

MONTHLY REVIEW

Agricultural and Business Conditions

TENTH FEDERAL RESERVE DISTRICT

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THE LUMBER SITUATION

The building construction planned for the postwar period has been seriously handicapped by shortages of materials, and it is probable that such shortages will continue as retarding factors for some time to come. Of the building materials shortages, none is more serious than that of lumber, and perhaps none will be more difficult to overcome or will be of longer duration.

Throughout the war period, lumber consumption exceeded production and imports. As a consequence, stocks were depleted at a rapid rate and, at the close of the war, the nation's lumber stocks were not only at dangerously low levels but they were also seriously unbalanced. Unprecedented demands for lumber arose as the nation moved into the reconversion period, but production continued to decline in the last half of 1945. Although some improvement in production is expected in 1946, and Government controls limit the volume and type of building, there is little prospect in the next several years of meeting the lumber demands or of rebuilding stocks to normal working levels.

Production The highest annual lumber output of the nation in this century was attained in 1906 and 1907 when an annual average of 46 billion board feet was reached. In the past 17 years, 1929-1945, annual production averaged slightly more than 27 billion board feet, ranging from a high of almost 39 billion in 1929 to a low of 12 billion in 1932. Some improvement in production took place after 1932 and through 1937, but a sharp decline again occurred in 1938. Output increased in the following three years, but, despite all efforts to increase production, output declined continuously throughout the war years.

Lumber production in 1945 was handicapped by a number of adverse conditions, including abnormal weather, labor difficulties, equipment shortages, dissatisfaction with cost-price relationships, low inventory of logs, extra holidays, and an unusually large demand for lumber of certain dimensions. Many of these conditions continued to hamper output in the first quarter of 1946, but production improved appreciably in the second quarter and, barring labor stop-

pages, it appears that it should be possible to attain the production goal of 32 billion board feet in 1946. Subsidies have been provided for new access roads, "overcutting" of timber controlled by the United States Forest Service has been again authorized, upward price adjustments have been made on a large number of lumber products, most of the work stoppages have been settled, employment in the industry is increasing, and some improvement is reported in the equipment situation.

Although it may be possible to reach the production goal set for this year, the long-term outlook for a high level of lumber production is not promising. A recent report of the Forest Service points out that an inadequate timber supply has been the basic factor limiting lumber output, and that in subsequent years it will continue to be the principal deterrent to higher levels of output. Cutting was at an excessive rate before the war, and cutting practices during the war were detrimental to the maintenance of the forest resources. Even in 1945, when production was at a relatively low level, the drain on forest saw timber is estimated to have been 1.6 times as great as growth.

The nation's supply of lumber is augmented to a small extent by imports, but these have never constituted an important proportion of the new supply. In the five years preceding the war, the nation exported about twice as much lumber as it imported. During the war this ratio was reversed, however, and in 1945 imports were approximately 2½ times the exports. Imports in 1945 were slightly above 1 billion board feet, or approximately 4 per cent of the new production in that year. These imports were 75 per cent above the average for the years 1935-1939, and imports in 1946 are estimated at 1.2 billion feet.

Consumption Statistical data are not sufficiently complete to permit accurate determination of annual lumber consumption in the United States, and the available estimates do not appear to be reconcilable with data on production, exports, imports, and stocks. Under normal conditions consumption and production tend to run in the same general

direction, but under the stress of war consumption exceeds production. During our participation in the recent war, consumption exceeded output by a wide margin, making it necessary to draw heavily upon the nation's reserve stocks for about 12 billion board feet. In the first quarter of 1946, consumption is estimated to have exceeded production by 14 per cent, but consumption and production are expected to be more nearly in balance by the end of the year.

No estimates can be made of the amount of lumber which might be consumed in the next several years if conditions permitted all planned postwar construction to go forward. Estimates of lumber requirements and consumption in 1946 and 1947 have been made by both Governmental and private agencies, but these are not in agreement because of differences in basic premises. The Governmental estimates of consumption are reported to be in the process of revision by an inter-agency committee.

The majority of estimates released to this date place 1946 consumption (not including provision for stocks) at 29 to 32 billion board feet, and 1947 consumption at 36 to 37 billion. Since the demand for lumber is so large, and since stocks have been reduced to a very low point, the lumber consumption in the next year or two can be expected to be determined by the volume of new production and imports, the availability of other building materials, and the controls which might be exercised over construction activity.

On the basis of the estimates made by the Department of Commerce, new construction is expected to account for about 38 per cent of consumption in 1946 and around 47 per cent in 1947. Of the lumber estimated to be consumed in new construction in 1946, approximately 60 per cent will go into residential building, and in 1947 about 63 per cent. Maintenance is estimated to account for about one fourth of the consumption in each year and manufacturing about one seventh. Farm construction, including both new construction and maintenance, is estimated to take slightly more than 15 per cent of all lumber consumed in each of these two years.

