MONTHLY REVIEW

TWELFTH FEDERAL RESERVE DISTRICT

OCTOBER 1954 — FEDERAL RESERVE BANK OF SAN FRANCISCO

REVIEW OF BUSINESS CONDITIONS

The level of economic activity in the nation and the Twelfth District showed no substantial overall change from August to September. Moderate improvement in output and employment in some industrial lines, however, added a firmer tone to the general business situation than has been true in other recent months. Employment in nonfarm activities rose somewhat more than seasonally from August to September in both the nation and the District. Seasonally adjusted nonagricultural employment had declined in each of the preceding eleven months in the nation. With the exception of a small rise in January and a period of no change in April and May, the District's adjusted nonagricultural employment level had fallen for thirteen months. Although a considerable portion of the nonseasonal employment expansion represented gains attributable to the cessation of major labor disputes, a pickup in activity in the machinery and several nondurable goods industries was a significant influence.

Substantial advances in the level of operations have taken place in the lumber industry in the Pacific Northwest and in northern California since striking workers returned to their jobs in mid-September. This resumption of activity in lumber production combined with a similar return to normal levels of output in the rubber industry has had a substantial effect upon the trend of employment in both the District and the nation. Possibly of more underlying significance, however, has been the recent pickup in the level of output and employment in the machinery industries. A substantial part of the weakness in the general employment situation has been concentrated in these industries along with the metals and transportation equipment industries. The strengthening in machinery production, both in the District and nationally, reflects the recent rise in the rate of contract awards under the defense procurement program as well as a noticeable gain in the volume of new orders from private industrial sources. Production of electrical equipment, including the electronics segment that is quite important in some areas of the District, has continued the rise that started in July. Reversals of previous downtrends also occurred in a number of nondurable industries, although the preliminary September data available indicate that the rise in these industries in the District may have been not much more than seasonal. Nationally the apparel, paper, chemicals, and printing industries registered small advances in employment of production workers after allowance for seasonal forces.

Consumer expenditures well maintained nationally

The maintenance of a high level of consumer expenditures on goods and services has been a major factor in keeping the current business recession within moderate bounds, in both the District and the country as a whole. Preliminary estimates indicate that on a national basis personal consumption expenditures reached new high ground in the third quarter of this year and were nearly $3.0 billion ahead of their 1953 peak. While consumer expenditures were still below 1953 peak levels for durable goods (largely owing to reduced purchases of new passenger automobiles), outlays for nondurables and services were at new highs. The sustained high level of consumer spending is accounted for by a number of factors. Of major importance has been the growth in disposable incomes that has occurred despite a moderate downtrend in incomes before taxes. Reduced tax rates on personal incomes and sharply increased payments to individuals under unemployment insurance programs have been instrumental in the maintenance of spendable incomes. An increase in the proportion of current income devoted to consumption purposes, which rose from 91.4 percent in the fourth quarter of 1953 to 92.7 in the third quarter of this year, has also been a factor of considerable significance in holding consumer expenditures at a high level.

Also in This Issue

District sales experience reveals similar stability

While data on total consumer expenditures or total retail sales for the District are not available by which direct comparisons may be made with the nation, information on District department store sales indicates that they have held at relatively high levels and have fluctuated within a fairly narrow range. Total District department store sales in the first nine months of this year were only about 4 percent under the same period last year. Perhaps more significant is the fact that seasonally adjusted sales have tended to strengthen in each of the first eight months of the year. The District seasonally adjusted index of department store sales was 109 percent of the 1947-49 average in January and 116 percent in August. A preliminary estimate places the index at 111 percent in September, which is one point above the index for September 1953. Sales were declining, however, from May through September last year which makes the comparison appear somewhat less favorable.

Stability has also been evident in nonagricultural employment in the District. This suggests that District consumer incomes have roughly followed the national pattern. Nonagricultural employment, after seasonal adjustment, declined by only 2 percent from the peak in July of 1953 to September this year. As the same factors of tax reductions and increased unemployment insurance payments were operative in the District, it seems likely that District consumer disposable incomes have remained high and may have risen somewhat. The extended lumber strike, which involved up to 80,000 workers at its inception, has undoubtedly had an effect upon incomes in those areas most affected by the dispute. Sales in those areas have shown no particular weakness, however. A seasonal rise in activity in other manufacturing lines and in agriculture provided new jobs and offered temporary alternative employment to striking workers. In addition, at lumber mills not directly involved in the dispute or where an early settlement was reached activity rose to unusually high levels. Thus, while the strike tended to depress incomes, its effects were offset to a considerable extent by favorable developments in other sectors and at some lumber mills.

Taxable retail sales decline in California

The trend exhibited by total taxable retail sales in California is roughly the same as that for department stores. According to the latest data available, total taxable retail sales in the first half of this year declined about 6 percent compared with a decline of 5 percent for department stores in the state during the same period. The taxable sales information is considerably more representative of over-all retail sales in that it includes sales of items not handled by department stores and covers sales in many areas and communities that do not have full-fledged department stores. A look at taxable retail sales in California will point up the major differences in sales compared with last year by type of commodity.

As has been true for consumer expenditures in the country as a whole, most of the weakness in taxable retail sales in California has been concentrated in consumer durable goods. While total taxable retail sales declined by 6 percent in the first half of 1954 compared with the same period a year ago, sales of household appliances were down more than 13 percent, homefurnishings sales declined by almost 8 percent, and sales of new and used automobiles dropped by more than 17 percent. Substantial declines also occurred in retail sales of farm implements, building materials and hardware, and in sales by trailer, boat, motorcycle, and airplane dealers. Sales volume of nondurable goods was generally maintained at a rate not substantially different from 1953 levels. Although down somewhat, sales declines in such groups of stores as apparel, general merchandise, grocery, and specialty shops were materially smaller than in the durable categories.

Improvement (in the sense of a smaller decline from a year ago) was also noticeable in taxable retail sales as between the first and second quarters of the year. In the first quarter total taxable retail sales in California were off nearly 9 percent from the first quarter of 1953, while in the second quarter the sales decline from last year was less than 4 percent. The second quarter improvement was apparent in almost every merchandise line, although those commodity groups that showed the most substantial sales weakness in the earlier quarter, particularly sales of new and used automobiles, continued significantly below their 1953 sales volume. Sales of nondurables generally rose above last year's levels in the second quarter.

Sales experience varies considerably by major area within District

While the general month-to-month pattern of department store sales this year has been similar in most areas of the District for which data are available, the degree of sales decline from a year ago has varied considerably. Based upon the total value of sales for the first nine months of the year, the largest declines were concentrated in the Central Valley of California, eastern Washington, Utah, Idaho, and in Arizona. Smaller declines were general in northern and southern California, Oregon, and in the western portion of Washington.

In Arizona, department store sales in the first nine months of the year were 11 percent under the same period in 1953, compared with an over-all District decline for this period of 4 percent. Seasonally adjusted sales in this area of the District have declined generally throughout most of the period since June of 1953. Some moderate strengthening, however, has been noticed in the adjusted monthly index of sales for Arizona since May of this year. Most of the sales weakness apparently stems from the substantial losses of employment in manufacturing (largely in aircraft modification), difficulties associated with nonferrous metal mining, and a fairly sharp decline in the tourist trade reported for this year. In addition, Arizona had the largest percentage decline in cash farm income in the first half of this year of any state in the District.[1]

Sales of department stores in eastern Washington, Idaho, and Utah have declined in the first nine months of this year by more than 6 percent from the same period in 1953. The larger sales decline in these areas as compared with the over-all District average reflects a combination of unfavorable factors that have affected their economies during the past year or so. Substantial declines in Federal Government employment and weakness in nonferrous metals markets which closed many of the lead and zinc mines in these areas have been particularly important. In Utah strikes in copper mining and refining were additional factors contributing to the sales decline, while Idaho had a drop in cash farm income second only to that of Arizona among District states. Improvement in the mining areas may be expected as operations recover from strike interruptions and strengthening lead and zinc prices raise the level of mining activity.

In the Central Valley of California a substantial drop in agricultural income has been the dominant influence in the greater than average department store sales decline in the first nine months of the year. Within the District, California ranks after Arizona and Idaho in the relative size of the decline in cash farm income in the first half of this year.

