

# MONTHLY REVIEW

## *Agricultural and Business Conditions*

### TENTH FEDERAL RESERVE DISTRICT

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FEDERAL RESERVE BANK OF KANSAS CITY

JUNE 30, 1948

#### THE EUROPEAN RECOVERY PROGRAM AND THE TENTH DISTRICT

**Background** On June 5, 1947, Secretary of State Marshall made the following statement at the Harvard commencement exercises: "Europe's requirements for the next three or four years of foreign food and other essential products—principally from America—are so much greater than her present ability to pay that she must have substantial additional help or face economic, social, and political deterioration of a very grave character. . . . Before the United States Government can proceed much farther in its efforts to alleviate the situation and help start the European world on its way to recovery, there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect to whatever action might be undertaken by this Government."

Shortly thereafter, sixteen nations of western Europe met in conference from which there emerged the Committee for European Economic Cooperation Report setting forth an economic recovery program for Europe covering a four-year period. The proposals contained in this report were subsequently reviewed by three committees associated with the United States Government: (1) The "Krug Committee" composed of Federal agency experts, (2) the President's Council of Economic Advisors, and (3) the "Harriman Committee" of nineteen distinguished citizens. The reports of these three committees plus that of the CEEC resulted in a thoroughly documented proposal which was enacted into legislation as the "Economic Cooperation Act of 1948." Mr. Paul Hoffman is the appointed administrator of the program.

Before attempting to estimate its effect upon the economy of the Tenth Federal Reserve District, certain aspects of the ECA (Economic Cooperation Act) must be clearly understood:

(1) Although the "Harriman Committee" estimated the probable cost of the four-year program at 12 to 17 billion dollars, it strongly recommended that appropriations be made on a year to year basis. This

advice was followed by Congress and the ECA made provision for only the first year's financing of 5.3 billion dollars. Thus there is no certainty that a four-year program will be financed by the United States and no concreteness as to the amount of the financing beyond the first year.

(2) The ECA carries no listing of commodities that are to be purchased in the United States or elsewhere and shipped to the European countries. Instead, the Administrator, under the control of the President, will determine the actual amounts of various commodities that are to be purchased under the provisions of the Act. Consequently it is not possible to determine at this time the exact amount of commodities that will be taken from United States supplies. However, an estimate of required amounts was made by the State Department for the Senate Foreign Relations Committee. These estimates, which probably are the best that can be found at the present time, are shown in the accompanying table and are based on July 1, 1947, prices.

(3) Section 112(a) of the European Cooperation Act contains the following restrictions: "The Administrator shall provide for the procurement in the United States of commodities under this title in such a way as to (1) minimize the drain upon the resources of the United States and the impact of such procurement upon the domestic economy, and (2) avoid impairing the fulfillment of vital needs of the people of the United States." This means the Administrator must adjust his procurements from the United States so that a proper balance between production and domestic-consumption needs is maintained. But just what is a "proper balance" or "vital needs" or a "minimum drain upon resources"? Obviously this is a question of definition and therefore offers a substantial latitude for interpretation. Applied to wheat in a year of serious drought it could mean there would be no shipments at all from the United States.

(4) From the above statements and table of exports it is apparent the European Recovery Program may extend over a four-year period, result in large ship-

ESTIMATED U. S. EXPORTS TO PARTICIPATING COUNTRIES,  
YEARS ENDING JUNE 30

Commodity	(In millions of dollars)				Total <sup>1</sup>
	1949	1950	1951	1952	
Bread grains.....	535.5	509.7	411.6	411.6	2,086.7
Coarse grains.....	82.9	120.0	133.0	133.0	474.7
Fats and oils.....	80.4	88.0	97.4	97.4	383.2
Oil cake and meal.....	17.7	22.6	22.6	27.1	94.4
Sugar.....	21.4	17.3	10.5	11.0	66.7
Meat.....	6.0	12.1	17.9	23.8	61.5
Dairy products.....	160.0	105.7	101.5	90.3	532.7
Eggs.....	24.0	12.0	12.0	12.0	72.0
Dried fruits.....	26.6	25.2	17.6	20.0	96.3
Rice.....	6.1	6.1	6.1	11.9	31.3
Other foods.....	64.6	61.2	80.4	80.4	295.8
Tobacco.....	210.0	217.4	215.6	215.6	911.1
Cotton.....	438.3	437.6	458.7	480.5	1,957.6
Nitrogen.....	14.0	7.8	—	—	24.2
Phosphates.....	2.5	2.5	2.5	2.5	10.6
Agricultural machinery.....	136.3	161.5	131.8	115.5	545.1
Coal.....	297.0	135.1	49.6	24.9	598.9
Coal-mining machinery.....	81.9	52.7	37.6	34.5	206.7
Petroleum <sup>2</sup> .....	530.6	546.2	570.5	537.0	2,305.6
Timber.....	96.3	93.1	88.0	76.4	377.8
Iron and steel					
Finished steel.....	182.1	186.9	179.3	126.6	719.5
Crude and semi-finished	47.2	47.2	47.2	43.5	197.0
Pig iron.....	1.3	1.3	—	—	2.9
Scrap.....	1.6	—	—	—	2.0
Trucks.....	80.9	40.1	33.9	33.6	208.2
Freight cars.....	60.0	18.0	—	—	78.0
Steel equipment.....	48.1	48.2	48.2	48.2	192.7
Timber equipment.....	16.9	22.2	11.7	11.7	62.5
Electrical equipment	95.0	100.7	85.0	65.0	345.7
Total.....	3,365.2	3,098.4	2,870.2	2,734.0	12,941.3

