

MONTHLY REVIEW

Agricultural and Business Conditions

TENTH FEDERAL RESERVE DISTRICT

VOL. 33, No. 9

FEDERAL RESERVE BANK OF KANSAS CITY

SEPTEMBER 30, 1948

NEW AGRICULTURAL PRICE SUPPORTS

The New Law The two-year postwar period of guaranteed Government price supports for certain agricultural commodities was scheduled to expire December 31, 1948. For purposes of maintaining a sound and stable agriculture it was deemed advisable to extend a program of Government price supports further into the postwar period than had been previously contemplated. The Agricultural Act of 1948, which in part becomes effective January 1, 1949, grants the Secretary of Agriculture and the Commodity Credit Corporation authority to maintain a more or less flexible floor under the prices of agricultural commodities for an indefinite period in the future.

The Agricultural Act of 1948 is generally looked upon as the forerunner of a long-range program for the American farm. It extends through 1949 the present laws authorizing the support of agricultural commodity prices and sets forth new regulations governing Federal price support operations after January 1, 1950. The Act also proclaims a "modernized" formula for calculating parity prices, introduces a concept of "normal" and "total" supply that is to be applied in determining flexible price support levels for the so-called basic commodities, and establishes new regulations governing the use of marketing quotas. Although Congress has indicated a desire to reconsider and perhaps revise some portions of the new Act, the fundamentals of the law will likely remain unchanged and of significance to agriculture.

The new price support law classifies all farm commodities as either "basic" or "nonbasic." The so-called basic commodities are corn, wheat, cotton, tobacco, rice, and peanuts. So-called nonbasic commodities are all of the agricultural commodities not classified as basic. Beginning in 1950, the basic commodities are to receive price support at levels ranging from 60 to 90 per cent of the parity prices of those products as determined by the new parity price formula. This is in contrast to the present law which generally stipulates price support for various commodities at a level not less than 90 per cent of parity. To facilitate a tran-

sition from the provisions of the old law to the new, the price support levels applicable under the old law have been extended to June 30, 1950, for the so-called basic commodities marketed before that date, and to January 1, 1950, for the products now classified as Steagall commodities marketed before that date. To the extent that funds are available, price supports applicable under the old law are permissible for products other than the basic and Steagall commodities until January 1, 1950.

Revised Parity Formula Parity prices of farm products mean prices at a level that will give the farm commodities that farmers sell a purchasing power with respect to the articles that farmers buy equivalent to that which they had in some historical period when the two types of prices are judged to have been in a fair relationship to each other. The original parity formula used the years 1909 to 1914 as such a base period. Thus, the parity price of a farm commodity was computed by determining its average price from 1909 to 1914 and multiplying this price by the current index of prices paid by farmers for the articles they buy. This method of determining parity prices will continue to be used as a basis for calculating price support levels until January 1, 1950. After that date, the new Act stipulates that a "temporary transitional" parity formula and a new "permanent" parity formula shall be applied in the calculation of parity prices for agricultural products, except for the basic commodities that have been produced but not marketed by January 1, 1950, and for which the old price support levels continue until June 30, 1950.

The new parity formula is designed to reflect the changes in price relationships between individual farm commodities that have taken place since 1914 as a result of technological advances and improved farm production methods. In order to reflect these changes in a "modernized" parity price, a second historical period of average prices received by farmers has been added to the old formula. This period is the

PARITY PRICE CALCULATION UNDER PRESENT AND NEW PARITY PRICE FORMULAS

Commodity	PRESENT PARITY FORMULA			NEW PARITY FORMULA					
	Base Price 1909-1914	Index of Prices Paid by Farmers Aug. 15, 1948 1910-14=100	Present Parity Price Aug. 15, 1948 Col.(1)xCol.(2)	10-Year Average Price 1-38 to 12-47	Index of Prices Recd. by Farmers 1-38 to 12-47 1909-14=100	Adjusted Price Base Col.(4)÷Col.(5)	Index of Prices Paid by Farmers Aug. 15, 1948 1910-14=100	New Parity Price* Aug. 15, 1948 Col.(6)xCol.(7)	Per Cent New Parity is of Old Parity
	(1) Dollars Per Cwt.	(2) Per Cent	(3) Dollars Per Cwt.	(4) Dollars Per Cwt.	(5) Per Cent	(6) Dollars Per Cwt.	(7) Per Cent	(8) Dollars Per Cwt.	(9) Per Cent
Beef cattle.	5.42	251	13.60	10.90	168	6.49	251	16.29	120
Lambs.....	5.88	251	14.76	11.90	168	7.08	251	17.77	120
Hogs.....	7.27	251	18.25	12.50	168	7.44	251	18.67	102
Sheep.....	4.53	251	11.37	5.71	168	3.40	251	8.53	75**

