

# MONTHLY REVIEW

## *Agricultural and Business Conditions*

TENTH FEDERAL RESERVE DISTRICT

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FEDERAL RESERVE BANK OF KANSAS CITY

DECEMBER 31, 1948

### FARM MORTGAGE DEBT

**Debt Trend** After twenty years of almost steady decline, the amount of farm mortgage debt outstanding in the United States began to increase in 1946 and continued to increase throughout 1947. On January 1, 1948, the estimated amount of such debt outstanding in the entire country had increased about 4 per cent from January 1, 1946. Figures indicating developments during 1948 are not yet available. Farm mortgage debt outstanding in the Tenth Federal Reserve District also increased in the period 1946 to 1948 but only by about one half of 1 per cent.

of farm mortgage debt as it is related to the agricultural health of the region.

**Debt by States** The accompanying table shows the increase in farm mortgage debt since 1946 in District states. The increase, which has averaged less than 1 per cent, is not highly significant, considering that mortgage debt in 1946 was at the lowest level in many years. A comparison of the present debt with that outstanding in the period following World War I appears to give a more

#### FARM MORTGAGE DEBT OUTSTANDING, JANUARY 1

(In thousands of dollars)

	Colorado	Kansas	Missouri	Nebraska	New Mexico	Oklahoma	Wyoming
1948.....	75,187	143,120	198,921	141,935	41,863	112,963	28,463
1947.....	66,738	148,150	198,389	160,983	32,499	111,400	25,414
1946.....	59,444	151,216	193,533	175,923	27,039	107,829	24,025
1945.....	58,064	171,535	197,529	204,174	24,924	116,780	24,951
1944.....	60,136	200,365	209,281	231,652	23,727	129,839	26,223
1943.....	66,680	234,311	219,933	262,329	23,872	141,875	29,416
1942.....	73,303	262,765	234,767	280,965	24,828	152,230	32,519
1941.....	74,449	276,997	231,983	289,943	25,938	152,996	34,014
1940.....	75,005	284,248	229,377	309,826	27,499	153,679	34,009
1939.....	80,101	299,599	237,588	334,355	27,955	157,508	34,816
1938.....	86,393	310,140	245,904	358,962	28,220	161,317	35,726
1937.....	92,565	325,921	254,318	382,495	28,333	168,816	36,381
1936.....	99,455	343,483	268,507	407,888	28,625	175,861	36,622
1935.....	103,479	357,123	286,460	431,686	27,492	183,421	36,709
1934.....	108,768	371,181	311,859	437,824	28,935	193,047	35,772
1933.....	123,388	409,963	352,970	487,587	33,955	233,230	40,072
1932.....	130,731	429,156	391,936	516,323	39,348	259,210	41,200
1931.....	136,763	422,667	422,849	519,077	40,054	261,300	44,068
1930.....	138,248	411,747	442,820	510,453	38,954	274,971	43,337
1928.....	144,464	447,586	447,351	599,418	26,900	228,513	40,922
1925.....	153,727	482,596	449,022	617,930	28,784	218,963	43,364
1920.....	138,400	295,870	385,790	416,860	23,670	188,890	32,970
1910.....	41,800	163,770	202,650	161,850	4,810	77,680	7,820

SOURCE: U. S. Department of Agriculture, Bureau of Agricultural Economics.

The importance of farm mortgage debt management to the well-being of agriculture is widely recognized and was strongly emphasized by the farm finance difficulties experienced in the 1920's and 1930's. A consideration of these and related economic developments has led to some apprehension as to the soundness of much current farm mortgage lending and borrowing in a number of important agricultural areas. The facts of the present situation in the Tenth District will serve to give perspective to the problem

accurate measure of the significance of the current farm mortgage debt in District states.

In most of the states in the Tenth District, 1925 was a peak year in the amount of mortgage debt outstanding. The amount of mortgage debt outstanding on January 1, 1948, in Colorado, Kansas, Missouri, Nebraska, and Oklahoma was only about one half, or considerably less than one half, of the amount outstanding in those states in 1925. Mortgage debt in Wyoming on January 1, 1948, was approximately two

## PER CENT OF FARM MORTGAGE DEBT HELD BY EACH TYPE OF LENDER, JANUARY 1

	Federal Land Banks and Federal Farm Mortgage Corporation		Life Insurance Companies		Commercial Banks		Farmers Home Administration		Individuals and Others	
	1948	1947	1948	1947	1948	1947	1948	1947	1948	1947
Colorado.....	22.1	27.1	15.1	11.3	6.6	6.9	2.8	3.1	53.4	51.6
Kansas.....	24.1	28.3	24.2	22.8	10.0	8.7	3.2	2.8	38.5	37.4
Missouri.....	12.1	13.7	30.4	31.6	17.4	16.1	3.8	3.7	36.3	34.9
Nebraska.....	37.4	40.8	33.3	31.5	5.8	4.6	2.5	2.1	21.0	21.0
New Mexico.....	15.1	20.4	35.7	24.0	4.6	5.6	3.1	3.4	41.5	46.5
Oklahoma.....	18.2	20.3	18.0	15.6	8.3	7.7	9.0	8.8	46.5	47.6
Wyoming.....	30.3	35.8	16.3	9.6	8.0	7.8	3.8	3.6	41.6	43.2
Seven states.....	22.0	25.7	26.1	24.5	10.2	9.3	4.1	3.9	37.6	36.6
United States.....	20.4	23.5	19.2	18.6	16.3	14.3	4.0	4.0	40.1	39.6

