

# TEXAS BUSINESS REVIEW

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

Bureau of Business Research  
The University of Texas

Entered as second-class matter on May 7, 1928, at the postoffice at Austin, Texas, under the Act of August 24, 1912

VOL. II

AUSTIN, TEXAS, OCTOBER 25, 1928

No. 9

## Favorable Factors:

1. Sound financial conditions
2. Increasing car loadings
3. Industrial expansion
4. Labor well employed at good wages
5. Relatively few commercial failures
6. Excellent livestock ranges
7. Many new business organizations
8. Expanding retail trade
9. Increasing exports
10. Rising cotton prices
11. Larger savings accounts

## Unfavorable Influences:

1. High interest rates
2. Declining livestock prices
3. Decreasing building permits
4. Low grain prices
5. Low spinners margin
6. Stock speculation
7. Weaker petroleum situation
8. Light truck crop movement
9. Shrinking construction projects
10. Falling bond prices

## THE MONTH

Business and industrial conditions in Texas during September were generally favorable. The upward trend of business which began last spring and continued throughout the summer is showing further gains this fall. With the possible exception of building and textiles, industrial operations were expanded and fall activity is expected to be considerably above that of a year ago. The rather high level at which business has been sustained over the past few months has resulted in a growing feeling of confidence regarding the remainder of the year.

Rains during the early part of the month were beneficial to crops and greatly facilitated fall plowing and planting. Moreover, livestock ranges show marked improvement and the abundance of winter feed is an encouraging feature. Even though interest rates are high and credit is rather tight, financial conditions are sound and no serious undermining influences are in sight at this time which might cause a financial depression. Speculation in the stock market is still excessive, but, fortunately, inflation has not taken hold of the commodity markets. Labor is well-employed and wages are advancing. Right now, considerable labor is finding employment in the cotton fields.

The large volume of bank debts each week indicates that more business is being done this year than last. Checks cashed in the Dallas Federal Reserve district for the four weeks ending September 26 totaled \$870,000,000 compared to \$805,000,000 for the same four weeks of 1927, an increase of 8 per cent. Loans and discounts at member banks increased seasonally while borrowings at the Dallas Federal Reserve Bank show a large gain. Both time and demand deposits increased. Interest rates were higher; time loans reached a rate of 7½ per cent. The

rediscount rate at the Dallas Bank remained unchanged at 4½ per cent.

Bulls were in control of the stock market. New high levels were established almost daily, both rails and industrials sharing in the advance. Trading continued in record volume. More new corporations were chartered than in August but the commercial failure record for the month is less encouraging.

That the distribution of all commodities is above the volume of a year ago at this time is indicated by increased freight tonnage; weekly loadings are now running above those of a year ago. The Southwest Shippers Advisory Board estimates a 12.1 per cent increase in car loadings for the fourth quarter over those in the same quarter of 1927 in this district. Exports gained in volume during September but imports continued small. Coastal trade is holding up fairly well.

The agricultural outlook generally is encouraging. Crops in most cases are good but prices are rather low. Fall plowing and planting is making good progress—early-planted wheat and oats are coming up to a good stand. The cotton crop promises a larger outturn than last year's harvest. Shipments of fruits and vegetables from Texas farms declined to but one or two cars a day. From now on, loadings should show large increases. The livestock industry is very promising even though prices declined sharply during September. Ranges are good and winter feed is abundant. Wool and mohair prices fell off but eastern markets show improvement over the past two weeks.

Allowing for seasonal influences, the petroleum industry is a little less promising. Production of crude continues at high levels and field work is very active. A slowing up movement was witnessed in the building in-

dustry. Building permits fell considerably below those in September of last year while construction and engineering projects were sharply lower. Cement plants experienced one of the best months on record, especially from the standpoint of production and shipments. Further improvement is reflected in the lumber business. Production is being held down while shipments are gaining. As a result, unwieldy stocks are being eliminated.

Little improvement was registered in the cotton textile industry, although a better sentiment is developing in the trade. Most mills were operating on the summer curtailed schedule. However, yarn and cloth markets look somewhat brighter and unfilled orders show an upward trend. Spinners margin declined in September, in contrast to a large gain in August. Wholesale and retail trade increased in volume; sales of 88 department stores totaled \$6,081,000 compared with \$5,658,000 in September, 1927, an increase of 7.5 per cent.

Wholesale prices generally moved to higher levels, but the various commodities displayed a very erratic tendency. Livestock, hides and leather, wool and worsted goods were lower, while poultry products, meats, fuels, metals and building materials advanced. Bradstreet's, Fisher's, and the *Annalist* weekly index all declined. On the other hand, gains were recorded by Dun's, the National Bank of Commerce, and the Bureau of Labor Statistics index. The latter index, based on 1926 as equal to 100, advanced from 98.9 to 100.1 in September. The farm price index also gained more than a point during the month.

The first three quarters of the year turned out to be even better than was hoped for last January. At the beginning of the final quarter, the outlook is favorable for further business and industrial expansion. While there are some unfavorable influences in evidence, there are no signs pointing to a depression over the next few months at least.

### FINANCIAL

The financial situation during September changed very little from conditions in August. Demand for funds in the agricultural sections of the country for the movement of crops is rather heavy, but ample credit appears to be available for all needs. The Federal Reserve System is making most of this credit available by its purchases of acceptances and bills. Too, a small amount of gold was imported, whereas there was an export balance in previous months.

Interest rates continue high. Moreover, any hope of lower rates during the final quarter of the year must be abandoned. That this view is justified is indicated by the continued high rates on times loans and the fact that the Treasury Department was obliged to pay 4¼ per cent for the October short term issue of \$300,000,000. This is the highest rate the Government has been forced to pay for this type of financing in many years. The September issue carried a rate of 4½ per cent while the August rate was but 3⅞ per cent. Call rates on the New York Stock Exchange reached the unusual level of 10 per cent at the beginning of the month when banks called large sums to meet the quarterly and month-end payments. As funds were returned to the banks, the call rate declined to around 7 per cent to 7½ per cent and held steady around that figure for most of the month. Rates on bankers acceptances gained slightly while time loans reached 7½ per cent, or the highest rate in seven years. A slight easing tendency has been in evidence for time loans over the past week or two. No change was made in the 4½ per cent rediscount rate at the Dallas Federal Reserve Bank.

