

MONTHLY REVIEW

Agricultural and Business Conditions

TENTH FEDERAL RESERVE DISTRICT

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FEDERAL RESERVE BANK OF KANSAS CITY

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THE NONFERROUS METALS

In March of this year, a break occurred in the non-ferrous metal market, initiating one of the most precipitous price drops in the history of the copper, lead, and zinc industries. The total percentage decline shown by the metals in a four-month period was 32 per cent for copper, 44 per cent for lead, and 49 per cent for zinc. On March 8, the price of lead at New York dropped from 21½ cents a pound to 19½ cents. On March 23, zinc followed, the price of prime Western zinc at East St. Louis declining from 17½ cents to 16 cents. Copper dropped from its peak price of 23½ cents, Connecticut Valley delivery, to 21 cents on April 14. Further price declines during April and May brought lead to a 12-cent level, zinc to 11 cents, and copper to 17⅝ cents. Lead remained firm on a 12-cent basis during June, while zinc dropped to 9 cents and copper to 16 cents.

The decline in metal prices was halted in July and some recovery has taken place. Lead and copper showed more strength than zinc and remained firm at 15⅛ cents and 17⅝ cents, respectively, for a period of more than a month. Lead prices, however, subsequently weakened somewhat late in September. Metal prices generally parallel business trends and for this reason future price levels are best indicated by conditions within the consuming industries.

The rapid and extensive drop in nonferrous metal prices has had widespread effects on production, employment, and wage patterns. Zinc and lead production in the Tri-State district of southwestern Missouri, northeastern Oklahoma, and southeastern Kansas was curtailed successively during April, May, and June, dropping to a negligible amount in July while wage adjustments were being worked out. In August, following the adoption of a new wage pattern, zinc production stood at 53 per cent of the March level, and lead output equaled about 64 per cent of March production. In New Mexico, zinc operations were not substantially curtailed until June, but the extensive reductions effected during the summer pending wage

adjustments lowered August output to 18 per cent of the March level. New Mexico lead output in August equaled 24 per cent of March production. Copper production was reduced more sharply in New Mexico than in any other Western state during April but, contrary to the national trend, New Mexico output has subsequently increased and in August totaled 97 per cent of the March level. Colorado output of zinc and lead fluctuated considerably between March and August, but production in the latter month exceeded that in March. The fact that Colorado production has held up is largely due to the occurrence of gold and silver in the crude ores.

With the decline in metal prices, producers in both the Tri-State and Western metal industries found it necessary to reduce employment and wages and to shorten the working week. From July 28, 1948, to March, 1949, wages in the Tri-State district stood at \$11.65 a day and mining and milling employees were engaged for a 6-day working week. Workers are now receiving wages from \$2.50 to \$3.08 a day below the March level and are on a 5-day week, overtime having been eliminated. An estimated 1,500 men are still out of work. In New Mexico, most of the curtailment of mining and milling operations occurred during June and July and remains in effect. At the end of June, approximately 1,055 men had been laid off and employment was down 30 per cent from the May level. On August 31, metals unemployment totaled about 1,800, with properties of four major zinc-producing companies shut down and numerous other operations being carried on only at a lowered rate. Figures on employment in Colorado are not available, but employment does not appear to have been curtailed extensively in that state. It is generally agreed that the current price of zinc is too low for a number of Colorado zinc producers to operate profitably and, consequently, a few mines have been shut down and in others the scale of operations has been reduced. As yet no wage pattern has been established

in the Rocky Mountain area and there have been no important wage reductions. Historically, steel wage patterns have been adopted by the Western nonferrous metal industries and, thus, developments in the steel industry may have an important effect upon current wage negotiations. In Colorado and New Mexico, also, mine and smelter workers are now on a 5- rather than a 6-day week.

The Tri-State district, Colorado, and New Mexico are extensive contributors to United States production of zinc, lead, and copper and, in turn, the nonferrous metal industries are important to the economic support of these Tenth District areas. In 1948, the Tri-State district accounted for 10 per cent of United States zinc production and 7 per cent of United States lead production. Colorado and New Mexico production totaled 12 per cent of domestic zinc output and 8 per cent of domestic lead output. Among the Tenth District states, New Mexico is the only sizable contributor to United States copper production. In 1948, New Mexico accounted for 9 per cent of the Western output which, in turn, equaled 95 per cent of domestic production. Late in August, following a leveling off in metal prices, employment in the Tri-State district totaled only 58 per cent of that in March with wages reduced by about 26 per cent. In New Mexico, August metals employment equaled 67 per cent of March employment with wage adjustments yet to be worked out. Moreover, many marginal producers are working only the very highest grade ores available, in an effort to stay in business. Small operators, in particular, cannot afford the loss and added costs entailed by a shutdown, and their unprofitable operations are necessarily a temporary phenomenon.

