BUSINESS CONDITIONS

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FEDERAL RESERVE BANK OF ST. LOUIS

Missouri Farm Lands

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Federal Reserve Bank of St. Louis
GENERAL SUMMARY

WAR production continues to dominate the course of industrial activity in the Eighth District. Every month new manufacturing facilities for war goods come into production. Due to certain critical material shortages and to the fact that output of some products is substantially ahead of schedule, it is reported that there may be some temporary curtailment of production at certain war plants in the area in the near future. Gains in armament production are also being offset in some measure in the total by further contraction in purely civilian lines.

Government spending for war continues to grow in volume. During August total Government expenditures for war purposes amounted to $5.1 billion as compared with $4.6 billion in July. On the basis of most recent statements, expenditures in September will approximate $5.2 billion. For the country as a whole, industrial output as measured by the unadjusted index prepared by the Board of Governors of the Federal Reserve System, rose 5 points in August to another new high. Output of durable goods advanced 5 points in the month and was 23 per cent above the level of November, 1941. Output of non-durables also rose 5 points in August and reached the level obtaining last November.

In this area steel production was held at close to capacity during August and early September. Output of shoes in August declined 5 per cent from July production. Lumber production at Eighth District mills continued at virtual capacity levels. Consumption of industrial electricity in August was 4 per cent greater than in July and 38 per cent above that of August, 1941. Output of coal at Eighth District mines during August was 2 per cent above that of July and 6 per cent above that of August, 1941. Coal production during the first eight months of 1942 at these mines exceeded that of the comparable period in 1941 by 24 per cent.

Primary distribution of merchandise was in much greater volume in August than in July. Freight car-loadings of all railroads operating in the Eighth District during the four-week period ending August 29 rose 11 per cent from the previous four-week period and were 4 per cent above the level of the corresponding period in 1941. Load interchanges for 25 connecting lines at St. Louis in August were 3 per cent above July and 31 per cent above August, 1941. Cumulative total of interchanges in 1942 was 33 per cent greater than that of 1941. Load interchanges at Louisville in August were 3 per cent greater than in the same month a year earlier. Preliminary figures for September in St. Louis indicate that volume in this month will be much heavier than in September, 1941. Tonnage moved by the Federal Barge Lines on the Mississippi River between St. Louis and New Orleans during August was 1 per cent greater than in July but 7 per cent less than in August, 1941.

Dollar volume of building permits granted in the principal cities of the district in August was 71 per cent above July but 61 per cent below a year ago. Dollar volume of construction contract awards in the district in August declined 34 per cent from July volume but was 2 per cent above last August. Non-residential construction accounted for more than four-fifths of the value of contracts let in August.

DETAILED SURVEY OF DISTRICT

MANUFACTURING

Iron and Steel—Operations in the iron and steel industry in this area continued at high levels during the last half of August and the first part of September. After a sharp curtailment of steel ingot production at mid-August, open-hearths down for repairs came back into production and the rate of operations since then has been held close to capacity. Production of steel ingots and castings for the entire month of September should exceed that of the comparable month last year, since steel mills were in full operation over Labor Day. For the United States production of steel ingots during August, according to the American Iron and Steel Institute, totaled 7,233,451 tons as compared with 7,148,824 tons in July and 6,997,496 tons in August, 1941.

The flow of scrap to mills and foundries in this area is in about the same volume as a month ago and inventories on the average are still only some two weeks' supply. It is anticipated that the Government scrap collection drive now under way will lengthen these inventories to some extent and most mills anticipate no curtailment in operations due to scrap shortage, at least before the first of the year. Pig-iron supply continues to be adequate as the allocation program for iron remains satisfactory.

For the first time since October, 1941, deliveries of steel plates in the United States during August showed a slight decline from the preceding month. However, with more and more plates being turned out by strip mills, plate supply is considerably better than it was a year ago. Orders for sheet and
strip are relatively light at the present time but
delivery periods for these products remain long.
Most steel products are virtually unobtainable ex-
cept under the very highest priority rating.

Shoes — Preliminary reports of shoe production
in the Eighth District during August indicate that
output was about 5 per cent less than during July.
The percentage drop in this area was somewhat less
than the nation-wide decrease. Output in July
totaled 7,355,000 pairs in the Eighth District and
the production gain for the month was more than
for the country as a whole. The seasonally adjusted
index of shoe production in this district during July
was 149 per cent of the 1924-26 average.

