

# MONTHLY REVIEW

## *Agricultural and Business Conditions*

### TENTH FEDERAL RESERVE DISTRICT

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FEDERAL RESERVE BANK OF KANSAS CITY

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#### THE TENTH DISTRICT IN 1946

The year 1946 was a notable one in the United States in that it spanned the period of transition from a wartime to a peacetime economy. Between the summer of 1945 and the summer of 1946, the seasonally adjusted annual rate of Government expenditures dropped about 60 billion dollars. Offsetting that shrinkage in Government spending, however, was a very sharp increase in civilian consumer spending and in disbursements in connection with active building operations and inventory accumulation. The net result was a year of marked business activity, the best evidence of which probably is the fact that American railroads handled the largest peacetime traffic in American history.

The year 1946 was notable also because of the unusual amount of industrial strife and rapid changes in the price structure. The war held in check for the time being work stoppages due to labor unrest, but with the close of the war this pent-up industrial tension was unleashed with full force in 1946. In the past year, also, wartime price controls were relaxed or abandoned and it was a year of highly erratic prices. During the year the national debt was reduced nearly 19 billion dollars through the use of surplus funds in the Treasury and these transactions brought important changes in the banking structure and the money market. As a part of the national economy, the Tenth Federal Reserve District bore its share of the brunt of these rapidly shifting economic forces. The details of the more significant developments in the Tenth District may be summarized.

**Agriculture** Moisture conditions in 1946, for the fifth consecutive year, were unusually favorable. The physical volume of production on the farm again was very large. Agricultural prices were appreciably higher than in 1945, and farm income was at record levels.

The United States produced 1,155,715,000 bushels of wheat in 1946—the largest wheat crop ever known—exceeding by a small margin the previous record made in 1945. The Tenth District accounted for 39 per cent of that huge production. The crops in Okla-

homa, Nebraska, and Colorado were at an all-time high, and the Kansas crop of 217 million bushels was exceeded only by that of 252 million in 1931. Again Kansas produced nearly a fifth of the country's wheat supply. After the first quarter of the year wheat prices rose rapidly, and during the last half of the year they averaged about \$2 a bushel at Kansas City.

In 1946 the United States produced 3,287,927,000 bushels of corn. This was the fifth consecutive year that this country produced a corn crop of 3 billion bushels. Only once before this five-year period did corn production reach 3 billion bushels. The Nebraska crop was 231 million bushels, about 10 million bushels under the very large crop of 1945. The Missouri crop was much above that of the preceding year, while elsewhere in the District there was little change. The price of corn was highly erratic during the year. In the first four months of 1946 the price at Kansas City averaged about \$1.15 a bushel. Early in May a spectacular rise began, and before the end of June corn prices had advanced more than a dollar a bushel to a level of about \$2.20. A decline then set in, amounting to more than 85 cents a bushel.

At the beginning of the year there were about a million fewer cattle than a year earlier in the seven states represented in the Tenth District. There were also a million fewer sheep, but a million more hogs. Sheep numbers have been declining since 1942 and available information indicates that this decline continued in 1946. Livestock prices have been even more erratic than those of grain. Prices of both cattle and hogs gained nearly ten cents a pound after the first of July, when controls were lifted, only to lose most of that gain when controls were later reimposed. When controls were again removed, livestock prices rose to new all-time highs and since have fluctuated appreciably above the high prices attained in World War I.

According to the United States Department of Agriculture, cash receipts from farm marketings will be about 24 billion dollars for 1946, or 16 per cent above 1945. In addition, Government payments will be about 850 million dollars. For 1947, the Department of Agriculture anticipates that farm prices may

average 5 to 10 per cent lower than in 1946, and that cash farm income will be a billion dollars less.

**Trade** Retail sales in the United States have been estimated at about 95 billion dollars for the year 1946, representing an increase of approximately 20 per cent over 1945. In the Tenth District also, retail sales were the largest on record. The dollar volume of department store sales in the District was more than a fourth larger than a year earlier. Part of this increase, of course, was accounted for by higher prices. Stocks of merchandise at department stores in the District at the end of 1946 were 90 per cent higher than at the end of 1945, indicating that inventories had increased appreciably faster than sales.

Wholesale sales in 1946 in the Tenth District were about 28 per cent above those of 1945, and wholesale stocks of merchandise on December 31 were 37 per cent higher than a year earlier.

**Employment** With the end of the war, employment in manufacturing plants in the Tenth District dropped sharply from August to September, 1945. The decline continued until March, 1946, when such employment again began to rise. But employment in manufacturing industries in this District in October, 1946, was still 18 per cent under the level of August, 1945.

Employment in all nonagricultural establishments—which includes not only manufacturing but also other employment except agriculture—was larger in October, 1946, than in August, 1945. Thus, the loss of jobs in manufacturing plants apparently was more than offset by new ones opening up in other types of business activity.