The areas where sales declines have been somewhat less than the over-all District average are without exception those areas with more diversified economic structures or where development is occurring most rapidly. In the case of southern California and western Washington the high degree of stability in over-all employment and some growth in aircraft employment has sustained business activity at levels not signicantly different from last year. In San Jose and northern California generally, development of new industrial plants and a very high level of residential and commercial construction have been particularly important in maintaining over-all economic activity.

In general, it should be noted that, with the exception of Arizona and some other areas of the Intermountain region, significant improvement in the level of department store sales has occurred since the first of the year. Most of the major areas of the District have shown moderate uptrends in seasonally adjusted department store sales throughout most of the months of this year and in some cases uptrends have prevailed for an even longer period.

[1] For a more detailed discussion, see the article in this issue entitled, "The District Cash Farm Income Situation."

SITUATION AND OUTLOOK FOR LIVESTOCK AND LIVESTOCK PRODUCTS

Record levels of production, low prices, and reduced income characterize the 1954 situation for producers of livestock and livestock products. Beef production continues high with prices low and about unchanged from last year. Similarly, increases in slaughter of sheep and lambs are being scored in 1954 but prices of these products have dropped sharply since mid-year. Furthermore, supplies of pork are increasing and poultry meats are plentiful. Hog prices are down somewhat from a year earlier and turkey prices, as a result of a record large national crop of birds, have fallen markedly. Production of milk and dairy products also will be unusually large in 1954 despite seasonal reductions this fall in milk output and additional reductions in certain areas affected by drought. Farm prices of milk have been lower since April when price supports on dairy products were cut from 90 percent of parity to 75 percent. Despite price reductions, the decline of cash income from livestock and livestock products has been small this year. Small farm price reductions for beef have been more than offset by increases in marketings and slaughter. Cash income increases for beef, on the other hand, have nearly offset substantial reductions in cash incomes of dairy farmers and of poultry and egg producers.

The outlook appears to indicate little improvement in the price and income situation affecting livestock and livestock products during the remainder of this year. Some slight reduction in beef slaughter may occur next year, but this will probably be more than offset by anticipated increases in output of pork. Continued high levels of milk and egg production are in prospect unless producers of these products cut back herds and flocks in response to lower prices.

Some small dairy producers currently are reported as having some credit and financial difficulties. Where possible credit agencies in working with farmers are attempting to resolve these difficulties through extensions of loans. Few are attempting to refinance delinquent dairy loans with real estate loans. But in some instances additional collateral of a nonreal character is being requested. Inefficient turkey producers also may encounter financial difficulties toward the end of the current marketing season.

Red meat production at near record level

Combined production of red meat in 1954 will equal or exceed the record level of production last year. For the period January-August this year District and national slaughter of livestock exceeded 1953 slaughter for the same period by 4 percent and 3 percent respectively (Table 1).

Lamb and mutton on a District basis and veal, both nationally and within the District, contributed most importantly to the increased level of slaughter in the first 8 months of this year. Beef slaughter in the period January-August, 1954 also exceeded production for the same period a year earlier. The current level of beef production

TABLE 1

PRODUCTION OF LIVESTOCK AND LIVESTOCK PRODUCTS WITH COMPARISONS TWELFTH DISTRICT AND UNITED STATES, JANUARY TO AUGUST 1954

	Production January-August 1954	Percent change from January to August 1953	1949-53 average	1943-52 average
Twelfth District				
Red meat production (millions of lbs. live wt.)				
Beef	2,155	+ 6.2	+41.6	...
Veal	138	+10.8	+41.6	...
Pork	449	— 9.6	—21.0	...
Lamb and mutton	197	+11.1	+23.7	...
Total	2,828	+ 3.9	+25.2	...
Milk, total (millions of lbs.)	8,447	+ 8.4	...	+10.9
Butter (thousands of lbs.)	83,980	+34.7	...	+31.2
Cheese (thousands of lbs.)	45,900	+ 4.1	...	+12.3
Eggs (millions)	4,207	+ 7.4	...	...
Chickens raised on farms[1] (thousands)	49,378	+ 3.3	...	— 6.0
Turkeys raised (thousands)				
Light breeds	2,159	+11.2	...	...
Heavy breeds	12,736	— 0.9	...	...
Total	14,895	+ 0.7	...	+32.8
Wool (thousands of lbs.)	53,865	+ 0.1	...	— 8.6
United States				
Red meat production (millions of lbs. live wt.)				
Beef	15,124	+ 8.7	+39.0	...
Veal	1,783	+13.0	+37.0	...
Pork	9,382	— 7.2	—11.4	...
Lamb and mutton	994	+ 3.7	+20.0	...
Total	26,556	+ 2.7	+15.6	...
Milk, total (millions of lbs.)	88,174	+ 3.5	...	+ 6.1
Butter (thousands of lbs.)	1,080,450	+ 4.2	...	+16.8
Cheese (thousands of lbs.)	756,025	+ 4.9	...	+16.1
Eggs (millions)	44,433	+ 3.6	...	...
Chickens raised on farms (thousands)	620,847	+ 2.0	...	—16.0
Turkeys raised (thousands)				
Light breeds	18,096	+16.0	...	...
Heavy breeds	42,949	+ 6.0	...	...
Total	61,045	+ 8.6	...	+44.7
Wool (thousands of lbs.)	229,371	— 0.4	...	—14.3

[1] Estimate for total year 1954 with comparisons.

Source: United States Department of Agriculture, Agricultural Marketing Service, Crop Reporting Board.

is even more impressive when it is remembered that in 1953 more beef was slaughtered than in any year of record. This is true for the District as well as nationally. On the other hand, District as well as national hog slaughter in the first 8 months of this year was running 8 to 10 percent under the level of output in the same period last year. A principal feature of the livestock outlook this fall, however, is for a substantial increase in pork production.

Current levels of cattle and calf slaughter reflect recent production patterns

The record large output of beef last year and in 1954 to date was made possible by the rapid increase in numbers of cattle and calves on farms between the years 1949 and 1953. The principal stimuli to beef production on farms were a sustained high level of civilian consumer demand backed up by adequate purchasing power, an increased demand for meat by the military, and foreign aid shipments or foreign relief purchases. With the end of the Korean war and an increase in world supplies of red meat, cattlemen of the District and the United States found themselves with greatly enlarged herds, overstocked ranges, and weakening prices. Production increases in areas outside the traditional beef producing regions of the United States, such as in the eastern Corn Belt, were particularly great.

With a sharp increase in cattle slaughter in late 1952, beef cattle prices began to drop precipitously. By early 1953 beef prices received by farmers had dropped about 30 percent from the high level of such prices in 1951. Furthermore, it appeared that cattle numbers on farms would continue to grow, as in past production cycles, for another two or three years. Last year, however, the beef industry with a minimum of Government aid nearly succeeded in halting the growth in farm production of beef. Beef slaughter increased in 1953 and 1954 beyond all reasonable expectations. Cattle inventory data next January 1 may reveal a slight drop in total numbers of cattle on farms despite an exceptionally large calf crop last spring.

Long continued drought has contributed to an increased rate of cattle marketings

The higher than expected rate of cattle slaughter over the past two years has resulted partly from drought and poor feed conditions in some areas of the United States. These areas include the central and southern Great Plains regions, the Southwest, Utah, and Nevada. In Idaho and Utah range feed conditions on October 1, 1954 were somewhat worse than last year and rated about 8 points below the average of the last 10 years. In Nevada considerable deterioration in range feed conditions on October 1 from a year earlier had taken place. Compared with the preceding 10 years the October 1 average range feed condition in Nevada was rated about 18 points below average and the lowest for the date since 1934. Similarly, long continued drought currently covers most of Wyoming, eastern Colorado, Kansas, Oklahoma, much of Texas, and parts of New Mexico. Arizona, on the other hand, benefited greatly from early fall rains and in Pacific Coast states range feed conditions are generally satisfactory. They are exceptionally good in Washington.

A Federally sponsored drought aid program was reinstituted last summer. Nearly 250 counties in 7 states had been designated drought disaster areas by October 1. Late in October several other counties, including 10 in Nevada and 6 in Utah, were so designated. Eligible farmers and ranchers in drought designated counties are able to obtain feed grains below current market prices and may receive Farmers' Home Administration loans to meet their credit needs. In addition, emergency loans have become available to established producers and farm feeders of cattle, sheep, and goats regardless of location. In order to be eligible for such loans, however, a producer must have exhausted his ability to obtain funds from private or cooperative credit sources and must show that he has a reasonable chance to work out of his difficulty.

