

# TEXAS BUSINESS REVIEW

A Monthly Summary of Business and Economic Conditions in Texas and the Southwest

Bureau of Business Research

The University of Texas

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## JUNE BUSINESS CONDITIONS IN TEXAS

### Favorable Factors:

1. Sound financial situation
2. Improved petroleum outlook
3. High farm products and livestock prices
4. Large number of new business organizations
5. Fewer commercial failures
6. Ample labor supply
7. Large exports and imports
8. Good coastal trade
9. Many building permits
10. Expanding construction contracts
11. Heavy fruit and vegetable shipments
12. Increased savings accounts

### Unfavorable Influences:

1. High interest rates
2. Backward cotton crop
3. Industrial curtailment
4. Declining department store sales
5. Low freight car movement
6. Small industrial profits
7. Drying livestock ranges
8. Some stock speculation
9. Insect damage to crops
10. Falling spinners margin
11. Shrinking credit supply

## THE MONTH

At the half-year mark, business and industrial conditions in Texas are at a fairly high level. While the apprehension of an industrial depression expressed by some at the beginning of the year has proved to be unjustified, neither have developments during the first six months come up to the expectations of the more optimistic forecasters. At present the favorable influences are more numerous and outweigh the unfavorable factors. Prosperity over the entire United States so far this year has been due largely to the activity in three important industries—automobiles, steel and building. Since only one of these three industries—building—is important in Texas, this State must look to other lines to account for the half-year's progress.

Possibly the outstanding development has been the improvement in agriculture. Weather conditions have been more favorable over the past month or six weeks and crops have responded quickly overcoming in many cases the poor start of last spring. Moreover, farm prices are the highest in many years. The cotton crop is backward in some districts, but plants have made excellent growth in the last few weeks. Grain harvesting is nearly completed and the corn crop is about made. Rice fields look good and the acreage of fruits and vegetables is the largest on record. The labor supply is ample and fairly well employed.

Summer shipments of fruits and vegetables are heavier than usual, watermelons, tomatoes and mixed vegetables accounting for the bulk of the loadings. Prices have been falling recently due to liberal supplies in the larger markets.

The livestock outlook is bright. Stock water is still ample and ranges, although drying out in some districts, are fairly good for this season of the year. Animals are holding up very well and the marketing of grass-fat cattle is well along. Calves and lambs are growing nicely. Cattle ranges improved from 87 per cent of normal on June 1 to 88 per cent on July 1 and cattle were rated at 89 per cent, or a gain of 2 per cent for the month. Sheep were rated at 93 per cent, the same as in June, while goats declined 1 point to 92 per cent. Both sheep and goat ranges were placed at 95 per cent compared with 93 per cent on June 1. Cattle and hog prices were higher while lamb and mutton prices declined seasonally. Most of this year's wool and mohair has been sold at good prices. However, the market has weakened lately and quotations are down 2 cents from the season's high. The poultry and egg market is good. Cold storage holdings of pork and pork products are heavy but beef holding are relatively light.

The volume of checks cashed indicates that business is active. Debits to individual accounts for the four weeks ending June 27 totaled \$683,000,000 against \$614,000,000 for the same four weeks of 1927—a gain of 11.1 per cent.

Loans and discounts at member banks increased seasonally from \$329,000,000 in May to \$335,000,000 in June, while the amount of Government securities owned increased \$6,000,000. Demand deposits continued the downward trend but the decrease was more than made up by an increase of \$9,000,000 in time deposits. Interest rates were higher. Time loans in New York City

were around 5¼ per cent against 5 per cent in May and call rates reached the unusual level of 10 per cent for one day at the beginning of July. This is the highest rate since November, 1920. No change was made in the 4½ per cent rediscount rate at the Dallas Federal Reserve Bank.

During the month 205 new corporations were chartered compared to 218 in June, 1927. A new high record for six months was established when 1,414 new companies, capitalized at \$234,000,000 were organized in the State. Commercial failure declined. Only 44 defaults were reported compared to 53 in May; liabilities were small.

A drastic decline finally struck the stock market. During the few days' slump, stocks tumbled to levels obtaining last February. Some recovery has since taken place but further liquidation is likely.

Freight car movement is running below that of a year ago, but the decrease is small. The Southwestern Shippers Advisory Board estimates a small increase in traffic for this district during the third quarter. Agricultural products and livestock shipments are expected to be heavy. Exports and imports are large and coastal trade is good. The petroleum industry experienced further improvement. Overproduction is still causing some concern, even though daily recovery is slowly decreasing. Crude prices remained unchanged but the market was firm. Gasoline prices advanced again. Textile mills curtailed seasonally. Cotton goods sales fell off and unfilled orders declined. Spinners margin also decreased 1 point.

Seasonal curtailment is general in the lumber industry. Production of 30 Texas mills declined 7.5 per cent from the output in May and shipments fell off 14.7 per cent. On the other hand, stocks increased .4 per cent, while unfilled orders were unchanged. Lumber prices were unchanged to slightly higher. Cement plants had a good month; seasonal curtailment is expected to be less than usual. The building industry experienced only a fair month. Permits in 32 cities call for a dollar value of \$9,320,000 against \$13,549,000 in May. However, construction and engineering projects were large.

Trade at retail and wholesale was better. Sales of 82 department stores located in the principal cities of the State were \$5,350,000 in June compared to \$5,154,000 in June, 1927. More favorable weather accounts largely for the improvement in sales.

#### FINANCIAL AND BANKING

Public interest at this time is focused on the financial situation and the trend of the stock market. Higher interest rates and a tightening money market have finally

checked the credit expansion which has been under way for more than a year. The Federal Reserve Board has shown less activity in the open market over the past few weeks, and exports of gold appear to be falling off. That the credit supply in the country is still ample for all needs is evidenced by the prompt oversubscription of the Government's June 15 short term issues of \$400,000,000, at 5¾ per cent to 4 per cent. While the rate is slightly above that for the previous quarter financing, it indicates what the trend of interest rates is likely to be over the next few months.

Bank debits indicate that the volume of business transacted in Texas during June was above both that of May and of June, 1927. Checks cashed in the 17 principal cities of the district, as reported by the Dallas Federal Reserve Bank, for the four weeks ending June 27 amounted to \$683,000,000, compared to \$634,000,000 in May and and \$614,000,00 in June last year, or an increase of 11.1 per cent for the 12-month period. Apparently, a large percentage of these funds is going into the stock market because retail and wholesale trade shows a much smaller rate of expansion and prices have not advanced enough to make up the differences.

