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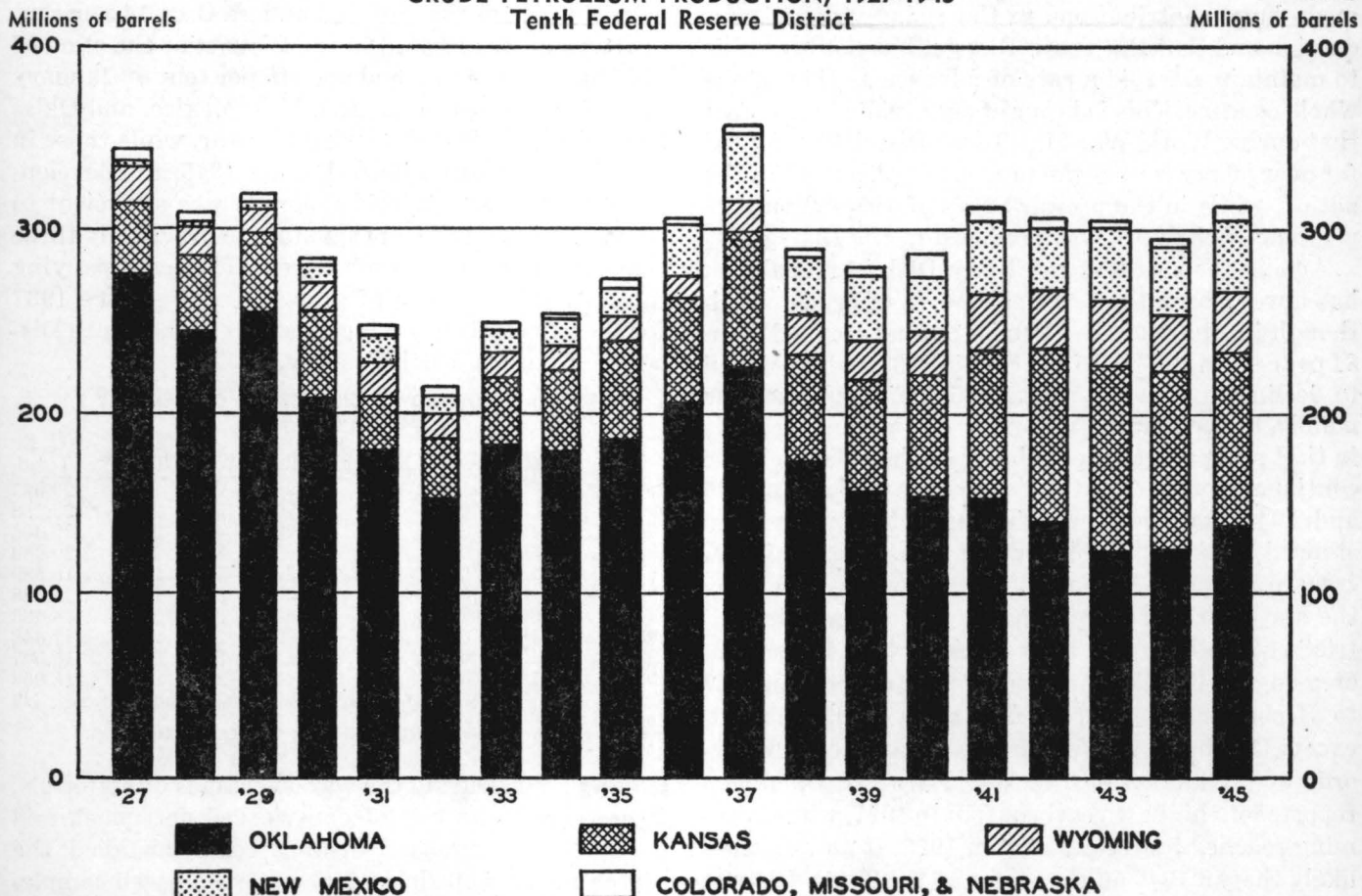
THE PETROLEUM SITUATION

More than 60 per cent of the world's supply of crude petroleum is produced within the United States, and of that huge amount about one fifth of it comes from the Tenth Federal Reserve District. The chart below shows the yearly output since 1927 of the seven states that are represented in the District.

Production Prior to the entry of the United States into the war, the discovery of new fields furnished an erratic and overabundant supply of crude oil, and a nation-wide conservation program was undertaken in order to restrict output and thus enable the controlled supply to approximate more nearly the

actual demand. Imports of crude and fuel oil were small under such conditions, while exports of crude and refined products were relatively large. Upon our entry into the war, however, the situation was drastically changed. The wartime needs rapidly replaced and greatly exceeded the curtailed civilian demand, and the petroleum industry was forced to tax to capacity the existing oil fields, transportation facilities, and refineries. The proration restrictions on producing wells were relaxed, thereby permitting a sharp increase in output. In many fields the maximum efficiency rates of production were actually exceeded, and although this action will probably involve some sacri-

CRUDE PETROLEUM PRODUCTION, 1927-1945
Tenth Federal Reserve District



Source: United States Bureau of Mines and the Oil and Gas Journal.

face of the ultimate productive capacity of these wells, it was deemed necessary mainly because the contributions of newly completed fields to the expanded wartime supply of crude oil were much smaller proportionately than before the war.

