

MONTHLY REVIEW

Agricultural and Business Conditions

TENTH FEDERAL RESERVE DISTRICT

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FEDERAL RESERVE BANK OF KANSAS CITY

JULY 31, 1948

BANKING TRENDS IN THE FIRST HALF OF 1948

Complete figures for the June 30 call report are now available for the 759 member banks in the Tenth District. The time is opportune, then, to look at what has been going on in banking during the first half of the year.

Since December 31, total deposits of these 759 banks have declined 5 per cent. Interbank deposits declined 12 per cent and other demand deposits—for the most part the deposits of individuals, partnerships, and corporations—declined 4 per cent. Time deposits were down 1 per cent. Capital accounts increased 4 per cent. In this period, these banks increased their borrowings from \$750,000 to \$2,400,000.

Naturally the reductions in deposit liabilities brought changes in bank assets. Loans and discounts increased 5 per cent, but holdings of United States Government securities declined 6 per cent. There was little change in the holdings of obligations of states and political subdivisions. Reserves with the Federal Reserve Bank declined 8 per cent and balances with other banks declined 10 per cent, but vault cash increased 5 per cent.

The foregoing figures show changes in all member banks in the District. There were, however, some differences of importance between reserve city banks and country banks. Loans and discounts, for instance, changed little in reserve city banks but they were up 11 per cent in country banks. Holdings of Government securities declined 8 per cent in country banks and only 4 per cent in reserve city banks. Total deposits declined less rapidly in country banks. The same was true of reserves with the Federal Reserve Bank and balances with other banks. Capital accounts increased 3 per cent in reserve city banks and 5 per cent in country banks.

Such were significant changes in the first half of the year. These changes, however, were not uniform within this six-month period. There was also a call for a statement of condition on April 12 and the figures for that date make it possible to compare the second quarter of the year with the first three months. In a general way, most of the important items except

loans declined in the first quarter but recovered in part in the second. The accompanying table gives the percentage changes for important bank figures.

CHANGES IN IMPORTANT BANK ITEMS Tenth Federal Reserve District

	Dec. 31 to Apr. 12	Apr. 12 to June 30	Dec. 31 to June 30
	(Percentage changes)		
Total deposits	-6	+2	-5
Interbank deposits	-17	+7	-12
Other demand deposits	-5	+1	-4
Time deposits	0	-1	-1
Loans and discounts.....	+3	+2	+5
U. S. Government securities.....	-6	0	-6
Other securities	-1	+2	0
Reserves with Federal Reserve Bk.	-10	+3	-8
Balances with banks.....	-15	+7	-10
Vault cash	+2	+3	+5
Capital accounts.....	+3	0	+4

Seasonal changes, of course, account for some of the differences shown in the table. From the high point in December, 1945, the gross public debt of the United States has been reduced about 26 billion dollars. This debt retirement has been made possible by Treasury net cash receipts from current operations and the sale of nonmarketable debt, and by drawing down large Treasury deposits held with commercial banks in December, 1945. These cash drains are the important factor offsetting the increase in bank loans. Since April the national debt has not changed greatly and the same is true of bank investments. The important factor making for an increase of deposits has been the continued expansion of loans.

The increase in loans since the first of the year has been almost wholly in the form of loans to farmers, real estate loans, and consumer instalment loans. There was virtually no change in the volume of commercial and industrial loans in the half year. This fact is significant, for this type of loan constitutes about 45 per cent of all loans of these 759 member banks. In contrast, loans to farmers increased 12 per cent; real estate loans secured by farm land increased 6; real estate loans secured by residential properties increased 10; and real estate loans secured by other properties increased 13 per cent.

In the first half of the year, retail automobile instalment loans increased 31 per cent; other retail instalment loans increased 39 per cent; repair and modernization instalment loans increased 18 per cent; and instalment cash loans increased 16 per cent. Loans to brokers and dealers, and other loans for purchasing or carrying securities declined about 20 per cent in the half year, but this type of loan is scarcely 2 per cent of total loans of Tenth District member banks.

In the first half of the year member banks in the Tenth District reduced their holdings of Government securities 6 per cent. At the same time these banks shortened materially the maturities of their investments. The percentage changes in holdings of different types of Government obligations are shown below:

	Percentage changes
Treasury bills	+68
Treasury certificates of indebtedness.....	+8
Treasury notes	-26
U. S. nonmarketable bonds.....	-2
Other U. S. bonds maturing within 5 years.....	-16
Other U. S. bonds maturing between 5 and 10 years.....	-5
Other U. S. bonds maturing between 10 and 20 years.....	-13
U. S. bonds maturing after 20 years.....	-12

On December 31 Treasury bills and certificates of indebtedness constituted 25 per cent of Tenth District member banks' total holdings of Government securities, while on June 30 they were 31 per cent. On the other hand, Government bonds maturing after 10 years were 9 per cent of all Government obligations on December 31, while they were 8 per cent on June 30.

