



Monthly Review

F E D E R A L R E S E R V E B A N K O F S T . L O U I S

JULY 1, 1946

Survey of Current Conditions

The general industrial outlook now appears brighter than at any time since the beginning of the year, even though delayed effects of disruptions which occurred earlier will continue to be felt throughout the economy for many months to come. Settlement of major labor disputes in the basic raw material producing industries, assuming such agreements will prove something more than transitory, provides the first opportunity this year for industrial management to plan operating schedules without the threat of major work stoppages in the foreground. Thus, even though considerable uncertainty prevails in most industries with respect to the extent of future price increases, the possibility now exists for substantial progress toward accomplishing full utilization of the nation's production and distribution capacity.

Early achievement of volume production should not be expected to occur simultaneously in all segments of industry. The effect of higher costs resulting from wage increases in the coal, steel, and other primary raw material industries, as well as the effect of materials shortages resulting from earlier labor disputes in these areas, will not be uniform throughout the productive system. The problem of adjusting operations to either current or foreseeable cost levels and raw material supply conditions varies not only among industries and individual producers within each industry, but also in many instances among items manufactured by a specific company. Thus production probably will remain fairly spotty until the effects of higher costs have filtered through all levels and permeated all segments of the industrial system.

Present conditions provide management with powerful incentives to offset higher manufacturing costs by replacing obsolete equipment with new, efficient, and labor-saving machine tools. Recent estimates indicate that industry currently is operating with a larger number of over-age machine tools than were in place twenty years ago. Replacement of obsolete equipment was deferred during the war years, but the pressure of increasing labor and raw material costs and the imminent return to a fully competitive price system will greatly increase the rate at which inefficient machines are replaced. The fact that corporate net working capital is at an all-time high, plus the availability of ample low-cost funds in the money market, offers further inducement to management to utilize this means of maintaining their competitive positions. Although neither the general level of manufacturing costs nor the quantity of goods produced will be affected materially during the immediate future by the replacement of high-cost equipment, both will be influenced considerably by this trend in the next few years.

EMPLOYMENT

Total employment in the Eighth District increased slightly during May primarily due to gains in the number of workers employed in construction and agriculture. Factory employment remained at approximately the April level, but continued somewhat below earlier expectations. However, substantial additions to manufacturing employment should occur during the next few months as industrial activity moves into higher levels, and

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The Problem of Surplus Population in the Eighth District

One of the basic problems that has confronted the Eighth Federal Reserve District has to do with surplus population. The birth rate—that is, the number of births per 1,000 people—in this district traditionally has been higher than that for the nation as a whole, and yet the percentage increase in district population since 1900 has been far less than that for the United States. There have not been sufficient job opportunities in this district to support all of the people born and migrating here. As a result, net outmigration on a large scale has occurred. This action has solved the district's problem only partially for total income produced by those left in the district has not been adequate to maintain district per capita income at anything like the national average.

In general, areas tend to lose population unless they can create productive employment. The Eighth District happens to be rich in natural resources, but it has failed to fully exploit them. The district is primarily rural and agricultural in character—much of the explanation for its high birth rate may be found in this characteristic—but its agriculture has not created sufficient income to support its native farm population. Its own cities have absorbed some of the overflow from the farms but a large part has left the region. Thus, while the district's population has grown, the increase has been less than would have occurred had there been no outmigration of those in search of better economic opportunity. For example, in the 1930-39 decade the total district population rose almost 600,000, but in those same years about 350,000 district residents migrated from the area.

During World War II the district actually lost population, even when the effect of withdrawals for military service is taken into consideration. Most of these people migrated to work in war plants located in other areas. Some have returned since war's end and others are expected to return, but unless the district can keep outmigration for the next five years at a minimum the 1940-49 decade could well see only a nominal population increase, if any.

Since much of the district's surplus population problem has come from a large surplus farm population, there is every reason to believe that the future will present as extensive, if not a more extensive problem. The movement to mechanize

agriculture is still practically in its infancy and probably will grow rapidly in coming years. This will lead to even larger surpluses of labor in rural areas and probably will accentuate the trend of migration to the cities. It could lead to even larger scale migration from the district proper if the urban areas do not provide sufficient jobs for their own people plus the migrants.

From a national viewpoint there probably is no great reason for concern about where displaced farm workers migrate as long as they find productive non-agricultural employment. From a regional viewpoint, however, it seems desirable to create sufficient economic opportunities within the region so as to make outmigration unnecessary, or at least minimize it. By so doing the income-producing forces in the region should be strengthened and total income, as well as per capita income, raised.

The district's problem, then, may be stated simply—enough jobs must be created in nonagricultural pursuits to absorb the surplus population from the rural areas. A good start is being made in this direction, and many new job opportunities are being opened up in the district. Whether there will be sufficient new nonagricultural jobs here, however, is still open to question. If there are not, outmigration will continue.

The nature of the district's problem will be made more clear by a review of population growth trends and characteristics, after which future prospects may be considered in a little more detail. In general, the district offers a marked contrast to the nation with a higher birth rate but lower rate of population increase, a younger population less well-educated, a more extensive negro population, and a much smaller foreign-born population.

POPULATION GROWTH TRENDS AND CHARACTERISTICS

Population Increase in the United States—In the century and a half following 1790 the population of the United States increased 33-fold, rising from 4 million in 1790 to 132 million in 1940. In 1945, it was estimated that the total population, including those in the armed forces, was about 140 million.

Very large percentage increases in population during this period occurred in the Nineteenth Century and were due mainly to large-scale immigration and a sharply declining death rate. After 1900, more strict immigration laws and a relatively

less sharp drop in death rates resulted in a declining rate of increase for the nation's population, even though the absolute gain in number of people continued to be large.

During the 1930-39 decade the annual rate of increase in the population of the United States was at an all-time low, 0.7 per cent. This low rate of gain was attributed mainly to depression which postponed marriages and kept birth rates low. Between 1940 and 1944 the annual rate of population growth was 1.2 per cent, as wartime prosperity induced marriages and led to higher birth rates. Consequently, despite war losses, the present population of the United States is larger than it would have been had the 1930-39 trend been continued.

While the total population increased from 1940 to 1945, the civilian population declined by about 5 million, as the military services drained off large numbers of men. Urban civilian population, however, increased in the five-year period largely because the heavy demand for workers by war industries induced large-scale migration from rural areas. During the previous decade rural population had increased more than urban population.

