

MONTHLY REVIEW

CREDIT, BUSINESS AND AGRICULTURAL CONDITIONS

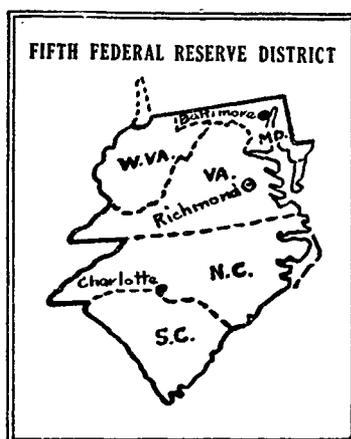


FEDERAL RESERVE BANK OF RICHMOND

RICHMOND, VIRGINIA

SEPTEMBER 30, 1936

AUGUST is a relatively dull month in trade, but developments this year were up to seasonal levels in practically all lines, and business activity continued materially above the 1935 volume. An upturn in trade occurred in the first half of September as fall trade opened. Changes in the statement of the Federal Reserve Bank of Richmond last month were comparatively small, a seasonal increase in actual circulation of Federal reserve notes being the largest one. Notes usually increase at this season to meet needs for currency in marketing of tobacco and other fall crops. Total earning assets rose slightly between the middle of August and the middle of September, a rise in industrial loans more than offsetting a decline in discounts for member banks. Reporting member banks in twelve leading cities increased loans during the past month, and also added to their reserves at the reserve bank, but their investments in securities declined and both demand and time deposits decreased moderately. Debits to individual accounts figures, indicating the volume of business passing through the banks, declined 3 per cent in four weeks ended September 9 in comparison with debits in four preceding weeks this year, but exceeded aggregate debits in four corresponding weeks last year by 17 per cent. Commercial failures in the Fifth reserve district in August were the same in number as in August last year, but liabilities involved in last month's failures showed a decline of 69 per cent in comparison with liabilities in August 1935 failures. Employment conditions continued notably better than a year ago, but made little change in August and early September. Coal production in August showed a seasonal increase over July production, and was 25 per cent above August 1935 production. Cotton textile mills in the Fifth reserve district decreased their rate of operation last month, but continued to run at a much higher rate than last year. About 5 per cent less cotton was consumed by



the mills in August than in July, but nearly 38 per cent more cotton was used than in August 1935. South Carolina led all states in July in total spindle hours of operation with 1,978,062,243 hours, and Fifth district states had 50.4 per cent of spindle hours of operation in the entire United States. Tobacco markets in South Carolina and a part of North Carolina opened in August, with smaller sales but moderately better prices than in the same period last year. The improvement in prices is not sufficient to compensate for decreased production this year. Tobacco manufacturers continued to operate in August at high levels, al-

though output fell below the record figures of July and in smoking tobacco and snuff also fell below August 1935 figures. Total taxes paid to the Federal Treasury on tobacco products in August 1936 were approximately 9 per cent above taxes paid in August 1935, due to a large increase in cigarette output. Construction continued to increase in the Fifth district, and valuation figures for building permits issued in August and contracts actually awarded in that month exceeded August 1935 figures by 55 per cent and 21 per cent, respectively. Retail trade as reflected in department stores was well ahead of August 1935 trade except in Washington, in which city an average decline of nearly 5 per cent in sales pulled the district total down to a small gain over August last year. Wholesale sales in August increased over August 1935 sales in all five lines for which figures are available. Prospects for agriculture improved in the Fifth district in August in all crops which were still growing, but the financial returns from this year's crops do not promise at present to equal the 1935 returns. Cotton prices rose during the past month, and indications are for sufficiently higher prices to compensate for a moderate reduction in this year's cotton crop, but tobacco prices would have to advance much more than appears likely to offset a large reduction in the tobacco yield. Other

cash crops such as potatoes and apples either sold or will sell for much higher prices than a year ago, but production is so much lower that it is doubtful if the crops will bring in as much money as last year.

Reserve Bank Statement

ITEMS	000 omitted		
	Sept. 15 1936	Aug. 15 1936	Sept. 15 1935
Discounts held.....	\$ 127	\$ 166	\$ 350
Open market paper.....	121	121	173
Industrial advances.....	4,133	4,064	4,563
Foreign loans on gold.....	13	0	0
Government securities.....	128,011	128,011	116,716
Total earning assets.....	\$132,405	\$132,362	\$121,802
Circulation of Fed. Res. notes.....	190,136	183,779	165,072
Members' reserve deposits.....	202,444	202,129	159,157
Cash reserves.....	294,891	289,536	218,627
Reserve ratio.....	70.06	69.86	65.65

Items on the condition statement of the Federal Reserve Bank of Richmond changed relatively little during the month between August 15 and September 15, this year, a seasonal increase in Federal reserve notes in actual circulation amounting to \$6,357,000 being the largest variation in figures during the period. Federal reserve notes in circulation usually increase steadily between the middle of August and the third week in December, due first to tobacco marketing needs, then to cotton marketing, and finally to holiday buying. Total earning assets of the Richmond bank rose by \$43,000 last month, a decrease of \$39,000 in discounts for member banks being more than offset by an increase of \$69,000 in loans direct to industry for working capital and participation in System foreign loans on gold to the extent of \$13,000. Member bank reserve deposits increased by \$315,000 between the middle of August and the middle of September. The several changes mentioned in the statement, with others of less importance, raised the cash reserves of the Federal Reserve Bank of Richmond by \$5,355,000, and increased the ratio of reserves to note and deposit liabilities combined by 2/10ths of a point.

