

Monthly Review

FEDERAL RESERVE BANK OF SAN FRANCISCO

AUGUST 1943

The Third War Loan Drive

FIFTEEN billion dollars—to be borrowed without calling upon the banking system for subscriptions—is the unprecedented goal of the Third War Loan Drive which opens September 9. This is the first drive in which no securities will be offered to commercial banks. A separate offering of securities for which banks may subscribe, however, is expected in October. Fifteen billion dollars, which must be supplied out of the bank deposits and currency holdings of individuals, insurance companies, business corporations, and other non-deposit-creating institutions, is nearly twice as much as the amount borrowed from non-bank sources in the December drive, and 11 percent more than the amount obtained from those sources in April. But fifteen billion dollars is also only one-seventh of estimated Federal expenditures, and less than one-fourth of the estimated net increase in the public debt, for the 1943-44 fiscal year. The securities to be offered in the drive include Series E, F, and G War Bonds, Series C Savings Notes, $2\frac{1}{2}$ percent bonds of 1964-69, 2 percent bonds of 1951-53, and $\frac{7}{8}$ percent certificates of indebtedness.

The Pattern of Treasury Securities Offerings

With the announcement of the terms of the Third War Loan Drive, the program adopted by the Treasury in its borrowing operations falls into three parts. First, there is the continuous offering of War Bonds, providing individuals with the opportunity to invest regularly in small denomination securities through payroll deduction programs and by direct purchase. Second, there are large-scale and intensive drives, some months apart, during which funds are sought from all types of investors except commercial banks. Issues offered during these drives, in addition to the War Bonds, are adapted to the requirements of larger investors. Third, there are offerings of issues in which banks as well as other buyers may participate, including the weekly issue of 91-day Treasury bills and intermittent issues of other securities (at times other than during war loan drives) with maturities ranging up to 10 years.

Importance of Purchases of Securities by Individuals

In its borrowing, the Treasury is confronted with the task, not merely of raising money, but of raising it in

such a way that inflationary pressures will be curbed as much as possible. Consumer incomes have increased markedly since 1939. Much of this increase has been the inevitable accompaniment of the mobilization and use of all available resources in production, reflected in the increase in numbers of employed and of longer hours of work, to cite only two examples. This expansion in incomes has occurred, however, at a time when the necessities of war have curtailed the volume of goods and services available for purchase by civilians. Basically, these two developments are the source of the current pressure upon prices.

Income payments to individuals in June were estimated by the Department of Commerce to have been at an annual rate of 142 billion dollars and for the entire calendar year 1943 will probably total 142 billion. The value of the available supply of consumer goods and services during the year, at present prices, is estimated at about 88 billion dollars. After payment of direct taxes of approximately 17 billion dollars, disposable income of consumers will exceed the goods and services available by some 37 billion.

The more the increased incomes of the public as a whole may be diverted from the stream of civilian spending, the more effectively may pressure upon prices be held in check. Taxation and savings are the two major means by which this diversion may be accomplished. Federal taxes have increased but collections still fall far short of absorbing any large portion of the expanded incomes of the public. The urgency of increased saving by the public for investment in Government securities is readily evident and explains the emphasis upon sales of Government securities to investors other than commercial banks, especially to individuals. Purchases of securities by commercial banks do not absorb funds of the public available for expenditure but lead directly to the creation of additional funds.

Increased saving for investment in Government securities by individuals does not only provide the Treasury with more money for war expenditures. It also reduces demand for goods; it thereby makes easier the maintenance of price ceilings, and checks price increases which would detract from the war effort and reduce the purchasing power of incomes and savings.

★ *Back the Attack* ★ *Buy War Bonds* ★

Production, Processing, and Retail Sales of Foods—Twelfth District

Farm Production of Foods

FARM production of foods in the United States during 1943 will exceed that of a year earlier by a small margin, according to recent estimates of the United States Department of Agriculture. In the aggregate, food crops are expected to yield about 10 percent less than in 1942, but this reduction will be more than offset by increased production of livestock and livestock products. Crop and livestock prospects in the Twelfth District are broadly similar to those for the United States as a whole. Current estimates of 1943 production of major field and fruit crops grown in this area together with data for earlier years are shown in the accompanying table.

