

MONTHLY REVIEW

Agricultural and Business Conditions

LIBRARY TENTH FEDERAL RESERVE DISTRICT

VOL. 32, No. 11 DEC 19

FEDERAL RESERVE BANK OF KANSAS CITY

NOVEMBER 30, 1947

FEDERAL RESERVE BANK
OF PHILADELPHIA

BANK CREDIT EXPANSION

In 1947, District country member bank deposits have again established a new record volume. Total deposits of District country member banks declined from the previous record level of 2,483 million dollars in December, 1946, to 2,414 million in June, 1947, but then climbed to a total of 2,610 million at the end of October. District reserve city member bank deposits are still below the record level of 3,500 million dollars established at the end of 1945. From June, 1946, to June, 1947, deposits of these banks declined from 3,214 million dollars to 2,987 million dollars, but subsequent expansion pushed the deposit volume over 3,200 million as of the end of October.

The expansion in bank deposits since the middle of this year is in line with developments in the country as a whole. Total deposit volume in the United States has not surpassed the record level reached in early 1946 when United States Treasury war loan accounts were 23 billion dollars larger than now, but bank deposits other than United States Government deposits are higher than ever before both in the country as a whole and in the Tenth District.

Investments During the war years, bank deposits expanded as a result of the increase in bank holdings of Government securities, but in the postwar period the expansion in bank credit has been in the form of loans to individuals and businesses. During 1946, the United States Treasury undertook a program of debt retirement with funds accumulated in its war loan accounts in the banks during the Victory Loan Drive. This action reduced both deposits and commercial bank holdings of Government securities. To the extent that the war loan accounts were used to pay off Government securities held by Federal Reserve banks and nonbank owners, member bank reserve positions were tightened, and in order to alleviate their tightened reserve positions, commercial banks disposed of Government securities in excess of those retired directly by the United States Treasury. Bank deposits of individuals and businesses continued to expand, however, as a result of both loan

expansion and the transfer of Treasury deposits to private deposits through the retirement of nonbank holdings of Government securities.

Bank credit changes in District reserve city member banks and in the country as a whole followed this same pattern during 1946. However, District country member banks continued to increase their Government security holdings until the fourth quarter of 1946, and these banks showed a net increase in both Government securities and total deposits for the calendar year.

Although the total Federal Government debt has shown relatively little net change during 1947, the Government has continued to retire marketable issues of Government securities by using its current net cash receipts arising from taxes and sales of nonmarketable securities in excess of current cash expenditures. Thus, commercial bank holdings of Government securities have been further reduced this year. The reduction in bank held Government securities has been in excess of that resulting directly from the retirement of Government securities held by commercial banks, as banks have sold securities in the open market to restore reserves lost as a result of the retirement of securities held by the Federal Reserve banks. Actually, the contraction in reserves occurred as the Government received payments for taxes and nonmarketable securities. The use of these cash funds to retire Government securities in commercial banks or in nonbank hands returned the reserves to the banking system, but the use of such funds to retire Federal Reserve held securities did not restore member bank reserves.

In the Tenth District, both reserve city member banks and country member banks reduced their Government security holdings during the first half of the year, when most of the Treasury reduction of marketable debt took place. Moreover, the decrease in Government securities for both classes of banks was in excess of the amount of their holdings retired for cash by the United States Treasury, as additional securities were marketed in order to alleviate reserve

positions tightened by the debt reduction program and by loan expansion. In contrast to the banks of the country as a whole, however, member banks in this District purchased Government securities in such volume from July to October that their holdings at the end of October, 1947, were larger than at the end of 1946. Reserve city banks added 73 million dollars in Government securities to their portfolios in the 4-month period ended October 31 compared with a decline of 59 million in the first six months of the year, and thus had a net increase of 14 million for the 10-month period. Country banks expanded their holdings by 74 million dollars after June 30, following a decrease of 82 million dollars during the first six months, resulting in a net decline of 8 million dollars during the 10-month period. The pronounced expansion in the Government security portfolios of commercial banks in this District after midyear arose from the investment of funds flowing into the District in connection with the seasonal marketing of farm products, particularly wheat. During October, the Treasury redeemed the 4 $\frac{1}{4}$ per cent Treasury bonds of 1947-52, which were held to a considerable extent by banks. Nevertheless, total Government security holdings of District country member banks increased by 22 million dollars for the month, but such holdings of District reserve city member banks declined by 24 million.

Both reserve city and country banks in this District have added to their holdings of other securities—State, municipal, and corporate—during the year, as the first 10 months show increases of 15 million dollars for the city banks and 27 million for the country banks. These purchases have been somewhat heavier in both classes of banks in the last three months, and throughout the year have been relatively heavier in the country banks than in the city banks.

