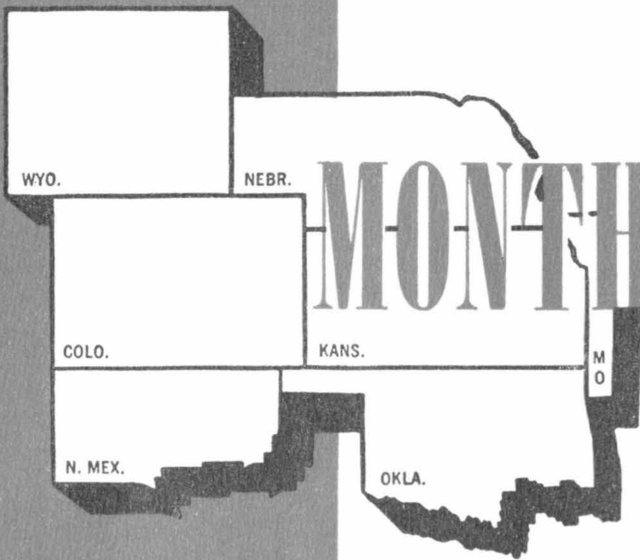
March 1957



MONTHLY REVIEW

In This Issue

FEDERAL RESERVE BANK
OF KANSAS CITY

DISTRICT RETAILING: 1956

and a broader perspective

RETAIL SALES ARE a most significant measure of economic activity. In the analysis of current business developments, it is essential to note the performance of this vital sector of the economy along with such other major indicators as production and employment. This use of retail sales requires, as a minimum, monthly figures in order to facilitate over-the-year and year-by-year comparisons.

Occasionally, a different type of information on retailing becomes available as the result of a census of retail trade. The last such survey was made for the year 1954; the one prior to that was for 1948. The census data are of little use in making short-run analyses of business conditions. A major contribution, rather, is to indicate basic trends in retailing. The data provide answers to questions concerning the types of retailing that are growing most rapidly, changes in the geographical distribution of sales, and trends in the size and number of retailers. Once identified, such long-run changes in retailing may be associated with other basic economic and institutional changes.

After describing the performance of Tenth Federal Reserve District retail stores in 1956, this article shifts its emphasis to the identification of longer-term trends in retailing. Growth in sales is related to income and population growth in the various District states and major changes in the composition of sales are outlined.

Although retail trade in 1956 reached an all-time high nationally, it failed to keep pace with the rate of growth in other sectors of the economy. Upward trends in personal income and employment continued at about the same rate as in 1955, while the 3 per cent gain in retail sales fell far short of the 9 per cent increase marked up in the previous year. The 1955 volume, of course, was swollen by soaring sales of autos, furniture, and building materials. Strength in these lines carried 1955 retail business to such heights that the gain in a good year, such as 1956, looked drab by comparison. However, the same goods that sparked the 1955 surge also contributed most to the relatively poor showing in 1956. Auto sales dropped very sharply from the 1955 volume while furniture and lumber and building materials stores marked up smaller gains than in the previous year of near record housing starts. Most other major types of retail business, except general merchandise stores, matched or surpassed the 1955 gain.

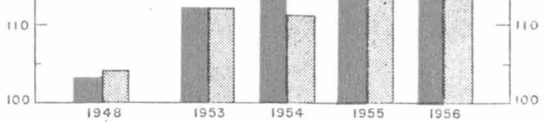
Tenth District Sales in 1956

District retail trade during 1956 appears to have held at about the 1955 level and, for the most part, sales developments in this region were similar to national trends. However, the weaknesses which were most apparent nationally were even more pronounced at the District level. Passenger car registrations fell further below 1955 levels in District states than they did in the Nation; lumber and building materials stores reported a substantial decline in sales; and business at furniture and general merchandise stores failed to match the national increases.

Department store sales data also indicate that District retailers failed to match the gain in business nationally. Sales at District stores increased only 2 per cent over the 1955 level while department stores throughout the Nation averaged a 4 per cent gain. Most departments in District stores showed minor gains over the previous year's volume but some of those gains were offset by sharp drops in sales of household appliances and radios and TV sets. In marked contrast, United States department store sales of major appliances equaled the 1955 level and radio-TV sales rose 5 per cent.

At least part of the difference between District and national performance in retail trade last year is explained by the economic structure of the District. Industries which showed the most strength in 1956—primary metals,

