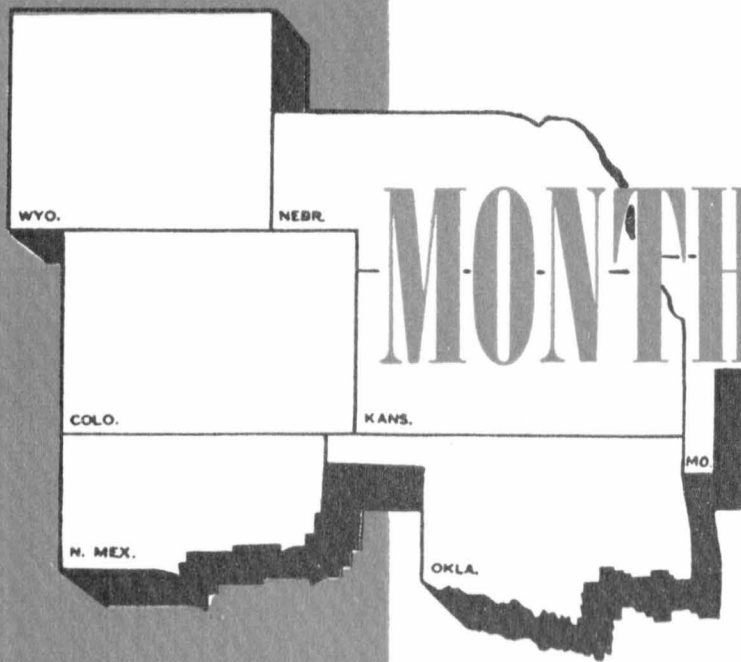


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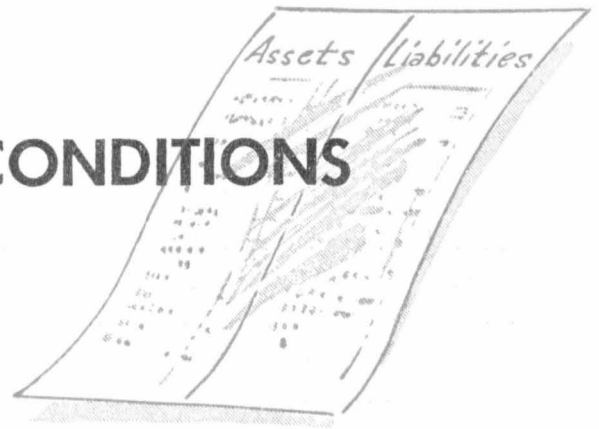
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FEDERAL RESERVE BANK
OF KANSAS CITY

CHANGING FINANCIAL CONDITIONS IN FARM COMMUNITIES



DECLINING prices of agricultural commodities since early in 1951 have produced a variety of adjustments in this basic industry with significant effects upon farm communities and the larger centers that sell equipment, operating supplies, and consumer goods to farms. Variations among the prices and yields of individual products and in the volume of livestock and crops marketed have led to differences in the extent to which various farm communities have been affected by the weakness in prices.

The trend of cash receipts from farm marketings illustrates how the readjustment in agriculture has varied recently among states which are wholly or partly included in the Tenth Federal Reserve District. The figures in the accompanying table should be read with the fact in mind that between 1951 and 1952, Kansas, Oklahoma, Colorado, and New Mexico had increases in cash receipts, while Nebraska and especially Wyoming suffered reductions.

Such a measure of the changed economic position of farmers does not indicate the man-

ner in which net income has been narrowed as farm costs have failed to readjust in step with prices. Nor can it indicate how farmers' cash and debt positions have been affected. In order to examine fully the changed financial position of farmers, it would be necessary to know all of the facts about their total asset holdings and indebtedness, including credits granted by merchants and nonbank lenders. Since commercial banks are estimated to hold about 40 per cent of the nonreal-estate debt owed by farmers to all creditors in the United States, as well as the largest part of their cash balances, the financial statements of these institutions reflect certain of the financial adjustments farmers have made in response to adverse income developments.