SOURCE: U. S. Department of Agriculture, Bureau of Agricultural Economics.

thirds of the amount outstanding in 1925. In New Mexico the January 1 debt was almost 50 per cent above that in 1925 and was higher than in the early 1930's when mortgage lending by Federal loan agencies reached a peak.

Farm mortgage debt outstanding on January 1, 1948, in all District states except Colorado and New Mexico was appreciably lower than in 1940. In Colorado, the debt was about the same as in 1940, but in New Mexico there was an increase of 52 per cent from 1940 to 1948, practically all of which occurred between January 1, 1947, and January 1, 1948.

**Mortgage Holders** The rise in farm mortgage debt in the District throughout 1946 and 1947, small though it was, reflected an increase in the holdings of all types of lenders except Federal Land Banks and the Federal Farm Mortgage Corporation. On January 1, 1948, life insurance companies held 26.1 per cent of the mortgage debt in the District states compared with 24.5 per cent a year earlier. The proportions of debt held by other types of lenders in 1948 and 1947 were: Federal Land Banks and Federal Farm Mortgage Corporation, 22.0 per cent compared with 25.7 per cent; commercial banks, 10.2 per cent compared with 9.3 per cent; Farmers Home Administration, 4.1 per cent compared with 3.9 per cent; and individuals and others, 37.6 per cent in 1948 compared with 36.6 per cent in 1947. Although the proportions for previous years are not shown in

the accompanying table, banks are becoming an increasingly important source of farm mortgage credit, and their volume of such loans is approaching the level of the early 1930's.

**Commercial Banks** The amount of farm mortgage debt estimated to be held by commercial banks of the District on January 1, 1948, was about 68 per cent larger than in 1940. In other words, banks had outstanding about 76 million dollars in mortgage loans early in 1948 compared with 45 million dollars in 1940—an increase of 31 million, of which 6.5 million took place in 1947 and was attributable to a growth in both the number and average size of mortgage loans extended. The largest expansion percentagewise took place in New Mexico where bank-held farm mortgage debt at the beginning of 1948 was 2 million dollars, or about four times the small amount outstanding at the beginning of 1940. Large increases over 1940 have also taken place in Wyoming, Oklahoma, and Colorado.

**Causes of Increasing Debt** The trend toward increased specialization and mechanization of farming has been responsible for some of the postwar increase in farm mortgage debt. In the farm real estate loan survey of 1947, it was found that 80 per cent of bank farm mortgage loans were to buy land. The tendency toward increased specialization and mechanization, which has been occurring simultaneously with steadily increasing prices

## FARM MORTGAGE DEBT HELD BY COMMERCIAL BANKS, JANUARY 1

	1948	1947	1946	1944	1942	1940	Change	
							'48 from '40	'48 from '47
(In thousands of dollars)							(Per cent)	
Colorado.....	4,976	4,589	3,232	1,873	2,272	2,274	+118.8	+8.4
Kansas.....	14,296	12,909	9,613	7,944	10,013	10,571	+35.2	+10.7
Missouri.....	34,505	31,996	24,184	21,278	21,241	19,011	+81.5	+7.8
Nebraska.....	8,207	7,326	5,774	5,254	7,396	7,511	+9.3	+12.0
New Mexico.....	1,909	1,827	927	610	498	484	+294.4	+4.5
Oklahoma.....	9,382	8,561	6,464	4,123	4,230	4,224	+122.1	+9.6
Wyoming.....	2,269	1,968	1,152	786	1,000	906	+151.0	+15.3
Seven states.....	75,544	69,176	51,346	41,868	46,650	44,979	+68.0	+9.2
United States.....	793,476	683,229	507,298	448,433	535,212	534,170	+48.5	+16.1

SOURCE: U. S. Department of Agriculture, Bureau of Agricultural Economics.



for land and farm equipment and machinery, has increased substantially the capital requirements of current farming operations. Since the war, building materials, machinery, fertilizers, and other goods have improved in supply, and the financial resources available to most farmers have stimulated an expansion in the volume of expenditures considered necessary for the operation of specialized and mechanized farms. In spite of the fact that the cost of acquiring and equipping a farm is nearly double that of prewar, the number of farms sold in the year ended March 1, 1948, was about the same as in 1919, the peak year in farm sales following World War I.