Checks cashed in the Eleventh Federal Reserve District during September were 8.2 per cent above those in September last year. For the four weeks ending September 26, debits in the district, according to the Dallas Federal Reserve Bank, amounted to \$870,000,000 compared to \$805,000,000 for the same four weeks of 1927. Loans and discounts at member banks increased seasonally from \$335,000,000 at the end of August to \$353,000,000 at the beginning of October. Additional loans are likely before the harvest season is over. Member banks increased their holdings of Government securities by \$9,000,000 bringing the total to \$89,000,000. Last year in September, member banks held \$65,000,000 of these securities. Demand deposits increased for the first time in several months. At the end of the month, these deposits totaled \$304,000,000 against \$283,000,000 in August and \$287,000,000 in September a year ago. Time deposits increased from \$128,000,000 in August to \$131,000,000 in September, indicating that part of this year's income is going into savings accounts.

Borrowings at the Dallas Federal Reserve Bank went up from \$20,076,000 in August to \$22,281,000 in September, as was to be expected. Additional borrowing is likely before the peak of credit demand is passed. Some little gold was imported during the month, but the inward flow is not expected to be in sufficient quantities to relieve the credit strain for some time to come.

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

	September 1928	August 1928	September 1927
Bank Debits (four weeks).....	\$ 870,000,000	\$710,000,000	\$805,000,000
Government securities owned, end of month.....	89,000,000	80,000,000	65,000,000
Member bank borrowings, end of month.....	22,281,000	20,076,000	1,454,000
Demand deposits, end of month.....	304,000,000	283,000,000	287,000,000
Time deposits, end of month.....	131,000,000	128,000,000	110,000,000

\*From the Federal Reserve System.

### WHOLESALE PRICES

Wholesale price movements were mixed. All classes of livestock, sugar, hides and leather, and wool and wor-

sted goods were lower, while poultry products, meats, fuels, metals, and building materials advanced. The *Annalist* weekly index declined from 152.6 for the first week of September to 150.9 for the first week of Oc-

tober, and Professor Fisher's index fell from 100.0 to 99.2 during the same period. Bradstreet's also declined from 13.28 to 13.18 in the thirty days. On the other hand, Dun's advanced from 193.9 on September 1 to 194.7 on October 1, and the index of the National Bank of Commerce in New York City gained .2 of a point, or from 87.6 to 87.8. The Bureau of Labor Statistics all-commodity index based on 1926 as equal to 100 went up from 98.9 in August to 100.1 in September. This is the first time this index has been above the base year since June, 1926. The recent low point was reached in May of last year when the index stood at 93.7.

**TEXAS CHARTERS**

A seasonal decrease is reflected in the number of new corporations organized in September. During the month, 162 companies capitalized at \$10,431,000 received charters from the Secretary of State, compared to 207 enterprises with capitalization of \$32,084,000 in August. In September last year, 149 corporations having capitalization of \$4,626,000 were organized. Most of the companies were small, although one building and loan association was capitalized at \$5,000,000 and another at \$1,000,000. Twenty-five organizations increased their capitalization by \$1,593,000, and permits were granted to 33 outside companies.

During the third quarter of 1928, 583 new corporations capitalized at \$51,600,000 were chartered against 453 enterprises having capitalization of \$98,999,000 in the third

quarter of 1927. This is an increase of 30 per cent in the number of new organizations for the period. However, many of the companies were smaller; the average capitalization per company in the third quarter was but \$8,800, compared to \$21,600 for the same period of 1927. The downward trend in the size of new enterprises has been in evidence since about the middle of the summer. Prior to that time, the tendency was to organize larger corporations.

There were 23 oil companies organized in September bringing the total for the third quarter to 43; last year, in September, there were 13, and in the quarter 32. Public service corporations decreased from 5 in August to 3 in September, compared to 3 in September last year. Fourteen manufacturing concerns were chartered, making 55 for the quarter against 48 for the same period last year. New banking and finance firms declined from 17 in August to 12 in September, while only 10 real estate and building firms were formed against 23 in September, 1927. The general list fell off from 141 in August to 100 in September.

An interesting feature of new organizations during the first half of this year is the size and number of new real estate and building companies. During the past quarter, however, a declining tendency has been noted, indicating that the crest of real estate and building development has possibly been reached for the time being. The increase in the number of new manufacturing concerns and dairy companies is encouraging.

	September 1928	August 1928	September 1927	Third Quarter 1928	Third Quarter 1927
Number .....	162	207	149	583	453
Capitalization .....	\$10,431,000	\$32,084,000	\$ 4,626,000	\$51,600,000	\$98,999,000
Foreign Permits .....	33	41	14	116	67
Classification of new corporations:					
Oil .....	23	12	13	43	32
Public Service .....	3	5	3	13	10
Manufacturing .....	14	21	6	55	48
Banking—Finance .....	12	17	9	39	34
Real Estate—Building .....	10	11	23	40	48
General .....	100	141	95	393	281

**COMMERCIAL FAILURES**

The commercial failure record in Texas during September is a little less encouraging than was the case last month. There were 38 insolvencies in September compared to only 28 in August and 37 in September a year ago. Liabilities of defaulting companies increased from \$251,000 in August to \$607,000 in September. This compares with \$328,000 in September, 1927, and

\$432,000 in September, 1926. Moreover, defaulting companies were larger; average liabilities per failure in September were \$16,000 against \$9,000 in both August and in September a year ago.

The average of liabilities per insolvency has shown an increasing tendency over the past few months, whereas the trend was in the opposite direction at this time last year. Competition is becoming exceedingly keen in the commercial field. This situation is likely to facilitate

	September 1928	August 1928	September 1927	Third Quarter 1928	Third Quarter 1927
Number .....	38	28	37	117	120
Liabilities .....	\$ 607,000	\$ 251,000	\$ 328,000	\$1,613,000	\$1,543,000
Assets .....	126,000	95,000			
One bank failure.					
Liabilities .....		\$314,000			
Assets .....		300,000			

\*From R. G. Dun & Co.

radical changes in the operations of commercial enterprises over the next few years.

One bank failure with liabilities involving \$300,000 was reported in September. The relatively few bank failures so far this year reflects the sound financial background, even though credit conditions are somewhat strained.