In comparison with condition figures as of September 15, 1935, those for the corresponding date this year show material changes in a number of items. Total earning assets of the Richmond bank rose by \$10,603,000 during the year, the addition of \$11,295,000 to holdings of Government securities and of \$13,000 in foreign loans on gold far more than making up for small decreases of \$223,000 in discounts for member banks, \$52,000 in the portfolio of open market paper, and \$430,000 in loans to industry for working capital made under authority of Section 13(b) of the Federal Reserve Act, as amended. Federal reserve notes in actual circulation increased by \$25,064,000 during the year, partly due to increased trade this year and partly to replacement of National bank notes with Federal reserve notes in the Nation's circulation. Member bank reserve deposits rose by \$43,287,000 between the middle of September last year and this, possibly due in small part to increased reserve requirements this year but chiefly due to inability of member banks to find profitable investments in which to put their

surplus funds. Cash reserves of the Federal Reserve Bank of Richmond rose by \$76,264,000 during the past year, and the ratio of cash reserves to note and deposit liabilities combined rose by 4.41 points.

Statement of 41 Member Banks

ITEMS	000 omitted		
	Sept. 9 1936	Aug. 12 1936	Sept. 11 1935
Loans on stocks and bonds (in- cluding Governments).....	\$ 70,307	\$ 67,989	\$ 66,217
All other loans.....	137,900	131,246	127,839
Total loans and discounts.....	\$208,207	\$199,235	\$194,056
Investments in securities.....	429,621	438,705	357,272
Reserve bal. with F. R. bank.....	144,192	138,975	104,682
Cash in vaults.....	18,481	18,005	17,357
Demand deposits.....	435,496	436,265	374,917
Time deposits.....	196,230	196,435	191,386
Money borrowed.....	0	0	0

The accompanying table shows the principal items of condition on a composite statement of forty-one regularly reporting member banks in twelve leading cities of the Fifth Federal Reserve district as of three dates, September 9 and August 12 this year, and September 11 last year, thus affording opportunity for comparison of the latest available figures with those a month and a year earlier. It should be understood that the figures shown are not necessarily the highest or lowest figures which occurred during the periods under review, but reflect the condition of the banks on the report dates only.

During the four weeks between August 12 and September 9, the reporting banks increased their loans by \$8,972,000. Loans on stocks and bonds rose by \$2,318,000 last month, while all other loans rose by \$6,654,000. On the other hand, the reporting banks decreased their investments in securities by \$9,084,000 between August 12 and September 9. Aggregate reserve balances of the forty-one banks at the Federal Reserve bank rose by \$5,217,000 during the month, and cash in vaults increased by \$476,000. Demand deposits declined \$769,000 since the middle of August, and there was also a small decrease amounting to \$205,000 in time deposits in the same period. None of the forty-one banks was borrowing at the Federal Reserve bank at any time during the month.

On September 9, 1936, all figures in the combined statement of the reporting institutions were larger than figures on September 11, 1935. Total loans increased by \$14,151,000 during the year, of which \$4,090,000 was in loans on securities and \$10,061,000 was in all other loans. The banks built up their reserve balances at the Federal Reserve bank by \$39,510,000 between the middle of September last year and this, and also increased their investments in securities, chiefly Government issues, by \$72,349,000. Cash in vaults rose by \$1,124,000. Aggregate deposits increased by \$65,423,000 during the year under review, demand deposits gaining \$60,579,000 and time deposits \$4,844,000. None of the forty-one reporting banks borrowed from the Federal Reserve bank or from any other bank during the past year.

Time and Savings Deposits

Time deposits in forty-one reporting member banks in the Fifth district and aggregate deposits in eleven mutual savings banks in Baltimore totaled \$406,881,796 at the end of August 1936, a slightly higher figure than \$406,753,420 reported at the end of July this year and also larger than \$393,303,077 at the end of August 1935. Mutual savings bank deposits increased last month while time deposits in the reporting member banks decreased, but both groups of banks showed increases in time and savings deposits for the year.

