

MONTHLY REVIEW

Agricultural and Business Conditions

TENTH FEDERAL RESERVE DISTRICT

VOL. 34, No. 8

FEDERAL RESERVE BANK OF KANSAS CITY

AUGUST 31, 1949

MEMBER BANK EARNINGS AND CONDITION

Member Bank Earnings Net profits of District member banks were 22 per cent larger during the first half of this year than during the first half of last year. Earnings reports indicate that the situation among District banks is in line with that for the country as a whole, as net profits of all member banks in the United States were 24 per cent higher during the first six months of 1949 than during the comparable period of 1948. For District reserve city member banks, net profits increased by 27 per cent, while the increase for District country member banks was 19 per cent.

The factors responsible for the more favorable showing of District member bank earnings state-

ments this year were an increase in current earnings and a decrease in the amount of transfers to valuation reserves. These factors were offset only partially by increases in current expenses and in taxes on net income and by a decrease in the volume of profits and recoveries on loans and securities. The larger amount of transfers to valuation reserves in the 1948 bank earnings statements reflected the fact that the Bureau of Internal Revenue extended to March 15, 1948, the period during which banks might change from the specific charge-off to the reserve method of accounting for bad debts in making their income tax returns for the calendar year 1947. While the increase in net profits of District country member

EARNINGS OF TENTH DISTRICT MEMBER BANKS
(Amounts in thousands of dollars)

	RESERVE CITY BANKS*				COUNTRY BANKS**			
	January - June		Change		January - June		Change	
	1949	1948	Amount	Per Cent	1949	1948	Amount	Per Cent
Earnings.....	30,795	28,574	+2,221	+7.8	35,040	31,797	+3,243	+10.2
On U. S. Govt. securities.....	9,070	9,013	+57	+0.6	9,467	9,202	+265	+2.9
On other securities.....	1,773	1,588	+185	+11.6	1,989	1,828	+161	+8.8
On loans.....	15,009	13,327	+1,682	+12.6	18,237	15,556	+2,681	+17.2
All other.....	4,944	4,647	+297	+6.4	5,348	5,209	+139	+2.7
Expenses.....	18,548	17,713	+835	+4.7	18,435	17,015	+1,420	+8.3
Salaries and wages.....	9,135	8,573	+562	+6.6	10,003	9,168	+835	+9.1
Interest on deposits.....	1,419	1,281	+138	+10.8	1,475	1,342	+133	+9.9
All other.....	7,994	7,860	+134	+1.7	6,958	6,518	+440	+6.8
Net current earnings before income taxes.....	12,247	10,861	+1,386	+12.8	16,605	14,781	+1,824	+12.3
Recoveries, transfers from reserve accounts, and profits.....	844	3,066	-2,222	-72.5	903	1,537	-634	-41.3
Recoveries on securities***.....	186	901	-715	-79.4	74	83	-9	-10.9
Profits on securities.....	323	661	-338	-51.1	114	229	-115	-50.2
Recoveries on loans***.....	178	351	-173	-49.3	487	794	-307	-38.7
All other.....	158	1,154	-996	-86.3	229	430	-201	-46.8
Losses, charge-offs, and transfers to reserve accounts.....	2,426	4,878	-2,452	-50.3	2,896	4,138	-1,242	-30.0
On securities.....	447	1,869	-1,422	-76.1	425	627	-202	-32.2
On loans.....	1,541	2,427	-886	-36.5	1,912	3,101	-1,189	-38.4
All other.....	438	583	-145	-24.9	559	408	+151	+37.0
Profits before income taxes.....	10,665	9,048	+1,617	+17.9	14,613	12,179	+2,434	+20.0
Taxes on net income.....	3,075	3,068	+7	+0.2	4,166	3,408	+758	+22.2
Net profits.....	7,590	5,981	+1,609	+26.9	10,447	8,775	+1,672	+19.1
Cash dividends declared.....	2,678	2,139	+539	+25.2	2,383	2,440	-57	-2.3

*50 banks. **709 banks in 1949; 711 in 1948. ***Includes transfers from reserve accounts.

banks for the first half of this year over the comparable period last year was smaller than the increase for District reserve city member banks, profits before income taxes increased more in the country banks than in the city banks. The city banks' earnings reports showed little increase in taxes on net income, while the country bank reports showed an increase of 22 per cent.

Current earnings of both reserve city and country member banks in the District were considerably higher during the first half of 1949 than during the first half of 1948. For reserve city banks, the increase was 8 per cent and for country banks it was 10 per cent. Most of the increase in earnings came from the larger volume of earnings on bank loans, resulting primarily from an expansion in the volume of loans outstanding. The monthly average loan volume outstanding for the city banks was 6 per cent higher than in the comparable period of 1948, and for the country banks the increase was 22 per cent. The average rate of interest on loans in the city banks was 3.70 per cent during the first half of 1949 compared with 3.47 per cent in the first half of 1948, while the average rate of return on country bank loans was 5.60 per cent compared with 5.85 per cent for the comparable period a year earlier. The decline in the average rate of return on country bank loan volume resulted from the increased importance in country bank portfolios of commodity loans guaranteed by the Commodity Credit Corporation, which carry a lower rate of interest than most other country bank loans.