### STOCK PRICES

September was a banner month for the bullish traders in the stock market. After moving sidewise for the greater part of August, a flood of buying set in during September which carried stock prices to levels far beyond any previous record. Trading was so fast that quotations on the tape were reported long after the actual transactions had been completed on the floor of the exchanges. Practically all groups shared in the advance, although the sugars, textiles, and railway equipments gained very little. Despite the fact that warnings were sounded by the Federal Reserve System and by the American Bankers Association, stocks soared to new high levels almost daily.

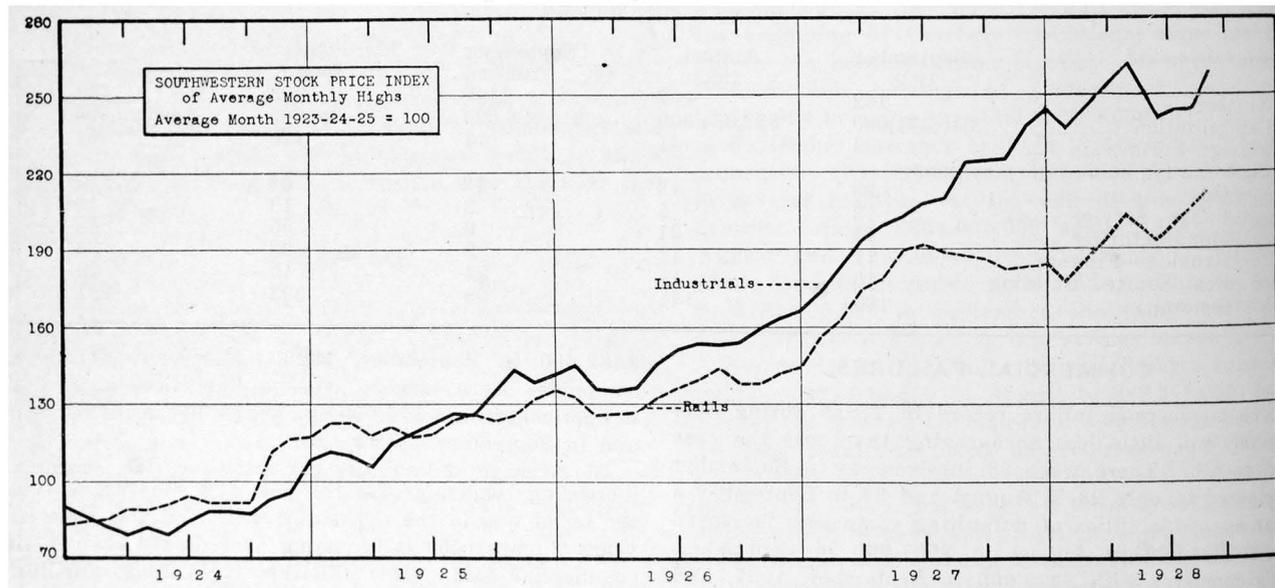
In the meantime, brokers loans advanced to a new high record on October 1. Friends of higher prices maintain that these loans are not excessive in comparison with present stock values. On the other hand, there are those who feel that the situation is assuming dangerous proportions and a material decrease in brokers loans is necessary to prevent a collapse in the stock market. Which of these views is correct remains to be seen, but certainly

the technical position of the market is becoming extremely weak.

Six of the seven industrials comprising the Bureau of Business Research index advanced during September, while one, Texas Pacific Coal and Oil, declined .1 of a point. The index gained 12 points, or from 247 in August to 259 in September. This is within 1 point of the record high established last May. A year ago, the index stood at 224. The rail index also advanced 12 points to 215, establishing a new high record for this index. Every one of the nine rails comprising the index advanced, Missouri Pacific, St. Louis & Southwestern, and Texas & Pacific showing exceptional gains.

Car loadings are running ahead of those a year ago at this time so that earnings are likely to increase during the last half of the year. The sharply higher prices appear to be discounting this situation. Should fall business expand as now anticipated, still higher quotations are likely over the next three months.

In constructing this index of rail and industrial stock prices, the Bureau of Business Research aimed to select companies which are representative of conditions in Texas and other Southern States and at the same time listed on the New York Stock Exchange where quotations are available for a number of years back. The average weekly high for the years 1923-24-25 is the base equal to 100. Included in the industrial stock index are Coca Cola, Freeport-Texas, Gulf States Steel, Tennessee Copper and Chemical, Texas Company, Texas Pacific Coal and Oil, and Texas Gulf Sulphur. The railroads used in the index are the Atchison, Topeka & Santa Fe; Chicago, Rock Island & Pacific; Gulf, Mobile & Northern; Missouri, Kansas & Texas; Missouri Pacific; New Orleans, Texas & Mexico; St. Louis & Southwestern; Southern Pacific; and Texas Pacific.



### DEPARTMENT STORE SALES

Wholesale and retail trade made an excellent showing. A seasonal increase from August to September is to be expected, but the increase this year was greater than usual. Cooler weather stimulated trade in heavier clothing while sales of lighter ready-to-wear lines expanded as is usual at this time of the year. Few complaints are heard of slow sales and goods are moving into consumption channels freely.

Sales of 88 department stores located in 25 cities of the State totaled \$6,081,000 in September compared to \$5,680,000 in September, 1927, or an increase of 7.5

per cent. In August sales of these stores were \$4,330,000. Thirteen of the cities show gains over those in September a year ago and 12 report losses, gains in most cases being greater than losses so that an increase is shown for the State as a whole. In this connection, it is interesting to note that losses were confined largely to the smaller cities. During the third quarter, sales amounted to \$14,865,000 against \$14,457,000 in the same period last year.

Retail trade in the entire United States is holding up unusually well. According to the Federal Reserve System, sales of the 503 stores reporting for September were

5.9 per cent above those in September, 1927. Nine of the districts had gains, while only 3 showed losses. Chicago had the greatest gain, +19.1 per cent, and Minneapolis the greatest loss, -3.3 per cent.

BUILDING

The building industry in Texas made a rather poor showing during September. Construction costs have been increasing over the past six months due largely to higher interest rates and higher quotations for lumber and fabricated steel. This situation, coupled with the fact that new building has largely caught up with demand, is likely to cause a further moderate decline in the building industry. In a period of rising money costs, similar to the one in which we are now passing, the building industry is usually one of the first to feel curtailment.

