

MONTHLY REVIEW

Agricultural and Business Conditions

TENTH FEDERAL RESERVE DISTRICT

VOL. 31, No. 10

FEDERAL RESERVE BANK OF KANSAS CITY

OCTOBER 31, 1946

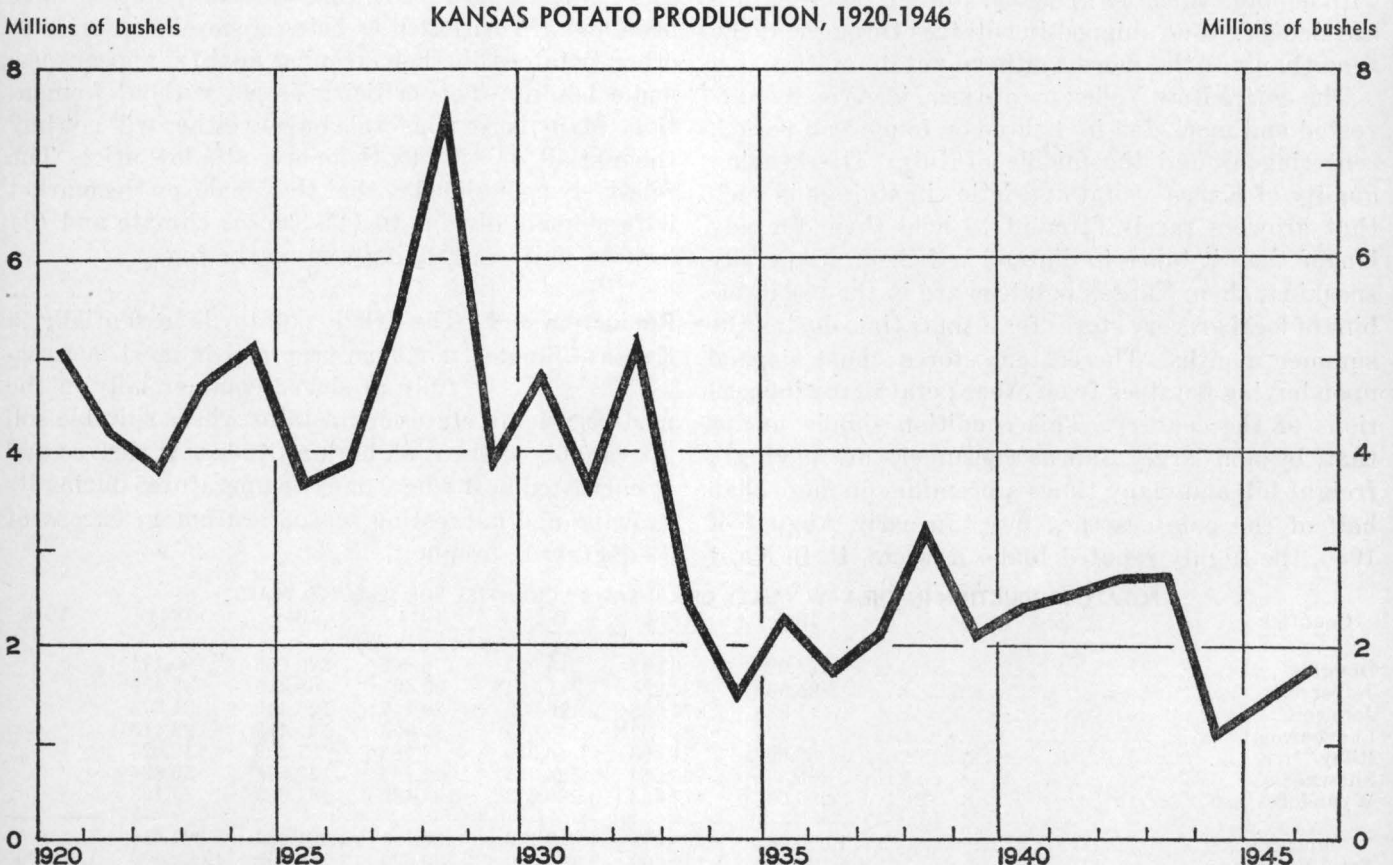
KANSAS POTATOES

Production Trend The annual potato crop in Kansas totaled consistently above 3.5 million bushels during the 1920's, but after 1932 reached the 3 million bushel mark only once (in 1938). By 1944 Kansas production was barely over 1 million bushels, while the following year, 1945, the state produced 1.5 million bushels. The estimated Kansas production for 1946 is about 1.8 million bushels, based upon October 1 prospects.