Whiskey — Of the 60 distilleries in Kentucky, 51
were in operation on August 31, three more than
were in operation a month earlier and twenty more
than were in operation a year ago. Most of distil-
inery production is in high wines and industrial alco-
eloh for Government use. The conversion of all dis-
tilleries to production of these items is expected
by November 1.

Demand for bulk whiskey continues very strong
at high prices. Bottling of whiskey by distilleries
is increasing as indicated by Kentucky plants with-
drawing 4 million gallons from warehouses during
August. These heavy withdrawals were attributed
to anticipated increased demand during the winter
months, fear of possible restrictions on transporta-
tion and the prospect of higher taxes on whiskey.

RETAIL AND WHOLESALE TRADE

The dollar volume of department store sales in
the Eighth District during August was 26 per cent
above July but only 1 per cent above August, 1941.
Department store sales in August, 1941, were unsea-
sonally high due to a country-wide wave of antici-
patory buying. Department store prices, however,
in August of this year were approximately 10 per
cent higher than a year ago. About half of the gain
of 39 per cent from August, 1940, to August, 1942,
can be attributed to price increases. During the
first two weeks of September department store
trade showed little change from the comparable
1941 period.

Sales of retail furniture stores in the district have
been showing a sharp decline as compared with cor-
responding periods a year earlier. Preliminary fig-
ures for August indicate that dollar volume of sales
of reporting furniture stores in this district was 16
per cent above July but 28 per cent below August,
1941. Sales of retail stores reporting to the Depart-
ment of Commerce from certain Eighth District
states, in general, show this same declining trend
in comparison with a year ago.

Stocks at retail stores appear to have passed their
peak. Department store stocks in this district in
August were virtually unchanged from July levels
although they were 32 per cent above the volume of
August, 1941. As compared with the May peak stocks
in August were down 7 per cent having fallen stead­
ily from May through July. With the exception of
the December-January seasonal decline stocks rose
every month from June, 1941 to May, 1942. The recent
decreases are attributable to difficulties in obtaining
goods as well as to anticipated inventory control.

Dollar volume of sales of all wholesalers and job-
bers reporting to this bank in August was 6 per
cent above July but 1 per cent below August, 1941.
Wholesalers' stocks in August were 4 per cent
below the levels of both a month and a year ago.

AGRICULTURE

General Conditions — Aided by timely rainfall,
crop prospects in the Eighth District improved con-
siderably in August and early September. Accord-
ing to the Department of Agriculture estimate of
September 1, crop prospects improved 9 per cent
during August. Production of seven major crops
for 1942 in the district is estimated to be 5 per cent
greater than in 1941 and 11 per cent above the 10-
year (1931-40) period. Principal increases are ex-
pected in the production of cotton, meat animals,
poultry and dairy products, and oil bearing crops.
Vegetable production will register a smaller gain
while fruit output will be appreciably reduced from
last year. Nation-wide agricultural production in
1942 is estimated 10 per cent greater than in 1941
and 25 per cent above the 1935-39 average, a new
all-time peak.

Cash income in the United States from farm
marketings in July totaled $1,219 million compared
with $1,070 million in June, 1942, and $889 million
in July, 1941. For the first seven months of 1942,
cash farm income totaled $7 billion compared with
$4.9 billion in the corresponding period of 1941, an
increase of nearly 40 per cent. In Eighth District
states cash farm income in July was $218 million
compared with $203, million in June and $173 mil-
lion in July, 1941. During the first seven months of
1942 income totaled $1,399 million as compared with
$963 million for the corresponding period in 1941.

The index of farm prices in the United States on
August 15 stood at 163 per cent of the 1909-14 aver-
age, an increase of 9 points in the month and 32
points since August 15, 1941. The parity ratio was
107 on August 15, compared with 101 on July 15,
and approximately 100 from September, 1941, to
June, 1942. Farm prices in the Eighth District
showed some gain in the past month but the gain
was somewhat below the national increase of 6 per cent in the month and 24 per cent in the year.

The Department of Agriculture on September 1 estimated agricultural employment throughout the country to be 11,390,000 as compared with 11,249,000 on August 1 and 11,421,000 on September 1, 1941. Reports on the farm labor supply in this district are conflicting, with some areas reporting a relative sufficiency of harvest labor while other sections, particularly in war plant localities, are experiencing labor shortages.

