

# MONTHLY REVIEW

CREDIT, BUSINESS AND AGRICULTURAL CONDITIONS



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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 August 21 the Federal Reserve Bank of Richmond had outstanding \$4,584,914 of working capital loans, and commitments aggregating \$1,798,632. 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.

**B**USINESS in most lines in July and early August was either up to or above seasonal level in the Fifth Federal reserve district, and on the whole the month's developments were favorable for good Fall trade. Rediscounts at the Federal Reserve Bank of Richmond failed to increase with the opening of the crop marketing season, banks being in position to handle the crops without the necessity of calling on the reserve bank for assistance. Federal reserve note circulation increased seasonally with opening early in August of auction tobacco markets in the South Carolina belt. Regularly reporting member bank loans remained practically unchanged during the past month, but the banks moderately decreased their reserve balances and cash in vault, while increasing their investments in securities. Deposits in the reporting banks declined slightly. Debits to individual accounts in leading cities showed somewhat more than a normal seasonal decline in five weeks ended August 15 in comparison with debits in the preceding five weeks, the decline being due to the large quarterly and semi-annual payments which occur on or around July 1. Debits in the later period were about 9 per cent above aggregate debits in five weeks ended August 15, 1934. Employment showed some signs of improvement in July, especially in private construction fields. Many cities are showing a distinct increase in residential construction of the better class. Coal production in July declined more than seasonally from June production, chiefly because May and June output was relatively high and consumers built up large reserve stocks. Textile mills slightly increased operations in July, and consumed more cotton than in either June this year or July last year. Tobacco markets opened in the South Carolina belt early in August, and prices were considered satisfactory by growers. In spite of a largely increased production of tobacco this year, prices compared favorably with opening prices in 1934. Tobacco manufacturers operated full time in July, and probably set a record for output of cigarettes. Building permits issued in the Fifth district in July exceeded in valuation those issued in July last year by nearly 99 per cent. Contracts awarded in July in the district

totalled less than the awards a year ago, but private projects made up a much larger proportion of this year's contracts. Retail trade in department stores in July exceeded the volume of business in July last year by 16 per cent, and wholesale trade in groceries, hardware and drugs also exceeded July 1934 trade, but sales of dry goods and shoes declined this year. Agricultural prospects in the Fifth district are the best for a number of years in both per acre and total yields, and present prices indicate that farmers will have materially increased purchasing power in the Fall to support general business.

### Reserve Bank Statement

ITEMS	000 omitted		
	Aug. 15 1935	July 15 1935	Aug. 15 1934
Rediscounts held .....	\$ 106	\$ 111	\$ 723
Open market paper.....	173	174	193
Industrial advances .....	4,585	4,519	0
Government securities .....	116,716	116,716	103,563
Total earning assets.....	121,580	121,520	104,479
Circulation of Fed. Res. notes..	154,095	149,502	143,256
Member reserve deposits.....	155,379	152,511	124,049
Cash reserves .....	205,195	202,995	170,321
Reserve ratio .....	64.65	64.29	62.81

The accompanying table shows the principal items of condition of the Federal Reserve Bank of Richmond for three mid-month dates, August 15 and July 15, this year, and August 15 last year. During the past month, changes in the items were relatively small. Rediscounts for member banks declined by \$5,000 and holdings of open market paper dropped \$1,000, but industrial advances direct to commercial or industrial borrowers rose by \$66,000. No change occurred in ownership of Government securities. Total earning assets rose \$60,000 during the month. Federal reserve note circulation rose by \$4,593,000 between the middle of July and the middle of August, a seasonal increase due chiefly to opening of tobacco markets in the South Carolina belt. Note circulation usually rises steadily from about August 1 to Christmas. Member bank reserve deposits rose by \$2,868,000 during the month. The several changes enumerated, with others of less importance, raised the cash reserves of the Federal Reserve Bank of Richmond by \$2,200,000, and increased the ratio of cash reserves to note and deposit liabilities combined by approximately one-third of a point.

Between August 15, 1934, and August 15 this year, most of the items in the statement rose materially, although rediscounts for member banks declined by \$617,000 and the portfolio of open market paper dropped \$20,000. Holdings of Government securities rose by \$13,153,000 during the year, and the Bank advanced \$4,585,000 in loans direct to industry. These changes resulted in a net increase of \$17,101,000 in total earning assets during the year. The circulation of Federal reserve notes was higher by \$10,839,000 on the 1935 date than a year earlier, and member bank reserve deposits rose by \$31,330,000 during the same period. The changes in the statement resulted in an increase of \$34,874,000 in total cash reserves of the

Federal Reserve Bank of Richmond, and raised the ratio of cash reserves to note and deposit liabilities combined by 1.84 points.