Additional factors which have contributed to the large off-farm movement of cattle and calves are (1) financial difficulties and the disappearance of wide profit margins, (2) the continued relatively high level of consumer income, (3) the beef purchase program of the Federal Government in 1953, and (4) the beef promotion efforts of the beef industry and others.

Relative stability has marked cattle prices

Most of the decline in cattle prices occurred in late 1952. Since that time farm prices of beef cattle, despite the increased supply, have been remarkably stable. This year farm prices of cattle have been at or near prices of comparable periods a year earlier. Although prices of fed steers and heifers this fall have been down slightly from year earlier levels, stocker and feeder cattle prices have been above last year. With beef prices remaining relatively stable and with an increase in cattle marketings, total cash income received by beef producers has been maintained at a level slightly above the level of such income received last year. Nevertheless, profit margins remain small and in the case of some high-cost producers have disappeared entirely.

Beef cattle outlook good but not rosy

The growth in farm inventories of cattle apparently has been stopped. There are signs that beef cow herds are being reduced in areas outside the traditional "beef cattle country." Relatively great increases in District as well as in national slaughter of veal and heifers seem to point toward potential reductions in other areas. These developments do not mean that total production of beef cattle is being cut back to any great extent. However, a small reduction in inventory numbers next January, according to the United States Department of Agriculture, is in prospect.

Reductions in the rate of cattle marketings can be expected in November and December. Consequently, seasonal price increases by January may be expected. Otherwise, no great change in cattle prices is in prospect for the remainder of 1954.

TABLE 2

INDEXES OF PRICES RECEIVED BY FARMERS—UNITED STATES, SEPTEMBER 15, 1954

(1910-14=100)

	Index Sept. 15, 1954	Percent change from June 15, 1954	Jan. 15, 1954	Sept. 15, 1953	Sept. 15, 1952
All farm products	246	— 0.8	— 5.0	— 4.3	—14.6
All crops	247	+ 1.2	+ 2.9	+ 5.6	— 6.4
All livestock and products	245	— 2.4	—11.6	—11.2	—20.7
Meat animals	277	— 7.4	—10.4	— 7.4	—20.6
Dairy products[1]	253	+10.5	— 7.7	— 7.7	—17.6
Wool	297	— 4.2	+ 1.4	0	+ 5.3
Poultry and eggs[1]	162	— 3.6	—23.9	—29.9	—28.6

[1] Unadjusted for seasonal variation.
Source: United States Department of Agriculture, Agricultural Marketing Service, *Agricultural Prices*.

Cattle feeders appear more confident this fall than last, following fairly satisfactory profits in feeding last winter and spring. Feeders in some regions, including most Twelfth District areas, are paying more for feeders and stockers this fall even though prices of fed cattle are a little lower. This exhibition of increased confidence appears justified. Published statistics of cattle and feed indicate that a reduced corn crop in midwestern areas may tend to prevent large increases in cattle feeding and hog production. On October 1 this year slightly fewer cattle were on feed in Illinois, Iowa, and Nebraska, the principal midwestern cattle feeding states, than on the same date in 1953. In California, however, about 41 percent more cattle were in feedlots on October 1 than a year earlier. But since California is a meat deficit area, it is anticipated by Department of Agriculture forecasters that although profits in feeding during the season ahead probably will average somewhat less than in the past year they will be considerably larger than the low returns in 1952-53.

It is possible that an upward trend in grass cattle prices may be initiated early in 1955. If so, however, price increases are likely to be small. Nevertheless, it appears that even though additional adjustment in the cattle industry will be required for reestablishment of favorable price-cost conditions the low point in the current cycle of cattle prices probably has been reached.

Increased slaughter and lower prices characterize the current sheep and lamb situation

District and national increases in slaughter of lamb and sheep in the first 8 months of this year compared to the same period last year were 11 and 4 percent, respectively. The larger summer and fall volume of sheep and lamb marketings reflects both the larger 1954 lamb crop and a trend toward earlier marketings. The larger lamb crop, in turn, was made possible by a slight increase from last year in numbers of breeding ewes on farms and by a particularly good lamb crop percentage. For the District and the nation the 1954 lamb crop was larger than the crop of a year earlier by 4 and 3 percent respectively.

With increases in both production and slaughter of lambs, the seasonal decrease in lamb prices was earlier and greater than usual. In Pacific Coast states lamb prices received by farmers began to drop in late May or early June and by September 15 had fallen about 5 cents per pound liveweight to about 11.5 percent under the price of the same date in 1953. In most other District states price reductions were somewhat smaller.

Sheep and lamb prices ordinarily change along with changes in prices of beef cattle and in the same direction. A high degree of correlation between prices of these two products results partly from the predominant effect which changes in the supply of beef have on the total supply of red meat. The relatively close competitive relationship of the two products in consumption also is a factor. It is reasonable, in view of existing production and consumption relationships between beef and lamb, to expect the outlook for sheep and lamb to be affected markedly by current and future developments in the cattle industry.

Little substantial change in lamb prices expected next year

With a slackening in the volume of lamb marketings in late September and October lamb prices edged up seasonally. Additional increases stemming from a fairly firm demand for feeder lambs and further reductions in marketings are in prospect for the remaining months of 1954 and until early spring.

The lamb price outlook for the more distant future hinges upon changes since last spring in the size of breeding herds on farms, the size of the 1955 lamb crop, and the supply of competitive meats. With a continued high level of cattle slaughter in prospect, probable increases next year in hog production, and relatively large prospective supplies of white meat available, the supply of competitive meats in 1955 probably will be large. Consequently, barring the possibility of a greatly reduced lamb crop next spring, there appears to be little prospect of substantial increases in lamb prices during the spring and summer of 1955.

Increases in pork production anticipated

District slaughter of hogs for the period January through August this year totaled about 10 percent less than for the same period last year (Table 1). For the year as a whole, however, the District pork production probably will exceed the 1953 total. This is true also of the nation. The spring slaughter of hogs was small both nationally and within the District, reflecting breeding herd liquidations in the period 1952-53 and a small pig crop in the fall of 1953. But with District as well as national increases of about 12 percent last spring in number of pigs saved, hog slaughter this fall has increased markedly. Since June of this year, pork production has exceeded year-earlier levels. District slaughter of hogs in August was more than 11 percent greater than in the same month last year, and throughout the remaining fall months the slaughter rate is expected to stay above levels of the comparable period last year. Pork supplies this fall, however, will not be excessive compared with recent years and prices received by producers of hogs probably will remain relatively favorable. Cash returns to hog producers in 1954, therefore, probably will compare favorably with those received last year. However, they will be much below average levels of earlier years.

The current fall pig crop is now indicated to be 14 percent above the 1953 crop in 6 Corn Belt states. The District appears slated for an increase of about 16 percent. Even with this increase, however, District hog production will remain down at least 30 percent under the average production level of the years 1943-52. Nevertheless, general increases from last year in farm inventories of pigs and a larger fall pig crop this year mean increases at least through mid-1955 in available supplies of pork. The spring slaughter of hogs in 1955 probably will be much greater than last spring's. As a result hog prices are likely to show less than a normal seasonal recovery from the low point reached this fall.

The hog price outlook for the period June-December 1955 hinges largely on the number of pigs farrowed next spring. Available supplies of competitive meat probably will be large. Consequently, a substantial increase in number of farrowings next spring could bring prices of slaughter pigs down to relatively low levels during the fall 1955 marketing season. Some increase in the pig crop next spring is anticipated by outlook specialists of the Department of Agriculture. However, they indicate that a smaller corn crop this year and a less favorable hog-corn price ratio has eliminated some of the incentive to increased production.

Wool production and prices about unchanged from last year

Wool prices received by farmers, although down seasonally, remain about unchanged from year earlier levels. Production of wool in 1954 also is expected to be about the same as last year in the United States as well as in the District. Compared with the average level of production in the period 1943-52, however, national wool production in the last two years was down about 14 percent and District production was off nearly 9 percent.

An increase in price supports for the 1955 wool crop was announced by the Secretary of Agriculture on October 12, 1954. Next year wool producers will be guaranteed an average return of 62 cents a pound, grease or raw basis, compared with 53.2 cents for this year's crop. The 1955 support rate will reflect 106 percent of the wool parity as of September 15, 1954.

