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MEMBER BANK CONDITION

District Member Banks The condition reports of Tenth District member banks for June 30 reveal a number of new postwar high levels for several classes of loans, insofar as such levels are ascertainable from these reports. The types in which new levels were attained were: commercial and industrial loans; loans to farmers, other than those guaranteed by the Commodity Credit Corporation; all categories of real estate loans; and all classes of loans to individuals. Country banks, as well as reserve city banks, shared in the expansion, indicating a wide geographical distribution of the demand for bank accommodation. The volume of all loans reached a new high level in reserve cities, but this was not the case in the country bank centers. This difference was due to the fact that Commodity Credit Corporation loans, which were at a seasonal low in June, are a more important part of total loans in the country banks than in reserve city banks.

The breadth of the demand for loans is further indicated by the fact that commercial and industrial loans increased from December 31, 1949, to June 30, 1950, by 53 million dollars, real estate loans by 28 million dollars, and other loans to individuals by 31 million dollars. After reaching a peak on December 31, 1948, commercial and industrial loans declined by 39 million dollars to June 30, 1949, from which level they have now increased by 62 million dollars, with most of the rise occurring in the more recent six-month period. Advances on real estate and consumer finance paper have risen steadily, reflecting the boom in real estate construction and the readier availability of automobiles and home appliances. Rough estimates indicate that the increase of bank loans on real estate in the six-month period was equal to about one fifth of the value of new construction in the District. Coming as they did after several years of expanding credit, these data confirm the fact, already observable in other data, that the economy was

operating at boom levels even before the war-scare buying began.

The trends of major loan classifications over the postwar period are useful in denoting the changing character of the loan process at District member banks. In the four-year period from June 29, 1946, to June 30, 1950, commercial and industrial loans increased by 89 per cent and were still the largest single class of loan; loans to farmers, other than those guaranteed by the Commodity Credit Corporation, increased by 94 per cent; total real estate loans advanced by 113 per cent, with the residential segment growing by 136 per cent; finally, other loans to individuals, consisting largely of consumer finance paper, were 252 per cent above the earlier date. Consumer loans advanced more rapidly in the country banks than in reserve city banks and, on June 30, 1950, were slightly more than four times the level of four years ago. It is probable that a part of the rapid increase of consumer loans is the result of participation in this type of lending by banks which formerly eschewed them.

CHANGES IN SELECTED TYPES OF LOANS

	Tenth District Member Banks		
	Percentage Increase June 29, 1946, to June 30, 1950		
	All District Member Banks	Reserve City Banks	Country Banks
Commercial and industrial.....	89	88	91
Loans to farmers other than C.C.C. guaranteed.....	94	130	85
Real estate.....	113	133	98
Residential.....	136	147	126
Other loans to individuals.....	252	219	304

District member banks continued to add to their investment accounts during the six months ended June 30, but at a slower pace than in the preceding period. From June 30, 1949, to December 31, 1949,

investment portfolios increased 121 million dollars, or 4.4 per cent; in the following six-month interval, the increase was 48 million, or 1.7 per cent. United States Treasury issues accounted for 77 per cent of net acquisitions in the earlier period and 58 per cent in the later. A larger volume of borrowing by state and local governments in the past year permitted banks to add to their holdings of these tax-favored securities.

Changes in District member bank holdings of Treasury obligations during the six-month period ended June 30, 1950, were influenced, in part, by the Government's financial operations—a decline in the volume of certificates held approximately being matched by the rise in notes. A nominal decline in United States Government bond accounts occurred in conjunction with a moderate movement by District banks toward the shorter maturities. Comparisons over a full year show a clear tendency of the banks to favor the Government bonds in the group having maturities of five years or less. Holdings in the 5- to 10-year and 10- to 20-year groups were reduced by 31.3 per cent and 51.6 per cent, respectively, during the twelve months.

Demand deposits of individuals, partnerships, and corporations at District member banks declined by 1.6 per cent in the six-month period ended June 30, 1950; for the past twelve months, however, this class of deposits increased by 4.5 per cent in District member banks. While this increase does not seem large, it was superimposed upon a volume of deposits which was already high and carried demand deposits of individuals, partnerships, and corporations to the highest level ever reported on June 30 condition reports. Time deposits continued at about the same level reported on April 24, 1950, which is the highest point for any reporting date.