Heavy production of the metals during the years 1946, 1947, and 1948 finally eliminated the backlog of postwar demands and, in the first quarter of 1949, manufacturers, who had directed their efforts toward the accumulation of inventories in the face of rising prices, found themselves with excessive inventories as consumption returned to more nearly normal levels. The cessation of this excessive accumulation, with the subsequent reduction of inventories, is generally recognized as the major cause of the break in metal prices. However, industrial consumers of the nonferrous metals were making production adjustments during this period and, as supply came more nearly to approximate demand, the extremely high prices established during the 1948 metals shortage were apparently no longer realistic. Postwar demand for lead has centered in the automobile battery, tetraethyl lead gasoline, paint, plumbing equipment, and cable industries. Major consumers of zinc have included the steel galvanizing, diecasting, brass prod-

ucts, and paint industries. Principal demand for copper has come from the copper wire and cable mills, brass mills, and manufacturers of various types of household electrical equipment. During the spring months, dealers in almost all of these lines were similarly adjusting their inventories to declining sales.

Production Historically, the Tri-State district and the states of Colorado and New Mexico have been important contributors to domestic metals production. Up to 1943, the Tri-State district was the largest producer of zinc and accounted for more than 30 per cent of the total United States production. In the Tri-State district peak production of recoverable lead occurred in 1925 and peak zinc output in 1926, with combined concentrate production reaching 956,319 tons in 1926. Production of both metals was curtailed sharply during the depression years, total concentrate production dropping to 193,228 tons in 1932. Despite a subsidy program, Tri-State metals production declined continuously during the war years. In 1941, Tri-State zinc production equaled 258,837 tons and lead production 41,080 tons. By 1945, zinc output had decreased to 139,274 tons and lead output to 23,556 tons. This was largely the result of a decline in the average percentage recoveries of zinc and lead concentrates from the crude ores mined. The tonnage of crude ore treated increased from 8,091,579 short tons in 1941 to a high of 9,430,812 tons in 1943. Following the expiration of premium payments in June, 1947, the tonnage of crude ore handled declined rapidly and in 1948 totaled 4,314,190 short tons. Production of the metals continued to decline, equaling only 84,839 tons of zinc and 26,901 tons of lead in 1948.

New Mexico and Colorado have had a substantial share in Western metals production. In 1929, these states ranked fourth and fifth, respectively, in Western mine output of recoverable zinc, accounting for 9 per cent of total domestic production. In 1929, Colorado stood third and New Mexico fifth among Western states in mine production of recoverable lead, producing 5 per cent of the United States output. Combined zinc production in Colorado and New Mexico was slightly more than 20 per cent of the Tri-State output in 1929 and in 1941. By 1945, however, it equaled more than 50 per cent of Tri-State production and in 1948 totaled 94 per cent of the Tri-State output. Combined lead production in these states approached 50 per cent of the Tri-State output in 1929 and equaled 41 per cent of the Tri-State total in 1941. By 1945, however, it exceeded the Tri-State output and in 1948 approximated Tri-State production.

These relationships indicate the declining relative importance of Tri-State production. The Tri-State

output of zinc, in 1948, was less than one third of the 1929 output and that of lead approximately one third. In Colorado and New Mexico combined, 1948 zinc production was 25 per cent greater than that in 1929, while lead production equaled 71 per cent of the 1929 output.

Increased production of zinc and lead in the Western states since 1941 has largely offset declining Tri-State output. The occurrence of gold, silver, or copper in the crude ores has stimulated Western zinc and lead production. Zinc output has increased more than that of lead owing to the fact that, in many districts, zinc predominates in the ore as the mining depth increases.

Domestic production largely supplied United States needs for zinc, lead, and copper up to World War II. War demands required greatly increased quantities of the metals, which the domestic industry was unable to supply. Zinc, lead, and copper production in the United States was expanded during the war years, aided by a subsidy program granting premiums to marginal producers. It was necessary, however, to supplement domestic output with a growing volume of imports. In 1939, imports of zinc in ores, blocks, pigs, slabs, and skimmings totaled 3,000 short tons, imports of lead in ores, base bullion, pigs and bars, and scrap 18,900 short tons, and imports of copper in ores, concentrates and matte, and pigs and bars 230,669 tons. By 1942, zinc imports had risen to 310,000 tons, lead imports to 525,000 tons, and copper imports to 782,361 tons. A high level of imports characterized the war period and, during the years 1942 to 1946, these imports comprised 25 to 50 per cent of domestic consumption. Immediately following the war, imports were substantially reduced but, with the rise in prices during 1948, imports again climbed toward the war levels and totaled 355,890 tons of zinc, 318,238 tons of lead, and 507,251 tons of copper. In the first quarter of 1949, lead imports showed an increase of 37 per cent over the first quarter of 1948, while zinc imports approximated the 1948 level. Following the break in metal prices, lead imports decreased substantially, while zinc imports declined only nominally. Suspension of the lead tariff was allowed to expire on June 30, and the copper tariff may be restored in the near future. It appears unlikely that domestic zinc producers will have significant competition from foreign metal at the current price.

