Monthly Review

FEDERAL RESERVE BANK OF SAN FRANCISCO

FEBRUARY 1947

Review of Business Conditions—Twelfth District

THE widely expected post-holiday depression in retail trade failed to materialize in January or February. Department store sales in the Twelfth District, after allowing for the usual seasonal let-down, were at about the same high levels that were experienced throughout the last quarter of 1946. Consumers spent considerably more at department stores in early 1947 than they did a year ago, although, because of price increases, they did not buy correspondingly more goods. In both January and February, seasonally adjusted sales of District department stores remained well over three times the 1935-39 average.

Apparel stores likewise sold more in January 1947 than a year ago. In terms of dollars, sales rose by five percent, but in terms of physical quantities, they probably declined somewhat. Nevertheless, the year-period gain in the dollar volume of apparel store sales was about as large in January as in the Christmas buying season.

District furniture store sales increased by about one-third in dollar volume between January 1946 and January 1947. This is considerably more than either department or apparel store sales advanced. Prices of house furnishings also rose more rapidly than the prices of apparel and many other manufactured commodities carried in department stores. However, the increase in house-furnishing prices over the year, as reported by the United States Bureau of Labor Statistics, was less than a third, suggesting that the physical volume, as well as the dollar value, of furniture store sales may have been greater than a year earlier.

Nonagricultural employment in California

Manufacturing employment in California fell between December and January at about the usual prewar seasonal rate. Contraction in fruit, vegetable and fish canning accounted for most of the loss in employment. Despite this, the number engaged in nondurable goods production as a whole was at the highest January level ever recorded. Manufacture of durable goods provided a few more jobs in January than in December, although the number of production workers declined slightly. However, employment increased in the so-called nonproduction group, which includes construction employees of manufacturing concerns, as well as supervisory, sales, and other office and overhead employees. Total factory employment was 12 percent higher than in January 1946, and employment in durable goods industries, which was adversely affected by labor disputes last year, gained 13 percent. Among nonmanufacturing industries for which current data are available, California public utilities employed larger numbers than in either January or December 1946, as did quarrying and nonmetallic mining, laundries, and cleaning and dyeing. Employment in hotels and steam railway repair shops fell below both the January and December 1946 figures, while employment in trade and in petroleum producing was lower than in December but higher than a year earlier.

Lack of rainfall

Most of the Twelfth District experienced an unusually dry January—California, the dryest since 1920 and second dryest in 51 years of record. The consequent retardation of pastures and ranges in many sections forced supplemental feeding of livestock, but the immediate situation was relieved in late January and the first part of February. Heavy rains were still needed for deep infiltration in some of the major orchard and vineyard areas.

Potential shortage of irrigation water for later use threatened some of the richest agricultural land in the District. Not only had ground water tables been insufficiently replenished, but lighter than average snowpacks in the mountains, especially along the western slope of the Sierra Nevada, were apparently going to be inadequate to refill all storage dams.

Banking and credit

For the past decade Treasury disbursements in the Twelfth District have regularly exceeded Treasury receipts in the first two months of each calendar year, as well as for the year as a whole. In January and February 1947, however, Treasury receipts in the District exceeded Treasury disbursements by a substantial margin. This excess of receipts over expenditures within the District is due primarily to a relatively large decrease in Treasury disbursements rather than to a relatively large increase in Treasury receipts. The pronounced decline in District manufacturing for Government use and the marked decrease in military personnel stationed within the District are probably the major factors causing a large reduction in Treasury disbursements in the District. Net Treasury receipts in the District reduce member bank reserves, whereas net Treasury disbursements increase them.

The District quite regularly loses bank reserves as the result of an excess of interdistrict payments, other than on Treasury account, over receipts. This loss of reserves also occurred in the first two months of 1947, but it was smaller than the loss in the corresponding period of any year since 1940.

Reserve Bank credit increased substantially in the District during January and February 1947 to help offset the loss of reserves caused primarily by the excess of Treasury receipts over disbursements. Member bank reserves were also increased by a considerable return of currency from circulation.

Government security holdings of District member banks declined moderately during the first two months of 1947. Treasury bills were sold to the Reserve Bank to obtain reserves, while the holdings of certificates of indebtedness declined as a consequence of the partial redemption by the Treasury of the issue that matured February 1.

Total loans of District member banks continued to increase in January and February, though at a much slower rate than during the last half of 1946. This compares with a slight decrease in total loans in the first two months of 1946. Among weekly reporting member banks in the principal cities, the growth of real estate loans was leveling off less rapidly in the early part of 1947, compared with preceding months, than that of other types of loans. Loans for purchasing and carrying securities continued their downward trend.

The Postwar Trend of Hourly and Weekly Earnings in California Industries

SIGNIFICANT wage increases occurred in a wide range of American industries during the past year. These increases have gone far toward offsetting the reductions in hours of work and the occupational shifts that followed the end of the war. By April of 1946, average hourly earnings of factory workers for the United States as a whole reached the highest rate ever recorded up to that time and continued to increase thereafter in each successive month of the year. The December figure of $1.14 per hour was about 10 percent above the level of January 1945, the highest rate attained in any month before 1946. Average weekly earnings, which reflect both hourly rates and average hours of work, advanced somewhat less. At the end of 1946, however, they were only little below the peak rates of late 1944 and early 1945, when premium pay for overtime was widely prevalent. In December 1946 average weekly earnings in manufacturing were about $46.86, as compared with a monthly average for the seven months from October 1944 to April 1945 of $47.23.

