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TENTH FEDERAL RESERVE DISTRICT

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BASING POINT DECISION AND THE TENTH DISTRICT

Basing Point Decision On April 26, 1948, the United States Supreme Court handed down a decision in the case of *Federal Trade Commission* v. *Cement Institute et al* which, it is generally believed, outlawed multiple basing point delivered price systems. It sustained the holding of the Federal Trade Commission that the concerted maintenance of a multiple basing point delivered price system is an unfair method of competition as defined in the Federal Trade Commission Act. It likewise sustained the Commission's findings that the basing point system resulted in price discriminations, which substantially lessened competition, and the varying "mill nets" received on sales to customers in different localities constituted price discrimination within the prohibition of Section 2(a) of the Clayton Act as amended by the Robinson-Patman Act.

The decision resulted in an unusual amount of national and local comment. Many lawyers associated with interested concerns studied the decison, declared they could not determine exactly what pricing systems were legal, and consequently recommended the adoption of f.o.b. pricing. Some "experts" contended the decision would "Balkanize" the nation, i.e. divide it into local autonomous economies. A few went so far as to forecast the elimination of selling and advertising on a national scale. The probable effect of the decision on the steel industry was variously described. On one side were those who thought all steel fabricators would be forced to relocate their plants and place them adjacent to the big steel mills of Pittsburgh. Opposed were those who contended the big steel mills would be forced to split up into smaller units which would then be distributed rather evenly over the nation. Some chambers of commerce became alarmed at the possibility of losing industry, while others were pleased at the prospect of gaining industry. Regional meetings of industrial leaders were held to discuss the basing point decision. Fuel was added to the fire when the United States Steel Corporation suddenly decided to cease using basing points and to quote prices only on an f.o.b. basis. At the same time it raised the base price on most of its products.

This publicity, the claims and counterclaims, and the possibility of serious injury to industry aroused the interest of Senator Homer E. Capehart. As a member of the Senate Committee on Interstate and Foreign Commerce and chairman of its Trade Policies subcommittee, Senator Capehart announced that hearings would be held on the basing point decision before a special subcommittee created for that purpose. He suggested that all who had information on the subject should arrange to submit it to his committee. Chambers of commerce were requested to survey the possible effect of the decision on local industries and report the results to Senator Capehart. It is expected the findings of the Capehart Committee will be transmitted to Congress in March, 1949. These findings may result in recommendations for congressional action.

What Is Permitted It required three years for a Federal Trade Commission trial examiner to hear the "Cement Case" evidence which consisted of 49,000 pages of oral testimony and 50,000 pages of exhibits. The findings and conclusions of the Commission cover 176 pages. Thus, simply to summarize the evidence and findings is a sizable undertaking. Fortunately, this is not necessary for the present purpose. On October 12, 1948, the Commission issued a clarifying statement of its policy toward geographic pricing practices and this will be used as a basis for the area analysis which is the purpose of this report.

Geographic pricing practices have a number of variations, all of which may be used by a single firm or a number of concerns acting by common agreement. The simplest form uses only one basing point and all prices are made up of the base price at that point plus transportation costs from that base point to the purchaser of the goods, regardless of the place from which the goods are shipped. This is the old "Pittsburgh Plus" method which was "outlawed" years ago. The

"Cement Case" was concerned with a multiple basing point method of pricing. In this case a number of locations are designated as basing points and delivered prices are composed of the base price plus transportation costs from the nearest base point to the purchaser. If a purchaser located near one basing point wishes to secure the product from a mill located at another basing point, he pays only the price which would be charged by a mill located at the basing point nearest to him. Thus, the producer at the more distant basing point "absorbs" some of the freight cost on this sale and consequently receives a lower mill net than if he sold inside his own trade area. Other variations of geographic pricing practices are the "postage stamp" system, where transportation costs are averaged and the product is sold at one delivered price regardless of the purchaser's location, and the "zone price" system, where the sales area is divided into regions and the product sold at a designated price throughout each region. It is apparent that, in all variations of geographic pricing practices, freight absorption is likely to occur, with a consequent variation of mill nets received from different sales.