Demand Demand and sales have recovered considerably more rapidly for copper and lead than for zinc. Total stocks of lead held by smelters and refiners on August 1 showed the first decline in six months and were reduced by 7,100 tons to a total of 220,901 tons. World refined stocks of copper showed

a small decrease on August 31, following four successive increases which amounted to nearly 150,000 tons. The reduction of 4,100 tons resulted from a shipment of 6,617 tons of copper to the Government stockpile. In July, the Government began adding to its stockpile of copper and lead but announced that it had no intention of further stockpiling zinc at the present time. The Government wants about 140,000 tons of copper and 150,000 tons of lead for stockpiling in the 1949-1950 fiscal year. A substantial tonnage of the zinc concentrates now owned by the Government will be converted into slab zinc, however, and this will probably require between a minimum of 10 per cent and a maximum of 15 per cent of the domestic smelting capacity.

The industry outlook for zinc is clouded and this has caused consumers to pursue conservative buying policies. Particularly widespread adjustments in production have been effected by the brass mills. July zinc statistics reveal that, whereas prior to six months ago the use of zinc for galvanizing comprised around 45 per cent of total consumption, the proportion has been gradually increasing so that zinc for galvanizing purposes now totals about 55 per cent of total consumption. A part of this increase is attributable to a considerable demand for galvanized metal to be manufactured into grain bins. However, a prolonged strike in the steel industry would drastically reduce zinc demand. The diecasting industry, a major consumer of zinc, is largely dependent upon automobile production, and the automobile industry is similarly threatened with widespread strikes. A strike in the steel industry would also reduce automobile production.

In mid-September, the outlook was for a continuation of the upward trend in sales and shipments of lead and copper. Increased demand for lead is seen in the manufacture of storage batteries, particularly of automobile replacement batteries, sales of which have been increasing since June and are expected to continue at a high level throughout the remainder of the year. Other lead consumers who have been increasing their purchases are manufacturers of tetraethyl lead compounds for high-grade gasolines and paint companies whose business has been increasing. May deliveries of copper to American industry were the smallest in eleven years, but these have subsequently risen rapidly, stimulated particularly by increased sales to wire and cable mills. August copper consumption was the largest since March.

Prices Nonferrous metal prices have traditionally reflected the existing business situation. Copper, lead, and zinc prices appear to have leveled off at 17½ cents, 15½ cents, and 10 cents, respectively. An attempt was made early in September to raise

the price of zinc from 10 to 10½ cents but this proved unsuccessful. The present prices are only slightly less than those prevailing throughout 1947. In terms of July, 1939, current prices are 57 per cent higher for copper, triple for lead, and double for zinc. However, costs increased substantially during the war years and have risen even more rapidly in the post-war period. In New Mexico, wages and benefits have increased by 100 per cent or more in many cases during the past four years, while production per man-shift hour has steadily decreased until it is less than 60 per cent of prewar in all except the highly mechanized mines. In Colorado, it has been reported that labor costs per ton of ore produced have increased from \$3.00 a ton to over \$12.00 a ton during the period 1939 to 1948, inclusive. Further wage increases are still a possibility for the Western metal industries. Increasing mechanization has characterized both Western and Tri-State metal mining operations since the war and the installation cost has been large.

As a result, 12 to 13 cents a pound for zinc appears be the minimum price at which the bulk of the Tri-State reserves can be mined at a profit. It has been predicted that a price of 8 cents for zinc would shut down operations in that area completely. The existing spread between zinc and lead prices has produced a situation in which many zinc producers must determine their operations according to the amount of lead occurring in the predominantly zinc ores. Zinc operations at the break-even point or even at a loss, which seems to be the case in many instances with the 10-cent price, are being offset by profitable lead production. Where the 10-cent price has made operations marginal in nature so that producers are gouging out the higher grade ores to the detriment of their total reserves, it would seem that production cannot long be continued. Western zinc production appears to require a price of 11 to 12 cents.