National and state trends

Data on wages comparable to those cited for the United States as a whole are not available for the Twelfth District. For California, however, monthly statistics are regularly published on employment, payrolls, hours and earnings.[1] These data show trends of hourly and weekly earnings among manufacturing employees in California essentially parallel in recent years to those for the nation as a whole. Hourly and weekly earnings of factory wage earners in California, as in the nation at large, reached their wartime peaks in late 1944 and early 1945, when the average work week was also at a maximum. The record of employment, hours, and earnings in California manufacturing industries over the years 1939 to 1946 was as follows:

	Average number of production workers (thousands)	Average hours per week	Average hourly earnings	Average weekly earnings
1939	276.2	37.9	$0.73	$27.80
1940	320.1	38.3	.75	28.64
1941	445.0	40.5	.84	33.91
1942	678.3	43.5	1.03	44.78
1943	896.5	44.7	1.16	51.85
1944	831.6	44.9	1.23	55.21
1945	619.7	43.5	1.23	53.53
1946	460.9	39.7	1.29	51.30

Source: California Labor Statistics Bulletin.

Sharp reductions in employment and in hours of work in war industries in the last half of 1945 brought down average weekly earnings of factory employees by the end

[1] See California Labor Statistics Bulletin, Department of Industrial Relations, State of California.

Production and Employment—

Index numbers, 1935-39 average=100	With seasonal adjustment 1946 Dec.	Nov.	Oct.	1945 Dec.	Without seasonal adjustment 1946 Dec.	Nov.	Oct.	1945 Dec.
Industrial production[1]								
Lumber	130	125	119	95	97	119	130	74
Refined oils[2]	—	—	—	—	221	227	229	221
Cement[2]	223	171	146	153	165	171	169	113
Wheat flour[2]	166	133	130	157	166	146	154	157
Petroleum[2]	—	—	—	—	133	132	131	127
Electric power	242	237	236	206	238	232	229	219
Factory employment and payrolls[3 4]								
Employment								
Twelfth District								
California	192	192r	187	163r	193	193r	188	164r
Pacific Northwest								
Oregon								
Washington								
Intermountain								
Payrolls								
California	387	372r	372	298r	388	373r	375	298r

[1] Daily average.
[2] 1923-25 average = 100.
[3] Excludes fish, fruit, and vegetable canning.
[4] Indexes in process of revision.
r Revised.

Distribution and Trade—

Index numbers, 1935-39 daily average=100	With seasonal adjustment 1947 Jan.	1946 Dec.	Nov.	Jan.	Without seasonal adjustment 1947 Jan.	1946 Dec.	Nov.	Jan.
Department store sales (value)								
Twelfth District	313	317	r320	r266	248	503	376	r211
Southern California	333	339	355	r279	279	539	407	r234
Northern California	272	274	287	r241	219	455	344	r194
Portland	276	299	287	r230	223	442	334	r186
Western Washington	344	366	347	r301	263	583	415	r230
Eastern Washington and Northern Idaho	336	306	258	264	223	445	347	175
Utah and Southern Idaho	326	305	289	r268	233	500	361	r191
Phoenix	368	364	365	319	317	601	426	274
Department store stocks (value)[1]	327	334	296	183	288	r274	313	161
Carloadings (number)[2]								
Total	140	121	111	123	111	107	112	98
Merchandise and misc.	154	145	134	143	129	129	134	120
Other	122	r91	83	99	88	79	84	71

r Revised.
[1] At retail, end of month, 1935-39 average = 100.
[2] 1923-25 daily average = 100.

of that year to approximately the levels of 1942 or early 1943, both in California and in the nation as a whole. The reductions in average hours and earnings in 1945 were somewhat greater in California than in the country at large, probably because of California's relatively larger proportion of war workers. The average work week in California manufacturing industries shrank between the first and fourth quarters of 1945 by about one-ninth, from 45.0 hours to 40.1 hours, while the reduction in the United States as a whole was only about one-thirteenth, from 45.4 hours to 41.5 hours. Average hourly earnings during the same period declined from $1.25 to about $1.19 per hour in California, and from a little over $1.04 to slightly under $0.99 per hour in the United States, or about five percent in both cases. Average weekly earnings fell in California from $56.24 in the first quarter to $47.66 in the final quarter, or 15 percent, and in the country as a whole from $47.43 to $41.00, a little under 14 percent.

The year 1946 saw a reversal of the downward drift of wage payments and a definite trend toward increases both in hourly rates and in weekly earnings. Hours of work, on the other hand, continued to decline, though much more slowly than in 1945. The remainder of this discussion is concerned chiefly with the analysis of these tendencies as they were manifested in California industries between the final quarter of 1945 and the final quarter of 1946.[1] The changes occurring over that period may be briefly summarized as follows: Average hourly earnings increased substantially in all California industries, both manufacturing and nonmanufacturing, and reached levels higher than any previously recorded. Average weekly earnings also increased in most industries, but by relatively smaller amounts, because of the quite general tendency toward shorter hours of work. The wide differences in hourly and weekly earnings that formerly existed among many industries, especially during the war, were greatly reduced. Similar reductions occurred in the differentials in earnings formerly enjoyed by industrial workers in the San Francisco industrial area compared with those in the Los Angeles industrial area.