Banking trends in the Tenth District in the first half of the year were not greatly different from those of the whole country. According to estimates of the Board of Governors of the Federal Reserve System, total deposits of all commercial banks in the United States on June 30 were 4 per cent lower than at the first of the year, while deposits in Tenth District member banks were 5 per cent lower. The loans of all commercial banks in the country were up 4 per cent and holdings of Government securities down 5 per cent, while the loans of Tenth District member banks were up 5 per cent and holdings of Governments down 6 per cent from the first of the year.

The above comparisons have great significance. During the war bank deposits in the Tenth District increased more rapidly than in the country as a whole, owing to the inflow of funds to purchase the large farm production sold at high prices, and to the large amount of new industrial activity the war brought to this area. A postwar drop in agricultural prices seemed inevitable, and it was assumed that this, together with greatly increased production of civilian goods in industrial centers, would bring about a regional redistribution of bank deposits.

It is nearly three years since V-J Day but there is little evidence that any such redistribution of deposits is under way. It is true that funds are flowing out of the Tenth District to buy the things people have long been waiting for, but funds are also flowing into the District to purchase what this area is producing. This movement of funds is reflected in the banking situation and the fact that bank deposits in the Tenth District have held their relative position since the close of the war indicates that no important regional shift of deposits has yet taken place.

The great war expansion of bank deposits was a new experience for American bankers. It was pretty well understood that when banks made loans they created deposits and that these deposits remained somewhere in the banking system until the loans were paid. For some time it was not so well understood, however, that the purchase of United States Government securities likewise created deposits which Treasury spending transferred to private accounts and that these deposits also remained in the banking system until bank investments were sold to depositors or retired with cash drawn from depositors. The deposits of most banks doubled or trebled during the war, and liabilities of such magnitude—the majority of them demand liabilities—were a sobering experience for bankers. As a result, many bankers are studying their deposits more carefully than ever before.

One hazard that is attracting attention is the concentration of deposits in the large accounts. A large number of small accounts is a matter of little consequence, for additions and withdrawals tend to offset each other. It is the large accounts that are causing concern. In a growing number of banks a list of the accounts over a given amount is prepared periodically—sometimes every two weeks or once a month—and circulated among the officers for the purpose, as one banker said, "so we can take a look at them."

In addition to the large accounts, increasing attention is being given to who own the deposits. Many banks are analyzing their accounts, for a knowledge of the type of business activity a deposit represents is the best clue as to how the deposits will act. The Federal Reserve System also is interested in this question and has completed nine studies of the ownership of deposits. These surveys were confined to an analysis of the demand deposits of individuals, partnerships, and corporations. It is known, of course, who own government deposits, and it is known who own the interbank deposits. In the area of the deposits of individuals and business firms, however, little has been known, and these deposits represent more than 60 per cent of the total.

In the nine surveys, usually more than 400 member banks in the Tenth District have cooperated with the

Federal Reserve Bank of Kansas City in giving an analysis of their individual and business accounts. The last survey was made as of January 30, 1948. The accompanying table shows the breakdown of the demand deposits of individuals and business firms and the percentage each type of ownership is of the whole.

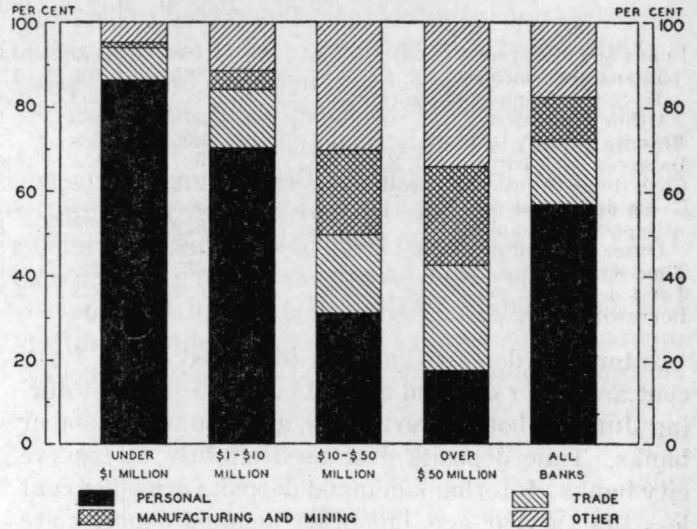
OWNERSHIP OF DEMAND DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS, JANUARY 30, 1948
Tenth Federal Reserve District

	Per cent of total
Manufacturing and Mining	10.0
Trade	15.0
Other	17.7
Public utilities	4.1
Other nonfinancial	4.5
Insurance	1.8
All other financial	4.0
Trust	0.8
Nonprofit	2.5
Personal	57.3
Farmers	23.4
Others	33.9
Total	100.0

The accompanying chart is even more illuminating than the table above. The bar on the extreme right pictures the percentage figures appearing in the table. The other four bars show how radically the different kinds of deposits vary in banks of different size. For instance, in banks with total deposits under a million dollars personal deposits were 87 per cent of all individual and business demand accounts, while in banks with total deposits over 50 million dollars personal deposits were only 19 per cent. In the larger banks, manufacturing and mining accounts, trade accounts, and those listed under "other" in the table increase rapidly in importance.