Population Increase in the Eighth District—The major period of population growth in the Eighth Federal Reserve District came after the great westward migration of the late 1840's. St. Louis was the gateway to the West and through it flowed emigrants on their way to California and gold. Many of them stayed in this region and their numbers were added to by the wave of German settlers who came to this country following the overthrow of the liberal movement in Germany. In 1850, this region had 2.6 million people; by 1900, it had 8 million. The percentage gain throughout this period closely paralleled that for the United States.

After 1900, however, the rate of increase in district population slowed down considerably and in the next 40 years population rose only 2.2 million or 28 per cent. The gain in the United States during those four decades was 73 per cent. The much smaller increase shown by the district was due principally to outmigration from the region to areas where economic opportunities were better.

Between 1850 and 1940, Arkansas had the largest percentage increase in population of any district state or portion of state. Eighth District Indiana registered the smallest gain in that period. The district portions of the more highly industrialized states of Indiana, Missouri, and Illinois showed population gains because they had relatively little outmigration which compensated for relatively low

birth and high death rates. The other district states had population increases because of high birth rates which outweighed heavy outmigration.

Population in the five major district cities, St. Louis, Louisville, Memphis, Little Rock and Evansville, increased from 135,000 in 1850 to 1,613,000 in 1940. Almost one-fifth of the total district population gain over the past 90 years has been in these five cities.

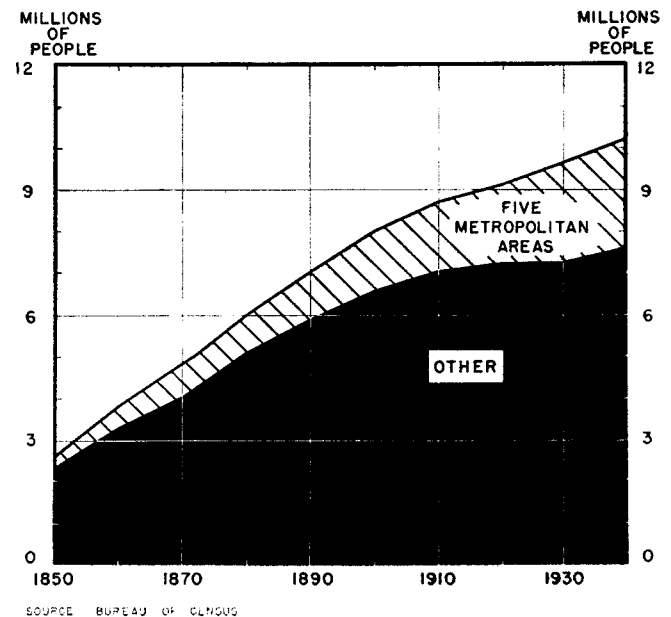
Since 1940, total district population has decreased, in contrast to national experience. From April, 1940, to November, 1943, the district's population (including those in military service) dropped 150,000. While there is little specific information covering the last two years, there are strong indications that the downward trend continued until the end of the war.

EIGHTH DISTRICT POPULATION—1940
(In thousands of persons)

	Total	Per cent of Total		
		Urban	Rural Nonfarm	Rural Farm
Arkansas	1,949	22	21	57
Illinois	1,305	42	28	30
Indiana	639	42	25	33
Kentucky	1,466	36	21	43
Mississippi	1,110	13	14	73
Missouri	2,860	48	19	33
Tennessee	858	43	15	42
Total District	10,187	36	20	44
United States	132,669	57	20	23

Birth and Death Rates—The natural increase in the population of a nation or region depends upon the birth and death rates applying to that region. With immigration now greatly restricted, population trends for the future will be determined largely by these two factors.

EIGHTH DISTRICT POPULATION, 1850-1940



The birth rate in the United States has declined rather steadily since 1800, from 55 per 1,000 persons at that time to 18 per 1,000 persons in 1940. During the depression years of the 1930's, the birth rate declined sharply, but rose even more sharply in World War II until 1944. It probably will show little decline, if any, for the next two or three years as a large number of postwar marriages have taken, and in fact are still taking, place.

In the long run, however, the downward trend in birth rates seems likely to continue. Birth rates have tended to be higher among rural residents and foreign-born than among city dwellers of native birth.¹ A declining farm population probably will lead to a lower average birth rate. As noted, the number of foreign-born is declining because of immigration laws, although there may be a temporary arresting of this trend because of international marriages during and after the war.

The Eighth District birth rate has been consistently higher than the national rate. In 1943, the district rate was 24 per 1,000 persons, while the national rate was 23 per 1,000 persons. Birth rates in Arkansas, Kentucky, Mississippi, and Tennessee have run considerably higher than the national average, while those in Illinois, Indiana, and Missouri have run lower.

There is little difference between national and district death rates, although the regions within the district which have the highest birth rates average lowest in death rates. Due to improved standards of living and great advances in medical science and public health administration the annual death rate in the United States dropped from 17 per 1,000 persons in 1900 to 11 per 1,000 persons in 1944. The death rate probably will continue to decrease, but more slowly.

Net Reproduction Rate—A good indication of the potential population growth or decline of a region is the net reproduction rate.² A rate of 100 means that the population will just replace itself. A rate below 100 indicates a declining population. In this district, if the 1935-40 birth and death rates continued and there were no migration, the population in Indiana, Illinois, and Missouri would not replace itself in the next generation, while that in Arkansas, Kentucky, Mississippi, and Tennessee

¹Birth rates also have tended to be higher among lower income groups. A National Health Survey made in 1935 showed that the fertility rate varied from 82 per 1,000 persons for the group with less than \$1,000 annual family income to 31 per 1,000 persons for the group with more than \$3,000 annual family income.

²Technically defined, the net reproduction rate represents the number of daughters a group of 100 female infants beginning life together would have during the course of their lives if the group were subject to both the birth and the death rates at each age level which prevailed at the time specified.

would more than replace itself. Since birth and death rates are expected to decrease over the long run, the declining population trend noted in the first three states will probably be accentuated, but the net reproduction rates in the other states could suffer substantial decreases and still be above 100.

The net reproduction rate among urban residents of this district in the 1935-40 period was much lower than that of rural residents. For whites, the urban net reproduction rate varied from 64 per cent in Missouri to 81 per cent in Indiana, while the rural farm net reproduction rate ranged from 146 per cent in Missouri to 186 per cent in Kentucky. The rate for nonwhites generally averaged higher than that for whites.

Age Distribution—Declining birth and death rates lead to a larger proportion of older people in the population. Between 1900 and 1940, the proportion of the population in the United States ten years or more old increased from 76 to 84 per cent. If the birth rate continues its long-term declining trend, the proportion of older people in the population will increase further.