Effect upon the Economy These facts challenge the future existence of numerous mining operations in the Tri-State district and in

the West. Without higher prices or some form of subsidy, some properties must be abandoned. This might well mean a permanent loss of extensive reserves, owing to the deterioration incident to a shutdown, to costs of dewatering the property which might become prohibitive, or to other losses. Many operators are hopeful that Congress will pay a sufficiently high subsidy on production in certain localities to keep mines open where a shutdown might cause permanent loss of considerable metal. They urge premium payments such as were used during the war to supplement market prices received by marginal producers. Other sentiment favors some form of a parity price arrangement.

In Colorado, the occurrence of gold and silver in the crude ores has enabled all but one large producer to continue operations. Concern is directed largely toward the abandonment of exploratory and development programs scheduled for 1949. The estimates of prices at which present known reserves could be mined, as stated above, would not cover the costs of exploring and developing new reserves. Thus, the current abandonment of exploration and development work is another threat to the future of the domestic metals industries. In both areas, many operators believe that the present Congress will provide funds to pay a part of exploration and new development costs.

While the decision is pending, the cost to the local communities is high. With New Mexico's metal mining concentrated in comparatively few districts, the present reduction of operations strikes a heavy blow to the communities of Lordsburg, Tyrone, Silver City, Hurley, Central, Bayard, Vanadium, Hanover, Santa Rita, Pinos Altos, and Magdalena. At the present time, while wage adjustments are in process, only one major zinc-lead producer is operating in New Mexico. In the Tri-State district, where production continues at a reduced rate after sizable wage reductions have been effected, the burden on the communities of Joplin and Webb City in Missouri, Baxter Springs and Galena in Kansas, and Quapaw, Picher, Commerce, and Miami in Oklahoma is correspondingly increased.

AGRICULTURAL AND BUSINESS CONDITIONS

AGRICULTURE

Agricultural Production Trends The outlook for production controls makes changes in acreage of important crops since prewar of special interest.

The following tables show these changes for wheat, corn, grain sorghums, and cotton for states of the Tenth District that are large producers of these crops. The tables show 1949 acreage compared with 1939. The year 1939 was a reasonably typical one in respect to agriculture in this area. The first table

shows changes in wheat acreage.

State	WHEAT ACREAGE		Percentage Change 1939-1949 (%)
	Acreage Harvested		
	1939	1949	
	(In thousands)		
Kansas.....	9,713	14,543	+50
Nebraska.....	3,199	3,816	+19
Oklahoma.....	4,317	6,893	+60
Colorado.....	1,140	3,526	+209
Seven states.....	20,784	31,404	+51
United States....	53,482	75,481	+41

In the last ten years wheat acreage in the Tenth District increased about 50 per cent, a rate of gain one fourth greater than that of the whole country. Acreage increased more than threefold in Colorado. In Kansas there were nearly 5 million more acres in wheat in 1949 than in 1939. In Oklahoma the increase was over 2½ million acres.

The next table shows corn acreage.

State	CORN ACREAGE		Percentage Change 1939-1949 (%)
	Acreage Harvested		
	1939	1949	(In thousands)
Kansas.....	2,757	2,473	-10
Nebraska.....	6,836	7,048	+3
Oklahoma.....	1,877	1,345	-28
Missouri.....	4,142	4,396	+6
Seven states.....	16,728	16,159	-3
United States....	88,430	85,780	-3

In the past decade corn acreage in the United States has declined, although the last two crops have been the largest ever produced in this country. Unusually favorable moisture conditions and higher yielding varieties account for the increased production on smaller acreage. Wheat and grain sorghums have displaced corn in many parts of Kansas and Oklahoma, and soybeans have competed with corn in the Corn Belt. During the drought of the middle thirties, many farmers in Kansas, Oklahoma, and Missouri quit trying to raise corn and either substituted wheat which matured before the dry, hot months of summer or grain sorghums which fared better in dry weather. Other conditions such as price and mechanization have promoted wheat production in Kansas, Oklahoma, and Colorado in later years when moisture was abundant.

The next table shows acreage of grain sorghums.

State	GRAIN SORGHUMS ACREAGE		Percentage Change 1939-1949 (%)
	Acreage Harvested		
	1939	1949	(In thousands)
Kansas.....	1,316	2,241	+70
Oklahoma.....	1,200	1,420	+18
Colorado.....	278	550	+98
New Mexico.....	350	457	+31
Seven states.....	3,910	5,223	+34
United States....	8,078	6,020	-25

While the acreage of grain sorghums declined 25 per cent in the United States between 1939 and 1949, it virtually doubled in Colorado and made great gains in other states of the Tenth District. As already indicated, sorghums have tended to displace corn in the Tenth District, not only because of their drought-resistant qualities but also on account of their value as feed for increasing livestock numbers.

