

MONTHLY REVIEW

Agricultural and Business Conditions

TENTH FEDERAL RESERVE DISTRICT

VOL. 31, No. 7

FEDERAL RESERVE BANK OF KANSAS CITY

JULY 31, 1946

CHANGES IN DEPOSITS AND EARNING ASSETS OF DISTRICT BANKS

Preliminary figures based on the June 29 call reports of the District member banks indicate that total deposits of all District member banks aggregated 5,624 million dollars on that date. This was about 5 per cent below the level of December 31, 1945, and about 9 per cent above the level of June 30, 1945. All of the decline from the December volume appears to have occurred in the deposits of the Reserve city member banks, which were down 8 per cent, while total deposits of the District country member banks were essentially unchanged from their level of six months earlier.

New Mexico and Oklahoma were the only District states or District portions of states in which total deposits showed increases during 1946. The Oklahoma figures are probably affected somewhat by the practice of reducing deposit accounts at the year end because of the tax on intangibles as of the first of the year. Of the five District states having Reserve city banks, total deposits of that class of banks declined in all but Oklahoma. (There are no Reserve city banks in New Mexico and Wyoming.) In the country bank classification, total deposits increased in Colorado, Nebraska, New Mexico, and Oklahoma, while they decreased in Kansas, Missouri, and Wyoming.

In a year to year comparison, total deposits on June 29 were up in all states except the District portion of Missouri, which showed a decline of 1 per cent. The country banks' deposits showed increases in all District states, and the Reserve city banks showed increases in all states except Kansas and Missouri.

The greatest decrease in any class of deposits since the December call was in war loan accounts, although the decline in interbank deposits also was large. Of the classes of deposits that increased, the bulk of the increase was in the demand deposits of individuals, partnerships, and corporations. Time deposits also expanded substantially. The fact that total deposits decreased in the Reserve city banks but showed little change in the country banks was due to the greater relative importance of Government deposits and interbank deposits in Reserve city banks.

Government deposits in District member banks decreased 307 million dollars from December 31, 1945, to June 29, 1946, while interbank deposits decreased 200 million dollars. Moreover, both classes of deposits contracted during the year ended June 29, 1946, as Government deposits were down 187 million dollars and interbank deposits were down 102 million dollars.

The demand deposits of individuals, partnerships, and corporations increased 159 million dollars during the six-month period ended June 29, 1946, and 545 million dollars during the twelve-month period ended June 29, 1946. During the six-month period, such deposits increased in all District states except Wyoming, while for the twelve-month period, they increased in all District states. An examination of the figures of each state for the six-month period by classes of banks shows increases in such deposits in the country bank classification in all states except Wyoming, while among the Reserve city banks, decreases are found only in Kansas and Nebraska. For the Dis-

SELECTED ITEMS OF CONDITION OF TENTH DISTRICT MEMBER BANKS (Amounts in thousands of dollars)

	RESERVE CITY BANKS			COUNTRY BANKS		
	June 29, 1946*	Dec. 31, 1945	June 30, 1945	June 29, 1946*	Dec. 31, 1945	June 30, 1945
Loans and discounts.....	500,020	503,655	408,409	328,168	277,283	257,090
U. S. Government obligations, direct and guaranteed.....	1,752,120	1,948,654	1,766,087	1,343,532	1,305,204	1,058,192
Obligations of States and political subdivisions.....	104,934	99,841	98,956	78,960	74,392	67,583
Other bonds, notes, and debentures.....	64,029	43,696	37,560	35,131	25,518	17,874
Corporate stock, including stock of Federal Reserve Bank...	5,786	7,395	6,028	2,807	2,682	2,611
Demand deposits of individuals, partnerships, corporations.....	1,503,838	1,405,248	1,311,514	1,694,601	1,634,405	1,342,212
Government demand deposits.....	291,972	529,921	424,297	132,225	201,265	187,341
Domestic interbank demand deposits.....	859,607	1,042,954	960,679	80,942	97,245	81,927
Total demand deposits.....	2,872,027	3,182,143	2,857,379	2,117,127	2,131,192	1,781,795
Total time deposits.....	341,826	317,523	283,632	293,016	276,905	248,157
Total deposits.....	3,213,853	3,499,666	3,141,011	2,410,141	2,408,097	2,029,952

*Preliminary figures.

tract as a whole, this class of deposits increased 7 per cent in the Reserve city banks and 4 per cent in the country banks. The Reserve city figure is influenced greatly by the Reserve city banks in Oklahoma with an increase of 23 per cent.

Time deposits increased in the District member banks by 7 per cent from December 31, 1945, to June 29, 1946, and by 19 per cent from June 30, 1945, to June 29, 1946. This class of deposits increased in both the Reserve city banks and the country banks for the District as a whole and in all District states.

On June 29, the Government security holdings of the District Reserve city member banks were below the levels both of December, 1945, and of June, 1945. The decrease for the twelve-month period was only 14 million dollars, or 1 per cent, while the decrease for the last six months was 197 million dollars, or 10 per cent. This development is logical in view of the fact that the United States Government retired over 12 billion dollars of Government securities from March 1 to July 1 of this year, and in view of the fact that the total deposits of the Reserve city banks declined.