The Eighth District has a younger population than has the nation as a whole. In 1940, the district population ten years of age or older was 8.4 million or 82 per cent of the total. Explanation for this situation lies mainly in a birth rate higher than the national average and large outmigration. Since children constitute a smaller proportion of migrants than of total population, heavy outmigration from a region tends to result in a younger population for that region.

Education—Eighth District residents, according to Census figures, are less well-educated than the average individual in the United States. Apparently this results mostly from heavier migration of the better-educated people of the district rather than from lack of educational opportunities.

Only 7 per cent of the district's population 25 years of age and older had attended college, according to the 1940 Census, and only 29 per cent had attended high school or college. Corresponding proportions for the United States were 10 per cent and 40 per cent.

In this same age group, however, the proportion of district residents with no schooling at all was lower than the national average—3 per cent for the district and 4 per cent for the nation. Some portions of the district, particularly the southern areas, ran well above the district average. In Mississippi, for example, 7 per cent of the population 25 years of age or older had had no schooling in 1940.

Negro Population—The Eighth District has a much higher proportion of negroes than does the nation—17.6 per cent of the total for the district as against 10 per cent for the United States. The ratio of negroes to the total population varies widely among district states or part states from more than 50 per cent in Mississippi to only 2 per cent in Indiana.

Many negroes moved out of the district during the war period and obtained higher incomes by so doing. With mechanization of farming increasing, there may well be a further outmigration in the future.

Foreign-born Population — The percentage of white population in the United States born in foreign countries declined from 15 per cent in 1900 to 10 per cent in 1940, mostly as a result of stricter immigration laws. The Eighth District has a much lower percentage of foreign-born than has the nation. In 1900, only 5 per cent of the district's white population were foreign-born and in 1940 only 2 per cent originally came from abroad.

THE CHARACTER AND EXTENT OF MIGRATION

From earliest times the population in the United States has been a migratory one. The principal movements have been from the south to the north and west, from the north to the west, and from rural to urban areas. Since 1900, the south has exported a net of about 2.8 million and the north about 1.8 million persons to other sections, while the west has gained about 4.7 million.

ESTIMATED NET CIVILIAN MIGRATION* EIGHTH FEDERAL RESERVE DISTRICT (In thousands of persons)

	April, 1940 to Nov., 1943	1930 to 1940	1920 to 1930
Arkansas	-225	-173	-216
Illinois	- 62	+ 14	-167
Indiana	+ 22	- 1	- 53
Kentucky	- 78	- 79	-181
Mississippi	-135	- 68	- 61
Missouri	-121	- 14	-115
Tennessee	- 16	- 28	- 26
Total District	-615	-349	-819

Minus sign indicates outmigration; plus sign, immigration.
*Excludes movements of armed forces.

Migration from the District — Relatively high birth rates and predominantly rural characteristics have made the Eighth District a surplus population area. Increased agricultural productivity made more agricultural workers available than could be absorbed by the industrial centers in the district. Since the district has retained, but not increased, its proportion of national employment in the past forty years, both surplus rural and urban workers migrated to sections of greater opportunity. In

general, migrants from rural areas seem to have gone to urban centers within the district, while those from the cities left the district proper. In the two decades prior to 1940, this district furnished a net of more than one million people to other areas.

All district states had net outmigration between 1920 and 1940. The number of net outmigrants from the district was more than twice as large in the 1920-30 decade as in the following one. The average annual net outmigration rate in the former period was 0.9 per cent, and in the latter period only 0.4 per cent.

This district had a slightly smaller percentage of negro than white and a much higher percentage of urban than rural outmigrants in the 1920-40 period. The states with lowest per capita income (Arkansas, Mississippi, Kentucky, and Tennessee) had the highest percentages of urban population outmigrating, while the other states had the highest percentages of rural population outmigrating.

During World War II, the volume of migration, excluding movements of the armed forces, was approximately two-thirds greater than in the 1935-40 period. The direction of wartime migration, however, was not much different than that of prewar years with the same general shift to the west and to urban areas.

Many of the wartime migrants moved long distances with more than half crossing state lines. Evidently there was more family migration during the war than in the prewar period. Approximately 60 per cent of the migrants 14 years of age and over were women, with servicemen's wives accounting for a large number of female migrants.

Between April, 1940, and November, 1943, the Eighth District had a net civilian outmigration of 614,000. No figures are available on migration after November, 1943. However, if the trend between 1940 and 1943 were applied, the amount of net outmigration from this district between 1940 and August, 1945, would be approximately 900,000.

Migration Within the District — The rapid growth in urban population is a significant development in the history of the United States. The Bureau of the Census defines urban population as including individuals living in towns with more than 2,500 population. In 1790, only 5 per cent of the United States population was urban, as compared with 57 per cent in 1940.

The Industrial Revolution with its transition from an agricultural to an industrial economy

made necessary large concentrations of population. After 1890, the rate of urban increase declined and reached an all-time low during the 1930's. The demand for industrial workers during World War II gave renewed emphasis to the shift from rural areas.

Urban population in the Eighth District has not increased as rapidly as in the country as a whole during the last 40 years and currently comprises a much smaller proportion of the total than the national average. Urban population in the United States increased 142 per cent between 1900 and 1940 as compared with 103 per cent for the district. In 1900, urban population in the district was 1.8 million or 23 per cent of the total population. By 1940, it had increased to 3.7 million or 36 per cent. Looked at from the other side, the essentially rural character of this district may be seen from the fact that in 1940 about 64 per cent of its people lived in rural communities, two-thirds of these on farms.

Missouri is the most highly urbanized and Mississippi the most rural section of the district. The greatest percentage increase in urban population in the district between 1900 and 1940 occurred in Arkansas, where 1940 urban population was almost four times that of 1900. Urban population in district Mississippi and Tennessee tripled, and in district Illinois doubled in this period.

CUTLOOK

Considering the various factors relating to the district's population, there seems, on balance, reason to believe that birth rates here will continue to exceed the national average and consequently that district population growth could potentially run higher than that for the country as a whole. At the same time, this conclusion means that there must be either a continuation of outmigration on a large scale or considerably higher nonagricultural employment in the region.

As noted earlier, migration should not be considered an evil from a national viewpoint. Historically, migration has been and probably will continue to be necessary, for urban industrialized areas have lower birth rates and more job opportunities than have rural areas. Unless the distribution of job opportunities changes radically or unless current regional differences in birth rates are minimized, some migration from rural to urban regions will be both necessary and desirable.

For the district to maintain or better its population relative to that of the United States, however, it will be necessary to hold outmigration from here to a minimum. To do so means providing enough

high-income employment in the district's urban areas to keep people here.