Earnings on Government securities showed some increase during the first half of 1949 compared with last year in both District city banks and District country banks despite a reduction in the monthly average holdings of Government securities by 5 per cent in the city banks and by 10 per cent in the country banks. The average yield on Government securities increased, with the city bank yield increasing from 1.38 per cent to 1.46 per cent and the country bank yield increasing from 1.48 per cent to 1.69 per cent. The higher yields available on short-term Government securities were an important factor in bringing about the higher average rate of return. Earnings on non-Government securities also increased, the increase resulting from both an expansion in the amount of such securities held and a higher average rate of return.

District member bank expenses expanded during the first six months of 1949 compared with the first six months of 1948. In the city banks, expenses increased by 5 per cent and in the country banks by 8 per cent. The bulk of the increase in expenses in both groups of banks was in salaries and wages, as that item increased by 7 per cent in the city banks and by 9 per cent in the country banks.

While reserve city member bank current expenses were 835 thousand dollars larger than during the first six months of 1948, current earnings were up by 2,221 thousand dollars, leading to an increase of 1,386 thousand dollars in net current earnings before income taxes. When the decrease in net losses, charge-offs, and transfers to valuation reserves of 230

TENTH DISTRICT MEMBER BANK LOANS
(In thousands of dollars)

	RESERVE CITY BANKS			COUNTRY BANKS		
	June 30 1949*	Change		June 30 1949*	Change	
Dec. 1948 to June 1949		June 1948 to June 1949	Dec. 1948 to June 1949		June 1948 to June 1949	
Commercial and industrial loans, including open market paper.....	410,765	-41,451	-28,872	131,066	+2,875	-3,429
Loans to farmers directly guaranteed by the Commodity Credit Corporation.....	19,706	-28,293	+19,539	33,929	-73,488	+28,216
Other loans to farmers.....	59,908	-14,051	-4,610	216,391	+26,425	+28,638
Loans to brokers and dealers in securities.....	3,927	-14	+641	250	+32	+47
Other loans for purchasing or carrying securities.....	15,503	-1,575	-2,681	3,826	+238	-125
Real estate loans, total.....	114,952	+1,029	+3,649	130,442	+5,168	+7,507
On farm land.....	5,681	+453	-439	27,142	+1,042	+49
On residential property.....	73,692	-2,567	+234	77,709	+3,467	+6,191
On other properties.....	35,579	+3,143	+3,854	25,591	+659	+1,267
Other loans to individuals, total.....	130,699	+7,820	+12,768	109,497	+12,603	+16,488
Retail automobile instalment paper.....	26,097	+3,091	+5,587	37,176	+6,253	+8,210
Other retail instalment paper.....	14,566	+1,314	+1,714	11,978	+2,357	+2,227
Repair and modernization instalment loans.....	13,440	+360	+2,673	4,786	+553	+1,236
Instalment cash loans.....	14,902	-589	+2,121	15,555	+2,318	+2,786
Single-payment loans.....	61,694	+3,644	+673	40,002	+1,122	+2,029
Loans to banks.....	872	+171	+562	41	-21	-55
All other loans (including overdrafts).....	23,072	+1,524	+4,072	9,243	+93	+1,055
Total loans, gross.....	779,404	-74,840	+5,068	634,682	-26,078	+78,339
Reserves.....	5,131	+978	+2,003	4,063	-822	+1,594
Total loans, net.....	774,273	-75,818	+3,065	630,619	-26,900	+76,745

*Preliminary figures.

thousand dollars is taken into account, profits before income taxes become 1,617 thousand dollars more than during the first six months of 1948. As taxes on net income showed little change, profits after income taxes were 1,609 thousand dollars larger than in the earlier period.

The increase in District country member bank expenses during the first six months of 1949 amounted to 1,420 thousand dollars compared with an increase of 3,243 thousand dollars in current earnings, and, accordingly, net current earnings before income taxes were 1,824 thousand dollars higher than during the first six months of 1948. As net losses, charge-offs, and transfers to valuation reserves showed a decrease of 608 thousand dollars, net profits before income taxes were 2,434 thousand dollars larger than a year earlier. An increase of 758 thousand dollars in net income taxes brought net profits after income taxes to a level 1,672 thousand dollars higher than during the first half of 1948.

Cash dividends declared by all District member banks were 5,061 thousand dollars during the first six months of 1949, while aggregate cash dividends declared during the first half of 1948 amounted to 4,579 thousand dollars.