The pressure to purchase farm land and the willingness to go into debt to do so has come from established operators expanding their units, from young men getting a start in farming, and from investment seekers. Each type of purchaser has been motivated in part by the relatively high price level of farm commodities and in part by a genuine desire to get started in farming or to improve the operating efficiency of an old farm unit. In this connection, it should be noted that since early in 1946 the local farm training program for veterans and the large increase in agricultural college enrollments has greatly accelerated the preparation of hundreds of young men to enter the farming business. This background of training combined with previous farming experience has expanded significantly the number of young men who are qualified to seek and obtain the financial assistance necessary to purchase and equip a farm unit. Unfortunately, many who realize their ambition to buy a farm have done so at a high initial investment.

**Significance of Current Debt** Based on past relationships, the amount of farm mortgage debt outstanding on January 1, 1948, does not appear to be at all high relative to the assets, capital requirements, production costs, and income of modern agriculture. While mortgage debt is yet substantially below 1940 levels, the value of physical and financial assets of farmers has more than doubled since 1940. Furthermore, the ratio of debt to farm value has been decreasing steadily since 1940 in spite of the increase in mortgage debt since 1946. This

ratio for the country as a whole in 1947 was about 8 per cent compared with 20 per cent in 1940.

On the other hand, the best information available indicates that many individual farm and ranch operators are carrying a mortgage debt load that might prove burdensome in the event prices of agricultural products decline sharply in the coming years. In such a situation, a considerable number of these individuals would likely find their production costs outrunning their income and, along with their creditors, experience difficulty in managing mortgage loans. Other operators are sufficiently endowed with managerial ability to enable them to make rapid adjustments in production expenses in line with downward trends in farm income. This latter group would thus be more able to pay production costs and family living expenses and still meet interest and principal payments on mortgage obligations.

In addition to the possible adverse effects of lower farm income on mortgage debt management, there are several related factors in the current farm mortgage situation that should be considered. First, the tendency in prosperous times is to write farm real estate mortgages on the basis of a short repayment period. This tendency has been evidenced in recent years by an increase in the mortgage holdings of individuals and commercial banks. Second, low interest rates are evidently being capitalized into higher land values, and this in turn has encouraged lending on the basis of higher per acre values than would be possible at normal or average interest rates. For example, a farm unit with an average net income of \$5 per acre capitalized at an interest rate of 4½ per cent indicates a per acre value of \$111.10. The same land capitalized at an interest rate of 6½ per cent indicates a per acre value of \$76.92. A 50 per cent loan on the land in the first instance would be only about \$21 per acre below a 100 per cent loan on the land in the second instance. Third, temporarily high net incomes per acre in wheat, livestock, and specialty crop areas of the District are likewise being capitalized into current land values. The phenomenal increase in land prices in many of these areas is partially a result of utilizing recent per acre net incomes of as high as \$14 to \$18 in capitalizing land that has a long-time average net income of \$3 to \$7 per acre.

## BUSINESS AND AGRICULTURAL CONDITIONS

### • MEMBER BANK CREDIT

For the country as a whole, the increase in loan volume during recent months has been smaller than that of a year ago. From the end of June to the end of October, loan volume of all banks in the United

States expanded by 2.0 billion dollars; for the comparable period in 1947, the increase was 3.4 billion. However, the expansion in loans after mid-year 1948 began from a level 6.6 billion dollars higher than a year earlier.

## REVIEW OF AGRICULTURAL AND BUSINESS CONDITIONS

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

	ALL MEMBER BANKS			RESERVE CITY BANKS			COUNTRY BANKS		
	Nov. 24	Oct. 28	Nov. 26	Nov. 24	Oct. 28	Nov. 26	Nov. 24	Oct. 28	Nov. 26
	1948	1948	1947	1948	1948	1947	1948	1948	1947
Loans and investments.....	4,279	4,253	4,363	2,299	2,275	2,389	1,980	1,978	1,974
Loans and discounts.....	1,491	1,480	1,232	844	839	750	647	641	482
U. S. Government obligations.....	2,407	2,392	2,771	1,263	1,243	1,455	1,144	1,149	1,316
Other securities.....	381	381	360	192	193	184	189	188	176
Reserve with F. R. Bank.....	954	916	844	577	543	514	377	373	330
Balances with banks in U. S.....	615	594	680	256	250	271	359	344	409
Cash items in process of collection.....	295	285	262	276	267	243	19	18	19
Gross demand deposits.....	5,196	5,125	5,219	2,881	2,830	2,896	2,315	2,295	2,323
Deposits of banks.....	847	844	961	782	781	881	65	63	80
Other demand deposits.....	4,349	4,281	4,258	2,099	2,049	2,015	2,250	2,232	2,243
Time deposits.....	670	667	672	358	357	362	312	310	310
Total deposits.....	5,866	5,792	5,891	3,239	3,187	3,258	2,627	2,605	2,633
Borrowings.....	28	7	25	25	5	24	3	2	1

Among Tenth District member banks, the increase in loan volume from the end of June to the end of October this year was slightly larger than a year ago. District reserve city member bank loan volume expanded by only 68 million this year compared with 103 million last year, but District country member bank loan volume increased by 87 million in those four months this year compared with 29 million last year. The greater increase in country bank loan volume resulted largely, and perhaps solely, from the expanded volume of Commodity Credit Corporation grain loans held by the banks this year.