In 1945, more than 1,700 million barrels of oil were produced in the United States. This output in the last year of the war was the highest ever recorded and represents a gain of more than 445 million barrels over the production reported for 1939 and is greater than the total reported during the whole of World War I. In the first eleven months of 1946, production reached almost 1,600 million barrels, and it is apparent that output for the entire year will nearly equal or possibly exceed the record established in 1945.

In the Tenth Federal Reserve District, crude oil production increased during 1940 and 1941, although less rapidly than for the whole country. Output declined slowly, however, from 1942 through 1944 but gained again in 1945 when a yearly production of 312 million barrels was reached. This was still considerably below the record District output reported for 1937 when more than 359 million barrels were produced. It is significant to note that other states, such as Texas and California, have over a period of years made huge contributions to the rising national production and that the Tenth District has not been able to maintain as rapid a rate of advance as that of the whole country. This is brought out vividly by the fact that during World War I the Tenth District accounted for over 40 per cent of the total crude oil output of the nation, while in the prewar years of 1935-39 only 26 per cent of the total was produced in the District.

Among the states of the Tenth District, Oklahoma has always been the principal source of crude oil, although its share of the District output dropped from 81 per cent in 1927 to 57 per cent in 1939 and continued to decline to 44 per cent in 1945. This has been due mainly to the decreasing number of producing wells in that state and to the inability of the older fields to continue to produce at their early rate of flow. In 1945 and 1946, however, new drilling activity has been stepped up sharply and output has once again increased. Kansas, Wyoming, and Colorado have been the states primarily responsible for the gain in District production from 1939 to 1945, with Kansas increasing its share of the total from 22 per cent in 1939 to 31 per cent in 1945. All the states of the District, except Oklahoma and Wyoming, established new records of production during World War II. Oklahoma reported its highest yearly output in 1927, while Wyoming reached its record level in 1923. It now appears likely that in 1946 all the states of the Tenth District will approximate their 1945 production levels.

Proved Oil Reserves The question as to a national policy in relation to the use of oil reserves has long been a subject of lively debate. During the war, production was curtailed severely in foreign countries, and it was necessary to fight the war mainly with American crude and refined products. With the consumption of enormous quantities of our irreplaceable oil, grave concern was expressed repeatedly over the drastic drain upon our reserves. This in turn has led to the current discussion as to the advisability of importing foreign oil and thus husbanding our present known supply, or of depending largely upon "unproved" fields to provide the source of future needs and requirements.

Proved reserves in the United States have increased almost steadily since 1934, although the rate of gain was decidedly slow during most of the war years and even a slight drop was recorded in 1943. On January 1, 1946, the proved oil reserves in the United States totaled almost 21 billion barrels. South America, especially Venezuela, also has extensive proved reserves, while outside the Americas, the world's greatest sources of petroleum are to be found in Russia and in the countries of Iran, Iraq, and Arabia.

In the Tenth District, reserves have not increased as rapidly as in the nation, and less than 14 per cent of the total was located in the District at the start of 1946 as compared with almost 19 per cent on January 1, 1937. Reserves in Kansas, New Mexico, and Oklahoma dropped sharply during the war, while those in Wyoming almost doubled. During 1945, the development of Rangely Field in Colorado was sufficient to increase the reserves in that state to practically three times those at the start of the year. The accompanying table shows estimates of proved reserves since 1937 for the principal oil-producing states in the Tenth District and for the whole country.

ESTIMATES OF PROVED OIL RESERVES ON JANUARY 1
(Millions of barrels)

	Colo.	Kans.	N.Mex.	Okla.	Wyo.	Dist. Total*	U. S. Total
1946.....	260	542	512	890	600	2,804	20,827
1945.....	89	602	563	970	582	2,806	20,453
1944.....	45	646	654	909	499	2,753	20,064
1943.....	39	687	677	969	371	2,743	20,083
1942.....	23	690	675	1,036	304	2,728	19,589
1941.....	23	692	692	1,002	305	2,714	19,025
1940.....	20	726	687	1,063	306	2,802	18,483
1939.....	18	613	703	1,162	261	2,757	17,348
1938.....	19	601	547	1,212	266	2,645	15,507
1937.....	15	568	471	1,141	239	2,434	13,063

*Estimates for Missouri and Nebraska are less than 1 million barrels and are not included in total.

Source: U. S. Bureau of Mines and U. S. Tariff Commission.

Drilling Operations During the war, shortages of materials, the loss of experienced personnel, and increased drilling costs curtailed the search for new oil fields, and as a result well completions in the United States dropped sharply in 1942

and 1943. Drilling activity was increased, however, in 1944 and again in 1945 and it is now assured that total completions will be even larger in 1946 than in any year since 1941.