DEPARTMENT STORE SALES



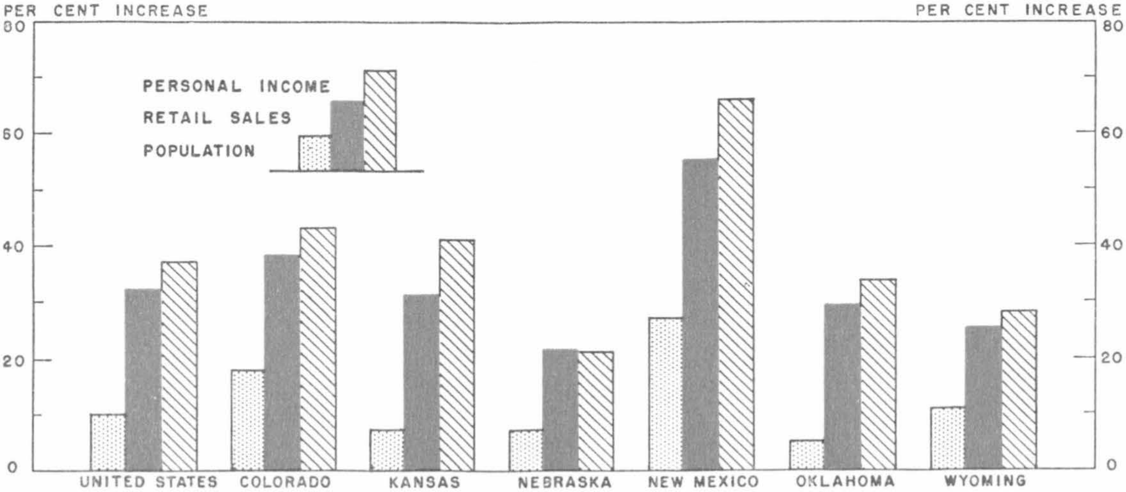
SOURCE: Board of Governors of the Federal Reserve System and Federal Reserve Bank of Kansas City.

capital goods production, and industrial construction—are relatively less important in the District than nationally. Therefore, the benefit of higher employment and income generated by those booming activities was relatively minor in this area. On the other hand, agriculture occupies a relatively more important place in the District and it continued to be plagued by drought and sagging farm income. Consequently, it was not a complete surprise to find that the District gain in retail trade last year fell below the national average.

Nevertheless, industrial growth has extended to a number of the District's larger cities in recent years, and in those areas the rate of expansion in income and trade was quite satisfactory. In Denver, Albuquerque, Oklahoma City, Tulsa, Topeka, and Wichita, expanded nonfarm activities contributed to the creditable showing of retail trade during 1956. However, the multitude of agriculturally dependent areas in the District and the slackened manufacturing activity in Kansas City and Omaha were important factors underlying the tendency for the District to lag behind the Nation in measures of income, employment, and trade.

The continued strength in economic activity in Denver and Albuquerque helped support the high levels of retail trade in Colorado and New Mexico. Both states reported 5 per cent gains in retail employment during the year and much of the added work force was hired in those cities. Department store sales were up 4 per cent from the 1955 level in Denver. In Albuquerque—though sales weakened during the late months of the year—department stores showed a 2 per cent gain. Tulsa, Oklahoma City, and Wichita department stores reported gains of 3 to 4 per cent over the 1955 figures and Topeka topped all District metropolitan areas with a 7 per cent increase. On the other hand, the failure of department stores in Omaha and Kansas City to match 1955 sales

MEASURES OF GROWTH, 1948-1954



SOURCE: U. S. Department of Commerce.

levels probably reflected the weakness in nonfarm employment in those metropolitan areas.

Growth in Sales, Income, and Population

The rapid pace at which retail trade has grown in Colorado and New Mexico in past months continues a trend which goes back a number of years. According to the 1954 Census of Business, the volume of total retail sales increased 55 per cent between 1948 and 1954 in New Mexico. An even larger gain was noted in the Tenth District counties of the state. Colorado sales in 1954 were 38 per cent higher than in 1948, while the average gain for the entire District during this period was 30 per cent. These increases, of course, reflect not only the larger physical volume of goods purchased but also the general rise in prices. Between the census dates, the level of consumer prices nationally increased about 12 per cent. Nevertheless, the substantial gains in retail sales reflect the giant strides that have been made in the total economic activity of those states. The Colorado economy has been spurred by Denver's industrial growth, much of which is related to the Nation's large defense requirements, and by expansion in Federal Government activities. The growth in New Mexico also has been accelerated by defense activities.

The expansion in New Mexico has been most spectacular. The sizable jump in retail sales between 1948 and 1954 was accompanied by increases of 66 per cent in personal income, 27 per cent in population, and 31 per cent in employment. From the standpoint of size, however, the Colorado picture holds greater significance. In that state the 38 per cent gain in sales was associated with a 43 per cent increase in personal income and gains of about one fifth in population and employment. Nationally, the 32 per cent growth in sales accompanied a 37 per cent gain in personal income and a 10 per cent increase in population.

As noted in Colorado and New Mexico, growth in retail trade has been associated with growth in personal income and employment. Turning to other District states, we find further evidence of this relationship. In Nebraska, for example, the 21 per cent gain in personal income between 1948 and 1954 was less than in any other District state. And, as would be expected, the 21 per cent increase in retail sales also was less than in any other state.

Part of the explanation for this development lies in the fact that agricultural income is much more important in Nebraska than in any other District state, and farm income declined significantly. Furthermore, other types of economic activity did not expand as rapidly as in some of the other District states. Manufacturing employment—as a measure of industrial activity—increased only 18 per cent between 1948 and 1954 compared to an average gain of about one third in the District.

Sales gains in Oklahoma, Kansas, and Wyoming were greater than in Nebraska but more modest than in Colorado and New Mexico. In Kansas and Oklahoma, sales exceeded 1948 levels by 31 per cent and 29 per cent, respectively. The gains in personal income and nonfarm employment also were somewhat greater in Kansas than in Oklahoma. Retail sales were 25 per cent and personal income was 28 per cent above the 1948 marks in Wyoming—slightly above the Nebraska rate but considerably below the national average.