Potato production in Kansas is centered in the section of the rich Kansas River Valley extending from Manhattan, Kansas, to Kansas City, Missouri. The bulk of the once famous Kaw Valley potatoes are grown in this area, with lesser production taking place around some of the more heavily populated cities

and towns in other sections of the state. Most of the large commercial plantings in the Kaw Valley are located in the counties given in the accompanying table. These counties produce about 45 per cent of the total potato crop grown in Kansas.

The decline in the production of a farm crop that was valued at some 7 to 8 million dollars in 1925 to a point in 1945 where its worth measured around 2 million dollars is a matter of some concern to the total agricultural income of Kansas. It remains so, even considering the fact that the land taken from potato growing has been applied to the production of some competitive farm crop which, by and large, may make up fully the amount of farm income lost by decreasing potato production.



Source: United States Department of Agriculture.

Home Consumption The potato is a popular food the world over and the dinner tables of Kansas families are no exception. Thus, the decline in potato production in the state from a little over 5 million bushels in 1920 to the level of some 1.5 million bushels in 1945 raises the question as to where Kansas people are buying all the potatoes they consume. From the standpoint of home potato consumption, it is estimated that in recent years if the total potato production of the state were eaten at home, it would furnish substantially less than 50 per cent of the quantity normally consumed by the state's population. This is not a unique circumstance, since consumers in many of the surplus potato producing areas in the country must buy a portion of their year's potato supply from other production areas. The production pattern of potatoes in the United States is such that some area in the country is harvesting potatoes and shipping them to consuming centers almost every month in the year. Thus, a center like Kansas City, Missouri, may be buying Kaw Valley potatoes in July, California's in August, Nebraska's in September, and Idaho's in October, etc., on around the calendar until in late winter and early spring when potatoes from Florida, the southern states, and Texas come on the market. The northern states, however, with adapted varieties and good storage facilities, are less dependent on shipped-in potatoes throughout the year than are the more southern potato states.

The entire Kaw Valley potato crop is normally harvested and marketed in a three or four-week period, centering around the middle of July. The keeping quality of Kansas potato varieties in storage is such that growers rarely attempt to hold them for any longer than it takes to dig and sell them. Generally speaking, then, Kansas potatoes are in the vegetable bins of local grocery stores for a short time during the summer months. Thereafter, stores must depend upon buying potatoes from other potato-growing sections of the country. This condition simply means that, by and large, Kansas consumers are paying a freight bill and many times a premium on more than half of the potatoes they buy. In early August of 1946, the highly reputed Idaho Russets, U. S. No. 1

grade, were selling at \$3.50 to \$3.60 per bushel at Kansas City. The same grade California potatoes were selling at \$3.50 per bushel. Kansas Irish Cobbler potatoes of a comparable grade from the near-by Kaw Valley were moving at \$2.35 to \$2.40 per bushel. The freight rate on potatoes from Boise, Idaho, to Kansas City is 59 cents per bushel. The rate from Los Angeles, California, to Kansas City is 77 cents. In other words, even after deducting freight, the growers in those states commanded a market premium of around 50 cents over locally-grown potatoes.

Thus, while Kansas consumers are apparently willing to pay a freight bill and a premium on well over half the potatoes they eat, it would seem to be considerably to the advantage of both the consumers and potential potato growers in the state if a much larger part of the home demand could be filled by locally-grown potatoes of a suitable appearance, keeping, cooking, and eating quality. Extension of the marketing period of a product with these desirable characteristics from three or four weeks to three or four months would be a step toward accomplishing this seemingly desirable objective. However, Kansas potatoes at present are not on a very high competitive plane in either local or distant markets, whether marketed in three days, three weeks, or three months. The indisputable fact is that Kansas potatoes have been and are criticized as being generally inferior to other potatoes in their keeping quality, appearance, and salability. This criticism is not without foundation. Many large wholesale buyers either will not buy them at all, or will buy them only at a low price. The relatively poor showing that they make on the market is fundamentally due to (1) Kansas climate and (2) lack of uniform grading and marketing.

Production and Kansas Climate The Irish potato is essentially a northern crop and is most successfully produced commercially in the northern tier of states or in states where suitable soil is available in the cool, high altitudes. It thrives and is harvested best where daily temperatures during its growing and harvesting season are not in excess of 75 degrees Fahrenheit.