Well completions in the Tenth District declined only slightly in 1942 and 1943 but increased during 1944 to approximately the average number drilled during the prewar years of 1935-39. In the year 1945, more than 5,000 wells were completed, the largest number reported for the District since 1937 when approximately 6,300 wells were recorded. Increased activity in the states of Oklahoma, Kansas, New Mexico, and Colorado has enabled the District to report more completions during the first eleven months of 1946 than during the entire year of 1945.

The oil industry is peculiar among other industries because of the large amount of uncertainty involved in drilling operations. Although the techniques of exploration have been improved greatly, the oil man still runs the grave risk of putting time and money into extensive drilling, only to have a dry hole to show for his efforts. In the United States, the proportion of dry wells to total wells drilled rose from approximately 20 per cent in 1937 to over 35 per cent in 1943. During the first eleven months of 1946, however, this ratio has dropped below 30 per cent, reflecting the return of technicians skilled in the science of locating promising sites for the discovery of oil and also of supervisors experienced in actual drilling operations. In comparison, dry holes drilled in the Tenth District reached almost 45 per cent of total completions in 1943, in contrast to 23 per cent in 1937. This ratio has also declined during 1946 and was 31 per cent for the first eleven months of this year. The accompanying table shows the number of completions and the percentage of dry holes for the states represented in the District and for the United States.

	TENTH DISTRICT		UNITED STATES	
	Total (Oil, Gas, & Dry)	Per Cent Dry	Total (Oil, Gas, & Dry)	Per Cent Dry
1946*.....	5,233	31.3	24,138	29.5
1945.....	5,060	36.1	24,667	30.3
1944.....	4,416	39.6	23,106	30.3
1943.....	3,376	44.7	17,884	35.1
1942.....	3,205	41.1	18,151	30.5
1941.....	4,395	28.4	29,070	23.7
1940.....	4,637	26.5	28,124	23.5
1939.....	4,065	26.4	25,987	24.5
1938.....	4,159	25.7	26,712	22.6
1937.....	6,324	22.7	31,397	20.4

*January through November.
Source: United States Bureau of Mines and the Oil and Gas Journal.

A recent study published by the United States Department of Commerce estimates that, between 1939 and 1945, the average cost of drilling a well in the United States increased approximately 75 per cent. The rising costs of materials and labor contributed largely to this advance, although the necessity of drill-

ing deeper holes has also caused larger capital outlays. It is worthy of note that the 1945 estimated capital expenditures in the crude petroleum and natural gas drilling industries of Kansas, New Mexico, Oklahoma, and Wyoming combined were almost 75 per cent greater than in 1939, while the total number of new wells completed in these four states in 1945 was only 35 per cent greater than in 1939.

Crude Oil Prices The average price of crude oil for the entire United States has fluctuated widely, reaching a high of \$3.07 per barrel in 1920 and a low of 65 cents in 1931. Even more extreme prices have been reported in different areas of the District. The highest was an average of \$3.42 paid in Kansas in 1920, while the lowest was 43 cents per barrel in New Mexico in 1931.

The prices of crude oil in various producing fields and of petroleum products in the whole United States were frozen in October, 1941. Throughout the war the value of crude petroleum averaged \$1.19 per barrel—a level that was unsatisfactory to the petroleum industry. The O.P.A., however, followed the policy of maintaining this level of prices and supplementing it with subsidies in certain necessary instances. During 1946, however, prices have once again advanced and in November averaged \$1.63 per barrel. Significant changes may result from this gain. The increased price of crude oil may provide the stimulus for expanded drilling and exploration, and “secondary” recovery methods of operation may also be employed. The cost of producing a barrel of oil varies widely between wells and between areas, and under normal conditions the market price is the main determinant as to whether a high-cost well is profitable to operate.

Demand for Crude Oil Over the recent decades the petroleum industry has experienced a sharp increase in the demand for its products.

This has been due mainly to the remarkable expansion of the motor car industry which provided the early stimulus needed, as well as to the enormous wartime requirements for crude and refined products. Our greatly enlarged navy and merchant marine consumed huge quantities of heavy residual fuel oil, and the demand for aviation gasoline increased almost 20 times between 1940 and 1944. With the cessation of hostilities, the consumption of automobile gasoline has increased rapidly and great expansion has occurred in the use of oil for the heating of homes and buildings, as well as for fueling the many types of industrial machinery and the increasing number of Diesel engines used by railroads. All these factors will probably continue to contribute to the growing demand for oil and to the bright outlook of this industry.

BUSINESS AND AGRICULTURAL CONDITIONS

FINANCE

Member Bank Credit During the four-week period ended December 11, total loans and investments of District weekly reporting member banks declined by 35 million dollars, as investments decreased by 40 million dollars and loans expanded by nearly 5 million dollars.

The volume of all classes of Government security holdings, as well as other securities, contracted during the period under review. Nearly all of the increase in loans was in the "commercial, industrial, and agricultural" loans and real estate loans categories, while substantial decreases occurred in loans for purchasing or carrying securities. One year ago, loans for purchasing or carrying Government securities were at an all-time peak of 73 million dollars, whereas on December 11, 1946, they aggregated 26 million dollars.