Loans and discounts at member banks increased seasonally from \$329,000,000 in May to \$335,000,000 in June; last year in June these loans were but \$314,000,000. Demand deposits continued the downward trend, dropping \$2,000,000 or from \$290,000,000 at the end of May to \$288,000,000 at the close of June. On the other hand, time deposits gained sharply from \$121,000,000 to \$130,000,000 against only \$110,000,000 in June, 1927. This increase of nearly 20 per cent indicates that more of the income is going into savings accounts. Member banks added \$6,000,000 to their Government security holdings, bringing the total to \$83,000,000 for the week ending June 27. Many banks sent additional funds to New York City to be loaned on call. Although member banks reduced their indettedness to the Dallas Federal Reserve Bank from \$7,517,000 to \$5,832,000 during the month, these borrowings are far ahead of those of a year ago at this time.

Firmness characterized the financial markets most of the time, and on several occasions tight money threatened. The seasonal demand for credit passed soon after the month-end payments were made, and the market turned easier. Call rates renewed at 6 per cent to 7 per cent early in the month, advanced to 9 per cent towards the end of the month, and reached the exceptional rate of 10 per cent on July 2 before the trend was reversed. On the following day, the rate was back to 6 per cent again. Time loans were quoted around 5½ per cent against 5 per cent a month earlier. No change

#### FINANCIAL STATISTICS FOR THE DALLAS FEDERAL RESERVE DISTRICT\*

	June, 1928	May, 1928	June, 1927
Bank Debits (four weeks).....	\$ 683,000,000	\$ 634,000,000	\$ 614,000,000
Government securities owned, end of month.....	83,000,000	77,000,000	66,000,000
Member bank borrowings, end of month.....	5,832,000	7,517,000	1,724,000
Demand deposits, end of month.....	288,000,000	290,000,000	272,000,000
Time deposits, end of month.....	130,000,000	121,000,000	110,000,000

\*From the Federal Reserve System.

was made in the 4½ rediscount rate at the Dallas Federal Reserve Bank. Interest rates are expected to hold at about present levels for the rest of the summer.

**STOCK PRICES**

The long looked for decline finally struck the stock market. Stocks had been elevated to unwarranted levels by many bullish influences and the speculative fever with which a large part of the public is afflicted. Stocks were quoted at prices far beyond their earning capacity or their near term future possibilities. Moreover interest rates have advanced sharply and the money market is firm. Call rates were marked up daily and reached the unusual level of 10 per cent for one day near the end of the month. This is the highest quotation since November, 1920. Such a rate caused a rush of funds to New York City which quickly relieved the situation. As a result of these developments the technical position of the stock market was weak and a slump was inevitable. Practically all groups were hit, although the highly speculative issues suffered the greatest declines. During the shakeout, which lasted but a few days, the market lost most of the gain since February. Recovery over the past two or three weeks has been almost as rapid as was the decline, but the market is still in a nervous condition and liquidation is likely to be carried farther.

During the decline trading on the New York Stock Exchange was so great that the ticker fell hopelessly behind. On the day of final liquidation transactions passed the 5,000,000 mark for the first time in the history of the exchange. Since then trading has been rather limited in comparison with sales since the turn of the year.

All seven of the industrials comprising the Bureau of Business Research stock index declined, reaching the low point during the third week of the month. The index fell 17 points or from 260 in May to 243 in June. This compares with 203 in June, 1927, and 245 for last January. In other words, at the close of June industrials were slightly below the level of last January but some 40 points above quotations in June a year ago. Coca Cola and the two sulfurs showed the greatest losses while Tennessee Copper and Chemical declined less than a point.

Eight of the nine rails included in the Bureau's index decreased while one, Texas & Pacific, advanced nearly 5 points during June. The index dropped from 199 in May to 193 in June. This compares with 183 in January and 190 in June last year. It will be noted that the rail index has advanced only 3 points during the last twelve months despite the bull market which has persisted over that period.

**INDEX OF INDUSTRIAL STOCKS**

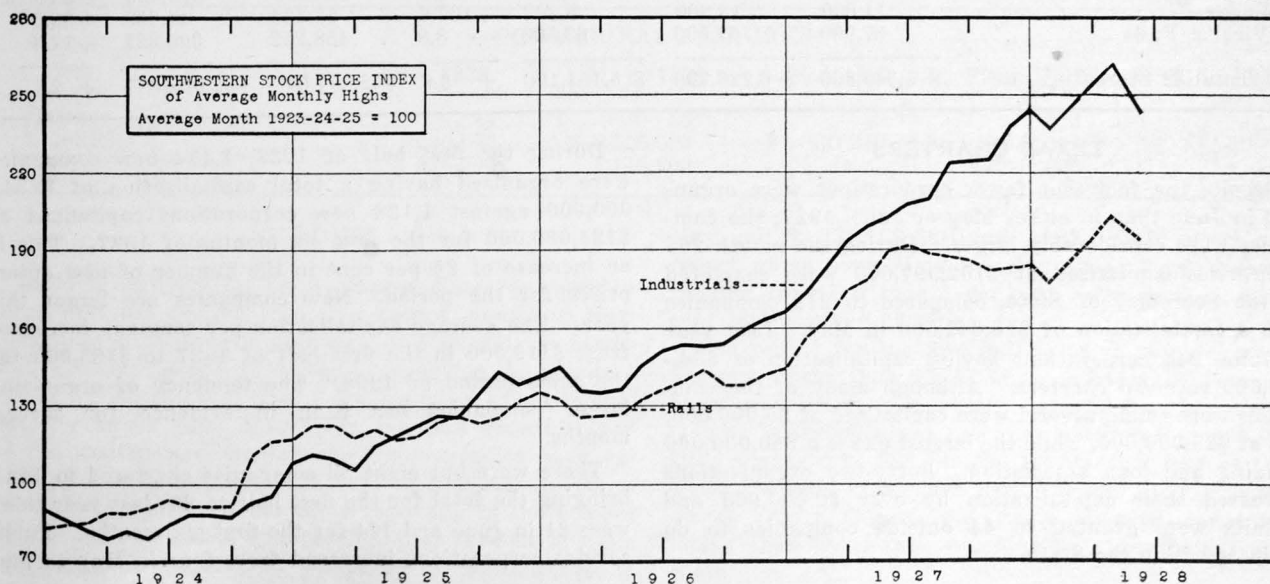
Average High 1923-24-25=100

	1928	1927	1926	1025	1924
January	245	167	142	108	90
February	233	174	146	112	86
March	239	184	136	110	83
April	255	194	135	106	79
May	260	199	137	116	82
June	243	203	146	120	79
July	---	208	151	124	84
August	---	210	154	127	88
September	---	224	153	126	88
October	---	225	154	135	87
November	---	226	159	144	93
December	---	238	164	139	96

