



TWELFTH FEDERAL RESERVE DISTRICT

# MONTHLY REVIEW

JULY 1951

FEDERAL RESERVE BANK OF SAN FRANCISCO

## REVIEW OF BUSINESS CONDITIONS

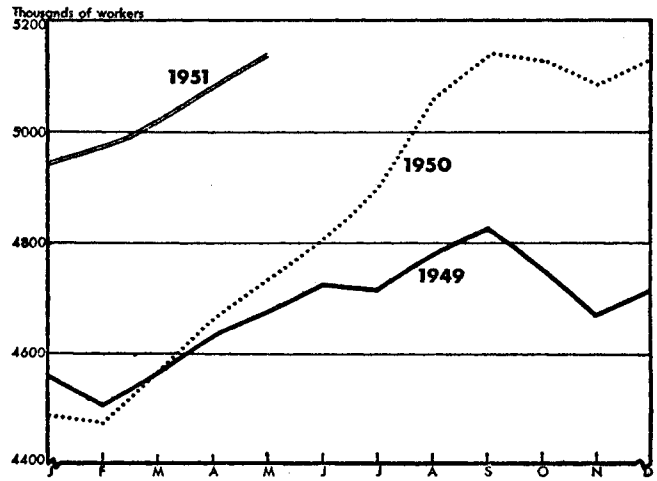
**A**t mid-year the Twelfth District presented a strong economic picture. Even though there was some weakness in construction and retail sales were not up to expectations after February, the first half of the year had been marked by considerable growth. Employment expanded to a record level and production in many lines was at an all-time high. Unemployment, which had been relatively higher than the national average even during previous periods of high activity, dropped to a ratio comparable to the national figure.

Even though the over-all situation in the District is good, a few industries reflect the moderation of inflationary pressures of the past several months. Declining home construction nationally as well as in this District has had a marked effect on the demand for lumber. Though the industry is still operating at a high level, prices for typical grades of lumber used in home construction have declined from the unusually high levels of several months ago. Home construction has been restricted more by a shortage of mortgage money resulting from general credit policy than by the immediate effects of Regulation X, though the latter may have an increasing effect as time goes on. Sales of many types of consumer durable goods have been slower than manufacturers or retailers consider desirable. Yet such sales appear fairly good in terms of the volume prior to the outbreak of hostilities in Korea, and total consumer buying has appeared to be reasonable even in terms of the high level of consumer incomes. An over-estimate of the demand based on the scare buying of mid-1950 and early 1951 led to record production and deliberate inventory accumulation through the first quarter of this year in anticipation of even greater demand and possible shortages. At the same time, consumers have been confronted by numerous price increases and even if they wished to do so probably would find it difficult to maintain the spending rate on durable goods evident in July 1950 and January this year without large injections of credit.

### *District employment rises sharply*

Paced by a large gain in manufacturing employment, total nonagricultural employment in the Twelfth District increased 9 percent between June 1950 and June 1951.

TOTAL NONAGRICULTURAL EMPLOYMENT—  
TWELFTH DISTRICT, 1949-51



Source: U. S. Bureau of Labor Statistics and cooperating State agencies.

Most of the increase during the 12 months occurred in four District areas. Los Angeles, San Francisco, San Diego, and Seattle accounted for approximately 80 percent of the new jobs which totalled 400,000 for the District as a whole. Because of the large gain in the number of people at work, unemployment fell more than 50 percent, and the number out of work accounted for less than 3 percent of the total labor force. This is the lowest peacetime ratio of unemployment on record, and for the first time since estimates of this type have been available the District ratio is fairly close to that for the country as a whole—2.6 percent.

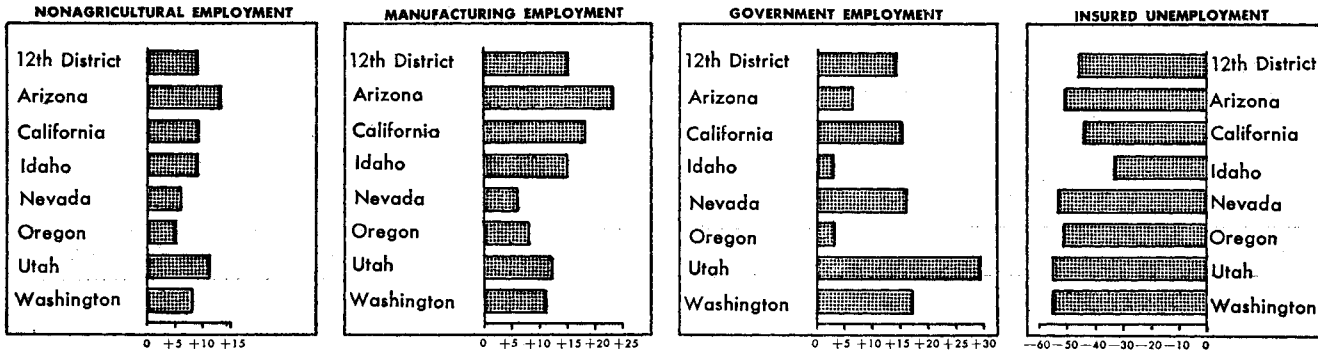
Reflecting the sharply increased demand for goods of all kinds since the start of the Korean conflict, District manufacturing employment increased 15 percent between

Also in This Issue

**Selective Credit Controls—  
Two Viewpoints**

**Fruit and Vegetable Canning—1950-51  
Season and Outlook for 1951-52**

EMPLOYMENT IN SELECTED INDUSTRIES AND INSURED UNEMPLOYMENT—TWELFTH DISTRICT  
Percent change, June 1950—June 1951



Source: U. S. Bureau of Labor Statistics and cooperating State agencies.

