# MONTHLY REVIEW

## *Agricultural and Business Conditions*

TENTH FEDERAL RESERVE DISTRICT

VOL. 34, NO. 7 FEDERAL RESERVE BANK OF KANSAS CITY JULY 31, 1949

# CASH FARM INCOME AND BUSINESS PAYROLLS

**Growth of Payrolls** Agriculture was the dominant economic interest of this country in the first one hundred years of its existence. In that period, also, the foreign market for farm products was relatively much more significant than it is today. As a consequence, farm conditions in America were often greatly affected by crop and other conditions abroad. It was in this period the doctrine became established that business prosperity in America was dependent on good times on the farm.

It is doubtful if the changes that occurred in the American economy in the following three quarters of a century are yet fully appreciated in farm communities. The census of 1880 showed that, for the first time, the value of manufactured products was greater than the value of agricultural products. By 1900, the United States had attained first place among industrial nations, and the value of manufactured products had become double the value of those of agriculture. As manufacturing grew apace, so also did transportation, trade, and other types of economic activity. While the foreign market is yet of great significance for certain farm products—wheat and cotton and tobacco especially—prosperity on the farm is now primarily dependent on the buying power of the domestic market.

**Size of Payrolls** Table 1 shows business and government payrolls and cash farm income in the United States for the last ten years. Cash farm income represents the value of the products sold off the farm and in recent years Government payments and unredeemed commodity loans are included. Cash farm income does not include the value of products raised and consumed directly on the farm.

The table shows that in the last decade payrolls in the United States were nearly five times cash farm income. Payrolls of manufacturing concerns alone were nearly 70 per cent greater than cash farm income. Government payrolls were greater than cash farm income, and trade payrolls were 74 per cent as great.

TABLE 1

WAGES AND SALARIES BY INDUSTRY FOR THE UNITED STATES
(In millions of dollars)

| | 1948 | 1947 | 1946 | 1945 | 1944 | 1943 | 1942 | 1941 | 1940 | 1939 | 10-Yr. Aver. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Agriculture, forestry, and fisheries | 3,327 | 3,042 | 2,795 | 2,528 | 2,398 | 2,192 | 1,786 | 1,323 | 1,108 | 1,086 | 2,159 |
| Mining | 3,344 | 2,918 | 2,368 | 2,173 | 2,197 | 1,983 | 1,769 | 1,540 | 1,287 | 1,137 | 2,072 |
| Contract construction | 7,208 | 5,834 | 4,411 | 2,951 | 2,888 | 3,919 | 4,670 | 2,889 | 1,709 | 1,546 | 3,803 |
| Manufacturing | 46,471 | 42,510 | 36,475 | 38,229 | 42,913 | 40,883 | 30,922 | 21,714 | 15,584 | 13,585 | 32,929 |
| Wholesale and retail trade | 25,749 | 22,875 | 19,517 | 14,638 | 13,016 | 11,862 | 10,958 | 10,322 | 9,010 | 8,366 | 14,631 |
| Finance, insurance, and real estate | 4,808 | 4,299 | 3,923 | 3,141 | 2,875 | 2,725 | 2,606 | 2,498 | 2,359 | 2,287 | 3,152 |
| Transportation | 9,685 | 9,047 | 8,478 | 7,888 | 7,525 | 6,547 | 5,260 | 4,261 | 3,635 | 3,429 | 6,575 |
| Communications and public utilities | 3,801 | 3,287 | 2,825 | 2,209 | 1,994 | 1,886 | 1,778 | 1,681 | 1,543 | 1,469 | 2,247 |
| Services | 11,753 | 10,951 | 9,745 | 8,344 | 7,643 | 6,817 | 6,039 | 5,309 | 4,895 | 4,614 | 7,611 |
| Government and government enterprises | 19,121 | 17,498 | 20,878 | 35,561 | 33,463 | 26,819 | 16,089 | 10,165 | 8,454 | 8,224 | 19,627 |
| Total wages and salaries | 135,267 | 122,261 | 111,415 | 117,662 | 116,912 | 105,633 | 81,877 | 61,702 | 49,584 | 45,743 | 94,806 |
| Cash receipts from farm marketings, including Government payments | 31,275 | 30,500 | 25,290 | 22,286 | 21,042 | 20,014 | 16,013 | 11,742 | 9,109 | 8,685 | 19,596 |

Source: Survey of Current Business, U. S. Department of Commerce.

**Corporate Payrolls** The seven states that are wholly or partly in the Tenth Federal Reserve District account for about a sixth of the total cash farm income of the country. It is of interest to compare the farm income of these states with the payrolls of ten large corporations in this country. The ten corporations selected are large ones, but not necessarily the ten largest in the country. They do, however, represent different types of business. Table 2 gives these corporate payrolls.

In Table 3 cash farm income is given for the seven states represented in the Tenth District. Figures are also given for a few other important farm states.

An inspection of these tables shows that the payrolls of the General Motors Corporation alone in the last decade were more than 31 per cent of the total cash farm income of the seven states represented in this District and appreciably larger than the farm income of any one state. In the last decade the cash farm income of only three states in this country—Iowa, Texas, and Illinois—was larger than the payrolls of the General Motors Corporation. In this decade, the payrolls of General Motors equaled nearly one twentieth of the total cash farm income of the United States.