### Statement of 28 Member Banks

ITEMS	000 omitted		
	Aug. 14 1935	July 10 1935	Aug. 15 1934
Loans on stocks and bonds (including Governments) .....	\$ 49,760	\$ 49,445	\$ 57,103
All other loans.....	91,533	92,335	103,585
Total loans and discounts.....	141,293	141,780	160,688
Investments in stocks & bonds..	204,799	201,828	185,973
Reserve bal. with F. R. Bank..	57,810	63,777	51,093
Cash in vaults.....	10,876	12,052	10,202
Demand deposits .....	244,246	246,551	221,873
Time deposits .....	136,498	136,810	134,313
Borrowed from F. R. Bank.....	0	0	0

Twenty-eight member banks in leading cities of the Fifth reserve district make weekly condition reports to the Federal Reserve Bank of Richmond, and the accompanying table shows total figures for some important items as of three dates, August 14 and July 10, 1935, and August 15, 1934. The figures reflect conditions on the report dates, but are not necessarily the highest or lowest figures which occurred during the past month or the past year.

Most of the items declined in the past month. Loans on securities rose by \$315,000, but all other loans dropped \$802,000, causing a net decrease in total loans and discounts of \$487,000. Investments in securities rose by \$2,971,000 between July 10 and August 14, but the reporting banks reduced their aggregate reserve balance at the reserve bank by \$5,967,000, and cash in vaults declined by \$1,176,000. Total deposits dropped \$2,617,000 last month, of which \$2,305,000 was in demand deposits and \$312,000 was in time deposits.

During the year between August 15, 1934, and August 14, 1935, the twenty-eight reporting banks reduced their loans and discounts by \$19,395,000, loans on securities falling by \$7,343,000 and all other loans decreasing by \$12,052,000. On the other hand, investments in securities, chiefly Government issues, rose by \$18,826,000. Reserve balance of the reporting banks at the Federal Reserve Bank of Richmond rose \$6,717,000 during the year, and cash in vaults was higher by \$674,000 on the 1935 date. Aggregate deposits rose by \$24,558,000 between the middle of August last year and this, of which \$22,373,000 was in demand deposits and only \$2,185,000 in time deposits. None of the reporting banks were borrowing on the dates used in the table.

### Time and Savings Deposits

Time deposits in twenty-eight regularly reporting member banks and aggregate deposits in eleven mutual savings banks in Baltimore totaled \$338,243,382 at the end of July 1935, a lower figure than \$338,975,846 in time and savings deposits at the end of June this year but a higher figure than \$326,603,107 at the end of July last year. Both reporting member banks and mutual savings banks showed declines in time deposits

during the past month, but both groups of banks increased deposits during the year.

### Debits to Individual Accounts

CITIES	000 omitted		
	Total debits, five weeks ended		
	Aug. 14, 1935	July 10, 1935	Aug. 15, 1934
Asheville, N. C.....	\$ 10,947	\$ 11,171	\$ 10,438
Baltimore, Md. ....	830,815	341,144	307,907
Charleston, S. C.....	11,570	17,331	11,280
Charleston, W. Va....	52,244	61,560	49,239
Charlotte, N. C.....	51,511	54,302	50,918
Columbia, S. C.....	26,146	32,184	21,717
Cumberland, Md. ....	9,078	10,211	6,794
Danville, Va. ....	6,765	7,152	5,893
Durham, N. C.....	27,422	27,730	26,362
Greensboro, N. C.....	13,936	15,839	12,153
Greenville, S. C.....	14,607	15,825	12,579
Hagerstown, Md. ....	7,872	9,288	7,447
Huntington, W. Va....	13,257	14,441	13,015
Lynchburg, Va. ....	15,241	16,226	14,054
Newport News, Va....	8,094	8,782	7,346
Norfolk, Va. ....	49,452	53,206	49,899
Portsmouth, Va. ....	3,775	4,425	3,640
Raleigh, N. C.....	33,139	35,908	38,624
Richmond, Va. ....	142,969	146,966	129,869
Roanoke, Va. ....	20,003	23,656	21,332
Washington, D. C.....	228,542	266,598	190,146
Wilmington, N. C.....	9,368	10,604	8,389
Winston-Salem, N. C.	35,156	37,514	32,135
District Totals.....	\$1,121,909	\$1,222,063	\$1,031,176

Debits to individual, firm and corporation accounts in the banks in twenty-three trade centers in the Fifth Federal reserve district are shown in the accompanying table for three equal periods of five weeks, ended August 14 and July 10 this year and August 15 last year. These figures reflect the volume of business which passed through the banks in the several cities during the periods under review.

During the five weeks ended August 15 this year, aggregate debits to individual, firm and corporation accounts in the reporting cities totaled \$1,121,909,000, a decrease of \$100,154,000, or 8.2 per cent, under aggregate debits in the preceding five weeks, ended July 10, 1935. A decline at this time is seasonal, due chiefly to large quarterly and semi-annual payments occurring in the earlier period, around July 1, but this year the decline was slightly greater than normal. All of the twenty-three cities reported lower figures for the more recent five weeks.