Debits to Individual Accounts

CITIES	000 omitted		
	Total debits, four weeks ended		
	Sept. 9 1936	Aug. 12 1936	Sept. 11 1935
Asheville, N. C.....	\$ 11,144	\$ 10,900	\$ 8,782
Baltimore, Md.....	279,930	310,263	234,990
Charleston, S. C.....	12,917	11,591	10,415
Charleston, W. Va.....	37,401	41,258	34,921
Charlotte, N. C.....	48,784	46,595	39,879
Columbia, S. C.....	20,265	20,570	18,124
Cumberland, Md.....	7,615	8,243	6,418
Danville, Va.....	5,810	6,536	5,722
Durham, N. C.....	32,002	22,908	29,605
Greensboro, N. C.....	13,899	17,064	11,484
Greenville, S. C.....	16,182	18,257	12,289
Hagerstown, Md.....	7,132	7,587	6,014
Huntington, W. Va.....	14,290	15,212	10,559
Lynchburg, Va.....	12,087	13,266	11,255
Newport News, Va.....	8,738	8,215	6,614
Norfolk, Va.....	37,898	42,374	36,515
Portsmouth, Va.....	3,286	3,301	2,818
Raleigh, N. C.....	25,527	33,698	18,816
Richmond, Va.....	140,181	121,183	129,281
Roanoke, Va.....	23,309	23,928	17,236
Spartanburg, S. C.....	7,294	7,015	5,612
Washington, D. C.....	202,971	212,140	166,841
Wilmington, N. C.....	8,717	8,445	8,408
Winston-Salem, N. C.....	30,355	31,980	26,956
District Totals.....	\$1,007,734	\$1,042,529	\$ 859,554

Debits to individual accounts figures shown in the table for three equal periods of four weeks include all checks drawn against depositors' accounts in the banks of twenty-four leading trade centers in the Fifth Federal Reserve district. Figures for the four weeks ended September 9, 1936, are included, and for comparison the corresponding figures for the preceding four weeks this year, ended August 12, 1936, and the same four weeks last year, ended September 11, 1935, are also listed.

Aggregate debits in the reporting cities declined \$34,795,000, or 3.3 per cent, in the latest four weeks, compared with figures for the preceding like period, only eight of the twenty-four cities showing higher figures. The cities reporting increased debits last month were Asheville, Charlotte, Durham and Wilmington, N. C., Charleston and Spartanburg, S. C., and Newport News and Richmond, Va. Spartanburg, S. C., is shown in both the monthly and yearly comparisons for the first time.

In comparison with debits to individual accounts figures for the four weeks ended September 11, 1935, the figures reported for the corresponding period this

year show an increase of \$148,180,000, or 17.2 per cent. All of the twenty-four cities reported higher figures for the 1936 period.

Commercial Failures

The Fifth district made a worse record in number of business failures in August in comparison with August 1935 failures than the National record, but in total liabilities involved in the insolvencies the district record was better than that for the United States as a whole. The district showed exactly the same number of failures in August 1936 as in August 1935, while for the country the number of failures declined 25.9 per cent. On the other hand, liabilities involved in August 1936 failures declined 69.4 per cent in the Fifth district and only 37.7 per cent in the Nation below total liabilities involved in August 1935 failures. Statistics for the district and the United States for several periods are shown in the accompanying table.

Period	Number of Failures		Total Liabilities	
	District	U. S.	District	U. S.
August 1936	38	655	\$ 294,000	\$ 8,271,000
August 1935	38	884	960,000	13,266,000
August, 1934	49	872	433,000	15,703,000
8 Months, 1936	336	6,608	\$5,541,000	\$105,348,000
8 Months, 1935	339	7,859	4,911,000	114,553,000
8 Months, 1934	488	8,319	6,872,000	184,052,000

Employment

No changes of importance occurred in employment fields during the past month. Conditions are much better than a year ago, with industrial plants running ahead of 1935 schedules, retail stores using more help, and building construction so active that laborers in certain skilled lines are scarce.

Coal Production

Bituminous coal production in the United States in August 1936 totaled 32,818,000 net tons, an average of 1,262,000 tons per working day, a seasonal increase over 32,054,000 tons mined in July this year and also a larger production than 26,164,000 tons dug in August 1935. Total production of bituminous coal this calendar year through August totaled 264,969,000 net tons, compared with 237,726,000 tons mined to the same date last year. The September 5 report of the Bureau of Mines, Department of the Interior, gave coal production by states for July. West Virginia led all states with 9,547,000 tons, Pennsylvania ranking second with 8,939,000 tons. Total production in the Fifth district in July was 10,598,000 tons, or 33.1 per cent of National production, compared with 7,441,000 tons, or 33.3 per cent of National production, mined in the Fifth district in July last year. Shipments of coal through Hampton Roads this calendar year through September 5 totaled 12,281,618 tons, compared with 12,255,009 tons shipped through the same period in 1935.

Textiles

Fifth district textile mills decreased operations about 5 per cent in August under July, but continued to run at a much higher rate than in August last year. In August 1936, Fifth district cotton mills consumed 271,480 bales of cotton, a decrease of 4.8 per cent under 285,140 bales used in July this year, but 37.6 per cent more than 197,293 bales consumed in the district in August 1935. Last month North Carolina mills consumed 146,433 bales, South Carolina mills used 111,304 bales, and Virginia mills 13,743 bales, all the figures exceeding those reported for August last year. Fifth district consumption figures in August 1936 were 47.3 per cent of National consumption, compared with 48.3 per cent of National consumption attained by the Fifth district mills in August last year.