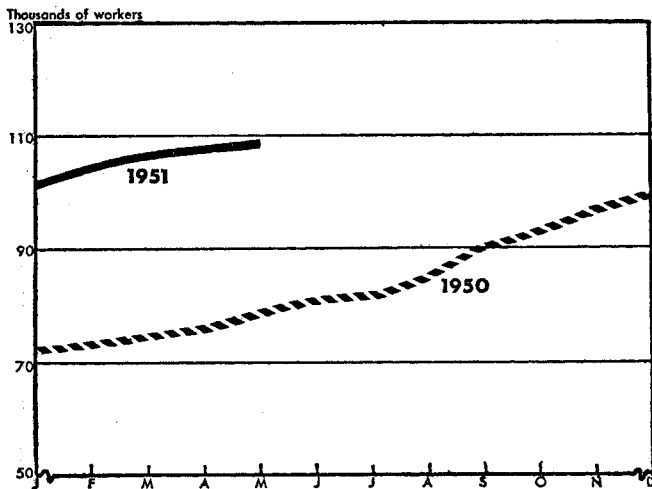
June 1950 and June 1951. Government employment, principally at military establishments, gained 14 percent. Most of the gain was at Government arsenals and shipyards where there is considerable manufacturing. Construction employment recorded an average gain of 9 percent. The smallest increases—3 percent—were reported in trade and service industry employment.

Private as well as Government demand for manufactures has been heavily concentrated in durable goods. Even before the expanded defense program had much effect, employment in durable goods industries rose sharply. As defense contracts increased in number further impetus was given to the expansion of activity in these industries. Employment in plants producing durables gained over 20 percent in the 12 months ending June 1951. Aircraft employment showed the largest relative increase, gaining more than 50 percent from its June 1950 level. Machinery employment gained over a third and metal products employment over a fifth. In contrast to the sharp increases in these lines, employment in non-durables gained only 4 percent.

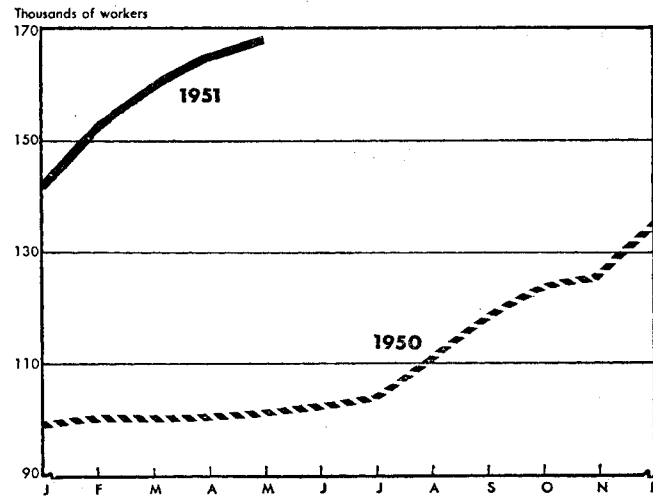
The structure of the gain in employment reveals several other developments when examined on a state basis. Utah reported a large relative gain in nonagricultural

employment because of a very rapid increase in Government jobs along with substantial gains in manufacturing and construction employment. Employment at arsenals and air bases in Utah constitutes the major source of gain in Government jobs. In Idaho, construction employment gained sharply because of increased activity in the construction of atomic energy facilities. California experienced a large gain (in relative as well as absolute terms) in manufacturing employment because of the increase in aircraft activity and the gains in machinery and metals employment. In Oregon, large relative gains were reported in the machinery and metals industries. A rather minor gain in lumber, the largest industry in Oregon, limited the growth in total manufacturing employment to less than the District average. Employment in construction and other nonmanufacturing lines also failed to keep pace with District growth and Oregon reported a relatively small gain in total nonagricultural employment. Washington nonagricultural employment also gained less than the District despite a substantial rise in aircraft and Government employment. A small percentage increase in the lumber and forest products industries group in Washington restrained the over-all gain in employment in that state.

EMPLOYMENT IN THE MACHINERY INDUSTRY—  
PACIFIC COAST STATES, 1950-51



EMPLOYMENT IN THE AIRCRAFT INDUSTRY—  
CALIFORNIA AND WASHINGTON, 1950-51



**Defense program reflected in rising District production**

In the nine months from July 1950 through March 1951, the District received approximately 20 percent of the major defense contracts awarded. Aircraft played a leading role in the defense work coming to this District. In Washington, aircraft contracts accounted for about 70 percent of the volume received. In California, aircraft accounted for almost half the contracts awarded. As a result, aircraft production during the first half of 1950 was well over half again as large as in the same period last year and further expansion will be necessary to attain the volume required by present contracts.

Though not quite so spectacular as the increase in aircraft output or so readily apparent to the general public, the production of machinery has increased substantially. Machine tools, electronic equipment, tractors and accessories, and many smaller machine units have been in strong demand for both civilian and military use. Production of these items was about 40 percent greater the first of this year than in 1950.

Fabricated metals production, reflecting the widespread demand for durable goods, also increased substantially. Currently, output in that industry is more than one-fifth higher than a year ago. Along with the gain in machinery output, the increase in metal fabrication points up the importance of capital equipment in the District economy. In California, where most of this activity is concentrated, over 100,000 persons are engaged in machinery and fabricated metals production. These two industries accounted for 19 percent of California manufacturing employment in June.

Despite restrictions on residential and many types of nonresidential construction, lumber production during the first half of 1951 averaged almost 10 percent more than in the same period last year. Most of the increase reflected a greater output of Douglas fir, and was occasioned by the record volume of residential construction still under way early this year. A high rate of nonresidential building and increased industrial output also contributed to the large demand. The declining volume of residential starts, however, has reduced the demand for many types of lumber. Board and dimension prices and shingle prices are reported as weak reflecting the spreading decline in residential building. In contrast, prices of industrial and heavy construction grades of lumber have not softened significantly.

Production of nondurable goods has increased more moderately than durable goods, but output has risen more than reports on employment indicate. Petroleum, food, chemicals, and paper are the strong industries in this group. Paper output has increased more than any other nondurable line, and good gains have been recorded in the processing of food and petroleum. Apparel output, which was fairly high during the first quarter, dropped to the year-ago level during the second quarter. Most other nondurable lines showed little change from the output of the first half of 1950.