POTATO PRODUCTION IN THE KAW VALLEY OF KANSAS, BY COUNTIES, FOR SELECTED YEARS*

Counties	1919	1924	1929	1934	1939	1944	1946
	(In bushels)						
Douglas.....	134,082	506,288	313,097	175,065	322,655	95,171	
Jefferson.....	85,508	384,225	241,704	83,431	68,236	35,406	
Johnson.....	111,938	270,956	126,002	79,117	125,445	31,674	
Leavenworth.....	142,726	288,932	143,870	71,905	141,415	23,113	
Riley.....	33,806	21,403	40,843	7,185	37,209	12,027	
Shawnee.....	305,385	706,214	484,355	77,286	123,808	56,824	
Wyandotte.....	206,637	472,453	260,873	134,182	182,659	73,103	
7 Counties.....	1,020,082	2,650,471	1,610,744	628,171	1,001,427	327,318	
Total Kansas.....	5,168,000	5,130,000	3,960,000	1,480,000	2,128,000	1,092,000	1,746,000

* Data for 1919-44 from Census of Agriculture Reports, U. S. Department of Commerce. Data for 1946 from October 1, 1946, Crop Report of U. S. Department of Agriculture.

The state of Kansas, by virtue of geographical location and climate, is, therefore, not an ideal section of the country for potato production. A case in point is the extreme dry years following 1933, which caused many crop failures and forced a number of growers into financial difficulties. The large cash outlay necessary for the operations of plowing, planting, and cultivating a commercial crop of potatoes, combined with the hazard of Kansas weather at harvest time, has since eliminated many desirable growers from the field. One authority estimates that a producer must, on the average, receive \$100 per acre for his crop before the expenses of seed, planting, cultivating, dusting, harvesting, grading, sacking, and marketing are paid for. Since irrigation is not practiced to any extent in the Kaw Valley, the uncertainty of good crop yields and the market reputation of present potato varieties under Kansas climatic conditions provide small incentive for the investment of such a heavy per acre cash outlay in this crop.

In contrast to this generalization, however, it is known that a number of commercial Kaw Valley potato growers produce and market a good quality crop year after year. Quality production is accomplished almost every year, in spite of the somewhat unfavorable potato growing conditions that prevail generally throughout Kansas. They have, individually, developed a reputation with buyers for delivering a consistently high quality product and, hence, generally find a ready market for their crop, even in competition with outside potatoes.

This fact would seem to point to the possibility of the majority of Kaw Valley and other commercial growers in the state being able to secure similar results. Such an objective would necessitate a close-knit organization of growers, willing and able to follow uniform seeding, growing, harvesting, grading, and marketing methods, patterned after procedures used by now successful Kansas potato growers.

Disregarding varieties for the moment, it would seem plausible to expect that a general program of this character would give Kansas growers a product that would be uniform in grade and eating and keeping qualities, and that, furthermore, would be washed thoroughly clean and attractively packaged. This accomplishment alone would meet many of the leading characteristics of competitive potatoes from outside points and at the same time establish the fundamental basis for the success of any commercial potato-growing area: namely, a good quality product.

A successful program of the nature suggested above would unquestionably aid in minimizing the adverse effects of Kansas weather on the quality of potatoes produced and marketed, but it would not change

the physical appearance of the potato varieties now grown in the state. There is some basis for the belief that competitive potatoes from other areas, such as California and Idaho, are preferred by the consumer partly because of their more clean and pleasing appearance in the vegetable bin of a grocery store. It is felt that the clean, smooth surface and light color of the California and Idaho potatoes present more of the all-important eye-appeal to the housewife than do the often times dirty, rougher, and darker skinned Kansas varieties. If, then, this be true to a significant degree, perhaps a new variety of early maturing potato, similar in physical appearance to competing outside varieties, could be developed for Kansas.

It is not to be inferred that work on this aspect of the Kansas potato problem has not been done. It has to some extent. The fact remains, however, that no such variety or varieties have been developed for Kansas. From the standpoint of putting Kansas potatoes on a fully competitive footing with outside production, it appears that still further and more extensive plant research along this line is necessary. If accomplished, along with the production and marketing program previously outlined, Kansas potato growers could go into local and distant markets with a product that would compare favorably in most respects with outside potatoes.

Grading and Marketing "Quality products always command a premium. A few Kansas potato producers in the past, unfortunately, have failed to realize the importance of grading their potatoes for a quality product or any effort to grade out inferior stock has been carelessly done. The reputation of a producing area influences the price that will be bid on the terminal market for products from that area. Particularly is this true if competition is keen, as is the case with potatoes. A producer may grade and pack a superior product but receive a relatively low price on the terminal market because buyers are influenced by experiences with potatoes from that area. Therefore, it is to the interest of every commercial potato producer in Kansas to have his product well graded and conditioned before it is sent to market. If producers in Kansas successfully compete with growers in other potato-producing areas, they must build a reputation for a quality product."*

The author of the above statement reports that a study of Kansas potato marketing in the period 1930 to 1939 shows that there was a total of 18,042 rail carloads of Irish potatoes shipped from the state in

*Franklin L. Parsons, *Market Quality of Kansas Potatoes, as Determined by Federal Inspection*, Kansas State College Bulletin No. 298, 1941, p. 5.

those years, 90 per cent of which came from the Kaw Valley. Of this total number only two thirds were Federally inspected and only about 30 per cent of those inspected graded U. S. No. 1 potatoes. In addition, it is interesting to note that the study brings out the fact that only 19 per cent of the potatoes which graded U. S. No. 1 were graded "clean." This means that about 80 per cent of the U. S. No. 1 Kansas potatoes shipped out of Kansas during that period had varying amounts of soil clinging to their surface.

