GENERAL INDUSTRIAL SITUATION

RELATIVE stability in the over-all volume of industrial production, which has characterized the district economy in recent months, continued in October. The future course of industrial activity appears to depend largely upon schedules set for military production which are now being revised more frequently, and upon available supplies of raw materials and adequately-trained labor.

Some new additions to the district productive plant were made in early November, notably in the steel industry. Increased output from these may well be offset by cutbacks in production schedules at munitions plants, primarily in the small arms ammunition and explosives lines. It was announced recently that production curtailment at the large ammunition plant in St. Louis and affiliated companies would reduce employment by about 10,000 workers. Reduction will be gradual, however, and most of the displaced workers can be utilized in other plants. Construction on a major non-ferrous plant in Memphis was stopped by the War Production Board at mid-November.

Reflecting the stabilization of industrial activity in this district at a high level, consumption of industrial electricity at major district cities in October was 1 per cent below September, but 16 per cent above October, 1942. Output of steel, alcohol, shoes, and lumber was in about the same or slightly less volume in October than in the previous month and was appreciably below the level of October, 1942. More than offsetting the decline from a year ago in these major lines, chemicals and munitions output was up considerably over last year to raise the level of total industrial activity to a point substantially above that of October, 1942. Gains in these lines for the month, however, were not sufficient to increase the level of total industrial activity appreciably above September.

The volume of primary distribution in the district in October was up seasonally from September due primarily to heavy movement of crops and livestock to market, and it is anticipated that November tonnage moved will be substantially heavier. Car-loadings of all railroads operating in the Eighth District in the five weeks ending October 30 were up 3 per cent from the previous five weeks, but were 5 per cent below the comparable period in 1942. The decline in number of cars from a year ago results primarily from more efficient utilization of cars. Ton-mile figures are appreciably higher than a year earlier. Load interchanges of freight at St. Louis in October were 5 per cent above September and 9 per cent more than October, 1942. In Louisville, interchanges were up 2 per cent in the month but were 5 per cent below October, 1942. Despite increased utilization of barges on district waterways recently, river tonnage moved so far in 1943 is well below that transported in the comparable period of 1942.

DISTRICT SURVEY

MANUFACTURING

Iron and Steel—October output of steel in the St. Louis area was down slightly from both September and October, 1942, in contrast to nation-wide production which broke all records. In this district, overdue furnace repairs, work stoppages, and industrial disputes all contributed to the interruption of production schedules in October. The rate of ingot operations in October averaged about 99 per cent of capacity as compared with 100 per cent during September and 103 per cent in October, 1942.

In early November, about 250,000 tons of steel ingot capacity came into production in this district, and an additional 100,000 tons will be in production before the end of the month. Several new open hearths for steel castings will also be in operation soon. These additions will raise total capacity in the area by a substantial amount.

Although collections under the current drive for scrap have been lagging, mill and foundry inventories in the district have shown no appreciable change as deliveries from dealers have been in sufficient volume to maintain current operations without dipping into reserves. Supply of iron in the area is adequate, with capacity operations at district blast furnaces plus outside shipments.

Shoes—With cattle slaughter so far in 1943 running appreciably below last year, supply of leather for shoe manufacture has been short. This raw material situation coupled with difficulties in obtaining adequate labor and replacement parts for machinery has resulted in output of shoes below 1942 volume. These conditions are expected to continue during the next few months.

According to preliminary estimates, Eighth District shoe production in October was down slightly from September and was 3 per cent below October, 1942. For the first ten months of 1943, shoe output was 4 per cent below the corresponding period a year earlier. Final production figures for September totaled 6,699,000 pairs, 3 per cent less than August production.
Whiskey — At the end of October, 49 distilleries were producing industrial alcohol in Kentucky, the same number that were in operation the previous month, but ten less than in October, 1942. Kentucky distilleries are now producing almost one-half of the total alcohol output, or some 250 million gallons per year. Reports indicate that demands upon available grain supplies for feed, foodstuffs, and more important industrial uses have removed any possibility of an increase in whiskey production even for a short period of time.

In an effort to maintain advertised brands of whiskey on the market, distributors continue to ration their products. Tax paid withdrawals in September were about half the volume of a year earlier.