**Drop in residential building pulls total construction down**

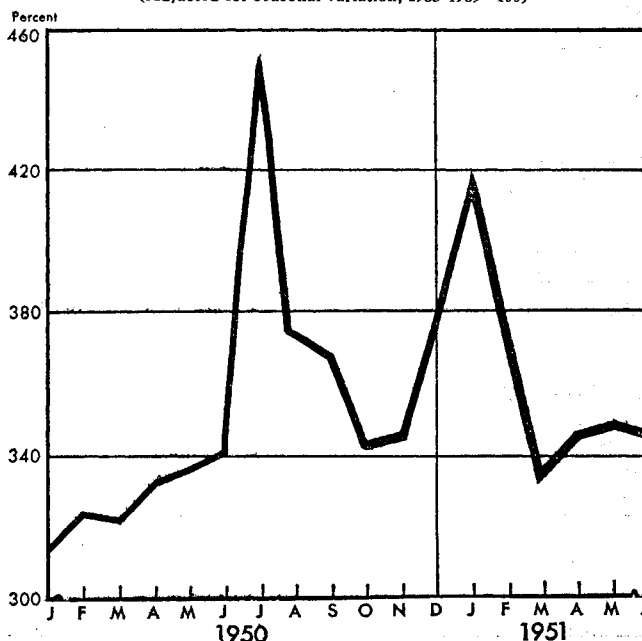
After a running start in January and February, urban building permits in this District dropped from the year-ago level, owing principally to a decline in residential permits granted. For a time it appeared likely that non-residential building would offset the decline in home construction, but NPA limitations and credit restrictions have retarded the expansion in this area. Nevertheless, nonresidential permits in urban areas in the first six months of 1951 were more than 19 percent ahead of that same period last year, while residential permits lagged by 10 percent and total permits were off 9 percent.

Despite the sharp drop in urban residential construction in the District, the ratio of residential building authorized in the District to total residential permits in the United States was higher during the first half of 1951 than last year. This reflects the sharper drop in home building in other parts of the nation. Currently the District accounts for about 18 percent of total residential construction authorized nationally, but a year ago only 15 percent of the urban home building was in the Twelfth District.

**District department store sales moderate after January surge**

Department store sales in the Twelfth District responded sharply to the scare buying boom generated by reverses in Korea last December. Except for July 1950, January sales, on a seasonally adjusted basis, were the highest on record in the District. February sales set a record for that month, though they were down considerably from January. By March, however, consumers had

DEPARTMENT STORE SALES—TWELFTH DISTRICT, 1950-51  
(Adjusted for seasonal variation, 1935-1939=100)



been reassured that the supply of goods would continue strong and buying dropped sharply. Most stores were seriously disappointed by the March volume since stocks had been increased substantially in anticipation of a near-record volume of sales. Even though March sales were ahead of the year-ago volume, after allowing for the shift in Easter dates, sales had fallen well below expectations. It is in this respect that department store sales and sales in most retail lines other than food and petroleum have been considered disappointing since the end of February. Actually, District department store sales volume has gained over the low point for the year recorded in March.

It is probable that in some lines physical volume in May and June was lower than at the same time last year, in view of price increases that have occurred and the small increase in dollar sales. Yet even slightly lower physical volume than last year represents a relatively high rate of sales. Compared with expected volume and unusually high inventories, however, sales since the end of February have caused some concern. As a result department stores and other retailers have offered substantial price reductions in various lines from time to time. The department store price war in the East was probably motivated as much by the level of inventories as by the Supreme Court decision on fair trade.

Because of the publicity given sales and price wars, the extensiveness of the reductions made has probably been over-emphasized. Most retailers, and particularly department stores, appear to have the inventory situation fairly well under control, and inventories, the total volume of which is well ahead of last year, have been moving in conformity to the usual seasonal pattern. Department store orders for fall delivery have not gained as much on a percentage basis as last year, but the dollar volume of orders placed in June for fall delivery was probably equal to or slightly higher than a year ago. Stocks are heavier than stores normally prefer to have on hand, but there are few signs of distress.

#### **Bank lending continues to expand**

Departing from the normal seasonal pattern, commercial, industrial, and agricultural loans outstanding at weekly reporting member banks in the Twelfth District continued to expand in the first half of 1951. Last year business loans dropped 6 percent in the first six months, despite prosperous conditions; this year they rose 9 per-

cent, reaching a figure 42 percent above the year-ago mark. Lending activity on a national basis was almost identical in terms of the increase since the beginning of the year and since last June. However, for the country as a whole, the gain this year was concentrated in the first quarter, with relative stability since March, while Twelfth District business loans have increased steadily during the first half of 1951.

On the basis of information revealed by a special weekly analysis of business loans by industry and purpose since May 23, it appears that seasonal liquidation of inventory loans to wholesale and retail merchants has been more than offset in most weeks through early July by expansion of loans to "heavy industry." These have been largely for fixed-capital requirements of the metals industries, public utilities, and transportation companies. Increased credit requirements in these industries have been related to the defense program. There has also been some expansion in working capital loans to construction contractors to finance defense contracts. In the latter part of July, however, liquidation of inventory and working capital loans reduced the volume of business credit moderately.

Real estate loans of weekly reporting member banks increased 5 percent during the first half of 1951, both in the District and nationally. This continued upward momentum of real estate lending stems from commitments made prior to the Federal Reserve open market action which has reduced lenders' willingness to extend long-term credit at low VA and FHA rates. Doubtless the increase in nonresidential financing has also swelled the volume of new real estate loans.

Consumer instalment credit at Twelfth District commercial banks declined 4 percent in the first half of the year, but remains 6 percent ahead of the year-ago level. The effects of Regulation W and the moderate rate of durable goods buying by consumers have contributed to the drop. This decline is in sharp contrast to last year, when instalment credit rose 19 percent in the first six months. National figures show a 3 percent drop in the first five months of 1951; most of the decline has occurred in loans on consumer goods other than automobiles, though automobile credit is also down slightly. Personal instalment cash loans outstanding rose 4 percent in the first five months of the year, most of the gain taking place in March.