The Federal Trade Commission has challenged geographic pricing practices whenever they appeared injurious to competition. There are three ways in which this injury may occur:

(a) " . . . where there is reason to believe that the practice has been observed generally in the industry with the purpose and effect of eliminating price competition among sellers";
(b) where one or more sellers drive a competitor out of a market by quoting abnormally low prices with the purpose of securing monopoly control of the market; and
(c) where the practice results in "injury to competition among the customers of the discriminating seller or among concerns who buy from these customers." For example, in the "Staley" and "Corn Products" cases the Commission found a single concern's pricing system was doing substantial injury to the sales volume and profits of the customers of those concerns.

Thus, the Commission apparently does not challenge geographic pricing practices of individual concerns where the sole purpose is to compete with other firms. In the Commission's recent statement of policy for staff information and guidance the courts' position was given as follows: "The courts appear to have assumed, though the point has not been squarely decided, that a single seller has a substantive right in good faith to meet the equally low price of a competitor in individual transactions. They have not adjudicated the question whether a single concern, not engaged in an effort to create a monopoly by destroying competitors, may systematically reduce its prices to meet competition in localities where it habitually encounters such competition; and whether reciprocal reductions of this character are permissible so long as they are sufficiently infrequent and void of industry-wide systematic effect as to afford a variety of prices and indicate an absence of collusion."

In support of this position the Commission makes an important promise: "In approaching these questions, the Commission sees no public interest and has no legal authority to proceed against the practices of a single seller except where probable or actual injury to competition appears in that seller's pricing practices. Accordingly, it will not question such differences in the prices of a single enterprise as are merely designed to meet the readily foreseeable competition of a competitor where such differences involve no tendency to create a monopoly or eliminate price competition, nor will it question reciprocal price reductions similarly designed where their scope is not such as to preclude a variety of delivered prices and raise the problem of collusion."

Consequently, although the Federal Trade Commission is not necessarily bound by its statement of policy, it will be assumed in the analysis that follows that:

(a) An individual firm may absorb freight costs and receive varying mill net returns on a product in order that it may sell competitively in a distant market;
(b) price discrimination used by one or more firms to destroy a competitor and secure monopoly control of a market is illegal;
(c) a uniform pricing system used by a number of firms to eliminate competition between each other is illegal; and
(d) a uniform pricing system which does injury to the competitive position of purchasers of the product is illegal.

Possible Effect on Tenth District Before discussing the probable effect which the "basing point" decision will have on the economy of the Tenth District, it must be pointed out that because of the somewhat abnormal business conditions which prevail the immediate effect may be quite different from the longer period results. We are currently in a sellers' market where "almost anything can be sold at almost any price." Shortages of basic commodities like steel and cement are widespread and in varying degrees of severity. Consequently, there probably will be some effects which are related solely to present conditions and will disappear when or if a buyers' market appears. Conversely, some effects may not become evident until shortages are relieved and buyers are more nearly in control of the market.

Questionnaires have been sent to a substantial number of firms by chambers of commerce in the District and additional contacts have been made by personal interviews. In one case where steel fabricators were circularized 75 per cent stated the decision would not cause their relocation, 12½ per cent said it might cause relocation, and 12½ per cent stated they would be forced to move. Ratios somewhat similar to these also evolved from the personal interviews. However, it was very apparent that most firms were uncertain about the decision and about what effect it might eventually have upon their business operations. In the few cases where careful thought had been given to the problem, the firm representatives frankly admitted the unknowns were too many for a sound prediction to be made. Hence, it probably is not wise to place too much reliance upon the results of interviews and questionnaires of this kind.

The effect which the basing point decision will have on the Tenth District may be studied under the following classifications:

(a) Business temporarily affected;
(b) concerns using raw or semiprocessed materials from nonlocal areas;
(c) concerns desiring to sell in nonlocal markets; and
(d) transportation facilities.