Miscellaneous Manufacturing — Activity at food processing plants, particularly in meat packing establishments, in the district was at a high level in October and early November. The greatly increased volume of livestock marketings has taxed slaughter houses to capacity, and cold storage space in this area is virtually filled. In the important chemical manufacturing field, production in October continued to move up and was well above the level of a year earlier. Output of munitions at district plants increased during October with aircraft production gaining substantially. Output of lumber at district mills continues to run well below that of the comparable period in 1942, due almost entirely to labor shortages.

OIL AND MINING

Production of crude oil in Eighth District states for the first nine months of 1943 was approximately 17 per cent below the comparable period in 1942. Preliminary figures indicate that production in October increased somewhat over the summer average but was still below established quotas. Oil field activity in the district increased during September with 288 oil well completions reported in the four major oil-producing states in the district. Of total wells drilled in September, 46 per cent were dry compared with 53 per cent in August. Preliminary figures indicate that drilling activity in October will be appreciably above that in September, and also that the proportion of oil-producing wells will show an increase.

Coal production in Eighth District states declined 10 per cent in October compared to the previous month and was 9 per cent under production for October, 1942. The decrease in coal production last month was primarily a result of work stoppages in coal mines arising from labor difficulties. In the early part of November, however, these difficulties were provisionally settled, and production should be restored to normal.

Owing to favorable mining conditions in Arkansas, manganese ore production in the Batesville-Cushman field amounted to 780 tons in October. Movement of bauxite ore from Arkansas has averaged from 1200 to 1500 cars per month. New discoveries of bauxite deposits in the central region of Arkansas have added materially to the reserves for this type of ore.

EMPLOYMENT

There was little change in the over-all level of employment in the district in October. Shifts from some non-essential lines of activity to more essential industry were largely offset by continued withdrawals for the armed services and decline in agricultural employment. There were no changes in War Manpower Commission classifications of Eighth District labor market areas in the past month. Evansville and Pine Bluff continue in Group I, while Louisville remains in Group II. However, WMC has announced that a 48-hour work-week will go into effect in the Louisville area as of December 1, in view of anticipated demand for labor and relatively short supply. In all three areas, acute housing shortages make in-migration difficult.

Forecasts indicate that St. Louis, Louisville, Memphis, and Evansville will add a considerable number of employees by January 1. This increase, which includes the holiday seasonal increase in trade employment, will be largely offset by a decline in the number of agricultural workers, so that total employment in the district is not likely to change much in November and December. In general, there has been sufficient farm labor in the district to harvest crops without any appreciable loss.

RETAIL TRADE

Retail trade, as measured by sales of department, apparel, and furniture stores in the Eighth District, moved up seasonally in October and was above the level of a year earlier, although the increase from October, 1942, was relatively small. Since the sales volume of October, 1942, was extremely high, however, any increase over it is noteworthy. For the first ten months of 1943 department store sales in St. Louis and the miscellaneous cities of the district were only slightly larger than a year earlier, while the gain in other district cities ranged from 14 per cent to 33 per cent indicating that the increased purchasing power generated by the war program has been spread rather proportionately throughout the district cities.

For the first ten months of 1943, department store sales in the district were 14 per cent over the
Agriculture

General Conditions—Indicated production of eight major district field crops as of November 1, increased only slightly from the October 1 forecast as upward revisions in corn, tobacco, and potato estimates offset a decline in the indicated production of cotton in Missouri and Tennessee as a result of killing frosts in mid-October. The indicated 1943 production of these crops is 10 per cent below 1942 production, but 9 per cent above the ten-year average. Yield per acre throughout virtually the entire district is strikingly lower in 1943 than a year earlier.

Harvesting of corn in the Eighth District got under way during October, but proceeded rather slowly. In the first two weeks of November, about half of the Illinois corn crop was gathered. Harvesting operations in Missouri began late because of rains and labor scarcity. Soybean harvest made rapid progress in Indiana and Illinois during October, and was 90 per cent complete in the latter state on November 1. Cool, dry weather and lack of rainfall during the early part of November interrupted the stripping of burley tobacco, but the harvesting of most other types is near completion. The rice harvest in Arkansas made good progress and is nearly over. Winter wheat is four inches high in Illinois and up to a good stand in other sections of the district.