The increase in wool support prices was authorized in the Agricultural Act of 1954. This Act provides for the support of wool prices by means of loans, purchases, direct payments, and other methods. The support price may be as high as 110 percent of parity, but only the direct payment method of support may be used for supporting above 90 percent. The direct payment method involves a cash subsidy to wool producers equal to the difference between the actual market price and the support rate. Therefore, the full effect of the increased level of wool supports will not be felt in market prices of wool. Wool support provisions of the 1954 Act were enacted under the assumption that wool is a strategic material and for the purpose of increasing domestic wool production to 300 million pounds from this year's 230 million pounds.

Milk, butter, and cheese production continues high despite drought in some areas

District as well as national production of milk increased greatly in 1953 and in the first half of 1954. The output of milk in the United States last year totaled 121 billion pounds compared with 115 billion pounds in 1952. District production increased 17 percent in 1953 to about 13 billion pounds. In the first 6 months of 1954 District and national milk production increased 10 and 5 percent, respectively, from the high levels of the corresponding period a year earlier. However, the seasonal decline this year in United States milk output from the early June peak was considerably larger than usual. Hot, dry summer weather in some parts of the United States was a contributing factor. Also, the proportion of cows not milked during July and August increased more than in the same months of other recent years. This indicates the likelihood of an increase in number of cows freshening in subsequent months and an increase in milk output during the late fall and winter. Total milk flow during the remainder of 1954 is expected to approximate levels of a year earlier, and output for the year as a whole probably will be around 125 billion pounds or 4 billion pounds more than last year.

District producers, largely unaffected by drought, maintained milk output through the fall months this year at a level about 5 percent above the fall months last year. With feed and pasture conditions reported favorable in the major milk producing regions of the District, late fall and winter production probably will continue above year earlier totals.

Despite current and prospective increases in milk production, several factors seem to indicate that the upward trend in milk output may soon begin to level off. Milk-feed price relationships in recent months, for instance, have been less favorable for milk production than in the past several years. The reason for this is that in April, this year, price supports for dairy products were lowered to reflect 75 percent of parity rather than 90 percent. In addition to less favorable price-cost relationships, slaughter figures indicate that dairy farmers may be culling dairy herds more heavily this year than last. Furthermore, in a number of states where better alternatives, such as hogs, are readily available, the number of milk cows is declining. In other areas substantial decreases may be unlikely since farm prices of most livestock and livestock products represent poor alternatives. Reported credit and financial difficulties among small dairy farmers of the Twelfth District and elsewhere, however, may result in scattered cases of forced liquidation. Nevertheless, Department of Agriculture outlook specialists indicate that milk production next year will continue at about the same high level of this year and that there will be little, if any, improvement in farm prices of milk.

Table 3

Production of Milk, Butter, and Cheese—Various Periods in 1954 Compared with Production in Corresponding Periods in Earlier Years
Twelfth District and United States

	Twelfth District			United States		
		Percent change from corresponding period in			Percent change from corresponding period in	
Milk production (millions of lbs.)	Production	1953	1943-52 or 1948-52[1]	Production	1953	1943-52 or 1948-52[1]
1953						
January-August	7,791	...	+ 2.2	85,154	...	+ 2.5
July-August ...	2,090	...	+ 3.5	22,002	...	— 0.5
August	1,015	...	+ 4.9	10,624	...	+ 0.9
1954						
January-August	8,447	+ 8.4	+10.9	88,174	+3.5	+ 6.1
July-August ...	2,205	+ 5.5	+ 9.7	22,119	+0.5	0
August	1,070	+ 5.4	+10.5	10,494	—1.2	— 0.3
Butter (thousands of lbs.)						
January-August.	83,980	+34.7	+31.2	1,080,450	+4.2	+16.8
July-August ...	20,420	+15.3	+25.3	238,905	—7.4	— 4.4
August	10,050	+17.5	+32.9	109,290	—8.7	— 8.2
Cheese (thousands of lbs.)						
January-August	45,900	+ 4.1	+12.3	756,025	+4.9	+16.1
July-August ...	13,150	— 0.3	+11.0	183,670	—3.7	— 0.8
August	6,375	+ 1.9	+16.4	84,245	—5.1	— 3.4

[1] Ten-year period, 1943-52, employed for milk; 5-year period, 1948-52, used for butter and cheese.
Source: United States Department of Agriculture, Agricultural Marketing Service, Crop Reporting Board.

Table 4

Average Prices Received by Farmers for Designated Livestock and Livestock Products—Mountain and Pacific States, September 15, 1954 with Comparisons

	Average prices received Sept. 15, 1954		Percent change in prices received Sept. 15, 1954 from			
			June 15, 1954		Sept. 15, 1953	
Livestock or livestock product	Mountain states	Pacific states	Mountain states	Pacific states	Mountain states	Pacific states
	(in dollars)					
Butterfat in milk (per lb.)..........	.54	.55	+ 0.7	...	—13.4	—17.2
All milk whole (per cwt.).........	3.89	4.22	+ 7.5	+ 6.8	— 8.9	—12.1
Hogs (per cwt.).....	20.60	22.00	—15.6	—17.4	—15.2	—12.4
Beef cattle (per cwt.)	16.10	17.40	— 5.3	— 3.9	+ 4.5	+ 9.4
Calves (per cwt.)....	16.80	17.00	— 8.2	—13.3	+ 9.8	+ 6.3
Sheep (per cwt.).....	4.98	4.87	—24.0	— 9.8	—10.3	— 2.2
Lambs (per cwt.)....	17.70	17.20	—14.5	—18.1	+ 4.7	+ 2.4
Wool (per lb.)......	.53	.49	— 2.6	—16.6	+ 0.9	— 1.6
Milk cows (per head)	170.00	184.00	— 1.2	— 0.5	— 6.6	— 7.1
Turkeys (per lb.)....	.26	.26	— 6.9	— 6.9	—17.9	—16.3
Farm chickens (per lb.)..........	.18	.15	—15.3	—22.8	—17.6	—33.9
Commercial broilers (per lb.)..........	.28	.27	— 2.8	— 4.7	— 6.8	—16.1
Eggs (per doz.)......	.40	.34	+17.6	— 6.5	—28.4	—40.1

Source: United States Department of Agriculture, Agricultural Marketing Service, *Agricultural Prices.*

With the decline since June in the national annual rate of milk output and a slight increase in consumption of fluid milk, national production of butter and cheese since mid-July has been below a year earlier. Government purchases of these items during this period have been just a little over half those of a year earlier. Purchases of nonfat dry milk, however, were nearly as large as last year.

District production of cheese since June has come forth in slightly smaller volume this year than last but butter production continues relatively high (Table 3). In the first 8 months of 1954 the District produced 35 percent more butter than in the same period of 1954. The comparable figure for cheese is 4 percent but District cheese production had increased greatly—about 8 percent—in the first 8 months of 1953.

Dairy markets in recent months have improved slightly for farmers but farm price increases so far have been slight because production continues to exceed use and Government stocks are large. Wholesale and retail prices continue somewhat below a year earlier. The outlook appears to call for some continued increase for the District as well as nationally in total numbers of dairy cows on farms. This means that production of milk, butter, and cheese will continue high in 1955 if weather, feed, and pasture conditions are normal. Continued drought in some areas may force liquidations but these probably will be offset by increases in other areas.

Poultry and egg production high with prices low

An increased number of layers on farms, large production of eggs for this time of year, and seasonally increased supplies of poultry meat are holding down prices of these commodities. Nationally, egg production on September 1 was record high for the date. District egg production in the first 8 months of this year was up 7 percent from the same period last year. In the same period numbers of layers on District farms increased 9 percent. As a result farm prices of eggs in Pacific Coast states averaged 39 cents per dozen on August 15 compared with 58 cents on the same date a year ago. Prices of medium eggs have declined in recent months because of the increasing proportion of eggs laid by pullets in recent production. Prices of large eggs have shown less net change. Continued low prices and increased production appear in prospect for District egg producers at least until well into 1955. Changes in outlook after June next year depend largely on how producers react to an unfavorable egg-feed price ratio. Heavy culling and some flock liquidations next year could result in an improved fall marketing situation for eggs in 1955.