In order to obtain for examination a group of banks whose condition and earnings statements would be most likely to be dependable in reflecting agricultural developments, member banks in the Tenth District were classified according to the percentage of their total loans represented by loans to farmers. An arbitrary decision was made to select banks having a minimum of two thirds of their loans in farm credits, and 315 banks were found to meet this standard. Moreover, since agricultural readjustments have differed among various type-of-farming regions, four such regions were recognized in choosing the sample of banks—grazing, wheat, corn, and cotton. Banks within each of these regions were then chosen in such a way as to be well distributed geographically.

CASH RECEIPTS FROM FARM MARKETINGS
In thousands of dollars

State	Jan.-Aug. 1952	Jan.-Aug. 1953	Per Cent Change
Colorado	344,784	299,472	-13.15
Kansas	765,711	704,023	-8.06
Missouri	605,801	576,225	-4.89
Nebraska	717,044	709,927	-1.00
New Mexico	94,531	95,008	+0.50
Oklahoma	417,039	359,968	-13.69
Wyoming	49,306	42,995	-12.80

Changing Financial Conditions

A total of 105 banks were selected from the list of 315 banks. Their distribution among the states of the Tenth District is shown in the accompanying table. No banks in New Mexico were used because none of the banks located

DISTRIBUTION OF BANK SAMPLE

Type-of-farming Region	Total Banks	Colo.	Kans.	Mo.	Nebr.	Okla.	Wyo.
Grazing	35	15	8	0	7	0	5
Wheat	30	3	20	0	0	7	0
Corn	25	0	6	4	15	0	0
Cotton	15	0	0	0	0	15	0
Total	105	18	34	4	22	22	5

there held a sufficiently high proportion of agricultural loans. On September 30, 1953, the proportion of total loans represented by agricultural loans in the four bank samples ranged from 80 per cent in the corn region to 90.5 per cent in the cotton region.

The annual survey of deposit ownership made by the Federal Reserve System also provides information on the ownership of demand deposits at some of these banks. Forty-two of the 105 banks voluntarily submitted such reports for January 31, 1952, and 59 banks furnished this information for January 31, 1953. On each of these dates, farmers were reported to own 50 per cent of the demand deposits of individuals, partnerships, and corporations in accounts of \$3,000 or more.

Observations by Type-of-Farming Region

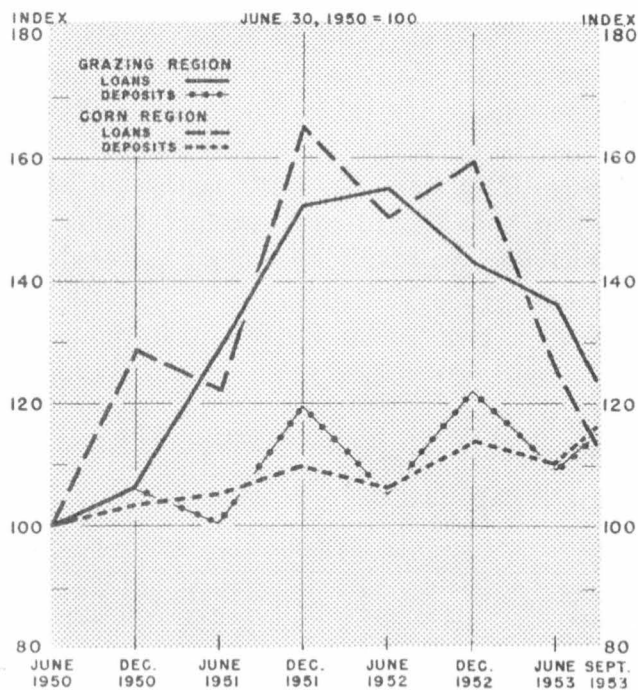
Grazing

The banks selected to represent grazing are located in Wyoming, Colorado, western and northwestern Nebraska, and the blue-stem section of Kansas. These banks held 30.2 million dollars of agricultural and 7.3 million dollars of other loans on September 30, 1953. Of the former, about one fourth were loans guaranteed by the Commodity Credit Corporation, indicating that price-supported

crops also were an important source of income in these areas.

