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The business situation in Texas and the Southwest was favorable in June. A few reports are coming to hand which are not as optimistic as they might be, but industry generally made satisfactory gains and business begins the second half of the year in a much better condition than was hoped for last January. The damage from drouth during April and May proved to be less severe than at first expected, because of beneficial rains throughout the State. Moreover, the markets for farm produce have advanced sharply over the past few weeks carrying prices of some agricultural products above last year's levels at this time.

Possibly the most perplexing situation at the present time is the petroleum industry. Overproduction has demoralized the industry to such an extent that field activity is less than half of what it was a few months back. Unless further curtailment in production takes place it will possibly be several months before the industry is operating normally again.

Last year's huge cotton crop is moving into consumptive channels at record rate, and the carryover of American cotton on August 1 will be only slightly larger than that of a year ago. During June, 664,000 bales were used in the United States, and exports for the eleven months of the cotton year are nearly 11,000,000 bale's. The July report of the United States Crop Reporting Board shows a reduction of 12.4% from the acreage harvested last year. This reduction, coupled with the rather poor start of the present crop, has advanced cotton prices some 6¢ a pound over the price last December. Corn crop is well above average this year, and wheat harvesting is making rapid progress in the State.

Livestock and range conditions were very much improved in June. After the rains, livestock responded quickly to fresh pastures and gained in flesh more than enough to offset the loss in May. Shipments of beef and calves were rather light but producers received the highest prices in several years. Hogs and sheep suffered a further decline in prices, although the market maintained a stronger tone. Wool and mohair were in good demand at higher prices.

Allowing for seasonal factors, building permits made a good showing. Activity in the lumber industry compared favorably with that of June, 1926. Daily average production of petroleum fell off slightly

and field activity dropped sharply.

Shipments of fruits and vegetables moved to market in large volume. While prices were lower than in May, producers are finding truck crops an important source of income. Tomatoes and watermelons are the most important crops going to market at the present time.

Better weather during the latter part of the month aided farmers in catching up with their work. Most crops made satisfactory progress, although some sections report cotton plants are growing too much "to weed."

Trade at wholesale and retail declined seasonally. Retail sales were smaller by 8% than those of June last year, and five-and-ten-cent store sales show an increase. Consumption of cotton by Texas mills was greater by 6.3% than the May figure.

Money continues easy. At the first of the month, interest rates firmed seasonally but most of the increase was lost before the end of the month. Ample funds are readily available for commercial needs and borrowers are experiencing little difficulty in making loans for production purposes. Bank debits were below those of May and also under those of June a year ago. Net demand deposits fell off slightly from May, but time deposits show a small increase. The number of corporations receiving charters was increased over the previous month, and the number of failures was smaller.

Business generally is in a position where production and consumption are about evenly balanced. It is true that activity in the first half of the year was somewhat under the first half of 1926, but this situation is reason for optimism because of the stabilized position which industry is enjoying at the present time.

Financial and Banking

Checks cashed in the 11th Federal Reserve District declined seasonally in June and were 1.3% smaller than those of June last year. Debits to individual accounts in 17 principal cities, as reported by the Federal Reserve System for the 5 weeks ending June 29, amounted to \$802,000,000 against \$836,000,000 in May and \$813,000,000 in June, 1926.

June Changes with Comparisons*		
	(in \$1,000)	
Bank Debts (17 cities)	June, 1927	May, 1927
	\$802,000	\$836,000
Government Securities		June, 1926
Owned	64,073	59,657
Reserve Bank Loans (end		
of month)	5,918	4,922
		12,294

*From Federal Reserve System reports

The investment of member banks in Government securities increased

nearly \$5,000,000, or from \$59,657,000 in May to \$64,073,000 at the end of June. Total loans decreased by \$2,000,000. Total deposits recorded very few and small changes during the month; net demand deposits fell off \$3,000,000, while time deposits gained \$2,000,000. Total bills discounted amounted to \$5,918,000,000 on June 29 compared to \$4,922,000 a month earlier and \$12,294,000 on June 30 last year.