(1) Includes April-June, 1948.

(2) Total exports from dollar sources largely outside the continental United States.

ments of commodities from the United States and other Western Hemisphere countries, and, if successful, bring about the economic recovery of western Europe. An estimate of the probable effect of ECA on the Tenth Federal Reserve District must be made from two different positions: (1) The immediate and (2) the long term.

**The Immediate Position** The economy of the Tenth Federal Reserve District is based chiefly upon agriculture, metal mining, and petroleum. Servicing the region are several large cities engaged in manufacturing and trade. Income from agriculture varies among the District states from 15 per cent to 32 per cent of total income, while manufacturing pay rolls provide between 5 per cent and 9 per cent of total income and trade and service about 25 per cent. The relative importance to the region of various farm products is indicated by the following figures for 1945: Of all farm products sold in the region 44 per cent came from crops, 39 per cent from livestock, 8 per cent from dairy products, and 7 per cent from poultry and poultry products. National importance is indicated by the fact that in 1947 the area produced 41 per cent of the nation's wheat, 17 per cent of its rye, 15 per cent of its barley, 12 per

cent of its oats, 9 per cent of its corn, and 30 per cent of its sugar beets. Other extractive industries are metal mining and the production of petroleum, the District providing 19 per cent of the petroleum produced in the United States in 1947. Manufacturing is concerned with processing the region's agricultural products (32 per cent of total manufacturing employment), petroleum and coal (37 per cent of total manufacturing employment in Wyoming, 19 per cent in Oklahoma), and producing a portion of the many other types of goods consumed in the area.

With this brief summary in mind and one eye on the export table, it is apparent the economy of the Tenth Federal Reserve District may be affected by the export of the following commodities: Bread grains, coarse grains, sugar, meat, dairy products, eggs, fertilizer (nitrogen, phosphates), agricultural machinery, petroleum, iron and steel, and freight cars (for movement of agricultural products). The extent to which these commodities coincide with those placed in a critical category by Government experts is indicated in the following quotation from the "Krug Report." "Though many items are in scarce supply in the United States, chiefly as the result of the war and the extraordinarily high level of domestic demand, the only serious problems of supply to be anticipated in connection with a foreign-aid program will be those which are related to shortages that are world-wide in character and that result chiefly from the wartime destruction or devastation of productive facilities. These major world shortages consist of foods, especially cereals and, more particularly, wheat, the staple of diet in the western world; fertilizers, especially nitrogen fertilizers, which can produce the greatest immediate increase in crop yields; coal, which is needed to activate industrial plants of all kinds, including notably those producing nitrogen fertilizers and steel; steel, which is basic to all reconstruction programs; and mechanical equipment, with special emphasis on farm machinery, freight cars, and mining machinery."

**Bread Grains and Coarse Grains** Bread grains refer almost entirely to wheat and wheat flour while coarse grains are composed of all other grains. According to the export table from the State Department it is proposed to ship to ECA countries during the fiscal year ending June 30, 1949, bread grains valued at 535.5 million dollars and coarse grains valued at 82.9 million dollars. During the calendar year 1947 exports of bread grains from the United States to ECA countries totaled 570.7 million dollars while exports of coarse grains to these sixteen European nations were 149.5 million dollars. The proposed shipments therefore represent a slight de-

cline from the 1947 exports in the case of bread grains and a 45 per cent decrease in coarse grains.

On May 10 of this year, Dr. Dennis A. Fitzgerald, Director of the food division of the ECA, stated that in spite of more favorable crop prospects in Europe at least 300,000,000 bushels of wheat and 75,000,000 bushels of coarse grains would be required from the United States during the coming fiscal year. These current estimates by an official of the ECA indicate heavy exports, particularly of wheat, are anticipated.