On August 21, the Department of Commerce issued a report on spindles in place, spindles active in July, total spindle hours of operation in July, and average hours of operation per spindle in place in July. On July 31, 1936, there were 28,157,094 spindles in place in the United States, North Carolina leading with 6,051,744, or 21.5 per cent of the total, South Carolina ranking second with 5,756,438 spindles, or 20.4 per cent, and Massachusetts third with 4,388,176 spindles, or 15.6 per cent. The Fifth district as a whole had 44.2 per cent of total spindles in place in the United States at the end of July 1936. In actual spindle hours of operation, South Carolina led all states for July with 1,978,062,243 hours, or 25.2 per cent of the National total of 7,859,348,920 hours, and North Carolina ranked second with 1,792,202,298 hours, or 22.8 per cent, while Massachusetts had only 358,598,527 hours, or 10.9 per cent. The Fifth district, with 44.2 per cent of total spindles in place in the United States in July, showed 50.4 per cent of total hours of operation. In actual hours of operation per spindle in place, South Carolina with an average of 344 hours per spindle ranked second, North Carolina with 296 hours ranked fifth, and Virginia with 290 hours ranked sixth. The average hours of operation per spindle in place for the United States was 279 hours.

Cotton Statistics

Spot cotton prices declined during the second half of August, but in the first two weeks of September recovered and rose about \$4 per bale. Unofficial trade reports in the first week of September indicated that the cotton crop had deteriorated considerably in August, and the official report of the Department of Agriculture on September 8 confirmed the earlier opinion. The average price for middling grade cotton on ten Southern spot markets was quoted in last month's *Review* as 12.15 cents per pound on August 14. By August 28 the price had dropped to 11.54 cents, but then turned upward to 11.80 cents on September 4, and jumped to 12.32 cents on September 11, the last named increase following the official condition report released on September 8. The increase was not all sustained, however, and on September 18 the average price had declined to 12.12 cents per pound, the de-

crease being attributed in the trade to hedge selling against purchases of large volumes of spot cotton moving into trade channels.

The Department of Agriculture's second condition report of the season, issued on September 8 as of September 1, estimated production of cotton as 11,121,000 bales of 500 pounds gross weight, a decrease of 1,360,000 bales under the estimate of production made on August 1 but 483,000 bales above the 1935 crop of 10,638,000 bales. During August, moderate improvement in condition in the eastern part of the belt was much more than offset by damage to the crop caused by drought in the western portion. In the territory from Mississippi and Tennessee to western Texas and Oklahoma, very drastic deterioration occurred. The damage is most serious in Oklahoma and northwest Texas, where many fields are almost a complete failure. In the Fifth district the crop is in various stages of development, due to unfavorable weather during the first part of the season, and the final yield is unusually dependent on the date of the first killing frost. Weevil damage is relatively light in eastern cotton states, including the Carolinas and Virginia. South Carolina registered an increase of 119,000 bales in prospective yield during August, North Carolina prospects rose by 55,000 bales, and Virginia's estimate was raised by 4,000 bales. In comparison with the 1935 yield, the three Fifth district states show a combined decrease of 56,000 bales in prospective yield this year. The South Carolina crop for this year is now estimated at 705,000 bales, compared with 774,000 bales picked last year; the North Carolina yield this year of 556,000 bales compares with the 1935 crop of 572,000 bales; and Virginia's prospective yield of 29,000 bales compares with last year's yield of 30,000 bales. The Census Bureau reports that 1,373,868 bales of this year's crop were ginned prior to September 1, a slightly higher figure than 1,135,090 bales ginned before September last year.

Cotton consumption in the United States in August 1936 declined from the July figure, but was well above the figure for August 1935. Cotton used in American mills last month totaled 574,289 bales, compared with 603,203 bales used in July this year and 408,325 bales in August 1935. Manufacturing establishments held 752,219 bales on August 31, compared with 898,084 bales held on July 31 and 648,533 bales on August 31, 1935. Public warehouses and compresses held 4,336,724 bales in storage at the end of August this year, compared with 3,924,101 bales so held a month earlier and 5,895,412 bales on August 31 last year. August exports totaled 182,487 bales, compared with 156,262 bales sent abroad in July 1936 and 241,484 bales exported in August 1935. Spindles active at some time during August numbered 23,433,658, compared with 23,249,572 in July this year and 22,046,186 in August 1935.

Cotton growing states consumed 480,546 bales in August, compared with 504,321 bales used in July and 342,899 bales in August 1935. Last month's consumption in the cotton growing states amounted to 83.7 per cent of National consumption, a slightly higher figure than 83.6 per cent in July this year but less than 84.0

per cent in August last year. Of the 480,546 bales of cotton consumed in the cotton growing states in August, Fifth district mills used 271,480 bales, or 56.5 per cent, a lower figure than 57.5 per cent attained by Fifth district mills in August 1935.

