

CROP and BUSINESS CONDITIONS

NINTH FEDERAL RESERVE DISTRICT

REPORT TO THE

FEDERAL RESERVE BOARD

WASHINGTON, D. C.

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114th Report

MINNEAPOLIS, MINN.

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EDITORIAL NOTICE:—This report is prepared monthly in the office of the Federal Reserve Agent for the purpose of providing the Federal Reserve Board with complete accurate, and impartial information concerning business conditions in the Northwest. It is also printed for public use and will be mailed free of charge to anyone making request for it.

DISTRICT SUMMARY FOR THE MONTH

The critical period for crop production in this district has arrived. Until harvesting begins about August 10, we must rely on estimates as to the probable output. Granting average conditions of weather and moisture, it appears that spring wheat production will be 10 per cent greater than last year in the face of a reduction of 10 per cent in acreage; while corn, on the other hand, with a 12 per cent increase in acreage, will produce 16 per cent less than a year ago.

The situation of the northwestern farmer should be improved as the total acreage of grains and hay is $1\frac{1}{3}$ millions greater than a year ago, with a much better diversification, because there was planted more flax, corn and hay and less wheat and rye. In addition, the price situation of some of the grains has been improved. Whether too much emphasis has already been placed on this price advance remains to be seen. The pronounced advance in wheat and other grains did not apply to flax and barley; and livestock prices declined in June for practically all kinds quoted at terminal markets.

Livestock statistics have an unusual significance this month. The current slump in prices of feeder stock and veal calves, coupled with a remarkably low movement of feeder stock to the farms, indicates a prevailing belief that beef cattle may not sell as well later as heretofore, having regard to the probable increase in the cost of feed. However, this tendency if continued for any length of time, should balance the situation. The record-breaking run of hogs which has prevailed for some months past, has apparently come to a close. Receipts have been low for two successive months and the lateness of the spring warrants estimates of a 10 to 15 per cent reduction in the number of fall pigs.

The volume of general business in June, measured by debits to individual accounts, did not increase the customary amount for this season of the

year. Also the total was 6 per cent below a year ago, owing to declines in lumber manufactures, linseed products, mining output, sales of lumber at retail in rural yards, department store sales and wholesale trade. Employment conditions indicated a general slackening of business activity. There was a decline in the amount of Federal reserve notes in circulation.

Prospective building activity, as shown by the permits issued in June, is on the decline. The rental situation in Minneapolis is much easier than formerly.

Financial conditions are satisfactory. The aggregate of deposits is rising, demand for loans is not pressing, and interest rates are easier. Federal reserve bank loans declined in June and earning assets were maintained by the purchase of government securities. During the first three weeks of July, no important change developed, except a revival of borrowing by banks in the Dakotas.