On December 11, total loans and investments of District weekly reporting banks were 283 million dollars below the volume a year earlier. This represented a decline of 454 million dollars in public credit extended by the District weekly reporting banks and an expansion of 170 million dollars in private credit extended by those banks. The contraction in public credit outstanding resulted from a decline of 407 million dol-

lars in Government security holdings and a decrease of 47 million dollars in loans for purchasing or carrying Government securities. The expansion in private credit was a combination of an increase of 30 million dollars in holdings of non-Government securities and an increase of 140 million dollars in loans other than those for purchasing or carrying Government securities. Of the 140 million dollar increase in loans, 97 million dollars was in "commercial, industrial, and agricultural" loans, 21 million dollars in real estate loans, and 23 million dollars in the "all other" loans category, which includes consumer loans.

During the four-week period ended December 11, 1946, total deposit volume of the District reporting banks declined by 25 million dollars. Interbank deposits contracted by 35 million dollars, while adjusted demand deposits expanded by 12 million dollars. Time deposits decreased slightly each week during the three-week period ended December 11, possibly as a result of withdrawals of funds for Christmas shopping. The week ended October 16 was the only other week during the past year when time deposits in the District reporting banks showed a decline.

Principal items of condition of 50 member banks:

	BANK DEBITS			
	1946		1945	
	Nov.	11 Mos.	Nov.	11 Mos.
	(Thousand dollars)		(Per cent)	
Colo. Springs, Colo.....	35,020	345,468	+3	+26
Denver, Colo.....	410,011	4,171,741	+13	+21
Gr. Junction, Colo.....	11,729	109,199	+10	+32
Greeley, Colo.....	16,661	152,322	+17	+28
Pueblo, Colo.....	31,268	311,713	+2	+21
Atchison, Kans.....	14,160	108,828	+114	+48
Emporia, Kans.....	9,019	91,334	+15	+22
Hutchinson, Kans.....	29,414	356,864	+1	+11
Independence, Kans...	5,697	62,783	+20	+28
Kansas City, Kans.....	52,143	540,659	+26	+23
Lawrence, Kans.....	8,326	90,672	+11	+1
Parsons, Kans.....	6,613	67,670	+14	+6
Pittsburg, Kans.....	9,204	94,273	+18	+26
Salina, Kans.....	29,006	313,250	+28	+23
Topeka, Kans.....	64,585	742,840	+17	+14
Wichita, Kans.....	156,891	1,816,295	+18	-18
Joplin, Mo.....	24,459	260,512	+15	+32
Kansas City, Mo.....	847,965	8,402,342	+28	+11
St. Joseph, Mo.....	86,496	719,282	+38	+13
Fremont, Nebr.....	10,513	100,977	+36	+28
Grand Island, Nebr....	17,926	186,353	+21	+19
Hastings, Nebr.*.....	11,884
Lincoln, Nebr.....	62,582	675,113	+17	+20
Omaha, Nebr.....	420,424	4,158,973	+23	+9
Albuquerque, N. Mex.	57,970	608,739	+32	+41
Bartlesville, Okla.....	57,164	547,548	+24	+11
Enid, Okla.....	27,964	324,388	+28	+8
Guthrie, Okla.....	3,248	36,881	-5	+18
Muskogee, Okla.....	20,327	201,818	+1	+13
Okla. City, Okla.....	238,742	2,488,370	+15	+17
Okmulgee, Okla.....	5,435	55,970	+7	+20
Tulsa, Okla.....	303,183	3,085,396	+20	+2
Casper, Wyo.....	17,077	169,584	+13	+29
Cheyenne, Wyo.....	23,945	242,966	+26	+19
District, 33 cities.....	3,115,167	31,641,123	+21	+11
U. S., 334 cities.....	86,627,000	946,140,000	+9	+8

*Not included in total; new reporting center beginning November, 1946.

	Change from		
	Dec. 11	Nov. 13	Dec. 12
	1946	1946	1945
	(In thousands of dollars)		
Loans and investments—total.....	2,200,917	-35,244	-283,352
Loans—total.....	542,729	+4,735	+93,119
Coml., indust., agric.....	348,250	+5,415	+96,768
To security brokers and dealers.....	5,075	-1,040	-2,390
Other to purchase or carry secur..	33,829	-1,453	-45,329
Real estate loans.....	60,276	+1,649	+21,192
Loans to banks.....	622	-99	-271
All other loans.....	94,677	+263	+23,149
Investments—total.....	1,658,188	-39,979	-376,471
U. S. Govt. securities—total.....	1,491,287	-38,053	-406,755
Bills.....	45,915	-16,021	-71,607
Certificates of indebtedness.....	340,479	-5,846	-142,727
Notes.....	244,505	-9,702	-210,190
Bonds.....	860,091	-6,484	+18,280
Guaranteed obligations.....	297	0	-511
Other securities.....	166,901	-1,926	+30,284
Reserves with F. R. Bank.....	459,082	+8,146	-13,173
Balances "due from" banks—net.....	271,936	-4,783	-50,181
Demand deposits—adjusted.....	1,534,059	+11,998	+146,092
Time deposits.....	317,982	-549	+33,155
U. S. Govt. deposits.....	121,315	-1,112	-381,265
Deposits "due to" banks—net.....	837,294	-35,423	-146,816
Borrowings.....	2,500	-4,500	-11,500

DEPARTMENT STORE TRADE

The dollar volume of sales at reporting department stores in this District in November was 22 per cent larger, and in the first eleven months of 1946 about 26 per cent larger, than in the corresponding periods of 1945. Sales increased less than is usual from October to November, and the seasonally adjusted index of daily average sales declined from 297 per cent of the 1935-39 average in October to 283 per cent in November. The record was 321 per cent last September.