Tobacco Marketing and Condition

South Carolina tobacco markets opened on August 13, with prices moderately above those of 1935. The South Carolina Commissioner of Agriculture reports producers' sales totaling 20,076,330 pounds of tobacco in August this year, at an average of \$22.78 per hundred pounds, compared with sales totaling 39,331,598 pounds at \$21.14 per hundred in August 1935. The market at Mullins led in sales in August with 7,397,936 pounds, Lake City ranked second with 4,514,222 pounds, and Timmons ville third with 2,682,780 pounds. On a basis of the September 1 condition, the South Carolina tobacco crop this year is estimated to be 68,250,000 pounds, an increase over the August 1 forecast of 65,975,000 pounds but about 32 per cent below the 1935 crop of 89,760,000 pounds, the decrease in comparison with last year being due both to reduced acreage and lower condition figures. This year's production is also below the five-year average yield of 75,918,000 pounds.

North Carolina border markets in the South Carolina belt opened on August 13, but markets in the New Bright belt, which opened in 1935 on August 26, did not open this year until September. North Carolina markets sold 20,317,795 pounds of tobacco for growers during the month, at an average price of \$23.51 per hundred pounds, compared with 32,473,000 pounds sold by the same markets in August 1935 for \$22.44 per hundred. All North Carolina markets which were open in August 1935 sold 52,106,822 pounds for an average price of \$21.26 per hundred pounds, but these figures included a week's sales by Bright belt markets. Fairmont led in August 1936 sales with 6,758,301 pounds, Lumberton being a very close second with 6,752,312 pounds. Fairmont led in average price paid with \$24.75 per hundred pounds, Lumberton again ranking second with \$23.64. The tobacco crop in North Carolina improved in condition during August, and the forecast of production was raised from 450,548,000 pounds on August 1 to 463,812,000 pounds on September 1. The crop in 1935 yielded 577,435,000 pounds, and the five-year average production was 469,135,000 pounds.

Growing tobacco improved in Virginia and Maryland last month, and remained unchanged in West Virginia. On the basis of September 1 condition, *Virginia* farmers expect to cure 93,863,000 pounds this year, compared with 104,765,000 pounds in 1935 and a five-year average of 98,409,000 pounds. *Maryland* growers will probably harvest 27,000,000 pounds, compared with 26,820,000 pounds last year and a five-year average of 24,318,000 pounds. *West Virginia's* crop is forecast to be 1,080,000 pounds in 1936, compared with 1,596,000 pounds last year and a five-year average of 4,224,000 pounds. The Fifth district total production of tobacco in 1936 is forecast to be 654,005,000 pounds,

compared with 800,376,000 pounds harvested last year and a five-year average production of 672,004,000 pounds.

Tobacco Manufacturing

The Commissioner of Internal Revenue issued a report on taxes collected in August 1936 on manufactured tobacco products. The report showed a reduction from the record figures of July, but output continued large. August production of cigarettes in the United States numbered 13,430,194,483, compared with 11,974,831,167 cigarettes manufactured in August 1935, and cigars manufactured rose from 422,281,685 in August 1935 to 445,975,527 in August 1936. On the other hand, smoking and chewing tobacco decreased from 27,311,032 pounds manufactured in August last year to 24,014,224 pounds in August this year, and snuff production decreased from 2,901,313 pounds to 2,741,396 pounds. In August 1936 taxes on cigarettes totaled \$40,291,761, compared with \$35,926,561 collected in the corresponding month last year, and cigar taxes rose from \$1,036,162 to \$1,089,043. Taxes on smoking and chewing tobacco fell during the same period from \$4,916,174 to \$4,322,632. Total receipts by the Federal Treasury on tobacco products rose from \$42,401,145 in August last year to \$46,196,886 in August this year.

Agricultural Notes

Crop prospects improved in all Fifth district states in August, and on September 1 average per acre yields of all crops combined compared favorably with the ten-year average figures. South Carolina crops are rated at 114, with average per acre yield during 1921-1930 as 100; North Carolina is rated 104, Maryland 99, Virginia 89, and West Virginia 79. South Carolina increased 15 points during August, North Carolina gained 7 points, Virginia 4 points, and Maryland and West Virginia 3 points each.

Maryland corn improved about 3 per cent last month, and on September 1 this year's production was estimated at 16,335,000 bushels, compared with last year's yield of 17,544,000 bushels and the five-year average of 14,431,000 bushels. Maryland is one of the few states in the country with a September 1 condition figure for corn above the five-year average. Tobacco improved during both July and August, and a prospective yield of 27,000,000 pounds exceeds both last year's crop of 26,820,000 pounds and the five-year average of 24,318,000 pounds. Over half of the tobacco crop was housed before September, and weather conditions have been favorable for curing. Hay production was very light in Maryland this year, and the estimate of 355,000 tons compares quite unfavorably with the 1935 yield of 532,000 tons and the five-year average cut of 454,000 tons. The white potato crop for 1936 is now estimated at 3,080,000 bushels, as compared with last year's production of 3,135,000 bushels and the five-year average of 3,339,000 bushels. The commercial early potato crop on the Eastern Shore was much larger than expected, but elsewhere yields varied from fair to

poor. There was considerable improvement in the late crop during August. Present indications point to an apple crop of 1,740,000 bushels, compared with 2,412,000 bushels picked last year and the five-year average of 2,053,000 bushels. There are some reports of poor sizing due to dry weather, and a few growers report codling moth injury.

