

MONTHLY REVIEW

OF
AGRICULTURAL AND BUSINESS CONDITIONS
IN THE
NINTH FEDERAL RESERVE DISTRICT

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DISTRICT SUMMARY FOR THE MONTH

Crops in the Ninth Federal Reserve District made good progress in July. The August 1 forecasts of the United States Department of Agriculture were higher than forecasts made a month earlier for all important crops, except oats. There was a rise of ten cents in the median price of No. 1 dark northern spring wheat in July over the June price. If the crops are as large as forecasted on August 1 and present prices prevail, the cash income from wheat, rye, flax and potatoes will be approximately as large as the income from the 1924 crop, which was \$444,000,000.

Good rains over our whole territory in the middle of August were beneficial to corn and pastures, but hindered harvesting and threshing of small grains for a day or two. Rust damage is an enigma. Early sown wheat apparently escaped with small damage. However, the planting season was unusually long and late sown grain has been badly injured in areas scattered throughout the district. Rust damage to oats has been very severe in Minnesota and South Dakota. The cool weather since July 29 has been unfavorable for the development of rust, but has also retarded the growth of corn. Crop prospects in Montana and the portions of Wisconsin and Michigan included in this district are excellent.

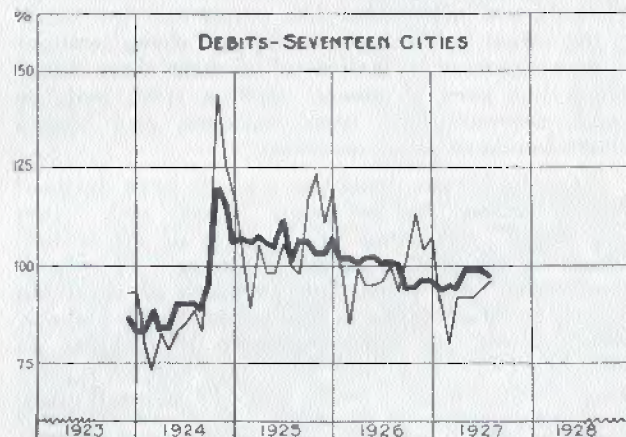
Emphatic warnings have been issued by one of the principal railways and by an important grain firm regarding harvesting immature grain with "combines." Grain marketed with a high moisture content cannot be handled by the ordinary country elevators in our district, as they are not equipped with dryers. High moisture wheat is reported to be selling at heavy discounts.

The income from dairy products in July was larger than the July, 1926, income. Livestock marketings in July were much smaller than marketings in July, 1926. Butcher steer and veal calf prices were higher in July than in any preceding July since 1920. Hogs sold at lower median prices in July than in any month since July, 1924; eggs were lower than in any July since 1922 and hens sold at the lowest price in the post-war years.

The Northwest Shippers Advisory Board estimates a 32 percent increase in shipments of agricultural implements and vehicles in the third quarter of 1927 over shipments in the third quarter of

1926. Other important increases are forecast for grain, potatoes, iron and steel, cement, lime and plaster and paper, printed matter and books. Decreases are forecast for shipments of livestock and lumber.

Building permits in July were 24 percent smaller than in July, 1926. Building contracts were only 4 percent smaller, owing to the letting of a contract for a \$4,000,000 warehouse in Minneapolis.

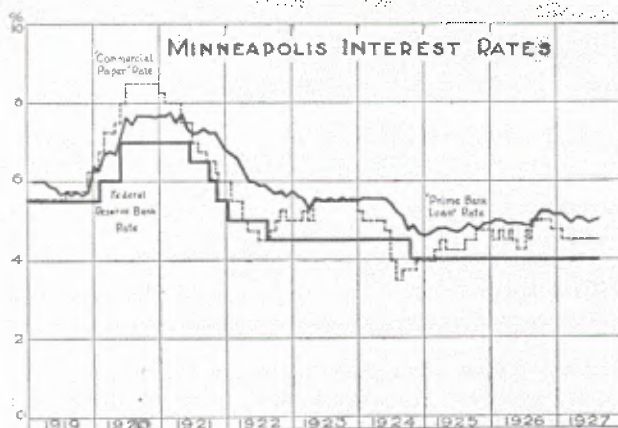


Debits to Individual Accounts at banks in Seventeen Reporting Cities in the Ninth Federal Reserve District. Heavy curve represents figures adjusted to eliminate seasonal changes; light curve represents unadjusted figures as percentages of the average month.

In any comparison between the volume of business in July, 1927, and the volume in July last year, allowance must be made for the fact that July, 1927, had one less business day than July, 1926, and a decline of nearly 4 percent from this cause is to be expected. However, after allowing for this circumstance, business in July was on a slightly lower level than a year ago. Debits to individual accounts were 4 percent smaller and carloadings of freight were 9 percent smaller than in the corresponding period last year. Flour and linseed products shipments and department store sales were smaller than in July last year.