TOPICAL REVIEWS

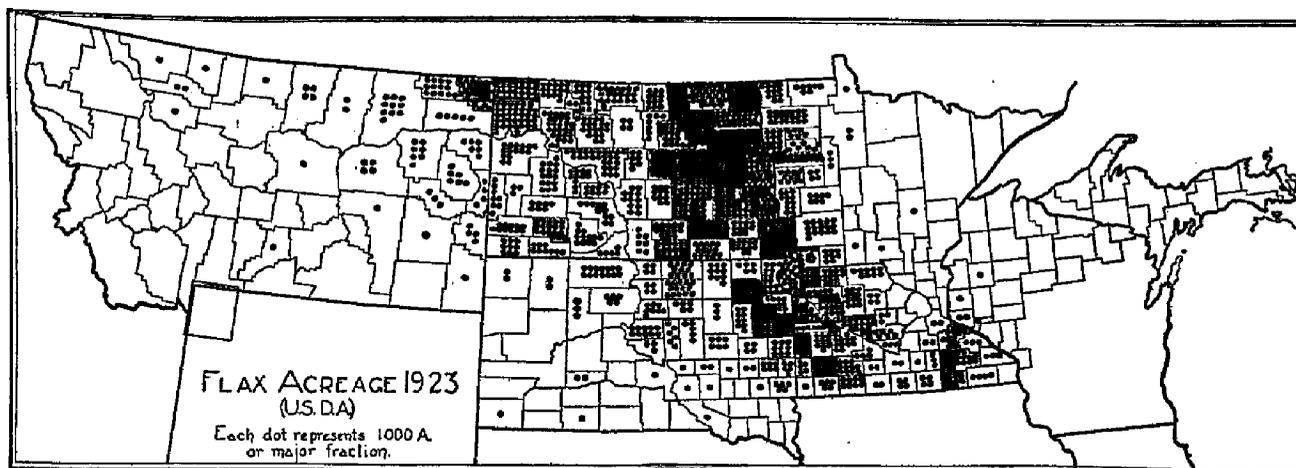
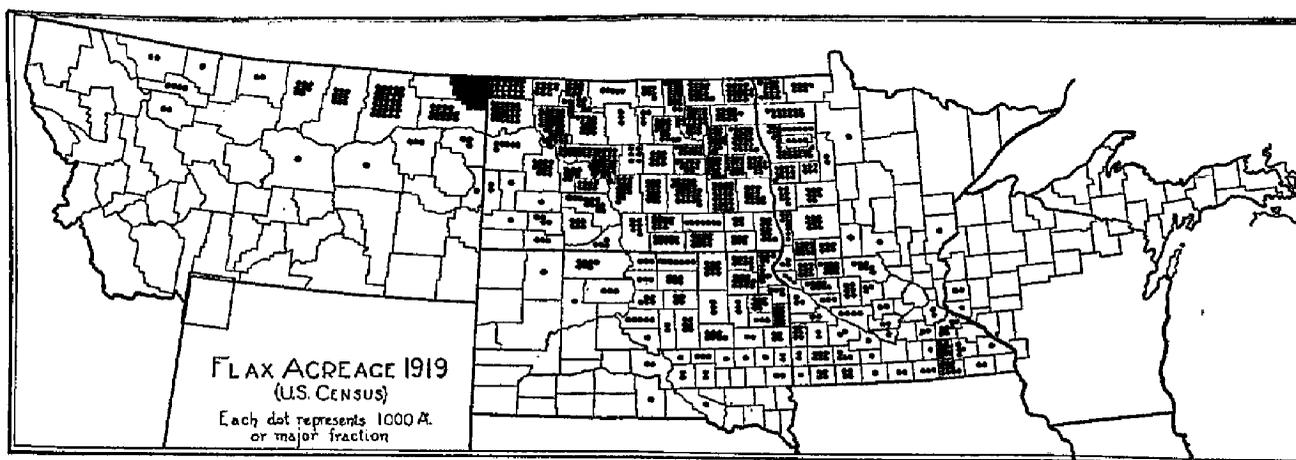
Northwestern crop acreages and forecasts—Farmers in Minnesota, North Dakota, South Dakota and Montana have planted over $1\frac{1}{3}$ million more acres in 1924 than in 1923, despite the 10 per cent decrease in spring wheat acreage and the 30 per cent decrease in rye acreage, according to the United States Department of Agriculture estimates prepared by the Agricultural Statisticians in each state. A large proportion of the increase has been planted to flax, which shows increases from 25 per cent in Minnesota to 76 per cent in North Dakota and 130 per cent in Montana, and a total acreage for our four states of 3,263,000 acres, an increase of 62 per cent over last year. The flax acreage in these four states is a slightly lower proportion of the total flax acreage in the United States than a year ago, a reduction from 97.8 per cent of the total to 96.7 per cent. While the condition of the flax crop was nearly equal to the 10-year average on July 1, the percentage of the acreage that was late seeded

is higher than usual and will need favorable weather at the end of the season in order to produce the forecasted yield of 25,044,000 bushels. The forecast indicates an expected yield of 7.7 bushels per acre, compared with the 1923 yield of 8.4 bushels.

The corn acreage again shows an increase in each of the four states, making a combined total of 10,928,000 acres, compared with last year's acreage of 9,712,000, an increase of a little more than 12 per cent. The condition of the corn crop was unusually low on July 1 on account of the extremely backward season, registering 10 and in some sections even 15 points below the average. On this account the 1924 forecasted production for the four complete states in our district is more than 50,000,000 bushels, nearly 16 per cent, less than last year's production, despite the 12 per cent increase in acreage. Since July 1 the weather and increased moisture have greatly accelerated the growth of the corn in most sections, but unless the weather continues exceptionally favorable until September 1 at the earliest, there will probably be a reduced amount of mature corn for grain.

The potato acreage in our four states decreased approximately 7 per cent, from 681,000 to 636,000 acres. The July 1 condition of the crop was normal, or nearly normal, in practically all sections; except that in western Montana, where the crop was planted late, the plants had been injured by frosts and were being damaged by beetles. Current reports from South Dakota indicate potatoes still improving and that some early potatoes had been used by July 15.

Telegrams received at this office at the end of the third week in July indicate that the development of even the small grains is backward in some sections. The winter wheat harvest in Montana was reported as having been started; and winter rye and winter wheat were about ready in South Dakota. Flax and corn showed great variations in degree of development, some sections reported as showing no evidence of the backward season, while in just as many sections the flax was very small and the corn only a foot above ground. The harvest of spring small grains will commence about August 10 this year, according to reports received. Very few sections



Flax Acreage in the Ninth Federal Reserve District in 1919 and 1923, Showing Areas Where the Flax Crop has Increased in Importance.

have reported any rust, and the grasshoppers are pretty well under control in Montana. Lack of moisture is the only unfavorable condition at present, and this condition was not reported from the main spring grain territories, except the north central section of North Dakota.