In September, 32 cities reporting to the Bureau of Business Research showed building permits amounting to \$8,213,556 compared to \$10,640,570 in August and \$11,419,050 in September, 1927. Seventeen cities showed gains and 15 reported losses. However, losses in most cases were greater than the gains, which accounts for the decline in the State total. Both losses and gains were well distributed over the State. During the third quarter, permits in the 32 cities totaled \$27,218,334 against \$34,051,909 for the same quarter of last year. For the quarter, Amarillo, Brownsville, Dallas, Fort Worth, Marshall, Ranger, Temple, Wichita Falls, and Waco showed losses, whereas Brownwood, Corpus Christi, Del Rio, Lubbock, and Port Arthur recorded large gains. In this connection, it must be remembered that the industry has been unusually active so far this year and the small decline in September is not serious unless a further drastic decrease follows. As far as can be determined now,

DEPARTMENT STORE SALES

	Percentage change from September 1927	Percentage change from August 1928	Percentage change from 3rd Quarter 1927
Abilene	— .6	+57.7	+ 3.1
Austin	+ 5.0	+70.7	+ 2.2
Beaumont	+ 7.0	+33.9	— 1.7
Dallas	+12.7	+40.7	+ 8.3
El Paso	+ 3.4	+14.6	+ 5.3
Fort Worth	+ 9.9	+60.7	+ 5.6
Galveston	+14.6	+16.8	— 2.0
Houston	+11.2	+52.7	+ 5.3
Laredo	+15.1	+29.4	+15.2
Paris	— .3	+98.6	— 3.4
San Antonio	+ 7.4	+36.5	— 1.6
Tyler	—16.5	+24.3	+ 3.6
Others*	— 9.1	+34.2	— 9.3
State	+ 7.5	+40.4	+ 2.8
Sales of 88 comparable Stores—		1928	1927
September		\$ 6,081,000	\$ 5,658,000
August		4,330,000	
Third Quarter		14,865,000	14,457,000

\*Includes: Amarillo, Brownwood,\* Cleburne, Corpus Christi, Corsicana, Del Rio, Denison, Marshall, Port Arthur, San Angelo, Temple, Waco, Wichita Falls, and Sherman.

BUILDING PERMITS

	September 1928	August 1928	September 1927	Third Quarter 1928	Third Quarter 1927
Abilene	\$ 212,604	\$ 198,118	\$ 108,532	\$ 527,172	\$ 846,925
Amarillo	124,585	100,796	2,250,532	379,371	5,697,399
Austin	210,829	126,868	68,937	444,588	469,324
Beaumont	252,939	866,605	223,884	1,419,128	986,593
Brownsville	130,830	106,840	412,450	313,210	609,450
Brownwood	220,900	228,600	228,000	686,100	466,000
Cleburne	17,910	17,802	26,032	56,512	53,390
Corpus Christi	223,985	458,902	114,770	967,012	483,890
Corsicana	3,851	27,030	52,185	54,031	171,775
Dallas	835,144	750,544	2,198,659	2,463,580	3,643,471
Del Rio	45,140	56,471	22,995	340,357	108,110
Denison	11,525	7,950	7,900	37,381	
El Paso	97,355	214,530	77,636	411,633	455,001
Fort Worth	922,143	724,329	1,060,934	2,185,569	3,131,427
Galveston	144,899	253,315	84,675	556,159	372,520
Houston	2,191,054	2,647,606	1,602,657	7,424,978	7,724,910
Laredo	50,000	125,000	40,000	195,000	124,000
Lubbock	310,927	384,655	142,870	986,057	359,194
McAllen	85,350	38,785	43,730	147,135	269,900
Marshall	12,980		32,000	25,180	84,660
Paris	11,300	28,000	51,000	40,500	81,115
Port Arthur	121,311	846,988	171,205	1,121,791	610,999
Ranger	5,515	16,200	51,500	22,615	99,190
San Angelo	453,850	101,405	326,000	1,202,430	804,975
San Antonio	859,390	1,676,100	1,051,632	3,362,961	3,221,616
Sherman	77,560	28,250	43,110	126,550	156,194
Snyder	11,700	21,775	9,600	53,825	
Sweetwater	48,550	46,100	37,350	251,220	241,850
Temple	229,680	277,280	571,450	593,410	1,159,950
Tyler	55,447	58,898	44,732	142,434	125,349
Waco	143,100	106,688	74,490	371,769	780,282
Wichita Falls	91,203	98,190	187,603	308,676	712,450
Total	\$ 8,213,556	\$10,640,570	\$11,419,050	\$27,218,334	\$34,051,909

no serious curtailment is in prospect for the rest of the year at least.

New construction and engineering projects awarded in the State during September according to the F. W. Dodge Corporation amounted to \$15,000,000, a decline of 12 per cent in comparison with the August figures and 4 per cent under the September, 1927, awards. Residential and public works account for a large part of the projects. In the first nine months of the year, construction awards were 7 per cent greater than those of the same period last year. Building costs were slightly advanced.

Contemplated projects were reported at only \$14,500,000 in September, or 24 per cent less than the total for August and 42 per cent under the amount reported in September, 1927. This sharp decline is not an encouraging feature.

### CEMENT

.... Clearly 1928 will be one of the best years in the history of the Portland cement industry in Texas. Although production has been maintained at near capacity rates, shipments have been unusually heavy. As a result, stocks in warehouses are very low in comparison to output.

In September, Texas mills produced 544,000 barrels, compared to 519,000 in August and 487,000 in September, 1927. Normally, there is a small seasonal decrease in output from August to September; this year, however, a gain of 25,000 barrels was recorded. Shipments declined from 623,000 barrels in August to 524,000 barrels in September; last year in September, 466,000 barrels were loaded. Stocks increased seasonally from 211,000 barrels in August to 231,000 barrels in September but were still considerably below the 272,000 barrels in storage in September, 1927. A further gain in stocks from now until next spring is to be expected.

During the third quarter, output totaled 1,624,000 barrels and shipments were 1,750,000 barrels or 108 per cent of production. In the same period of 1927, 1,441,000 barrels were manufactured and 1,499,000 barrels were loaded, or only 104 per cent of production.

