

MONTHLY REVIEW

Agricultural and Business Conditions

TENTH FEDERAL RESERVE DISTRICT

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FEDERAL RESERVE BANK OF KANSAS CITY

JANUARY 31, 1946

THE VICTORY LOAN DRIVE

The Victory Loan Drive, the last of the Treasury war loan drives, attained total sales of securities nearly twice the quota established before the drive opened. Sales aggregated 21.1 billion dollars, or 192 per cent of the quota of 11 billion dollars. This was considerably below the sales of 26.3 billion dollars in the Seventh Drive, but it approximated the sales of the Fifth and Sixth Drives, which were 20.6 and 21.6 billion dollars, respectively. E bond sales of 2.2 billion dollars also exceeded the established quota of 2 billion dollars, although the E bond sales were smaller than for any previous drive except the First and Second. On the other hand, total sales to individuals aggregated 6.8 billion, or 170 per cent of the quota for individuals, a sales figure which was exceeded only in the Seventh Drive when sales to individuals totaled 8.7 billion dollars.

As is shown by the accompanying table, all of the states lying wholly or partially within the Tenth Federal Reserve District exceeded their quotas on E bonds as well as on total sales. The total sales figures in the District states ranged from 180 per cent of quota in New Mexico to 250 per cent of quota in Wyoming. The total sales of Victory Drive securities in the District states were 1,057.5 million dollars compared with a combined quota of 487.5 million dollars, while E bond sales in the seven District states were 184.7 million dollars compared with a combined quota of 151.0 million dollars.

VICTORY LOAN SALES

	E Bond Sales	Per Cent of Quota	Total Sales	Per Cent of Quota
Colorado.....\$	20,035,972	117.9	\$ 122,765,603	215.4
Kansas.....	35,234,655	121.5	140,612,190	200.9
Missouri.....	54,398,544	111.0	456,069,020	222.5
Nebraska.....	31,297,215	125.2	138,080,660	206.1
New Mexico....	5,652,631	113.1	21,549,274	179.6
Oklahoma.....	32,877,158	146.1	160,966,509	231.6
Wyoming.....	5,205,867	148.7	17,476,609	249.7
Seven states....\$	184,702,042	122.3	\$ 1,057,519,865	216.9
United States..	2,204,000,000	110.2	21,144,000,000	192.2

As a result of the large volume of security sales during the Victory Drive, the Treasury general fund balance reached 26 billion dollars at the close of the drive. As this amount is far in excess of the Treasury

working balance required for peacetime operations, the Treasury plans to meet a considerable proportion of the deficit and to retire some public debt by depleting the accumulated balance. During the war a large balance was maintained at all times, but a decline to nearly 3 billion dollars will now be permitted, according to the President's recent budget message.

Approximately 46 per cent of the Victory Drive securities sold in the country was the 2½% bonds whose sales aggregated 9.8 billion dollars, while another 14 per cent was in the 2¼% bonds whose total sales were 3.0 billion dollars. As a result, the interest cost to the Treasury of the marketable issues sold to nonbank investors in the Victory Drive averaged 2.1 per cent, a higher average rate than that of any of the previous war loan drives.

Prior to the Victory Loan Drive, as before previous loan drives, the United States Treasury asked the cooperation of all banks and other financial institutions in holding to a minimum speculation in Government securities offered during the drive and indirect bank purchases of such securities. It again requested all banking institutions to decline to make speculative loans for the purchase of Government securities and to decline to accept subscriptions from customers which appeared to be intended for speculative purposes. Furthermore, it requested banking institutions not to acquire outstanding securities on the understanding that a substantially like amount of new securities would be subscribed for through their banks.

Commercial banks were not permitted to participate in the drive for their own accounts. Concurrently with the drive, they were allowed to buy certain issues under a formula based on their time deposits, but these commercial bank purchases were not included among the sales credited to the Victory Loan Drive. In addition to the restrictions placed on banks during the previous loan drives, there was added in the Victory Loan Drive a limitation on war loan accounts of the commercial banks to 30 per cent of all deposits (except war loan deposits) held as of October 31, 1945.

Special limitations were placed upon the amount of subscriptions by insurance companies and by savings

USE OF BANK CREDIT IN WAR LOAN DRIVES

(In millions of dollars)

	In Weekly Reporting Banks in the Tenth District				In Weekly Reporting Banks in the United States			
	Loans for Purchasing and Carrying Government Securities		Total Gov't. Securities	Loans Plus Gov't. Sec.	Loans for Purchasing and Carrying Government Securities		Total Gov't. Securities	Loans Plus Gov't. Sec.
	To Brokers and Dealers	To Others			To Brokers and Dealers	To Others		
VICTORY DRIVE								
Dec. 12, 1945.....	3	70	1,898	1,971	1,996	2,697	48,817	53,510
Oct. 24, 1945.....	2	23	1,788	1,813	1,203	922	45,458	47,583
Increase.....	1	47	110	158	793	1,775	3,359	5,927
SEVENTH DRIVE								
July 3, 1945.....	2	38	1,704	1,744	1,821	2,383	47,116	51,320
May 9, 1945.....	1	16	1,545	1,562	1,132	593	42,748	44,473
Increase.....	1	22	159	182	689	1,790	4,368	6,847
SIXTH DRIVE								
Dec. 20, 1944.....	2	26	1,509	1,536	1,451	1,663	43,786	46,900
Nov. 15, 1944.....	1	15	1,411	1,426	988	477	39,883	41,348
Increase.....	1	11	98	110	463	1,186	3,903	5,552
FIFTH DRIVE								
July 5, 1944*.....	2	40	1,375	1,417	1,242	1,575	41,917	44,734
June 7, 1944.....	1	7	1,272	1,280	696	272	37,027	37,995
Increase.....	1	33	103	137	546	1,303	4,890	6,739
FOURTH DRIVE								
Feb. 16, 1944.....	1	14	1,318	1,333	1,153	903	39,139	41,195
Jan. 12, 1944.....	1	6	1,201	1,208	827	298	36,044	37,169
Increase.....	8	117	125	326	605	3,095	4,026

*Date of peak loan figure July 5 in District, but July 12 in country as a whole.

institutions. Insurance companies were permitted to subscribe for the marketable securities in aggregate amounts not in excess of 15 per cent of the total amount of United States Government securities held by the subscribing company on December 31, 1944, or 6 per cent of that company's total admitted assets as of that date, whichever figure was larger.