On the other hand, the Government security holdings of the District country member banks on June 29 were larger than they were on the two preceding call dates. The expansion over six months earlier was 38 million dollars, or 3 per cent, while the expansion over twelve months earlier was 285 million dollars, or 27 per cent. While the country member banks' aggregate deposits did not decline during the first six

months of 1946, as did the Reserve city banks' deposits, neither did they show any significant increase. Moreover, the loan volume and other investments of the country banks increased during the period. It would appear from preliminary information that the country banks of the District were more fully invested on June 29, 1946, than they were on December 31, 1945, and that the chief source of their funds for the additional earning assets was their balances with domestic banks.

Loans and discounts of the Reserve city banks were 4 million dollars, or 1 per cent, smaller on June 29, 1946, than at the time of the December call, and 92 million dollars, or 22 per cent, larger than at the time of the call a year ago. Although the exact figure is not yet available, it is known that the loans for purchasing or carrying Government securities were substantially smaller than they were in December, and about the same volume that they were in June of 1945. Consequently, there has been a substantial expansion in loans of other types. On the basis of information available from the reports of the District weekly reporting member banks, which list of banks is nearly identical with the District Reserve city member bank group, the loan expansion has been in "commercial, industrial, and agricultural" loans, real estate loans, and consumer loans. The loans of the District country banks were up 51 million dollars, or 18 per cent, from the last call, and 71 million dollars, or 28 per cent, from a year ago.

BUSINESS AND AGRICULTURAL CONDITIONS

FINANCE

Member Bank Credit During the four-week period ended July 17, deposits of the District weekly reporting member banks increased 59 million dollars. Government deposits declined 42 million dollars, as a result of Treasury withdrawals from war loan accounts. Private demand deposits decreased 5 million dollars, time deposits increased 4 million dollars, and interbank deposits expanded by 101 million dollars. Interbank deposits reached a peak figure on January 16 and then declined 213 million dollars by June 26. A recovery began after June 26, leading to an expansion of 108 million dollars in interbank deposits by July 17.

Changes in the investment portfolios of the District reporting banks during the period under review were dominated by Treasury financial operations. Treasury notes of Series D-1946 matured on July 1. About 2.0 billion dollars of the notes were redeemed for cash, while the remaining 2.9 billion dollars of the notes were exchanged for Series F-1947 certificates of indebtedness. Only a little over one tenth of the

July 1 Treasury notes were held by nonbank investors. The Federal Reserve banks held somewhat over one fifth of the notes, leaving about two thirds of the holdings in the commercial banks. Consequently, the Treasury financial operation is reflected sharply in the Government security figures of the banks, but not so sharply in the private deposits of the banks.

The Treasury note holdings of the District reporting banks declined 51 million dollars during the period, while the Treasury certificate holdings increased by 14 million dollars. Total Government security holdings went down 31 million dollars.

The loan volume of the District weekly reporting banks was 28 million dollars larger on July 17 than on June 19. While the bulk of the increase, namely, 23 million dollars, occurred in the broad category of "commercial, industrial, and agricultural" loans, real estate loans expanded by 2 million dollars and the "all other" loans category, including consumers' loans, expanded by 4 million dollars. Loans on securities declined 1 million dollars.

On Saturday, July 20, the Board of Directors of

BANK DEBITS

	BANK DEBITS		Change from '45	
	June 1946	6 Mos. 1946	June	6 Mos.
	(Thousand dollars)		(Per cent)	
Colo. Springs, Colo.....	29,942	178,157	+13	+27
Denver, Colo.....	365,815	2,123,193	+9	+15
Gr. Junction, Colo.....	9,026	56,021	+31	+32
Greeley, Colo.....	11,163	74,088	+8	+19
Pueblo, Colo.....	27,155	154,121	+17	+18
Atchison, Kans.....	7,251	52,361	-8	+30
Emporia, Kans.....	6,870	48,515	+8	+20
Hutchinson, Kans.....	35,794	189,637	+12	+14
Independence, Kans..	6,247	33,999	+36	+30
Kansas City, Kans....	49,794	282,391	+9	+15
Lawrence, Kans.....	9,656	47,274	+3	-4
Parsons, Kans.....	6,148	34,380	-13	-6
Pittsburg, Kans.....	8,409	48,619	+9	+23
Salina, Kans.....	28,206	147,989	+25	+18
Topeka, Kans.....	86,521	406,131	+18	+12
Wichita, Kans.....	171,888	985,012	-19	-26
Joplin, Mo.....	25,050	139,472	+32	+36
Kansas City, Mo.....	744,986	4,189,951	-4	+1
St. Joseph, Mo.....	51,029	347,923	-8	+3
Fremont, Nebr.....	8,444	48,643	+21	+14
Grand Island, Nebr..	15,858	94,240	+13	+11
Lincoln, Nebr.....	63,459	356,214	0	+17
Omaha, Nebr.....	338,568	2,137,097	-15	+3
Albuquerque, N. Mex.	54,531	319,974	+41	+45
Bartlesville, Okla....	49,367	281,217	+6	+5
Enid, Okla.....	50,073	157,644	+52	+2
Guthrie, Okla.....	3,149	19,687	+8	+14
Muskogee, Okla.....	17,511	103,857	-2	+9
Okla. City, Okla.....	221,280	1,282,352	-11	+7
Okmulgee, Okla.....	4,704	30,721	+9	+30
Tulsa, Okla.....	291,431	1,588,772	-14	-8
Casper, Wyo.....	14,465	84,653	+27	+27
Cheyenne, Wyo.....	23,134	127,805	+6	+11
District, 33 cities.....	2,836,924	16,172,110	-3	+3
U. S., 334 cities.....	86,663,000	510,766,000	-12	+5

the Federal Reserve Bank of Kansas City advanced its buying rate on bankers' acceptances. On paper up to 90 days, the increase was from 1/2 to 3/4 of one per cent and on 91-120 day paper from 3/4 to 7/8 per cent. These increases were in line with changes announced by the Federal Reserve Bank of New York a week earlier.