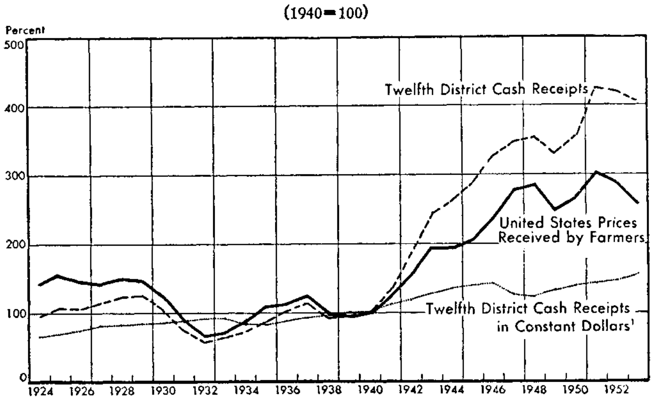
Turkey prices weakened about mid-summer this year as it became evident that national fall supplies of turkey meat would be exceptionally large. For the United States the 1954 turkey crop is expected to be about 9 percent larger than the 1953 crop and to exceed the record 60 million bird crop of 1952.

The District increase in turkey production from last year is small—less than 1 percent. Nevertheless, prices received by District turkey producers this fall have been 15 to 18 percent under those of a year earlier. Farm prices of turkeys in District states apparently are strongly affected by supply-demand conditions in eastern markets. As a result inefficient District turkey producers probably will encounter financial difficulties this year.

THE DISTRICT CASH FARM INCOME SITUATION

CASH income of District farmers in 1954 may be moderately smaller than in 1953. If so, this will mark the third consecutive annual decline of District farmers' returns. During the first half of 1954, District farmers received considerably less income than in the first half of last year, and District cash receipts in the second half of 1954 are expected to continue below the 1953 level. The production of two high income-producing District crops, cotton and wheat, was reduced in 1954 by acreage allotments and marketing quotas. Since a large part of the diverted cotton and wheat acreage was devoted to feed grain production in 1954, marketings of these alternative crops may be the source of an unusually large proportion of District farm income during the last half of the year. Increased feed grain production also may stimulate an expansion of District livestock feeding enterprises.

TWELFTH DISTRICT RECEIPTS FROM FARM MARKETINGS AND UNITED STATES PRICES RECEIVED BY FARMERS, 1924-1953
(1940=100)



[1] Indicates the District trend of the volume of farm marketings.
Source: United States Department of Agriculture, Agricultural Marketing Service, *Agricultural Statistics* and *The Farm Income Situation.*

District cash receipts at relatively high level

Examination of the current farm income situation in terms of changes from recent years does not reveal some of the long-term factors that are related to the present level of District farm income. Despite recent reductions, the volume of District cash returns from farm marketings continues at a relatively high level. District cash receipts have more than tripled during the last three decades. The upward trend of cash income over this period has been due largely to the higher prices received for farm products. The significance of price in determining the volume of cash receipts is indicated by the similar movements of cash receipts and prices (Chart 1). Farm prices in turn are affected by the general level of business activity in the nation. Since prices are such an important factor in determining the volume of cash returns from farm marketings, the general health of the economy becomes of primary concern to District agriculture.

Although prices received by farmers and cash receipts from District marketings have been closely associated, cash receipts have increased relatively more than prices received (Chart 1). This indicates that factors other than prices have been operating to boost farm income, and that these factors have influenced cash receipts by expanding farm output and the volume of marketings. Among these additional factors have been technological and farm management advances, increases in crop acreage, increases in the number of animal units,[1] and the growth of specialization in agricultural production.

District cash receipts have been declining since 1951

If District cash income does decline during 1954 from the level of the previous year, it will be the third consecutive annual decline. The paramount factors associated with this prospective reduction, however, differ from those associated with the reductions in farm income from 1951 to 1952 and from 1952 to 1953.

In 1951 District cash income was at a record high level. During that year practically all circumstances seemed to favor a high level of District cash income. Inflation was affecting the general price level and farm prices reached their post-Korean peak nationally in February of 1951. Bolstered by various forms of governmental assistance, the value of agricultural exports during the year also was at a record high level. As a result of the Korean war, military demand for agricultural products remained high throughout the year.

Despite an increase in personal disposable income and a larger volume of District farm marketings, District farm income declined in 1952 from the 1951 level. More than offsetting the effect of higher personal income and larger marketings was the reduced value of agricultural exports and lower farm prices. The decline of District cash income in 1952 stemmed largely from decreased returns from the sale of livestock and livestock products, as opposed to receipts from crop marketings. The number of cattle on farms reached its peak for the current cycle in 1952 and was accompanied by an increase in cattle marketings. The effect of these increased marketings on farm income, however, was more than offset by lower cattle prices. Some crop prices also declined, but their effects were largely minimized by price increases for other crops.

The decline of District cash receipts continued in 1953 with much of the income decline again due to the lower volume of cash income from marketings of livestock and livestock products. Personal disposable income continued to rise and a record volume of District farm products apparently was marketed during 1953. The value of agricultural exports, on the other hand, slipped to lower levels. Farm prices again were an important income-depressing factor. In addition to lower cattle prices, dairy prices also were at a lower level than in 1952. Furthermore, crop prices were beginning to weaken, but the existence of price supports on many important field crops cushioned the over-all decline.

For the entire period of 1951 through 1953, the decline of District cash income was due to the drop in farm prices, principally cattle prices. The volume of farm marketings appears to have increased. Although District cash income declined from the 1951 level, the relative decline was less in the District than in the country as a whole. The principal reason for this difference is that a smaller proportion of the District than of the national cash income is derived from marketings of livestock and livestock products. Returns from farm marketings of livestock and livestock products generally are about 40 percent of the District's total cash receipts. Nationally, marketings of this type of farm product account for about 60 percent of total cash receipts.

Further decline of District cash receipts indicated for 1954

In contrast to the situation in 1952 and 1953, the bulk of the income decline this year will apparently stem from reduced crop receipts. Since crop marketings are a comparatively more important source of farm returns in the District than in the nation, a reduction in total District cash receipts of somewhat more than the 4 percent predicted for the nation may be expected. Some of the factors that have had or are expected to have a depressing effect on District farm income during the year are reduced crop output, lower prices at the farm level, and a reduced volume of crop marketings. On the other hand, the level of disposable income and the value of agricultural exports generally have been somewhat above 1953 levels.

During the first six months of 1954, District farm income was about 11 percent lower than during the comparable period a year earlier. Cash receipts from crop marketings declined 17.4 percent compared with a decline of only 2.8 percent in farmers' returns from farm marketings of livestock and livestock products. In addition to lower crop prices, there is evidence that a reduced volume of crop marketings also contributed to the decline in cash income. With the farm price of wheat and cotton below support levels during and after harvest, price support loans were obtained on these important District crops at a rapid rate in the latter part of 1953. These comparatively heavy farm marketings did not conform to the usual seasonal pattern and probably left a relatively small proportion of the crops to be marketed by farmers in the first half of 1954. That this was the case seems especially likely in view of the drastic decline in cash receipts from crop marketings in the District's cotton producing states during the first half of the year. Declines in crop income in District wheat producing states were not as pronounced as in the cotton producing regions. This difference in the behavior of cash income in the two areas cannot be fully explained at present owing to the absence of data concerning cash receipts by individual crops.

The relative decline in cash receipts from the first half of 1953 to the first half of 1954 was considerably larger in the District than in the nation. National cash receipts declined only 3.6 percent, while District cash receipts declined 10.9 percent. Since a comparatively large share of District farm returns is obtained from crop marketings, the reduced volume of such marketings, lower crop prices,

[1] This count does not include animals used for power on farms. The number of "animal units" is not equivalent to the number of "animals." An "animal unit" is defined as the average sales value per herd for milk cows. Other animals are assigned unit weights either larger or smaller than "one" and are counted accordingly.

and the relative strength of cash receipts from livestock marketings resulted in a relatively greater decline in District farm income.

The volume of District cash receipts obtained during the last half of the calendar year depends to a large extent on crop marketings. Cash income from the sale of crops generally accounts for two-thirds of the total District cash receipts received from July through December. District farm income in the second half of this year will be affected, however, by acreage allotments and marketing quotas on wheat and cotton. Although carry-over stocks of supported commodities have accumulated under the price support program, cash income was not greatly affected as long as output of these commodities was not curtailed. These increasing stocks of price supported commodities, however, were largely responsible for the imposition of acreage allotments and marketing quotas in 1954 on two important District crops, cotton and wheat. These acreage controls prompted a production shift to alternative crops such as feed grains.