**U. S. WHEAT PRODUCTION AND EXPORTS**  
(In millions of bushels)

Crop Year Beginning July 1	Production (New Crop)	Exports <sup>1</sup>	
		Amount	Per cent of New Crop
1930.....	886.5	115.3	13.0
1931.....	941.5	125.6	13.3
1932.....	756.3	34.9	4.6
1933.....	552.2	28.4	5.1
1934.....	526.1	13.3	2.5
1935.....	628.2	7.1	1.1
1936.....	629.9	12.3	2.0
1937.....	873.9	103.4	11.8
1938.....	919.9	109.5	11.9
1939.....	741.2	48.3	6.5
1940.....	814.6	37.1	4.6
1941.....	942.0	31.4	3.3
1942.....	969.4	34.5	3.6
1943.....	843.8	66.1	7.8
1944.....	1,060.1	153.0	14.4
1945.....	1,108.2	391.1	35.3
1946.....	1,155.7	400.0	34.6
1947.....	1,427.7	450.0 <sup>2</sup>	31.5

(1) Includes flour made only from domestic wheat; also includes shipments to U. S. territories.

(2) Estimated.

As the accompanying table shows, except for the years 1945, 1946, and 1947, the United States had exported only a nominal portion of its wheat production. Consequently 300 million bushels exported to western Europe alone represents an exceptionally high percentage (21 per cent) of even the bumper crop of 1947. However, if the heavy shipments of wheat to the Far East and to South America should decline and another bumper crop of wheat be produced, this would not be out of line with the preceding three years' exports. Whether or not the four-year rate of exports estimated by the State Department can be met depends primarily upon United States wheat production during those years.

However, the important fact for the Tenth Federal Reserve District is that, certainly for one year and probably for four, an important foreign market for wheat will be maintained. The extent to which this market affects wheat prices will depend upon the manner in which this portion of the ECA program is administered. As pointed out above, the size of wheat exports to ECA countries is largely dependent upon the Administrator's interpretation of the legislative Act. If shipments are excessive in relation to production, the price pressures will be increased. But if exports are nicely balanced with wheat production, they will tend to support and not increase prices.

The region will nevertheless discover a somewhat darker side. The last four crop years have been extremely high in wheat production. This was accomplished by technology, larger acreage, favorable weather, and some soil exploitation. Under the stimulus of continued high wheat prices, acreage and soil exploitation may be extended to a dangerous point. A serious drought combined with these conditions could have serious consequences for the area's economy.

The proposed exports of coarse grains represent only a small fraction of the total United States production. As such, their effect upon grain prices is likely to be substantially less than that of wheat exports. However, they do represent a small foreign market which may extend for a period of four years and hence will be a supporting factor.

**Sugar** The State Department's estimate for the first year's export of sugar from the United States is 21.4 million dollars. Succeeding years decrease to about half that figure. The 21.4 million dollars is somewhat above the 14.4 million dollars actually exported to the ECA nations during the calendar year of 1947. However, these figures lose significance when it is remembered the United States is a substantial importer of sugar. Perhaps the most that can be said about ECA requirements of sugar from the United States is that ample supplies appear to be available on a world-wide basis and little effect on sugar prices is expected. As imports to the United States are regulated by the Government, the effect on local sugar prices is unpredictable.

**Meat** The State Department estimated the ECA program would require the following shipments of meat from the United States: First year, 51 million pounds; second year, 101 million pounds; third year, 150 million pounds; fourth year, 198 million pounds.

**U. S. MEAT PRODUCTION AND EXPORTS**  
(In millions of pounds)

Year	Production	Net Exports	
		Amount	Per cent of Production
1933.....	17,417	11	0.1
1934.....	18,839	382	2.0
1935.....	14,427	-88	-
1936.....	16,761	-305	-
1937.....	15,709	1	1
1938.....	16,479	1	1
1939.....	17,534	1	1
1940.....	19,083	1	1
1941.....	19,569	448	2.3
1942.....	21,912	1,578	7.2
1943.....	24,482	2,386	9.7
1944.....	25,178	1,495	5.9
1945.....	23,687	1,220	5.2
1946.....	22,956	773	3.4
1947.....	23,435	500 <sup>2</sup>	2.1

(1) Not available.

(2) Estimated.

As shown in the accompanying table, the United States has not been a heavy exporter of meat under the conditions prevailing during the past fifteen years. The proposed ECA shipments will represent only 0.2 per cent of the 1947 production for the first year, and will rise to only 0.8 per cent in the fourth year. This is hardly large enough to exert much pressure on domestic prices. Unless the State Department's estimates are radically changed, the ECA program will be only a minor factor of strength added to the domestic demand for meat.