In this connection it should be noted that the district will have to create relatively more job opportunities than the nation as a whole if it is to retain its population. For example, assuming that the district's share of national employment in 1950 were no greater than in 1940, average national employment of 55 million (about that which prevailed in 1943) would lead to employment of only 86 per cent of the district's potential labor force in that year if there were no outmigration between now and then. Assuming full employment in 1950 were about 60 million, the same relative share for the district as in 1940 would provide work for but 91 per cent of the district's potential labor force. In other words, in 1940 the district did not provide enough jobs to take care of its native labor force and consequently there was outmigration. Regardless of the increase in employment by 1950, unless the district increase is substantially larger than the national average, there will still be not enough jobs here for the native population.

Among the various portions of states located in the district, the above assumptions would indicate Indiana is the only one where 1950 job opportunities would exceed the potential labor supply without some immigration. Missouri and Illinois would provide almost enough jobs, but other states or part states would find it necessary to export people if they were to avoid unemployment.

Postwar nonagricultural employment prospects, however, seem to be more favorable for the district than for the nation as a whole. This conclusion is based mostly on surveys of future employment prospects conducted in many Eighth District cities in the latter part of the war period. The high nonagricultural employment level indicated for the district after full reconversion (2.7 million as against 2 million in 1940) was based on reasonably realistic market analyses and plans to exploit more fully the natural resources and advantages of this region and not on mere hopes.

Consequently, the outlook for holding outmigration from the district to a minimum for the next few years by providing adequate employment opportunities seem fairly good. It should be stressed, of course, that the postwar job prospects are still prospective for the most part. The prospects, however, actually are bright. If they materialize, the district will not have to face the alternatives of unemployment here or exporting its people.

Gertrude Krausnick

CURRENT CONDITIONS

(Continued from Page 1)

by the end of the year the labor market is likely to be considerably tighter than at the present time.

Although total district employment is at a relatively high level, the number of new job openings has not kept pace with the increase in the number of persons seeking employment. However, a large part of the resulting increase in unemployment is due to the seasonal influx of school graduates and vacation workers, plus the continued entry of veterans into the labor market.

Regular unemployment compensation claims continued to decline during May, and servicemen's readjustment allowances apparently have leveled off. The average length of unemployment is somewhat greater than would be expected in a relatively tight labor market due to the fact that receipt of unemployment compensation payments reduces the pressure to accept whatever employment possibilities are available and provides workers with an opportunity to explore all available job openings. On a national basis, about half of the persons seeking employment have been unemployed for two or more months, according to a Bureau of Labor Statistics survey.

INDUSTRY

Industrial activity in the Eighth District in May was at about the same rate as in April, despite the fact that coal shortages during the early part of the month resulted in curtailment of production in some lines. However, additional supplies of fuel resulting from the truce between mine operators and the union, plus the fact that most producers failed to exhaust their pre-strike coal inventories, enabled most of the district's industries to maintain operations at approximately the April level. Industrial electric power consumption in the major district cities was off only fractionally from April, the first month-to-month decline this year. In Little Rock, the amount of electric power consumed by industrial users again was in excess of consumption in the corresponding month a year ago and, together with Louisville and Evansville, showed an increase over April, 1946.

Manufacturing—The general level of manufacturing activity in this district in May averaged only slightly below April. Not all manufacturing plants were affected to the same degree by the coal strike and divergent trends are apparent as between industries. Operations in the chemicals group, as well as production of some types of machinery and transportation equipment, were slightly higher in

May than in the previous month, while food processing and some durable goods manufacturing concerns, chiefly in the iron and steel products group, showed a decline. Lack of coal curtailed operations in the cement industry and while some plants were shut down completely, shipments were maintained, although at reduced levels, by filling orders out of inventories. Steel operations averaged only 23 per cent of capacity as compared with 29 per cent during April. The longest strike in the history of the steel-industry has continued to keep one leading steel producing plant out of production, and the resulting loss of output has affected operations in a number of manufacturing plants in this district normally dependent upon this steel producer for their chief source of supply. Although other sources have been developed, expansion of operations in some plants has been delayed due to inadequate steel supplies.

Production of lumber in district mills continued to increase during May. The southern hardwood industry operated at about 65 per cent of capacity as compared with 63 per cent in April and 57 per cent in May, 1945. Output of southern pine in April was about 7 per cent larger than in March and preliminary reports indicate that the April rate was probably maintained during May. The increase in lumber production in the district states during the first three months of the year was somewhat larger than in the nation as a whole. In March, the latest period for which monthly production figures are available by states, output in this district amounted to 16.6 per cent of total United States production as compared with 14.2 per cent in December.

The number of whiskey distilleries in operation in the district at the end of May was considerably smaller than at the end of the preceding month. The pressure of grain shortages and continued restrictions on inventories resulted in the closing of all but 17 distilleries as of the end of May. In April, 45 distilleries were operating and 54 were in production in May, 1945.

Activity in the meat packing industry in May was higher than in the previous month as indicated by a 13 per cent increase in the number of animals slaughtered under Federal inspection. However, total slaughter was 6 per cent below May, 1945. The number of cattle slaughtered declined for the seventh consecutive month to a new low of 11,600 head or 7 per cent less than in April and 63 per cent below May, 1945. Slaughter of sheep was off 10 per cent from April and 55 per cent from May,

1945, while the number of hogs and calves handled by packers increased 15 per cent and 52 per cent, respectively.

Mining and Oil—Settlement of the coal strike resulted in a sharp increase in coal production in May. Total United States output amounted to 20.4 million tons as compared with 3.2 million tons in April and 49.5 million tons in May, 1945. The increase in output from Illinois mines was somewhat less than in the nation as a whole, due to the fact that production was maintained during April in a number of Illinois mines where employees were not involved in the nationwide strike. Mine production in Illinois in May amounted to 1.9 million tons as compared with 1.2 million tons in April and 5.4 million tons in May, 1945.

Production of crude oil in the district in May was only slightly less than in April and 7 per cent higher than in May last year. Daily average production in May amounted to 337,500 barrels as compared with 337,700 barrels in April and 316,000 barrels in May, 1945. The number of new well completions in the district states declined from 267 in April to 248 in May. However, a larger percentage of the May completions resulted in producing wells. During the first five months of this year, 60 per cent of the new completions within the district resulted in oil-producing wells as compared with 56 per cent in the nation as a whole.

Lead production in the district in April was slightly below the preceding month and 9 per cent less than in April, 1945. Considerable difficulty has been experienced in lifting output to the required levels and the supply available to industrial users

has been curtailed seriously. Relatively low lead prices have tended to discourage the use of lead substitutes and to curtail imports from foreign producers as well. In addition, the supply of recoverable lead has diminished with the increase in the amounts used in production of paint pigments and tetraethyl lead.