There are at least two possible ways by which this production shift from wheat and cotton may reduce District cash receipts during the last half of 1954. First, in District areas specialized in their production, cotton and wheat provide more income per acre than generally results from the production of alternative crops. Secondly, a portion of the increased 1954 feed grain production may be marketed indirectly through livestock instead of being sold outright as is common with wheat and cotton. Such a practice would reduce crop receipts if livestock feeding enterprises were expanded on the farms producing the feed grain, so that no cash transaction was involved in transferring the feed to the livestock. The shifting of cash receipts from 1954 feed grain production to livestock and livestock products not only would reduce cash income from crops in 1954 but would also tend to shift cash receipts from 1954 to subsequent years. The receipts from the utilization of feed grains produced in 1954 would not be realized until the animals consuming the grain were ultimately sold. In the case of feeder cattle, this sale takes place from 3 to 9 months after the animals are placed on feed.

TABLE 1

RELATIONSHIP BETWEEN SOURCE AND CHANGE OF CASH RECEIPTS FROM FARM MARKETINGS, TWELFTH DISTRICT, 1951 AND 1953

	Proportion of total cash receipts derived from farm marketings of livestock and livestock products 1951	Percent change total cash receipts 1953 from 1951
Arizona	38.4	+10.8
California	40.0	— 5.7
Washington	41.0	+ 0.3
Oregon	49.0	—10.7
Idaho	51.8	— 6.8
Utah	76.0	—20.4
Nevada	89.9	—39.1
Twelfth District	42.0	— 5.3
United States	59.8	— 5.6

Source: United States Department of Agriculture, Agricultural Marketing Service, *Farm Income Situation.*

TABLE 2

CASH RECEIPTS FROM FARM MARKETINGS, TWELFTH DISTRICT, JANUARY-JUNE 1954

	Livestock and livestock products	Crops	Total	Percent change from January-June 1953: Livestock and products	Crops	Total
	(in thousands of dollars)					
California	445,341	500,634	945,975	—2.8	—19.4	—12.4
Washington	87,501	121,154	208,655	—6.3	+ 5.7	+ 0.4
Arizona	55,319	104,852	160,171	—0.3	—24.8	—17.9
Oregon	77,697	62,481	140,178	—5.2	— 9.2	— 7.1
Idaho	65,600	40,015	105,615	+1.2	—32.5	—14.9
Utah	50,961	9,376	60,337	—3.1	—16.5	— 5.4
Nevada	14,235	1,825	16,060	—3.9	—30.9	— 7.9
Twelfth District	796,654	840,337	1,636,991	—2.8	—17.4	—10.9
United States	8,345,795	4,252,606	12,598,401	—1.5	— 8.6	— 3.6

Source: United States Department of Agriculture, Agricultural Marketing Service, *Farm Income Situation.*

The effect of the reduced District output of crops on District cash income may be partially offset by price changes during the last half of the year. Farm prices of several important District crops have been strengthening in the last few months. A continued high level of cash receipts from cattle marketings would also help to bolster farm cash receipts. Dairy, poultry, and egg prices, however, have had a depressing effect on farm income and are currently below their year-ago levels. Based on information obtained at the Agricultural Outlook Conference in Washington, D. C. during the last week in October, District and national farm income in 1955 is expected to be somewhat lower than in 1954. Smaller wheat and cotton allotments are scheduled for next year. The support level for 1955 crop wheat also will be moderately lower than this year. Hence, incomes of wheat producers will be affected by both smaller production and lower prices.

Farm income changes during 1954 vary among District states

There is considerable variation in the annual changes in farm income among District states. These variations depend in large part upon existing differences in the comparative importance of crops and livestock as sources of farm income in each state. Between 1951 and 1953, farm income declined in five Twelfth District states but increased in Arizona and Washington. As indicated in Table 1, for the period of 1951-53 changes in farm income among District states were closely related to the relative importance in each state of crops and livestock as sources of farm income. Since cattle prices and receipts from cattle marketings were declining during 1952 and 1953, the most drastic income reductions occurred in those states obtaining a large share of their receipts from livestock marketings.

During the first six months of 1954, cash income from farm marketings in most District states was again lower than in a like period of the previous year (Table 2). On the whole, the largest income declines occurred in those states depending largely on crop marketings as a source of income. The state of Washington, however, was an exception. Although depending heavily on cash receipts from crop marketings, the volume of farm cash receipts in Washington increased slightly instead of declining. Returns from apple marketings apparently maintained cash receipts in this state. On the other hand, Idaho generally receives a relatively small proportion of its farm income from crop marketings, but cash receipts in this state declined sharply during the first half of the year. Potato prices during the first few months of 1954 were considerably below the prices received by Idaho farmers in the first part of 1953 and accentuated the farm income decline in Idaho. The most drastic decline of cash receipts during the first half of 1954 occurred in Arizona and probably resulted from a smaller volume of cotton marketings. In 1953, cotton marketings accounted for about 60 percent of Arizona's cash receipts from farm marketings. Since marketing quotas and acreage allotments were placed on cotton in 1954, Arizona's cash income probably will continue below the 1953 level of income during the last six months of 1954.

Prospects for decreased farm returns in the last half of the year are not confined to the state of Arizona. Practically every state in the District depends heavily on the income from marketings of either wheat or cotton, or both. Acreage allotments and marketing quotas on these two crops may be expected to result in a decrease for the year in cash receipts in most District states. Reductions may be relatively small for Utah and Nevada where cash receipts are derived largely from marketings of livestock and livestock products. Lower prices for these commodities are being offset for the most part by significant increases in production and marketings.

INCOME PAYMENTS IN THE DISTRICT: 1953

INCOME payments to individuals in the Twelfth District rose 6 percent from 1952 to 1953, reaching a record $36 billion.[1] This increase, paralleling a 6 percent rise nationally, represents an average of a somewhat wide dispersion of income changes among the seven states of the District. California—accounting for approximately 83 percent of the dollar amount of the District rise—registered a 7 percent gain, while at the extremes Idaho had a 3 percent decrease and Nevada a 9 percent increase in total income payments. The marked dispersion in changes in income payments among the District states (Table 1) largely reflects geographical dissimilarities in economic structure and varied developments among industries. An examination of income payments by major source indicates that a decline in agricultural income exerted the strongest downward pull in total income payments in both the District and the country as a whole. Manufacturing payrolls, on the other hand, showed strong parallel increases in both this region and the nation and represented the major sources of increase in total income payments during the year.

[1] This article is based primarily upon the estimates which appear in the United States Department of Commerce, *Survey of Current Business,* August 1954, pp. 9-17.

TABLE 1

TOTAL AND PER CAPITA INCOME PAYMENTS WITH PERCENTAGE CHANGES—TWELFTH DISTRICT AND UNITED STATES, 1952 AND 1953

	Total income payments			Per capita income payments		
	1952	1953	Percent change 1952-53	1952	1953	Percent change 1952-53
	(in millions of dollars)			(in dollars)		
Arizona	1,308	1,370	+5	1,503	1,473	—2
Idaho	874	851	—3	1,484	1,411	—5
Nevada	412	448	+9	2,227	2,175	—2
Utah	1,075	1,108	+3	1,459	1,510	+3
California	23,257	24,856	+7	1,978	2,039	+3
Oregon	2,746	2,762	+1	1,712	1,724	+1
Washington	4,458	4,663	+5	1,810	1,882	+4
Twelfth District	34,130	36,058	+6	1,897	1,929	+2
United States	256,091	270,577	+6	1,644	1,709	+4

Note: State income statistics for 1952 have been revised by the Department of Commerce.
Source: United States Department of Commerce, *Survey of Current Business,* August 1954.