*This is only illustrative since the new formula does not become operative until January 1, 1950.
 **In actual practice the new parity price would not be permitted to decline such an instance and would be no lower than 95 per cent of old parity; in 1951, 90 per cent; and so on until the transitional parity price becomes lower than the new permanent parity price.

ten years just previous to the year for which parity prices are being calculated. At the close of each new calendar or marketing year, the earliest year of the ten is dropped from the base period and the year just completed is added. This procedure places the computation of the average price of individual commodities and the index of all prices received by farmers on the basis of what is termed a ten-year moving average. Consequently, the new formula gives weight to any changes that may occur from year to year in price relationships between commodities such as corn and hogs. At the same time the general relationship between the prices paid and received by farmers in the years 1909 to 1914 remains as a fundamental factor in calculating parity prices under the new formula. The accompanying table illustrates the methods used in determining parity prices under the old and new parity price formulas.

On the basis of price relationships existing August 15 this year, parity prices as determined by the new formula would be higher than those calculated under the old formula in the case of all meat animals except sheep. They would also be higher for many other farm products such as chickens and turkeys. However, new parity calculations based on prices in mid-1948 do not necessarily indicate the possible parity levels in 1950 to be calculated from then current price data when the new formula becomes operative. Conceivably, parity prices determined by the new formula could then be substantially below those calculated under the old formula, exactly the opposite of results obtained now by the use of 1948 prices.

After January 1, 1950, whenever the parity price of a commodity as determined by the new formula is substantially below that as calculated by the old formula, the Act of 1948 authorizes the use of a transitional parity price formula which permits only a gradual reduction from the support level as determined by the old parity formula. Transitional parity is a "stop-loss" measure and will be the parity price of a commodity only so long as it is higher than parity as calculated by the new formula. In effect, the new parity price cannot decline more than 5 percentage points in any one calendar or marketing year from

the level as determined by the old parity formula. Thus, for example, the parity price of oats in 1950, as calculated by the new formula, might be 15 per cent below the parity price determined by the old formula, but because of limitations in the new price support law, the transitional parity price of oats would be set only 5 per cent below the old parity level for 1950. In following years, the parity price of oats is permitted to decline 5 percentage points a year, so that in 1951 the transitional parity price could be under parity as determined by the old formula by 10 per cent, in 1952 by 15 per cent, and so on until transitional parity is lower than parity as calculated by the new formula.

New Price Supports for Basic Commodities

Beginning in 1950, the level at which the price of each basic commodity will be supported for cooperators with Government acreage allotment and marketing quota programs will, except for corn producers outside the commercial corn producing area, not exceed 90 per cent of parity nor be less than 60 per cent of parity. Within these limits then, the support level for such products as wheat, corn, cotton, and peanuts will be determined in part

SCHEDULE OF MINIMUM PARITY PRICE SUPPORT LEVELS FOR BASIC COMMODITIES

Per Cent Total Supply Is of Normal Supply	Minimum Support Level as a Per Cent of Parity
Not more than 70.....	90
More than 70 but not more than 72.....	89
More than 72 but not more than 74.....	88
More than 74 but not more than 76.....	87
More than 76 but not more than 78.....	86
More than 78 but not more than 80.....	85
More than 80 but not more than 82.....	84
More than 82 but not more than 84.....	83
More than 84 but not more than 86.....	82
More than 86 but not more than 88.....	81
More than 88 but not more than 90.....	80
More than 90 but not more than 92.....	79
More than 92 but not more than 94.....	78
More than 94 but not more than 96.....	77
More than 96 but not more than 98.....	76
More than 98 but not more than 102.....	75
More than 102 but not more than 104.....	74
More than 104 but not more than 106.....	73
More than 106 but not more than 108.....	72
More than 108 but not more than 110.....	71
More than 110 but not more than 112.....	70
More than 112 but not more than 114.....	69
More than 114 but not more than 116.....	68
More than 116 but not more than 118.....	67
More than 118 but not more than 120.....	66
More than 120 but not more than 122.....	65
More than 122 but not more than 124.....	64
More than 124 but not more than 126.....	63
More than 126 but not more than 128.....	62
More than 128 but not more than 130.....	61
More than 130.....	60

by the relationship of the "total supply" to the "normal supply" of each commodity. The "total supply" of a basic commodity, except tobacco, is defined as the amount of the crop carried over from the previous marketing year plus the estimated production and imports of the crop during the current marketing year. "Normal supply" is defined as the estimated domestic consumption of the commodity during the preceding year plus allowances for carry-over and exports from crop production in the current year. Computing the support price for a basic commodity involves estimating the total supply and normal supply, determining the percentage which the total supply is of the normal supply, and reading from the accompanying table the exact permissible minimum price support level.