Construction—The value of building permits awarded in the five major district cities increased sharply from \$4.3 million in April to \$5.1 million in May, but totaled considerably less than the average for the first three months of the year. Largest increases were in Memphis and St. Louis, with a slight gain reported in Evansville. The only substantial decline occurred in Louisville, although the value of permits awarded in Little Rock was slightly less than in April. Shortages of critical building materials continued to impose severe difficulties on the construction industry and to discourage many people from attempting new residential building. Although output of most critical items has increased considerably since the beginning of the year, production is still far below the amount required for the successful completion of the national housing program.

Transportation—The number of freight cars interchanged in May among the railroads operating in St. Louis declined 6 per cent from April and totaled 114,000 as compared with 121,000 in April and 174,000 in May, 1945. The contraseasonal decline in May reflected the curtailment of coal shipments as well as the brief railroad strike. During the first nine days of June, the number of cars interchanged was off less than 1 per cent from the correspond-

INDUSTRY

CONSUMPTION OF ELECTRICITY

(K.W.H. in thous.)	No. of Customers*	May, 1946		May, 1945		May, 1946 compared with	
		K.W.H.	K.W.H.	K.W.H.	K.W.H.	Apr., '46	May, '45
Evansville	40	6,800	6,506	10,259	+ 5%	—34%	
Little Rock..	35	3,214	3,189	3,045	+ 1	+ 6	
Louisville	82	17,153	16,783	18,084	+ 2	— 5	
Memphis	31	5,219	5,287	6,947	— 1	—25	
Pine Bluff....	19	1,027	1,496	6,572	—31	—84	
St. Louis.....	96	57,115	57,789	67,914	— 1	—16	
Totals	303	90,528	91,050	112,821	— 1	—20	

*Selected industrial customers.

LOADS INTERCHANGED FOR 25 RAILROADS AT ST. LOUIS

May, '46	Apr., '46	May, '45	First nine days			
			June, '46	June, '45	5 mos. '46	5 mos. '45
114,430	121,329	173,952	36,406	47,695	592,955	814,941

Source: Terminal Railroad Association of St. Louis.

INDEXES OF EMPLOYMENT IN MANUFACTURING INDUSTRIES BY METROPOLITAN AREAS

Bureau of Labor Statistics (1937 = 100)	Mar., 1946		Mar., 1945		Mar., '46 comp. with	
	Mar., 1946	Feb., 1946	Mar., 1945	Mar., '46	Feb., '46	Mar., '45
Evansville	79.6	83.1	226.0	—4%	—65%	
Louisville	118.2	119.1	157.6	— 1	—25	
Memphis	120.0	118.1	146.5	+ 2	—18	
St. Louis	105.3	103.5	150.9	+ 2	—30	

AGRICULTURE

RECEIPTS AND SHIPMENTS AT NATIONAL STOCK YARDS

	Receipts			Shipments		
	May, 1946	Apr., 1946	May, 1945	May, 1946	Apr., 1946	May, 1945
Cattle and Calves.....	113,987	115,913	126,479	92,825	93,801	86,437
Hogs	187,531	184,181	167,842	69,398	72,841	53,174
Horses and Mules	9,269	7,534	3,089	9,269	7,534	3,069
Sheep	79,640	59,228	168,517	54,599	26,442	101,919
Totals	390,427	366,856	465,927	226,091	200,618	244,599

CASH FARM INCOME

(In thousands of dollars)	April		Cumulative for 4 months		
	1946	1945	1946	1945	1944
Arkansas	\$ 16,848	\$ 12,653	\$ 79,071	\$ 75,533	\$ 66,833
Illinois	90,537	88,816	355,410	353,635	391,220
Indiana	49,874	49,733	188,866	190,322	212,252
Kentucky	14,958	15,904	151,637	194,638	147,098
Mississippi	13,030	12,166	70,859	80,508	57,789
Missouri	43,730	45,354	182,451	189,137	202,983
Tennessee	17,614	18,214	100,172	102,587	98,937
Totals	246,591	242,840	1,128,466	1,186,360	1,177,112

ing period in May but was 26 per cent less than in the first nine days of June, 1945.

TRADE

Retail sales of reporting stores in the Eighth District during May reflected less than the usual seasonal decline, and dollar volume continued at a level substantially above that of a year ago. Furniture stores, department stores and men's clothing stores showed substantial gains over the same period last year. Continuation of the current rate of increase depends primarily upon increasing supplies of consumer goods and a high level of consumer income. Although inventories are higher than a year ago, they are unbalanced and the stock-sales ratios are substantially below normal in most lines. Buying still seems to be limited mainly by the amount of merchandise available although greater selectivity is being manifest by some buyers.

Sales of reporting department stores in this district in May, while 3 per cent less than the preceding month, were 35 per cent greater than in May, 1945. The increase over a year ago for Eighth District stores continues to run better than the national average and preliminary reports for June indicate that this month will maintain the 27 per cent increase recorded for the first five months of 1946 relative to the comparable period in 1945.

Inventories at department stores are still far from normal, particularly in the durable goods lines. Some items are in fair supply but major items are still scarce and not much more than token deliveries are being received by the stores. Other lines, such as some "soft" goods items, which were in fair supply during the war period have now be-

come scarce. Shortages are especially noticeable in various kinds of men's wear: suits, shirts and miscellaneous items. Some types of women's wear are also in very short supply. Total department store inventories (in terms of value), however, show an increase of 7 per cent for the month and 17 per cent over the same date last year.

Dollar volume of sales at reporting furniture stores in May was slightly higher than in the previous month but 53 per cent above a year ago. Furniture store sales have been showing considerable increases over comparable periods last year but such gains have been limited by shortages of major durable items. Furniture store stocks on the whole at the end of May were 24 per cent higher than a year ago but, like those in other lines, are out of balance. Refrigerators, stoves, electric washing machines, kitchen, dining room and bedroom furniture are still very difficult to obtain, reflecting in turn difficulties encountered by manufacturers in achieving volume production. Smaller items, such as end tables, occasional pieces and a few of the minor electrical appliances are in fair supply. Some stores have made checks to determine how much they can depend on their waiting lists to actually become orders when goods are available. These checks reveal considerable duplicate ordering and in addition indicate other probable cancellations for a variety of reasons.