Cash farm income in 1948 was the highest ever known—over 31 billion dollars for the entire country—yet the 1948 payrolls of the American Telephone and Telegraph Company were 31 per cent larger than the cash farm income of either Kansas or Missouri—the two most important agricultural states represented in the Tenth District. The payrolls of the General Motors Corporation were also larger than the cash farm income of either of these two states, and the payrolls of the United States Steel Corporation were nearly as large. The payrolls of the General Electric Company in 1948 were larger than, and those of The Pennsylvania Railroad Company were equal to, the cash farm income of Colorado.

**TABLE 2**

**PAYROLL DISBURSEMENTS OF TEN CORPORATIONS**
**(In millions of dollars)**

| | 1948 | 1947 | 1946 | 1945 | 1944 | 1943 | 1942 | 1941 | 1940 | 1939 | 10-Yr. Aver. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| American Telephone & Telegraph Co.* | 1,582 | 1,360 | 1,242 | 889 | 764 | 713 | 635 | 571 | 508 | 484 | 875 |
| General Motors Corp. | 1,284 | 1,155 | 870 | 1,008 | 1,380 | 1,322 | 859 | 670 | 492 | 386 | 943 |
| U. S. Steel Corp. | 1,029 | 890 | 694 | 787 | 914 | 869 | 738 | 601 | 439 | 369 | 733 |
| General Electric Co. | 593 | 500 | 359 | 400 | 464 | 472 | 382 | 257 | 153 | 120 | 370 |
| The Pennsylvania Railroad Co. | 522 | 493 | 480 | 449 | 454 | 418 | 352 | 277 | 215 | 195 | 386 |
| New York Central System | 433 | 394 | 373 | 337 | 354 | 293 | 260 | 216 | 183 | 171 | 301 |
| International Harvester Co. | 318 | 267 | 196 | 217 | 211 | 168 | 131 | 123 | 99 | 78 | 181 |
| E. I. du Pont de Nemours & Co. | 294 | 262 | 224 | 195 | 195 | 182 | 160 | 135 | 109 | 90 | 185 |
| Standard Oil Co. (N. J.) | 265 | 226 | 196 | 177 | 168 | 152 | 143 | 121 | 108 | 108 | 166 |
| F. W. Woolworth Co. | 104 | 95 | 85 | 74 | 70 | 67 | 61 | 52 | 46 | 44 | 70 |

*The Bell System.

**TABLE 3**

**CASH RECEIPTS FROM FARM MARKETINGS, INCLUDING GOVERNMENT PAYMENTS**
**(In millions of dollars)**

| | 1948 | 1947 | 1946 | 1945 | 1944 | 1943 | 1942 | 1941 | 1940 | 1939 | 10-Yr. Aver. |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Colorado | 522 | 528 | 407 | 356 | 323 | 325 | 245 | 169 | 139 | 135 | 315 |
| Kansas | 1,205 | 1,252 | 897 | 813 | 746 | 757 | 605 | 418 | 284 | 276 | 725 |
| Missouri | 1,203 | 1,095 | 893 | 738 | 715 | 697 | 563 | 418 | 300 | 281 | 690 |
| Nebraska | 1,069 | 1,102 | 874 | 753 | 656 | 691 | 505 | 306 | 271 | 250 | 648 |
| New Mexico | 179 | 181 | 151 | 124 | 112 | 110 | 97 | 69 | 62 | 55 | 114 |
| Oklahoma | 712 | 658 | 503 | 477 | 460 | 399 | 381 | 274 | 215 | 200 | 428 |
| Wyoming | 154 | 154 | 124 | 102 | 97 | 95 | 83 | 66 | 54 | 51 | 98 |
| Seven states | 5,044 | 4,970 | 3,849 | 3,363 | 3,109 | 3,074 | 2,479 | 1,720 | 1,325 | 1,248 | 3,018 |
| Illinois | 1,846 | 1,921 | 1,481 | 1,225 | 1,202 | 1,190 | 985 | 737 | 580 | 534 | 1,170 |
| Iowa | 2,365 | 2,410 | 1,796 | 1,547 | 1,513 | 1,589 | 1,276 | 909 | 716 | 643 | 1,476 |
| Minnesota | 1,367 | 1,353 | 1,108 | 901 | 839 | 894 | 702 | 507 | 419 | 362 | 845 |
| Ohio | 1,033 | 1,007 | 886 | 764 | 738 | 719 | 607 | 439 | 335 | 333 | 686 |
| Texas | 1,969 | 1,966 | 1,428 | 1,315 | 1,278 | 1,247 | 992 | 770 | 597 | 580 | 1,214 |
| United States | 31,275 | 30,500 | 25,290 | 22,286 | 21,042 | 20,014 | 16,013 | 11,742 | 9,109 | 8,685 | 19,596 |

**Sources of Farm Income** Table 4 gives a breakdown of cash farm income for the last three years. The table shows that the cash income from livestock and its products in the Tenth District is more than 50 per cent larger than the cash income from crops. In 1948 the payrolls of the American Telephone and Telegraph Company were about half the cash income from livestock and its products of the seven states of the Tenth District. The payrolls of the United States Steel Corporation last year exceeded the cash income from livestock and its products of great livestock states like Minnesota and Texas. The total payrolls of the ten corporations listed were nearly half as large as the cash income of the whole country from crops and about 40 per cent of the country's cash income from livestock and its products.