The July 1 forecast production figures for winter wheat in Montana indicated a higher yield than was forecast June 1. The other states showed small declines, but the total for Montana, Minnesota and South Dakota was still more than a million bushels higher. Winter rye showed a slight decrease in Minnesota, but the other states showed increases.

The July 1 forecasts for small spring grains all showed an increase over June 1 forecasts in all four states. For spring wheat the increase was more than 10 per cent, making the July 1 forecast of 160,000,000 bushels 10 per cent greater than the 1923 production, despite the 9.7 per cent acreage decrease. Between June 1 and July 1, the forecast for oats production was increased more than 15 per cent.

Grain receipts at Minneapolis and Duluth-Superior were larger during June than during May, with the exception of barley and flax, but shipments exceeded receipts in June in the case of corn, oats, barley and rye. Receipts of corn, oats and rye were twice as large in June as a year ago, while wheat, barley and flax receipts were less than last year.

Stocks of all grains at Minneapolis and Duluth-Superior were reduced during June. This movement was most pronounced in the case of the feed grains. Stocks of corn were reduced four-fifths,

oats two-fifths and barley one-fifth during the month and only negligible quantities remained in store at the end of the month. Stocks of wheat and rye have continued large, but wheat stocks were drawn down more than stocks of rye. At the end of the month, rye stocks exceeded stocks of wheat for the first time in several years.

Median cash grain prices at Minneapolis rose sharply between May and June, with the exception of flax and barley, which were about stationary, and the increase has continued through the first half of July. The rise in prices is significant more as a test of sentiment in the grain trade than for the return to the farmers, for only a small volume of grain is involved in sales at current prices. Selected grades of various grains increased in price during June as follows: Wheat more than 12 cents, corn 5 cents, oats 3 cents, and rye 8 cents.

A variety of causes were responsible for the upward trend of prices. The bread grains rose on account of world news indicating smaller supplies from the current crop, both from smaller acreage and from poorer yields. Wheat acreage in the northern hemisphere this year, excluding Russia, is estimated at 179,325,200 acres by the Department of Agriculture, as compared with 188,157,000 acres last year. The harvest will probably be more than 10 per cent less than in 1923, according to the bulletin of the Department. Moreover, the Russian crop, which was a small factor in the export situation last year, will probably be much reduced in 1924, and exports from this source should not be large.

JULY 1 PRODUCTION FORECASTS BY STATES WITH COMPARISONS
(In bushels, 000's omitted)

	Spring Wheat		Winter Wheat		Oats		Corn	
	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate
Minnesota	7-1-24	1923	7-1-24	1923	7-1-24	1923	7-1-24	1923
Montana	18,713	19,281	1,682	1,504	153,064	153,254	133,194	154,692
North Dakota	40,644	39,940	13,807	12,546	21,924	22,209	11,461	9,490
South Dakota	73,943	58,660	67,208	54,924	25,830	28,207
	26,598	25,982	1,156	924	78,877	78,336	113,318	145,176
Four States	159,898	143,863	16,645	14,974	321,073	308,723	283,803	337,565
Ninth District	160,216	144,160	17,404	15,616	347,495	333,084	296,116	351,852
United States	197,461	213,401	542,551	572,340	1,356,338	1,299,823	2,515,385	3,054,395
	Flax		Potatoes		Rye		Barley	
	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate	Forecast	Estimate
Minnesota	7-1-24	1923	7-1-24	1923	7-1-24	1923	7-1-24	1923
Montana	6,452	5,270	35,276	38,304	13,482	12,312	24,512	24,050
North Dakota	1,712	902	3,944	3,960	1,877	2,112	2,352	2,838
South Dakota	13,259	8,424	11,793	13,114	12,515	10,046	28,834	23,818
	3,621	2,414	6,399	7,744	4,334	3,496	19,642	20,025
Four States	25,044	17,010	57,412	63,122	32,208	27,966	75,340	70,731
United States	25,880	17,429	372,968	412,392	64,768	63,023	170,011	198,185

JULY 1 ACREAGE ESTIMATES BY STATES WITH COMPARISONS
(000's omitted)

	Corn		Flax		Potatoes		Tame Hay	
	1924	1923	1924	1923	1924	1923	1924	1923
Minnesota	4,512	4,297	659	527	367	399	2,076	2,016
Montana	566	365	253	110	37	36	1,185	1,087
North Dakota	1,221	842	1,925	1,094	153	158	1,111	1,079
South Dakota	4,629	4,208	426	284	79	88	1,100	1,050
Four States	10,928	9,712	3,263	2,015	636	681	5,472	5,232
United States	105,604	104,158	3,375	2,061	3,753	3,818	61,020	60,180

The feed grains were stimulated by a rapid dwindling of stocks from last year's crop and by reports of the prospect of poor yields on account of the late spring. Needless to say, the hopes and fears which have been responsible for the price increases may not be realized, as the size of the various crops will not be known definitely for some weeks.