**INDEX OF RAILROAD STOCKS**

Average High 1923-24-25=100

	1928	1927	1926	1925	1924
January	183	145	136	118	83
February	178	157	133	123	85
March	183	164	125	123	85
April	191	175	126	118	89
May	199	179	127	122	89
June	193	190	133	117	91
July	---	192	136	119	95
August	---	190	140	125	97
September	---	189	144	126	97
October	---	186	138	124	97
November	---	182	139	126	111
December	---	183	143	133	117



### WHOLESALE AND RETAIL PRICES

Wholesale prices generally were downward; quotations in many groups fell to the April level. The Bureau of Labor Statistics index, based on 1926 as equal to 100, declined from 98.6 in May to 97.6 in June. Farm products fell sharply from 109.8 to 106.7 in the 30-day period due largely to lower grain prices. Dun's index dropped .5 of a point to 195.2 and Bradstreet's declined to 13.14 compared to 13.19 in May, while Professor Fisher's weekly index remained about unchanged at 97.9 on June 30.

### DEPARTMENT STORE SALES

Trade at retail reflects a seasonal decline from that of May but an increase of 3.8 per cent over sales in June, 1927. Eighty-two department stores located in 25

principal cities of the State reported sales of \$5,349,500 in June, compared to \$5,154,000 in June a year ago. Eight cities showed losses against gains in the other 17. The "5 and 10" chain store and mail-order house sales are not included in these figures.

During the first half, the volume of business of these same stores amounted to \$32,897,543 against \$32,042,377 for the same period of 1927, or a gain of 2.7 per cent. This is a fairly good showing when it is remembered that the past spring was rather cold and backward. Ten cities show gains while 15 record losses in the six months period.

Retail trade in the United States in June was 2.2 per cent greater than that in June, 1927, according to the Federal Reserve System. Eight of the districts had increases and four experienced declines. In most cases, changes were relatively small.

### DEPARTMENT STORE SALES

	June 1928	May 1928	June 1927	Percent- age change from June, 1927	First half 1928	First half 1927	Percent- age change from first half 1927
Abilene .....	\$ 86,900	\$ 89,700	\$ 77,100	+ 12.7	\$ 502,327	\$ 498,807	+ .7
Amarillo .....	6,600	7,800	8,400	- 21.4	39,358	69,031	-43.0
Austin .....	174,100	216,200	173,200	+ .5	1,042,668	729,904	+42.9
Beaumont .....	230,400	225,800	253,500	- 9.1	1,260,263	1,402,945	-10.2
Brownwood .....	48,300	56,900	51,700	- 6.6	256,101	291,452	-12.1
Cleburne .....	19,400	24,200	18,100	+ 7.2	124,873	126,729	- 1.5
Corpus Christi .....	5,300	5,900	5,200	+ 2.0	30,289	23,400	+29.4
Corsicana .....	2,100	1,800	1,600	+ 31.3	9,864	11,096	-11.1
Dallas .....	1,017,000	1,270,200	954,000	+ 6.6	7,002,104	6,821,682	+ 2.7
Del Rio .....	59,100	75,700	48,000	+ 22.9	412,412	321,718	+28.2
Denison .....	17,100	17,400	18,700	- 8.6	95,720	102,389	- 6.0
El Paso .....	370,700	508,800	347,400	+ 6.9	2,368,188	2,233,550	+ 6.0
Fort Worth .....	665,600	859,900	714,400	- 6.7	4,249,309	4,175,778	+ 1.8
Galveston .....	126,100	133,700	117,200	+ 7.6	688,434	759,317	- 9.3
Houston .....	1,137,600	1,224,500	1,077,500	+ 5.6	6,616,749	6,560,580	+ .9
Laredo .....	83,200	89,400	71,000	+ 17.2	498,725	444,637	+12.2
Marshall .....	19,800	20,600	17,200	+ 15.1	31,743	36,144	-12.3
Paris .....	91,200	107,900	83,200	+ 9.6	519,560	467,447	+11.1
Port Arthur .....	10,300	14,700	10,400	- 1.0	66,886	73,515	- 9.0
San Angelo .....	42,100	50,500	40,100	+ 5.0	669,139	612,310	+ 9.3
San Antonio .....	974,800	1,022,700	909,500	+ 7.2	5,279,522	5,323,274	- .9
Temple .....	24,700	45,300	28,100	- 12.1	168,128	148,134	+13.5
Tyler .....	68,200	82,200	59,800	+ 14.1	448,495	373,459	+20.0
Waco .....	11,000	13,900	5,303	+107.6	58,434	44,258	+32.0
Wichita Falls .....	57,900	61,000	63,500	- 8.8	458,252	390,821	+17.3
Total 82 Stores .....	\$ 5,349,500	\$ 6,226,700	\$ 5,154,100	+ 3.8	\$32,897,543	\$32,042,377	+ 2.7

### TEXAS CHARTERS

Despite the fact that fewer corporations were organized in June than in either May or June, 1927, the companies were considerably larger. During the month 205 enterprises capitalized at \$102,997,000 were chartered by the Secretary of State, compared to 218 companies with a capitalization of \$15,642,000 in May. Last year in June, 244 corporations having capitalization of \$34,094,000 received charters. Although many of the companies were small, several were capitalized at \$5,000,000, one at \$25,000,000, while the largest one is a \$50,000,000 building and loan association. Forty-two organizations increased their capitalization by over \$2,000,000 and permits were granted to 44 outside companies to do business within the State.

During the first half of 1928, 1,414 new companies were organized having a total capitalization of \$234,000,000 against 1,128 new corporations capitalized at \$124,000,000 for the first six months of 1927. This is an increase of 25 per cent in the number of new enterprises for the period. New companies are larger this year. The average capitalization per company increased from \$110,000 in the first half of 1927 to \$165,000 for the same period of 1928. The tendency of organizing larger companies has been in evidence for several months.

There were but eight oil companies chartered in June, bringing the total for the first half to 80; last year there were 21 in June and 124 for the first six months. Public service corporations increased from four in May to nine

in June, compared to ten in June, 1927. Fifteen manufacturing concerns were organized making 114 for the first half, against only 84 for the same period of 1927; this increase is an encouraging feature. New banking and finance firms decreased from 11 in May to nine in June. In contrast to this decrease, real estate and building and loan associations gained sharply from 23 in May to 36 in June; during the first half there were 162 of these firms organized against 140 in the first six months a year ago. The general list was also increased for the half.