Sales volume at men's apparel stores is also limited by inadequate supplies. In May, men's store sales were 18 per cent smaller than in the preceding month although 48 per cent higher than in May, 1945. With some items of men's wear in

PRICES

COST OF LIVING

Bureau of Labor Statistics (1935-39=100)	May 15, 1946	Apr. 15, 1946	Sept. 15, 1942	May 15, '46 Apr. 15, '46	Comp. with Sept. 15, '42
United States.....	131.5	130.9	117.8	+ 0.5%	+11.6%
St. Louis.....	129.5	129.1	116.6	+ 0.3	+11.1
Memphis.....	*	*	119.3	*	*

*Not available.

COST OF FOOD

Bureau of Labor Statistics (1935-39=100)	May 15, 1946	Apr. 15, 1946	Sept. 15, 1942	May 15, '46 Apr. 15, '46	Comp. with Sept. 15, '42
U. S. (51 cities)	142.6	141.7	126.6	+ 0.6%	+12.6%
St. Louis.....	144.5	143.4	126.7	+ 0.8	+14.0
Little Rock....	141.6	141.2	129.2	+ 0.3	+ 9.6
Louisville.....	133.2	133.8	129.7	-0-	+ 2.7
Memphis.....	151.7	149.8	129.7	+ 1.3	+17.0

WHOLESALE PRICES IN THE UNITED STATES

Bureau of Labor Statistics (1926=100)	May, '46	Apr., '46	May, '45	May, '46 Apr., '46	Comp. with May, '45
All Commodities.....	111.0	110.2	106.0	+ 0.7%	+ 4.7%
Farm Products.....	137.5	135.4	129.9	+ 1.6	+ 5.9
Foods.....	111.5	110.8	107.0	+ 0.6	+ 4.2
Other.....	103.9	103.3	99.4	+ 0.6	+ 4.5

DEBITS TO DEPOSIT ACCOUNTS

(In thousands of dollars)	May, 1946	Apr., 1946	May, 1945	May, '46 comp. with Apr., '46	May, '45
El Dorado, Ark.....	\$ 14,331	\$ 12,582	\$ 10,037	+14%	+43%
Fort Smith, Ark.....	28,961	32,185	22,983	-10	+26
Helena, Ark.....	4,886	5,567	4,242	-12	+15
Little Rock, Ark.....	85,778	90,047	90,420	- 5	- 5
Pine Bluff, Ark.....	17,822	19,343	15,001	- 8	- 8
Texarkana, Ark.-Tex.	8,507	8,079	11,855	+ 5	+ 5
Alton, Ill.....	17,160	16,252	14,812	+ 6	+16
E. St. L.-Nat. S. Y., Ill.	66,645	66,358	68,059	-0-	- 2
Quincy, Ill.....	21,503	20,820	18,400	+ 3	+17
Evansville, Ind.....	73,035	68,081	104,129	+ 7	-30
Louisville, Ky.....	370,713	365,277	373,520	+ 1	- 1
Owensboro, Ky.....	21,859	22,507	16,872	- 3	+30
Paducah, Ky.....	11,355	11,446	9,080	- 1	+25
Greenville, Miss.....	11,366	14,215	9,060	-20	+25
Cape Girardeau, Mo.	7,718	7,560	5,789	+ 2	+33
Hannibal, Mo.....	5,682	5,679	5,163	-0-	+10
Jefferson City, Mo...	32,621	38,952	20,277	-16	+15
St. Louis, Mo.....	1,185,806	1,138,103	1,235,956	+ 4	- 4
Sedalia, Mo.....	8,661	7,979	6,935	+ 9	+25
Springfield, Mo.....	44,364	42,251	35,276	+ 5	+26
Jackson, Tenn.....	12,393	13,459	9,527	- 8	+30
Memphis, Tenn.....	350,943	371,524	275,954	- 6	+27
Totals.....	2,402,109	2,378,266	2,363,347	+ 1	+ 2

RETAIL TRADE

DEPARTMENT STORES

	Net Sales			Stocks	Stock	
	5 mos. 1946			on Hand	Turnover	
	May, 1946	to same	May 31, 1946	Jan. 1, to	May 31,	
compared with	period	comp. with	Jan. 1, to	May 31,	1946	
Apr., 1946	May, 1945	1945	May 31, 1945	1946	1945	
Ft. Smith, Ark...	- 6%	+16%	+23%	- 3%	2.42	1.81
Little Rock, Ark...	- 3	+28	+22	+ 8	2.68	2.31
Quincy, Ill.	- 7	+29	+24	+20	2.38	2.07
Evansville, Ind...	- 6	+36	+21	-10	1.79	1.55
Louisville, Ky....	- 6	+34	+26	+15	2.82	2.61
St. Louis Area ¹ ..	- 3	+39	+27	+21	2.31	2.08
St. Louis, Mo. ...	- 4	+38	+27	+22	2.30	2.08
E. St. Louis, Ill.	+ 6	+73	+36	...	...	...
Springfield, Mo...	+ 3	+47	+38	+ 1	2.47	1.74
Memphis, Tenn...	- 2	+26	+26	+20	2.62	2.38
*All other cities..	+ 2	+56	+38	+19	2.44	2.05
8th F. R. Dist...	- 3	+35	+27	+17	2.44	2.18

* 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.

Trading days: May, 1946—26; April, 1946—26; May, 1945—26.

Outstanding orders of reporting stores at the end of May, 1946, were 56 per cent greater than on the corresponding date a year ago.

Percentage of accounts and notes receivable outstanding May 1, 1946, collected during May, by cities:

	Instalment		Excl. Instal.		
	Accounts	Accounts	Accounts	Accounts	
Fort Smith .....	.....%	63%	Quincy	40%	74%
Little Rock.....	38	73	St. Louis.....	41	74
Louisville	45	63	Other cities.....	34	64
Memphis	49	64	8th F.R. Dist.	42	70

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

8th Federal Reserve District

	May, 1946	Apr., 1946	Mar., 1946	May, 1945
Sales (daily average), Unadjusted ²	272	281	264	201r
Sales (daily average), Seasonally adjusted ² ..	277	267	286	205r
Stocks, Unadjusted ³	211	193	180	172
Stocks, Seasonally adjusted ³	211	193	185	172

² Daily Average 1935-39 = 100.

³ End of Month Average 1935-39 = 100.

r Revised.

SPECIALTY STORES

	Net Sales			Stocks	Stock	
	5 mos. 1946			on Hand	Turnover	
	May, 1946	to same	May 31, 1946	Jan. 1, to	May 31,	
compared with	period	comp. with	Jan. 1, to	May 31,	1946	
Apr., 1946	May, 1945	1945	May 31, 1945	1946	1945	
Men's Furnishings—	18%	+48%	+41%	-20%	3.22	1.49
Boots and Shoes...	-17	+25	+24	+43	4.64	4.04

Percentage of accounts and notes receivable outstanding May 1, 1946, collected during May:

Men's Furnishings..... 69% Boots and Shoes..... 57%

Trading days: May, 1946—26; April, 1946—26; May, 1945—26.

