

This advance copy of the Monthly Report on Conditions in District No. 8 is sent to you and others who have aided in its compilation, in appreciation of your assistance and in hope that it will be of value to you.

This report is not to be released to the public until on and after the afternoon of June 2nd, 1917, so PLEASE HOLD IT CONFIDENTIAL UNTIL THE RELEASE DATE.

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REPORT ON CONDITIONS IN DISTRICT NO. 8
FOR THE JUNE 1ST ISSUE OF THE FEDERAL RESERVE BULLETIN.

Business interests in this District have held their own in the face of the preparations for our active participation in the war. Reports from all lines of business, other than those directly connecte~~d~~ with war munitions, indicate a somewhat quieter condition than reported for the past few months. Reports all indicate a very healthy condition and there is a remarkable feeling of confidence in the future but at the same time, war preparations have had a sobering effect. Business men are operating on a somewhat more conservative basis.

The certificates of indebtedness which were subscribed for by member and non-member banks in this district, have been to a very large extent distributed to the general public, and shou~~d~~d materially assist in floating the Liberty Loan.

Details of the Liberty Loan were announced a few days previous to this writing. The organization of the banking interests of the district, has now been completed; the necessary steps have been taken to organize other interests throughout the district, and a campaign for the success of the Loan, under the slogan "A Liberty Bond in every Home", which originated in St. Louis, is well under way. In my last report, mention was made of various campaigns then being conducted urging a larger production of food stuffs, and it is felt that considerable progress has been made. Other campaigns have now been inaugurated for the conservation of food supplies. Meatless days have been introduced in the restaurants and hotels of St. Louis

and there has been a general appeal to the public for elimination of waste.

The volume of sales in all wholesale lines continues to be very large but increases noted this month are smaller than those reported for a number of months past. This is attributed in the lines supplying what may be called the necessities of life, to a general feeling of conservatism and in part to the cold and rainy weather which was prevalent throughout the district up to the middle of May. Drygoods jobbers report that the demand for merchandise is not so insistent as it has been for months past. Wholesale millinery houses have been affected by the cold wet spring. Manufacturers of ladies and men's ready-to-wear garments have had a very satisfactory season, but the distribution of this merchandise to the general public has been delayed. The hardware interests report a strong and active trade. Retail merchants in all lines seem to have been affected by unseasonable weather up to the middle of May, but business since that date is reported to be extremely satisfactory and sales for May will show increases over a year ago. The gains in dollars now reported seem to be entirely due to the increased cost of merchandise and not to an increase in the quantity shipped. The buying power of the general public continues at a high level but high prices are beginning to have their effect on sales, particularly on articles that the public can conveniently do without.

To sum up, it may be said that there has been a slight slackening in general business, due in part to the unseasonable weather, in part to the increased cost of merchandise, and in part to the campaign for economy. Index figures on the cost of living again show an advance.

Reports from Louisville, indicate that the lumber trade has been somewhat handicapped by high prices, but manufacturers of axe handles, etc., report heavy orders on hand, although this is usually their dull season.

The temperature for the last half of April and the first half of May was below the normal throughout the entire district. The rainfall during this same period, generally speaking, was above the normal. The agricultural development has accordingly been somewhat retarded but rain was needed for sufficient sub-soil moisture and

with favorable weather conditions from now on, it is believed that the agricultural outlook will improve.

On May 8th, the Government issued its report of condition of crops as of May 1st. The wheat report showed an unusually large percentage of acreage abandoned and an unusually low percentage of condition for the Country at large. The reports on the wheat crop in the States wholly or in part within this district were somewhat more encouraging than the reports from other sections of the Country. The percentage of acreage abandoned in the large wheat producing sections of the district was on the average smaller than in other sections of the country; the percentage of condition showed an improvement as compared to the April 1st reports; and the forecast for the 1917 harvest from the May 1st condition, was larger than the final estimate for 1916. It cannot be said that the condition of the wheat crop is satisfactory in this district; at the same time it is believed that the prospects are better than have been hitherto supposed.

Favorable reports are received from the tobacco districts of Kentucky and Tennessee.