The feature of new organizations so far this year has been the size and number of new building and loan associations and real estate firms. Several of these companies are capitalized at \$50,000,000 and there are a great many with capitalization of \$5,000,000 to \$25,000,000. This reflects the well-sustained building program in Texas and the improvement in the real estate business. The chartering of many airports indicates the development of air transportation. New ginning companies and numerous dairy enterprises are also encouraging developments.

TEXAS CHARTERS

	June, 1928	May, 1928	June, 1927	First Half 1928	First Half 1927
Number .....	205	218	244	1,414	1,128
Capitalization .....	\$ 102,997,000	\$15,642,000	\$34,094,000	\$ 233,949,000	\$ 123,954,000
Foreign permits .....	44	43	40	236	176
Classification of new corporations:					
Oil .....	8	11	21	80	124
Public service .....	9	4	10	42	23
Manufacturing .....	15	19	22	114	84
Banking—Finance .....	9	11	18	81	94
Real Estate—Building .....	36	23	25	162	140
General .....	128	150	148	935	663
Changes in Capitalization:					
Net Increases .....	\$ 2,380,000	\$20,529,000	\$ 3,070,000	\$ 53,764,000	\$ 95,627,000
Number of changes .....	42	30	36	305	.....

FAILURES

Commercial failures declined during June about in line with the usual seasonal trend. There were 44 bankruptcies in June compared to 53 in May and 42 in June, 1927. Liabilities of the defaulting companies declined from \$2,226,000 in May to \$596,000 in June. This compares with \$531,000 in June, 1927, and \$1,034,000 in June, 1926. Defaulting companies were the smallest in many months; average liabilities per failure was reduced from \$42,000 in May to \$14,000 in June. However, the average liability per insolvency during the first half of this year is nearly 50 per cent greater than the average

liability of each failure during the first six months of 1927. This tendency indicates that even the larger companies are experiencing difficulty in making profits.

Even though failures for the first half were 35 per cent below those of a year ago, liabilities were nearly 3 per cent greater. During the period, 313 companies with liabilities of \$8,052,000 failed, compared to 423 defaults with liabilities involving \$7,851,000 in the first half of 1927. After making due allowance for the keen competition commercial firms are facing, this year's record is encouraging.

There were no bank failures in the State in June, and only one was reported during the first half.

COMMERCIAL FAILURES

	June, 1928	May, 1928	June, 1927	First Half 1928	First Half 1927
Number .....	44	53	42	313	423
Liabilities .....	\$ 596,000	\$ 2,226,000	\$ 531,000	\$ 8,052,000	\$ 7,851,000
Assets .....	226,000	1,149,000	.....	3,945,000	.....

BUILDING

Building activity in Texas during June registered a large seasonal decline from the record month of May. Compared with June a year ago, the showing is favorable, especially when allowance is made for the excellent record during the first half of the year. While it is true that the larger cities have made excellent growth, many of the smaller and medium-sized communities have experienced an unusually large building program.

Thirty-two cities of the State reporting to the Bureau of Business Research granted building permits in June amounting to \$9,319,566 compared to \$13,579,160 in

May and \$9,889,763 in June, 1927. Only seven cities report gains over May, whereas there were decreases ranging from less than 1 per cent to as much as 85 per cent in the other 25 cities.

The record for the first half is much more encouraging and shows that the building industry in Texas has been very active this year. Permits for the past six months in the 32 cities reporting amounted to \$69,079,222, compared to \$63,583,292 for the first half of 1927, or an increase of 8.6 per cent. Losses and gains were about evenly divided but gains in most cases were larger than the losses, resulting in a net gain for the State.

Houston, with permits totaling \$21,132,924 for the first half, shows an increase of 33.2 per cent over the same six months of 1927. Moreover, permits in this city alone were 30 per cent of the entire State total. San Antonio is second with total permits of \$8,883,801, and Fort Worth is third with \$8,764,911. The outstanding percentage increase is in Del Rio; permits for the first half were \$514,568 against \$101,905 in the first half of last year, or a gain of 404.9 per cent. Lubbock with an increase of 224.7 per cent and Austin with a gain of 193.6 per cent show exceptional development. Increases of more than 100 per cent were reported in Corpus Christi, El Paso, Sherman, Sweetwater, and

Waco. On the other hand, large losses were shown in Amarillo, Corsicana, Laredo, McAllen, Paris, and Wichita Falls.

According to the F. W. Dodge Corporation, contracts let on building and engineering projects in the State during June totaled \$26,000,000, or the largest amount for any June on record. This brings total contracts let for the first half up to \$129,000,000, which is an increase of 12 per cent over the same period last year. Contemplated projects in June were reported at \$28,000,000. These reports show that the building situation in Texas is healthy and considerable activity is expected over the next few months.

BUILDING PERMITS						
	June 1928	May 1928	June 1927	First Half 1928	First Half 1927	Percentage change from first half 1927
Abilene	\$ 187,900	\$ 368,880	\$ 146,150	\$ 1,093,594	\$ 1,723,981	- 36.6
Amarillo	187,165	930,446	609,040	2,272,603	5,705,142	- 60.1
Austin	99,478	118,037	267,071	1,614,328	549,837	+193.6
Beaumont	211,362	296,377	447,712	1,496,811	3,195,247	- 53.1
Brownsville	80,215	94,872	215,000	549,224	1,300,000	- 57.8
Brownwood	210,675	389,000	176,950	847,825	1,234,780	- 31.3
Cleburne	5,550	22,250	18,155	127,805	80,965	+ 57.8
Corpus Christi	259,985	883,810	428,075	3,819,878	1,686,870	+126.5
Corsicana	13,530	58,645	27,025	139,298	265,855	- 47.6
Dallas	781,701	580,560	1,466,225	4,223,919	4,801,891	- 11.8
Del Rio	42,155	64,533	25,890	514,568	101,905	+404.9
Denison	3,800	14,400				
El Paso	163,352	167,387	93,986	863,313	408,176	+111.5
Fort Worth	730,180	774,502	1,206,487	8,764,911	7,313,080	+ 19.8
Galveston	308,345	602,597	202,161	1,589,505	2,029,162	- 21.6
Houston	2,775,991	3,368,275	2,235,981	21,132,924	15,857,302	+ 33.2
Laredo	97,000	67,000	103,000	280,000	807,110	- 65.3
Lubbock	276,145	409,103	81,055	1,737,328	534,983	+224.7
McAllen	24,750	36,900	64,890	253,350	1,381,705	- 81.6
Marshall	18,000	18,250	43,997	216,835	207,479	+ 4.5
Paris	27,750	25,800	14,575	154,300	236,143	- 34.6
Port Arthur	83,320	103,913	124,646	595,299	729,949	- 18.4
Ranger	5,000	24,700	28,500	56,000	59,575	- 6.0
San Angelo	597,236	481,032	231,636	2,541,501	1,351,146	+ 88.1
San Antonio	1,236,909	2,937,488	1,067,695	8,883,801	8,054,401	+ 10.3
Sherman	179,823	164,756	17,425	593,467	270,059	+119.7
Snyder	5,500	38,162		176,890		
Sweetwater	81,520	46,150	7,716	356,610	172,966	+106.1
Temple	264,550	151,325	53,850	840,550	467,070	+ 79.9
Tyler	70,688	44,075	91,020	300,010	334,108	- 10.2
Waco	99,981	124,985	111,190	1,413,579	632,874	+123
Wichita Falls	190,010	170,950	282,660	1,044,672	2,089,892	- 50
Total	\$ 9,319,566	\$13,579,160	\$ 9,889,763	\$69,079,222	\$63,583,292	+ 8.6