Virginia crops are very irregular because rain throughout the summer was quite local and in nearly all counties there are small sections where crops are very poor. The best prospects are found in eastern, southern and southeastern districts, while the poorest are in parts of the northern and central districts. Although crops were planted much later than usual, harvest of corn and cotton was already under way by September 10, and a large part of the tobacco crop had been cured. Weather conditions in the first half of September were favorable for harvest work. Corn improved in August and the forecast of production of 29,946,000 bushels is about 8 per cent greater than on August 1, although still below the 1935 yield of 36,774,000 bushels. Many farmers report the best corn crop they have had for a number of years, while others state that the crop is almost a failure. Late hay improved sufficiently to raise the forecast of production to 575,000 tons, a gain of 6 per cent during the past month. However, this year's hay crop is only a little more than half the 1935 yield of 1,056,000 tons. Pastures are materially better than a month ago, but grass is still short and favorable weather will be needed during the remainder of the season to provide the usual fall grazing. The yield of oats turned out better than was expected, but the crop of 1,089,000 bushels is much below the 1935 yield of 1,640,000 bushels. The first forecast of the 1936 peanut crop, 144,400,000 pounds, is about 9 per cent less than 159,600,000 pounds gathered last year, but is nearly equal to the five-year average yield of 145,681,000 pounds. The peanut acreage is about the same as last year. Rains during the first ten days of September will probably improve peanut yield if growth is not stopped by unusually early frost. The condition of late white potatoes on September 1 was considerably below average, although there was some improvement in August. This year's yield of 7,380,000 bushels of potatoes compares with 11,340,000 bushels in 1935 and a five-year average production of 14,328,000 bushels. Sweet potatoes declined last month in the principal producing counties, and the September 1 forecast of 4,551,000 bushels is slightly below the August 1 forecast but is expected to be about 10 per cent larger than the 1935 crop of 4,180,000 bushels. Total apple production in Virginia this year is forecast at 8,228,000 bushels, compared with 16,695,000 bushels last year and the five-year average yield of 13,160,000 bushels. The commercial crop is 5,503,000 bushels, which is only 51 per cent of last year's crop of 10,710,000 bushels. Lack of sufficient moisture for the best growth was felt in most sections in August, and apples on the whole will be from 15 to 20 per cent smaller in size than last year. Scab damage has been very much less than last year, while damage from worms has been greater, especially in poorly sprayed orchards. Hail damage reduced the quality of the

crop for many growers. The commercial peach crop of 608,000 bushels compares with 774,000 bushels last year and the five-year average of 839,000 bushels. Growers reported that about 40 per cent of the peach crop was shipped by rail to markets, the rest of the crop going out by truck or being sold locally.

West Virginia corn prospects remained unchanged during August, and the September 1 forecast of 12,078,000 bushels was the same as a month earlier, but compared unfavorably with last year's yield of 14,872,000 bushels. The 1936 crop is larger than the five-year average yield of 11,054,000 bushels. Hay improved during the past month, and the September 1 forecast of 493,000 tons was higher than the August 1 estimate, but smaller than either the 1935 crop of 750,000 tons or the five-year average cut of 631,000 tons. Pastures showed a condition of 56 per cent on September 1, an improvement over 45 per cent on August 1 but far below 90 per cent a year ago. Potatoes remained unchanged between August 1 and September 1. The forecast on the latter date of 2,079,000 bushels compares with 3,145,000 bushels in 1935 and the five-year average of 3,445,000 bushels. The total apple crop of West Virginia is estimated at 4,180,000 bushels this year, compared with 5,610,000 bushels last year and the five-year average yield of 6,947,000 bushels. The commercial apple crop is expected to be 2,736,000 bushels in 1936, compared with 3,060,000 bushels in 1935. This year's peach crop yielded 120,000 bushels, compared with 300,000 bushels last year and the five-year average production of 492,000 bushels.

North Carolina weather conditions were favorable for crop development in August, and prospects improved so much that some crops now promise larger yields than the five-year average. Corn, which was very poor two months ago, is now forecast to produce 44,918,000 bushels, about 95 per cent of last year's yield of 47,082,000 bushels and above the five-year average crop of 38,415,000 bushels. Hay improved steadily during the summer months, and pastures are about equal to those a year ago. A total hay yield of 622,000 tons is indicated, compared with 694,000 tons in 1935 and a five-year average cut of 565,000 tons. Peanuts show a better condition than last year, although the stand is somewhat broken and fields are grassy. Production of 278,300,000 pounds is indicated for 1936, compared with 264,500,000 pounds last year and a five-year average yield of 246,206,000 pounds. The late white potato crop is located in the western part of the State where drought conditions were most extensive, and therefore the late crop has the lowest condition figure since 1924. The total white potato crop in North Carolina is estimated at 5,904,000 bushels, compared with 9,095,000 bushels last year and the five-year average of 7,540,000 bushels. Sweet potatoes on September 1 showed about average condition. This year's yield of 8,360,000 bushels is lower than the 1935 yield of 9,300,000 bushels, but exceeds the five-year average yield of 7,141,000 bushels. August weather was not favorable for fruit, and little improvement was noted. This year's apple crop is forecast at 2,220,000 bushels, only about 56 per cent of the 1935 crop of 3,975,000 bushels. Peaches produced 1,800,000

bushels in 1936, compared with 2,400,000 bushels in 1935.