Cash farm income in Eighth District states increased 17 per cent in September compared to August, and was 7 per cent greater than for September, 1942. For the first nine months, cash farm income for district states amounted to $2,482 million, or 28 per cent more than income in the comparable period in 1942. Assuming that fourth quarter, 1943 income is about equal to fourth quarter, 1942 return, since lower crop income may offset increased livestock earnings, cash farm income in district states this year may reach $3,700 million, or 18 per cent above last year. This compares with estimated cash income of $19.9 billion for the entire country, a gain of 29 per cent over last year.

In Eighth District states, changes in prices received by farmers in the past month were uneven. In the central portion of the district, prices declined approximately 1 point and were mostly steady to slightly lower in the extreme northern and southern portions. In Arkansas, however, the price index advanced 2 points. Prices of meat animals and corn were generally lower throughout the district as a result of increased marketings, but prices of dairy products and eggs were up seasonally. The price of wheat continued to be dominated by the feed situation, all Eighth District wheat producing states reporting advances of from 1 to 7 cents per bushel.

Cotton—Estimated production of cotton in the Eighth District declined 26,000 bales during the month of October, according to the U.S. Department of Agriculture. Indicated production on November 1 was placed at 3,193,000 bales, a decrease of 729,000 bales, or 19 per cent from last year's harvest. A killing frost in the middle of October reduced production in Missouri and Tennessee. No change was reported for the Arkansas crop, but production estimates in Mississippi were increased slightly over the October 1 forecast.

Except in Missouri, average staple length of district cotton this year is somewhat shorter than last with Arkansas reporting 1.2/32 inch less on the average and Tennessee reporting 0.7/32 less on ginnings through October 17. Arkansas and Mississippi cotton for the season through mid-October graded higher than last year, but since October 1, ginnings have been consistently lower in grade on the average than in the comparable period in 1942.

Spot market activity at Memphis during October was low, reflecting to a large extent the decline in mill demand attributable by trade sources to favor-
able war news and peace rumors. Price of 15/16
middling cotton was steady in early October but
decayed from 20.30c on October 15 to 19.90c on
November 15, the second lowest level since De-
cember, 1942. An increasing amount of cotton is
going into the loan, or otherwise held off the market
pending more favorable prices. Through November
6, the CCC reported loans on 1,319,000 bales of 1943
cotton as contrasted with 686,000 bales of the 1942
crop pledged through November 7, 1942.

Dairying — Although there are 2 per cent more
milk cows on farms now than at this time last year,
total milk production in the United States during
the three months ending October, 1943, ran 2 per
cent less than in the comparable period last year.
The decrease in production is attributable to a drop
in production per cow and to a decline in the per-
centage of milk cows in production. The decline in
the average production per cow results primarily
from the scarcity of concentrated and high protein
feeds, high hay prices, and labor shortage for milking.
For these reasons, many cows have been
calved or allowed to go dry. The percentage of pro-
ducing milk cows in major producing regions on
November 1 is the smallest in nine years.

Output of milk in Eighth District states is run-
ning substantially below production of last year.
Every state except Mississippi and Arkansas re-
ported on November 1 reductions ranging up to 7
per cent per cow. Mississippi and Arkansas re-
ported an increase in production per cow of 7 and 1
per cent, respectively, compared to 1942.

Effective for the last quarter of this year, WFA
announced a payment program to help dairy far-
mers absorb increases in feed costs since Septem-
ber, 1942. Payments range between 30 and 50 cents
per 100 pounds of whole milk, depending on the
relative increases in feed costs and milk prices
since our entry into the war. Butterfat payments
vary from 4 to 6 cents per pound where cream is
sold.