**Petroleum** Crude oil production in the United States reached an all-time high during the year 1946 and exceeded by 1 per cent the previous yearly record established during 1945. In the Tenth District, the total output in 1946 was 2 per cent above that reported during 1945 and was greater than any yearly production during World War II. Oklahoma and Kansas remained the leading oil-producing states in the District, although the largest gain was in Colorado where output in 1946 was more than double that in 1945.

Drilling activity in the District also increased during 1946, with total completions greater than in any year since 1937. The ratio of dry wells to total completions dropped sharply in 1946, 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.

The average price of crude oil for the entire United States advanced sharply during 1946, an increase which may provide the stimulus for expanded drilling and exploration as well as for the greater employment of "secondary" recovery methods of operation.

The end of the war brought a reduction in military uses of petroleum products but this was soon offset, in large part, by rapidly increasing civilian demand. The great production of motor vehicles that lies ahead, the large amount of new construction—both residential and business—a substantial part of which will be heated with oil, and the increasing use of Diesel engines all promise a large demand for petroleum products in the future.

**Disposal of War-time Manufacturing Facilities** With the cessation of hostilities, the country was confronted with the problem of the disposal of the Government-owned war manufacturing facilities. In the Tenth Federal Reserve District, these amounted to nearly a billion dollars and constituted almost 6 per cent of such facilities authorized in the whole country.

Progress was made in 1946 in the disposition of these facilities. Some surplus plants have been sold or leased to private industry for the production of such peacetime products as glass fiber, chemicals, vending machines, automobiles, and automobile tires and tubes. Negotiations are in progress for the disposal of many other types of surplus plants, and the coming year should show increased utilization of wartime industrial facilities.

**Banking** In banking, 1946 was a notable year in that the great wartime growth of bank deposits was reversed, bank investments declined, and the demand for loans increased sharply. While total deposits declined, demand deposits of individuals and business firms in the Tenth District increased. The decline in total deposits and investments was due directly to the effect on Tenth District banks of the debt-reduction program of the United States Government.

At the beginning of the year, the Treasury balance amounted to 26 billion dollars, and 24 billion dollars of that huge sum was in the form of deposits in commercial banks. These surplus funds represented the proceeds of the Victory Loan Drive, as well as the accumulation of other funds. During the year, the national debt was reduced nearly 19 billion dollars with these surplus funds. These transactions produced important changes in bank deposits, in bank investments, and in the money market.

Commercial banks held a large volume of the securities that were retired, and, as the Treasury drew upon



its bank balances to redeem these obligations, banks as a group lost deposits and earning assets in equal amount. These transactions left the total reserve balances and total required reserves of the banks unchanged, as war loan accounts required no legal reserves. Individual banks, however, lost reserve funds as a consequence of war loan deposit withdrawals not offset by redemption of securities held by them. The retirement of securities held by the public also reduced Treasury balances at banks, but, as payment was made for these securities, the funds tended to return to the banks as deposits of individuals and business firms. Since these private deposits required legal reserves, the retirement of securities held by the public put pressure on the reserve position of banks. Finally, a substantial amount of the retired debt was held by the Federal Reserve banks. The Reserve banks received payment by the Treasury making withdrawals from its balances in commercial banks. Such an operation, in drawing funds from commercial banks, reduced legal reserves in the same amount as the securities retired and thus put great pressure on the reserve position of member banks.

A reduction of nearly 19 billion dollars in the national debt in one year is a tremendous operation, the like of which never before occurred in American history. It is clear how such a transaction reduced bank deposits, investments, and reserves. The reserve position of the banks was further affected by the expansion in loan volume which increased deposits of individuals and businesses, thereby enlarging the volume of required reserves. In addition to the securities held by banks that were retired, many banks found it necessary to liquidate investments in order to strengthen their reserve position. This further reduced bank holdings of Government securities. The 1946 debt-retirement program was a unique episode, and being a special case, it can hardly be repeated again on a like scale. The reduction in deposits and the pressure on bank reserves brought changes in the money market, and both short- and long-term money rates firmed after the first quarter of the year.

Deposits in this area grew unusually fast during the war because of the inflow of funds to pay for the output of new war industries located in the District. Deposits mounted even more as a result of the record breaking farm production that was sold at war prices. Farm receipts again rose to new heights in 1946 because of the continued large volume of farm production that was sold at even higher prices than during the war. At the same time, production of things the farmer wishes to buy has been slow in getting under way, and any drain of funds from the Tenth District to industrial centers on that account is not yet well started. Such undoubtedly were the significant factors influencing deposits in 1946.

Although total bank deposit volume in the Tenth District and in the country as a whole declined during 1946, the deposit volume of the District country member banks showed a net increase during the year. The year-end country bank deposit figure also exceeded the comparable figures on June 29 and September 30, the earlier call dates.