A comparison of the figures reported for the five weeks ended August 14 this year with the figures for the corresponding period ended August 15, 1934, shows an increase of \$90,733,000, or 8.8 per cent, a somewhat lower percentage than other recent months showed. Twenty of the twenty-three cities reported higher debits figures for the 1935 five weeks. The decreases reported for Norfolk and Roanoke were very small, and the decrease in Raleigh was due chiefly to high figures last year.

### Commercial Failures

*The Dun & Bradstreet Monthly Review* for August states that business failures in the United States in

July were fewer in number than for any other month this year, totaling 931, against 961 in June and 912 in July 1934. Total indebtedness involved in July 1935 defaults was \$20,446,761, compared with \$20,463,097 for June and \$19,325,517 for July 1934. The National record in July was therefore better than the June record, but was worse than the July 1934 record. In the Fifth reserve district the bankruptcies in July 1935 totaling 30 were fewer than either 43 in June this year or 61 in July last year. Liabilities last month followed an opposite trend from those for the United States, \$601,923 involved in July failures in the district exceeding \$271,650 for June 1935 insolvencies but falling far below \$1,718,339 involved in July 1934 failures.

### Employment

There is some evidence of better employment conditions in the Fifth reserve district since the middle of July, but the improvement is relatively slight and has not greatly lessened the number of unemployed persons. Opening of tobacco markets in the South Carolina belt on August 8 gave work to many handlers and other warehouse helpers, and increased construction work in cities helped building tradesmen, both skilled and unskilled. Textile mills are operating at slightly higher rates than in other recent months. There are a few strikes in textile sections, but they appear to be local disturbances and affect only a small percentage of the industry. Tobacco factory workers are fully employed, factories having operated at record levels in July. Coal production has recently declined more than seasonally, due to larger than normal output in May and June.

### Coal Production

Production of bituminous coal in the United States in July 1935 totaled 22,252,000 net tons, a materially smaller output than 30,067,000 tons dug in June this year and also less than 24,869,000 tons mined in July 1934. The big drop in production in July in comparison with June was due to unusual activity in the earlier months, caused by fear of labor troubles in bituminous fields. This uncertainty caused stocks to be built up by July 1, 1935, to a higher point than at any time since January 1930. On July 1 stocks in industrial and retail yards totaled 41,154,000 tons, estimated to be sufficient to last 52 days. Total production of soft coal during the present calendar year to August 10 amounted to 218,080,000 net tons, a higher figure than 214,946,000 tons mined to the same date last year. The weekly coal report issued by the Bureau of Mines on August 3 gave coal production figures by states for June 1935. West Virginia was first in production with 8,597,000 tons, Pennsylvania ranking second with 8,229,000 tons. In the first half of 1935, Hampton Roads ports shipped 9,391,000 net tons of bituminous coal compared with 9,579,000 tons shipped in the first half of 1934.

### Textiles

The textile industry increased operations slightly in July, although many mills followed their custom of

closing about a week around July 4. Fifth district cotton mills consumed 182,821 bales of cotton last month, of which North Carolina mills used 94,661 bales, South Carolina mills used 77,536 bales, and Virginia mills used 10,624 bales. Fifth district mills used 176,694 bales in June 1935 and 165,504 bales in July 1934. July 1935 consumption in Virginia and the Carolinas was 46.67 per cent of National consumption, a higher figure than either 45.78 per cent of National consumption in June 1935 or 45.98 per cent in July 1934.

On July 20, the Department of Commerce issued a report on spindles in place, spindles active in June, total spindle hours of operation in June, and average hours of operation per spindle in place in June. On June 30, 1935, there were 30,435,894 spindles in place in the United States, North Carolina leading all states with 6,129,888, or 20.1 per cent of the total, South Carolina ranking second with 5,843,948 spindles, or 19.2 per cent, and Massachusetts third with 5,484,336 spindles, or 18.0 per cent. The Fifth district as a whole had 41.5 per cent of total spindles in place in the United States at the end of June 1935. In actual spindle hours of operation, South Carolina led all states for June with 1,386,861,539 hours, or 27.3 per cent of the National total of 5,083,383,303 hours, and North Carolina ranked second with 1,067,933,067 hours, or 21.0 per cent. The Fifth district, with 41.5 per cent of total spindles in place in the United States in June, showed 50.9 per cent of total hours of operation. In actual hours of operation per spindle in place, South Carolina ranked first in June with 237 hours, Virginia with an average of 204 hours ranked fourth, and North Carolina with 174 hours ranked sixth, all of these being above the National average of 167 hours.