Grain and Feed Crops — The available supply of
grains for feed and other uses during the remainder
of the crop year will continue at a level appreciably
below the amount necessary to meet the unusually
strong demand resulting from increased livestock
numbers on farms. Indicated production of corn
on November 1 in the district was 367,016,000
bushels, up 4 per cent from the October 1 estimate,
and 21 per cent above the ten-year average, but 7
per cent below 1942 production. Oat and wheat
forecasts were unchanged from a month earlier at
65,861,000 and 28,711,000 bushels, respectively.
Estimated oats production was down 14 per cent from
1942 production but 40 per cent greater than the ten-
year average annual production, while wheat output
on November 1 was indicated at 23 per cent greater
than last year, although 48 per cent under the ten-
year average. Rice production in the district was
placed at 12,690,000 bushels, unchanged from a
month earlier, but 6 per cent less than last year’s
production. The estimate for soybeans was revised
slightly upward as a result of a production increase
in Missouri.

Indicated production of tame hay in the district
underwent no change during October and stands
at 7,901,000 tons, 27 per cent above average harvest
but 1,426,000 tons off from 1942. Pastures in the
district have deteriorated rather rapidly this fall, es-
pecially in Kentucky, western Tennessee, northern
Mississippi, and much of Arkansas.

The feed outlook for next year is not bright. Farm
disappearance of corn and oats between July 1 and
October 1 of this year was 17 per cent greater than
for the same period last year. With livestock pro-
duction 12 per cent greater than 1942 and with
available feed supplies less than last year, an adjust-
ment of livestock numbers and rates of feeding will
probably be necessary in order to stretch feed sup-
plies over the winter and spring months.

Tobacco — Indicated production of tobacco on
November 1 in the district is estimated at 268,184,-
000 pounds, slightly above the October 1 estimate
and 11 and 9 per cent, respectively, above 1942 and
the ten-year average. There was some stripping of
burley during the latter part of October, but cool,
dry weather and lack of rainfall in the district in
early November prevented handling of this type of
tobacco.

In the dark-fired region, favorable weather con-
ditions made it possible for growers to handle well
cured tobacco, part of which has been taken down
and placed in bulk. The early tobacco is very well
cured, but the late tobacco has a dull finish and will
require careful attention and firing. Harvesting of
Green River type of tobacco was completed before
killing frosts occurred, and late crops reached ma-
turity without apparent damage. Although the leaf
will have a lighter body than the 1942 crop, it will
be sound and suitable for the trade. Curing of this
type of tobacco is progressing satisfactorily. Re-
ports indicate that about 15 million pounds of Green
River and One Sucker tobacco will be used for nic-
tine manufacture for the Government. Most of this
will be lower quality grades.

In late October, burley tobacco growers voted in
favor of marketing quotas for the next three years,
and as a result, WFA will authorize a 20 per cent
increase in 1944 acreage. Tobacco will be the only agricultural product under crop control next year. Despite the increase in allotment, it is expected that labor shortage will prevent planting to full allotted acreages.

**COST OF LIVING**

Cost of living in major cities in the United States appears to have resumed its upward movement, as the index in October stood at 124.4 per cent of the 1935-39 average, up 0.4 per cent in the month and 5.6 per cent over the September, 1942, level. Increasing food, clothing, and miscellaneous costs account for most of the rise from a month earlier, while the major portion of the gain from September, 1942, is the result of rising food prices. The index of cost of food in the United States was up 0.6 per cent in the month and 9.2 per cent from September, 1942.

In St. Louis, the cost of living index on October 15 was unchanged from September 15, but was 5.1 per cent above September, 1942. Cost of food changes in the past month in four Eighth District cities ranged from —2.6 per cent to +0.1 per cent. Measured against September, 1942, the range in food price rises was from 3.3 per cent in Little Rock to 11.3 per cent in Memphis.

**BANKING AND FINANCE**

Banking developments in the Eighth District during the last month were characterized by declining United States Government deposits and rising private demand deposits as the Treasury drew down balances held in war loan accounts, and the return flow of funds built up deposits of partnerships, individuals, and corporations. Required reserves at district banks increased as deposits under war loan accounts were replaced by deposits subject to reserve.

In the four weeks ending November 17, there was a decline in volume of every type of loan at reporting member banks in this district. Total loans dropped $7.3 million with most of the decline coming in “other” loans. As compared with a year earlier, loan volume at mid-November was up $11.9 million. Total investments declined slightly in the four-week period but were about 50 per cent higher than a year earlier. Holding of certificates of indebtedness at the reporting banks increased $23 million between October 20 and November 17. Treasury bill holdings dropped $16.5 million as a number of banks used bills to adjust their reserve positions.