South Carolina crops improved more during August than the crops in any other state in the Fifth reserve district. Estimates of production were increased over August 1 figures for corn, cotton, tobacco, white potatoes, sweet potatoes, apples and peaches. Corn production of 21,671,000 bushels this year is smaller than 1935 production of 23,150,000 bushels, but exceeds the five-year average yield of 20,240,000 bushels. This year's white potato crop of 1,691,000 bushels compares with 1,890,000 bushels last year and an average yield of 2,748,000 bushels, while the 1936 yield of 4,760,000 bushels of sweet potatoes compares with 6,120,000 bushels in 1935 and the five-year average of 4,648,000 bushels. Hay prospects in South Carolina are slightly better than last year, and this year's yield of 223,000 tons exceeds both last year's cut of 221,000 tons and the five-year average crop of 179,000 tons. A peanut crop forecast at 8,905,000 pounds is far below the 1935 production of 11,200,000 pounds, but is above the average production of 8,398,000 pounds. Peaches totaled 1,525,000 bushels this year, compared with 1,781,000 bushels last year and the five-year average of 1,205,000 bushels. South Carolina is not an important apple growing state, and this year's crop totaled only 216,000 bushels.

Construction

Building Permits Issued in August 1936 and 1935

Cities	Permits Issued		Total Valuation	
	1936	1935	1936	1935
Baltimore, Md.....	829	809	\$1,420,080	\$1,015,200
Cumberland, Md.....	19	10	32,529	17,925
Frederick, Md.....	12	12	23,750	18,255
Hagerstown, Md.....	24	16	100,825	26,685
Salisbury, Md.....	—	—	13,450	3,500
Danville, Va.....	24	22	33,300	23,175
Lynchburg, Va.....	36	28	58,375	27,840
Norfolk, Va.....	111	132	186,955	202,640
Petersburg, Va.....	2	1	6,800	1,400
Portsmouth, Va.....	41	27	39,970	23,750
Richmond, Va.....	129	120	413,552	258,598
Roanoke, Va.....	40	39	65,185	52,219
Bluefield, W. Va.....	14	10	36,625	18,005
Charleston, W. Va.....	124	147	183,589	108,372
Clarksburg, W. Va.....	31	74	41,693	93,744
Huntington, W. Va.....	20	21	55,060	21,985
Asheville, N. C.....	87	24	46,183	22,454
Charlotte, N. C.....	146	82	205,846	99,982
Durham, N. C.....	43	47	105,565	116,635
Greensboro, N. C.....	89	54	327,097	85,193
High Point, N. C.....	64	43	45,574	122,318
Raleigh, N. C.....	35	19	64,275	53,571
Rocky Mount, N. C.....	13	9	109,870	11,600
Salisbury, N. C.....	5	8	12,925	27,535
Winston-Salem, N. C.....	137	65	151,230	71,826
Charleston, S. C.....	63	57	37,255	37,824
Columbia, S. C.....	49	49	145,617	86,248
Greenville, S. C.....	54	32	107,325	70,150
Rock Hill, S. C.....	28	11	37,265	24,240
Spartanburg, S. C.....	22	25	13,565	15,780
Washington, D. C.....	631	625	2,906,180	1,811,680
District Totals.....	2,922	2,618	\$7,081,510	\$4,570,329

Building permits issued in August in thirty-one leading cities of the Fifth reserve district numbered 2,922, compared with 2,618 permits issued in August 1935, an increase of 11.6 per cent this year, and estimated valuation figures for last month totaled \$7,081,510, an increase of 54.9 per cent in comparison with valuation figures totaling \$4,570,329 in August last year. Twenty-four of the thirty-one cities showed higher valuation figures for the 1936 month. Of the five largest cities, Baltimore, Washington, Richmond, Norfolk and Charlotte, all increased except Norfolk.

Contracts awarded in August for construction work in the Fifth district, including both rural and urban projects, totaled \$28,273,600, compared with \$23,273,287 awarded in August 1935, according to figures collected by the F. W. Dodge Corporation. Of the awards in August this year, \$8,934,500, or 31.6 per cent, was for residential work, while last year residential contracts totaled \$5,340,632, or 22.9 per cent of all awards in August.