Data relative to loan developments for the country as a whole beyond the end of October are available only for city banks. From October 27 to December 8, loan volume of all weekly reporting member banks in the United States increased by 570 million dollars, showing some increase each week except the week ended Wednesday, December 1, when loans decreased by 119 million dollars. Loans to brokers and dealers for purchasing or carrying United States Government securities increased by 429 million dollars during that period. There was a net increase of 49 million dollars in "commercial, industrial, and agricultural" loans during the 6-week period, but the high point for this broad category of loans was reached on November 10, and in the subsequent four weeks such loans declined each week.

During the comparable 6-week period last year, loan volume of all weekly reporting member banks in the United States expanded by 771 million dollars, showing some increase each week except that ended Wednesday, November 19. "Commercial, industrial, and agricultural" loans accounted for most of the loan expansion, as they increased every week for a total increase of 644 million dollars.

Loan volume of District member banks expanded by 11 million dollars during November this year. Reserve city member banks accounted for 5 million dollars of the increase and country member banks for the other 6 million. In November, 1947, District member

bank loan volume expanded by 19 million, with 13 million of the increase in reserve city banks and 6 million in country banks.

District weekly reporting member banks, which constitute essentially the same group of banks as District reserve city member banks, expanded their loan volume by an additional 1.8 million dollars in the two weeks from November 24 to December 8 this year.

	BANK DEBITS		Change from '47	
	Nov. 1948	11 Mos. 1948	Nov. 1947	11 Mos. 1947
	(Thousand dollars)		(Per cent)	
<b>COLORADO</b>				
Colo. Springs.....	43,418	441,716	+9	+15
Denver.....	522,095	5,430,710	+7	+11
Gr. Junction.....	13,982	140,264	+3	+8
Greeley.....	22,424	238,136	-5	+16
Pueblo.....	39,068	433,858	-8	+12
<b>KANSAS</b>				
Atchison.....	15,847	171,758	+42	+9
Emporia.....	10,997	111,730	+11	+8
Hutchinson.....	37,033	492,931	+5	+10
Independence.....	6,731	73,540	+4	+2
Kansas City.....	63,523	697,241	+14	+11
Lawrence.....	9,756	112,460	+6	+12
Parsons.....	7,767	88,545	-1	+10
Pittsburg.....	11,453	126,208	+6	+12
Salina.....	33,872	429,855	-4	0
Topeka.....	81,627	941,800	+12	+9
Wichita.....	210,782	2,432,127	+18	+14
<b>MISSOURI</b>				
Joplin.....	27,358	291,848	+10	+7
Kansas City.....	1,075,892	11,757,970	+9	+12
St. Joseph.....	107,337	1,086,534	+3	+7
<b>NEBRASKA</b>				
Fremont.....	14,652	178,871	-1	+22
Grand Island.....	20,002	238,011	+10	+10
Hastings.....	12,929	160,112	-6	+5
Lincoln.....	75,251	847,919	+11	+13
Omaha.....	485,088	5,264,034	+3	+2
<b>NEW MEXICO</b>				
Albuquerque.....	80,042	801,449	+23	+18
<b>OKLAHOMA</b>				
Bartlesville.....	131,641	1,185,840	+86	+71
Enid.....	35,227	448,252	-9	+1
Guthrie.....	3,937	46,994	+3	+14
Muskogee.....	26,398	260,812	+13	+12
Okla. City.....	330,290	3,330,620	+17	+15
Okmulgee.....	8,955	73,636	+13	+11
Ponca City.....	18,769	209,164	-17	-6
Tulsa.....	665,373	5,622,165	+33	+39
<b>WYOMING</b>				
Casper.....	29,097	291,207	+36	+31
Cheyenne.....	29,699	307,657	+17	+13
District, 35 cities..	4,308,312	44,765,974	+13	+14
U. S., 333 cities....	102,887,000	1,127,292,000	+11	+12



“Commercial, industrial, and agricultural” loans increased by 0.7 million. From November 26 to December 10, 1947, loan volume of this group of banks expanded by 2.6 million dollars, with “commercial, industrial, and agricultural” loans increasing by 0.8 million.

**DEPARTMENT STORE TRADE**

The dollar volume of sales at reporting department stores in this District in November was 2 per cent smaller than a year earlier, despite one more trading day than in the previous year, and in the first three weeks of December sales continued slightly under the level of the preceding year. However, since sales rise sharply with the approach of Christmas, in comparing weekly data some allowance should be made for the fact that the first three weeks of December in 1948 were two days farther away from Christmas than the corresponding calendar weeks of 1947. Sales increased much less than is usual from October to November, and the seasonally adjusted index of daily average sales declined from the record level of 343 per cent of the 1935-39 average in October to 318 per cent in November.