The following is an illustration of the procedure to be used in determining the support level of a basic commodity produced after January 1, 1950, and is based in part upon assumed data pertaining to wheat for the 1948-1949 crop year:

TOTAL SUPPLY

1. The carry-over of wheat from the previous crop year, 1947-1948, was.... 200,000,000 bu.
2. It is assumed that the Government estimate of wheat production for the current crop year, 1948-1949, is.....1,000,000,000 bu.
3. It is assumed that imports of wheat in the current crop year, 1948-1949, will be..... 0 bu.
4. The total supply of wheat for the current crop year, 1948-1949, is the sum of the above three figures and is, thus 1,200,000,000 bu.

NORMAL SUPPLY

1. The domestic consumption of wheat in the United States during the previous crop year, 1947-1948, was..... 769,000,000 bu.
2. It is assumed that the Government estimate of wheat exports during the current crop year, 1948-1949, is..... 500,000,000 bu.
3. It is assumed that the Government sets an allowance for carry-over of wheat into the next crop year, 1949-1950, of 200,000,000 bu.
4. The normal supply of wheat for the current crop year, 1948-1949, is the sum of the above three figures and is, thus1,469,000,000 bu.

MINIMUM SUPPORT LEVEL

1. The total supply of wheat, 1,200,000,000 bushels is slightly less than 82 per cent of the normal supply, 1,469,000,000 bushels.
2. Reading from the table of minimum support levels, the figure 82 per cent shows that wheat prices in the 1948-1949 crop year would be supported by Government loans, purchases, or other operations at not less than 84 per cent of parity.
3. Thus, if the new parity formula were in effect and if the parity price of wheat on July 1, 1948, were \$2.25 per bushel, price support for wheat in the marketing year 1948-1949 would be at a level that would reflect a price to the farmer of 84 per cent of \$2.25, or about \$1.89 per bushel.

The Secretary of Agriculture may require compliance by producers with acreage allotments, production goals, and marketing practices as a condition of their eligibility to receive price support. Producers

that comply with such programs are termed cooperators and are eligible to receive price support benefits ranging from 60 to 90 per cent of parity. If marketing quotas or acreage allotments are in effect, the minimum support level for cooperating producers of basic commodities is to be 20 per cent higher than that as determined from the schedule of minimum parity price supports. The support level, however, may not thereby be increased above 90 per cent of the parity price of the product as of the beginning of its marketing year. Support for noncooperators is optional and may be established by the Secretary of Agriculture at any level from zero to 90 per cent of parity. Furthermore, in the event that a program of marketing quotas is disapproved by more than one third of the producers of a basic commodity voting in a referendum, the price support level is to drop automatically to 50 per cent of parity. It is evident, therefore, that although the Act of 1948 makes provision for the support of the prices of basic commodities at levels ranging from 60 to 90 per cent of parity, there is no unconditional guarantee of such support to all producers of these commodities.

New Price Supports for Nonbasic Commodities With some exceptions, the new Act provides authority for the Government to support the prices of nonbasic farm commodities at

any level up to 90 per cent of parity beginning in 1950. To producers of cattle, sheep, hogs, grain sorghums, sugar beets, oats, barley, broomcorn, and other nonbasic commodities, this means that there is no minimum price support level of 60 per cent of parity for their products such as that provided for the producers of basic commodities. Whether a nonbasic commodity receives any price support and, if so, what the level of such support is to be are matters left to the determination of the Secretary of Agriculture. The law stipulates that in arriving at decisions on these questions the Secretary of Agriculture shall take into consideration such factors as the ability and willingness of producers to keep the supply of a commodity in line with the demand for it, the price level of other farm commodities, availability of funds to carry out price support measures, and the importance of the commodities to agriculture and the national economy.

These rather broad grounds for determining whether a nonbasic commodity shall receive price support and, if so, at what level such support is to become operative may easily become focal points of contention in any future widespread application of the law. Agriculture in many sections of the Tenth District is vitally dependent upon the production and marketing of so-called nonbasic commodities. A decision on the part of the Government to lower the level of price sup-

port for a nonbasic commodity might be opposed by the producers of the commodity on what appear to be as equally important grounds as those used by the Government to justify a lower level of price support. For instance, in 1950 it might be deemed advisable from the standpoint of the national economy to reduce the price support level for sugar beets from 90 to 50 per cent of parity. Beet producers might argue with some justification that, from the standpoint of the price level of other farm commodities and the agricultural future of their locality, the support level for sugar beets should not be dropped below 75 per cent of parity.