In the first two weeks of December, sales showed a gain of only 15 per cent over the previous year. This rate of increase was somewhat less than that recorded earlier in the year. Moreover, much of the increase in dollar sales was accounted for by higher prices, with unit volume probably little larger than in 1945 in many lines of merchandise. Nevertheless, Christmas trade as a whole established a new high for dollar volume in 1946 considerably above the previous record in 1945. Sales of so-called luxury goods have been affected by increasing consumer resistance to higher prices, but demand has been heavy for the enlarging volume of supplies of housewares and appliances.

Department store inventories increased slightly during November, although a decline is usual, and the seasonally adjusted index of stocks advanced from 234 per cent of the 1935-39 average at the end of October to 249 per cent at the end of November. This marked the third consecutive month of rather sharp increase in the level of inventories. Outstanding orders continued to decline during November, with the volume of merchandise on order at month-end about one fourth less than at the peak last July. Stocks of merchandise on hand on November 30 were 59 per cent larger in value than a year earlier, but outstanding orders were 9 per cent smaller than a year ago. This was the first decrease in orders from the preceding year since August, 1944.

Department store sales and stocks in leading cities:

No. of Stores	SALES		STOCKS
	Nov. '46 comp. to Nov. '45	11 Mos. '46 comp. to 11 Mos. '45	Nov. 30, '46 comp. to Nov. 30, '45
(Per cent increase or decrease)			
Denver.....	6	+30	+35
Pueblo.....	3	+10	+16
Hutchinson.....	3	+16	+21
Topeka.....	3	+22	+21
Wichita.....	4	+11	+18
Joplin.....	3	+19	+26
Kansas City.....	8	+19	+25
St. Joseph.....	3	+26	+32
Omaha.....	4	+30	+31
Oklahoma City.....	6	+19	+19
Tulsa.....	4	+25	+23
Other cities.....	30	+21	+29
District.....	77	+22	+26

*Not shown separately but included in District total.

INDUSTRIAL PRODUCTION

Meat Packing The volume of cattle slaughter in the Tenth District in November, as measured by packers' purchases, was 27 per cent greater than in October, and was 4 per cent above the volume during the corresponding month last year. The cumulative total of cattle slaughter for the first eleven months of 1946 remains 37 per cent under that of the same period last year. Calf slaughter in the District for November was 28 per cent below October and 27 per cent below November of last year. Favorable

prices for hogs throughout the month were apparently a leading factor in increased marketings and slaughter of hogs. Measured by packers' purchases, hog slaughter for the month was 56 per cent above the preceding month and 32 per cent above November, 1945. Slaughter of sheep and lambs, following a similar pattern of calves, was some 34 per cent under October and 22 per cent below November, 1945.

The retail prices of many cuts of meat continued to be subject to slight adjustments downward throughout the month in line with increasing supplies coming on the market. Most noticeable in these adjustments were the declines that occurred on pork items such as bacon, sausage, and ham. While such prices have not generally declined to the level of previous OPA retail price ceilings, they are in most cases substantially below the initially high prices reached in many instances immediately following the decontrol of livestock and meat prices on October 15. In this connection, it is interesting to note that there was an overall increase in cold storage stocks of meat reported to have taken place throughout November. Government sources have indicated that these increased supplies of meat in storage reflect not only an expansion in the slaughter of cattle and hogs for the month but also some increasing consumer resistance to recent retail prices for meat. Even so, this report indicates, total supplies of meat in storage December 1 were still smaller than a year ago and smaller than for any December 1 on record.

Flour Milling Southwestern flour milling operations in November continued at about 98 per cent of full-time capacity, while the total output of flour for November was 3 per cent under October. As the coal strike progressed after November 20, the accompanying transportation restrictions forced many mills to curtail shipments and distribution of flour and various grain products. As a result, considerable anxiety was expressed by Government agencies for a time concerning the slowing down of deliveries of flour and wheat to shipping points to fill foreign export commitments. A provision of the Government licensing system involving export sales of flour was relaxed in mid-November and stimulated foreign sales. After the end of the coal strike on December 7, transportation facilities available to mills returned to a pre-strike basis with the box car shortage remaining the chief operating difficulty, notably in the procurement of wheat and the distribution of the finished products. Flour demand in Europe remained quite heavy throughout the remainder of November but was largely booked by mid-December. Export activity then turned to South America.

Other developments in the milling industry included an announcement that the Interstate Commerce Commission will grant, effective January 1, an increase in freight rates on all agricultural commodities, which in the case of flour will amount to about 15 per cent. The Department of Agriculture in Washington announced on December 4 that it has approved the exportation of 6 million sacks of flour during the first quarter of 1947 to ten countries now under export license. This was a lower figure than had been expected in many circles of the trade.