The rate of growth in the demand deposits of individuals and businesses in the District country member banks was only slightly more than in the District Reserve city banks. The chief factors explaining the decline in the Reserve city bank deposits were the importance of both war loan accounts and interbank deposits in those banks. In the country banks, the decline in these items was less than the increase in the demand deposits of individuals and businesses, while in the Reserve city banks, these items had a decrease over four times the increase in the demand deposits of individuals and businesses. For all District member banks, the decrease in total deposits during the year was 346 million dollars, to a level of 5,561 million dollars. Only 63 million dollars of this decrease occurred during the last six months.

Despite the Treasury debt retirement program, the District country member banks increased slightly their holdings of Government securities during the year. This also was contrary to the situation, in the aggregate, for all District banks and for all banks in

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

	RESERVE CITY BANKS			COUNTRY BANKS		
	Dec. 31, 1946*	June 29, 1946	Dec. 31, 1945	Dec. 31, 1946*	June 29, 1946	Dec. 31, 1945
Loans and discounts.....	616,422	500,083	503,655	386,253	328,294	277,283
U. S. Government obligations, direct and guaranteed.....	1,437,175	1,752,094	1,948,654	1,316,985	1,343,146	1,305,204
Obligations of States and political subdivisions.....	103,065	104,933	99,841	100,958	78,957	74,392
Other bonds, notes, and debentures.....	64,577	64,029	43,696	38,832	35,559	25,518
Corporate stock, including stock of Federal Reserve Bank...	3,593	5,786	7,395	2,868	2,813	2,682
Demand deposits of individuals, partnerships, corporations.	1,542,281	1,503,839	1,405,248	1,813,674	1,694,645	1,634,405
Government demand deposits.....	67,855	291,970	529,921	44,800	132,125	201,265
Domestic interbank demand deposits.....	891,504	859,607	1,042,954	83,407	79,960	97,245
Total demand deposits.....	2,727,711	2,872,093	3,182,143	2,184,305	2,117,110	2,131,192
Total time deposits.....	351,176	341,826	317,523	298,171	293,059	276,905
Total deposits.....	3,078,887	3,213,919	3,499,666	2,482,475	2,410,169	2,408,097

\*Preliminary figures.

the United States. While the District Reserve city banks reduced their Government securities by 26 per cent, the District country banks increased their Government securities by 1 per cent.

The Government securities held by District country member banks declined during the last quarter of the year. The decrease was 49 million dollars, leaving a net increase of 12 million dollars for the year.

Probably even more important than deposit changes has been the greatly increased demand for bank loans. Commercial and industrial loans throughout the country have expanded sharply since the end of the war. Business firms have been in the market not only for capital funds but also for working capital, and there has been a large increase in consumer credit outstanding. During the war the banks and the American people financed the Government, and the Government

financed much of the war production. The year 1946 brought important changes in this respect and banks again are increasingly performing their traditional function of financing private enterprise.

The total loan volume of the District member banks expanded by 222 million dollars, or 28 per cent, during 1946. As loans for purchasing or carrying Government securities decreased substantially during the year, the expansion in other classes of loans was much larger than the percentage increase in total loans. While the net increase in loan volume in the Reserve city member banks was 113 million dollars compared with 109 million dollars in the country member banks, these figures also have to be judged in light of the fact that the decrease in loans for purchasing or carrying Government securities was a much greater offset in Reserve city banks than in country banks.

## BUSINESS AND AGRICULTURAL CONDITIONS

### FINANCE

**Member Bank Credit** During the five-week period ended January 15, the principal changes in the items of condition of the District weekly reporting member banks were brought about by United States Treasury operations. The largest single change in assets was a decline of 73 million dollars in Treasury notes, resulting from Treasury retirement of the Series B-1946 1½ per cent Treasury Notes. A decrease in Treasury certificates was approximately offset by increases in Treasury bills and Treasury bonds.

Principal items of condition of 50 member banks:

	Change from		
	Jan. 15 1947	Dec. 11 1946	Jan. 16 1946
	(In thousands of dollars)		
Loans and investments—total.....	2,138,730	-62,187	-382,644
Loans—total.....	555,556	+12,827	+121,020
Coml., indust., agric.....	363,746	+15,496	+112,608
To security brokers and dealers.....	4,871	-204	-1,476
Other to purchase or carry secur.....	27,361	-6,468	-37,727
Real estate loans.....	62,919	+2,643	+22,569
Loans to banks.....	450	-172	-343
All other loans.....	96,209	+1,532	+25,389
Investments—total.....	1,583,174	-75,014	-503,664
U. S. Govt. securities—total.....	1,420,867	-70,420	-520,145
Bills.....	64,837	+18,922	-44,847
Certificates of indebtedness.....	311,362	-29,117	-251,017
Notes.....	171,734	-72,771	-220,243
Bonds.....	872,662	+12,571	-3,816
Guaranteed obligations.....	272	-25	-222
Other securities.....	162,307	-4,594	+16,481
Reserves with F. R. Bank.....	441,058	-18,024	-23,948
Balances "due from" banks—net.....	318,082	+46,146	-5,033
Demand deposits—adjusted.....	1,502,780	-31,279	+104,358
Time deposits.....	320,091	+2,109	+28,777
U. S. Govt. deposits.....	59,594	-61,721	-439,382
Deposits "due to" banks—net.....	889,701	+52,407	-112,143
Borrowings.....	2,200	-300	-7,800