### Cotton Statistics

*Spot cotton prices* moved slowly downward during the past month, under the influence of favorable development of this year's crop. The average price paid on ten Southern spot markets for middling grade upland cotton was 12.38 cents per pound on July 12, but had declined to 11.60 cents on August 16, the latest date for which figures are available.

The Department of Agriculture's first cotton condition report, in which probable production in 1935 was forecast, was issued on August 8. Production was estimated at 11,798,000 equivalent 500-pound bales, a higher figure than was expected and over 2,000,000 bales above the 1934 crop of 9,636,000 bales. About 1,950,000 bales of the increase are credited to Texas and Oklahoma, in which states drought last year lowered per acre yield to between 40 and 50 per cent of normal. August 1 condition figures in all important cotton states except Oklahoma and Arkansas were above the ten-year averages. The average condition of the crop on August 1 was 73.6 per cent of a theoretical normal, and the prospective yield per acre was given as 198.3 pounds, both considerably higher figures than the ten-year averages.

In the Fifth district cotton growing states, Virginia and North Carolina yields are forecast to be smaller than yields in 1934, but South Carolina shows sufficient

increase to bring the district total 4 per cent above last year's yield. South Carolina's crop this year is expected to yield 759,000 bales, an increase of 11.5 per cent over 681,000 bales ginned last year. North Carolina's crop is forecast at 611,000 bales, a decrease of 2.9 per cent from 629,000 bales grown last year. The Virginia cotton crop this year of 31,000 bales shows a drop of 11.4 per cent under 35,000 bales grown in 1934. Total figures for the district are 1,401,000 bales this year, compared with 1,345,000 bales picked last year. The condition figure on August 1 was lower in Virginia than a year earlier, the North Carolina condition was the same, and the South Carolina condition was much better. All three Fifth district cotton growing states showed higher condition figures than the ten-year average.

*Consumption of cotton* in the United States in July 1935 totaled 391,771 bales, compared with 385,946 bales used in June this year and 359,951 bales in July 1934. Total consumption for the cotton year ended July 31, 1935, amounted to 5,359,838 bales, compared with 5,700,253 bales consumed in the corresponding period of the 1933-1934 season. Manufacturing establishments held 789,373 bales on July 31, compared with 882,947 bales held on June 30 and 1,227,688 bales on July 31, 1934. Public warehouses and compresses held 5,739,197 bales in storage at the end of July this year, compared with 6,077,634 bales so held a month earlier and 5,566,007 bales on July 31 last year. July exports totaled 276,622 bales, compared with 344,955 bales sent abroad in June 1935 and 305,820 bales exported in July 1934. Exports during the cotton year ended July 31 totaled only 4,795,339 bales, compared with 7,534,415 bales shipped over seas during the corresponding year ended July 31, 1934. All foreign buyers took less American cotton last year, but the decline in exports to Germany accounted for about half the total decline. Spindles active at some time in July numbered 22,312,384, compared with 22,709,200 in June this year and 24,417,778 in July 1934.

*Cotton consumption in the cotton growing states* totaled 322,909 bales in July, compared with 313,512 bales used in June and 290,010 bales in July 1934. Last month's consumption in the cotton growing states amounted to 82.4 per cent of National consumption, a higher percentage than either 81.2 per cent in June this year or 80.6 per cent in July last year. Of the 322,909 bales of cotton consumed in the cotton growing states in July, Fifth district mills used 182,821 bales, or 56.6 per cent, compared with 57.2 per cent of Southern consumption attained by Fifth district mills in July last year.

### Tobacco

The tobacco crop in the Fifth district this year is estimated at 704,073,000 pounds on the basis of the August 1 condition, an increase of 21.4 per cent over 1934 production of 580,183,000 pounds. The August 1 condition of tobacco was much higher in all Fifth district states than a year earlier. West Virginia showed the poorest condition but made the greatest improvement over the preceding year, a condition of 66 per cent on August 1, 1935, comparing with 44 per cent on

August 1, 1934. Maryland's prospective yield this year is 22,750,000 pounds, compared with 23,418,000 pounds in 1934 and a five-year average of 24,018,000 pounds, the 1935 reduction being due to lower acreage. Virginia growers expect to harvest 88,818,000 pounds, against 80,155,000 pounds last year and a five-year average of 98,916,000 pounds. West Virginia, an unimportant tobacco state, will grow about 2,321,000 pounds, while last year the state produced 1,755,000 pounds. North Carolina, the largest tobacco growing state in the country, has a crop forecast at 511,810,000 pounds, against 417,975,000 pounds in 1934 and a five-year average production of 468,526,000 pounds. South Carolina's 1935 crop of 78,375,000 pounds compares with last year's yield of 56,880,000 pounds and a five-year average of 75,823,000 pounds. Tobacco auction markets in South Carolina and border markets in North Carolina opened on August 8, and prices were about the same as the good prices received last year. No official market averages will be available until next month, but the price had been running between 20 and 25 cents per pound. If present prices continue when the bulk of the North Carolina and all Virginia markets open, tobacco growers in the district, especially in Virginia and the Carolinas, should be in the strongest financial position they have occupied for a number of years.

