

MONTHLY REVIEW

CREDIT, BUSINESS AND AGRICULTURAL CONDITIONS



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RICHMOND, VIRGINIA

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LOANS TO INDUSTRY

Under Section 13-b of the Federal Reserve Act, as amended in June 1934, the Federal reserve banks were given authority to make loans through commercial banks or directly to commerce and industry for the purpose of furnishing working capital to established firms. Briefly stated, the conditions under which these loans are made are as follows:

Loan Conditions:

1. Maturity not to exceed five years.
2. For working capital.
3. To established businesses.

The Federal reserve bank may

1. Participate with local bank in the loan.
2. If the local bank desires to carry the entire loan, but to lessen its risk, for a small fee agree to purchase up to 80 per cent of the loan at the request of the lending bank at any time during the life of the commitment.
3. When the loan cannot be obtained from the usual sources, lend directly to the business.

On July 17 the Federal Reserve Bank of Richmond had approved finally \$7,750,000 in working capital loans, and had approved conditionally \$1,457,000. Loans had actually been made totaling \$4,519,000, and commitments totaling \$1,816,000 had been accepted. Full information regarding working capital loans may be obtained by any bank, financing institution or prospective applicant for credit by addressing the Federal Reserve Bank of Richmond.

BUSINESS trends in the Fifth district were conflicting in June and early July, but changes were seasonal for the most part and on the whole favorable developments appeared to outnumber the unfavorable ones. Rediscounts at the Federal Reserve Bank of Richmond declined during the past month, while holdings of open market paper and Government securities remained unchanged. The Bank increased moderately its loans to industry for working capital, but not sufficiently to offset the decline in rediscounts; as a result, there was a decline during the past month in total earning assets. Federal reserve notes in circulation showed a small unseasonal increase last month. Member bank reserve deposits and total cash reserves of the Bank rose materially between June 13 and July 15. Regularly reporting member banks decreased loans and discounts between the middle of June and July, and their investments in securities also declined, but they increased their reserve deposits. Both demand and time deposits showed moderate recessions. Debits to individual accounts in twenty-three cities in four weeks ended July 10 were 12.2 per cent larger than those in the preceding four weeks, a seasonal rise due to July 1 payments, and were also larger by 11.4 per cent than debits in four weeks ended July 11, 1934. Aggregate debits in the first half of 1935 totaled 10.7 per cent more than debits in the first half of 1934. The number of business failures in the Fifth district last month was the lowest for any June since 1920, and liabilities involved in June failures were the lowest for any month since April 1920. Bankruptcies in the first half of 1935 in the district declined approximately 27 per cent in number and 47 per cent in liabilities involved in comparison with insolvencies in the first half of 1934. There were no marked changes in employment conditions in June, some improvement in construction fields and coal mines being offset by decreased demand for workers in other industries. Coal production in June, stimulated by uncertainty as to labor conditions in the near future, was unseasonally large, exceeding both May 1935 and June 1934 output. Fifth district textile mills continued to restrict operations in June, but output slightly exceeded that of June last year. Spot cot-

ton prices tended to rise between the middle of June and the middle of July, but the change was not large. The Department of Agriculture's first cotton acreage report for 1935 showed 4.6 per cent increase over 1934 acreage, Fifth district states averaging about 6 per cent increase. Unofficial reports indicate that the cotton crop got a late start but has recently shown rapid growth under the influence of favorable weather except in the South Atlantic states. Tobacco manufacturing declined in June in comparison with May, except in cigarette production, and the output of all forms of tobacco except cigarettes was also less than in June last year. Building permits issued in leading cities were nearly double in estimated valuation the permits issued in June 1934. Retail trade last month in department stores showed a seasonal decrease in comparison with May, but exceeded June 1934 trade by 5.5 per cent. Sales in the past six months were 6 per cent above sales in the first half of last year. Wholesale trade in June was less satisfactory than retail trade, and all lines except groceries for which data are available showed decreased sales in comparison with sales in June last year. Agriculture in the Fifth district is getting off to a good start, with increased acreage in most crops and moderately favorable weather for plant growth.

Reserve Bank Statement

ITEMS	000 omitted		
	July 15 1935	June 15 1935	July 15 1934
Rediscounts held	\$ 111	\$ 650	\$ 833
Open market paper.....	174	174	193
Industrial advances	4,519	4,392	0
Government securities	116,716	116,716	103,563
Total earning assets.....	121,520	121,932	104,589
Circulation of Fed. Res. notes..	149,502	149,470	142,133
Members' reserve deposits.....	152,511	141,584	118,274
Cash reserves	202,995	181,845	165,651
Reserve ratio	64.29	60.95	62.04

The accompanying table shows the principal items on the Federal Reserve Bank of Richmond's statement of condition as of July 15, 1935, in comparison with corresponding figures a month and a year earlier. During the past month, rediscounts for member banks declined by \$539,000, while holdings of open market paper and Government securities remained unchanged. Industrial loans for working capital increased \$127,000 between June 15 and July 15. As a result of the changes mentioned, a net decrease of \$412,000 occurred in total earning assets during the month. Circulation of Federal Reserve notes increased by \$32,000 between the middle of June and the middle of July, a rise contrary to seasonal trend. Member bank reserve deposits rose materially in the month, increasing \$10,927,000. The several changes enumerated in the statement, with others of less importance, raised the cash reserves of the Bank by \$21,150,000, and the ratio of cash reserves to note and deposit liabilities combined by 3.34 points.