A rough measure of the effect of all of these changes on the liquidity of member banks is indicated by the relation of cash balances, including reserves, plus bank holdings of United States Government securities to total deposits. The condition statements for June 30, 1949, indicated that Government security holdings of member banks plus cash balances and reserves were equal to 73.5 per cent of total deposits; on the same date this year the ratio was 71.6 per cent.

Reserve City Banks Leading changes in loans at reserve city banks during the six-month period ended June 30 were an increase of 8.5 per cent, or 13 million dollars, in loans to individuals, with about half of the increase being for retail automobile instalment paper, a 40 million dollar or 9.3 per cent increase in commercial and industrial loans, and an increase of 17 million dollars in real

estate loans, representing a rise of 14.3 per cent. At these levels, commercial and industrial loans were 3.0 per cent above their previous high point established on December 31, 1948, while real estate and other loans to individuals were 14.3 per cent and 8.5 per cent, respectively, above their previous peaks reported on December 31, 1949.

Changes in the investment portfolios of reserve city banks during the six-month interval ended June 30 had the effect of lengthening somewhat the average time to maturity of the investment accounts. Holdings of certificates of indebtedness were reduced 146 million dollars, largely as a result of the Treasury's exchange offers of 1¼ per cent notes; increases of 17 million dollars in bills and 112 million dollars in notes were not sufficient to offset the decrease. Reserve city bank holdings of Treasury bonds rose about 20 million and other investments 18 million dollars in the period under review. Reductions in the 10- to 20-year maturities and in savings bonds were more than counterbalanced by increases in other maturity classifications.

Demand deposits of individuals, partnerships, and corporations in reserve city banks decreased by about the same percentage as occurred at country banks. The decline was 1.5 per cent in the former, compared with 1.6 per cent in the latter. Over the last twelve months, this class of demand deposits has risen by 115 million dollars, or 6.8 per cent, in District reserve city banks. At a level of 1,810 million dollars these deposits were only 28 million dollars under their highest recorded level and were the highest ever reported for June 30 in any year.

Country Banks The major development relating to lending activities of country banks in the six-month period ending June 30, apart from the large scale repayment of the Commodity Credit Corporation guaranteed loans, was the acceleration of loans to consumers. Such loans increased by 15.4 per cent in the period compared with an increase of 7.3 per cent in the last half of 1949. Automobile loans and instalment cash loans, with increases of 22.5 per cent and 17.8 per cent, respectively, showed the greatest relative changes. It may be noted that, whereas the largest expansion of loans in city banks was in the commercial and industrial classification, in the country banks the increase in loans to individuals was significantly larger than other categories.

Country bank investment policy was markedly different from the indicated policy of reserve city banks in the period under review. Country banks acquired 29 million dollars more of Treasury notes than would have been received in the Treasury exchange offers of notes for certificates of indebtedness.

Bill holdings increased by 21 million dollars, whereas holdings of all classes of Treasury bonds were reduced. Over the twelve-month period ended June 30, United States Government bond holdings were reduced by 71 million dollars, or 11.1 per cent, while total United States Government security portfolios rose by 40 million dollars, or 3.6 per cent. These changes reflect a decisive increase in the liquidity of these banks; they may have been prompted by declining

agricultural income and concern over a possible outward shift of deposits resulting therefrom.

In the latest six-month period, demand deposits of individuals, partnerships, and corporations in country banks decreased by 1.6 per cent; over the year, however, an increase of 2.4 per cent occurred. At the level reported for June 30, 1950, this class of deposits exceeded by a small margin the previous high point for June, reported on June 30, 1948.

MEMBER BANK EARNINGS

Net earnings of District member banks rose to a new postwar high level for the first half year in the first six months of 1950, attaining a level of 70.7 million dollars. In the same period in 1948 and 1949 earnings were 60.4 million and 65.8 million dollars, respectively. Several conditions made this result possible. Lower reserve requirements permitted banks to add to their earning assets so that cash balances plus reserves, which had constituted 29.3 per cent of total resources on June 30, 1949, were 27.8 per cent on the same date this year. In addition, a substantial part of the increase in earning assets occurred in the classes in which higher interest rates prevailed. Furthermore, a more favorable relation of profits and recoveries to losses and charge-offs prevailed.

While earnings from Government securities held at about the same level as in the first half of 1949, in spite of an increase in portfolios, earnings from other securities increased 13.2 per cent and from loans 11.6 per cent, with the latter accounting for 78.7 per cent of the increase in total earnings. Total earnings of District member banks increased by 7.5 per cent compared with an increase of 6.6 per cent for member banks in the country as a whole. In the District, expenses rose by 6.3 per cent, owing principally to increases in salary and wage costs, while the national increase was 5.7 per cent. These changes resulted in an increase in net earnings before taxes of 8.9 per cent in the District and 8.2 per cent in all member banks in the United States.