The largest single change in deposit items was a decrease of 62 million dollars in Government deposits, which resulted from large Treasury withdrawals

from war loan accounts. Interbank deposits increased by 52 million dollars, and demand deposits other than Government and interbank declined by 31 million.

Loans outstanding increased by 13 million dollars. "Commercial, industrial, and agricultural" loans expanded by 15 million dollars, while loans for purchasing or carrying securities decreased by 7 million.

### DEPARTMENT STORE TRADE

The dollar volume of sales at reporting department stores in this District in December was 23 per cent larger than a year earlier, and sales for the year 1946 showed an increase of 26 per cent over 1945. In the first three weeks of January, 1947, sales maintained this rate of gain, with an increase of 24 per cent over the corresponding period of 1946. Sales increased more than is usual from November to December, and the seasonally adjusted index of daily average sales rose from 283 per cent of the 1935-39 average in November to 303 per cent in December but was still considerably below the record level of 321 per cent last September. For the entire year 1946, the index averaged 287 per cent.

Department store inventories, in terms of dollars, declined much less than is usual during December, and the seasonally adjusted index of stocks advanced from 249 per cent of the 1935-39 average at the end of November to a new high of 302 per cent at the end of December. A marked expansion in inventories in the latter part of 1946 was accompanied by a sharp decline in the volume of orders outstanding, which dropped by nearly one half from their peak level of last July. At the end of 1946, stocks of merchandise on hand were 90 per cent larger in value than a year earlier, while orders were 28 per cent less.



Department store sales and stocks in leading cities:

No. of Stores	SALES		STOCKS	
	Dec. '46	12 Mos. '46	Dec. 31, '46	
	comp. to Dec. '45	comp. to 12 Mos. '45	comp. to Dec. 31, '45	
(Per cent increase or decrease)				
Denver.....	6	+36	+35	+101
Pueblo.....	3	+4	+14	*
Hutchinson.....	3	+15	+20	+96
Topeka.....	3	+19	+21	*
Wichita.....	4	+12	+17	+100
Joplin.....	3	+32	+26	+103
Kansas City.....	8	+24	+25	+98
St. Joseph.....	3	+36	+32	*
Omaha.....	4	+25	+30	*
Oklahoma City.....	6	+15	+19	+67
Tulsa.....	4	+20	+22	*
Other cities.....	30	+20	+28	+78
District.....	77	+23	+26	+90

\*Not shown separately but included in District total.

INDUSTRIAL PRODUCTION

**Meat Packing** The volume of cattle slaughter in the Tenth District for December, as measured by packers' purchases, was 20 per cent over November and was 57 per cent greater than in December, 1945. The volume of slaughter of calves, hogs, and

sheep and lambs in the District was substantially under the November, 1946, level and the December volume a year earlier.

A continued active consumer demand for most kinds of meat was reflected in fully steady to higher prices being paid for all classes of livestock. While there were adjustments in December retail prices of many meat items, such adjustments would not appear to be as great as those which took place in November. Most retail meat outlets have been rather consistently lowering prices on several pork items, notably bacon, although these prices still remain above previous OPA ceiling prices. January 1 cold storage holdings of meat, butter, and lard continued at comparatively low levels. Even though there was a decided increase in the volume of pork, beef, butter, and lard moving into cold storage, the total cold storage holdings of these commodities on January 1 remained considerably below normal.

**Flour Milling** Flour milling operations in the Southwestern territory for December stood at a level of 99 per cent of full-time capacity, with the output of flour about 3 per cent over production in November. Operations throughout the month were hampered to some extent by box car shortages as they affected deliveries of wheat to mills and shipments of flour in fulfillment of orders. However, the level of operations during the month was not materially reduced in spite of these difficulties.

Export outlets and Government buying continued to account for the largest share of sales throughout December and into early January. The demand for flour in this period remained quite active in the Central and South American countries. The volume of flour sales at Southwestern mills dropped rather sharply in late December. Domestic buyers appeared to be exercising a great deal of caution in forward commitments as the holiday season approached and the bulk of sales after December 25 was for export purposes. By mid-January, a sharp upturn in sales at Southwestern mills was recorded and aggregate sales averaged 140 per cent of capacity during the second week of January as compared with 40 per cent of capacity during the first week. A large part of these new sales represented domestic demand—an almost complete reversal from the situation the last two weeks in December.