Savings institutions were permitted to subscribe to the marketable securities in aggregate amounts not in excess of an amount equal to twice the increase in net assets (total assets less borrowed funds) of the subscriber during the period from July 1, 1945, through September 30, 1945, plus 7 per cent of the amount of United States Government securities held by the subscriber on June 30, 1945. Savings institutions were defined for this purpose as savings banks that do not accept demand deposits, savings and loan associations, building and loan associations, cooperative banks, and credit unions.

Insurance companies and savings institutions were requested not to use these formulae to circumvent the Treasury's request that nonbank investors refrain from selling securities heretofore acquired in order to obtain the funds to subscribe for securities offered in the Victory Loan Drive, except for normal portfolio adjustments.

An examination of the reports of the weekly reporting banks of the United States and of the Tenth District indicates that the volume of loans extended by banks during the Victory Drive for purchasing and carrying Government securities was larger than in any previous drive. However, the amount of increase in Government security holdings during the drive

which resulted from sales of outstanding issues by nonbank holders was smaller than in some of the previous war loan drives, notably the Seventh. The expansion of loans on Governments plus the expansion in the holdings of Governments by the weekly reporting banks of the country during the period of the Victory Drive was 5,927 million dollars compared with 6,847 million dollars in the Seventh Drive. An estimate of the total amount of bank credit used during the loan drive would have to include the 400 million dollar increase in Federal Reserve holdings and a figure for the other banks of the country, and thus would be considerably larger than the figure above. Although the volume of bank loans on Governments was larger than for any previous drive, when bank purchases of outstanding Government securities are taken into account, it appears that the expansion of bank credit during the Victory Drive relative to the volume of securities sold was about equal to, or slightly in excess of, the use of bank credit in the Seventh War Loan Drive. It should be noted, however, that the loans on Governments extended in each drive have not been fully liquidated before the opening of the next drive, and thus, the increase in loans on Governments during each drive has begun from a higher level than that before the preceding drive. Consequently, the total volume of loans on Governments outstanding has become progressively larger.

From October 24, the last reporting date preceding the Victory Loan Drive, to December 12, the Tenth District weekly reporting banks increased their loans on Government securities 48 million dollars, the largest loan expansion of any of the loan drives. All

but 1 million of this increase was extended to others than brokers and dealers. Loans on Governments expanded by 34 million dollars in the Fifth Drive, 12 million in the Sixth Drive, and 23 million in the Seventh Drive. At the peak figure during the Victory Drive, loans on Government securities accounted for slightly less than 3 per cent of the earning assets of the Tenth District weekly reporting banks, compared with approximately 7 per cent for all weekly reporting banks of the United States.

Of the 50 weekly reporting banks in the Tenth District, 30 increased their loans on Governments during the period under review. Six of these banks expanded their loans less than \$100,000; eight between \$100,000 and \$500,000; four between \$500,000 and \$1,000,000; and twelve by \$1,000,000 or over. The twelve banks whose loans expanded \$1,000,000 or over accounted for 89 per cent of the total increase in loans on Governments in the District reporting banks.

Although the volume of security sales financed indirectly by District reporting banks as a result of their purchases of outstanding Government securities during the Victory Drive was exceeded in the Fourth and Seventh Drives, it was still a significant amount. From October 24 to December 12, the District weekly reporting banks increased their Government security holdings 110 million dollars. This was 28 per cent of the net increase of their holdings for the year ended

December 12. During the same period of time, the increase in the security holdings of all weekly reporting banks in the United States was 64 per cent of the net increase for those banks during the 12-month period ending December 12. During the Fifth Drive, the increase in the Government security holdings of the District weekly reporting banks constituted 32 per cent of their net purchases for the year ending with the drive; during the Sixth Drive, such purchases were 36 per cent of the year's increase; and during the Seventh Drive, 48 per cent.

For the first three weeks following the drive, the Tenth District weekly reporting banks reduced their Government security holdings by 11 million dollars, and their loans on Government securities contracted by 7 million dollars. This reduction in loans was equivalent to approximately 15 per cent of the increase in loans on Governments during the drive. During this same period the weekly reporting banks of the United States decreased the loans on Governments by 252 million dollars, or 10 per cent of the amount of the increase during the drive. In the first three weeks following the Fifth Drive, the District reporting banks reduced their loans on Governments by 54 per cent of the drive increase, and for the comparable periods after the Sixth and Seventh Drives, such loans decreased by 26 per cent of the increases during the drives.

SURPLUS AIRPORTS

The Surplus Property Administrator in a report to Congress on January 4 designated 44 airports and 2 port terminals, which cost more than 5 million dollars each, as having been, or likely to be, declared surplus. In addition to these facilities, it was disclosed that about 200 airports with a cost of less than 5 million dollars each would probably be declared surplus.