The next table shows cotton acreage in Oklahoma and the United States.

State	COTTON ACREAGE		Percentage Change 1939-1949 (%)
	Acreage Harvested		
	1939	1949	(In thousands)
Oklahoma.....	1,784	1,158	-35
United States....	23,805	25,907	+9

The 35 per cent drop in cotton acreage in Oklahoma since prewar when cotton acreage was increasing in the United States shows the radical changes that have been taking place in Oklahoma agriculture. Cotton and corn acreages in Oklahoma have declined sharply while those of wheat and grain sorghums have increased greatly. The shift from cotton to wheat has been especially marked in southwestern Oklahoma.

Cotton and wheat have been two great American crops dependent on foreign markets. Good production of these two crops during the war and the post-war periods was a fortunate occurrence of great significance. But a subsidized foreign market must in time come to an end. Should growing conditions continue

	RAINFALL			
	Aug. 1949	Aug. Normal	8 Mos. 1949	8 Mos. Normal
	(In inches)			
COLORADO				
Denver.....	.55	1.43	14.37	10.63
Leadville.....	1.27	2.31	12.39	13.98
Pueblo.....	.42	1.82	10.99	9.42
Lamar.....	1.37	1.98	17.72	12.09
Alamosa.....	.74	.92	5.71	4.83
Steamboat Springs..	.30	1.55	15.62	15.69
KANSAS				
Topeka.....	10.27	4.21	43.43	23.13
Iola.....	1.56	3.58	31.86	25.84
Concordia.....	1.85	3.21	21.18	18.95
Salina.....	1.33	3.38	19.23	19.86
Wichita.....	1.13	3.13	31.36	21.80
Hays.....	2.21	3.08	20.29	17.75
Goodland.....	4.04	2.53	17.38	14.13
Dodge City.....	2.57	2.40	19.99	15.20
Elkhart.....	1.92	2.10	20.05	12.72
MISSOURI				
St. Joseph.....	1.58	3.83	29.41	25.88
Kansas City.....	3.15	3.54	29.70	24.54
Joplin.....	3.65	3.97	32.46	31.69
NEBRASKA				
Omaha.....	3.43	3.05	23.88	20.39
Lincoln.....	2.16	3.57	27.74	21.21
Norfolk.....	3.08	3.09	22.07	20.78
Grand Island.....	2.05	3.20	19.04	19.67
Culbertson.....	4.24	2.58	22.44	15.88
North Platte.....	.95	2.39	20.53	14.97
Scottsbluff.....	1.60	1.42	14.11	12.48
Valentine.....	1.30	2.17	17.48	14.77
NEW MEXICO				
Clayton.....	3.21	2.13	24.62	10.39
Santa Fe.....	1.79	2.41	14.23	10.08
Farmington.....	1.17	1.04	6.54	5.49
OKLAHOMA				
Tulsa.....	3.36	3.28	32.28	26.16
McAlester.....	2.42	3.54	26.29	29.68
Oklahoma City.....	1.70	2.89	23.60	21.87
Pauls Valley.....	1.38	2.86	28.92	24.26
Hobart.....	2.51	2.48	23.69	18.63
Enid.....	1.02	3.57	23.86	21.02
Woodward.....	1.96	2.60	22.09	17.85
WYOMING				
Cheyenne.....	2.04	1.55	18.61	11.76
Casper.....	.44	.93	7.70	10.23
Lander.....	.09	.53	9.70	9.07
Sheridan.....	.10	.91	11.06	11.45

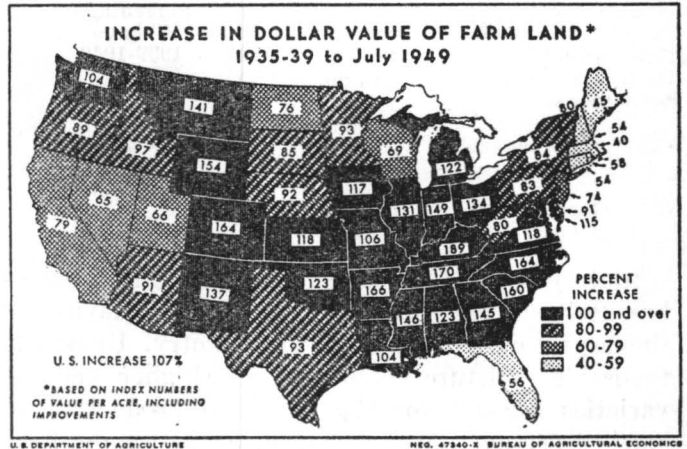
as favorable as they have been in recent years, production restrictions in the case of both cotton and wheat are believed inevitable by many people. The table shows that Oklahoma should have little difficulty with cotton if prewar is used as the historical base, but reversing recent trends in wheat acreage may be painful in this area, for virtually the whole Hard Winter Wheat Belt is in the Tenth District.