Twelfth District Field Crop Prospects

Although above the 1932-41 annual average, output of the principal feed grains, barley, corn and oats, is expected to be below that of a year earlier in the District and in the United States. The District hay crop will probably be about the same as last year and slightly above the 1932-41 average. With the increase in numbers of livestock on farms, the need for feeds has been increased and greater use is being made of wheat as feed. Reduced wheat production, both in the District and in the country as a whole, reflects earlier efforts by the Agricultural Adjustment Administration to check surplus production by inducing farmers to curtail this crop and to utilize land and facilities so released to grow other products. With the increased use of wheat as feed and with expanding foreign demand, however, the wheat surplus is

being reduced and as a result the national wheat production goal in 1944, recently announced, calls for a 25 percent increase over this year's acreage.

In addition to the decline in grains, production of sugar beets in 1943 is expected to be little more than half the total produced in the Twelfth District in 1942 and is considerably below the average for the years 1932-41. This reduction reflects both smaller acreage and lower yields per acre. National production is also expected to show a considerable decline from a year earlier and to be well below the long term average.

On the other hand, marked further expansion is expected in farm production of flaxseed, potatoes, and dried beans and peas, both in the District and in the country as a whole. Flaxseed is a relatively new crop in the Twelfth District, but some 328,000 acres were devoted to its production this year and output is expected to be 41 percent above that of 1942. An increase of 39 percent over a year earlier and of 70 percent over the 1932-41 annual average is expected in the potato crop. The rice crop in California and elsewhere in the country will be somewhat above that of a year earlier and 50 percent above the long term average, if current prospects are realized.

Major Fruit Crop Estimates

Current estimates indicate a lower output of most fruits this year than in 1942, both in the Twelfth District and in the country as a whole. Production of all deciduous fruits except grapes and prunes is expected to be below that of 1942 in the seven western states.

ESTIMATED PRODUCTION OF PRINCIPAL TWELFTH DISTRICT CROPS IN 1943
(in thousands)

Field Crops	1932-41 Average		1942		1943		1943 Estimates as Percentage of 1942 Output	
	12th Dist.	U. S.	12th Dist.	U. S.	12th Dist.	U. S.	12th Dist.	U. S.
Barley (bushels).....	48,110	243,373	89,004	426,150	78,637	353,982	88	83
Corn (bushels).....	8,431	2,349,267	9,421	3,175,154	7,818	2,706,552	83	85
Dry beans (bags).....	5,819	14,325	7,139	19,608	7,939	22,021	111	113
Dry peas (bags).....	2,091	2,617	6,309	7,160	8,603	9,689	136	135
Flaxseed (bushels).....	1,428 ¹	14,226	3,972	40,660	5,608	53,008	141	130
Hay, all tame (tons).....	12,124	73,277	12,926	92,245	13,086	88,483	101	96
Oats (bushels).....	27,579	1,018,783	35,948	1,358,730	32,961	1,242,255	92	91
Potatoes (bushels).....	59,309	363,332	72,077	371,150	100,131	434,942	139	117
Rice (bushels).....	8,409	47,334	11,592	66,363	12,597	71,838	109	108
Sugar Beets (tons).....	3,328	9,834	3,981	11,643	2,179	7,378	55	63
Sweet Potatoes (bushels).....	1,274	69,291	1,500	65,380	1,680	82,975	112	127
Wheat (bushels).....	111,452	738,412	111,856	981,327	100,002	790,823	89	81
Fruit Crops								
Apples (bushels).....	42,887	121,788	38,195	128,597	34,872	93,135	91	72
Apricots (tons).....	250	250	228	228	113	113	50	50
Cherries (tons).....	68	150	90	196	78	127	86	65
Grapes (tons).....	2,132	2,354	2,179	2,402	2,449	2,622	112	109
Grapefruit (boxes) ²	3,273	24,383	6,594	40,294	5,124	50,224	78	125
Lemons (boxes) ²	8,815	17,236	11,753	11,753	15,120	15,120	129	129
Oranges (boxes) ²	37,457	57,829	52,192	84,534	44,362	88,902	85	105
Peaches (bushels).....	25,241	55,392	32,074	66,380	28,301	43,042	88	65
Pears (bushels).....	19,432	27,938	20,884	30,717	19,139	23,130	92	75
Plums (tons).....	64	69	72	77	65	69	90	90
Prunes (fresh basis, tons) ³	147	147	113	113	118	118	104	104
Prunes (dried basis, tons) ⁴	195	195	171	171	191	191	111	112
Livestock Products								
Eggs (in millions) ⁵.....	..	..	2,298	29,263	2,517	33,404	110	114
Lamb crop.....	8,023	30,172	7,790	32,604	7,149	31,101	92	95
Spring pig crop.....	1,230	45,256	1,746	60,946	1,962	74,050	112	122
Milk (million lbs.) ⁵.....	..	55,488 ¹	..	61,663	..	61,661	..	100

¹ Average for 1937-41 only.

