cattle slaughter was not nearly so heavy as had been anticipated earlier, and acute congestion because of the serious shortage of packing-house workers was averted, at least temporarily. Unusually heavy and late marketings of cattle, when hog marketings increase seasonally in November, still could overtax available labor and processing facilities.

United States cold storage stocks of meat declined sharply during September, reflecting chiefly a contra-seasonal decrease in beef holdings. Beef stocks on October 1, however, still were the largest on record for that date and were more than double the October 1 average of the past five years. Stocks of pork and lard declined less than is usual during September, but even so holdings of pork dropped to a new record low for October 1 that was less than two thirds of average, while lard holdings on October 1 were only one third of average.

Flour Milling Southwestern flour milling operations rose from 91 per cent of full-time capacity during August to about 96 per cent during September. In the first week of October, operations reached 101 per cent of weekly capacity to equal the previous record established early in January, 1944, some mills extending their work week to seven days from the usual six days. Despite this high level of operations, reports indicate that mills have made relatively little progress toward becoming current in deliveries, as shipping directions on old orders continue in large volume. Labor supplies are now reported adequate generally, but the shortage of box cars is still serious at Wichita.

Flour sales increased sharply in the first week of October, after the domestic milling subsidy on hard wheat ground into flour had been raised from a rate of 19½ cents a bushel for September to 26½ cents for October. Prior to the increase in the subsidy, advancing wheat prices by late September had pushed flour costs above the flour ceiling price by an amount considerably in excess of the September milling subsidy, and mills generally were unable to offer flour at the ceiling except at a marked loss. The increase in the subsidy rate for October was sufficient to enable mills to break even for a short period but a further rise in wheat prices subsequently renewed the price squeeze on mills and flour offers again were withdrawn.

The virtual stalemate in flour sales, however, has not yet reached serious proportions. Bakers and distributors, on the one hand, are well protected for the

most part by liberal forward bookings and are not interested in prices at the full ceiling. Mills, on the other hand, already have enough business on their books to keep them operating at capacity through the remainder of this year and are watching their subsidy position carefully, so as to keep their unfilled order balances down to what they had when the subsidy was inaugurated. If the subsidy should be terminated, mills would receive payments on unfilled orders on hand only to the extent of the original unfilled order balance. Demand for flour for export to Latin America, to the Pacific, and to European countries is increasing but Southwestern mills generally are not now able to accept any large volume of export business, especially for immediate or nearby shipment.

Petroleum In September for the first time in 1945 the attained rate of crude oil production in the United States dropped below the rate for the corresponding period in 1944. National crude oil output for the month attained a daily rate of 4,469,500 barrels, a decline of 6 per cent from the level of September, 1944. This reversal of the upward trend may be partly attributed to unsettled labor conditions and partly to a substantial decline in military demand for petroleum products.

For October the Petroleum Administration for War estimated that petroleum demand would require a domestic production rate of 4,803,570 barrels daily of all petroleum liquids. The crude oil production rate for October represents a reduction of 108,500 barrels daily from the recommended rate of production for September. The October recommendation will be the last to be issued to the petroleum industry by the Petroleum Administration for War, which will be virtually liquidated by the end of the year.

Reports indicate that American oil concerns may participate in the postwar development of China's oil resources. In the past, the United States petroleum organizations have not engaged in production and refining operations in China but have confined their activities to importing and marketing petroleum products. However, the possible revision of Chinese mining and corporation laws, heretofore unfavorable to the entrance of foreign capital, may encourage American oil interests to undertake the exploration, development, and refining of Chinese petroleum. China is generally regarded as one of the most attractive potential foreign markets for petroleum products. Studies made by American oil men indicate that China's consumption of petroleum products should increase by 25 to 30 per cent in the first five postwar years, and should continue to grow as industrialization progresses.

Employment Two months after the capitulation of Japan comparatively few workers were being laid off in the Tenth District. The initial impact of contract cancellations upon employment resulted in drastic reductions during the ten days following the end of the war. Since that time, the number of weekly layoffs has decreased sharply until at present some labor market areas report none. The number of workers released in the period from the middle of August through October 19 for seven areas of the District are: Kansas City, 41,068; Wichita, 24,818; Oklahoma City, 13,850; Tulsa, 12,915; Denver, 14,481; Omaha-Council Bluffs, 8,743 (through September 28); Lincoln, 1,850 (through October 12). Areas in which aircraft production was predominant show the largest percentage of layoffs in relation to population. Wichita's ratio of 9 per cent is the highest.