The foregoing discussion has to do with individual and business deposits. Interbank deposits, for reasons already given, were not included in the deposit ownership survey and such deposits tend to be concentrated in the larger banks. These deposits are probably the

OWNERSHIP OF DEMAND DEPOSITS, JANUARY 30, 1948, BY DEPOSIT SIZE OF BANK
Tenth Federal Reserve District



most volatile of all and in the early part of this article it was pointed out that interbank deposits declined 17 per cent in the first quarter of this year. These facts, taken together, show how the problem of managing deposits varies from bank to bank. The nature of the deposits and the nature of the demand for loans very largely determine the liquidity requirements of a bank. For this reason the investment program is an individual problem in each bank.

The decline in deposits that has taken place in 1948 has been the direct result of cash drawn from the public by the Treasury. The influence of Treasury net cash receipts on bank deposits, however, has, for the time being at least, largely spent its force. The war-swollen volume of deposits is yet in the banking system, and the central problem that the survey of the ownership of deposits deals with—who own these deposits and the light this information may give on how they will act—has lost none of its significance for the individual banker.

BUSINESS AND AGRICULTURAL CONDITIONS

MEMBER BANK CREDIT

Loan volume of District member banks continued to expand during June. An increase in loans is customary at this season, and the increase for the month this year was considerably larger than that last year. For the reserve city member banks, loan volume was not quite as high as it was early this year, but for the country member banks, where loans have been increasing steadily, volume was the largest thus far in 1948. As compared with a year ago, reserve city bank loans are up 22 per cent and country bank loans are up 24 per cent.

Member bank holdings of Government securities declined during June, easing to the lowest point thus far this year. Holdings of Government obligations at reserve city banks still are higher than at the end of the first quarter, but at country banks they have been declining rather steadily. Other security holdings increased somewhat at country banks during June. Holdings of Government obligations are down 7 per cent from a year ago at reserve city banks and are down 3 per cent at country banks, while other security holdings are up 7 and 20 per cent, respectively, as compared with last year.

SELECTED ITEMS OF CONDITION OF TENTH DISTRICT MEMBER BANKS
(In millions of dollars)

	ALL MEMBER BANKS			RESERVE CITY BANKS			COUNTRY BANKS		
	June 30 1948	May 26 1948	June 25 1947	June 30 1948	May 26 1948	June 25 1947	June 30 1948	May 26 1948	June 25 1947
Loans and investments.....	4,168	4,179	4,022	2,237	2,243	2,188	1,931	1,936	1,834
Loans and discounts.....	1,325	1,306	1,081	771	762	634	554	544	447
U. S. Government obligations.....	2,473	2,508	2,613	1,278	1,293	1,378	1,195	1,215	1,235
Other securities.....	370	365	328	188	188	176	182	177	152
Reserve with F. R. Bank.....	800	788	766	482	476	461	318	312	305
Balances with banks in U. S.....	627	559	623	284	239	270	343	320	353
Cash items in process of collection.....	271	255	226	253	238	211	18	17	15
Gross demand deposits.....	4,955	4,858	4,730	2,755	2,683	2,629	2,200	2,175	2,110
Deposits of banks.....	829	772	872	768	715	808	61	57	64
Other demand deposits.....	4,126	4,086	3,867	1,987	1,968	1,821	2,139	2,118	2,046
Time deposits.....	667	670	662	359	362	358	308	308	304
Total deposits.....	5,622	5,528	5,401	3,114	3,045	2,987	2,508	2,483	2,414
Borrowings.....	3	14	12	2	12	11	1	2	1

Interbank demand deposits increased about 7 per cent and other demand deposits about 1 per cent during June at both reserve city and country member banks. Time deposits decreased slightly at reserve city banks. Interbank demand deposits are 5 per cent less than a year ago, but other demand deposits are 9 per cent larger at reserve city banks and 5 per cent larger at country banks. Time deposits show a small increase over last year.

DEPARTMENT STORE TRADE

Dollar volume of sales at reporting department stores in this District in June was 12 per cent larger than a year ago, and sales in the first half of July were about 9 per cent above the corresponding period last year. Sales decreased considerably more than is usual from May to June, and the seasonally adjusted index of daily average sales declined from the near record level of 336 per cent of the 1935-39 average in May to 328 per cent in June. In the first quarter of this year the sales index averaged around 302 per cent and in the second quarter about 334 per cent.

Department store inventories declined contraseasonally in June for the third consecutive month, and the seasonally adjusted index of stocks dropped from 315 per cent of the 1935-39 average in May to 299 per cent in June. This compares with the peak level of 353 per cent last March. Stocks of merchandise on hand at the end of June were 20 per cent larger in value than a year ago, and the volume of merchandise on order was about 5 per cent larger.