The unfortunate aspect of this situation, from the standpoint of the Kansas growers who do produce and market a quality product, is that those uninspected, dirty, and many times inferior, potatoes were finally sold to consumers in and out of Kansas under the banner of Kansas potatoes. The reputation of Kansas potatoes was not benefited thereby.

Organization for Kansas Producers Kansas potato growers were among the first in the nation to see the value of shipping-point inspection and grading of their product in improving the standing of the commercial potato industry in Kansas. As a result, a compulsory grading and classification law was put into effect as early as 1927. It remained in effect until 1932 when it was repealed by the legislature because of objections to the compulsory features of the Act. Since that time inspection has been on a voluntary basis.

The implications of this situation are clear. Production and marketing practices of Kansas producers have not been materially changed or improved over the last fifteen years. On the other hand, production and marketing practices in competing areas have undergone substantial improvements in the form of cooperative growing, grading, and selling of new and improved varieties, cleanly and attractively packaged to appeal to the consumer. The modern trend in mer-

chandising food and clothing and, in fact, most consumer goods, on the basis of uniform quality and attractive packages, will not long leave room in the market for a product that does not conform thereto.

The failure of the earlier attempt at a uniform grading and classification law governing out-of-state shipment of Kansas potatoes seems to have been largely due to the inability of many producers to dispose profitably of that part of their yearly crop that could not be marketed under the grading standards set up in the law. While this problem is one not subject to easy solution, it appears to have been met in other potato areas which are operating under compulsory grading laws.

Kansas potato producers have at their disposal a wealth of facts concerning the experience that producers in other areas have had in the operation of potato growers' production and marketing organizations. Reports on the organization and operation of such growers' associations have been issued from time to time in the potato states of Idaho, Maine, Maryland, Colorado, Nebraska, and Florida and have no doubt come to the attention of the Kansas potato industry at some time or another. At any rate, for the western states, probably Idaho furnishes the best example of a potato growing section of the country which has so organized her production, marketing, and promotion activities that her potatoes have become world famous. In addition to the efforts put forth by her potato growers in accomplishing this feat, the Idaho State Legislature, in 1937, passed an Act providing a fund of \$30,000 to aid in the advertising of Idaho-grown fruits and vegetables. The results of the Idaho program, as well as those in other fruit and vegetable growing sections of the country, have established the value of, and indeed the virtual necessity for, organized growing and marketing of perishable agricultural food commodities.

BUSINESS AND AGRICULTURAL CONDITIONS

FINANCE

Call Report Preliminary figures based on the September 30 call reports indicate that the deposits of Tenth District member banks increased by 22 million dollars during the three-month period ended September 30, attaining a volume of 5,647 million dollars at the end of the period. An increase of 63 million dollars in the deposit volume of the District country member banks more than offset a decrease of 40 million dollars in the deposit volume of the District Reserve city member banks.

The decrease in deposits was chiefly in Government demand deposits, as the United States Treasury withdrew substantial amounts from its war loan

accounts in order to retire Government securities, the decrease in Government demand deposits being 101 million dollars, or 35 per cent, in the District Reserve city member banks and 40 million dollars, or 30 per cent, in the District country member banks. Interbank deposits showed little change. Private deposits increased, the increase in the private deposits of country banks more than offsetting the decline in Government deposits. Demand deposits of individuals, partnerships, and corporations were up 55 million dollars, or 4 per cent, in the District Reserve city member banks and 111 million dollars, or 7 per cent, in the District country member banks.

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

	RESERVE CITY BANKS			COUNTRY BANKS		
	Sept. 30, 1946*	June 29, 1946	Dec. 31, 1945	Sept. 30, 1946*	June 29, 1946	Dec. 31, 1945
Loans and discounts.....	562,003	500,083	503,655	352,166	328,294	277,283
U. S. Government obligations, direct and guaranteed.....	1,640,964	1,752,094	1,948,654	1,366,284	1,343,146	1,305,204
Obligations of States and political subdivisions.....	102,753	104,933	99,841	89,473	78,957	74,392
Other bonds, notes, and debentures.....	65,806	64,029	43,696	35,877	35,559	25,518
Corporate stock, including stock of Federal Reserve Bank....	5,812	5,786	7,395	2,844	2,813	2,682
Demand deposits of individuals, partnerships, corporations..	1,558,908	1,503,908	1,405,248	1,805,216	1,694,645	1,634,405
Government demand deposits.....	190,579	291,970	529,921	92,399	132,125	201,265
Domestic interbank demand deposits.....	865,197	859,607	1,042,954	75,925	79,960	97,245
Total demand deposits.....	2,823,934	2,872,093	3,182,143	2,177,749	2,117,110	2,131,192
Total time deposits.....	349,596	341,826	317,523	295,249	293,059	276,905
Total deposits.....	3,173,530	3,213,919	3,499,666	2,472,999	2,410,169	2,408,097

* Preliminary figures.