Member banks both in the District and in the country as a whole showed favorable results over the first half of the previous year in the relation of profits and recoveries to losses and charge-offs. In the District, profits and recoveries increased by 66.9 per cent, while losses and charge-offs declined by 1.8 per cent compared with the same period in 1949. Member banks in the country as a whole registered an increase of 22.9 per cent in the former accounts and a decrease of 0.9 per cent in the latter. Profits, recoveries, and transfers to valuation reserves were 32.8 per cent

of losses and charge-offs in the first half of last year and 55.8 in the first half of 1950 in District member banks. Corresponding figures for all member banks in the United States were 61.9 in 1949 and 76.8 in 1950.

Despite increased taxes, member banks in the District and in the country as a whole earned larger net profits this half year than in the first half of 1949. In the District, the increase was 13.6 per cent while all member banks in the United States showed a gain of 10.3 per cent. District member banks continued to maintain a conservative dividend policy, distributing about one fourth of net profits as dividends and adding three fourths to capital accounts. All member banks in the United States distributed 41 per cent of net profits in the first half of this year. Over the twelve months ended June 30, capital accounts of District member banks increased by 30 million dollars, or 8.6 per cent, a rate considerably higher than the rate of growth in total deposits, with a consequent improvement in safety position. On an annual basis, net profits on average total capital accounts were 11.0 per cent in the District member banks and 8.5 per cent for all member banks in the country in the half year ended June 30.

Comparison of the operating statements of District reserve city and country member banks indicates that a substantial part of the total rise in District banks' net profits in the first half of 1950 was accounted for by the activity of reserve city banks, whose net profits increased 25.7 per cent over the like period last year, in contrast with an increase of 4.8 per cent at country banks. Since expenses in the two classes of banks rose by about the same percentage, the difference in profits was due to a greater improvement in the reserve city banks in earnings and in profits on securities and recoveries on loans.

Net earnings of District reserve city member banks were 10.0 per cent higher in the first half of 1950 than in the same period in 1949 whereas the increase in country banks was 5.2 per cent. Earnings on

United States Government securities rose slightly in reserve city banks but declined by 4.2 per cent in country banks. The contrast is even greater between the two classes of banks with respect to earnings on other securities for which reserve city banks registered a rise of 27.1 per cent compared with a nominal increase for country banks. This difference reflects the fact that reserve city banks increased their portfolios of securities other than United States Governments by 8.0 per cent during the six-month interval while country banks made only small additions. Although both classes of banks reported greater earnings on loans in the first half of 1950 than in the same period last year, at reserve city banks the gain was 13.9 per cent compared with 9.8 per cent at country banks.

In reserve city banks, profits and recoveries increased 94.8 per cent above the level of the first half of 1949 and were 69.4 per cent of losses and charge-offs. At country banks, profits and recoveries rose 40.8 per cent and were only 44.4 per cent of losses and charge-offs. Despite the more rapid increase of net profits at reserve city banks in the past six months, capital invested in country banks continues to earn profits at a higher rate than that invested in reserve city banks. On the basis of average total capital accounts, net profits were at an annual rate of 12.5 per cent in country banks and 9.3 per cent in reserve city banks during the first half of 1950. During the first half of 1950, country banks added 76.2 per cent of their net profits to capital accounts while reserve city banks added 71.4 per cent.

AGRICULTURAL AND BUSINESS CONDITIONS

FARM LAND VALUES

The July 1, 1950, report on farm land values issued by the United States Department of Agriculture shows an increase of 2 per cent in the level of farm land values since March 1. This is a continuation of the increase indicated in the report for the four-month period ended March 1 and places farm land values at about the same level as a year ago but 3 per cent below the peak level attained in November, 1948. However, record levels were reached in July in five states, namely, Missouri, Illinois, Iowa, Minnesota, and South Dakota.

During the four-month period of March to July, all District states except New Mexico showed an increase in the level of farm land values. In New Mexico, there was a decrease of less than 1 per cent. For the other District states, the increases were as follows: Colorado, Kansas, and Nebraska, 1 per cent; Missouri, 2 per cent; Oklahoma, 3 per cent; and Wyoming, 5 per cent. While Missouri is the only District state in which the July, 1950, farm land values represent a record high, Oklahoma farm land values are equal to their peak level of March, 1949. Nebraska farm land values also reached their record level in March, 1949, while the comparable date for Colorado, Kansas, New Mexico, and Wyoming was November, 1948.