Department store sales and stocks in leading cities:

	BANK DEBITS		Change from '47	
	June 1948	6 Mos. 1948	June	6 Mos.
COLORADO	(Thousand dollars)		(Per cent)	
Colo. Springs.....	40,608	212,914	+19	+9
Denver.....	498,272	2,838,344	+17	+12
Gr. Junction.....	12,513	74,601	+18	+10
Greeley.....	19,994	126,231	+30	+28
Pueblo.....	40,151	217,324	+25	+12
KANSAS				
Atchison.....	15,068	91,782	+7	+11
Emporia.....	9,508	57,269	+27	+9
Hutchinson.....	50,878	278,626	+86	+32
Independence.....	7,285	40,053	+8	+4
Kansas City.....	68,183	374,424	+21	+10
Lawrence.....	11,256	61,349	+22	+13
Parsons.....	8,798	47,256	+20	+14
Pittsburg.....	11,738	69,255	+16	+18
Salina.....	38,826	229,359	+38	+21
Topeka.....	101,210	507,968	+30	+8
Wichita.....	234,351	1,351,636	+18	+18
MISSOURI				
Joplin.....	27,821	158,485	+14	+7
Kansas City.....	1,115,984	6,197,892	+30	+17
St. Joseph.....	96,666	576,500	+16	+12
NEBRASKA				
Fremont.....	18,557	99,079	+57	+36
Grand Island.....	22,036	130,069	+20	+12
Hastings.....	15,483	87,435	+18	+9
Lincoln.....	76,721	461,073	+16	+13
Omaha.....	497,211	2,785,003	+13	+3
NEW MEXICO				
Albuquerque.....	72,006	417,822	+25	+14
OKLAHOMA				
Bartlesville.....	121,182	588,499	+102	+65
Enid.....	63,711	260,632	+31	+22
Guthrie.....	4,921	26,030	+51	+13
Muskogee.....	23,304	137,946	+27	+10
Okla. City.....	313,658	1,754,864	+20	+14
Okmulgee.....	6,392	39,559	+18	+13
Ponca City.....	19,248	120,775	-4	+6
Tulsa.....	505,526	2,840,543	+38	+42
WYOMING				
Casper.....	28,343	145,473	+55	+33
Cheyenne.....	28,394	162,402	+20	+9
District, 35 cities.....	4,225,803	23,568,472	+26	+17
U. S., 333 cities.....	108,629,000	611,653,000	+15	+14

	SALES		STOCKS
	June '48 comp. to June '47	6 Mos. '48 comp. to 6 Mos. '47	June 30, '48 comp. to June 30, '47
	(Per cent increase or decrease)		
Denver.....	+6	+4	+13
Pueblo.....	+24	+18	+12
Topeka.....	+15	+10	+21
Wichita.....	+13	+10	+25
Joplin.....	+13	+7	+29
Kansas City.....	+11	+10	+18
St. Joseph.....	+8	+2	*
Lincoln.....	+17	+11	*
Omaha.....	+12	+6	+18
Oklahoma City.....	+18	+12	+46
Tulsa.....	+18	+18	+9
Other cities.....	+12	+6	+28
District.....	+12	+9	+20

*Not shown separately but included in District total.

INDUSTRIAL PRODUCTION

Meat The slaughter of cattle, calves, hogs, and
Packing sheep at principal District markets increased rather sharply from May to June. However, the slaughter of livestock at these markets

in the first half of 1948 was from 10 to 30 per cent below that in the corresponding period of 1947. Packing company buyers bid aggressively for the seasonally lighter receipts of finished cattle in June and early July. One load of prime choice fed steers was purchased by a Kansas City packing company for \$40.50 per hundred pounds. Hog receipts at District markets increased contraseasonally in June and were almost 30 per cent over the 10-year average for the month.

Total meat production in the United States in the second quarter of the year, April through June, was estimated at about 10 per cent less than in the same period last year. Federally inspected meat production for the entire country in the week ended July 17 was 35 per cent above the previous week but was 5 per cent below that in the week ended July 19, 1947. Retail meat prices advanced sharply in early July, as the prices of livestock reached or approached record highs. Hog and pork prices have been low relative to cattle and beef prices since mid-May, principally because the slaughter of cattle was near the lowest levels of the year and hog slaughter was near its spring peak.

Flour Milling After several months of slow business, flour mills in the Southwest reported a sharp advance in the volume of flour sales during the first week in July. The increase in business was generally accounted for by a reduction in flour prices resulting from the drop in wheat prices, which fell as much as 6 cents below the wheat loan level. At a number of mills, sales in the first week of July amounted to almost 500 per cent of production capacity for the week, while sales volume in the entire territory averaged about 250 per cent of capacity. Even though a considerable number of large flour users purchased heavily in early July, it appeared that many concerns remained out of the market, deferring the purchase of their full needs until a later date.

Flour milling operations throughout the Southwest in early July averaged about 87 per cent of capacity. This compares with 92 per cent in June and 95 per cent in May. A high volume of flour sales in any one week does not necessarily require a high level of milling operations as flour stocks on hand may enable mills to fill orders resulting from a temporarily accelerated volume of sales. This fact is well illustrated by the preceding statistics on milling operations and flour sales for the first week in July. While sales were at the highest level since early 1947, mill operations were at one of the lowest points in several weeks.