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### **SELECTIVE CREDIT CONTROLS—TWO VIEWPOINTS**

**I**N his midyear economic report to Congress, the President strongly endorsed selective credit controls, such as those on consumer, real estate, and stock market credit. This position, which also reflects the view of the Council of Economic Advisors, points up the fact that in the top councils of Government, selective credit controls are regarded as an important tool in combating inflation. Since such controls are applied to specific kinds of transactions financed by credit, some set of criteria is necessary as a

guide to the application of such controls. In the absence of some sound set of principles, such controls could prove inflexible or ineffective.

Two different views, one endorsed by a majority of Congress and the other expressed by the Chairman of the Board of Governors of the Federal Reserve System, became apparent during the debate on Regulation W. Quite frequently the reasons for legislative or administrative action are obscured by the sheer quantity of material pre-

sented to Congress and in the press. Since the discussion of Regulation W by Congress offers an opportunity to study the ideas that underlie legislative and administrative policies, these viewpoints are briefly summarized below.

In the recent Congressional action on consumer credit, Congress appears to have based its decision to relax the regulation primarily upon the volume of retail inventories. Witnesses advocating relaxation of the regulation before Senate and House committees pointed out that there had been considerable inventory accumulation in recent months. Impressed by the arguments for more lenient terms because of inventory accumulation, the Senate Committee on Banking and Currency reported in part, "Specifically, it is your committee's view that relaxation of the control regulations should be promptly effected when it becomes evident that accumulation of inventories seriously threatens to impede production with resulting unemployment in the industry affected." As a result of this point of view the Defense Production Act was amended so that terms prescribed by Regulation W cannot be tightened beyond limits set by Congress at the end of July.

To clear the accumulated inventories, several courses of action are possible, one of which may be to relax credit terms. Here, however, the effect of relaxing credit terms may need to be assessed not only as an instrument for clearing inventories, but also as a means for increasing the money supply by permitting additional borrowing. To the extent that an easing of credit controls may contribute to a larger money supply, it adds support to the existing price level and may be one source of further inflationary pressure.

The effect that relaxing consumer credit regulation has on the over-all supply of credit and the money supply is the yardstick accepted by the Board of Governors. In a letter to the respective Chairmen of the Banking and Currency Committees of the Senate and House of Representatives, the Chairman of the Board stated, "Since the great bulk of our money supply is bank credit, and since

the banking system creates new supplies of money when it extends credit, our concern with consumer instalment credit is its bearing upon the over-all supply of money."

Some of the considerations which have guided the Board in the administration of Regulation W and the relative importance accorded it are presented in the following statement in the letter :

"In striving to weigh all of the facts and factors involved in this controversial but comparatively subordinate means of affecting the credit supply, we have been unable to come to any other conclusion than that, judged by the yardstick of the supply of credit requisite for the defense effort and the civilian economy, we could not justify liberalizing the terms of this regulation at a time when upward pressures on prices, even though abated at present, threaten to re-emerge irrespective of Korean developments. Judging by the present size of the money supply and its potential expansion in volume or velocity, or both, we do not feel that we could justify an action, even on the subordinate front of consumer instalment credit, that would announce, in effect, that we believe the inflationary danger is no longer present."

In commenting upon some of the terms which the revised Act proposed, the Chairman stated the following :

". . . The proposed statutory restrictions limit the extent to which terms of the regulation might be tightened but would not, of course, limit the easing of terms. If the restrictions did both we would view the regulation in the light of one to set national standards for this type of credit or to deal with what might be termed trade practices. In either case, it would be difficult to think of the regulation as a flexible instrument to supplement traditional central banking measures designed to adjust the credit supply to the changing requirements of the economy.

"We feel very strongly that if this type of regulation is to be continued with terms conditioned, for example, upon inventory accumulation or employment in affected industries, it should be clearly understood that it is no longer related primarily to the end of credit restraint."

**REGULATION W CHANGES**

On July 31, the Board of Governors of the Federal Reserve System issued the following press release summarizing changes in Regulation W :

"The Board of Governors today amended the terms of Regulation W—Consumer Credit—in accordance with the Defense Production Act as revised and extended. The Amendment, which is effective immediately, lengthens the maximum maturity applicable to instalment credit for automobiles, household appliances, radio and television sets, and furniture from 15 to 18 months, and for home repair and improvements from 30 to 36 months. Longer maximum maturities are also provided for consumer instalment loans for other purposes.

"In accordance with the new legislation, down payment requirements for household appliances and for radio and television sets have been reduced from 25 percent to 15 percent. The down payments required by the Regulation may be made in cash, trade-in, or a combination of trade-in and cash. The 10 percent down payment required for home repair and improvements now need not be obtained prior to completion of the work.

"The following table summarizes the revised terms of the Regulation :

Type of instalment credit	Required down payment	Maximum maturity
Automobiles .....	33 $\frac{1}{3}$ %	18 months
Household appliances, radio, and television sets .....	15%	18 months
Furniture .....	15%	18 months
Residential repairs and improvements .....	10%	36 months
Unclassified instalment loans.....		18 months

"In addition, the Board exempted from the provisions of Regulation W any instalment credit required for the installation of sewerage and other related facilities, including plumbing and plumbing fixtures, where the householder is required to make such installation by local, state, or federal health and sanitary regulations."

## FRUIT AND VEGETABLE CANNING—1950-51 SEASON AND OUTLOOK FOR 1951-52

STARTING out on a much improved basis over the previous two seasons, the 1950-51 canning year in the Twelfth District showed continued improvement and ended as one of the best seasons since the war. Early in 1950, bettering market conditions had resulted in increased movement and some price recovery. At the start of the 1950-51 season, most canners' stocks had been reduced below year-ago levels and the industry was generally optimistic.

The impact of the Korean war on the canning industry was as marked as on other segments of the economy. Increased demand at both consumer and distributor levels brought rapid movement of the new packs. With advancing prices for most items, distributors scrambled to fill their warehouses. As the 1950-51 season ended, many canners had sold-out lines. All inventories were sharply reduced and unsold stocks were negligible.