² Crop years begin October 1, of year previous to that indicated.

³ Oregon and Washington.

⁴ California.

⁵ Production for first half year only.

Source: United States Department of Agriculture.

Commercial production of apples will be below that of a year earlier and lower than the 1932-41 average by about 19 percent in the District and 24 percent in the United States. The apricot crop, grown commercially only in the Pacific Coast states, is estimated to be only half as large this year as in 1942 and less than half the annual average during 1932-41. The District peach crop will be smaller than a year earlier but above the long term average. The estimated decrease in this crop for the rest of the country is considerably larger than for the Twelfth District. Orange and grapefruit production in this area is well below that of last year but the decline is more than offset by increased output in other citrus producing areas. The lemon crop, which is grown entirely in California, is expected to be 29 percent larger than in 1942.

Expansion in Livestock on Farms

The numbers of livestock on farms, with the exception of sheep, have increased both in the District and in the country as a whole. Egg production in the Twelfth District during the first half of 1943 was 10 percent larger than in the like period of the preceding year and a somewhat larger gain was reported for the remainder of the United States. The spring pig crop also showed a marked gain and milk production continued at the increased levels of the preceding year.

Food Processing and Distribution

The output of processed and manufactured foods in the District has been somewhat smaller on the whole during recent months than a year earlier. Declines have not been general among all industries; activity in the bread and bakery products industry, for example, is at record levels. Decreases have been evident, however, in industries which provide approximately three-quarters of the employment in the entire food processing and manufacturing group. Among the factors contributing to this reduced activity are shortages of materials, notably of some deciduous fruits (and later in the season, of sugar beets); the necessity of conserving critical mate-

rials, such as tin; difficulties in obtaining labor, especially in seasonal operations; and particular price situations and relationships.

Fruit, Vegetable, and Fish Canning

Canning and preserving of fruits, vegetables, and fish is the major food processing industry in the Twelfth District, having accounted for 36 percent of all employees in food processing and 9 percent of all employees in manufacturing in the area in 1939. All or a substantial proportion of the United States packs of many products are canned in this area, as indicated in the accompanying table.

PERCENTAGES OF TOTAL DOMESTIC PACKS OF
CANNED FRUITS, VEGETABLES, AND FISH
PRODUCED IN THE TWELFTH DISTRICT, 1940-42 INCLUSIVE

Fruits		Vegetables—Continued	
Cling peaches.....	100	Tomatoes and Tomato Products	31
Apricots	100	Peas	24
Plums ¹	97	Green Beans	21
Freestone peaches	90	All Other	10
Pears	89	Total	24
Figs	82	Fish ²	
Apples	34	Salmon ³	100
Cherries	29	Tuna	100
All Other	27	Mackerel	90
Total	49	Sardines ⁴	65
Vegetables		All Other	19
Asparagus	66	Total	76
Spinach	37		

¹Includes Italian prunes.

²Percentages based upon packs in 1940, 1941, or both years.

³Includes Alaska pack.

⁴Twelfth District pack comprises pilchards only.

Fruit and vegetable canneries operated through July at levels considerably lower than in 1942. In the four months ending with July, months in which the bulk of the spinach, asparagus, cherry and apricot packs are canned, wage-earner employment in California canneries averaged 23 percent lower than in the like months of 1942. Trade sources estimate the spring pack of spinach in California at 2,000,000 cases, somewhat smaller than the quota of 80 percent of the 1942 pack of 2,685,000 cases allowed by WPB Conservation Order M-81. Canned asparagus output, on which no limit was placed, is estimated to be 8 percent lower than the large pack of 2,258,000 cases last year. The average for the preceding three years was 1,870,000 cases. Primarily as a result of the short crop of apricots but also of efforts to divert a large share of available fruit to drying yards, the canned pack of this fruit is estimated to have declined to approximately 1,000,000 cases, compared with 2,998,000 cases in 1942 and an average of 3,075,000 cases in the preceding three years.

