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CONTENTS

Industrial Retrospect—1948

THE outstanding feature of the general business situation in 1948 was the marked degree of stability registered in nearly all sectors of the economy. While in some industries the rate of output slackened to levels equal to current demand, other industries continued to expand production in an effort to meet continuing high consumer requirements. As a result, the principal indicators of production, employment, and prices moved in a sidewise manner.

Total industrial production in the first ten months as measured by the Federal Reserve Board Index averaged 91 percent above the 1935-39 average rate. Output was about 3 percent greater than in the like period of 1947, and probably represents nearly full capacity of the existing industrial machine under present conditions. Higher rates of output are limited principally by inadequate supplies of both ferrous and nonferrous metals as well as by virtually full employment of the labor force.

Production of durable goods for the first ten months of the year averaged only 2 percent higher than a year ago but 123 percent above the 1935-39 average rate. The shortage of metals hampered most producers of fabricated goods of nearly every description and served to increase costs by interfering with smooth production procedures and under-utilization of manufacturing or assembly-plant capacity. The scramble for metals also resulted in unorthodox marketing practices. Substantial quantities of metals changed hands at prices well above those quoted in the usual markets. Further evidence of the demands made upon durable goods manufacturers may be found in the fact that the value of their inventories rose only 5 percent whereas wholesale metal prices advanced about 12 percent in the period under review. It is thus probable that actual physical inventories declined during the year.

Nondurable goods production averaged 3 percent higher than last year in the first ten months of 1948, and 77 percent above the prewar rate. There was some slackening from a year ago in cotton textiles, glass containers, rubber and leather products, and manufactured food items. More than offsetting these, however, were increases in petroleum and coal products, rayon, industrial chemicals, printing and publishing, woolen carpets, paper and paper products.

Order backlogs in a number of lines of both durable and nondurable industries, however, were down markedly from previous levels. Among these should be included ferrous and nonferrous castings, lumber, bituminous coal, brick, machine tools, some lines of office machinery, men's apparel, shoes, tires, plastic products, glass containers, and certain household appliances, such as radios (except television), ironers, and vacuum cleaners.

Editor's Note:—A review of banking developments during 1948 will appear in the January issue of the REVIEW.

Employment and Labor Relations

Employment in nonagricultural establishments in the United States, was remarkably stable in 1948. From January through August the total remained very close to 45 million (seasonally adjusted) and in the latter month was only 0.7 percent larger than at the beginning of the year. Employment in manufacturing establishments was nearly constant at the 16.3 million level.

The number of workers employed by Fourth District manufacturers declined fractionally through the first three quarters of the year but employers expected to add to their employment rolls during the fourth quarter. Total employment in manufacturing industries in the states of Ohio, Pennsylvania, Kentucky and West Virginia was about 3 million in 1948, an increase of 45 percent over 1939. With the possible exception of Akron, where some reduction in employment in the rubber industry took place, manufacturing centers reported a scarcity of skilled help in nearly all lines of endeavor. Local housing shortages tended to handicap the movement of labor into areas where job opportunities were available.

Despite continued full employment, labor relations in 1948 were more tranquil than in any other postwar period. For the first eight months (latest data available) the number of work stoppages initiated in the United States was 2,130, a decline of 23 percent from the corresponding months of 1947. Moreover, the number of workers involved in these disputes was only 1,525,000 or a drop of 30 percent.

In this connection, it should be noted that average hourly earnings of all production workers rose from $1.249 an hour in September 1947, to $1.363 an hour in September 1948, a gain of 9 percent. In the same interval, the consumers' price index advanced only 6.5 percent. This was the first period since the end of the war in which hourly wages rose more rapidly than the cost of living and so represented a real gain in the standard of living for the wage earner, in addition to the fact that less time was lost through work stoppages.

Price Changes

During the fourth quarter of the year there has been some evidence that the price movement may have at least leveled off. The index of daily spot market prices compiled by the Bureau of Labor Statistics passed through two periods of weakness this year and by mid-November was 12 percent below the average January level. The agricultural products component of this indicator actually declined 24 percent.

The new weekly wholesale price index of the Bureau of Labor Statistics stood at 164.9 for the week ended November 23 or 1 percent below the January level. Thus wholesale prices declined in the first ten and a half months of the year whereas they gained 18 percent in all of 1947. Wholesale prices are 3 percent below the all-time record peak of 169.4 established in August.

Not all groups of commodities shared in this downturn. Wholesale farm products were down 9 percent and chemicals and related products were off about 4 percent. Textiles showed little change in price. Building material prices continued to show strength and advanced nearly 5 percent. Within this latter group, lumber prices, especially for lower grades, were beginning to drop in the last quarter of the year. Metal prices continued to reflect acute shortages and advanced 12 percent. There were indications that this trend might continue to prevail for some time, particularly if military requirements are enlarged. Stockpiling also may mop up any excess supplies of metal.

The consumers' price index, more commonly known as the cost of living index, also began to level off in 1948. The index reached a peak in August and September of 174.5 or 74.5 percent above the 1935-39 average. Under the impact of falling food prices, however, it dropped to 173.6 in October or a gain of only 3 percent in the first 10 months of the year. This may be compared with a rise of 7 percent in the same months of 1947. Any further decreases in food prices, however, are likely to be offset by anticipated advances in rents, utility rates, and freight rates that would affect nearly all consumer goods.

Fourth District Prospects

With respect to near-term prospects in the Fourth District production may be hampered this winter by shortages of natural gas for industrial purposes and electric power. Recent decisions by examiners of the Federal Power Commission, now being appealed, would result in diversion of very large quantities of gas from District distributors to other markets not previously served. Loss of this gas, for which firm contracts had been negotiated a number of months ago, would cause serious interruption to industrial processes during cold weather.

Although additional electric generating capacity is being added as rapidly as possible throughout the District, it may not be adequate to meet peak load requirements. Industrial consumers in Cleveland, for example, have been asked to reduce consumption during the normal work hours and schedule operations wherever possible to correspond with off-peak demands. Electric power consumption in the Cleveland area in mid-November was already in excess of the previous record January demand.

REVIEW BY INDUSTRIES

Iron and Steel

Steel ingot production in the United States in 1948 may set a new peacetime record of about 88 million tons, or 3 million tons greater than last year. Output in the first ten months was more stable than in any other nonwar year and yielded nearly 73 million tons. October production of 8 million tons established a new all-time monthly record.

Domestic steel supply was further enlarged by the sharp drop in the export of semifinished and finished steel products. Exports of about 3,100,000 tons in the first eight months of 1948 were nearly 1,300,000 tons less than in the corresponding months of 1947. Unless this trend is reversed, approximately 2 million more tons will thus have been made available for internal consumption, or roughly a total increase of 5 million tons for the year.

Despite this apparent increase in available supply, mills were as hard pressed as at any time in the past three years to meet consumer demand. Plate, hot rolled sheet, and pipe were the most difficult products to obtain. It is reported that some mills are not booking orders for January in an effort to catch up on rolling schedules.

It is already evident from the continued large demand for steel, and from prospective increases in military demand, that some form of allocation program will be adopted for 1949. The present voluntary program lapses at the end of February and Congress undoubtedly will either extend the law or enact a mandatory program. The industry favors voluntary action which to date has worked rather well for the ten fields covered.

Pig iron production did not increase as much in the first ten months of the year as did steel ingot output, due primarily to extensive blast furnace repair and modernization programs in progress during the year. Total output for this period approximated 49.9 million tons of iron, an increase of only 900,000 tons over 1947. October production of 5.5 million tons was 300,000 tons greater than the same month a year ago, and prospects were good that the last quarter outturn would substantially top that of 1947.

Scrap supplies were tight all year although the situation began to improve in the last three months as scrap imports finally started to flow in volume. Stocks, however, were relatively comfortable and prices were holding firm at formula levels.