Business Temporarily Affected

One of the characteristics of the multiple basing point method of pricing as used by steel and cement companies is that at any given location delivered prices were identical regardless of the location of the supplier. Under the f.o.b method, delivered prices will vary by the differences in the cost of transporting the product from the several possible mills to the location of the purchaser. Under conditions of plentiful supply the purchaser has an established source of supply and knows what he will have to pay for the product. Thus, a contractor can make a firm bid on a project knowing where he can get his steel and cement and exactly what price he will have to pay for them. Or the same contractor, when the basing point method was in use, could make a firm bid knowing what the price would be, if he could get them anywhere on the legitimate market. He thus had several sources from which he might secure steel and cement and the delivered prices were identical from all of the sources. His only danger was that no legitimate source would supply him.

At present, contractors have an added problem. Because of the shortage of steel and cement they usually do not know where these commodities can be secured with certainty. Consequently, when they are asked to submit a firm bid on a project they find it difficult to do so without subjecting themselves to possible losses. This results from the f.o.b. pricing which causes the delivered price of steel and cement to vary from mill to mill. The contractor's dilemma would not exist if prices were on the former multiple basing point system or steel and cement were not in short supply.

This same problem confronts any producer who has no established source of supply for his raw materials and desires to know their cost before planning his production program. A pricing method that permits delivery at a stated price regardless of the source of supply will obviously relieve his mind of price uncertainty.

Concerns Using Materials From Nonlocal Areas

There are two broad classes of manufacturers operating in the Tenth Federal Reserve District. One type is engaged in processing the region's raw materials primarily for sale outside the area. The second type is producing mainly for the regional market. In this latter class much of the raw material and semiprocessed articles used are secured from nonlocal sources. An important segment of this group is composed of fabricators of iron and steel. Since the iron and steel produced in this region can satisfy only a minor portion of the demand, many fabricators are dependent on a nonlocal source of supply. As iron and steel were formerly sold under a multiple basing point method of pricing, these fabricators are in a position to feel the full effects of a shift to f.o.b. pricing.

It is difficult to draw general conclusions about iron and steel fabricators in the Tenth District because of the wide differences which exist among them. Some produce items that are almost 100 per cent iron or steel. Others manufacture products where iron or steel represents only a minor part of the total raw material. Likewise, the cost of the iron or steel as a portion of the total cost of the finished product varies from small to large. Finally, some fabricators secure their iron and steel from local sources, others from nonlocal mills, and unfortunately a sizable number are currently tapping whatever source they can find, including the gray market. In these circumstances, without a detailed study of each fabricator, the best that can be done is to indicate general effects which may or may not apply to specific concerns.

In the first place, the fabricators with no established source of supply might not be adversely affected as to availability of steel and iron. If any change occurs, it could be favorable because distant mills located outside the area of the nearest basing point would not have to absorb freight costs in selling to a local fabricator. Thus, the distant mills would be receiving the same mill net as they secured from sales made in their immediate area. The price to the local fabricator, however, would be higher by the amount of the freight cost that was formerly absorbed by the mill. As pointed out below, variations in base prices will also affect the delivered prices the local fabricator will have to pay. Under present market conditions the fabricator would probably be more than willing to pay this differential. On the other hand, it is possible distant suppliers might desire to become established in their own local markets and hence would resist selling to outside concerns.

Local fabricators with established sources of supply would gain, lose, or feel no effects depending upon the location of their suppliers with respect to the controlling basing point. If the source of supply is local, the price under f.o.b. should be lower because under the basing point method the nearest basing point had been Chicago or Granite City. Thus, the local fabricator will, under f.o.b pricing, pay only the transportation cost from the local mill where formerly he paid transportation charges from Chicago or Granite City. Fabricators whose source of supply was from a mill located at a controlling basing point (usually Chicago or Granite City) always did pay the base price plus the full transportation cost and will continue to do so under f.o.b. pricing. Those local fabricators whose source of supply is situated at places beyond the locally controlling basing points will be adversely affected under f.o.b. pricing. Under the basing point method these fabricators paid the base price at Chicago or Granite City plus transportation charges from either of those base points. Now they will be charged the base price from the supplying mill located, say in Pittsburgh, plus the transportation costs from that mill to their places of production.