TOPICAL REVIEWS

The total volume of cash, balances with correspondent banks, and investments held by banks in this district is larger than a year ago. Conditions



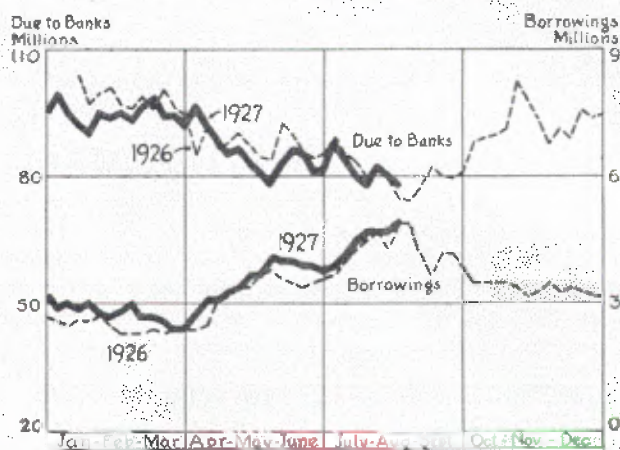
Interest Rates at Minneapolis on Prime Bank Loans and Commercial Paper and the discount rate at the Federal Reserve Bank 1919-1927.

are not uniform, however, throughout the district. Banks in the large cities, in the beef, pork and dairy regions, and in the lumber and mining districts show a larger total than a year ago, but banks in the wheat belt and the cattle and sheep territory show a decrease in their total of these three items. There has been a general shifting from cash on hand, correspondent bank balances, and United States bonds to other securities.

Deposits for the district as a whole have declined slightly during the last year. Loans and "other real estate" decreased in all parts of the district except on the cattle and sheep ranges. The above conclusions are based on abstracts of condition reports for state banks in Minnesota, North Dakota, Montana and the upper peninsula of Michigan on June 30, 1927, and June 30, 1926, and on reports from 24 city member banks and 117 selected member banks outside of the larger cities.

The summary of reports from this last named group of 117 banks outside Minneapolis, St. Paul, and Duluth, furnishes a valuable and much needed addition to the banking information in this district. The advantages of such a record are three-fold: first, the composite report of banking conditions in this district as indicated by the statements of these banks can be obtained very promptly after the date of each comptroller's call; second, changes may be observed in the condition of identical banks without the obscuring factor of bank closings and openings which is present in published abstracts of called reports; third, these banks may be grouped according to the various economic regions of the district instead of according to state lines. These banks were selected to be thoroughly representative of the rural portion of the district and their total deposits amount to approximately \$200,000,000, which is nearly one-fifth of the total deposits in the district outside of Minneapolis, St. Paul and Duluth.

Changes in banking conditions during the 4 weeks ending August 18 were of a purely seasonal nature. Borrowings by country banks from this Federal Re-



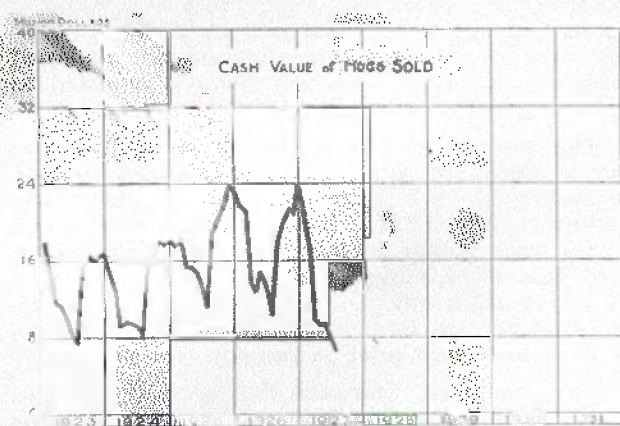
Country Bank Conditions in the Northwest, as indicated by borrowings from this Federal Reserve bank and by deposits with city correspondent banks.

serve Bank increased and country bank balances at city correspondent banks decreased. The interest rates on commercial paper and prime bank loans at Minneapolis and the Federal Reserve Bank rate remained unchanged.

"Intentions to plant" reports of the United States Department of Agriculture indicate that farmers in the Ninth Federal Reserve District, and particularly in Montana, have decided to expand their winter wheat acreage this fall. The intended acreage in Montana for 1928 harvest is 925,000 acres compared with 661,000 actually sown last fall, an increase of 40 percent. The intended acreage for Minnesota is 309,000 acres, compared with 201,000 sown in 1926 for 1927 harvest.

The intended acreage for rye in Minnesota is approximately 565,000 acres, an increase of 20 percent compared with the 1926 fall sown acreage.

The value of hogs marketed by farmers in the Ninth Federal Reserve District during the first seven months of 1927 was one-quarter less than the value of hogs marketed during the same months of 1926. The decrease in income is the combined result of



Cash value of Hogs Sold in the Ninth Federal Reserve District, monthly, 1923-1927.

smaller marketings and lower prices. The total cash income from hogs had increased from \$164,000,000 in 1923 to \$213,000,000 in 1926, according to the index recently made in this office.

This index has been based on the number of swine as given in the 1925 Farm Census, the January 1 number of swine reported by the United States Department of Agriculture, the June 1 and December 1 Pig Surveys conducted by the United States Department of Agriculture in conjunction with the Post Office Department, and miscellaneous supplemental data published by the United States Department of Agriculture and the St. Paul Union Stock Yards Company. The monthly median hog price was computed by this office from representative sales reported in the South St. Paul Reporter.