Nonguaranteed, short-term loans to farmers were expanded rapidly from June 30, 1950, to June 30, 1951, while the demand and time deposits of individuals and businesses remained about stationary. The working capital requirements of farmers probably increased more rapidly in this period than they could be satisfied through savings from higher income. Banks accommodated these demands by reducing their balances with other banks and by sales of Treasury securities. In the ensuing year, nonguaranteed loans to farmers continued to increase, reaching a level 55 per cent above the amount outstanding on June 30, 1950. However, cash balances in these farm communities increased about as much, and thus it appears that a number of

DEPOSITS AND LOANS, GRAZING AND CORN REGIONS



Note: Loans are short-term advances to farmers, excluding C.C.C. Deposits are demand and time balances of businesses and individuals.

farmers reached a stage where they preferred increased cash balances to additional investment in real capital.

The period from June, 1952, to June, 1953, witnessed the rapid decline of cattle prices and it could be anticipated that adjustments at banks in the grazing sections would be marked. Sales of an increased volume of cattle in these 12 months were not sufficient to offset the fall in prices, and cash receipts diminished accordingly. Nevertheless, farmers retired 3.2 million dollars of their nonguaranteed bank debt. In the following three months, extending to September 30, 1953, they paid off an additional 2.1 million, at which point these loans were 24.5 per cent above the volume on June 30, 1950. With the sharp drop in cattle prices, loans paid as they came due probably were not offset by the volume of new loans for investment in the cattle business. While there was a moderate upward trend in the demand deposits of individuals and businesses in this 15-month period, the growth of time deposits was more conspicuous. Thrift deposits increased about 34 per cent between June 30, 1951, and June 30, 1953.

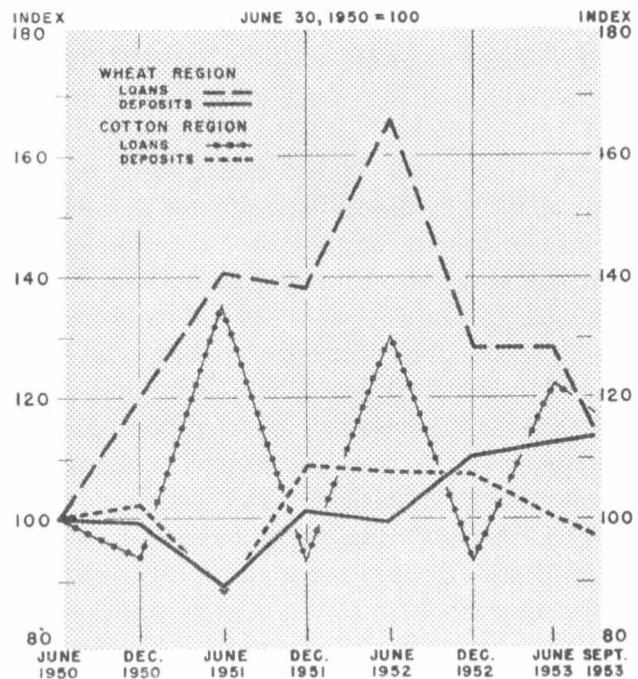
If the proportion of demand and time deposits held by farmers was maintained in the year ended June 30, 1953, it appears that the short-term asset position of a majority of farmers was improved by increased deposits, as well as by debt repayment, during the period of adverse price trends. That this condition was not characteristic of all farmers in the grazing areas is indicated by bank experience on loans.

In the first half of 1952, losses and charge-offs on loans, including transfers to valuation reserves, (uncorrected for recoveries) at the grazing banks were \$47,000, or a rate of \$1.39 per \$1,000 of loans having an exposure to credit risk. During the first half of 1953, such

losses and charge-offs increased to \$133,000, or to \$4.10 per \$1,000 of loans. In banks' statements of earnings, expenses, and dividends, losses and charge-offs include, in addition to actual losses, transfers to valuation reserves against loans, and thus they do not indicate beyond question the total amount of losses actually incurred. However, the assumption that losses increased between these two periods is supported by several facts: recoveries on loans previously written off declined; banks in widely separated parts of the grazing region reported a common experience; the sharp decline in cattle prices could have been expected to uncover the weak financial positions of some farmers.

In summary, banking data relating to the grazing areas of the District indicate that farmers as a group used the decline in cattle prices as an occasion to strengthen their short-

DEPOSITS AND LOANS, WHEAT AND COTTON REGIONS



Note: Loans are short-term advances to farmers, excluding C.C.C. Deposits are demand and time balances of businesses and individuals.

term net asset position, although other farmers in the same areas were weakened to the point of default. The effect of losses upon banks' loan policies cannot be determined, but it is possible that a more conservative practice would be induced by the change that occurred between the first halves of 1952 and 1953.

