Monthly Review

OF AGRICULTURE, INDUSTRY, TRADE AND FINANCE

FEDERAL RESERVE BANK OF ST. LOUIS

AUGUST 1, 1945

Survey of Current Conditions

The economy of the Eighth District, as elsewhere in the country, is in process of adjustment to the conditions arising out of the transition from a two to a one-front war. Although munitions production schedules are being curtailed sharply, the production requirements of the Pacific war are still large. Consumer income will decline in the months ahead, but should remain substantially in excess of available supplies of goods despite resumption of production of some durable items.

The War Production Board has announced that munitions production in December, 1945 will be 30 per cent below March, 1945 output. Over-all munitions output is currently about 15 per cent below March and thus will drop a like amount by the end of the year. In terms of individual programs, output of guns and fire control equipment will drop 50 per cent from current levels by the close of 1945, production of ships, combat and motor vehicles, and communications and electronic equipment will decline by about one third each, aircraft by 20 per cent, and miscellaneous equipment by 10 per cent. The December schedule for ammunition output is unchanged from July production. Cutbacks made during the second quarter already have sharply reduced production of aircraft, ships, guns, and vehicles.

There is no hope of maintaining the current overall level of industrial activity in the face of these deep cuts in war production. WPB has lopped off about 150 industry control measures and is encouraging resumption of civilian output in other ways, but even with the abolition of all controls it is unlikely that expanding civilian manufacturing output could replace in a short-run period the substantial loss of war orders. Bottlenecks in labor, materials, equipment, and transportation are certain to develop that will retard resumption of civilian goods manufacture.

INDUSTRY

In this district a downtrend in industrial activity is now evident on the basis of current statistics. Employment is declining and industrial power consumption is off. As a result of the rise early this year, however, the level of activity remains somewhat above a year ago. In June, consumption of industrial electric power in the major cities of the district was 2.0 per cent below May, but 10.5 per cent above June, 1944.

Employment—Manufacturing employment in the Eighth District is declining rather sharply at present and the decline promises to continue at least for the next few months. From late fall on, if the Japanese war continues, it is possible that manufacturing employment will be relatively stable with increases in civilian production offsetting declines in war output.

Employment at major war plants in the Eighth District in June was 9 per cent below January and was off 14 per cent from the peak reached in the late fall of 1943. Declines in war plant employment are taking place in most of the major cities of the district but are more pronounced at St. Louis than at the other industrial centers. Elsewhere in this Review there appears an article on cutbacks in the St. Louis area. As a result of the decrease in major munitions plant employment, labor supply either exceeds or is in balance with demand in every

(Continued on Page 8)

The Meat Situation

The current tight situation in meat is perhaps the most troublesome food problem that faces the country today. Of all war-created civilian shortages, the one in meat has most perturbed the average American. There are perplexing problems in all phases of the industry—production, processing, and distribution—that defy easy solution.

The Eighth District has a large stake in the meat industry since livestock production is a major agricultural activity throughout the region and meat packing is an important segment of the district's industrial structure. In 1940 cash farm income from livestock and livestock products represented nearly 60 per cent of the $650 million total farm income in the district. A large part of this livestock income came from sale of meat animals.

Meat packing is widely scattered throughout the district in both large and small plants. The major district cities have sizeable meat packing industries, with St. Louis leading for the district. In 1939, the latest year for which Census data are available, meat packing-wholesale ranked fourth among all industries in the St. Louis industrial area in value added by manufacture and was third in number of wage earners employed.

BASIC CAUSES OF MEAT SHORTAGE

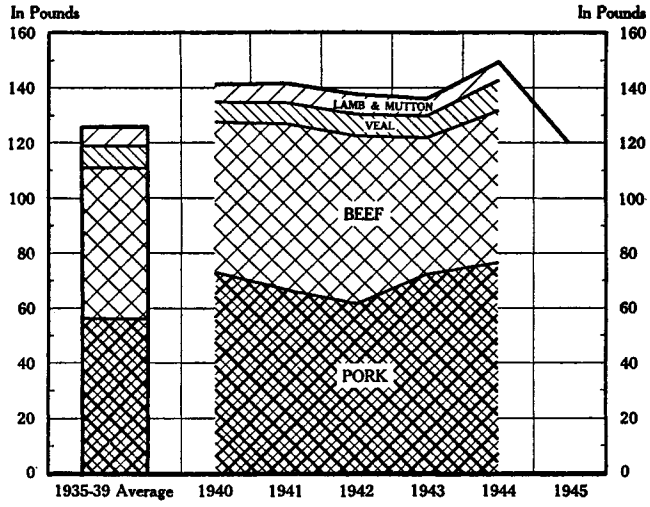
Basically the meat shortage in the United States has been due to the fact that the increased supplies of meat did not keep pace with the even sharper increase in demand. Americans have always been large consumers of meat. Demand for meat is elastic and as consumers' incomes rose under the impact of war spending, one of the early effects was to increase the demand for meat and meat products. Meat rationing was instituted in April, 1943, when it became obvious that civilian demand was outrunning supply.

Between 1935 and 1939 the United States produced on the average about 16.5 billion pounds of meat annually. Production showed a steady increase during the war years and reached a record-breaking total of 25.2 billion pounds in 1944. This year meat supplies will decline by about 10 per cent to a total of 22.6 billion pounds. Output of beef and veal is expected to rise to another new high, but pork production will be down about 20 per cent. The current reduced meat supplies, even though still substantially above prewar levels, come at a time when the needs of the armed services are still rising and when domestic purchasing power is at its wartime peak.

As shown on the accompanying chart, per capita civilian meat consumption has until recently been above the 1935-39 average of 126 pounds. In 1940 and 1941 per capita consumption amounted to about 141 pounds. It declined slightly during the next two years but, when civilian rations were increased in 1944, per capita civilian consumption increased to almost 150 pounds. As the supply situation became tighter, the point values on meats were increased and consumer supplies were further restricted. During the second quarter of this year per capita civilian meat consumption was reduced to an annual rate of about 115 pounds. While some improvement is indicated for the latter half of the year since the Government will take a smaller percentage of the total supply, total per capita consumption for the year as a whole is not likely to exceed 120 pounds. On the basis of present high consumer purchasing power it has been estimated that without controls per capita meat consumption would be at the rate of about 170 pounds annually.[1]

CHART I

MEAT CONSUMPTION PER CAPITA IN THE UNITED STATES



SOURCE: United States Department of Agriculture

In addition to quantities consumed as a result of high civilian demand, substantial amounts of meat have been taken by the armed services and for export to our Allies. In 1944 the requirements for the armed services, which include relief feeding, amounted to about 4 billion pounds, while exports including lend-lease shipments totaled about 2 billion pounds. In 1944 lend-lease exports were about 6.5 per cent of total meat supply. The requirements for the armed services are still rising and are expected to amount to about 5.4 billion pounds this

[1]H. Rept. 504, 79th Cong., 1st sess., P. 5—Preliminary Report of the Special Committee of the House of Representatives to Investigate Food Shortages, May 1, 1945.

year, which will be offset to some extent by a drop in exports.