Of the 44 airports designated, 13 are located in the Tenth Federal Reserve District. Those listed in this area and their cost are as follows:

	Cost
Fairfax Field, Kansas City, Kans.....	\$19,956,000
Pueblo A.A.F., Colo.	9,799,000
Alliance A.A.F., Nebr.	8,892,000
Peterson Field, Colorado Springs, Colo.	8,338,000
Hutchinson, Kans.	7,174,000
Clinton, Okla.	7,150,000
Ardmore A.A.F., Okla.	6,381,000
La Junta A.A.F., Colo.	6,093,000
Norman, Okla.	6,052,000
Will Rogers Field, Okla.	5,517,000
Grand Island A.A.F., Nebr.	5,434,000
Scribner A.A.F., Cooper, Nebr.	5,231,000
Scottsbluff A.A.F., Nebr.	5,024,000

The conditions under which each airport will be disposed of will be based upon recommendations of the Surplus Airport Disposal Committee, consisting of five members appointed, respectively, by the War De-

partment, Navy Department, Civil Aeronautics Administration, Surplus Property Administration, and the disposal agency. It is the policy of the Surplus Property Administration to dispose of surplus airports in a manner that: (1) will encourage and foster the development of civil aviation, (2) will provide and preserve for civil aviation and national defense purposes a strong, efficient, and properly maintained nationwide system of public airports, and (3) will insure competition and prevent monopoly. In disposing of such property the financial return to the Government is considered secondary to the benefit which the public will derive from the use of the facilities.

Agencies of the Federal Government are given first priority on surplus airports but special provisions have been made for local communities to acquire and operate the facilities. The Surplus Property Act provides that no airport, including necessary operating equipment, shall be disposed of until it has first been offered for sale or lease to the state, political subdivision thereof, or municipality in which it is situated, and to all municipalities in the vicinity. Regulation 16 of the Surplus Property Administration provides that

such property essential to national defense or valuable to the country's transport system may be transferred to state or local governments for consideration other than cash. For example, the latter may acquire the facilities by an agreement to maintain and operate them in the national interest. Moreover, in order to facilitate the transfer of airport facilities to local governments as soon as possible, owning agencies have been authorized to issue revocable permits to these governments pending final disposal.

BUSINESS AND AGRICULTURAL CONDITIONS

FINANCE

Member Bank Credit During the five-week period ended January 16, 1946, the earning assets of the 50 Tenth District weekly reporting banks expanded 37.1 million dollars, as total loans decreased 15.1 million dollars and total investments increased 52.2 million dollars. The contraction in loans resulted chiefly from a liquidation of loans for purchasing and carrying Government securities, as such loans declined 14.2 million dollars from the peak figure of 72.8 million reached during the Victory Loan Drive.

The expansion in investments involved an expansion of 43.0 million dollars in Government securities and 9.2 million in other securities. Treasury notes de-

If surplus airport facilities are not wanted by a governmental unit, they may be offered to private buyers "at a price approximating the estimate of fair value" as established by the disposal agency in view of the reservations and conditions which may be imposed upon the use of the property and the obligations to be assumed by the purchaser. If no buyers are found for an airport facility, it may be reclassified in whole or piecemeal as other types of property and disposal made for other uses.

creased 62.7 million dollars and Treasury certificates of indebtedness increased 79.2 million, largely as a result of an exchange of Treasury notes for Treasury certificates of indebtedness by the Treasury. Treasury bond holdings expanded 34.7 million dollars, and Treasury bills decreased 7.8 million.

During the period under review, the interbank deposits of the District reporting banks increased 17.7 million dollars, and for the first time exceeded 1 billion dollars. The volume of time deposits continued to grow, as the reporting banks added 6.5 million dollars of such deposits for a total of 291.3 million. Private demand deposits increased 10.5 million, while Government deposits declined 3.6 million.

Principal items of condition of 50 member banks:

	BANK DEBITS		Change from '44		Change from			
	Dec. 1945	Year 1945	Dec.	Year	Jan. 16 1946	Dec. 12 1945	Jan. 17 1945	
	(Thousand dollars)		(Per cent)		(In thousands of dollars)			
Colo. Springs, Colo....	31,811	306,746	+21	+10	Loans and investments—total.....	2,521,374	+37,105	+520,908
Denver, Colo.....	379,959	3,823,393	+23	+12	Loans—total.....	434,536	-15,074	+76,091
Gr. Junction, Colo....	9,468	91,982	+13	+11	Coml., indust., agric.....	251,138	-344	+25,014
Greeley, Colo.....	12,366	131,584	+1	+17	To security brokers and dealers.....	6,347	-1,118	+2,022
Pueblo, Colo.....	29,018	287,180	+12	+12	Other to purchase or carry secur.....	65,088	-14,070	+32,753
Atchison, Kans.....	9,245	82,578	+31	+10	Real estate loans.....	40,350	+1,266	+3,614
Emporia, Kans.....	7,338	82,451	+20	+2	Loans to banks.....	793	-100	+393
Hutchinson, Kans....	30,409	351,538	+8	+12	All other loans.....	70,820	-708	+12,295
Independence, Kans..	4,860	53,755	-13	+1	Investments—total.....	2,086,838	+52,179	+575,254
Kansas City, Kans... 44,843	482,788	+6	0	U. S. Govt. securities—total.....	1,941,012	+42,970	+298,991	
Lawrence, Kans.....	8,428	98,253	+1	+15	Bills.....	109,684	-7,838	+27,941
Parsons, Kans.....	5,517	69,533	-20	-3	Certificates of indebtedness.....	562,379	+79,173	+210,177
Pittsburg, Kans.....	8,739	83,381	+20	+5	Notes.....	391,977	-62,718	+19,733
Salina, Kans.....	20,958	275,854	-1	+1	Bonds.....	876,478	+34,667	+205,554
Topeka, Kans.....	61,250	714,714	+12	+7	Guaranteed obligations.....	494	-314	-33,977
Wichita, Kans.....	157,289	2,365,047	-16	0	Other securities.....	145,826	+9,209	+15,389
Joplin, Mo.....	23,310	220,006	+23	+8	Reserve with F. R. Bank.....	465,006	-7,249	+58,158
Kansas City, Mo.....	727,190	8,322,581	-5	+5	Balances "due from" banks—net.....	323,115	+998	+25,530
St. Joseph, Mo.....	61,897	698,905	-5	0	Demand deposits—adjusted.....	1,398,422	+10,455	+165,846
Fremont, Nebr.....	7,810	86,484	+8	+8	Time deposits.....	291,314	+6,487	+62,712
Grand Island, Nebr..	14,535	170,541	-4	+7	U. S. Govt. deposits.....	498,976	-3,604	+199,867
Lincoln, Nebr.....	59,582	621,904	+8	+6	Deposits "due to" banks—net.....	1,001,844	+17,734	+154,118
Omaha, Nebr.....	402,026	4,206,875	+10	+6	Borrowings.....	10,000	-4,000	+8,250
Albuquerque, N. M... 48,393	478,630	+36	+28					
Bartlesville, Okla... 49,058	543,783	-2	+6					
Enid, Okla.....	23,182	323,812	+2	+20				
Guthrie, Okla.....	3,665	34,796	-2	+10				
Muskogee, Okla.....	21,109	199,699	-8	+2				
Okla. City, Okla.....	245,331	2,373,635	0	+7				
Okmulgee, Okla.....	7,120	53,873	+38	+24				
Tulsa, Okla.....	326,459	3,347,572	-7	+9				
Casper, Wyo.....	12,986	144,491	+11	+15				
Cheyenne, Wyo.....	22,954	226,600	+8	+3				
District, 33 cities..	2,878,105	31,354,964	+2	+7				
U. S., 334 cities....	101,563,000	974,168,000	+11	+9				

DEPARTMENT STORE TRADE

Dollar volume of December sales at reporting department stores in this District was 8 per cent larger in 1945 than in 1944, and sales for the year 1945 as a whole increased 12 per cent. In each month of 1945, dollar sales established a new high record for that month. Dollar sales have expanded further in recent weeks, sales for the first three weeks of January in

1946 showing an increase of 6 per cent over the same period of 1945.

Department store inventories declined rather sharply during December, and outstanding orders showed some decrease from their record level of November 30. Stocks on hand at the end of December, however, still were slightly larger than a year earlier, and the amount of merchandise on order was 43 per cent greater than a year earlier. The huge volume of merchandise on order, which was more than double actual stocks on hand, reflects the placement of heavy orders for goods that are expected to become available in 1946. According to trade reports, improvement in the flow of goods scheduled to start early in January has been delayed by price and labor difficulties and a substantial movement of supplies may not occur before early spring.

Department store sales and stocks in leading cities:

No. of Stores	SALES		STOCKS	
	Dec. '45	12 Mos. '45	Dec. 31, '45	
	comp. to Dec. '44	comp. to 12 Mos. '44	comp. to Dec. 31, '44	
(Per cent increase or decrease)				
Denver.....	7	+12	+15	-2
Pueblo.....	3	+8	+10	*
Hutchinson.....	3	+7	+14	*
Topeka.....	3	+9	+14	*
Wichita.....	4	+2	+3	*
Joplin.....	3	+8	+11	*
Kansas City.....	8	+7	+12	+8
St. Joseph.....	3	0	+10
Omaha.....	4	+13	+11	*
Oklahoma City.....	6	+8	+12	+4
Tulsa.....	4	+7	+14	*
Other cities.....	31	+9	+10	-4
District.....	79	+8	+12	+2

*Not shown separately but included in District total.

INDUSTRIAL PRODUCTION

Flour Milling Southwestern flour milling operations rose from an average of 92 per cent of full-time capacity in November to 98 per cent in December. Output in December was 16 per cent larger and for the entire year 1945 about 11 per cent larger than in the corresponding 1944 periods. In the first three weeks of January, operations rose further to about 100 per cent of capacity, as measured by a normal 6-day work week. Some mills have extended the work week to 7 days from the usual 6, and some mills are operating 24 hours a day.

Notwithstanding the record level of mill activity, most mills are still behind in deliveries and are hampered in their operations by difficulty in securing wheat supplies and by shortages of bags and of box cars. A very heavy export demand for flour continues unabated, and domestic bakers also have been pressing mills for delivery, with reports indicating that bakers are accumulating stocks and even storing flour in rented space because of apprehension regard-

ing wheat and flour supplies in the coming months. Flour sales are controlled almost wholly by mills' ability to offer. The backlog of unfilled orders on mills' books remains very high, new flour sales immediately replacing the amount of flour withdrawn by buyers on previous contracts.

According to an announcement made on January 23, the present domestic flour subsidy program will be terminated as planned on March 1 but a substitute program will be inaugurated on that date, providing for payment of the subsidy on all flour ground between March 1 and June 30, the expiration date of present legislation authorizing flour subsidy payments to millers. Under the present program, mills at the termination of the subsidy will receive payments on unfilled orders on hand only to the extent of their original unfilled order balances on November 30, 1943, at the start of the program. Under the new program, mills after March 1 will receive payments on all flour produced to June 30; consequently, they will not be penalized for an excess of unfilled orders on their books on March 1, providing the flour can be ground out by June 30, and for the present, at least, need not restrict their forward bookings as heretofore.