Time deposits continued the increase which began during the war. During the three-month period, the increase was 2 per cent in the District Reserve city member banks and 1 per cent in the District country member banks. Although the volume of time deposits has continued to expand in the postwar period, the rate of expansion has been lower in recent months than during 1945 and the early part of 1946.

Despite the Treasury debt retirement program, which has emphasized the retirement of Government securities held by banks, the District country member banks increased their Government security holdings by 23 million dollars from June 29 to September 30, as they purchased Government securities in the market in excess of the amount retired by the

Treasury. The District Reserve city member banks reduced their Government security holdings by 111 million dollars.

The dollar volume of loans expanded by 12 per cent in the District Reserve city member banks compared with 7 per cent in the District country member banks, the respective dollar increases being 62 million and 24 million. When allowance is made for the greater decrease in loans for purchasing or carrying Government securities in the Reserve city member banks, it is apparent that the difference between Reserve city member banks and country member banks in the rate of loan expansion in other types of loans is greater than the difference in the percentages stated above. However, no figures on the various classes of loans are obtainable from the September 30 call reports.

DEPARTMENT STORE TRADE

The dollar volume of department store sales in this District in September was 28 per cent larger than a year ago, about the same rate of increase as that shown for the first nine months of the year. In the

PRINCIPAL ITEMS OF CONDITION OF 50 MEMBER BANKS

	Change from		
	Oct. 16 1946	Sept. 18 1946	Oct. 17 1945
(In thousands of dollars)			
Loans and investments—total.....	2,238,107	-41,767	-46,055
Loans—total.....	516,596	+17,445	+156,518
Coml., indust., agric.....	320,304	+12,654	+101,085
To security brokers and dealers..	7,133	+467	-256
Other to purchase or carry secur.	38,326	-1,401	+6,533
Real estate loans.....	57,522	+2,930	+19,452
Loans to banks.....	516	+410	-119
All other loans.....	92,795	+2,385	+29,823
Investments—total.....	1,721,511	-59,212	-202,573
U. S. Govt. securities—total.....	1,552,686	-61,570	-235,156
Bills.....	44,083	+4,516	-45,520
Certificates of indebtedness.....	382,390	-58,339	-46,803
Notes.....	263,692	-5,831	-203,341
Bonds.....	862,219	-1,916	+60,602
Guaranteed obligations.....	302	0	-94
Other securities.....	168,825	+2,358	+32,583
Reserves with F. R. Bank.....	467,459	+8,722	-8,628
Balances "due from" banks—net.	275,602	+9,192	-27,739
Demand deposits—adjusted.....	1,527,120	-1,347	+69,703
Time deposits.....	317,155	+1,349	+35,488
U. S. Govt. deposits.....	158,296	-26,271	-57,481
Deposits "due to" banks—net.....	843,624	-464	-139,347
Borrowings.....	10,300	-700	-7,200