PROBLEMS OF THE LIVESTOCK PRODUCER

Prices and feed supplies are of primary concern to the livestock farmer. In the absence of reasonable assurance that price-feed relationships will make feeding profitable, the farmer has little incentive to increase production.

During the early war years feed was plentiful, demand strong, and prices of meat animals advanced rapidly. As a result livestock production rose sharply. As shown on the accompanying chart between 1939 and 1944 cattle numbers jumped from 66 million to 82 million. Hog numbers increased from 50 million to 84 million. Sheep numbers also rose temporarily but subsequently declined and in 1944 were about the same as in 1939.

To some extent the basis of the livestock farmer's preoccupation with prices and feed supplies lies in the length of the livestock production process. For hogs the average period from breeding time to marketing is ten to twelve months. For cattle it runs from twenty-four to thirty months. For lambs produced in this area the time required is about the same as for hogs.

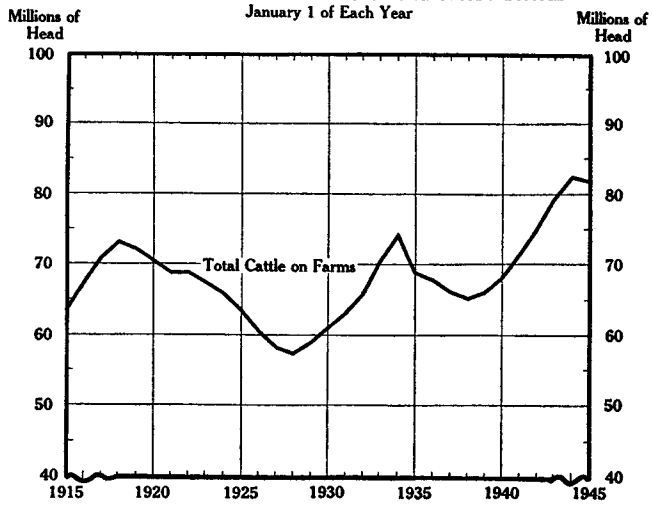
Because of this situation, livestock production is a hazardous occupation. Feed surpluses and good prices at breeding time may disappear by feeding and marketing time. While the producer's position is hazardous enough, that of the feeder is even more so, for his profit depends almost entirely upon maintenance of prices during his feeding operation.

The hog farmer, and to a large extent the sheep farmer, raise, feed, and market for slaughter their own production. Many cattle, however, are produced on the western ranges, fed on grass up to certain weights, and then sold to feeders for finishing. A feeder who buys western cattle usually places them on intensive pasture and grain feeding programs which may run from three to twelve months depending upon the size of the cattle purchased. Feeding operations are very important in the Corn Belt states and are quite extensive in the Eighth District.

CHART II

NUMBER OF CATTLE ON FARMS IN THE UNITED STATES

January 1 of Each Year



SOURCE: United States Department of Agriculture

In 1944 the livestock producers and feeders came face to face with the conditions which they traditionally fear. Animal numbers were high, feed became scarce, and prices broke. The strain on the available feed supply became so heavy that animal numbers had to be reduced. Since grain feed requirements are greatest for hogs, and since the hog production cycle is relatively short, emphasis went on curtailment of hog numbers. The War Food Administration recommended a 15 per cent reduction in the pig crop and to that end announced a reduction in future support prices on hogs. Record marketings had already broken the hog market to the then current support prices.

As a result of these factors, hog producers cut last year's spring pig crop by 30 per cent instead of the 15 per cent recommended. This action largely accounts for the present meat shortage. At the beginning of 1945 hog numbers totaled 61 million, or 23 million less than a year earlier.

To promote greater hog production (the goal for the 1945 fall pig crop is 37 million animals), the War Food Administration has announced a hog support program that will not be changed prior to September 1, 1946. All weight limits have been abolished and the support price set at $13 per cwt. (Chicago basis) for good and choice butcher hogs. This action, together with the present favorable corn-hog ratio, should go far to increase output unless this year's corn prospects should deteriorate further.

The main problem with respect to beef production relates to feeding operations. The bulk of supplies of beef cattle now reaching the market consists of lower grade animals with the percentage of choice beef and veal practically cut in half from its prewar level because of the decrease in heavy grain feeding. No minimum prices for cattle have been established and there is the large total of some 81 million cattle on farms. In view of the price uncertainties inherent in this situation, there is considerable reluctance to start intensive and prolonged feeding programs.

The Government has recently established a subsidy of 50 cents per cwt. payable to sellers of choice and good grade cattle weighing 800 pounds or more when marketed for slaughter, which have been owned by the seller for at least thirty days. Notwithstanding the subsidy there is considerable doubt in the minds of cattlemen as to whether the present spread between the cost of feeders and the price of finished cattle offers a sufficient margin of profit to justify assuming the many risks incident to a cattle feeding operation. The current relatively narrow spread between feeders and finished cattle is due largely to the increased butcher demand for unfinished cattle to satisfy the high consumer demand for meat regardless of grade.

The average price of choice fed cattle weighing from 900 to 1,100 pounds at National Stockyards, East St. Louis, for the week of July 7 was $17.34 per cwt. During the same week choice feeder cattle weighing from 500 to 800 pounds cost the feeder an average of $15 per cwt. Using gains based on Missouri University feeding tests, the feeder's prospects can be illustrated by the following example: A 1,046 pound steer at $17.34 per cwt. would bring a total of $181. Present subsidy allowance would add an additional $5 to the value of the steer, making a total to the farmer of $186.

A 768 pound feeder at a cost of $15 per cwt. would represent a total outlay of $115. The necessary feed to put on 278 pounds of gain in a dry lot operation would cost at present prices a total of $46. The average shrinkage from the feed lot to market, plus the costs of transportation, commission, insurance, etc., represents an additional cost of $12, making the total cost of the steer $173. This would leave a profit of $13 to the farmer which is a narrow margin to cover his labor and the risks involved in the operation. A decline of only $1.25 per cwt. in the market price of the finished product would completely eliminate his profit. Moreover, the above figures use estimates based upon much better feeding conditions than exist on the average farm, allow for no death losses, and assume that all steers in a given operation will finish out to a uniform choice grade.

PROBLEMS OF THE MEAT PACKER

The American meat packing industry has been concentrated in the middle west since the advent of modern transportation and the invention of the refrigerated railroad car in the 1880's. The country's livestock market and meat packing centers such as Chicago, St. Louis, Omaha, Kansas City, and St. Paul form a bridge between the great meat producing areas of the west and mid-west and the heavily populated industrial regions of the northeast and east.

The meat packing industry may be divided in two ways. On the basis of size the packers break into two groups: the Big Four (Swift, Armour, Wilson, and Cudahy who control about half of the business) and the rest of the industry made up of the medium-sized and small packers. On the basis of inspection they may be separated into Federally inspected plants on the one hand and locally inspected plants on the other.