The various steps in the preparation of the index were as follows: (1) Determination of spring and fall pig production; (2) Determination of the monthly rate of marketing of the number of hogs produced; (3) Determination of the number of pounds of hogs marketed monthly and the value of that poundage.

The total number of swine, as reported in the 1925 Farm Census, was found to be less than the total number reported by the United States Department of Agriculture for the same date, particularly in the states with the larger number of hogs. Inasmuch as it was necessary to use United States Department of Agriculture figures for the years for which census figures were not available, census figures by states (and figures for the counties of Wisconsin and Michigan which are included in the Ninth Federal Reserve District) classified by age and sex, were adjusted to agree with the United States Department of Agriculture January 1 total swine figures, as shown in the table below, in thousands:

Actual Census Figures				
	Fall Pigs	Sows	All Other	Total
Minn.	865	673	1,177	2,715
Mont.	130	54	94	278
N. D.	247	205	332	784
S. D.	592	630	1,378	2,600
Wis. and Mich.*	168	72	94	334
Ninth F. R. Dist.	2,002	1,634	3,075	6,711
Adjusted Census Figures				
	Fall Pigs	Sows	All Other	Total
Minn.	1,145	892	1,563	3,600
Mont.	131	54	95	280
N. D.	248	206	334	788
S. D.	628	668	1,464	2,760
Wis. and Mich.*	191	82	107	380
Ninth F. R. Dist.	2,343	1,902	3,563	7,808

*Twenty-six counties in northwestern Wisconsin and 15 counties in upper peninsula of Michigan.

The fall pig crop of 1924 and the spring pig crop of 1925 were used as the basis for computing the other crops from 1922 to 1927 by means of

United States Department of Agriculture percentages of increase or decrease. The fall pig crop of 1924 was assumed to be the number of pigs shown in the adjusted census figures in the table above, after deducting an estimate of December pigs and adding June pigs. This latter adjustment was necessary because the Pig Surveys are made on December 1 and June 1. The spring pig crop of 1925 was computed as follows: The number of sows farrowed in the fall of 1924 was found by dividing the fall crop by the number of pigs saved per litter. These fall farrowed sows were deducted from the number of sows on January 1, 1925 to obtain the number of sows for spring farrowing. The spring pig crop was computed by multiplying the spring farrowing sows by the number of pigs saved per litter.

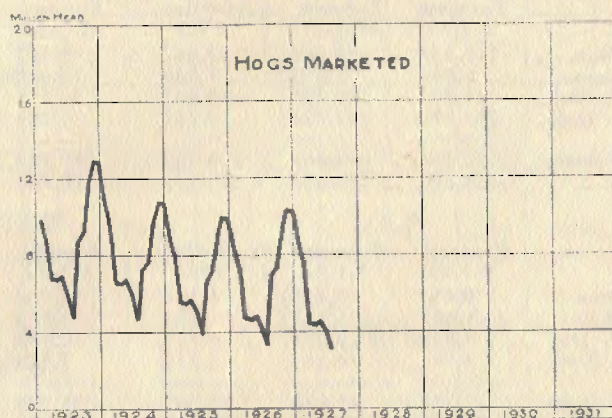
The estimated pig crops used in our index are as follows:

Pig Crops in the Ninth Federal Reserve District 1922-1927

(000's omitted)

	Spring	Fall
1922	7,943	3,110
1923	8,643	3,040
1924	7,340	2,553
1925	6,865	2,176
1926	7,094	2,053
1927	6,671	

Monthly marketings were apportioned according to seasonal relatives computed from "Hogs moved off of farms," reported to the United States Department of Agriculture by 7,500 farmers, and on the size of the pig crops. The spring crop was reduced by the estimated number of hogs slaughtered on farms since these do not produce cash income. The monthly marketing rate used is the same for all years because no satisfactory index of changes in rate is available for this district and such changes are believed to be of small significance. There are two very clearly defined marketing waves, August to February, when spring pigs are marketed, and March to July, when fall pigs are marketed. The peak of marketing is in November.



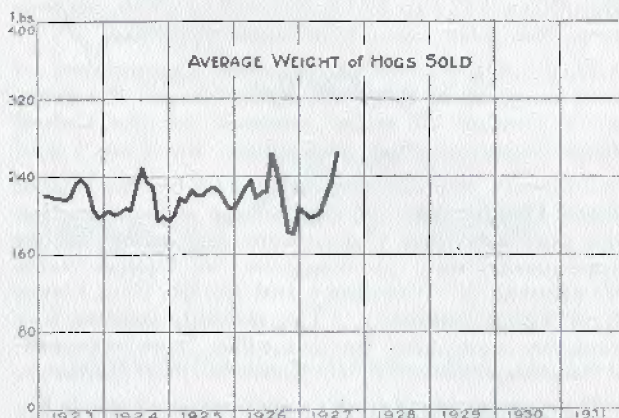
Number of Hogs Marketed in the Ninth Federal Reserve District, monthly, 1923-1927.