Loans During 1947, bank loans have continued the marked expansion that has been under way ever since the end of the war. During the first six

months of this year, there was a distinct leveling off in the loan expansion in District reserve city member banks, but after midyear loan expansion picked up sharply. Whereas reserve city bank loan expansion aggregated 18 million dollars during the first six months, it totaled 103 million in the four months from July through October. While an expansion of loans after midyear is a seasonal occurrence in District reserve city banks, the amount of loan expansion this year is running noticeably ahead of last year and the level of loans is 25 per cent higher than a year ago. The largest increase for any month was in July, when District reserve city bank loans expanded by 50 million dollars. The upswing in loans at that time of year was largely because of the credit extended to grain dealers and millers for handling the 1947 wheat crop. The volume of funds required to handle the crop this year was unusually large, both because of the size of the crop and because of the high prices for wheat. In October, District reserve city bank loans expanded by 34 million dollars, the second largest monthly increase this year.

Loans have continued to expand in the District country banks also. During the first half of the year, loans of country banks expanded at the same high rate as during the latter part of 1946, as they increased by 61 million dollars. However, the rate of expansion slackened after midyear, as loan volume increased by 29 million dollars in the 4-month period ended October 31. The proceeds from farm marketing of grain and livestock, particularly wheat, enabled many farmers to pay off indebtedness at their banks. In line with loan developments in District reserve city banks, however, District country banks showed a sharp increase in loans in October, with an increase of 12 million dollars in their loan portfolios. District country member bank loan volume is 33 per cent larger than a year ago.

Commercial and industrial loans have accounted for a major part of the loan expansion in District member banks, but all principal categories of loans have ex-

SELECTED ITEMS OF CONDITION OF TENTH DISTRICT MEMBER BANKS

(In millions of dollars)

	ALL MEMBER BANKS			RESERVE CITY BANKS			COUNTRY BANKS		
	Oct. 29 1947	Sept. 24 1947	Dec. 31 1946	Oct. 29 1947	Sept. 24 1947	Dec. 31 1946	Oct. 29 1947	Sept. 24 1947	Dec. 31 1946
Loans and investments.....	4,329	4,275	4,070	2,374	2,360	2,224	1,955	1,915	1,846
Loans and discounts.....	1,213	1,167	1,002	737	703	616	476	464	386
U. S. Government obligations.....	2,760	2,762	2,754	1,451	1,475	1,437	1,309	1,287	1,317
Other securities.....	356	346	314	186	182	171	170	164	143
Reserve with F. R. Bank.....	821	822	764	496	496	453	325	326	311
Balances with banks in U. S.....	652	673	693	241	262	300	411	411	393
Cash items in process of collection.....	260	251	253	242	234	233	18	17	20
Gross demand deposits.....	5,138	5,114	4,912	2,838	2,846	2,728	2,300	2,268	2,184
Deposits of banks.....	980	987	976	900	914	893	80	73	83
Other demand deposits.....	4,158	4,127	3,936	1,938	1,932	1,835	2,220	2,195	2,101
Time deposits.....	674	672	650	364	363	351	310	309	299
Total deposits.....	5,812	5,786	5,562	3,202	3,209	3,079	2,610	2,577	2,483
Borrowings.....	20	11	3	18	10	3	2	1	*

*Less than \$500,000.

panded with the exception of loans for purchasing or carrying securities. In order to carry on their increased volume of business at the higher price levels, business firms have sought not only additional capital funds but also more working capital. While the rate of increase in business loans in District banks for the postwar period has not been as great as in certain smaller categories of loans, such as consumer loans to individuals and urban real estate loans, during the last few months commercial and industrial loans have increased sharply.

Loans on residential property predominate among real estate loans of District banks. Such credit has been in demand because of the extensive amount of residential construction in the postwar period. As such construction has been particularly active recently, the demand for such credit presumably will continue strong. One of the most rapidly growing classes of bank loans since the war has been consumer loans to individuals. Instalment loans have been used extensively for home repair and modernization purposes and for the purchase of automobiles and other durable consumer goods. In the aggregate, consumer credit extended by District banks has also been enlarged during the postwar period by reason of the fact that a larger number of banks have entered the consumer credit field.

Loans on farm land and other loans to farmers by District banks have expanded relatively much less than other classes of loans. The combination of accumulated liquid assets and continued high farm income serve to explain the smaller relative expansion of farm loans. It is easy to overlook the fact, however, that farm loans have shown a substantial increase. The accumulated liquid assets are not evenly distributed, and many younger farmers in particular have borrowed funds in the process of getting established. There is an additional fact common to all types of economic undertaking, namely, the much larger amount of funds required under the present price level. That is notably true in borrowing for the purpose of financing livestock feeding operations and is reflected in the size of such loans in both country and city banks. Moreover, the size of the investment required for farming has been substantially increased as a result of the high degree of mechanization in farming today.