It should be noted that the upturn in farm land values reported by the Department of Agriculture precedes the impact of the Korean situation and presumably reflects the strength in farm commodity prices and the upswing in general business conditions prior to that incident. Subsequent international and

military developments, highlighted by the Korean incident, have injected further upward pressure upon the prices of farm products and commodities generally.

INDEXES OF FARM REAL ESTATE VALUES

	Colo.	Kans.	Mo.	Nebr.	N.Mex.	Okla.	Wyo.	U. S.
1950			(1912-14 average=100)					
July 1*	151	168	126	131	187	211	167	172
Mar. 1...	149	167	124	130	188	205	159	169
1949								
Nov. 1...	151	164	121	128	190	202	160	168
July 1....	154	166	122	135	192	203	165	172
Mar. 1....	156	169	123	139	193	211	169	175
1948								
Nov. 1...	168	169	118	137	193	206	182	177
July 1....	164	167	117	132	187	196	178	174
Mar. 1....	157	163	116	126	181	185	168	170
1947								
Mar. 1...	141	140	113	108	168	169	147	159
1940								
Mar. 1...	61	71	59	58	84	93	68	84
1933								
Mar. 1...	54	70	55	69	75	76	62	73
1930								
Mar. 1...	83	113	92	113	110	127	98	115
1920								
Mar. 1...	141	151	167	179	144	166	176	170

*Preliminary.

CROPS

During July, rainfall in most of the District was much above normal, with Kansas and Oklahoma having the coolest and wettest July of record. Ranges and pastures on August 1 generally were in unusually good condition, particularly in the Plains states. The principal exception was in much of Colorado, although considerable improvement was shown during the month. Notable improvement occurred in New Mexico, where rains relieved a drought that had existed for several months.

	RAINFALL			
	July 1950	July Normal	7 Mos. 1950	7 Mos. Normal
	(In inches)			
COLORADO				
Denver.....	.63	1.68	9.64	9.30
Leadville.....	1.40	2.97	9.49	11.67
Pueblo.....	4.17	1.94	6.45	7.60
Lamar.....	6.11	2.46	11.04	10.21
Alamosa.....	.60	1.17	2.27	3.98
Steamboat Springs..	1.77	1.46	12.44	14.15
KANSAS				
Topeka.....	11.45	3.41	28.24	18.92
Iola.....	10.52	3.06	25.13	22.26
Concordia.....	8.88	3.10	24.92	15.74
Salina.....	7.07	2.70	16.88	16.48
Wichita.....	13.38	2.89	20.35	18.67
Hays.....	6.00	2.87	15.04	14.67
Goodland.....	2.66	2.67	7.84	11.60
Dodge City.....	4.70	2.67	8.36	12.80
Elkhart.....	7.23	2.40	11.36	10.62
MISSOURI				
St. Joseph.....	7.33	3.78	20.66	22.05
Kansas City.....	10.90	3.82	21.80	21.00
Joplin.....	11.36	4.62	25.53	27.72
NEBRASKA				
Omaha.....	6.65	3.54	17.94	17.34
Lincoln.....	4.24	3.85	15.87	17.64
Norfolk.....	9.11	3.30	21.42	17.61
Grand Island.....	9.60	3.08	20.58	16.44
Culbertson.....	5.70	2.85	13.58	13.41
North Platte.....	4.56	2.74	12.60	12.58
Scottsbluff.....	2.68	1.73	7.67	10.83
Valentine.....	3.54	3.01	11.38	12.63
NEW MEXICO				
Clayton.....	5.45	2.54	11.36	9.49
Santa Fe.....	4.22	2.44	7.06	7.76
Farmington.....	.05	1.05	1.76	4.60
OKLAHOMA				
Tulsa.....	9.01	3.26	26.69	23.10
McAlester.....	12.95	3.07	32.80	26.14
Oklahoma City.....	9.35	2.86	26.34	18.98
Pauls Valley.....	5.86	2.74	28.73	21.40
Hobart.....	8.82	1.96	15.01	16.15
Enid.....	9.60	2.40	21.52	17.45
Woodward.....	10.05	2.62	25.30	15.25
WYOMING				
Cheyenne.....	2.79	2.10	9.86	10.21
Casper.....	.88	1.20	8.25	9.50
Lander.....	.70	.69	9.67	8.54
Sheridan.....	2.16	1.22	10.04	10.12

The August 1 estimate of the Department of Agriculture for winter wheat was for a crop of 741 million bushels. This was an increase of 20 million bushels from the July 1 estimate, 16 million of this amount being in the seven states represented in the Tenth District. The largest increases were in the estimates for Kansas and Nebraska. The estimated 1950 crop is the smallest crop produced since 1943 but is only slightly below the 1939-48 average of 759 million bushels. An indicated spring wheat crop of 256 million bushels is 20 million bushels larger than the July 1 estimate.