[1] Unless the context implies the contrary, subsequent comparisons between 1945 and 1946 are to be understood as applying to the final quarters of those years.

Banking and Credit—

Averages of Wednesday figures (millions of dollars)	1947	Change from 1946		
Condition items of weekly reporting member banks	**Jan.**	**Dec.**	**Nov.**	**Jan.**
Total loans	1,906	+ 25	+ 84	+ 590
Com'l., ind., and agric. loans	1,131	+ 25	+ 60	+ 522
Loans to finance transactions in:				
U. S. Government securities	84	— 11	— 20	— 136
Other securities	60	— 6	— 3	+ 3
Real estate loans	404	+ 11	+ 28	+ 112
All other loans	227	+ 6	+ 19	+ 89
Total investments	4,756	—151	—313	—1,524
U. S. Government securities	4,332	—146	—309	—1,520
All other securities	424	— 5	— 4	— 4
Adjusted demand deposits	3,614	— 39	+ 7	+ 136
Time deposits	2,189	+ 18	+ 22	+ 158
United States Government deposits	186	— 93	—233	—1,393
Coin and currency in circulation				
Total (changes only)	—	— 18	— 17	— 317
Fed. Res. Notes of F. R. B. of S. F.	2,832	— 46	— 46	— 339
Member bank reserves	2,102	— 4	+ 44	+ 94

California manufacturing industries

The average volume of manufacturing employment and factory payrolls in California for 1946 as a whole were materially below the average levels of 1945, which were heavily weighted by a high rate of activity in the aircraft and shipbuilding industries during the first half of the year. By the final quarter of 1946, however, the cumulative improvement in general business conditions had brought manufacturing employment to a point about one-eighth larger and payrolls to a point nearly one-fourth larger than during the last quarter of 1945.

This improvement was accompanied by marked gains in hourly and weekly earnings. In spite of a small reduction in the average work week between the last quarter of 1945 and the last quarter of 1946, average hourly earnings of production workers in California manufacturing industries advanced by about 12.5 percent and average weekly earnings by about 11 percent. These gains carried hourly earnings to a point somewhat above, and weekly earnings to within about seven percent of, the figures for the final quarter of 1944. These figures had marked the highest previous levels attained in the state. In that quarter, however, average hours of work were about one-eighth longer than in the corresponding quarters of either 1945 or 1946. Average hours per week and average hourly and weekly earnings, in California manufacturing industries in the final quarter of each year from 1943 to 1946, were as follows:

	Average hours per week	Average hourly earnings	Average weekly earnings
1943—4th quarter	44.5	$1.20	$53.46
1944—4th quarter	45.3	1.26	57.10
1945—4th quarter	40.1	1.19	47.66
1946—4th quarter	39.6	1.34	52.93

Source: California Labor Statistics Bulletin.

Durable and nondurable goods industries

Important differences have characterized the behavior of wage changes between 1945 and 1946 in various California industries and industry groups. The general drift has been toward a greater degree of equality in hourly and weekly earnings as contrasted with the wide differences prevailing during the war and, to a less extent, before the war. While average hourly and weekly earnings at the end of 1946 were still somewhat lower in the industries producing nondurable goods than in the durable goods industries, the marked differentials formerly enjoyed by employees in the latter category were substantially reduced. Most of this reduction was effected within the first few months following V-J Day and was largely the result of drastic reductions in hours of work in the war industries. During 1943, 1944, and the first eight months of 1945, average hourly earnings in the durable goods industries exceeded those in the nondurable goods group by approximately 20 cents per hour, and average weekly earnings ranged from about $12.00 to $15.00 per week higher. In September 1945 the difference in average hourly earnings between the two groups was cut to about 13 cents per hour, and the spread in average weekly earnings reduced to about $4.15 per week. In the final quarter of 1945 average hourly earnings in the nondurable goods industries were $1.13 per hour, as against $1.23 per hour in the durable goods classification; average weekly earnings were $45.87 and $49.07 respectively. By the end of 1946, the differences were still further reduced: hourly earnings in the last quarter of 1946 were $1.30 per hour in nondurable goods industries and $1.36 in the durable goods group; weekly earnings were $51.41 and $54.13 per week respectively.

The relative positions of the two groups of industries, with respect to hours and earnings in the final quarter of each year from 1943 to 1946, were as follows:

	Average hours per week		Average hourly earnings		Average weekly earnings	
	Durable goods	Non-durable goods	Durable goods	Non-durable goods	Durable goods	Non-durable goods
1943—4th quarter..	45.1	42.0	$1.24	$1.04	$56.19	$43.76
1944—4th quarter..	46.5	42.1	1.31	1.09	61.05	46.05
1945—4th quarter..	39.8	40.4	1.23	1.13	49.07	45.87
1946—4th quarter..	39.6	39.6	1.36	1.30	54.13	51.41

Source: California Labor Statistics Bulletin.

Two factors were mainly responsible for the improved relative position of employees in the nondurable goods industries with respect to average earnings. One is the circumstance that the longer work week, which formerly characterized many of the durable goods industries and which largely accounted for the premium wage rates and high weekly earnings enjoyed by workers in those industries during the war, has practically disappeared. During the 16-month period from September 1945 to December 1946, the average work week was more often longer in the nondurable goods group. The second factor is that wage increases since V-J Day were proportionately larger in the nondurable goods industries than in those producing durable goods. In fact, increases in average hourly earnings were already taking place in the nondurable goods industries in the last quarter of 1945 and continued at a relatively rapid rate through 1946.