Principal items of condition of 50 member banks:

	Change from		
	July 17, 1946	June 19, 1946	July 18, 1945
	(In thousands of dollars)		
Loans and investments—total.....	2,316,431	-5,314	+82,751
Loans—total.....	457,797	+28,078	+95,251
Coml., indust., agric.....	267,856	+23,022	+50,496
To security brokers and dealers.....	7,480	+964	+1,476
Other to purchase or carry secur.....	45,425	-1,957	+5,309
Real estate loans.....	50,742	+2,176	+14,110
Loans to banks.....	129	-25	-371
All other loans.....	86,165	+3,898	+24,231
Investments—total.....	1,858,634	-33,392	-12,507
U. S. Govt. securities—total.....	1,696,272	-30,831	-46,005
Bills.....	65,710	+5,617	-43,210
Certificates of indebtedness.....	488,217	+13,751	+88,079
Notes.....	277,492	-51,343	-178,883
Bonds.....	864,578	+1,145	+88,000
Guaranteed obligations.....	275	-1	+9
Other securities.....	162,362	-2,561	+33,505
Reserves with F. R. Bank.....	460,069	+19,625	+29,733
Balances "due from" banks—net.....	303,098	+38,192	-6,981
Demand deposits—adjusted.....	1,501,764	-4,566	+196,106
Time deposits.....	312,497	+4,475	+50,852
U. S. Govt. deposits.....	246,979	-41,868	-116,997
Deposits "due to" banks—net.....	896,919	+101,401	-35,437
Borrowings.....	2,000	-7,500	-4,000

DEPARTMENT STORE TRADE

Dollar volume of department store sales in this District in June was 28 per cent larger, and in the first six months of the year 24 per cent larger, than in the corresponding periods of last year. Sales continued in large volume in July, dollar sales for the first three weeks of the month being 22 per cent above a year ago. Sales declined by about the usual seasonal amount from May to June, and the seasonally adjusted index of daily average sales was unchanged in June from the record level of 289 per cent of the 1935-39 average reached in May.

Department store inventories increased sharply during June, the seasonally adjusted index of stocks rising from 194 per cent of the 1935-39 average in May to 218 per cent in June. At the end of the month, department store stocks were 26 per cent larger in value than inventories on hand a year earlier. Outstanding orders also increased sharply during June. On June 30, the dollar value of merchandise on order was at a new record level more than half again higher than that of a year ago.

Even allowing for the increase in prices that has occurred in the last year, it seems probable that the physical volume of merchandise now moving into consumption is appreciably greater. As goods become available, department stores are building up their inventories, and receipts of merchandise at department stores currently appear to be in excess of sales, a reversal of the situation only a few months ago. Considerable comment has been heard in recent weeks of increasing consumer resistance to higher prices, but this has been restricted largely to certain types of luxury goods and thus far has apparently had little effect on sales as a whole.

Department store sales and stocks in leading cities:

	No. of Stores	SALES		STOCKS
		June '46 comp. to June '45	6 Mos. '46 comp. to 6 Mos. '45	June 30, '46 comp. to June 30, '45
(Per cent increase or decrease)				
Denver.....	7	+37	+32	+28
Pueblo.....	3	+19	+11	+8
Hutchinson.....	3	+21	+16	+38
Topeka.....	3	+22	+17	*
Wichita.....	4	+19	+16	+38
Kansas City.....	8	+25	+23	+33
St. Joseph.....	3	+39	+32	*
Omaha.....	4	+31	+29	*
Oklahoma City.....	6	+21	+16	+17
Tulsa.....	4	+26	+17	*
Other cities.....	33	+32	+29	+17
District.....	78	+28	+24	+26

*Not shown separately but included in District total.

INDUSTRIAL PRODUCTION

Meat Cattle slaughter in June, as indicated by
Packing packers' purchases at leading District markets, was again under the preceding month, and was down by 78 per cent from June, 1945. As was

brought out in preceding Reviews, the greatly reduced slaughtering operations in the past few months, notably in cattle, are partly a result of leading packing concerns being out of the market by virtue of their stated inability to buy cattle alive at prices that would bring compliance with OPA maximum price regulations. Hog slaughter in the District was notably under the preceding month and under June of last year. Seasonally light receipts, plus anticipated price changes, have been given as reasons for the reduced level of hog slaughtering operations. Sheep and lamb slaughter in the District was sharply above that of the preceding month by 51 per cent. This level of operations reflects the heavy market receipts of lambs furnished by producers who desired to take advantage of the Government feeding subsidy which was scheduled to end June 30.