The growth in total retail sales is an indication of the over-all expansion of the economies of the District states. To measure changes in living standards, however, per capita sales figures are more useful. In general, those states which had the largest increases in per capita sales between 1948 and 1954 recorded the smallest gains in population. Gains in per capita sales in Oklahoma and Kansas were higher than in other District states and above the U. S. average. On the other hand, per capita sales gains in Colorado and New Mexico fell slightly under the national average because of the substantial growth in population in those states.

The picture among the metropolitan areas of the District is, in large measure, foretold by the performance of sales in the respective states. Gains ranged from 82 per cent in Albuquerque to only 18 per cent in St. Joseph. In the Kansas City Metropolitan Area, largest in the District, the volume of sales grew at the average for the District—30 per cent. A similar increase was recorded in Pueblo. Above-average gains were noted in Wichita, Denver, Tulsa, Topeka, and Oklahoma City, but Omaha and Lincoln joined St. Joseph with increases below the District average.

Changes in Composition of Sales

Industrial growth and the associated urbanization have influenced the incomes, standards of living, and buying habits of a growing number of the District's residents. As a result, consumer demand in this region has moved in the direction of closer comparability with the national consumption pattern. A comparison of the composition of retail trade in 1948 with that in 1954 supports this view. The generally closer agreement between the District and national retail trade patterns in 1954 was brought about by the tendency for changes in sales to smooth out differences in the composition of trade. In other words, if a particular type of retail business was relatively more important in the District than in the Nation in 1948, the 1948-54 increase in sales at the District level was generally smaller than the change in sales of this kind of business nationally.

In most cases the individual types of retailing moved in the same direction in both the District and the Nation, i.e., they became either relatively more important in both areas or relatively less important. For instance, throughout the Nation in 1954, the sales volume of food stores, automotive dealers, and service stations soared far above the 1948 levels and the District shared substantially in this general expansion. Nevertheless, District and national trade patterns moved closer together as a result of the different rates of change.

While food stores traditionally have been relatively less important in the District, the

TRENDS IN RETAIL TRADE, TENTH DISTRICT AND UNITED STATES

KIND OF BUSINESS	PER CENT OF TOTAL SALES – 1954: TENTH DISTRICT	PER CENT OF TOTAL SALES – 1954: UNITED STATES
RETAIL TRADE, TOTAL	100	100
GASOLINE SERVICE STATIONS	7	6
OTHER RETAIL STORES	8	9
AUTOMOTIVE GROUP	20	18
FOOD STORES	21	23
DRUG AND PROPRIETARY STORES	4	3
EATING AND DRINKING PLACES	6	8
FURNITURE, HOME FURNISHINGS, APPLIANCES	5	5
NONSTORE RETAILERS	2	3
APPAREL AND ACCESSORIES STORES	5	7
GENERAL MERCHANDISE GROUP	10	11
LUMBER, BLDG. MATL., HARDWARE, FARM EQUIP.	11	8

PER CENT CHANGE 1948 TO 1954

SOURCE: U. S. Department of Commerce.

1948-54 rate of increase in grocery sales was greater in this region than nationally. The more rapid growth in the District may reflect the continued strong trend toward urbanization in this area as well as the substantial rise in the level of per capita income in several states. Food stores in all parts of the District marked up sizable sales increases between 1948 and 1954, although part of the gain reflected an 8 per cent rise in food prices over this period. In New Mexico, food store business jumped 64 per cent over the 1948 level and stores in Colorado, Kansas, and Oklahoma also reported relatively larger gains than the national average. Turning to the metropolitan areas, Albuquerque merchants noted a 90 per cent gain over the 1948 level while stores in Denver, Oklahoma City, and Wichita reported increases of about 75 per cent.

In contrast to the expansion in sales, the number of food stores declined rather sharply. In 1954, the number of grocery stores in the United States was 20 per cent below the 1948 count and a similar drop was noted in all District states. This trend extended to the metropolitan areas of the District, with a 7 per cent gain in the number of food stores in Albuquerque the only exception. This is dramatic evidence of the demise of the country store and the corner grocery and the trend toward larger super markets.

The automotive business remained relatively more important in the District, although the 1948-54 increase in auto sales was proportionately greater in the Nation. Sales jumped 50 per cent over the 1948 level in the Nation and only 40 per cent in the District. Among the larger District cities, Albuquerque had a 140 per cent increase in automotive business between 1948-54 and Wichita and Denver were next with 75 per cent gains. With the metropolitan areas leading the way, all states experienced very favorable trends in auto sales. Nebraska had the smallest gain, although the growth in auto sales was relatively greater than the average gain in most other types of stores in that state.