Farm Real Estate Prices The United States Department of Agriculture early in September issued its latest report on farm real estate values, showing changes during the four-month period from March to July of this year. The following quotation from that report shows that land values apparently have passed their crest. The map shows where the changes took place.

Land values declined in most sections of the country during the 4 months ending July 1, 1949. The United States index dropped to 172 (1912-14=100), 2 per cent below March and 1 per cent below a year ago. This is the first time since 1939 that the national index has dropped below the same date of the previous year. Land values in the country as a whole now average about 3 per cent below the November, 1948, peak, but are still more than double the 1935-39 average.

has been less abrupt than during the 1920-21 period, however, and the rate of return on farm land continues at near record levels. The uncertain outlook for future farm earning probably has been a greater factor in checking the rise in land values than has the relatively small decline in farm income.

Although land values have started to decline, they are yet, for the country as a whole, 107 per cent above the prewar average of the years 1935-1939. The next map shows the variation from state to state.

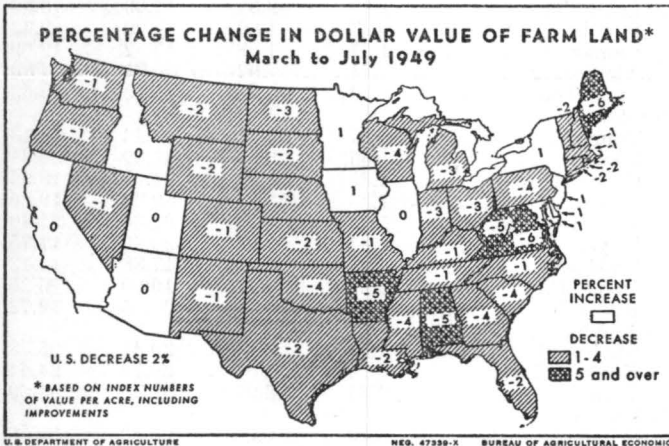


The map shows that increases in land values in some of the western states fell considerably short of doubling in the last ten years. It is of interest also to note that recent declines have tended to start in many of those states. Some of the largest appreciations in land prices have taken place in Montana, Wyoming, Colorado, and New Mexico. For more than ten years cattle have been profitable and this has been a supporting factor in the price of grazing land.

MEMBER BANK CREDIT

During August, loan volume of District member banks showed a substantial increase for the second consecutive month. In the reserve city banks, the increase amounted to 45 million dollars, or 6 per cent, while in the country banks, the increase was 32 million, or 5 per cent. In interpreting the increase in city bank loans, it should be observed that a significant proportion of the increase resulted from a special financial transaction involving temporary financing, and, apart from that transaction, the increase was of only seasonal proportions. The increase in city bank loans included increases in business loans, consumer loans, and Commodity Credit Corporation guaranteed loans. In the country banks, the largest factor involved in the loan increase was the acquisition of Commodity Credit Corporation guaranteed loans.

Investments held by District member banks also increased during the month in both reserve city and country banks. However, the increase in investments among country banks was small, amounting to only 6



Land values started down first in the Mountain and the Pacific Coast states, declines in those areas becoming evident between October, 1948, and March, 1949. The map shows that after March the declines moved eastward. Since March, land values have fallen in the Dakotas, Nebraska, Kansas, Missouri, and Oklahoma. Not only were values lower but the rate at which farms were sold slowed down.

The Department of Agriculture gives the following reasons for declining land prices:

Falling prices of farm products and lower net farm income continued to exert a downward pressure on farm real estate values. These and other factors in the general economy have reduced the effective demand for farm land at prevailing prices, thus ending the steady rise in values of the last 10 years. The drop in prices of farm products and in farm income