In the above description it was assumed that base prices at all basing points were identical, that in shifting to f.o.b. pricing these relationships would not change, and that rail transportation would be used. These assumptions are not completely realistic. Some variation did exist among base prices at the various basing points. Consequently, a shift to f.o.b. pricing without a change in base prices would affect the local fabricator whose source of supply was beyond that of the controlling base point. Not only would he have to pay an increased transportation charge but in addition would face a base price which could be above or below that which prevailed under the basing point method. Of course, either truck or water transportation is available to many fabricators in this region, and a fuller treatment of this possibility is given later in the report.

That abandonment of the multiple basing point method of pricing would result in substantial increases in base prices (f.o.b prices) has been widely advertised. The argument runs somewhat as follows. Both steel and cement, it is said, are standard products with no quality differences for a given grade or type. Consequently, they are purchased solely on a price basis. Thus, a mill with only a minor price differential favoring it will capture the market. Under the basing point method all mills sold at identical prices at any given location and no one mill could dominate a market area. But f.o.b pricing prohibits this. Under this system delivered prices will differ because full freight charges must be included in the price and mills are located at varying distances from the point of delivery. Thus, it is contended, the mill nearest to the purchaser will always get this purchaser's trade and can raise local prices because of the monopoly control which it has over the situation.

It is believed this reasoning ignores several significant considerations. In the first place, it is possible that some industries carefully considered the market areas to be served when the base price structure was erected. Under the basing point method each concern maximized its net return when its freight absorption was at a minimum. Thus, it paid to establish trade areas and stay within those areas as much as possible. These trade areas could be defined by adjusting the base prices in a desirable relationship to each other. For example, if the base prices were identical at two basing points the trade area line would lie about halfway between the two basing points. A higher base price would contract a trade area, while a lower base price would expand a trade area. This is exactly the relationship which exists under f.o.b pricing. In other words, under both systems raising the base or mill price restricts a market area and lowering the price expands the area that can be served. Consequently, in these cases there appears little reason to expect any substantial change in the relative positions of base or mill prices.

Two further points should be mentioned. In the first place, the Federal Trade Commission emphatically denies the contention there are no grades of quality in cement and steel and offers supporting evidence for the stand. If it is true that there are, in fact, grades of quality in cement and steel, competition on a quality basis would tend to permit one mill to sell in another's trade area under f.o.b. pricing. In the second place, the argument up to this point has assumed the several cement and steel mills must quote a mill price that is identical for all purchasers. This would prohibit the lowering of prices in distant markets in order to compete with the local producers in those areas. However, as was pointed out in the beginning of this report, the Federal Trade Commission has recently stated it will not challenge individual firms that quote lower prices in other trade areas in an honest attempt to meet competition in those areas. Although businessmen are still confused as to legal pricing practices, this statement of the Commission would seem to counter somewhat the contention that nonbasing point methods of pricing will necessarily result in local monopoly prices substantially above those existing under the former method of pricing.

Concerns Selling in Nonlocal Markets In addition to the manufacturing concerns that process the region's raw materials for sale in a nonlocal market, there are some firms that produce different types of articles and wish to sell nationally. If these firms desire to compete on a price basis in a nonlocal market, they will have to sell at whatever prices are necessary to meet competition. If a strictly f.o.b. system of pricing is required with no variation in mill net permitted, these firms might find themselves restricted to a market smaller than that which they could serve. However, the Commission's recent statement that it would not challenge cases of this kind would appear to minimize any injury from this source.

Transportation Facilities Under the multiple basing point method of pricing, both steel and cement companies seriously restricted the use of water and truck transportation to move their products. Either they were absolutely forbidden or a percentage of the rail transport cost was added to the truck or water rates. The result was that barges and trucks carried almost no cement and steel. The apparent reason for this was the great difficulty of maintaining a uniform system of delivered prices if other than rail transportation were used.