### Tobacco Manufacturing

The Commissioner of Internal Revenue issued a report on taxes collected in July 1935 on manufactured tobacco products. July production of cigarettes in the United States number 13,138,287,463, compared with 11,355,398,860 cigarettes manufactured in July 1934. Smoking and chewing tobacco increased from 25,917,013 pounds in July last year to 26,458,810 pounds in July this year. Cigars manufactured rose from 378,055,584 in July 1934 to 432,158,753 in July 1935. Snuff production decreased from 2,773,989 pounds to 2,607,211 pounds during the year. During the month of July 1935, taxes on cigarettes totaled \$39,416,582, compared with \$34,068,307 collected in the corresponding month last year. Taxes on smoking and chewing tobacco rose during the same period from \$4,667,349 to \$4,763,878. Total receipts by the Federal Treasury on tobacco products rose from \$40,201,280 in July last year to \$45,738,420 in July this year.

### Agricultural Notes

Crops in the Fifth Federal reserve district are better than they were a year ago on the whole, and also above the ten-year average in condition. With average August 1 conditions for 32 leading crops during the ten years 1921-1930 as a base, or 100, average condition figures on August 1, 1935, were as follows in Fifth district states: South Carolina 125.9, the highest average for any state in the United States, West Virginia 112.4, North Carolina 111.6, Virginia 110.5, and Maryland 107.5.

Maryland crop prospects indicate increased production over prospects a month earlier for corn, apples and sweet potatoes; decreases for rye, peaches and po-

tatoes; and no change for wheat, oats, barley, hay and tobacco. The indicated per acre yield of all important crops combined is about 8 per cent above the ten-year average. Rainfall in July was spotted; in some sections frequent rains interfered with threshing while other areas had insufficient rain to meet the needs of corn and tobacco. Rains since August 1 have improved conditions somewhat but more is needed if present crop prospects are to continue. The wheat crop yielded 8,526,000 bushels this year, compared with 7,934,000 bushels last year and a five-year average of 8,648,000 bushels. Yields were highly variable this year, central counties on the Western Shore reporting the highest yield on record while on the Eastern Shore yields were light. Corn improved notably during June and July and the August 1 condition indicated a yield of 18,224,000 bushels, compared with 16,995,000 bushels in 1934 and a five-year average of 15,039,000 bushels. The barley crop, estimated at 630,000 bushels, is slightly larger than that of last year and considerably above the five-year average. Oats will yield 1,260,000 bushels this year, reduced acreage lowering the production from 1,320,000 bushels last year and a five-year average of 1,547,000 bushels. Hay yield this year is estimated at 526,000 tons, a lower figure than 578,000 tons cut in 1934 but more than the five-year average of 458,000 tons. Wet weather at harvest time resulted in many crops of poor quality. Pastures declined in condition during the past month, but are still furnishing much more feed than at this time last year. Potato prospects declined slightly during July. The present estimate of 3,465,000 bushels compares with last year's crop of 3,267,000 bushels and the five-year average of 3,339,000 bushels. Sweet potatoes improved materially in condition last month, and the estimated yield of 875,000 bushels is far above 750,000 bushels gathered last year, but much below the five-year average crop of 1,374,000 bushels. The Maryland peach crop turned out 352,000 bushels, compared with last year's light crop of 82,000 bushels, and the 1935 apple crop of 2,160,000 bushels exceeds last year's crop of 1,102,000 bushels.

Virginia crop conditions improved during July in all parts of the State except in a few Northern counties where dry weather injured corn, pastures and late hay, and the forecast of production for corn, oats, potatoes, sweet potatoes, peaches and tobacco is greater than a month ago. The indicated yield per acre for the most important crops combined, based upon the August 1 report, is 10.5 per cent above the ten-year average. In most parts of the State there was sufficient rainfall for the proper growth of crops, but in some sections, especially in the Southwest, frequent rains retarded farm work such as threshing and hay harvest. Threshing reports show a wide range in the yield of wheat, many farms in the Northern part of the State reporting from 30 to 40 bushels per acre, but the average for the state is 14.5 bushels. A smaller percentage than usual of the wheat crop had been threshed by August 1 because of frequent rains. Production is estimated to be 9,048,000 bushels compared with 8,092,000 bushels last year and 9,220,000 bushels the five-year average. The condition of corn improved in all except the Northern