Meat Packing Hog slaughter in December, as indicated by packers' purchases at leading District markets, was slightly higher than in the corresponding month a year earlier, but the slaughter of sheep was moderately lower and that of cattle and calves about one fifth less. For the year 1945 as a whole, hog slaughter was down 51 per cent and calf slaughter 23 per cent from the high levels reached in 1944, while cattle slaughter was little changed, with a decline of only 1 per cent. Sheep slaughter showed a further decrease of 7 per cent during 1945.

Meat-packing operations in the fore part of January generally were very heavy, partly in anticipation of a strike of packing-house workers at many large plants. Operations declined rather sharply when the strike went into effect on January 16 but rose when the Government assumed control and operation on January 28 of the packing plants affected by the strike.

Petroleum Crude oil production in the United States recovered somewhat in December from the downward movement prevailing since August. The output was 4 per cent above that in November but 4 per cent below that in December, 1944. Daily average production attained a rate of 4,487,000 barrels.

Production in the Tenth District in December was greater in comparison with the previous month and with the corresponding month a year ago—3 per cent

in both instances. The daily average rate of production attained in the six oil-producing states of the District was 848,000 barrels, approximately the same as in November. Output in Oklahoma during 1945 showed an increase of 11 per cent over the previous year and in August and December reached the highest level since the middle of 1942. On the other hand, the level of production in Kansas, the other principal producing state of the District, was 3 per cent lower than in 1944 and continued a downward trend which started early in 1943.

In Colorado there was a gradual increase in production throughout the first nine months, and a more rapid rise during the last quarter of the year. Wyoming's production was up 11 per cent over 1944. Nebraska showed the greatest relative decline for the year, and New Mexico showed a small decrease. These four states supplied one fourth of the total production in the District.

Data for gross crude oil production as reported by the Bureau of Mines and the American Petroleum Institute are given below:

	Dec.	12 Mos.	Change from '44	
	1945	1945	Dec.	12 Mos.
	(Thousand barrels)		(Per cent)	
Colorado.....	661	4,914	+144	+67
Kansas.....	7,691	96,227	-5	-3
Nebraska.....	23	306	-23	-27
New Mexico.....	3,032	37,217	-6	-6
Oklahoma.....	12,040	138,009	+9	+11
Wyoming.....	2,826	35,810	+1	+11
Six states.....	26,273	312,483	+3	+5
United States.....	139,104	1,709,869	-4	+2

The fuel oil supply continues to be extremely tight in the East. Because of the critical situation, the Petroleum Administration for War early in January planned to reactivate its former East Coast industry advisory committees but has not as yet recalled the officials. A contributing factor to the seriousness of the situation is the tie-up of tankers at Atlantic ports because of lack of crews.

Refinery runs in the United States increased from 4,473,000 barrels daily the first week of December to 4,729,000 barrels daily the last of December. Despite all efforts to meet fuel oil requirements, stocks of such oil have declined. As a result of increased refinery runs to supply the needed fuel oil and of lowered demand for gasoline, gasoline stocks have increased to approximately 100 million barrels compared with a stock of 88 million barrels a year ago. Little reduction in these stocks is anticipated until labor conditions become settled to permit normal use of motor fuel and other products or until greater seasonal demand occurs. If the weather moderates and decreases the demand for fuel oils, refinery runs could be curtailed, and the expansion of gasoline stocks retarded.

Employment The decline in employment which was precipitated by the close of the Pacific war was arrested by October, the latest month for which data are available for the states which lie wholly or partly within the Tenth District. The level of nonagricultural employment was the lowest since March, 1942, although only slightly below that in September, and was 13 per cent below the wartime peak. Likewise, manufacturing employment in October, although it was only 2 per cent under the September figure, was 34 per cent lower than in October, 1944, and 41 per cent lower than the wartime peak, and was the lowest since May, 1941. Factory employment continued to constitute the major part of the total decline.

Recent trends in employment in the District were similar to those in the nation as a whole, although the changes in the District were relatively greater. The levels of employment in the United States during the ten months of 1945 were lower than those of the corresponding period of the preceding year. In October, national nonagricultural employment and manufacturing employment were a little lower than in September, but employment in trade and financial establishments was slightly higher. Figures for nonagricultural and manufacturing employment approximated their levels of early 1941 and were 10 per cent and 26 per cent, respectively, below wartime peaks.

Department of Labor estimates follow:

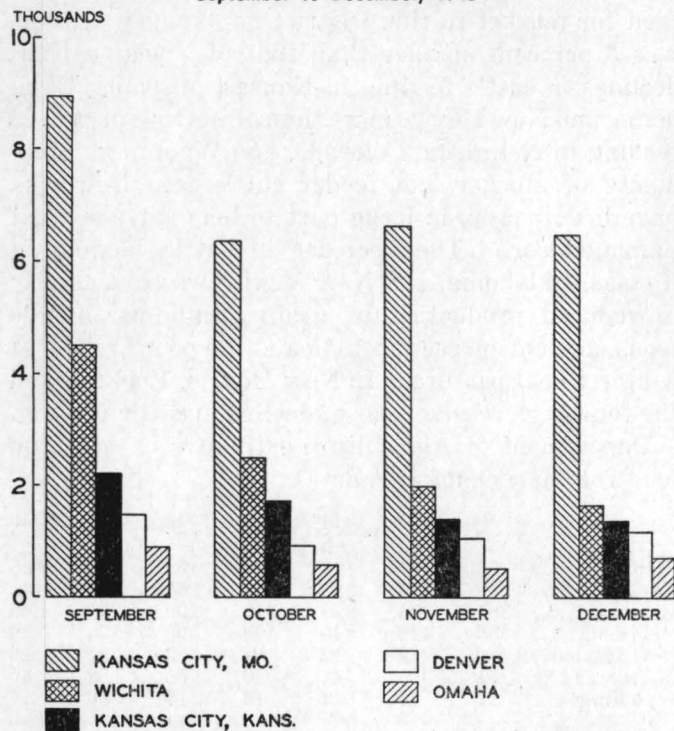
	TOTAL NONAGRICULTURAL EMPLOYMENT		
	Oct. 1945	Aver.	Change from '44
		10 Mos. 1945	
	(Number)		(Per cent)
Colorado.....	260,000	259,900	-3 -2
Kansas.....	329,000	378,800	-18 -7
Missouri.....	865,000	924,300	-9 -3
Nebraska.....	240,000	255,300	-8 -1
New Mexico.....	82,400	81,000	+4 +4
Oklahoma.....	333,000	364,400	-11 -3
Wyoming.....	65,700	62,200	+6 +1
Seven states.....	2,175,100	2,325,900	-9 -3
United States.....	35,216,000	37,184,000	-8 -4