Expiration of OPA maximum price regulations, midnight, June 30, brought sharply higher prices on all livestock markets the next opening market, July 1. The majority of the leading meat packers in the District, however, did not follow the upward swing of livestock prices the first week in July and remained almost entirely out of the market. This was a precaution against being placed in a position of having high cost inventories on hand in case maximum price ceilings were again placed in effect. However, this view underwent a change during the second week in July. By July 15 the larger packing plants in the District were again active buyers of all classes of livestock, particularly beef cattle.

The generally higher prices prevailing on July 1 and following days attracted increased receipts of cattle, calves, hogs, and lambs at the various principal markets throughout the District. This volume of receipts was appreciably greater than that in May and June but was not greatly in excess of the normal supplies for this season of the year. The action of the larger packing plants in again taking their normal share of the receipts had the immediate result of increased local supplies of retail meat. Retail meat dealers, happy with the largest supplies of meat in many weeks, were inclined to boost consumer prices cautiously. Many meat counters maintained former OPA price ceilings for approximately a week. But increased wholesale costs soon necessitated their raising the price of retail cuts proportionately. During the first two weeks in July retail price increases on various cuts of meat were reported anywhere from 5 to 100 per cent. A price increase on retail cuts of meat of 100 per cent is, of course, out of all proportion to the general price increases at the wholesale level.

Meat packing interests have expressed satisfaction at the return of free market prices to the livestock

industry. The measurable effects of free livestock prices have been evident to the extent that meat is now being channeled through the regular trade routes. At Kansas City during the week ending July 13 it appeared that only around 50 per cent of the killing class of beef cattle was being taken by shippers and order buyers. This smaller movement of beef cattle to eastern slaughterers is in sharp contrast with figures a month earlier which indicated that 80 to 90 per cent of the killing cattle at midwestern markets were being purchased for shipment to the East. In addition, for the week ended July 6, the number of cattle slaughtered under Federal inspection was up 41 per cent from the number so slaughtered the last week in June.

Flour Milling Southwestern flour milling operations averaged about 60 per cent of full-time capacity during the month of June. This was an improvement of about 1 per cent over operations in May. By mid-July operations had reached a level of around 85 per cent of capacity. New crop wheat, coupled with the expiration of OPA maximum price ceilings, contributed to a greatly improved wheat supply condition for flour mills in the Southwest area. The level of flour milling operations in June continued to be somewhat restricted by the Department of Agriculture requirement that mills grind for domestic consumption only 75 per cent of the volume ground in 1945. This requirement was extended to 85 per cent for July, with an additional allowance of 2½ per cent to take into account the so-called "green dot flour" which was ground and delivered to the United States Army at this time of the year in 1945. Thus, the grind of domestic flour permitted for July was approximately 87½ per cent of the volume ground in the corresponding month of 1945.

Sales of flour in the Southwest for the last week in June had advanced to about 31 per cent of capacity as compared with 15 per cent the previous week. By mid-July volume of sales had jumped to around 63 per cent of capacity and was said to be rapidly approaching 100 per cent of capacity. It was reported that sale prices after July 1 were ranging from \$1.45 to \$1.50 over the ceiling prices which prevailed up to June 30.

Expiration of the OPA at midnight on June 30 brought a mixed reaction in the milling industry the following day. Mills were generally exercising extreme caution in buying any great volume of wheat at prices over the ceilings in effect during June, fearing a revival of the maximum ceiling prices at a later date. Sales of flour likewise were held to a minimum because of uncertainty concerning future developments on ceiling prices. By the second week in July, however,

the trade became doubtful of any effective reinstatement of ceiling prices, with the result that cash prices of wheat advanced substantially above the old ceilings and sales of flour were made at increased prices approximately equal to old ceilings plus the amount of the expired subsidy and the increase in the price of wheat.

Another development of significance to the milling industry was the removal, effective July 16, of the requirement that farmers sell at least 50 per cent of any wheat they delivered to country elevators. It will be recalled that elevators at country and terminal points were in turn required to offer one half of the wheat purchased from farmers to the Commodity Credit Corporation at established ceiling prices. After the expiration of the maximum ceiling prices on all grain July 1, the Department of Agriculture withdrew its requirement as it applied to farmers and reduced the set-aside order for elevators and other handlers to zero, pending settlement of price legislation in Congress.

Petroleum In June, total production of crude oil in the United States as a whole was greater than in May and reached a level only 3 per cent below the peak war production. Daily average production attained a rate of 4,933,000 barrels, 4 per cent higher than the rate in May. Following the seasonal pattern, stocks of crude oil, residual fuel oil, and gas oil and distillate increased during June, and stocks of gasoline declined.

In the Tenth District, daily average production in June was 895,000 barrels, 3 per cent above the rate in May. Total output, although practically the same as in the preceding month, increased 3 per cent from June, 1945, and was 7 per cent higher than the ten-year average for June. Colorado again showed a large percentage gain from the corresponding period of the preceding year and supplied 4 per cent of the District output as compared with 1 per cent in June, 1945. Increases from June, 1945, were also shown in Oklahoma and Wyoming. Stocks of crude oil in the District increased somewhat during the month.