Reports of the United States Employment Service for the six weeks from September 8 through October 19 indicate that re-employment is progressing at a slower rate in Kansas City than in other areas, as placements in that area were the lowest (aside from the Omaha-Council Bluffs and Lincoln areas for which figures are incomplete) in proportion to total layoffs, to unfilled job openings, and to number of workers referred to jobs. Denver shows the highest ratio of placements to referrals. Compared with population, the percentage of placements is lowest in Kansas City and Tulsa and highest in Denver. Men predominated in the placements made in four of five areas for which separate data are available. In Oklahoma City placements of men were 63 per cent of the total; in Kansas City, 71 per cent; and in Tulsa and Denver, 83 per cent. Wichita reported a low percentage, 21.

This information probably is representative of employment developments in the District but should not be used as conclusive evidence, since all openings are not listed with the United States Employment Service nor do all workers clear through these offices. Also, these labor market areas do not include all of the areas in the District which were engaged in war production.

Although unemployment figures for the District are not available, some indication of the situation can be derived from Unemployment Compensation claims. In the labor market areas mentioned previously, new weekly claims decreased from September 8 through October 19. The number of continued claims increased in the Kansas City, Wichita, and Denver areas; those in Oklahoma City decreased; those in Tulsa dropped following a rise; and the number in Lincoln fluctuated somewhat but remained at approximately the same level. Continued claims in the week of October 13-19 as a proportion of total layoffs were 4 per cent in Denver, 16 per cent in Oklahoma City, 23 per cent in

Wichita, 28 per cent in Tulsa, and 44 per cent in Kansas City. Where separate figures are available, the data showed that 60 to 77 per cent of continued claims and 45 to 71 per cent of new claims each week were filed by women. This occurrence may be explained partially by the previous statement that more men than women have been placed by the United States Employment Service during the same period.

Despite the reductions in employment, unemployment in the District is not critical at present. The reasons for workers remaining unemployed are varied. Some are still reluctant to accept wages offered for available jobs; some are waiting for the type of work requiring their particular skill which in the case of many workers was acquired during the war. The number of young people who have resumed their schooling and the number of women and overage workers who have withdrawn from the labor force in the District are not known. Returning war veterans have expanded, to some extent, the ranks of those seeking work, although many of them are taking a "rest period" before considering employment.

A classification covering 135 labor market areas in the United States has been made recently by the United States Employment Service. This classification is entirely unrelated to the wartime classification by War Manpower Commission and is not comparable to it. Group I includes areas in which labor is relatively stringent; Group II, areas where supply and demand of labor are in balance; Group III, areas with a substantial surplus of labor; and Group IV, areas which currently have a large volume of unemployment. In the Tenth District, St. Joseph is classified in Group I; Denver, Lincoln, and Omaha-Council Bluffs in Group II; Kansas City and Oklahoma City in Group III; and Wichita and Tulsa in Group IV.

Department of Labor estimates of nonagricultural employment for July, the latest available:

	July	Aver.	Change from '44	
	1945	7 Mos. 1945	July	7 Mos.
	(Number)		(Per cent)	
Colorado.....	263,000	259,300	-1	-1
Kansas.....	379,000	392,800	-7	-4
Missouri.....	928,000	942,900	-2	-1
Nebraska.....	254,000	258,900	-1	+1
New Mexico.....	82,900	80,200	+4	+3
Oklahoma.....	364,000	374,600	-3	0
Wyoming.....	63,900	60,900	+2	-1
Seven states.....	2,334,800	2,369,600	-3	-1
United States.....	37,229,000	37,748,000	-4	-3

AGRICULTURE

Crops Late September and early October moisture brought relief from acute dryness that had prevailed in August and the first three weeks of September in many sections of the District. Rainfall

was especially heavy over the eastern half of the District, causing considerable damage to crops ready for harvest or being harvested and resulting in floods in eastern Kansas and Oklahoma.