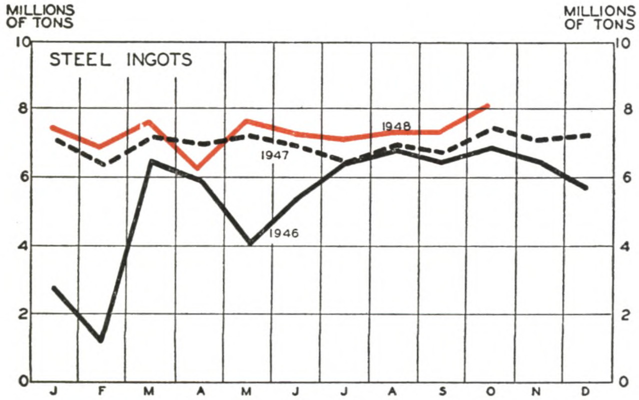
Stocks of Lake Superior iron ore at furnaces and on Lake Erie docks on November 1 amounted to 43.9 million tons, according to The Lake Superior Iron Ore Association, an increase of 5 percent over a year ago. These stocks together with additional ore moved in November should be about adequate to maintain blast furnace operation until navigation is resumed in the spring.

Gray iron foundry shipments in the United States averaged about one million tons a month during the first three quarters of the year, or about the same as in the previous year. Operations were hampered by shortages of pig iron, scrap, and coke, although the latter material has recently improved in supply and quality. Order backlogs in September were somewhat lower than a year ago and reports have been received that some shops are reducing hours because of lack of business.

One of the most far-reaching economic developments of the year was the general abandonment by the iron and steel industry of the basing point system of quoting prices. The implications of straight F. O. B. mill pricing are numerous and will become more apparent when the industry returns to less than capacity operation.

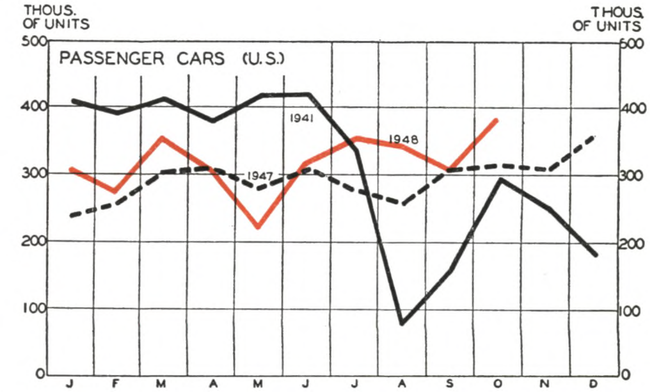
The rapid increase in freight rates together with F. O. B. pricing have led many steel fabricators to begin to study anew the matter of plant location in relation to sources of supply and consumer markets to obtain the lowest net costs possible. To date, at least three large steel fabricating plants have moved to Pittsburgh and it is known that other large producers are considering similar steps. Higher freight rates are probably as great a factor in these moves as F. O. B. pricing.

STEEL AND AUTOMOBILE PRODUCTION
1948 as against previous years



Source: American Iron & Steel Inst.

. . . . steel ingot production established a new all-time monthly record in October.



Source: Bureau of the Census.

. . . . shortage of raw materials held passenger car production below the high level reached in early 1941.

Coal Estimated production of bituminous coal in the United States this year through the week ended November 20 was 521 million tons, or about 6 percent less than in 1947. On this basis, output for the year should approximate 594 million tons.

Coal production during the year was more than sufficient to meet the fuel and power requirements of the nation. Industrial bituminous stocks on October 1 were the largest since 1943, estimated at 64.7 million tons or an increase of nearly 40 percent over the same date in 1947. Industrial inventories accumulated to meet a possible strike at mid-year were being worked off and buying by industrial consumers in the fourth quarter was on a highly selective basis. As a consequence, lower grade and poorly prepared coals receded somewhat in price and some marginal mines and strip mines lacking adequate coal preparation facilities closed down in the third and fourth quarters.

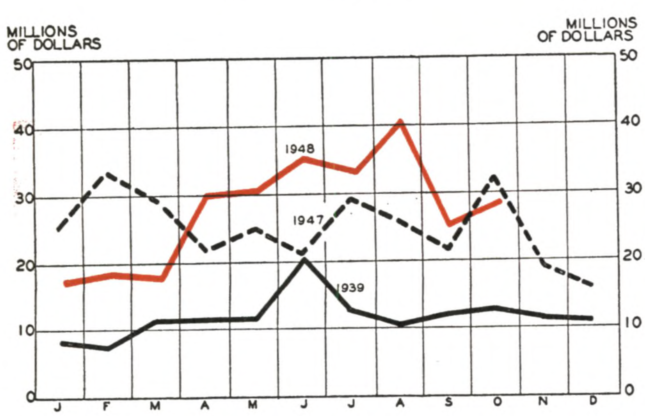
Progress was made during the year in bringing new coal washing and other preparation plants into production so that the quality of metallurgical coals was improved and the quantity increased which in turn permitted a small upturn in the output of coke. For the first time since the end of the war, coke supplies were more nearly in line with blast furnace and foundry requirements.

Two important events which may ultimately affect the entire coal industry took place in the District in 1948. At least two types of revolutionary coal mining machines were introduced by different companies to mine underground coal on a continuous basis. The machines are now in experimental operation. Coal is moved from the face of the vein to conveyors without blasting or interruption at a rate said to approach 100 tons per man-day. The average production per man-day in underground mines was about 5½ tons in 1947.

The other important development was the opening in early November of a $500,000 pilot plant at Liberty, Pennsylvania, under the joint sponsorship of a leading coal company and a major oil producer. The plant is designed to examine problems relating to coal gasification and may provide answers to the numerous problems relating to production of synthetic oil, gasoline, and coal chemicals.

RESIDENTIAL CONSTRUCTION CONTRACTS AWARDED

1948 and previous years (Fourth District)



Source: F. W. Dodge Corp.

. . . . dollar volume of residential construction reached very high levels during the summer, but by October unit volume was considerably below a year ago.

Construction Activity If Fourth District building activity continues at the same rate as established during the first nine months of 1948, the annual volume, as measured by the valuation of contracts awarded, will reach a level of around $945 million, 25 percent ahead of last year.

Valuation of residential contracts in the District will total about $330 million, up 15 percent from 1947, but both the floor area and the number of new dwelling units will be below 1947 levels. For the first ten months of this year, the total amount of floor space contracted for in a region roughly corresponding to the Fourth District amounted to 40 million square feet, down 10 percent from last year. The estimated average cost per square foot was $6.83 in 1947, while this year the average cost was $7.88, an increase of 15 percent.

The number of new dwelling units provided by all District residential projects for ten months decreased 12 percent to a total of 31,300. In the rest of the country covered by F. W. Dodge Corporation figures, the number of dwelling units increased 3 percent over a year ago. The Bureau of Labor Statistics estimates that the number of new permanent non-farm dwelling units started this year in the United States was about 13 percent ahead of last year. New starts since August, however, have been under a year ago.

The building of one-family, owner-occupied dwellings was ahead of last year throughout the District. On the other hand, there was a noticeable slowdown in apartment activity in Pittsburgh and Cleveland. The value of contracts to build apartments for the first ten months in the Cleveland area, for example, was one-tenth of that of 1947. In the Cleveland and Cincinnati areas, the value of contracts for two-family houses was about 30 percent below 1947, while in the Pittsburgh district this category was 76 percent ahead of last year.

An independent survey showed that average residential construction costs in Cleveland and Pittsburgh are nearly the highest in the country. It was estimated that the present cost of building a six-room frame house was approximately $14,500 in these two cities whereas the national average is $13,000. These relative costs may explain to a considerable extent the adverse trend in residential building in this District.

Since early spring, the rate of sale of old houses has declined, and in some sections new houses have not sold as rapidly as had been anticipated. There appears to be growing buyer resistance to price, particularly for houses selling above $20,000.

The liberalized mortgage insurance program provided by the Housing Act of 1948, passed in the special session of Congress in August, appears to have provided little stimulus to District building activity. It was expected that this revised FHA insurance program would increase the importance of rental projects, and that the stimulating effect of insurance in the small-home field would be substantial.

