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General business conditions throughout Texas and the Southwest displayed moderate activity in May. Due to seasonal influences and the further development of some unfavorable factors which entered the business picture over the past two or three months, the record of May is not all that could be hoped for. It should be remembered, however, that the business situation has improved steadily each month since the first of the year and that the underlying conditions are sound. When compared with April, the May record is only "fair," but in comparison with May of 1926 it was "good."

The agricultural situation is somewhat spotty. Reports show a sharp deterioration in the grain and corn crops, and the harvest so far is rather light. Continued drouth throughout the western part of the State checked the growth of cotton and caused the cattle and sheep ranges to become rather dry. Recent rains which fell over the entire State brought relief to this situation so that the June reports are quite likely to be more favorable. Now that rains have fallen, the most perplexing questions about the cotton crop are will the plants all "grow to weed" and how great will be the insect damage that is likely to occur during the cooler weather. Considerable cotton has been planted since the rain so that final acreage figures may be greater than was indicated early in the year.

Although range conditions deteriorated sharply in the month causing range animals to lose flesh, the livestock industry remains favorable. Beef prices were good all during the month. On the other hand, hogs and sheep prices declined slightly. Dairy products moved to market in large volume at fair prices. Wool and mohair prices strengthened while poultry products fell off.

Building permits for the month held up remarkably well when seasonal influences are considered. Production and shipments of lumber from the district were about equal to those of April. Daily output of petroleum was at record rate, but field operations were curtailed as a result of low prices of crude.

Shipments of truck crops from the Valley fell short of the April loadings. Tomatoes and watermelons are beginning to move from other sections of the State and with the advance of the season shipments are likely to increase.

Farm work made good progress where conditions were not too dry. Threshing of grain is getting into full swing, but the yield is reported as rather light, especially in the western areas. Cotton chopping is well under way, and growers are experiencing little difficulty in obtaining field labor.

Trade at wholesale and retail continued active, although some districts report sales as rather slow. Thirteen department stores reporting to the Federal Reserve System show an increase of 1.3% in retail sales for May over the same month last year. The Dallas district and the San Francisco district reported retail sales above those of last year in

in May; the other ten districts show losses ranging from 1.8% to 9.2%. Textile mills were very active during the month. Consumption of raw cotton was 15% greater in May than in April.

The credit situation remains easy and there are few unfavorable factors in the financial structure to bring about any radical change. Bank debits are in large volume, and deposits are about what they have been in recent weeks. The number of new enterprises receiving charters is equal to that of a year ago, and the number of commercial failures is considerably less.

Financial and Banking

Debits to individual accounts in the Eleventh Federal Reserve District reflect a seasonal decline from April, but they are 6.6% greater than in May 1926. Total debits in 17 principal cities as reported by the Federal Reserve System for the five weeks ending June 1 amounted to \$836,000,000 compared to \$875,000,000 in April and \$784,000,000 for May of last year. Seasonal influences and curtailment in the oil industry, coupled with falling prices of all commodities possibly account for most of the decline from April.

During the month, total loans at member banks decreased \$5,000,000, or from \$321,000,000 the first week to \$316,000,000 for the week ending May 25. Government securities held by member banks showed a slight decrease over the month. Deposits fluctuated within rather narrow limits from week to week; demand deposits trended downward, while time deposits gained. At the end of the month, demand deposits had fallen to \$270,000,000, and time deposits stood at \$108,000,000.

May Changes with Comparisons*			
	(in \$1,000)		
	May, 1927	April, 1927	May, 1926
Bank Debits (17 cities),	\$836,000	\$875,000	\$784,000
Government Securities			
Owned	59,657	60,000	
Reserve Bank Loans (end of month)	4,922	4,473	9,702
*From Federal Reserve System			

The downward trend of commercial failures in Texas which has been in evidence since last December was checked in May, and the business mortality rate turned sharply upward. R. G. Dun and Company report 47 failures with liabilities of \$833,000 in May, compared to only 38 insolvencies with liabilities of \$701,000 in April; however, the number of failures is considerably below the 91 failures in May of last year.