If the basing point delivered price method is dropped and at-the-mill prices substituted, the cement and steel manufacturers would seem to have no reason for favoring one method of transportation over any other. This would permit the use of trucks to transport cement from the mills in the Tenth District to local destinations and in many cases effect a saving in transportation costs. To the extent that this was done, the railroads in the area would lose freight revenue.

An even greater saving might result from the use of river barges for moving iron and steel from Chicago, Granite City, Pittsburgh and other production centers to Kansas City or other nearby river cities. Although the facilities are probably not adequate for handling this traffic at present, it is possible they may be made so in the not-too-distant future. Many factors are involved but it is likely considerable savings in transportation costs could accrue to fabricators in this area from development of this service.

Industrial Relocation This article can profitably be concluded with an observation regarding the relocation of industrial concerns. Many factors enter into the determination of locations for manufacturing operations. Raw materials may be located in one place or widely scattered. The final consumer market may also be concentrated or dispersed. The product may be manufactured into a finished item in one place or it may undergo a number of processing steps at several locations. But somewhere between raw materials, labor, and the consumer markets, the one or more factories will be located. These will be places where it is believed the maximum advantages of low production costs can be realized.

These costs include many items of expenditure: wages, rent, construction costs, insurance, local taxes, transportation costs, and expenditures for power, water, and machinery, as well as the costs of raw materials. Some types of industry have heavy investments in plant and equipment which must be junked when the industry relocates. Thus, industrial relocation is not a simple procedure nor does it operate quickly and at the whim of every change in production cost items. Industrial relocation is usually an expensive procedure and is most likely to occur only when the odds are overwhelmingly in favor of it. Sometimes the scales are so nicely balanced between two locations that a lower raw material transportation cost will tip the balance. But ordinarily this is just one item among many which make up the total production cost picture.

The location of new plants is also determined by a composite of many costs. Likewise, the relative importance of each of these cost items varies with the type of product and the market area to be served. Over a period of time, the relative significance of each cost item is likely to change with damaging or beneficial results to various areas. For example, transportation costs have risen at a rapid rate during the past several years and may have assumed a more important place among the locational determinants of some industries. But raw material transportation costs are only one among many factors determining the location of new plants as well as the relocation of established plants.

A better understanding of the factors governing industrial location would perhaps soften somewhat the predictions of wholesale industrial relocation which it is now fashionable to state will follow the elimination of the multiple basing point method of pricing.

BUSINESS AND AGRICULTURAL CONDITIONS

MEMBER BANK CREDIT

The amount of loan expansion in District member banks during October was the smallest for any month of the last six. Loan volume of reserve city member banks showed an increase of only 2 million dollars, while the increase in country member bank loans was somewhat larger, amounting to 10 million dollars, or 2 per cent. The country bank loan increase was the smallest of the last four months but was approximately equal to the average monthly increase during the first half of this year.

Loans and investments combined showed no net change for the month in the country banks, while they increased substantially in the city banks. This difference in the changes in earning assets of the two groups of banks was a reflection of the changes in their Government security portfolios. In the country banks, Government security holdings declined by 14 million dollars, offsetting increases of 10 million in loans and 4 million in other investments. In the city banks, Government security holdings expanded by 42 million dollars, or over 3 per cent. There was a large increase in bills, a smaller increase in certificates, and decreases in both notes and bonds. The decrease in note holdings was accounted for largely by the maturing of a 1 per cent Treasury note issue on October 1, for which 1¼ per cent certificates of indebtedness were offered in exchange, but the net increase in certificate holdings for the month as a whole was considerably smaller than the note holdings retired. Holders of two certificate issues which matured October 1 were also offered 1¼ per cent certificates in exchange by the United States Treasury.

Deposit volume changes were also small in District country member banks during October. Total deposits increased by 18 million dollars, or less than 1 per cent, and most of that increase was in demand deposits other than interbank. Deposit volume of District reserve city member banks expanded 63 million dollars, or 2 per cent, during the month. Interbank demand deposits accounted for 36 million dollars of the increase, and other demand deposits accounted for the remaining 27 million.