The number of commercial failures was smaller by 5 than those of May and 5 greater than those of June last year. R. G. Dun and Company report 42 insolvencies with liabilities of \$531,000 whereas there were 47 failures with liabilities of \$833,000 in May. Only three companies had liabilities of \$35,000 or over; all the others were under \$30,000. It has been pointed out before that smaller companies account for the bulk of the failures, and each month the trend is in the same direction. This tendency indicates at least that competition is rather keen and that profits to the smaller concerns are becoming more difficult to acquire.

Commercial Failures*		
	June, 1927	May, 1927
Number	42	47
Liabilities	\$531,000	\$833,000
Assets	292,000	352,000

*From R. G. Dun and Company

Stock Prices

Industrial stock prices moved sharply upward again in June for the sixth consecutive month. After a temporary setback at the end of May, the bull movement was in control and new highs were recorded during the second week of June. During the last two weeks of the month prices were slightly downward and part of the gain was lost. Apprehension has been expressed for some time past over mounting brokers loans secured by stocks and bonds and over the fact that many stocks are selling above their earning capacity. So far, this sentiment has met with little favor, and aside from a few minor reactions the bulls have been in control of the market. Using the average weekly high for the years 1923-24-25 as equal to 100, the Bureau of Business Research index of seven industrials listed on the New York Stock Exchange advanced 5 points to another new high record, a total rise of 29 points during the first half of the year.

Industrial Stock Index				
Average High, 1923-24-25	June	May	April	March
100	146	141	137	130

In constructing this index, the University of Texas Bureau of Business Research aimed to select companies which are representative of industrial 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. Included in the index are two sulphurs, one steel, one soft-drink company, one chemical, and two oils. The weekly high of each stock was averaged for the month, and the average of all seven stocks for the years 1923-24-25 is the base equal to 100. The following are the companies included in the list as they are listed on the New York Stock Exchange: Coco Cola, Freeport-Texas, Gulf States Steel, Tennessee Copper and Chemical, Texas Company, Texas Pacific Coal and Oil, and Texas Gulf Sulphur.

Texas Charters

That business conditions continue favorable and that the future looks promising is indicated by the number of new enterprises receiving charters in the State. Each month many new companies are organized and old ones are increasing their capitalization. During June, 244 companies having a capitalization of \$34,094,000 received charters, as compared to 186 companies with a capitalization of \$16,136,000 in May. Thirty-two companies increased their capitalization by \$3,000,000, and 40 outside companies were issued permits to operate within the State. In the first half of the year, charters were granted to 1129 corporations as compared to 1105 in 1926. The number of oil and manufacturing companies decreased while public service and real estate firms increased.

There were only 21 oil companies chartered in June, against 28 in May and 33 in June last year. The number of manufacturing concerns went up from 5 to 22; in 1926 there were only 7.

Texas Charters					
	Juno 1927	May 1927	June 1926	First Half 1927	1926
Number chartered	244	186	175	1129	1105
Capitalization, In thousands,	\$34,094	\$16,136	\$9,944	\$129,954	\$87,703
Classification of new corporations:					
Manufacturing	22	5	16	84	96
Banking and Finance	18	18	7	94	92
Real Estate and Building	25	26	8	140	67
Oil	21	28	33	124	150
Public Service	10	1	4	23	11
General	148	109	107	663	689
Foreign Permits	40	32	49	176	221

Building

The building industry in Texas fell off somewhat in June from the records of the previous months. Building permits of 26 cities reporting to the University of Texas Bureau of Business Research dropped from \$10,840,000 in May to \$9,876,000 in June, making a total of \$62,296,000 for the first six months of the year. Comparable figures for these

cities are not available, but an estimate shows that permits in 1927 are considerably ahead of any former year. Most of the decrease in June is accounted for by the drop of almost \$2,000,000 in San Antonio.