All segments of the industry shared in the successful season. Growers generally received higher prices for their processing crops and many distributors accrued inventory profits. The early and rapid movement of the packs eased canners' financial burdens while an increased volume of sales and advancing prices improved profit margins. With considerable new equipment and remodeling to reduce operating costs, the canning industry faced 1951-52 in an excellent position.

### National and District packs in 1950

United States canners produced a slightly smaller volume of canned fruits and vegetables in 1950 than they did in 1949. Packers' carryovers at the start of the canning season also were below those of the previous year. As a result, national canned fruit and vegetable supplies available for the 1950-51 marketing year were 3 percent less than total supplies for 1949-50. Both the carryover from the 1949-50 season and the 1950 pack of canned seasonal vegetables were smaller than in 1949. Total fruit supplies were larger, however, since the increase in the pack more than made up for the slight drop in carryover supplies.

The District picture, both as to pack and beginning stocks, was somewhat different than that for the nation as a whole. The total output of canned fruits and vegetables from District packers was slightly larger in 1950, with the increase in the vegetable pack larger than the decrease in the fruit pack. Smaller beginning carryovers of both fruits and vegetables, however, left canners with almost the same total supply available for distribution as they had the previous year.

### Reduced fruit packs

While California packers of canned fruit and berries were putting up the same total volume as they had turned out in 1949, canners in other District states, where the fruit pack is much smaller, were forced to cut their total pack by 25 percent. Most canning fruit and berry crops in the Pacific Northwest and Utah were severely damaged

by low temperatures early in the 1950 growing season with consequent reduction in supplies available to processors. The Washington freestone peach crop was a near failure and the plum crop in Washington, Oregon, and Idaho was drastically cut. Cherry production in these three states plus Utah was less than half that of 1949. The apricot crops in Washington, Oregon, and Utah were so badly damaged that no commercial pack was reported.

With no apricots and few peaches available, and with both cherry and plum production reduced, Pacific Northwest canners made maximum use of their pear crop. Even though the over-all crop was reduced by the freeze, a greater percentage went into the canning outlet, raising the pack above the level of either of the two preceding years. Under the impetus of favorable market conditions and a larger crop, Northwest canned apple processors more than doubled their output over the previous year.

California canners also faced generally smaller crops during the 1950 canning season but for a different reason. Except for apricots, California canning fruits exhibited their normal pattern of smaller crops following large crops. In spite of generally smaller crops, packers turned out about the same total fruit pack as they had the previous year, though the individual packs were distributed differently. The larger apricot crop, in conjunction with a very small carryover from the 1949 pack and the failure of the Pacific Northwest crop, furnished both the raw material and the incentive for a 50 percent increase in the outturn of California canned apricots over the small 1949 pack. Though both the apple and pear crops were smaller, canners took a greater percentage of the production, turning out substantially increased packs.

California's combination fruit packs were largely influenced by the market situation rather than by the size of the component crops. With smaller crops of peaches, pears, and cherries, and larger crops of grapes, apricots,

### PRINCIPAL FRUIT AND VEGETABLE PACKS IN CALIFORNIA, OREGON, WASHINGTON, IDAHO, AND UTAH, 1947-50

	(thousands of cases)			
	1947	1948	1949	1950
<b>Fruit packs<sup>1</sup></b>				
Peaches .....	18,143	17,209	19,239	16,396
Fruit cocktail .....	9,386	9,902	6,269	7,475
Pears .....	5,622	3,830	5,472	6,048
Apricots .....	3,259	4,766	2,371	3,661
Apples and applesauce .....	292	207	906	1,503
Plums .....	1,919	914	1,669	930
Cherries .....	620	916	1,724	774
Other fruits and berries .....	2,425	2,725	2,947	1,854
Total fruits and berries .....	41,666	40,469	40,597	38,640
<b>Vegetable packs<sup>2</sup></b>				
Tomatoes .....	6,681	5,344	4,664	4,062
Tomato juice .....	6,078	6,199	6,796	6,493
Other tomato products .....	20,375	13,669	14,046	16,137
Asparagus .....	2,500	2,262	2,939	2,864
Spinach .....	1,380	1,454	1,960	2,500
Peas .....	9,087	7,445	6,796	9,085
Beans, string .....	2,976	3,101	4,602	5,426
Corn .....	2,151	2,211	2,986	2,903
Other vegetables .....	2,166	2,798	4,104	4,771
Total vegetables .....	53,395	44,484	48,892	54,246

<sup>1</sup> Basis 24 No. 2½ cans (except Utah production, actual cases).

<sup>2</sup> Actual cases, all grades and sizes.

Source: Canners League of California, Northwest Canners Association Western Canner and Packer.

and pineapples, available raw material supplies were only fairly adequate. The important fruit cocktail pack was increased 20 percent primarily because canners' stocks at the beginning of the canning season were one-third less than a year earlier. The carryover of fruits for salad, on the other hand, more than doubled and the export outlook was unfavorable. As a result, the salad pack, usually put up for the export trade, was decreased more than one-third. California canners also turned out a smaller volume of canned mixed fruits because this item had not proved profitable the year before.

#### ***Cling peach pack cut***

Late spring estimates of the 1950 cling peach crop, produced almost entirely in California, indicated that regulating the size of the cling peach pack would again be a major problem in the industry. Fruit set indicated that the crop might turn out as large as the record 1949 crop. Canners' stocks on January 1, 1950, were over 10 million cases, sold and unsold, compared with 8 million a year earlier and 4.6 million two years before. Intense selling efforts and some price cutting resulted in a reduction in stocks by June 1 to 2 million cases. While this figure was one-third less than a year earlier, it was the second largest carryover since 1941 and half the stocks were still unsold.

In order to prevent a recurrence of the depressed grower prices and price cutting by canners which occurred during the 1949 season, the industry obtained a more stringent state marketing order. Under the order, a portion of the total potential production was to be eliminated, minimum grade and size regulations were to be established, and, as a last resort, a fund was to be set up to permit stopping of packing when market demands had been met. The first two steps were carried out in attempting to prevent burdensome surpluses. The major reduction was accomplished at thinning time when growers were instructed to remove 15 percent of their crop from the trees. In addition, peaches eligible for processing were limited to those of Number 1 grade.