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

	ALL MEMBER BANKS			RESERVE CITY BANKS			COUNTRY BANKS		
	Aug. 31	July 27	Aug. 25	Aug. 31	July 27	Aug. 25	Aug. 31	July 27	Aug. 25
	1949	1949	1948	1949	1949	1948	1949	1949	1948
Loans and investments.....	4,373	4,251	4,309	2,383	2,303	2,325	1,990	1,948	1,984
Loans and discounts.....	1,528	1,451	1,429	835	790	822	693	661	607
U. S. Government obligations.....	2,440	2,404	2,506	1,333	1,303	1,310	1,107	1,101	1,196
Other securities.....	405	396	374	215	210	193	190	186	181
Reserve with F. R. Bank.....	756	803	818	465	480	499	291	323	319
Balances with banks in U. S.....	590	580	597	247	246	253	343	334	344
Cash items in process of collection.....	225	247	257	209	231	240	16	16	17
Gross demand deposits.....	5,002	4,944	5,078	2,790	2,749	2,820	2,212	2,195	2,258
Deposits of banks.....	791	795	833	736	739	774	55	56	59
Other demand deposits.....	4,211	4,149	4,245	2,054	2,010	2,046	2,157	2,139	2,199
Time deposits.....	674	675	664	360	360	356	314	315	308
Total deposits.....	5,676	5,619	5,742	3,150	3,109	3,176	2,526	2,510	2,566
Borrowings.....	7	5	4	4	2	2	3	3	2

million in Government securities and 4 million in other securities. In the city banks, investments expanded by 35 million dollars, of which 30 million was in Government securities.

For both groups of banks, the principal source of funds for making loans and investments during the month was the reserves freed by a reduction in member bank reserve requirements ordered by the Board of Governors on August 5. The reduction in member

bank reserves was 2 per cent on net demand deposits and 1 per cent on time deposits for all classes of member banks. The amount of District reserve city bank reserves freed aggregated approximately 48 million dollars, with 37 million released in August and the other 11 million on September 1. The amount of country member bank reserves freed by the reduction in reserve requirements was about 40 million dollars, with 18 million released during the first half of August and an additional 22 million released during the second half of the month.

Deposit volume of District member banks expanded by about 1 per cent during the month. Most of the change was in demand deposits other than interbank. Total deposits increased by 41 million dollars in the reserve city banks and by 16 million in the country banks.

DEPARTMENT STORE TRADE

Department store sales improved noticeably toward the end of August and early in September, following a period of rather pronounced weakness extending from mid-July to mid-August. Dollar volume of sales at reporting department stores in this District in the first three weeks of September was only about 3 per cent below a year ago, as compared with decreases of 6 per cent for August and of 7 per cent for the first eight months of the year. Sales had increased less than is usual from July to August, and the seasonally adjusted index of daily average sales had dropped further from 305 per cent of the 1935-39 average in July to 299 per cent in August, reflecting an overall decline of 35 points from the very high level of 334 per cent in October, 1948.

Inventory liquidation leveled off during August, the seasonally adjusted index of department store stocks remaining unchanged at 262 per cent of the 1935-39 average. Orders for merchandise for future delivery, which had increased sharply during July, showed a further rise during August that was contrary to the usual seasonal trend. However, stocks of merchandise on hand August 31 continued about 13

	BANK DEBITS		Change from '48	
	Aug. 1949	8 Mos. 1949	Aug.	8 Mos.
	(Thousand dollars)		(Per cent)	
COLORADO				
Colo. Springs.....	43,608	303,884	-2	0
Denver.....	514,934	3,793,509	+5	-1
Gr. Junction.....	13,192	103,716	+7	+4
Greeley.....	19,458	141,806	-7	-15
Pueblo.....	42,596	313,907	+7	0
KANSAS				
Atchison.....	9,493	105,147	-40	-16
Emporia.....	9,675	75,786	-7	-4
Hutchinson.....	32,122	319,789	-31	-15
Independence.....	6,510	51,582	-6	-4
Kansas City.....	66,739	509,805	+5	+1
Lawrence.....	9,176	79,040	-9	-4
Parsons.....	7,367	56,692	-10	-11
Pittsburg.....	10,984	87,189	-1	-5
Salina.....	34,091	264,602	-23	-19
Topeka.....	92,036	717,403	+8	+4
Wichita.....	195,359	1,711,655	-9	-5
MISSOURI				
Joplin.....	23,756	203,090	-7	-3
Kansas City.....	973,333	7,945,565	-9	-6
St. Joseph.....	93,040	709,825	-2	-8
NEBRASKA				
Fremont.....	15,781	125,799	0	-5
Grand Island.....	21,965	162,937	+4	-6
Hastings.....	12,188	101,374	-21	-14
Lincoln.....	71,373	599,799	-6	-3
Omaha.....	462,568	3,591,847	-2	-5
NEW MEXICO				
Albuquerque.....	79,629	654,091	+10	+16
OKLAHOMA				
Bartlesville.....	127,479	1,047,199	+18	+29
Enid.....	31,846	275,137	-9	-20
Guthrie.....	4,073	33,226	-3	-4
Muskogee.....	22,289	178,883	-4	-4
Okla. City.....	294,472	2,374,261	+2	0
Okmulgee.....	5,872	49,574	-2	-4
Ponca City.....	19,229	140,014	+10	-10
Tulsa.....	448,231	3,818,577	-11	-2
WYOMING				
Casper.....	26,429	216,388	-4	+8
Cheyenne.....	30,501	229,068	+12	+5
District, 35 cities....	3,871,394	31,092,166	-4	-3
U. S., 333 cities.....	98,804,000	810,134,000	+1	0

per cent less in value than a year earlier, and the volume of outstanding orders was still 19 per cent smaller than a year ago.