	Building Permits			First	
	June, 1927	May, 1927	Half, 1927		
	No.	Amount	No.	Amount	Amount*
Abilene	63	\$146,150	60	\$372,925	\$1,724
Amarillo	96	690,040		464,468	5,704
Austin	47	267,071	46	96,194	550
Beaumont	181	447,712	192	340,664	3,196
Brownsville	27	215,000	18	210,000	700
Brownwood	23	176,950	31	245,800	1,212
Cisco	12	94,150	14	31,380	194
Corpus Christi	53	428,075	69	644,065	1,687
Corsicana	9	27,025	9	35,500	266
Dallas	260	1,466,225	245	733,423	4,802
Del Rio	22	25,890	12	21,963	102
El Paso	55	93,986	61	63,515	409
Fort Worth	363	1,206,487	289	1,262,133	7,311
Galveston	206	202,161	247	199,994	2,029
Houston	519	2,235,981	477	1,993,332	15,857
Laredo	31	103,000	22	340,000	807
Lubbock	22	81,055	15	40,225	535
McAllen	090	64,890		67,480	1,381
Marshall	55	43,997	59	26,848	208
Port Arthur	118	124,646	109	132,240	730
Paris		14,575		14,440	234
San Angelo	54	231,636	102	218,939	1,352
San Antonio	269	1,067,695	262	2,935,470	7,054
Sherman		17,425		12,450	269
Tyler		91,020		63,128	270
Waco	25	111,190	18	41,085	632
Wichita Falls	78	282,660	69	166,065	2,090
Total		\$9,875,692		\$10,839,736	\$62,296
* In Thousands					
1. For three months					

Permits were again higher in the larger cities; Dallas, Fort Worth, and San Antonio showed above a million dollars, and Houston reported over \$2,000,000. In the six months, Houston is far in the lead with nearly \$16,000,000 in permits, followed by Fort Worth and San Antonio with over \$7,000,000 each. Dallas reports \$4,800,000.

Final figures for construction costs for June declined over a point and are now about 3% below the level of a year ago, according to S. W. Straus and Company. Building material prices based on 1913 as equal to 100 decreased from 165.6 in May to 164.3 in June, compared to 171.2 for the same month last year. Prices of building material are relatively high in comparison with the general wholesale price of all commodities, which stood at 143.7 for last month.

Building permits over the entire country fell off slightly in June,

from May, but the contracts let were the highest for any month on record, according to the F. W. Dodge Corporation.

Lumber

The lumber industry has experienced some unfavorable influences during the past few months which have not been altogether encouraging. Among these dampening factors may be mentioned the substitutions for lumber in industry and the fear of a building slump which was expected soon after the turn of the year. As the year advances, no signs of a building curtailment have materialized, and the new uses for wood together with normal consumption have maintained the lumber industry about on the same level as that of a year ago. The June report of the National Lumber Association says that "in general, reported lumber production in the year to date has been approximately the same as or slightly below what it was last year in the South. Despite an average of 10 fewer mills reporting weekly to the Southern Pine Association so far in 1927 than in 1926, production shows a decline of about 6.7%."

The Lumber Situation*		
	June, 1927	May, 1927
Preliminary report of 104 Mills in the Southwest		
Average production per mill	2,690	2,258
Average shipments per mill	2,654	2,349
Average unfilled orders, per week	1,935	2,134
Final report of 34 Texas mills		
Production	70,311	72,856
Shipments	60,981	74,325
Stocks on hand on June 30	208,378	176,459

*From the Southern Pine Association

Note- Beginning with this issue, the REVIEW will contain comparative monthly figures for 34 Texas saw mills. These figures are possible through the courtesy of the Southern Pine Association.

Production of 104 mills reporting to the Southern Pine Association for the five weeks ending July 1 amounted to 2,690,000 feet against 2,258,000 feet for the four weeks in May. Shipments amounted to 2,654,000 feet, compared to 2,349,000 feet in May of this year. Average weekly unfilled orders fell from 2,134,000 feet in May to 1,935,000 feet in June.