The figures in the table show considerable changes between July 15 last year and this. Rediscounts,

which were very small in 1934, declined further, falling \$722,000, and the portfolio of open market paper also decreased, by \$19,000. On the other hand, Government security holdings by the Bank rose by \$13,153,000 during the year, and on July 15, 1935, the Bank had outstanding \$4,519,000 in loans made direct to industry for working capital under authority of Section 13-b of the Federal Reserve Act, as amended. Total earning assets rose by \$16,931,000 during the past year. On July 15 this year the circulation of Federal Reserve notes exceeded circulation a year earlier by \$7,369,000, and member bank reserve deposits rose by \$34,237,000 in the same period. Cash reserves of the Federal Reserve Bank of Richmond increased by \$37,344,000 between July 15, 1934, and July 15, 1935, and the ratio of cash reserves to note and deposit liabilities combined rose 2.25 points.

Statement of 28 Member Banks

ITEMS	000 omitted		
	July 10 1935	June 12 1935	July 11 1934
Loans on stocks and bonds (in- cluding Governments)	\$ 49,445	\$ 50,147	\$ 59,504
All other loans.....	92,335	92,786	106,999
Total loans and discounts.....	141,780	142,933	166,503
Investments in securities.....	201,828	203,366	178,610
Reerve bal. with F. R. Bank....	63,777	57,766	46,776
Cash in vaults.....	12,052	12,954	11,657
Demand deposits	246,551	247,110	217,033
Time deposits	136,810	137,318	134,574
Borrowed from F. R. Bank.....	0	0	0

The principal items of condition reported by twenty-eight regularly reporting member banks in leading Fifth district cities are shown in the table for three dates, July 10 and June 12, 1935, and July 11, 1934, thus affording opportunity for comparison of the changes during the past month and the past year. The figures reflect conditions on the report dates only, and are not necessarily the highest or lowest figures which occurred during the periods under review.

Loans and discounts at the reporting banks declined \$1,153,000 during the past month, loans on securities falling \$702,000 and all other loans decreasing \$451,000. Investments in stocks and bonds also decreased, by \$1,538,000. On the other hand, the twenty-eight banks raised their reserve deposits at the Federal reserve bank by \$6,011,000 during the month. Cash in vaults declined \$902,000 since June 12. Both demand and time deposits dropped last month, demand deposits falling by \$559,000 and time deposits by \$508,000.

Between July 11, 1934, and July 10, 1935, the twenty-eight member banks reduced their loans on securities by \$10,059,000, and all other loans, which are largely agricultural or commercial, dropped by \$14,664,000, a total decrease in loans and discounts amounting to \$24,723,000. Investments in bonds and stocks rose by \$23,218,000 during the year under review, chiefly in short time Government obligations on which return is low. The aggregate reserve balance of the reporting banks at the Federal reserve bank rose by \$17,001,000 during the past year, and on July 10, 1935,

cash in vaults totaled \$395,000 more than on July 11, 1934. Deposits increased materially between July last year and this, demand deposits rising by \$29,518,000 and time deposits gaining \$2,236,000. Nearly all increase in deposits in the past two years has been in demand deposits. None of the twenty-eight reporting banks were borrowing at the reserve bank on either the 1935 or 1934 dates.

Time and Savings Deposits

Time deposits in twenty-eight regularly reporting

member banks and aggregate deposits in eleven mutual savings banks in Baltimore totaled \$338,975,846 at the end of June 1935, a higher figure than either \$338,335,063 in time and savings deposits at the end of May this year or \$327,654,854 at the end of June last year. Time deposits in reporting member banks showed a small decrease last month but increased during the year, while savings deposits in mutual savings banks increased during both the past month and the past year.