Coupled with the growing number of autos in use, service stations also enjoyed a tremendous gain in sales. In most District states, the sales increases at gas stations were even more marked than in auto sales. Only New Mexico and western Missouri marked up greater increases than the two-thirds gain in the Nation, but gains of this magnitude—and even greater—were commonplace in the District's metropolitan areas. Despite the phenomenal jump in sales between 1948 and 1954, the number of gas stations declined in all District states except New Mexico even though stations in the metropolitan areas became more numerous. A 60 per cent gain was noted in Albuquerque and most other major cities enjoyed moderate increases. Kansas City reported the only decline and changes in St. Joseph and Topeka were negligible.

In the midst of the general expansion in retail trade, general merchandise stores and apparel shops were unable to maintain the relative share of total business they enjoyed in 1948. The modest increases in sales at these establishments were generally lower than the average gain for all stores. Sales gains in many areas ran about 15 per cent above the 1948 level, while national gains in these lines were even lower. For the most part, general merchandise stores reported a smaller relative expansion in volume than apparel and accessories shops. Nevertheless, in both the District and the Nation the number of such stores increased substantially — especially in the apparel and accessories lines. The opening of a great number of shoe stores seems to have been an important development. Nationally, the number of shoe stores increased by one fourth, but in Colorado, New Mexico, Oklahoma, and Wyoming the increases were much greater.

The share of District trade taken by merchants in the lumber, building materials, hardware and farm equipment business also moved considerably closer to the national pattern in 1954. This development, however, brought little cheer to the retailers since the gain in sales volume was less than 6 per cent in the District and only 18 per cent in the Nation. As a result, these stores became relatively less important in the District as well as nationally.

On the average, building materials suppliers in this region chalked up higher sales in 1954 than in 1948, although the changes ranged from a 24 per cent gain in Colorado to a 2 per cent drop in Nebraska. Sales were up 15 per cent in New Mexico and 8 per cent in Kansas, while in Oklahoma and Wyoming there was little change from the 1948 figures. The gains in Colorado and New Mexico accompanied an increase in the number of building materials stores, but the number of establishments declined 3 to 10 per cent in other District states. In view of the substantial price increases in building materials between the two census dates, the physical volume of business in 1954 was probably little higher than the 1948 level for many merchants.

Sales receipts of District farm equipment dealers in 1954 were generally below the 1948 level. Business dropped off 10 to 14 per cent at stores in Colorado, Kansas, New Mexico, and Oklahoma. This development was accompanied by a decline in the number of farm equipment stores in these states. Nebraska and Wyoming dealers, on the other hand, enjoyed higher sales in 1954, but even in Nebraska the number of farm equipment stores declined.

Some types of retailing became relatively more important in the District between 1948 and 1954 while becoming relatively less important nationally. This may produce a movement toward greater similarity, as is exemplified by sales developments in the specialty lines which the census groups into an "other retail stores" category. This group includes such establishments as liquor stores; fuel and ice dealers; feed, farm, and garden supply stores; jewelry shops; and various other specialty stores. These retailers accounted for about 9 per cent of total 1954 sales in the United States and for about 8 per cent in the District. Six years earlier, District residents spent only 7 per cent of their retail budget in these stores while sales nationally amounted to 10 per cent of the total. This reflects the fact that the relative gains in District stores were nearly twice those of the Nation. Seventeen per cent of the District increase was accounted for by the advent of liquor stores in Kansas between the two census dates. As a result of this development, total sales of the "other stores" group in Kansas nearly doubled between 1948 and 1954. Gains of about 50 per cent were marked up in Nebraska, New Mexico, and Oklahoma, while the expansion in Wyoming, Colorado, and Western Missouri was less dramatic.

Within the "other stores" group, the feed, farm, and garden supply business is most important—in the District as well as nationally. Moreover, increases in sales were greater at those stores than in the other major types of specialty establishments. Nebraska stores in 1954 reported an increase in sales of 130 per cent over the 1948 level and both Kansas and Oklahoma marked up gains of about 90 per cent. Colorado was close behind with a 70 per cent increase. The excellent demand in this field of retailing has led to the establishment of many new stores in the District. The number of feed, farm, and garden supply stores nearly doubled in Nebraska between 1948 and 1954 and a 50 per cent increase was recorded in Colorado.

In 1948, nonstore retailing — mail-order houses, house-to-house distributors, and vending machines—was relatively more important in the District than nationally, chiefly because of the importance of Kansas City as a mail-order center. The importance of this kind of business in the Kansas City Metropolitan Area is indicated by the fact that only food and automotive stores received larger shares of total retail trade. Nonstore trade is also relatively important in the Denver Metropolitan Area and there, as in Kansas City, the 1948-54 gain in these lines was very modest. Following a national increase of 95 per cent in nonstore sales coupled with a relatively minor increase in Kansas City, such business is now more important nationally than in the District.