DEPARTMENT STORE TRADE

The dollar volume of sales at reporting department stores in this District in October was 6 per cent larger than a year ago. In the last week of October, however, sales dropped under a year ago, and despite extensive store-wide promotional sales in the first three weeks of November dollar volume was running 6 per cent under the corresponding period last year. Several explanations have been offered for this decrease. Consumer demand for housefurnishings, sales of which were exceptionally heavy at this time last year, currently appears to be largely satisfied. Weather recently has been unseasonably warm for the movement of fall and winter merchandise. There is considerable consumer resistance to higher-priced goods, and buyers possibly were awaiting further "promotions," or were delaying Christmas shopping until after Thanksgiving. Sales increased much more than usual from September to October, and the seasonally adjusted index of daily average sales rose from 329 per cent of the 1935-39 average in September to a new record level of 343 per cent in October.

Department store inventories increased slightly more than is usual during October, and the seasonally adjusted index of stocks increased from 274 per cent of the 1935-39 average at the end of September to 277 per cent at the end of October. Although above the level of 262 in August, this is still much below the peak of 353 per cent last March. Stocks of merchandise on hand at the end of October were 16 per cent larger in value than a year earlier, and inventories are reported to be generally ample.

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

	All Member Banks			Reserve City Banks			Country Banks		
	Oct. 28 1948	Sept. 29 1948	Oct. 29 1947	Oct. 28 1948	Sept. 29 1948	Oct. 29 1947	Oct. 28 1948	Sept. 29 1948	Oct. 29 1947
Loans and investments	4,253	4,209	4,329	2,275	2,231	2,374	1,978	1,978	1,955
Loans and discounts	1,480	1,468	1,213	839	837	737	641	631	476
U. S. Government obligations	2,392	2,364	2,760	1,243	1,201	1,451	1,149	1,163	1,309
Other securities	381	377	356	193	193	186	188	184	170
Reserve with F. R. Bank	916	902	821	543	537	496	373	365	325
Balances with banks in U. S.	594	583	652	250	255	241	344	328	411
Cash items in process of collection	285	267	260	267	249	242	18	18	18
Gross demand deposits	5,125	5,045	5,138	2,830	2,767	2,838	2,295	2,278	2,300
Deposits of banks	844	804	980	781	745	900	63	59	80
Other demand deposits	4,281	4,241	4,158	2,049	2,022	1,938	2,232	2,219	2,220
Time deposits	667	666	674	357	357	364	310	309	310
Total deposits	5,792	5,711	5,812	3,187	3,124	3,202	2,605	2,587	2,610
Borrowings	7	7	20	5	6	18	2	1	2

Department store sales and stocks in leading cities:

	Sales: Oct. '48 comp. to Oct. 47	Sales: 10 Mos. '48 comp. to 10 Mos. '47	Stocks: Oct. 31, '48 comp. to Oct. 31, '47
	(Per cent increase or decrease)		
Denver	+6	+4	+22
Hutchinson	+8	+6	+27
Topeka	+10	+9	+12
Wichita	+9	+10	+25
Joplin	+1	+8	+18
Kansas City	+1	+8	+1
St. Joseph	−5	−1	*
Lincoln	+13	+9	*
Omaha	+7	+6	+16
Oklahoma City	+1	+9	+34
Tulsa	+10	+16	*
Other cities	+13	+9	+19
District	+6	+8	+16

*Not shown separately but included in District total.

INDUSTRIAL PRODUCTION

Meat Packing The severe snow storm that struck eastern Colorado and western Nebraska and Kansas November 18 and 19 was partially responsible for a sharp drop in meat production at principal livestock marketing centers of the District. In addition, marketings of cattle and sheep usually decline about mid-November, while hog receipts increase. Hog slaughter at Kansas City during the week ended November 20 was at the highest level for any week so far this year.