Several factors have contributed to the decrease in sales late in 1948 as compared with 1947, which has occurred in the face of the most extensive use of store-wide promotional “sales” since before the war. In the first place, the comparison is with a period in 1947 when sales of housefurnishings, including household appliances, had been exceptionally heavy. By late 1948, much of the accumulated demand for many types of consumers’ durables apparently was largely satisfied. Another factor is that unseasonably warm weather has tended to retard the movement of winter apparel such as coats and suits. Another factor is the increasingly pronounced consumer resistance to prices, which is reflected in greater year-to-year sales gains in the basement store than in the main store and in a definite lag in sales of luxury items such as jewelry. However, despite the unfavorable sales trend of November and early December, dollar volume for the entire year 1948 will exceed the previous record in 1947 by a considerable margin and will be over three times the average volume in the prewar years, 1935 to 1939.

Department store inventories increased much more than is usual during November, and the seasonally adjusted index of stocks increased from 278 per cent of the 1935-39 average at the end of October to 304 per cent at the end of November. Although below the peak of 353 last March, this is considerably above the level of 262 last August. The increase in stocks during November was accompanied by a rather sharp decline in outstanding orders. Stocks of merchandise

on hand November 30 were 15 per cent larger in value than a year earlier, but the volume of merchandise on order was 33 per cent smaller.

Department store sales and stocks in leading cities:

	SALES		STOCKS
	Nov. '48 comp. to Nov. '47	11 Mos. '48 comp. to 11 Mos. '47	Nov. 30, '48 comp. to Nov. 30, '47
	(Per cent increase or decrease)		
Denver.....	0	+4	+24
Pueblo.....	-6	+12	+5
Hutchinson.....	-9	+5	+31
Topeka.....	+3	+9	+16
Wichita.....	+6	+10	+24
Joplin.....	-6	+6	+17
Kansas City.....	-6	+6	-2
St. Joseph.....	-9	-2	*
Lincoln.....	+5	+8	*
Omaha.....	+4	+6	+14
Oklahoma City.....	-5	+7	+34
Tulsa.....	+1	+15	*
Other cities.....	-5	+6	+14
District.....	-2	+7	+15

\*Not shown separately but included in District total.

**INDUSTRIAL PRODUCTION**

**Meat Packing** Packers’ purchases of cattle and calves in the first eleven months of this year at leading livestock markets in the District have been a fourth less than in the same period of 1947. The most obvious cause of this decline is a decrease of about 18 per cent from last year in the receipts of cattle and calves at these markets. However, considering the volume of meat produced so far this year under Federal inspection at midwestern points, which is down only 12 to 17 per cent from last year, it appears likely that packing plants have been supplementing their procurement of cattle and calves at public markets with a substantial volume of direct purchases from growers and dealers. Such direct purchases are not counted as receipts at public markets and are, therefore, not reflected in packers’ purchases as reported by the various livestock exchanges. Federally inspected meat production figures, on the other hand, include the dressed weight of all animals slaughtered and processed, regardless of where purchased.

**Flour Milling** Flour milling operations in the Southwest averaged about 93 per cent of full-time capacity at mid-December, about the same level of activity as that which prevailed in the first week of the month. Mills at Topeka, Hutchinson, and several other Kansas points had their running time sharply curtailed for two days in early December as a result of an explosion in a central power plant at Topeka, Kansas. Most milling companies had a sufficient volume of flour orders on their books to maintain operations at current levels until the latter part of January. Mills, however, reported a dearth of orders for delivery beyond 60 days.

The volume of flour sales in the Southwest at mid-December was reported as only moderately higher than at the opening of the month. Most flour users were still inclined to purchase in small lots and to maintain the lowest practicable flour inventories. A decline in wheat prices on December 7 and 8 resulted in some new sales, but a generally slow market again became the rule on subsequent days. The Production and Marketing Administration purchased a substantial quantity of flour from Southwestern mills in the first half of December for delivery to Gulf ports by January 10. Additional Government buying is anticipated in coming weeks as the PMA purchases flour against the export quota for the first quarter of 1949.

**Petroleum** A comprehensive study prepared by a special industry committee for the American Petroleum Institute concludes that under normal peacetime operations the United States is assured not only adequate additional oil supplies from imports and synthetics but also a substantial increase in its potential domestic oil producing capacity within the next five years. According to the study, domestic oil capacity should rise another 1,000,000 barrels per day to close to 7,000,000 barrels daily by 1953. A reversal of the supply and demand outlook over the past year has clearly reestablished the dominance of petroleum supply over the demand for petroleum products. This is reflected in an easing of prices of refined products, which are beginning to move downward along the eastern seaboard for the first time in two years. The Bureau of Mines estimated that crude oil demand declined 60,000 barrels a day in November to 5,560,000 daily, the second monthly decrease from its peak demand estimate of 5,640,000 in September. Moreover, it looks as though a general crude oil price increase were improbable. Two major companies have rescinded the 35-cent increase in their purchasing price for crude oil which was causing widespread speculation in the industry.