The full cling peach crop for 1950 would have been about 500,000 tons had not compulsory thinning reduced it to 427,000 tons. The final pack of cling peaches turned out 13 percent smaller than the near-record 1949 pack. This reduced pack undoubtedly contributed to the success of the 1950-51 marketing season, though the principal factor was the unexpected increase in demand occasioned by the Korean war situation. Growers received \$60 a ton as against \$40 the year before and the movement of the 1950 pack was in marked contrast to the 1949-50 season. Opening prices were 15 to 20 percent above the closing prices on the 1949 pack and advanced gradually until the end of the year. Under the impetus of the buying scare, movement of the pack into wholesalers' and distributors' hands was fairly rapid. By January 1, canners had shipped 72 percent of the total supply of canned clingstones compared to only 48 percent the year before. Sales continued good the balance of the marketing year so that the June 1 carryover was only one-fourth as large as the

carryover a year earlier. The excellent position of the cling peach industry is further illustrated by the low percentage of unsold stocks. Last year at June 1, over one million cases were unsold; this year only a little over 100,000 cases were not contracted for—only one-fifth of total canners' stocks. The entire cling peach industry is facing the 1951-52 season in probably the best position in any of the last five years.

#### ***Larger vegetable packs in 1950***

For the second year, District output of canned vegetables increased over the previous year. Pack totals were up in all District states. From the small turnout of 1949, the Pacific Northwest pea pack jumped back to the 1941-46 level. The corn pack, increasingly important in the Northwest, almost equalled the previous year's pack in spite of depressed prices the previous season. The string bean pack, produced largely in Oregon, went on to another record high in the Pacific Northwest.

California's total vegetable pack exceeded that of any year since 1947, owing largely to bigger packs of tomato catsup and tomato sauces. The supply situation in the important tomato processing industry was much improved over recent years. Carryover stocks at the beginning of the 1950 canning season were substantially reduced from the preceding year. Even though the outturn of all tomato items was larger than in 1949, supplies moved exceptionally well and prices tended to advance. California's increased spinach pack, the largest since 1946, moved into distribution channels readily with prices advancing during the marketing season. The slightly smaller asparagus pack found an active market. Canners' prices opened slightly higher but remained stable during the selling season; growers' returns, however, were substantially higher than in 1949.

#### ***Increased shipments and prices***

Even though most pack prices opened higher and advanced during the selling season, the extremely active demand for canned goods at all levels of distribution resulted in an exceptionally favorable selling year, particularly in California. California canners increased their total shipments of canned fruits and vegetables in the 1950-51 marketing season by 7 percent, which is more significant in the light of the fact that aggregate supplies available for distribution were 6 percent lower. The fact that 70 percent of all canned fruit sales were made before January 1 compared with 56 percent the year before demonstrates the rapid rate of movement. At the end of the 1950-51 marketing year, June 1, 1951, only 4 percent of the total supplies were left unshipped—a reduction of 75 percent in year-end stocks. Carryovers of every major canned fruit except pears were much lower than in 1950; the ratio of unsold stocks was also sharply reduced.

Movement of California's canned vegetable packs varied from good for asparagus to excellent for spinach and tomato products. Even though tomato processing is one of the last packs of the year, the trade took more than

two-thirds of all sales of tomato products before January 1, 1951. Carryover stocks at the end of the marketing year were less than one-fourth those of a year earlier.

The market for canned fruits and vegetables in the Northwest was firm and active throughout the selling seasons, but shipments were not so spectacular as those made by California packers. The movement of canned peas and corn was excellent. Shipments of the smaller fruit pack were off from last year's level. Those items whose packs were reduced had smaller year-end carryovers, but those whose packs were greater than the preceding year ended the season with larger stocks.

#### Outlook for the 1951-52 season

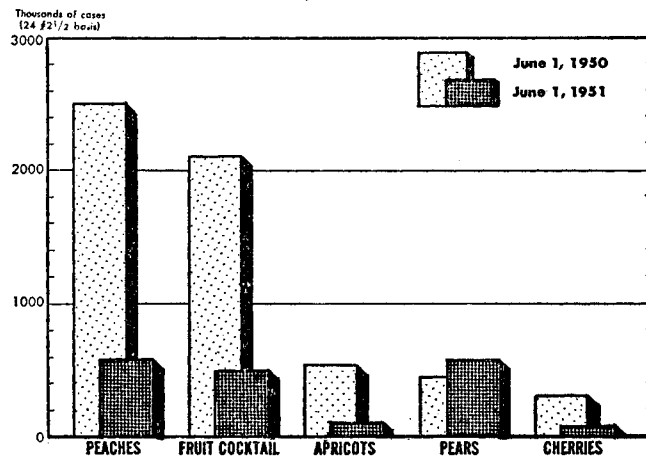
Raw material prospects for the 1951-52 canning season in the District are varied. Cannery in the Pacific Northwest will again have small supplies of fruits available because of severe frosts during the latter part of April. The sweet cherry and apple crops in Oregon and Washington suffered heavy damage and will be considerably less than the 1950 crops. Though most of the other fruit crops in Oregon, Washington, and Idaho will be above the relatively small production of last year, harvests will generally be below average. As a result, most Pacific Northwest fruit packs will again be light.

Fruit prospects in California vary from fair to good with some detrimental effects due to the shorter than usual dormant periods through the winter. Apple, plum, and peach production will be above 1950 levels but smaller supplies of apricots and cherries are certain. Canned packs of these items will probably turn out correspondingly. Since the market outlook in the spring of 1951 was much better than it was a year earlier, the canning clingstone peach industry limited its marketing order to regulation of quality. Only peaches of Number 1 grade will be eligible for processing.

Based on planted acreages, the District's supply of major processing vegetables will be somewhat larger than last year's. Canning corn output in the Northwest will be up sharply and moderate increases are expected for peas and green beans. The asparagus pack in California was the same as last year's despite the lateness and coolness of the growing season. California's processing tomato crop, on the other hand, will be substantially larger than the 1950 crop. Growers planted almost twice the acreage they did the year before; production will probably reach a new high. Cannery are expected to turn out bigger packs of each of the tomato items with the largest increases coming in tomatoes, juice, puree, and catsup.