Small companies again made up the greater number of defaults. Of the 47 failures, only three had liabilities of more than \$50,000; the others were under \$35,000. The tendency for the smaller and weaker companies to be forced out of business has been noticed for several months; but it should be remembered that many of the new charters granted each month are to small corporations and the tendency may be normal.

Commercial Failures*			
	May, 1927	April, 1927	
Number	47	38	
Liabilities	\$833,000	\$701,000	
Assets	352,000	206,000	
*From R. G. Dun and Company			

Stock Prices

That industrial conditions in Texas and the Southwest continued favorable in May is indicated by a further rise in industrial stock prices. Prices have been steadily upward since the latter part of January and nearly every business day witnesses new record highs. Despite some unfavorable factors operators and investors for the advance have been in control of the market. At the present time, there are some bearish symptoms, notably high brokers' loans and war rumors in Europe, but the underlying factors in business are sound and industry is well sustained. During the month, the capital stock of one of the companies in the series composing the Bureau of Business Research index was split two for one, and adjustment was made to care for the change. Using the average weekly high for the years 1923-24-25 as equal to 100, the Bureau index of seven industrials listed on the New York Stock Exchange advanced 4 points to a new high record. The 4 points in May added to the advance of the first four months of the year makes a total rise of 24 points so far in 1927.

Industrial Stock Index				
Average High, 1923-24-25	May	April	March	February
100	141	137	130	123

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

The number of new enterprises receiving charters in the State in May was equal to that of April but considerably smaller than the number in March. Charters were granted to 186 corporations with a

Texas Charters			
	May, 1927	April, 1927	May, 1926
Number chartered	186	186	219
Capitalization (in \$1,000)	\$16,136	\$13,938	\$7,395
Classification of new corporations:			
Manufacturing	5	11	14
Banking and Finance	18	12	17
Real Estate and Building	26	22	17
Oil	28	26	36
Public Service		1	2
General	109	113	133
Foreign Permits	32	22	36

Capitalization of \$16,136,000, as compared to the same number of com-

panies with a capitalization of \$14,000,000 in April. Twenty-nine companies increased their capitalization a total of \$48,000,000, and 32 outside companies received permits to do business within the State.

There were only 5 manufacturing companies chartered in May against 11 in April. The number of bank and finance organization went up from 12 to 18, and real estate firms increased from 26 to 28. A year ago in May, there were 17 banks and finance companies, 17 real estate firms and 36 oil corporations.

Building

Building permits in Texas for May were slightly above those of April. Although the increase was rather small, it indicates that the building industry made satisfactory progress, and the decline which had been expected by many in the trade did not occur. According to reports of 25 cities to the University of Texas Bureau of Business Research, permits went up from \$10,447,000 in April to \$10,530,000 in May.

	<u>Building</u> May		April	
	No.	Amount	No.	Amount
Abilene	60	\$372,925	80	\$389,848
Amarillo		464,468	174	667,290
Austin	46	96,194	37	31,742
Beaumont	192	340,664	205	761,598
Brownsville	15	275,000	18	210,000
Corpus Christi	69	644,065	57	351,655
Corsicana	9	35,500	14	45,790
Dallas	345	733,423	300	576,703
Del Rio	12	21,963	13	9,270
El Paso	61	63,515	52	100,578
Fort Worth	289	1,262,133	349	1,386,431
Galveston	247	199,994	207	681,963
Houston	477	1,993,332		2,805,829
Laredo	22	340,000	29	131,110
Lubbock	15	40,225	33	107,285
McAllen		67,480		556,780
Marshall	59	26,848		100,108
Paris		14,040		61,378
Port Arthur	109	132,240	124	117,611
Ranger	4	13,000	2	6,500
San Angelo	102	219,939	103	244,973
San Antonio	262	2,935,470	355	906,635
Sherman		12,450		43,950
Waco	18	41,085	45	155,335
Wichita Falls	69	166,065		296,393
TOTAL		\$10,512,418		\$10,466,755

Greater activity was shown during the month in the South Central and South Coastal sections of the State, although Fort Worth again had more than a million dollars in permits for the fourth consecutive month. San Antonio permits reached nearly three million dollars against less than a million in April. On the other hand, Beaumont, Galveston, El Paso, and Lubbock show material losses. Further curtailment is shown in the Northern and Western parts of the State, but other sec-

tions are about what they have been for several months.