**TABLE 4**
**CASH FARM INCOME**
**(In millions of dollars)**

| | Crops | | | Livestock and Livestock Products | | | Government Payments | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1948 | 1947 | 1946 | 1948 | 1947 | 1946 | 1948 | 1947 | 1946 |
| Colorado | 243 | 259 | 167 | 270 | 259 | 222 | 9 | 11 | 17 |
| Kansas | 631 | 658 | 387 | 567 | 582 | 489 | 7 | 12 | 20 |
| Missouri | 300 | 228 | 187 | 896 | 855 | 680 | 6 | 12 | 25 |
| Nebraska | 359 | 414 | 286 | 702 | 675 | 564 | 9 | 14 | 24 |
| New Mexico | 67 | 75 | 54 | 110 | 102 | 93 | 3 | 4 | 4 |
| Oklahoma | 357 | 314 | 209 | 349 | 335 | 276 | 6 | 8 | 17 |
| Wyoming | 43 | 43 | 29 | 107 | 107 | 89 | 3 | 4 | 5 |
| Seven states | 2,000 | 1,991 | 1,319 | 3,001 | 2,915 | 2,413 | 43 | 65 | 112 |
| Illinois | 687 | 788 | 557 | 1,149 | 1,122 | 888 | 10 | 11 | 35 |
| Iowa | 345 | 450 | 310 | 2,009 | 1,948 | 1,440 | 11 | 12 | 45 |
| Minnesota | 361 | 391 | 244 | 996 | 953 | 811 | 10 | 9 | 52 |
| Ohio | 295 | 302 | 252 | 730 | 696 | 605 | 8 | 10 | 27 |
| Texas | 1,082 | 1,141 | 708 | 871 | 802 | 680 | 16 | 24 | 39 |
| United States | 13,594 | 13,696 | 10,850 | 17,425 | 16,490 | 13,668 | 257 | 314 | 772 |

**Payroll Fluctuations** The great business boom of the twenties culminated in 1929 and the bottom of the Great Depression came in 1932. Table 5 shows the fluctuations in payrolls of eight corporations between 1929 and 1932, or 1933, whichever year was lower.

**TABLE 5**
**PAYROLLS OF EIGHT CORPORATIONS**

| | 1929 | 1932 | 1932 or 1933 as a % of 1929 |
|---|---|---|---|
| American Telephone and Telegraph Company | $527,000,000 | $356,000,000* | 67.6 |
| U. S. Steel Corporation | 420,072,851 | 133,912,809 | 31.9 |
| General Motors Corporation | 389,517,783 | 143,255,070 | 36.8 |
| The Pennsylvania Railroad Company | 328,359,445 | 148,233,236* | 45.1 |
| New York Central System | 283,140,724 | 133,957,830* | 47.3 |
| General Electric Company | 163,090,000 | 55,287,000* | 33.9 |
| International Harvester Company | 100,749,832 | 33,726,437 | 33.5 |
| F. W. Woolworth Company | 46,901,131 | 38,835,581 | 82.8 |

*1933.

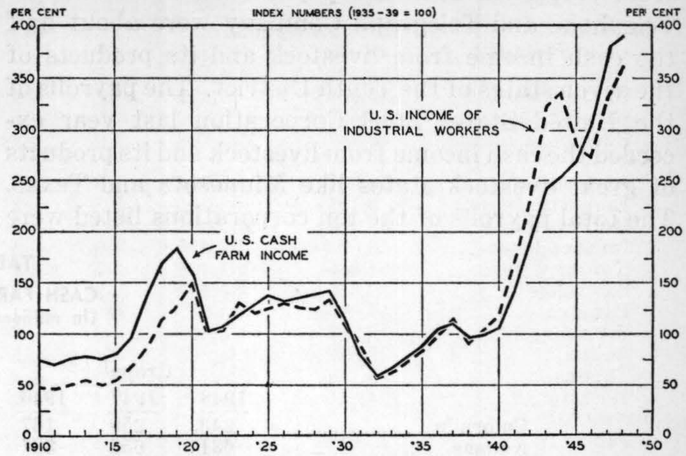
Andrew Carnegie used to say that the steel business was either a prince or a pauper. The reason for this is, of course, that the steel business produces the most important raw material for the heavy industries, and prosperity and depression are characterized by activity or lack of activity in the production of durable goods. It is significant that the greatest fluctuations in payrolls of these eight corporations are found in those of the United States Steel Corporation. In general, the payrolls of the four manufacturing concerns in the list dropped nearly two thirds.

On the other hand, the payrolls of the F. W. Woolworth Company were the most stable. It is often said that depression does not hurt greatly the sales of the dime stores for when incomes fall people tend, in buying certain kinds of merchandise, to drop from other types of shops to the five-and-ten-cent stores. It is also of interest that a service institution like the American Telephone and Telegraph Company has a relatively stable payroll.