Member Bank Condition Both asset and liability items of the condition statements of District member banks showed marked changes during the first half of this year. The largest change was the decline in deposit volume, which reflected substantial decreases in loan volume, reserves with the Federal Reserve Bank, and balances with other commercial banks, and a small decline in investments. These changes followed essentially the same pattern as that for all commercial banks in the United States except that the volume of bank investments of the latter group showed a net increase. This variation from the national pattern was brought about by country bank developments, as the reserve city banks increased their investment volume in line with the national trend.

Loan volume of District member banks declined by 7 per cent during the first six months of this year. This compared with a decline of 3 per cent for all commercial banks in the United States. However, the importance of commodity loans guaranteed by the Commodity Credit Corporation must be taken into account in interpreting the loan data for this District, as the decline in those loans was approximately equal to the net decline in total loan volume in District member banks. The only other important decline in loan volume was in commercial and industrial loans, which appear to have decreased relatively less than in the country as a whole, and whose decline in District

ASSETS AND LIABILITIES OF TENTH DISTRICT MEMBER BANKS
(In millions of dollars)

	June 30 1949*	Dec. 31 1948	June 30 1948
Loans and discounts.....	1,405	1,508	1,325
U. S. Government obligations.....	2,352	2,377	2,471
Other investments.....	395	389	368
Cash and balances with other banks...	1,740	1,958	1,774
Reserve with F. R. Bank.....	842	934	800
Demand balances with banks in U.S..	576	664	629
Other cash balances.....	323	360	345
Other assets.....	40	38	37
Total assets.....	5,932	6,270	5,975
Demand deposits, total.....	4,891	5,243	4,964
Individuals and businesses.....	3,482	3,722	3,516
U. S. Government.....	67	91	80
States and political subdivisions.....	519	496	482
Interbank.....	778	874	828
Certified and officers' checks.....	46	60	58
Time deposits.....	674	668	668
Total deposits.....	5,565	5,911	5,632
Other liabilities.....	17	22	17
Total capital accounts.....	350	337	326
Total liabilities and capital accounts.....	5,932	6,270	5,975

*Preliminary figures.

banks was fully offset by increases in real estate loans, consumer loans, and loans to farmers other than Commodity Credit Corporation guaranteed loans.

Total loan volume of District reserve city member banks declined by 9 per cent compared with a decline of only 4 per cent in District country member banks, despite the fact that Commodity Credit Corporation guaranteed loans are relatively much more important in the country banks. The principal factor explaining the higher rate of decrease in city bank loan volume is the decline in commercial and industrial loans. Such loans not only declined in the city banks while increasing slightly at the country banks, but they constitute a major proportion of city bank loan portfolios and a minor proportion of country bank loan portfolios. Other factors serving to explain the sharper decrease in city bank loan volume are the smaller increases in real estate loans and consumer loans in those banks compared with the country banks. The country banks not only had a smaller percentage decrease in loans during the first half of this year, but their loans increased much more rapidly during the last half of 1948 when a big expansion in Commodity Credit Corporation guaranteed loans occurred. Thus, on June 30, 1949, total loans of the city banks were less than 1 per cent above their volume a year earlier, but country bank loans were 14 per cent larger than a year earlier.

Among District reserve city banks, a reduction of 76 million dollars in loan volume during the first half of this year was partially offset by an expansion of 24 million in investments, about equally divided between United States Government securities and other securities. In District country banks, however,

a reduction of 27 million dollars in loan volume was accompanied by a decrease of 43 million in investments, of which 36 million represented a net decrease in United States Government securities. For all member banks in this District, loans and investments combined declined by 3 per cent compared with a decrease of 1 per cent for all commercial banks in the United States.

Deposit volume of both city and country member banks in the District declined by about 6 per cent during the first half of this year compared with a decline of 5 per cent in all commercial banks in the United States. The largest decline in District deposits of both city and country banks was in demand deposits of individuals and businesses (including farmers' deposits), but in the city banks the loss of interbank deposits was nearly as large in dollar amount and twice as great in rate of decline. Demand

deposits of individuals and businesses decreased by 7 per cent in the country banks and by 5 per cent in the city banks. Total time deposits, as well as time deposits of individuals and businesses, expanded by about 1 per cent in both groups of banks.

Among District city banks, the reduction in deposit volume aggregated 181 million dollars compared with a decrease of 51 million in loans and investments, and District country banks lost 165 million dollars of deposits compared with a decrease of 70 million in loans and investments. For all commercial banks in the United States, the decline in deposits amounted to 6.6 billion dollars and the decline in loans and investments was 0.6 billion. In each instance, the difference is a reflection of the reduction in cash balances, principally reserves with the Federal Reserve banks and balances with other commercial banks.