Deposits Total deposits increased during the first 10 months of 1947 by 4 per cent in District reserve city member banks and by 5 per cent in District country member banks. Most of the increase occurred in demand deposits other than interbank, as such increases accounted for 103 million dollars of a total increase of 123 million in the city banks and for

119 million of a total increase of 127 million in the country banks. Changes in interbank deposits were small. Time deposits continued to increase, showing an increase of approximately 4 per cent in both city banks and country banks.

During the first six months of the year, total deposits of District reserve city member banks declined by 92 million dollars, but during the next four months they increased by 215 million dollars. Demand deposits other than interbank declined by 14 million dollars during the first six months of the year and increased by 117 million during the next four months, while interbank demand deposits declined by 85 million dollars during the first six months and increased by 92 million during the next four months.

In the country banks, total deposits declined by 69 million dollars during the first half of the year and increased by 196 million during the next four months. Demand deposits other than interbank declined by 55 million dollars during the first six months but increased by 174 million during the next four months, while interbank demand deposits declined by 19 million dollars in the first six months and increased by 16 million during the next four months.

The decline in District bank deposits during the first half of the year was a consequence of the United States Government fiscal and debt retirement operations already discussed in this article. Payments made by individuals and businesses for taxes and non-marketable Government securities brought a reduction in deposits which was not offset to the extent that the funds were employed to retire Government securities held by Federal Reserve banks and by commercial banks. The situation changed radically after midyear. There was little reduction in marketable issues of public debt, District bank depositors received a large amount of funds from farm marketings, notably of wheat, and loans expanded in large volume. Thus bank deposits rose rapidly.

Reserves District reserve city member bank reserves and cash balances combined showed little net change during the year through October 31. However, there was a substantial increase in reserves with the Federal Reserve Bank, offset by a decline in balances with other domestic banks. Among District country member banks, reserves and cash balances showed an increase of 31 million dollars, or 4 per cent, as increases occurred in both reserves with the Federal Reserve Bank and balances with other domestic banks. All of the increase in balances with other domestic banks took place after midyear, as such balances declined by 40 million dollars in the first six months but increased by 58 million in the next four months. In fact, this in-

crease in country member bank balances with other domestic banks took place during July, when such balances expanded by 60 million dollars. This is reflected in the additional fact that virtually all of the increase in interbank demand deposits of the District reserve city member banks took place during that month. Interbank demand deposits of District reserve city member banks expanded by 122 million dollars during that month, in connection with the wheat harvest, as both country member banks and country nonmember banks increased their balances with the city banks. There was a further increase of 6 million dollars during the next month, followed by a decrease in interbank demand deposits in District reserve city banks in September and October.

Reserve balances of District member banks with the Federal Reserve Bank declined irregularly during the first half of the year, but increased sharply from midyear until September. At that time, the District reserve city member bank reserves reached a record volume of 521 million dollars and District country member bank reserves reached a record volume of 326 million dollars. Reserve volume changed little during October. Required reserves of both District reserve

city member banks and District country member banks declined during the first half of the year, as the volume of deposits requiring reserves contracted. As the volume of deposits requiring reserves subsequently established record levels in both classes of banks, the amount of required reserves also became larger than ever before. When reserve city member bank deposits were at their all-time high at the end of 1945, war loan accounts, at that time reserve-exempt, were held in considerable amount.

The ratio of excess reserves to required reserves of District member banks has been declining ever since early 1941. During 1947, the semimonthly daily average ratio of District reserve city member banks has ranged from 3.1 per cent to 5.8 per cent. During the last half of October, it averaged 3.2 per cent. The District country member banks have shown a decided drop in their ratio of excess reserves to required reserves during the year. As the year opened, the ratio was 21.6 per cent and subsequently it increased to 23.4 per cent in March. Since that time, an irregular decline has taken place, bringing the ratio of excess reserves to required reserves down to 15.7 per cent for the last half of October.

BUSINESS AND AGRICULTURAL CONDITIONS

DEPARTMENT STORE TRADE

Dollar volume of department store sales in this District in October was 7 per cent larger than a year ago, the same rate of gain as for the first ten months of this year, while sales in the first two weeks of November were 18 per cent above the corresponding period of last year. Following a sharp increase from August to September, sales showed little of the customary increase from September to October, and the seasonally adjusted index of daily average sales fell from the record level of 346 per cent of the 1935-39 average in September to 320 per cent in October.

Department store inventories increased considerably more than is usual during October, and the seasonally adjusted index of stocks rose from 224 per cent of the 1935-39 average at the end of September to 239 per cent at the end of October. However, this is still low in comparison with the near-record level of 302 last March. In the early part of 1947, expectations of business recession had resulted not only in extensive inventory clearances but also in sharp cutbacks in outstanding orders and in increasing caution in buying policies. With the improved outlook since mid-year, both stocks and orders have increased somewhat. Nevertheless, the value of department store inventories on hand October 31 was little different from that a year earlier, and the dollar volume of orders outstanding was 15 per cent less, while mer-

chants now generally anticipate an even larger Christmas trade than last year.