Summary

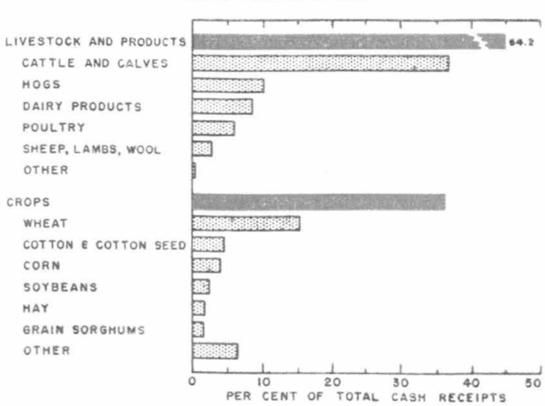
Except in a few lines—although these were important, to be sure—the over-all performance of retail trade in 1956 relative to 1955 was good. For the longer period, since 1948, District retailers have fared about as well as their counterparts nationally. In some areas, retailers have enjoyed greater success than in others, depending on the level of economic activity in the community. And certain types of retail establishments did better than others, depending on the degree to which their merchandise matched the ever-changing consumption patterns. The expansion of sales in some lines and the decline in others; the addition of new stores and the demise of some existing ones; the substitution of large stores for small—all these developments are evidence of the continuing evolution in retail trade. But despite these varying trends, rising levels of income have permitted a better standard of living and the ever-increasing variety of new products as well as improved old products have whetted the appetites of consumers to the end that retail trade has continued to expand.

ADJUSTMENTS
in the
Livestock Industry

LIVESTOCK NUMBERS in the Nation declined 3 per cent in 1956, according to the U. S. Department of Agriculture's report on the January 1 inventory of livestock and poultry. This is the first decline recorded since 1948. From 1948 to 1956, numbers of livestock increased to within 7 per cent of the record high of January 1, 1944. Large inventories, combined with improved technology, have caused livestock production to be at a record high. Because adjustments are not the same in all regions of the Nation, they have different effects on regional and national farming.

The livestock report provides data for comparing the livestock industry in Tenth Federal Reserve District states with that in other states. The drought, which has continued in some parts of the District since 1952, has affected livestock production as well as crop production. The yearly effects have become accumulative, and in 1956, drought affected livestock production severely because of poor pasture and range conditions. Total livestock numbers declined 5 per cent in District states during 1956—continuing the declining trend which has been occurring since 1953. The Tenth District does not include all drought areas of the Great Plains, but an analysis of the livestock industry in the District reflects the changes that have taken place in this region relative to the rest of the Nation during the recent drought years.

SOURCES OF CASH RECEIPTS, 1955
Tenth District States



SOURCE: U. S. Department of Agriculture.

Importance of Livestock in the Tenth District

When cash receipts from sales of different farm products are compared, livestock stands out as a major source of farm income in the Tenth District. Comparing the percentages of cash receipts from different sources gives some indication of the relative importance of the major commodities produced in the District, although the comparison may vary from one year to another because price relationships also influence the percentage comparisons in any one year.

Latest figures available for Tenth District states indicate that in 1955, 64.2 per cent of all cash receipts from farm marketings were from the sale of livestock and livestock products. Cattle and calves accounted for 36.5 per cent of the total, slightly above the 35.8 per cent received from the sale of all crops. Other receipts from livestock and livestock product groups included: hogs, 10 per cent; dairy products, 8.6 per cent; poultry and poultry products, 6.1 per cent; sheep and wool, 2.7 per cent; and all others, 0.3 per cent.

Livestock and crop sales are not independent sources of income in this section because some crop production is included in livestock sales. Livestock provides a market for pasture and forage produced in the Tenth District. Also, many crops, such as feed grains, often are marketed through livestock on farms rather than sold directly in the market.

Even though livestock numbers have shown a declining trend in District states in recent years, total receipts from livestock and livestock products remained about the same in 1956 as in 1955. Net realized farm income in the Nation in 1956 increased slightly over that of 1955, but the gain in District income lagged behind that for the Nation. The failure of District income to show a comparable increase over 1955 resulted partly from the reduction in livestock numbers on farms. The potential for income in the District has declined with the reduction in livestock numbers.

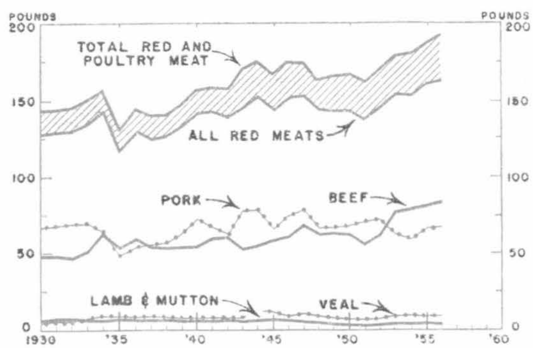
Demand for Livestock Products

Livestock numbers in the Nation and the Tenth District are influenced by the level of total consumption of livestock products. The quantity consumed is determined to a large extent by the level of consumer income and population. The percentage increase in consumer expenditures for food since 1939 has been larger than the percentage increase in expenditures for other goods and services. Demand for food commodities has remained strong because of the high level of disposable income. Also, there has been a shift of consumer demand from food grains to livestock products in recent years, which has added to the strength of the demand for meat and livestock products.

Per capita consumption of most livestock products is at a high level and, with a steadily increasing population, total consumption in the Nation continues to set new records. A record high per capita consumption of 83.5 pounds of beef in 1956 was instrumental in establishing a new high per capita consumption of 163.5 pounds of all red meats. Production of red meat in 1957 probably will be somewhat smaller than in 1956 because of a smaller pig crop and a slightly lower level of beef production. With smaller per capita supplies of beef and pork, prices for both red meats and poultry could average higher during the year if consumer incomes continue to rise.