The cotton crop in the belt is undoubtedly two or three weeks later than usual. Cultivation has been retarded. In some sections replanting is necessary and the high cost of seed makes this a hardship. In an effort to overcome the ravages of the boll-weevil, farmers have endeavored to plant a large percentage of their acreage in early maturing varieties. The high cost of provisions and the scarcity of labor, will undoubtedly increase the cost of production of the 1917 crop and this may be a factor in the acreage planted, although present prices are very tempting to planters. Reports on business in general in the cotton belt are satisfactory, one correspondent writing as follows: "We are glad to report that our farmers are planting a good part of their land in grain and notwithstanding the abnormal conditions which confronts us, we feel safe in giving liberal credit to our customers, as we have done in former years". The stock of cotton on hand in Memphis on May 18th is still unusually large for this time of the year. The stock on this date amounts to

297 thousand bales as compared to 136 thousand on the same date in 1916: 120 thousand in 1915 and 60 thousand in 1914.

The May 1st condition of rye as reported in the government crop report of May 8th, is satisfactory. The acreage planted this year in the states within this district is generally larger than that harvested in 1916; the percentage of condition is fairly satisfactory, showing an improvement as compared to April 1st.

Spring plowing and spring planting is well advanced, the percentages for the states within this district being generally above the ten year average.

Reports indicate that the corn crop is developing in a satisfactory manner. South of the Missouri River considerable corn is up and in some sections fields have been worked over once. The cold wet weather which was prevalent up to a few days ago, has retarded the growth. Some counties report that corn had rotted in the ground and replanting was necessary.

In an effort to increase the production of food stuff, the growing of alfalfa on cut over stump land in Arkansas is being introduced with considerable success.

A large acreage of potatoes has been planted and the crop is coming up well.

Truck gardens are not so far advanced as is usual at this time of the year. With seasonable weather from now on they should develop rapidly. The movement of the strawberry crop is now in full swing. Shipments from the Arkansas District are very large and shipments from Tennessee, Kentucky and the Southern sections of Missouri are now beginning to appear in volume.

Lettuce, cabbages, onions and other truck farm products are being shipped from the Southern portions of the district. The outlook for the small fruit crops is generally good, the apple outlook being particularly bright.

The St. Louis National Stock Yards reports an increase in the receipts of cattle and hogs for the month of April and a decrease in the receipts of sheep and horses and mules. For the first time in several months the price of hogs has not shown a material increase.

Building permits in Louisville, Little Rock and Memphis show a decrease for the month of April as compared to April, 1916, while St. Louis shows an increase for the same month. The high cost of building materials is having a deterrent effect on building activity and that in turn has affected the business of those supplying building materials.

Postal receipts in the four large cities of the district confirm the general slackening up of business, Little Rock, Louisville and St. Louis showing a decrease as compared to a year ago and Memphis showing a slight increase.

Compilations of gross and net railroad earnings which are now available again show the discrepancy between the increase of gross and net earnings. The increased cost of material and labor is affecting the net earnings of many of the railroads. Railroads in this district have joined in the National movement to conserve their resources and equipment for government purposes. Rules and regulations with that object in view are now being put into effect.

The bond market is very quiet. Investors as well as bankers have practically withdrawn from the market. Bond houses in the district have offered their services to the government and the efforts of these organizations are being expended on the Liberty Loan. Commercial paper rates have advanced again. Best names are now quoted at five percent and other names $5\frac{1}{2}$ to $5\frac{1}{2}$, as compared to $4\frac{1}{2}$ to $4\frac{3}{4}$ a month ago. There is a fair supply of paper on the market and in fact the supply seems to exceed the demand. Although a large amount of commercial paper will have to be refinanced within the next thirty days, brokers generally report a quiet business. City banks are not buying and country banks are buying only in small quantities. Bank deposits have fallen off somewhat in the past thirty days and banks generally seem to be husbanding their resources in an effort to aid the Government by liberal subscriptions to the various issues of temporary treasury certificates and by their desire to help place the Liberty Loan. Bank rates to customers have accordingly advanced, prime demand loans in St. Louis now being quoted at approximately 5% with rates in other smaller centers in the district somewhat higher.