The Department of Agriculture's corn crop estimate of 3,168 million bushels as of August 1 showed little change from the July 1 estimate of 3,176 million bushels. The 1949 crop amounted to 3,378 million bushels and the 1939-48 average was 2,901 million bushels.

The Oklahoma State Board of Agriculture estimates peanut production in that state at 111 million

pounds compared with 114 million pounds last year. The yield per acre is estimated at 600 pounds compared with 670 pounds in 1949, while the number of acres is estimated at 185,000 compared with 170,000 in 1949.

WOOL PRODUCTION

Shorn wool production in the United States this year is estimated by the United States Department of Agriculture to be 1.3 million pounds more than last year. This is the first year since 1942 that production has shown an increase. However, estimated 1950 production of 218.2 million pounds is only about two thirds of the 1939-48 average. Among the seven Tenth District states, estimated production of 54.2 million pounds of shorn wool represents an increase of 7 per cent over 1949 compared with an increase of 1 per cent for the country as a whole.

The increased wool production in the United States is the result of a higher average weight per fleece, as the number of sheep shorn was about 1 per cent less than last year. The estimated weight per fleece is 8.15 pounds as against 8.04 pounds a year ago and is the highest on record. Among the seven Tenth District states, the larger 1950 production resulted from both a larger number of sheep shorn and an increased weight per fleece. The increase in number of sheep shorn is 2 per cent, while the estimated weight per fleece is 8.86 pounds compared with 8.49 pounds during 1949.

	WOOL PRODUCTION			SHEEP SHORN		
	1950	1949	'39-'48 Aver.	1950	1949	'39-'48 Aver.
	(Thousand pounds)			(Thousand head)		
Colo.....	10,544	9,551	13,038	1,167	1,137	1,535
Kans.....	3,604	2,720	4,693	416	330	563
Mo.....	7,712	7,673	9,332	1,077	1,072	1,364
Nebr.....	1,902	2,082	3,132	233	254	373
N. Mex.....	10,754	10,796	14,430	1,282	1,319	1,800
Okla.....	927	772	2,027	103	99	242
Wyo.....	18,778	17,285	27,969	1,841	1,782	2,901
7 States....	54,221	50,879	74,621	6,119	5,993	8,778
U. S.....	218,239	216,950	330,184	26,772	26,972	41,336

CONSTRUCTION

The high level of construction activity which occurred in the Tenth District and the nation during the first half of the year continued through July. For the first seven months of the year, the dollar volume of building permits in the District was 66 per cent higher than for the similar period in 1949. Although the value of building permits in the District declined 10 per cent from June to July, it was 38 per cent larger than the figure for July, 1949.

Although construction continues at record levels, there is an increasing possibility that three factors

BUILDING PERMITS

	July	7 Mos.	Change from '49	
	1950	1950	July	7 Mos.
	(Dollars)		(Per cent)	
Colo. Springs, Colo.....	379,010	3,460,566	-32	-10
Denver, Colo.....	6,233,280	35,488,848	+137	+53
Pueblo, Colo.....	519,068	4,379,046	+108	+111
Hutchinson, Kans.....	286,745	3,600,846	+89	+240
Kansas City, Kans.....	799,650	3,531,166	+96	+18
Salina, Kans.....	178,735	2,618,040	-35	+81
Topeka, Kans.....	1,114,570	4,444,135	+58	+44
Wichita, Kans.....	2,073,508	19,434,624	-15	+64
Joplin, Mo.....	221,000	1,260,210	+130	+55
Kansas City, Mo.....	4,142,000	26,453,000	-54	+39
St. Joseph, Mo.....	179,593	1,135,718	+470	+43
Lincoln, Nebr.....	1,011,620	6,547,003	+147	+99
Omaha, Nebr.....	1,947,345	14,251,865	+125	+118
Albuquerque, N. M....	3,199,981	18,198,596	+98	+73
Okla. City, Okla.....	3,418,636	25,369,684	+380	+151
Shawnee, Okla.....	279,881	1,400,175	+271	+52
Chula, Okla.....	2,421,955	9,636,795	+160	+4
Cheyenne, Wyo.....	939,935	4,818,026	+299	+330
District, 18 cities.....	29,346,512	186,028,343	+38	+66

may retard future activity. These factors are: (1) rising costs, (2) shortage of materials, and (3) increased credit controls.