Several of the so-called nonbasic commodities are to receive special consideration under those provisions of the new Act that become effective January 1, 1950. For example, beginning in 1950 wool prices are to be supported at some level between 60 and 90 per cent of the parity price as of January 1 each year. The precise level of support within these limits is to be determined by the Secretary of Agriculture who must make a decision as to the price level necessary to encourage an annual production of 360 million pounds of shorn wool. Shorn wool production in the United States has been below 360 million pounds each year since 1943, and the output in 1948 is estimated at 237 million pounds, the smallest production since 1923. Presumably, wool prices will be supported in future years at the maximum level of 90 per cent of parity until sheep numbers increase sufficiently to enable the industry to produce 360 million pounds of shorn wool per year. Considering the present low level of the sheep population and the unfavorable financial returns that have characterized the sheep business since 1942, the necessary increase in sheep numbers may not take place for many years.

The prices of the various kinds of Irish potatoes are to be supported at some level ranging from 60 to 90 per cent of the parity for Irish potatoes as of the beginning of the respective marketing seasons. In addition, the Act grants the Secretary of Agriculture authority to place into effect incentive price supports higher than 90 per cent of parity for any commodity if such action is necessary in the interest of national security.

Marketing Quotas Several states in the Tenth District are large producers of agricultural commodities that in former years have been in surplus supply in relation to effective demand. Efforts to offset the price depressing influence of these surpluses have generally been directed toward reducing production by means of acreage allotments and governing the flow to market by marketing quotas. Although past experience does not give assurance that

either or both of these procedures will dissipate any future surpluses of cotton, wheat, or corn, it is evident from the Act of 1948 that such devices will be employed with the sole objective of maintaining the price of these products at some given level.

The Act decrees with respect to wheat and corn that the Secretary of Agriculture shall proclaim marketing quotas in effect for these products during the next succeeding calendar year when it is determined that the total supply is more than 20 per cent above the normal supply. For cotton, quotas will become operative when the total supply exceeds the normal supply by more than 8 per cent. Also, whenever the average price received by the producers of cotton, wheat, or corn falls below 66 per cent of parity for three successive months during one marketing year, quotas are to be placed into effect beginning the first of the next calendar year.

Program in the District A broad program of price supports such as is contemplated in the Act of 1948 provides much needed stability to farm income. At the same time, however, such a program is almost inevitably beset with uncertainties as to its possible long-run effects on agriculture. Without attempting to forecast these effects, it is possible to conjecture some of the difficulties that may stem from a widespread application of present laws governing farm commodity price supports.

Price support operations for potatoes have been carried out since 1945, and the indications are that holding the price of potatoes at what might be an artificially high support level has had the effect of encouraging a continued surplus production of potatoes. Somewhat the opposite tendency is evident in the case of sugar beet production in the Tenth District in 1948. The Government program of guaranteed returns to sugar beet growers was discontinued, with the result that many growers failed to plant beets for harvest in 1948. Other crops such as potatoes, wheat, corn, and beans, which were already receiving or were likely to receive price support, gave promise of a larger and more certain financial return. Thus, in the event of any future widespread application of price support measures whereby a few commodities produced in the Tenth District have a favorable level of price support while others have a less favorable level of support, there is some reason for expecting a shift to the production of the relatively higher priced commodities, even though they may already be in surplus supply.

In instances where a basic commodity such as wheat is in surplus supply and requires price support, it is likely that an effort will be made to reduce production by using acreage allotment programs in the heavy

wheat producing sections of the country. Wheat growers who cooperate with such a program may be expected to react much in the same manner as corn growers in the Corn Belt did to the corn acreage allotment program in the mid-1930's. At that time, corn producers generally reduced the acreage planted to corn according to the requirements of the acreage allotment program then in effect. The acreage withdrawn from corn production, however, was the least productive corn land and the acreage retained in corn production was the most productive. Moreover, increased use of hybrid corn and fertilizer boosted per acre production to such an extent that total corn production was not materially changed from that in years before the acreage allotment program began. Since much of the extensively farmed wheat lands of the west have virtually no alternative use except the comparatively expensive and difficult process of reseeding them to native or tame grass pasture, little else could be expected but that wheat producers would, under a program of wheat acreage reduction, farm more intensively. With average or better weather conditions in any one year, such a shift in wheat production methods would undoubtedly result in higher yields per acre that could conceivably offset the effect of acreage reduction on total wheat output.