Department store sales and stocks in leading cities:

	SALES		STOCKS
	Oct.'47 comp. to Oct.'46	10 Mos.'47 comp. to 10 Mos.'46	Oct.31,'47 comp. to Oct.31,'46
	(Per cent increase or decrease)		
Denver.....	+8	+10	+9
Pueblo.....	+4	+8	-9
Hutchinson.....	+6	+5	+3
Topeka.....	+5	+5	-3
Wichita.....	+1	-3	-9
Joplin.....	+22	+11	+12
Kansas City.....	+7	+7	0
St. Joseph.....	+10	+8	*
Omaha.....	+13	+6	0
Oklahoma City.....	+5	+3	-7
Tulsa.....	+7	+5	*
Other cities.....	+7	+13	+10
District.....	+7	+7	+2

*Not shown separately but included in District total.

INDUSTRIAL PRODUCTION

Meat Packing Cattle slaughter at leading District markets in October was down 15 per cent from September but was 47 per cent above that in October last year. Although October receipts of cattle at these markets were 2 per cent over September, a high percentage of these marketings were stockers and feeders not suitable for slaughter. This fact accounts in part for the sharp drop in cattle slaughter during October.

BANK DEBITS

	BANK DEBITS		Change from '46	
	Oct. 1947	10 Mos. 1947	Oct. (Per cent)	10 Mos.
(Thousand dollars)				
(Per cent)				
COLORADO				
Colo. Springs.....	39,705	343,513	+14	+11
Denver.....	523,131	4,402,685	+20	+17
Gr. Junction.....	14,468	116,909	+26	+20
Greeley.....	25,071	181,560	+32	+34
Pueblo.....	42,955	346,465	+31	+24
KANSAS				
Atchison.....	16,544	146,184	+31	+54
Emporia.....	11,545	93,365	+14	+13
Hutchinson.....	47,400	411,205	+67	+26
Independence.....	6,827	65,353	+19	+14
Kansas City.....	60,539	571,284	+10	+17
Lawrence.....	10,418	91,084	+13	+11
Parsons.....	8,566	72,290	+22	+18
Pittsburg.....	11,846	101,569	+24	+19
Salina.....	45,929	394,064	+69	+39
Topeka.....	83,487	793,535	+19	+17
Wichita.....	211,541	1,959,912	+27	+18
MISSOURI				
Joplin.....	26,343	249,136	+6	+6
Kansas City.....	1,106,601	9,485,720	+31	+26
St. Joseph.....	111,579	910,275	+32	+44
NEBRASKA				
Fremont.....	16,087	132,319	+38	+46
Grand Island.....	22,452	197,617	+14	+17
Hastings*.....	15,133	138,338
Lincoln.....	75,613	685,132	+15	+12
Omaha.....	531,668	4,690,671	+24	+25
NEW MEXICO				
Albuquerque.....	71,293	616,495	+14	+12
OKLAHOMA				
Bartlesville.....	67,087	624,175	+28	+27
Enid.....	42,558	406,211	+51	+37
Guthrie.....	4,017	37,507	+5	+12
Muskogee.....	24,267	209,117	+13	+15
Okla. City.....	299,028	2,616,043	+13	+16
Okmulgee.....	6,720	58,373	+25	+16
Tulsa.....	408,864	3,530,880	+28	+27
WYOMING				
Casper.....	25,694	200,171	+27	+31
Cheyenne.....	27,190	247,243	+9	+13
District, 33 cities..	4,027,033	34,988,062	+25	+23
U. S., 334 cities....	105,320,000	913,809,000	+15	+6

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

From the standpoint of the future supply of beef, the heavy rate of slaughter of cattle and calves is becoming increasingly significant. Cattle and calf slaughter, as measured by packers' purchases at principal markets, in the first 10 months of this year were 81 and 48 per cent, respectively, above the same period of 1946. However, if it is recognized that in the first half of 1946 large numbers of cattle and calves were purchased and slaughtered at places other than public markets and processing centers and that slaughter of these animals was generally reduced in this period in anticipation of the end of price control, it must then be conceded that the above figures tend to exaggerate the 1947 level. Nevertheless, cattle and calf slaughter in the District continues at a rate well above average.

Hog receipts increased seasonally during October, and there was a similar increase in the volume of hog slaughter at principal markets of the District. October hog slaughter was 36 per cent greater than that in September and 7 per cent above the 10-year aver-

age for October. The slaughter of sheep and lambs during October was 1 per cent above September but was 1 per cent below average.