**The Farm and the Factory** To anyone interested in the American farm, the fluctuations in corporation payrolls are of transcendent significance. There are nearly 45 million more people in this country than at the time of the Armistice marking the close of World War I, and the per capita buying power is larger than ever before. Meat imports now exceed exports. As population and income increase, the home market more and more is being depended upon as an outlet for the products of the farm, and these payroll disbursements with their great fluctuations give a vivid picture of the ups and downs of the demand for farm products. In August, 1929, the Bureau of Agricultural Economics' index of farm prices stood at 152, while in February and March, 1933, it was only 55. Between these two dates total payrolls in the United States dropped over 20 billion dollars. The accompanying chart shows vividly the close relationship between the income of industrial workers and cash farm income.

No one in America has more at stake in business prosperity than the farmer. American payrolls constitute the backbone of the farmer's market, and payrolls expand with increasing business activity. Increased industrial employment is dependent on a broadening of consumption, and a broadening of consumption hinges on a reduction of industrial costs. There are large segments of the population besides those who receive fixed incomes from investments whose income does not increase as industrial costs rise. Higher industrial costs reduce the capacity of these groups to consume and this, in turn, reduces industrial activity, employment, and payrolls.

THE FARM AND THE AMERICAN FACTORY




U. S. Department of Agriculture — Bureau of Agricultural Economics

# BUSINESS AND AGRICULTURAL CONDITIONS

## MEMBER BANK CREDIT

The volume of outstanding loans of District member banks increased by 17 million dollars during June. The only other month this year in which loan volume did not show a decline was March, and by the end of June District member bank loan volume was 101 million dollars smaller than at the end of 1948. The loan expansion during June was largely in country member banks, as their loans increased by 15 million dollars, or over 2 per cent, and the increase in reserve city member bank loan volume was nominal. The country banks experienced an active loan demand from farmers. In the city banks, the continuing decline in business loans largely offset increases in real estate loans, consumer loans, and loans to banks. At the end of June, District member bank loan volume still was above the level a year earlier, but the increase was principally in the country banks. Of a net increase of 82 million dollars during the twelve months, country bank loan volume accounted for 78 million.

Both city and country banks decreased their Government security holdings during the month of June. In the city banks, Government security holdings declined by 43 million dollars, or over 3 per cent. A loss of deposits during the period was an important factor leading to the liquidation of Government securities by the city banks. In the country banks, a decline of 12 million dollars in Government obligations was somewhat less than the increase in loan volume. While Government security holdings decreased, other security holdings expanded by 7 million dollars in the city banks and by 2 million in the country banks.

Deposit volume declined by 32 million dollars in District reserve city member banks during June. There were reductions in deposits of individuals and businesses, state and local government deposits, and in interbank deposits. In the country banks, deposit volume was virtually unchanged for the month, showing a decrease of only 2 million dollars.

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

| | All Member Banks | | | Reserve City Banks | | | Country Banks | | |
|---|---|---|---|---|---|---|---|---|---|
| | June 29 1949 | May 25 1949 | June 30 1948 | June 29 1949 | May 25 1949 | June 30 1948 | June 29 1949 | May 25 1949 | June 30 1948 |
| Loans and investments | 4,157 | 4,186 | 4,164 | 2,230 | 2,264 | 2,236 | 1,927 | 1,922 | 1,928 |
| Loans and discounts | 1,407 | 1,390 | 1,325 | 775 | 773 | 771 | 632 | 617 | 554 |
| U. S. Government obligations | 2,357 | 2,412 | 2,471 | 1,247 | 1,290 | 1,278 | 1,110 | 1,122 | 1,193 |
| Other securities | 393 | 384 | 368 | 208 | 201 | 187 | 185 | 183 | 181 |
| Reserve with F. R. Bank | 824 | 839 | 799 | 493 | 498 | 481 | 331 | 341 | 318 |
| Balances with banks in U. S. | 560 | 552 | 634 | 244 | 238 | 284 | 316 | 314 | 350 |
| Cash items in process of collection | 229 | 228 | 273 | 212 | 211 | 252 | 17 | 17 | 21 |
| Gross demand deposits | 4,835 | 4,868 | 4,964 | 2,668 | 2,698 | 2,755 | 2,167 | 2,170 | 2,209 |
| Deposits of banks | 751 | 758 | 829 | 698 | 704 | 768 | 53 | 54 | 61 |
| Other demand deposits | 4,084 | 4,110 | 4,135 | 1,970 | 1,994 | 1,987 | 2,114 | 2,116 | 2,148 |
| Time deposits | 674 | 675 | 668 | 359 | 361 | 359 | 315 | 314 | 309 |
| Total deposits | 5,509 | 5,543 | 5,632 | 3,027 | 3,059 | 3,114 | 2,482 | 2,484 | 2,518 |
| Borrowings | 3 | 6 | 3 | 2 | 4 | 2 | 1 | 2 | 1 |