Construction costs remained about the same as the April figure. S. W. Straus and Company in their May report say that "the trend is still downward except in the Pacific and Southwestern States. Keen competition for steel structural business has brought price weakness in that market." Building material prices based on 1913 as equal to 100 reported by the Bureau of Labor Statistics increased from 165 in April to 165.6 in May. A year ago in May, the index stood at 171.6. When compared with the wholesale price of all commodities, building materials are still relatively high.

Lumber

Activity in the lumber industry of the Southwest continued in May about on the same levels as that of April but at a decline from March. Curtailment is to be expected at this time of the year due to seasonal influences and operations should be reported from that standpoint. The decline in building which was anticipated during the early part of the year has failed to materialize, and the lumber business has held up in sympathy with the large volume of construction in that industry.

The Lumber Situation*		
in M Feet.		
	May (104 mills)	April (110 mills)
Preliminary report		
Average production per mill	2,258	2,869
Average shipments per mill	2,349	2,819
Average unfilled orders, per week	2,134	2,151
Final report of 192 mills		
Total production	439,870	412,472
Total shipments	460,588	438,446
Total Stocks, end of month	1,218,391	1,205,135
Unfilled Orders	463,831	433,287
*From the Southern Pine Lumber Association		

Average unfilled orders on the books of 104 saw mills reporting to the Southern Pine Lumber Association were 2,134,000 feet compared to 2,151,000 feet in April. Shipments were 2,349,000 feet against 2,819,000 feet, and production averaged 2,258,000 feet per mill. The apparent decrease in production is due to the fact that May had only four weekly reports whereas April had five, and six additional mills reported for the previous month.

Cement

Production of portland cement in Texas mills continued at an active rate in May. During the month, 462,000 barrels were manufactured, a decrease of 7,000 barrels from the record month of April, but an increase of 8,000 barrels over the output in May of last year.

During the first five months of the year, a total of 2,175,000 barrels were produced, compared to 2,040,000 barrels in the same period last year, an increase of 6.6%. In the face of increased

production, shipments are running considerably higher than those of last year, and stocks on hand are low. Stocks were reduced from 452,000 barrels on April 1 to 314,000 barrels on May 1.

Cement Statistics*			
	May, 1927	April, 1927	May, 1926
Production, barrels	462,000	469,000	454,000
Shipments, barrels	573,000	491,000	447,000
Stocks, barrels	314,000	425,000	515,000

*From the Department of Commerce

Petroleum

The six cuts in the price of crude petroleum which were put into effect during March and April are beginning to show in that industry. While production continues at record rate and storage space is a serious problem, activity in new fields fell off sharply in May. Very little was accomplished by the larger producers in their attempt to curtail production, but the low price of crude has had a tendency to reduce the number of new wells brought in and output over the next few months is likely to fall off. Stocks of crude in the three states of Arkansas, Louisiana, and Texas were estimated at about 90,000,000 barrels, or near the amount for the previous month.

The Petroleum Situation*			
	May, 1927	April, 1927	May, 1926
Production, barrels	21,300,000	20,405,000	12,780,000
Daily Average Production	687,000	683,000	
Wells completed	573	847	
Producers	361	529	

*From the Oil Weekly

No further cuts were made in the price of crude petroleum during May. Gasoline prices were advanced from 1¢ to 2¢ a gallon in some parts of the State; but, aside from these few changes, prices were steady. Production amounted to 21,200,000 barrels, compared to 12,780,000 barrels in May last year. During the month, only 573 new wells were complete, of which 361 were producers, as against 847 completions in April, of which 529 were successful. Daily average production rose from 683,000 barrels in April to 687,000 barrels in May.

Cotton Consumed

Textile mills in the State were very active during the month. Most mills were running at full time and several companies operated night shifts. New orders booked for May were considerably ahead of those for April, and goods shipped were in larger volume than last month.