The retail demand for meat remains at a high level. Although there was a net movement into storage of some 5 million pounds of meat during October, there is little indication of any large "backing up" of meat supplies. Total meat stocks of 386 million pounds in cold storage on November 1 were 50 million pounds below the average November 1 holdings from 1942 to 1946. There is a close relationship between retail meat prices and the level of disposable income in the hands of consumers. Barring an impairment of income by unemployment, the amount available for purchases of meat and other foods may well be maintained at present record levels.

Flour Milling Flour milling operations in the Southwest averaged approximately 100 per cent of full-time capacity in October as compared with about 97 per cent in September, and the increased level of operations in October was generally maintained through the first half of November. The physical output of flour in this area during October was 7 per cent above production for September. Flour production in Kansas City and in Salina, Kansas, during the first ten months of this year exceeded by 25 per cent the volume produced in those cities in the same ten months of 1946. A part of this unusually large increase can be attributed to some expansion of milling capacity since last year, as well as to the curtailment of flour output in early and mid-1946 under the wheat conservation program. The expansion has been largely in the installation of new and more efficient milling machinery in old mills, rather than in the construction of new flour mills.

Flour sales in the Southwest declined to about 32 per cent of capacity in mid-November. Export sales to the Production and Marketing Administration and small private export bookings accounted for about two thirds of these sales, with the remainder moving into the smallest domestic trade in several weeks. In spite of the relatively small sales in November, the backlog of unfilled orders at midmonth was about the same as in the corresponding period last year. The possibility of the return of certain wartime controls on the grain and milling industries will receive increasing attention as foreign relief and anti-inflation programs are developed in the special session of Congress. Another development of long-term significance was the announcement that, under a new trade agreement with Canada, present import duties on Canadian wheat and flour will be cut in half within a few months. The agreement is subject to the approval of both Governments and will become effective, so

far as this country is concerned, at the time the President issues a proclamation placing the reduced schedule of duties in force.

Petroleum Production of crude oil in the Tenth District averaged 986,600 barrels a day during October. This was the tenth consecutive month in which the daily average production has increased, with the level reached in October the highest reported since September, 1937. Production in the District during the first ten months of this year was up 7 per cent from the corresponding period of 1946 and has provided 19 per cent of the national output thus far reported for 1947.

The trend in recent years toward deeper drilling of oil wells has become a subject of wide discussion. While these costly operations definitely have been increasing in number, the publicity accompanying them has given the impression that exceptionally deep wells have become the rule. This is not the case, however, as evidenced by the fact that four out of every five wells completed today are less than 5,000 feet in depth and by present-day standards are shallow wells.

Wide variations, however, are noted in the depths of wells drilled in the various oil-producing areas of the Tenth District. During the first eight months of 1947, only 1 per cent of the wells drilled in Kansas attained depths of more than 5,000 feet, while in New Mexico 42.6 per cent ranged from 5,000 to 10,000 feet and 0.5 per cent had depths of more than 10,000 feet. In Oklahoma 86 per cent of the wells completed during the first eight months of this year had depths of less than 5,000 feet, 13.2 per cent ranged from 5,000 to 10,000 feet, and 0.8 per cent were in excess of 10,000 feet.

Drilling depth ranges as reported by the Oil and Gas Journal:

	Wells Completed	Per cent Less than 5,000 ft.	Per cent 5,000 to 10,000 ft.	Per cent More than 10,000 ft.
1947 (8 Months)				
Kansas.....	1,676	99.0	1.0	0
New Mexico.....	373	56.9	42.6	0.5
Oklahoma.....	2,764	86.0	13.2	0.8
Rocky Mountain*..	462	67.3	31.2	1.5
United States.....	22,001	80.7	16.9	2.4
1946 (Entire year)				
Kansas.....	2,027	98.9	1.1	0
New Mexico.....	411	69.1	30.7	0.2
Oklahoma.....	3,050	85.3	14.2	0.5
Rocky Mountain*..	652	69.2	29.9	0.9
United States.....	29,228	82.0	15.8	2.2

*Includes Colorado, Wyoming, Montana, and certain areas in Utah.

Employment An estimated 59,200,000 persons were employed in the nation in October, according to information released by the Bureau of the Census. While this level of employment was approximately 300,000 higher than in September, it was still considerably below that of the summer months of this

year when large numbers of seasonal farm workers and students on vacation were in the labor force. Employment in nonagricultural activities increased sharply from September to October, while agricultural employment continued to decline seasonally. Unemployment in October numbered 1,700,000 persons, the lowest since the latter part of 1945 and approximately 300,000 below that of October a year ago.