Cotton — The September 1 estimate of the Department of Agriculture indicated a cotton crop of 3,974,000 bales for the Eighth District, 13 per cent more than in 1941. Generally, weather was favorable for crop development in August and prospects improved over August 1 by 10 per cent and were 22 per cent above the 10-year (1931-40) average. The crop this year is somewhat earlier than last although weather conditions now appear favorable for a relatively long picking season. The labor situation is spotted in the district with some sections reporting an adequate harvest force while others contemplate definite shortages. A longer picking season will tend to make the existing labor supply more adequate than would a very short season such as 1941. Harvesting and ginning of the new crop became more general during early September.

Mill activity continued at high levels throughout August and early September. Mill inquiries for new crop deliveries have been more numerous recently with interest centering chiefly in the higher white grades and longer staples. The price of middling 15/16 cotton on the Memphis market ranged from 18.40c to 19.00c per pound between August 17 and September 15, closing on the latter date at 18.90c per pound. On September 15 of last year the price was 17.50c per pound. Sales on the Memphis market increased from 8,800 bales in the week ending August 22 to 30,600 bales in the week ending September 12, and total sales of 63,500 bales were recorded for the four-week period ending on the latter date. While merchants’ and shippers’ demand for spot cotton improved, business was restricted due to a scarcity of higher white grades as producers continued to hold a substantial part of the early ginned cotton either for higher prices or loan.

Livestock and Livestock Products — Total receipts of livestock at National Stock Yards in August were 10 per cent above July and 17 per cent more than in August, 1941. Receipts of cattle and calves were 45 per cent greater in August than in July and 33 per cent above August, 1941.

The Department of Agriculture on September 1 estimated that the number of milk cows on farms throughout the United States in June was 3.5 per cent greater than in June, 1941. Increases in Eighth District states, ranging from 3 per cent in Illinois to 7 per cent in Kentucky and Tennessee, averaged higher than the national increase. Milk productivity per cow increased somewhat in the eastern part of the district. Pastures throughout this area are reported to be in excellent condition and in some regions are the best since 1924.

The increase in egg production in Eighth District states averaged somewhat higher than for the country as a whole on September 1 showing a rise of 16 per cent in August over July as compared with a 13 per cent increase for the entire country. In the first eight months of 1942 egg production in Eighth District states was 18 per cent above the corresponding period in 1941 as compared with a 16 per cent increase for the country. The egg-feed price ratio remains slightly less favorable than a year ago.

Fruits and Vegetables — Weather conditions throughout the district in August were generally favorable for vegetable crops. The indicated quality is good and the expected yield in most cases is greater than last year. The Department of Agriculture report of September 1 on vegetables for processing in Eighth District states indicated an 82 per cent increase over 1941 in snap bean production, a 12 per cent increase in sweet corn, a 10 per cent increase in tomatoes and a 41 per cent increase in green peas. The white potato crop in the District proper was estimated on September 1 at 13,134,000 bushels, an 11 per cent increase over the 1941 crop.

The fruit crop of states in the Eighth District is expected to be considerably smaller than the bumper crop of last year. Commercial apple production is estimated at 6,325,000 bushels, compared with 9,503,000 bushels in 1941, peaches at 5,699,000 bushels against 12,082,000 bushels last year, pears 2,476,000 bushels against 3,293,000 bushels in 1941 and grapes at 27,060 tons against 43,350 tons in 1941. The diminished production coupled with the 10 to 15 per cent increase in the pack of canned fruit and 20 to 25 per cent increase in the pack of dried fruit will sharply curtail the quantity of fresh fruit available for the consumer.

Grains — The 1942 production of corn was estimated on September 1 by the Department of Agriculture to be 378,785,000 bushels in the Eighth District, an increase of 9 per cent over the 1941 harvest. August rains were particularly beneficial to late corn and yields are high with Kentucky and Tennessee showing prospective yields of more than 5 bushels per acre above average. Production of
oats in the district is estimated at 79,391,000 bushels, an increase of 12 per cent above 1941. Yields are above average but there has been some discoloration caused by continued rains. The estimate of wheat produced at 25,396,000 bushels continues unchanged since the August 1 estimate and remains 50 per cent below last year's production. Tame hay production of 9,013,000 tons is 9 per cent greater than last year.

Rice — The harvesting of rice in Arkansas was delayed somewhat by August rains but is now progressing satisfactorily with threshing beginning about mid-September. The farm price of rice for the entire belt at mid-August was $5.86 per barrel. The Commodity Credit Corporation loan and purchase program for 1942 rice at 85 per cent of parity as of August 1 has been announced. Loan rates will average $1.05 per bushel comparable to $3.78 a barrel or $2.33 per cwt. The Arkansas rice crop was estimated by the U. S. Department of Agriculture on September 1 to be 14,472,000 bushels, 27 per cent larger than the 1941 harvest and 73 per cent above the 10-year (1930-39) average.