The June pig survey of the Department of Agriculture promises momentous changes in the volume of hog marketing during the coming year. The Department estimates a decrease of about 21 per cent in the number of sows farrowing for the country as a whole in the spring of 1924 as compared with the spring of 1923, and a decrease in the number of pigs saved of 20 per cent. There will be a decline of 6 per cent in sows bred for farrow this fall, as compared with last fall's record, indicating a probable reduction of 10 to 15 per cent in fall pigs. The decline in prospective farrowings for this fall was greater in the corn belt states than in other sections of the country, which is of importance to this district, since southern Minnesota and South Dakota are on the edge of the corn belt proper.

The Montana pig crop report is in sharp contrast with the report for the country as a whole. Hog production in 1924 has increased and the rise of 22 per cent in the number of pigs saved up to June 1 was a greater percentage increase than that in any other state. Montana farmers planned to have 40 per cent more sows farrow during the last six months of this year than were farrowed during the corresponding months of 1923, which is again a higher percentage increase than that shown by any other state. Montana's record in this respect is in line with the diversification program evidenced by the increases in crop acreages for grains other than wheat, which are reported elsewhere in this review.

Livestock receipts at South St. Paul were smaller in June than in May, which is a seasonal occurrence, and receipts were about the same in June as a year ago for hogs and sheep, and smaller for cattle and calves. Eliminating seasonal changes, hog receipts were at about the same level in June as in May, indicating that the end of the phenomenal marketing movement of 1923-24 has come.

The spring feeder movement has not been large. The June volume was down to the 1921 level in most classes, owing to fear of a small, high priced corn crop this fall and to the approaching exhaustion of present supplies in the feeding sections.

Median livestock prices at South St. Paul showed declines for all selected classes, except butcher steers, between May and June. Decreases were not important in the case of butcher cows, hogs and lambs, but the reductions in stocker and feeder steer prices and veal calves were more than seasonal. Owing to the sharp increase in the price of corn during May and the small decline in hog prices, the hog-corn ratio dropped sharply to the lowest level since November, 1923.

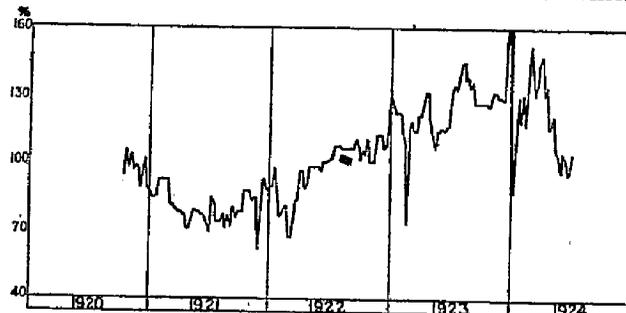
Prices of wholesale produce at Minneapolis showed mixed tendencies during June. The price of butter increased one cent a pound, which is a seasonal occurrence, and butter was selling higher on June 30 than on the same date in the three preceding years. Hens showed a seasonal decline, but were also higher than on the same date in the three preceding years. Eggs were higher than last month and higher than on June 30 of the last two years.

The volume of business in this district, as indicated by debits to individual accounts, was 3 per cent larger in June than in May, which is not quite the usual increase, and was only 6 per cent lower than the large June volume last year. The June position of business is shown in the curve printed elsewhere in this report.

Business failures in this district were down one-third in number and more than one-half in liabilities in June from the May volume, according to R. G. Dun and Company. This decline is more than seasonal and brings failures back to the level of 1921, if seasonal changes are eliminated. The failures in June were 70 in number, with liabilities amounting to \$1,432,514.

Manufacturing and employment conditions in this district continue to be dull, with the exception of flour milling at country points.

Lumber manufacturing, which reflects the volume of construction, was at about the level of May, if seasonal reductions are eliminated. There were declines of 3 per cent in shipments and cut between May and June, and shipments were one-fifth smaller than in June last year, while the number of board feet cut was reduced 25 per cent. Stocks of lumber showed a seasonal increase of 4 per cent during June and were 5 per cent larger than a year ago. The reduction in shipments of lumber by representative firms operating in this district was a more than local occurrence, as is shown by the weekly curve of carloadings of forest products in the northwestern district, adjusted for seasonal changes. This curve declined sharply during April and May, but was fairly steady during June. The June volume of shipments was much lower than during the corresponding period in 1923. This curve illustrates very well the changes in the volume of construction which



Railroad Carloadings of Forest Products in the Northwestern District by Weeks. Curve adjusted to eliminate seasonal changes.

have been going on in the West during the last three years or more. From a subnormal condition in 1921, the volume of shipments rose to an exceptionally high level in 1923 and the first weeks of 1924. It should be borne in mind that this curve is not exactly representative of lumbering in this district, for shipments of forest products from the Pacific Northwest are included.