### LUMBER

Seasonal curtailment is in evidence in the lumber industry. Both production and shipments fell off; production declined 7.5 per cent and shipments were smaller by 14.7 per cent. Average output of 30 Texas mills reporting to the Southern Pine Association totaled 2,040,000 feet in June compared to a cut of 2,205,000 feet per mill in May. Shipments decreased from an average of 2,374,000 feet in May to 2,024,000 feet in June. Average stocks on June 30 increased but .4 per cent over those a month earlier or from 5,747,000 to 5,771,000 feet, while unfilled orders remained about unchanged at 1,307,000 feet. The exceptionally small

increase in stocks together with the fact that unfilled orders remained unchanged, has materially strengthened the statistical position of the industry.

Mills in all parts of the Southwest show the same trend as those in Texas. One hundred and fifteen mills located in all sections of this area report declines during June in production and shipments and a gain of 2 per cent in unfilled orders.

Prices for most grades of lumber remained about unchanged but markets generally are firm. Demand is holding up, especially in localities where building and construction work is active. The trade is very much encouraged in the improvement of the lumber industry over the past few months.

THE LUMBER SITUATION\*

(In Thousands of Feet)

	June 1928	May 1928	Per cent change
131 mills			
Preliminary report 115 mills in the Southwest—			
Av. production .....	1,434	1,557	— 8.0
Av. shipments .....	1,551	1,771	—12.4
Av. unfilled orders .....	1,303	1,277	+ 2.0
30 mills			
Final report of 30 Texas mills—			
Av. production .....	2,040	2,205	— 7.5
Av. shipments .....	2,024	2,374	—14.7
Av. stocks .....	5,771	5,747	+ .4
Av. unfilled orders .....	1,307	1,309	No change

\*From the Southern Pine Association.

PETROLEUM

Clearly the petroleum industry has entered a period of recovery and the outlook is much brighter than it was a year ago. At this time last year, production was mounting daily, prices were falling, and stocks were increasing at such a rate that storage space was a serious problem. The situation is practically reversed now. Stocks are slowly decreasing, and output is falling off due largely to regulation in the important fields; and although prices for Texas crude are unchanged, the market is firm with advances likely in the near future.

During June, 20,589,000 barrels were gathered in Texas compared to an output of 21,583,000 barrels in May and 18,714,000 barrels in June, 1927. Daily average flow decreased 10,000 barrels or from 696,000 in May to 686,000 in June. In the first half of the year, a total of 124,750,000 barrels were produced against 113,093,000 barrels in the same period a year ago. Despite this 10.5 per cent increase in output, stocks have decreased because of the unusually heavy run to stills.

Field work was less active. Only 445 new wells were completed, of which 250 were producers; this compared with 616 completions in May, 318 of which were successful. During the half, 3,429 new wells were drilled, whereas there were 3,874 completions in the first six months of 1927. In this connection, it is interesting to note that the number of successful wells was only 54 per cent of the total for the six months this year against 63 per cent for the same period of 1927.

The recent advance in the quotations of Pennsylvania crude greatly strengthened the petroleum market. While the increase has not extended to Texas oils, a more optimistic sentiment has developed and prices are expected to be revised upward in the not distant future. Crude stocks in the three states of Texas, Arkansas, and Louisiana on June 30 were estimated at about 100,000-000 barrels.

Gasoline prices were marked up another ¼ cent a gallon, which brings present quotations to a level nearly 3 cents above the low of the year. Moreover, stocks are decreasing due to heavy home consumption.

THE PETROLEUM SITUATION  
(Production in Thousands of Barrels)

	June, 1928	May, 1928	June, 1927	First Half		
				1928	1927	
Production—						
Total .....	20,589	21,583	18,714	124,750	113,093	+10.5†
Daily average .....	686	696	624	686	625	
Wells completed .....	445	616	490	3,429	3,874	—11.5†
Producers .....	250	318	276	1,856	2,434	—23.8†

\*From the Oil Weekly.

†Percentage increase or decrease from 1927.

CEMENT

The Portland cement industry in the State is operating at almost capacity rate. During the month 540,000 barrels were produced compared to 531,000 barrels in May and 469,000 barrels in June, 1927. The small increase from May to June is similar to the gain between those two months last year, whereas in the five years prior to 1927 there was a decrease in this 30-day period. Shipments for the month were 573,000 barrels, or 106 per cent of production and compare with 454,000 barrels, or only 96.6 per cent of production in June, 1927. Stocks on hand declined from 389,000 barrels in May to 356,000 barrels in June.

During the first half a total of 3,103,000 barrels were produced against 2,644,000 barrels in the same six months of 1927. This is an increase of 17.4 per cent. Shipments amounted to 3,154,000 barrels compared to 2,757,000 barrels for the first half a year ago. As a

result of the heavy shipments, stocks at the end of June were greater by only 26,000 barrels than those on the same date last year. It must be remembered that one more mill has been in operation this year and the increased output is due largely to production from that plant. Production of cement in the entire United States in June was slightly above output in May, but shipments fell off and stocks increased materially.

THE CEMENT SITUATION\*

(In Thousands of Barrels)

	June	May	June	First Half	
	1928	1928	1927	1928 1927	
Production .....	540	531	469	3,103 2,644	+17.4†
Shipments .....	573	610	454	3,154 2,757	+14.4†
Stocks .....	356	389	330		

\*From the United States Department of Commerce.

†Percentage increase or decrease.