By June, building costs for residences had increased approximately 7 per cent throughout the nation and the District from the average 1949 figure, and costs continued to advance during July. These rising building costs are increasing and probably will continue to increase the cost of housing to the consumer. In regard to the second factor, some building materials have come to be in short supply as a result of the increased building activity. Moreover, there are varying opinions as to whether our present production can handle both consumer and anticipated military demands. The extent to which future Government needs will cut into the supply of building materials will depend largely upon the requirements for defense.

The initial steps of the third factor, increased credit controls, have been taken by the Government. Veterans purchasing new homes are now required to pay at least 5 per cent down, and nonveterans are required to pay 25 per cent of the purchase price. The Federal Housing Administration has ordered all offices to set July 1 costs as the top level for any future values of homes or property and has lowered the top for insured loans for single family houses from \$16,000 to \$14,000. In addition, the Government has suspended loans to colleges for building dormitories, and public housing units have been cut sharply for 1950. Many builders, however, feel that the present credit restrictions will have little retarding effect on home purchases. The Wall Street Journal recently reported that the Home Builders Association in Pittsburgh even feels that the credit restrictions have encouraged many persons, who had tentatively planned to buy but were waiting for lower prices, to purchase their homes before more restrictions were

imposed.

The Tulsa Home Builders Association recently reported general agreement that, while the future was uncertain, construction would continue at present levels during the remainder of 1950. Tulsa real estate sales continued to set new records during July, and building activity was increasing rather than slowing as previously anticipated. Omaha also reported construction increases. The Omaha Housing Council recently announced that the Federal Housing Authority had approved plans for a 5½ million dollar housing project for the Offut Air Force Base. The Denver Housing Authority has awarded contracts for 600 of the 4,000 units authorized for Denver by the Federal Housing Authority. Kansas City, Oklahoma City, Wichita, and other cities throughout the District, including those mentioned above, are following the national trend toward a record year for the building industry.

PETROLEUM

Crude oil production in the United States and in the Tenth District has been greater during the first seven months of 1950 than during the corresponding period in 1949. Although the increase in production has been less than 1 per cent for the United States and only 3 per cent for the Tenth District, it is significant as a reversal of the situation that prevailed during the first six months of 1949 when production moved steadily downward. The climb in production cannot be attributed to the present international situation alone since production has increased sharply for the past five months. However, with the military requirements for more oil and gasoline, production this year will probably not only exceed last year's but may approach the all-time record set in 1948. In the Tenth District, production in Kansas, Nebraska, and Wyoming has registered gains from the comparable 1949 period, while Oklahoma output has approximated that of a year ago. Production in Colorado and New Mexico has been slightly below the 1949 level.

The Korean situation has raised the question of adequate oil reserves and of the ability of the oil industry to meet both the military and civilian demands. Since the end of World War II, domestic oil companies have been in the process of creating a substantial reserve productive capacity. New crude oil reserves have been developed, and pipeline and refinery facilities have been improved and expanded. According to a recent industry study, total United States crude oil production capacity has been increased 27 per cent, refining capacity 21 per cent, and proved crude oil reserves 24 per cent since the

war peak attained in 1945. The Independent Petroleum Association of America recently indicated that reserve production capacity in the 24 oil producing states is about 11½ million barrels daily above the current rate. This would raise production to about 7 million barrels daily without waste or damage to the wells. Estimates of possible production increases for Tenth District states include 25,000 barrels a day for Wyoming, 13,500 barrels for Colorado, 20,000 barrels for New Mexico, 36,608 barrels for Kansas, and 80,675 barrels daily for Oklahoma.

NONFERROUS METALS

The nonferrous metals industries, after suffering severe setbacks in prices which led to sizable curtailments of mining operations during 1949, have recovered substantially in recent months. Zinc, lead, and copper prices and production are moving upward. It is interesting, however, to note the reversal that has occurred in the relationship of lead and zinc prices. In August, 1949, lead was selling for 15 cents a pound, while zinc was bringing about 10 cents. Lead prices continued to decline during the latter part of 1949 and the early months of 1950, reaching a low near 10 cents in April of this year. Zinc prices, on the other hand, remained fairly stable in the latter half of 1949 and since early this year have shown rapid increases, reaching 15 cents a pound early in July.