**Petroleum** The production of crude petroleum in the six oil-producing states of the Tenth District increased during the month of December, reaching an output 4 per cent above the level of the previous month and 7 per cent higher than that reported for

	BANK DEBITS		Change from '45	
	Dec. 1946	Year 1946	Dec.	Year
	(Thousand dollars)		(Per cent)	
<b>COLORADO</b>				
Colo. Springs...	39,829	385,297	+25	+26
Denver.....	436,171	4,607,912	+15	+21
Gr. Junction.....	12,215	121,414	+29	+32
Greeley.....	16,592	168,914	+34	+28
Pueblo.....	33,648	345,361	+16	+20
<b>KANSAS</b>				
Atchison.....	14,624	123,452	+58	+49
Emporia.....	10,058	101,392	+37	+23
Hutchinson.....	33,743	390,607	+11	+11
Independence.....	6,489	69,272	+34	+29
Kansas City.....	58,740	599,399	+31	+24
Lawrence.....	10,353	101,025	+23	+3
Parsons.....	7,530	75,200	+36	+8
Pittsburg.....	10,706	104,979	+23	+26
Salina.....	32,331	345,581	+54	+25
Topeka.....	74,206	817,046	+21	+14
Wichita.....	181,549	1,997,844	+15	-16
<b>MISSOURI</b>				
Joplin.....	26,775	287,287	+15	+31
Kansas City.....	932,606	9,334,948	+28	+12
St. Joseph.....	94,809	814,091	+53	+16
<b>NEBRASKA</b>				
Fremont.....	12,090	113,067	+55	+31
Grand Island.....	17,651	204,004	+21	+20
Hastings*.....	14,182	.....	.....	.....
Lincoln.....	70,347	745,460	+18	+20
Omaha.....	466,418	4,625,391	+16	+10
<b>NEW MEXICO</b>				
Albuquerque.....	65,761	674,500	+36	+41
<b>OKLAHOMA</b>				
Bartlesville.....	61,443	608,991	+25	+12
Enid.....	32,927	357,315	+42	+10
Guthrie.....	4,355	41,236	+19	+19
Muskogee.....	25,569	227,387	+21	+14
Okla. City.....	295,188	2,783,558	+20	+17
Okmulgee.....	7,557	63,527	+6	+18
Tulsa.....	411,166	3,496,562	+26	+4
<b>WYOMING</b>				
Casper.....	17,310	186,894	+33	+29
Cheyenne.....	23,625	266,591	+3	+18
District, 33 cities.	3,544,381	35,185,504	+23	+12
U. S., 334 cities.....	103,894,000	1,050,034,000	+2	+8

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

the corresponding month of last year. Increased production was also reported during December for the entire United States, although the national output still remained considerably below that shown during the summer months of the year.

A study covering the activities of stripper oil wells during 1945 has recently been released by the National Stripper Well Association. This report defines a stripper well as one in which production expenses closely approximate the income received. It is important to note that in the Tenth District stripper wells constituted 79 per cent of the total number of producing wells on January 1, 1946, and provided 34 per cent of the total output of the District in 1945. This is in contrast to the situation found in the entire United States, where stripper wells accounted for 71 per cent of all producing wells but furnished only 14 per cent of the total national production.

Subsidy payments to operators of stripper wells were officially abandoned as of December 1, 1946, except for a maximum of 40 cents per barrel for Pennsylvania-grade crude. Since June, 1946, the market price for crude oil had increased by more than the amount of the subsidy (except for Pennsylvania-grade crude), and thus the necessity for continued Government payments to operators of nearly all high-cost wells automatically ceased.

Estimated gross crude oil production, based upon reports of the Oil and Gas Journal and the Bureau of Mines:

	Dec.	Year	Change from '45	
	1946	1946	Dec.	Year
	(Thousand barrels)		(Per cent)	
Colorado.....	1,161	11,995	+77	+142
Kansas.....	8,365	97,204	+14	+1
Nebraska.....	22	276	-15	-10
New Mexico.....	3,176	36,755	+8	-2
Oklahoma.....	11,488	135,121	-3	-2
Wyoming.....	3,192	38,162	+20	+8
Six states.....	27,404	319,513	+7	+2
United States.....	146,194	1,732,599	+6	+1

**Employment** Manufacturing employment increased during October in four of the District states, Colorado, Missouri, Oklahoma, and Wyoming, and preliminary estimates for November also show a continuation of this upward trend. These gains were due mainly to expanding employment in food and kindred products industries, especially at meat-packing plants in Missouri and Oklahoma and at sugar refineries in Wyoming.