	BANK DEBITS		Change from '45	
	Sept. 1946	9 Mos. 1946	Sept.	9 Mos.
(Thousand dollars) (Per cent)				
Colo. Springs, Colo....	32,749	275,727	+38	+29
Denver, Colo.....	398,390	3,325,110	+34	+22
Gr. Junction, Colo....	11,081	85,943	+43	+37
Greeley, Colo.....	15,472	116,621	+40	+28
Pueblo, Colo.....	30,990	247,582	+48	+23
Atchison, Kans.....	9,422	82,026	+57	+35
Emporia, Kans.....	7,834	72,185	+21	+21
Hutchinson, Kans.....	32,457	298,994	+29	+12
Independence, Kans..	5,315	51,364	+19	+30
Kansas City, Kans.....	49,931	433,278	+37	+21
Lawrence, Kans.....	8,453	73,104	+3	-1
Parsons, Kans.....	5,860	54,033	+13	+2
Pittsburg, Kans.....	8,818	75,526	+26	+27
Salina, Kans.....	27,192	257,141	+30	+22
Topeka, Kans.....	61,935	607,838	+15	+13
Wichita, Kans.....	170,704	1,492,758	-5	-23
Joplin, Mo.....	24,232	211,116	+30	+36
Kansas City, Mo.....	758,115	6,709,957	+16	+7
St. Joseph, Mo.....	52,978	548,556	-12	+7
Fremont, Nebr.....	9,309	78,832	+28	+25
Grand Island, Nebr...	19,445	148,775	+38	+18
Lincoln, Nebr.....	60,191	546,697	+21	+19
Omaha, Nebr.....	346,972	3,308,970	+3	+6
Albuquerque, N.Mex.	56,234	488,181	+42	+43
Bartlesville, Okla....	53,555	438,073	+21	+9
Enid, Okla.....	25,875	268,233	+12	+5
Guthrie, Okla.....	3,431	29,810	+21	+20
Muskogee, Okla.....	17,855	160,072	+25	+14
Okla. City, Okla.....	224,304	1,985,599	+33	+15
Okmulgee, Okla.....	4,821	45,175	+22	+25
Tulsa, Okla.....	287,578	2,462,563	+16	-2
Casper, Wyo.....	15,686	132,300	+45	+30
Cheyenne, Wyo.....	22,238	194,007	+23	+17
District, 33 cities.....	2,859,422	25,306,146	+18	+8
U. S., 334 cities.....	83,288,000	768,198,000	+17	+8

first three weeks of October, dollar sales were 24 per cent above those in the corresponding period of last year. Sales increased more than is usual from August to September, and the seasonally adjusted index of daily average sales rose from 300 per cent of the 1935-39 average in August to a new peak of 321 per cent in September.

Department store inventories increased more than is usual during September, and the seasonally adjusted index of stocks advanced from 201 per cent of the 1935-39 average at the end of August to 219 per cent at the end of September. This was a new high, being somewhat above the previous peak of 212 per cent last June. Inventories on September 30 were 39 per cent larger, and outstanding orders 27 per cent larger, in value than a year ago. As stocks have been built up, the volume of merchandise on order, although still huge, has declined appreciably from the record level reached last July.

Department store sales and stocks in leading cities:

	No. of Stores	SALES		STOCKS
		Sept.'46	9 Mos.'46	Sept.30,'46
		comp.to Sept.'45	comp.to 9 Mos.'45	comp. to Sept.30,'45
		(Per cent increase or decrease)		
Denver.....	7	+35	+34	+26
Pueblo.....	3	+22	+15	+29
Hutchinson.....	3	+25	+21	+65
Topeka.....	3	+26	+21	*
Wichita.....	4	+24	+19	+49
Joplin.....	3	+23	+29	+42
Kansas City.....	8	+26	+26	+47
St. Joseph.....	3	+25	+33	*
Omaha.....	4	+29	+33	*
Oklahoma City.....	6	+26	+20	+33
Tulsa.....	4	+34	+22	*
Other cities.....	31	+24	+30	+38
District.....	79	+28	+27	+39

* Not shown separately but included in District total.

INDUSTRIAL PRODUCTION

Meat Packing The volume of livestock slaughter for September in the Tenth Federal Reserve District, as measured by packers' purchases, was one of the lowest for any September on record. Cattle slaughter was down 80 per cent from August of this year and was 85 per cent below the volume in September, 1945. The volume of hog slaughter was 86 per cent under August and 79 per cent under September of last year. Federally inspected slaughter throughout the entire country during September was as much as 70 per cent under that during the same period of last year. Federally inspected slaughter on the average makes up about 70 per cent of the total number of livestock slaughtered in this country.

The low level of slaughter operations in this District, as at all packing centers in the country, was due almost entirely to the exceptionally small receipts of slaughter weights of livestock at all markets during

the month. The United States Department of Agriculture reported that Federally inspected slaughter of cattle in the United States for September was at the lowest level in their records which began in the year 1907. Federally inspected hog slaughter for the month was estimated to have been the lowest since 1879.

Price uncertainties on the part of livestock producers after the return of OPA regulations on September 1 undoubtedly was a leading factor in keeping marketable livestock off terminal markets throughout September and early October. In spite of the relatively heavy marketings of finished and near-finished livestock which occurred from June 30 to August 20, statistics indicate that these marketings did not include all of the finished and near-finished stock that would have normally been marketed during the latter period of August 20 to October 12. This is particularly true of cattle. During the two days immediately following the President's action of decontrolling livestock, the principal markets in the Tenth District had near record runs of livestock for that time of year. Because of low stocks of fresh meat on hand, packers and wholesale outlets indicated that three weeks to a month would be required to fill the "pipe lines" of the meat distributing system. By late October, meat had reappeared in grocery stores generally throughout the District and was again moving in orderly fashion. Scattered reports on retail prices show price boosts over previous OPA retail ceilings of from 10 to 100 per cent on various cuts of beef and pork. The most substantial price increases have been reported on the popular steaks and roasts which are always in the greatest demand.