BUSINESS AND AGRICULTURAL CONDITIONS

DEPARTMENT STORE TRADE

Dollar volume of sales at reporting department stores in this District in the first three weeks of August was about 13 per cent under that in the corresponding period a year ago, following a July decrease of 11 per cent from last year. Except for January, these are the most substantial declines reported thus far in 1949, the over-all decrease for the year to date measuring only 7 per cent. While part of the decrease in dollar volume reflects lower prices, declines in dollar volume of the magnitude prevailing in the last half of July and the first half of August—around 15 per cent—indicate that physical volume currently is also running well below a year ago. As in other recent months, the most pronounced declines in sales have generally been in consumer durable goods such as furniture and major household appliances, in other types of housefurnishings, and in "luxury" goods, although in July sales of women's apparel also showed a marked decrease from last year. Sales decreased somewhat more than is usual from June to July, and the seasonally adjusted index of daily average sales declined from 309 per cent of the 1935-39 average in June to 305 per cent in July. With this decline, the sales index was 9 points lower than last April and 29 points below the very high level of last October.

Department store inventories also decreased somewhat more than is usual during July, and the seasonally adjusted index of stocks declined from 268 per cent of the 1935-39 average at the end of June to 263 per cent at the end of July. This marked the fourth consecutive month of decline for the stocks

index, but orders for merchandise for future delivery increased rather sharply during July. However, stocks of merchandise on hand July 31 were 13 per cent less in value, and the volume of outstanding orders was still 25 per cent less, than a year ago, reflecting in part the more cautious buying policies being followed in 1949.

Department store sales and stocks in leading cities:

	SALES		STOCKS
	July '49 comp. to July '48	7 Mos.'49 comp. to 7 Mos.'48	July 31,'49 comp. to July 31,'48
	(Per cent increase or decrease)		
Denver.....	-12	-6	-9
Hutchinson.....	-3	-3	-3
Topeka.....	-6	-4	-19
Wichita.....	-11	0	-2
Joplin.....	-22	-10	-16
Kansas City.....	-14	-10	-17
St. Joseph.....	-16	-9	*
Lincoln.....	-17	-8	*
Omaha.....	+1	+1	-12
Oklahoma City.....	-11	-9	-19
Tulsa.....	-14	-9	*
Other cities.....	-10	-6	-13
District.....	-11	-7	-13

*Not shown separately but included in District total.

INDUSTRIAL PRODUCTION

Petroleum The United States Bureau of Mines in its forecast of petroleum operations during the remainder of 1949 estimated that crude oil production in the United States will have to increase by 700,000 barrels daily by the end of the year to meet the anticipated demands for petroleum products during the coming winter. This increase would bring crude output to within 4 per cent of the record

production achieved during the fourth quarter of 1948. The Bureau estimated that total demand for all petroleum products will be 8 per cent greater than it was in the fourth quarter of last year, with part of this demand being supplied through withdrawals from storage whereas last year stocks were being built up. Crude production for the four weeks ending August 13 averaged 790,000 barrels a day less than in 1948. Thus, it is felt by many within the industry that fall and winter oil demands may eliminate the anticipated need for a downward adjustment of the crude price structure. Crude oil production reached a new postwar low in mid-July but increased slightly during the succeeding four weeks.

In Colorado, development of the Rangely Field, largest in that state, has about been completed, and the field is now a producing rather than a developing field. Only one drilling rig remains in operation in the entire Rangely structure. Most of the development has occurred in the last four years, and the active producers have spent more than 12 million dollars to develop the field. July production averaged 55,000 barrels a day, and production is running near the capacity of present pipelines.

According to a recent field report of the United States Geological Survey, Wyoming leads all states in the number of unitized areas for oil development. Wyoming has a total of 108 unit plans now in effect. Better conservation measures are made possible under the unit plan, because the volume of production is scientifically regulated to assure the maximum eventual recovery from a field, rather than allowing flush production and shorter life of the field.

A new discovery on the southeastern rim of the Powder River Basin in Niobrara County, Wyoming, is arousing considerable interest among oilmen. Ever since the discovery of the 400-million-barrel Salt Creek Field in 1906, oilmen have been searching for oil around the basin but with little success. Oil from the current discovery tested 41.7 degrees gravity and represents a high-gravity crude for which there is a relatively good demand at the present time.

Employment Civilian employment in the United States remained stable between June and July, according to latest Census Bureau figures. However, owing chiefly to the usual summer expansion of the civilian labor force, unemployment rose to 4,100,000 in July, an increase of 300,000 over June. Employment continues somewhat below a year ago, the July decline from last year measuring nearly two million workers.

In Oklahoma, job hunters are finding it harder to obtain work than a year ago. The State Employment Commission has reported that a July survey of

employment in cities of the state generally showed adequate or surplus supplies of labor. Job opportunities are scarcest in the Tulsa area, while in Oklahoma City skilled workmen can still find jobs but employment demands for white collar workers are far below the 1948 level. State unemployment stood at 30,800 in July, showing a 1 per cent increase over June.

The Nebraska Labor Commissioner reported that there were 6,427 persons seeking work through the state's employment offices on August 1, an increase of 20 per cent over a year ago. Unfilled jobs on August 1 totaled 1,422, a 40 per cent decline from the same date in 1948. In Omaha, the labor supply dropped 17 per cent during July but was 29 per cent greater than in July, 1948.