No restrictions have been placed on the canning of peaches, pears, and other fruits and vegetables processed in large volume in the District. In fact, to increase the output of canned California cling peaches, the War Food Administration issued an order on July 14 prohibiting shipments of fresh cling peaches out of that state. A second order was issued on July 19 restricting the shipment of fresh Bartlett and Buerre Hardy pears from the three Pacific Coast states. Information available at this

Production and Employment—

Index numbers, 1923-25 average=100	With Seasonal Adjustment				Without Seasonal Adjustment			
	1943				1943			
	June	May	Apr.	June	June	May	Apr.	June
Industrial Production ¹	p139	p134	129	145	p159	p155	133	165
Lumber ²	—	—	—	—	194	188	196	173
Refined Oils	145	162	159	183	165	170	167	208
Cement	130	133	152	151	115	117	134	133
Wheat Flour	—	—	—	—	118	117	117	99
Petroleum	p385	389	383	297	p413	396	396	319
Electric Power								
Factory Employment and Payrolls ³								
Employment								
Pacific Coast	337	339	258	—	342	339	262	—
California	411	403	403	300	412	405	399	300
Oregon	277	284	224	—	288	289	232	—
Washington	236	240	193	—	245	247	201	—
Payrolls								
Pacific Coast	612	615	398	—	629	622	410	—
California	713	704	702	446	726	714	703	454
Oregon	495	524	361	—	529	534	379	—
Washington	479	477	316	—	503	496	332	—

¹Daily average.

²Converted to 1935-39 base.

³Excludes fish, fruit, and vegetable canning.

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time, however, suggests that packs of these fruits will be somewhat smaller than the 12,902,000 cases of canned cling peaches and 5,671,000 cases of pears packed in California, Oregon, and Washington last year. Along with smaller crops, labor shortages both in the fields and at canneries are factors in this outlook.

Stocks of canned fruits and vegetables in the hands of California canners on July 1 were considerably smaller than in prior years, as may be seen from the accompanying table. These smaller inventories, reduced packs, and the requirement under Order 22.4 of the Food Distribution Administration that canners set aside quantities of their current packs equivalent to fixed percentages of their last year's packs for delivery to Government agencies, will all affect the volume of canned products which will be available to civilian consumers during the current year.

CANNERS SOLD AND UNSOLD STOCKS OF
MAJOR CALIFORNIA CANNED FRUITS AND VEGETABLES
(July 1 figures—thousands of cases)

Fruits (No. 2½ can basis)	1943 ¹	1942 ¹	1937-41 Average
Apricots	103	276	762
Cherries	5	16	60
Fruit Cocktail	239	653	651
Fruits for Salad	81	46	226
Peaches, Cling	768	792	2,656
Peaches, Freestone	63	165	244
Pears	159	244	306
Total	1,418	2,192	4,905
Vegetables (Actual cases)			
Asparagus ²	220	307	424
Spinach ²	57	183	267
Tomatoes	310	543	1,085
Tomato Products	1,290	1,390	2,077
Total	1,877	2,423	3,853

¹Exclusive of stocks sold to U. S. Government.

²March 1 figures.

Source: Canners League of California.

The pack of canned fish on the Pacific Coast will be larger this year than last but will be somewhat below the average for other recent years. The Alaska salmon pack, usually more than half completed by the end of July, totaled nearly 3,200,000 cases on July 31, 5 percent less than the average pack to that date during the past six years but 50 percent greater than in 1942. Many of the operating difficulties resulting from shortages of equipment and labor in 1942 were lessened this year to some extent by concentrating production in fewer plants. By June 30, the tuna pack in California, ordinarily about one-third complete by that date, was approximately one-third larger than in the first half of 1942. Output, however, was 44 percent lower than average production during the preceding three years. During the first half of 1942, canned mackerel production was 25 percent lower than a year earlier and 58 percent below the previous three year average. Government "set-aside" quotas of canned fish packed from April 1, 1943 to February 29, 1944, are 54-56 percent by weight of salmon, sardines, and mackerel, and 59-61 percent of tuna.