DEBITS TO INDIVIDUAL ACCOUNTS

CITIES	TOTAL DEBITS, FOUR WEEKS ENDED			SEMI-ANNUAL TOTALS	
	July 10, 1935	June 12, 1935	July 11, 1934	1935	1934
Asheville, N. C.....	\$ 9,213,000	\$ 8,517,000	\$ 7,830,000	\$ 54,945,000	\$ 52,771,000
Baltimore, Md.....	274,957,000	254,635,000	252,522,000	1,650,719,000	1,543,042,000
Charleston, S. C.....	13,872,000	12,894,000	10,311,000	79,519,000	66,060,000
Charleston, W. Va.....	49,556,000	46,124,000	52,261,000	271,802,000	237,877,000
Charlotte, N. C.....	44,932,000	40,373,000	43,398,000	294,581,000	262,543,000
Columbia, S. C.....	24,713,000	23,207,000	14,575,000	150,176,000	96,901,000
Cumberland, Md.....	8,321,000	6,376,000	6,836,000	40,713,000	34,945,000
Danville, Va.....	5,654,000	5,379,000	4,979,000	36,216,000	34,521,000
Durham, N. C.....	22,512,000	21,246,000	20,679,000	129,511,000	133,693,000
Greensboro, N. C.....	12,497,000	12,811,000	10,136,000	77,969,000	61,216,000
Greenville, S. C.....	12,655,000	12,079,000	10,906,000	85,661,000	81,246,000
Hagerstown, Md.....	7,711,000	6,603,000	6,472,000	40,614,000	34,651,000
Huntington, W. Va.....	11,486,000	11,188,000	11,649,000	74,287,000	67,227,000
Lynchburg, Va.....	13,171,000	11,440,000	13,300,000	78,978,000	81,877,000
Newport News, Va.....	7,056,000	6,925,000	5,892,000	42,022,000	37,567,000
Norfolk, Va.....	43,286,000	41,337,000	39,897,000	269,319,000	235,697,000
Portsmouth, Va.....	3,627,000	3,408,000	3,487,000	21,608,000	18,815,000
Raleigh, N. C.....	30,611,000	19,748,000	25,852,000	152,708,000	128,828,000
Richmond, Va.....	120,494,000	103,813,000	113,775,000	718,685,000	677,520,000
Roanoke, Va.....	19,271,000	18,600,000	18,621,000	116,050,000	113,478,000
Washington, D. C.....	218,067,000	183,591,000	181,108,000	1,193,654,000	1,029,463,000
Wilmington, N. C.....	8,163,000	8,848,000	7,401,000	52,788,000	47,180,000
Winston-Salem, N. C.....	30,982,000	25,504,000	29,493,000	177,497,000	169,866,000
District Totals	\$992,807,000	\$884,646,000	\$891,380,000	\$5,810,022,000	\$5,246,984,000

The accompanying table of debits to individual accounts shows aggregate figures for all checks drawn against depositors' accounts in the banks of twenty-three cities of the Fifth reserve district during three equal periods of four weeks, ended July 10, 1935, June 12, 1935, and July 11, 1934. In addition, the table shows figures for the half-year ended June 30, 1935, with comparative figures for the first half of 1934.

Aggregate debits in the four weeks ended July 10 show an increase of \$108,161,000, or 12.2 per cent, over debits in the preceding four weeks, ended June 12. The increase was due to quarterly and semi-annual payments around July 1, and was fully up to the average seasonal rise at mid-year. Twenty-one of the twenty-three cities reported higher figures for the later period, Greensboro and Wilmington being the only cities not registering gains.

A comparison of the figures for the four weeks ended July 10, 1935, with corresponding figures for four weeks ended July 11, 1934, shows an increase of \$101,427,000, or 11.4 per cent, approximately the same percentage rise reported in other recent months. Twenty of the twenty-three cities reported increased

figures for the 1935 period, the three failing to increase being Charleston, W. Va., Huntington and Lynchburg.

Total debits in the first half of 1935 amounted to \$5,810,022,000 in the reporting cities in the Fifth district, compared with debits aggregating \$5,246,984,000 in the first half of 1934, an increase this year of \$563,038,000, or 10.7 per cent. Every city except Durham and Lynchburg reported higher figures for 1935, the decreases in these cities being due in large part to smaller tobacco sales this year. The increase this year reflects both an increased volume of business and higher commodity prices in many lines.

Commercial Failures

Dun & Bradstreet Monthly Review for July states that business failures in the United States numbered only 961 in June 1935, with aggregate liabilities totaling \$20,463,097, decreases in comparison with June 1934 figures of 7 per cent in number of insolvencies and 14.3 per cent in liabilities. In June last year there were 1,033 failures, with liabilities totaling \$23,868,-

293. In the Fifth Federal reserve district there were only 43 bankruptcies in June this year, with liabilities amounting to \$271,650, compared with 46 failures and liabilities aggregating \$566,699 in June 1934, decreases for the current month of 6.5 per cent in number of insolvencies and 52.1 per cent in liabilities involved. The number of failures in the district last month was the lowest reported for any June since 1920, and liabilities were the lowest for any month since April 1920. The district record in June was not quite so good as the National record in decrease in number of failures this year, but was better in the amount of liabilities involved. During the first half of 1935, insolvencies in the United States totaled 6,268, a drop of 4.7 per cent in comparison with 6,577 failures in the first half of 1934, and liabilities totaling \$110,280,841 in the first half of this year showed a decline of 27.3 per cent under the total of \$151,793,760 reported for January - June 1934. The district record for the six months was better than the National record in both number of insolvencies and in aggregate liabilities. There were 277 failures for \$3,445,513 in the Fifth district between January 1 and June 30 this year, compared with 379 failures for \$6,438,185 reported in the first half of 1934, decreases this year of 26.9 per cent and 46.5 per cent, respectively, in the number of bankruptcies and in aggregate liabilities involved.