**Dairy Products and Eggs** The State Department estimates 160 million dollars of dairy products will be required from the United States during the first year and only 90.3 million during the last year. Thus the first year represents only a small increase over the actual exports to ECA countries of 143 million dollars during the calendar year 1947, while egg requirements estimated at 24 million dollars the first year and 12 million a year thereafter are far below the 86 million dollars worth actually shipped in 1947. As long as the high level of production of dairy products and eggs continues the small amounts called for by the ECA program can have only a minor effect on domestic prices.

**Fertilizer** State Department estimates call for shipments of phosphates and nitrogen but no potash from the United States. Shipments of 83,000 metric tons of phosphates are scheduled for each of the four years and because of rapidly increasing supplies of this commodity in the United States no problem is anticipated. The situation is somewhat different with respect to nitrogen. Exporting 70,000 metric tons during the first year, while at about the current rate, will nevertheless take just that much nitrogen fertilizer from United States farmers. The heavy war and postwar agricultural output has required tremendous quantities of nitrogen fertilizer. Current domestic consumption is well over double that of the prewar period. Although domestic production of nitrogen has also increased, it has not kept pace with demand and substantial imports have occurred. Prior to 1947 our exports of nitrogen were nominal, usually about one fourth of nitrogen imports. In 1947 for the first time exports exceeded imports.

It is apparent then that farmers in the Tenth Federal Reserve District will find the current shortage of nitrogen fertilizer somewhat accentuated during the next two years by the demands of the ECA program. The effect, however, will not be serious.

**Farm Machinery** Much of the agricultural region of the Tenth Federal Reserve District is heavily mechanized and thus is vitally inter-

ested in any activity which decreases the amount of farm machinery available for purchase. Farm machinery, like nitrogen fertilizer, is currently in short supply. A substantial backlog of demand still overhangs the market in spite of rapid increases in farm machinery output. The accompanying table shows the production and distribution picture during the past five years.

	U. S. FARM MACHINERY AND EQUIPMENT PRODUCTION, CONSUMPTION, AND EXPORTS				
	(In millions of dollars)				
	1943	1944	1945	1946	1947
Production.....	373.3	659.0	750.5	886.5	1,063.0
Domestic consumption.....	335.5	589.4	661.5	801.3	936.0
Exports.....	42.9	69.6	89.1	85.1	127.0
Exports as per cent of production.....	11.3	10.6	11.9	9.6	12.0

The "Krug Report" summarizes its findings regarding farm machinery as follows: "Even if present exports, estimated at 12 per cent of production, were further increased by 50 per cent in 1948, it is doubtful whether the amount of new machinery available for domestic use would have to be reduced since total production in 1948 is likely to increase by at least an equivalent amount. . . . Beyond 1948 domestic demand is expected to slacken from the present unprecedented levels, due to reduction in backlogs, thus freeing some production facilities for increases in exports." However, United States farmers would undoubtedly take the entire domestic production of agricultural machinery in 1948, if it were made available to them. Hence whatever portion of this output is exported will be at the expense of domestic demand. But the amounts to be shipped under ECA probably are not large enough to affect seriously the output of agricultural products.

**Petroleum** Because of the extremely heavy domestic demand for petroleum in the United States it was recommended that almost the entire ECA requirements of this commodity be supplied from the Caribbean and Middle East. In this area the largest increases in petroleum output are expected and sources already developed are ready to supply large additional amounts of crude petroleum as soon as transportation equipment is available to move it and refinery capacity to process it.

Although the United States is currently producing over 60 per cent of the total world output of crude oil, the domestic demand is so large that the nation is now a net importer of fuel oil and crude petroleum. In spite of this, in 1946 one fifth of Europe's requirements of 308 million barrels of petroleum products was supplied by the United States. However, if domestic demand continues to grow and no large sources of supply are discovered, exports of gasoline and fuel oil will undoubtedly decline. Because of these condi-

tions it does not appear that ECA requirements will noticeably affect the oil producing areas of the Tenth Federal Reserve District.

**Iron and Steel** The domestic demand for iron and steel in the postwar period has been at unprecedented peacetime levels. Huge backlogs of demand had been built up during the war and the iron and steel productive capacity has not been able to keep pace with it. This has resulted in shortages throughout much of the producers' and consumers' goods fields. It has held up the construction of manufacturing plant and equipment. It has slowed the output of producers' and consumers' goods using iron and steel. It is a major cause of shortages of oil drilling and transporting equipment, of freight cars, of farm machinery, and automobiles. The use of iron and steel permeates the entire economy and shortages have widespread effects.