Meat Packing

Reflecting sharply increased consumer purchasing power as well as military and lend-lease demands, District production of beef, veal, lamb, and pork reached

record levels in 1942. Despite orders limiting output for civilian consumption during the final quarter of 1942, total meat demand exceeded the supply and livestock prices were bid up to high levels. The limit to which packers, confronted by ceilings on the prices they could charge for dressed meat, could bid up livestock prices, was soon reached, however, and livestock producers and feeders began to withhold meat animals from the market. As a result inspected slaughtering, particularly of cattle and calves, declined substantially during the first seven months of 1943. District production of beef was 26 percent lower than in the like 1942 period, veal 29 percent, pork 6 percent, and lamb and mutton 6 percent.

Manufactured Dairy Products

Although milk production during the first half of 1943 was approximately at the record level of a year earlier, District output of manufactured dairy products has shown some decline from 1942 levels owing to increased consumption of fresh milk. Output of butter, of which producers were required to set aside 50 percent for Government use in May, June, and July (to be reduced to 30 percent in the following three months), was 10 percent lower than in 1942. This indicates that the volume of butter from 1943 production available to civilians under rationing was 55 percent below 1942 levels. Cheese production has declined more than butter output, and producers were required to set aside for Government use 70 percent of their production in May, June, and July (60 percent in August and September and 50 percent in October).

Production of condensed milk is limited during 1943 to 100 percent of the 1942 pack, while the output of evaporated milk, except in eight pound cans, is limited to less than the 1942 pack. Rationing was extended to condensed and evaporated milk, effective June 2, to conserve limited supplies. Civilian consumption per capita is expected to go down 40 percent during the last half of 1943.

Flour Milling

Reflecting heavy Government orders, District flour output during the first half of 1943 was higher than in any comparable period of record, totaling 7.3 million barrels compared with 6.3 million barrels in the first half

Distribution and Trade—

Index numbers, 1935-39 daily average=100	With Seasonal Adjustment				Without Seasonal Adjustment			
	1943		1942		1943		1942	
Retail Trade	June	May	Apr.	June	June	May	Apr.	June
Dept. Store Sales (Value)								
Twelfth District.	p199	187	190	149	p184	180	188	137
Southern California.	p198	192	191	143	p182	182	187	133
Northern California.	p179	166	170	136	p165	160	167	125
Portland	p203	194	205	156	p194	188	201	149
Western Washington.	p245	224	223	195	p227	218	231	181
Eastern Washington and Northern Idaho.	p183	167	170	132	p173	165	176	125
Phoenix	p235	204	210	164	p200	209	220	139
Carloadings (number) ¹								
Total	p107	116	103	110	p115	117	100	119
Merchandise and Misc.	p123	127	112	115	p131	120	105	122
Other	p 85	101	93	104	p 95	114	94	116

¹1923-25 daily average = 100.

p Preliminary.

of 1942. Mill operations, however, declined sharply from a high of 82 percent of capacity in February to an average of 64 percent in May and June. The decline was attributable largely to completion of Government orders. The small volume of export business to Latin America was cut off with the expiration and non-renewal of subsidy payments to exporters on June 30.

Sugar Refining

Refined sugar is produced in the Twelfth District from raw cane sugar imported from Hawaii and from sugar beets grown in five of the seven Western states. Both types of sugar are manufactured throughout the year. About three-fourths of the beet sugar is produced during the final quarter of each year while cane sugar refinery operations, except for a seasonal dip in the winter, are more general throughout the year. Thus far in 1943, cane sugar output has been moderately above normal, indicating increased receipts of raw cane sugar under allotments granted by the War Food Administration. Allotments for the 33 months ending September 30, 1944 have been set at levels which indicate further increases in refinery output of approximately 20 percent during the ensuing twelve months. The 1943 acreage of sugar beets planted in Twelfth District states is the smallest in 13 years, however, and indications are for a sharply curtailed refinery output not only of beet sugar

but of beet and cane sugar combined. Early in August one of the larger District beet sugar concerns announced that three of its plants would be closed during the 1943 season owing to the pending shortage of sugar beets.

Retail Food Sales

Food store sales in the Twelfth District have risen at an increasing rate since 1939. During the first half of 1943 sales of grocery, meat, and other food stores are estimated to have totaled 835 million dollars, a gain of 69 percent over the corresponding level of 1939.