Corn prospects declined appreciably during September, chiefly because of frosts near the end of the month over the northern two thirds of Nebraska, in Wyoming, and extending southward through Colorado and western Kansas into the Oklahoma Panhandle. Additional light to heavy frosts occurred in the first week of October. Reports indicate that frost damage to the Nebraska crop may approximate 20 per cent and that there is much immature corn in southeastern Nebraska and northeastern Kansas, with the yield now depending upon fall weather favorable for curing the high moisture grain. Grain sorghums, soybeans, and many other late crops also suffered considerable frost damage.

Department of Agriculture corn estimates:

	Oct. 1 1945	Sept. 1 1945	Final 1944	Aver. '34-'43
	(In thousands of bushels)			
Colorado.....	14,740	15,477	16,283	11,335
Kansas.....	69,828	72,864	114,793	45,090
Missouri.....	117,477	113,126	162,554	102,409
Nebraska.....	265,298	282,414	329,855	115,032
New Mexico.....	2,100	1,950	3,510	2,628
Oklahoma.....	27,835	27,835	32,958	26,821
Wyoming.....	1,552	1,649	1,260	1,734
Seven states.....	498,830	515,315	661,213	305,049
United States.....	3,078,126	3,069,055	3,228,361	2,433,060

Early seeded wheat is up to a good stand and is affording some pasturage to livestock in the southwestern and Panhandle areas of Nebraska, in eastern Colorado, and in extreme western Kansas where late summer rainfall was adequate. The preparation of ground and the planting of the bulk of the winter wheat acreage, however, were held up because of dryness. The late September and early October rains were beneficial for wheat that had been seeded in the dust and put the ground in excellent shape for completing seeding operations. Consequently, farmers in October were pushing wheat planting as rapidly as possible, but the general lateness of wheat pastures seems likely to prevent their furnishing a large amount of grazing unless a mild fall permits late growth. The 1946 wheat acreage goals and the acreage of wheat planted for the 1945 harvest in states of this District are as follows: Kansas, 13,000,000 and 13,627,000; Oklahoma, 5,800,000 and 5,779,000; Nebraska, 4,000,000 and 3,910,000; Missouri, 2,500,000 and 1,800,000; Colorado, 1,850,000 and 1,727,000; New Mexico, 400,000 and 373,000; and Wyoming 300,000 and 268,000.

Cash wheat prices strengthened further during September and October, influenced in part by market-

	RAINFALL		9 Mos. 1945	
	Sept. 1945 Total	Normal	Total	Normal
	(In inches)			
COLORADO				
Denver.....	0.86	0.99	12.34	11.72
Leadville.....	1.68	1.35	17.25	15.40
Pueblo.....	0.36	0.75	13.82	10.12
Lamar.....	1.90	1.22	14.40	13.25
Alamosa.....	0.11	1.07	3.20	5.98
Steamboat Springs.....	1.48	1.68	20.79	17.34
KANSAS				
Topeka.....	6.20	4.10	36.42	27.23
Iola.....	9.42	4.65	42.61	30.49
Concordia.....	2.29	2.66	27.15	21.61
Salina.....	4.11	2.95	29.68	22.81
Wichita.....	10.58	3.33	35.53	25.13
Hays.....	1.40	2.27	18.89	20.02
Goodland.....	1.24	1.60	13.96	15.73
Dodge City.....	2.58	2.08	20.16	17.28
Elkhart.....	2.06	1.64	17.14	14.36
MISSOURI				
St. Joseph.....	5.35	3.92	36.77	29.80
Kansas City.....	6.55	3.82	32.32	28.36
Joplin.....	14.62	3.92	49.69	35.61
NEBRASKA				
Omaha.....	4.30	3.21	28.57	23.60
Lincoln.....	3.22	2.98	30.40	24.27
Norfolk.....	1.91	2.85	27.00	23.40
Grand Island.....	5.02	2.60	25.86	22.19
McCook.....	1.57	1.76	19.44	17.36
North Platte.....	3.40	1.35	19.75	16.32
Bridgeport.....	1.67	1.33	19.08	13.83
Valentine.....	1.79	1.30	15.51	16.07
NEW MEXICO				
Clayton.....	3.01	1.74	13.98	13.12
Santa Fe.....	0.96	1.63	9.89	11.89
Farmington.....	0.62	1.14	5.08	6.69
OKLAHOMA				
Tulsa.....	9.17	3.05	36.15	29.43
McAlester.....	6.80	3.37	63.45	33.05
Oklahoma City.....	7.42	3.05	43.19	24.92
Pauls Valley.....	13.37	3.28	55.98	27.54
Hobart.....	4.04	2.78	25.93	21.41
Enid.....	7.36	3.12	28.30	24.14
Woodward.....	4.42	2.55	21.02	20.40
WYOMING				
Cheyenne.....	1.43	1.20	15.23	11.96
Casper.....	1.39	1.20	9.57	11.74
Lander.....	1.62	0.92	13.26	9.99
Sheridan.....	3.02	1.27	16.24	12.72