The producers of wheat, corn, cotton, and peanuts in states of the Tenth District will almost certainly receive the benefit of price supports for their products in any future recession of agricultural prices,

provided the majority comply with existing programs of marketing quotas and acreage allotments. There is less certainty of full price support for many non-basic commodities such as cattle, sheep, hogs, grain sorghums, sugar beets, vegetables, beans, fruits, etc., which in many areas of the District are principal sources of income to large numbers of farmers and ranchers.

In this connection, however, the Secretary of Agriculture, in establishing a price support level for any one commodity, is directed to take into consideration the price levels at which other commodities are being supported, so that a fair parity relationship may be maintained among all farm commodities. Thus, it appears likely that the prices of the major nonbasic commodities may receive the degree of support deemed necessary to maintain their proper production and price relationships with other farm products. Nevertheless, maintenance of such relationships over a period of years may require that several of the non-basic products receive price support at levels substantially below 90 per cent of parity in order to shift production and prices "into line" with other farm commodities. The recent price and production levels reached by several nonbasic commodities produced in the Tenth District indicate that such a course of action may quite likely be followed when the new price support provisions of the Act of 1948 become effective January 1, 1950, or possibly earlier if the law is so amended.

BUSINESS AND AGRICULTURAL CONDITIONS

MEMBER BANK CREDIT

Loan volume of District member banks continued to expand during August, with increases of 6 per cent and 2 per cent at country banks and reserve city banks, respectively. An increase of 33 million dollars in country bank loan volume was the largest for any month during the 20 months that a monthly record has been available, and the increase for July and

August combined was equal to that of the previous six months.

Investment volume of District member banks showed little net change during the month. Both Government security holdings and other investments of the country banks were essentially unchanged. In the city banks, Government security holdings expanded by 9 million dollars and other investments declined by 4 million.

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

	ALL MEMBER BANKS			RESERVE CITY BANKS			COUNTRY BANKS		
	Aug. 25 1948	July 28 1948	Aug. 27 1947	Aug. 25 1948	July 28 1948	Aug. 27 1947	Aug. 25 1948	July 28 1948	Aug. 27 1947
Loans and investments.....	4,309	4,251	4,218	2,325	2,300	2,335	1,984	1,951	1,883
Loans and discounts.....	1,429	1,376	1,152	822	802	695	607	574	457
U. S. Government obligations.....	2,506	2,497	2,731	1,310	1,301	1,462	1,196	1,196	1,269
Other securities.....	374	378	335	193	197	178	181	181	157
Reserve with F. R. Bank.....	818	812	827	499	491	508	319	321	319
Balances with banks in U. S.....	597	620	695	253	261	273	344	359	422
Cash items in process of collection.....	257	270	236	240	253	220	17	17	16
Gross demand deposits.....	5,078	5,050	5,084	2,820	2,806	2,841	2,258	2,244	2,243
Deposits of banks.....	833	865	1,008	774	801	936	59	64	72
Other demand deposits.....	4,245	4,185	4,076	2,046	2,005	1,905	2,199	2,180	2,171
Time deposits.....	664	665	667	356	357	360	308	308	307
Total deposits.....	5,742	5,715	5,751	3,176	3,163	3,201	2,566	2,552	2,550
Borrowings.....	4	3	4	2	2	2	2	1	2

Deposit volume expanded slightly in both country and reserve city banks. Country bank total deposits increased by 14 million dollars, while their demand deposits other than interbank increased by 19 million dollars. In the reserve city banks, demand deposits other than interbank increased by 41 million dollars, or 2 per cent, but an important offsetting factor was a decline of 27 million in interbank deposits. The decline in interbank deposits followed an increase of 86 million dollars in June and July, a period of seasonal increase in such deposits.

DEPARTMENT STORE TRADE

Dollar volume of sales at reporting department stores in this District in August was 8 per cent larger than a year ago, approximately the same rate of gain as for the first eight months of the year. In the first three weeks of September, sales showed an increase of about 6 per cent over the corresponding period last year. Sales increased more than is usual from July to August, and the seasonally adjusted index of daily average sales rose from 322 per cent of the 1935-39 average

in July to 336 per cent in August, the same level as that prevailing last May and little different from the record high of 337 per cent last April.

Department store inventories declined contraseasonally in August for the fifth consecutive month, the seasonally adjusted index of stocks dropping by the end of August to 261 per cent of the 1935-39 average as compared with the peak level of 353 per cent last March. Stocks of merchandise on hand at the end of August, however, were 23 per cent larger in value than a year earlier, but the volume of orders outstanding was about 8 per cent smaller than a year ago.