The large amount of building and construction work under contract in Texas and the Southwest is stimulating demand for cement. Shipments are holding up exceptionally well and stocks are very light in comparison to output. Imports of the foreign product seem to be shrinking. Prices changed very little during the month and the market is firm.

### COTTON BALANCE SHEET

The amount of cotton in the United States on July 1 was just about equal to the average supply on that date during the past six years. The supply was reduced to 3,040,000\* bales compared to 3,625,000 bales on July 1, 1927, and 4,536,000 bales two years ago. Disappearance has been slower this summer due to curtailed consumption and smaller exports. The same trend is expected during July so that the carry-over on August 1 is likely to be larger than was anticipated earlier in the year.

On July 1, the supply in the United States was 585,000 bales smaller than that of a year ago. In the past seven years, changes in the supply have totaled 10,227,000 bales. For the same period, price changes deflated by the Bureau of Labor Statistics index have amounted

\*This balance is obtained by adding the sum of the Census carry-over on August 1 and the imports since that time to the final ginnings as reported by the Census Bureau, and subtracting the exports plus consumption. Linters are not included.

to 1,841 points, or a change of 18 points for every 100,000 bales change in the supply. By applying the same ratio, with a decrease of 585,000 bales there should be a corresponding increase in the price of 105 deflated points. Based on the supply in the United States alone, middling spots in New Orleans should be more than 1 cent a pound under present quotations of 21½ cents. It might be remembered, however, that the growing crop is the most important market factor at this time. No provision is made in the "Cotton Balance Sheet" for the coming crop since the first Government estimate of yield will not be issued until August 1. The trade is already discounting this factor in determining present prices.

During the month 511,000 bales were used in the United States against 578,000 in May and 663,000 in June, 1927. Exports, exclusive of linters, were only 444,000 bales.

The May report of the Cotton Textile Merchants of New York City was only fair. Production totaled 228,000,000 yards and sales were 267,000,000 yards, or 93 per cent of production. Shipments were about equal to sales so that stocks at the end of the month were increased by 4 per cent. On the other hand, unfilled orders fell from 306,000,000 yards on May 30 to 302,000,000 yards on June 30, a decrease of 1.1 per cent.

### COTTON BALANCE SHEET AS OF JULY 1 IN THE UNITED STATES

(In Thousands of Running Bales)

Year	Carry-over August 1	Imports* since July 31	Final Ginnings	Total	Consumption since July 31	Exports since July 31	Total	Balance
1921-1922	7,231	354	7,954	15,539	5,451	5,819	11,270	4,269
1922-1923	3,085	464	9,762	13,311	6,203	4,754	10,957	2,354
1923-1924	2,286	287	10,128	12,701	5,334	5,452	10,786	1,915
1924-1925	1,770	304	13,628	15,702	5,709	7,811	13,520	2,182
1925-1926	1,807	312	16,104	18,223	5,990	7,697	13,687	4,536
1926-1927	2,637	367	17,911	20,915	6,634	10,656	17,290	3,625
1927-1928	3,295	313	12,950	16,558	6,395	7,123	13,518	3,040

\*In 500-pound bales.

The cotton year begins on August 1.

### COTTON

During the past month, the cotton situation has been largely a struggle between rather unfavorable crop growing conditions on the one hand and an unusually poor period for the textile industry on the other. Moreover, mills in Europe are complaining of the continued dull business and the poor demand for cloth in India and China.

Weather conditions in the eastern belt have been somewhat unfavorable to the crop but in the western area plants have made excellent growth. Higher temperatures obtaining in Texas after the May rains have greatly benefited the crop so that plants for the most part have overcome the handicap of a late start. Soil moisture is sufficient in most sections of the State for the next few weeks at least and less complaint is heard of grassy and weedy fields. Plants are blooming profusely and shedding is very light. Boll weevil damage is considerably less than was expected but this insect has ample time before the summer is over to destroy a large

part of the crop. Some root rot and other diseases are showing up in a few places. Acreage in the State this year was increased about 9 per cent to 18,000,000 acres; harvesting is progressing in southern counties.

In the last few months the unfavorably growing crop has been the chief market influence. Possibly this factor has been somewhat overemphasized and too little attention has been directed to the demand side. Despite the fact that growing conditions have not been as good as was hoped for, the crop has made progress and a spell of warm weather at this time of the year will greatly improve the plants. On the other side of the picture, the textile industry has been in the doldrums for months and no immediate turn for the better is in sight. The demand side is likely to exercise more influence on the market from now on.

Consumption in June showed more than the usual seasonal decline. A total of 511,000 bales was used against 578,000 in May and 663,000 bales in June, 1927. Exports are dwindling as is usual at this time of the year. Moreover, the monthly reports of the Cotton Textile



Merchants of New York City are less encouraging and spinners in many cases are selling their surplus spot cotton because of the unfavorable spinning margin. This is an undesirable feature.

Prices advanced \$10 a bale during the month. October New York futures closed on June 30 at 22.75 compared to 20.68 a month earlier. The market broke 90 points after the acreage report and prices have continued mostly downward.

**SPINNERS MARGIN**

That conditions in the cotton yarn market are poor is indicated by a further decline of the spinners margin. The ratio has been running considerably below normal for the past ten months and no immediate improvement of consequence is in sight. In many cases, spinners have found it profitable to sell their surplus spot cotton rather than to spin it and market the yarn under the present unfavorable conditions. Such a situation in the yarn market is far from desirable. Certainly present replacement margins in the yarn market do not warrant 22½ cents and above for middling spot cotton.

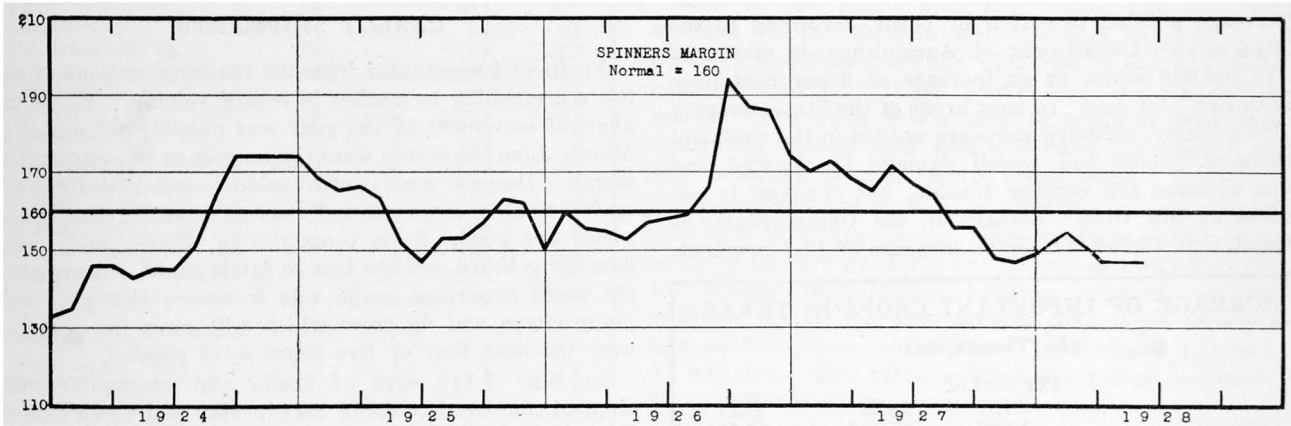
During the month, American middling cotton in Liverpool averaged 11.61d and 32-twist cotton yarn in Manchester averaged 17.19d, whereas in May cotton averaged 11.67d and yarn 17.35d. The relative decline of cotton was less than that of yarn, resulting in a decline of 1 point in the spinners margin. The ratio at 148