Cement

Production of cement in Texas mills continued at record rate in June. During the month, 469,000 barrels were produced, compared to 462,000 barrels in May, and 416,000 barrels in June last year. This is

the first year since 1922 that the output has recorded an increase from May to June, indicating a steady demand for the product.

During the first half of the year, 2,644,000 barrels were manufactured, against 2,456,000 barrels for the same period in 1926, an increase of 7.7%. Shipments amounted to 454,000 barrels, the same as in June last year, but considerably smaller than the 573,000 barrels loaded in May. Stocks on hand show a slight increase of 16,000 barrels over the May figure and are smaller by 31% than stocks at this time last year.

Cement Statistics*

	June 1927	May 1927	June 1926	First Half 1927	1926
Production, in thousands of barrels	469	462	216	2,644	2,456
Shipments, in thousands of barrels	454	573	454		
Stocks, in thousands of barrels	330	314	478		

*From the Department of Commerce

Petroleum

The petroleum industry is slowly yielding to the low prices of crude. Although production continues at a very high rate, slowing up movements are in evidence in most fields and a more hopeful attitude is shown by the larger producers. Curtailment of operations during the month was general throughout the country, but the slump in field activity in the State was especially severe. Stocks of crude in the three states of Texas, Louisiana, and Arkansas on June 1 were estimated at about 100,000,000, as compared with an estimate of 90,000,000 barrels on May 1.

The Petroleum Situation*

	In Thousands of Barrels			
	June 1927	May 1927	June 1926	First Half 1927
Production	20,609	21,300	12,900	124,510
Daily Average Pro- duction	683	687		72,180
Wells completed	556	573		
Producers	304	361		

*From the OIL WEEKLY

Prices of crude recorded very few changes during the month and the market tone was considerably firmer than in May. Gasoline prices were marked up a fraction of a cent in some localities in line with similar advances during the previous month. Production amounted to 20,609,000 barrels of crude oil against 12,900,000 barrels in June, 1926.

New wells completed during the month amounted to 556, of which 304 were producers, compared to 573 in May, 361 of which were producers. Daily average production fell from 687,000 barrels in May to 683,000 barrels in June.

Cotton Consumed

Cotton textile mills in June experienced one of the most active months in the history of the industry in this State. All of the 17 mills except 3 reporting to the University of Texas Bureau of Business Research show large increases over May in the amount of cotton used. Practically all of the 155,000 spindles were active during the month, and several of the mills were running night shifts. However, cotton goods sales fell off nearly 50% and unfilled orders dropped materially so that the industry over the next few months is quite likely to slow up somewhat from the present rate. At the present rate of production, unfilled orders are equal to about two months output.

During the month, the 17 mills reporting manufactured 7,264,000 yards of cloth and spun 484,000 pounds of yarn, compared to 6,807,000 yards of cloth and 551,000 pounds of yarn in May. Cotton goods sales fell off from 21,000,000 yards in May to 15,000,000 yards in June and yarn sales went up from 159,000 pounds to 378,000 pounds.

In the first half of the year these companies manufactured 40,734 bales of cotton into 31,564,000 yards of cloth and 2,988,000 pounds of yarn. The 17 mills represent about 80% of the industry in Texas.