For the first ten months of 1948, in an area roughly corresponding to the Fourth District, the valuation of contracts to construct new manufacturing buildings was 5 percent ahead of last year, compared with a 7 percent decline for all 37 eastern states combined, according to F. W. Dodge Corporation data. Total floor space in this category for the District, however, was 16 percent below last year. To some extent, this situation reflects the fact that the approximate average cost per square foot of this type of building was $6.70 in 1947, while this year the average cost was $8.37 per square foot, an increase of 25 percent.

Building Materials Building material production this year gained 8 percent over last year and was up 45 precent from 1939 according to the Department of Commerce.

In spite of increased production, certain building materials remained on the hard-to-get list. Included among these were cement, nails, millwork, siding, and most types of hardware.

Cement distribution was disrupted by the abrupt change to an F. O. B. mill pricing system and some parts of the District suffered construction delays because of spot shortages. National production this year, however, may reach the 225-million-barrel mark, to establish a new record of about 12 percent above 1947. Capacity was enlarged about 2 percent in both the nation and the District. The advent of cold weather should permit the rebuilding of adequate working stocks.

Wire nail output was about 10 percent ahead of last year, but still not enough to meet current demand. A large proportion of production seems to be moving through abnormal trade channels and to be commanding premium prices.

The lumber situation has eased substantially since earlier in the year. Common grades declined sharply in price this fall, but top grades held relatively firm. Unfilled orders of lumber mills are reported to be about half the level prevailing at the start of the building season but millwork, combination doors, and siding are still in tight supply. Softwood plywood output was about 17 percent ahead of last year and mill stocks at the end of September were the highest in seven years.

Supplies of roofing material are abundant now that repair backlogs have been largely met. Asphalt roofing shipments were about 5 percent below a year ago. Brick and tile supplies are adequate and order backlogs are reported to be diminishing.

The availability of building craftsmen has eased somewhat for nonresidential construction, but for home building there is still a shortage of carpenters. Among major District cities, union wage rates in the building trades average the highest in Pittsburgh.

Machine Tools The machine tool outlook has changed little from a year ago. The wave of optimism generated by the national show in Chicago in the fall of 1947 was dissipated as the year progressed and new orders continued to decline. New orders received by members of the National Machine Tool Builders Association during October were only 67.5 percent of the 1945-47 base period as compared with 83 percent in January. Foreign orders continued at a low ebb with practically no stimulus received so far from Marshall Plan allocations, and there is no improvement in sight from domestic customers. Unfilled orders at the end of October were equal to about four months' shipments.

Automobile Production Passenger car manufacturers continued to struggle against material shortages throughout the year in an effort to satisfy the public demand for new vehicles. Nearly 3,200,000 new cars were turned out in the first ten months for an increase of about 10 percent over the corresponding months of last year.

Sheet steel shortage was the principal obstacle, and assembly lines closed down on numerous occasions to permit accumulation of this material. There is evidence, however, that if this product had been freely available, other items in short supply, such as gray iron castings and nonferrous metals, would have prevented much further upturn in output. Labor supply was also a problem for many producers.

There were some indications in the last quarter of the year, however, that higher priced cars were encountering sales resistance, and that many models in this class were available for almost immediate delivery. The demand for popularly priced cars, however, appeared virtually insatiable.

Truck production was about 1.2 million units in the first ten months and may approach 1,400,000 for the entire year to establish a new record. Supply of all categories except the light models appeared ample to meet current requirements.

Consumer Durable Goods Production of major household appliances in the first three quarters of 1948 began to taper off from the records established last year. Three major lines suffered their first postwar declines in sales volume while four important classes continued to expand output substantially. A check of retailers indicates that nearly all makes and models of appliances are available for immediate delivery. The accompanying table compares factory sales for the first nine month of this year with 1941 and 1947.

Monthly Average Factory Sales — Units

	1941	9 Months 1948	Percent Change From 1941	Percent Change From 1947
Radios(1)	1,020,000	1,163,000	+ 14%	—21%
Electric Ironers	18,000	44,000	+146	—11
Vacuum Cleaners(2)	139,000	283,000(a)	+104	—10
Washing Machines (electric and gasoline)	163,000	364,000	+123	+15
Gas Ranges(2)	125,000	227,000(b)	+ 81	+19
Electric Refrigerators	275,000	335,000(b)	+ 22	+26
Electric Ranges	57,000	112,000	+ 96	+29

(1) Production (2) Shipments (a) Ten months (b) Eight months

Sources: American Washer and Ironer Manufacturers' Association, Vacuum Cleaner Manufacturers' Association, National Electric Manufacturers Association, Bureau of the Census, and Radio Manufacturers Association.

Radio manufacturers were among the first of the major appliance producers to convert to a peacetime basis. Peak production was achieved in the fall of 1947 and total unit sales have been declining ever since in the face of consumer resistance. It is estimated that unit production through the first three quarters of 1948 was about 21 percent below a year ago but about 14 percent higher than the 1941 monthly average. Unit sales and dollar volume have been bolstered this year by the growing television boom. About 88,000 television sets were shipped in September and this was raised to 95,000 in October, or more than four times the year-ago rate. Since television sets carry relatively higher price tags, their sale has done much to maintain dollar volume of both manufacturers and retailers.

Sales of electric ironing machines have receded drastically from the peak of 71,000 attained in January 1947. Monthly shipments averaged 44,000 units through September of this year and were 11 percent below a year ago. September sales were 30 percent below the same 1947 month. Despite this sharp drop, the industry was still selling one and a half times as many machines per month as in prewar 1941.

Vacuum cleaner sales reached their postwar peak in March of this year when 355,000 units were sold. Monthly average sales for the first ten months of the year, however, were 283,000, a decline of 10 percent from 1947 but about twice the prewar rate. October factory sales were 22 percent below the year-ago level.

Washing machines continued to move in excellent volume in the first three quarters of 1948. Sales in September of standard size machines (including both electric and gasoline models) established a new record high of 442,000 units. Monthly average sales of 364,000 units were 15 percent above 1947 and 123 percent over 1941.

Shipments of household cooking ranges were made on an enlarged basis in the first eight months of 1948. Sales of gas models averaged 227,000 units per month or about 19 percent above last year and 81 percent above 1941. Electric range shipments amounted to an additional 112,000 units per month, or nearly double the prewar rate and 29 percent ahead of a year ago. Sales of cooking ranges are probably more closely related to residential construction than any other major, and more portable, appliances. Since new dwelling units completed this year have probably averaged not over 100,000 a month, it is evident that about two-thirds of current production is replacing obsolete equipment.

Electric refrigerator producers were the last among the appliance industries to bring production up to prewar levels. Total sales in 1947 were still 3 percent below the 1941 monthly average of 275,000, although this figure was bettered in the last four months of the year. Sales through the first eight months of 1948 averaged about one-fourth greater than last year and about 22 percent above 1941. On this basis, it may be assumed that refrigerator manufacturers have made the least headway in reducing accumulated backlogs.

Rubber Passenger car tire production through the first nine months of the year was below year-ago levels in all but the two months of June and July. Total production of 51.6 million casings was 10 percent lower, with the loss centered in the export and replacement markets. Projection of this trend would yield a total output of nearly 70 million units for the year. Inventories at the end of September were about normal and amounted to 7.8 million casings, an increase of 4.1 million from the very low year-ago stock. Manufacturers showed little disposition to increase inventories and geared operations closely to seasonal demand.

Truck and bus tire output dropped 17 percent from a year ago in the first nine months of the year to a total of 11.2 million units. Annual output on this basis may approximate 14.7 million casings. Since shipments for the period were down 15 percent, a small amount of inventory accumulation took place, but total stocks were still less than two months' output.

New rubber consumption by manufacturers for the first ten months of the year was estimated by the Rubber Manufacturers Association to approximate 903,000 tons, down only 3 percent from 1947. Of total new rubber consumption, about 42 percent was synthetic and the balance natural rubber. During the year a further shift from synthetic took place, with consumption dropping nearly 21 percent while about 16 percent more natural rubber was used.