Petroleum In its most recent forecast of market demand for crude oil, the United States Bureau of Mines pointed out that there has been a

decided increase in the second quarter of this year in the demand for refined products. There has also been an outstanding gain in the amount of crude oil that can be handled by existing refinery capacity. Domestic demand for motor fuel and distillate fuel oil has increased sharply, and the Bureau has been forced to revise upward its 1948 forecast of total supply and demand for all oils. The Bureau stated in its June 30 release that "compared with 1947, the revised forecast for 1948 indicates a probable increase, on a daily average basis, of 8.6 per cent in domestic crude oil production and an increase of 9.9 per cent in total crude runs. It is anticipated that total imports of all oils into continental United States will exceed exports and shipments to noncontiguous territories by about 38 million barrels. The estimated domestic demand in continental United States, including all new deliveries to the armed forces, is 8.9 per cent greater than in 1947—with increases in 1948 of 10.0 per cent for motor fuel, 1.7 per cent for residual fuel oil, 19.3 per cent for distillate fuel oil, 14.2 per cent for kerosene, and 6.2 per cent for other products."

Oil and gas operations in San Juan County, New Mexico, have received an added impetus from the recent announcement that a plant will be constructed near Bloomfield, New Mexico, to manufacture gasoline from natural gas. This plant, which is scheduled to cost approximately \$750,000, will process 20 million cubic feet of gas a day for the production of 16,000 to 20,000 gallons of gasoline. Present plans call for completion of the plant by July, 1949.

Drilling activity in Wyoming is continuing at a rapid pace, with 158 locations being explored for oil on June 30. In addition, 45 other sites have been staked out for new wells to be started as soon as drilling rigs are available. During the first six months of 1948, 20 new producing fields were brought in, with the ratio of discoveries, one in every four wildcats drilled, the highest in the nation.

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

	June 1948	6 Mos. 1948	Change from '47	
	(Thousand barrels)		June	6 Mos.
			(Per cent)	
Colorado.....	1,370	8,196	+8	+16
Kansas.....	9,105	53,297	+4	+5
Nebraska.....	13	102	-28	-8
New Mexico.....	3,850	23,260	+19	+21
Oklahoma.....	12,807	74,716	+13	+10
Wyoming.....	4,372	25,941	+22	+25
Six states.....	31,517	185,512	+12	+12
United States.....	164,479	984,053	+8	+11

Employment With the close of the school term, graduates obtaining full-time positions and students securing summer work brought total civilian employment in the United States to the

highest peak on record. Employment stood at 61¼ million persons at mid-June, a level 2½ million higher than in the previous month and 1¼ million above a year ago. Unemployment also increased between May and June, reaching a level of 2¼ million persons. The simultaneous increases in both employment and unemployment reflect the expansion of an estimated 3 million persons in the labor force between May and June, the greater portion of whom found employment, with the remainder actively seeking work.

Reactivated military training bases and airfields soon will be contributing to the already expanding business activity of the Rocky Mountain area. Under the impetus of the peacetime draft and the air force expansion, various communities in Wyoming, New Mexico, and Colorado shortly will be experiencing the pressure of incoming military and civilian personnel upon their already tight housing supply. The planned reactivation of the air base at Fort Warren, near Cheyenne, Wyoming, has been announced. In addition, the wartime air bases at Clovis and Hobbs, New Mexico, are being made ready to accommodate the scheduled influx of additional personnel. It also is expected that the number of soldiers at Camp Carson, Colorado, will be increased from the present 2,000 to around 15,000 by early fall.

Nonagricultural employment in the Wichita, Kansas City (Kansas), and Coffeyville areas continued to increase during June, with even further gains in employment being expected in the Wichita area during the next four months. Employment in contract construction work was at an exceptionally high level in all three areas during June. Aircraft industries at Wichita are planning to employ an additional 1,000 workers by October, a gain which would bring total aircraft workers in that area to an estimated 9,500 and would result in the largest number employed in the aircraft industries at Wichita since V-J Day.

AGRICULTURE

Crops A decided weakness was evident in wheat and corn prices during early July as a wheat crop of unexpected proportions was being harvested and weather conditions remained favorable for the growth of corn. Although wheat harvesting in the heavy producing areas of Kansas, Colorado, and Nebraska was frequently interrupted by rain, over two thirds of the "miracle" crop was in elevators, bins, boxcars, or stored in the open by July 19. In the eastern portions of the District intermittent rains and partly cloudy days provided almost ideal climatic conditions for the growth of an excellent corn crop. The outlook for corn in Nebraska was for one of the best crops in the state's history. Harvesting of barley and oats continued in Kansas, Colorado, Nebraska, and Wyoming;