Texas Cotton Manufacturers' Reports			
(Seventeen mills)	June, 1927	May, 1927	First Half*
Bales of cotton used	9,140	8,596	40,734
Yards of cloth produced	7,264,000	6,807,000	31,564,000
Pounds of yarn produced	489,000	551,000	2,988,000
Sales of cotton goods, yards	14,927,000	21,104,000	49,656,000
Sales of yarn, pounds	378,000	159,000	1,253,000
Unfilled Orders, Cloth,			
Yards,	12,883,000	17,326,000	49,360,000
Unfilled orders, Yarn,			
Pounds	900,000	990,000	
Active Spindles	155,000		
Spindle Hours	87,848,000		

Spinners' Margin

Spinners' Margin, as determined by the University of Texas Bureau of Business Research went up sharply in June. From a high point of 194 during last October, the ratio has been steadily downward at the rate of 3 or 4 points a month, until May, when a low point for this movement was reached. Standing at 165, or only 5 points above normal in May, the ratio went up 7 points to 172 in June. The advance was due to the rise in yarn prices, although cotton also was higher. American middling cotton in

Liverpool averaged 9.01-d in June against 8.71-d in May, and American 32-twist yarn in Manchester averaged 15.50-d compared to 14.35-d in May. Cotton prices have trended upward since last fall at a greater rate than have yarn prices, thereby causing the spinners' margin to fall. The situation was reversed in June but it seems quite unlikely that the ratio will go much higher. As the ratio increases, demand for cotton is strengthened and prices are likely to advance.

	Spinners' Margin		
	1927	1926	1925
January	174	150	174
February	170	160	168
March	173	156	165
April	168	155	166
May	165	153	163
June	172	157	152
July		158	147
August		160	153
September		166	153
October		194	157
November		187	163
December		186	162

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.

Agriculture

The agricultural situation in Texas enters the second half of the year rather favorably. After a partial setback in May, conditions changed for the better in June and many of the unfavorable factors were overcome. Beneficial rains fell generally over the State and ended the drouth which was checking the growth of crops. While it is true that the moisture came rather late and that crops suffered materially, yet improvement has been rapid and the farming situation looks much brighter now than it did at the beginning of June.

Threshing of wheat and oats has made good progress so far this year. In some sections the yield is reported as rather light and kernels are small because of dry weather during the growing season, but the market demand is good and growers are experiencing little difficulty in marketing their crops at good prices. The widespread use of the combined harvester in the plains area is very noticeable this year and more of these labor-saving machines are likely to be used because of reduced harvesting costs.

The July crop report of the United States Department of Agricul-

ture shows Texas in a much more favorable condition than it was a month earlier. Most of the crops show improvement and with a spell of good weather the retarding influences of unfavorable weather earlier in the year will be overcome to a very large extent.

Cotton and grain prices were steady most of the month with a slight upward trend. After the unusual rise in prices of these products in May, a period of horizontal prices was to be expected in order for the technical position of the market to be adjusted. At this time of the year the weather is the most important market influence and prices respond very readily to the daily reports. Operators for the advance point out the unfavorable factors of the growing crops and look for much higher prices. On the other hand, the bears show that all unfavorable influences have been more than discounted and prices should be downward. At the present time, the bullish factors are about in even balance with the bearish influences.

The composite price of all commodities, according to the United States Bureau of Labor Statistics fell only .4 of a point during the month or from 144.1 in May to 143.7 in June. Last year in June the index stood at 152.3. The farm products index went up from 137.4 in May to 138.2 in June, but it is still 5.5 points below the index of June, 1926.

Carlot Shipments of Fruits and Vegetables

Shipments of fruits and vegetables were up sharply from the comparatively light loadings in May. During the month, 5,643 cars were shipped against 3,973 cars in May and 5,406 cars in April. Watermelons and tomatoes account for the bulk of the loadings, although some onions and early potatoes are still being shipped. During the month, carlots of celery, peppers and grapes were reported for the first time this year.

During the first six months of the year, a total of 27,966 cars were loaded. Figures previous to January are not available for comparison but it is quite possible that this year's shipments are higher because of the development of the trucking business in the State in recent years.

Prices were generally downward for the month. As the season advances, Texas fruits and vegetables are in competition with produce from other parts of the country and prices normally fall. The market for watermelons was exceptionally strong because of smaller shipments from other parts of the country, and Texas growers have found this crop very profitable so far this year.