Since the last issue of this review, the Bank of Cairo, Cairo, Missouri and the Commerce-Warren County Bank, Warrenton, Missouri, have become members of the Federal Reserve System.
### DEPARTMENT STORES

<table>
<thead>
<tr>
<th>Stock Turnover</th>
<th>Nov. 30, 1943</th>
<th>Jan. 31, 1943</th>
<th>Oct. 31, 1942</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ft. Smith, Ark.</td>
<td>+ 14%</td>
<td>+ 7%</td>
<td>+ 28%</td>
</tr>
<tr>
<td>Little Rock, Ark.</td>
<td>+ 18%</td>
<td>+ 19%</td>
<td>+ 34%</td>
</tr>
<tr>
<td>Quincy, Ill.</td>
<td>+ 12%</td>
<td>+ 6%</td>
<td>+ 25%</td>
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<tr>
<td>Evansville, Ind.</td>
<td>+ 10%</td>
<td>+ 5%</td>
<td>+ 15%</td>
</tr>
<tr>
<td>Louisville, Ky.</td>
<td>+ 10%</td>
<td>+ 14%</td>
<td>+ 37%</td>
</tr>
<tr>
<td>St. Louis, Mo.</td>
<td>+ 8%</td>
<td>+ 17%</td>
<td>+ 23%</td>
</tr>
<tr>
<td>Springfield, Mo.</td>
<td>+ 10%</td>
<td>+ 27%</td>
<td>+ 31%</td>
</tr>
<tr>
<td>Memphis, Tenn.</td>
<td>+ 8%</td>
<td>+ 10%</td>
<td>+ 24%</td>
</tr>
<tr>
<td><em>All other cities.</em></td>
<td>+ 13%</td>
<td>+ 9%</td>
<td>+ 35%</td>
</tr>
</tbody>
</table>

*Note:* Preliminary.

### CHANGES IN PRINCIPAL ASSETS AND LIABILITIES

<table>
<thead>
<tr>
<th>Liabilities</th>
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<th>Oct. 20, 1943</th>
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<tbody>
<tr>
<td>Federal Reserve Bank of St. Louis</td>
<td>$ 30,000</td>
<td>$ 11,000</td>
<td>$ 86,000</td>
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Source: Dun and Bradstreet.

### DEBTS TO INDIVIDUAL ACCOUNTS

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Source: Dun and Bradstreet.

### STOCKS OF COMMON STOCK AND CAPITAL

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Source: Dun and Bradstreet.
Industrial activity was maintained in record volume in October and the early part of November. Value of department store sales continued at an exceptionally high level.

**Industrial production** — The total volume of industrial production continued to increase slightly in October and the Board's seasonally adjusted index was at 245 per cent of the 1935-39 average, as compared with 240 in July and 227 in January. War production in the machinery and transportation equipment industries showed a further rise, reflecting largely a new high level of production of aircraft, aircraft engines, and parts. The total number of planes accepted during the month was 8,462, or 11 per cent more than the average in the third quarter. Deliveries of cargo vessels from merchant shipyards continued at an annual rate of 20,000,000 deadweight tons.

Steel mills operated during October at the highest monthly rate during the war period. Production of nonferrous metals also continued to rise. Announcement of permission to use aluminum in additional types of war products and some essential industrial products followed rapidly increasing output of this metal. Lumber production declined somewhat more than usual at this season and the prospective supply situation remains critical notwithstanding reduced demand for lumber for building purposes. Output of stone, clay, and glass products, like glass containers and asbestos and abrasive products, was considerably higher than last year.

Output of most nondurable goods showed little change from September to October. Food manufacturing as a whole continued in large volume, allowing for seasonal changes, although butter and cheese production declined. Output of butter was 11 per cent below last year in October and declined further in the early part of November. Meatpacking, however, was at an exceptionally high level in October and continued to increase October in the first three weeks of November. There was also a rise in production of wheat flour and other manufactured foods in October. Output of textile and leather products remained at the somewhat reduced rate of recent months, while production of rubber products and industrial chemicals increased. Coal production declined 6 per cent in October and dropped sharply further during the first week of November, but increased in the middle of November.