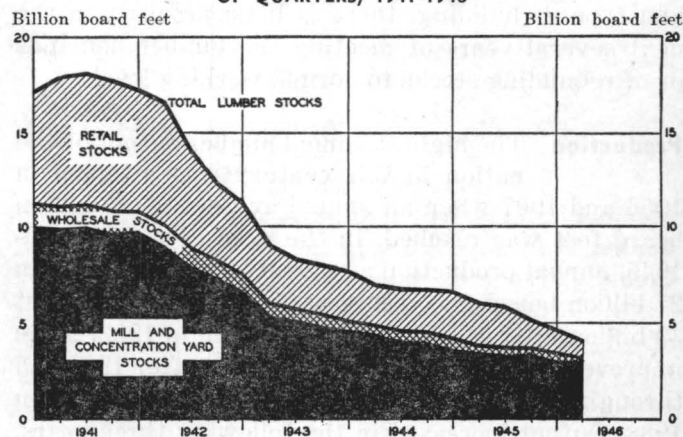
There is, of course, the possibility of reducing lumber requirements and consumption through new technological developments and through substitution. These developments can be expected to take place to some extent, and probably at a more rapid rate than heretofore, but the numerous factors which make for inertia in the building field may prevent or, at least, deter any large developments in these directions. However, if prices of lumber continue to rise out of proportion to other prices, as they have over the past several years, lumber may be priced out of the mar-

ket and substitute products may be adopted on a large scale. If such a development should take place and acquire a permanent place in the trade, the lumber industry may find itself adversely affected for a number of years to come.

Stocks Industry has always relied upon substantial reserve stocks of lumber. These stocks provided not only a cushion for dips in production, but also time for the seasoning of new lumber. The lumber stocks of the nation began to decline before the war, and, as will be noted in the accompanying chart, have declined at a very rapid rate since 1941. The huge consumption during the war and in the past year, along with the declining rate of production, made such a serious drain on the stocks that they are today in a precarious position.

Total lumber stocks at the beginning of 1941 were 17 billion board feet and they increased slightly during that year. By the beginning of 1943, however, stocks were down to 11 billion and they continued to decline from that date through the first quarter of 1946. Thus, total stocks on April 1, 1946, were 76 per cent lower than those at the beginning of 1941, mill and concentration stocks were 71 per cent lower, wholesale stocks 75 per cent lower, and retail stocks 85 per cent lower.

UNITED STATES LUMBER STOCKS AT BEGINNING OF QUARTERS, 1941-1946



Source: U. S. Department of Commerce.

As has been pointed out, the lumber stocks situation is critical not only because of the low level but also because of the serious unbalance in items, sizes, and grades. Marked differences in the relative levels exist between different regions of the nation, those regions most remote from the producing areas tending on the average to be lower and less well balanced. Until stock levels can be restored and better balance achieved, the building industry will be handicapped by lumber shortages. At this time, the probability of rebuild-

ing stocks to normal working levels and balance in the next several years appears remote.

District Production and Stocks Data are not available for years prior to 1934 on the lumber production of the seven states contained wholly or partially in the Tenth Federal Reserve District. From 1934 through 1945, however, the annual output of these states has ranged from 482 million board feet to 798 million, and has averaged in this period about 675 million yearly. During the 12 years, these seven states produced a little more than 2 per cent of the nation's lumber output. In the first quarter of 1946, their output exceeded 3 per cent of the national total, but in the second quarter the ratio again declined to about that of the 1934-1945 period. The table below shows estimates of lumber production in this

group of states and the percentage this output has constituted of the nation's total.

Missouri was by far the most important lumber producer of the seven District states in this 12-year period. This state produced over 40 per cent of the seven-state output in these years, and, in 1944 and 1945, accounted for 49 per cent and 52 per cent, respectively. Oklahoma ranked second in total output, and was followed closely by New Mexico.

Data are not available on total lumber stocks in the seven states, but the United States Forest Service has made estimates of stocks in mill and concentration yards from the end of 1943 through the first quarter of 1946, and data are reported monthly to this bank by more than 100 retail yards in several states of the Mid-West.

Mill and concentration yard stocks of the seven states were in excess of 101 million board feet at the end of 1943. A year later they were down to 68 million, and at the end of 1945 they had dropped to less than 50 million. Some improvement took place in the first quarter of 1946 when the stocks were estimated to have increased to almost 57 million.

The stocks of the Mid-West retail yards for which data are available declined 38 per cent in 1942, but recovered slightly in the next two years. In 1945, however, they again declined, and at the end of the year were 56 per cent lower than at the end of 1941. They continued to decline in 1946, and on July 31 were 25 per cent lower than at the beginning of the year. Thus, the July retail stocks were approximately 67 per cent lower than at the beginning of the war.

ESTIMATED LUMBER PRODUCTION IN THE TENTH DISTRICT*

| | Millions of Board Feet | Per Cent of U.S. Output |
|-----------|------------------------|-------------------------|
| 1934 | 482 | 2.8 |
| 1935 | 549 | 2.5 |
| 1936 | 753 | 2.7 |
| 1937 | 798 | 2.8 |
| 1938 | 621 | 2.7 |
| 1939 | 723 | 2.5 |
| 1940 | 701 | 2.3 |
| 1941 | 771 | 2.1 |
| 1942 | 672 | 1.9 |
| 1943 | 662 | 1.9 |
| 1944 | 683 | 2.1 |
| 1945 | 689 | 2.5 |
| 1946—Jan. | 57 | 3.1 |
| Feb. | 64 | 3.4 |
| Mar. | 71 | 3.1 |
| Apr. | 69 | 2.7 |
| May | 64 | 2.4 |

*Production of the seven states contained wholly or partially in the District.
Source: U. S. Forest Service.

BUSINESS AND AGRICULTURAL CONDITIONS

FINANCE

Member Bank Credit During the four-week period ended August 14, total loans of the Tenth District weekly reporting member banks expanded by 21.8 million dollars, which also was the amount of expansion of "commercial, industrial, and agricultural" loans. Loans for purchasing or carrying securities declined by 2.6 million dollars, while increases of 1.9 million dollars and 0.8 million dollars, respectively, occurred in real estate loans and the "all other" loans category, which includes consumer loans.