At the present time, zinc is in short supply owing to the greater than normal demand which has arisen from Government stockpiling and increased industrial consumption. Although the price of Prime Western zinc, East St. Louis, has remained at 15 cents for the past two months, the zinc futures market has shown steady gains. On August 15, lead rose to 13 cents a pound, New York, and it appears that the present international situation will assure a healthy market. Electrolytic copper prices have increased 2 cents since May and the present level of 22½ cents a pound, Connecticut Valley, is close to the peak attained early in 1949.

There have been no new developments in regard to mine subsidy legislation. A specific problem for the copper industry is the present tax on copper imports. On July 1, the suspension of the import tax on copper expired. The industry is hopeful, however, that this suspension will be renewed through a bill, H. R. 5327, which has been passed by the Senate Finance Committee. This provides for duty suspension on scrap metal imports and also carries an amendment to include copper.

The recent rise in prices and the improved demand outlook have given miners in the Tri-State district

incentive to increase production at their marginal mines. This is being accomplished without Federal aid. Present domestic production is not able to meet the nation's demand, and increased European consumption is reducing the available foreign supplies. Thus, the upward pressure on nonferrous metal prices appears likely to continue.

DEPARTMENT STORE TRADE

Dollar volume of sales at reporting department stores in this District in July was 37 per cent larger than a year ago. The bulk of this increase was in housefurnishings — notably furniture, rugs, appliances, television sets, drapery and curtain materials, and sheets and pillow cases—and in women's accessories, chiefly hosiery and other nylon products. The pickup in sales, first noticeable late in June following news of war in Korea, became increasingly pronounced in July. While the wave of scare buying has abated somewhat, sales for the first three weeks of August still were 27 per cent larger than in the corresponding period of last year, reflecting in part the heavy demand for housefurnishings resulting from the current record rate of residential construction.

Sales of housefurnishings had previously been relatively good throughout most of 1950, and the buying wave of July greatly accentuated the heavy demand already prevailing. Added to this accelerated demand for housefurnishings was a rush to purchase commodities that had been short during the last war and commodities for which price increases were anticipated.

The dollar volume of sales for July, which is normally the poorest month of the year, exceeded that for any previous month this year by a considerable margin but would still be substantially below the usual volume for the heavy buying months of November and December. To what extent the un-

DEPARTMENT STORE SALES AND STOCKS

	SALES		STOCKS
	July 1950 comp. to July 1949	7 Mos. 1950 comp. to 7 Mos. 1949	July 31, 1950 comp. to July 31, 1949
	(Per cent increase or decrease)		
Denver.....	+31	+3	-1
Hutchinson.....	+49	+2	0
Topeka.....	+35	+4	+4
Wichita.....	+37	+1	+9
Joplin.....	+68	+14	+11
Kansas City.....	+38	+4	+5
St. Joseph.....	+29	0	*
Omaha.....	+29	+7	+8
Oklahoma City.....	+37	+9	+5
Tulsa.....	+49	+6	*
Other cities.....	+40	+7	-1
District.....	+37	+5	+2

*Not shown separately but included in District total.

SELECTED ITEMS OF CONDITION OF TENTH DISTRICT MEMBER BANKS

(In millions of dollars)

	ALL MEMBER BANKS			RESERVE CITY BANKS			COUNTRY BANKS		
	July 26 1950	June 30 1950	July 27 1949	July 26 1950	June 30 1950	July 27 1949	July 26 1950	June 30 1950	July 27 1949
Loans and investments.....	4,622	4,506	4,251	2,571	2,469	2,303	2,051	2,037	1,948
Loans and discounts.....	1,647	1,590	1,451	940	900	790	707	690	661
U. S. Government obligations.....	2,531	2,473	2,404	1,389	1,329	1,303	1,142	1,144	1,101
Other securities.....	444	443	396	242	240	210	202	203	186
Reserve with F. R. Bank.....	749	784	803	463	495	480	286	290	323
Balances with banks in U. S.....	625	621	580	253	252	246	372	369	334
Cash items in process of collection.....	293	282	247	273	255	231	20	27	16
Gross demand deposits.....	5,322	5,210	4,944	3,025	2,934	2,749	2,297	2,276	2,195
Deposits of banks.....	879	838	795	815	775	739	64	62	56
Other demand deposits.....	4,443	4,372	4,149	2,210	2,159	2,010	2,233	2,214	2,139
Time deposits.....	687	691	675	367	369	360	320	323	315
Total deposits.....	6,009	5,902	5,619	3,392	3,303	3,109	2,617	2,599	2,510
Borrowings.....	9	1	5	7	0	2	2	1	3

usually large sales of July may have been "borrowed" from subsequent months remains to be seen. Sales increased contraseasonally from June to July, and the seasonally adjusted index of daily average sales rose from 322 per cent of the 1935-39 average in June to a new record level of 414 per cent in July as compared with the previous peak of 339 per cent in November, 1947.