Cannery will be faced with some cost, price, and labor problems, which may put a squeeze on profitable operation. The four major cost items of the canner—raw materials, cases, cans, and labor—will each be up at least 10 percent this year. Growers are asking, and in most cases getting, considerably higher prices for this year's processing crops. Cannery may reflect in their ceiling prices raw material increases up to the parity price of the crop, but

STOCKS OF LEADING FRUIT PACKS—TWELFTH DISTRICT  
June 1, 1950 and 1951



some raw material costs on 1951 packs have already been higher than parity. The high cost of the short California cherry crop caused some canners to curtail operations, and asparagus prices to California growers were bid up so high that many canners may suffer a loss.

While ceiling price regulations permit reflection of other costs besides raw materials, the margin between costs and permissible ceiling prices on the finished packs will be narrowed for many packers. In addition, some District processors are beginning to wonder whether consumers will take their products at ceiling prices. Yet the factors dominating the market outlook for the 1951-52 canning season tend to be reassuring. First is the small quantity of stocks still held by District canners at the end of the 1950-51 season. Many canners were close to a cleaned-out position on some items and all items were at relatively low levels. With beginning carryovers at much reduced levels and prospects of a total pack not much different from last year, total supplies available for distribution are not likely to be excessive. From these supplies the increased needs of the Armed Forces must be met. The recently issued set-aside orders require canners to reserve certain portions of their 1951 pack<sup>1</sup>. These requirements will take substantial quantities off the commercial market giving strength where, in some cases, none may be really needed. Finally, the prospects of continuing high consumer incomes indicate the maintenance of a high level of civilian demand for canned goods.

Last year the buying spree resulted in an abnormally rapid movement of the pack into distributors' hands. This year distributors are buying new packs on a limited basis only, watching their inventories carefully, and evidently awaiting or hoping for further price settling. Though this is causing some canners to view the 1951-52 season with caution, it probably represents a return to more normal patterns of spreading purchases throughout the year.

<sup>1</sup> Set-aside percentages, based on either the average pack for the years 1949 and 1950, or the 1950 pack, are as follows for major Twelfth District packs: peaches, 13; fruit cocktail, 14; pears, 15; apricots, 18; tomato catsup, 16; tomatoes, 18; peas, 13; and string beans, 10.

**BUSINESS INDEXES—TWELFTH DISTRICT<sup>1</sup>**  
(1935-39 average = 100)

Year and month	Industrial production (physical volume) <sup>2</sup>								Total mfg employment <sup>3</sup>	Car-loadings (number) <sup>4</sup>	Dep't store sales (value) <sup>5</sup>	Retail food prices <sup>6,7</sup>	Waterborne foreign trade <sup>8,9</sup>	
	Lumber	Petroleum <sup>2</sup>		Cement	Lead <sup>2</sup>	Copper <sup>2</sup>	Wheat flour <sup>2</sup>	Electric power					Exports	Imports
1929	148	129	127	110	171	160	106	83	....	135	112	132.0	124	118
1931	77	83	90	74	104	75	101	82	....	91	92	104.0	90	76
1933	62	76	81	54	75	26	88	73	....	70	66	86.8	72	69
1934	67	77	81	70	79	36	95	79	....	81	74	93.2	86	74
1935	83	92	91	68	89	57	94	85	88	88	86	99.6	88	103
1936	106	94	98	117	100	98	96	96	100	103	99	100.3	86	110
1937	113	105	105	112	118	135	99	105	112	109	106	104.5	112	114
1938	88	110	103	92	96	88	96	102	96	96	101	99.0	108	82
1939	110	99	103	114	97	122	107	112	104	104	109	96.9	107	90
1940	120	98	103	124	112	144	103	122	118	110	119	97.6	86	96
1941	142	102	110	164	113	163	103	136	155	128	139	107.9	....	....
1942	141	110	116	194	118	188	104	167	230	137	171	130.9	....	....
1943	137	125	135	160	104	192	115	214	306	133	203	143.4	....	....
1944	136	137	151	128	93	171	119	231	295	141	223	142.1	....	....
1945	109	144	160	131	81	137	132	219	229	134	247	146.3	....	....
1946	130	139	148	165	73	109	123	219	181	136	305	167.4	58	55
1947	147	147	159	193	98	163	133	256	187	142	330	200.3	85	78
1948	159	149	162	211	109	154	116	284	191	134	353	216.1	57	93
1949	151	147	167	202	105	142	104	303	183	126	331	209.6	55	115
1950	171	144	168	227	113	176	94	333	197r	131	353	209.8	59	130
1950														
April	174	138	159	217	124	172	87	325	187r	135	333	205.3	57	108
May	207	140	162	240	132	180	95	341	194	141	336	205.2	61	107
June	181	142	170	244	118	172	105	331	196r	148	342	205.9	66	150
July	184	142	170	245	87	167	113	341	199r	125	454	209.4	59	110
August	186	145	178	251	96	177	112	340	207r	135	374	212.5	48	141
September	176	148	177	248	104	175	105	339	208r	140	368	211.0	58	134
October	187	153	177	252	106	176	99	352	211r	131	343	214.1	62	148
November	167	154	179	229	111	195	97	353	209r	131	345	216.0	68	167
December	168	154	173	229	118	195	120	345	209r	152	376	222.9	70	167
1951														
January	187	154	176	239	101	181	134	361	212	130	420	230.8	75	146
February	171	155	187	255	110	178	121	361	218	124	375	230.2	98	159
March	168	155	179	246	106	180	111	380	219	133	335	234.5	110r	169r
April	189	155	180	247	108	195r	110	378	221	152	346	233.0	....	174
May	199	155	179	278	102	182	106	378	224	142	384	236.0	....	....