Employment

Employment conditions in building trades improved in June and early July, due to an increase in construction work throughout the Fifth district, and coal production in June was materially above production in June last year because of strike threats in bituminous fields, but there was little if any change in other fields of endeavor. Under restricted acreage programs for most cash crops, there is less demand for farm workers this year than in past seasons, and industrial plants have not increased operations in recent weeks. On the contrary, textile mills continue a policy of curtailment of output. June witnessed a decline in demands for relief, but the decline was discouragingly small at the time of year when material needs are less than at any other season.

Coal Production

The coal market was erratic during June, due to strike threats in bituminous fields, and commercial users and railroads stocked up heavily. Production of bituminous coal in June totaled 30,264,000 net tons, compared with only 26,790,000 tons produced in May this year and 25,877,000 tons in June last year. On a daily basis, production of 1,211,000 net tons in June 1935 was 18.8 per cent above production of 1,019,000 tons per day in May 1935 and 21.7 per cent more than 995,000 tons mined per day in June 1934. Total production of soft coal during the present calendar year to July 6 amounted to 191,700,000 net tons, a higher figure than 185,868,000 tons mined to July 6 last year. Tidewater shipments of coal through Hampton Roads totaled approximately 9,465,511 tons during the first

half of this year, compared with 9,624,106 tons shipped in the corresponding period in 1934.

Textiles

Cotton mills continued to curtail production in June, almost chaotic conditions existing in cotton textile markets as a result of doubt as to the status of processing taxes and benefits to be paid to cotton growers. Fifth district mills consumed only 176,694 bales of cotton in June 1935, compared with 211,412 bales consumed in May this year and 161,616 bales used in June 1934. Last month North Carolina mills used 88,313 bales of cotton, South Carolina mills used 78,273 bales, and Virginia mills used 10,108 bales, all lower figures than those for May but higher than those for June 1934. June consumption in the Carolinas and Virginia was 45.8 per cent of National consumption, a higher figure than either 45.1 per cent of National consumption in May this year or 44.5 per cent in June 1934.

The Bureau of the Census issued a report on June 20 on activity in the cotton spinning industry for May. On May 31 there were 30,585,726 spindles in place in the United States, of which 23,027,780, or 75.3 per cent, were active a total of 6,095,334,830 spindle hours during the month, an average of 199 hours per spindle in place. In the Fifth reserve district there were 12,634,666 spindles in place on May 31, of which 11,162,132, or 88.3 per cent, operated a total of 3,094,052,905 spindle hours in May, an average of 245 hours per spindle in place. South Carolina lost the lead in operations per spindle to Tennessee after many months, but was in second place with 268 hours per spindle in place, Virginia with 261 hours ranking third and North Carolina with 221 hours ranking sixth, all well above the National average of 199 hours. With 41.3 per cent of all spindles in place in the United States located in the Fifth reserve district, the district mills operated 50.8 per cent of total spindle hours in the United States during May.

Cotton Statistics

Spot cotton prices on ten Southern markets fluctuated through a range of approximately half a cent a pound between the middle of June and the middle of July, but showed a net rise for the month. On June 14, 1935, the average price for middling grade upland cotton was 12.03 cents per pound, but declined to 11.92 cents on June 21. A rise to 12.21 cents on June 28 was followed by a decline to 12.18 cents on July 5 and another rise to 12.38 cents on July 12, the latest date for which figures are available.

Consumption of cotton in the United States in June 1935 totaled 385,946 bales, compared with 469,250 bales used in May this year and 363,262 bales in June 1934. Total consumption for the eleven months of the present cotton year—August 1 to June 30—amounted to 4,952,067 bales, compared with 5,340,302 bales consumed in the corresponding period of the 1933-1934 season. Manufacturing establishments held 882,947 bales on June 30, compared with 979,130 bales held on May 31 and 1,326,089 bales on June 30, 1934.

Public warehouses and compresses held 6,077,634 bales in storage at the end of June this year, compared with 6,560,247 bales so held a month earlier and 5,984,939 bales on June 30 last year. June exports totaled 344,955 bales, compared with 278,977 bales sent abroad in May 1935 and 459,226 bales exported in June 1934. Exports during the eleven months of this cotton year totaled only 4,518,717 bales, compared with 7,228,595 bales shipped over seas during the corresponding eleven months ended June 30, 1934, every foreign customer having taken less cotton during the past year. Exports to Germany declined 950,000 bales, or about 75 per cent, during the past eleven months. Spindles active at some time during June numbered 22,709,200, compared with 23,027,780 in May this year and 24,621,334 in June 1934.

Cotton growing states consumed 313,512 bales of cotton in June, compared with 378,909 bales used in May and 292,576 bales in June 1934. Last month's consumption in the cotton growing states amounted to 81.2 per cent of National consumption, a higher figure than either 80.8 per cent in May this year or 80.5 per cent in June 1934. Of the 313,512 bales of cotton consumed in the cotton growing states in June, Fifth district mills used 176,694 bales, or 56.4 per cent, a higher percentage than 55.2 per cent of Southern consumption attained by Fifth district mills in June last year.