The third step in the preparation of the index was the determination of the average weight of hogs marketed and the price per hundred weight. The average weight of hogs marketed at South St. Paul as reported by the St. Paul Union Stock Yards Company, which is an actual average of all swine received, was selected. The monthly median hog price was computed by this office from representative sales quoted in the South St. Paul Reporter.

Losses by disease reduce the size of the pig crops. Allowance is made for this factor by using conservative estimates of the size of the crops. Figures for the entire United States show that the average annual loss during the five years May 1, 1920-April 30, 1925, was only 4.8 percent of the number of swine, including pigs, on farms May 1 each year.

To determine the number of hogs slaughtered on farms it was estimated that 2.3 hogs were slaugh-

tered annually on each of the 454,000 farms in the Ninth Federal Reserve District.



Average weight of Hogs Received at South St. Paul, monthly, 1923-1927.

AUGUST 1, 1927, PRODUCTION FORECASTS BY STATES, WITH COMPARISONS U. S. DEPARTMENT OF AGRICULTURE (In Bushels, 000's omitted)

SPRING BREAD WHEAT			DURUM WHEAT			ALL SPRING WHEAT			
	Forecast 8-1-27	Forecast 7-1-27	Production 1926	Forecast 8-1-27	Forecast 7-1-27	Production 1926	Forecast 8-1-27	Forecast 7-1-27	Production 1926
Minn. . .	14,986	17,811	21,312	4,664	4,851	3,276	19,650	22,662	24,588
Mont. . .	60,425	44,919	37,877	1,038	950	516	61,463	45,869	38,393
N. Dak. . .	61,772	57,450	41,086	60,797	56,364	36,138	122,569	113,814	77,224
S. Dak. . .	20,819	18,784	5,419	13,723	14,225	4,896	34,542	33,009	10,315
4 States .	158,002	138,964	105,694	80,222	76,390	44,826	238,224	215,354	150,520
U. S. . . .	218,156	197,828	160,550				298,378	274,218	205,376

WINTER WHEAT			ALL WHEAT			RYE			
	Forecast 8-1-27	Forecast 7-1-27	Production 1926	Forecast 8-1-27	Forecast 7-1-27	Production 1926	Forecast 8-1-27	Forecast 7-1-27	Production 1926
Minn. . .	4,194	4,302	3,272	23,844	26,964	27,860	8,619	8,927	4,954
Mont. . .	11,233	11,262	6,272	72,696	57,131	44,665	2,144	2,145	1,284
N. Dak.				122,569	113,814	77,224	23,063	22,869	9,287
S. Dak. . .	2,016	1,900	525	36,558	34,909	10,840	2,844	2,852	546
4 States .	17,443	17,464	10,069	255,667	232,818	160,589	36,670	36,793	16,071
U. S. . . .	552,767	579,416	626,929	851,145	853,634	832,305	61,484	61,820	40,024