ESTIMATED FOOD STORE SALES—TWELFTH DISTRICT

First Six Months	Value	Percentage Year-Period	Increase—Cumulative
1939	\$495,000,000	..	..
1940	496,000,000	0	0
1941	528,000,000	6	7
1942	621,000,000	18	25
1943	835,000,000	34	69

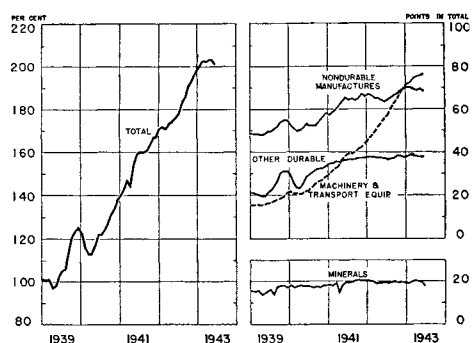
The major part, perhaps 80 percent, of the increase in the value of sales from 1939 to 1943 reflects higher prices, the balance of the increase being accounted for by increased volume. The increase in the quantity sold appears to be greater than the increase in civilian population of the District and suggests that per capita purchases of food were larger in the first half of 1943 than in the first half of 1939 despite curtailment in purchases of certain foods, such as meat.

Retail Food Prices

Retail prices of food in major Pacific Coast cities increased 41 percent, or nearly 2 percent per month, from January 1941 through December 1942. They continued to increase during the first six months of 1943, but at a reduced rate, and in June were 47 percent higher, as a whole, than in January 1941. This increase was followed by a substantial reduction in July, when food costs dropped to a level 42 percent above that in January 1941. Retail food prices in San Francisco, measured by the indexes prepared by the United States Bureau of Labor Statistics, declined from 149.8 in June to 145.7 in July; in Los Angeles from 146.8 to 142.4; in Seattle from 146.6 to 140.9; in Portland from 152.1 to 145.7; and in Salt Lake City from 144.1 to 142.2.

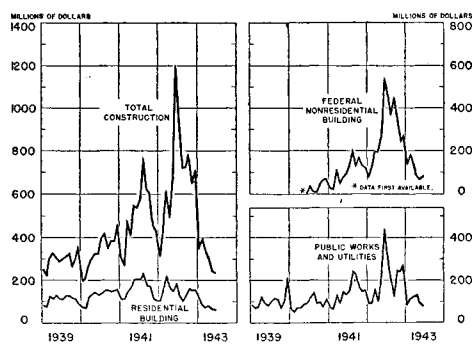
Banking and Credit—

Averages of Wednesday figures (millions of dollars)	1943 July	Change From		
		1943 June	1943 May	1942 July
Condition Items of Weekly Reporting				
Member Banks				
Total loans	915	—16	— 51	— 157
Comm'l. ind. & agric. loans....	441	+ 3	+ 1	— 47
Loans to finance securities transactions	43	— 1	— 27	+ 1
Real estate loans	329	— 9	— 13	— 48
All other loans	102	— 9	— 12	— 63
Total investments	3,283	+84	+168	+1,574
United States Government securities	2,984	+89	+177	+1,561
All other securities	299	— 5	— 9	+ 13
Adjusted demand deposits	2,417	+39	+172	+ 758
Time deposits	1,218	+29	+ 48	+ 137
United States Government deposits.	426	—44	—134	+ 335
Coin and Currency in Circulation				
Total (changes only)	—	+69	+136	+ 723
Fed. Res. notes of F. R. B. of S. F.	1,563	+62	+131	+ 647
Member Bank Reserves	1,304	+ 7	+ 61	+ 255



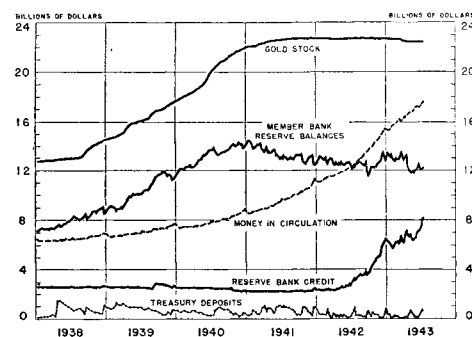
INDUSTRIAL PRODUCTION

Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100 for total. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for June.