Total nonagricultural employment in the Tenth District declined slightly during October but remained at a level 6 per cent above that shown for the corresponding month of 1945. This trend was similar to that reported for the entire United States, where nonagricultural employment showed little change from the pre-

vious month but was 11 per cent above October a year earlier. Colorado, Missouri, and New Mexico reported decreases from their September postwar peaks, while Wyoming was the only state in the District to register a gain over the previous month.

Estimates of labor market trends in the Wichita, Topeka, Kansas City (Wyandotte County), and Hutchinson areas are prepared monthly by the Kansas State Employment Service. During November, increases in total nonagricultural employment were reported in the Kansas City and Topeka areas, resulting mainly from expanded operations of the meat-packing industry, and it was estimated that in Hutchinson the seasonal upturn in retail trade and slight gains in several manufacturing plants more than offset the reported employment declines in the construction industry and at the local Naval Base. In Wichita, however, nonagricultural employment dropped slightly, as workers were in the process of shifting between industries. The aircraft industry curtailed operations and reported employment decreases, while food processing firms and iron and steel plants expanded their activities and in turn increased employment.

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

	Oct.	Aver.	Change from '45	
	1946	10 Mos. 1946	Oct.	10 Mos.
	(Number)		(Per cent)	
Colorado.....	286,000	268,900	+10	+3
Kansas.....	345,000	336,200	+5	-11
Missouri.....	933,000	904,800	+8	-2
Nebraska.....	249,000	243,300	+4	-5
New Mexico.....	88,100	84,900	+7	+5
Oklahoma.....	350,000	342,600	+5	-6
Wyoming.....	63,200	62,000	-4	0
Seven states.....	2,314,300	2,242,700	+6	-4
United States.....	40,211,000	38,626,000	+11	+2

## AGRICULTURE

**Crops** The amount of moisture received in the Tenth District during December was 4 per cent below normal. Rainfall in the District for the entire year, however, exceeded the normal by 3 per cent, and has furnished ample supplies of subsoil moisture in most areas. The unusually favorable soil moisture conditions which prevail generally throughout the heavy producing winter wheat areas provide a sound basis for anticipating an excellent yield of wheat from the acreage to be harvested in the District in 1947. In this connection, it is interesting to note that the western one third of Kansas received more precipitation during November, 1946, than has been recorded in any other November, except one, in the last sixty years.

Generally mild weather conditions characterized the month of December until the onset of extremely cold weather following the Christmas holidays. Temperatures ranging down to 30 degrees below zero were



recorded in many areas. The danger of any extensive winter killing of wheat was minimized by the accompanying fall of snow. As a result of the snowfall, however, livestock were forced off pastures, and this in turn necessitated the feeding of reserve hay and roughage in most range areas. The return of mild weather with the consequent melting of the snow again made wheat pasture available for grazing. Although some of the top growth of wheat was frozen down by the sub-zero temperatures, wheat pasture continued to furnish high quality feed for the relatively large numbers of lambs and cattle utilizing such pastures this season.

There were 366.5 million bushels of wheat on farms in the United States on January 1, 1947, according to the Department of Agriculture. This figure measured about 5 million above the stocks on farms on January 1, 1946, but was lower than for any other year since 1941. Wheat stocks on farms of the Tenth District on January 1 were estimated at 130.9 million bushels, or about 10 per cent greater than a year earlier. Total receipts of wheat at principal grain markets in the District for the period July 1 through December 31, 1946, were 15 per cent below the total for the same period in 1945. While stocks being held in terminal markets were, until November and December, relatively light and substantially under those being carried in these locations in 1945, it is known that country elevators during the same period held almost capacity stocks. The shortage of box cars to move grain from country points to terminal markets was primarily responsible for this disparity between terminal and country elevator stocks of wheat.

**Livestock** December receipts of all classes of livestock at principal markets in the District were below the total receipts in November. The decreases from the previous month were: cattle, 97 per cent; calves, 47 per cent; hogs, 15 per cent; and sheep, 41 per cent. Receipts of most classes of livestock picked up sharply after January 1. The extremely cold weather and accompanying snow following the Christmas holidays backed up potential receipts at country points during the period of the unfavorably low temperatures. The return of mild weather following the turn of the year encouraged normal marketings.

The top price paid for beef steers at Kansas City on January 15 was \$27.50 per hundredweight. This compared with a top price of \$33.50 per hundredweight in December. Hog prices were generally stronger toward the close of December with a top of \$25.15 per hundredweight recorded at the Kansas City market for the month. Strength in the hog market extended into January and additional gains were made over the recent low of \$20.75 in mid-December.