Department store sales and stocks in leading cities:

	SALES		STOCKS
	Aug. '48 comp. to Aug. '47	8 Mos. '48 comp. to 8 Mos. '47	Aug. 31, '48 comp. to Aug. 31, '47
	(Per cent increase or decrease)		
Denver.....	+2	+4	+21
Pueblo.....	+3	+16	*
Hutchinson.....	+6	+6	+35
Topeka.....	+10	+9	+13
Wichita.....	+16	+11	+25
Joplin.....	+13	+8	+26
Kansas City.....	+8	+10	+14
St. Joseph.....	-2	+1	*
Lincoln.....	+15	+9	*
Omaha.....	+9	+6	+20
Oklahoma City.....	+12	+12	+46
Tulsa.....	+32	+19	*
Other cities.....	+6	+7	+30
District.....	+8	+9	+23

*Not shown separately but included in District total.

BANK DEBITS

	BANK DEBITS		Change from '47	
	Aug. 1948	8 Mos. 1948	Aug. Aug.	8 Mos. 8 Mos.
	(Thousand dollars)		(Per cent)	
COLORADO				
Colo. Springs....	44,585	304,214	+27	+14
Denver.....	491,664	3,829,916	+11	+12
Gr. Junction....	12,326	99,535	+13	+11
Greeley.....	20,874	165,836	+11	+24
Pueblo.....	39,919	313,790	+11	+18
KANSAS				
Atchison.....	15,899	125,076	-4	+10
Emporia.....	10,392	78,560	+14	+10
Hutchinson.....	46,811	377,833	-9	+17
Independence....	6,905	53,731	+9	+3
Kansas City.....	63,558	505,331	+15	+12
Lawrence.....	10,088	82,521	+22	+15
Parsons.....	8,160	64,002	+18	+14
Pittsburg.....	11,101	91,644	+10	+16
Salina.....	44,486	324,726	-26	+6
Topeka.....	85,249	688,821	+8	+9
Wichita.....	215,605	1,800,761	+20	+16
MISSOURI				
Joplin.....	25,591	210,348	+10	+7
Kansas City.....	1,072,851	8,479,324	+9	+15
St. Joseph.....	95,012	775,244	+3	+10
NEBRASKA				
Fremont.....	15,704	132,238	+10	+30
Grand Island....	21,129	173,503	+6	+12
Hastings.....	15,403	117,799	+4	+9
Lincoln.....	76,177	618,292	+17	+14
Omaha.....	473,294	3,783,380	0	+3
NEW MEXICO				
Albuquerque....	72,095	565,774	+25	+17
OKLAHOMA				
Bartlesville....	108,065	812,544	+52	+66
Enid.....	34,827	344,389	-16	+6
Guthrie.....	4,203	34,601	+25	+16
Muskogee.....	23,313	185,580	+22	+13
Okl. City.....	288,177	2,381,442	+18	+16
Okmulgee.....	5,996	51,560	+12	+13
Ponca City.....	17,505	156,351	-12	0
Tulsa.....	505,143	3,894,809	+38	+42
WYOMING				
Casper.....	27,627	201,131	+30	+33
Cheyenne.....	27,197	218,303	+19	+12
District, 35 cities..	4,036,931	32,042,909	+12	+16
U. S., 333 cities....	97,940,000	309,518,000	+16	+14

INDUSTRIAL PRODUCTION

Meat Packing Meat production in the District and in the nation this year has been well under production last year. As indicated by packers' purchases at principal markets in the District, cattle, hog, and sheep slaughter in the first eight months of 1948 was down 26, 16, and 7 per cent, respectively, from the first eight months of 1947. Meat production under Federal inspection in August for the entire country was 9 per cent below August last year and for the remainder of this year is expected to continue about 10 to 12 per cent under the production in 1947. For 1949, it appears that meat supplies in the United States will be about 142 pounds per capita as compared with an estimated 145 pounds per person available this year and 155 pounds in 1947.

Flour Milling There was a tendency toward reduced flour production in the Southwest during early September, as both domestic and foreign demands for flour were on a small scale. Flour mills in the territory operated at only about 90 per cent of capacity in the forepart of the month as compared with an average of 102 per cent during August. Part of the reduction in operations was due to the Labor Day holiday, but other factors also exerted an influence. Several milling concerns reported that their

backlog of domestic orders was fast being filled and that new business would be required to continue production schedules of 5½ to 6 days per week. A lag in export bookings likewise caused concern as to the ability of some mills to maintain the full operating schedules that have been the rule during the summer months.