Of the current forces influencing the growth of the livestock industry, strong demand for livestock products continues to be the most favorable. An expected continuation of strong demand in the future will require a further expansion in the livestock industry. Profits of livestock producers during this expansion will depend upon how well production is kept in line with the increases in total

MEAT CONSUMPTION PER CAPITA
United States



SOURCE: U. S. Department of Agriculture.

demand. One factor which may bring an over expansion in the livestock industry in the near future is the current large supply of feed concentrates.

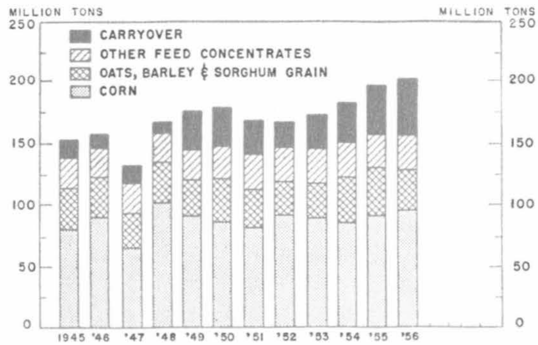
Feed Concentrate Supplies

When feed concentrate supplies in the Nation are large, feed prices tend to become depressed, and feed-livestock price ratios become favorable for livestock producers. This encourages livestock producers to expand production. Limited feed supplies usually have the opposite effect. Although the causal relationship between feed supplies and livestock production is limited because most feed concentrates are readily storable, continued accumulation of feed supplies in excess of what can be used by livestock will call for some adjustments. It might be concluded that the supply of feed concentrates is reaching the point where it may cause increased livestock production. Feed-livestock price ratios during an expansion in livestock production still could bring satisfactory returns to livestock producers, provided expansion did not occur too rapidly and outreach current demands for livestock products.

Feed supplies for the current year are at a record level of 200.3 million tons, and feed concentrate supplies per animal unit are the highest on record. These large feed supplies in the Nation result from the second largest corn crop on record in 1956 and a large carryover of feed grains from previous years. The 1956 corn crop and the carryover of feed grain were 5 and 11 per cent larger, respectively, than the previous year. These increases more than offset the 24 per cent decrease in other feed grain production in 1956.

Total feed concentrate supplies have been increasing since 1952 and have more than kept pace with the increase in livestock numbers. Consequently, the carryover has been increasing. The amount of feed available per animal unit has increased from 1.01 tons in 1951 to

FEED CONCENTRATE SUPPLIES
United States



SOURCE: U. S. Department of Agriculture.

1.23 tons at present. The average rate of feeding per animal unit has varied between .78 and .80 tons in recent years. Thus, feed concentrate supplies are more than adequate to meet present feeding requirements for the 1956-57 season and could leave a 15 per cent larger carryover for the 1957-58 season.

From the standpoint of demand for meat and supply of feed resources, the livestock industry will continue to expand in the future. Growth of the livestock industry likely will continue to change considerably with variations in conditions among regions and in demand and supply for different classes of livestock and livestock products.

Cattle and Calves

The number of cattle and calves on farms in the Nation on January 1, 1957, was smaller than a year earlier, and numbers of all classes of cattle declined. The decline of 2 per cent in the number of cattle and calves on farms was in line with the leveling off in cattle numbers occurring in the last three years. The number of milk cows and heifers was 1 per cent smaller than a year earlier, and the number of all other cattle declined 2.2 per cent.

Cattle and calves comprise the major part of the livestock industry in the seven District

LIVESTOCK ON FARMS ON JANUARY 1
(Thousand head)

Area	All Cattle and Calves		Milk Cows and Dairy Heifers		All Swine		All Sheep and Lambs	
	1957	1956	1957	1956	1957	1956	1957	1956
Colorado	2,033	2,054	161	163	177	195	1,733	1,726
Kansas	3,664	4,211	498	508	808	929	606	594
Missouri	4,027	4,027	899	936	3,666	3,819	897	861
Nebraska	4,570	4,759	450	446	1,841	2,423	791	695
New Mexico	1,136	1,222	52	52	40	45	1,195	1,249
Oklahoma	3,018	3,211	414	436	407	463	243	264
Wyoming	1,152	1,118	44	44	36	34	2,075	2,071
Tenth District states	19,600	20,602	2,518	2,585	6,975	7,908	7,540	7,460
United States	95,166	96,804	23,028	23,213	52,207	55,173	30,838	31,273

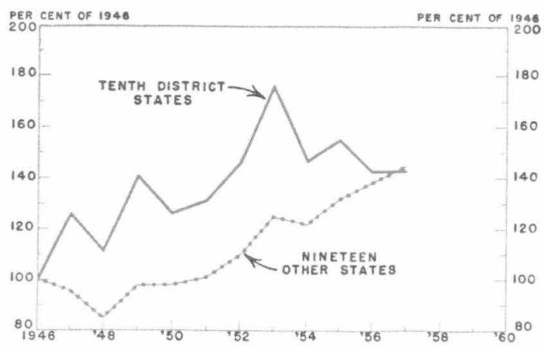
NOTE: 1957 figures are preliminary, while those for 1956 have been revised.
SOURCE: U. S. Department of Agriculture.

states. Numbers on farms in District states on January 1 were 4.9 per cent smaller than the revised estimate for a year ago, and the decline was the largest reported for a single year since the beginning of 1946. This decline likely will have considerable effect upon District agriculture. The number of cattle and calves in Tenth District states declined from 19,125,000 in 1945 to 16,584,000 in 1949. These numbers then increased, reaching a high of 21,877,000 head at the beginning of 1953, and they have declined each year since, except for 1955. In the January 1, 1957, inventory, cattle and calves on farms in the seven District states were reported at 19,600,000 head—the smallest number since 1951.