The volume of flour sales at Southwestern mills fluctuated between 70 and 100 per cent of full-time capacity during November. By early December it was estimated that around two thirds of these sales were for export purposes, with domestic sales being the smallest in many weeks. The coming of December, as is usual, brought the poorest month of the year for flour sales. Indications are, however, that the export demand will keep mills running at near full-time capacity, providing a sufficient supply of box cars is available for volume shipments from interior processing points.

Employment Total nonagricultural employment in the Tenth District continued to advance during September, although the rate of increase was less rapid than in the early months of this year. Colorado, Kansas, and Missouri were the states primarily responsible for the gain in the District, while Wyoming showed a slight drop and Oklahoma reported the same level of nonagricultural employment as in the previous month.

Manufacturing employment in the Tenth District declined 2 per cent in September from the August postwar peak, and Colorado and New Mexico were the only states in the District to report increases over the preceding month. The gains in these two states were primarily in the nondurable goods industries, while practically no changes were recorded in the durable goods groups. During September, manufacturing employment declined in Kansas, Missouri, Nebraska, and Oklahoma as a result of reduced operations in the meat-packing industries of these four states.

Preliminary estimates for October place manufacturing employment in Wyoming at more than 10 per cent above the September level, while Colorado reported a gain of more than 3 per cent from September to October. These increases were caused largely by expansion of employment in food processing industries, reflecting the fall campaign in sugar refining. Early estimates reveal that manufacturing employment in New Mexico, however, declined more than 2 per cent from September to October, because of a

seasonal reduction in food processing and curtailed activity in the chemical industry.

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

	Sept. 1946	Aver. 9 Mos. 1946	Change from '45 Sept.	9 Mos.
	(Number)		(Per cent)	
Colorado.....	287,000	267,000	+10	+3
Kansas.....	345,000	335,200	+3	-13
Missouri.....	934,000	901,700	+8	-3
Nebraska.....	249,000	242,700	+2	-6
New Mexico.....	88,800	84,600	+7	+5
Oklahoma.....	350,000	341,800	+4	-7
Wyoming.....	63,100	61,800	-3	0
Seven states.....	2,316,900	2,234,800	+6	-5
United States.....	40,129,000	38,449,000	+10	+1

AGRICULTURE

Farm Land Values The December report of the Department of Agriculture stated that farm land values continue to rise generally throughout the entire United States. The increase for the country as a whole was 3 per cent during the four months ended November 1, 1946. This increase in farm land prices brings the index of farm land values to 152 (1912-14=100), or 14 per cent above November, 1945.

There has been no significant change in the farm real estate market from the situation as reported in earlier Reviews this year. Relatively high prices for farm products, particularly since mid-October, with some further accumulation of savings and profits from farming operations, plus an abundance of credit, have continued to maintain an almost steady increase in the sales price of much farm real estate. Sales of farm land held two years or less are still taking place at a record pace. Although it is probable that profits from such resales are not as great as a few years ago, they still attract a considerable volume of speculative buying. In the face of these inflationary tendencies, it is noteworthy that some attitude of caution is being exercised in many purchases. This conservative viewpoint has received strong encouragement from many educational institutions, notably colleges and universities, that are following the situation very closely.

Crops Farming areas of the Tenth District generally had very little complaint concerning the weather and its effect on crops during the month of November. The severe snow storm which occurred in eastern Colorado and extreme western Kansas, and extending south to New Mexico and Oklahoma was, however, a setback for livestock in that area. Rainfall for the District was 18 per cent above normal and was accompanied by periods of favorable harvesting weather for corn and sorghums, particularly during early December. Wheat continued to furnish excel-

lent pasture, with the exception of some areas in central western Kansas where wheat was planted too late this fall to provide for anything but a minimum grazing load. Fair weather prevailed generally during the first half of December, with temperatures ranging above normal. Southeastern Oklahoma, however, received excessive rainfall early in December which brought a halt to harvesting of cotton, corn, and late grain sorghums in many areas. In spite of the severe weather during November in eastern Colorado, sugar beets maintained excellent prospects for a crop of slightly over 2 million tons. Practically all of the crop was harvested by December 15.

Several authorities are emphasizing the unusually favorable moisture conditions that exist in the Great Plains area extending from Wyoming south into Texas. Some observers have commented that from the standpoint of moisture in the soil, this area is in the best condition for the next wheat crop it has been for many years. The Department of Agriculture, in a recent report, has estimated the 1947 wheat crop for Kansas at about 240 million bushels from 14,994,000 acres now planted. This would compare with the 217 million bushels harvested in 1946 and 252 million bushels in the record year of 1931.