	MANUFACTURING EMPLOYMENT		
	Oct. 1945	Aver.	Change from '44
		10 Mos. 1945	
	(Number)		(Per cent)
Colorado.....	43,900	46,100	-11 -6
Kansas.....	57,300	107,800	-57 -22
Missouri.....	253,000	325,600	-25 -7
Nebraska*.....	43,600	59,200	-31 -3
New Mexico.....	5,300	5,100	+4 +2
Oklahoma.....	42,900	75,400	-48 -13
Wyoming.....	4,700	4,300	-6 0
Seven states.....	450,700	623,500	-34 -10
United States.....	11,941,000	14,292,000	-24 -12

*Estimates for manufacturing have been revised and are not comparable to current estimates for total nonagricultural employment.

The accompanying chart shows that in five principal labor markets initial unemployment compensation claims decreased after the first impact of war

INITIAL CLAIMS FOR UNEMPLOYMENT COMPENSATION
FILED IN FIVE AREAS
September to December, 1945



Source: State Unemployment Compensation Divisions and United States Employment Service.

contract cancellations. The volume of these claims varied little throughout the remainder of the year in the Kansas City area but decreased continuously in Wichita, probably in part as the result of the migration of workers from the area. Initial claims showed a slight upward tendency in Denver and Omaha during November and December. The comparative stability of the number of claims filed from October through December indicates the reemployment of some workers and the withdrawal of others from the labor force.

The effect of demobilization is being felt as the return of veterans expands the labor force. Hence some areas present the paradoxical situation of simultaneous increases in employment and unemployment. Unemployment as shown by continued unemployment compensation claims increased during the four weeks ending the middle of January in Denver, Omaha, St. Joseph, and Lincoln but remained about the same in the Kansas City and Wichita areas. Unfilled openings and placements through the United States Employment Service declined during the period.

AGRICULTURE

Crops The condition of winter wheat has improved as a result of snow and rain in the middle of January in the areas that were contending with dry topsoil. Reports indicate, however, that in the

western part of the winter wheat belt there are still deficiencies of both topsoil and subsoil moisture, while in the eastern parts of Kansas, Oklahoma, and Nebraska moisture is abundant, and in some areas excessive.

Interest in the grain markets during the past month has centered in efforts of millers to obtain adequate supplies of wheat for domestic use, and of Government authorities to obtain the wheat necessary to meet export commitments. Domestic demand for flour is of record proportions, and the Government is trying to provide 225 million bushels of wheat for export in the first six months of 1946. This is more than was estimated last summer for the entire crop year, and is far more than was exported during the war years. Although total reported stocks are above average, stocks off farms are extremely low. Receipts of wheat at Kansas City during January, totaling 8.9 million bushels, were about double last year's. How-

RAINFALL

	Dec. 1945		Year 1945	
	Total	Normal	Total	Normal
	(In inches)			
COLORADO				
Denver.....	0.10	0.73	13.58	14.05
Leadville.....	1.15	1.08	21.44	18.54
Pueblo.....	0.36	0.50	15.57	11.64
Lamar.....	0.10	0.59	14.80	15.26
Alamosa.....	0.05	0.35	3.89	7.07
Steamboat Springs.....	2.86	2.27	27.79	23.07
KANSAS				
Topeka.....	1.31	1.03	38.35	32.58
Iola.....	0.98	1.46	44.51	37.57
Concordia.....	1.01	0.66	28.68	25.24
Salina.....	0.80	0.75	30.90	27.00
Wichita.....	0.62	1.02	36.71	30.37
Hays.....	1.07	0.64	20.29	23.05
Goodland.....	0.05	0.63	14.32	17.98
Dodge City.....	0.54	0.57	21.88	20.13
Elkhart.....	0.33	0.72	17.95	17.13
MISSOURI				
St. Joseph.....	1.40	1.29	39.26	35.56
Kansas City.....	1.42	1.20	35.26	34.47
Joplin.....	0.66	1.89	53.54	43.72
NEBRASKA				
Omaha.....	1.79	0.93	30.53	27.77
Lincoln.....	2.14	0.80	32.73	28.02
Norfolk.....	1.01	0.84	28.53	26.69
Grand Island.....	0.97	0.72	26.89	25.66
McCook.....	0.71	0.60	20.51	19.62
North Platte.....	0.56	0.53	20.44	18.39
Bridgeport.....	0.70	0.50	19.86	15.72
Valentine.....	0.00	0.61	15.53	18.34
NEW MEXICO				
Clayton.....	0.00	0.35	14.27	15.32
Santa Fe.....	0.81	0.72	11.55	14.37
Farmington.....	0.73	0.62	7.17	8.65
OKLAHOMA				
Tulsa.....	0.26	1.90	37.16	37.16
McAlester.....	0.77	2.70	68.38	42.63
Oklahoma City.....	0.08	1.50	43.91	31.15
Pauls Valley.....	0.12	1.68	57.82	35.06
Hobart.....	0.00	1.22	26.38	27.52
Enid.....	0.23	1.34	29.15	29.82
Woodward.....	0.30	0.94	22.10	25.30
WYOMING				
Cheyenne.....	0.29	0.55	16.51	13.99
Casper.....	0.79	0.76	10.92	14.58
Lander.....	0.12	0.68	15.77	12.63
Sheridan.....	0.79	0.64	18.69	15.06