Owing to a relatively larger increase in population in the District than in the nation, per capita income payments in the District rose by a moderate 2 percent from

TABLE 2

PERCENTAGE DISTRIBUTION AND PERCENT CHANGE OF TOTAL INCOME PAYMENTS BY SELECTED COMPONENTS, 1952 AND 1953

	Agriculture income			Manufacturing payrolls			Government income			Trade and services income			Construction payrolls			Mining payrolls		
	Percent distribution		Percent change	Percent distribution		Percent change	Percent distribution		Percent change	Percent distribution		Percent change	Percent distribution		Percent change	Percent distribution		Percent change
Area	1952	1953	1952-53	1952	1953	1952-53	1952	1953	1952-53	1952	1953	1952-53	1952	1953	1952-53	1952	1953	1952-53
Arizona	18.5	15.6	—14	7.1	7.6	+14	19.1	19.4	+ 7	25.4	25.6	+ 6	5.6	6.2	+18	4.3	4.5	+ 9
Idaho	22.5	17.9	—21	10.9	11.2	0	15.9	17.1	+ 5	22.5	25.1	+ 7	5.1	4.7	—10	2.5	2.3	—11
Nevada	8.2	3.7	—52	4.3	4.3	+12	17.3	17.8	+13	31.8	33.6	+16	8.6	9.4	+20	3.9	4.5	+26
Utah	7.4	5.2	—29	10.5	11.3	+11	23.1	23.6	+ 6	24.5	25.3	+ 6	4.6	4.2	— 5	7.0	7.3	+ 9
California	6.0	4.6	—14	18.7	19.5	+12	18.7	18.6	+ 6	28.4	28.5	+ 7	4.8	5.0	+12	0.8	0.8	+10
Oregon	8.7	6.5	—12	22.0	22.1	0	16.2	15.9	— 2	26.5	28.0	+ 4	4.0	3.9	— 3	0.2	0.2	+ 6
Washington	6.7	5.6	+ 4	18.6	19.1	+ 7	21.1	21.5	+ 5	26.3	26.5	+ 4	5.2	5.0	0	0.3	0.3	+ 4
Twelfth District	7.3	5.6	—19	17.9	18.6	+10	18.9	18.9	+ 6	27.6	30.0	+ 7	4.9	5.0	+ 8	1.1	1.1	+ 8
United States	6.7	5.3	—12	24.5	25.7	+11	15.9	15.9	+ 5	25.6	26.0	+ 6	4.1	4.0	+ 4	1.5	1.4	+ 2

Note: Figures may not add to 100 percent due to rounding. State income statistics for 1952 have been revised by the Department of Commerce.
Source: United States Department of Commerce, *Survey of Current Business,* August 1954.

TABLE 3
PERCENTAGE DISTRIBUTION OF TOTAL INCOME PAYMENTS BY TYPE OF PAYMENT, 1952-53

		Wages and salaries	Proprietors' income	Property income	Other income
Arizona	1952	61.8	23.4	9.0	5.7
	1953	64.2	20.1	9.5	6.3
Idaho	1952	57.8	27.7	8.6	5.9
	1953	60.4	24.0	9.2	6.5
Nevada	1952	63.8	19.4	12.4	4.4
	1953	67.2	15.6	12.5	4.7
Utah	1952	68.9	17.3	8.0	5.8
	1953	70.8	14.8	8.3	6.1
California	1952	68.1	15.0	11.1	5.8
	1953	69.1	13.9	11.2	5.8
Oregon	1952	66.4	17.0	9.3	7.3
	1953	67.2	16.3	9.7	6.7
Washington	1952	69.0	15.5	9.3	6.2
	1953	69.0	15.1	9.4	6.6
Twelfth District	1952	67.6	16.0	10.5	6.0
	1953	68.6	14.7	10.7	6.0
United States	1952	68.5	15.2	10.5	5.7
	1953	69.6	14.1	10.5	5.8

Note: State income statistics for 1952 have been revised by the Department of Commerce.
Source: United States Department of Commerce, *Survey of Current Business*, August 1954.

1952 to 1953 compared with a national increase of 4 percent (Table 1). Idaho had a 5 percent drop in per capita income payments which reflected a decline in total income payments as well as a moderate rise in population. Arizona and Nevada had moderate declines in per capita income payments but only because of population increases. Washington was the only District state in which the increase in per capita income payments was as large as the 4 percent rise in the country as a whole.

The percentage distribution of total income payments by type showed varied changes from 1952 to 1953 in both the District and the nation (Table 3), largely reflecting differences in developments between the agricultural and nonagricultural sectors of the economy. Proprietors' income, which includes the net income from unincorporated farms, showed substantial declines in Arizona, Idaho, Nevada, and Utah, all states in which agricultural income is both relatively important and also showed the largest percent declines. These four District states combined had a 12 percent decrease in proprietors' income payments during 1953. The decline in farm income coupled with substantial rises in nonagricultural payrolls in 1953 made wages and salaries a larger fraction of total income payments in these four Intermountain states than in 1952. On the other hand, proprietors' income experienced only moderate declines in both California and Oregon. In contrast to the experience in the other District states and the nation, proprietors' income rose in Washington, largely reflecting an increase in agricultural income in that state.

Agricultural income declines in District and nation

For the second successive year, farmers in both the District and nation suffered declines in their income payments. In contrast to a smaller percentage decline in farm income in the District compared with the nation in 1952, agricultural income in the District decreased by a larger percentage in 1953 than in the country as a whole. All states in the District, except Washington, shared in a 19 percent decline in District farm income, with Nevada registering a very sizable drop of 52 percent. Both the District and national decreases resulted from a fall in the value of farm output (reflecting lower farm prices) which was only slightly offset by a much smaller percentage decline in farm production expenses.

Again as in 1952, varied fluctuations in agricultural income between the District and the nation and among the seven western states largely reflect differences in regional specialization in crop and livestock farming. Lower livestock and livestock product prices during 1953 coupled with unfavorable growing conditions during the summer and fall contributed to sizable declines in the income of Nevada and Utah, states receiving a large portion of their income from livestock farming. The value of farm crop production was also moderately lower in both the District and nation. Owing to a drastic cut in prices, the value of the 1953 national potato crop was less than half that of 1952 and this contributed to a 21 percent decline in Idaho's agricultural income. Washington, favored with an exceptionally good fruit crop, had a 4 percent rise in farm income—the only District state recording a gain in farm income.[1]

Rise in District nonagricultural income parallels national trend

District income payments from the nonagricultural sectors of the economy increased 7 percent from 1952 to 1953, a rise equal to that in the country as a whole. Income arising from manufacturing activities showed the largest percent gains for the year—both nationally and regionally. These gains offset the declines in farm incomes in all but one District state. Manufacturing payrolls in the District were 10 percent higher during 1953 than in 1952, compared with an 11 percent rise in the country as a whole. Despite a 54-day strike in the aircraft industry lasting from October into December 1953, California manufacturing payrolls rose about 12 percent above the 1952 figure. Payrolls in the lumber industry were about the same in 1953 as in the previous year, thereby dampening increases in total manufacturing incomes in the lumber-important economies of Washington and Oregon.

Income payments arising from each of the remaining major sectors of the economy during the year showed larger percentage increases in the Twelfth District than in the country as a whole. Income from governmental activity in the District was 6 percent above the 1952 figure compared with a 5 percent rise nationally. Oregon was the only District state to have a decline in government income while Nevada, at the opposite extreme, showed a 13 percent gain above 1952.

The rise of 7 percent in trade and service incomes from 1952 to 1953 in the District was slightly higher than in

[1] For a more complete review of Twelfth District agricultural developments during 1953 see this *Review*, February 1954, pp. 39-47.

the nation as a whole. Unlike changes in other major sources of income, all states in the District shared in this 7 percent regional increase. Nevada again had the largest gain (16 percent) among the seven District states, with trade and service incomes accounting for slightly more than one-third of its total income payments during the year. California had a 7 percent increase, while both Oregon and Washington, with 4 percent increases, had the smallest gains among the District states.

Income payments from construction and mining activities increased substantially more in the District from 1952 to 1953 than in the country as a whole. Construction payrolls in California and Nevada, despite a 41-day strike during the year, showed sizable increases in 1953. Construction payrolls in the District rose 8 percent compared with a 4 percent national increase, reflecting sizable percentage increases in three states (Arizona, California, and Nevada) and substantial percentage decreases in three other District states (Idaho, Oregon, and Utah). Somewhat in contrast, an 8 percent climb in mining payrolls in the District from 1952 to 1953, compared with a more moderate 2 percent rise nationally, represents increases by all District states except Idaho.[1]

The differences in the patterns of change in income payments from 1952 to 1953 among the nation, District, and component District states, reflecting diverse movements in major sources of income, suggest that regional differences in income fluctuations may be significantly associated with regional differences in economic structure. A review of annual fluctuations in per capita income payments over the pre- and postwar years, to be published in a future issue of the *Monthly Review,* indicates that those states in the District deriving a large proportion of their total income payments from agricultural activity have been, in general, also subject to wide annual swings in their per capita income payments.

[1] For a more complete review of Twelfth District nonagricultural developments during 1953 see this *Review,* February 1954, pp. 19-30.