district where dry weather damaged the crop considerably. The August 1 condition indicates a total production of 36,505,000 bushels, compared with 35,794,000 bushels in 1934. Late hay crops improved in all parts of Virginia except in the Northern district. Although frequent rains during June and July damaged a considerable portion of the hay crop, especially in the Southwest, production this year has been unusually heavy, and the total crop is expected to be one of the largest ever harvested. The August forecast is 1,077,000 tons, compared with 948,000 tons last year and the five-year average of 858,000 tons. Virginia pastures were unusually good during July. The peanut crop made favorable progress during July, although in some sections frequent rains caused the growth of grass and prevented the farmers from working the crop thoroughly. Too much rain during August is unfavorable for the yield of peanuts, so weather conditions during that month will largely determine the production. The condition is reported at 87 per cent of normal compared with 85 per cent last year and the ten-year average of 80 per cent. The yield of commercial potatoes turned out slightly greater than had been estimated, and prospects for the late crop have improved somewhat, so the estimate of production of 11,528,000 bushels is slightly greater than the July 1 forecast. Sweet potatoes improved during July as weather conditions were generally favorable. The vines have made a heavy growth and if weather conditions continue favorable during August an excellent yield will be made. The August forecast is 4,860,000 bushels, which is nearly 1,000,000 bushels greater than the 1934 crop and 500,000 bushels above the five-year average. Apple prospects declined during July, largely due to scab, and the estimated total production is now 14,840,000 bushels compared with 9,275,000 bushels last year and the five-year average of 13,160,000 bushels. Commercial production is estimated to be 9,520,000 bushels, compared with last year's crop of 6,562,000 bushels and the five-year average production of 8,228,000 bushels. Every district reports a heavier set of fruit than last year, but the greatest increase is in the Piedmont and Roanoke districts. The size of apples this year promises to be larger than usual as rainfall has been ample, although some Northern counties had very little rain the latter part of July. The peach crop improved in July and the forecast of production of 810,000 bushels is about 7 per cent above the July forecast and nearly twice as large as last year's crop. The size and quality of the fruit is unusually good.

*West Virginia* crops are looking much better and are producing heavier than last year, although in certain sections of the State weather has been unfavorable and has dealt out freezes, heavy rains, floods, and dry spots. The wheat crop turned out better than was expected and will produce 2,782,000 bushels, compared with 1,974,000 bushels last year and a five-year average of 1,643,000 bushels. A corn crop of 12,460,000 bushels is expected this year, compared with 12,128,000 bushels gathered in 1934 and a five-year average of 11,056,000 bushels. The oats crop of 2,538,000 bushels is larger than last year's yield of 2,052,000 bushels, but is less than the five-year average of 3,239,000

bushels. The weather has been highly favorable for grasses, and a crop of 745,000 tons of hay is forecast, the largest production since 1927 and 21 per cent greater than the five-year average. West Virginia's apple crop is estimated to be 6,600,000 bushels, compared with 3,630,000 bushels gathered last year and a five-year average yield of 6,947,000 bushels. The commercial crop is estimated at 3,960,000 bushels, compared with 2,475,000 bushels last year and a five-year average of 3,690,000 bushels. Peaches improved steadily through the season, and the August 1 estimate of 250,000 bushels compares with 110,000 bushels gathered last year and a five-year average yield of 492,000 bushels. A white potato crop of 3,325,000 bushels is expected, compared with 3,120,000 bushels last year and a five-year average production of 3,484,000 bushels.

*North Carolina* crop prospects are 12 per cent better on a yield per acre basis than the average for the past ten years. June was the driest month in fifty years, and crops were suffering at the end of that month, but good rains fell early in July and crops made a wonderful recovery. On August 1 corn prospects were far better than usual, and the estimated yield of 48,320,000 bushels was not only above 47,580,000 bushels gathered last year but was 24 per cent above the five-year average production of 39,119,000 bushels. The wheat crop of 5,094,000 bushels was also larger than either 4,340,000 bushels last year or the five-year average of 3,653,000 bushels. Oats this year yielded 4,642,000 bushels, compared with 3,519,000 bushels last year and an average of 3,595,000 bushels. Hay prospects are better than in average years, although this year's crop of 675,000 tons is less than 699,000 tons cured last year. The five-year average production of hay is 561,000 tons. An Irish potato crop of 8,774,000 bushels is smaller than last year's crop of 10,672,000 bushels, but is larger than the five-year average yield of 7,573,000 bushels. Sweet potato production this year totaling 7,600,000 bushels is also less than last year's crop of 8,856,000 bushels, but exceeds the five-year average of 6,819,000 bushels. This year's apple crop in North Carolina, 4,125,000 bushels, is larger than either last year's crop of 3,525,000 bushels or the five-year average of 3,411,000 bushels, and the 1935 peach yield of 2,555,000 bushels also exceeds both last year's yield and the average for five base years.