For the most part the large and medium-sized packers are Federally inspected, while the smaller units have local inspection. Only the former are allowed to ship interstate, a situation that in normal times causes no particular difficulties since supply is abundant, but which at present has aggravated local meat shortages through the maldistribution of supplies. All military supplies are required to come from Federally inspected plants which thus have less meat than usual for their civilian trade. Local packers even when they have large supplies on hand cannot ship interstate to relieve temporary maldistribution. The Department of Agriculture is now attempting to have the inspection laws modified so that meat from local packing houses that are properly certified as meeting required sanitary standards could be shipped interstate and accepted for Government purchase.

In the main, the large packers which operate nationally have distinct competitive advantages. They handle multiple lines of goods such as dairy products and other perishable commodities. They process by-products such as glue, hides, and vitamin preparations. They are better organized to buy in public markets and to sell in the most profitable localities. Consequently the large packers can handle profitably animals which have a low ratio of dressed meat to live animal weight. In the case of steers and lambs, for example, 40 to 60 per cent of live weight is not meat. The small packer has difficulty in making a profit on such animals and tends to concentrate upon hog slaughter since the average hog is 70 to 75 per cent meat.

General Government policy of strict price control on meat at wholesale and retail levels coupled with high livestock prices has tended to narrow packers' margins. The squeeze has been more pronounced on the small packers than on the large ones because of the advantages enjoyed by the large operators particularly in by-product utilization.

Certain problems are common to both large and

small packers. Meat is a perishable product and either must be sold fresh or stored or processed. Since supply and demand fluctuate considerably and price changes may be both rapid and severe, the value of inventories may rise or fall substantially, resulting in either unexpected profits or heavy losses for the industry.

Packers' facilities must be large enough to handle seasonal peaks in livestock receipts. This means excess capacity and high overhead costs for slack periods of the year, expenses that are normally made up on a full year's operations.

The industry generally believes that these factors of inventory vulnerability and seasonal operating losses are inadequately recognized by Government price regulation and strong efforts are constantly being exerted to obtain relief. Relief could come from either higher retail prices or lower farm prices. Since Government policy is directed toward holding retail prices down the packers' margins have been provided to an increasing extent by higher Government subsidies.

OUTLOOK FOR THE MEAT INDUSTRY

The short-run outlook for civilian meat supplies is for a continuation of the present tight situation, modified slightly by anticipated increases in cattle marketings this fall, but with little prospect for appreciable relief before next year when hog supplies should be higher than in 1945. Hope for increased meat for civilians during the balance of 1945 rests mainly upon the effort to improve methods of distributing the available supply and to curtail black market operations. Neither is likely to add very much meat to the civilian larder.

The industry, therefore, has a very favorable short-run domestic demand situation. In addition the European export market will be strong for perhaps two more years, until European livestock can be increased in number. The immediate problem thus is mainly one of supply rather than of demand.

Over the longer run the prospects for the industry depend largely upon maintenance of high income levels in this country which would assure high per capita meat consumption. After World War I domestic unemployment and loss of wartime export markets broke meat prices in 1921 and left both producer and packer with heavy losses arising from the large stocks of live animals and processed meats held.

Meat producers and packers face no technical reconversion problems. There will be continued need to diminish seasonal fluctuations in supply and demand. Increased livestock production in the south with its longer pasture seasons, may be expected to result in longer and more balanced marketing periods for meat animals. Research in better by-products should continue and the industry plans to offer new products in the form of frozen and partly precooked meat dishes. While efforts in these directions have had only limited success in past years, modern refrigeration equipment with deep-freezing compartments should make it possible in the future for many American householders to enjoy fresh meats of equal quality the year 'round.

H. S. Maas

Effect of Contract Cancellation In St. Louis

In the period since the end of the European war the St. Louis area[1], in common with other large industrial regions in the United States, has experienced many cancellations of large war contracts. These cancellations are leading to a sharp decline in employment and payrolls at major war plants. This article attempts to appraise the magnitude of the prospective employment decline during the next few months and to call attention to some of the ways in which the loss of income of displaced workers will be partially offset.

Major war plant layoffs in the St. Louis area announced since the end of the war in Europe total some 45,000 workers. About 12,000 of these were laid off by the close of June while most of the remainder will be dismissed during July, August, and September. The St. Louis Ordnance Plant, largest small arms ammunition plant in the world, is scheduled to shut down completely by September 1. Curtiss-Wright's big aircraft factory, which has recently been producing large two-motor transport planes, will close its doors at about the same time. Amertorp, producer of torpedoes, will stop operations by November 1. All three plants are currently laying off workers. National Carbon's battery plant has already closed. Employment has decreased or is declining at General Motor's Chevrolet Division plant (artillery shells), McQuay-Norris (bullet cores), Busch-Sulzer (marine engines), Emerson

[1]St. Louis City and County, and St. Charles County, Missouri; Madison and St. Clair Counties, Illinois.

Electric (aircraft gun turrets), Atlas Powder (TNT), and several other major war plants.

THE ST. LOUIS WAR PRODUCTION RECORD

In 1939 total manufacturing employment in the St. Louis area averaged 162,000 and the value of manufactured goods produced was $1.1 billion. In 1943 the number of industrial workers employed averaged about 300,000 with a peak of 320,000 in the late fall. Although manufacturing employment declined subsequently, it appears that actual physical production until very recently ran almost as high as in late 1943 because of greater productivity and longer hours. For the past 30 months the physical output averaged about 2.5 times the 1939 rate and as a result of price increases the value of production probably averaged 3 times that of 1939. The total value of output in the St. Louis area since Pearl Harbor is estimated to have exceeded $10 billion.

The net value of all major prime war contracts (those of $50,000 or more each, excluding food contracts) placed in the region through the present time is slightly less than $3 billion. Most of the subcontract work under these prime contracts went to St. Louis manufacturers. In addition the area received a substantial volume of subcontracts originating from prime contracts placed outside St. Louis. No accurate data on such subcontract volume are available, but it undoubtedly has run into a very large figure, perhaps as much as $1.5 or $2.0 billion. These estimates place the total volume of the major prime contracts and the subcontracts for war production in the St. Louis area at from $4.5 to $5.0 billion.

About half of the war contracts placed in the St. Louis region have been listed as completed by the War Production Board. In addition deliveries have been made equivalent to perhaps half of the volume called for under the open contracts. The foregoing figures indicate that approximately one-third of the total manufactured output in the area over the past 42 months was war goods. Almost two-thirds, however, was civilian production (including military food orders which were large because of the importance of the food processing industry in the area).

THE IMMEDIATE OUTLOOK FOR MANUFACTURING EMPLOYMENT

These rough figures serve to indicate the outside limits of the effect which war production cut backs could have on employment. If all war contracts were cancelled and not replaced with any civilian manufacture, St. Louis might expect to lose employment for about one-third of its manufacturing workers. Actually, of course, a substantial volume of war orders remains on St. Louis industry's books, and part of the loss in war orders will be offset by rising civilian output.