Prices for cement were about unchanged over the month but markets were firm. Demand is holding up fairly well as a result of the enormous amount of engineering and construction projects under way. However, if the declining trend in building awards and contemplated construction work continues, demand for cement is likely to fall off in sympathy two or three months later. Imports of the foreign product are causing less concern than was the case early in the summer.

#### THE CEMENT SITUATION\*

(In Thousands of Barrels)

	September 1928	August 1928	September 1927	Third Quarter 1928	Third Quarter 1927
Production .....	544	519	487	1,624	1,441
Shipments .....	524	623	486	1,750	1,499
Stocks .....	231	211	272		

\*From the United States Department of Commerce.

### LUMBER

The lumber industry of the State failed to make the improvement in September that it has experienced each month since early last spring. Moreover, Texas mills made a poorer showing than the 150 mills of the entire Southwest which are members of the Southern Pine Association. It must be remembered, however, that the industry is in a much more favorable position than it was a year ago at this time and a little curtailment should add further strength. Producers are cautious in expanding production at this season of the year when building and other lumber consuming industries are confronted with the approaching slack period.

Thirty-four Texas mills reporting to the Southern Pine Association produced an average of 1,907,000 feet per mill in September, compared to 2,079,000 feet in August, or a decrease of 8.2 per cent. Shipments fell off 2.9 per cent or from 2,237,000 feet to 2,171,000 feet. Average stocks declined from 5,306,000 feet at the end of August to 5,162,000 feet at the end of September, or 2.7 per cent. Even though the industry reflects some seasonal curtailment during the month, the statistical position was strengthened as a result of a further decrease in stocks. Present stocks are .1 per cent below those of last June. The decline of 4.5 per cent in unfilled orders is a little

less encouraging. Bookings at the end of September averaged 1,395,000 feet against 1,463,000 feet a month earlier. Compared with last June, the showing is more favorable—at that time, forward business averaged only 1,307,000 feet per mill.

#### THE LUMBER SITUATION\*

(In Thousands of Feet)

	Sept. 1928	Aug. 1928	Per Cent Change
Preliminary report of 150 mills in the Southwest—		147 Mills	
Av. production .....	1,466	1,469	No change
Av. shipments .....	1,643	1,657	-.9
Av. unfilled orders...	1,455	1,366	+6.5
Final report of 34 Texas Mills		32 Mills	
Av. production .....	1,907	2,079	-8.2
Av. shipments .....	2,171	2,237	-2.9
Av. stocks .....	5,162	5,306	-2.7
Av. unfilled orders...	1,395	1,463	-4.5

\*From the Southern Pine Association.

Lumber markets held firm all during the month. Demand for hard woods by the automobile and furniture industries was better than usual at this season of

year. Markets for soft woods developed a weakening tendency toward the close of the month due largely to the downward trend in the building industry. Prices for most grades of lumber moved a little higher during September but any sharp advances are not expected for the time being.

**PETROLEUM**

Despite the fact that the statistical position of the petroleum industry is a little weaker than it was two months ago, the outlook is generally favorable. Consumption of gasoline continues in large volume, markets are firm and crude stocks are slowly decreasing. On the other hand, daily production of crude in the United States shows gradual gains whereas a declining trend was in evidence a year ago at this time. Moreover, the peak for gasoline consumption has possibly been passed and a further seasonal falling off is to be expected over the next few months. An encouraging feature is the well-sustained market for Texas crude even though production is heavy.

During September, 21,979,000 barrels of petroleum were gathered in Texas, against 22,801,000 in August and 18,505,000 in September, 1927. The slight decrease from August is due almost entirely to one less day in

September. Daily average flow totaled 733,000 barrels compared with 735,000 barrels in August. Production in West Texas fields was especially heavy. In the third quarter, production amounted to 67,395,000 barrels whereas 56,034,000 barrels were gathered in the same quarter a year ago.

Field work was stimulated by the completion of several large producers in West Texas fields. A total of 534 new wells was completed in September, of which 301 were producers; last year in September, of the 476 new wells drilled, 257 were successful. During the third quarter, 1,671 wells were drilled, of which 961 struck oil, compared to 1,426 completions in the same quarter of 1927, 766 being successful.

There were very few price changes during the month. Small increases were put into effect in the Pennsylvania fields, but these advances have not been extended to Texas, although higher quotations are not unlikely before winter. Crude stocks in the three states of Texas, Louisiana, and Arkansas on October 1 were estimated at about 120,000,000 barrels.

Gasoline prices were about unchanged to slightly lower. Markets are generally firm as a result of smaller stocks and the unusually heavy demand. Fuel oil markets are showing a weakening tendency.

THE PETROLEUM SITUATION\*  
(Production in Thousands of Barrels)

	September 1928	August 1928	September 1927	Third Quarter 1928	Third Quarter 1927
Production—					
Total	21,979	22,801	18,505	67,395	56,034
Daily Average	733	735	617	733	609
Wells Completed	534	606	476	1,671	1,426
Producers	301	354	257	961	766

\*From the Oil Weekly.

**COTTON**

From a statistical standpoint, cotton is in a much stronger position than it was a month or two ago. Weather conditions in September, especially in the eastern part of the belt, were rather unfavorable to the growing crop, resulting in a material decline in the indicated production. Conditions in Texas were a little more encouraging; the crop made good progress in most districts of the State, except in the north and west, where plants deteriorated due to a lack of moisture. Bolls are opening rapidly and harvesting is near the peak of the season. Labor appears to be plentiful and no shortage is expected this season. Less comment is being heard this year of the advantages and disadvantages of "sledding" but this method of harvesting seems to be gaining slowly. A considerable amount of the top crop so far has been destroyed by weevil.

A much better sentiment has developed in the textile trade in the past few weeks. Yarn markets are looking up and demand is growing for cloth both in the United States and in Europe. Moreover, China and India are taking advantage of present low prices for cloth. Settlement of the New Bedford strike is a most desirable development.

United States production was estimated at 13,993,000 bales by the Crop Reporting Board in its October 1 report. The Texas crop is placed at 5,050,000 bales, against a harvest of 4,352,000 bales last year. It looks, therefore, as though the supply of cotton will not be burdensome.

Consumption in September in the United States totaled 492,000 bales against 627,000 bales in September, 1927. Exports show a considerable gain over those in August and mills will likely increase their purchases of spots over the next month or two since stocks generally are low.