Variations among industries

The 48 individual manufacturing industries for which statistics are available differed greatly in the extent to which they were affected by changes in hours and earnings between the final quarters of 1945 and 1946. Twelve industries reported a longer work week in 1946, 36 a shorter week. Only four experienced reductions in weekly earnings, which amounted in no case, however, to more than about three percent. Every industry without exception reported increased hourly earnings, varying from as little as one percent to as much as 27 percent. These 48 industries are here broadly classified in three general groups on the basis of their differences with respect to changes in hours of work and in hourly and weekly earnings between 1945 and 1946:

1. Industries with increases in hours of work and increases in both hourly and weekly earnings. (Six durable goods and six nondurable goods industries.)
2. Industries with reductions in hours of work, relatively small increases in hourly earnings, and either decreases or small increases in weekly earnings. (Eight durable goods and six nondurable goods industries.)
3. Industries with reductions in hours of work but having substantial increases in both hourly and weekly earnings. (Nine durable and 13 nondurable goods industries.)

The influence of materially longer hours was apparent in relatively few cases, notably in beet sugar refining, in fruit and vegetable canning and preserving, and in tire and tube production. Smaller increases in working hours occurred in the logging and sawmill and the men's and boys' tailored clothing industries. In these five industries both hourly and weekly earnings advanced sharply over those of the previous year; the increases ranged from 14 to 23 percent for hourly earnings, and from 21 to 32 percent for weekly earnings. The other seven industries having a longer work week in 1946, but with increases in no case exceeding a fraction of an hour, reported hourly and weekly earnings within the general range of 10 to 18 percent above those of 1945. These industries were: confectionery, furniture, structural clay products, iron and steel foundries, aircraft and parts, men's and boys' work and sport garments, and pottery.

At the other extreme was the group of 14 industries where marked reductions in hours or lagging wage advances held gains in weekly earnings to a moderate figure or even resulted in a decline below the 1945 level. Comparatively large reductions in working hours for the industries in this group occurred in the meat products, cement, beverages, petroleum refining, grain mill products, and glass and glassware industries. Smaller reductions in the work week occurred in steel mills and in industries producing machinery[1], sheet metal products, hardware, industrial chemicals and tobacco products. In none of this group of industries did average hourly earnings advance more than about 13 percent above the 1945 figure. Weekly earnings ranged from as much as 6.5 percent over 1945 in the chemical industry to about three percent below 1945 for the hardware, beverages, and tobacco industries.

The intermediate group of 22 industries experienced reductions in working hours between 1945 and 1946, ranging from a fraction of an hour to nearly four hours per week. In every instance, however, both hourly and weekly earnings were larger than in 1945, in some cases by quite substantial amounts. Relatively large increases in earnings in this group occurred in fish canning, newspaper and periodical publishing, book and job printing, shipbuilding and repair, structural steel, tin cans and tinware, engines and turbines, dairy products, bakery products, textile fabrics, women's and children's clothing, and in millinery. These 12 industries reported increases over 1945 in hourly earnings of from 13 to 18 percent, and in

[1] Under the caption "machinery" are included the three machinery-making industries other than electrical machinery and equipment.

weekly earnings of from 10 to 15 percent. The remaining 10 industries of the group reported somewhat smaller gains; they had increases in hourly earnings, however, of from 9 to 16 percent, which sufficed to maintain weekly earnings at levels of about 7 to 10 per cent above those of 1945. This group included planing mills, nonferrous metals foundries, and the industries producing automobiles and automobile equipment, paints and varnishes, heating and plumbing supplies, paper, converted paper products, knit goods, leather goods, and electrical machinery and equipment.

Regional differences

The different sections of the state appear to have benefited somewhat unequally from the general increase in manufacturing wages between 1945 and 1946. The Los Angeles industrial area made greater relative gains, both in hourly and weekly earnings, than the San Francisco Bay industrial area.

This result is probably associated with the continuance into peacetime of a substantial volume of employment in the relatively well-paid aircraft and aircraft parts industries in the Los Angeles area, in contrast with the more complete liquidation of the highly paid war industries, notably shipbuilding, in the San Francisco area. In part, however, the improved status of the Los Angeles area with respect to industrial earnings is due to the maintenance of a somewhat longer work week in that area. Average hours of work in both areas were about 40 per week in the last quarter of 1945; by the final quarter of 1946, the average work week had dropped in the Los Angeles area to about 39.5 hours per week and in the San Francisco area to 38.9 hours. Average hourly earnings were almost identical in the two areas—about $1.20 per hour in 1945 and $1.35 per hour in 1946—with a small but diminishing differential in favor of the San Francisco area. The differential in average weekly earnings, however, formerly characteristic of the San Francisco industrial area, was completely wiped out. Whereas in prewar years this differential amounted to some $2.00 per week and increased during the war to over $5.00 per week, it had been reduced by the final quarter of 1945 to about 35 cents per week. In the last quarter of 1946 the advantage was actually in favor of the Los Angeles area, where average weekly earnings in all manufacturing industries were about $53.45 per week as compared with about $52.60 in the San Francisco area.