The chart shows total manufacturing employment and employment at 36 major war plants in the St. Louis area from August, 1942 to date. Dotted lines represent projected employment through October, 1945. As can be seen, manufacturing employment dropped sharply in late 1943 and early 1944 when a series of munitions cutbacks hit the St. Louis area. Employment, however, began to rise again late in 1944. June employment of 260,000 workers marked the first appreciable drop since the secondary peak was reached earlier in the year. Total manufacturing employment followed war plant employment very closely throughout the entire period. War plant employment by November 1, as projected, will be 35,000 less than in June, while total manufacturing employment is expected to be off 20,000 to 25,000 from the June level since there will be some increase in workers in the so-called less essential manufacturing lines.[2]

THE EFFECT OF EMPLOYMENT REDUCTIONS ON WORKER INCOME

An employment decline of the magnitude indicated (from 260,000 to 235,000) would lead to a substantial decrease in worker income if it were not offset in part either by wages from jobs in nonmanufacturing lines or by unemployment benefits. On the basis of the indicated employment drop factory payrolls in St. Louis would decline by some $40 to $45 million on an annual basis.

Some of the laid-off workers will wish to leave the labor market. This is particularly true among the group of over-age workers and married women who are now working in war plants. The number who will leave voluntarily cannot be estimated with any accuracy. In the previous period of layoffs at major war plants from September, 1943 to about May, 1944 it is estimated that over 85 per cent of the displaced workers filed initial claims for unemployment insurance benefits indicating that a surprisingly high proportion of the workers wished to continue in the labor market.

It is also difficult to estimate how many jobs will be available for those workers who are unable to find jobs in manufacturing but who wish to stay in the labor market. There is an unfilled demand for

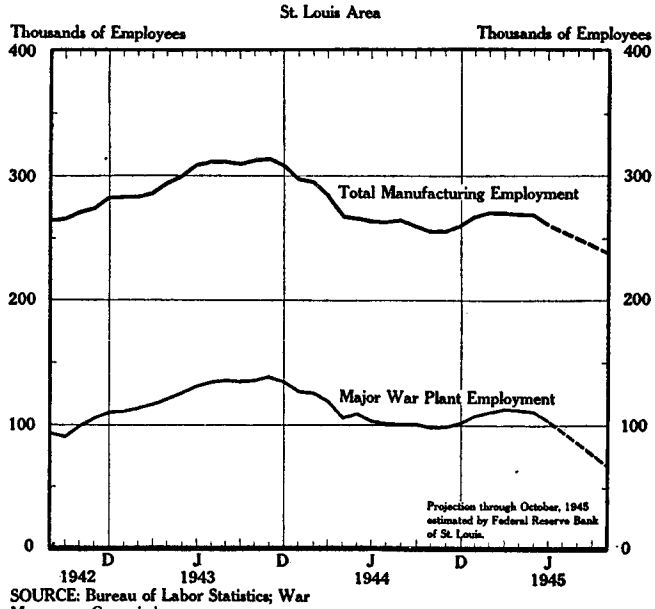
[2]The St. Louis district office of the U. S. Employment Service currently has on file orders for some 14,000 workers. Perhaps 11,000 of these represent orders for factory employees. Assuming that all of these factory jobs will be filled, a somewhat optimistic assumption, manufacturing employment would still fall to about 235,000.

workers in nonmanufacturing fields but these lines are unlikely to be able to take up all the employment slack during the period of heavy layoffs at war plants. Also, many of the war plant workers will not be qualified for the types of jobs that will be open in other lines. For example, the War Department has announced that part of the St. Louis Ordnance Plant will be utilized as a records office which will provide substantial employment. Most of the employees will, however, be in the clerical group. To some extent seasonal expansion in nonmanufacturing lines will tend to absorb workers during the later months of the year.

The displaced manufacturing workers who cannot find employment in nonmanufacturing lines will in most cases fall back on unemployment insurance for current income. Virtually all laid-off workers are covered by unemployment compensation; perhaps less than 10,000 manufacturing workers in the entire area are excluded from coverage. In the Missouri portion of the area employers of eight or more workers and in the Illinois portion employers of six or more workers in twenty weeks of any year come under unemployment compensation law.

In general the provisions of the Illinois law are somewhat more liberal than those of Missouri, but since four-fifths of all manufacturing workers in the area come under Missouri coverage and most layoffs so far announced are in Missouri establishments, the provisions of the Missouri law will have most effect upon worker income. The maximum weekly benefit in Missouri is $18 and the maximum duration of benefit payments is 16 weeks. There is pending in the Legislature a bill to raise the benefit

EMPLOYMENT IN MANUFACTURING PLANTS AND MAJOR WAR PLANTS
St. Louis Area



SOURCE: Bureau of Labor Statistics; War Manpower Commission

to $24 and the duration to 26 weeks, but it seems improbable that this will be enacted in time to be of benefit to workers currently being displaced.

Most of the laid-off workers will be eligible for maximum benefit payments over a 16 week period. The Missouri law provides that the amount of the weekly benefit for total unemployment shall not exceed 4 per cent of the worker's earnings in the highest quarter-year of the base period and that total benefits shall not exceed one-fifth of the earnings in the base period. The base period consists of the first eight quarters of the nine quarters preceeding the benefit year. A worker must have earned income in at least three different quarters of the base period to be eligible for unemployment benefits. These provisions mean that a worker must have earned at least $450 in a three-month period during the base period to be eligible for maximum compensation and that his total earnings during the base period must have been at least $1,440. Most of the currently laid off workers and those whose dismissal is in prospect appear to meet the conditions of eligibility for maximum benefits.

Until late in July the volume of compensation claims filed by displaced workers was not very great. During the first six months of this year total claims of all types (including those filed by returning servicemen) averaged from 300 to 600 per week at the St. Louis office, which handles St. Louis City and County. By mid-July they were running about 3,000 and by the close of the month over 5,000 per week.

In Missouri there is a one-week waiting period between the initial filing date for a claim and the time when a claimant becomes eligible for unemployment insurance. As the law is administered, claimants are generally allowed three or four weeks to find a new job at comparable wage rates and under working conditions roughly comparable to those of the job last held. If such a job is not found in that time, however, the claimant is expected to accept other suitable employment, which usually means employment at lower wage rates. Up to the present time employment at comparable wage rates or other suitable employment has generally been available, but it is doubtful whether this situation will continue for much longer. Unemployment compensation payments are likely, therefore, to rise fairly rapidly over the next few months. They may be expected to provide the equivalent of about half the prospective loss in factory payrolls.

On balance, the cutbacks announced to date in the St. Louis area should not produce an over-all decline

in income from wages and salaries in the next six months of more than $10 million. Total manufacturing payrolls during the last six months amounted to over $300 million. The loss in income would, of course, be increased should the Japanese war end suddenly. Moreover, unless non-manufacturing lines are able to absorb the workers laid off by manufacturing, a further decline in income will occur when unemployment insurance benefits cease.