Practically all meat packing companies in the District, both large and small, indicated that they were calling back their plant operating personnel as fast as the volume of livestock purchases warranted. Personnel being recalled had been laid off early in September because of sharply reduced slaughtering operations. Some of the companies expressed the conviction that many of their former plant personnel had found work in other industries and thus would not be available immediately for reemployment at packing houses.

Flour Milling Southwestern flour milling operations averaged about 94 per cent of full-time capacity during September. This was slightly under the level of operations during August. In late September and early October, the trade contended that the ceiling prices on flour plus higher procurement costs for milling wheat placed many mills in a tight price situation on flour. This factor, along with the

scarcity of shortening for bakers, served to cut domestic flour sales quite noticeably by October 15. Furthermore, private export commitments of flour to many European countries appeared to have been nearly filled and inquiries from these sources had largely fallen off by mid-October. Box car shortages continued to hamper the milling industry, both in the procurement of wheat and in filling flour orders.

Volume of domestic sales for Southwestern mills, which was running at a high rate during the first half of August, fell off rather sharply in the latter part of August and during most of September. The decline in domestic sales was largely attributed to the unwillingness of most concerns to make large forward sales in the face of ceiling price uncertainties. While two price increases on all flour were granted by the OPA to cover the increased costs of sacks, the shorter extraction rate, and the lower production level caused by the 85 per cent restriction, the industry generally maintained that these increases were insufficient to cover the increased costs of procuring wheat. This situation became more acute in the forepart of October and, following the accelerated decontrol program established by the President on October 14, millers were looking toward a complete release of flour from Government regulation of all kinds.

A petition of the flour milling Industry Advisory Committee of the OPA to decontrol prices of wheat flour was denied on October 4, on the grounds that world import requirements of wheat exceeded the exportable world supply by more than 35 per cent. On the basis of the legal wording in the Price Control Law, the United States Department of Agriculture determined that "wheat must be considered in short supply," and flour ceilings were retained.

Petroleum In September, total output of crude oil in the Tenth District declined 6 per cent from that reported for August, but was 4 per cent above production in September of last year. All six of the oil-producing states of the District showed decreased production in September, although Colorado, Kansas, and Wyoming reported a larger output than in the corresponding month of 1945.

Crude oil production in Oklahoma declined in September to a level 9 per cent below that reported for August. This was due primarily to the curtailment of output of the West Edmond oil field, where the daily production allowed was reduced in September from 77,000 to 40,000 barrels. This limitation was ordered by the Oklahoma Corporation Commission, because of the excessive gas waste in that field.

In September, Colorado produced 1,075,000 barrels of crude oil and supplied 4.1 per cent of the total out-

put of the states of the District. This is in decided contrast with the production reported for Colorado for September, 1945, when output was only 421,000 barrels, or 1.7 per cent of the District total. This increase over the past year has been due chiefly to the rapid development of northwestern Colorado's Rangely field, which was reopened in 1945 to meet the expanding oil requirements for the planned Japanese invasion. At the present time, there are more than 100 Rangely producers contributing to the total output of Colorado.

From January through August, 1946, there were 2,071 new producing oil wells completed in the states contained wholly or partially in the Tenth District. This represents an increase of 19 per cent over the number reported in the corresponding seven-month period of last year. Colorado, Kansas, and Oklahoma were the states primarily responsible for this gain.

Employment Total nonagricultural employment in the Tenth District continued to rise during July, the latest month for which figures are available. The July level, which was the highest reported since August of last year, was 1 per cent greater than in June, but was still 3 per cent below that reported for the District for July, 1945. Manufacturing employment in the Tenth District also increased 1 per cent from June to July, but was 22 per cent below July of last year.

In Colorado, total nonagricultural employment gained from June to July and reached the highest level reported since December, 1943. Manufacturing, transportation and utilities, and trade industries showed increased employment in July, while the mining industry declined slightly. Despite a continued decrease in employment in Colorado meat packing, the seasonal upturn in canning enabled the nondurable goods industries to show a gain in July.

Missouri has reported steady increases in manufacturing employment from January through July, the most significant of these gains having occurred in the food industry. Increased employment was reported for July in the apparel industry, as well as in the printing and building materials industries.

Total nonagricultural employment in Nebraska showed no change from June to July, although the July manufacturing employment dropped approximately 1 per cent. This decrease was due principally to a curtailment of employment in the Nebraska food industries, particularly meat packing.

New Mexico reported a higher level of total nonagricultural employment in July than at any time during the war period. Manufacturing employment rose to a postwar high after registering the sixth

consecutive monthly gain beginning last February. This increase in manufacturing employment was due chiefly to seasonal activity in food processing.