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

	June	6 Mos.	Change from '45	
	1946	1946	June	6 Mos.
	(Thousand barrels)		(Per cent)	
Colorado.....	999	4,863	+184	+165
Kansas.....	7,930	46,295	-1	-5
Nebraska.....	22	139	-15	-13
New Mexico.....	2,940	17,543	-4	-7
Oklahoma.....	11,569	68,684	+1	+2
Wyoming.....	3,390	19,370	+9	+6
Six states.....	26,850	156,894	+3	+1
United States.....	148,001	847,277	+2	-3

Employment The labor force in the United States expanded in June by 1,670,000 as school youths and other seasonal workers entered the labor market. This influx of jobseekers resulted in a rise in both employment and unemployment. The increase in agricultural employment, which is highly seasonal, amounted to approximately two-thirds of the gain in the labor force.

Nonagricultural employment continued to increase in the country as a whole. Preliminary data show that total nonagricultural employment has recovered from the losses following V-J Day and that employment in June was 2 per cent above the level of mid-August, 1945. Employment had equaled or surpassed the V-J Day level in transportation and public utilities, construction, trade, finance and service, and mining—which were subordinate during the war period—but was below that level in manufacturing and in government.

The number of unemployed workers in June was above that in May by 250,000, or 11 per cent. About 200,000 of the increase was among boys and girls from 14 to 19 years old. Only 50,000 more veterans of World War II were seeking work in June than in May, although nearly 600,000 entered the labor market during the period.

For the Tenth District, employment data for April are the latest available. In that month total nonagricultural employment had not reached the level of August, 1945, in any of the District states. Labor disputes in April, primarily in coal mining, retarded the expansion of employment in a number of industries. Despite adverse conditions, nonagricultural employment in April was 1 per cent higher than in March, although 7 per cent lower than in April, 1945.

An upward trend in manufacturing employment in the District, which started in March, continued in April, although the level was 29 per cent below April, 1945. However, increases from April of last year were shown in New Mexico and Wyoming, the only states in the District in which manufacturing employment had regained the level of V-J Day.

Placement activities of the United States Employment Service and unemployment compensation and Servicemen's Readjustment Allowance claims in several labor market areas of the District indicate that employment increased to some extent during June, and unemployment remained at about the same level. In the Kansas City area, the number of unfilled job openings was somewhat higher in June than in May, although claims for unemployment compensation and Servicemen's Readjustment Allowances remained approximately the same. In Denver, there was a decline in unfilled openings from May and practically no

change in claims. In Wichita, unfilled openings and claims declined somewhat.

Estimates of total nonagricultural employment by the Bureau of Labor Statistics follow:

	Apr.	Aver.	Change from '45	
	1946	4 Mos. 1946	Apr.	4 Mos.
	(Number)		(Per cent)	
Colorado.....	256,000	255,800	0	-1
Kansas.....	331,000	330,000	-16	-17
Missouri.....	896,000	877,700	-5	-7
Nebraska.....	241,000	240,000	-7	-8
New Mexico.....	81,100	81,600	+2	+4
Oklahoma.....	341,000	336,300	-9	-11
Wyoming.....	56,400	62,200	-5	+3
Seven states.....	2,202,500	2,183,600	-7	-8
United States.....	36,887,000	36,087,000	-2	-5

AGRICULTURE

Crops Rainfall for the District was below normal for the month of June, with a continued serious lack of moisture in the state of New Mexico. Prospects for New Mexico's 1946 field crops indicated acreage and production below those of 1945, and in most instances below the average for the past ten years. The remainder of the District, however, experienced generally favorable growing conditions in June, with the harvest of wheat proceeding rapidly north. Combines were working well into the central part of Nebraska, with fields ripening all over the state. Some delay in combining has been experienced in northwestern Kansas and southwestern Nebraska because of intermittent rains. Harvest of wheat in Kansas was generally completed in central and southern portions by mid-July. Corn prospects were good in the principal corn-growing sections of the District.

Department of Agriculture winter wheat estimates:

	Indicated 1946			Final 1945	Aver. '35-'44
	July 1	June 1	May 1		
	(In thousands of bushels)				
Colo.....	30,940	31,320	32,886	31,967	14,416
Kans.....	216,631	186,720	168,048	207,917	144,440
Mo.....	24,096	21,151	22,778	22,518	26,150
Nebr.....	82,574	75,411	75,411	84,226	44,620
N. Mex.....	1,720	1,435	1,230	2,034	2,346
Okla.....	87,945	73,125	56,250	70,917	53,306
Wyo.....	4,004	3,640	4,004	3,060	1,615
7 States.....	447,910	392,802	360,607	422,639	286,893
U. S.....	857,163	774,588	742,887	823,177	618,019

July 1 estimates of winter wheat production by the Department of Agriculture were noticeably above the estimates published in the June 1 report. The July 1 production figure for the District was 14 per cent above the estimate of June 1 and 24 per cent above the estimated production on May 1 of this year. The special July 15 Department of Agriculture estimate of total wheat production places the United States crop for 1946 at 1,132,976 bushels, or slightly above the record crop produced in 1945. In any case, there seems little doubt that with the prospective level of

prices, this will be the biggest "money year" for wheat producers that has ever occurred. It is also significant that the Department of Agriculture issued its national wheat planting goal for the 1947 crop on July 1 and set a figure of 71,700,000 acres. If reached, this will be the greatest acreage planted in wheat for any year since 1938 when the acreage seeded was 78,891,000 acres.