Thirteen identical mills reporting to the Bureau of Business Research of the University of Texas used a total of 5,984 bales of cotton in May compared to 5,825 bales in April. During March, the record month so far this year, 15 mills consumed 7,259 bales. Assuming that the 2 mills not reporting this month used about the same number of bales in May as they did in March, total consumption of raw cotton was near record

levels during the past month. The cotton textile industry over the entire country was very active in May and present indications point to continued progress in that industry.

During the month, the thirteen mills reporting manufactured 4,497,000 yards of cloth and spun 551,000 pounds of yarn. Cotton goods sales amounted to 5,204,000 yards against 2,714,000, an increase of 92%. Unfilled orders on the books of the thirteen companies at the end of May totaled 11,088,000 yards, compared to 5,135,000, an increase of 115%. At the present rate of production, unfilled orders are equal to 75 days output. The thirteen mills reporting are about 65% of the industry in Texas.

Texas Cotton Manufacturers' Reports

(Thirteen identical mills)	May, 1927	April, 1927
Bales of cotton used	5,984	5,895
Yards of cloth produced	4,497,000	4,030,000
Pounds of yarn produced	550,661	537,520
Sales of cotton goods, yards	5,204,000	2,714,000
Sales of yarn, pounds (1 mill)	159,165	159,165
Unfilled Orders, cotton goods	11,088,000	5,135,000
Active spindles	141,000	126,000

Spinners' Margin

Spinners' margin, as determined by the University of Texas Bureau of Business Research fell 3 points in May, reaching the lowest point in 8 months and almost equalling the level of May, 1925. With the exception of March, the ratio has been downward at the rate of 3 or 4 points a month since last October when the high point of 200 was reached during the last week of the month. The decline in May was again due largely to the advance in cotton prices, although yarn prices were marked up more than 1-d a pound in the last two weeks of the month. American middling cotton in Liverpool went up from 8.53-d during the first week of May to 9.14-d in the last week, and American 32-twist cotton yarn in Manchester advanced from 13.75-d to 15-d. Cotton prices have trended upward over the past six months at a greater rate than have cotton yarn prices resulting in a decline of the spinners' margin. The ratio is approaching normal, and further declines are likely to be smaller. As the ratio falls demand for cotton slackens and prices are weakened.

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		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

Agriculture in Texas, although showing an improvement over the condition last fall, is somewhat spotty and the farming situation is not all that could be hoped for. Cool weather with light frosts in some parts of the State in the early weeks of April, followed by dry weather all during May checked the growth of cotton and caused the grain crops to deteriorate. As a result, the wheat and oat crops ripened earlier than usual and the yield is rather light. The growth of corn was checked; some sections of the State reported the stocks turning yellow before tasseling. Threshing of wheat and oats is progressing rapidly, but the yield is low and some of the grain is shrunken.

According to the report of the United States Department of Agriculture, the condition of winter wheat in Texas on June 1 fell to 41% of normal, compared to a 10-year average of 72% for that date. A condition of 41% indicates a yield of 16,000,000 bushels against a harvest of 33,000,000 bushels last year. The condition of rye declined to 36% of normal, compared to a 10-year average of 77%, indicating a yield of but 81,000 bushels against a harvest of 380,000 bushels in 1926. The report states that "in Texas in spite of improvements in a few sections the crop as a whole has deteriorated and abandonment will be heavy."

Shipments of fruits and vegetables passed the peak last month, and loadings over the next few months are likely to be smaller and at reduced prices. Cucumbers, watermelons, cantaloupes, and tomatoes moved to market in large volume, and the first full carload of peaches went out of the "Valley" near the end of the month. Carlots of potatoes were also increased, while the movement of such crops as lettuce, spinach, cauliflower, and citrus fruits was almost negligible.