	RAINFALL			
	June 1948	June Normal	6 Mos. 1948	6 Mos. Normal
	(In inches)			
COLORADO				
Denver.....	2.05	1.38	8.50	7.65
Leadville.....	0.94	1.19	9.57	8.66
Pueblo.....	2.44	1.36	9.63	5.66
Lamar.....	2.40	2.12	6.09	7.68
Alamosa.....	1.65	0.52	4.04	2.67
Steamboat Springs.....	2.20	1.46	9.10	12.69
KANSAS				
Topeka.....	5.28	4.00	18.33	15.51
Toia.....	5.76	5.05	19.33	19.20
Concordia.....	5.65	4.15	14.27	12.64
Salina.....	5.46	4.50	15.26	13.78
Wichita.....	9.76	4.58	16.97	15.78
Hays.....	7.72	4.09	15.49	11.80
Goodland.....	6.97	2.77	11.13	8.93
Dodge City.....	4.40	3.19	11.70	10.13
Elkhart.....	2.56	2.37	9.79	8.22
MISSOURI				
St. Joseph.....	7.01	4.95	16.85	18.27
Kansas City.....	5.45	4.68	14.28	17.24
Joplin.....	13.53	6.00	25.67	23.10
NEBRASKA				
Omaha.....	2.21	4.56	9.29	13.84
Lincoln.....	3.21	4.32	13.41	13.83
Norfolk.....	4.34	4.73	8.30	14.24
Grand Island.....	5.00	3.99	12.40	13.26
McCook.....	6.86	3.27	11.90	10.29
North Platte.....	2.28	3.22	5.78	9.84
Bridgeport.....	5.19	2.51	10.35	8.78
Valentine.....	5.64	2.87	9.57	9.59
NEW MEXICO				
Clayton.....	1.57	1.85	8.69	7.04
Santa Fe.....	2.40	1.16	6.51	5.41
Farmington.....	1.66	0.35	3.78	3.46
OKLAHOMA				
Tulsa.....	11.17	4.45	23.84	19.63
McAlester.....	5.08	4.55	20.16	23.07
Oklahoma City.....	9.42	3.67	26.30	16.12
Pauls Valley.....	5.32	4.39	23.51	18.66
Hobart.....	1.41	3.54	11.57	14.24
Enid.....	3.87	4.02	13.24	15.05
Woodward.....	5.08	3.45	12.92	12.63
WYOMING				
Cheyenne.....	3.08	1.61	6.29	8.14
Casper.....	2.30	1.38	6.14	8.10
Lander.....	2.01	1.15	6.17	7.89
Sheridan.....	4.59	2.04	13.33	9.34

yields were unexpectedly high in some sections but disappointingly low in others. The outlook for sorghums in Oklahoma, Kansas, and New Mexico was good, with a sharp increase in sorghum acreage evident in New Mexico as a result of many farmers planting abandoned winter wheat land to sorghums this spring. Considered as a whole, July 15 crop prospects in the District were for one of the best years of record for grain and livestock feed.

The lower range of Kansas City cash grain prices:

	July 19 1948	June 30 1948	May 29 1948	June 30 1947
No. 1 dk., hd. wheat, bu.....	\$2.14	\$2.24	\$2.30½	\$2.14½
No. 2 mixed corn, bu.....	2.07	2.24	2.30	2.03
No. 2 white oats, bu.....	.76½	.97½	1.13	.98½
No. 2 rye, bu.....	1.75	1.98	2.10	2.65
No. 2 barley, bu.....	1.36	1.53	1.66	1.56
No. 2 white kafir, cwt.....	2.79	3.29	3.76	3.30

On July 9, a total embargo on wheat shipments to the Kansas City market was placed into effect. An embargo was also declared on shipments into the St. Joseph, Missouri, market on July 12. Earlier, the

same action was taken to reduce temporarily wheat receipts at the Houston and Galveston, Texas, markets. By July 16 the Kansas City embargo had been modified to allow some new shipments to be received. The congestion at most markets was caused by a combination of circumstances: (1) More boxcars were available to move wheat from country points than in recent years, (2) a simultaneous movement of wheat took place from areas where early wheat harvesting had been delayed by rain, and (3) an unusually large proportion of the crop was consigned to terminal storage facilities for Government loan purposes. In most instances the difficulties in handling the receipts were not due to a shortage of storage space but to insufficient unloading facilities to take care of daily arrivals.

The production of winter wheat in District states was estimated at somewhat over 455 million bushels as of July 1. Although 21 per cent below last year's record output, this year's crop may possibly be the second largest produced in these states. The indicated output in 1948 for each state, except Missouri, was below the production figures of the 1947 crop. In Missouri, this year's crop may exceed that of 1947 by 12 million bushels. Total wheat production in the United States this year is expected to be about 1.2 billion bushels, or the second largest on record.

