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CONTENTS

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FOURTH FEDERAL RESERVE DISTRICT

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Does Farm Forestry Pay?

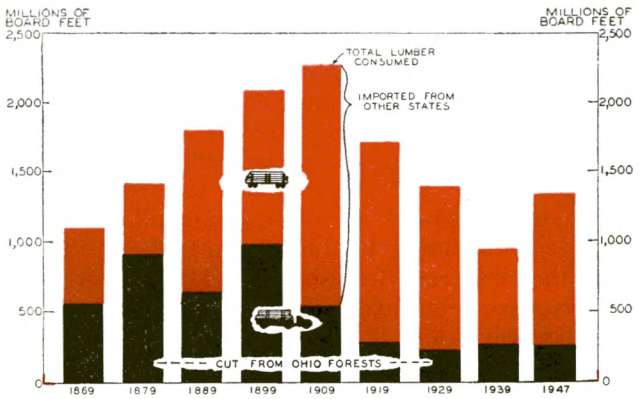
THE farm woodlot has attained a unique position in farm management. While there is no prospect that forest products will soon rank with wheat, corn, or hay as a major farm commodity, it is a fact that timber is virtually the only crop that is entirely immune to the threatening impact of postwar agricultural surpluses and such impediments as acreage allotments and marketing quotas.

The farm woodlot may be, and usually is, located in the least accessible and most remote part of a typical farm, but it is more susceptible than ordinary fields or meadows to the exercise of independent judgment with respect to intensity of "cultivation".

This peculiar distinction leads logically to the question of what economic incentives and rewards may be inherent in such an exceptional situation.

LUMBER CONSUMPTION AND PRODUCTION IN OHIO

At Periodic Intervals, 1869-1947



. . . the amount of lumber consumed in Ohio in 1947 was larger than total domestic production in the best years on record, but 80% of it came from outside the State.

Sources: Production—United States Bureau of the Census and United States Department of Agriculture.

Consumption—Estimated by Federal Reserve Bank of Cleveland. All data are tentative.

For many decades the lumber requirements of Ohio consistently have been far in excess of domestic production, as indicated on the adjoining chart. The volume of lumber consumed in 1947, for example, was in excess of the highest domestic output on record. In that year, about 1,300,000,000 board feet of lumber were used in this state as compared with an annual output of less than 1,000,000,000 board feet from local forests in such banner years as 1879 and 1899* when deforestation was reaching its climax in Ohio. Even in such a comparatively lean construction year as 1939, the local output of lumber fell far short of consumption.** In some of the good years such as 1929 or 1947, as much as 85 percent was imported at considerable cost because of the long distances usually involved. Thus with respect to freight rates, the competitive advantage is clearly with the local producer.

Although the demand for lumber appears to be somewhat variable chiefly because of year-to-year changes in general economic conditions, the "harvesting" of timber is a much more flexible operation than the production of livestock or field crops for sale.

The marketing of livestock, or livestock products such as milk and eggs, is a short-run operation. Cattle or hogs must be sent to market within the season in which they reach profitable slaughter weights. Crops must be harvested within a period of a few weeks at most and thereafter physical storage frequently presents a problem. The profitability of marketing most farm products is determined by the

* No data available for most intervening years.

**Both consumption and production were extremely low during the early 1930's, but the ratio was similar to that for the years shown in the chart.

economic conditions prevailing in a single year. The grower of timber, however, has much more latitude. His crop does not require harvesting within a few weeks after reaching maturity. If it is desirable to wait for a better market, storage is no problem and the harvested crop is subject to only a slight degree of perishability.

These significant advantages outweigh any variations that occur from year to year in the apparent demand for lumber, and offset many of the risks inherent in the production of ordinary farm products. At no additional expense or sacrifice, the timber "farmer" can wait several years for a propitious market. Even the weather is a relatively unimportant factor because trees have the capacity to endure extremities of temperature and moisture longer than any other farm crop. The annual production of wood is almost completely immune to the ravages of a wet spring, or a drouth in the hot summer months.