Consequently, the proposed shipments of iron and steel under the ECA program have received critical attention from a wide variety of sources. The original estimates by the 16 European countries were adjusted prior to passage of the ECA and it appears likely further revisions may be made. However, iron and steel are also vital to the quick recovery of the European economy and this objective must be weighed against possible injury to the domestic economy. Perhaps the most that can be said at present is that any shipments of iron and steel under the ECA will remove just that much from domestic users. The larger the amount shipped the greater the injury to the economy of the United States. It should also be added that as the defense program of the United States unfolds another potent user of iron and steel will appear in the domestic market.

**Freight Cars** There is currently a serious shortage of box-cars for grain, gondola cars for coal, and tank cars for petroleum. The "Krug Report" stated there were 100,000 cars on order and it was expected new orders would average 80,000 to 120,000

cars a year for five years. However, the freight car industry has recently been allocated sufficient steel to maintain a substantial repair program and produce 10,000 new cars a month. But at this rate it will be some time before domestic needs are satisfied.

State Department recommendations of 20,000 cars for the first year of ECA are equivalent to 8,000 United States cars or slightly less than one month's production. If this is met, it will postpone by about one month substantial easing of the United States freight car situation. Presumably this will be felt most by the wheat farmers of this District in the critical late summer months.

**The Long-Term Position** In the Economic Cooperation Act, Congress found "that the existing situation in Europe endangers the establishment of a lasting peace, the general welfare and national interest of the United States, and the attainment of the objectives of the United Nations." If the program of economic rehabilitation provided for in this Act will further the establishment of a lasting peace, the minor inconveniences outlined above represent a very small price.

However, there is one other, more tangible benefit, which will accrue to the Tenth Federal Reserve District if the economic rehabilitation of western Europe is brought about promptly. Because the countries of western Europe are highly urbanized and industrialized, they have for many years been heavy importers of grains and other foods. Thus from 1934 to 1938 imports of grain averaged 25 million tons a year, fats and oils 3.2 million tons, sugar 3.7 million tons, and meat 1.7 million tons. Other foods were also imported in considerable quantities. But normal importations can be made only if these countries are producing their usual industrial products in adequate amounts for exportation. This they cannot do in the present state of their economy. The Tenth Federal Reserve District, as one of the major food producing areas of the United States is vitally concerned in the rehabilitation of this potentially long-term market.

## BUSINESS AND AGRICULTURAL CONDITIONS

### MEMBER BANK CREDIT

Loan volume of District member banks increased somewhat during May, owing in part to usual seasonal influences. For the reserve city member banks the increase in loans during May followed three months of decrease, while for the country member banks it was a continuation of a steady upward trend. As compared with a year ago, reserve city bank loans are up 19 per cent and country bank loans are up 24 per cent.

Member bank holdings of Government securities increased slightly during May, an increase at reserve city banks more than offsetting a further decline in holdings of Government obligations at country banks. Other security holdings have shown little change in recent months. Government security holdings are now about 8 per cent smaller than a year ago at reserve city banks and 4 per cent smaller at country banks, while other security holdings are up 9 and 18 per cent, respectively.

## SELECTED ITEMS OF CONDITION OF TENTH DISTRICT MEMBER BANKS

(In millions of dollars)

	ALL MEMBER BANKS			RESERVE CITY BANKS			COUNTRY BANKS		
	May 26 1948	Apr. 28 1948	May 28 1947	May 26 1948	Apr. 28 1948	May 28 1947	May 26 1948	Apr. 28 1948	May 28 1947
Loans and investments.....	4,179	4,156	4,073	2,243	2,226	2,223	1,936	1,930	1,850
Loans and discounts.....	1,306	1,292	1,077	762	755	638	544	537	439
U. S. Government obligations.....	2,508	2,501	2,673	1,293	1,284	1,412	1,215	1,217	1,261
Other securities.....	365	363	323	188	187	173	177	176	150
Reserve with F. R. Bank.....	788	777	756	476	461	456	312	316	300
Balances with banks in U. S.....	559	577	598	239	256	254	320	321	344
Cash items in process of collection.....	255	247	210	238	230	196	17	17	14
Gross demand deposits.....	4,858	4,846	4,748	2,683	2,667	2,633	2,175	2,179	2,115
Deposits of banks.....	772	796	862	715	736	796	57	60	66
Other demand deposits.....	4,086	4,050	3,886	1,968	1,931	1,837	2,118	2,119	2,049
Time deposits.....	670	670	662	362	363	358	308	307	304
Total deposits.....	5,528	5,516	5,410	3,045	3,030	2,991	2,483	2,486	2,419
Borrowings.....	14	7	9	12	5	7	2	2	2

Interbank demand deposits declined in May at both reserve city and country member banks. Other demand deposits also decreased at country banks, but there was a moderate increase in other demand deposits at reserve city banks. Interbank demand deposits show a decrease of 10 per cent from last year at reserve city banks and a decrease of 14 per cent at country banks, but other demand deposits are 7 and 3 per cent, respectively, higher than last year.