Department of Agriculture winter wheat estimates:

	FALL SEEDED ACREAGE			PRODUCTION		
	1946	1945	Aver. '34-'43	Est. 1947	Final 1946	Aver. '35-'44
	(Thousand acres)			(Thousand bushels)		
Colo.....	2,255	1,961	1,185	40,590	35,100	14,416
Kans.....	14,994	14,145	13,548	239,904	216,756	144,440
Mo.....	1,628	1,357	2,023	21,164	18,780	26,150
Nebr.....	4,419	3,981	3,606	92,799	89,723	44,620
N. Mex.....	546	520	344	4,914	2,648	2,346
Okla.....	6,785	6,652	4,916	81,420	88,262	53,306
Wyo.....	218	198	140	3,924	4,348	1,615
7 States.....	30,845	28,814	25,762	484,715	455,617	286,893
U. S.....	56,426	52,206	46,890	946,527	873,893	618,019

Livestock Receipts of all classes of livestock except hogs at principal livestock markets in the

District during November were down substantially from the volume in October. Receipts of sheep and lambs were 56 per cent under November last year, and of cattle and calves 20 and 35 per cent smaller, respectively. Hogs continued to come to market in good volume and receipts were almost 50 per cent above the volume of receipts in November, 1945. The top price paid for beef steers at Kansas City on December 19 was \$25.50 per hundredweight. This compared with a top price during November of \$32.00 per hundredweight. Top prices of stocker and feeder cattle were running from \$19.00 to \$22.00 per hundredweight in November but had dropped to \$15.00 to \$20.50 by December 19. The hog market was showing some weakness by the close of the month and this weakness extended into December, with hog prices

declining about \$6.00 per hundredweight from the high of \$26.00 established in early November.

Top carlot livestock prices at Kansas City:

	Dec. 19 1946	Nov. 1946	Oct. 1946	Nov. 1945	Nov. 1944	Nov. 1943
	(In dollars per hundredweight)					
Beef steers.....	25.50	32.00	38.50	17.65	16.50	16.00
Stocker cattle.....	17.75	19.25	20.00	14.75	13.75	13.25
Feeder cattle.....	20.50	22.00	23.00	15.25	14.15	12.90
Calves.....	19.00	18.50	21.00	14.50	14.00	14.00
Hogs.....	20.75	26.00	28.50	14.55	14.50	14.15
Lambs.....	22.00	24.75	26.25	14.85	14.70	15.00
Slaughter ewes....	7.50	8.75	12.25	7.00	6.60	6.35

Farmers' reports on breeding intentions for the spring pig season of 1947 indicate that the number of sows to be farrowed in the Tenth District will be increased by about 5 per cent from the number farrowed in the spring of 1946. Using as a base the average number of pigs saved from the spring crop, it would appear that the Tenth District will increase its pig numbers next spring by somewhat less than 1 per cent over the number saved in the spring of 1946. Final figures on the 1946 total pig crop show that the number of pigs saved in the District was 12,387,000, or 8 per cent below the number saved in 1945. With the increased amount of feed grains available on farms, several authorities have expressed mild surprise that the spring pig crop for 1947 is not estimated to be somewhat larger than the above figures would indicate.

Department of Agriculture pig crop estimates:

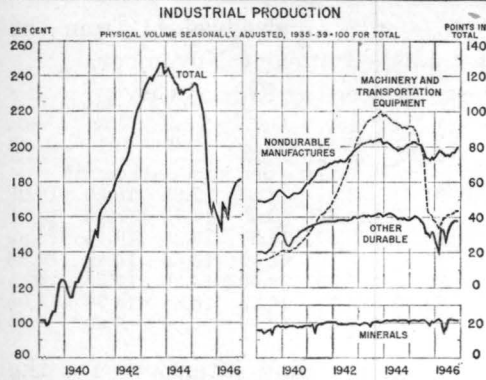
	PIGS SAVED				SOWS FARROWED	
	Fall 1946	1945	Spring 1946	1945	Spring 1947*	1946
	(In thousands)					
Colo.....	124	174	248	236	42	40
Kans.....	667	902	1,074	1,174	175	165
Mo.....	2,438	2,580	2,922	2,933	468	418
Nebr.....	740	1,104	2,823	2,814	477	459
N. Mex.....	29	43	65	65	9	11
Okla.....	510	742	634	636	84	99
Wyo.....	44	43	69	59	12	11
7 States.....	4,552	5,588	7,835	7,917	1,267	1,203
U. S.....	30,627	34,593	52,574	52,189	8,626	8,137

*Number indicated to farrow from breeding intentions reports.

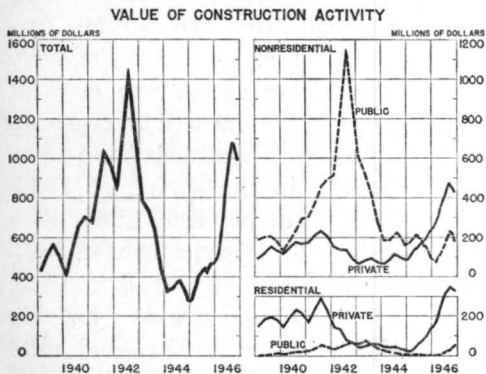
Stocker and feeder cattle were still moving into Corn Belt states in record numbers during November, according to the Department of Agriculture. If indications are reasonably accurate, the number of cattle in these states will be at record heights by the beginning of 1947. States outside the Corn Belt appear to have reduced cattle feeding operations to a marked degree. Likewise, lamb feeding operations outside the Corn Belt states have been sharply reduced from the level prevailing last year. The Department of Agriculture estimates that lamb feeding in northeastern Colorado and the Scottsbluff area of Nebraska and Wyoming will be almost 40 per cent below the level of the 1945-46 winter feeding season. In addition, the volume of shipments of feeder lambs into Corn Belt states indicate reduced feeding operations.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