The shortage of box cars for rail shipments of wheat continued to be a major factor in the movement of wheat from country points to terminal markets. The car shortage, very noticeable in June throughout the heavy wheat producing areas of western Oklahoma and Kansas, had extended into the production areas of western and central Nebraska by July 15. The need for additional cars was apparently at a peak in Kansas and Oklahoma during the last week of June and the first week of July. By the middle of July reports indicated that the car situation had

	RAINFALL		6 Mos. 1946	
	June 1946 Total	Normal	Total	Normal
	(In inches)			
COLORADO				
Denver.....	0.87	1.38	4.78	7.62
Leadville.....	0.37	1.17	6.65	8.65
Pueblo.....	0.23	1.36	5.29	5.64
Lamar.....	1.91	2.14	11.11	7.61
Alamosa.....	Trace	0.57	1.23	2.73
Steamboat Springs...	0.65	1.43	10.26	12.73
KANSAS				
Topeka.....	6.24	4.00	18.14	15.51
Iola.....	3.18	5.05	15.16	19.20
Concordia.....	4.21	4.15	9.83	12.64
Salina.....	2.46	4.50	11.24	13.78
Wichita.....	2.71	4.58	11.94	15.78
Hays.....	1.05	4.09	10.67	11.80
Goodland.....	1.83	2.77	8.19	8.93
Dodge City.....	1.27	3.19	5.61	10.13
Elkhart.....	2.55	2.37	9.03	8.22
MISSOURI				
St. Joseph.....	4.22	4.95	18.67	18.27
Kansas City.....	4.37	4.68	18.63	17.18
Joplin.....	1.84	6.00	24.99	23.10
NEBRASKA				
Omaha.....	6.78	4.56	14.38	13.80
Lincoln.....	4.02	4.32	11.10	13.79
Norfolk.....	2.42	4.73	11.14	14.19
Grand Island.....	2.60	3.99	10.68	13.26
McCook.....	2.94	3.27	9.81	10.29
North Platte.....	2.34	3.22	9.03	9.84
Bridgeport.....	2.16	2.51	8.84	8.78
Valentine.....	3.45	2.87	9.74	9.59
NEW MEXICO				
Clayton.....	1.27	1.80	10.00	7.15
Santa Fe.....	0.06	1.16	3.49	5.41
Farmington.....	0.05	0.35	1.25	3.46
OKLAHOMA				
Tulsa.....	6.46	4.86	24.26	20.47
McAlester.....	3.57	4.55	28.15	23.07
Oklahoma City.....	3.80	3.67	20.66	16.12
Pauls Valley.....	3.45	4.39	20.84	18.66
Hobart.....	1.87	3.54	10.18	14.19
Enid.....	1.83	4.02	11.12	15.05
Woodward.....	2.36	3.45	9.99	12.63
WYOMING				
Cheyenne.....	1.25	1.61	8.84	8.11
Casper.....	1.28	1.38	7.68	8.10
Lander.....	1.67	1.15	6.69	7.85
Sheridan.....	5.24	2.04	15.54	9.32

eased up to some extent in Kansas and Oklahoma and there was an immediate prospect of moving a substantial volume of the wheat now stored on the ground around hundreds of country elevators. Much of the wheat stored in the open is reported to be sustaining somewhat more moisture damage than was anticipated.

Cash grain prices at Kansas City generally maintained a steady level at their ceilings for the month of June. Nominal quotations for the month, in fact, showed little change from May with the exception of rye which recorded a sharp decrease of around 94½ cents. Expiration of maximum price ceilings on June 30 was a signal for an adjustment of values in the cash grain market, corn leading with an increase up to 62 cents per bushel. Nominal quotations for Number 1 dark and hard wheat at Kansas City went from \$1.88⅛ per bushel on June 29 to \$2.04 per bushel July 1. Further rises in wheat prices took place on following days. Traders were generally reluctant to make large buying commitments in view of the unsettled price control legislation before Congress, but by July 15 a substantial volume of grain had changed hands at the new level of prices.

The lower range of Kansas City cash grain prices:

	July 15 1946	June 29 1946	May 31 1946	June 30 1945
No. 1 hd., dk. wheat, bu....	\$2.01	\$1.88⅛	\$1.88⅛	\$1.64
No. 2 mixed corn, bu.....	2.17	1.42	1.42	1.13⅞
No. 2 white oats, bu.....	.90	.84¾	.84¾	.70
No. 2 rye, bu.....	2.35	1.50½	2.45	1.50
No. 2 barley, bu.....	1.59	1.30	1.30	1.08
No. 2 white kafir, cwt.....	3.75	2.69½	2.69½	2.42

Livestock The top price of grain fed beef steers in June on the Kansas City market continued to follow that market's ceiling level of \$17.65 per hundredweight. Some movement to market of grass fat cattle from the Osage-Flint Hills area was noticeable during the month, sale prices ranging around \$15 per hundredweight on good quality, well-finished cattle. Top prices for stocker and feeder cattle were recorded at \$17.50 per hundredweight. Spring lambs sold up to \$17.75, while hogs continued to sell at the Kansas City market ceiling of \$14.55 per hundredweight. A sharp upturn in prices was recorded on all classes of livestock on July 1, following the expiration of maximum price regulations. Shipper interests were very active in most markets and hogs at Kansas City made advances of from \$2 to \$5 over former ceilings. The cattle market was uneven, with the top price going to \$21 per hundredweight for a choice load of 875 pound fed heifers. The market subsided somewhat on the following days. There was, however, a record sale of grain fed steers on the Kansas City market at \$26.50 per hundredweight on July 29. This is the highest price ever paid for steers at Kansas City.