Nonmanufacturing industries

The upward trend of wages and the downward drift of working hours in 1946 were not limited to the manufacturing industries. Average hourly earnings in a group of 12 nonmanufacturing industries in California increased between the final quarters of 1945 and 1946 within a range of 5 to 26 percent. Hours of work were reduced in most of the group; average weekly earnings advanced, however, in eight of these 12 industries by 10 percent or more and in three of the remainder by smaller amounts. Only in the crude petroleum producing industry was the reduction in hours large enough to bring weekly earnings below the level of the previous year.

In general, the increases in hourly and weekly earnings in the nonmanufacturing industries roughly paralleled those which occurred in manufacturing. The largest relative gains in weekly earnings were in retail trade, in motion picture production, and in quarrying and nonmetallic mining; marked increases in hourly earnings occurred in electric railway and bus operation, in retail trade, in telephone and telegraph operation, in motion picture production, in quarrying and mining, and in steam railroad repair shops. The smallest gains, considering hourly and weekly earnings together, occurred in wholesale trade, in hotels, and in laundering, cleaning and dyeing establishments. Total employment and total payrolls advanced in California nonmanufacturing industries much more than in the manufacturing industries between 1945 and 1946, reflecting the redistribution of the labor force since the end of the war.

Note: Material in mimeographed form will be supplied on request, showing average hours per week, average hourly earnings, and average weekly earnings in the final quarters of 1945 and 1946 for each of the 48 manufacturing and 12 nonmanufacturing industries of California discussed in the foregoing article.

Production Goals for Agriculture—1947

Unlike the remainder of the American economy, agricultural production promises to continue on a near-war footing at least for the current year. In recommending 1947 goals for crop and livestock production, the Secretary of Agriculture gave the following four reasons for this near-maximum production policy: (a) high domestic demand as a result of high industrial employment; (b) the need for American agricultural products abroad; (c) the desirability of building up domestic reserves, which, for some commodities, were badly depleted during the war; and (d) the contingency of less favorable weather and consequent lower yields than in recent years. Needless to say, however, the urgency of continued maximum production does not apply to all agricultural commodities in equal measure.

Crop production goals for the United States

Final 1947 goals for the country as a whole call for the planting of 357 million acres of crops, compared with 346 million actually planted in 1946. While the total acreage goal differs from last year's actual acreage by only three percent, the difference is considerably greater for some types of crops, reflecting official efforts to bring agricultural production into greater conformity with estimated requirements. Increases are proposed for barley, rye, dry beans, sorghum grains, soybeans, flaxseed, cotton, sugar beets and sugar cane, sweet potatoes, hay, and cover crop seeds. The increase suggested for flaxseed, 86 percent, is the greatest relatively, and that for cotton, 4.8 million acres, is the greatest in absolute terms. Proposed expansion of the acreage devoted to oil seeds and sugar crops reflects persisting shortages of edible and drying oils, especially the latter, and of sugar, in American markets. The proposed increase of cotton acreage is based on reduced stocks and on the possibility of somewhat larger

1947 Crop Goals and 1946 Plantings—United States
(in thousands of acres)

	Goals for 1947	Planted in 1946
Food grains and legumes	77,222	77,477
Feed grains and forage	165,303	166,300
Oil and fiber crops	42,183	33,647
Sugar crops	1,396	1,229
Vegetables	7,258	7,630
Tobacco	1,854	1,967
Total cultivated crops	295,216	288,250
Hay and seed crops	61,524	57,559
Total excluding grass and legume seeds	356,740	345,809

exports. Reductions in acreage are suggested for wheat, dry peas, corn, oats, peanuts, potatoes, burley tobacco, and truck crops both for the fresh market and for processing. The Secretary of Agriculture warned farmers that planting in excess of the goals for potatoes, peanuts, and burley tobacco might result in over-production and serious marketing difficulties. Potatoes, the only one of these three crops grown in volume in the Twelfth District, were over-produced in 1946 and received extensive Government price support.

Livestock and livestock products goals

With few exceptions, national goals for livestock and livestock products call for moderate reductions compared with actual performances in 1946. The 1947 goals for pigs and sheep, and for milk production, however, exceed 1946 figures. If these goals are attained, 23.4 billion pounds of meat will be produced in 1947, or 1.5 billion pounds more than in 1946. The 1947 livestock goals were

1947 Goal for Livestock and Livestock Products and Actual 1946 Figures—United States

	1947 Goals	1946 Actuals
Cattle and calves on farm, Dec. 31, thousand head	78,500	81,050
Beef cows on farm, Dec. 31, thousand head	14,861	16,360
Milk cows on farm (average for year), thousand head	24,418	24,479
Sows to farrow: Spring, thousand head	9,162	8,087
Fall, thousand head	not available	4,633
Pigs saved: Spring, thousand head	58,000	52,324
Fall, thousand head	32,000	29,100
Stock sheep and lambs on farm, Dec. 31, thousand head	35,299	32,542
Chickens raised, thousand head	677,110	677,166
Turkeys raised, thousand head	40,666	41,013
Milk production on farm, million lbs.	120,406	119,900
Egg production on farm, million doz.	4,200	4,655

announced before actual 1946 production of milk and eggs and end of year livestock population were known. As actual figures differed considerably from the estimates[1] used in establishing goals, expectations regarding the attainment of these goals have to be correspondingly revised.

[1] Assumed figures were (in thousand head): cattle 80,200, beef cows 15,673, and sheep and lambs 35,200. Assumed production of milk was 119 billion pounds and of eggs 4,480 million dozen.