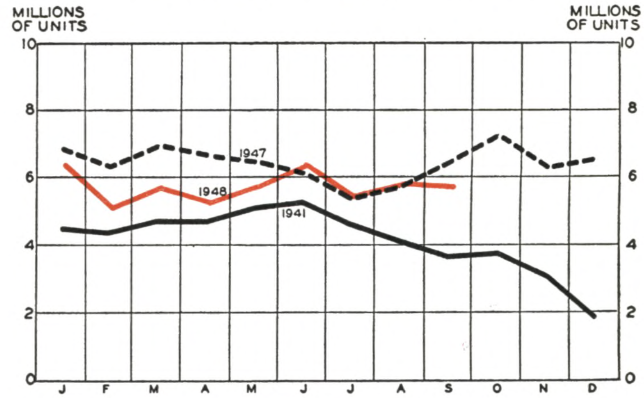
Extensive tests were completed this year on the new "cold" synthetic rubber which promises to give about 30 percent more mileage than regular GR-S and to wear even better than the natural product. The "cold" synthetic is made of the same raw materials as regular GR-S rubber, but it is processed at a temperature of 41° instead of 122°.

In response to this development, the Reconstruction Finance Corporation has begun to install in its rubber factories sufficient refrigerating equipment to bring "cold" rubber output up to between 185,000 and 200,000 tons next year. This action will convert about half of present synthetic capacity to the new process and should stimulate greater consumption.

Shoes Barring a sharp decline in the last quarter of the year, national shoe production at least equivalent to that of last year appears to be assured, but present indications are that the shoe industry in the Fourth District will have a hard time to equal last year's production. Some observers in the industry within the District are anticipating a decline, and performance for the first nine months appears to support the less optimistic outlook. District shoe output for the first nine months was 13.7 million pairs as compared with 14.4 million in the same period last year, which represents a drop of 5 percent. National production of 353 million pairs during the first nine months of 1948 represents almost a 3 percent increase from the similar period in 1947. However, it should be pointed out that last year (1947) was a peak production year within the District, whereas national shoe production in 1947 was below both of the two preceding years.

The limiting factor on output has been sales resistance at the retail level which has carried back through the wholesalers to the manufacturers. Price reductions, ordinarily an antidote for waning sales, are not in sight for at least the first quarter of 1949, according to industry sources in the District. With raw materials in ample supply, manufacturers are tending to cut inventories and production rather than prices in hope of lower priced leather. In line with the policy of holding down leather purchases is the marked tendency to make use of leather substitutes, a practice which has increased the use of such alternate components by about 75 percent. Incorporation of leather substitutes now occurs in about one-third of all footwear as compared with one-fifth as heretofore.

PASSENGER CAR TIRE PRODUCTION
1948 as compared with previous years



Source: The Rubber Mfrs. Assoc.

. . . . tire production appears to have caught up, and is now subject to normal seasonal influences.

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Special Articles . . . Volume 30

Department Store Trade

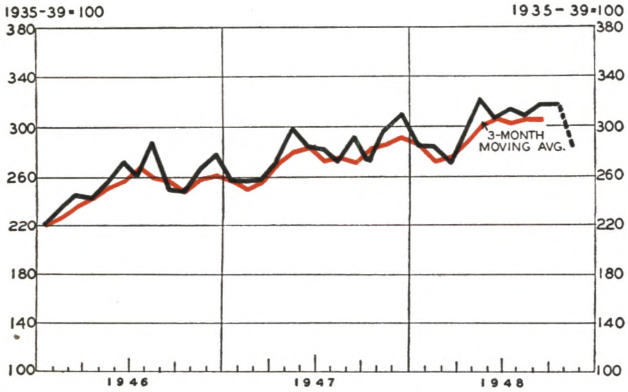
THE year in department store trade has been one of very high sales volume for the most part, the exceptions being certain relatively dull periods towards the beginning and end of the year. Sharp shifts have occurred in the distribution of sales among the commodity lines. Inventories have been generally moderate in relation to sales volume, but they have measured up to the variety of consumer demand better than was the case last year when a significant number of postwar shortages still remained to be overcome. Competition is sharper. Sales promotions are in the order of the day. The return to a buyer's market is clearly much nearer, and in a number of lines has already arrived.

As the year 1948 opened, department store merchants in the Fourth District, like most other retailers throughout the country, had some doubts as to whether the high sales level of last year could be maintained for another year. The first calendar quarter, in fact, showed only moderate gains in dollar sales over the relatively low performance of last year's opening. As a result the index of sales, when adjusted for seasonal variation, showed a decline in the first quarter from the high levels of late 1947, as shown in an accompanying chart. (The first quarter index averaged about 8 percent under the preceding November and December.)

Mid-Year Highs

A last-minute spurt in the Easter trading season, however, served to set a new pace for department store sales. Strengthened by a general lift in business activity, department store sales rose to new highs in dollar volume in the spring months. From May through October, the adjusted index of sales for the Fourth District held, with only minor fluctuations, to a level about 12 percent higher than that of the first quarter. Substantial rates of gain from the corresponding months of last year were registered during this six-months period, and expectations of a dollar volume of Christmas sales at least equal to last year's were entertained widely in the trade.

DEPARTMENT STORE SALES
Dollar Volume, Adjusted for Seasonal Variation
(Fourth District)



. . . . department store sales made new gains in mid-1948, but weakness developed near the end of the year.

November Setback

Beginning with the last week of October a faltering in department store sales became evident. Gains in sales from last year gave way to losses during several successive weeks. The adjusted index for the District dropped an estimated 10 to 12 percent from October to November (based on preliminary figure for November). Similar setbacks in department store trade were occurring elsewhere in the United States, but a number of districts experienced the decline somewhat earlier than the Fourth District. In fact department store sales for the country as a whole dropped slightly from September to October on the basis of the adjusted index at the time that the Fourth District figure was still holding firm.

Explanations which have been advanced to account for the November dullness include such factors as the weather, a change in the timing of Christmas buying, and an increase in the resistance of consumers to high price levels. The prevailing weather during November was relatively unfavorable for early winter buying after having been highly favorable for department store trade during most of October. It is unlikely, however, that this explanation is sufficient to account in full for the November drop, although it is clearly an important factor. Later starts on Christmas shopping may also have characterized consumer practices this year as compared with last year and with wartime experience. Insofar as this is a return to the seasonal patterns prevailing before the war it is said to be attributable in part to the greater variety of supplies this year, and the consequent feeling of consumers that Christmas goods would be available during December. The development of consumer resistance, particularly in the hard lines, probably should be ascribed some weight in the November showing. A consideration of the various commodity lines in department store trade, as noted below, is of some help on this point.

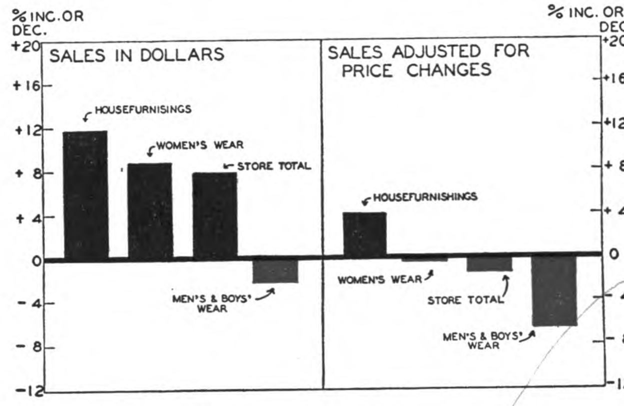
Whether or not the surge of Christmas buying during December will turn out to be sufficiently strong to restore the index of department store sales to a sidewise or upward direction during the final month of the year is impossible to determine at publication date. In any event it is almost certain that the eleven months' showing for 1948 is sufficiently large to assure an annual total of dollar sales appreciably higher than last year's, even when full allowance is made for the importance of December in the trade calendar.