Flour production in this district showed a seasonal decline of 3 per cent between May and June, but was 8 per cent larger than in June last year, according to reports from The Northwestern Miller. Representative outside mills continued to maintain their supremacy, with production one-third larger than last year and a slightly larger output in June than the output of Minneapolis mills. Minneapolis flour production and shipments, on the other hand, were the smallest of any June figures in 15 years, and 10 per cent lower than a year ago.

Linseed product shipments increased between May and June, seasonally in the case of linseed oil, and quite abnormally in the case of oil cake. Both products were shipped in smaller volume than a year ago.

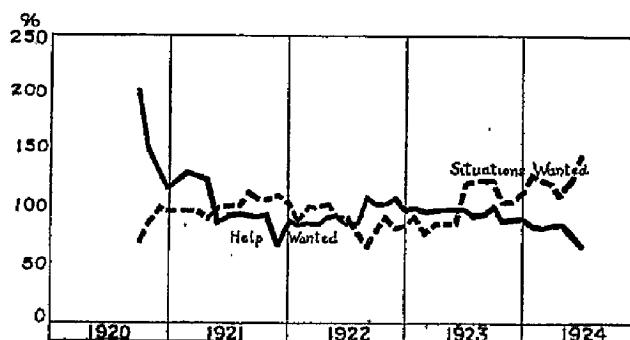
Employment has slackened very definitely in major industries of this district, except farming. The United States Employment Service in its June bulletin stated that in Minnesota "Employment in iron and steel, railroad repair shops, leather products, lumber and iron mining industries and meat packing declined perceptibly during June. There is a surplus of building tradesmen, although unemployment is nowhere a serious problem. Farm labor requirements and road building projects are helping materially toward absorbing labor temporarily released."

For North Dakota the bulletin states that "the month of June was unusually cold and dry and large orders for men to do cultivating did not materialize until the latter part of the month. Present demand for general farm help is brisk, but the supply is adequate. Skilled workmen are generally well employed and most industries are operating at normal."

For South Dakota the comment is as follows: "A shortage of farm help for work by the month is reported. Considerable building has started with the advent of summer, and industrial and employment conditions generally are considered satisfactory."

For Montana very little unemployment is apparent, although a few of the smaller copper mines are temporarily idle.

As an additional indication of the quietness in manufacturing and the trades, the curve of "situations wanted" in Minneapolis, corrected for seasonal changes, turned upward sharply during June and the "help wanted" curve continued to decline.



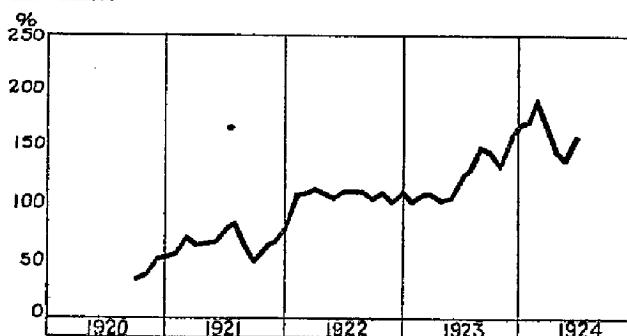
Employment Advertisements in a Minneapolis Newspaper. Curves adjusted to eliminate seasonal changes.

Mining output in this district was smaller in June than during the corresponding month last year. Iron ore shipments from upper lake ports showed a less than seasonal increase of 15 per cent between May and June and were one-fifth lower than last year. Carloadings of ore in the northwestern district, consisting principally of iron ore, were about one-third lower during June than a year ago, and the reduction in the volume of carloadings was more pronounced as the month advanced. Copper output by the more important companies of this district was 5 per cent less in June than in May and 3 per cent less than a year ago in June.

Coal receipts were about one-half as large in June and for the period from the opening of navigation to the end of June, as the volume a year ago. The reduction was greater for soft coal than for hard, but hard coal shipments were about one-fourth lower for these periods than last year's volume.

Prospective building activity in 18 cities of this district, as evidenced by building permits granted, was smaller in June than in May and smaller than in June last year, both in the number and valuation of permits and in the average size of the projects planned. The declines were unseasonally large between May and June, amounting to 25 per cent in valuation of permits granted.

The curve of "dwellings for rent" in Minneapolis turned upward during June, in contrast with the three months' decline which had preceded it, and the curve was one-third higher than a year ago at this time.