BUSINESS INDEXES—TWELFTH DISTRICT[1]
(1947-49 average=100)

Year and month	Industrial production (physical volume)[2] Lumber	Petroleum[3] Crude	Petroleum[3] Refined	Cement	Lead[3]	Copper[3]	Wheat flour[3]	Electric power	Total nonagricultural employment	Total mf'g employment[4]	Carloadings (number)[3]	Dep't store sales (value)[3]	Retail food prices[3, 5]	Waterborne foreign trade[3, 6] Exports	Imports
1929	80a	87	78	54	165	105	90	29	....	....	102	30	64	190	124
1931	42a	57	55	36	100	49	86	29	....	....	68	25	50	138	80
1933	34a	52	50	27	72	17	75	26	....	....	52	18	42	110	72
1935	45a	62	56	33	86	37	87	30	....	47	66	24	48	135	109
1937	61a	71	65	56	114	88	84	38	....	60	81	30	50	170	119
1938	48a	75	64	45	92	58	81	36	....	51	72	28	48	164	87
1939	60a	67	63	56	93	80	91	40	....	55	77	31	47	163	95
1940	65a	67	63	61	108	94	87	43	....	63	82	33	47	132	101
1941	77a	69	68	81	109	107	87	49	....	83	95	40	52	....	....
1942	77a	74	71	96	114	123	88	60	....	121	102	49	63	....	....
1943	74a	85	83	79	100	125	98	76	100	164	99	59	69	....	....
1944	74a	93	93	63	90	112	101	82	101	158	105	65	68	....	....
1945	61a	97	98	65	78	90	112	78	96	122	100	72	70	....	....
1946	80a	94	91	81	70	71	108	78	95	97	101	91	80	89	57
1947	94a	100	98	96	94	106	113	90	99	100	106	99	96	129	81
1948	102a	101	100	104	105	101	98	101	102	102	100	104	103	86	98
1949	104a	99	103	100	101	93	88	108	99	97	94	98	100	85	121
1950	116a	98	103	112	109	115	86	119	103	105	97	105	100	91	137
1951	115a	106	112	128	89	115	95	136	111	122	100	109	113	186	157
1952	111a	107	116	124	86	112	96	144	118	132	101	114	115	171	200
1953	119a	109	123	130	74	111	96	161	122	139	100	116	113	140	308
1953															
August	118a	109	124	134	69	110	92	168	122	139	99	114	113	127	337
September	113a	109	126	133	73	111	101	166	122	140	98	110	114	129	368
October	114a	109	125	137	69	112	99	163	122	141	95	111	114	133	316
November	115a	110	121	128	69	112	98	157	121	137	97	112	113	139	287
December	114a	109	125	120	67	104	96	158	121	138	102	109	113	141	256
1954															
January	122a	109	121	114	60	107	99	163	121	138	93	109r	114	108	210
February	122a	109	120	117	79	102	97	160	121	137	90	107	114	156	271
March	119a	108	118	116	76	99	98	171	120	136	94	111	113	156	233
April	120a	107	119	134	71	98	96	168	120	136	99	111	113	157	232
May	124a	107	123	143	67	103	96	174	120	136	97	114	114	158	271
June	103a	107	119	140	69	105	96	183	120	137r	96	114	114	141	237
July	79a	106	118	143	63r	91r	92	179	119r	131r	88	115	113	....	....
August	88a	104	115	137	73	73p	101	....	119p	130p	90	115	113	....	....

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

Year and month	Condition items of all member banks[7] Loans and discounts	U.S. Gov't securities	Demand deposits adjusted[8]	Total time deposits	Bank rates on short-term business loans[9]	Member bank reserves and related items[10] Reserve bank credit[11]	Commercial operations[12]	Treasury operations[12]	Coin and currency in circulation[11]	Reserves	Bank debits Index 31 cities[5, 13] (1947-49=100)[3]
1929	2,239	495	1,234	1,790	......	− 34	0	+ 23	− 6	175	42
1931	1,898	547	984	1,727	......	+ 21	− 154	+ 154	+ 48	147	28
1933	1,486	720	951	1,609	......	− 2	− 110	+ 150	− 18	185	18
1935	1,537	1,275	1,389	2,064	......	+ 2	− 163	+ 219	+ 14	287	25
1937	1,871	1,270	1,740	2,187	......	− 1	− 90	+ 157	− 3	549	32
1938	1,869	1,323	1,781	2,221	......	− 3	− 240	+ 276	+ 20	565	29
1939	1,967	1,450	1,983	2,267	......	+ 2	− 192	+ 245	+ 31	584	30
1940	2,130	1,482	2,390	2,360	......	+ 2	− 148	+ 420	+ 96	754	32
1941	2,451	1,738	2,893	2,425	......	+ 4	− 596	+1,000	+ 227	930	39
1942	2,170	3,630	4,356	2,609	......	+ 107	−1,980	+2,826	+ 643	1,232	48
1943	2,106	6,235	5,998	3,226	......	+ 214	−3,751	+4,486	+ 708	1,462	60
1944	2,254	8,263	6,950	4,144	......	+ 98	−3,534	+4,483	+ 789	1,706	66
1945	2,663	10,450	8,203	5,211	......	− 76	−3,743	+4,682	+ 545	2,033	72
1946	4,068	8,426	8,821	5,797	......	+ 9	−1,607	+1,329	− 326	2,094	86
1947	5,358	7,247	8,922	6,006	......	− 302	− 510	+ 698	− 206	2,202	95
1948	6,032	6,366	8,655	6,087	......	+ 17	+ 472	− 482	− 209	2,420	103
1949	5,925	7,016	8,536	6,255	3.20	+ 13	− 930	+ 378	− 65	1,924	102
1950	7,093	6,415	9,254	6,302	3.35	+ 39	−1,141	+1,198	− 14	2,026	115
1951	7,866	6,463	9,937	6,777	3.66	− 21	−1,582	+1,983	+ 189	2,269	132
1952	8,839	6,619	10,520	7,502	3.95	+ 7	−1,912	+2,265	+ 132	2,514	140
1953	9,220	6,639	10,515	7,997	4.14	− 14	−3,073	+3,158	+ 39	2,551	150
1953											
September	9,241	6,481	10,018	7,794	4.17	+ 113	− 308	+ 217	− 4	2,425	149
October	9,255	6,556	10,248	7,854	......	+ 19	− 391	+ 394	+ 7	2,449	142
November	9,248	6,693	10,255	7,815	......	− 137	− 149	+ 330	+ 23	2,476	149
December	9,220	6,639	10,515	7,997	4.19	+ 50	− 432	+ 438	− 26	2,551	158
1954											
January	9,198	6,844	10,540	7,995	......	+ 1	− 308	+ 125	− 86	2,468	146
February	9,176	6,667	10,138	8,071	......	+ 98	− 245	+ 80	− 2	2,398	153
March	9,106	6,500	9,922	8,175	4.12	− 125	− 213	+ 315	− 29	2,413	158
April	9,045	6,903	10,190	8,234	......	+ 5	− 324	+ 381	+ 7	2,477	150
May	9,001	6,991	10,045	8,306	......	+ 9	− 148	+ 136	+ 36	2,432	143
June	9,049	6,981	10,087	8,428	4.14	− 21	− 254	+ 277	+ 15	2,413	157
July	8,989	7,190	10,310	8,444	......	+ 29	− 307	+ 170	+ 3	2,308	145
August	8,977	7,574	10,257	8,501	......	− 18	+ 28	− 12	+ 7	2,317	154
September	9,054	7,610	10,463	8,555	......	+ 16	− 170	+ 196	− 8	2,368	152

[1] 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; nonagricultural and 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. [2] Daily average. [3] Not adjusted for seasonal variation. [4] Excludes fish, fruit, and vegetable canning. [5] Los Angeles, San Francisco, and Seattle indexes combined. [6] 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. [7] Annual figures are as of end of year, monthly figures as of last Wednesday in month or, where applicable, as of call report date. [8] Demand deposits, excluding interbank and U.S. Gov't deposits, less cash items in process of collection. Monthly data partly estimated. [9] Average rates on loans made in five major cities during the first 15 days of the month. [10] End of year and end of month figures. [11] Changes from end of previous month or year. [12] 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. [13] Debits to total deposits except interbank prior to 1942. Debits to demand deposits except Federal Government and interbank deposits from 1942. *a*—New revised series. *p*—Preliminary. *r*—Revised.