On July 8, the Department of Agriculture issued its first cotton acreage report of the season, and estimated the area in cultivation as 29,166,000 acres, an increase of 4.6 per cent over 27,883,000 acres in cultivation on July 1, 1934. All major producing states increased acreage except Oklahoma, which decreased 7 per cent. In the Fifth reserve district Virginia reduced acreage 2 per cent, but North Carolina increased 4 per cent and South Carolina 8 per cent, an average of about 6 per cent. Other leading cotton states increased acreage this year as follows: Louisiana 10%; Alabama 9%; Arkansas 7%; Georgia and Mississippi 6%; Tennessee and Texas 5%. No official information is yet available on the condition of this year's cotton crop, the first report of the season being due on August 8, but reports indicate that the crop is making good growth after a late start. Weather has recently been favorable for cotton except in the Atlantic Seaboard states south of Virginia, where general rains are needed.

Tobacco Manufacturing

On June 21 the Commissioner of Internal Revenue issued a report on tobacco manufacturing taxes collected during June. Production of cigarettes exceeded production in June last year, but output of all other manufactured tobacco declined. June production of cigarettes in the United States numbered 12,119,688,167, compared with 12,045,062,823 cigarettes manufactured in June 1934. The number of cigars made last month declined from 404,455,760 in June 1934 to 402,272,246 in June 1935. Production of smoking and chewing tobacco fell from 26,589,861 pounds in June 1934 to 25,416,402 pounds in June this year, and snuff production declined from 2,829,655 pounds to 2,462,-

808 pounds. In actual amount of taxes paid in June, cigarettes led with \$36,360,241 this year and \$36,137,582 last year; smoking and chewing tobacco taxes totaled \$4,576,446 in June 1935 and \$4,787,214 in June 1934; cigar taxes yielded \$1,007,425 last month and \$1,051,372 in June last year; and snuff taxes amounted to \$443,305 and \$509,338 in June 1935 and 1934, respectively.

Agricultural Notes

Maryland crop prospects on July 1 indicate increased production this year over last year for wheat, barley, white potatoes and fruits, and smaller production for corn, oats, rye, hay, sweet potatoes and tobacco. Weather in June was favorable for plant growth, and most crops made rapid progress. There was marked improvement in winter wheat, and indications are that the quality of the crop is good. Estimated production of 8,526,000 bushels compares with 7,934,000 bushels harvested last year and a five-year average yield of 8,648,000 bushels. Corn grew rapidly in June and partially overcame the handicap of late planting. Farmers made more thorough and effective cultivation and fields are cleaner than a month ago. Stands are average, and if favorable growing weather continues a material increase in yield prospects can be expected. At present a yield of 16,616,000 bushels is forecast, compared with 16,995,000 bushels last year and a five-year average of 15,039,000 bushels. The 1935 oats crop is lighter than usual, and promises a yield of 1,260,000 bushels, against 1,320,000 bushels in 1934 and 1,547,000 bushels the yearly average in 1928-32. This year's hay crop of 526,000 tons compares unfavorably with last year's yield of 578,000 tons, but exceeds average yield of 458,000 tons for the basic five-year period. Pastures are above normal in condition. White potatoes are expected to yield 3,663,000 bushels in Maryland this year, a higher production than 3,267,000 bushels last year or a five-year average of 3,339,000 bushels. Sweet potatoes, on the contrary, are expected to yield only 700,000 bushels against 750,000 bushels in 1934 and a five-year average of 1,374,000 bushels. The Maryland tobacco crop this year is about average in condition, and the forecast of 22,750,000 pounds is only a little less than last year's crop of 23,418,000 pounds. An apple crop forecast at 2,088,000 bushels is nearly twice as large as last year's crop of 1,102,000 bushels, and is also slightly above the five-year average production. Conditions of truck crops are better than a year ago, especially crops for canning.

Virginia crop acreage this year is 2.6 per cent larger than last year and on July 1 prospects for most crops were above the 10-year average. The acreage of corn, wheat, oats, tobacco, sweet potatoes and hay is greater than last year, reduced acreage is reported for rye, white potatoes and cotton, and peanut acreage is the same. Most crops made favorable progress in June, although the weather early in the month was too cool and wet for corn and cotton, and dry weather in the southeastern section reduced the yield of truck crops. A slightly larger acreage of wheat was harvested than had been expected, but yields are quite