Flour sales in September continued slow in most principal milling centers of the Southwest. Mills at Hutchinson and Wichita, Kansas, and Omaha, Nebraska, reported only limited small sales for immediate delivery, and the number of inquiries from prospective buyers was at one of the lowest points so far this year. Offers from export buyers to purchase flour were limited in number, and the price bids were generally not sufficiently high to attract a very large volume of sales. Family flour sales did not increase in volume as expected, and grocers and jobbers apparently were determined to enter the fall season with stocks as low as possible.

Petroleum Majority opinion seems to hold that the supply situation is significantly better than six months ago and that winter supplies will be ample, if crude oil production and stocks continue to increase, present supply is used prudently, imports continue to exceed exports, and the winter months are not unusually severe. The industry looks to the new voluntary allocation pact as a means of facilitating distribution, and to steel allocation as a means of stepping up production. Heating oil storage space is causing the industry concern, however, and strikes such as the one now halting West Coast refineries could easily upset all industry efforts to provide an adequate supply of petroleum products.

Scientific research is becoming increasingly important to the oil industry. The Bureau of Mines is now providing shale and shale oil from its mines and demonstration plant near Rifle, Colorado, to encourage experiments with the material. A radically new principle has been devised to produce synthetic oil from shale. Through the double use of heat energy, temperatures are kept at a minimum so that the shale oil emerges cool enough to be fed directly into a pipeline. The process has been tested for some time at a small pilot plant in California, and a larger plant capable of turning out synthetic oil in commercial quantities will be erected soon in Colorado. The research committee of the Interstate Oil Compact Commission is conducting a nationwide survey to determine how much coal is available in this country for conversion into synthetic liquid fuel at a reasonable cost. The Navy is developing a motor fuel, hydrozine, which can be made entirely out of air and water and is at present synthesized on a small scale out of am-

monia. Further details are not available, but it is felt that this may be a step toward becoming independent of carbon compounds such as gas and oil in some special fields of motor oils.

Having contributed more than half of the nation's new oil reserves during 1947 and 1948, Wyoming daily crude oil production is now estimated at more than 155,000 barrels and promises to be even greater. In Oklahoma secondary recovery is receiving extensive consideration. One of the most interesting prospects for successful secondary recovery lies in the western portion of the old Delaware-Childers field in Nowata County. According to a recent report of the U. S. Geological Survey, the area, comprising some 3,200 acres, is capable of producing more than 15 million barrels of additional oil, provided operators initiate a scientific program of water injection into the depleted Bartlesville sand.

Employment Occupational distribution of the labor force has changed in many respects since the end of the war, according to the Census Bureau. Between July, 1945, and July, 1948, there was an expansion of about 8½ million in the civilian labor force. Half of the increase occurred in three of the smaller occupational groups (professional and semi-professional workers; nonfarm proprietors, managers, and officials; and the sales occupations) and reflects the establishment of an unusually large number of new, small business and professional practices in the postwar period.

August figures show a drop in employment and individual incomes from the record highs of midsummer. Total civilian employment fell to 61,200,000, a 400,000 decrease from the July peak. This was caused by a slackening of farm operations which brought agricultural employment to a level of 8½ million, 700,000 lower than in July. Nonagricultural employment, however, established another new record high in August, showing an expansion of 300,000 workers.

In the Tenth District, prospects for Nebraska workers this fall look encouraging, according to the state labor commission. Business activities are beginning to drag, however, judged by new incorporations which now stand at 377 compared to 448 for the same period last year. Nebraska's Corporation Clerk has predicted that 225 corporations will be dissolved by the end of the year as compared with normal dissolutions averaging 50 to 75 a year. This situation is blamed on materials shortages. In Kansas, Garden City suffered a jolt in August when plans for an 80 million dollar synthol plant, with the site already being leveled for construction, were abandoned. This project, it was indicated, will be delayed for at least three years because of current increases in construc-

tion costs. Wyoming employment in August generally held to the record level established in July and the September forecast indicated a greater demand for workers to fill the ranks of students returning to school. This high level of activity is reflected in the number of new business firms incorporated in Wyoming during the first half of 1948 which shows a 21.8 per cent increase over last year. Of national concern was the strike at the Los Alamos atomic energy plant which highlighted New Mexico employment news in August. Construction and maintenance work practically came to a standstill on August 18, when 3,500 workers left their jobs. A week later better than 80 per cent had returned to work. In order to preclude further work stoppages, the President on September 3 named a special three-member commission to explore labor relations in the atomic energy program.