CURRENT CONDITIONS

(Continued from Page 1)

important district city except Louisville and Pine Bluff. There are still shortages of male workers in Pine Bluff and of both male and female workers in Louisville.

Munitions Output—Production at district war plants is dropping just about as rapidly as war plant employment. The major items being cut back at present in the district are ammunition and shipbuilding. In general district output of communications and electronic equipment and miscellaneous war items is continuing in good volume. Rocket production at the new district establishments is expanding sharply. Nationally, rocket output is scheduled to increase to 250 per cent of the present production rate by the end of the year.

Other Manufacturing—In addition to the marked drop in war production in June other district manufacturing in the aggregate was somewhat below May, although it was in slightly greater volume than in June, 1944.

In the district steel industry the operating rate at ingot producing mills averaged 75 per cent in June as compared with 78 per cent a month earlier and 79 per cent in June, 1944. Foundry production was also off. The supply situation for finished steel items is still fairly tight and orders are backlogged for some months into the future. Allocation of steel for civilian goods manufacture is not yet particularly large, but civilian orders should be increased in the near future since steel is basic to most civilian durable goods.

Most district whiskey distilleries produced beverage spirits or whiskey instead of industrial alcohol in July. A few, however, exercised the option of continuing to produce alcohol primarily because corn was not available for whiskey making. At the end of June, 53 Kentucky distilleries were in operation, one less than a month earlier but 3 more than on the same day of 1944. For the first half of this year distillery operations have averaged a somewhat higher rate than in the comparable period last year.

Shoe production at district factories in June was slightly higher than in May and was 9 per cent above a year earlier. Factory labor is somewhat easier to procure and leather supply is apparently in greater volume than at this time last year. Meat packing activity in June was below the high level of the first part of this year. Lumber output at district mills moved up slightly. The rise in production of lumber is due to increased hardwood

AGRICULTURE

CASH FARM INCOME

(In thousands of dollars)	May 1945	May 1944	Cumulative for 5 months 1945	1944	1943
Arkansas	$ 15,014	$ 16,509	$ 90,547	$ 83,342	$ 88,925
Illinois	96,725	102,622	450,360	493,842	438,628
Indiana	53,833	54,947	244,155	267,199	248,579
Kentucky	17,974	18,739	212,612	165,837	135,869
Mississippi	12,207	13,794	92,715	71,583	70,807
Missouri	53,470	54,295	242,607	257,278	222,832
Tennessee	16,548	21,513	119,135	120,450	103,801
Totals	265,771	282,419	1,452,131	1,459,531	1,309,441

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts June, 1945	Receipts May, 1945	Receipts June, 1944	Shipments June, 1945	Shipments May, 1945	Shipments June, 1944
Cattle and Calves	136,384	126,479	137,756	90,872	86,437	71,680
Hogs	147,507	167,842	282,025	46,409	53,174	50,821
Horses and Mules	3,964	3,089	2,224	3,964	3,069	2,221
Sheep	172,172	168,517	148,745	94,563	101,919	81,184
Totals	460,027	465,927	570,750	235,808	244,599	205,906

PRICES

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100)	June, 1945	May, 1945	June, 1944	June,'45 comp. with May,'45	June,'45 comp. with June,'44
All Commodities	106.1	106.0	104.3	+0.1%	+ 1.7%
Farm Products	130.4	129.9	125.0	+0.4	+ 4.3
Foods	107.5	107.0	106.5	+0.5	+ 0.9
Other	99.6	99.4	98.5	+0.2	+ 1.1

COST OF LIVING

Bureau of Labor Statistics (1935-39=100)	May 15, 1945	Apr. 15, 1945	Sept. 15, 1942	May 15,'45 comp. with Apr. 15,'45	May 15,'45 comp. with Sept. 15,'42
United States	128.0	127.1	117.8	+ 0.7%	+ 8.7%
St. Louis	126.3	125.2	116.6	+ 0.9	+ 8.3
Memphis	*	*	119.3	.....	.....

*Not available.

COST OF FOOD

Bureau of Labor Statistics (1935-39=100)	May 15, 1945	Apr. 15, 1945	Sept. 15, 1942	May 15,'45 comp. with Apr. 15,'45	May 15,'45 comp. with Sept. 15,'42
U. S. (51 cities)	138.8	136.6	126.6	+ 1.6%	+ 9.6%
St. Louis	141.7	139.0	126.7	+ 1.9	+11.8
Little Rock	138.0	137.6	129.2	+ 0.3	+ 6.8
Louisville	131.9	130.6	124.2	+ 1.0	+ 6.2
Memphis	146.9	145.2	129.7	+ 1.2	+13.3

production as southern pine output in June was slightly lower than in May.

Mining and Oil—Production of coal at district mines in June totaled 15.5 million tons as compared with 15.0 million tons in May and 14.7 million tons in June, 1944. This increase in coal output comes as somewhat of a surprise in view of the difficult labor situation and the apparent decline in employment. Activity in light metals mining—zinc, lead, and aluminum—continues at well below wartime peak operations. Current supply of these metals is fairly easy. The daily average production rate at district oil wells in June was up slightly from both a month and a year earlier.

Construction—For the past few months construction activity in this district has been expanding and is running considerably ahead of the like period in 1944. Construction contract awards in June in the Eighth District (F. W. Dodge figures) totaled $29 million as compared with $9 million in June, 1944. Building permits granted for new construction and repairs in the major cities of the district in June were 19 per cent above a year earlier.

TRADE

Despite the incidence of war contract cancellations and prospective layoffs at major war plants, the sales volume of retail trade lines reporting to this bank in June was substantially higher than a year earlier and in the aggregate showed no appreciable change from May, although a normal seasonal decline might be expected at this time of year. As compared with June, 1944, sales volume at department stores was up 18 per cent, at men's furnishings stores 22 per cent, at women's apparel stores 39 per cent, and at retail shoe stores 26 per cent. Furniture stores also registered a considerable increase in sales with June volume 14 per cent over that of the comparable month last year.

In general the rise in department store sales over last year has been fairly evenly distributed over the district, with only Fort Smith, Arkansas, Evansville, Indiana and a few smaller cities lagging appreciably behind the district average gain. In St. Louis, where heavy contract cancellation has taken place and where layoffs of war workers are expected to total 45,000 by this fall, June sales at department stores were 20 per cent higher than a year ago and were up 3 per cent from May. For the year to date the sales gain in St. Louis over the comparable period in 1944 was 15 per cent.