The value of construction contracts awarded in October, according to reports of the F. W. Dodge Corporation, continued at the low level of other recent months. Total awards this year have been 60 per cent smaller than in the corresponding period of 1942, when they were at the highest level of the war period.

**Distribution** — Department store sales in October and the first half of November were 10 per cent larger in dollar volume than in the same period last year, and, allowing for seasonal changes, sales were somewhat higher than in the third quarter of this year. Total consumer expenditures for commodities and services in the third quarter were at about the peak level prevailing in the first half of this year and were substantially larger than a year ago.

Carloadings of railway freight in October were slightly less than in September, reflecting chiefly declines in shipments of coal and ore. Loadings of grain increased sharply to a level 20 per cent greater than in October, 1942, and livestock shipments were the highest in recent years.

**Commodity prices** — Grain prices advanced in the early part of November, while prices of livestock declined as livestock marketing expanded sharply. Prices of certain industrial raw materials, such as cotton, wool, and nonferrous metal scrap, have also declined somewhat since the middle of October reflecting larger supplies and uncertainties as to the extent of demands for these materials in war production.

The total cost of living which had declined 1.4 per cent during the summer, according to the Bureau of Labor Statistics, rose 0.8 per cent from mid-August to mid-October. There were increases in prices of food, clothing, and a number of miscellaneous items.

**Bank credit** — The average level of excess reserves at all member banks was around 1.1 billion dollars in mid-November reflecting some decline from the comparable October period. During the four weeks ending November 17, reserve funds were supplied to member banks by an increase of over 900 million dollars in the Government security portfolio of the Reserve Banks; increased holdings consisted largely of bills purchased under option and in part of certificates. The effect of these security purchases on excess reserves was more than offset, however, by a currency demand of $40 million dollars and a continued increase in required reserves as Treasury disbursements transferred funds from reserve-exempt war loan accounts to private deposits.
The article on the following pages was prepared by R. M. Evans, Member of the Board of Governors of the Federal Reserve System, and former Administrator of the Agricultural Adjustment Administration. It has been reviewed by various agencies that are in a position to know the beef cattle situation and merits consideration by all bankers who have dealings with livestock interests.

As shown in the table below, about one-sixth of all beef cattle in the nation is in states contained in whole or in part in the Eighth Federal Reserve District. Between 1939 and 1943 the increase in cattle numbers in Eighth District states was about the same, relatively, as during the First World War period and thus the district situation closely parallels that of the nation. The number of beef cattle on farms in Eighth District states during the present war period, however, is substantially greater than during the years 1914-18. In 1918 about 15.3 per cent of all beef cattle in the United States were in Eighth District states. In 1943 the ratio was about 16.6 per cent.

### BEEF CATTLE ON FARMS

<table>
<thead>
<tr>
<th>Eighth District States</th>
<th>1939</th>
<th>1943</th>
<th>1914</th>
<th>1918</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number (Millions)</td>
<td>6.7</td>
<td>8.5</td>
<td>6.2</td>
<td>7.9</td>
<td>+ 27 + 28</td>
</tr>
<tr>
<td>Average Value (Dollars per head)</td>
<td>27.46</td>
<td>51.74</td>
<td>29.74</td>
<td>40.43</td>
<td>+ 88 + 36</td>
</tr>
<tr>
<td>Total Value (Millions of dollars)</td>
<td>183.3</td>
<td>437.7</td>
<td>184.4</td>
<td>319.4</td>
<td>+ 139 + 73</td>
</tr>
</tbody>
</table>

Feed is short in this district and the spread between feeder and finished cattle prices is not sufficient to justify heavy feeding. Consequently, larger marketings of cattle seem to be in prospect at this time, especially since consumer demand for beef is high at present and consumer purchasing power is large. On the other hand, slaughter facilities are taxed to capacity now and in St. Louis virtually all cold storage space is reported filled. Instances have been reported where slaughterers went completely out of the market for a time because they were unable to handle any additional purchases. An extremely heavy flow of cattle to market during the peak hog slaughter period might well jam the markets, adversely affect prices, and lead to the establishment of formal marketing quotas.