In Wyoming, employment trends were varied. Job openings increased and unemployment claims dropped during the month. July employment showed an increase both over June and over the same month a year ago. On the other hand, unemployment claims were double those of July, 1948.

An interesting aspect of the Kansas employment outlook stems from the fact that this state led the nation in percentage increase of contracts awarded for manufacturing construction during the first six months of 1949 as compared with the corresponding period of 1948. While most states experienced declines, Kansas showed a gain of 94 per cent. Only eight other states showed increases. For the country as a whole, substantial gains were reported for new construction in the aircraft and metalworking industries. Among Kansas cities, the employment outlook is most favorable at Wichita, where prospective labor requirements indicate a further increase of 500 workers in the next sixty days and 1,000 within four months, reflecting chiefly activity in aircraft and other manufacturing industries. Employment of 69,500 in July was 4,500 larger than in July, 1948.

AGRICULTURE

Crops The August 1 estimate of the Department of Agriculture for winter wheat was for a crop of 895 million bushels. This was a reduction of 37 million bushels from the July 1 estimate, 31 million of this amount being in the seven states represented in the Tenth District. The largest reductions were in the estimates for Kansas and Nebraska. The estimate of 90 million bushels for Oklahoma was unchanged from that of a month earlier. The winter wheat crop is 173 million bushels less than the record winter crop of 1947 but 168 million larger than the average of the last ten years. An indicated spring crop of 237 million bushels is about 25 per cent lower than earlier estimates.

	RAINFALL			
	July 1949	July Normal	7 Mos. 1949	7 Mos. Normal
	(In inches)			
COLORADO				
Denver.....	1.83	1.68	13.82	9.20
Leadville.....	2.36	2.98	11.12	11.67
Pueblo.....	1.97	1.94	10.57	7.60
Lamar.....	2.78	2.45	16.35	10.11
Alamosa.....	1.47	1.15	4.97	3.91
Steamboat Springs.....	.88	1.47	15.32	14.14
KANSAS				
Topeka.....	4.05	3.41	33.16	18.92
Iola.....	7.93	3.06	30.30	22.26
Concordia.....	3.46	3.10	19.33	15.74
Salina.....	2.08	2.70	17.90	16.48
Wichita.....	6.97	2.89	30.23	18.67
Hays.....	.86	2.87	18.08	14.67
Goodland.....	2.34	2.67	13.34	11.60
Dodge City.....	1.80	2.67	17.42	12.80
Elkhart.....	6.11	2.40	18.13	10.62
MISSOURI				
St. Joseph.....	4.52	3.78	27.83	22.05
Kansas City.....	3.30	3.82	26.55	21.00
Joplin.....	4.28	4.62	28.81	27.72
NEBRASKA				
Omaha.....	2.04	3.54	20.45	17.34
Lincoln.....	5.14	3.85	25.58	17.64
Norfolk.....	1.99	3.41	18.99	17.69
Grand Island.....	1.40	3.08	16.99	16.47
McCook.....	1.27	2.85	18.20	13.30
North Platte.....	2.99	2.74	19.58	12.58
Bridgeport.....	2.05	2.03	12.51	11.06
Valentine.....	1.36	3.01	16.18	12.60
NEW MEXICO				
Clayton.....	5.18	2.54	21.41	8.26
Santa Fe.....	7.64	2.44	12.44	7.67
Farlington.....	.41	1.05	5.37	4.45
OKLAHOMA				
Tulsa.....	2.26	3.26	28.92	22.88
McAlester.....	2.10	3.07	23.87	26.14
Oklahoma City.....	1.36	2.86	21.90	18.98
Pauls Valley.....	.85	2.74	27.54	21.40
Hobart.....	.28	1.96	21.18	16.15
Enid.....	1.87	2.40	22.84	17.45
Woodward.....	2.75	2.62	20.13	15.25
WYOMING				
Cheyenne.....	2.17	2.10	16.57	10.21
Casper.....	.77	1.20	7.26	9.30
Lander.....	.58	.69	9.61	8.54
Sheridan.....	.36	1.22	10.96	10.54

The Department of Agriculture estimated a corn crop of 3½ billion bushels on August 1. This would be the second largest crop ever produced in this country and only about 100 million bushels under last year's record one. The Nebraska crop was placed at 243 million bushels; that of Missouri, 173 million; and Kansas, 67 million.

The country's corn crop this year will be produced on about 86 million acres. This acreage is 2 million acres less than the average of the last ten years, but this year's production gives promise of being three quarters of a billion bushels larger than the ten-year average. The large corn crops of the last two years have been the result of favorable moisture conditions and hybrid seed rather than increased acreage. Large acreage has been an important factor in the long series of billion-bushel wheat crops, recent wheat acreage being about 50 per cent above that of prewar. Corn acreage, on the other hand, has been affected by the rapid increase in soybean production, soybeans

and corn being grown under quite similar conditions.