Wheat

The sample of 30 banks representing the wheat-growing region of the District was selected from east central Colorado, Kansas, and northwestern Oklahoma. On September 30, 1953, these banks held 27.7 million dollars of agricultural loans, divided about equally between loans guaranteed by the Commodity Credit Corporation and nonguaranteed loans. Loans of all other types totaled 5.3 million dollars. Total demand and time deposits of individuals and businesses were 76.2 million dollars.

In the two years following June 30, 1950, the operating capital requirements of farmers in the wheat areas were quite heavy. In spite of favorable income conditions, total demand and time deposits of individuals and businesses were lower at the end of the period than at the beginning. Savings out of income therefore appear largely to have taken the form of additions to physical assets. Funds available from this source did not fully satisfy farm needs and short-term nonguaranteed loans increased 66 per cent, while total agricultural loans expanded 86 per cent in the two years ended June 30, 1952. These capital needs were met by the banks through sales of United States Government securities in the market and through reductions of balances with other banks.

The large cash income resulting from the exceptional wheat crop in 1952 enabled farmers to retire nonguaranteed loans and to

increase their cash balances. Between June 30, 1952, and June 30, 1953, these loans were reduced 22.7 per cent, while deposits increased 13.3 per cent. Banks in the wheat-growing areas supplied the funds which farmers used to improve their current net asset position, for the rise in guaranteed loans was more than enough to account for these changes. As the current net asset position in these farm communities has improved, time deposits have represented an increasing share of total deposits. From June 30, 1950, to September 30, 1953, time deposits increased a total of 70 per cent, with all of the gain occurring after June, 1951.

The improvement in the cash balances and bank debt position of farm communities in the wheat-producing areas apparently did not prevent banks from incurring losses on loans. In the first half of 1952, losses and charge-offs, including transfers to valuation reserves, were equal to \$.99 per \$1,000 of loans having a risk exposure, while in the first half of 1953, the figure was \$2.07 per \$1,000 of loans exposed to credit risk. Thus, while losses apparently increased, they still were well below the rate in the grazing areas. Moreover, recoveries on loans previously written off more than doubled between 1952 and 1953. This also points to less difficulty in the wheat than in the grazing areas.

Corn

The bank sample used to examine financial trends in the corn-producing areas of the District included 25 banks located in Nebraska, northeastern Kansas, and western Missouri. On September 30, 1953, these banks held total agricultural loans of 12.4 million dollars, about one fourth of which were guaranteed by the Commodity Credit Corporation. Loans of all other types represented about one fifth of all loans outstanding. Demand and

time deposits of individuals and businesses aggregated 48.2 million dollars.

In a number of respects, agricultural trends have been more favorable to the corn-producing area than to other regions in the District since June 30, 1950. Much of the corn grown in this area is fed to hogs and, while the price of hogs was comparatively unfavorable in 1950, the price has been strong in recent months.

Nonguaranteed loans to farmers in the corn-producing areas increased 65 per cent between June 30, 1950, and December 31, 1951, when the demand for credit reached a seasonal peak. Loans guaranteed by the Commodity Credit Corporation declined in the period and the net increase in credit requirements was easily met by banks since deposits also increased in these months. A combination of increased loans on price-supported crops and a large volume of nonguaranteed loans produced a peak in total loans at these banks at the end of 1952. In the following nine months, loans were retired rapidly, and on September 30, 1953, they were only 7.4 per cent above the pre-Korea volume. On the other hand, demand and time deposits of individuals and businesses at these banks have shown a slow upward trend throughout the period since mid-1950. By September 30, 1953, they had increased one sixth, the greatest part of the growth occurring in demand balances.

Further evidence of the comparative financial strength of farmers in the corn-producing areas is indicated by the loss experience of banks. The sample of banks in this crop area showed losses, charge-offs, and transfers to valuation reserves of \$2.91 per \$1,000 of loans exposed to credit risk in the first half of 1952 and \$1.95 per \$1,000 in the first half of 1953. The latter figure was the lowest for the period in the four type-of-farming regions.