Prices advanced sharply after about the middle of the month. New York December futures closed on October 15 at 19.26c, compared to 17.35c on September 15. The gain of 2c a pound places cotton more nearly in line relative to its statistical position at the present time.

**SPINNERS MARGIN**

Spinners margin declined 2 points in September. During the first half of the month, both raw cotton and yarn prices declined steadily, reaching the low point in the third week. The trend was then reversed and cotton prices advanced more rapidly than yarn prices thereby

causing the spinners margin to decline. The decline at this time is not a desirable development, especially when it is remembered that the ratio has been below normal for more than a year. However, the decline may prove to be only temporary, since yarn markets have gained considerable strength in the past six weeks. Replacement margins at present yarn and cotton prices are none too favorable to the spinners.

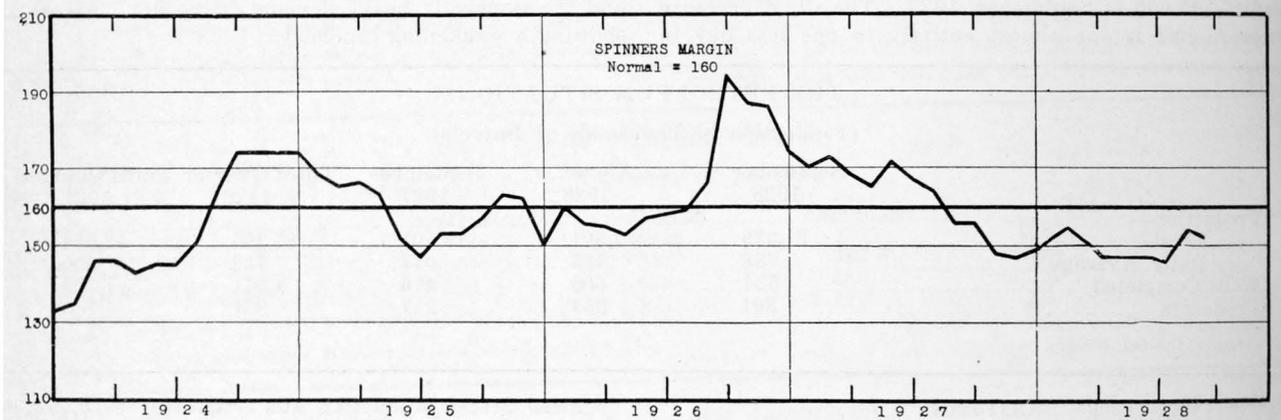
During September, the ratio averaged 152 compared to 154 in August and 156 in September, 1927. American middling cotton in Liverpool averaged 10.24d in September and 32-twist cotton yarn in Manchester averaged 15.58d against 10.40d for cotton and 16.03d for yarn in August. The relative decline of cotton was less than that of yarn so that the ratio declined. At 152, the margin is about 8 points below normal (160).

Yarn markets in both the United States and in Europe are much more encouraging than has been the case for many months. Should the present trend continue, higher yarn prices are likely over the next month or two. The more favorable replacement margins should be reflected in higher cotton prices before the present cotton crop is harvested.

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 .....	147	167	158	147
August .....	154	164	160	153
September .....	152	156	166	153
October .....	---	156	194	157
November .....	---	148	187	163
December .....	---	147	186	162

Normal=160.



COTTON BALANCE SHEET

The supply of cotton in the United States on October 1 declined materially from the indicated amount on September 1, resulting in considerably higher prices. On October 1, the indicated supply was 14,488,000\* bales, compared to 13,797,000 bales on October 1, 1927, and a seven-year average of 13,274,000 bales. The lowering of the official October estimate coupled with the large gain in exports accounts for the sharp decline from the balance on September 1.

On October 1, the indicated amount of cotton in the United States was 691,000 bales above the supply on that date a year ago. During the past seven years, changes in the supply on October 1 have totaled 12,906,000 bales. In the same period, deflated price changes have amounted to 3,702 points, or a change of 28.68 points for each 100,000 bales change in the supply of cotton. At this ratio, an increase in the supply of cotton of 691,000 bales

\*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.

should be accompanied by a decrease of about 200 deflated points in the price. Based on the supply in the United States alone, New Orleans middling spots should be about 19¼c a pound, or practically at present prices (October 17). In this section of last month's REVIEW, it was stated that the balance sheet indicated that "middling spots in New Orleans should be about 19¼c a pound, or 150 points above present quotations (September 18)." Subsequently, prices advanced as indicated to a level at which demand factors and supply influences are pretty well balanced. Present prices are at a point where either favorable or unfavorable developments will determine the trend for the next month.

For deflating prices in connection with the October balance sheet, the Bureau of Labor Statistics wholesale price index based on 1926 as equal to 100 was used for the first time. Heretofore, the Bureau's old index based on 1913 as equal to 100 was employed. It was necessary to change to the new index because the old one is no longer published. In calculating the indicated price from the October balance sheet, both the old and the new indices were employed, and it is very interesting to note that there is a difference of only little over ¼ cent be-

tween the two results. In future, the new index of the Department of Labor will be used in connection with the balance sheet.

During the month, 492,000 bales of cotton were consumed in the United States, compared to 527,000 in August and 627,000 in September, 1927. Exports gained from 252,000 bales in August to 810,000 bales in September; 19,000 bales were imported.

The September report of the Cotton Textile Merchants of New York City was very optimistic. Production totaled 254,000,000 yards and sales were 387,000,000 yards, or 152.6 per cent of output. September sales were 113 per cent of production. Shipments were nearly 10 per cent above output so that stocks show a further reduction to 417,000,000 yards, the smallest amount in several months. Unfilled orders increased 37.7 per cent or from 289,000,000 yards to 398,000,000 yards in the

thirty-day period. This sharp gain in bookings is a most desirable development and indicates that the industry has made a turn for the better.

Ordinarily, the supply of American cotton in the United States reflects relative supplies in the rest of the world, though there are exceptions to that rule. This season presents one of the exceptions, for European port stocks and cotton afloat to Europe have declined 646,000 bales since September 30, 1927, or only 55,000 bales less than the 691,000 increase in indicated supply in the United States. There are no figures on foreign mill consumption for August and September or on foreign mill stocks as of October 1, 1928, but the mill takings figures available indicate that the world's indicated supply of American cotton is somewhat less than last year's. Therefore, the price indicated above based on the indicated supply in the United States alone is apparently conservative.