AGRICULTURE

Despite one of the most backward seasons ever experienced, the outlook for Eighth District crops, with the exception of corn, tobacco, and cotton, is fairly good. Cool weather during June and early July slowed plant development and delayed maturity with corn in particular being affected unfavorably. Small grains, which had reached the filling stage, and hay and pasture growth, however, were benefited by the unusual temperatures. Reduced rainfall in July afforded Eighth District farmers the season's best field working conditions. By mid-July

INDUSTRY

COAL PRODUCTION

(In thousands of tons)	June,'45	May,'45	June,'44	June,'45 comp. with May,'45	June,'45 comp. with June,'44
Illinois	6,079	5,590	5,956	+ 9%	+ 2%
Indiana	2,196	2,178	2,104	+ 1	+ 4
Kentucky	5,820	5,790	5,064	+ 1	+15
Other dist. states	1,454	1,484	1,534	— 2	— 5
Totals	15,549	15,042	14,658	+ 3	+ 6

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	No. of Customers*	June, 1945 K.W.H.	May, 1945 K.W.H.	June, 1944 K.W.H.	June, 1945 compared with May, 1945	June, 1945 compared with June, 1944
Evansville	40	10,010	10,259	7,890	— 2.4%	+26.9%
Little Rock	35	3,384	3,045	3,286	+11.1	+ 3.0
Louisville	82	18,146	18,084	17,409	+ 0.3	+ 4.2
Memphis	31	6,815	6,947	6,184	— 1.9	+10.2
Pine Bluff	19	7,558	6,572	7,546	+15.0	+ 0.2
St. Louis	141	102,658	106,620	92,151	— 3.7	+11.4
Totals	348	148,571	151,527	134,466	— 2.0	+10.5

*Selected industrial customers.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

June,'45	May,'45	June,'44	First nine days July,'45	First nine days July,'44	6 mos.'45	6 mos.'44
156,800	173,952	160,734	40,647	44,747	971,741	959,706†

Source: Terminal Railroad Association of St. Louis. †Revised.

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	June, 1945	May, 1945	June, 1944	June,'45 comp. with May,'45	June,'45 comp. with June,'44
El Dorado, Ark.	$ 11,337	$ 10,037	$ 10,816	+13%	+ 5%
Fort Smith, Ark.	25,060	22,983	25,648	+ 9	— 2
Helena, Ark.	3,865	4,242	3,791	— 9	+ 2
Little Rock, Ark.	91,717	90,420	70,677	+ 1	+30
Pine Bluff, Ark.	16,649	15,001	15,972	+11	+ 4
Texarkana, Ark.-Tex.	11,269	11,855	11,160	— 5	+ 1
Alton, Ill.	18,064	14,812	16,953	+22	+ 7
E.St.L.-Nat.S.Y., Ill.	80,679	68,059	82,377	+19	— 2
Quincy, Ill.	18,775	18,400	18,990	+ 2	— 1
Evansville, Ind.	108,618	104,129	110,219	+ 4	— 1
Louisville, Ky.	518,962	373,520	428,571	+39	+21
Owensboro, Ky.	21,378	16,872	17,829	+27	+20
Paducah, Ky.	10,357	9,080	10,666	+14	— 3
Greenville, Miss.	8,113	9,060	10,471	—10	—23
Cape Girardeau, Mo.	5,452	5,789	5,457	— 6	- 0 -
Hannibal, Mo.	5,319	5,163	5,163	+ 3	+ 3
Jefferson City, Mo.	22,138	20,277	22,518	+ 9	— 2
St. Louis, Mo.	1,242,904	1,235,956	1,208,519	+ 1	+ 3
Sedalia, Mo.	6,713	6,935	6,876	— 3	— 2
Springfield, Mo.	36,067	35,276	33,568	+ 2	+ 7
Jackson, Tenn.	10,171	9,527	8,930	+ 7	+14
Memphis, Tenn.	290,037	275,954	249,804	+ 5	+16
Totals	2,563,644	2,363,347	2,374,975	+ 8	+ 8

RETAIL TRADE

DEPARTMENT STORES

	Net Sales: June, 1945 compared with May,'45	Net Sales: June, 1945 compared with June,'44	Net Sales: 6 mos.'45 to same period '44	Stocks on Hand: June 30,'45 comp. with June 30,'44	Stock Turnover: Jan. 1 to June 30, 1945	Stock Turnover: Jan. 1 to June 30, 1944
Ft. Smith, Ark..	—10%	+ 9%	+10%	+ 16%	2.13	2.19
Little Rock, Ark.	— 7	+19	+16	+ 9	2.71	2.41
Quincy, Ill.....	+ 3	+22	+13	+ 6	3.01	2.50
Evansville, Ind..	+ 8	+ 8	+ 3	.....	...	...
Louisville, Ky...	+ 7†	+20†	+14†	+ 2†	3.20†	2.68†
St. Louis Area[1].	+ 3	+20	+14	+ 17	2.44	2.24
St. Louis, Mo...	+ 3	+20	+15	+ 17	2.44	2.24
E. St. Louis, Ill.	+10	+12	+ 8	.....	...	...
Springfield, Mo..	— 3	+23	+21	+ 11	2.55	2.03
Memphis, Tenn..	—11	+13	+13	+ 12	2.74	2.49
*All other cities.	+ 5	+10	+ 9	+ 8	2.56	2.25
8th F.R. Dist..	- 0 -†	+18†	+14†	+ 14†	2.59†	2.34†

*El Dorado, Fayetteville, Pine Bluff, Ark.; Alton, Harrisburg, Jacksonville, Mt. Vernon, Ill.; New Albany, Vincennes, Ind.; Danville, Hopkinsville, Mayfield, Paducah, Ky.; Chillicothe, Mo.; and Jackson, Tenn.

[1]Includes St. Louis, Mo., East St. Louis and Belleville, Ill.

†Preliminary.

Trading days: June, 1945—26; May, 1945—25; June, 1944—26.

Outstanding orders of reporting stores at the end of June, 1945, were 21 per cent greater than on the corresponding date a year ago.

Percentage of accounts and notes receivable outstanding June 1, 1945, collected during June by cities:

	Instalment Accounts	Excl. Instal. Accounts		Instalment Accounts	Excl. Instal. Accounts
Fort Smith...	..%	64%	Quincy	45%	75%
Little Rock ..	34	61	St. Louis....	44	73
Louisville....	36	63	Other cities..	30	64
Memphis	45	60	8th F.R. Dist.	41	68

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

	June, 1945	May, 1945	Apr., 1945	June, 1944
Sales (daily average), Unadjusted[1]	198	209	192	170
Sales (daily average), Seasonally adjusted[1]	220	209	188	189
Stocks, Unadjusted[2]	118	114	109	105
Stocks, Seasonally adjusted[2]	123	113	106	109

[1]Daily Average 1935-39=100.
[2]Monthly Average 1923-25=100.

SPECIALTY STORES

	Net Sales: June, 1945 compared with May,'45	Net Sales: June, 1945 compared with June,'44	Net Sales: 6 mos.'45 to same period '44	Stocks on Hand: June 30,'45 comp. with June 30,'44	Stock Turnover: Jan. 1 to June 30, 1945	Stock Turnover: Jan. 1 to June 30, 1944
Men's Furnishings	+22%	+22%	+ 9%	— 4%	1.99	1.58
Boots and Shoes	+10	+26	+14	— 11	5.16	4.26

Percentage of accounts and notes receivable outstanding June 1, 1945, collected during June:

Men's Furnishings.....66% Boots and Shoes.....55%

Trading days: June, 1945—26; May, 1945—25; June, 1944—26.