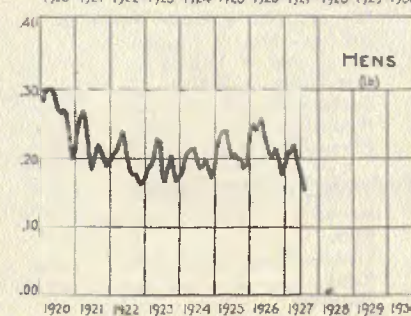
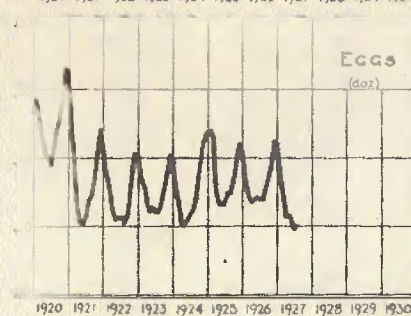
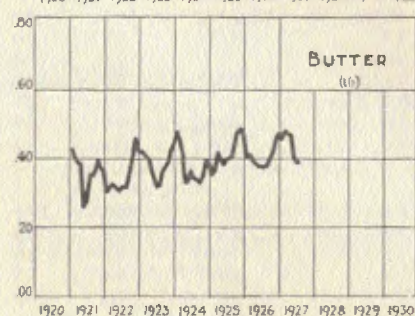
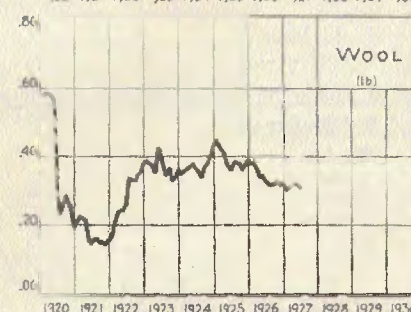
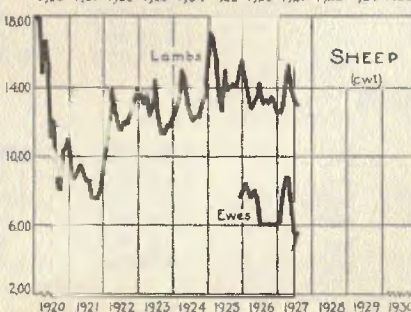
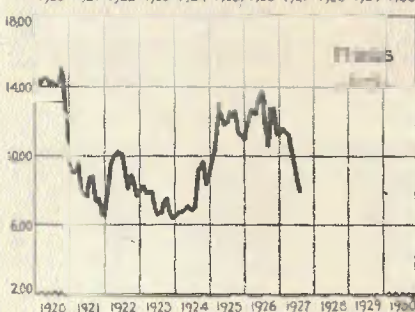
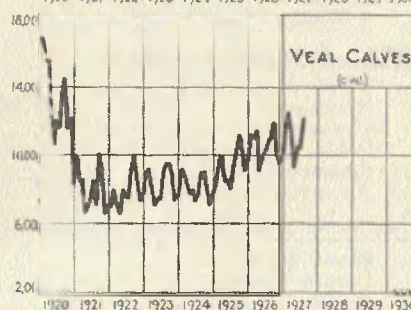
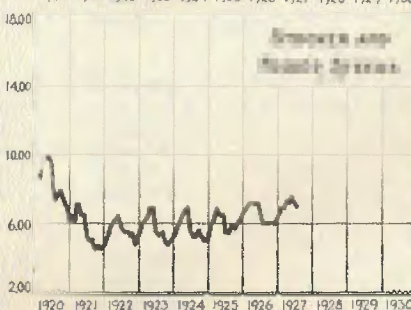
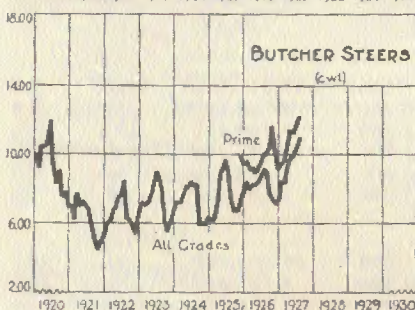
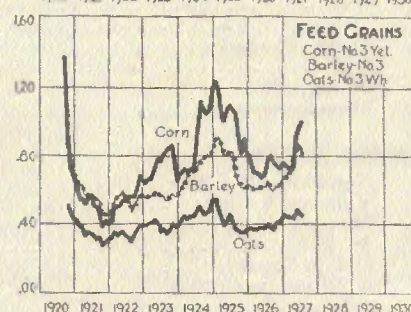
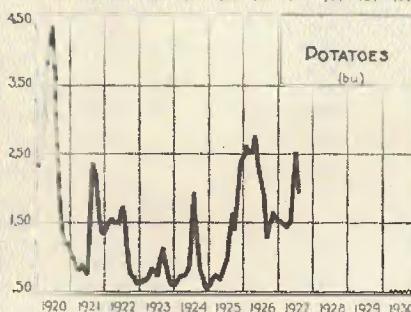
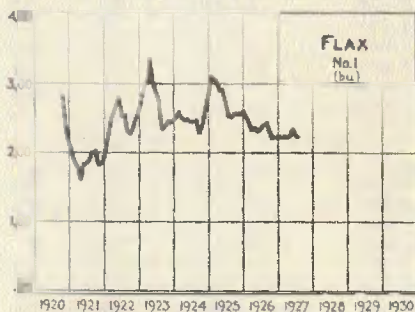
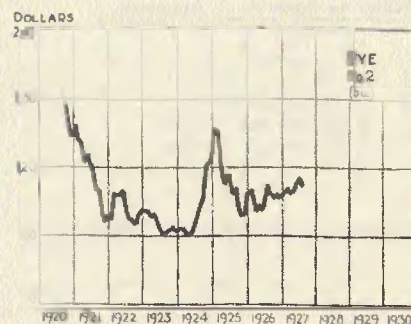
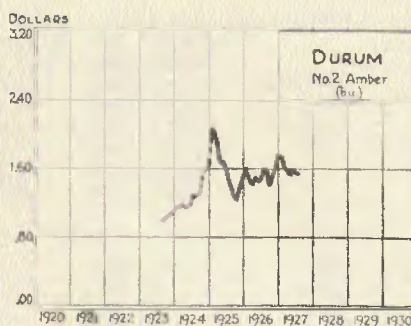
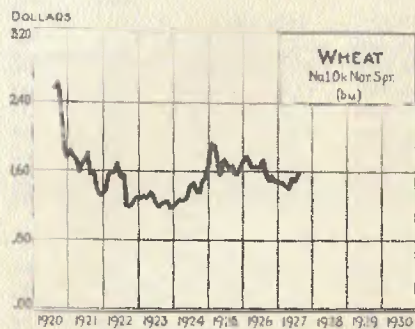
CORN			OATS			BARLEY			
	Forecast 8-1-27	Forecast 7-1-27	Production 1926	Forecast 8-1-27	Forecast 7-1-27	Production 1926	Forecast 8-1-27	Forecast 7-1-27	Production 1926
Minn. . .	118,338	120,989	147,662	133,402	161,335	129,162	38,358	38,247	32,675
Mont. . .	6,004	5,015	3,949	19,410	17,330	16,510	5,160	4,269	4,296
N. Dak. . .	21,702	20,239	18,162	57,311	54,846	34,408	39,176	35,410	21,050
S. Dak. . .	113,210	102,224	79,794	75,204	87,545	23,213	26,827	24,669	7,858
4 States .	259,254	248,467	249,567	285,327	321,056	203,293	109,521	102,595	65,879
U. S. . . .	2,385,226	2,274,424	2,645,031	1,278,741	1,349,026	1,253,739	248,736	242,730	191,182