	BANK DEBITS		Change from '47	
	May 1948	5 Mos. 1948	May	5 Mos.
	(Thousand dollars)		(Per cent)	
<b>COLORADO</b>				
Colo. Springs.....	37,073	172,306	+19	+7
Denver.....	460,039	2,340,072	+12	+12
Gr. Junction.....	12,415	62,088	+14	+8
Greeley.....	21,041	106,237	+32	+27
Pueblo.....	35,173	177,173	+18	+10
<b>KANSAS</b>				
Atchison.....	17,250	76,714	+38	+12
Emporia.....	9,887	47,761	+14	+6
Hutchinson.....	50,629	227,748	+65	+23
Independence.....	6,194	32,768	-3	+3
Kansas City.....	62,644	306,241	+12	+8
Lawrence.....	10,021	50,093	+12	+12
Parsons.....	7,714	38,458	+12	+12
Pittsburg.....	10,713	57,517	+9	+19
Salina.....	38,030	190,533	+34	+18
Topeka.....	82,255	406,758	+7	+4
Wichita.....	200,786	1,117,285	+20	+18
<b>MISSOURI</b>				
Joplin.....	25,977	130,664	+9	+5
Kansas City.....	996,952	5,081,908	+15	+15
St. Joseph.....	89,524	479,834	+6	+11
<b>NEBRASKA</b>				
Fremont.....	16,002	80,522	+31	+32
Grand Island.....	22,172	108,033	-1	+10
Hastings.....	14,607	71,952	+5	+7
Lincoln.....	77,685	384,352	+11	+13
Omaha.....	421,102	2,287,792	-8	+1
<b>NEW MEXICO</b>				
Albuquerque.....	64,797	345,816	+16	+13
<b>OKLAHOMA</b>				
Bartlesville.....	110,521	467,317	+72	+58
Enid.....	41,850	196,921	+43	+19
Guthrie.....	4,405	21,109	+10	+7
Muskogee.....	22,822	114,642	+17	+8
Okla. City.....	290,399	1,441,206	+12	+13
Okmulgee.....	6,586	33,167	+17	+12
Ponca City.....	17,134	101,527	-18	+8
Tulsa.....	482,137	2,335,017	+38	+43
<b>WYOMING</b>				
Casper.....	24,511	117,130	+32	+28
Cheyenne.....	24,403	134,008	+15	+7
District, 35 cities.....	3,815,450	19,342,669	+15	+15
U. S., 333 cities.....	97,593,000	503,024,000	+11	+13

## DEPARTMENT STORE TRADE

Dollar volume of sales at reporting department stores in this District in May was 6 per cent larger than a year ago, and in the first three weeks of June it showed an increase of 9 per cent over the corresponding period last year. Sales showed very little change from April to May, after allowance for the usual seasonal change. The seasonally adjusted index of daily average sales in May was 336 per cent of the 1935-39 average, very close to the record level of 337 per cent in April. This compares with an average of around 302 per cent in the first quarter of the year.

Department store inventories declined contraseasonally in May for the second consecutive month, and the seasonally adjusted index of stocks dropped from 325 per cent of the 1935-39 average in April to 315 per cent in May as compared with the peak level of 353 per cent last March. Stocks of merchandise on hand May 31 were 18 per cent larger in value than a year earlier, and outstanding orders were about 16 per cent larger.

Department store sales and stocks in leading cities:

	SALES		STOCKS	
	May '48 comp. to May '47	5 Mos.'48 comp. to 5 Mos.'47	May 31,'48 comp. to May 31,'47	
	(Per cent increase or decrease)			
Denver.....	+4	+4	+8	
Pueblo.....	+24	+17	+17	
Hutchinson.....	+6	+6	+23	
Topeka.....	0	+9	+22	
Wichita.....	+9	+9	+24	
Joplin.....	+1	+6	+30	
Kansas City.....	+5	+10	+13	
St. Joseph.....	0	+1	*	
Omaha.....	+3	+5	+20	
Oklahoma City.....	+6	+10	+46	
Tulsa.....	+20	+18	+7	
Other cities.....	+2	+5	+24	
District.....	+6	+8	+18	

\* Not shown separately but included in District total.