RETAIL FURNITURE STORES

	Net Sales: June, 1945 compared with May,'45	Net Sales: June, 1945 compared with June,'44	Inventories: June 30, 1945 compared with May 31,'45	Inventories: June 30, 1945 compared with June 30,'44	Ratio of Collections: June,'45	Ratio of Collections: June,'44
St. Louis Area[1]..	— 5%	+17%	+ 1%	— 1%	47%	47%
St. Louis.....	— 6	+20	+ 1	— 1	49	48
Louisville Area[2].	— 7	+13	—13	+ 4	34	33
Louisville.....	— 4	+ 9	—14	+ 4	32	33
Memphis.....	+ 4	+ 5	- 0 -	+ 2	27	28
Little Rock.....	- 0 -	+12	— 2	+ 1	31	28
Pine Bluff.....	+20	+20	*	*	38	32
Fort Smith.....	+20	+39	*	*	*	*
8th Dist. Totals[3].	— 2	+14	— 3	+ 1	38	37

*Not shown separately due to insufficient coverage, but included in Eighth District totals.

[1]Includes St. Louis, Missouri; East St. Louis, and Alton, Illinois.

[2]Includes Louisville, Kentucky; and New Albany, Indiana.

[3]In addition to above cities, includes stores in Blytheville, Arkansas; Evansville, Indiana; Henderson, Hopkinsville, Owensboro, Kentucky; Columbus, Greenville, Greenwood, Starkville, Mississippi; Hannibal, Springfield, and Cape Girardeau, Missouri.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	June,'45	May,'45	June,'44
Cash Sales.....	22%	22%	20%
Credit Sales.....	78	78	80
Total Sales.....	100	100	100

planting and replanting of crops was nearing completion.

Corn—For the United States the July 1 estimate of the U. S. Department of Agriculture points to a corn crop of 2.7 billion bushels on an acreage 5 per cent below that of 1944. Indicated production this year is well below the 3.2 billion bushel crop of last year but is about 10 per cent larger than the 10-year (1934-43) average crop. This period includes two extreme drouth years. For the Eighth District the indicated crop on July 1 was 306 million bushels in contrast to 367 million bushels produced in 1944. Production decreases are particularly marked in Illinois and Missouri with fairly substantial declines in all other Eighth District states except Indiana and Mississippi.

Hay and Oats—July 1 indications point to a district oat crop of 61 million bushels this year as compared with 54 million bushels harvested in 1944. Indicated production in 1945 is higher than in any year since 1920. With the exception of Missouri, where production is likely to be somewhat below average, anticipated net yields exceed those realized in 1944. The tame hay crop in the district in 1945 is expected to be 8.7 million tons, almost 1 million tons more than in 1944.

Rice—Total United States rice acreage in 1945 is estimated at 1.5 million acres, 23 per cent above harvested acreage last year. A crop of nearly 75 million bushels, some 6 per cent above the bumper 1945 crop, is in prospect. The Arkansas rice crop is expected to be 13 million bushels, about 1.2 million bushels below the 1944 harvest. Seedings were very late this year, but conditions are improving at present and irrigation is now in full force.

Wheat—On July 1 the Department of Agriculture estimated the Eighth District winter wheat crop at 54 million bushels as compared with 49 million bushels harvested last year. The district harvest is well underway. Yields promise to be above average even though rust and lodging have damaged the crop in some areas.

For the United States an all-time record wheat crop totaling an estimated 1,129 million bushels is in prospect for 1945. The carryover of wheat on farms on July 1 was estimated at 90 million bushels. The wheat supply situation is the bright spot in the over-all food and feed outlook.

Cotton—Progress of the cotton crop in the Eighth District is reported as fairly good with condition ranging downward from good to poor. The crop is particularly late this year. Among district states, 1945 cotton acreage in Missouri is off 34 per cent

from a year earlier, in Arkansas and Tennessee off 9 per cent, and in Mississippi down 2 per cent. The very unfavorable weather in the early planting season, considerable flooding, and labor shortages have brought about less plantings.

Tobacco—The largest United States acreage of tobacco since 1939 was planted this year. On 1.8 million acres, 4 per cent more than in 1944, total production for 1945 is forecast at 1.9 billion pounds or 3 per cent less than the very high output of 1944, but 36 per cent above 10-year average production. The district crop is expected to amount to 352 million pounds in 1945 as compared with 384 million pounds in 1944.

BANKING AND FINANCE

A seasonal upward movement in loan volume at Eighth District banks has been raising loan totals for the past several weeks. This rise was accentuated during the Seventh War Loan drive by a rather substantial increase in borrowing for the purpose of purchasing or carrying Government securities. On July 3, loans for this purpose at weekly reporting member banks totaled $54 million as compared with a pre-drive level of $22 million. Commercial, industrial and agricultural loans at the reporting banks were about $20 million higher at mid-July than a month earlier with virtually all of the gain concentrated at St. Louis and Memphis.

Bank investment portfolios expanded during and shortly after the Seventh War Loan drive. Regular bank subscriptions against their time and savings deposits totaled about $75 million for all district banks. At weekly reporting banks total investments rose about $100 million over the two-month period from mid-May to mid-July. About half of this increase was in bonds. Certificate holdings were lower on the latter date and note holdings higher, due primarily to an exchange of certificates for notes on June 1. There was, however, some additional bank buying of notes during the past two months. Treasury bill totals fluctuated as banks utilized these securities to adjust reserve positions.

NEW MEMBER BANKS

Since the last issue of this Review, Peoples Bank and Loan Company, Lewisville, Arkansas, The Cynthiana State Bank, Cynthiana, Indiana, Bank of Ripley, Ripley, and The Bank of Sharon, Sharon, Tennessee, have become members of the Federal Reserve System.

WHOLESALING

Lines of Commodities	Net Sales		Stocks
Data furnished by Bureau of Census, U. S. Dept. of Commerce*	June, 1945 Compared with May,'45	June,'44	June 30, 1945 Compared with June 30, 1944
Automotive Supplies	+ 3%	+ 18%	....%
Boots and Shoes	— 15	+ 1	....
Drugs and Chemicals	+ 2	— 1	....
Dry Goods	+ 2	— 9	—35
Electrical Supplies	+ 10	+ 39	+10
Furniture	+ 22	— 2	....
Groceries	— 7	— 1	—24
Hardware	+ 3	+ 18	+ 5
Plumbing Supplies	— 17	+ 1	....
Tobacco and its Products	+ 9	— 11	—10
Miscellaneous	— 8	— 6	— 6
Total all lines**	— 1	— 2	—19

*Preliminary.
**Includes certain lines not listed above.