The Oklahoma State Board of Agriculture estimates peanut production in that state at 93½ million pounds compared with 153 million last year. Lower production is the result of smaller acreage, the number of acres this year being 187,000 compared with 306,000 last year.

Growing conditions have been favorable for sugar beets, although acreage is still below average. Indications are for a crop in Colorado of more than 1¾ million tons and in Nebraska of more than a half million. Yields in Colorado are now estimated at more than a ton an acre larger than those of last year and in Nebraska at more than two tons. The potato crop of both Colorado and Nebraska is expected to be about 20 per cent smaller than last year's crop. Yields per acre—especially in Colorado—are expected to be somewhat lower than last year.

Livestock Ranges and pastures continue in unusually good condition but some uneasiness is reported regarding fall prices, and both cattle and hogs have been going to market in good supply. Receipts of cattle in July at livestock markets in the Tenth District were 7 per cent larger than a year earlier and of hogs 4 per cent larger. On the other hand, sheep receipts in the first seven months of the year were down 29 per cent. The Department of Agriculture made the following statement late in July:

A greater production of meat and meat animals along with lower prices is in prospect for the coming year. Larger pig crops and bumper feed crops are the primary forces behind prospective increases, but cattle producers and feeders also will be operating at high levels. Meat supplies will increase seasonally sometime in August or early September, when volume marketings of spring farrowed hogs begin.

In the summer of 1948 livestock prices reached record high levels. It is of interest to observe what has taken place since that time. The following table shows these changes.

Top carlot livestock prices at Kansas City:

	Aug. 23 1949	July 1949	June 1949	July 1948	July 1947	July 1946
	(In dollars per hundredweight)					
Beef steers.....	29.00	28.50	29.00	40.50	31.00	26.50
Stocker cattle.....	24.50	23.60	26.75	31.50	23.00	15.15
Feeder cattle.....	23.50	25.75	26.25	34.25	27.75	20.75
Calves.....	25.00	25.00	30.00	31.00	23.00	15.50
Hogs.....	21.50	23.00	22.00	30.00	28.25	23.50
Lambs.....	24.50	26.25	32.00	33.00	26.25	21.00
Slaughter ewes.....	8.50	8.65	11.50	11.25	8.50	10.25

It will be observed that livestock prices have declined about 25 per cent in the last twelve months. Calves and stocker cattle are higher than in July, 1947, but other livestock prices are lower than two years ago. It should be noted, however, that, with the exception of hogs and slaughter ewes, livestock

prices are appreciably above July, 1946—approximately the end of the war.

The number of cattle on feed in Corn Belt states on August 1 was reported by the Department of Agriculture to be 24 per cent larger than the relatively small number a year earlier. In Nebraska the number on feed was 31 per cent higher but in Kansas 5 per cent lower. There was little change in Missouri. The large amount of corn is a factor encouraging feeding operations, but there are many reports that both grass and dry-lot feeding operations have not been profitable.

Wool On August 8 the United States Department of Agriculture released its estimates of wool production for 1949. Wool production this year in the United States will be 8 per cent under that of last year and more than a third less than the average of the last ten years, owing to smaller sheep numbers.

Department of Agriculture estimates of shorn wool:

	WOOL PRODUCTION			SHEEP SHORN		
	1949	1948	Aver. '38-'47	1949	1948	Aver. '38-'47
	(Thousand pounds)			(Thousand head)		
Colo.....	9,358	9,766	13,348	1,114	1,149	1,579
Kans.....	2,779	3,067	4,746	337	375	574
Mo.....	7,571	7,538	9,442	1,057	1,061	1,391
Nebr.....	1,815	2,223	3,172	209	265	379
N. Mex...	10,697	10,976	14,867	1,312	1,344	1,863
Okla.....	772	1,008	2,153	99	126	255
Wyo.....	18,071	20,083	29,006	1,863	2,092	3,006
7 States..	51,063	54,661	76,734	5,991	6,412	9,047
U. S.....	215,635	233,924	342,784	26,941	29,060	42,918

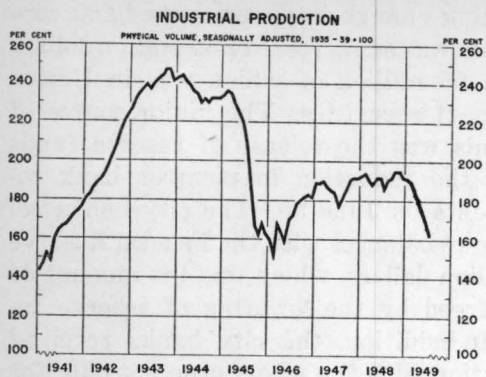
MEMBER BANK CREDIT

The principal factors affecting the condition of District member banks during July were financial developments incident to the 1949 wheat crop and the reduction in member bank reserve requirements which became effective for reserve city banks on June 30 and for country banks on July 1. While the effects of the wheat crop on member bank condition conformed to the usual seasonal pattern, the changes were much smaller than in other recent years.