FLAX			WHITE POTATOES			TAME HAY*			
	Forecast 8-1-27	Forecast 7-1-27	Production 1926	Forecast 8-1-27	Forecast 7-1-27	Production 1926	Forecast 8-1-27	Forecast 7-1-27	Production 1926
Minn. . .	7,477	7,250	8,554	34,760	33,057	29,800	3,979	4,039	2,741
Mont. . .	1,657	1,333	804	4,984	4,524	2,975	2,525	2,404	1,968
N. Dak. . .	9,045	8,078	6,736	10,441	9,492	7,520	1,748	1,683	1,365
S. Dak. . .	4,541	4,367	2,755	5,014	4,388	3,300	2,200	2,214	1,364
4 States .	22,720	21,028	18,849	55,199	51,461	43,595	10,452	10,340	7,438
U. S. . . .	23,308	21,588	19,459	410,714	392,943	356,360	102,078	101,035	86,378

* Figures in tons.

NORTHWESTERN FARM PRODUCT PRICES

(Price per bushel, hundredweight, pound or dozen)

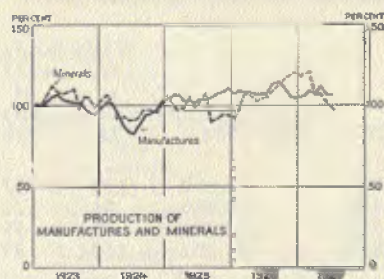


COMPARATIVE STATISTICS OF BUSINESS IN THE NINTH FEDERAL RESERVE DISTRICT

					% July 1927 of June 1927	% July 1927 of July 1926
<u>Debits to Individual Accounts—</u>		Unit	July 1927	June 1927	July 1926	
17 Cities			\$754,875,000	\$742,933,000	\$787,964,000	102 96
Minneapolis			380,407,000	365,122,000	395,140,000	104 96
St. Paul			169,938,000	162,095,000	164,564,000	105 103
Duluth-Superior			80,558,000	94,424,000	79,930,000	85 101
8 Wheat Belt Cities			55,937,000	53,096,000	63,629,000	105 88
3 Mississippi Valley Cities			21,395,000	21,878,000	21,328,000	98 100
South St. Paul			26,993,000	26,843,000	40,357,000	101 67
Sioux Falls			19,647,000	19,475,000	23,016,000	101 85
<u>Carloadings-Northwestern District—</u>						
Total	Cars		654,895	713,521	719,686	92 91
Grains and Grain Products	Cars		36,387	42,466	35,212	86 103
Livestock	Cars		30,577	33,294	37,459	92 82
Coal	Cars		17,530	18,778	22,486	93 78
Coke	Cars		5,786	7,294	7,177	79 81
Forest Products	Cars		60,464	79,060	64,327	76 94
Ore	Cars		172,013	185,631	208,946	93 82
Merchandise—L. C. L.	Cars		145,526	151,438	148,980	96 98
Miscellaneous	Cars		186,612	195,560	195,099	95 96
<u>Building Permits—</u>						
Number—18 Cities			1,541	1,957	1,920	79 80
Value—18 Cities			\$ 4,462,400	\$ 5,624,800	\$ 5,962,000	80 76
Minneapolis			1,689,800	2,948,000	2,420,500	57 70
St. Paul			839,600	1,056,000	1,630,300	80 51
Duluth-Superior			832,600	409,900	978,500	203 85
4 Wheat Belt Cities			330,300	397,500	333,100	83 99
6 Mixed Farming Cities			698,300	709,200	463,200	98 151
4 Mining Cities			71,800	104,200	136,400	69 53
<u>Building Contracts Awarded—</u>						
Total			11,340,100	8,343,500	11,811,500	136 96
Residential			1,598,100	3,064,700	2,708,600	52 59
Commercial and Industrial			6,265,600	1,287,600	3,200,400	487 196
Public Works and Utilities			2,093,400	1,941,700	3,397,300	108 62
Educational			538,000	1,084,300	1,394,300	50 39
All Other			845,000	965,200	1,110,900	88 76
<u>Cash Value of Farm Products Sold—</u>						
Bread Wheat			\$6,961,000	\$9,171,000	\$5,603,000	76 124
Durum Wheat			1,948,000	1,992,000	1,785,000	98 109
Rye			408,000	953,000	448,000	43 91
Flax			357,000	632,000	190,000	56 188
Fluid Milk			1,234,000	1,424,000	1,136,000	87 109
Hogs			6,661,000	8,030,000	10,299,000	83 65
<u>Grain Stocks at End of Month at Minneapolis and Duluth-Superior—</u>						
Wheat	Bu.		5,306,834	8,307,629	3,181,879	64 167
Corn	Bu.		1,479,037	1,450,069	316,878	102 467
Oats	Bu.		3,778,743	5,836,943	22,854,676	65 17
Barley	Bu.		291,832	593,141	2,082,488	49 14
Rye	Bu.		362,472	407,153	5,741,525	89 6
Flax	Bu.		920,862	1,452,464	976,024	63 94
<u>Median Cash Grain Prices—</u>						
Wheat—No. 1 Dark Northern	Bu.		\$1.58	\$1.48½	\$1.75¾	106 90
Durum—No. 2 Amber	Bu.		1.55¾	1.57	1.61½	99 96
Corn—No. 3 Yellow	Bu.		1.01	.96½	.79	105 128
Oats—No. 3 White	Bu.		.45½	.46¾	.40¾	96 111
Barley—No. 3	Bu.		.80	.87	.66	92 121
Rye—No. 2	Bu.		1.04	1.10	1.05¼	95 99
Flax—No. 1	Bu.		2.22½	2.24	2.40¼	99 93
<u>Wholesale Produce Prices—</u>						
Butter	Lb.		.39	.39	.37½	100 104
Milk	Cwt.		2.31	2.31	2.25	100 103
Hens—4½ Pounds	Lb.		.15½	.17	.20½	91 76
Eggs	Doz.		.20½	.19	.28	108 73
Potatoes	Bu.		1.95	2.55	1.80	76 108