In Oklahoma, July manufacturing employment was slightly below that reported for June. This was caused mainly by a seasonal reduction of workers in the food industry, particularly in canning and in the production of butter. Employment in petroleum refining, however, remained at the high level previously established in June. Both Kansas and Wyoming registered gains in July in manufacturing employment, as well as in total nonagricultural employment.

Estimates of total nonagricultural employment as reported by the Bureau of Labor Statistics:

	July	Aver.	Change from '45	
	1946	7 Mos. 1946	July	7 Mos.
	(Number)		(Per cent)	
Colorado.....	275,000	261,600	+5	+1
Kansas.....	337,000	332,700	-11	-15
Missouri.....	925,000	893,000	0	-5
Nebraska.....	243,000	241,000	-4	-7
New Mexico.....	87,900	83,500	+6	+4
Oklahoma.....	342,000	339,500	-6	-9
Wyoming.....	61,900	61,400	-3	+1
Seven states.....	2,271,800	2,212,700	-3	-7
United States.....	39,265,000	38,006,000	+2	0

AGRICULTURE

Crops Rainfall in the Tenth District for September was about normal. General rains occurring in late August and throughout September brought much needed relief to most late field crops and fall pastures in the District. Seasonally moderate temperatures and adequate moisture aided in maturing the corn crop. The stage of maturity generally assured growers of little damage from early frosts. Near-freezing weather moved into northwestern Nebraska and northern Colorado during the middle of the month but most field crops except some corn in Colorado escaped serious damage. Winter wheat made rapid progress in western Kansas, Nebraska, and Oklahoma by October 1, and cattle and sheep were moved onto many fields for pasture. Some reports on October 1 indicated that permanent pastures and wheat pastures in the western half of the District were substantially better than normal for this time of year. Extremely heavy rains in southwestern Kansas and northern Oklahoma during the week ending October 15 caused extensive damage to crops awaiting harvest and to hay stored in the field. Preliminary information seems to point to a generally satisfactory subsoil moisture condition throughout most of the heavy wheat growing areas in the District. Depth of moisture penetration in the fall is an extremely important factor in wheat production in the plains states.

According to the Department of Agriculture, crop prospects on October 1 and the surplus of feed grains in sight for the remainder of the season were next to the largest on record. This will bring total available supplies of feed grains to a level of 5.5 million tons more than in 1945. Considering the number of animal units on farms and ranches that will require feed, this season's feed supplies are the largest per animal on record, and will run about 10 per cent more than last season. In contrast with the tight feed situation that most livestock and poultry producers faced during the war years, the current easier situation indicates a more heavy feeding schedule of livestock than has taken place in recent years. This factor, along with income tax considerations, is apparently contributing to the relatively slow movement of cash grain to terminal markets.

Livestock Probably the most important recent development in the livestock industry was the announcement on October 14 that livestock and meat prices would be decontrolled, effective October 15. The free price market after October 14 brought a new all-time high price for hogs at Kansas City. Hog prices advanced from \$9.00 to \$12.55 per hundredweight above the previous OPA ceiling of \$15.95 set for that market. Top prices of cattle at Kansas City advanced from \$2.00 to \$4.00, with one lot of steers selling for \$24.00 per hundredweight. The OPA maximum price at Kansas City for fed cattle had been \$19.90. At Omaha, good and choice barrows and gilts were moving at \$25.00 to \$27.50, with most sales tending toward the higher price. The packer demand for lambs at Kansas City following the removal of the ceiling on dressed lamb and mutton resulted in an active market and prices advanced from \$5.00 to \$6.00 on native lambs, with a top of \$26.00 per hundredweight being paid for one lot.

Top carlot livestock prices at Kansas City:

	Oct. 21 1946	Sept. 1946	Aug. 1946	Sept. 1945	Sept. 1944	Sept. 1943
	(In dollars per hundredweight)					
Beef steers.....	31.00	19.90	27.00	17.65	17.50	16.35
Stocker cattle.....	19.20	17.85	17.25	14.00	12.75	13.50
Feeder cattle.....	19.50	19.00	21.50	14.40	14.65	14.15
Calves.....	20.00	17.50	18.00	13.50	14.00	14.00
Hogs.....	25.50	15.95	24.25	14.50	14.50	14.95
Lambs.....	20.50	19.00	22.00	14.00	14.25	15.00
Slaughter ewes.....	9.00	8.75	9.00	6.00	5.35	6.75

The level of cattle feeding operations in principal livestock feeding areas during September was still a matter of popular concern. While a considerable number of cattle were said to be scheduled for a short feeding period, the recent actions on price and feed decontrol are expected in many quarters to encourage more long-term feeding than was anticipated as late as August of this year.