Total employment in Kansas declined slightly in September to approximately 670,700 workers, according to a recent release of the Kansas State Labor Department. A rise in nonagricultural employment in Kansas was more than offset by a normal seasonal decline in agricultural activities. There was a moderate decrease in manufacturing employment in September, caused largely by a seasonal reduction in egg processing and alfalfa dehydration, as well as by slightly reduced activity in the aircraft, chemical, petroleum refining, primary metal, and electrical machinery industries of the state.

Manufacturing employment in the District continued to increase during August, the latest month for which detailed information is available for all states. This was the third consecutive month in which a gain has been reported in the manufacturing employment of the District. The level reached in August was 1 per cent above July and 5 per cent above August a year ago. Colorado, Missouri, New Mexico, Oklahoma, and Wyoming had higher levels of manufacturing employment in August than in July, while Kansas and Nebraska reported slight declines.

Estimates of manufacturing employment as reported by the Bureau of Labor Statistics:

	Aug. 1947	Aver. 8 Mos. 1947	Change from '46 Aug.	8 Mos.
	(Number)		(Per cent)	
Colorado.....	56,500	54,700	+4	+11
Kansas.....	80,000	79,400	+2	+4
Missouri.....	357,000	354,100	+8	+10
Nebraska.....	43,200	43,000	0	+1
New Mexico.....	10,200	10,000	+10	+6
Oklahoma.....	55,200	54,100	+1	+1
Wyoming.....	6,800	6,200	+11	+13
Seven states.....	608,900	601,500	+5	+7
United States.....	15,593,000	15,397,000	+5	+10

AGRICULTURE

Crops Light snows and rains during the first three weeks of November provided sufficient soil moisture for wheat seeding in most sections of western Kansas and Oklahoma and in northeastern New Mexico. This limited moisture, if followed by somewhat moderate temperatures, will germinate newly seeded wheat and that sown in dry soil in previous weeks. The fallowed wheat fields in this general area are now in a satisfactory condition, while continuously cropped fields are only temporarily relieved of

an extremely dry topsoil condition. Considerably more moisture will be required this winter and next spring to make up the deficit of soil moisture brought about by drought conditions last summer. Even with satisfactory precipitation the crop will be handicapped in many sections by poorly prepared seed beds. In past years a poor seed bed at the time of fall seeding has often resulted in below-average yields of wheat the following summer.

Good progress has been made in the harvesting of corn, grain sorghums, sugar beets, beans, cotton, and peanuts. Yields of beans, corn, and grain sorghums are reported below average in New Mexico where rainfall has been below normal in all but 9 of the last 34 months. Poor corn yields are reported in those areas in Kansas, Oklahoma, Nebraska, Missouri, and Wyoming where the extremely dry, hot weather of last summer was most damaging. Wyoming, however, reports a record crop of dry beans, in spite of somewhat unfavorable weather conditions during the growing

season. A considerably later than average date of the first killing frost was the principal factor in the favorable maturity of most fall crops in the District.

The lower range of Kansas City cash grain prices:

	Nov. 18 1947	Oct. 31 1947	Sept. 30 1947	Oct. 31 1946
No. 1 dk., hd. wheat, bu.....	\$2.96	\$2.84½	\$2.79¼	\$2.05¼
No. 2 mixed corn, bu.....	2.51	2.28½	2.37	1.60
No. 2 white oats, bu.....	1.18½	1.09	1.14	.84
No. 2 rye, bu.....	2.70	2.65	2.80	2.50
No. 2 barley, bu.....	1.83	1.71	1.74	1.34
No. 2 white kafir, cwt.....	3.85	3.70	3.95	2.40

Livestock Hog prices at leading markets of the District declined seasonally in October and early November. Some price strength developed in mid-November and values recovered as much as a dollar per hundredweight. Prices of slaughter cattle were generally steady in November with the demand for finished cattle exceeding somewhat the supply coming on the market. Numbers of cattle, hogs, and sheep on farms appear to be declining simultaneously for the first time in many years. Although meat production in 1947 is at a high level, such production has been at the expense of future meat supplies. Thus, reduced livestock numbers, increased population, and a high level of employment are the basic factors underlying the current strength in livestock prices.

Top carlot livestock prices at Kansas City:

	Nov. 18 1947	Oct. 1947	Sept. 1947	Oct. 1946	Oct. 1945	Oct. 1944
(In dollars per hundredweight)						
Beef steers.....	30.00	32.50	33.00	38.50	17.65	17.50
Stocker cattle.....	24.00	24.00	24.75	20.00	14.75	13.40
Feeder cattle.....	24.25	26.90	27.65	23.00	15.25	14.50
Calves.....	22.00	24.00	24.00	21.00	13.50	14.00
Hogs.....	25.50	29.65	31.00	28.50	14.55	14.50
Lambs.....	23.00	24.50	25.65	26.25	14.60	15.00
Slaughter ewes.....	8.50	8.60	8.50	12.25	6.15	6.15