BANK DEBITS

| | June 1949 | 6 Mos. 1949 | Change from '48 June | Change from '48 6 Mos. |
|---|---|---|---|---|
| | (Thousand dollars) | | (Per cent) | |
| COLORADO | | | | |
| Colo. Springs | 42,002 | 219,996 | +3 | +3 |
| Denver | 484,709 | 2,834,180 | −3 | 0 |
| Gr. Junction | 13,000 | 77,399 | +4 | +4 |
| Greeley | 16,499 | 106,830 | −17 | −15 |
| Pueblo | 40,187 | 232,408 | 0 | +7 |
| KANSAS | | | | |
| Atchison | 14,026 | 85,864 | −7 | −6 |
| Emporia | 9,195 | 56,046 | −3 | −2 |
| Hutchinson | 31,923 | 250,003 | −37 | −10 |
| Independence | 6,537 | 38,016 | −10 | −5 |
| Kansas City | 64,865 | 381,498 | −5 | +2 |
| Lawrence | 10,350 | 59,480 | −8 | −3 |
| Parsons | 7,017 | 42,017 | −20 | −11 |
| Pittsburg | 10,987 | 65,409 | −6 | −6 |
| Salina | 29,520 | 195,365 | −24 | −15 |
| Topeka | 95,754 | 528,133 | −5 | +4 |
| Wichita | 224,815 | 1,308,428 | −4 | −3 |
| MISSOURI | | | | |
| Joplin | 25,629 | 156,789 | −8 | −1 |
| Kansas City | 998,304 | 5,915,925 | −11 | −5 |
| St. Joseph | 86,989 | 524,052 | −10 | −9 |
| NEBRASKA | | | | |
| Fremont | 16,041 | 94,125 | −14 | −5 |
| Grand Island | 19,805 | 120,479 | −10 | −7 |
| Hastings | 12,638 | 76,771 | −18 | −12 |
| Lincoln | 74,938 | 453,332 | −2 | −2 |
| Omaha | 467,482 | 2,668,917 | −6 | −4 |
| NEW MEXICO | | | | |
| Albuquerque | 92,506 | 486,639 | +28 | +16 |
| OKLAHOMA | | | | |
| Bartlesville | 140,327 | 800,794 | +16 | +36 |
| Enid | 37,029 | 202,838 | −42 | −22 |
| Guthrie | 4,241 | 25,098 | −14 | −4 |
| Muskogee | 23,052 | 134,550 | −1 | −2 |
| Okla. City | 306,244 | 1,778,563 | −2 | +1 |
| Okmulgee | 5,688 | 38,319 | −11 | −3 |
| Ponca City | 18,040 | 101,835 | −6 | −16 |
| Tulsa | 477,538 | 2,914,511 | −6 | +3 |
| WYOMING | | | | |
| Casper | 25,435 | 162,837 | −10 | +12 |
| Cheyenne | 29,020 | 168,851 | +2 | +4 |
| District, 35 cities | 3,962,332 | 23,306,297 | −6 | −1 |
| U. S., 333 cities | 109,068,000 | 612,846,000 | 0 | 0 |

## DEPARTMENT STORE TRADE

Dollar volume of sales at reporting department stores in this District in the first half of July was about 5 per cent under that in the corresponding period a year ago. The rate of decline for July was little different from the decreases of 6 per cent reported for June and for the first six months of the year. Sales declined by the usual amount from May to June, and the seasonally adjusted index of daily average sales was unchanged in June at 309 per cent of the 1935-39 average. This compares with the very high level of 334 per cent last October, just before the current period of weakness in sales first became apparent.

The definite downward readjustment in department store sales in 1949, as evidenced by fairly consistent declines from year-ago levels, has been accompanied by greatly intensified promotional efforts, without which the decline conceivably would be somewhat more than it is. Actually, the decrease in dollar volume, which it should be remembered is being measured against a record high in 1948, has been rather moderate, and dollar volume is still more than three times the prewar average. Part of the downturn in sales this year reflects lower prices. Unit sales in some lines, especially "soft" goods such as apparel, are equal to or above a year ago, but dollar volume has been adversely affected by price reductions and by a shift in consumer demand to lower-priced merchandise. It is significant that sales in the basement store tend to show greater year-to-year gains, or smaller decreases, than sales in the comparable main store departments. The most pronounced declines in sales this year have generally been in "hard" lines, especially furniture and major household appliances. A year ago, there still was a relatively heavy backlog of accumulated demand for housefurnishings items, but consumer buying of housefurnishings this year has narrowed mainly to a replacement basis.

Department store inventories decreased more than is usual during June, and the seasonally adjusted index of stocks declined from 276 per cent of the 1935-39 average at the end of May to 269 per cent at the end of June. Inventories had been at a peak of 310 per cent in March of 1948 and have been declining almost steadily since then. Stocks of merchandise on hand June 30 this year were 11 per cent less in value than a year ago, and the volume of outstanding orders continues about 40 per cent under a year earlier.

Department store sales and stocks in leading cities:

| | SALES June '49 comp. to June '48 | SALES 6 Mos. '49 comp. to 6 Mos. '48 | STOCKS June 30, '49 comp. to June 30, '48 |
|---|---|---|---|
| | (Per cent increase or decrease) | | |
| Denver | −5 | −5 | −10 |
| Pueblo | −7 | −9 | −7 |
| Hutchinson | −15 | −3 | −7 |
| Topeka | −2 | −4 | −17 |
| Wichita | +1 | +1 | +7 |
| Joplin | −14 | −8 | −14 |
| Kansas City | −10 | −9 | −15 |
| St. Joseph | −10 | −8 | * |
| Lincoln | −3 | −6 | * |
| Omaha | +5 | +1 | −4 |
| Oklahoma City | −8 | −9 | −17 |
| Tulsa | −9 | −8 | * |
| Other cities | −6 | −5 | −15 |
| District | −6 | −6 | −11 |

*Not shown separately but included in District total.