Cotton

The sample of 15 banks chosen to reflect changes in the cotton-producing area of Oklahoma, while smaller than the other samples, represents a larger percentage of the banks in the area producing this crop. On September 30, 1953, this group of banks held 8.2 million dollars of agricultural loans, divided about equally between guaranteed and nonguaranteed loans. Loans to all other borrowers were only 10 per cent of total loans outstanding. Demand and time deposits of individuals and businesses amounted to 18 million dollars.

Judging on the basis of banking data alone, the farm communities in the cotton-producing area have shown less economic growth since June 30, 1950, than the other areas examined. Nonguaranteed loans to farmers reached their peak for the dates examined on June 30, 1951, a gain of 36 per cent in the year. This peak was relatively lower and occurred earlier than in any of the other type-of-farming regions. Since that date, these loans have shown a moderate downward trend. Similarly, the demand and time deposits of individuals and businesses, after declining 12 per cent in the year ended June 30, 1951, rose to their maximum for the period on December 31, 1951, where they were 8.8 per cent above June, 1950. After this peak was reached, these deposits slowly declined until, on September 30, 1953, they were 2.3 per cent below the volume in mid-1950.

There is no way immediately available to account for the differences between the trends of farm communities in this and other type-of-farming regions. It is possible that financial and cash balance requirements in the cotton area differ from those in other farming areas; therefore, a relatively adverse condition cannot be assumed to have developed in this area on the basis of these data. The statistics

on bank losses on loans suggest that some deterioration of financial position has taken place in the later part of the period examined. In the first half of 1952, stated losses on loans having an exposure to credit risk were \$.71 per \$1,000, which was the lowest rate in any of the areas. In the first half of 1953, however, the rate increased to \$3.36 per \$1,000, while recoveries on loans previously written off diminished.

Summary and Conclusions

The examination of financial trends in farm communities through the use of commercial bank data can afford information on only one aspect of the complex adjustment which declining farm prices have required. While the findings are not conclusive, they appear to be in agreement with other available information.

In the grazing region of the District, the expansion of herds until 1953 probably led to increased requirements for working capital which could not be satisfied by savings from current income. This condition produced a demand for bank loans and arrested the growth of deposits. Sales of livestock in 1953

are believed to have been sufficient to prevent a further increase in cattle on farms; therefore, funds that otherwise would have been required to expand physical stocks of supplies were diverted to retiring loans and increasing cash balances. The fact that farmers could achieve this improvement of their current position suggests that the financial capacity of farmers to maintain operations at present levels has been sustained. This does not imply that either his standard of living or his net worth has been unaffected.

The bank data drawn from wheat- and corn-producing regions also indicate that farmers have improved their credit position at banks by retiring their debt and increasing their deposits. It seems probable that this change was accomplished through a reduced rate of real investment. Accumulated depreciation on equipment in use also probably played a part in this change.

Farm communities in the cotton-producing area of Oklahoma have not shared in the countrywide growth of bank deposits since Korea. Information available does not indicate whether this condition resulted from distinctive characteristics in the need for cash balances or from an unfavorable trend of income.

*Member bank credit, bank debits, and department store trade tables previously carried in the **Monthly Review** will no longer appear in this publication. Individual releases containing these tables will be issued separately and are available upon request. Address Research Department, Federal Reserve Bank of Kansas City, Kansas City 6, Missouri.*

EXPORTS, SURPLUSES, AND DIVERTED ACRES

Declining exports, increasing surpluses, and marketing quotas have created a farm problem — how to use the diverted acres.

ONLY about one tenth of the total demand for agricultural products in the United States during the past decade was accounted for by foreign demand. Yet, this demand is of crucial importance to many farmers in the Tenth District and of considerable consequence to both farm and nonfarm people.

During the fiscal year ended June 30, 1953, agricultural exports from the U. S. were valued at 2.8 billion dollars. This was 30 per cent below the value of agricultural exports for the previous year and 20 per cent below the preceding five-year average. A decline of this magnitude in export demand, while agricultural production is at record levels, could cause agricultural prices to decline and stocks of several of the principal farm commodities to accumulate. Furthermore, it now appears that agricultural production will remain high during 1954, and it is unlikely that export demand for agricultural products will recover significantly during the current fiscal year.