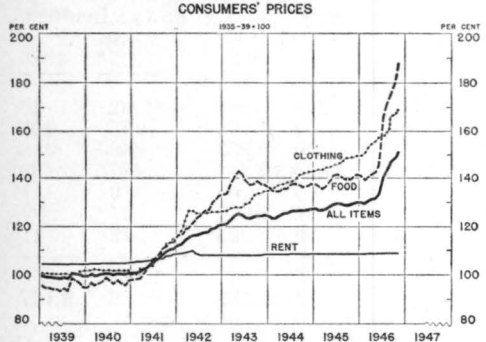
By the Board of Governors of the Federal Reserve System



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



Figures beginning in 1944 are joint estimates of the Departments of Commerce and Labor; earlier figures estimated by Commerce. Data exclude repair and maintenance work. Monthly averages of quarterly data prior to July, 1944; monthly data, thereafter. Latest figures shown are for November, 1946.



Bureau of Labor Statistics' indexes. "All items" includes housefurnishings, fuel, and miscellaneous groups not shown separately. Midmonth figures, latest shown are for November, 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 December 11, 1946.

Industrial production and employment in most lines of activity continued to be maintained at record peacetime levels in November. Department store sales in November and the early part of December were larger in dollar amount than the holiday trade last year, reflecting mainly increased prices. Prices of industrial commodities have generally advanced further, while a number of important farm products and foods have declined from previous peaks.

INDUSTRIAL PRODUCTION

Total output of manufactured goods and minerals, as measured by the Board's seasonally adjusted index, was 182 per cent of the 1935-39 average in November. This was about the same as in October notwithstanding the sharp drop after November 20 in coal, coke, iron, and steel production as a result of work stoppages in the bituminous coal industry. After the resumption of bituminous coal output on December 9 activity at steel mills, which reached a low of 60 per cent of capacity in the first week of the month, rose sharply and in the week ending December 21 was scheduled at 84 per cent.

Output of steel in the month of November was at an average rate of 84 per cent of capacity as compared with 89 per cent in October. Activity in the nonferrous metals and machinery industries continued to increase in November and output of most other metal products was maintained at a high level. Lumber production showed less than the usual seasonal decline.

Output of manufactured food products was maintained in November at an exceptionally high level for this season of the year, reflecting chiefly further sharp increases in meat production and larger output of flour and sugar products. Production of cotton and rayon textiles, paperboard, rubber products, and some other nondurable goods showed further small gains in November.

Output of minerals declined 5 per cent in November. Bituminous coal production dropped sharply as a result of work stoppages in the latter part of the month, while production of anthracite and crude petroleum was maintained at high levels and output of metals showed less than the usual seasonal decline.

CONSTRUCTION

Estimated expenditures on construction projects in November were maintained close to the peak levels reached in August and September. Contracts awarded for nonresidential construction, however, were at the lowest level since the end of the war, according to reports of the F. W. Dodge Corporation; residential building awards were sharply below the peak rate reached in the spring, but were still considerably above last year's level.

DISTRIBUTION

Department store sales in November and the early part of December were about one fifth larger than during the same period of the holiday shopping season last year. The total value of retail trade outside of department stores increased somewhat further in the fourth quarter, reflecting chiefly higher prices and larger expenditures for foods.

Loadings of railroad revenue freight declined in November due to the sharp drop in bituminous coal shipments at the end of the month. Loadings of manufactured products and most other classes of freight showed substantial gains, after allowance for seasonal changes.

COMMODITY PRICES

Following the initial sharp increases in basic commodities which occurred with the elimination of Federal price controls on November 11, price changes have become more selective. Prices of copper, lead, steel scrap, and cotton gray goods for immediate delivery have advanced further, while prices of hides, turpentine, and silk have declined. During the week ending December 21 there was a sharp drop in hog prices. Wholesale prices of foods have decreased somewhat further from the sharply advanced levels reached in the middle of October. Prices of industrial products have continued to advance. In retail markets prices of women's wear and some other items have declined but in general retail prices have continued to advance.

BANK CREDIT

Commercial, real estate, and consumer loans increased further at banks in leading cities during November and the first half of December. Government security holdings declined considerably reflecting Treasury cash retirement of notes and certificates. Deposits of businesses and individuals increased somewhat and currency in circulation rose by the usual seasonal amount.

The Treasury retired for cash during November and the first half of December 5.8 billion dollars of Government securities held largely by the banking system. Withdrawals from war loan deposits at commercial banks to redeem securities reduced U. S. Government deposits at banks to a level of about 2 billion dollars in mid-December as compared with 24 billion dollars before the retirement program was begun in March.