Prices of cotton and the grains continued the upward trend which began about the middle of April. Corn futures for September in Chicago closed the month at \$1.05, an increase of 30¢ a bushel over the low point of March. Oats went up more than 10¢ a bushel, and wheat advanced 15¢ to 20¢ a bushel during the month. Cotton advanced steadily on news of the Mississippi flood, and the serious drouth in West Texas. At the end of the month, quotations of futures for the new crop were up to last year's levels. However, part of the gains were lost when rains fell generally over the entire State. The composite price of all commodities according to the Bureau of Labor Statistics fell from 145 in April to 144 in May, whereas the farm products index increased from 136.7 to 137.4. A year ago, the farm products index was 144.2 and the index of all commodities was 152.

Carlot Shipments of Fruits and Vegetables

May shipments of fruits and vegetables fell off sharply from the heavy April loadings. During the month, 3,973 cars were loaded against 5,406 cars in April. Figures for comparison in previous years are not available but an examination of the daily reports indicates

that a seasonal decline is quite likely to occur at this time. Smaller shipments of onions account for most of the decrease. During the month, only 747 cars were shipped, whereas 2,340 cars were loaded in April. Marked increases in loadings of tomatoes, watermelons, and potatoes partly offset the loss.

Prices recorded few changes during the month and were generally downward. Watermelons followed the opposite tendency and prices were upward most of the time. Produce is arriving in the larger markets from other sections of the country, and prices are likely to decline over the next few months.

Texas Fruit and Vegetable Shipments*		
In Carloads		
	May	April
Spinach		87
Cabbage	62	538
Grapefruit	1	3
Sweet Potatoes	1	51
Strawberries	6	52
Onions	747	2,340
Lettuce		5
Tomatoes	901	10
Potatoes	1,288	924
Green Peas		2
String Beans	8	243
Cucumbers	194	12
Watermelons	210	
Cantaloupes	6	
Peaches	1	
Mixed Vegetables	549	1,139
TOTAL	3,973	5,406
*From the U.S. Department of Agriculture		

Livestock

The livestock industry failed to make the improvement in May which has been in evidence for the past few months. There was ample precipitation during the winter months to insure an abundance of spring pasturage. However, during the latter part of April and most of May very little moisture fell in the State. As a result, ranges deteriorated very rapidly, and the supply of water for animals became low.

The condition of livestock on June 1 in Texas, as reported by the U. S. Department of Agriculture, dropped 4 points, or from 92 on May 1 to 88 on June 1. Range conditions fell from 92 to 84 per cent of normal over the month. The report shows that the condition of range cattle last year at this time was 98. Sheep and goats held up remarkably well during the drouth. The condition of sheep declined 2 points, or from 94% to 92%, and goats fell but 1 point from 95 to 94.

Shearing of sheep and goats was practically completed during the month. Fleeces are averaging about normal, but the goat clip is reported as being a little light in some sections. Prices of wool and mohair have strengthened over the past two months bringing quotations almost up to those of last year at this time. The kid and lamb crops are very good this year, and losses have been slight. A few early lambs are mov-

ing to market, but it will be some weeks yet before heavy shipments are made.

Monthly shipments of all classes of livestock have been heavier this year than last due largely to increased runs of hogs and sheep. This situation was changed in May when total receipts at Fort Worth were less than those of May 1926. Receipts of all classes of animals, excluding horses and mules, on the Fort Worth market totaled 239,000 head as compared to 204,000 head in April and 243,000 head in May a year ago.

Demand for cattle and calves was steady most of the month. On the other hand, hogs and sheep were somewhat slow at times, and prices were generally downward. At the end of the month, heavy weight hogs on the Fort Worth market were selling for 9.25¢ against 9.75¢ a month earlier; prime beef steers were steady at 9.50¢ to 9.55¢, the same as the previous month. Calves brought 9.40¢ as compared with 9.50¢ in April and muttons dropped from 8.25¢ to 7.75¢ over the month. Lambs fell off over a cent a pound, or from 13.75¢ in April to 12.50¢ in May.

	Livestock Receipts at Fort Worth*		
	May, 1927	April, 1927	May, 1926
Cattle	93,178	80,000	107,315
Calves	19,468	13,000	13,194
Hogs	30,228	43,000	17,209
Sheep	96,300	68,000	105,419

*From the Fort Worth Stock Yards Company.

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