is but 1 point above the recent low of last December. Moreover, in the final week of June the ratio fell to 146, or to the lowest level since July, 1924. How long the present unbalanced situation can continue is problematical, but an upward adjustment of the spinners margin is likely within the next three to six months.

Spinners Margin refers to the ratio between the price of American 32-twist cotton yarn in Manchester and the Liverpool price of middling American cotton. Normally, the price of 32-twist should be 60% above the spot price of American middling cotton. If prices change so that the ratio increases, the spinners' margin of profit is increased and thereby the demand for cotton is strengthened. On the other hand, when the ratio decreases, the spinners' margin is also relatively decreased, and then the demand for cotton falls.

SPINNERS MARGIN				
	1928	1927	1926	1925
January .....	149	174	150	174
February .....	151	179	160	168
March .....	150	173	156	165
April .....	149	168	155	166
May .....	149	165	153	163
June .....	148	172	157	152
July .....		167	158	147
August .....		164	160	153
September .....		156	166	153
October .....		156	194	157
November .....		148	187	163
December .....		147	186	162

Normal=160.



**COTTON MANUFACTURE**

Textile mill activity was materially reduced. While this is the slack season for the textile industry, curtailment is greater than can be accounted for by the usual seasonal influences. The slowing up movement is in line with the downward trend of this industry in all sections of the United States.

During the month only 6,887 bales of cotton were used by the 21 mills reporting to the Bureau of Business Research against 7,198 bales in May and 9,344 bales by 18 mills in June a year ago, or a decrease of 26.4 per cent in the 12-month period. In the United States 511,000 bales were used in June compared to 663,000 bales in June last year.

Cotton goods produced totaled 5,985,000 yards and sales were 4,032,000 yards, or 68 per cent of output.

Last year in June 7,468,000 yards were manufactured and 8,299,000 yards were sold, or 111 per cent of production. The ratio of sales to production has been decreasing rapidly over the past three months. Unfilled orders were also below those of May. At the end of June forward orders were only 8,564,000 yards against 10,135,000 yards a month earlier and 12,833,000 in June, 1927. At the present rate of production this is less than six weeks run, whereas bookings in June last year were equal to nearly two months output. The continued downward trend of unfilled orders is possibly the most discouraging feature of the monthly reports. However, mill officials are meeting this situation by curtailing output so that a stronger statistical position is likely within a few months.

During the first half, Texas mills used 45,873 bales and manufactured 39,561,000 yards of cloth compared

to the consumption of 51,562 bales and an output of 45,822,000 yards of cloth for the same period of 1927. This is a decrease of 11 per cent in cotton consumed.

The decline in yardage is less significant because the amount of cloth produced per bale of cotton varies so widely depending on the type of cloth produced.

### TEXAS COTTON MANUFACTURERS REPORT

	June, 1928	May, 1928	June, 1927	First Half		
				1928	1927	
Mills reporting .....	21	20	18			
Bales of cotton used .....	6887	7,198	9,344	45,873	51,562	-11.0†
Yards of cloth—						
Produced .....	5,985,000	6,174,000	7,468,000	39,561,000	45,822,000	-13.7†
Sales .....	4,032,000	5,279,000	8,299,000	25,462,000	35,124,000	
Unfilled orders (end of period) .....	8,564,000	10,135,000	12,883,000			
Active spindles .....	203,000	194,000	175,000			
Spindle hours .....	59,000,000	65,369,000	58,047,000	337,839,000	416,744,000	-19 †

†Percentage increase or decrease from first half 1927.

### AGRICULTURE

The agricultural outlook generally is bright. Acreage under cultivation in the State is about 2 per cent greater than that of a year ago and farm prices have declined very little so far this year. In some districts crops have been backward because of the unfavorable weather during and just after the planting season. However, during June and the first part of July weather conditions have been much more favorable. As a result, crops have materially improved and farmers are greatly encouraged in the outlook.

Acreage planted to cotton in Texas, according to the United States Department of Agriculture, is estimated at 18,366,000 acres, or an increase of 9 per cent over plantings a year ago. In most areas of the State, the crop is doing nicely, although rains are needed in the west and southwest. Some boll weevil damage is reported and plant diseases are causing trouble, but the loss is not serious at this time. Acreage in the United States is estimated at 46,700,000, or an increase of 11.4 per cent.

#### ACREAGE OF IMPORTANT CROPS IN TEXAS

(In Thousands)

	Per cent of		
	1927	1928	1927
Cotton .....	109%	18,366	16,850
Corn .....	93	4,826	5,189
Winter wheat .....	109	2,016	1,850
Oats .....	70	1,402	2,003
Rye .....	104	15	14
Barley .....	70	136	195
Potatoes .....	94	33	35
Sweet potatoes .....	85	113	133
Tame hay .....	103	826	805
Gr. sorghums .....	101	2,681	2,654
Rice .....	100	161	161
Peanuts .....	95	144	152
Broomcorn .....	90	11	12

\*From the United States Department of Agriculture.

The corn crop promises a good yield; fields are maturing rapidly. Acreage was reduced this year so that the final outturn is likely to be below the 1927 harvest. Wheat harvesting is well along and the crop is expected to be larger. The oat crop is estimated at only 35,750,000 bushels against 42,000,000 bushels a year ago. A sharp

decrease is estimated in the sweet potato and rice acreage.

Fruits and vegetables are moving to market at record rates, shipments of watermelons and tomatoes being especially heavy at this time. Prices declined somewhat.

Some farm products advanced in price. Cotton gained 2 cents a pound, while corn and wheat went up several cents a bushel. Oats and rye held steady, but hay and feeds show a seasonal decline. The farm price index is about 10 per cent above the general wholesale index.