COTTON BALANCE SHEET AS OF OCTOBER 1 IN THE UNITED STATES

(In Thousands of Running Bales)

Year	Carry-over August 1	Imports since August 1*	October Estimate	Total	Consumption since August 1	Exports since August 1	Total	Balance
1922-1923	3,085	20	10,135	13,240	1,020	633	1,653	11,587
1923-1924	2,286	11	11,015	13,312	978	927	1,905	11,407
1924-1925	1,770	14	12,596	14,380	795	1,006	1,801	12,579
1925-1926	1,807	24	14,759	16,590	931	1,064	1,995	14,595
1926-1927	2,637	25	16,627	19,289	1,072	1,172	2,244	17,045
1927-1928	3,295	56	12,678	16,029	1,261	971	2,232	13,797
1928-1929	2,532	44	13,993	16,569	1,019	1,062	2,081	14,488

\*In 500-pound bales.

The cotton year begins on August 1.

COTTON MANUFACTURING

From the production standpoint, the textile industry of the State shows very little change from the curtailed operations obtaining over the past few months. On the other hand, there are some elements of strength making an appearance, which, if continued, will work the industry out of the present discouraging position. Possibly the most important feature is the sharp gain in unfilled orders during September. Furthermore, cloth prices have advanced slightly, markets are displaying a more optimistic tone, and sales are gaining in volume.

During the month, 21 mills reporting to the Bureau of Business Research used 7,030 bales and manufactured 6,037,000 yards of goods whereas 18 mills consumed 9,059 bales and produced 7,812,000 yards of cloth in September, 1927. In the third quarter, the 21 mills

used 20,256 bales and produced 16,481,000 yards of cloth, compared to the manufacture of 27,503 bales into 23,102,000 yards of cloth by 18 mills in the same period of 1927.

Cotton goods sales increased from 3,649,000 yards in August to 5,217,000 yards in September. In September, 1927, sales amounted to 4,635,000 yards. Unfilled orders gained 55 per cent, or from 3,477,000 yards in August to 5,343,000 yards in September. This is the first significant increase in forward business for the past 11 months. At the present rate of production, bookings at the beginning of September were equal to a little less than one month's run, whereas in August but two weeks of unfilled orders were on the books. Further gains in bookings are expected over the next few months—a very desirable feature.

TEXAS COTTON MANUFACTURERS REPORT

	September 1928	August 1928	September 1927	Third Quarter 1928	Third Quarter 1927
Mills reporting	21	21	18	21	18
Bales of cotton used	7,030	7,331	9,059	20,256	27,503
Yards of cloth—					
Produced	6,037,000	6,122,000	7,812,000	16,481,900	23,102,000
Sales	5,217,000	3,649,000	4,634,000	13,730,000	17,296,000
Unfilled orders (end of period)	5,343,000	3,477,000	17,076,000	-----	-----
Active spindles	197,000	188,000	179,000	-----	-----
Spindle Hours	67,159,000	61,876,000	79,903,000	185,256,000	214,650,000

### CARLOT SHIPMENTS

Movement of fruits and vegetables from Texas during September was disappointing. After the watermelon and cantaloupe season ended, loadings dwindled to but one or two cars a day. At the beginning of September, prices for many vegetables were at such discouragingly low figures that farmers were not justified in gathing the crops as they matured. However, quotations advanced as the month-end approached and prospects are much brighter for the fall and early winter harvest. Dry weather has caused late crops to deteriorate in some cases and fall planting has been delayed in a few districts where precipitation has been light over the summer. Acreage planted to fall crops is expected to be about equal to that of last year.

The outlook for the orange crop is good and the grapefruit harvest is expected to be larger than that of a year ago. The pecan harvest is likely to be smaller this year but the value of the crop is expected to be greater due to higher prices.

In September, but 96 cars of fruits and vegetables were loaded in Texas against 1,603 in August and 202 in September, 1927. While a sharp seasonal decrease is to be expected from August to September, the decline this year is much greater than usual. It is quite possible that September will prove to be the low month of the year; shipments should increase substantially over the next six or seven months. Shipments in the third quar-

ter made a much better showing. During the three months, loadings totaled 5,630 cars compared to 3,756 cars for the same period last year. Watermelons accounted for more than three-fourths of the shipments, while loadings of onions were far ahead of those last year. Tomatoes were also shipped in larger volume as were potatoes, peaches, and carrots. On the other hand, the movement of sweet potatoes, grapes, and pears declined sharply. No apples were shipped in the third quarter this year, whereas eight cars were loaded a year ago. Watermelon and cantaloupe growers experienced a fairly profitable season this year and producers are expected to do very well with that crop.

Truck farmers have been confronted with very low prices for considerable of their produce this year, especially so during the late summer. Texas products met keen competition by produce from other trucking sections of the country resulting in glutted markets and extremely low prices. In many cases, vegetables were scarcely worth harvesting. However, with the approach of fall, markets are looking somewhat better and higher prices are likely. In fact, quotations for potatoes, onions, sweet potatoes, grapes, and cabbage are already considerably above prices obtaining during August. Growers who were able to market their produce early did fairly well this season, but those engaged in producing later crops are likely to experience rather small earnings. It looks now as though winter markets will be better and price trends should be up rather than down.

### TEXAS FRUIT AND VEGETABLE SHIPMENTS IN SEPTEMBER\*

(In Carloads)

	September 1928	August 1928	September 1927	Third Quarter 1928	Third Quarter 1927
Mixed Vegetables .....	1	-----	-----	3	6
Cabbage .....	-----	-----	-----	3	1
Sweet Potatoes .....	29	23	141	52	190
Onions .....	34	169	4	502	45
Tomatoes .....	1	4	-----	296	199
Potatoes .....	2	11	9	87	26
Cucumbers .....	-----	-----	-----	9	-----
Watermelons .....	14	1,196	32	4,156	2,794
Cantaloupes .....	-----	150	2	214	231
Peaches .....	-----	40	-----	266	46
Peppers .....	-----	-----	-----	5	5
Grapes .....	-----	-----	-----	3	14
Pears .....	15	5	8	20	191
Apples .....	-----	-----	6	-----	8
Deciduous Fruits .....	-----	-----	-----	3	-----
Carrots .....	-----	5	-----	11	-----
<b>Total .....</b>	<b>96</b>	<b>1,603</b>	<b>202</b>	<b>5,630</b>	<b>3,756</b>

\*From the United States Department of Agriculture.