Department store sales and stocks in leading cities:

	SALES		STOCKS
	Aug. '49 comp. to Aug. '48	8 Mos. '49 comp. to 8 Mos. '48	Aug. 31, '49 comp. to Aug. 31, '48
	(Per cent increase or decrease)		
Denver.....	-11	-7	-5
Hutchinson.....	-8	-4	+2
Topeka.....	-2	-4	-15
Wichita.....	-5	-1	-1
Joplin.....	-9	-10	-15
Kansas City.....	-8	-10	-17
St. Joseph.....	-4	-8	*
Lincoln.....	-13	-9	*
Omaha.....	+10	+2	-10
Oklahoma City.....	-4	-9	-22
Tulsa.....	-10	-9	-11
Other cities.....	-1	-6	-18
District.....	-6	-7	-13

*Not shown separately but included in District total.

INDUSTRIAL PRODUCTION

Meat Packing The packers' purchases of livestock in August for the Tenth District, when compared with July, showed an increase of 31 per cent for cattle, 63 per cent for calves, 7 per cent for hogs, and 46 per cent for sheep. Compared with August of last year, packers' purchases of cattle and hogs increased 20 and 41 per cent, respectively, but purchases of calves declined 8 per cent and of sheep 24 per cent.

The increase in packers' purchases for August was a factor in the upward trend in cattle prices. Early August receipts of hogs were small and hog prices were higher during the first half of the month. A decline in prices of hogs occurred in the last half of August, but prices have rallied somewhat in the first two weeks of September. Although the Bureau of Agricultural Economics indicated the lamb crop of 1949 is the smallest on record, the price of spring lambs was generally lower in August as compared with July.

Flour Milling Flour production in the Southwest averaged 72 per cent of capacity in August, which was a decrease of 8 per cent from July's production and 23 per cent below that for August a year ago. After the heavy buying of bakers and jobbers throughout July, flour sales in August dropped below 40 per cent of capacity, as bakers and jobbers were reluctant to buy on a strengthening market. The export flour sales for the first month under the International Wheat Agreement, inaugurated August 1, were light and below expectations.

During the first two weeks in September the production of flour in the Southwest averaged 71 per cent of milling capacity. An improvement in family

flour trade stimulated sales in the first week of September, but sales in the second week dropped to 45 per cent, as it again became apparent that most bakers were determined to keep inventories low. A strike on a major railroad serving the Southwest has had the effect of lowering flour output in certain areas.

Employment According to latest Census Bureau figures, the August civilian employment in the United States increased 227,000 over July. Unemployment showed a decline of 400,000 between July and August, decreasing from 4,100,000 to 3,700,000, as students left the labor market. Nonagricultural employment in August was up 1¼ million from July. The sharp increase in nonagricultural employment, however, was largely offset by a decline of over 1 million in agricultural employment because of mid-summer slack. Total civilian employment in August was over 1 million workers below the level of a year ago.

The Oklahoma Employment Security Commission reported that the total number of persons seeking jobs through the state's employment offices fell 5 per cent during August, but the number was still 60 per cent higher than the number looking for jobs a year ago. About 4.5 per cent more workers were placed on paying jobs in August than in July. A slight increase in job openings was reported for August.

The Nebraska Labor Commission reported that the number of persons seeking work through the state employment office had dropped 1 per cent from the July figure, although this was 50 per cent above August of last year. Omaha reported an upward swing in the number of male job seekers, with the labor demand also edging upward near the end of August.

In a July comparison of the percentage of workers receiving unemployment compensation, two of the District's seven states reported under 2 per cent of their wage earners drawing compensation. These states were Nebraska and Wyoming. The table below, based on data issued by the National Industrial Conference Board, shows the insured unemployment for states in the District for the week ended July 23 expressed as a percentage of covered employment. These percentages place the Tenth District in a favorable position when compared with the United States as a whole.

State	Per Cent Unemployed
Colorado.....	2.6
Kansas.....	2.1
Missouri.....	4.2
Nebraska.....	1.2
New Mexico.....	2.7
Oklahoma.....	4.9
Wyoming.....	1.1
United States.....	6.5