ings that were far short of trade requirements, by continued Commodity Credit Corporation purchases of wheat for export, and by revival of legislation to revise the parity formula upward to include labor costs. Wheat prices currently are substantially above the loan rate. Only a comparatively small amount of 1945 wheat is under loan, leaving an unusually large percentage of "free" wheat in the crop year's supply. Nevertheless, farmers are reluctant to sell except at the full ceiling, as they are generally in sound financial condition and in many cases desire to postpone the realization of income until the new tax year.

Livestock According to the Department of Agriculture, developments to early October indicated little change in the volume of cattle feeding during the coming winter feeding season from that of a year earlier in the western part of the Corn Belt and in Western states and a decrease in the Great

Plains area from Kansas southward.

A large amount of "soft" corn resulting from frost damage would tend to increase cattle feeding operations, both for cattle shipped in and for locally raised cattle, to salvage damaged corn if the cattle can be obtained at acceptable prices, as cattle can utilize it to better advantage than other livestock. Range cattle marketings, the chief source of supply of feeder cattle, were light through September but increased early in October and probably will be relatively heavy during the last quarter of the year. Feeder cattle prices, although they have declined substantially since last July, are still much above those of a year ago. The prospective decrease in cattle feeding in the Southern Plains is due chiefly to the rather limited amount of winter wheat pasture available as compared with the abundant pasturage of a year ago. In addition, supplies of sorghum grain and bundle feeds are materially smaller than last year.

Lamb feeding operations this winter apparently will be smaller than last winter in nearly all sections of the District. This is especially true of western Kansas and of Oklahoma, where wheat pastures had made much less growth to October 1 this year than last and where the 1945 production of sorghum grains and bundle feeds was much smaller than that in 1944. Decreased shipments of feeder lambs into the Scottsbluff feeding area of Nebraska and reduced feeding operations in the Northern Colorado feeding area are expected to result in a smaller total in each of those two states. Despite a smaller lamb crop in 1945 than in 1944, the number of range lambs available for slaughter or feeding is larger than last year, as slaughter thus far has been sharply lower. Prices of heavy feeder lambs, however, are substantially higher than those for slaughter lambs, chiefly because of the feeder subsidy.

October was the fifth consecutive month in which the top price of grain fed beef steers at Kansas City was at that market's ceiling of \$17.65 a hundredweight. Moreover, an increasing proportion of receipts of beef steers in recent weeks has sold at the ceiling price. The lower grades of slaughter cattle, however, were under pressure from seasonal increases in marketings, especially as such cattle are not finding such a ready outlet in the slaughter market as in the past two years when military procurement of meat was large.

The hog price ceiling on October 9 was raised from \$14.50 a hundredweight to \$14.55 at Kansas City, and hog prices advanced correspondingly. This was the first change in the ceiling since it was established in October, 1943. The purpose of this upward adjustment in the ceiling, as with increases at other markets

also, was to halt the diversion of hogs from customary marketing channels and to check widespread and growing practices of country buying of hogs.

On October 23, the Government extended present hog support prices (\$12.75 a hundredweight at Kansas City) to September 30, 1946, and announced that support prices for the period October 1, 1946, through September 30, 1947, would be reduced on the average about \$1 a hundredweight and would vary with the season of the year. The present support price at Kansas City is \$1.80 a hundredweight below the market and the ceiling; the support price for the 1946-47 winter season would be \$4.10 a hundredweight below the present level of hog prices.