On August 14, total loans aggregated 479.6 million dollars, compared with 380.3 million dollars a year earlier. The increases occurred largely in "commercial, industrial, and agricultural" loans, real estate loans, and the "all other" loans category. The increases were: "commercial, industrial, and agricultural" loans, 56.9 million dollars; real estate loans, 15.3 million dollars; and "all other" loans, 24.3 million dollars.

Investments of the District weekly reporting banks were 9.7 million dollars smaller on August 14 than on July 17, as Government security holdings declined by 12.2 million dollars and other security holdings expanded by 2.5 million dollars. Although the United States Treasury retired approximately 1,250 million dollars of the 2,470 million dollars of certificates of indebtedness which matured on August 1, this class of Government security decreased only 2.4 million dollars, compared with decreases of 5.9 million dollars and 4.4 million dollars in Treasury notes and Treasury bills, respectively. While total loans were 99.4 million dollars larger on August 14 than a year earlier, total investments were 42.5 million dollars smaller. Government security holdings were down 72.8 million dollars, while other security holdings were up 30.3 million dollars.

In the four-week period from July 17 to August 14, private demand deposits, time deposits, and inter-bank deposits increased. However, Treasury with-

BANK DEBITS

| | July | 7 Mos. | Change from '45 | |
|--------------------------|--------------------|-------------|-----------------|--------|
| | 1946 | 1946 | July | 7 Mos. |
| | (Thousand dollars) | | (Per cent) | |
| Colo. Springs, Colo..... | 33,331 | 211,488 | +28 | +27 |
| Denver, Colo..... | 392,642 | 2,515,835 | +32 | +18 |
| Gr. Junction, Colo..... | 9,325 | 65,346 | +53 | +35 |
| Greeley, Colo..... | 12,376 | 86,464 | +44 | +22 |
| Pueblo, Colo..... | 33,097 | 187,218 | +32 | +20 |
| Atchison, Kans..... | 10,549 | 62,910 | +35 | +31 |
| Emporia, Kans..... | 8,097 | 56,612 | +29 | +21 |
| Hutchinson, Kans..... | 45,615 | 235,252 | +26 | +16 |
| Independence, Kans.. | 6,199 | 40,198 | +40 | +32 |
| Kansas City, Kans..... | 50,733 | 333,124 | +33 | +18 |
| Lawrence, Kans..... | 9,199 | 56,473 | +6 | -3 |
| Parsons, Kans..... | 7,021 | 41,401 | +24 | -2 |
| Pittsburg, Kans..... | 8,983 | 57,602 | +40 | +25 |
| Salina, Kans..... | 48,287 | 196,276 | +47 | +24 |
| Topeka, Kans..... | 72,172 | 478,303 | +15 | +13 |
| Wichita, Kans..... | 190,572 | 1,175,584 | -12 | -24 |
| Joplin, Mo..... | 23,817 | 163,289 | +42 | +37 |
| Kansas City, Mo..... | 917,614 | 5,107,565 | +25 | +5 |
| St. Joseph, Mo..... | 76,784 | 424,707 | +42 | +8 |
| Fremont, Nebr..... | 10,475 | 59,118 | +65 | +21 |
| Grand Island, Nebr.. | 17,710 | 111,950 | +37 | +14 |
| Lincoln, Nebr..... | 68,383 | 424,597 | +31 | +19 |
| Omaha, Nebr..... | 426,421 | 2,563,518 | +23 | +6 |
| Albuquerque, N. Mex. | 56,431 | 376,405 | +44 | +45 |
| Bartlesville, Okla..... | 51,473 | 332,690 | +15 | +6 |
| Enid, Okla..... | 56,590 | 214,234 | +23 | +7 |
| Guthrie, Okla..... | 3,328 | 23,015 | +46 | +18 |
| Muskogee, Okla..... | 19,377 | 123,234 | +30 | +12 |
| Okla. City, Okla..... | 240,927 | 1,523,279 | +27 | +10 |
| Okmulgee, Okla..... | 4,644 | 35,365 | +17 | +29 |
| Tulsa, Okla..... | 287,878 | 1,876,650 | +3 | -6 |
| Casper, Wyo..... | 16,029 | 100,682 | +31 | +28 |
| Cheyenne, Wyo..... | 21,236 | 149,041 | +28 | +13 |
| District, 33 cities..... | 3,237,315 | 19,409,425 | +22 | +6 |
| U. S., 334 cities..... | 91,416,000 | 602,182,000 | +15 | +6 |

drawals from war loan accounts reduced Government deposits by 25.6 million dollars, resulting in a net decline of 11.1 million dollars in total deposits during the period.