*South Carolina*, with prospective per acre yields of leading crops combined 25.9 per cent above the ten-year average, leads the entire United States in August. Hot weather during July, accompanied by copious rains, increased prospects for all crops. Corn improved 12 per cent during July, and on August 1 a yield of 24,578,000 bushels was forecast, compared with 20,760,000 bushels last year and a ten-year average of 20,151,000 bushels. Wheat turned out 940,000 bushels in the state this year, compared with 765,000 bushels in 1934 and an average of only 575,000 bushels. The oats crop likewise was a fine one, yielding 4,642,000 bushels in comparison with 3,519,000 bushels last year and an average of 3,595,000 bushels. A sweet potato yield of 4,335,000 bushels is forecast, compared with 4,428,000 bushels gathered last year and a five-

year average of 4,569,000 bushels. The Irish potato yield of 1,782,000 bushels compared with 2,625,000 bushels in 1934 and a five-year average of 2,731,000 bushels. South Carolina's hay crop of 236,000 tons exceeds both last year's yield of 201,000 tons and the five-year average cut of 180,000 tons. The condition of pastures on August 1 was 74 per cent, compared with 69 per cent last year and 72 per cent the five-year average. Peaches form an important item in South Carolina agriculture, and this year's crop of 1,758,000 bushels was larger than either the 1934 crop of 1,610,000 bushels or the five-year average yield of 1,205,000 bushels. Peanuts showed a condition of 73 per cent of normal on August 1, compared with 65 per cent a year ago and a five year August 1 average of 72 per cent.

### Construction

#### Building Permits Issued in July 1935 and 1934

CITIES	Permits Issued		Total Valuation	
	1935	1934	1935	1934
Baltimore, Md. ....	564	664	\$ 794,280	\$ 678,120
Cumberland, Md. ....	14	5	29,340	900
Frederick, Md. ....	12	15	7,250	19,320
Hagerstown, Md. ....	31	14	36,275	25,425
Salisbury, Md. ....	14	10	6,800	26,375
Danville, Va. ....	29	21	52,154	17,995
Lynchburg, Va. ....	61	14	52,003	7,535
Norfolk, Va. ....	103	72	154,400	51,492
Petersburg, Va. ....	0	4	0	9,062
Portsmouth, Va. ....	27	19	31,540	10,390
Richmond, Va. ....	113	93	200,762	140,185
Roanoke, Va. ....	39	27	58,923	7,737
Bluefield, W. Va. ....	8	10	7,100	8,165
Charleston, W. Va. ....	136	25	247,278	10,893
Clarksburg, W. Va. ....	16	5	4,284	1,225
Huntington, W. Va. ....	21	15	93,525	27,450
Asheville, N. C. ....	34	19	15,308	18,603
Charlotte, N. C. ....	82	22	73,342	85,538
Durham, N. C. ....	41	31	97,185	81,585
Greensboro, N. C. ....	37	24	64,398	31,497
High Point, N. C. ....	42	11	27,930	3,868
Raleigh, N. C. ....	26	7	88,000	2,000
Rocky Mount, N. C. ....	25	3	91,515	1,280
Salisbury, N. C. ....	11	11	32,950	3,605
Winston-Salem, N. C. ....	73	52	105,070	24,315
Charleston, S. C. ....	79	36	40,325	48,907
Columbia, S. C. ....	62	37	85,433	58,828
Greenville, S. C. ....	34	21	23,730	15,275
Rock Hill, S. C. ....	17	9	27,015	3,675
Spartanburg, S. C. ....	48	19	28,471	14,024
Washington, D. C. ....	649	472	2,019,050	875,390
Totals .....	2,448	1,787	\$4,595,636	\$2,310,659

Building permits issued in July in thirty-one leading cities of the Fifth reserve district numbered 2,448, compared with 1,787 permits issued in July 1934, an increase this year of 37 per cent, and estimated valuation figures for last month totaled \$4,595,636, an increase

of 98.9 per cent in comparison with valuation figures totaling \$2,310,659 in July last year. Twenty-four of the 31 reporting cities showed higher valuation figures for the 1935 month. Among the five largest cities, Baltimore, Washington, Richmond and Norfolk increased in estimated valuation for permits issued last month, but Charlotte decreased.

Contracts awarded in July for construction work in the Fifth reserve district totaled \$14,751,155, compared with \$18,091,724 reported for July 1934, according to figures collected by the F. W. Dodge Corporation. Of the July 1935 awards, \$6,377,405 represented residential types of construction, compared with \$2,365,979 for this class of work in July last year. Contracts for residential work made up 43 per cent of all contracts awarded in July this year, compared with only 13 per cent of July 1934 contracts.