Price support

The chief instrument by which the Government influences agricultural and livestock production is the system of price supports, which was developed in prewar years and greatly expanded during the war. Under existing legislation, the present price support policy—applying to about 160 commodities—continues until the end of 1948.

There are three groups of commodities entitled to support: "basic" commodities, which are corn, wheat, cotton, tobacco, rice, and peanuts for nuts; so-called "Steagall" commodities, the most important of which are hogs, eggs, chickens over 3.5 pounds live weight, turkeys, milk, butterfat, dry peas and dry beans of specified types, flaxseed, and potatoes; and a large number of "other" commodities, among which wool, sugar beets and sugar cane, barley, and sorghum grain are currently included. While support for "basic" and "Steagall" commodities is mandatory, the support of "other" commodities is permissive. The minimum Government-guaranteed price commonly is 90 percent (for upland cotton 92.5 percent) of the parity price at the beginning of the marketing year for individual commodities. The Government has, however, supported and may continue to support such commodities as sugar beets, sugar cane, and wool at a level far above parity.

Prices originally were supported for the purpose of raising farm income, which had been disproportionately depressed during the thirties. In the war years, the major objective of price support, and promises of continued price support, was expansion of agricultural production. The so-called consumer subsidies, making it possible to give farmers a monetary reward for producing certain products despite price ceilings below the incentive level, were a variation of this. As demand for agricultural products reverts to peacetime levels, maintenance of farm income can be expected to replace expansion of production as the chief end of agricultural price supports. Under these conditions, acreage limitations may become an essential part of the program. Since the peak of the war effort, only two limitation programs have been announced. The first, applying to dried peas in 1945, encountered strong opposition and was revoked. The second, announced recently, applies to the 1947 potato crop.

The Government supports prices by three methods: nonrecourse loans to producers at the guaranteed percentage of parity; marketing agreements between producers, their organizations, or dealers, and the Commodity Credit Corporation; and outright purchases in regular market channels. Nonrecourse loans to producers are the mandatory type of support for "basic" commodities. These loans, however, may be supplemented by direct purchase, as in the case of peanuts, and of wheat in Georgia and South Carolina, where suitable storage facilities are lacking. Support through loans is also practiced in the case of some nonperishable "Steagall" commodities. For certain other commodities, of which sugar beets are an example, a fixed price is set at the beginning of the planting year and the Government pays a subsidy equal to the difference between the market price and the guaranteed price.

The Department of Agriculture expects that marketing conditions in 1947 for the bulk of commodities entitled to price support will make Government intervention unnecessary. Price support operations in 1947 are definite, however, for sugar beets and sugar cane, and flaxseed. Wool support operations will end April 15 unless renewed by Congress. The Government is already buying eggs, powdered milk, and poultry in order to maintain guaranteed prices, and similar support is almost certain for potatoes.

Production goals for the Twelfth District

The accompanying table shows 1947 production goals for the Twelfth District by states for individual commodities compared with actual accomplishment in 1946. In broad terms, 1947 production goals recommended by the states in the District reflect the Department of Agriculture's suggestions for the country as a whole, but there are many differences which take account of special conditions in the District's agriculture and its performance in 1946. For example, while national goals call for a reduction in planted acreage of wheat, corn, and oats, District goals allow a slight expansion. Both national and District goals propose increases in rye, sorghum grain, tame hay, dry beans, flaxseed, sugar beets, cotton, and alfalfa seed, and decreases in dry peas and potatoes.

The proposed cut in California early potatoes, amounting to 35 percent of the 82,000 acres planted in 1946, is the largest reduction proposed for any crop in any state of the District. In 1946, early potato growers in California overplanted their goal by 28 percent. Since early potatoes, which at Government support prices gross 400 to 600 dollars per acre, are by far the most profitable crop in