Top livestock prices at the Kansas City market:

	Oct. 24 1945	Sept. 1945	Aug. 1945	Sept. 1944	Sept. 1943	Sept. 1942
	(In dollars per hundredweight)					
Beef steers.....	17.65	17.65	17.65	17.50	16.35	16.35
Stocker cattle.....	14.00	14.00	14.25	12.75	13.50	13.50
Feeder cattle.....	15.25	14.40	15.00	14.65	14.15	14.00
Calves.....	14.00	13.50	14.25	14.00	14.00	14.00
Hogs.....	14.55	14.50	14.50	14.50	14.95	14.95
Lambs.....	14.25	14.00	14.75	14.25	15.00	14.50
Slaughter ewes....	6.00	6.00	7.50	5.35	6.75	6.10

Farm Income Cash receipts from farm marketings in this District in July were 25 per cent above a year ago, but in August they were only 1 per cent larger and in the first eight months of 1945 only 3 per cent larger than in the corresponding periods of 1944. Increased receipts from the sale of crops constituted nine tenths of the marked gain for July and all of that for August, as receipts from the sale of livestock and livestock products were little changed from a year ago. Thus far in 1945, farm income in Colorado, Wyoming, Oklahoma, and Missouri shows a decline from the record level established in 1944. In the other three states of the District—Nebraska, Kansas, and New Mexico—farm income in 1944 had been below the record level reached in 1943, but if the cumulative gain of 1945 over 1944 is maintained throughout the balance of the year farm income in these three states will establish a new record in 1945 much above the previous high in 1943.

Department of Agriculture estimates of cash receipts from farm marketings:

	Aug. 1945	8 Mos. 1945	Change from '44	
	(Thousand dollars)		Aug.	8 Mos.
			(Per cent)	
Colorado.....	33,333	160,818	+7	-9
Kansas.....	70,594	522,990	-15	+9
Missouri.....	63,628	429,122	+15	0
Nebraska.....	65,899	484,627	+52	+10
New Mexico.....	7,286	47,290	+16	+15
Oklahoma.....	41,376	271,065	-30	-3
Wyoming.....	5,737	33,495	-21	-15
Seven states.....	287,853	1,949,407	+1	+3
United States.....	1,819,733	12,334,495	+8	+3

NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Output and employment at factories producing war products declined further in September but production and incomes in most other sectors of the economy were maintained or increased somewhat. Retail buying in September and the first half of October continued above year ago levels.

INDUSTRIAL PRODUCTION

Industrial production declined eight per cent in September, reflecting mainly the continued rapid liquidation of output for war purposes, and the Board's seasonally adjusted index was 172 per cent of the 1935-39 average as compared with 187 in August and 210 in July.

Reduced activity in the machinery and transportation equipment industries continued to account for most of the decline in the total index. Output in these industries during September was about one fifth below the August average and one half of the rate at the beginning of the year. Steel production, on the other hand, was five per cent larger in September than in August. In the first three weeks of October, however, steel mill operations declined substantially owing largely to a temporary reduction in coal supplies. Output of nonferrous metals, lumber, and stone, clay, and glass products decreased somewhat in September.

Production of nondurable goods, as a group, showed little change in September, as further reductions in output of war products in the chemical, petroleum, and rubber products industries were offset by increases in output of most civilian-type products. Output of textile yarns and fabrics, shoes, meats, beverages, cigarettes, and paper products increased.

Output of minerals declined in September due mainly to an eight per cent decrease in crude petroleum production. Coal production increased in September but in the first three weeks of October dropped sharply as a result of work interruptions at bituminous coal mines.

Contracts awarded for private construction, according to the F. W. Dodge Corporation, increased further in September, reflecting the largest volume of awards for nonresidential building in many years. Private residential awards showed little change and publicly-financed construction declined further.

EMPLOYMENT

Employment at factories showed a decline of about 600,000 during the month of September, as compared to a decrease of 1,600,000 workers during August, reflecting a much smaller reduction of munitions employment in September and some increases in other industries. Employment in most nonmanufacturing lines, except Government service, was maintained or increased slightly, after allowing for seasonal changes.

DISTRIBUTION

Department store sales in September showed about the usual sharp seasonal increase and the Board's adjusted index was 199 per cent of the 1935-39 average. This was at the same high level as the average for the first half of 1945 and was seven per cent above that for September, 1944. In the first two weeks of October sales were 11 per cent larger than in the corresponding period last year.

The total volume of railroad revenue freight was maintained in September at the August rate and was only eight per cent lower than last year's high level. In the early part of October shipments of coal and coke declined substantially as a result of the drop in coal production.