Principal items of condition of 50 member banks:

| | Change from | | |
|------------------------------------|---------------------------|---------|----------|
| | Aug. 14 | July 17 | Aug. 15 |
| | 1946 | 1946 | 1945 |
| | (In thousands of dollars) | | |
| Loans and investments—total..... | 2,328,532 | +12,101 | +56,849 |
| Loans—total..... | 479,635 | +21,838 | +99,376 |
| Coml., indust., agric..... | 289,688 | +21,832 | +56,904 |
| To security brokers and dealers.. | 7,185 | -295 | -968 |
| Other to purchase or carry secur.. | 43,101 | -2,324 | +3,984 |
| Real estate loans..... | 52,653 | +1,911 | +15,266 |
| Loans to banks..... | 4 | -125 | -146 |
| All other loans..... | 87,004 | +839 | +24,336 |
| Investments—total..... | 1,848,897 | -9,737 | -42,527 |
| U. S. Govt. securities—total..... | 1,684,070 | -12,202 | -72,780 |
| Bills..... | 61,271 | -4,439 | -46,082 |
| Certificates of indebtedness..... | 485,808 | -2,409 | +79,199 |
| Notes..... | 271,616 | -5,876 | -192,667 |
| Bonds..... | 865,084 | +506 | +86,377 |
| Guaranteed obligations..... | 291 | +16 | -107 |
| Other securities..... | 164,827 | +2,465 | +30,253 |
| Reserves with F. R. Bank..... | 457,428 | -2,641 | -23,212 |
| Balances "due from" banks—net.. | 284,825 | -18,273 | -20,821 |
| Demand deposits—adjusted..... | 1,508,291 | +6,527 | +132,492 |
| Time deposits..... | 314,795 | +2,298 | +46,452 |
| U. S. Govt. deposits..... | 221,395 | -25,584 | -98,646 |
| Deposits "due to" banks—net..... | 902,625 | +5,706 | -75,979 |
| Borrowings..... | 5,000 | +3,000 | -5,000 |

DEPARTMENT STORE TRADE

Dollar volume of department store sales in this District in July was 30 per cent larger than a year ago, as

compared with an increase of 25 per cent for the first seven months of the year. In the three-week period ending August 17, sales rose 37 per cent over the corresponding period of last year, but part of this increase was due to one or two more trading days than in 1945, when stores had been closed in celebration of the Japanese surrender. Sales declined by more than the usual seasonal amount from June to July, and the seasonally adjusted index of daily average sales dropped to 281 per cent of the 1935-39 average in July from 288 in June and the record level of 289 per cent in May.

Department store inventories increased less than is usual during July, and the seasonally adjusted index of stocks declined from the peak level of 212 per cent of the 1935-39 average at the end of June to 193 per cent at the end of July. Outstanding orders continued to increase through July, reaching a new high. On July 31, department store stocks were 30 per cent larger, and outstanding orders 43 per cent larger, in value than a year ago.

Department store sales and stocks in leading cities:

| | No. of Stores | SALES | | STOCKS | |
|--------------------|------------------|---------------------------------|-----------------------------------|--|--|
| | | July '46 comp.to July '45 | 7 Mos.'46 comp to 7 Mos.'45 | July 31,'46 comp. to July 31,'45 | |
| | | (Per cent increase or decrease) | | | |
| Denver..... | 7 | +38 | +33 | +32 | |
| Pueblo..... | 3 | +21 | +12 | +14 | |
| Hutchinson..... | 3 | +31 | +18 | +47 | |
| Topeka..... | 3 | +27 | +18 | * | |
| Wichita..... | 4 | +21 | +16 | +48 | |
| Joplin..... | 3 | +25 | +29 | +20 | |
| Kansas City..... | 8 | +24 | +23 | +33 | |
| St. Joseph..... | 3 | +51 | +35 | * | |
| Omaha..... | 4 | +38 | +30 | * | |
| Oklahoma City..... | 6 | +20 | +17 | +27 | |
| Tulsa..... | 4 | +29 | +18 | * | |
| Other cities..... | 30 | +35 | +30 | +23 | |
| District..... | 78 | +30 | +25 | +30 | |

*Not shown separately but included in District total.

INDUSTRIAL PRODUCTION

Meat Packing The volume of cattle slaughter for July, as measured by packers' purchases at leading District markets, was sharply up by 587 per cent from the preceding month and was 41 per cent above that of July, 1945. In addition, Federally inspected slaughter for July in the Midwestern markets, as well as for the United States as a whole, was one of the largest volumes recorded for any July. The slaughter of calves was up by 400 per cent from June, and was 54 per cent over that of July last year. July hog slaughter in the District was 103 per cent over June. Sheep slaughtering operations fell off 5 per cent from last month, but were 5 per cent above the volume during July last year. Comment from sources in the industry indicated that both marketing and purchases of all classes of livestock were considerably under the influence of the uncertainties of price con-

control measures being considered by the Price Decontrol Board. The increased receipts of cattle, calves, and hogs at leading markets in the District for the month of July were attributed to (1) fear on the part of producers of a return of price controls on livestock prices, (2) the desire to take advantage of the higher level of prices, and (3) the decline of pasture conditions in the range areas.

There appeared to be little change in the general livestock buying policy of packing plants in the District in consideration of the uncertainty of the possible return of maximum price regulations to the livestock industry. Leading meat-packing concerns in July continued generally to purchase their usual share of the daily market receipts and to pay the necessary prices to secure the quality of animals required. Several relatively small slaughtering plants in the District discontinued operations altogether until such time as a Government price policy for the livestock and meat business was established by the cognizant agencies in Washington. Considered as a whole, however, the meat-packing industry and also the livestock producers in this District were, during July and most of August, back in the livestock business on an almost prewar basis.