As indicated by packers' purchases at principal markets, cattle and calf slaughter in the District during the first ten months of this year was a fourth less than in the same period of 1947. Hog slaughter and sheep slaughter so far this year have been about 14 and 4 per cent, respectively, below a year ago. The increase in livestock marketings that occurred in late September and during October resulted in a marked decline in both wholesale and retail meat prices. Average retail food prices in October were 2.4 per cent below the peak of July, 1948, but were still 5 per cent above a year ago.

Bank Debits

	Oct. 1948	10 Mos. 1948	Change from '47: Oct.	Change from '47: 10 Mos.
	(Thousand dollars)		(Per cent)	
Colorado				
Colo. Springs	45,406	398,298	+14	+16
Denver	547,656	4,908,615	+5	+11
Gr. Junction	13,151	126,282	−9	+8
Greeley	26,867	215,712	+7	+19
Pueblo	40,833	394,790	−5	+14
Kansas				
Atchison	16,909	155,911	+2	+7
Emporia	12,164	100,733	+5	+8
Hutchinson	37,777	455,898	−20	+11
Independence	6,406	66,809	−6	+2
Kansas City	65,290	633,718	+8	+11
Lawrence	10,241	102,704	−2	+13
Parsons	8,362	80,778	−2	+12
Pittsburg	11,885	114,755	0	+13
Salina	34,543	395,983	−25	0
Topeka	87,919	860,173	+5	+8
Wichita	207,066	2,221,345	−2	+13
Missouri				
Joplin	27,163	264,490	+3	+6
Kansas City	1,116,129	10,682,078	+1	+13
St. Joseph	105,850	979,197	−5	+8
Nebraska				
Fremont	16,568	164,219	+3	+24
Grand Island	21,992	218,009	−2	+10
Hastings	14,523	147,183	−4	+6
Lincoln	77,529	772,668	+3	+13
Omaha	511,108	4,778,946	−4	+2
New Mexico				
Albuquerque	81,574	721,407	+14	+17
Oklahoma				
Bartlesville	121,439	1,054,199	+81	+69
Enid	33,347	413,025	−22	+2
Guthrie	4,181	43,057	+4	+15
Muskogee	24,756	234,414	+2	+12
Okla. City	312,752	3,000,330	+5	+15
Okmulgee	6,997	64,681	+4	+11
Ponca City	17,724	190,395	−17	−5
Tulsa	519,339	4,956,792	+27	+40
Wyoming				
Casper	31,603	262,110	+23	+31
Cheyenne	28,566	277,958	+5	+12
District, 35 cities	4,245,615	40,457,662	+4	+15
U. S., 333 cities	107,141,000	1,024,405,000	+2	+12

Flour Milling At mid-November flour milling operations in the Southwest averaged about 95 per cent of full-time capacity, or about the same level as during October. Mills at Kansas City operated at 99 per cent of capacity during the week ended November 20, the highest level of milling activity at that center for several months. Although the average level of milling operations in the Southwest was about 95 per cent, a marked advance in the volume of flour sales at mid-November caused mills in many processing centers, such as Kansas City, to increase their running time rather sharply to fill orders for near future flour deliveries.

Sales of flour in the territory reached their heaviest volume so far this crop year in the week ended November 20. In that week, the average sales volume increased to 111 per cent of capacity, compared with 85 per cent the previous week and only 70 per cent in the corresponding week a year ago. With a steadily increasing price being paid for the December wheat future, large bakery users and the family flour trade exhibited a rather urgent demand for flour at the prevailing prices. The announcement that the Government would likely continue to exercise a considerable degree of control over exports was also a strengthening factor in the grain and flour markets.

Employment Civilian employment in the United States remained stable between September and October at a level of about 60¼ million. According to the Census Bureau, the stability in employment related both to agriculture and to nonagricultural industries.

In the Tenth District, the Colorado State Employment Office reported that Colorado's labor force is dropping back to a more nearly normal level. After a record agricultural season, unemployment is on the increase, although farm prosperity will provide more winter jobs for unemployed farm workers than is usual. Nebraska housewives, seeking to bolster the family pay check, are hunting jobs in record-breaking numbers. A recent report by the Nebraska State Employment Service stated that job applications by Omaha women in October were 47 per cent greater than during September. Across the state, in metropolitan areas, the picture was the same. This was true in other District states also.