In the Tenth District, Colorado reports a discovery of oil near Cortez that apparently has opened a new major producing field. Officials said the test showed that the well will produce at least 1,000 barrels of high gravity distillate and as much as 120 million cubic feet of natural gas each twenty-four hours. Also highlighting Colorado news was the opening in Denver of a newly expanded refinery after a \$5,800,000 construction program which began in June, 1947.

A California company has initiated a program to drill a total of 28 new wells on leases in Eddy County, New Mexico, as a result of the satisfactory completion of two test wells. It has recently been estimated that the Barker Dome field in San Juan County, New Mexico, has a gas reserve of 1,776,000,000 cubic

feet. The reserve is sufficient to produce 127,000,000 cubic feet of marketable gas daily for more than twenty years.

In Wyoming, oil production for 1948 is expected to run between 50,000,000 and 54,000,000 barrels, an all-time high. New discoveries were made in all but one or two of the state's twenty-three counties, and over 50 per cent of the state-owned land has been leased for oil rights. More than \$50,000,000 was spent this year on refinery improvements in Casper alone.

**Employment** According to the Census Bureau, total civilian employment in the United States remained at a level of 60 million in November, in spite of the usual seasonal curtailment in farm activity. The start of the pre-Holiday expansion in trade was partly responsible for the maintenance of employment at this figure. Nonagricultural employment rose by 400,000 between October and November to a total of 52 million and, with this increase, was about 1¼ million higher than in November, 1947. Agricultural employment fell to 8 million in November, about 700,000 lower than in October, but practically the same level as a year ago.

In the Tenth District, Oklahoma workers found it harder to get jobs in November than they did the month before. The number of employment openings dropped sharply and there was an abrupt increase in the number of persons looking for work. Employment still is high, much higher than last year, but indications of a change in the 18-month upward climb appeared in November figures issued by the Oklahoma Employment Security Commission. Tulsa's industrial growth in 1948 brought many millions of dollars of new investment. The major industrial development was the expansion of industries already there, but in addition 12 new industries with 250 employees were established in the first eleven months of this year. Their aggregate investment is estimated at \$1,250,000. This brought to 250 the total number of new industries established there since January, 1940, and these employ 3,937 persons.

Kansas employment figures for November show a small decline in total nonagricultural employment for Kansas City, Kansas, and Hutchinson, where increases in retail trade failed to offset decreased employment in the construction industry. Estimated wage and salary employment stood at 32,300 in the Topeka area, where relatively stable employment has existed during the past six months. In Wichita, total nonagricultural employment continued upward to a level 15 per cent above November a year ago. Employment increases included 150 in food processing, 250 in aircraft manufacturing, and 250 in retail trade. Employment declines, amounting in all to 350 per-



sons, occurred in machinery, finance and insurance, contract construction, and public utilities.

Wyoming, Colorado, and Nebraska reported growing unemployment during November, but this was of a seasonal nature and business activity continued at a high level. In Wyoming, the high level of business activity is attributed to three factors: new business incorporations in the state totaling 344 by mid-December, 27 per cent ahead of 1947; record-breaking oil production; and increased production of semiprecious stones (bentonite, phosphate, and vermiculite) which brought Wyoming to third place in the nation in this industry. In Colorado, also, active postwar recruiting of new business and industry is being reflected in increased payrolls. The state employment office reports that the number of jobless, although it is increasing throughout the state, is still below a year ago because of new employment opportunities.

**AGRICULTURE**

**Crops** Weather and soil moisture conditions were quite varied throughout the District in the first half of December. Nebraska and Wyoming experienced subzero temperatures and heavy snows in some localities, while eastern Kansas and Oklahoma and western Missouri had comparatively mild and open weather. Generally, the weather elsewhere varied from dust storms in the dry sections of Oklahoma and New Mexico to alternate periods of snow storms and balmy days in central Kansas and Oklahoma. Melting snow was beneficial to winter wheat, which was nearing the dormant stage. Except in eastern and southwestern Oklahoma, eastern New Mexico, and in some areas of extreme western Kansas, surface and subsurface moisture supplies were adequate, and the wheat crop of the District is going into the winter in very good condition.

At the close of the first week in December, grain prices generally were about 30 per cent below their peak in January, 1948. The average price of corn over the entire country in November was 23 cents per bushel below the national loan rate. In the summer months wheat prices at Kansas City were at one time 16 cents per bushel under the loan rate. Subsequently, the prices of both grains strengthened and by early December were somewhat above their respective loan rates. There is an unusually large amount of farmer-owned wheat and corn in storage on farms and at terminal points. The future movement of this grain through terminal markets is likely to be a major consideration in the trend of grain prices. If wheat and corn prices should be above their loan rates as the new tax year begins, many observers expect a heavy liquidation of farm-held stocks. Such a development would, of course, exert a depressing influence on grain prices.