In recent years, wheat and cotton exports have accounted for roughly one half of all agricultural exports. Both crops are important in Tenth District agriculture. During the fiscal year ended June 30, 1953, cotton exports were only about one half those of the preceding fiscal year, and wheat exports were approximately one third less. Declining exports of these two crops accounted for about three fourths of the 1.2 billion dollar decline in the value of agricultural exports from the U. S. during the last fiscal year. These declining exports also have been quite influ-

ential in causing the rapid increase in stocks of wheat and cotton during recent months.

The large carryover of wheat and cotton, along with the expectation of continued high production, has made the imposition of marketing quotas for these crops mandatory under present legislation. Acceptance of quotas by producers will result in considerable acreage becoming available for other uses. How this diverted acreage will be used is of interest to everyone, not just wheat and cotton farmers.

If markets cannot be expanded for these crops, farmers may use their diverted acreage for producing forage crops to support an expanded livestock production. Such an adjustment could be desirable if per capita consumption of livestock products remains high and population continues to expand. The use made of these diverted acres also is of interest to business and labor since such use will influence farm incomes, the types of farm commodities available for marketing and processing, and the kinds and quantities of supplies farmers purchase. In subsequent portions of this article, an effort will be made to analyze the wheat and cotton situations in Tenth District states and to indicate alternative uses that can be made of the acreage diverted from the production of these crops.

Wheat

Since the end of World War II, annual wheat production in the U. S. has averaged

1,168 million bushels. During the same period, annual domestic disappearance has averaged 696 million bushels. Thus, domestic production has exceeded domestic requirements by an average of 472 million bushels annually since the end of the war. Imports of wheat have averaged about 10 million bushels since the end of World War II. These imports have consisted chiefly of low grade wheat for feeding and certain types of wheat which have been scarce in the U. S. In order to prevent the carry-over from increasing, it would have been necessary to export an average of 482 million bushels of wheat annually since the war. Exports, including military procurement and shipments to U. S. possessions, have averaged approximately 417 million bushels annually since the end of World War II. Consequently, the carryover has increased an average of about 65 million bushels annually since the beginning of the marketing year commencing July 1, 1946.

Thus, production surpassed utilization even during the period of huge postwar export demand for U. S. wheat created by disrupted world production, military procurement for civilian relief feeding, and provision of Economic Cooperation Administration funds. With this huge export demand for wheat now subsiding, adjustments in the industry are impending. Acceptance of marketing quotas by wheat farmers will result in an acreage reduction of approximately 20 per cent this year. In Tenth District states, the acreage planted to wheat for harvest in 1954 will be about 5.9 million acres less than was planted for harvest in 1953.

Cotton

Production of cotton since the end of World War II has averaged about 13.4 million running bales per year. Annual imports have av-

eraged about 200,000 bales. Hence, an average of about 13.6 million bales of cotton has been produced and imported annually during the postwar period. Domestic requirements during the same period have averaged 9.3 million bales annually, while an average of 4 million bales has been exported. Thus, total annual utilization of U. S. cotton has averaged 13.3 million bales, while production and imports have averaged 13.6 million bales. Although these figures appear to be almost in balance, exports were high from 1948 through 1951. During 1952 and 1953, exports averaged more than one third less than for the prior four years. On the other hand, production has been considerably higher than average during the last three years. Consequently, the carryover of cotton has increased rapidly in recent years.

Considering current supplies of cotton and likely domestic and export demand, the carryover of cotton on August 1, 1954, is expected to be 8.9 million bales. This compares with a carryover of 2.3 million bales on August 1, 1951. The large supplies of cotton available for this marketing year, in relation to anticipated requirements, made it mandatory for the Secretary of Agriculture to proclaim marketing quotas on cotton. Under present legislation, the quotas must be established at 10 million bales of upland cotton and 30,000 bales of extra-long staple cotton. Acreage allotments for both types total almost 18 million acres, which compares with 24.6 million acres in cultivation on July 1, 1953.

It is anticipated that Congress will revise present legislation increasing marketing quotas and acreage allotments for cotton. Private sources are predicting that these revisions will permit about 21 million acres to be planted. If this forecast is correct, it still would be necessary to divert some 3.6 million acres from cotton production. In Tenth District states, approximately 300,000 acres would be

released for other uses under these conditions.