Major Lines Of the major classifications within department stores, the housefurnishings group of departments, accounting for approximately one-fourth of total store sales, made the largest percentage gain in sales over last year, as shown by an accompanying chart. This is the area which has been characterized by an accumulation of demand denied during the war, and within which the spectacular sales gains of 1947 made a strategic contribution to the total sales record achieved last year by department stores. This year the sales performance in housefurnishings, although quite favorable on the whole, has been less spectacular. The rate of gain has tended to taper off for this group as a whole.

In sharp contrast to housefurnishings, the departments classified as men's and boys' wear, accounting for a little more than one-tenth of total store sales, have suffered losses in sales as compared with a year ago. During the second and third quarters, the declines from a year ago averaged about 5 percent. The war-generated backlog of demand for men's wear, which was a large factor last year, has been worked off. Many families seem to have selected this as a spot in the budget where deferrals of purchases can now take place. The price situation in men's clothing has probably been a contributing factor.

The women's wear group of departments is by far the largest branch of department store operations, adding up to about one-third of total store trade. This year's sales of women's wear has been substantially better than last year's, averaging about 9 percent higher during the first nine months. Such a lift is attributable in part at least to the final acceptance of postwar style changes. During 1947, sales of women's wear had tended to be somewhat slow. Because of this fact, and because of the important position of women's wear in the total of department store offerings, the large aggregate sales made by department stores last year would not have been possible without the offset which was at that time provided by rapidly mounting sales of housefurnishings. In 1948, however, housefurnishings have been losing force as a "balancing item". So long as sales of women's wear keep to recent high levels, balancing items are not so important. But a reversion to dullness in the women's wear group of departments would undoubtedly jeopardize the over-all sales position of the stores.

CHANGES IN SALES BY DEPARTMENTS
From 1947 to 1948 (based on first nine months, both years) 60 Fourth District Reporting Stores



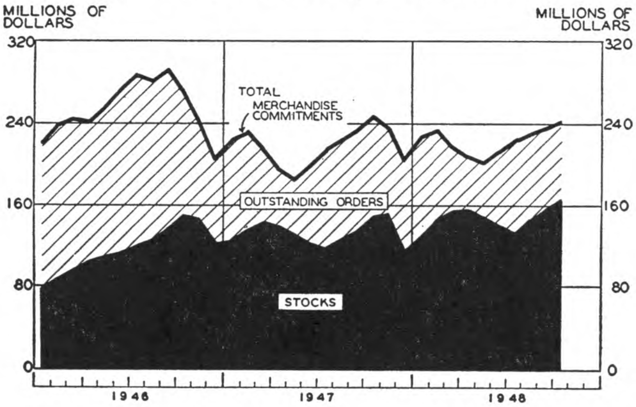
. . . . the increase over last year's sales has been the largest in housefurnishings, whereas at the other extreme men's and boys' wear fell short of a year ago, in both dollar and physical volume.

Individual Departments Wide variations in sales performance have occurred within the major groups discussed above. This is especially true with respect to housefurnishings and women's wear, both of which include a large number of individual departments. Within the housefurnishings group, for example, sales of domestic floor coverings during the first ten months of this year were about 14 percent higher than last year, while sales of china and glassware were 1 percent below last year's level. The furniture and bedding department, which is the largest individual department in the group, scored a sales increase of 8 percent during the same period. Sales of major household appliances were 17 percent higher than last year, and sales by the radio and phonograph department (including television) were 15 percent higher. In the case of the latter department, it was the rapid growth in television sets which swelled the dollar volume of sales so as to offset the dullness in radio sales.

Within the women's wear group, women's and misses' coats and suits, the largest single department, showed a sales increase of 22 percent over last year during the first ten months of 1948. Hosiery sales were up 9 percent, but sales of women's and children's shoes increased by only 2 percent. Sales of infants' wear, which is classified within the women's wear group, were down 1 percent from last year during the ten months' period, and sales of furs were off 14 percent.

Outside the three major groups of departments, the reports of 1948 sales have been of a mixed character. Sales of piece goods and household textiles have been about 6 percent higher than last year while sales of small wares (including toilet articles and

STOCKS AND ORDERS, 1946-48
36 Fourth District Department Stores



. . . . the total of department store stocks and outstanding orders has been slightly above last year's but well below 1946 levels.

jewelry) have remained practically unchanged on the average. Luggage sales showed a 6 percent gain during the ten months' period, while sales of sport goods and cameras were up about 8 percent.

Physical Volume of Sales All comparisons above refer to changes in dollar sales without adjustment for price changes. In most lines of goods carried by department stores, however, there has been an upward trend in prices this year as well as last year. It is true that the increases have slowed down or even halted within some of the lines, such as household appliances, toilet articles, and certain branches of women's apparel. In the aggregate, however, an appreciable allowance for the effect of price changes between 1947 and 1948 must be made in any attempt to measure changes in the physical volume of sales between the two years. As shown in an accompanying chart, it is estimated that the physical volume of housefurnishings sales during nine months of this year was about 4 percent higher than last year, after the increase in dollar sales has been adjusted for price increases. The decline in sales of men's and boys' wear becomes accentuated when allowance is made for price increases, so that an estimated drop of 6 to 7 percent in physical volume of sales may be ascribed to this departmental group for the nine months' period. Price increases appear to have totally cancelled the gains in dollar sales of women's wear as a group, resulting in an estimate of physical volume of sales practically unchanged from 1947, or even slightly below last year's.

After adjustments have been made for price changes in all departments, there is a strong possibility that the physical volume of sales of Fourth District department stores has been no larger this year than last. The percentage decline of 1.5 percent, which is shown on the chart as the decrease in physical volume of total store sales between 1947 and 1948, nine months, is an estimate subject to a band of error amounting to several percentage points. (1)

If the year 1948 as a whole is finally scored as a year of slight decline in physical volume of department store trade, as appears likely according to the above analysis, it will mean that a three-year annual low in postwar physical volume has been reached, at the same time that another all-time high has been registered in dollar volume of sales. The year-to-year sequence since 1946 would then be represented as follows:

Sales by Fourth District Department Stores

	Dollar volume	Physical volume (estimated)
1946	up 27% from 1945	up substantially from 1945
1947	up 10% from 1946 (up 40% from 1945)	Down 6% from 1946 (2)
1948	up moderately from 1947	Down slightly from 1947 (down more than 6% from 1946)

Inventories The growth of department store inventories during 1948 has been moderate. In general stocks have increased from last year on a book value basis slightly more than the rise in dollar sales, but they have not yet outstripped their prewar relation to sales in most departments. For the department store total, the inventory-sales ratio in the Fourth District has been about at prewar levels, or slightly below, during the year as a whole. Stocks of men's furnishings, however, have been higher in relation to sales than the prewar pattern, and the stock-sales ratio has been at or near the prewar level in men's clothing, women's and children's shoes, furniture and household textiles. In many departments the stock-sales ratio is substantially below levels considered normal before the war.

If the dollar volume of outstanding orders at the end of a given month is added to the value of inventories, it appears that total department store commitments thus computed have followed a pattern during 1948 quite similar to last year's. Total commitments during both years have been at levels substantially under that of 1946, as shown by an accompanying chart.

(1) The above estimates of physical volume are based on dollar volume of sales as adjusted by data from the Department Store Inventory Price Index and the Consumer Price Index, issued by the U. S. Department of Labor. The dollar sales volume is for 60 stores in the Fourth District which report regularly on departmental sales to the Federal Reserve System. The coverage is somewhat smaller than the sample of stores which report on total sales volume, only. For description of methods of estimate and limitations on validity, see *Monthly Business Review*, Federal Reserve Bank of Cleveland, May 1948, p. 10.

(2) As estimated in *Monthly Business Review*, Federal Reserve Bank of Cleveland, May 1948.