1947 Farm Production Goals—Twelfth District

Compared with Acreage Planted, Livestock Population, or Production, 1946

Field crops (thousands of acres)		Ariz.	Calif.	Idaho	Nev.	Ore.	Utah	Wash.	Twelfth District Total	Twelfth District 1947 goal as % of 1946 actual
Barley	1947	160	1,800	285	24	250	159	135	2,813	99.6
	1946	161	1,870	291	24	232	132	115	2,825	
Corn	1947	41	70	32	4	42	30	32	251	107.7
	1946	41	67	28	3	40	28	26	233	
Hay, tame	1947	290	1,900	985	180	850	525	915	5,645	100.9
	1946[1]	311	1,881	985	173	815	510	918	5,593	
Oats	1947	28	550	191	12	400	48	270	1,499	113.0
	1946	26	554	158	12	384	52	141	1,327	
Rye	1947	—	10	6	—	38	8	16	78	104.0
	1946[1]	—	10	6	—	38	9	12	75	
Sorghum, grain	1947	70	140	—	—	—	—	—	210	114.8
	1946	73	110	—	—	—	—	—	183	
Wheat	1947	30	800	1,300	20	1,000	300	2,750	6,200	103.1
	1946	29	737	1,191	22	1,085	308	2,640	6,012	
Beans, dry	1947	18	377	150	—	—	7	4	556	129.0
	1946	15	287	119	—	—	6	4	431	
Peas, dry	1947	—	—	153	—	21	—	235	409	92.5
	1946	—	—	163	—	27	—	252	442	
Potatoes, Irish	1947	5	92	168	3	45	16	49	378	88.3
	1946	7	122	168	3	52	20	56	428	
Rice	1947	—	250	—	—	—	—	—	250	98.4
	1946	—	254	—	—	—	—	—	254	
Sugar beets	1947	—	180	95	—	22	50	17	364	110.3
	1946	—	157	91	—	20	46	16	330	
Cotton	1947	160	390	—	—	—	—	—	550	109.1
	1946[2]	145	359	—	—	—	—	—	504	
Flaxseed	1947	15	160	—	—	1	—	1	177	145.1
	1946	14	106	—	—	1	—	1	122	
Alfalfa seed	1947	44	25	30	—	10	42	—	151	104.9
	1946[1]	46	22	23	—	7	46	—	144	
Other legume and cover crop seeds	1947	—	16	75	—	281	—	10	382	109.5
	1946[1]	—	17	40	—	286	—	6	349	
Livestock (in thousands)										
Beef cows on farm, Dec. 31	1947	464	546	146	193	326	135	137	1,947	93.5
	1946[3]	438	595	198	260	304	157	130	2,082	
Milk cows, average number on farm	1947	51	830	220	19	231	110	335	1,796	100.7
	1946	44	824	220	18	231	112	335	1,784	
Stock sheep and lambs on farm, Dec. 31	1947	524	1,855	1,050	550	729	1,930	325	6,963	103.7
	1946[3]	462	1,974	1,109	514	775	1,518	364	6,716	
Sows to farrow, Spring	1947	4	61	33	4	25	12	26	165	105.8
	1946	4	55	33	4	23	11	26	156	
Chickens raised	1947	760	21,200	3,800	450	4,500	2,670	8,240	41,620	112.3
	1946	630	19,131	3,562	355	3,528	2,358	7,485	37,049	
Turkeys raised	1947	100	3,700	300	50	2,100	1,850	1,500	9,600	106.5
	1946	91	3,712	255	42	2,013	1,590	1,310	9,013	
Milk production (million pounds)	1947	249	6,077	1,298	114	1,356	682	2,101	11,877	102.3
	1946	239	5,834	1,276	103	1,331	680	2,144	11,607	

[1] Harvested acreage.
[2] In cultivation July 1.
[3] District goal based on preliminary estimates of 1,961,000 beef cows and 7,671,000 sheep and lambs as of December 31, 1946.
Note: Since adoption of state goals some changes have been made in national goals. These changes are not reflected in this table.

the area in which they are grown, the incentive for heavy planting would continue in the absence of penalties or other offsets. The same tendency for overplanting proposed potato goals exists, perhaps in less extreme form, in other states of the District. The Department of Agriculture has stated, however, that price support will be given only to growers who plant within their acreage allotments. The entire production of farmers who plant in excess of their allotments becomes ineligible for Government price assistance.

National goals propose also a reduction in the acreage of vegetables both for the fresh market and for processing, but state goals have not been established in the District. Judging from reports on District acreages of winter vegetables, a reduction in the total acreage planted to truck crops is very probable. No price support for vegetables is contemplated in 1947.

The greatest relative increase in acreage, both in the country as a whole and in the District, has been suggested for flaxseed. The national goal is 186 percent of 1946 acreage, and the District goal is 145 percent. To promote this increase the originally announced support price was increased from four dollars to six dollars per bushel. Outside of the Twelfth District, the Department of Agriculture would like to see the reduced acreage of spring wheat in Minnesota and the Dakotas shifted to flax. In the District, most of the flax is grown in the Imperial and the San Joaquin Valleys in California. Here the shift will probably be at the expense of barley and perhaps other grains. District acreage planted to flaxseed as of January 1, 1947, however, is only 144,000 acres, compared with 122,000 acres in 1946 and with the goal of 177,000 acres.

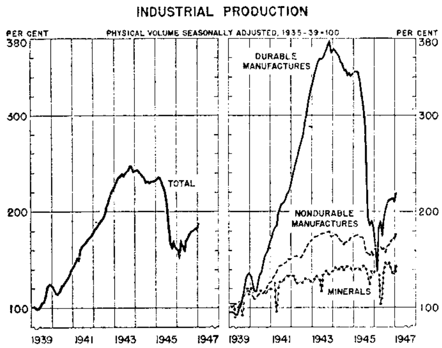
Most District farmers are in a very favorable position in respect to production plans, since they have at their disposal many profitable choices. According to the Department of Agriculture, many western potato growers, for example, could also raise dry beans or sugar beets, and the price prospects for both of these crops are excellent. Washington, Oregon and Idaho pea growers have a favorable alternative in wheat. Flaxseed prospects also seem very good, both in California and Arizona. Sugar beet growing in 1947 is especially attractive. In California, the limiting factor in sugar beet growing now lies in the capacity of processing plants.

There are quite a number of differences between national and District goals for livestock and livestock products in 1947. Both programs suggest a decline in beef cows and increases in pigs and milk. While the national program proposes a small decrease in milk cows and in chickens and turkeys, the District program proposes a slight increase in the number of milk cows and a considerable increase in the number of chickens and turkeys. The reduction in turkey production in 1946 in the country at large occurred almost entirely in the three Pacific states. The number of sheep and lambs at the end of 1946 is smaller than the suggested goals for both the country as a whole and for the District. The national goal calls for a decrease of egg production. Except for California, where an increase in egg production from 154 to 175 million dozen is proposed, no state of the District has established a goal for eggs.