The sharp increase in sales during July was accompanied by a larger than usual decline in stocks, the seasonally adjusted index of stocks dropping from 288 per cent of the 1935-39 average at the end of June to 270 per cent at the end of July, the lowest level since September, 1949. Stocks of merchandise on hand July 31 were only about 2 per cent larger in value than a year earlier. Outstanding orders, however, increased sharply during July and at the end of the month were 63 per cent larger than a year ago, as merchants sought to replenish their inventories.

MEMBER BANK CREDIT

Credit conditions in the Tenth District in the period between June 30 and July 26 were dominated by an expanding volume of loans to finance the movement of the new wheat crop. While this is a normal seasonal development, the volume this year is considerably larger than that of a year ago. Loans and discounts at reserve city banks increased by 40 million dollars in the period compared with an increase of 17 million dollars at country banks. While the wheat loans accounted for a significant part of the increase of loans, loans on real estate and other loans to individuals continued the expansion of recent months. During the interval from June 30 through July 26 city banks increased their holdings of United States Government securities by 60 million dollars while country banks decreased their holdings by 2 million.

The expansion of loans and investments at reserve city banks was financed by a withdrawal of 32 million dollars from reserve accounts at the Reserve bank

and an increase of 91 million dollars in gross demand deposits, of which 51 million was in other than interbank accounts. Judging on the basis of data for the weekly reporting member banks, the increase in the latter class of deposits was in the accounts of individuals, partnerships, and corporations, since Government deposits in those banks declined during the period.

BANK DEBITS

	July 1950	7 Mos. 1950	Change from '49	
	(Thousand dollars)		July	7 Mos.
			(Per cent)	
COLORADO				
Colo. Springs.....	45,293	286,412	+12	+10
Denver.....	544,860	3,634,234	+23	+11
Gr. Junction.....	15,850	100,474	+21	+11
Greeley.....	22,374	150,517	+44	+23
Pueblo.....	49,233	291,602	+27	+7
KANSAS				
Atchison.....	11,990	66,320	+22	-31
Emporia.....	11,941	73,424	+19	+11
Hutchinson.....	43,367	258,115	+15	-10
Independence.....	7,278	49,000	+3	+9
Kansas City.....	76,447	486,145	+24	+10
Lawrence.....	10,877	72,439	+5	+4
Parsons.....	8,769	52,826	+20	+7
Pittsburg.....	11,464	79,134	+6	+4
Salina.....	54,889	237,325	+56	+3
Topeka.....	101,675	643,551	+5	+3
Wichita.....	241,255	1,633,460	+16	+8
MISSOURI				
Joplin.....	26,853	182,176	+19	+2
Kansas City.....	1,218,384	7,307,108	+15	+5
St. Joseph.....	104,986	656,251	+13	+6
NEBRASKA				
Fremont.....	19,936	124,613	+25	+13
Grand Island.....	24,573	160,366	+20	+14
Hastings.....	14,695	89,162	+18	0
Lincoln.....	87,003	557,596	+16	+6
Omaha.....	542,361	3,393,395	+18	+8
NEW MEXICO				
Albuquerque.....	112,883	707,417	+29	+23
OKLAHOMA				
Bartlesville.....	148,139	908,083	+25	-1
Enid.....	40,352	248,741	0	+2
Guthrie.....	4,558	30,032	+12	+3
Muskogee.....	27,336	174,375	+24	+11
Okla. City.....	351,110	2,375,897	+17	+14
Okmulgee.....	6,667	47,440	+24	+9
Ponca City.....	19,483	129,929	+3	+8
Tulsa.....	518,063	3,385,090	+14	0
WYOMING				
Casper.....	30,282	197,187	+12	+4
Cheyenne.....	32,144	207,603	+8	+5
District, 35 cities..	4,587,370	28,997,439	+17	+7
U. S., 333 cities.....	110,564,000	763,206,000	+12	+7