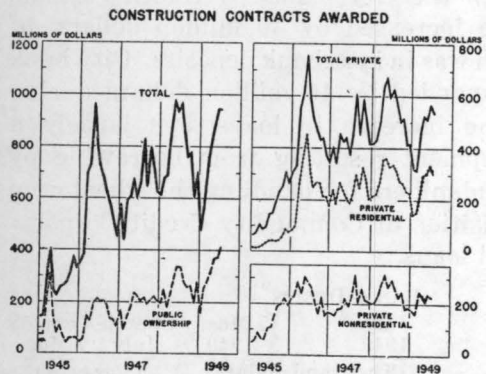
The outstanding change in country bank condition during the month was an increase of 30 million dollars in loan volume. This development resulted primarily from the acquisition of Commodity Credit Corporation guaranteed loans. Proceeds from wheat loans and marketing were reflected in increases of 15 million dollars in country bank deposits and 8 million in country bank balances with other commercial banks. Country bank reserves with the Federal Reserve Bank declined by 12 million dollars, an amount which represented about half of the country bank reserve funds freed by the reduction in member bank reserve requirements on July 1. Investments decreased by 6 million dollars.

The outstanding change in reserve city bank condition during July was an increase of 59 million dollars in investments, 55 million of which was in United States Government securities. The major source of investment funds was the release of reserve funds resulting from the reduction in member bank reserve requirements on June 30. The city banks reduced their reserve balances with the Federal Reserve Bank by 26 million dollars, which was the amount of reserve funds freed by the lowering of reserve requirements. In addition, the city banks received funds in connection with the wheat crop not only for customer account but also through increased balances maintained with the city banks by country banks. Deposit volume increased by 40 million dollars, of which 16 million was in interbank deposits. City bank loan volume expanded by 16 million dollars during the month. The increase in loans was largely a seasonal development resulting from borrowing by grain dealers and millers for handling the wheat crop and from acquisition of Commodity Credit Corporation guaranteed loans.

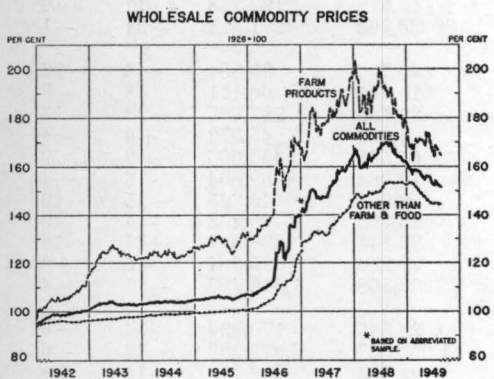
	BANK DEBITS		Change from '48	
	July 1949	7 Mos. 1949	July	7 Mos.
	(Thousand dollars)		(Per cent)	
COLORADO				
Colo. Springs....	40,280	260,276	-14	0
Denver.....	444,395	3,278,575	-11	-2
Gr. Junction....	13,125	90,524	+4	+4
Greeley.....	15,518	122,348	-17	-16
Pueblo.....	38,903	271,311	-31	-1
KANSAS				
Atchison.....	9,790	95,654	-44	-12
Emporia.....	10,065	66,111	-8	-3
Hutchinson....	37,664	287,667	-28	-13
Independence...	7,056	45,072	+4	-4
Kansas City....	61,568	443,066	-9	0
Lawrence.....	10,384	69,864	-6	-4
Parsons.....	7,308	49,325	-15	-12
Pittsburg.....	10,796	76,205	-4	-5
Salina.....	35,146	230,511	-31	-18
Topeka.....	97,234	625,367	+2	+4
Wichita.....	207,868	1,516,296	-11	-4
MISSOURI				
Joplin.....	22,545	179,334	-14	-3
Kansas City....	1,056,307	6,972,232	-13	-6
St. Joseph....	92,733	616,785	-11	-9
NEBRASKA				
Fremont.....	15,893	110,018	-9	-6
Grand Island....	20,493	140,972	-8	-7
Hastings.....	12,415	89,186	-17	-13
Lincoln.....	75,094	528,426	-7	-3
Omaha.....	460,362	3,129,279	-12	-5
NEW MEXICO				
Albuquerque....	87,823	574,462	+16	+16
OKLAHOMA				
Bartlesville....	118,926	919,720	+3	+31
Enid.....	40,453	243,291	-17	-21
Guthrie.....	4,055	29,153	-7	-4
Muskogee.....	22,044	156,594	-9	-4
Okla. City....	301,226	2,079,789	-11	-1
Okmulgee.....	5,383	43,702	-10	-4
Ponca City....	18,950	120,785	+5	-13
Tulsa.....	455,835	3,370,346	-17	-1
WYOMING				
Casper.....	27,122	189,959	-3	+9
Cheyenne.....	29,716	198,567	+4	+4
District, 35 cities..	3,914,475	27,220,772	-12	-3
U. S., 333 cities....	98,484,000	711,330,000	-4	0