## INDUSTRIAL PRODUCTION

**Flour Milling** Flour trade in the Southwest established a ten-year record during the week ended July 9, as sales climbed to 419 per cent of milling capacity. This compares with 148 per cent in the previous week and 250 per cent a year ago. The purchase of 1,500,000 sacks of flour by a leading southwestern chain bakery led the buying and was followed by large purchases by independents and other buyers, who covered requirements for 120 days to six months ahead. The news of very light wheat receipts over the holiday weekend, coupled with pessimistic crop reports, caught many bakers by surprise and they immediately began replenishing their depleted inventories. For many months, most bakers had kept inventories at a minimum in the expectation that new crop prices would be lower, but apparently a large number have decided that there is little likelihood of further price declines.

Flour prices are showing notable strength and have scored gains of 20 to 30 cents per hundredweight on hard winter wheat flours during the past two weeks. Flour production is up and averaged better than 80 per cent of milling capacity during the first two weeks of July, as compared with 74 per cent for the month of June and 66 per cent during May. Production, which during the first half of 1949 had been considerably below that in 1948, is now approaching the 1948 level.

**Petroleum** Crude oil production in the United States declined considerably during June after leveling off through April and May, and daily average crude oil output dropped 152,000 barrels in the week ended July 9 to the lowest level since February, 1947. Refinery runs were little changed from May to June. Tighter production curbs are responsible for part of the crude output decline. State reductions in daily crude production allowables for July include a cut of 30,000 barrels in Kansas, 20,776 barrels in Oklahoma, 125,101 barrels in Texas, 44,902 barrels in Louisiana, and 10,400 barrels in Arkansas, a total curtailment exceeding 230,000 barrels a day. These cutbacks and other declines in crude production have aided in protecting the crude price structure. The margin between crude prices and over-all refinery prices has narrowed rapidly during the past year, however, and there is currently a great deal of confusion in petroleum markets over the existing lack of balance between crude and refined products prices and over possible remedies for the situation.

In Wyoming, independent operators have shut down production for the summer in three fields in the northeastern part of the state to avoid a threatened cut in the posted price of $2.65 a barrel for 40 degree gravity, or light, oil. This is expected to hold back 7,000 to 8,000 barrels a day from the Mush Creek, Fiddler Creek, and Skull Creek fields and is almost certain to slow down exploration and drilling activity in that area. Wildcat activity is increasing along the west side of the Powder River basin, however. On July 8, the Kansas Corporation Commission ordered a cutback in normally nonregulated areas because larger wells in protected fields already have been cut to the legal minimum of 25 barrels daily. Extensive above-ground stocks and oil imports were given as the reasons necessitating this move.

Two oil discoveries in the Forest City basin of northeastern Kansas are receiving wide attention and many are optimistic that this may prove to be a rich new field. Two new wells have also been completed five miles east of Gurley, Nebraska, in what may be an important new field for the Rocky Mountain region. Considerable drilling activity is being planned in both areas.

**Employment** Unemployment rose to a seven-year high of 3,778,000 during June as students entered the labor market. Industry was able to absorb roughly two thirds of this influx, according to estimates of the Bureau of the Census. Employment was at the highest level yet this year but totaled about 1,500,000 less than in June, 1948. For the first time since December, nonagricultural employment showed an increase. This was partly attributable to a continued high level of activity in the construction industry, and it has been reported that a record total of $8,453,000,000 was spent for new construction in the first half of 1949. Construction volume was 4 per cent above the previous record high set during the first half of 1948.

In Wyoming, unemployment continued to decline during June but remained about twice as large as a year ago. The outlook points to further decreases in unemployment through the summer months, with a noticeable drop when youths return to school. Job opportunities at the local offices of the Wyoming State Employment Service ran well ahead of June a year ago, but there was more labor competing for these jobs. Total employment in the state was slightly higher than in June, 1948.

The employment situation in Kansas is somewhat more favorable than that of the nation, even though unemployment is greater than in 1948.

Unemployment is still causing considerable concern in Oklahoma. Tulsa's employment outlook is the least favorable since the war. Unemployment increased by 1,000 from May 15 to June 15, raising the ranks of the jobless to approximately 5 per cent of the area's labor force. Layoffs in local manufacturing plants, which totaled 350, were the largest single factor in the drop in employment, while in construction there were 200 more unemployed. Unemployment is 96 per cent greater than in June, 1948.

Mining employment is down considerably in the Rocky Mountain region as well as in the Tri-State district of Oklahoma, Kansas, and Missouri. Most operations in the Tri-State area have been shut down, estimated employment standing at about 500 as compared with approximately 3,000 on March 1. Production cutbacks, reduction of the work week, and layoffs have been effected in Colorado and New Mexico but generally the pattern appears to be one of curtailment rather than complete shutdown. Small independent operators have been the hardest hit by the drop in metal prices. In Grant County, New Mexico, an area accounting for most of New Mexico's metal production, three major producers have shut down, however, and unemployment totals more than 1,000.