### CARLOT SHIPMENTS

Fruits and vegetables from the trucking sections of the State are rolling to market in record volume. While the heaviest movement of the year was possibly witnessed in March, June shipments were the largest on record for that month. Despite some unfavorable weather during the spring months, crops generally are of excellent quality and yields are good. Some complaint of disease and insect damage is heard, but the loss so far is slight. Acreage of the more important crops was increased this year and many citrus and fig trees which will come into bearing over the next four or five years were planted.

In June 7,113 cars of fruits and vegetables were shipped compared to 6,409 cars in May and 5,645 cars in June last year. Loadings of tomatoes, watermelons, onions, and potatoes were exceptionally heavy. During the first half, a total of 38,001 cars were sent to market against 29,272 cars in the same period of 1927, or a gain of about 30 per cent. Mixed vegetables accounted for almost one-fifth of the total shipments, while the 6,432 cars of onions were nearly 50 per cent greater than those of the first six months of 1927. Cabbage also went out in record volume, as did spinach, potatoes, and carrots. Tomato shipments in the first half made a large gain over those in the same period last year and grapefruit loadings established a new high record. The cantaloupe movement is much heavier this year and green pea loadings show a considerable increase. On the other hand, watermelon shipments declined almost one-third and no grapes or peaches were loaded during the first half of this year.

Low prices is possibly the most perplexing problem that has confronted the truck farmer this year. Early

in the year producers were able to secure fairly good prices, but as the season advanced Texas produce met keen competition from other early-producing states resulting in depressed markets. Indeed the supply of some vegetables, notably cabbage, was so liberal during March and April that Texas producers received only \$6 to \$7 a ton. In the last month or two, prices have advanced somewhat so that the season's income for cabbage will make a better showing. Potato and sweet potato growers have had a similar experience. However, prices for many of the fruits and small vegetables were fairly good most of the time and those growers who planted diversified crops will enjoy moderate returns. Corn producers have done very well this year and strawberry growers disposed of their crop at good prices. Watermelons, peppers, beans, and green peas are bringing better prices than was expected a month ago.

the widespread rains of May, ranges improved rapidly and animals responded quickly to the green feeds. Ranges continued fresh for most of the month. During the past week or two, however, parts of the west and southwest have dried out considerably and rains are badly needed.

Stock water is sufficient in most cases, but some producers have found it necessary to pump in those sections where water tanks have become dry. Some little feeding has been reported in the driest areas. Calves and lambs are doing nicely and mature animals generally are well fattened.

Cattle ranges on July 1 were placed at 88 per cent of normal according to the United States Department of Agriculture against 87 per cent a month earlier and the condition of cattle improved 2 points to 89 per cent. Sheep remained the same as the June rating or 93 per cent, while the condition of goats fell 1 point to 92 per cent. Both sheep and goat ranges were rated at 95 per cent compared to 93 per cent on June 1. Grasses and weeds are beginning to deteriorate, especially in western areas, due to the higher temperatures and hot winds obtaining since the latter part of June. Flies are bothering animals in a few places and screw worms are causing some trouble, but no serious results have been reported so far this summer.

Most of this year's wool and mohair has been sold at good prices. Eastern wool markets have displayed signs of weakness over the past few weeks and prices have declined 2 cents per pound from the high of the season. The trend is expected to continue irregularly downward so that producers who have not already sold their wool are likely to receive lower offers.

Poultry and egg markets are holding steady although this is a slack season for these products. The spring hatch of turkeys was large and the young birds are growing nicely. Cold storage holdings of pork and pork products are 37 per cent greater than those of a year ago at this time, while frozen beef shows a loss of 29 per cent. The butter market was rather dull during the month and price changes were small.

Receipts of livestock at Fort Worth fell off seasonally. During June, 189,226 head were unloaded compared to 223,729 head in May and 170,756 head in June, 1927. Compared to June a year ago, cattle and calves showed losses, while hogs and sheep recorded gains. In the first half a total of 1,028,330 head was shipped to Fort Worth against 993,890 head in the first half of 1927, or an increase of 3.5 per cent. Cattle receipts declined 6.95 per cent, calves gained 6.6 per cent,

TEXAS FRUIT AND VEGETABLE SHIPMENTS  
IN JUNE

(In Carloads)

	June 1928	May 1928	June 1927	First Half 1928	First Half 1927
M'x'd vegetables	32	591	39	7,113	5,566
Spinach		4		4,812	3,734
Cabbage	32	123	18	7,090	4,868
Grapefruit				358	298
Sweet potatoes	1	10		511	327
Cauliflower				52	41
Strawberries		22		148	123
Onions	739	3,042	200	6,432	3,943
Lettuce				98	71
Tomatoes	3,052	899	2,080	3,952	3,002
Oranges				7	2
Potatoes	805	1,259	362	3,170	2,725
Green peas	4	1		16	4
String beans	1	100		238	312
Mixed citrus				10	3
Cucumbers	145	218	2	363	208
Watermelons	2,228		2,926	2,228	3,136
Cantaloupes	29	1	5	30	11
Peaches					1
Celery			1		1
Peppers	2		4	2	4
Grapes			6		6
Carrots	43	139	2	1,371	886
Total	7,113	6,409	5,645	38,001	29,272

\*From the United States Department of Agriculture.

LIVESTOCK

The outlook in the livestock industry is bright. Producers are very much encouraged in the way animals are holding up in the face of drying ranges. After

LIVESTOCK RECEIPTS AT FORT WORTH

	June, 1928	May, 1928	June 1927	First Half 1928	First Half 1927	Per Cent change for Half First
Cattle	80,526	72,597	82,305	393,460	422,840	- 7.0
Calves	19,908	23,165	21,806	93,580	87,770	+ 6.6
Hogs	29,734	45,772	21,410	258,870	209,750	+23.4
Sheep	59,058	82,195	45,235	282,420	273,530	+ 3.3
Total	189,226	223,729	170,756	1,028,330	993,890	+ 3.5

\*From the Fort Worth Stock Yards Company.

hogs increased 23.4 per cent and sheep unloadings were greater by 3.3 per cent.

Prices were steady to higher. For the week ending July 14, prime beef steers on the Fort Worth market brought 11.60 cents against 11.50 cents a month earlier and calves were going about unchanged at 12 cents.

Hogs gained 1 cent a pound and sold at 10½ cents for the handyweight class. On the other hand, best lambs fell 1 cent a pound to 13½ cents and muttons brought 8½ cents, or a decline of 1 cent for the month.

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