AGRICULTURE

Crops The excellent weather that prevailed over most of the nation until August 15, and the subsequent news that a bumper harvest had been or would be completed this year, overshadowed the fact that surface soil moisture supplies have become seriously depleted in many sections of the District. Since mid-August dry weather and above normal temperatures have persisted in the southern one half of Oklahoma, eastern Colorado, southern Wyoming, and in western Nebraska. By mid-September drought conditions existed in the southern three fourths of Wyoming and the southern half of Oklahoma, and the condition of feed crops and pastures had declined rather sharply. So far, there has been no distress shipping or selling of cattle or lambs in Wyoming. Apparently the prospect for abundant supplies of winter feeds available for in-shipment has been the principal factor in the decision of stockmen to refrain from reducing breeding herds in line with local feed supplies.

Elsewhere in the District there was generally sufficient rainfall in July and August to enable producers to seed winter wheat under almost ideal conditions. There were scattered areas, however, where dry soil has caused growers to delay seeding until more moisture is received. Many sections of western Kansas received from 6 to 12 inches of rain during July and August and some fallowed land is reported to have subsoil moisture to a depth of 6 feet. However, unseasonably high temperatures and a lack of rain in the first half of September caused a rapid loss of surface moisture, and soil was blowing in some areas.

Further declines in grain and feed prices occurred in early September as more accurate production figures became available for the 1948 crops of wheat, oats, soybeans, and barley. Also, the continued favorable outlook for corn exerted downward pressure on

grain prices. Some price strength developed at mid-September, however, as Government purchases of grains appeared to be on a larger scale than was expected earlier. Moreover, with respect to wheat, grain men expressed the belief that much of the "free wheat" available at terminal points for purchase by flour mills and other users would soon be exhausted, leaving in storage at terminal markets only that wheat owned outright by the Government or that stored under Government crop loans.

The lower range of Kansas City cash grain prices:

	Sept. 14 1948	Aug. 31 1948	July 31 1948	Aug. 30 1947
No. 1 dk., hd. wheat, bu.	\$2.20 $\frac{1}{4}$	\$2.18 $\frac{1}{2}$	\$2.07 $\frac{1}{2}$	\$2.45 $\frac{1}{4}$
No. 2 mixed corn, bu.....	1.87	1.92	1.95	2.39 $\frac{1}{2}$
No. 2 white oats, bu.....	.74	.73 $\frac{1}{2}$.71	1.12
No. 2 rye, bu.....	1.48	1.55	1.57	2.50
No. 2 barley, bu.....	1.21	1.17	1.21	1.74
No. 2 white kafir, cwt...	2.90	2.73	2.55	3.65

Livestock Pasture conditions varied from fair to very good as of September 1, with cattle and sheep remaining in good condition except in the dry areas of Wyoming and New Mexico. Some loss of weight has taken place in these areas because of the short, dry range feed that has characterized the entire summer grazing season. Pastures in the Osage-Flint Hills region of Oklahoma and Kansas were still in good condition early in September and cattle being pastured there continued to make weight gains. Winter wheat had emerged sufficiently by September 15 in several sections of western Kansas and Oklahoma to enable owners to pasture cattle and lambs. A substantial acreage of volunteer wheat was being utilized as pasture as early as August 20. Considering the present supply of subsoil moisture in the western half of Kansas, it appears that winter wheat fields this fall will furnish excellent pasture for average or larger than average numbers of cattle and lambs.

There was a strong market for medium, good, and choice feeder cattle in August and early September, although prices had declined somewhat by mid-September as the marketing of grass cattle reached a seasonal peak. Finished cattle at District markets were scarce in this period, but top prices dropped \$2 to \$3 below the July peak of about \$40 per hundred pounds. Hog prices at Kansas City reached \$31.75 per hundred in August but had likewise declined \$2 to \$3 per hundred pounds at mid-September.

Top carlot livestock prices at Kansas City:

	Sept. 14 1948	Aug. 1948	July 1948	Aug. 1947	Aug. 1946	Aug. 1945
(In dollars per hundredweight)						
Beef steers.....	37.00	39.00	40.00	32.75	27.00	17.65
Stocker cattle.....	28.50	31.00	31.50	23.00	17.35	14.25
Feeder cattle.....	31.25	34.50	34.25	28.25	21.50	15.00
Calves.....	30.00	31.00	33.00	23.50	14.50	17.50
Hogs.....	29.00	31.75	30.00	28.25	24.25	14.50
Lambs.....	26.75	29.50	33.00	24.00	22.00	14.75
Slaughter ewes....	10.50	11.50	11.25	8.50	8.00	7.50