The lower range of Kansas City cash grain prices:

	Dec. 14 1948	Nov. 30 1948	Oct. 30 1948	Nov. 29 1947
No. 1 dk., hd. wheat, bu.....	\$2.26 <sup>3</sup> / <sub>4</sub>	\$2.30 <sup>1</sup> / <sub>2</sub>	\$2.22 <sup>1</sup> / <sub>4</sub>	\$3.05 <sup>1</sup> / <sub>4</sub>
No. 2 mixed corn, bu.....	1.37 <sup>1</sup> / <sub>2</sub>	1.38	1.28 <sup>1</sup> / <sub>2</sub>	2.68
No. 2 white oats, bu.....	.83 <sup>1</sup> / <sub>2</sub>	.89	.82	1.26 <sup>1</sup> / <sub>2</sub>
No. 2 rye, bu.....	1.65	1.75	1.67	2.70
No. 2 barley, bu.....	1.29	1.26	1.26	1.95
No. 2 white kafir, cwt.....	2.36	2.40	2.28	4.10

**Livestock** There was an unusually heavy movement of cattle into feed lots during November and early December. Shipments of stocker and feeder cattle into Corn Belt states in November were almost 40 per cent larger than in November of last year, when the short corn crop held cattle feeding operations to subnormal levels. The cumulative shipments of cattle to those states from July through November measured 10 per cent larger than in the same period of 1947. Consequently, the number of cattle on feed in the Corn Belt this winter is expected to be larger than in 1947. Feeding operations as of December 1 in Colorado, Wyoming, and Nebraska were reported about equal to those on that date last year. Feed supplies were generally plentiful except in local dry areas in Wyoming and New Mexico.

The number of cattle and lambs on wheat pasture throughout the wheat belt remains much smaller than usual. There were heavy death losses of lambs in western Kansas and extreme eastern Colorado as a result of the severe snow storms that struck that area after the middle of November. Approximately 50,000 lambs and 10,000 cattle were lost in Kansas. Death losses elsewhere were comparatively light. Most cattle and lambs in the storm area suffered considerable loss in weight. Supplemental feeding has thus been necessary to bring such stock back into condition.

After a period of some firmness in late November and early December, livestock prices weakened in the second week of December. At that time, livestock prices generally were down about 20 per cent from their summer peaks. In spite of the lower trend in the prices of finished cattle, stocker and feeder values did not decline proportionately. There was an active demand for feeder cattle throughout November and early December, particularly from areas in the Corn Belt where much of the farm-held corn had a high moisture content and was not suitable for storage.

Top carlot livestock prices at Kansas City:

	Dec. 14 1948	Nov. 30 1948	Oct. 30 1948	Nov. 29 1947	Nov. 29 1946	Nov. 29 1945
(In dollars per hundredweight)						
Beef steers.....	30.00	35.00	39.00	32.00	32.00	17.65
Stocker cattle.....	25.00	28.00	28.75	24.50	19.00	14.75
Feeder cattle.....	24.00	28.50	27.75	26.25	20.25	15.25
Calves.....	28.00	28.00	28.00	24.00	14.50	18.50
Hogs.....	21.65	25.50	27.00	26.25	26.00	14.55
Lambs.....	24.00	26.50	26.00	24.25	24.75	14.85
Slaughter ewes.....	9.00	9.10	9.25	9.50	8.75	7.00

## NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Industrial activity was maintained in November at about the high October rate. Department store sales were 5 per cent below last year's level but in the early part of December sales increased more than a year ago. Commodity prices showed further moderate decreases in November and the first half of December.

## INDUSTRIAL PRODUCTION

Output at factories and mines showed little change in November, and the Board's seasonally adjusted index of industrial production was 194 per cent of the 1935-39 average as compared with 195 in October and 192 in November, 1947.

Activity in the automobile, machinery, and nonferrous metals industries showed small reductions in November, but output of most other durable goods was maintained at the level of the preceding month. The number of new automobiles assembled declined about 4 per cent in November but rose again in the early part of December to a new postwar peak rate. Output for the year has been about 5,275,000 passenger cars and trucks, the largest annual total since 1929. Copper smelting was curtailed sharply in November as a result of a labor dispute affecting mine output. Steel production, on the other hand, showed a slight further gain, averaging 100.4 per cent of capacity in November as compared with 100 in October.

Production of nondurable goods declined slightly in November, reflecting in large part further curtailments in output of textile and leather products. Cotton consumption decreased 5 per cent and was 18 per cent smaller than in November, 1947. Newsprint consumption was reduced somewhat from the peak rate reached in October. Activity at paper and paperboard mills continued at record levels, and output of most other nondurable goods was maintained at about the October rate.

Minerals production increased somewhat in November, reflecting a slight further gain in crude petroleum output and an unusually large volume of iron ore production for this season. Coal output was maintained in November at the October rate but declined about 5 per cent in the first half of December.

## CONSTRUCTION

Value of contracts awarded for most types of private and public construction declined more than seasonally in November, according to reports of the F. W. Dodge Corporation. The number of new housing units started decreased further in November to 65,000 as compared with 72,000 in October and 80,000 a year ago.