Department of Agriculture winter wheat estimates:

	PRODUCTION			YIELD PER ACRE	
	Indic. 1948	Final 1947	Aver. '37-'46	Indic. 1948	Final 1947
	(Thousand bushels)			(Bushels)	
Colo.....	44,918	56,494	20,220	18.5	23.5
Kans.....	196,080	286,702	167,718	15.0	19.3
Mo.....	36,592	24,438	23,576	20.5	18.5
Nebr.....	71,586	89,292	53,442	18.0	21.0
N. Mex.....	3,280	9,120	2,951	10.0	14.5
Okla.....	98,470	104,734	63,680	14.5	15.5
Wyo.....	4,180	4,687	2,376	19.0	21.5
7 States.....	455,106	575,467	333,963	15.9	18.9
U. S.....	951,958	1,067,970	688,606	18.1	19.5

Livestock Western grazing conditions were greatly improved by rains in June and July. Thus, except in the limited dry areas in Wyoming and western New Mexico, cattle and sheep made good gains throughout late June and early July. Pastures in the more eastern sections of the District likewise were benefited by abundant rainfall in this period and were a source of excellent cheap feed for all classes of livestock. The Flint Hills-Osage Bluestem pastures of Kansas and Oklahoma were still furnishing a plentiful supply of grass and because of favorable rainfall were not drying as rapidly as is usual in July. This fact, combined with the strong trend in cattle prices in July, encouraged cattle owners to delay marketing so long as economical weight gains were being secured.

A new record high cattle price of \$40.50 per hundredweight was established for the Kansas City mar-

ket on July 13. Stocker and feeder cattle were also in good demand at most markets early in the month. Prices for feeder cattle were particularly strong toward mid-July and one lot of half-fat steers sold for \$36.00 per hundredweight at Kansas City. Considerable discussion has taken place in some quarters recently to the effect that the price spread between feeder cattle and fat cattle is not sufficiently wide to encourage full scale cattle feeding. It is reasoned that recent prices of feeders and the high cost of feed are not adequately compensated for by finished cattle prices. It is interesting to note that the spread between top prices of feeder steers and finished steers at Kansas City in July, 1929, was \$1.80 per hundred, in July, 1940, \$1.50 per hundred, and on July 19, 1948, it was \$3.50 per hundred.

Top carlot livestock prices at Kansas City:

	July 19 1948	June 1948	May 1948	June 1947	June 1946	June 1945
	(In dollars per hundredweight)					
Beef steers.....	39.50	38.75	34.25	28.75	17.65	17.65
Stocker cattle.....	32.00	30.25	31.00	23.00	15.40	17.50
Feeder cattle.....	36.00	34.00	30.00	23.75	17.50	15.75
Calves.....	30.00	31.00	31.00	26.00	15.50	17.50
Hogs.....	29.00	29.25	25.50	25.30	14.55	14.50
Lambs.....	30.50	33.00	32.50	26.50	17.75	16.00
Slaughter ewes.....	11.00*	11.50*	13.25	9.25*	9.00*	7.85*

*Shorn.

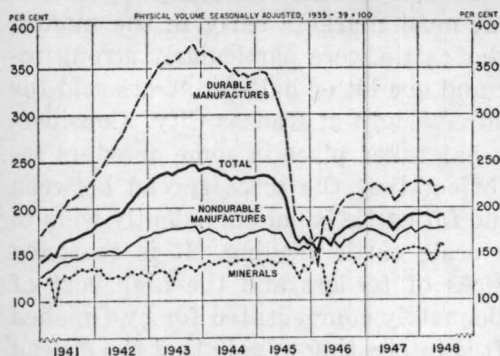
Statistics on the spring pig crop and breeding intentions for 1948 fall farrowings appear in the accompanying table. The 1948 spring pig crop in District states was 4 per cent under the crop in the spring of 1947. The 1948 spring crop for the entire country was 3 per cent under that of 1947. The sharpest decrease in District states took place in Nebraska where the 1948 spring crop was about 2.5 million head under that of 1947. According to breeding intentions June 1 this year, farmers in these states expected to farrow about 3 per cent fewer sows this fall than in the fall of 1947. However, the more favorable outlook for corn and other feed crops prevailing at mid-July as compared with a few months earlier may have the effect of decreasing the number of piggy sows marketed in late summer and early fall and thus increase somewhat the number of sows held on farms for fall farrowing.

Department of Agriculture pig crop estimates:

	PIGS SAVED			SOWS FARROWED		
	1948	1947	Aver. '37-'46	1948*	1947	Aver. '37-'46
	Spring			Fall		
	(In thousands)					
Colorado.....	245	226	277	30	26	36
Kansas.....	949	1,080	1,216	94	101	155
Missouri.....	3,066	3,045	2,835	375	375	393
Nebraska.....	2,599	2,864	2,618	114	130	159
New Mexico...	66	50	67	7	6	10
Oklahoma.....	580	558	762	85	85	120
Wyoming.....	78	78	69	8	9	9
Seven states...	7,583	7,901	7,844	713	732	882
United States...	51,421	52,802	52,968	4,910	4,908	5,344

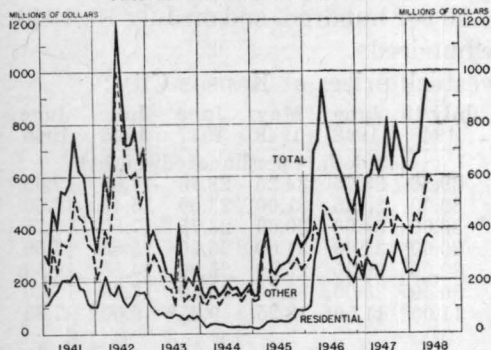
*Number indicated to farrow from breeding intentions reports.