COMPARATIVE STATISTICS OF BUSINESS IN THE NINTH FEDERAL RESERVE DISTRICT
(Continued)

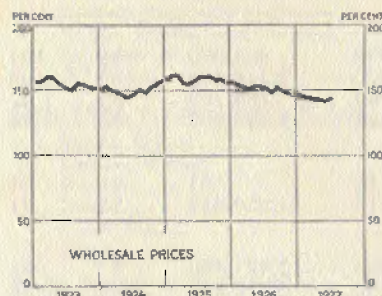
	Unit	July 1927	June 1927	July 1926	% July 1927 of June 1927	% July 1927 of July 1926
Livestock Receipts at South St. Paul—						
Cattle	Head	59,599	52,704	104,890	113	57
Calves	Head	41,171	54,396	58,853	76	70
Hogs	Head	163,479	218,532	207,795	75	79
Sheep	Head	14,433	8,629	14,602	167	99
Median Livestock Prices at South St. Paul—						
Butcher Cows	Cwt.	\$6.75	\$7.00	\$5.50	96	123
Butcher Steers	Cwt.	11.00	10.35	9.25	106	119
Prime Butcher Steers	Cwt.	12.25	11.75	10.10	104	121
Stocker and Feeder Steers	Cwt.	7.00	7.25	6.00	97	117
Veal Calves	Cwt.	12.25	10.50	11.00	117	111
Hogs	Cwt.	8.00	8.50	11.75	94	68
Heavy Hogs	Cwt.	7.75	7.50	10.50	103	74
Lambs	Cwt.	13.00	13.25	13.00	98	100
Ewes	Cwt.	5.50	5.50	6.00	100	92
Flour—						
Production—Twin Cities & Duluth-Superior	Bbls.	1,047,050	892,493	1,051,227	117	100
Shipments from Minneapolis	Bbls.	933,382	897,288	984,077	104	95
Linseed Products Shipments from Minneapolis..	Lbs.	16,660,100	19,102,023	19,492,485	87	85
Retail Sales—						
Department Stores		\$1,933,010	\$2,348,020	\$2,088,550	82	93
Furniture Stores		436,940	527,610	438,540	83	100
Country Lumber Yards	Bd. Ft.	15,526,000	17,246,000	15,684,000	90	99
Retail Merchandise Stocks—						
Department Stores		\$6,010,720	\$6,072,500	\$6,472,680	99	93
Furniture Stores		2,715,330	2,748,330	2,914,860	99	93
Country Lumber Yards	Bd. Ft.	88,655,000	89,825,000	85,216,000	99	104
Life Insurance Sales (4 States)		\$23,310,000	\$22,867,000	\$25,786,000	102	90
Wholesale Trade—						
Farm Implements		433,550	228,150	421,070	190	103
Hardware		2,105,330	2,097,520	2,110,380	100	100
Shoes		400,660	471,580	489,760	85	82
Groceries		5,160,530	6,005,820	5,203,070	86	99
Business Failures—						
Number		69	114	93	61	74
Liabilities		\$729,296	\$1,397,112	\$1,020,053	52	71
Securities Sold—						
To Banks		2,649,500	3,057,900	2,921,400	87	91
To Insurance Companies		1,584,600	1,083,200	1,852,600	146	86
To General Public		6,528,400	6,778,400	5,665,900	96	115
Ninth Federal Reserve District Member Banks—						
In Cities under 15,000 Population						
Net Demand Deposits		171,919,000	173,230,000	184,598,000	99	93
Time Deposits		258,062,000	258,923,000	282,421,000	100	91
In Cities over 15,000 Population						
Net Demand Deposits		237,403,000	236,471,000	236,598,000	100	100
Time Deposits		172,721,000	174,296,000	156,505,000	99	110
24 City Member Banks—						
		Aug. 17 1927	July 20 1927	Aug. 18 1926	% Aug. 27 of July	% Aug. 27 of Aug. 26
Loans Secured by Stocks and Bonds		\$77,485,000	\$79,087,000	\$76,864,000	98	101
All Other Loans		151,259,000	154,382,000	154,479,000	98	98
Securities		120,280,000	119,575,000	115,347,000	101	104
Net Demand Deposits Subject to Reserve..		205,461,000	207,316,000	204,969,000	99	100
Time Deposits		126,998,000	128,235,000	115,866,000	99	110
Borrowings at Federal Reserve Bank		1,925,000	1,265,000	7,992,000	152	24
Minneapolis Federal Reserve Bank—						
Loans to Member Banks		6,789,101	5,807,004	12,896,616	117	53
Federal Reserve Notes in Circulation		57,388,295	59,419,315	60,933,505	97	94