We are interested in obtaining any comments you may care to make concerning the beef cattle situation in your community. We have a limited number of additional copies of this article available for distribution.
The outstanding features of the current beef cattle situation are: (1) a continuing increase in the number of cattle on farms and ranches to record heights, notwithstanding some decline from last year in the number in feed lots; (2) a prevailing level of beef cattle prices generally at least 50 per cent above 1939; (3) a volume of slaughter higher than in 1939, but below that of last year; (4) a potential consumer demand for beef greatly in excess of current supplies in the market, with rationing of limited supplies left after military needs are met; (5) a growing shortage of feeds brought about by a general rapid expansion in livestock numbers without a corresponding increase in feed supplies; (6) a total value of beef cattle on farms probably above $2.8 billion, as compared with $1.2 billion in 1939 and an earlier peak of $2.3 billion in 1919; (7) sharply rising land values in the range country.

Examination of the current position and also of past developments indicates a need for consideration by cattle growers and others of possible action to increase slaughter, thereby meeting more fully the current demand for beef and at the same time improving the basic position of the cattle industry. Adjustment in cattle numbers is necessarily a slow process and it appears that unless special wartime demands are to be replaced by special peacetime demands there should be some downward adjustment in cattle numbers, beginning in the near future. Increased marketings, within limits set by available transport and packing facilities, would certainly help to meet the food requirements of the war period and would not reduce numbers on farms enough to jeopardize meat supplies after the war. At a later date new developments could be taken into account in deciding how far the readjustment should go for the long-time good of the industry and of the consuming public.

The total number of cattle on farms has risen from 66.0 million in 1939 to 78 million in January this year and, according to a Department of Agriculture estimate, may show a further increase to 80.8 million by the beginning of next year. For cattle other than milk cows the number on farms last January was 51.2 million head, an increase of 10 million, or 24 per cent, over 1939. This increase was nearly as large as the expansion from 1914 to 1918, as indicated in the Table and in Chart 1. Since January there has been further growth in numbers in contrast with 1918 when there was some decline. The number in feed lots August 1, however, was 11 per cent smaller than a year earlier, as feed conditions and price relationships have became less favorable for feeding operations.

### Beef Cattle on Farms, First and Second World Wars

<table>
<thead>
<tr>
<th></th>
<th>January</th>
<th>1939</th>
<th>1943</th>
<th>1914</th>
<th>1918</th>
<th>1939-43</th>
<th>1914-18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number (millions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average Value (dollars per head)</td>
<td>28.18</td>
<td>53.90</td>
<td>31.50</td>
<td>41.39</td>
<td>91</td>
<td>+31</td>
<td></td>
</tr>
<tr>
<td>Total Value (billions of dollars)</td>
<td>1.2</td>
<td>2.8</td>
<td>1.2</td>
<td>2.1</td>
<td>136</td>
<td>+71</td>
<td></td>
</tr>
</tbody>
</table>

NOTE: To make later data comparable with 1914 figures, dairy heifers and calves are included. From 1939 to 1943 the number of beef cattle, excluding dairy heifers and calves, rose by 26 per cent, from 30.4 million head to 38.4 million head.

The volume of inspected cattle slaughter so far this year has been small, considering the number of beef cattle on farms and the strong demand for beef. In June it was sharply lower and in recent months, despite some increase, has continued below a year ago. Total slaughter is estimated to be at a level which will permit an increase this year of 2.7 million head in number of all cattle on farms. Curr-
rently prices of most classes of cattle are somewhat under the peak reached in the spring but are 50 per cent or more above those of 1939.

Supplies of grain available in the coming year will be about 7 to 10 per cent less the amount available for feeding last year, while the number of animal units (including hogs, chickens, sheep, horses and dairy cattle, as well as beef cattle) will be about 10 per cent larger. Cattle growers will be more dependent than this year on pastures to maintain their herds.