INDUSTRIAL PRODUCTION



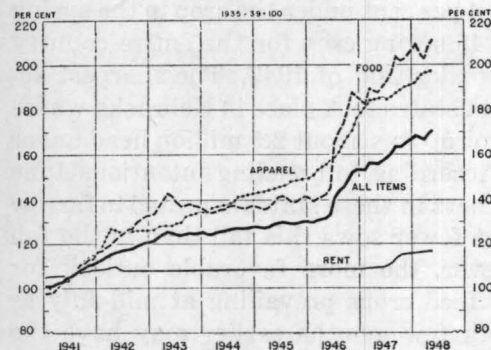
Federal Reserve indexes. Monthly figures, latest shown are for June.

CONSTRUCTION CONTRACTS AWARDED



F. W. Dodge Corporation data for 37 Eastern States. "Other" includes nonresidential buildings and public works and utilities. Monthly figures, latest shown are for June.

CONSUMERS' PRICES



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

YIELDS ON TREASURY AND CORPORATE SECURITIES



Weekly averages of daily figures compiled by Federal Reserve from data reported by U. S. Treasury Department, latest shown are for week ending July 17.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Total output at factories and mines showed little change in June and the early part of July after allowance for seasonal influences. Department store sales were at record levels for this season. Prices of meats and steel increased sharply in July, while cotton and grains declined.

INDUSTRIAL PRODUCTION

Industrial production in June continued close to the May level, and the Board's seasonally adjusted index was 192 per cent of the 1935-39 average as compared with 191 in May and 188 in April, when output was reduced by a strike at bituminous coal mines.

Output of durable goods increased further in June, reflecting mainly larger production of automobiles following settlement of an industrial dispute at the plants of a leading producer. Activity in the automobile industry reached earlier postwar peak rates in the first half of July.

Steel production in June continued at the May rate. Output of open hearth steel was slightly smaller, while electric steel production increased further by 5 per cent to a new record level, exceeding the wartime peak. Output of non-ferrous metals was reduced somewhat owing largely to a curtailment of aluminum production during the Columbia River floods.

Production of nondurable goods in June continued at a seasonally adjusted level of 178 per cent of the 1935-39 average. This level has prevailed, with slight variations, since the beginning of the year. Cotton consumption and paperboard production declined somewhat in June. Meat production, however, increased substantially following the end of a labor dispute which had curtailed packing operations since the middle of March. Activity in most other nondurable goods industries was maintained at the May rate or advanced slightly.

Minerals output declined 2 per cent from the exceptionally high May rate, as bituminous coal output was reduced owing to the beginning of the miners' 10-day holiday on June 28. Crude petroleum production continued to advance.

CONSTRUCTION

About 93,500 dwelling units were started in June, according to preliminary estimates of the Bureau of Labor Statistics. This number was somewhat smaller than the postwar high of 97,000 in May, but still considerably larger than the 77,000 units started in June, 1947. Dollar volume of all new construction put in place, according to joint estimates of the Department of Commerce and Labor, continued to increase in June and reached a record amount of 1,600 million dollars.

DISTRIBUTION

Value of department store sales showed about the usual seasonal decline in June and the first half of July. The Board's adjusted index remained around a record level of 310 per cent of the 1935-39 average, which was about 7 per cent higher than in the corresponding period a year ago.

Rail shipments of grain and forest products were in substantially larger volume in June, while loadings of most other classes of freight declined somewhat from the May rate after allowance for seasonal changes. Total loadings in the first half of July were above the same period a year ago, reflecting mainly a larger volume of coal shipments.

COMMODITY PRICES

The general wholesale price level rose further in July, reflecting sharp increases in prices of meats and steel products. Meat and livestock prices in mid-July were about 25 per cent higher than a year ago. Prices of most other farm products and foods continued to show little change or declined in July. Cotton and grain prices were somewhat below year-ago levels.

Prices of most iron and steel products were raised by 10 per cent or more in July. Coal prices were also advanced, while prices of petroleum products eased and prices of cotton goods declined somewhat further.

BANK CREDIT

Quarterly income tax payments by businesses and individuals during the last half of June substantially increased Treasury deposits at Reserve Banks and reduced commercial bank reserves and deposits. Banks met the drain on reserve funds largely through sales of Government securities to the Reserve Banks and through reductions in their excess reserves. During the first three weeks of July, reserves at banks increased somewhat. The Treasury drew down its balances to retire bills. Federal Reserve Bank holdings of bills were thereby reduced, but the System made net market purchases of Government securities in approximately equal volume and thereby supplied banks with additional reserves.

Commercial and industrial loans increased moderately in banks in leading cities during June and the first half of July. Consumer and real estate loans continued to expand. Banks reduced further their holdings of Government securities.

SECURITY MARKETS

Common stock prices declined sharply in the third week of July, following four weeks of relatively little change. A substantial portion of the mid-March to mid-June gain in prices was lost.

Prices of Government bonds changed little in the first three weeks of July, following some decline in June, but prices of corporate bonds declined further.