The season is over for spinach, sweet potatoes, cauliflower, strawberries, lettuce, green peas, string beans, and mixed vegetables. Onions and cabbage are likely to be over by the end of this month.

Carlot shipments of fruits and vegetables during the months of June and May and also for the first half of this year are shown in the

table below:

Texas Fruit and Vegetable Shipments In Carloads			
	June, 1927	May, 1927	First Half
Spinach			3,727
Cabbage	18	62	4,915
Grapefruit		1	299
Sweet Potatoes		1	333
Cauliflower			41
Strawberries		6	123
Onions	200	747	3,511
Lettuce			71
Tomatoes	2,080	910	3,002
Oranges			2
Potatoes	362	1,280	2,725
Green Peas			4
String Beans		8	298
Mixed Citrus			3
Cucumbers	2	194	208
Watermelons	2,926	210	3,136
Cantaloupes	5	6	11
Peaches		1	1
Celery	1		1
Peppers	4		4
Grapes	6		6
Total	5,643	3,973	27,966

*From the U.S. Market News Services

Livestock

The setback which livestock experienced in May was recovered in June and the industry begins the summer in a favorable condition. Rains fell generally over the State breaking the drouth which was beginning to look serious, especially in the western and southwestern areas. While some sections are still rather dry, ranges generally are good, insuring most growers against feeding or shipping stock to pastures, for another month at least. Sheep and goats for the most part are in good flesh and the kid and lamb crops are moving to market freely although in smaller shipments than at this time last year. Cattle are fattening about as usual and the calf crop is exceptionally good this year.

Fly infestation this season is causing considerable damage to stock. Growers are being forced to employ additional help in order to combat this pest. So far, the loss has not been serious but a spell of favorable fly-weather may cause some loss before the summer is over.

The condition of livestock on July 1 as reported by H. H. Schutz, State Statistician for the United States Department of Agriculture, was very much improved over the June condition. Cattle ranges went up 5 points or from 83% of normal to 88%; the condition of cattle increased 1 point to 89%. This compares with a condition of 97% for both cattle

and ranges on July 1, 1926. Sheep and goat ranges were placed at 89% of normal; up 3 points from the previous month. Condition of sheep was 93% and goats were placed at 94%, each up 1 point in the month.

Some wool and mohair in storage which had not been marketed earlier was sold at higher prices. Several clips of wool were sold to Eastern firms at 36¢ per pound and several lots of mohair exchanged at 65¢ to 70¢ a pound. Sales earlier in the year were reported at 3¢ to 5¢ under these figures.

Total shipments of livestock fell off sharply during the month. Receipts at Fort Worth of all classes of stock except calves were below those of May. Total receipts amounted to 171,000 head against 239,000 in May. Shipments for the first six months were 992,000, compared to 949,000 for the first half of 1926.

Cattle and calves were in good demand most of the month although heavy runs depressed the market on several occasions. Hog and sheep prices continued the downward trend but at a slower rate, indicating that buyers are purchasing more freely and that the market is not likely to go much lower for the present at least. For the week ending July 2, handy weight hogs on the Fort Worth market were selling at 9¢, against 9.25¢ for the same week in June, and prime beef steers went up from 9.50¢ to 10¢. Calves brought 10¢ compared to 9.40¢ the previous month, and muttons dropped from 7.75¢ to 7.25¢. Lambs fell off another cent a pound and sold at 11.75¢, the lowest point of the season.

Livestock Receipts at Fort Worth*					
	June, 1927	May, 1927	June, 1926	First Half	
				1927	1926
Cattle	82,570	93,180	95,090	421,000	486,000
Calves	21,810	19,470	12,040	88,000	78,000
Hogs	21,410	30,230	16,160	210,000	116,000
Sheep	45,240	96,300	98,540	273,000	269,000
Total	171,030	239,180	221,870	992,000	949,000

*From the Fort Worth Stock Yards Company

Copies of the Texas Business Review will be sent on request.