Flour Milling Southwestern flour milling operations averaged about 92 per cent of full-time capacity during the month of July. This was a sizable increase over the level in June when operations were running at about 60 per cent of capacity. Of somewhat less importance was the fact that July operations were reported to be 1 per cent over the level that prevailed during the same month last year, in spite of the several restrictions under which the mills were operating. Actual flour production in the Southwestern area in July was up 64 per cent from June and was 10 per cent greater than the production in July, 1945. Although mills were permitted by Government regulation to grind for domestic flour only 87 per cent of the volume ground for domestic consumption in the corresponding month in 1945, the especially large licensed volume of export flour that practically all mills have been authorized to grind pushed actual July production figures in the Southwest territory substantially above the total production in July of 1945. The ability of mills to secure milling wheat on a free price basis, and to sell flour free of price ceilings, was an added incentive for a large increase in flour milling operations during the month. In early August, on the basis of the new OPA price regulations, a ceiling price was again placed in effect on flour which had been defined as "an other agricultural commodity." The new ceiling was \$1.11

over the old price ceiling in effect up to June 30. Many milling concerns maintained that this increase was not adequate to cover the current cost of procuring wheat, even disregarding wheat purchased during July as high as 25 to 28 cents per bushel over the old ceiling price. Converted to a wheat basis, the \$1.11 increase over the old ceiling on flour allowed roughly for an increase in the paying price for wheat of about 4 cents per bushel. A further increase of 7 cents per hundredweight in the ceiling price of flour was granted on August 23 to meet price parity requirements.

Sales of flour reached a peak of around 193 per cent of capacity in the Southwestern territory during July. The establishment of a new ceiling price on flour in the early part of August resulted in a severe drop in sales, and mills became reluctant to make large scale commitments. Many firms returned to the policy of selling only to old customers. By mid-August, however, Southwestern mills were selling on an average of 148 per cent of capacity but were still largely limiting forward sales to August 20.

Employment The trend in total nonagricultural employment in the Tenth District during the first five months of 1946 was upward, although the level was below that of the corresponding period of 1945. Data for May, the latest available for the District, show that nonagricultural employment was 6 per cent lower than in May, 1945. Colorado and New Mexico, however, showed gains over May, 1945. An increase from April to May, 1946, in each of the District states resulted in a rise of 1 per cent in nonagricultural employment in the District as a whole.

An upward trend in manufacturing employment was also reflected in the District, although employment in factories was 29 per cent lower in May, 1946, than in May, 1945. This high percentage decrease may exaggerate the situation somewhat, as manufacturing employment was abnormally high in this area during the war period, and a prosperous peacetime economy with so-called "full employment" may require fewer factory workers than during the war.

In the United States as a whole, total nonagricultural employment was 3 per cent higher in May than in the corresponding month of 1946. Preliminary data show increases in June and July, also. In May, manufacturing employment was 6 per cent below the level of V-E Day and 1 per cent higher than in April, 1946.

Unemployment in the country as a whole was 290,000 (11 per cent) lower in July than in June. Of this number, 240,000 (83 per cent) were men, and about 200,000 were nonveteran men. The number of veterans reported as unemployed in July was about 5 per cent smaller than in June.

Bureau of Labor Statistics' estimates of total non-agricultural employment follow:

| | May | Aver. | Change from '45 | |
|--------------------|------------|----------------|-----------------|--------|
| | 1946 | 5 Mos. 1946 | May | 5 Mos. |
| | (Number) | | (Per cent) | |
| Colorado..... | 264,000 | 257,400 | +2 | 0 |
| Kansas..... | 336,000 | 331,200 | -15 | -17 |
| Missouri..... | 902,000 | 882,600 | -5 | -7 |
| Nebraska..... | 242,000 | 240,200 | -6 | -8 |
| New Mexico..... | 84,600 | 82,200 | +4 | +4 |
| Oklahoma..... | 344,000 | 337,600 | -9 | -11 |
| Wyoming..... | 58,500 | 61,400 | -3 | +2 |
| Seven states..... | 2,231,100 | 2,192,600 | -6 | -8 |
| United States..... | 38,633,000 | 37,549,000 | +3 | -1 |

AGRICULTURE

Farm Land Values Farm land values in the Tenth District on July 1 averaged about 4 per cent above the level of March 1 of this year. The upward movement of farm real estate values for the United States as a whole was approximately 4 per cent, thus indicating that values in this District were generally following the trend in other agricultural sections of the country. The largest increase of July 1 values over March 1 took place in Colorado where an increase of 6 per cent was recorded. The smallest increase was in Wyoming, which showed an increase of 2 per cent. The present level of farm land values in the United States, based on the 1912-14 average, is now 13 per cent above July, 1945. This level of land prices is said to be 77 per cent above the average prices of 1935-39 and only 14 per cent below the 1920 inflationary peak.

Department of Agriculture indexes of estimated farm real estate values per acre for July 1 and March 1 of 1946 and for March 1 of selected prior years:

| | Colo. | Kans. | Mo. | Nebr. | N.Mex. | Okla. | Wyo. | U.S. |
|-----------|-----------------------|-------|-----|-------|--------|-------|------|------|
| | (1912-14 average=100) | | | | | | | |
| 1946 | | | | | | | | |
| July 1* | 132 | 125 | 106 | 100 | 157 | 160 | 134 | 147 |
| Mar. 1* | 125 | 120 | 102 | 96 | 151 | 156 | 132 | 142 |
| 1945..... | 108 | 111 | 91 | 86 | 132 | 131 | 115 | 126 |
| 1944..... | 93 | 96 | 82 | 77 | 117 | 120 | 102 | 114 |
| 1943..... | 78 | 84 | 74 | 64 | 101 | 111 | 88 | 99 |
| 1942..... | 69 | 74 | 66 | 59 | 95 | 101 | 78 | 91 |
| 1941..... | 63 | 71 | 60 | 55 | 87 | 96 | 71 | 85 |
| 1940..... | 61 | 71 | 59 | 58 | 84 | 93 | 68 | 84 |
| 1939..... | 61 | 76 | 58 | 65 | 83 | 93 | 66 | 84 |
| 1938..... | 60 | 78 | 60 | 69 | 83 | 94 | 66 | 85 |
| 1937..... | 60 | 78 | 60 | 72 | 82 | 91 | 66 | 85 |
| 1936..... | 57 | 75 | 60 | 73 | 80 | 91 | 65 | 82 |
| 1935..... | 53 | 73 | 58 | 72 | 76 | 86 | 62 | 79 |
| 1934..... | 54 | 72 | 57 | 72 | 76 | 83 | 62 | 76 |
| 1933..... | 54 | 70 | 55 | 69 | 75 | 76 | 62 | 73 |
| 1932..... | 65 | 89 | 67 | 90 | 89 | 94 | 77 | 89 |
| 1931..... | 81 | 103 | 79 | 106 | 109 | 116 | 95 | 106 |
| 1930..... | 83 | 113 | 92 | 113 | 110 | 127 | 98 | 115 |
| 1920..... | 141 | 151 | 167 | 179 | 144 | 166 | 176 | 170 |

*Preliminary.

Crops Practically all growing crops in the District were seriously handicapped by a lack of rainfall throughout the entire month of July. The generally high temperatures, often over 100 degrees Fahrenheit, along with a decided deficiency of moisture

combined to reduce surface and subsoil moisture to low levels in most areas. Corn in north central Oklahoma and Kansas and in eastern sections of the District except northern Nebraska received a serious setback during the month and many fields were firing. In addition, such drouth resistant crops as sorghums were suffering in some sections from the dry, hot growing weather which prevailed throughout July. New Mexico has received little relief from the drouth conditions existing in that state. A few scattered showers throughout the month brought only temporary relief to local areas. Growing conditions for most Colorado crops were generally comparable to those in northern Nebraska, although temperatures were above normal and rainfall was somewhat under the amount usually received. Several general rains throughout the District in early August greatly improved the crop outlook in many sections. In spite of the impairment of crop prospects since July 1, total

| | RAINFALL | | | |
|----------------------|-------------|--------|-------------|--------|
| | July 1946 | | 7 Mos. 1946 | |
| | Total | Normal | Total | Normal |
| | (In inches) | | | |
| COLORADO | | | | |
| Denver..... | 0.98 | 1.68 | 5.76 | 9.30 |
| Leadville..... | 2.68 | 3.06 | 9.33 | 11.71 |
| Pueblo..... | 0.95 | 1.91 | 6.24 | 7.55 |
| Lamar..... | 0.85 | 2.51 | 11.96 | 10.12 |
| Alamosa..... | 1.11 | 1.16 | 2.34 | 3.89 |
| Steamboat Springs... | 0.71 | 1.48 | 10.97 | 14.21 |
| KANSAS | | | | |
| Topeka..... | 0.89 | 3.41 | 19.03 | 18.92 |
| Iola..... | 1.71 | 3.06 | 16.87 | 22.26 |
| Concordia..... | 6.27 | 3.10 | 16.10 | 15.74 |
| Salina..... | 2.13 | 2.70 | 13.37 | 16.48 |
| Wichita..... | 0.32 | 2.89 | 12.26 | 18.67 |
| Hays..... | 2.18 | 2.87 | 12.85 | 14.67 |
| Goodland..... | 5.20 | 2.67 | 13.39 | 11.60 |
| Dodge City..... | 0.17 | 2.67 | 5.78 | 12.80 |
| Elkhart..... | 2.04 | 2.40 | 11.07 | 10.62 |
| MISSOURI | | | | |
| St. Joseph..... | 1.28 | 3.78 | 19.95 | 22.05 |
| Kansas City..... | 0.94 | 3.82 | 19.57 | 21.00 |
| Joplin..... | Trace | 4.62 | 24.99 | 27.72 |
| NEBRASKA | | | | |
| Omaha..... | 1.84 | 3.54 | 16.22 | 17.34 |
| Lincoln..... | 1.59 | 3.85 | 12.69 | 17.64 |
| Norfolk..... | 0.52 | 3.41 | 11.66 | 17.60 |
| Grand Island..... | 1.73 | 3.13 | 12.41 | 16.39 |
| McCook..... | 5.30 | 2.83 | 15.11 | 13.12 |
| North Platte..... | 1.11 | 2.74 | 10.14 | 12.58 |
| Bridgeport..... | 1.10 | 2.09 | 9.94 | 10.87 |
| Valentine..... | 4.25 | 3.01 | 13.99 | 12.60 |
| NEW MEXICO | | | | |
| Clayton..... | 1.03 | 2.54 | 11.03 | 9.69 |
| Santa Fe..... | 3.48 | 2.44 | 6.97 | 7.85 |
| Farmington..... | 1.42 | 1.42 | 2.67 | 4.88 |
| OKLAHOMA | | | | |
| Tulsa..... | 0.22 | 3.05 | 24.48 | 23.52 |
| McAlester..... | 1.21 | 3.07 | 29.36 | 26.14 |
| Oklahoma City..... | 0.18 | 2.86 | 20.84 | 18.98 |
| Pauls Valley..... | 0.39 | 2.74 | 21.23 | 21.40 |
| Hobart..... | 0.35 | 1.96 | 10.53 | 16.15 |
| Enid..... | 1.09 | 2.40 | 12.21 | 17.45 |
| Woodward..... | 1.53 | 2.62 | 11.52 | 15.25 |
| WYOMING | | | | |
| Cheyenne..... | 1.42 | 2.10 | 10.26 | 10.21 |
| Casper..... | 1.22 | 1.20 | 8.90 | 9.30 |
| Lander..... | 0.47 | 0.69 | 7.16 | 8.54 |
| Sheridan..... | 0.71 | 1.22 | 16.25 | 10.54 |

indicated crop production in the Tenth Federal Reserve District for 1946 promises to be of record proportions.