Farm Forestry in Practice Timber operations have traditionally been exploitative rather than conservational. Selling a man on woodland management often entails persuading him to change a well-ingrained attitude. If a farmer needs cash and has a stand of marketable timber he is not easily induced to wait for a higher average income over a period of 30 to 40 years. If the timber has been cut-over recently it may be many years before there can be any income at all, and management has slight appeal, especially if it requires cash outlay. Moreover, farm woodlots are typically small and their owners do not feel justified in devoting much attention to them.

It is observable, however, that an increasing number of farmers are adopting better woods practices and finding them lucrative. The amount of time required to "run" a forest is not great, and the returns per hour of labor can be quite attractive, especially since woods work can be performed in those periods of the year when the pressure of other work is relatively light.

Furthermore, a woodland management program can be initiated with but little technical assistance. The first requirement is protection of the trees from livestock and fire. Ordinary diligence to avoid fire can be very effective: it is reported that two-fifths of the woods fires in Kentucky originate as trash fires which get out of control.

The second requirement is to observe proper cutting practices. The object is to improve the quality of the stand with each cutting and continuously to subordinate short-term profit-taking to long-term gain. To achieve that objective the worst material should be always worked off first. Trees that are diseased, decayed, defective, over-mature, or of undesirable species should be removed and even when cutting for the market begins, the "worst-first" principle is the best guide. A timber stand should not be opened too fast, however, because a dense canopy and close growth are necessary to a healthy forest.

In many cases harvests for profit should be postponed for several years in order to bring the woods to optimum productivity. At that point the average rate of cutting may approximately equal the annual growth and the forest will be continuously producing at capacity.

Under this sustained-yield harvesting it is not necessary to cut every year, except to remove undesirable specimens and perhaps occasionally to thin the stand to improve the growing stock. In many small woodlands an interval of from five to ten years may be practicable. It is also sometimes advantageous to wait several years for a good market and thus achieve a higher average annual income. This is called "storage on the stump."

In general a healthy tree should not be cut until it has reached such a state of maturity that it is more profitable to cut it than to allow further growth. This lower limit is a matter for judgment in individual cases. It depends upon the rate of growth of the tree and upon the available market. It also depends somewhat on the rate of fixed costs such as property taxes.

Income in Kind Farmers themselves are among the greatest users of timber. Forestry authorities have estimated that the average Ohio farm uses about 2,000 board feet of lumber per year for building, repairing, modernizing, and revamping farm buildings in addition to fuel wood and fence posts. The posts and fuel require about ten acres (a third of the average-sized woodlot in the District) on a sustained-yield basis.

Yet there has been an increasing tendency of farmers to devote their attention to field crops and livestock and to buy more of these wood materials off the farm. To many this high degree of specialization has seemed especially justified in the recent years of high selling prices for farm products.

Timber for home use, however, provides an excellent opportunity for many farmers to profit from their woods. Fence posts can be easily produced in the farm woods and the material for wood fences can be custom-sawed by a local sawmill from the rough logs. Building lumber also may be produced from the material furnished by farm woodlots. Farmers have often avoided large cash expenditures by judiciously using their own timber.

Profit in Marketing Timber Records on the management of woods by farmers are scant, but those examined by the Ohio Agricultural Experiment Station have indicated an average annual return of $7.00 per acre from managed forests. "This does not include maple sugar and syrup, which in northeastern Ohio will often more than

double this figure."* The importance of such returns stems from the fact that they usually represent a clear gain from land ill-suited for cultivation. Even where no other management was practiced except selective cutting at intervals of ten years, the average annual yield was found to be about $3.00 per acre compared with about $1.50 per acre from stands that were "clear-cut" at intervals of 30 to 45 years.