spotted. Generally the crop is turning out better in the eastern part of the State than in the western section. Wheat production is forecast at 9,048,000 bushels, compared with 8,092,000 bushels last year and the 10-year average of 9,220,000 bushels. Corn acreage is 2 per cent larger than last year, but wet weather during the spring interfered with planting and the acreage is less than had been intended. Cool weather retarded the growth of corn during May and the early part of June but rapid progress was made during the latter part of last month. Based on the July 1 condition, production of about 35,000,000 bushels is forecast, compared with the 1934 yield of 35,794,000 bushels. Farmers were unable to prepare as much land for oats as they had expected, but planted about the same as last year. A yield of 2,480,000 bushels is expected, compared with 2,398,000 bushels last year. A smaller acreage was planted this year in white potatoes, the reduction being in the early commercial crop. Total production of potatoes in Virginia this year, including the early crop, is estimated to be 11,088,000 bushels, compared with the 1934 crop of 13,433,000 bushels. The sweet potato acreage is about 6 per cent greater than last year, due to a large increase in commercial acreage on the Eastern Shore. Weather conditions during August largely determine the yield, but based on the July 1 condition, the indicated production is 4,320,000 bushels, compared with 3,910,000 bushels in 1934. Hay crops made splendid growth during June and excellent yields have been secured. Total production of hay is estimated at 1,077,000 tons, compared with the 1934 yield of 948,000 tons. Prospects for late hay crops are also generally very good. The condition of pastures on July 1 was reported to be 89 per cent of normal, which is much better than usual and considerably better than a year ago. The total acreage planted to tobacco in Virginia this year is 16 per cent over the acreage harvested last year but about 7 per cent below the 1933 acreage. Total production based on the July 1 condition is estimated at 85,000,000 pounds, compared with 80,155,000 pounds harvested last year when the yields were unusually heavy. Weather conditions during the remainder of the growing season may cause a material change in the July forecast. The June drop in the apple crop was just about normal, and prospects for this year's apple crop are much better in all sections of the State, but the greatest improvement this year is in the farm orchards which had light crops last year. The total crop of apples is estimated at 15,900,000 bushels, compared with the short crop of 9,275,000 bushels last year and the five-year average of 13,160,000 bushels. Weather conditions during June were favorable for the growth of apples and the size is reported to be better than average. There is a heavy infestation of scab and growers estimate that damage from scab will result in a loss of 10 to 20 per cent of the commercial crop available for packing. Total production of peaches is put at 756,000 bushels, compared with 414,000 bushels last year and a five-year production of 839,000 bushels. The crop is reported heavier in all districts than last year, and both size and quality appear to be above average. Shipments of peaches are expected to begin

about August 1 in the southern districts.

North Carolina experienced the driest weather last month for any June on record, and crops on July 1 were consequently irregular and spotted in growth. The first ten days in July brought nice rains and marked recoveries of crops were evident, even in corn fields which looked hopeless on July 1. Corn was retarded seriously by the dry weather, but cultivation was good and July rains revived the crop notably. A yield of 45,004,000 bushels was forecast on July 1, compared with 47,580,000 bushels in 1934 and 39,119,000 bushels average in 1928-32. Wheat is threshing out very well, but the yield is disappointing in view of exceptional stands and stalk growth. This year's yield of 5,094,000 bushels is materially above 4,340,000 bushels harvested last year and 3,653,000 bushels the five-year average. A much larger outturn of oats is also expected this year, 4,642,000 bushels comparing with 3,519,000 bushels last year and an average of 3,595,000 bushels in 1928-32. Dry weather in June retarded hay crops, and less acreage was seeded than was intended, but early July rains caused rapid improvement and an expected yield of 675,000 tons is not far behind 699,000 tons cut last year, and is above the five-year average cut of 561,000 tons. White potatoes were reduced in acreage in North Carolina this year, and a yield of 8,938,000 bushels is less than last year's crop of 10,672,000 bushels but above the five-year average of 7,573,000 bushels. Sweet potatoes show the same comparison, this year's crop of 7,600,000 bushels being smaller than last year's yield of 8,856,000 bushels but larger than the average yield of 6,819,000 bushels. Tobacco acreage was materially increased this year in North Carolina, and a yield of 496,458,000 pounds is indicated, a larger production than either 417,975,000 pounds in 1934 or the five-year average of 468,526,000 pounds. Prospects for both apples and peaches are better than last year and above the five-year averages.

South Carolina total acreage this year is about 4 per cent above last year's acreage. Permitted increase of acreage under the control programs for cotton and tobacco accounts for most of the acreage increase, since the net increase of crops other than cotton and tobacco is only about 1 per cent. Acreages were increased this year as follows: cotton 9%, tobacco 32%, wheat 11% oats 10%, rye 12%, peanuts 12%, hay 4%. Corn acreage declined 2%, white potatoes 14%, and sweet potatoes 6%. Truck acreage increased 14 per cent over last year. June weather was unusually dry and the condition of growing crops on July 1 was below average but about the same as a year earlier. The situation has changed materially since July 1, fair to good rains having fallen in most sections. The July 1 condition of corn was below average but was better than a year ago. This year's yield is forecast at 22,035,000 bushels, compared with 20,760,000 bushels last year and the five-year average of 20,151,000 bushels. Preliminary estimates on the oats crop indicate the largest acreage, the greatest outturn, and the second best per acre yield in the history of the State. This year's crop of 10,462,000 bushels compares with last year's short crop of 6,956,000 bushels and a 1928-