The cattle feeding situation early in November still indicated a lower volume of cattle feeding this fall and winter than was the case last year, although not as low as was estimated on October 1. Shipments of stocker and feeder cattle into 8 Corn Belt states from July through October were 15 per cent below the number shipped into those states in the same period of 1946. In the Colorado, Wyoming, and western Nebraska feeding areas, feed supplies are relatively large and increased cattle and lamb feeding is already evident. An almost complete lack of wheat pasture in western Kansas and Oklahoma has shifted the feeding of a large volume of cattle and lambs from that area to feed lots in irrigated valleys and to the more eastern sections of those states. Pasture and feed supplies in New Mexico remain short and there is a scarcity of stock water reported in several areas. Many cattle feeders are uneasy about present prices of finished cattle and still show a decided preference for heavy feeder stock suitable for short-term feeding.

RAINFALL

	Oct. 1947	Oct. Normal	10 Mos. 1947	10 Mos. Normal
(In inches)				
COLORADO				
Denver.....	2.84	1.05	15.95	12.77
Leadville.....	2.12	1.17	19.34	16.52
Pueblo.....	2.10	0.66	14.17	10.83
Lamar.....	0.24	1.00	10.96	14.34
Alamosa.....	0.87	0.59	8.12	6.24
Steamboat Springs.....	2.96	1.89	22.65	19.21
KANSAS				
Topeka.....	3.33	2.56	32.50	29.79
Iola.....	1.45	3.15	37.30	33.64
Concordia.....	1.24	1.88	20.39	23.49
Salina.....	2.06	2.02	20.78	24.83
Wichita.....	1.50	2.45	22.06	27.58
Hays.....	0.55	1.44	19.73	21.46
Goodland.....	0.51	1.00	13.62	16.73
Dodge City.....	0.56	1.35	17.36	18.63
Elkhart.....	1.24	1.35	16.03	15.71
MISSOURI				
St. Joseph.....	4.45	2.89	34.64	32.69
Kansas City.....	5.25	2.69	41.20	31.05
Joplin.....	2.67	3.45	41.19	39.06
NEBRASKA				
Omaha.....	2.58	2.17	30.87	25.77
Lincoln.....	2.67	1.88	30.20	26.07
Norfolk.....	2.04	1.54	20.68	25.15
Grand Island.....	1.71	1.82	21.28	24.01
McCook.....	1.16	1.03	22.18	18.39
North Platte.....	0.45	1.07	16.03	17.39
Bridgeport.....	1.24	0.95	19.39	14.78
Valentine.....	0.16	1.10	15.13	17.17
NEW MEXICO				
Clayton.....	0.29	1.46	15.87	14.37
Santa Fe.....	0.70	1.06	8.80	12.95
OKLAHOMA				
Tulsa.....	1.69	3.35	30.31	32.78
McAlester.....	2.05	4.04	29.39	37.09
Oklahoma City.....	0.79	2.86	32.47	27.78
Pauls Valley.....	3.59	3.52	30.21	31.06
Hobart.....	2.62	3.23	23.23	24.40
Enid.....	0.69	2.74	23.01	26.88
Woodward.....	0.02	2.29	17.90	22.69
WYOMING				
Cheyenne.....	2.12	0.96	15.67	13.92
Casper.....	0.86	1.25	13.50	12.63
Lander.....	2.11	1.36	18.30	11.35
Sheridan.....	1.09	1.07	16.31	13.79

NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Industrial output increased further in October. Department store sales continued in large volume in October and the first half of November. The general level of wholesale commodity prices advanced slightly further.

INDUSTRIAL PRODUCTION

Production of manufactures and minerals continued to rise in October, and the Board's seasonally adjusted index of industrial production reached a level of 189 per cent of the 1935-39 average. This was the same as the rate prevailing during the first quarter of the year and 4 per cent above the third quarter average.

Output of durable goods increased further in October to about the level that prevailed in the early months of this year, owing mainly to larger output of iron and steel. Operations at steel mills were at 97.6 per cent of capacity, the highest rate since the end of the war, and this rate has been sustained in November. Activity in most branches of the machinery and transportation equipment industries increased somewhat further in October.

Production of nondurable goods showed a slight advance in October to a level of 173 per cent of the 1935-39 average, as compared with a rate of 176 at the beginning of the year. The rise in October reflected mainly increases in activity at cotton mills and in the printing and publishing industry. Cotton consumption in October was 10 per cent above the reduced rate prevailing during the third quarter but 10 per cent below the rate in October, 1946. Newsprint consumption continued to expand and was 16 per cent larger than a year ago.

Minerals output advanced somewhat in October, owing to further gains in fuel production and was about 5 per cent above the level at the beginning of the year. Most of the rise this year has been due to a 10 per cent increase in crude petroleum output.