Credit and Collections The volume of credit extended by department stores to their customers has continued to expand. For more than two years department store trade has been characterized by a slow but persistent increase in the proportion of charge account sales to total sales, and instalment sales to total sales, with a corresponding decrease in the proportion of cash sales to total sales. During October 1948, the latest month for which such reports are available, transactions of Fourth District department stores were distributed as follows: charge account sales, 51 percent of total sales; installment sales, 8 percent of total sales; cash sales, 41 percent of total sales. The proportion of total sales represented by credit transactions, however, is not at present out of line with prewar practice, as indicated by the following table:

CREDIT AND CASH SALES

Fourth District Department Stores

	Charge Account Sales	Instalment Sales	Cash Sales	Total
September 1948	49.8%	9.9%	40.3%	100%
September 1941	52.8%	9.4%	37.8%	100%
October 1948	50.9%	8.1%	41.0%	100%
October 1941	50.2%	8.8%	41.0%	100%

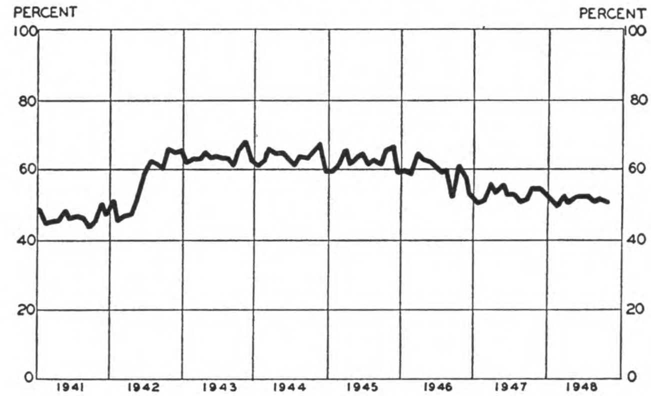
The restoration of governmental controls over certain types of instalment credit, through Regulation W, may have operated towards the end of 1948 as a factor restraining the growth of instalment sales by department stores. The impact of this regulation on total department store sales, however, does not appear to have been large.

During the past year occasional concern has been voiced in trade circles over reports of a slowing down in the rate of collections on accounts receivable. For Fourth District department stores, however, the data on collections indicate that no serious change in this respect has yet occurred. While collections during 1947 were slower than in 1946 and in the war-years, as shown in an accompanying chart, the ratio of collections to charge accounts receivable during 1948 has shown little if any decline from last year. Present levels of the collection ratio are above those of 1941.

RATIO OF COLLECTIONS TO RECEIVABLES

(Collections on charge accounts as % of charge account receivables, end of previous month)

Fourth District Department Stores, 1941-48



. . . . the ratio of collections to accounts receivables has been declining very slightly but is still above the 1941 ratio.

Sales by Cities Department store sales in the three largest cities of the Fourth District showed approximately the same rates of gain over last year during the first ten months of this year, i. e. an increase by 9 or 10 percent. Post-war gains since 1945, however, have been somewhat smaller for Cleveland than for Cincinnati and Pittsburgh. Sales in Columbus increased during 1948 more than in any of the three largest cities, but measured from 1945 the total postwar gain has been about the same for Columbus as for Cleveland.

Among the smaller cities, Canton, Erie, Toledo and Youngstown have shown increases from last year above the District average, while in Akron, Springfield and Wheeling the increase in department store sales has been below the average for the District.

A Review of Agriculture

THE unprecedented harvests of 1948 have been of major importance in restraining, and perhaps reversing, the inflationary forces set in motion by the distressingly short corn crop last year. In place of that, the combination of a record-shattering corn crop and the second largest wheat outturn in history assures a supply of feed and food grains sufficient to meet the most liberal estimates of domestic and foreign demand.

The current situation is in sharp contrast with a year ago when the smallest corn crop in more than a decade accentuated the decline in livestock numbers and resulted in the initiation of feed conservation measures to save wheat urgently needed to meet foreign food grain commitments. Granting that supplies of meat and most other livestock products have been inadequate much of the year, an even less favorable supply would now be in prospect were it not for the abundant corn crop of which the harvest is rapidly being completed.

Record Crops The predominating factor in the production of the largest volume of crops in the history of the nation was the high output per acre. Whereas acreage of crops for harvest was less than 3 percent greater than in the record year of 1946, the volume of crops harvested this year is expected to be nearly 9 percent greater.

Liberal fertilization, favorable weather conditions throughout the growing season, and sufficient labor and equipment to permit timely execution of planting and harvesting operations, resulted in record yields per acre for several of the principal crops and above-average yields for all but two of the important field crops. A new high in output per acre of corn, cotton, soybeans, burley tobacco, potatoes and dry beans was established as indicated in the accompanying tabulation:

Yield per Acre
(November 1 estimate)

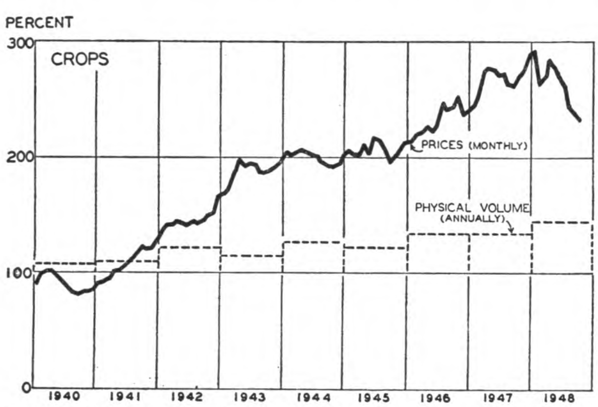
		1948	1948 as Percent of 1937-46 Average
Potatoes	bu.	204.5r	146.8%
Corn	bu.	42.7r	136.0
Burley tobacco	lbs.	1284.0r	125.5
Flaxseed	bu.	11.1	123.3
Cotton	lbs.	312.1r	122.8
Dry beans	lbs.	1090.0r	119.3
Sorghum, grain	bu.	18.0	114.6
Soybeans	bu.	21.3r	113.3
Oats	bu.	36.4	112.7
Wheat, all	bu.	18.0	111.8
Barley	bu.	26.1	110.1
Sweet potatoes	bu.	96.8	108.5
Buckwheat	bu.	18.0	106.5
Sugar beets	tons	13.1	105.6
Rye	bu.	12.2	100.8
Hay, all	tons	1.35	100.7
Rice	bu.	46.5	99.1
Peanuts	lbs.	685.0	96.7

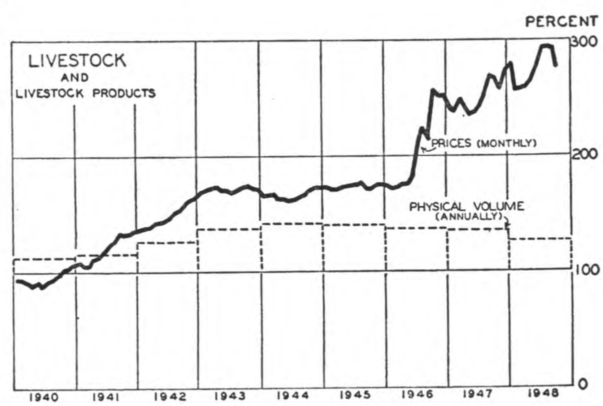
r—new record high

Source: Bureau of Agricultural Economics.

Feed and Food Grains Realization of a 3,650 million bushel corn crop—more than fifty percent larger than last year and ten percent greater than the previous record of 1946—was a major factor in the record harvest of feed grains. The

PRICES AND PHYSICAL VOLUME OF FARM MARKETINGS
1935-39=100





Source: Bureau of Agricultural Economics.

. . . . the physical volume of farm crops reached an all-time high this year, exerted a downward pressure on prices, whereas unit production of livestock and its products fell off to a six-year low, and prices reached an all-time high.

estimated feed grain crop of 137 million tons is about 41 percent greater than a year ago and more than one-fourth above average as shown in an adjacent tabulation.

The largest rice crop and the second largest wheat crop of record offset below-average production of rye and buckwheat to produce a food grain total second only to that of 1947 of 43.6 million tons. Food grain output this year is expected to be one-third greater than average.