**BANKING AND CREDIT STATISTICS—TWELFTH DISTRICT**  
(amounts in millions of dollars)

Year and month	Condition items of all member banks <sup>7</sup>				Bank rates on short-term business loans <sup>8</sup>	Member bank reserves and related items <sup>10</sup>					Bank debits index 31 cities <sup>11,12</sup> (1935-39=100) <sup>2</sup>
	Loans and discounts	U.S. Gov't securities	Demand deposits adjusted <sup>4</sup>	Total time deposits		Reserve bank credit <sup>11</sup>	Commercial operations <sup>12</sup>	Treasury operations <sup>12</sup>	Coin and currency in circulation <sup>11</sup>	Reserves	
1929	2,239	495	1,234	1,790	.....	- 34	0	+ 23	- 6	175	146
1931	1,898	547	984	1,727	.....	+ 21	- 154	+ 154	+ 48	147	97
1933	1,486	720	951	1,609	.....	- 2	- 110	+ 150	+ 18	185	63
1934	1,469	1,064	1,201	1,875	.....	- 7	- 198	+ 257	+ 4	242	72
1935	1,537	1,275	1,389	2,064	.....	+ 2	- 163	+ 219	+ 14	287	87
1936	1,682	1,334	1,791	2,101	.....	+ 6	- 227	+ 454	+ 38	479	102
1937	1,871	1,270	1,740	2,187	.....	- 1	- 90	+ 157	- 3	549	111
1938	1,869	1,323	1,781	2,221	.....	- 3	- 240	+ 276	+ 20	565	98
1939	1,967	1,450	1,983	2,267	.....	+ 2	- 192	+ 245	+ 31	584	102
1940	2,130	1,482	2,390	2,360	.....	+ 2	- 148	+ 420	+ 96	754	110
1941	2,451	1,738	2,893	2,425	.....	+ 4	- 596	+ 1,000	+ 227	930	134
1942	2,170	3,630	4,356	2,609	.....	+ 107	- 1,980	+ 2,826	+ 643	1,232	165
1943	2,106	6,235	5,998	3,226	.....	+ 214	- 3,751	+ 4,486	+ 708	1,462	211
1944	2,254	8,293	6,950	4,144	.....	+ 98	- 3,534	+ 4,483	+ 789	1,706	237
1945	2,663	10,450	8,203	5,211	.....	+ 76	- 3,743	+ 4,682	+ 545	2,033	260
1946	4,098	8,426	8,821	5,797	.....	+ 9	- 1,607	+ 1,329	- 326	2,094	298
1947	5,358	7,247	8,922	6,006	.....	+ 302	- 510	+ 698	- 206	2,202	326
1948	6,032	6,366	8,655	6,087	.....	+ 17	+ 472	+ 482	- 209	2,420	355
1949	5,925	7,016	8,536	6,255	3.20	+ 13	- 930	+ 378	- 65	1,924	350
1950	7,093	6,381	9,254	6,251	3.35	+ 39	- 1,141	+ 1,198	- 14	2,026	395
1950											
May	6,005	6,932	8,354	6,275	.....	- 14	- 199	+ 170	+ 8	1,802	371
June	6,034	6,905	8,289	6,315	3.37	- 10	+ 23	+ 32	+ 5	1,836	389
July	6,162	6,810	8,458	6,250	.....	+ 3	- 149	+ 169	0	1,858	382
August	6,418	6,699	8,627	6,210	.....	- 2	- 102	+ 125	+ 18	1,863	421
September	6,664	6,495	8,754	6,213	3.29	+ 62	- 45	+ 72	+ 9	1,893	417
October	6,810	6,452	8,871	6,239	.....	+ 56	- 93	+ 150	+ 10	1,930	428
November	6,963	6,319	9,018	6,194	.....	+ 24	- 21	+ 42	- 3	1,983	425
December	7,093	6,381	9,254	6,251	3.37	+ 48	- 80	+ 131	+ 4	2,026	464
1951											
January	7,152	6,071	9,190	6,337	.....	+ 30	- 59	+ 168	- 68	2,284	455
February	7,184	5,811	8,834	6,352	.....	- 32	- 38	+ 6	+ 21	2,206	444
March	7,293	5,734	8,819	6,338	3.48	- 3	- 124	+ 130	- 8	2,186	461
April	7,367	5,696	8,828	6,332	.....	- 45	- 200	+ 226	+ 26	2,180	431
May	7,422	5,685	8,834	6,357	.....	+ 13	- 102	+ 150	+ 36	2,149	449
June	7,509	5,708	8,862	6,448	3.67	+ 73	- 113	+ 199	+ 39	2,217	461

<sup>1</sup> Adjusted for seasonal variation, except where indicated. Except for department store statistics, all indexes are based upon data from outside sources, as follows: lumber, various lumber trade associations; petroleum, cement, copper, and lead, U.S. Bureau of Mines; wheat flour, U.S. Bureau of the Census; electric power, Federal Power Commission; manufacturing employment, U.S. Bureau of Labor Statistics and cooperating state agencies; retail food prices, U.S. Bureau of Labor Statistics; carloadings, various railroads and railroad associations; and foreign trade, U.S. Bureau of the Census. <sup>2</sup> Daily average. <sup>3</sup> Not adjusted for seasonal variation. <sup>4</sup> Excludes fish, fruit, and vegetable canning. <sup>5</sup> Los Angeles, San Francisco, and Seattle indexes combined. <sup>6</sup> Commercial cargo only, in physical volume, for Los Angeles, San Francisco, San Diego, Oregon, and Washington customs districts; starting with July 1950, "special category" exports are excluded because of security reasons. <sup>7</sup> Annual figures are as of end of year, monthly figures as of last Wednesday in month or, where applicable, as of call report date. <sup>8</sup> Demand deposits, excluding interbank and U.S. Gov't deposits, less cash items in process of collection. Monthly data partly estimated. <sup>9</sup> Average rates on loans made in five major cities during the first 15 days of the month. <sup>10</sup> End of year and end of month figures. <sup>11</sup> Changes from end of previous month or year. <sup>12</sup> Minus sign indicates flow of funds out of the District in the case of commercial operations, and excess of receipts over disbursements in the case of Treasury operations. <sup>13</sup> Debits to total deposit accounts, excluding interbank deposits. r—revised.