Significance

In Tenth District states, about 5.9 million acres of wheat land and 300,000 acres of cotton land will be released for certain other uses by marketing quota and acreage allotment legislation. How these acres are used in both the long and short runs will be of considerable significance to agriculture in this area. Although more severe limitations on the use of these diverted acres may exist in future years, considerable freedom will be allowed in 1954.

No acreage allotments will be in effect on grain sorghums, barley, or oats during 1954 and prices will be supported at 85 per cent of parity for these crops. In the major wheat and cotton areas of the Tenth District, grain sorghum is a well-adapted crop. In the limited areas where grain sorghum is not adapted, barley or oats can be substituted on the diverted acreage. Any of these can be used as substitute cash crops during 1954. Although this is an easy solution to the diverted acreage problem for 1954, more drastic adjustments probably will be necessary in the long run not only for wheat and cotton but also for other cash crops that presently can be planted on the diverted acres.

In the case of wheat, the diverted acreage also can be used for fallowing for the 1955 crop. This is a desirable use of the land on those farms where an additional acreage of fallowed land results in increased efficiency of production. In the long run, increased rather than decreased total production may result from fallowing. Therefore, this practice will not solve the surplus problem.

With population increasing quite rapidly and meat consumption being maintained at high levels, the long-time demand for roughage-consuming livestock should be favorable. If large numbers of roughage-consuming animals are to be maintained, it will be necessary to increase pasture and roughage production. The acreage diverted from cotton and wheat production can be used for pasture or roughage production. This would appear to be a desirable long-time use for the diverted acres, but would tend to reduce incomes in the near future. Consequently, many farmers will be reluctant to begin this type of readjustment during 1954.

Finally, another long-run solution to the problem would be to work toward increasing the exports of wheat and cotton. If large enough quantities of wheat and cotton could be exported, it would not be necessary to divert acres from the production of these crops. However, unless domestic and world attitudes change considerably, it will be extremely difficult to increase exports.

Summary

The preceding discussion points out a few of the ways in which changing export markets for agricultural products influence Tenth District farmers. Some of the major adjustments currently facing District farmers can be attributed to changing export markets. Although several rather easy solutions to these adjustment problems are immediately available, these solutions have the disadvantage of not solving the fundamental problem for agriculture as a whole. A long-run solution for the entire industry will require further study, and the necessary adjustments will need to be made slowly over a period of years.

EMPLOYMENT AND LABOR

MARKET CONDITIONS

THE Bureau of Labor Statistics reported a drop of 300,000 in manufacturing employment in November, the fourth consecutive monthly decline. The drop was larger than the usual seasonal dip, as declines occurred in the metals, machinery, textiles, rubber, and transportation equipment groups. This resulted in a decrease of 160,000 factory workers during the last year; total nonagricultural employment declined 104,000. Nonmanufacturing employment still was slightly above a year ago, as gains were scored in state and local government, trade, and finance. Seasonal factors accounted for the recent increases in trade and state and local government.

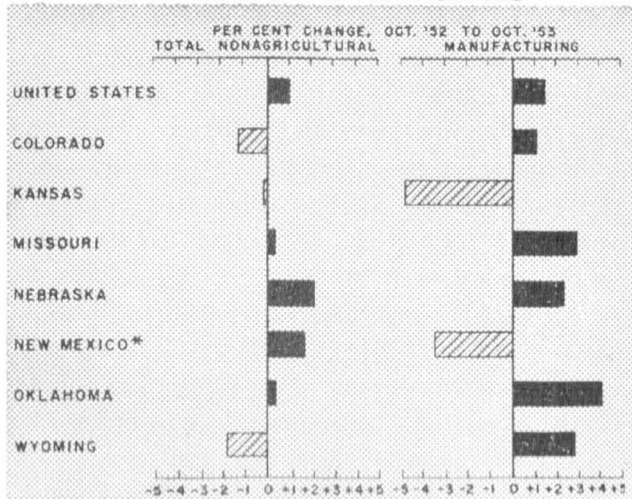
The decline in manufacturing employment, accompanied by a seasonal decline in agriculture, caused unemployment to increase 300,000 in November, according to U. S. Department of Commerce reports. The November unemployment rate was 2.3 per cent, and although the number unemployed in November remained at the low level of 1,400,000, other indicators point to a slackening in business activity. For example, initial claims for unemployment compensation under the state employment programs were 74 per cent higher in November than a year ago. Job applications also have increased substantially. Furthermore, inter-area job openings listed for out-of-area recruitment in October again fell slightly from their level a month earlier. This decline brought such listings to a 32-month low and represented a drop of more than 30 per cent in the past year.