### AGRICULTURE

In many ways, the agricultural outlook is favorable but there are still some features in serious need of correction. Possibly the most perplexing problem that has confronted the farmer this summer has been low prices. This has been the case especially with corn, wheat, oats, cabbage, and a number of the smaller vegetables. However, bed rock appears to have been reached and the trend should be upward over the next few months. Most crops this year are expected to be larger than those of

1927 so that the total farm income is likely to increase even though prices are lower. The Texas cotton crop is estimated by the Crop Reporting Board at 5,050,000 bales against the production of 4,352,000 bales last year. On October 1, ginnings for the State totaled 2,429,000 bales, compared to 2,302,000 bales for the same period of 1927. Many of the other major crops are expected to compare favorably with those of a year ago.

Shipments of fruits and vegetables dwindled to one or two cars a day during the latter part of September. The

record for the third quarter, however, is better. September is likely to be the low month for loadings this year. Prices are somewhat higher and demand is showing considerable strength. Fall planting is making good progress in the Valley and Winter Garden sections; acreage for most crops is above last year's plantings.

Farm prices generally were lower. Most grains and many of the small fruits and vegetables declined. On the other hand, hay and feeds were higher while cotton gained nearly \$10 a bale.

for the most part, although additional rain is needed in the northeastern part of the State. Moisture fell in sufficient amounts in most districts to start fall growth of weeds and grasses. As a result, animals are gaining in flesh and should be in good condition before winter.

Demand for calves for late fall delivery has been unusually brisk and the improved ranges have greatly stimulated the trading in breeding animals and stockers on the ranches. Movement of cattle to slaughter yards is heavy and shipment to northern feed lots is gaining due largely to the abundance of feed in the corn belt this year. Practically no reports are heard of surplus cattle. The condition of cattle ranges on October 1 according to the Department of Agriculture was 89 per cent, or the same as the month previous. Ranges are exceptionally good in all parts of the State except the northeast and north central districts, where conditions are rather dry. Cattle remained at 89 per cent, the same as on September 1. Sheep and goat ranges improved 11 points to 98 per cent, while sheep were rated at 95 per cent against 89 per cent on September 1. Goats gained 4 points and were placed at 94 per cent. Fall shearing of sheep is well along and practically all goat clipping has been completed for the season. Wool and mohair prices fell off another cent or two but it looks now as though the decline has been checked for the present. Very few complaints are heard of insect damage.

Dairy products experienced a good market; butter prices were advanced in line with the usual seasonal influences and higher quotations are expected. Eggs were also bringing higher prices but the poultry market weakened slightly. A few turkey growers have experienced some fall loss of young birds, but the crop is expected to be larger than that of a year ago. Poults are growing rapidly in most cases.

Receipts of livestock at Fort Worth were below those of September last year due entirely to fewer loadings of sheep—cattle, hogs, and calves all made gains. During September, unloadings at Fort Worth according to the Fort Worth Stock Yards Company amounted to 184,939 head, compared to 182,047 head in August and 196,613 head in September, 1927. In the third quarter, a total of 556,199 head were received against 495,110 for the same quarter of last year, or an increase of 12 per cent. Cattle receipts gained 15.6 per cent, calves 11 per cent, and hogs 31 per cent, while sheep unloadings declined 3 per cent.

Prices were sharply lower, losses being general for all classes of animals. For the week ending October 13 prime beef steers on the Fort Worth market were going

OCTOBER 1 REPORT OF TEXAS CROPS\*

(Production in Thousands)

	Indicated 1928	Harvested 1927
Cotton, bales .....	5,050	4,352
Winter Wheat, bushels .....	22,176	17,945
Corn, bushels .....	101,462	119,347
Oats, bushels .....	35,751	42,063
Alfalfa Hay, tons .....	152	164
Potatoes, bushels .....	2,373	2,310
Grapes, tons .....	1,374	1,260
Peaches, bushels .....	1,612	800
Sweet Potatoes, bushels .....	8,616	11,970
Peanuts, bushels .....	67,599	70,200
Apples, barrels .....	216	168
Rye, bushels .....	180	98
Rice, bushels .....	7,221	6,279
Barley, bushels .....	2,856	3,120
Broomcorn, tons .....	2,000	1,320
Tame Hay, tons .....	991	1,013
Pears, bushels .....	391	345
Grain Sorghums, bushels .....	48,258	55,734

\*From the United States Department of Agriculture.

LIVESTOCK

The livestock industry is generally favorable, even though some developments during September were not altogether desirable. Stocks of cured and frozen meats are declining rapidly and demand for fresh meat is increasing. Cold weather is stimulating the demand for woolen goods so that the downward trend of raw wool prices has been checked for the time being. Moreover, the number of livestock in the United States is not excessive and the annual increase is expected to be relatively small. On the other hand, prices declined sharply during the month and competition in foreign markets is causing some uneasiness to American exporters. Stocks of lard are heavy and demand is a little poorer than usual for this season of the year.

Weather conditions over the past month were favorable

LIVESTOCK RECEIPTS AT FORT WORTH\*

	September 1928	August 1928	September 1927	Third Quarter 1928	Third Quarter 1927
Cattle .....	87,415	85,998	78,385	266,645	231,090
Calves .....	37,563	40,732	40,669	112,956	102,320
Hogs .....	27,960	26,175	24,045	79,020	60,470
Sheep .....	32,028	29,142	53,514	97,578	101,230
Total .....	184,939	182,047	196,613	556,199	495,110

\*From the Fort Worth Stock Yards Company.

at 10½ to 11c against 12c for the same week in September. Best calves sold for 11½c, down 1c for the month; and handy-weight hogs brought only 9.65c for tops compared to 12¼c early in September. Best lambs declined 1c and moved mostly at 12c and muttons sold for 7½c against 8c a month earlier.

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### STUDENT ASSISTANTS

Arthur H. Hert

Esther Lynn