## AGRICULTURE

**Crops** The deterioration of the winter wheat crop during June was, without doubt, the outstanding feature of the crop year to date. The acreage was large, the crop had come through the winter in excellent shape, and moisture conditions in the early part of the growing season had been unusually favorable. During May everything pointed to a crop that would be one of the largest ever produced. A combination of circumstances during June — circumstances already so well publicized they need not be repeated here—reduced the crop to nearly an average one and a crop of extremely low quality.

The July 1 estimate of the Department of Agriculture for all wheat production was 148 million bushels lower than the estimate a month earlier. Of this amount, 105 million bushels represented a decline in the winter wheat crop and 43 million in spring wheat. The greatest deterioration in the crop occurred in Kansas, the July 1 estimate being 28 per cent under that of June 1. The reduction of the Oklahoma crop was placed at 17 per cent, and that of Nebraska at 8 per cent. The estimate for Colorado was raised 5 million bushels, or 13 per cent. The deterioration estimated by the Department of Agriculture was more moderate than that of most local crop reporters. Many observers believe that the winter wheat crop is more nearly 200 million bushels under the June 1 estimate, a shrinkage approximately twice that reported by the Department of Agriculture.

The drop in production is only one of the factors reducing the value of the wheat crop. The amount of lightweight wheat undoubtedly is of record proportions. Competent observers are of the opinion that more than half of the Kansas crop will test under 55 pounds. While the shrinkage both in bushels and in value has been great, it still remains true that the wheat crop is a large and valuable one in terms of average conditions. Reflecting the unfavorable turn in crop conditions, the price of wheat has risen moderately.

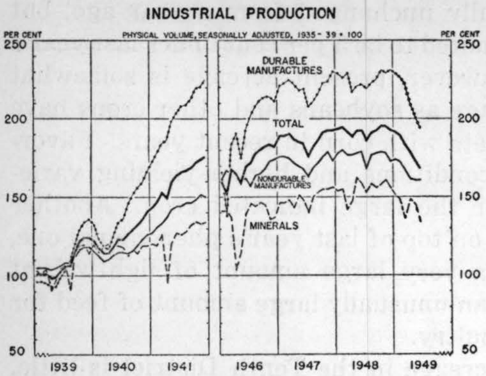
The July 1 corn estimate of the Department of Agriculture of 3½ billion bushels indicates the second largest crop of record. The corn acreage in the United States is virtually unchanged from a year ago, but the crop is estimated to be 3 per cent under last year's record one. However, present acreage is somewhat below the average as soybeans and other crops have tended to compete with corn in recent years. Favorable moisture conditions and higher-yielding varieties account for the large indicated crop. Another large corn crop on top of last year's phenomenal one, together with a very large amount of lightweight wheat, assures an unusually large amount of feed for livestock and poultry.

Sugar beet acreage in the Tenth District is little, if any, larger than the small acreage last year. Some areas report that plantings this year were somewhat smaller than a year ago but that abandonment has been less. In Colorado, plantings were 2 per cent higher but, because of low abandonment, acreage for harvest will be 18 per cent larger. The Department of Agriculture states that beets in northern Colorado are making an unusually fine showing and that yields per acre should be much above average. A crop in Colorado of 1,769,000 tons is indicated, an increase of 28 per cent from the small harvest of 1948. Labor is generally in adequate supply and the use of machinery in cultivating and harvesting beets is said to be increasing rapidly.

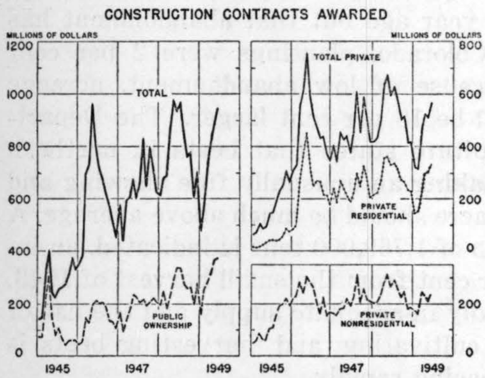
The unsatisfactory acreage of this year and last is attributed mainly to a shift to more profitable crops. Not only have other crops been more profitable but farmers continue of the opinion that prices of these competing crops will remain high and consequently they are reluctant to plant sugar beets. Depending upon location, beets in Colorado have had to compete with beans, potatoes, grains, and truck crops. In western Nebraska corn has tended to supplant beets, and around Garden City, Kansas, beets have met increasing competition from wheat.

**Livestock** Pastures and ranges have seldom been better and cattle are in splendid condition. Considerable uneasiness is reported among cattlemen regarding fall prices because of the large supplies of pork that are in prospect. The tendency, consequently, is to market grass-fed cattle early.

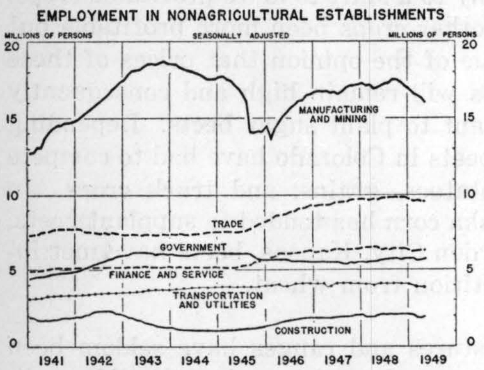
The spring pig crop of 59 million head was 15 per cent larger than the one a year earlier and prospects are for a fall crop of 37 million pigs. The corn-hog ratio is favorable to hog production and another large corn crop following so closely the record one of last year will greatly stimulate hog numbers. The Department of Agriculture states that, at the heavier slaughter weights of recent years, 96 million hogs in 1949 would permit pork consumption per person in 1950 of approximately 75 pounds, the highest in 40 years except for 1943 and 1944.