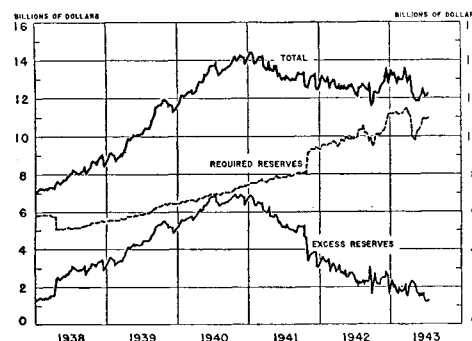
CONSTRUCTION CONTRACTS AWARDED

F. W. Dodge data for 37 Eastern states, total includes state and local government and private non-residential building not shown separately. Monthly figures, latest shown are for June.



MEMBER BANK RESERVES AND RELATED ITEMS

Wednesday figures, latest shown are for July 14.



MEMBER BANK RESERVES

Breakdown between required and excess reserves partly estimated. Wednesday figures, latest shown are for July 14.

Summary of National Business Conditions

Released July 24, 1943—Board of Governors of the Federal Reserve System

MANUFACTURING activity was maintained at a high level in June while mineral production declined reflecting mainly reduced output of coal. In the early part of July, coal production was resumed in large volume. The value of retail trade continued large.

INDUSTRIAL PRODUCTION

The Board's seasonally adjusted index of total industrial production declined slightly in June from the high level of other recent months. Activity continued to increase at plants producing war products in the chemical, rubber, and transportation equipment industries. These increases were more than offset by a sharp drop in coal production and a temporary reduction in output of coke, pig iron, and steel.

Finished aircraft production, in terms of airframe weight, was 3 percent higher in June than in May. Delivery of supplies for the Army Ground Forces rose 1 percent over May. Tonnage of cargo vessels delivered from merchant shipyards was not up to the record May level; it was, however, higher than in any other month.

In industries manufacturing nondurable goods output as a whole showed little change from May to June. Activity at cotton mills declined—consumption of 917,000 bales of cotton was 50,000 less than in June 1942.

Output at coal mines in June was 30 percent below May due to the work stoppages, but early in July both anthracite and bituminous coal production recovered to above the levels prevailing a year ago. Crude petroleum production was maintained in June and moved upward in July partly in anticipation of the completion of the pipeline from Texas to the East coast. Lake shipments of iron ore in June were 6 percent below the same month last year due to unfavorable weather conditions.

The volume of construction contracts awarded in June was about the same as in May. The value of awards in June was at the lowest level for this month since 1936, according to the F. W. Dodge Corporation.

DISTRIBUTION

Value of consumer nondurable goods sold at retail was in near-record volume in June and the early part of July, while sales of durable goods, many of which are becoming increasingly scarce, were generally below previous peak levels.

Car loadings of revenue freight declined in June, reflecting the drop in coal shipments. Loadings of grain showed the usual increase at this season and the movement of most other commodities was maintained in large volume.

COMMODITY PRICES

Wholesale prices of most commodities showed little change in the early part of July, following a decline during June of 1 percent in the general index. This decline reflected chiefly reductions ordered in maximum prices of butter and meat and seasonal decreases in prices of fresh fruits and vegetables.

AGRICULTURE

Aggregate crop production this year is expected to be 10 percent smaller than last year but 5 percent above the average of the preceding 5 years, according to the July 1 official report. Of the major crops, production prospects for grains are the lowest compared with last season, while there are indications of considerably larger harvests for dry beans and peas, flaxseed, and potatoes. Output of livestock products has continued in larger volume than a year ago.

BANK CREDIT

During June and the first three weeks of July there was an increase of about 1.4 billion dollars in reserve bank holdings of United States Government securities. Continued currency outflow, and increase in required reserves due to the growth of deposits, were reflected in the increased demand for reserve bank credit. The expansion in reserve bank credit was in the form of Treasury bills sold by member banks to the Federal Reserve banks under options to repurchase. Holdings of bills showed wide fluctuations during the period as member banks adjusted their reserve positions through sales and repurchases. A large part of the Treasury bills came from New York City banks where excess reserves continued to be low. Total loans and investments of New York City banks have declined recently. Other reporting member banks have shown a continued growth in deposits and U. S. Government securities.

The quarterly report of customer rates at commercial banks for the middle of June showed a further rise in rates charged on loans by large banks throughout the country.