Demand for beef, as for other meats, in the current period is much higher than ever before. The armed forces are taking large amounts of beef—30 per cent in Federally inspected plants—and civilian demand is exceptionally strong; incomes are much higher than usual, even after allowance for increased personal taxes, and people generally are working harder. Consumers are eating considerably less beef than they would if larger supplies were available on the market and if, as a result, the number of ration points required for the purchase of beef could be reduced.

With a rise of one-fourth in beef cattle numbers from January, 1939 to January this year and a doubling of average value per head in this same period, total value was up from $1.2 billion to $2.8 billion. This level, as indicated in Chart 1, was substantially above that of any previous January, including the peak year 1919. The increase from 1939 to 1943 was $1.6 billion, nearly twice as much as from 1914 to 1918.

These higher values, together with higher current incomes, have contributed greatly to a rise in land values, which recently has been rapid in many areas. For the Mountain States as a group, farm land values in July averaged 10 per cent higher than a year earlier and a fourth higher than in 1939. In the Southwest, values have gone up 10 per cent during the past year and 20 per cent since 1939. These increases have been similar, in percentage terms, to those in the 1914 to 1918 period.

In view of these developments in recent years, what is the prospect for the cattle industry in the years ahead? How long will demand be sustained at current levels? How will numbers on farms change and what will the volume of slaughter be? What is the probable course of cattle prices and values? How much will farm land in the range country be worth in the market?

These important questions cannot be answered with any precision, but it is possible to review what has happened after previous periods of expansion in cattle numbers and values, and to consider how new conditions may lead to different developments—and what it all means for current marketing decisions. The first conclusion from such a review is that the situation of the cattle industry will depend in considerable part on demand conditions largely beyond the control of cattle growers. The biggest decline in prices after the last war came in the
autumn and winter of 1920-21, when demand was sharply curtailed, and while slaughter was substantially below the wartime peak. The other important, although temporary, decline occurred in late 1919, following a break of $7 a hundred in hog prices when export demand for pork products was cut in half. The record clearly suggests the desirability, from the point of view of cattle growers, of marketing substantial numbers in a period of strong demand such as the present.

Another conclusion is that expansion in numbers and values beyond levels that can be reasonably maintained greatly intensifies the effects of any slackening of demand. The collapse in the industry in 1920-21 reflected not only reduced urban incomes, but large herds on farms and high valuations previously placed on cattle and on land.

Price declines at that time were drastic and their effects spread throughout the range country, resulting in heavy losses to growers, lending institutions and the community generally. Value per head declined 50 per cent, from $44 to $22, between January, 1919 and January, 1922. With a 7 per cent decline in cattle numbers in this period total value was down from $2.3 billion to $1.0 billion, a level lower than in 1914. Land values in the Mountain States and the Southwest declined a fourth from January, 1920 to January, 1923.

Current receipts from sale of cattle were sharply reduced and cattle growers generally were hard pressed to meet payments due on debts incurred when prices were much higher. Many old loans were extended and new loans were made to help growers through this period. But even so the immediate and ultimate losses were large and conditions were depressed in the range country for years.

Bank failures, which had been few during the period of rising cattle and land prices, increased sharply. In a group of eight states, including the Mountain States, Texas, Nebraska and Oklahoma, the rate of bank suspensions was more than twice that for the United States as a whole from 1921 through 1923 and continued at a high level for years afterward. The widespread effects of the rapid lowering of values extended through the whole decade—and beyond. The housewife at the meat counter as well as the cattle grower would have benefited by more orderly developments in the cattle industry.

In considering what this experience means for present planning, it is important to note that there has been real improvement in the banking situation in the cattle country. Assets are now more diversified, and a larger proportion of them in Government securities. Loans are more adequately secured and supervision is generally on a higher plane. In addition, whereas at the end of the last war banks were heavily in debt, they now hold reserves in excess of their needs.

Furthermore, the greater liquidity which the Federal Reserve System now gives to Government securities and other assets in the portfolios of banks would help to prevent unreasonable and untimely pressure on borrowers for repayment of loans.

Improvement in the banking situation, however, does not alter the basic facts with respect to cattle numbers, demand for beef, cattle prices and land values or their implications for cattle growers, lending institutions and the community generally in the years ahead.