EMPLOYMENT

Nonagricultural employment continued to increase in October, owing mainly to the usual large pre-Christmas rise in wholesale and retail trade. In manufacturing, a seasonal reduction of nearly 150,000 workers in the canning industry largely offset further gains in most other lines.

CONSTRUCTION

Value of construction contract awards, according to the F. W. Dodge Corporation, rose sharply in October following a decline in September and was only slightly below the August peak. Awards for residential building and utility construction showed the largest increase. The Department of Labor estimated that work was begun on 92,000 dwelling units in October, the same number as in September, and 82,000 units were completed as compared with 77,000 in September.

DISTRIBUTION

Department store sales, according to the Board's seasonally adjusted index, were 278 per cent of the 1935-39 average in October as compared with 290 in September and an average of 280 during the first three quarters of the year. In the first half of November sales showed more than the usual seasonal increase and were 11 per cent larger than in the corresponding period of 1946.

COMMODITY PRICES

The general level of wholesale commodity prices increased slightly further in October and the early part of November, reflecting advances in industrial commodities. Average price levels for farm products and foods were unchanged, as increases in cotton, cereal products, and fats and oils were offset by declines in prices of livestock products from the advanced levels reached in September.

Retail prices, according to the consumers' price index, advanced 2 per cent in September, reflecting a rise of 4 per cent in foods, 2 per cent in rents, and an average increase of 1 per cent in prices of other items. In October retail prices of foods apparently declined somewhat while prices of various other items continued to advance.

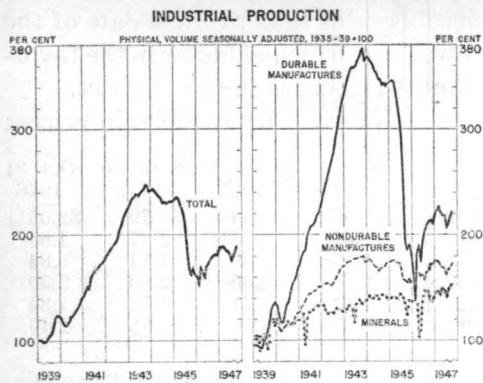
BANK CREDIT

Rapid expansion in commercial and industrial loans continued at banks in leading cities during October and the first half of November. Real estate and consumer loans also increased further.

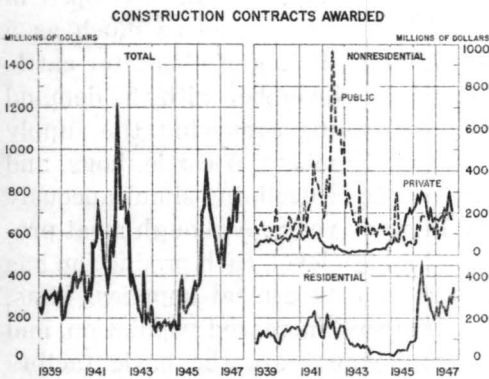
Transfer of funds by the Treasury from war loan balances at commercial banks to Treasury accounts at Reserve Banks, together with Treasury retirement for cash of Government securities held by Reserve Banks, resulted in a drain on member bank reserves in late October and again in mid-November. Banks obtained reserves to meet this drain largely through further gold inflows and by selling Government securities to the Reserve Banks.

INTEREST RATES AND BOND YIELDS

Prices of Treasury bonds declined considerably in October and November, following an earlier decline in corporate bond prices. The yield on the longest 2½ per cent issue rose to 2.44 per cent, compared with a low point for this year of 2.28. Average rates on Treasury bills have risen gradually since last summer to .94 per cent in November. A new 13-month 1½ per cent Treasury note has been offered in exchange for the ¾ per cent certificates maturing December 1.



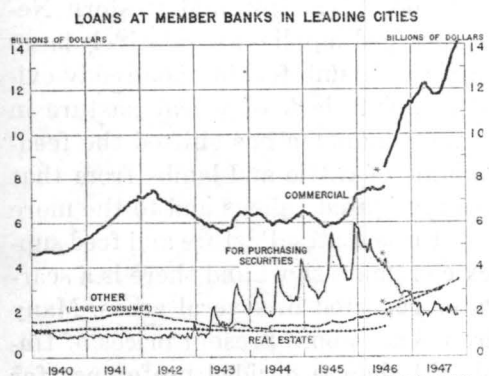
Federal Reserve indexes. Monthly figures, latest shown are for October, 1947.



F. W. Dodge Corporation data for 37 Eastern States. Nonresidential includes awards for buildings and public works and utilities. Monthly figures, latest shown are for October, 1947.



Federal Reserve indexes. Monthly figures, latest shown for sales is for October, 1947; for stocks, September, 1947.



Excludes loans to banks. Wednesday figures, latest shown are for November 12, 1947.