Following the expiration of price ceilings on June 30, the general tendency of most grain and hay prices was toward a sharp rise. In the latter part of July, however, prices of oats and wheat had declined substantially from the peak prices of mid-July. Number 1 dark, hard wheat in the forepart of July was generally bringing over \$2 per bushel at Kansas City. The price on July 31 was \$1.93. Corn prices at the Kansas City Board of Trade tended to remain relatively high until early August when they dropped from around \$2.02 per bushel to about \$1.81 per bushel. July receipts of wheat at the principal grain markets in the District increased 131 per cent over those of June but still totaled 12 per cent under those received at these markets in July of last year. Receipts of corn followed somewhat the same pattern but were 43 per cent under receipts of July, 1945. The increased movement of cash crops to primary and terminal markets during July and early August has been encouraged by (1) a higher level of free prices as compared with ceiling prices previously in effect, (2) a feeling that improved prospects for large crop production in the United States and the world would precipitate price declines in coming months, and (3) some fear of a re-establishment of maximum prices on grains.

The lower range of Kansas City cash grain prices:

| | Aug. 17 1946 | July 31 1946 | June 29 1946 | July 31 1945 |
|------------------------------|-----------------|-----------------|-----------------|-----------------|
| No. 1 dk., hd. wheat, bu.... | \$1.94 | \$1.93 | \$1.88½ | \$1.58 |
| No. 2 mixed corn, bu..... | 1.81 | 2.02 | 1.42 | 1.13⅞ |
| No. 2 white oats, bu..... | .79 | .78 | .84¾ | .65 |
| No. 2 rye, bu..... | 1.88 | 1.85 | 1.50½ | 1.44 |
| No. 2 barley, bu..... | 1.36 | 1.37 | 1.30 | 1.10 |
| No. 2 white kafir, cwt..... | 3.05 | 3.35 | 2.69½ | 2.42 |

The most significant development with respect to crops was the decision handed down on August 20 by the Price Decontrol Board to exclude all grains, except soybeans, cottonseed products, flax, and manufactured feeds, from any price controls. The reaction of grain prices to the Board's decision in general was one of moderation, since most persons in trade circles feel that the supply of grains fairly well matches the demand, or will when the harvest is finally completed.

Livestock The top price of grain fed steers in July on the Kansas City market reached a high of \$25 per hundredweight. Similar price increases for top quality cattle were also recorded in other leading markets in the District. One lot of grain fed steers sold for a high of \$24.20 per hundredweight in Omaha during the week of July 27. A heavy movement of grass fat cattle from the Osage-Flint Hills of Oklahoma and Kansas was featured in the month's cattle

receipts in the District. Medium to good quality grass fat steers were selling from \$14.00 to \$18.50 per hundredweight at Kansas City. High quality feeder cattle, however, established a top of \$20.75 during the week ended July 20. Stocker and feeder cattle were moving in good volume and around 50 per cent of the receipts at Kansas City at the close of the month were of the stocker and feeder weights. Feeder sales early in August were running around \$1.00 per hundredweight higher than in July, reflecting a somewhat increased demand from cattle feeding areas. Top prices for hogs on the Kansas City market during July reached a price of \$22.00 per hundredweight. Lambs were up to \$21.00 during the week ended July 20 and reached a new all-time high of \$22.00 per hundredweight on August 7. The previous high on lambs at Kansas City was \$21.75 paid in 1918 and 1920.

Top carlot livestock prices at Kansas City:

| | Aug. 20 1946 | July 1946 | June 1946 | July 1945 | July 1944 | July 1943 |
|---------------------|--------------------------------|--------------|--------------|--------------|--------------|--------------|
| | (In dollars*per hundredweight) | | | | | |
| Beef steers..... | 27.00 | 25.00 | 17.65 | 17.65 | 17.00 | 16.35 |
| Stocker cattle..... | 17.50 | 17.75 | 17.50 | 15.15 | 13.75 | 15.25 |
| Feeder cattle..... | 18.00 | 20.75 | 17.50 | 15.50 | 14.85 | 14.50 |
| Calves..... | 16.50 | 18.50 | 17.50 | 15.50 | 14.00 | 14.00 |
| Hogs..... | 20.00 | 22.00 | 14.55 | 14.50 | 14.50 | 14.15 |
| Lambs..... | 19.50 | 21.00 | 17.75 | 16.35 | 15.00 | 15.25 |
| Slaughter ewes.... | 6.50 | 10.25 | 9.00 | 8.25 | 6.50 | 7.75 |

The Price Decontrol Board, provided for by the recently established price control law, handed down its decision on August 20 concerning the future control of livestock and meat prices. The Board ruled that livestock and meat prices, except lamb, shall be controlled at or about the price levels existing on June 30, 1946, at which time the old price control law expired. The basis of the Board's ruling, in compliance with the wording of the new law, was that (1) prices of livestock and meat have risen unreasonably since June 30, (2) meat is judged to be in short supply at reasonable prices, and that (3) price control is practicable and to the benefit of the general public. The new price ceilings go into effect for livestock on September 1, at the wholesale level on September 3, and at the retail level on September 9. This staggering of effective ceiling dates is to allow the various distribution levels to dispose of high cost inventory meats purchased between the period of July 30 and September 1. It is estimated that new retail meat ceilings will be, on the average, 8 to 10 cents per pound below the general level at the present time. Late in August, the OPA raised the new cattle and hog ceilings (to go into effect September 1) \$2.25 and \$1.40, respectively, above the ceilings in force on June 30.