## DISTRIBUTION

Value of department store trade in November showed less than the usual seasonal rise and the average daily rate of sales was 5 per cent smaller than a year ago. The Board's adjusted sales index was 287 per cent of the 1935-39 average as compared with the advanced level of about 310 which prevailed from April to October. Sales recovered to year-ago levels during the first half of December, however, and it is estimated that total dollar sales for the holiday shopping period will be near last year's record volume. Sales of appliances and various other durable goods except new automobiles have been below the exceptionally high levels prevailing at the end of last year.

Railroad carloadings of most classes of merchandise showed more than the usual seasonal decline in November and early December and total shipments were about 9 per cent below the same period a year ago. Loadings of coal were about 15 per cent below a year ago. Shipments of manufactured goods were down about 5 per cent, owing to a further diversion of freight to other forms of transportation and a reduction in the physical volume of goods shipped for export. This reduction was augmented in November by a maritime dispute.

## COMMODITY PRICES

Wholesale prices and consumers' prices declined about 1 per cent from mid-October to mid-November, reflecting chiefly decreases in livestock and foods. In the first three weeks of December prices of foods continued to decline, various industrial materials weakened further, and prices of some appliances and textile, petroleum, and soap products were reduced. Additional advances were reported in prices of metals.

## BANK CREDIT

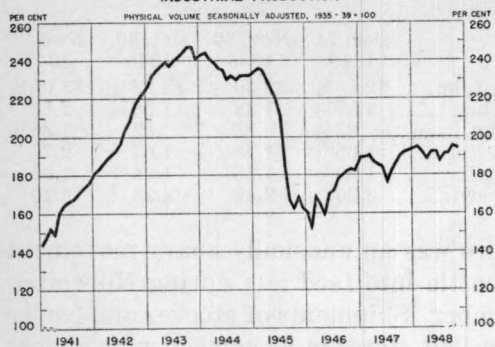
Federal Reserve System holdings of Government securities were further reduced in the first three weeks of December, reflecting sales of Treasury bills, certificates, and bonds. These securities were purchased primarily by commercial banks, which had an abundant supply of funds as a result of a seasonal increase in the volume of checks in clearing and a further gold inflow. Absorption of bank reserves by the pre-Christmas outflow of currency was somewhat smaller than usual.

Loans and investments at banks in leading cities showed little change in November but increased somewhat in the first half of December. Loans to businesses showed a much smaller growth than in the same period last year. Loans to brokers and dealers for purchasing Government securities rose sharply in November while bank holdings of Treasury bills declined. Deposits declined slightly at all commercial banks in November, but increased sharply at banks in leading cities during the first half of December.

## SECURITY MARKETS

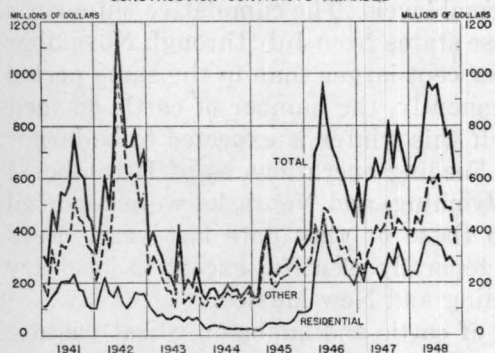
Prices of U. S. Government bonds and high-grade corporate and municipal bonds rose slightly during the first three weeks of December. Common stock prices were steady with a moderate volume of trading.

## INDUSTRIAL PRODUCTION



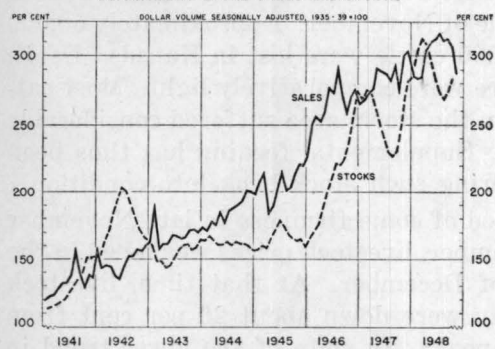
Federal Reserve index. Monthly figures, latest shown is for November.

## CONSTRUCTION CONTRACTS AWARDED



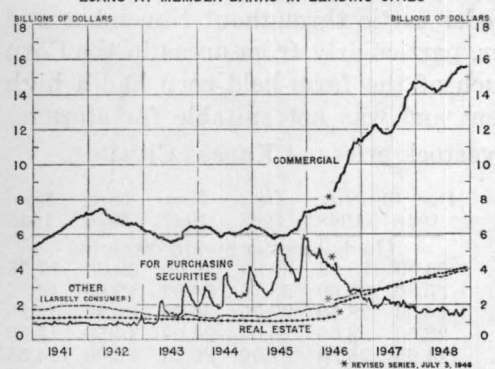
F. W. Dodge Corporation data for 37 Eastern States. "Other" includes nonresidential buildings and public works and utilities. Monthly figures, latest shown are for November.

## DEPARTMENT STORE SALES AND STOCKS



Federal Reserve indexes. Monthly figures, latest shown for sales is November, for stocks October.

## LOANS AT MEMBER BANKS IN LEADING CITIES



Excludes loans to banks. Wednesday figures, latest shown are for December 15.