Within the category of cattle and calves reported in the annual inventory, changes in the number of cows and heifers kept for milk production reflect changes in the dairy enterprise portion of the District livestock industry. The District trend in the number of animals kept for milk production has followed the national trend, except that an increase occurred in District states in 1953 and 1954. The number of milk cows and heifers in District states has declined sharply since 1954—the reduction in 1956 being 2.6 per cent, slightly larger than for the Nation. Even though the number of milk cows has declined, improvement in technology has increased production per cow, resulting in continued increases in total output.

The number of cattle and calves on feed in the Nation on January 1, 1957, was reported to be 4 per cent larger than a year earlier. Even though some District states reported a larger number on feed than a year ago, the total for all District states remained the same. The number of cattle and calves on feed in District states reached a high point in 1953 and has been below this level each year since. For Tenth District states and for 19 other major cattle-feeding states in the Nation, the

CATTLE AND CALVES ON FEED, JANUARY 1, IN MAJOR CATTLE-FEEDING STATES



SOURCE: U. S. Department of Agriculture.

number of cattle and calves on feed declined at the beginning of 1954 and increased again the following year. Since 1955, the two areas have shown opposite patterns of change. Within District states, the number of cattle and calves on feed declined from 155 per cent of the 1946 level to 143 per cent, while outside the District states the number increased from 132 per cent of the 1946 level in 1955 to 139 per cent in 1956 and to 145 per cent on January 1, 1957.

The decline in the number of cattle and calves on feed in District states has been associated with the extended drought. On January 1, 1957, more cattle and calves were on feed in Nebraska, Colorado, and Wyoming, but declines from the previous year occurred in the other four states. The sharpest decline occurred in Kansas, with 11 per cent fewer cattle and calves on feed. The smaller cattle inventory in District states since the high of 1953 has provided fewer available replacements for the feed lots and, probably more important, the reduced feed production during the drought has caused more cattle to move to areas with larger feed supplies.

The 1956 season provided very poor pasture and range conditions, and by the end of the season, pastures were providing little or no feed for livestock. Wheat pasture has provided very little late fall and spring feed in recent years. The deferred system of cattle feeding is of particular importance in District states, and poor pasture conditions have curtailed this system substantially.

Hogs

The number of hogs, including pigs, on farms on January 1, 1957, was smaller in both the Nation and District states. Low prices for butcher hogs in the fall of 1955 caused farmers to curtail farrowings and reduce the number of pigs produced during 1956 by about 6 per cent nationally. The January 1 inventory of hogs does not reflect fully the changes in hog production from one year to the next. The number of pigs saved includes both the spring and fall pig crops, which is not true for the January 1 inventory.

Hog production usually responds quite rapidly to changes in feed-livestock price ratios because of the short production period. Prices of butcher hogs have been substantially higher than in late 1955 and early 1956—which has caused the corn-hog ratio to be more favorable. However, farmers in the Nation have indicated they plan to decrease the number of farrowings in the spring of 1957 by 2 per cent.

Pig production in Tenth District states has followed the same pattern as for the Nation. Since hog production is more or less concentrated in the eastern portion of the District, changes in hog numbers are usually associated with those factors which affect pig production in the Corn Belt. The 1956 pig crop in Tenth District states declined nearly 10 per cent from a year earlier. Farmers in District states produced 11 per cent fewer spring pigs and 9 per cent fewer fall pigs in 1956 than in 1955.

Sheep and Lambs

A possible divergent trend in the "all sheep" inventory has appeared in the January 1, 1957, inventory for District states and the Nation. The number of sheep and lambs on farms at the beginning of the year was 1.4 per cent smaller in the Nation and 1.1 per cent larger in District states. The "all sheep" inventory showed increases in Kansas, Missouri, and Nebraska, while slight increases occurred in Colorado and Wyoming. Native production apparently increased more rapidly in the District than western production.

Poultry

The number of chickens on farms in the Nation at the beginning of 1957 was 2.6 per cent larger than at the beginning of 1956. A

3.8 per cent increase occurred within District states. Changes in broiler production and turkey production can be assessed more thoroughly from reports on hatching and placements which are released periodically throughout the year.

The poultry enterprise in District states has not reached the degree of specialization that has occurred in other areas of the Nation. The major portion of poultry production in the District still centers around supplementary farm flock enterprises. The livestock inventory for January 1 is a reasonable indication of the poultry industry within the District, since farm laying flocks produce the major portion of income from poultry.