Food and Feed Grain Production

	1948	1948 as Percent of 1947	1948 as Percent of 1937-46 Av.
	(million tons)		
Food grains(1)	41.2	94.5%	133.3%
Feed grains(2)	135.3	140.8	125.3

(1) Wheat, rice, rye and buckwheat
(2) Corn, oats, barley and sorghum grains

Source: Bureau of Agricultural Economics.

Large Oilseed Output Record large crops of soybeans and peanuts, the second largest crop of flaxseed, and prospects for a nearly one-fourth greater output of cottonseed assure an aggregate volume of oilseed crops one-fifth larger than last year and about 40 percent more than average. On the basis of the above indicated increase in oilseed crops, it is estimated that production of edible vegetable oils in the year beginning October 1 may be nearly 15 percent greater than during the year just ended.

Fruits and Vegetables Aggregate citrus fruit production is about the same as the large crop of a year ago due to larger crops of oranges and lemons which compensate for a smaller outturn of grapefruit. Total production of deciduous fruit is estimated to be 13 percent less than last season and 6 percent below average. The subnormal deciduous fruit crop is due primarily to a commercial apple harvest which is 22 percent less than average. The total outturn of tree nuts is estimated to be 17 percent above a year ago and exceeds the average by nearly one-third.

Although the total volume of truck crops produced for fresh market may not exceed that of a year ago, output will still be well above average. The total tonnage of vegetables grown for processing is estimated at 4.74 million tons, down 10 percent from a year ago but still above average by about 6 percent.

More Burley Tobacco An increase of 41 million pounds in the burley tobacco crop this year over that harvested in 1947 can be attributed to a record average yield per acre of 1284 pounds. The previous record, attained in 1946, was 1256 pounds per acre. An output per acre sufficient to break previous records was indicated for all of the principal producing states with the exception of Kentucky. In that state unfavorable weather at setting time and lack of sufficient moisture during the growing season resulted in a yield per acre about equal to the record established in 1946. Production of other types of tobacco was sufficiently below that of a year ago to reduce the total output of tobacco by about 11 percent under the 1947 crop.

Less Sugar More Cotton A 20 percent reduction in output of sugar beets from the record 1947 crop of 12.5 million tons indicates a reduction in the quantity of sugar to be obtained from domestically grown crops. Although tonnage of sugar cane grown for sugar is expected to be about 12 percent greater than a year earlier, the increase is insufficient to offset a 2.5 million ton decline in sugar beets available for processing this year.

The cotton crop this year of over 15 million bales will be second only to the record crop in 1937 of nearly 19 million bales. In that year the average yield per acre was about 270 pounds compared with an average yield this year of 312 pounds which exceeds the previous high of 299 pounds attained in 1944. The supply of cotton for the current season will consist of 15.1 million bales of the present crop and a carryover of 3.1 million bales or a total supply of over 18 million bales.

Smaller Volume of Livestock Products The sharp reduction in feed supplies in 1947 resulting from the smallest corn crop in more than a decade not only caused farmers to reduce livestock inventories but brought a significant decline in the volume of livestock products. The greatest curtailment in production occurred in turkeys and the least in milk, with all livestock products experiencing some reduction in volume. The extent of the reduction in the case of each of the principal livestock products is indicated by a comparison of estimated production for the current year with that of the previous year as set forth in the table.

Estimated Production Principal Livestock Products*

		1948	1947	Percent Change
Turkeys	Mil. lbs.	483	608	—20.6%
Beef(1)	Mil. lbs.	10,751	12,028	—10.6
Lamb and Mutton	Mil. lbs.	738	802	— 8.0
Pork, lard excluded	Mil. lbs.	9,827	10,605	— 7.3
Butter	Mil. lbs.	1,535	1,638	— 6.3
Chickens(2)	Mil. lbs.	3,250	3,458	— 6.0
Eggs	Mil. doz.	4,950	5,069	— 2.4
Milk	Mil. lbs.	117,000	119,366	— 2.0

* 1948 estimated on basis of first eight months
(1) Includes veal
(2) Includes broilers

Source: Bureau of Agricultural Economics.

Prospects for Expansion Poultrymen appear to have been the first to respond to the prospect of more favorable feed supplies and feed price ratios. June was the first month in which chicks hatched by commercial hatcheries exceeded those of the same month a year earlier. Thereafter hatchings increased to the point that chicks hatched in September were nearly a third greater than in the same month of 1947.

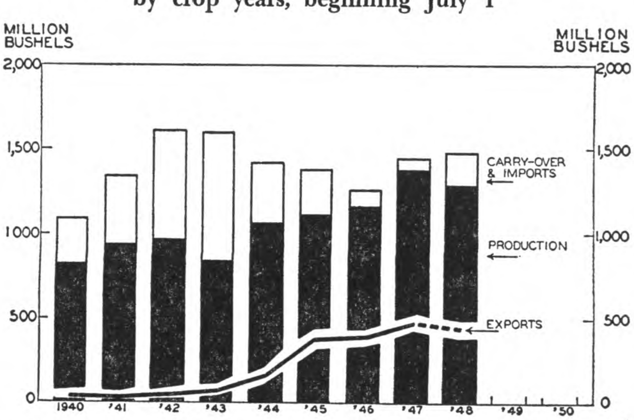
Present indications are that pork producers may expand the 1949 spring pig crop by from 15 to 20 percent. The larger supplies of pork accruing from such expansion, however, will not be available to consumers until next fall.

The 1948 lamb crop was the smallest in 24 years of record. The number of sheep and lambs available for feeding, slaughter, and replacement was not only smaller than a year ago but the smallest for the period for which records are available.

Prospects for expansion of beef supply are more favorable than for lamb or mutton but distinctly less favorable than for pork. The number of cattle on feed currently appears to be only slightly greater than a year ago due in large measure to the reluctance of cattle feeders to pay the relatively high prices commanded by feeder stock. Furthermore, livestock authorities estimate that within some twelve-month interval the slaughter of cattle will have to be reduced to about 31 million head before breeding stock can be replenished sufficiently to bring about a long run increase in cattle numbers. Slaughter for the year ending December 31 is expected to approximate 33 million head. Even if feed supplies are straining storage facilities, a marked increase in pork, lamb, and beef must await an expansion in breeding stock before larger marketings of these three classes of livestock will result.

This is the fifth consecutive year in which milk cows have declined in number. It now seems probable that farmers will have fewer cows in 1949 than in any year since 1931. Even so the total volume of milk produced next year may equal or exceed that of the current year by reason of higher output per cow. Supplies of feed per animal unit are of record proportions and dairy-product feed price relationships appear likely to provide sufficient incentive to obtain an even greater output per cow than the over-5000-pound record of this year. Replacement dairy cattle are reported to be in sufficient numbers that the decline in cow population may be halted within the next fifteen months particularly if dairy-product feed price relationships remain as favorable as now appears probable.

WHEAT SUPPLY AND EXPORTS
(Including wheat equivalent of flour exports)
by crop years, beginning July 1



Source: Bureau of Agricultural Economics.

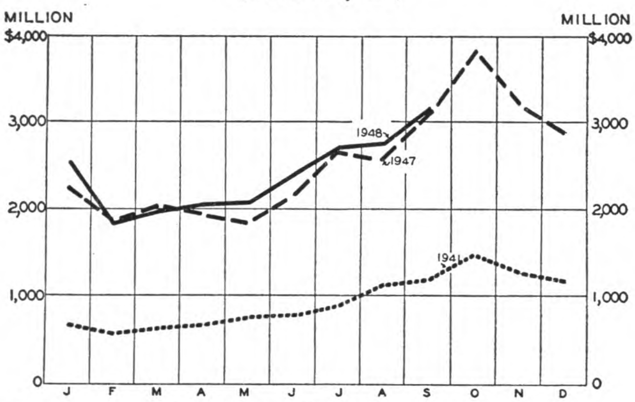
. . . the wheat supply is expected to be the largest since 1943, but more than one-third probably will be exported.