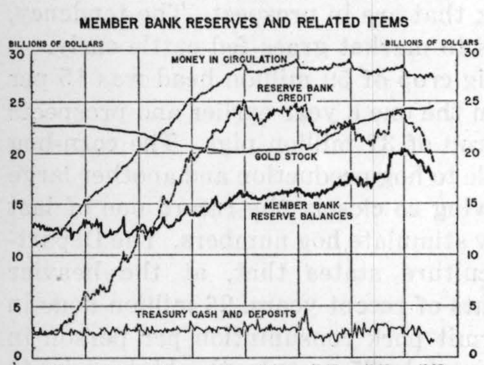

Federal Reserve indexes. Monthly figures, latest shown are for June, 1949.




F. W. Dodge Corporation data for 37 Eastern States. Monthly figures, latest shown are for June, 1949.




Bureau of Labor Statistics' estimates adjusted for seasonal variation by Federal Reserve. Proprietors and domestic servants are not included. Midmonth figures, latest shown are for May, 1949.




Wednesday figures, latest shown are for July 20, 1949.

# NATIONAL SUMMARY OF BUSINESS CONDITIONS

**By the Board of Governors of the Federal Reserve System**

Industrial output declined further in June. Department store sales declined somewhat more than usual in this period, while sales of automobiles were maintained in record volume. Construction contract awards increased further. Prices of basic commodities showed some recovery from mid-June to mid-July; the average level of all wholesale commodity prices showed little change.

## Industrial Production

The Board's seasonally adjusted index of industrial production in June was 169 per cent of the 1935-39 average—3 per cent lower than in May and 13 per cent below the postwar peak level reached in October and November, 1948. The decline in June reflected mainly further curtailment of output in most durable goods industries and a marked decline in activity in the coal mining industry. Production of nondurable goods as a group was maintained at the reduced levels prevailing in April and May.

Iron and steel production decreased sharply in June and declined further by mid-July. Output of open hearth steel in June was at 85 per cent of capacity, while electric steel output, following a decline of one third from the reduced May level, was at 39 per cent of capacity. Activity in most machinery industries was curtailed further in June. Production of lumber and of stone, clay, and glass products remained about 11 per cent below last year's level. Output of passenger automobiles, which had been reduced in May by a labor dispute at the plants of a major producer, increased considerably in June and was at a new high rate in mid-July.

Activity in the textile industries increased somewhat in June from the very low levels reached in May. Output of apparel wool textiles showed a further recovery from the April low point. Production of manufactured foods rose slightly in June. Newsprint consumption, however, decreased from the record May rate, and activity at petroleum refineries and chemical plants also declined somewhat.

Minerals production decreased in June reflecting largely a marked reduction in coal output as a result of a work stoppage and the beginning of the annual vacation period. Coal output remained at a low level in July with most mines operating three days a week. Production of crude petroleum was curtailed slightly in June and somewhat more in early July.

## Construction

Value of construction contracts awarded in June, according to the F. W. Dodge Corporation, increased further to 946 million dollars as compared with 880 million in May and 935 million in June, 1948. The increase reflected chiefly a further rise in awards for private residential work and an expansion in awards for public utility construction. The number of new housing units started in June totaled 100,000, according to the Bureau of Labor Statistics. This was 5,000 more than in May and equal to the postwar high reached in May, 1948.

## Distribution

Value of department store sales showed somewhat more than the usual seasonal decline in June and the Board's adjusted index was estimated to be 284 per cent of the 1935-39 average, as compared with 292 in May and 307 in June of last year. Sales in the first half of July remained near the June level, after allowance for the usual seasonal changes.

## Commodity Prices

Prices of nonferrous metals and some other industrial materials advanced from mid-June to mid-July, following sharp declines in recent months. Steel scrap prices, however, decreased further by 5 per cent. Prices of hogs and pork showed marked seasonal increases in this period, while prices of worsted fabrics, paints, and some other finished products were reduced.

## Bank Credit

Required reserves of all member banks were reduced by about 800 million dollars on June 30 with the expiration of the temporary reserve requirement authority granted to the Board of Governors by Congress in August, 1948. Subsequently, during the first three weeks of July, Government security holdings at the Reserve Banks declined by about one billion dollars, reflecting sales of bills and certificates made in response to a strong market demand for these securities.

Business loans at banks in leading cities were reduced further during June and the first half of July, but the declines were somewhat smaller than in other recent months. Holdings of Government securities increased by over one billion dollars in the first half of July.

## Security Markets

Shortly before the reduction in reserve requirements, the System announced a change in open market policy. These developments were reflected in sharp declines in yields on Government securities early in July. System sales of bills and certificates checked this decline, but the resulting yields were still substantially below previous levels. Prices of other securities—bonds and common stocks—advanced steadily in the first three weeks of July.