Conclusions

Livestock numbers in the Nation increased 14 per cent from 1948 to 1956 but declined through 1956. The decline in livestock numbers in District states began in 1953. Drought has been responsible for the earlier adjustments of livestock numbers in District states, but liquidation of livestock has added to total meat production during the period of herd reduction. National and District data seem to indicate that some livestock, particularly cattle, have moved to areas outside the District to be finished for slaughter. Regional distribution of feed supplies probably has made this economically feasible.

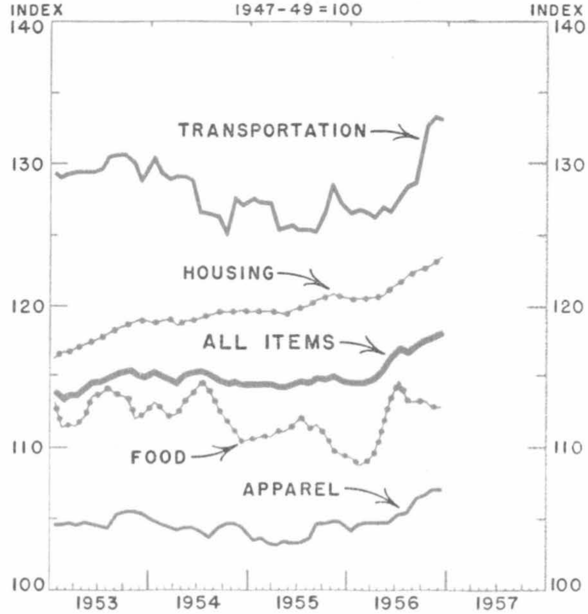
Speculation as to the immediate future of the livestock industry in District states depends upon the possibility of some changes in weather conditions. If drought prevails, the present trends in District livestock numbers will continue. Livestock numbers in District states probably have been reduced below the capacity that could be maintained in a year of normal rainfall. Thus, some increase would occur with more favorable pasture and range conditions, and in the initial years, restocking of herds would reduce the number of locally produced cattle available for slaughter. Even so, the number of cattle and calves fed out in District states might increase because animals again would be shipped in to utilize surplus feed and roughage supplies.

Present rates of population growth and per capita consumption of livestock products will necessitate further expansion of the livestock industry in the future. A large potential for expansion now lies within District states pending some improvement in rainfall.

Smaller livestock numbers in District states at the beginning of 1957 can be expected to be reflected in cash receipts from farm marketings in 1957. A reduction in the sale of stocker and feeder cattle could be partly offset by an improvement in range and pasture conditions during the year so that more cattle could be fed for slaughter within the District. Beef production is expected to be smaller in 1957 than 1956, and if replacement of cattle herds liquidated during the drought should occur, consumers would need to shift to other meat products to maintain present levels of meat consumption. Pork, lamb, and poultry production would enjoy a favorable situation while the cattle industry in the drought area became adjusted.

U. S. EXPORTS OF AGRICULTURAL PRODUCTS
(Based on 1952-54 Dollars)

CONSUMER PRICES, U. S.



BANKING IN THE TENTH DISTRICT

District and States	Loans				Deposits			
	Reserve City Member Banks		Country Member Banks		Reserve City Member Banks		Country Member Banks	
	January 1957 Percentage Change From							
	Dec. 1956	Jan. 1956	Dec. 1956	Jan. 1956	Dec. 1956	Jan. 1956	Dec. 1956	Jan. 1956
Tenth F. R. Dist.	−3	+3	−1	+4	−9	−1	−4	†
Colorado	−1	+8	−1	−2	−7	†	−3	+1
Kansas	−2	+2	†	+3	−7	−1	−4	†
Missouri*	+1	+1	†	+7	−7	+1	−5	+3
Nebraska	−5	−3	−1	−3	−10	−3	−4	−3
New Mexico*	**	**	−2	+10	**	**	−5	+5
Oklahoma*	−8	+3	†	+8	−13	−4	−5	†
Wyoming	**	**	+1	+8	**	**	−5	+1

*Tenth District portion only. **No reserve city banks in this state.
†Less than 1 per cent.

PRICE INDEXES, UNITED STATES

Index	Jan. 1957	Dec. 1956	Jan. 1956
Consumer Price Index (1947-49=100)	118.2	118.0	114.6
Wholesale Price Index (1947-49=100)	116.9	116.3 r	111.9
Prices Rec'd by Farmers (1910-14=100)	238	237	226
Prices Paid by Farmers (1910-14=100)	292	290 r	281

r Revised.

TENTH DISTRICT BUSINESS INDICATORS

District and Principal Metropolitan Areas	Value of Check Payments	Value of Department Store Sales	*Value of Residential Building Permits
	Percentage change—1957 from 1956		
	Jan.	Jan.	Jan.
Tenth F. R. Dist.	+10	+1	−28
Denver	+9	+1	−38
Wichita	+14	+12	−50
Kansas City	+8	−2†	+10‡
Omaha	+3	−2	−33
Okla. City	+6	−5	−19
Tulsa	+14	+5	−32

*City only. †Kansas City, Mo., only. ‡Kansas City, Mo., and Kans.