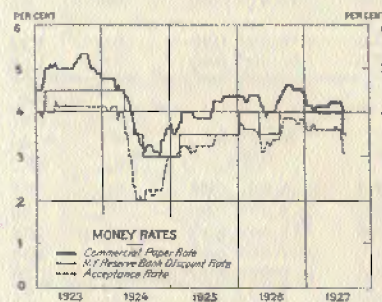
Index numbers of production of manufactures and minerals, adjusted for seasonal variations (1923-25 average=100). Latest figures, July, manufactures 107, minerals 97.



Federal Reserve Board's indexes of factory employment and payrolls (1919=100). Latest figures, July, employment 99.7, payrolls 101.1.



Index of United States Bureau of Labor Statistics (1913=100, base adopted by bureau). Latest figure, July, 144.6.



Weekly rates in New York money market: commercial paper rate on 4- to 6-months paper and acceptance rate on 90-day paper.

Summary of National Business Conditions (Compiled August 26 by Federal Reserve Board)

Industrial production declined in July to a level below that of a year ago, while the Department of Labor's index of wholesale prices advanced for the first time since last autumn. Demand for bank credit showed a seasonal increase, but easy conditions prevailed in the money market.

PRODUCTION: Output of manufacturers declined in July and was in practically the same volume as a year ago, and the production of minerals, which was further reduced during the month, was at the lowest level since early in 1926, when the anthracite strike was in progress. Iron and steel production in July was in the smallest volume since 1925, and continued at practically the same level during the first three weeks of August. Automobile output for July and the early weeks of August was considerably below that of the corresponding month of last year; production of rubber tires, non-ferrous metals and food products and activity of woolen mills were smaller in July than in the preceding month. Cotton consumption was smaller than in June, but continued unusually large for this season of the year. Production of leather, shoes and lumber increased in July, as compared with June. Factory employment and payrolls showed seasonal decreases in July, and were smaller than in any month since 1924. Employment in coal mining has been reduced in recent months, and reports indicate some unemployment in certain of the building trades, owing to the decline in the construction of houses. Building contract awards in July and in the first three weeks of August continued larger than a year ago, the increase reflecting chiefly a growth in contracts awarded for engineering projects.

The August 1 cotton report of the Department of Agriculture indicated a production of 13,492,000 bales, or 25 per cent less than the record yield of last year. The indicated production of corn, though considerably larger than the expectation in July, was 262,000,000 bushels lower than the harvested crop of 1926. The August estimate of 851,000,000 bushels of wheat indicated an increase of 18,000,000 bushels over the 1926 crop yield.

TRADE: Distribution of merchandise at wholesale and retail showed about the usual seasonal decline in July. Compared with a year ago, sales of wholesale firms and department stores were slightly smaller, owing largely to the fact that there was one less business day in July of this year than in July, 1926. Sales of mail order houses and chain stores were somewhat larger than a year ago. Inventories of department stores continued to decline in July, and at the end of the month were slightly smaller than a year ago; and wholesale stocks also continued smaller than last year. Shipments of commodities by freight decreased, contrary to the usual seasonal trend, and were smaller in July and in the first two weeks of August than in the same period of last year.

PRICES: The Bureau of Labor Statistics' index of wholesale prices advanced slightly in July, reflecting chiefly increases in the prices of corn, livestock, cotton and leather, while prices of wheat, silk, metals and building materials declined. Since the latter part of July, prices of corn, cotton and cattle have continued upward and those of wheat, non-ferrous metals and rubber have also advanced, while hogs, lumber and hides have declined.

BANK CREDIT: There was an increase in the volume of commercial loans at member banks in leading cities between July 20 and August 17, as is usual at the beginning of the crop moving season. Loans on securities, as well as commercial loans, increased, while investment holdings declined and total loans and investments were about \$60,000,000 larger than a month earlier.

Total borrowing of member banks at the Reserve banks increased slightly between July 20 and August 24; there was a growth of discounts at the Federal Reserve Bank of New York, partly offset by declines in other districts. There was little change in the system's holdings of acceptances, and an increase in the amount of United States securities.

Money rates on all classes of paper in the open market declined sharply in August, and were at a lower level than a year ago. Discount rates at eight Federal reserve banks were reduced from 4 to 3½ per cent.