## INDUSTRIAL PRODUCTION

**Meat Packing** With practically all of the meat-packing plants again open for operations, Federally inspected meat production throughout the entire country in the first week of June was down 4

per cent from the last week in May and was 17 per cent below the week ended June 7 last year. Since all but one of the large meat-packing companies were in a position to operate full time, the reduction in meat output was chiefly the result of fewer livestock being available for slaughter. Cattle slaughter in the Tenth District in May was 2 per cent above that in April but was 43 per cent below May, 1947. The slaughter of cattle, calves, hogs, and sheep at principal markets in this District so far this year has been substantially below the volume slaughtered in the same period of 1947. Although some of the decline from a year ago was attributable to the 10-week strike of packing-house workers, the major portion of the decline was a result of fewer numbers of livestock on farms and on feed for market as compared with last year.

**Flour Milling** Flour milling operations in the Southwest averaged about 95 per cent of capacity in May as compared with 93 per cent in April. Early in June this level of operations had declined to about 88 per cent of capacity as the flour milling industry entered the period of inactivity common at the close of a wheat crop year. Flour production in the Southwest during the first five months of this calendar year was only 5 per cent below the output in the corresponding period of 1947 as compared with a decrease of 12 per cent for the whole country. Southwestern mills have had a locational advantage over other sections of the country in the production and sale of much of the export flour purchased for relief purposes. Thus, the level of operations in this territory has been somewhat higher than that for the country as a whole.

Flour sales in the Southwest so far this year have ranged mostly from 30 to 60 per cent of capacity. Sales averaged about 50 per cent of capacity in the first week of June. This figure was not representative of the general demand for flour, however, as it was heavily influenced by the purchases of one of the largest bakery chains in the country which procured its forward needs for July and August. Otherwise, most bakers and other large users were allowing their inventories to decline, anticipating a more advantageous buying position as the new wheat crop came on the market. Lower cash wheat prices in the first part of June also served to delay buying by users that were in need of inventory replacements. Export sales were small in number and amounts, and family flour sales remained in only fair volume.

**Petroleum** The latest equipment in drilling, producing, refining, and transportation was displayed at the recent International Petroleum Exposition at Tulsa, Oklahoma. Small oil producers at-

tending the meeting were especially interested in a newly developed oil refinery on wheels that has been built by an Enid, Oklahoma, supply company. This mobile plant is designed for men who produce from 50 to 1,000 barrels of oil a day and who are now shipping their crude to large refineries—in many cases hundreds of miles away. This small refinery which is built to permit individual producers to convert their petroleum directly into gasoline makes use of high pressures and is reported to produce all grades of automobile gasoline, including the common high test.

Activity of the oil industry in the Rocky Mountain area continues to expand, with both major and independent oil companies carrying on an intensive search for new fields. In Wyoming, it is reported that 36 seismograph crews, the largest number in the state's history, now are working out of Casper, Gillette, Buffalo, Lusk, Newcastle, and Sheridan. It has been estimated that the daily expense of maintaining one seismograph crew in the field is approximately \$1,000. This alone is a clear indication of the important part that the oil industry plays in the economy of this area, through its spending for labor and materials.

The honor of having the world's deepest producing oil well now belongs to Natrona County, Wyoming. This well, which lies only about 30 miles due west of Casper, is now producing at a total depth of 14,307 feet. It is interesting to note that this well is located in an area where field work was done as early as 35 years ago.

**Employment** The growing importance of the Tenth District in the nation's defense program is shown in the recent announcement of plans to reactivate the Topeka, Kansas, and Casper, Wyoming, air bases. A large number of the expected 4,700 military personnel and civilian workers will begin coming into Topeka by the first of September, thus necessitating the immediate start of an extensive housing construction program to provide for the increase in population. The reactivation of the Casper air base for jet fighter planes may involve an influx of about 3,000 persons and will place additional pressure upon this community which is already experiencing a decided boom from the greatly expanded oil activity in the area.

In the Denver area, it is reported that an acute cement shortage is curtailing industrial and housing construction. Less than half the current demand for cement is being supplied, with the result that many new construction plans are being postponed and a large number of current projects are experiencing serious delay. This situation is a recurrence of a similar condition that existed last summer when building activity was at its seasonal high. It is reported that

a new mill at Portland, Colorado, will start operations around the first of July, and expectations are that its output will somewhat ease the existing shortage.

Employment trends in the Oklahoma City and Tulsa areas are continuing upward, with increased activity in the construction field and the usual seasonal upswing in trade and service industries the main contributing factors to the recent gains. Unemployment in these areas has been exceptionally low the past few months, although this condition has been somewhat changed with the entrance of large numbers of June graduates and summer-working students into the labor force.