Top carlot livestock prices at Kansas City:

	July 15 1946	June 1946	May 1946	June 1945	June 1944	June 1943
	(In dollars per hundredweight)					
Beef steers.....	23.00	17.65	17.65	17.65	16.85	16.50
Stocker cattle.....	16.50	17.50	17.15	15.40	13.75	16.35
Feeder cattle.....	17.75	17.50	17.25	15.75	14.50	15.65
Calves.....	17.50	17.50	17.50	15.00	14.00	15.50
Hogs.....	19.25	14.55	14.55	14.50	13.55	14.25
Lambs.....	20.00	17.75	17.95	16.00	15.75	15.85
Slaughter ewes....	10.00	9.00	9.25	7.85	8.75	8.00

The June 1 Pig Crop Report, released by the Department of Agriculture, indicates that hog numbers are definitely on the downward swing. The number of spring pigs saved in 1946 was down from 1945 by 1 per cent but was 7 per cent above the average from 1935 to 1944. The 1946 intentions to breed in this District show that sows farrowed this fall will be 26 per cent under the number farrowed in the fall of 1945 and 18 per cent below the fall average from 1935 to 1944. For the United States as a whole, the breeding intentions report for sows to be farrowed in the fall of 1946 indicates a drop of 16 per cent from the number farrowed in the fall of 1945. It is probable that intentions to breed fall pigs are somewhat tempered by the present short feed situation. Any change in the present feeding ratio or in the prospects for supplies of livestock feed will probably be reflected in the actual number of sows farrowed this fall.

Department of Agriculture pig crop report:

	PIGS SAVED			SOWS FARROWED		
	Spring		Aver.	Fall		Aver.
	1946	1945	'35-'44	1946*	1945	'35-'44
	(In thousands)					
Colorado.....	248	236	264	22	29	36
Kansas.....	1,204	1,275	1,186	118	157	157
Missouri.....	3,020	3,036	2,664	342	427	370
Nebraska.....	2,841	2,862	2,522	126	200	156
New Mexico.....	53	59	62	6	8	10
Oklahoma.....	634	636	748	81	116	116
Wyoming.....	69	59	66	6	7	9
Seven states.....	8,069	8,163	7,512	701	944	854
United States..	52,324	51,570	49,840	4,633	5,503	5,114

*Number indicated to farrow from breeding intentions reports.

The July 1 livestock and range report issued by the Department of Agriculture rated the condition of range and feed in the western states as poor to good. The serious drouth condition in New Mexico continued and ranges were said to be in the poorest condition there since 1934. Stock water in range areas of the state was very short and presented a serious problem for many producers. Cattle, calves, and lambs were showing a shrink as a result of dry, short feed, which had caused some forced movement of cattle and sheep from New Mexico to other southwestern areas where feed and pasture were available. Some scattered range areas in Colorado also were feeling the effects of spotty precipitation. The San Luis Valley range in Colorado was exceptionally dry. Range and feed conditions elsewhere were generally good.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

With settlement of major industrial disputes, output at factories and mines increased sharply in June. Retail trade was in exceptionally large volume in June and the early part of July. Prices of agricultural commodities rose sharply in the first half of July following the lapse of Federal controls, and prices of industrial commodities showed some further rise.

INDUSTRIAL PRODUCTION

The Board's seasonally adjusted index of industrial production rose from 159 per cent of the 1935-39 average in May to 170 in June. This compares with earlier postwar highs of 168 in November and in March. Most of the increase from May to June reflected sharp advances in output of coal and of iron and steel after settlement of the coal strike.

Output of durable manufactures increased about 10 per cent in June, reflecting chiefly the recovery of iron and steel output from the sharply reduced May rate. Steel mill activity advanced from 44 per cent of capacity at the end of May to 87 per cent of capacity at the end of June and rose somewhat further in July to a rate of 89 per cent during the week ending July 26. Output of nonferrous metals and of machinery showed moderate gains in June, largely reflecting settlement of wage disputes in these industries, and production of stone, clay, and glass products recovered from the low May level. Lumber production showed about the usual seasonal increase.

Output of nondurable goods as a group showed little change from May to June, with a further decline in manufactured food output offset in the total by moderate gains in most other lines. Meat production under Federal inspection dropped further in June to a rate about 80 per cent of the 1935-39 average, but rose sharply after the lapse of price controls on June 30. Output at textile mills continued to advance slightly in June and was at a level 10 per cent above a year ago. There were slight gains in activity in the paper, chemical, petroleum, and rubber products industries.

Minerals output rose 23 per cent as coal and metals production showed sharp gains with the settlement of wage disputes, and crude petroleum production advanced further to a new record rate under the pressure of exceptionally large demand for petroleum products.