### Retail Trade, 31 Department Stores

	Richmond	Baltimore	Washington	Other Cities	District
July 1935 sales, compared with sales in July 1934:	+10.4	+ 8.4	+27.2	+ 7.9	+16.1
Jan.-July 1935 sales, compared with sales in Jan.-July 1934:	+ 4.3	+ 1.5	+13.9	+ 3.4	+ 7.1
July 31, 1935, stocks, compared with stocks on July 31, 1934:	+ 2.0	- 6.5	- 2.2	+ .9	- 3.1
July 31, 1935, stocks, compared with stocks on June 30, 1935:	- 8.1	- 9.9	- 7.8	- 9.5	- 8.8
Number of times stock was turned in July 1935:	.272	.256	.313	.231	.278
Number of times stock was turned since January 1, 1935:	2.187	2.097	2.483	1.924	2.243
Percentage of July collections to receivables on July 1, 1935:	31.0	28.3	28.0	28.1	28.5

Note: Sales and stock changes are percentages.

### Wholesale Trade, 57 Firms

	20 Groceries	7 Dry Goods	6 Shoes	13 Hardware	11 Drugs
July 1935 sales, compared with sales in July 1934:	+16.0	-20.0	-11.4	+14.5	+ 5.4
July 1935 sales, compared with sales in June 1935:	+ 7.5	+14.1	+92.1	+ 4.1	+ 6.2
Jan.-July 1935 sales, compared with sales in Jan.-July 1934:	+ 6.9	-17.5	-13.2	+ 8.4	+ 1.3
July 31, 1935, stocks, compared with stocks on July 31, 1934:	+ 2.7(8*)	-20.0(3*)	-10.9(4*)	+ 3.4(7*)	.....
July 31, 1935, stocks, compared with stocks on June 30, 1935:	+ 3.4(8*)	+19.6(3*)	+26.0(4*)	+ 2.0(7*)	.....
Percentage of July collections to receivables on July 1, 1935:	100.1(11*)	39.1(4*)	54.7(5*)	41.8(11*)	66.6(7*)

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

(Compiled August 21, 1935)

**BUSINESS CONDITIONS IN THE UNITED STATES**

(Compiled by the Federal Reserve Board)

Factory employment and output were maintained in July at the June level, though usually there is a considerable decline at this season. Activity at mines showed a substantial decrease, reflecting a sharp reduction in output of coal.

**Production and Employment**

The Federal Reserve Board's seasonally adjusted index of manufactures showed an increase in July, while the index of mineral production showed a marked decline, with the consequence that the index of industrial production remained unchanged at 86 per cent of the 1923-25 average. For the first seven months of the year industrial output was 6 per cent larger than a year ago. Activity at steel mills, which had declined during June, advanced considerably during July and the first three weeks of August and there was also a substantial increase in the output of lumber. Automobile production showed a decrease from the high level prevailing earlier in the year, reflecting in part seasonal developments. Output of textiles increased somewhat in July, owing chiefly to increased activity at silk mills. In the woolen industry the recent high rate of activity continued, while at cotton mills daily average output declined by about the usual seasonal amount. Meat-packing remained at an unusually low level. At mines, output of bituminous coal decreased sharply in July, following an advance in the preceding month, and there was also a sharp reduction in output of anthracite.

Factory employment, which usually declines at this season, showed little change from the middle of June to the middle of July. Employment increased somewhat in the machinery, lumber, furniture, and silk industries and there was a large seasonal increase in the canning industry. Decreases of a seasonal character were reported for establishments producing cotton goods and women's clothing, while in the automobile industry employment declined by more than the usual seasonal amount. At coal mines employment showed a marked decrease in July.

The total value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased further in July and the first half of August, reflecting an increase in non-residential projects. Residential building continued in considerably larger volume than a year ago, with increases from last year reported for most sections of the country.

Department of Agriculture estimates as of August 1 indicate a cotton crop of 11,800,000 bales, about 2,200,000 bales larger than the unusually small crop last year. The indicated wheat crop, while larger than a year ago, is considerably smaller than the five-year average for 1928-32. Crops of corn and other feed stuffs are substantially larger than last season.

**Distribution**

Daily average volume of freight-car loadings declined in July, reflecting a marked decrease in shipments of coal. Department store sales showed a seasonal decline and the Board's adjusted index remained unchanged at 80 per cent of the 1923-25 average.

**Prices**

The general level of wholesale commodity prices showed little change during July and advanced slightly in the first three weeks of August. For the seven week period as a whole there were substantial increases in the prices of hogs, lard, silk, and scrap steel, while cotton declined. Wheat, after advancing considerably during the latter part of July, declined somewhat in the early part of August.

**Bank Credit**

Excess reserves of member banks increased by \$340,000,000 in the five-week period ended August 21 as a consequence principally of a reduction in the balances held by the Treasury with Federal Reserve banks. There were also moderate imports of gold from abroad.

Total loans and investments of reporting member banks in leading cities showed a net decline of \$290,000,000 during the four weeks ended August 14. Holdings of direct obligations of the United States Government decreased by \$220,000,000 following a substantial increase in the middle of July. Loans declined by \$180,000,000 in the latter part of July but subsequently advanced by \$40,000,000, while holdings of Government guaranteed and other securities increased by \$70,000,000 in the four-week period.

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