ever, nearly all shipments were in fulfillment of prior contracts, largely on a barter basis. Offerings for future delivery were scanty and became more so during the month.

Three explanations of the tight market situation are current in the grain trade. First, the deficiency of box cars, though much less serious than a few months ago, is still a factor in certain areas. Undoubtedly more grain would come in if cars were plentiful, but this must be a secondary disturbing factor, since actual receipts are near record levels. Second, some grain apparently is being held back by farmers in the hope that price ceilings may be raised or abolished. Third, it is believed by some grain men that the feeding of wheat to livestock has been greater than was anticipated, and greater than current estimates.

The primary disturbing factor in the market situation, however, is the pressure on the United States to supply food to millions of people who face actual starvation. The unbalance is aggravated by the fact that price no longer operates to regulate the distribution of grain to competing uses. One result of the excess of demand over supply is that exporters and users of grain are going into the interior to buy grain before it reaches the terminal markets. Another result is a widespread resort to barter. A third is the development of evasive practices, such as the tying of grain purchases to leases of storage space or to payment of unearned storage charges. Recently, the Office of Price Administration called attention to the illegality of such tying-in practices, and trade reports indicate that their prevalence has since declined.

Late in January, the Department of Agriculture initiated a series of trade conferences with trade interests in the hope of working out an improved method of handling grain. The Secretary of Agriculture has issued an appeal to farmers to market their grain promptly in order to enable the Government to meet its export commitments. The President has issued a statement appealing to other wheat-producing countries to increase their exports in order to relieve this country of part of its commitment.

Representatives of the milling trade have suggested a number of remedial measures, including the concentration of export sales in the Commodity Credit Corporation, a limitation on inventories of flour mills, the calling of all CCC wheat loans as of March 1, and drastic restrictions on the use of wheat for alcohol distillation. On January 31, CCC loans were called, as of March 1, on all wheat stored in 22 states, including all the states of the Tenth District. This affects about 13 million bushels, of which over 10 million is located in Kansas, Oklahoma, Nebraska, and Colorado.

Livestock According to estimates of the Department of Agriculture, the number of cattle on feed for market in this District on January 1, 1946, was 3 per cent smaller than that of a year earlier, declines in cattle feeding in Kansas, Missouri, Oklahoma, and New Mexico more than offsetting increased feeding in Nebraska, Colorado, and Wyoming. Shipments of stocker and feeder cattle into Nebraska have been heavy, in large part to help salvage frost damaged corn. The decrease in cattle feeding in Kansas, Oklahoma, and New Mexico was due chiefly to reduced production of grain sorghums, bundle feeds, and cotton seed in 1945 and the poor growth of winter wheat pastures. In New Mexico, 1946 marked the fourth successive year of decline in cattle feeding.

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

	1946	1945	1944	1943	1942	1941	1940
	(In thousands)						
Colorado.....	176	160	148	160	162	138	135
Kansas.....	299	322	280	318	265	200	145
Missouri.....	261	293	279	310	290	290	265
Nebraska.....	435	422	340	400	300	270	229
New Mexico....	6	9	12	17	30	24	20
Oklahoma.....	51	60	42	70	66	62	50
Wyoming.....	21	16	14	16	18	16	15
7 States.....	1,249	1,282	1,115	1,291	1,131	1,000	859
United States	4,157	4,324	3,967	4,445	4,185	4,065	3,633

The number of sheep and lambs on feed for market on January 1 in this District was 8 per cent less than a year ago, reflecting a decrease in all states except Nebraska and Wyoming, where increased numbers of lambs were on feed in the important Scottsbluff feeding area. The largest decrease was in Kansas, where the number of lambs brought in to be finished on wheat pastures was down materially from that of a year earlier. In some states, the decline in lamb feeding was associated with the general liquidation of sheep numbers that has been under way for several years. Colorado had only 780,000 lambs on feed at the beginning of this year as compared with 1,115,000 on January 1, 1942, and over 2,000,000 head on January 1, 1930. The number of lambs on feed in Colorado was the smallest in nearly twenty years and in New Mexico the smallest in at least ten years.

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

	1946	1945	1944	1943	1942	1941	1940
	(In thousands)						
Colorado.....	780	840	825	860	1,115	865	925
Kansas.....	738	900	370	924	660	530	210
Missouri.....	218	250	240	225	199	170	170
Nebraska.....	833	801	900	890	774	565	675
New Mexico....	52	58	137	147	145	160	141
Oklahoma.....	39	60	40	65	75	65	45
Wyoming.....	242	225	250	200	280	290	300
7 States.....	2,902	3,134	2,762	3,311	3,248	2,645	2,466
United States	6,724	6,858	6,537	6,979	6,928	6,479	5,841

NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Industrial output declined slightly in December and, with new strikes occurring within the past two weeks, a large decrease is indicated in January. The value of retail trade in December and the early part of January was maintained at record levels, after allowing for seasonal changes.