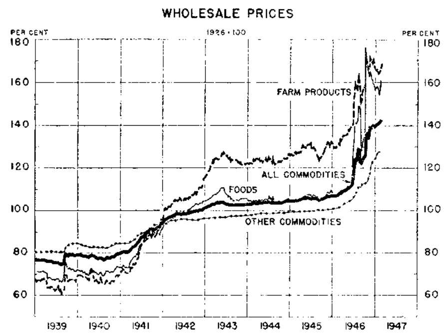
National Summary of Business Conditions

Released February 27, 1947—Board of Governors of the Federal Reserve System

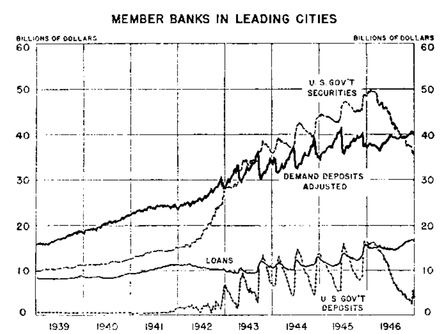
INDUSTRIAL output reached a new record peacetime level in January—one-sixth higher than at the beginning of last year. Dollar volume of retail sales during January and the early part of February was substantially larger than in the same period last year, reflecting mainly increased prices. Prices of agricultural commodities have risen in recent weeks, following earlier declines, and prices of building materials have shown further increases.



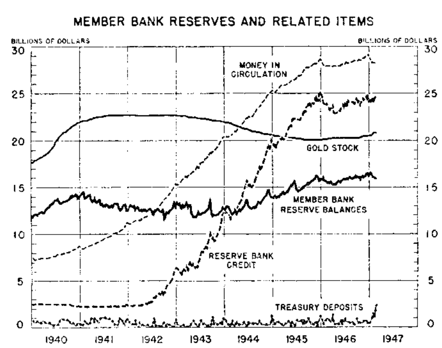
Federal Reserve index. Monthly figures, latest shown are for January 1947.



Bureau of Labor Statistics' indexes. Weekly figures, latest shown are for week ending February 15, 1947.



Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for December 31, 1946.



Wednesday figures, latest shown are for February 19, 1947.

Industrial Production

Total output at factories and mines in January was at a rate of 188 percent of the 1935-39 averages, according to the Board's seasonally adjusted index, as compared with 181 in December and with the previous peacetime peak of 183 in November. The large rise in January reflected chiefly sharp gains in output of coal, iron, and steel. Production of these materials had been curtailed in November and December owing to the bituminous coal work stoppage.

Production of iron and steel in January was in the largest volume since May, 1945. Steel mill operations averaged 93 percent of capacity and were at a slightly higher scheduled rate during the first three weeks of February. Output of building materials was maintained at an unusually high level for this season, and activity in the nonferrous metals, machinery, and transportation equipment industries was maintained close to the December rate.

Production of nondurable goods was at a rate of 177 percent of the 1935-39 average in January as compared with 173 in November and December. Activity in the chemicals, foods, and paper and printing industries reached new postwar peak rates in January, while output of most textile and leather products was below earlier peak rates.

Output of bituminous coal, after being curtailed in November and December, increased in January to the highest level in twenty years and was 9 percent above a year ago. Production of metals advanced somewhat, while output of anthracite and crude petroleum declined slightly.

Employment

Employment in manufacturing and most other nonagricultural industries continued to show little change in January, after allowing for the usual seasonal variation. The number of persons unemployed increased further to a level of 2,400,000.

Construction

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, increased by one-fourth in January following a marked decline during the preceding seven months. About one-half of the increase was accounted for by public nonresidential construction, reflecting chiefly large awards for veterans' hospitals. Residential contracts expanded by one-third due principally to awards for several large apartment projects.

Distribution

Value of department store sales in January and the early part of February was maintained close to the level prevailing since last June, after allowance is made for the usual seasonal changes. Sales during the first seven weeks of this year were 17 percent larger than the same period last year. Sales at other retail stores were at a relatively higher level compared with last year, reflecting mainly advanced prices for foods and increased supplies of such durable goods as automobiles and hardware. Unit sales of numerous nondurable goods apparently have declined somewhat from earlier advanced levels.

Freight carloadings increased somewhat further in January, reflecting chiefly increased shipments of coal, iron, steel, and lumber. Shipments of most manufactured products and agricultural commodities showed little change. Shortages of cars continued to limit the movement of some classes of freight.

Commodity Prices

Prices of farm products and foods, which declined from the middle of December to the latter part of January, have risen since that time, reflecting partly severe weather conditions and increased Federal export allocations for grains. Wholesale prices of most industrial products have shown little change but building material prices have increased further.

Bank Credit

Income tax collections greatly increased Treasury deposits at the Reserve Banks in January and the first half of February and placed member banks under moderate Reserve pressure. A post-holiday return flow of currency of about 900 million dollars and an increase in monetary gold stock supplied some Reserve funds to member banks and there was a decline in required reserves. To maintain their Reserve positions, however, banks sold short-term Government securities to the Reserve Banks.

Bank deposits were also reduced by tax collections, notwithstanding the return flow of currency. At member banks in leading cities demand deposits adjusted declined by 1.3 billion dollars in the four weeks ending February 19. Commercial and industrial loans continued to expand during January and early February; the rate of increase was more moderate than during last summer and fall. Government security holdings declined further, reflecting Treasury debt retirement and bank sales of bills and certificates.