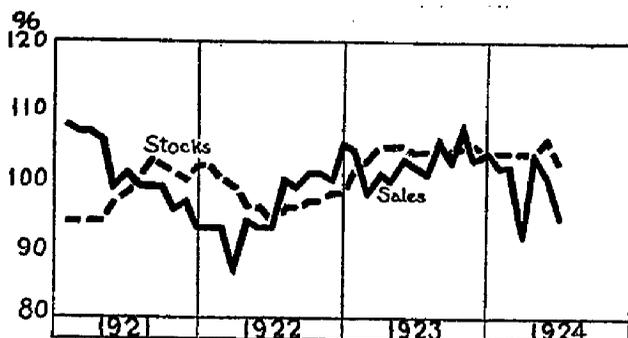


"Dwellings for Rent" Advertisements in a Minneapolis Newspaper. Curve adjusted to eliminate seasonal changes.

The volume of wholesale trade in this district was much lower in June than in June a year ago, although there were small increases over May in most lines. Sales of shoes showed the only decline from May, amounting to 7 per cent, which was probably a normal occurrence. Dry goods sales increased 5 per cent over May, although usually there is a small decline. Hardware, groceries and farm implements showed increases between May and June of 2, 11 and 13 per cent, respectively.

Further evidence of the reduced volume of merchandise going into consumption is furnished by the record of cars forwarded from Minneapolis. Forwardings of agricultural implements and vehicles amounted to 142 cars in June of this year, as compared with 232 cars in June a year ago. Autos, trucks and tires accounted for 706 cars, as compared with 1,117 cars a year ago. There were also declines in structural and other iron products, machinery, other than farm implements, and petroleum and its products; but building materials, furniture and merchandise in less than carload lots were shipped in larger quantities in June than a year ago.

Department store sales declined during June by 9 per cent, or about twice the seasonal amount. Sales were 7 per cent below June sales last year. If seasonal changes are eliminated, the June volume was down almost to the level of the first part of 1922, when conditions were very unsatisfactory. Retailers recognize this fact and have endeavored to bring their stocks down to a normal relationship with the present volume of sales. There was a reduction during June of 6 per cent in stocks, which is more than the seasonal decline, and stocks were slightly lower than a year ago. Outstanding orders to replenish stocks gave further evidence of this endeavor. At the end of June these orders were only about 4 per cent of the total 1923 sales, whereas the corresponding percentages at the end of June, 1923 and 1922, were 7 and 9 per cent. The accompanying curves illustrate how reductions in sales are first accompanied by rising stocks and later by declining stocks as retailers readjust their plans. The reverse is true with rising sales. The present is apparently a time of declining sales and declining stocks.



Department Store Sales and Stocks in Cities of the Ninth Federal Reserve District. Curves adjusted to eliminate seasonal changes.

Rural purchases of lumber in this district showed the usual seasonal changes between May and June, but making allowance for these, there was no change in the situation from the exceptionally low level of purchasing reached in May. Retail lumber yards reported sales one-fourth larger in June than in May, which is entirely a seasonal occurrence, but one-fourth below last year, and lower than any other June since our record began in 1919. Stocks of lumber in retailers' hands were down slightly at the end of June, as is customary, and were one-eighth lower than last year.

Banking conditions in this district have not changed a great deal during June and the first half of July from the earlier months of the year. Funds are plentiful, deposits are rising and interest rates softening.

The deposits of 25 selected member banks increased 4 1/3 million dollars during June, while their loans increased less than 3 millions and security holdings were enlarged 1 1/2 millions. Reserves declined 1 million dollars and borrowings from this Federal Reserve Bank were reduced 2 millions.

During the first two weeks of July there was a further increase of 6 1/2 millions in deposits. Security holdings were increased two-thirds of a million, loans were unchanged, reserves were enlarged 2 1/2 millions and borrowings from this bank increased slightly.

Savings deposits showed more than the usual July 1 increase which accompanies quarterly interest credits, so that the deposit curve, adjusted for seasonal changes, was slightly higher on July 1 than a month earlier. The total of savings deposits was 2 per cent larger than a year ago at this time. However, the average savings deposit is smaller now than it was a year ago.

Commercial paper outstanding in this district showed a small seasonal decline during June, but the volume was nearly 8 per cent larger than the volume outstanding last year.

Interest rates at Minneapolis banks declined from 5.43 per cent on June 15 to 5.22 per cent on July 15, using our weighted average. The decline was evident in all important rates, but most pronounced in customers' loans of all maturities. When seasonal changes are eliminated, the current rate is the lowest since March, 1923.