Top carlot livestock prices at Kansas City:

	Jan. 15 1947	Dec. 1946	Nov. 1946	Dec. 1945	Dec. 1944	Dec. 1943
	(In dollars per hundredweight)					
Beef steers.....	27.50	33.50	32.00	17.65	16.00	16.10
Stocker cattle.....	17.75	19.25	19.00	14.75	13.50	13.00
Feeder cattle.....	19.75	22.50	22.00	15.00	13.75	13.75
Calves.....	24.00	21.00	18.50	15.00	14.00	14.00
Hogs.....	24.00	25.15	26.00	14.55	14.50	13.55
Lambs.....	23.85	24.50	24.75	14.50	14.60	14.50
Slaughter ewes.....	7.85	8.25	8.75	6.75	7.00	7.40

Shipments of stocker and feeder cattle into Corn Belt states in the last half of 1946 were at record levels for that period in the year. The "Cattle Feeding Situation" of January 1, 1947, reports the number of cattle on feed in the United States on that date as being about 2 per cent larger than a year earlier, with the increases in the Corn Belt a little more than offsetting decreases that took place in the western states and other states outside the Corn Belt. The District as a whole had about 8 per cent fewer head on feed than on the same date last year. Decreases were recorded for Nebraska, Wyoming, Kansas, Oklahoma, and Colorado, with the latter showing a very sharp decrease. Numbers on feed in Missouri were estimated to be about the same as the number last year. New Mexico, although not a heavy feeding state, was indicated to have somewhat increased numbers of cattle on feed.

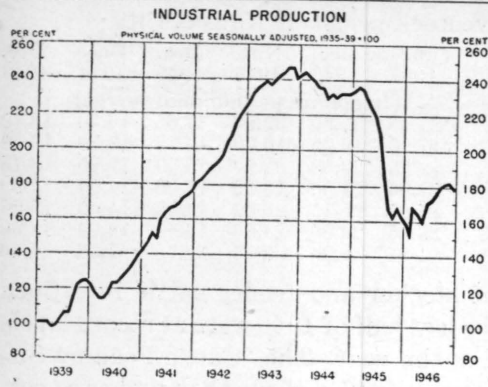
Department of Agriculture estimates of cattle on feed for market on January 1:

	1947	1946	1945	1944	1943	1942	1941
	(In thousands)						
Colo.....	139	176	160	158	160	162	138
Kans.....	236	271	322	280	318	265	200
Mo.....	289	289	325	279	310	290	290
Nebr.....	413	435	422	340	400	300	270
N. Mex.....	11	6	9	12	17	30	24
Okla.....	45	51	60	42	70	66	62
Wyo.....	17	21	16	14	16	18	16
7 States.....	1,150	1,249	1,314	1,125	1,291	1,131	1,000
U. S.....	4,307	4,211	4,411	4,015	4,445	4,185	4,065

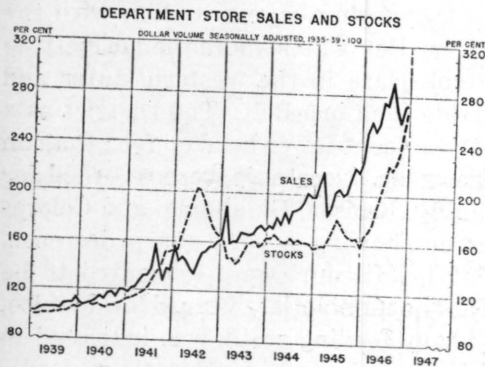
The number of sheep and lambs on feed in the District on January 1 was 11 per cent below the number last year. Kansas had record numbers utilizing the excellent wheat pastures available in the state, but lamb feeding operations in the Scottsbluff area of Colorado, Nebraska, and Wyoming were down sharply from the level of recent years.

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

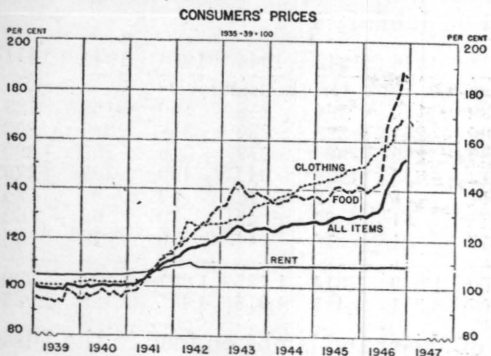
	1947	1946	1945	1944	1943	1942	1941
	(In thousands)						
Colo.....	520	805	840	825	860	1,115	865
Kans.....	1,004	815	900	370	924	660	530
Mo.....	212	202	250	240	225	199	170
Nebr.....	576	768	801	880	870	720	565
N. Mex.....	26	52	58	137	147	145	160
Okla.....	70	60	60	40	65	75	65
Wyo.....	211	242	240	250	200	280	290
7 States.....	2,619	2,944	3,149	2,742	3,291	3,194	2,645
U. S.....	6,029	6,837	6,911	6,512	6,954	6,867	6,479