INDUSTRIAL PRODUCTION

The Board's seasonally adjusted index of industrial production decreased from 168 per cent of the 1935-39 average in November to 164 in December. The decline was due mainly to the stoppage of work at leading automobile plants and to holiday influences on activity in the steel, textile, paper, and mining industries.

Output of most types of producers' equipment and of many consumer durable goods showed further gains in December and increases also occurred in output of construction materials. These gains, however, were more than offset by suspension of operations at automobile plants and total durable goods output declined by three per cent, reflecting decreases not only in output of automobiles and parts but also of such other metal products as diesel locomotives and refrigerators.

Steel production declined slightly in December owing to most plants being shut down for two days in observance of the Christmas holidays. In the first three weeks of the month steel production was above the November rate and output was resumed at a high level during the first three weeks of January. In the following week, however, steel output dropped to five per cent of capacity as negotiations for a new wage contract collapsed.

Output of nondurable goods in December was maintained at about the level of the preceding month. Meat production continued at a high level in December and the early part of January. Activity at most meat-packing plants was suspended in the latter part of January due to an industrial dispute. Production of cigarettes declined considerably, reflecting an accumulation of stocks resulting from increased output of civilian use since the end of the war. Output of tires for civilians increased substantially in November and December and rationing was eliminated on January 1. Cotton consumption declined in December, reflecting holiday influences.

Coal production in December was about 10 per cent below the November level because of reduced operations at mines around the Christmas holidays. A high rate of output was maintained in both bituminous and anthracite coal mines in the early part of January. Output of crude petroleum and of metals was generally maintained in December.

Awards for private construction, especially contracts for manufacturing and commercial buildings and those for residential building for sale or rent, continued to advance sharply in November and the early part of December.

EMPLOYMENT

Employment in most lines of activity continued to rise in December, after allowing for seasonal changes. Gains in employment in trade, transportation, construction, and most durable and nondurable goods industries were offset in part by the loss in employment due to the automobile strike.

DISTRIBUTION

Sales at department stores were about 10 per cent larger in December than a year ago, and in the first three weeks of January sales continued to show about the same increase above the relatively high level in the corresponding period of 1945. Most other types of stores in recent months have shown even larger increases in sales than department stores, and the total value of retail trade has been running 12 to 15 per cent above year-ago levels.

COMMODITY PRICES

Prices of most farm products and foods were maintained at advanced levels in December and the early part of January. Ceiling prices were reestablished for citrus fruits; egg prices also declined, reflecting seasonal increases in supplies.

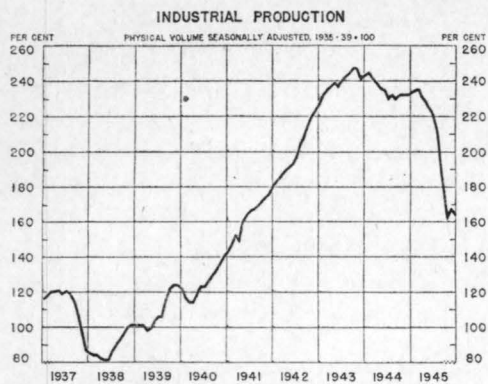
Price ceilings for furniture, printing machinery, furnaces, and various other manufactured products were advanced and there were indications that the general level of steel prices would be raised.

SECURITY MARKETS

Prices of Treasury bonds have risen sharply in recent weeks with the result that yields are now at the lowest levels on record. Stock market prices rose sharply in January to the highest levels for a number of stocks since 1930. Effective January 21, the Board of Governors of the Federal Reserve System raised margin requirements for listed stocks to 100 per cent.

BANK CREDIT

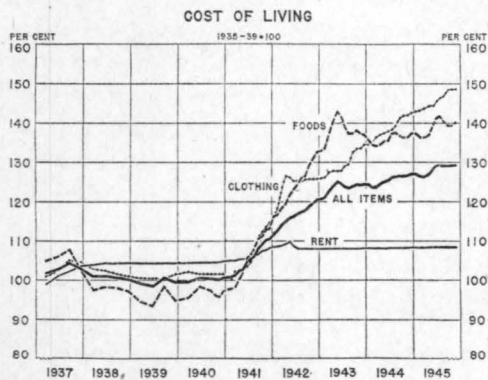
Return flow of currency of almost 700 million dollars, following the Christmas rise, together with a reduction of Treasury deposits at Federal Reserve Banks early in January, provided member banks with substantial amounts of reserve funds. At the same time, bank loans made for purchasing and carrying Government securities during the Victory Loan Drive were reduced. Member banks continued to increase their holdings of Government securities, while the Federal Reserve Banks reduced their portfolio. Bank deposits have shown little change since the sharp decline in adjusted demand deposits and the increase in U. S. Government deposits during the Victory Loan Drive.



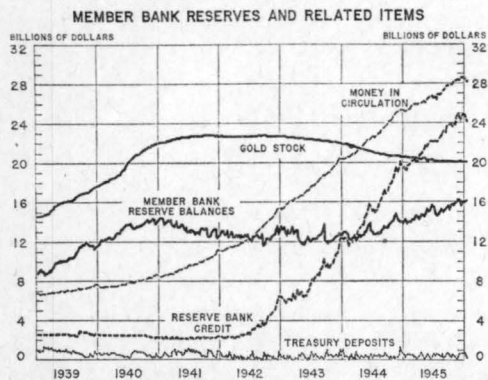
Federal Reserve index. Monthly figures; latest shown is for December, 1945.



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



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



Wednesday figures; latest shown are for January 16, 1946.