This Federal Reserve Bank experienced a reduction of 2 millions in borrowings by member banks

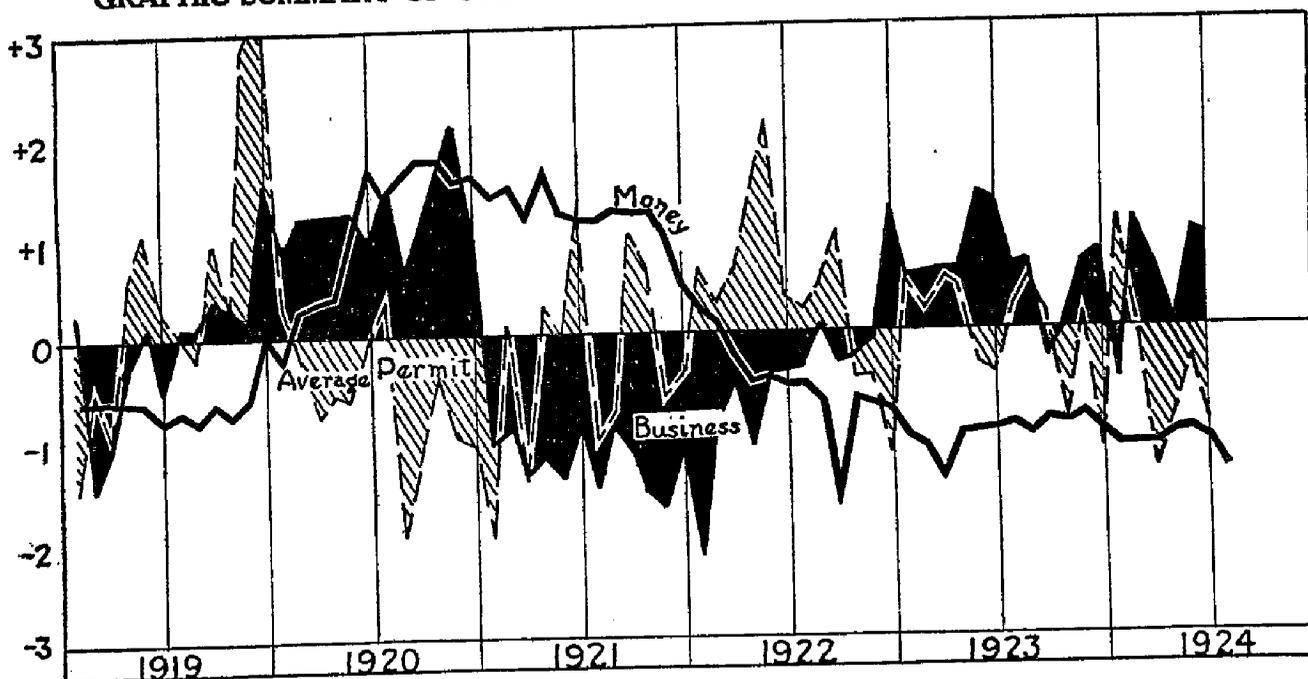
during June, and purchased bill holdings were allowed to decline one-half million, owing to the unsatisfactory rate which is obtainable. Government security holdings were increased nearly $3\frac{1}{2}$ millions, and total earning assets were nearly 1 million dollars larger at the end of the month than at the beginning. Cash reserves declined 2 millions and Federal reserve notes in circulation were reduced nearly 2 millions, but deposits increased three-fourths of a million dollars.

During the first three weeks of July, there were no important changes in earning assets, but cash

reserves declined 2 million dollars further, deposits fell 1 million dollars and there was a further slight decline in Federal reserve notes, after a small flurry just before the July 4th holiday.

When member bank borrowings from this bank are analyzed, it appears that borrowings by Twin City and Montana banks declined throughout the seven-week period, but other Minnesota banks and banks in North Dakota and South Dakota reduced their borrowings in June and increased them in July. Wisconsin and Michigan banks increased their borrowings in June and decreased their total in July.

GRAPHIC SUMMARY OF URBAN BUSINESS CONDITIONS IN THE NORTHWEST



These curves have been constructed from data collected by this office and adjusted to eliminate seasonal influences. Adjustment for secular trends has been made except for the money curve.

BUSINESS: The best single available index of general business is individual debits. These represent the aggregate dollar value of all payments made by bank checks, and therefore reflect both the volume of business and the prevailing prices. Allowance for secular trend is in the main an allowance for price changes which have been downward. Nine representative cities for which we have consecutive figures are combined in this curve.

MONEY: The commercial money rates here shown are based on a weighted average of five varieties of paper in Minneapolis. Although national, more largely than local, business conditions determine this rate, it is an important consideration in determining local business policies.

AVERAGE BUILDING PERMIT: The number and value of building permits granted are customarily accepted as indicative of prospective business activity. This graph, however, shows the average size of building permits for eighteen selected cities, thereby giving greater weight to the larger projects which are either started or deferred because of business considerations, and which have a determining influence upon the degree of activity in the building trades and in the supply of materials. This curve furnishes an index of business sentiment which is made up very largely of confidence in the stability of prices. Allowance for secular trend is necessary to eliminate changes due to the development of industries in these cities. The variation of building material prices, as compared with 1913 levels, has been eliminated in constructing this graph.