CONSTRUCTION

BUILDING PERMITS

(Cost in thousands)	New Construction Number 1945	Number 1944	Cost 1945	Cost 1944	Repairs, etc. Number 1945	Number 1944	Cost 1945	Cost 1944
Evansville	36	17	$ 95	$ 40	149	156	$ 81	$ 68
Little Rock	27	26	87	51	180	216	79	44
Louisville	90	27	217	74	41	49	11	42
Memphis	355	227	651	312	248	239	176	88
St. Louis	101	76	222	173	242	199	388	139
June Totals	609	373	1,272	650	860	859	735	381
May Totals	617	545	1,550	720	822	858	596	355

VALUE CONSTRUCTION CONTRACTS LET

(In thousands of dollars)	June,'45	May,'45	June,'44	June,'45 comp. with May,'45	June,'45 comp. with June,'44
Total 8th Dist.	$ 11,174	$ 58,787	$ 9,466	—81.0%	+18.0%

Source: F. W. Dodge Corporation.

BANKING

CHANGES IN PRINCIPAL ASSETS AND LIABILITIES FEDERAL RESERVE BANK OF ST. LOUIS

(In thousands of dollars)	July 18, 1945	Change from June 20, 1945	Change from July 19, 1944
Industrial advances under Sec. 13b....$	.....	.....	.....
Other advances and rediscounts	3,630	— 19,320	— 2,570
U. S. securities	1,022,045	+189,229	+412,845
Total earning assets	1,025,675	+169,909	+410,275
Total reserves	544,143	— 13,531	+106,521
Total deposits	618,840	— 2,561	+105,991
F. R. notes in circulation	977,698	+ 14,445	+174,757
Industrial commitments under Sec. 13b.	50	- 0 -	+ 2

PRINCIPAL RESOURCE AND LIABILITY ITEMS OF REPORTING MEMBER BANKS

(In thousands of dollars)	July 18, 1945	Change from June 20, 1945	Change from July 19, 1944
Total loans and investments	$1,963,345	+ 20,316	+268,902
Commercial, industrial, agricultural loans*	241,358	+ 6,677	+ 22,305
Loans to brokers and dealers in securities.	9,399	+ 1,692	+ 2,502
Other loans to purchase and carry securities	58,699	+ 3,883	+ 20,094
Real estate loans	65,968	+ 334	+ 1,917
Loans to banks	3,165	+ 1,120	+ 1,770
Other loans	88,942	+ 2,313	+ 8,615
Total loans	467,531	+ 16,019	+ 57,203
Treasury bills	58,111	— 2,245	— 11,283
Certificates of indebtedness	267,687	— 10,478	— 60,018
Treasury notes	318,891	— 8,725	+ 89,213
U. S. Bonds	724,793	+ 28,481	+196,217
Obligations guaranteed by U. S. Govt.	502	— 111	— 20,408
Other securities	125,830	— 2,625	+ 17,978
Total investments	1,495,814	+ 4,297	+211,699
Balances with domestic banks	124,472	+ 9,814	+ 3,898
Demand deposits — adjusted**	1,028,716	— 5,655	+150,103
Time deposits	312,612	+ 6,041	+ 67,560
U. S. Government deposits	375,316	+ 32,855	+ 15,394
Interbank deposits	596,926	+ 6,935	+ 88,879
Borrowings	1,600	— 21,400	— 4,400

*Includes open market paper.
**Other than interbank and Government deposits, less cash items on hand or in process of collection.
Above figures are for selected member banks in St. Louis, Louisville, Memphis, Little Rock and Evansville.

National Summary of Conditions

BY BOARD OF GOVERNORS OF FEDERAL RESERVE SYSTEM

Production and employment at factories declined somewhat further in June reflecting mainly reduced output of munitions. Value of department store sales in June and the early part of July was considerably above year-ago levels.

Industrial production—Industrial production declined about 2 per cent in June and the Board's seasonally adjusted index was 222 per cent of the 1935-39 average as compared with 226 in May and 235 in March of this year.

Reduced activity in munitions industries accounted for most of the decrease. Aircraft production in June was at a daily average rate 5 per cent below May.

Steel production in June and the first three weeks of July was down 7 per cent from the May level, and was 5 per cent below the corresponding period a year ago. Output in the nonferrous metal industries also declined, particularly at fabricating plants, due primarily to the large drop in military demand for most aluminum and copper products.

Production of most goods showed little change in June. Civilian supplies of some of these goods such as butter and tobacco products have increased in July as a result of reduced military purchases. Distilleries have been permitted to produce beverage alcohol in July. Production of shoes and textile products for civilians is expected to increase by autumn.

Output of minerals rose 5 per cent in June, reflecting mainly a large rise in coal production to the highest rate since last November. Crude petroleum production continued to increase, reflecting even greater military demand for some petroleum products for the Pacific War than for the two-front war prior to VE day.

Contracts awarded for most types of privately-owned construction increased considerably in June. The total value of private awards was three times as large as the very low level prevailing in 1944, while awards for Federal construction were generally smaller than last year.

Distribution — Department store sales, which usually decline from May to June, increased this year and the Board's seasonally adjusted index rose from 187 to 201 per cent of the 1935-39 average. Sales in June were 15 per cent larger than a year ago and in the first half of July were 23 per cent larger than in the corresponding period last year.

Commodity prices—Prices of wheat and of fruits and vegetables declined somewhat from the middle of June to the third week of July reflecting chiefly seasonal increases in supplies. Prices of most other farm products showed little change after reaching a new peak for the wartime period on June 15.

Steel scrap prices, which had declined somewhat in May, increased to ceiling levels in the latter part of June and prices of most other industrial materials were maintained at ceiling levels.

Agriculture—Production prospects for most major crops were generally favorable on July 1. Cotton acreage reported in cultivation, however, was 10 per cent smaller than last year, and prospective corn production this year was indicated on July 1 to be 17 per cent smaller than last season's large harvest.

Milk production continued at a record level in June. The number of young chickens on farms has increased rapidly this spring and on July 1 was 11 per cent greater than on the same date in 1944. Marketings of cattle and sheep were larger in June than in the same period last year, while the number of hogs marketed continued to be much less than in 1944.

Bank credit — Reporting member banks in 101 leading cities increased their holdings of U. S. Government securities by 4.5 billions of dollars in the eight weeks ending July 11, which period included the major portion of the Seventh War Loan drive. This amount corresponds closely to increases for comparable periods of the two previous drives. During the Seventh Loan banks added substantially to their holdings of bills, certificates, and notes, and they have also continued to increase their holdings of bonds.

Loans for purchasing and carrying Government securities extended to customers other than brokers and dealers by weekly reporting banks increased 1.6 billions during the four weeks ended June 27, in contrast to 1.1 billions during the comparable period of the Sixth drive, and 1.3 billions in the Fifth. Loans to brokers and dealers for purchasing or carrying Government securities started increasing somewhat earlier and expanded more than in preceding drives. Both categories of these loans at their peaks were above high points reached in previous drives. Declines in these loans began in July.

Excess reserves expanded more and reached a higher level than in any drive since the Third War Loan drive in September, 1943.