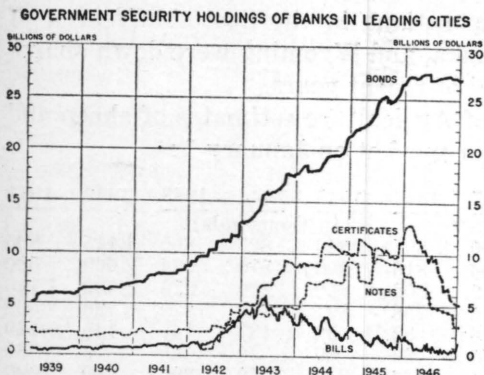
Federal Reserve index. Monthly figures, latest shown is for December, 1946.



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



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



Excludes guaranteed securities. Data not available prior to February 8, 1939; certificates first reported on April 15, 1942. Wednesday figures, latest shown are for January 15, 1947.

## NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Industrial output declined slightly in December owing mainly to a temporary reduction in coal supplies and to holiday influences. Value of retail trade was maintained close to record levels. Wholesale prices of industrial products have advanced somewhat further in recent weeks; prices of some basic commodities, however, like butter, hides, and silver, have shown further marked declines.

### INDUSTRIAL PRODUCTION

The Board's seasonally adjusted index of industrial production was 179 per cent of the 1935-39 average in December as compared with 182 in November.

Output of durable goods decreased somewhat, reflecting chiefly a decline in production of iron and steel owing to the bituminous coal work stoppage. In the early part of January steel operations were raised to the peak rates prevailing in the middle of November. Activity in machinery and transportation equipment industries showed little change in December. Production of non-ferrous metal products increased somewhat further. Activity in the furniture industry reached a new record level for the postwar period.

Output in industries manufacturing nondurable goods declined to 168 per cent of the 1935-39 level, from 172 in November, owing in part to curtailed operations during the Christmas week. Production of textile products decreased about 7 per cent. Meat-packing activity declined from the sharply advanced level reached in November, while output of most other manufactured foods showed a small increase. Newsprint consumption increased, and production of most chemical and rubber products remained at advanced levels.

Output of minerals in December was at the November rate. Owing to the termination of the two-and-a-half week work stoppage in the bituminous coal industry on December 9 and the high rate of output in subsequent weeks, coal production was 9 per cent larger in December than in November. Production of crude petroleum decreased slightly.

### EMPLOYMENT

Nonagricultural employment in December remained at the November level, after allowances for seasonal increases in trade and Government postoffices and the usual decline in construction employment. Unemployment increased by about 200,000 persons.

### DISTRIBUTION

Department store sales in December showed the usual sharp increase and the Board's adjusted index was 272 per cent of the 1935-39 average. Total sales in the fourth-quarter holiday shopping season were 23 per cent larger than in the same period in 1945 and for the year 1946 sales were 27 per cent greater than in 1945. Sales in the first three weeks of January showed about the usual seasonal decline. Department store stocks showed a much smaller decline than usual in December and, according to preliminary figures, were 70 per cent larger than at the end of 1945. Outstanding orders for merchandise continued to decline and were about 30 per cent smaller than on December 31, 1945.

Loadings of railroad revenue freight in December and the first three weeks of January exceeded the volume shipped during the corresponding period in 1945-46 by about 10 per cent. Loadings of grain products were the greatest on record for the month of December owing to large shipments for export.

### COMMODITY PRICES

The general level of wholesale commodity prices advanced slightly further from the middle of December to the latter part of January reflecting increases in prices of industrial products, offset in part by decreases in prices of most livestock and poultry products, grains, cotton, and canned fruits and vegetables.

Among industrial products, prices of building materials and metal products generally showed the largest increases in the early part of January. Silver prices, however, declined considerably and a leading manufacturer of lower-priced automobiles reduced prices slightly.

Retail food prices declined somewhat further from earlier peak levels and clearance sales before and after the Christmas holiday resulted in substantial price reductions for various types of merchandise. Retail prices of most standard types of goods, however, were maintained or increased further in this period.

### BANK CREDIT

Real estate and consumer loans at banks in leading cities continued to increase during December and the first half of January. Commercial and industrial loans, following the rapid expansion of the summer and fall months, increased only slightly further. Substantial reductions in holdings of Government securities reflected largely the 3.3 billion dollar Treasury note retirement of mid-December.

Deposits at member banks increased in the early part of December but declined in the latter half of the month as a result of income tax and other payments. Member bank reserve balances showed similar fluctuation with little net change for the period as a whole. Reserve funds which became available to banks through a post-holiday decline in currency in circulation and through increases in monetary gold stock were about offset by reductions in Government security holdings and an increase in Treasury deposits at the Reserve Banks.