Domestic and Foreign Demand Rising consumer income resulting from practically full employment at advancing wage rates has continued to support a strong demand through the year for most farm products. Despite the extent of that demand, the general level of prices received by farmers has declined 10 per cent from the postwar high of early this year. This downward adjustment in the level of prices received may be attributed in part to heavy marketings of a record volume of crops, a seasonable increase in market receipts of meat animals, and a moderate decline in foreign shipments of most farm commodities except wheat and dried fruits.

Although exports of a number of farm commodities are off substantially heavy foreign shipments of wheat and flour have continued. For the year ended June 30 an all-time record 483 million bushels of wheat and flour in terms of wheat equivalent were exported. On the basis of shipments to date it now seems probable that wheat and flour exports for the year ending next June may be within 10 percent of the total exported the previous year. That the necessary supply is available is indicated in an accompanying chart showing annual production, carryover, and exports. With less favorable crops than a year ago in prospect in two of the major wheat exporting countries it seems probable that foreign demand will take about all the wheat that can be shipped so long as the necessary financial arrangements can be effected. There is strong prospect that feed grain exports may approximate 200 million bushels by next June 30, as western Europe is urgently in need of feed grains to rebuild the livestock population. Had supplies been available feed grains undoubtedly would have bulked larger in total exports for the year ended last June 30.

Another factor favorable to continued strength in the demand for farm products is that commercially-held food stocks are below a year ago in many instances and with but few exceptions are below average. Stocks of some of the major food com-

CASH RECEIPTS FOR FARM MARKETINGS
(Selected years)



Source: Bureau of Agricultural Economics.

. . . . cash receipts from farm marketings have been running about on a par with a year ago, but the seasonal peak has been passed.

modities are presented in comparison with previous holdings in the accompanying table.

Food Stocks—November 1

		1948	1947	1943-47 Average
		- - - -	millions	- - - -
Total Meats	lbs.	382	490	412
Lard	lbs.	62	88	90
Total Poultry	lbs.	153	278	232
Total Eggs	doz.	9	10	13
Butter	lbs.	84	72	126
Frozen Fruits	lbs.	365	406	368
Frozen Vegetables	lbs.	314	347	256

Source: U. S. D. A., Report on Cold Storage Holdings

Downward Trend of Farm Prices Although prices received for all farm products recovered a large part of the February price drop by mid-summer, the trend since that time has been consistently downward. After recovering about two-thirds of the February slump, prices received by farmers for the principal grain and field crops turned downward in mid-April and have averaged lower each successive month. This trend is shown in an accompanying chart presenting an index of the average monthly prices received for all crops and the annual volume of production of such crops. It is evident that the bumper crops of the current year were an important factor in reversing the upward trend in prices of farm products.

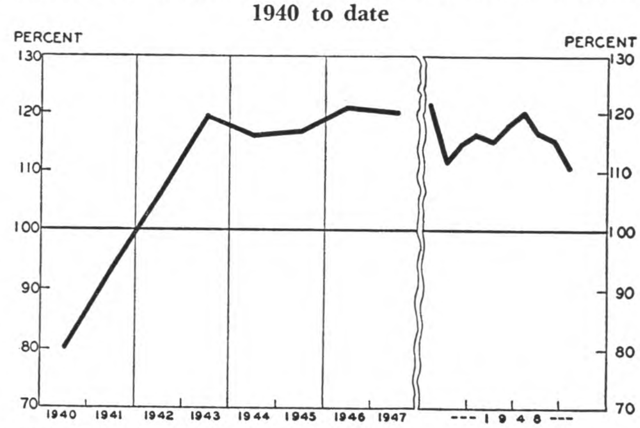
Prices received for livestock and livestock products recovered the February price break by mid-year and then proceeded to establish new postwar highs in August and early September. Since that time average prices of livestock and livestock products have weakened again despite a sharp reduction in physical volume of such products as illustrated in an adjacent chart. A seasonal increase in marketings may account for much of the recent price decline. However, in view of the record feed supplies now available it appears probable that the long term upward trend in prices of livestock and livestock products may have reached its peak in 1948.

Price Support Price supports were announced during the year for some 25 or more farm commodities but were operative on only about three-fourths of them. This is at variance with a year ago when price supports were operative on only about one-fourth of the 25 commodities for which supports were announced. Among those commodities receiving active price support this year were the six basic commodities: corn, wheat, cotton, rice, tobacco and peanuts. Of the Steagall commodities the following are among those receiving active support: soybeans, flaxseed, potatoes, eggs, oats, barley, grain sorghums, rye, and dry beans and peas.

With but few exceptions, current farm prices of most farm crops are *at or below* support levels. In contrast, prices of livestock and livestock products are substantially *above* price floors.

The Agricultural Act of 1948, enacted in June, extends existing price support legislation to basic commodities marketed before June 30, 1950, and with certain modifications to Steagall commodities marketed before January 1, 1950. Beyond those dates it provides for changing the basis of computing parity prices by substituting a moving ten-year adjusted average for the previous 1909-14 base. Furthermore, with the exception of tobacco, which is to be supported at 90 percent of parity, the Secretary of Agriculture is given authority to vary the price floor from 60 to 90 percent of parity depending upon the total supply of the particular commodity. Total supply in this instance means carryover of the commodity at the beginning of the marketing year plus estimated production and imports.

RATIO OF PRICES RECEIVED TO PRICES PAID
1940 to date



Source: Bureau of Agricultural Economics.

. . . . the ratio of prices received to prices paid is still far more favorable to agriculture than it was in a prewar year like 1940, but the ratio has recently declined to a six-year low.

Average Prices Received and Current Season Supports

Commodity	Current Season Support	Average Farm Price Oct. 15	Percent Farm Price is Above or Below Support
BASIC			
Rice	$1.84	$2.07	+12.5%
Cotton (7/8 Mid.)	.2879	.3107	+ 7.9
Peanuts	.103	.104	+ 1.0
Wheat	2.00	1.98	— 1.0
Corn	1.44	1.38	— 4.2
Burley Tobacco	.424	(1)	
STEAGALL			
Eggs	.35	.547	+56.3
Chickens	.20	.299	+49.5
Hogs (Chicago)	17.50	24.60	+40.6
Rye	1.29	1.43	+10.9
Soybeans	2.18	2.27	+ 4.1
Oats	.70	.699	— .2
Barley	1.15	1.10	— 4.4
Flaxseed (Minneapolis)	6.00	5.74	— 5.3
Sorghum grains	2.31	1.99	—13.9
Potatoes	1.67	1.42	—15.0

(1) Markets opened November 29.

Source: Bureau of Agricultural Economics.

Since the major support price changes for which the Act provides do not become operative until a year hence, the next Congress may elect to review this legislation and to make some alterations therein.

Farm Costs Advance Labor, equipment, and most farm supplies have advanced in price during the past twelve months sufficiently to lift production costs to an all-time high—more than three times the prewar average. With the exception of feed, prices of many cost items are expected to go still higher. Feed represents the only major purchased item on the farm of which the current price is below that of a year ago. While there has been a significant rise in the cost, most items purchased by the farmer are now more readily obtainable than at any time since early in the war period. Labor is still difficult to obtain although that which can be employed is reported to be more highly skilled and more dependable than in recent years.

Due to the fact that prices paid for items purchased were advancing at the same time that prices received by farmers were declining, the parity ratio (ratio of prices received to prices paid) dipped to the lowest point in six years on October 15. Even though the ratio on that date was distinctly more favorable than for many years prior to November 1942 it was substantially below the level of the recent five years as shown in the chart.

Net Farm Income Lower As indicated by the chart of monthly cash receipts from farm marketings gross income this year will be only slightly below the record $34.7 billion of last year. Rising costs, however, have cut more deeply into gross returns so that net income to farmers is expected to be under that of a year earlier. With production expenses estimated at $18.1 billion the total net income to farm operators is expected to decline to approximately $16.5 billion or about 8 percent under the net income of the previous year. This is the first decline in net income to farmers in ten years.