### AGRICULTURE

**Crops** Scattered rains fell over many sections of central and western Nebraska, Kansas, and Oklahoma and eastern Colorado, Wyoming, and New Mexico in late May and early June, providing much needed soil moisture for the maturing wheat crop. On June 19 and 20 general rains were received over Nebraska, Kansas, and parts of Oklahoma and eastern Colorado and New Mexico. The rains in central and western Oklahoma and eastern New Mexico were too late to be of benefit to the wheat crop and simply delayed harvesting operations. Farther north the moisture arrived in time to stimulate the heading and filling of the heads, particularly on fallowed fields where surface moisture had been seriously depleted by the dry weather in April and May. In the rather extensive area in central Nebraska and Kansas where wheat was planted late last fall, the crop remained short, uneven, and late in heading, although some improvement in the Nebraska section was reported after rains fell in late May.

Department of Agriculture winter wheat estimates:

	Indicated 1948			Final 1947	Average '37-'46
	June 1	May 1	April 1		
	(In thousands of bushels)				
Colo.....	47,424	51,072	51,338	56,494	20,220
Kans.....	160,004	147,696	159,280	286,702	167,718
Mo.....	33,915	30,345	30,624	24,438	23,576
Nebr.....	65,620	67,609	75,123	89,292	53,442
N. Mex.....	2,788	3,280	2,985	9,120	2,951
Okla.....	81,492	74,701	75,450	104,734	63,680
Wyo.....	3,762	4,560	5,060	4,687	2,376
7 States.....	395,005	379,263	399,860	575,467	333,963
U. S.....	877,230	845,484	860,521	1,067,970	688,606

Corn was generally in good condition throughout the District and was materially benefited by the widespread rains that fell after mid-June. Northeastern Nebraska had an unusually dry spring and much corn there failed to germinate because of dry topsoil. Corn was mostly in the tasseling stage in Oklahoma by mid-June, while in northern Nebraska many farmers had not planted corn for fear it would not germinate in the dry soil. The outlook for oats and barley was poor to fair in most areas. The first crop of alfalfa

generally was excellent, with good quality and a high yield. Rather serious grasshopper damage to crops was reported in numerous areas.

The lower range of Kansas City cash grain prices:

	June 21 1948	May 29 1948	Apr. 30 1948	May 31 1947
No. 1 dk., hd. wheat, bu.....	\$2.25½	\$2.30½	\$2.37½	\$2.61¼
No. 2 mixed corn, bu.....	2.32	2.30	2.23	1.84
No. 2 white oats, bu.....	1.16½	1.13	1.18½	.98
No. 2 rye, bu.....	2.10	2.10	2.42	3.05
No. 2 barley, bu.....	1.60	1.66	1.78	1.61
No. 2 white kafir, cwt.....	3.60	3.76	3.83	2.90

**Livestock** Cattle and lambs were generally in good condition on June 1, except in the dry sections of the Southwest and in local areas of the northwestern part of the District where pastures were late in developing this spring. In these sections, short range feed and a lack of green forage have caused some decline in the condition of cattle and lambs. The feeding value of grass in the extremely dry sections declined rather sharply in May, and a few cattle have been moved out of the most adversely affected of these areas, notably eastern Wyoming. Elsewhere, pastures generally were providing adequate feed. Cattle in the Osage and Flint Hills pastures of Oklahoma and Kansas were making good gains, and the grass remained generally in excellent condition. Reports indicate that these pastures received about 2 per cent more cattle this summer than in the summer of 1947 but about 10 per cent less than in 1946.

Livestock prices in early June held close to, and in some instances were slightly higher than, the levels prevailing in May, with a new record price of \$33.00 per hundredweight being paid for spring lambs at Kansas City. At most terminal markets in the District, record high prices were paid for choice fed steers on June 21. The new high price at Kansas City was \$38.75 per hundredweight. The meat-packing plants that were closed by the strike of packing-house workers were not able to expand operations immediately to their normal capacity when the strike ended. Consequently, with the prices of cattle and other livestock already at near record high levels, the close of the strike did not cause any spectacular advance in livestock prices. In addition, most meat distribution centers still were adequately stocked with meat, so that there was little incentive for buyers to bid aggressively for livestock.

Top carlot livestock prices at Kansas City:

	June 21 1948	May 1948	Apr. 1948	May 1947	May 1946	May 1945
	(In dollars per hundredweight)					
Beef steers.....	38.75	34.25	31.00	27.00	17.65	17.50
Stocker cattle.....	29.50	31.00	29.50	23.00	15.50	17.15
Feeder cattle.....	32.50	30.00	29.25	23.50	17.25	15.90
Calves.....	29.00	31.00	29.00	26.00	15.00	17.50
Hogs.....	28.00	25.50	23.25	24.75	14.55	14.50
Lambs.....	30.50	32.50	27.50	25.25	17.75	16.10
Slaughter ewes.....	11.00*	13.25	13.00	9.75*	9.25*	8.00*

\*Shorn