COMMODITY PRICES

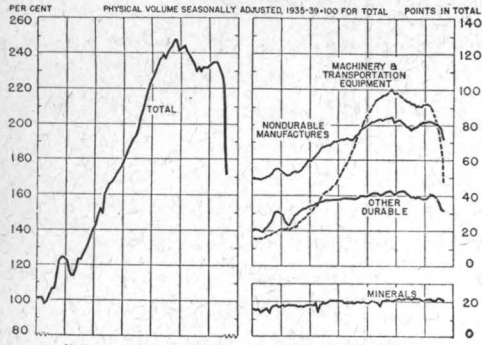
Prices of cotton, grains, and most other farm products increased somewhat from the middle of September to the middle of October, following decreases in the previous six weeks. Prices of most industrial products continued to be maintained at Federal maximum levels.

BANK CREDIT

Rising reserve requirements, resulting from expanded deposits of businesses and individuals, and an increase in currency in circulation accounted for continuing needs for reserve funds by banks between the middle of September and the middle of October. These needs were supplied through decreases in Treasury and nonmember deposits at Federal Reserve Banks. The amount of Reserve Bank credit outstanding showed little change in the period. Money in circulation increased by 175 million dollars during the four weeks ended October 17; this was a smaller growth than has been customary in recent years reflecting in part some currency inflow following the mid-September tax date. Holdings of Government securities and member bank borrowing at the Reserve Banks increased fairly substantially in the latter part of September concurrent with a temporary rise in Treasury deposits, but both were later reduced. This reduction in security holdings was in Treasury bills and accompanied an increase in member bank holdings of bills.

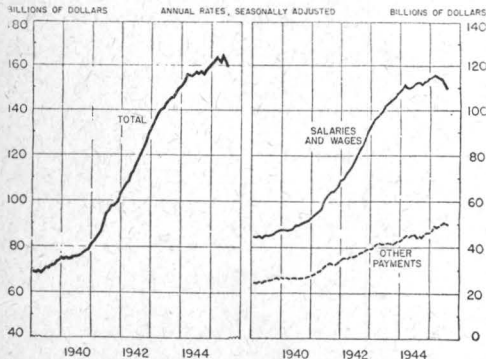
At reporting banks in 101 leading cities loans for purchasing and carrying Government securities declined by 550 million dollars during the four weeks ended October 17; commercial loans increased somewhat, and holdings of securities showed little change in the aggregate. Loans on Government securities remained well above amounts outstanding immediately prior to the Seventh War Loan.

INDUSTRIAL PRODUCTION



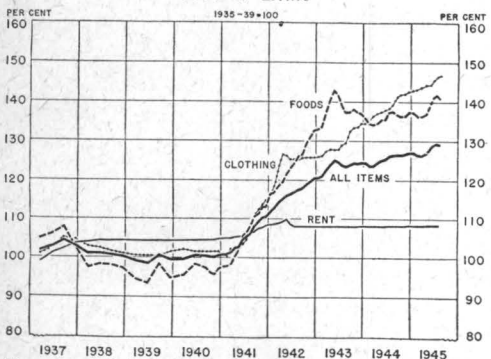
Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures; latest shown are for September, 1945.

INCOME PAYMENTS TO INDIVIDUALS



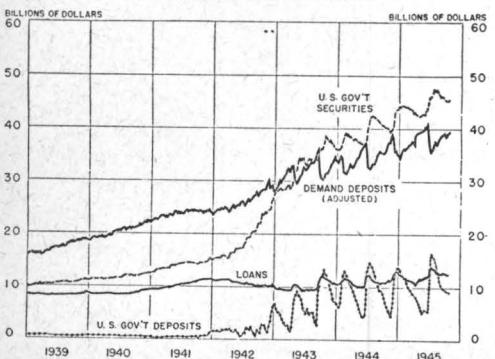
Based on Department of Commerce estimates. Wages and salaries include military pay. Monthly figures raised to annual rates, latest shown are for August, 1945.

COST OF LIVING



Bureau of Labor Statistics' indexes. Last month in each calendar quarter through September, 1940; monthly thereafter. Mid-month figures; latest shown are for August, 1945.

MEMBER BANKS IN LEADING CITIES



Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures; latest shown are for October 17, 1945.