Tobacco — Heavy rains in late August following an excessively dry spell damaged the burley crop to some extent. Tobacco production in the Eighth District was estimated on September 1 by the Department of Agriculture to be 2 per cent below the 1941 crop and 10 per cent under the 10-year (1931-40) average. Kentucky burley housed thus far appears to be of light body and somewhat house-burnt, which has evidently contributed to an unusual demand for the old crop tobacco. Harvesting of the new crop has been delayed by the continued labor shortage. Final condition of the burley crop both as to yield and quality will depend greatly on weather during the curing season.

Favorable weather conditions in late August and early September have aided ripening in the dark-fired area, and it is estimated that more than 50 per cent of the crop will be housed by mid-September. Prospective damage from field-fire has been reduced considerably under improved weather conditions. However, indicated production has decreased as a result of lower prospects for the one-sucker crop in Kentucky and Tennessee. Harvesting in the Green River and stemming district is well under way and while there is some evidence of damage from field-fire, the condition is not general and a crop of fair quality now seems assured.

COST OF LIVING AND PRICES

Cost of living in large cities in the United States continued to advance from July 15 to August 15 according to the Department of Labor. On August 15 the all-items index for the United States stood at 117.4, up 0.4 per cent in the month and was 16.7 per cent above the level of September, 1939. The cost of living in St. Louis in the past month rose more percentage-wise than did that for the country as a whole. On August 15 the St. Louis index registered 117.3, rising 0.9 per cent in the month and was 16.8 per cent above the index at the outbreak of war.

The major factor in the rising cost of living during the past month has been the increase in uncontrolled food prices. Cost of food in 51 cities in the United States rose on the average 1.2 per cent between July 14 and August 18. Uncontrolled food items advanced 2.2 per cent while controlled food items rose only 0.5 per cent. Since May uncontrolled food costs have risen almost 10 per cent while controlled foods are slightly lower than they were on that date.

Farm prices on August 15 were at 107 per cent of parity as compared with 101 per cent on July 15. Price control legislation is now pending before Congress to stabilize agricultural prices at approximately their present levels. The Office of Price Administration is now attempting to devise formulas to fix ceilings on live cattle and hogs. Both are well above parity, cattle standing at 137 per cent of parity on August 15 and hogs at 128.

EMPLOYMENT

Civil non-agricultural employment in the United States at mid-July totaled 37,100,000. Employment rose 0.1 per cent between mid-June and mid-July and was 0.8 per cent above the level of a year earlier. Civil non-agricultural employment in Eighth District states in July totaled 6,096,000 and was 0.6 per cent above the level of a month earlier and 3.6 per cent above a year ago. Every Eighth District state except Arkansas registered a gain between mid-June and mid-July. Contra-seasonal increase in factory employment and gains in all other major groups except trade raised the July level of employment to a new peak.

Inasmuch as employment had reached impressive totals by the fall of 1941, comparisons of employment levels in coming months this year with corresponding months in 1941 will not produce such marked rises as in the past even though actual number employed may continue to rise.

Most new Eighth District war plants are now in production and those plants that were to convert in some measure have now largely done so. Due to material shortages and to the fact that production is ahead of schedule at certain Eighth District war plants employment in such plants may be curtailed...
temporarily, thus offsetting in part gains in other war plants where production is currently expanding. According to the survey of the Bureau of Employment Security in July there were no widespread labor shortages in the Eighth District although certain sections anticipate shortages by 1943.

**BANKING AND FINANCE**

Credit demand in the Eighth District during August and early September continued the downward trend evident in recent months. Indicative of the declining volume of bank loans, commercial, agricultural and industrial loans in reporting member banks in this district dropped 1 per cent in the four-week period from August 19 to September 16 and on the latter date were 59 per cent above a year ago. The gain in the liquidation of agricultural loans, both production and on the latter date were 15 per cent below the level of the corresponding date last year. Total loan volume declined 1 per cent in the month and was down 14 per cent from a year ago. Consumer instalment loans in Eighth District banks dropped almost 9 per cent during the month of August.

Urban banks report loan liquidations due to running off of inventories which in turn is attributed to difficulties encountered in obtaining many lines of goods, and to the much higher collection ratios of retailers and wholesalers which enables them to do without the volume of bank credit that was needed earlier. There are, of course, still some lines in which there is an active demand for bank loans. Various banks report negotiations are in progress for loans made under Regulation V while in other cases loans are being made to war industries without guarantee.