32 average production of 8,080,000 bushels. This year's wheat yield of 940,000 bushels was the largest since 1901, and compares with a yield of 765,000 bushels last year and a five-year average of 575,000 bushels. Based on a large increase in acreage, the South Carolina tobacco crop this year is forecast at 74,100,000 pounds, compared with 56,880,000 pounds grown in 1934 and a five-year average yield of 75,823,000 pounds. Hay prospects are good, a crop of 206,000 tons comparing favorably with last year's crop of 201,000 tons and the five-year average cut of 180,000 tons. Sweet potatoes, due to reduction in acreage and below average condition on July 1, indicate a crop of only 3,825,000 bushels, compared with 4,428,000 bushels dug in 1934 and a five-year average production of 4,569,000 bushels. The 1935 white potato crop is estimated at 1,782,000 bushels, a lower figure than last year's crop of 2,625,000 bushels and also below the five-year average yield of 2,731,000 bushels. The South Carolina peach crop for this year is estimated at 1,662,000 bushels, compared with last year's yield of 1,610,000 bushels and the five-year average of 1,205,000 bushels.

West Virginia crops all promise larger yields this year than in 1934 except corn. Wheat yield this year totaled 2,544,000 bushels, compared with 1,974,000 bushels in 1934 and the average for the five basic years 1,643,000 bushels. Corn prospects indicate 12,015,000 bushels this year, against 12,128,000 bushels last year and a five-year average of 11,056,000 bushels. This year's oats crop is forecast at 2,484,000 bushels, last year's yield was 2,052,000, and the five-year average production is 3,239,000 bushels. The hay crop is forecast at 726,000 tons this year, compared with 502,000 tons in 1934 and an average of 615,000 tons. White potatoes are expected to yield 3,325,000 bushels in 1935, against 3,120,000 bushels last year and a five-year average of 3,484,000 bushels. *West Virginia* tobacco is forecast at 2,320,000 pounds this year, compared with 1,755,000 pounds last year and an average production of 4,193,000 pounds. An apple production of 6,600,000 bushels is forecast, against 3,630,000 bushels gathered in 1934 and a five-year average yield of 6,947,000 bushels. Peaches are expected to yield 220,000 bushels this year, compared with last year's yield of 110,000 bushels and a five-year average crop of 492,000 bushels.

Construction

Building permits issued in June in thirty leading cities of the Fifth reserve district numbered 2,424, compared with 1,919 permits issued in June 1934, an increase of 26.3 per cent, and estimated valuation figures for last month totaled \$4,737,408, an increase of 81.6 per cent over valuation of \$2,608,456 in June 1934. Twenty of the thirty reporting cities showed higher valuation figures for June 1935. Among the five largest cities, increased valuation figures were reported for Baltimore, Washington, Richmond and Norfolk, but Charlotte fell below the June 1934 total. Figures for June 1935 could not be obtained from Clarksburg, W. Va.

Building Permits Issued in June 1935 and 1934

CITIES	Permits Issued		Total Valuation	
	1935	1934	1935	1934
Baltimore, Md.	790	658	\$ 837,840	\$ 592,560
Cumberland, Md.	13	12	45,000	6,415
Frederick, Md.	3	8	2,125	6,211
Hagerstown, Md.	26	11	22,010	17,905
Salisbury, Md.	14	10	10,775	27,140
Danville, Va.	26	16	42,164	95,465
Lynchburg, Va.	34	28	53,971	120,589
Norfolk, Va.	129	91	93,435	40,339
Petersburg, Va.	3	7	260	2,825
Portsmouth, Va.	30	19	14,895	6,630
Richmond, Va.	110	81	177,176	55,752
Roanoke, Va.	50	30	66,618	19,654
Bluefield, W. Va.	12	8	15,490	1,595
Charleston, W. Va.	104	74	131,252	29,091
Clarksburg, W. Va.		57*		49,192*
Huntington, W. Va.	13	16	11,000	16,410
Asheville, N. C.	19	28	11,470	21,003
Charlotte, N. C.	69	34	238,347	299,948
Durham, N. C.	23	23	54,673	56,385
Greensboro, N. C.	49	38	268,815	201,236
High Point, N. C.	47	9	36,980	5,950
Raleigh, N. C.	11	14	56,875	187,200
Rocky Mount, N. C.	5	2	1,335	150
Salisbury, N. C.	5	3	2,530	800
Winston-Salem, N. C.	65	58	79,546	16,308
Charleston, S. C.	60	31	34,480	14,073
Columbia, S. C.	56	34	123,946	43,036
Greenville, S. C.	37	34	30,775	42,160
Rock Hill, S. C.	17	9	31,885	6,360
Spartanburg, S. C.	16	23	35,695	4,451
Washington, D. C.	588	510	2,206,045	670,815
District Totals	2,424	1,919	\$4,737,408	\$2,608,456

*Not included in totals, 1935 figures for comparison being unobtainable.