RETAIL FURNITURE STORES

	Net Sales		Inventories		Ratio of Collections	
	May, 1946		May 31, 1946		Ratio of Collections	
	compared with	May 31, 1946	compared with	May 31, 1946	May, '46	May, '45
April, '46	May, '45	Apr. 30, '46	May 31, '45	May, '46	May, '45	
St. Louis Area ¹ ..	+ 6%	+55%	+10%	+13%	48%	38%
St. Louis	+ 6	+55	+10	+13	46	38
Louisville Area ² ..	-11	+25	+17	+26	33	32
Louisville	-10	+31	+18	+29	32	30
Memphis	+ 1	+56	+10	+20	32	25
Little Rock.....	-0-	+61	+ 9	+58	36	32
Fort Smith.....	+ 4	+125	*	*	*	*
8th Dist. Total ³ ..	+ 2	+53	+12	+24	42	35

*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, Pine Bluff, Arkansas; Henderson, Owensboro, Kentucky; Greenville, Greenwood, Mississippi; Hannibal, Springfield, Missouri; and Evansville, Indiana.

PERCENTAGE DISTRIBUTION OF FURNITURE SALES

	May, '46	Apr., '46	May, '45
Cash Sales	27%	27%	22%
Credit Sales	73	73	78
Total Sales	100	100	100

fair supply and others extremely short, the inventory situation in both department store men's divisions and in men's wear stores is spotty, although the unevenness is probably more marked in the latter. Shirts and woolen suits are expected to be in short supply for quite some time and probably manufacturers' shipments to retailers will be continued on a quota basis. At the close of May, men's store inventories were up 7 per cent from a month earlier but were 20 per cent less than a year ago.

Women's apparel store sales in May in this district were 24 per cent less than in April and 10 per cent more than in May, 1945. These stores so far in 1946 have experienced less difficulty in maintaining normal stock-sales ratios than most other lines, but some shortages, particularly of quality goods, are becoming evident. Inventories at women's apparel stores at the end of May were one per cent under the previous month and 5 per cent more than the same date last year. The continued high level of sales at women's wear stores is due in part to consumer demand for the better quality and higher priced merchandise. Present indications are that this factor will continue to have an important influence on dollar sales volume.

BANKING AND FINANCE

Banking changes during the last month reflected primarily the effects of Treasury operations. Cash redemption of approximately \$2 billion of Treasury certificates of indebtedness which matured June 1 and of about \$1.8 billion of Treasury bonds called for redemption on June 15 brought total cash redemptions since the end of February to about \$10.2 billion. The net effect of the redemption of securities held by the commercial banks was to decrease their War Loan deposits and their holdings of Government securities. On the other hand, checks drawn to meet income tax payments, due June 15, reduced private deposits and increased Government deposits. The usual withdrawal of deposits from St. Louis banks over June 1 to avoid the incidence of the personal property tax did not occur this year as bank deposits are not taxed under the new law.

War Loan deposits at Eighth District reporting banks were down \$103 million during the last month. This brings the total decline for the year to \$195 million. Demand deposits other than inter-bank and Government deposits showed relatively little change, the total being \$5 million higher than a month ago. Time deposits continued to show about the same rate of increase although the increase this year for both demand and time deposits

has been less than during the corresponding period last year.

The investment portfolios of district reporting member banks continued to reflect the effects of the cash redemption of Treasury securities. Government security holdings of reporting banks were down \$99 million for the month. Since the first of the year, the decrease has amounted to \$179 million. Most of the decrease has been in Treasury bills, certificates of indebtedness and notes.

Total loans declined \$8 million during the month. The decrease was seasonal and was in about the same amount as during the same period last year. Most of the decline was in commercial, industrial and agricultural loans although loans to others than brokers and dealers for the purchase or carrying of United States securities also decreased slightly. Real estate and other loans, mostly consumer loans, registered slight increases.

Consumer credit extended by district reporting agencies was less in May than in the preceding month but the volume outstanding continued above the levels of both a month and a year ago. New loans were down 14 per cent for the month at commercial banks but outstandings were still 6 per cent above April and substantially above May of last year. Industrial loan agencies and credit unions reported small increases in new business for the month while small loan companies registered a decrease.

AGRICULTURE

During the latter part of May and the first part of

NEW MEMBER BANK

On May 31, 1946, the Mutual Bank and Trust Company of St. Louis, Missouri, became a member of the Federal Reserve System. This brings the total membership of the Federal Reserve Bank of St. Louis to 493 banks.

The Mutual Bank and Trust Company was organized in April, 1934 and is located in the downtown business section of St. Louis. It has a total capital account of \$1,676,000 and total deposits of approximately \$27,800,000. Its officers are E. A. Schmid, President; Ed. T. Murray, Vice President and Trust Officer; V. Jacquemin, Jr., Vice President; Leonard G. Miller, Cashier; Theodore R. Barker, J. L. Hauk, Richard L. Rawlings, Perry Topping, Jr., Assistant Cashiers; Albert L. Sautter, Secretary, and George R. Bradbury, Assistant Trust Officer.

WHOLESALE

Lines of Commodities	Net Sales		Stocks
	May, 1946 compared with		May 31, 1946 compared with
Data furnished by Bureau of Census, U. S. Dept. of Commerce*	Apr., '46	May, '45	May 31, 1945
Automotive Supplies	- 9%	+ 44%%
Drugs and Chemicals.....	+ 1	+ 25	....
Dry Goods	+ 14	+ 68	+84
Electrical Supplies	- 18	+ 40	....
Furniture	- 2	+ 78	+38
Groceries	+ 5	+ 17	+ 4
Hardware	- 22	+ 58	+50
Plumbing Supplies	+ 2	+ 71	....
Tobacco and its Products.....	+ 7	+ 57	....
Miscellaneous	- 1	+ 6	+55
Total all lines**.....	+ 2	+ 38	+44

* Preliminary.