In Kansas, unemployment in the Kansas City, Kansas, area dropped during October to its lowest level for 1948, and Coffeyville employment remained stable for the fourth consecutive month. Wichita reported an increase in total nonagricultural employment occasioned by a seasonal upswing in meat processing and some expansion in retail trade, in addition to the continued uptrend in aircraft manufacturing.

AGRICULTURE

Crops Fall sown crops in District states showed considerable improvement after November 1, except in Oklahoma and New Mexico where below normal rainfall continued to retard crop development. Following November 1, rainfall and snow relieved the dry topsoil condition that had been hampering the growth of the wheat crop since early fall in eastern Wyoming and Colorado and rather generally over central and western Nebraska and Kansas. Soil moisture tests made late in October showed moisture penetration in the wheat fields of western Kansas and Nebraska to average depths of 43 and 39 inches, respectively. Generally, the moisture penetration on fallowed fields was deeper than that on continuously cropped land. Wheat fields in extreme western Kansas and Nebraska and in extreme eastern Colorado and Wyoming were furnishing some pasture for cattle and lambs in early November, but elsewhere the crop had not developed sufficiently to provide satisfactory livestock feed. A sizable acreage of wheat in western Oklahoma had not germinated or had been damaged by the wind. Some fields have recently been seeded in the dust as growers have despaired of receiving rainfall that would assure immediate germination. Some late seeded wheat in western Oklahoma was severely damaged by wind erosion, and many fields have been chiseled in an effort to minimize soil blowing. Wind erosion of soil was also common in areas of eastern Oklahoma where the soil was loose and dry and where farmers have been unable to establish cover crops because of dry weather.

Some sugar beets remained unharvested in the beet areas of Colorado, Wyoming, and Nebraska. Generally, the crop got a poor start in the spring and was not favored with suitable growing weather in the summer months. The number of acres of beets abandoned because of insufficient growth was larger than usual, and tonnage yields per acre were below earlier estimates. Considerable disappointment was expressed at the unaccountably low sugar content of this year's beet crop and at the comparatively low price paid to growers.

Livestock A seasonal increase in cattle and hog receipts in October and early November in addition to heavy marketings of cattle and lambs from dry areas of the west brought considerable downward pressure on livestock prices. Some indication of a price leveling development was evident at mid-November as livestock shipments from Nebraska, Colorado, Kansas, and elsewhere were delayed or halted altogether by severe weather conditions. The current seasonal weakness in livestock prices has given rise to much uncertainty with respect to the future level of livestock prices. In any such consideration it should be recognized that the present level of consumer purchasing power is of prime importance in determining the current demand for meat. Also to be weighed is the fact that livestock numbers and therefore per capita meat supplies have been steadily declining in recent years and except for hogs are apparently continuing to decline. Furthermore, the impact of increased Government expenditures on industry, business, and agriculture is yet to become fully evident in their respective markets.

As of November 1, the best information available indicated that the number of cattle on feed in the Corn Belt states was about the same or somewhat larger than at that time last year. Total shipments of stocker and feeder cattle into Corn Belt states from July through October this year were about 2 per cent larger than in the same period a year ago, although inshipments to some states were substantially below a year ago. Cattle feeding operations in the North Platte area of Nebraska and Wyoming and in northeastern Colorado will apparently be little below the record level of last year. Although supplies of sugar beet by-product feeds are much smaller than a year ago, other feeds are in good supply. Dry weather this fall over much of western Kansas and Oklahoma retarded the growth of winter wheat and only a very few cattle and lambs have been pastured on wheat so far this winter. Many lambs that were destined for these wheat pastures have been diverted to the irrigated valleys of northeastern Colorado, southern Wyoming, and western Nebraska and Kansas. However, the number of lambs on feed this fall in the important northeastern Colorado feeding area is still expected to be about 15 per cent below last year.