CONSTRUCTION

Value of construction contract awards, according to the F. W. Dodge Corporation, declined in June, following a sharp rise during the past year. Residential awards were reduced by one fourth from the record level reached in May, while those for nonresidential construction showed only slight declines.

EMPLOYMENT

Employment in nonagricultural establishments continued to advance in June, after allowance for seasonal changes, reflecting large increases in mining and construction and a slight gain in manufacturing. The number of persons unemployed, other than students looking for summer jobs, showed little change from May to June.

DISTRIBUTION

Department store sales in June, after allowance for seasonal changes, were the largest on record, and in the first half of July sales showed about the usual seasonal decline.

Loadings of railroad revenue freight increased sharply in June, following interruptions to shipments in April and May as a result of industrial disputes. All classes of freight shared in the rise. After a temporary decline in the week of July 4, there was a further rise and in the middle of the month coal, livestock, forest products, and less than carload lot shipments exceeded those during the same period last year.

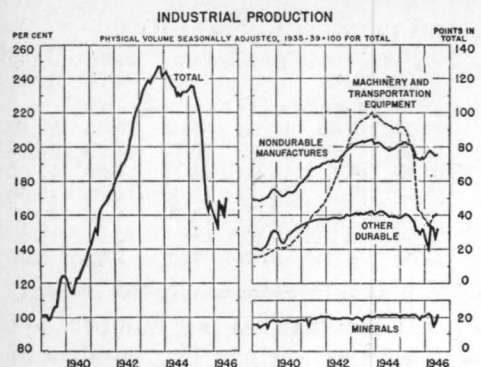
COMMODITY PRICES

Prices of farm products and foods advanced sharply during the first half of July after the lapse of Federal price controls. Subsequently prices of grains and some foods declined somewhat while prices of livestock advanced further. Prices of hides, cotton goods, newsprint, lumber, lead, and zinc also increased in July.

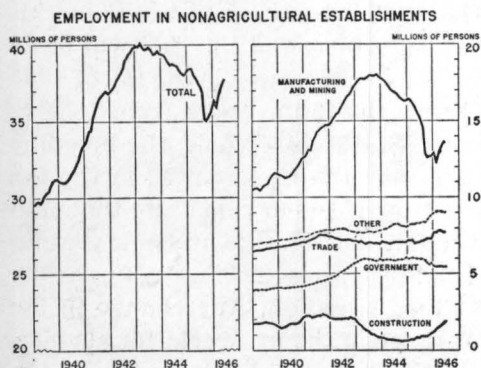
BANK CREDIT

Treasury operations in connection with retirement of maturing obligations and quarterly income tax collections dominated bank developments in June and the first half of July. Member bank reserve positions fluctuated somewhat as Treasury balances at the Reserve Banks were built up and drawn down around the security redemption dates of June 1, June 15, and July 1. Reserve positions tightened generally during the period as a whole, however, reflecting both the shift of deposits from Treasury balances to private accounts accompanying security retirement and cash redemption of about 800 million dollars of Government securities held by the Reserve Banks. Drains on bank reserves were met by purchases of about 1 billion dollars of Government securities by the Reserve System.

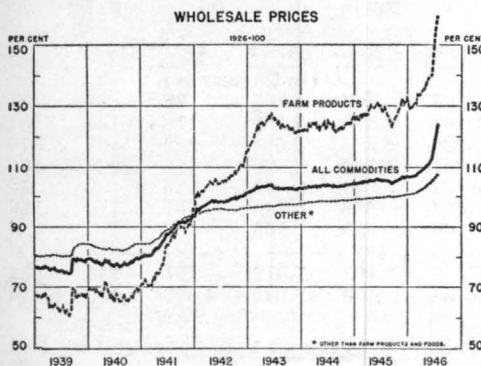
Holdings of Government securities at reporting banks declined further by 3 billion dollars in June and the first half of July, reflecting the sale of these securities to the Reserve Banks as well as cash redemption by the Treasury. Loans for purchasing and carrying Government securities showed further declines. Commercial and industrial loans expanded considerably at banks outside New York City and real estate and other loans continued to increase.



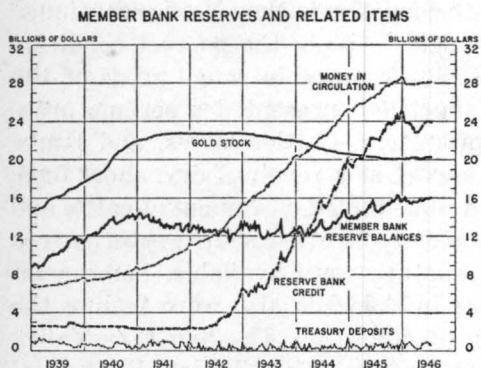
Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for June, 1946.



Bureau of Labor Statistics' estimates, adjusted for seasonal variation by Federal Reserve. "Other" includes transportation, public utilities, finance, service, and miscellaneous. Proprietors and domestic workers excluded. Latest month shown is June, 1946.



Bureau of Labor Statistics' indexes. Weekly figures, latest shown are for week ending July 20, 1946.



Wednesday figures, latest shown are for July 17, 1946.