Summary of National Business Conditions (Compiled July 25 by Federal Reserve Board)

Production of basic commodities and factory employment showed further large declines during June. Trade, both at wholesale and retail, also decreased during the month and was in smaller volume than a year ago.

PRODUCTION: The Federal Reserve Board's index of production in basic industries, adjusted to allow for seasonal variation, declined about 9 per cent in June to a point 22 per cent below the level of the first two months of the year. Iron and steel, and cotton manufacturing industries continued to show the most marked curtailment of activity, and decreases were general in other industries. Factory employment decreased 3 per cent in June, the metal, automobile, textile and leather industries reporting the largest reductions in forces. The value of building contracts awarded in June was 8 per cent smaller than in May, though 4 per cent larger than in June of last year.

The condition of the corn crop on July 1, as reported by the Department of Agriculture, was the lowest on record for that date and indicated a probable yield about 500,000,000 bushels less than last year. The condition of the cotton crop was recorded less satisfactory than a month earlier, while forecasts for wheat and oats were larger than in June.

TRADE: Railroad shipments decreased in June and were about 15 per cent less than a year ago, owing to smaller loadings of all classes of freight except grain and livestock. Wholesale trade showed a further slight decline in June and was 11 per cent smaller than a year ago. Sales of hardware, drugs, shoes, and dry goods decreased while sales of groceries and meat increased slightly. Sales of department stores and chain stores showed more than the usual seasonal decrease during June and were smaller than last year. Mail order sales in June showed less than the usual seasonal decline and were larger than a year ago. Department stores further reduced their stocks of merchandise and slightly increased their outstanding orders.

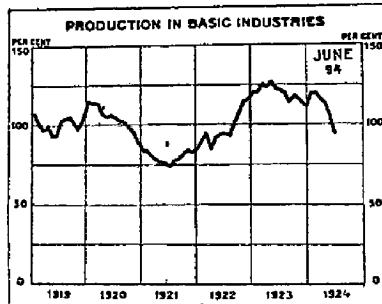
PRICES: Wholesale prices as measured by the index of the Bureau of Labor Statistics, declined more than 1 per cent in June to a level 5 per cent below the high point for this year. Prices of all groups of commodities, except clothing, showed declines and decreases were particularly large for building materials. During the first three weeks of July quotations on wheat, corn and hogs advanced sharply, while prices of sugar, cotton-goods and iron and steel products were lower.

BANK CREDIT: Commercial loans at member banks in leading cities during June and the first two weeks of July remained at a relatively constant level, considerably below the peak reached in April, while investment holdings and loans secured by stocks and bonds increased rapidly and carried total loans and investments to the high point for the year. Demand deposits, owing partly to the growth of bankers' balances at financial centers, advanced to a record level.

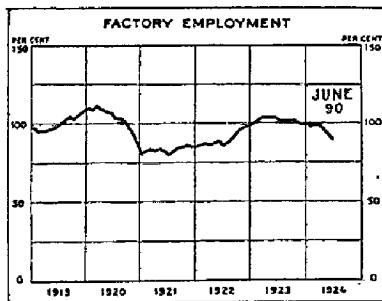
At the Reserve banks, there was a continued decline in discounts and an increase in purchases of government securities in the open market. As a consequence, total earning assets in the middle of July were only slightly less than at the beginning of June. Member bank reserve balances increased rapidly, reflecting a return flow of currency from circulation and further imports of gold. Total deposits at the Reserve banks on July 16 were larger than at any time since the organization of the system.

Money rates in July were comparatively steady but continued to show a somewhat easier tendency.

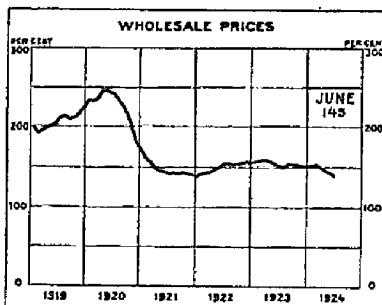
Discount rates at the Federal Reserve Banks of Kansas City and Dallas were reduced during July from $4\frac{1}{2}$ to 4 per cent.



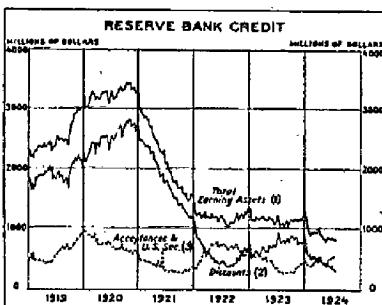
Index of 22 basic commodities corrected for seasonal variation (1919 = 100).



Index for 33 manufacturing industries (1919 = 100).



Index of U. S. Bureau of Labor Statistics (1913 = 100, base adopted by Bureau).



Weekly figures for 12 Federal Reserve Banks. Latest figures, July 23, (1) 801, (2) 291, (3) 509.