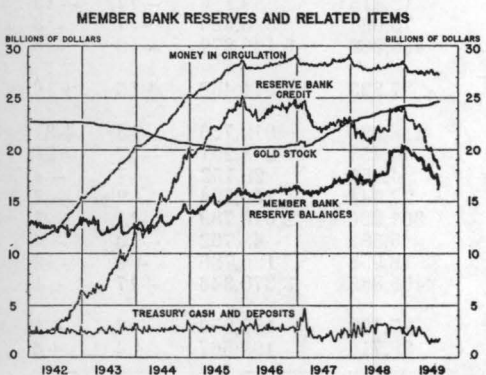
Federal Reserve index. Monthly figures, latest shown is for July, 1949.



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



Bureau of Labor Statistics' indexes. Weekly figures, latest shown are for week ending August 23, 1949.



Wednesday figures, latest shown are for August 24, 1949.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

Industrial production declined further in July but increased in the early part of August. Prices of basic commodities advanced, while the average of all wholesale commodity prices showed little change. Department store sales declined in July and early August. Construction activity continued at a high level.

INDUSTRIAL PRODUCTION

The Board's seasonally adjusted index of industrial production declined in July to 162 per cent of the 1935-39 average. This compares with 169 in June and with 186 in July, 1948. The July decline reflected in part the effects of plant-wide vacations, mainly in nondurable lines, which are not currently allowed for in the Board's index. According to preliminary indications, industrial production in August may be close to the June rate.

Activity in durable goods industries showed a further substantial decline in July, mainly because of another sharp cut in steel output, a further decline in activity in machinery industries, and a reduction in lumber output. In August, steel production has been scheduled at about 83 per cent of capacity as compared with the actual rates of 71 per cent in July and 82 per cent in June. While refinery output of most nonferrous metals was reduced further in July, shipments to fabricators advanced. Automobile production in July and during most of August has been at an exceptionally high level, exceeding earlier record rates reached in 1929.

Among nondurable goods activity was reduced at cotton textile, paper, and paperboard mills during July but appears to have increased in August. Deliveries of rayon to textile mills showed a large further gain in July, and petroleum refining activity increased slightly.

Minerals output was reduced considerably further in July, reflecting substantially curtailed operations at coal mines and smaller volume of output of crude petroleum and metals. In the early part of August coal production increased somewhat.

EMPLOYMENT

Employment in nonagricultural establishments in July was slightly below the level of the preceding two months, after allowance for the usual seasonal changes, and 1.6 million below the high level of July, 1948.

CONSTRUCTION

Value of construction contracts awarded in July, according to the F. W. Dodge Corporation, was the same as in June and slightly below the value in July, 1948. Further increases in awards for public construction from June to July offset declines in private building awards. The number of new housing units started in July, as estimated by the Bureau of Labor Statistics, was 96,000, compared with 100,000 in June and 95,000 in July, 1948.

DISTRIBUTION

Value of department store sales declined slightly in July, after allowance for usual seasonal changes. The Board's adjusted index is estimated at 280 per cent of the 1935-39 average, as compared with 285 in June and 311 in July, 1948. Owing in part to the effects of exceptionally hot weather, sales during the first two weeks of August showed much less than the usual seasonal rise, but in the third week sales rose considerably.

COMMODITY PRICES

Prices of basic commodities advanced from the early part of July to mid-August. The principal increases over this period were for cottonseed oil, cocoa, and numerous industrial materials including nonferrous metals, steel scrap, and cotton cloth. Prices of agricultural products generally declined and prices of worsted fabrics and some other finished manufactured goods were reduced over this period.

The average level of consumers' prices decreased 0.6 per cent in July as a result mainly of a reduction in food prices and further slight declines in apparel and housefurnishings.

BANK CREDIT

On August 5 the Board of Governors announced a schedule of reductions in member bank reserve requirements extending through September 1 which will release a total of approximately 1.8 billion dollars of member bank reserves. During the first three weeks of August, banks used a large part of the funds released to purchase short-term Government securities from the Federal Reserve, continuing a trend noted in July. Excess reserves of member banks also increased.

Business loans at member banks in leading cities increased slightly in the first half of August. This rise followed a moderate decline in July which brought the total contraction in business loans since the first of the year to nearly 2.7 billion dollars.

Treasury deposits at banks increased substantially in August, reflecting large sales of savings notes and additions to weekly offerings of Treasury bills. Other deposits, which had increased in July, declined somewhat in the first half of August.

SECURITY MARKETS

Prices of Treasury bonds moved within a narrow range in the first three weeks of August. On August 22, the Treasury announced the offering of 1½ per cent one-year certificates to refund the 2 per cent bonds called for September 15.

Prices of corporate bonds advanced further while prices of common stocks fluctuated within a narrow range.