According to the Livestock and Range Report of August 1, the supply and quality of feed on western ranges of the District showed an unusually large decline during the month of July.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Industrial production increased somewhat further in July, after a sharp advance in June. Prices of commodities rose rapidly in July and continued to advance, although at a more moderate rate, in the first three weeks of August.

INDUSTRIAL PRODUCTION

Industrial production advanced from 171 per cent of the 1935-39 average in June to 174 in July, according to the Board's seasonally adjusted index. Output of durable goods and of minerals generally increased while output of non-durable manufactures as a group showed little change, with increases in some lines offset by declines in others.

Production at steel mills in July rose about one sixth and in August has increased somewhat further, with output of ingots increasing to about 90 per cent of capacity. Activity in the machinery and transportation equipment industries continued to advance in July. Production in the nonferrous metal industries rose again but was still about 7 per cent below the January level. Output of stone, clay, and glass products continued to increase and the July index, at 197, was well above the previous high in March, with an increase in production of glass containers accounting for most of the July advance. Lumber production showed a decline, owing in large part to vacations for lumber workers on the Pacific Coast in the early part of July. Activity in the furniture industry remained at about the June rate.

In the nondurable industries, production at textile mills declined, owing to worker vacations during the first week in July, while output of manufactured food products increased considerably. Meat packing rose sharply to the highest level since February and there were increases also in the output of flour, bakery goods, and dairy products. Sugar meltings declined. Output of paperboard and paper boxes declined from recent high levels while newsprint consumption showed a further advance. Activity in the chemical and rubber industries showed little change.

Mineral production rose to a new high 46 per cent above the 1935-39 average. Increases in the output of anthracite, copper ore, and iron ore accounted for most of the July rise in production of minerals.

EMPLOYMENT

Nonagricultural employment continued to rise in July, with major gains in the construction and manufacturing industries and some decrease in government employment. Total unemployment decreased to about 2.3 million in July, the lowest of the year.

DISTRIBUTION

Value of department store sales declined less than seasonally from June to July and the Board's adjusted index rose to 278 per cent of the 1935-39 average as compared with an average of 254 for the first six months of the year. In the first three weeks of August sales continued at a high level. As a result of large receipts of merchandise, value of department store stocks continued to increase in July but relative to sales was still lower than before the war. Unfilled orders were at an exceptionally high level.

Loadings of railroad freight increased further in July as shipments of livestock and grains and of ore and coke rose sharply and shipments of other classes of freight showed little change.

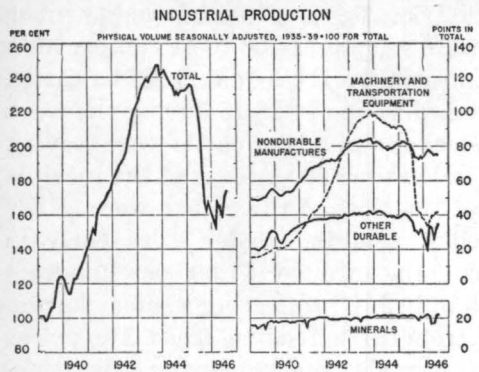
COMMODITY PRICES

Commodity prices, which had advanced sharply in July, rose somewhat further in the first three weeks of August. There were increases in prices of textiles, housefurnishings, and fuels as well as in some farm products and foods. Grains, however, declined and corn future contracts were still substantially below cash quotations, reflecting the continued prospect of a large harvest. With the renewal of price control at the end of July, ceiling prices were reestablished but in many cases at higher levels than prevailed on June 30. Announcement was made that ceilings would not be reestablished at this time on most grains or on dairy products but would be on livestock and meats and on cottonseed and soybeans and their products.

BANK CREDIT

The Treasury retired for cash 3.3 billion dollars of Government securities during July and early August; war loan balances at commercial banks were reduced by approximately the same amount. As most of the securities were held by banks, retirement operations had little effect on deposits of businesses and individuals. Drains on bank reserves resulting from redemption of securities held by the Reserve Banks were met by System purchases of Government securities and by reductions in Treasury deposits. Need for reserve funds resulted also from an increase in nonmember balances at the Reserve Banks, reflecting the deposit of the first instalment of the British loan, and from some outflow of currency into circulation. Changes in required and excess reserves, on the average, were negligible.

As a result of the Treasury debt retirement operations as well as security sales to the Reserve Banks in connection with reserve adjustment Government security holdings at banks in 101 leading cities were reduced by an additional two billion dollars during the seven weeks ended August 14. Total loans for purchasing or carrying Government securities declined further to a level comparable to that which prevailed prior to the Victory Loan Drive. Commercial loans, both in New York City and outside, increased substantially over the period.



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



Federal Reserve indexes. Monthly figures, latest shown are for July, 1946.



Bureau of Labor Statistics' indexes. Mid-month figures, latest shown are for July, 1946.



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 August 17, 1946.