In farm communities reports from bankers indicate that higher farm income is contributing to the liquidation of agricultural loans, both production and real estate, and that the stronger cash position of farmers is appreciably lessening the volume of new loans.

In contrast to the decline in loans, investments are increasing as the war financing program brings an increasingly heavy volume of Government securities on the market. In the past month investments of reporting member banks increased 2 per cent and were 39 per cent above a year ago. The gain in the past month was due primarily to increased holdings of the new issues of Treasury bills. Treasury bill offerings have recently been increased to $400 million per week.

Since the last issue of this review the Exchange Bank & Trust Company, El Dorado, Ark., the Arkansas Trust Co., Hot Springs, Ark., and the Mexico Savings Bank, Mexico, Mo., have become members of the Federal Reserve System.
LOADS INTERCHANGED FOR 25 RAILROADS

FEDERAL RESERVE OPERATIONS DURING AUGUST, 1942

**Federal Reserve Bank of St. Louis**

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Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for August, 1942.

Wednesday figures, partly estimated. Latest figures shown are for September 9, 1942.

Industrial output continued to rise in August and the first half of September, and retail distribution and commodities also increased. Prices of farm products and foods advanced further.

Production—Industrial output increased in August and the Board's seasonally adjusted index rose 3 points to 183 per cent of the 1935-1939 average. There were further marked increases in activity in the machinery, transportation equipment, and other armament industries. Crude petroleum production increased considerably from the reduced levels and output of manufactured food products rose more than is usual at this time of year. Production of materials, such as steel, nonferrous metals, coal, and lumber, continued in large volume.

Value of construction contracts awarded in August declined from the record high levels of June and July, according to figures of the F. W. Dodge Corporation. The extent to which the continuing large volume of construction reflects the war program is indicated by the fact that in the first eight months of this year 84 per cent of total awards have been for publicly financed projects and in recent months the percentage has been higher.

Distribution—Distribution of commodities to consumers increased considerably in August, reflecting particularly marked increases in department store sales and in sales of general merchandise in small towns and rural areas. Dollar value of sales to consumers in August was somewhat lower than the unusually large sales a year ago, when there was a considerable amount of anticipatory buying, while average prices were about 12 per cent higher. On the basis of physical volume, therefore, sales were smaller than a year ago.

Railroad freight-car loadings were sustained at a high level during August and the first half of September, reflecting continued large shipments of most classes of freight.

Commodity Prices—During August and the first half of September the general wholesale price index advanced about half a point to 99.2 per cent of the 1926 average, reflecting chiefly increases in prices of livestock products. Prices of wheat, flour, and some other uncontrolled commodities also advanced. New crop tobacco prices showed sharp increases over last year and a temporary ceiling at current levels was established for flue-cured types.

Retail food prices continued to rise from the middle of July to the middle of August and further increases are indicated in September. Prices of uncontrolled foods in August were 16 per cent higher than in May.

Agriculture—Crop prospects improved considerably during August and aggregate production this year is expected to be about 15 per cent greater than in 1941, which was close to a record year for crops. Unusually high yields per acre are indicated for most major crops and for some others, like oilseed crops, substantially increased acreages are expected to be harvested. Feed grain supplies are expected to be of record proportions, but owing to the growing number of livestock on farms the supply per animal will probably be about the same as last season.

Bank Credit—Excess reserves of member banks, which have generally fluctuated between 2.0 and 2.5 billion dollars in recent months, rose temporarily to over 3 billion on September 16. This increase was due partly to a further reduction in reserve requirements on demand deposits at central reserve city banks from 24 to 22 per cent and partly to Treasury disbursements out of its balances with the Reserve Banks in connection with September 15 tax collections and fiscal operations. Funds for these disbursements arose in part from the issuance of special one-day certificates to the Reserve Banks.

Excess reserves of New York City banks have been declining for a number of months owing principally to the excess of funds raised in that city by the Treasury over amounts expended there. The effect of this drain has been offset in part by purchases of Government securities by the Federal Reserve System and by the two successive reductions in reserve requirements.

At banks outside New York City excess reserves have shown little change in recent months. These banks have lost reserves through currency drain and their required reserves have increased owing to growth of their deposits; both these factors, however, have been largely offset by transfers of funds from New York.

Holdings of Government securities at New York City banks, which increased substantially in July and August, declined somewhat in the first half of September. At banks outside New York City holdings have continued to increase.

United States Government Security Prices—The recent 3 billion dollar Treasury cash financing operation had little effect on the Government securities market, and prices continued steady.