The number of hours in the average manufacturing workweek, as reported by the U. S.

Department of Labor, has declined throughout 1953. In November, 1952, the average was 41.1 hours, indicating that overtime was an important factor in the weekly paycheck. By November of this year, the average had dropped below 40 hours and was 3 per cent under the level of a year earlier. Census Bureau reports indicated that the number receiving overtime also has dropped. In November, only 20 per cent reported that they worked more than 40 hours, compared with 28 per cent in November, 1952. Despite the decrease in the workweek, average weekly manufacturing earnings in November were 1 per cent above the level of a year earlier. Increases in the hourly rate have tended to offset the effect of shorter hours on the weekly paycheck.

As shown in the accompanying chart, employment trends in Tenth District states vary only slightly from the national pattern. In Colorado, employment decreases were mainly due to losses of government and construction workers. Manufacturing employment gained seasonally as the sugar campaign started in October. Kansas employment declined for the fourth consecutive month, with relatively minor cutbacks in all industries except service and government. Although manufacturing employment was down mainly due to cuts at defense establishments, the defense program still is important, accounting for most of the 40,000 new manufacturing jobs in Kansas since the start of the Korean War. In Missouri and Oklahoma, manufacturing employment is up and nonmanufacturing employment down in the last year, resulting in slight net employment

EMPLOYMENT RELATIVELY STABLE DURING
LAST YEAR IN DISTRICT STATES



* September data.

gains. Manufacturing employment in Missouri has declined in recent months, however, with all of the durable goods lines except electrical machinery showing losses. Recent declines in ordnance and farm machinery have tended to offset the yearly increases in Nebraska. Agricultural machinery employment is down in Columbus, Fremont, Lincoln, and Omaha. In New Mexico, cutbacks in construction, accompanied by curtailment of production in coal mines and zinc and lead operations, are the main factors in the employment situation. Some of the more dramatic changes in the past year have occurred in those industries closely associated with the defense effort. Employment in five ordnance factories located in western Missouri, eastern Kansas, and Nebraska passed its peak this year and had declined 20 per cent by November. Further decreases in the ordnance group are scheduled in 1954, barring any unforeseen tightening in international tensions.

Insured unemployment in October in the District states continued at low levels although the October rates were above the level of a year ago in all of the states except Wyom-

ing. The Oklahoma rate of 2.2 per cent unemployed in October equaled the national average, while all of the other District states were below it. Kansas and Missouri showed the largest increases in insured unemployment in the last year. Initial claims for unemployment compensation in the District in September were double those of a year ago, and the number of job applicants had increased 16 per cent in that period. Kansas claims were up one half from August and more than threefold in the past year, while Missouri claims increased two fifths in the last month and nearly doubled in the last year.

The average workweek for manufacturing employees in October, 1953, was below the level at the end of 1952 in each of the seven District states, although the average in Nebraska was up from October, 1952. The longer workweek in Nebraska was attributed to rather general increases in the machinery and equipment groups and a seasonal rise in meat packing. The average workweek in New Mexico declined from 43.2 hours in October, 1952, to 41.5 hours last September. The workweek also was cut two and one-half hours in the last year in Kansas, primarily because of cutbacks in military aircraft procurement schedules. The reduction in Kansas was of such a magnitude that the average weekly earnings in that state also declined in the last year. In the other District states, the national pattern emerged and the decrease in hours worked was offset by increased hourly rates, with average weekly earnings increasing slightly.

The employment outlook in Wichita has changed considerably in the past year. In December, 1952, employment in the aircraft industry was 44,100, double the level that existed two years earlier. The Department of Labor had classified Wichita as one of the few areas of labor shortage in the country.