Retail Trade, 30 Department Stores

	Richmond	Baltimore	Washington	Other Cities	District
August 1936 sales, compared with sales in August 1935:	+ 8.2	+ 2.0	- 4.7	+11.8	+ .6
Total sales Jan.-Aug. 1936, compared with Jan.-Aug. 1935:	+ 9.6	+ 6.1	+10.9	+12.9	+ 9.3
Aug. 31, 1936, stocks, compared with stocks on Aug. 31, 1935:	+15.1	+ 7.5	+14.3	+ 3.9	+10.7
Aug. 31, 1936, stocks, compared with stocks on July 31, 1936:	+ 5.5	+12.1	+ 9.4	+ 9.1	+ 9.9
Number of times stock was turned in August 1936:	.299	.265	.313	.326	.295
Number of times stock was turned since January 1, 1936:	2.48	2.438	2.895	2.512	2.639
Percentage of Aug. 1, 1936, receivables collected in August:	29.9	27.2	23.3	26.0	25.4

Note: Sales and stock are percentages.

Wholesale Trade, 54 Firms

	19	7	6	11	11
	Groceries	Dry Goods	Shoes	Hardware	Drugs
August 1936 sales, compared with sales in August 1935:	+ 4.5	+25.5	+12.8	+12.2	+ 7.8
August 1936 sales, compared with sales in July 1936:	- 8.7	+52.6	+103.7	+10.5	- 2.5
Total sales 8 mos. of 1936, compared with 8 mos. of 1935:	+ 8.4	+17.2	+ 6.7	+ 9.6	+ 6.5
August 31, 1936, stocks, compared with August 31, 1935, stocks:	+11.0(8*)	+ 7.0(3*)	+ 6.4(4*)	+10.7(7*)
August 31, 1936, stocks, compared with July 31, 1936, stocks:	+ 9.7(8*)	- 2.4(3*)	- 8.2(4*)	+ 1.5(7*)
Percentage of collections in August to receivables on Aug. 1:	113.4(12*)	42.0(4*)	35.1(5*)	44.0(11*)	71.5(7*)

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

(Compiled September 21, 1936)

BUSINESS CONDITIONS IN THE UNITED STATES

(Compiled by the Board of Governors of the Federal Reserve System)

Industrial activity increased seasonally in August, and there was a substantial increase in factory employment and payrolls. Commodity prices, which had advanced for three months, showed little change after the middle of August.

Production and Employment

The Board's index of industrial production, which makes allowance for usual seasonal movements, remained unchanged in August at 107 percent of the 1923-1925 average. Output of steel increased by more than the seasonal amount and the higher level was maintained in the first three weeks of September. Production of automobiles was sharply reduced as plants were closed for inventory taking and for mechanical changes in connection with the introduction of new models. Output of nondurable manufactures increased further in August, reflecting chiefly continued expansion in activity at textile plants and shoe factories. At bituminous coal mines output increased less than is usual at this season and at anthracite mines production declined. Output of petroleum showed an increase.

Factory employment rose further between the middle of July and the middle of August by an amount larger than is usual at this season. There were substantial increases in working forces at establishments producing textiles and wearing apparel and smaller increases in most other lines, partly offset in the total by a decline in employment in the automobile industry. Factory payrolls increased.

Value of construction contracts, which had increased sharply in July, declined somewhat in August, according to the figures of the F. W. Dodge Corporation. The value of non-residential projects was smaller than in July but larger than in other recent months. Residential building increased considerably, reflecting a marked increase in contracts for apartments, several of which were publicly-financed projects. Awards for single-family houses, which have accounted for most of the increase in residential building during the past year and a half, showed little change in August.

Agriculture

Department of Agriculture crop estimates based on September 1 conditions were about the same as the estimates made a month earlier, except for a sharp decline in prospects for cotton. Prospective output of leading crops, with the exception of cotton and winter wheat, is considerably smaller than last year, but, in comparison with the drought year 1934, it is larger, except for corn and potatoes.

Distribution

Freight-car loadings of most classes of commodities showed about the usual seasonal increase from July to August. Shipments of grain, however, declined sharply and the increase in total loadings was less than seasonal. Department store sales increased by less than the usual amount and the Board's seasonally adjusted index was 86 percent of the 1923-1925 average as compared with 91 percent in July and 87 percent in June.

Commodity Prices

Wholesale commodity prices showed little change between the middle of August and the third week of September, following three months of advance. Prices of steep scrap and chemicals and drugs continued to advance and there were also increases in the prices of hides and non-ferrous metals. There was a seasonal decline in hog prices. Cotton, which advanced in price early this month at the time of the official crop report, declined after the middle of the month.

Bank Credit

Demand deposits of reporting member banks in leading cities increased somewhat further in the four weeks ending September 16, reflecting gold imports, Treasury expenditures, and an increase in bank loans. Growth in loans was principally in so-called "other" loans, which include loans to customers for agricultural, commercial, and industrial purposes. These loans are now at the highest level since early in 1933. Loans to security dealers showed an increase, as is usual, prior to flotation of the new issue of Treasury bonds on September 15. A part of the new Treasury issue was purchased by reporting banks, principally by drawing upon their balances with the Reserve banks.

Largely as a consequence of payments to the Treasury excess reserves of member banks showed a decrease of \$280,000,000 in the week ending September 16. This decline followed an increase of nearly \$200,000,000 in the preceding three weeks, when the Treasury was reducing its deposits with the Reserve banks. Since early in August there has been a renewed inflow of gold and the country's monetary gold stock has increased by about \$100,000,000 in the past month.