Retail Trade, 31 Department Stores

	Richmond	Baltimore	Washington	Other Cities	District
June 1935 sales, compared with sales in June 1934:	+ 5.7	— .1	+11.2	+ 1.4	+ 5.5
Total sales first half of 1935, compared with first half of 1934:	+ 3.5	+ .7	+12.3	+ 2.9	+ 6.0
June 30, 1935, stocks, compared with stocks on June 30, 1934:	+ 2.1	— 4.8	— 1.4	+ 3.4	— 1.9
June 30, 1935, stocks, compared with stocks on May 31, 1935:	— 8.3	— 6.4	— 8.6	— 5.7	— 7.4
Number of times stock was turned in June 1935:	.337	.331	.401	.273	.353
Number of times stock was turned since January 1, 1935:	1.903	1.828	2.158	1.682	1.953
Percentage of June 1, 1935, receivables collected in June:	30.7	28.8	27.9	28.7	28.6

Note: Sales and stock changes are percentages.

Wholesale Trade, 56 Firms

	20	7	6	12	11
	Groceries	Dry Goods	Shoes	Hardware	Drugs
June 1935 sales, compared with sales in June 1934:	+ 3.0	—23.3	—34.3	— 8.4	— .7
June 1935 sales, compared with sales in May 1935:	— 4.3	—25.0	—49.6	—22.7	—10.4
Total sales first half of 1935, compared with first half of 1934:	+ 6.2	—17.2	—13.5	+ 7.5	+ .6
June 30, 1935, stocks, compared with June 30, 1934, stocks:	+ 8.2(8*)	—32.8(3*)	—18.4(4*)	+ 6.7(6*)
June 30, 1935, stocks, compared with May 31, 1935, stocks:	— 3.7(8*)	— 8.0(3*)	+20.2(4*)	— 1.9(6*)
Percentage of June 1, 1935, receivables collected in June:	98.7(11*)	36.5(4*)	68.0(5*)	45.7(10*)	70.4(7*)

*Number of reporting firms. All figures in the table are percentages.

(Compiled July 20, 1935)

BUSINESS CONDITIONS IN THE UNITED STATES

(Compiled by the Federal Reserve Board)

Factory production declined seasonally in June, while output of mines increased. Employment and payrolls at factories showed more than seasonal declines. There was little change in the average level of wholesale prices, and a decrease in retail food prices.

Production and Employment

Daily average output at factories, according to the Federal Reserve Board's production index, declined by about the usual seasonal amount during June. Output of mines increased, and the Board's combined index of industrial production, which is adjusted for usual seasonal changes, advanced from 85 percent of the 1923-1925 average in May to 86 percent in June. Daily average output of automobiles and lumber increased in June, while activity at cotton mills, shoe factories, and meatpacking establishments declined. Activity at steel mills declined seasonally during June, but, according to trade reports, increased after the first week of July. There were sharp increases in the production of anthracite and bituminous coal during June and output of crude petroleum was also larger than in May.

Factory employment and payrolls decreased between the middle of May and the middle of June. More than seasonal declines in employment were reported by producers of automobiles, clothing, shoes, and cotton fabrics, and employment at lumber mills also decreased, while the number of workers at woolen mills increased. In most other manufacturing industries changes in employment from May to June were largely seasonal in character. Employment and payrolls at mines increased considerably.

Daily average construction contracts awarded, according to reports of the F. W. Dodge Corporation, were larger in value in June and the first half of July than in May. Awards of residential building contracts were twice as large as a year ago, while contracts for public projects continued smaller than last year.

The Department of Agriculture July 1 estimates forecast corn and wheat crops larger than a year ago, but smaller than the five-year average for 1928-1932. Acreage of cotton in cultivation on July 1 was reported as about 5 percent larger than at the same time last year.

Distribution

Daily average loadings of freight on railroads increased during June, reflecting larger shipments of coal. Daily average value of department store sales showed little change from May to June, when a decline is usual, and the Board's seasonally adjusted index advanced from 76 percent of the 1923-1925 average to 80 percent.

Commodity Prices

Wholesale prices of farm products and foods declined during June, while the prices of other commodities as a group showed little change. Retail prices of food, which had increased sharply in the two years ending last April, according to the index of the Bureau of Labor Statistics, declined somewhat in May and June.

Bank Credit

Member bank reserve balances with the Federal Reserve banks and excess reserves showed declines for the four weeks ending July 17, reflecting in large measure an increase in the balance of the Treasury with the Federal Reserve banks following a sale of Treasury notes.

Total loans and investments of reporting banks in leading cities increased by \$260,000,000 during the five-week period ended July 17. Subscriptions by reporting banks to new security offerings by the Treasury exceeded retirement of bonds held by these banks, and consequently their holdings of direct obligations of the United States increased by \$200,000,000. Holdings of other securities increased by \$125,000,000, while loans declined by \$60,000,000. Government deposits with these banks were reduced by over \$200,000,000, while other deposits, exclusive of interbank balances, showed an increase of a similar amount.

Yields on Government securities declined slightly during this period, while other short-term open-market money rates remained at low levels.