** Includes certain lines not listed above.

CONSTRUCTION

(Cost in thousands)	BUILDING PERMITS				Repairs, etc.			
	New Construction		Cost		Number		Cost	
	1946	1945	1946	1945	1946	1945	1946	1945
Evansville	45	39	\$ 138	\$ 207	162	135	\$ 51	\$ 82
Little Rock.....	91	53	428	132	173	187	65	104
Louisville	148	62	548	161	55	38	41	14
Memphis	856	384	1,922	767	221	243	144	183
St. Louis.....	269	78	1,270	238	280	219	538	213
May Totals.....	1,409	616	4,306	1,505	891	822	839	596
Apr. Totals.....	1,237	526	3,656	978	979	840	645	460

BANKING

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

(In thousands of dollars)	Change from		
	June 19, 1946	May 15, 1946	June 20, 1945
Industrial advances under Sec. 13b.....	\$.....	.....	.....
Other advances and rediscounts.....	25,680	+ 12,635	+ 22,950
U. S. securities.....	1,054,220	- 1,461	+832,816
Total earning assets.....	1,079,900	+ 11,174	+855,766
Total reserves	603,546	- 9,440	+482,565
Total deposits	638,233	- 3,598	+621,401
F. R. notes in circulation.....	1,047,418	+ 4,305	+963,253
Industrial commitments under Sec. 13b.	3,600	+ 3,597	+ 50

PRINCIPAL RESOURCE AND LIABILITY ITEMS OF REPORTING MEMBER BANKS

(In thousands of dollars)	Change from		
	June 19, 1946	May 15, 1946	June 20, 1945
Total loans and investments.....	\$1,999,274	-103,376	+ 56,245
Commercial, industrial, and agricultural loans*	299,129	- 12,143	+ 64,448
Loans to brokers and dealers in securities	12,336	- 0 -	+ 4,629
Other loans to purchase and carry securities	68,182	- 5,816	+ 13,366
Real estate loans.....	80,773	+ 3,865	+ 15,139
Loans to banks.....	2,305	+ 252	+ 260
Other loans	117,091	+ 6,368	+ 30,462
Total loans	579,816	+ 7,978	+128,304
Treasury bills	10,126	- 38,980	- 50,230
Certificates of indebtedness.....	213,960	- 24,426	- 64,205
Treasury notes	230,749	- 28,134	- 96,867
U. S. Bonds.....	823,870	- 7,523	+127,558
Obligations guaranteed by U. S. Govt.	366	- 0 -	+ 247
Other securities	140,387	+ 3,665	+ 11,932
Total investments	1,419,458	- 95,398	- 72,059
Balances with domestic banks.....	114,650	- 142	+ 8
Demand deposits—adjusted**	1,121,675	+ 4,738	+ 87,304
Time deposits	363,269	+ 4,099	+ 56,698
U. S. Government deposits.....	273,318	-103,006	- 69,143
Interbank deposits	552,515	- 34,037	- 37,476
Borrowings	21,300	+ 11,000	- 1,700

*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.

June, general agricultural conditions in the United States were not as favorable as earlier in the season. As a result, much of the gains that the unusually early spring had brought were lost, and currently the stage of general crop development is about normal.

For the Eighth Federal Reserve District, the outlook for this season is not as favorable as for the country as a whole. The very early spring enabled district farmers to get an excellent start this year, but cold, wet weather throughout most of May retarded crop development sufficiently so that at present it is less further advanced than normal. Much replanting of early crops has been necessary in this district. Reports from river bottom sections indicate that some farmers have had to replant three and four times.

At the same time, crop prospects in the district as of June 1, 1946, were considerably better than on the comparable date last year. Prospects were good to excellent in most of Missouri and fair in almost all other sections of the district. Only small sections of northeastern and southwestern Arkansas and southern Illinois had poor crop prospects at that time. A year ago no section of the district was rated as having good to excellent prospects and much larger sections had poor crop prospects.

The farm labor situation as of June 1 was easier than on the same date a year ago. The number of persons working on farms on June 1, according to the U. S. Department of Agriculture, totaled 11,422,000, as compared with 10,994,000 on June 1, 1945. The number of family workers on farms was about 300,000 more than a year earlier, while the number of hired workers was about 100,000 more. The total number of farm workers at the beginning of June, 1946, however, was 1,100,000 less than the average prevailing on that date in the 1935-39 period.

The 1946 winter wheat harvest is under way in the southern areas of the United States. The estimated United States crop this year is 775 million bushels, the third largest of record, but almost 6 per cent less than last year's bumper crop. With an indicated 251 million bushel spring wheat crop, however, total wheat production this season again is expected to run better than 1 billion bushels.

In the states contained partly or wholly within the Eighth District, the indicated 1946 winter wheat crop, as of June 1, was 84 million bushels as compared with 95 million bushels last year and a 97 million bushel average for the ten-year (1935-44) average. Excess rain in the southern parts of the district reduced wheat prospects there considerably in the past month, and there are additional reports from scattered localities of serious damage from Hessian fly.

Planting of corn has been delayed this season

because of frequent rains and much of the early planted corn is weedy. In some sections of the district, particularly in the southern and eastern portions, plantings were only 5 per cent complete by June 1. The second largest oats crop of record is in prospect for this season. As of June 1, the United States crop was estimated at almost 1.5 billion bushels, only 3 per cent less than the bumper crop of 1945 and 32 per cent more than the average crop of the 1935-44 period. In this district the 1946 oats crop is expected to exceed that of 1945 by about 25 million bushels.

The total hay crop in the United States, both tame and wild, is expected to be about 96 million tons this year, one of the smallest of the last six years. Average production in the 1941-45 period was 100 million tons. The record carryover from last year's crop, however, apparently will make the total supply of hay adequate for the livestock population. Pastures have been in very good condition with the continued rains aiding development. Condition of pastures in this district as of June 1 averaged about 93 per cent, 11 points better than prevailed on the average during the ten years, 1935-44.

Production of peaches this year will be very much heavier than that of the average year in the 1935-44 period but somewhat smaller than in 1945. District prospects deteriorated during the last month as late frosts injured the Illinois and Indiana crops rather badly and wet weather hurt the Mississippi crop. Freeze damage in Arkansas was negligible, however, and prospects for that state are uniformly good. Missouri peaches also were not hurt badly by the frosts. For the peach producing states in this district, the 1946 crop was estimated on June 1 to be about 9 million bushels as compared with 10.9 million bushels in 1945 and 6.9 million bushels for the long-term average.

The 1946 pear crop in district states is expected to total about 1.6 million bushels, 600,000 bushels less than were produced in 1945 and 400,000 bushels less than were harvested during the period 1935-44. Pear prospects in Arkansas are the best since 1941.

The commercial apple crop in the United States this year is expected to be smaller than average but about half again as large as the very small crop of 1945. In this district, the Arkansas crop is expected to be double that of 1945 and the Missouri and Illinois crops somewhat better than last year.

Condition of early potatoes in the district as of June 1 averaged 91 per cent of normal as compared with about 80 per cent last year. Early potatoes were being harvested in Arkansas and Tennessee at the beginning of June, and yields were proving to be excellent.