An average gross income of $5.00 per acre from saw timber in the District is not too high a goal. This would be the stumpage value of the logs sold and to it would be added the labor income for those farmers who choose to do their own cutting and hauling rather than to sell standing trees. In some cases this labor income is three times the stumpage value; thus timber worth $5.00 per acre on the stump would bring a total of $20.00.

In addition to saw timber there are many other forest products from which farmers can derive profit. Among the more important are veneer logs, cooperage logs, pulpwood, chemical wood, fuelwood, piling, poles, mine timbers, hewn ties, posts and maple syrup and sugar. For the greatest net return it is important to grow the species of trees for which there is a demand in an accessible market and to plan each cutting to supply the kinds and sizes of timber that are in demand at the particular time.

Among the few available records are those on a 20-acre tract in Ohio which has been managed for 60 years and on which books have been kept for the last 18 years. During the period the owner has had an average annual gross income per acre of $6.00 from sales of logs and $4.96 from maple syrup products. In addition he has had firewood and a total of 9,000 board feet of lumber used on the farm. His annual *net income* before taxes** from management and use of his land, labor and equipment is currently at least $13.50 per acre or $2.60 per hour worked.

Adequate information on timber markets has not been generally available to farmers and the lack of it has cost them a great deal of money. The most common method of selling timber is the easiest but also the least profitable. A buyer offers cash for all the timber on a tract and the owner sells him the timber if the price is about equivalent to what his neighbors have received for a similar area. In order to compensate for hidden defects in the standing timber, the buyer allows a good margin of safety in his offer. Marketing is an important phase of woods management and it is to the owner's advantage to select the trees to be cut and to sell only according to a predetermined price per thousand board feet.

Forest Cooperatives

For small woodland owners there is probably much to be gained from forest cooperatives, of which there are several successful examples in the country. In the field of marketing a cooperative can obtain and utilize information that for all practical purposes is unavailable to the small operator. It could even assemble and grade the logs of many small-scale producers.

The West Virginia Forest Products Association is a marketing cooperative established to furnish complete management assistance to its members as well as to sell their timber. In 1945 it was managing 30,000 acres bearing 100,000,000 board feet of timber. The service is furnished at slightly more than cost. In small forests cuttings are made according to sustained-yield principles on a ten-year cutting cycle. Participation has been mostly by nonresident land owners, as resident farmers have shown little interest in sustained-yield management.

A New York cooperative has been quite successful in processing timber and selling lumber and other wood products. Such an enterprise requires adequate financing and considerably greater executive direction than a simple marketing cooperative.

Forest Conservation

Some forests need only protection and will take care of their own reforestation. When replanting is advisable the cost may be substantially reduced for many farmers by conservation payments from the Federal Government and by low-cost seedlings from state nurseries. Pennsylvania is leading the nation this year by growing 60 million seedlings for reforestation. In Ohio, land that has been certified to the state as being devoted to forestry is exempt from one-half the current property tax, and many states have enacted legislation of one kind or another to encourage the development of farm woodlands.

To see cattle browsing peacefully in a beech-maple or oak-hickory farm woodland is to see a typical scene in many rural areas. Although a pretty picture, it represents wanton interference with the regenerative process by which nature provides for the renewal of forest cover. Grazing animals destroy seedlings, pack the soil about the roots of trees, thereby retarding growth, and otherwise disrupt the conditions essential to satisfactory growth of forest trees. Fencing livestock out of the farm woods need not deprive the cattle of sufficient pasture. It is estimated that one good acre of grass supplies as much feed as ten to fifty acres of woods pasture. A healthy forest is too shady for grass and a worthwhile pasture has too sparse a growth of trees to permit the production of desirable timber. Trees growing in open fields develop far too many large branches to make good logs.

The grazing problem is but one of the important aspects of the gradual exhaustion of the nation's

(CONTINUED ON PAGE 6)

*Ohio's Forest Resources, 1944.

**Presumably including property taxes. This case is cited in Ohio Forestry Association *News Bulletin*, September, 1948.

Expansion of Steel-Finishing Facilities

THE 16-million-ton expansion in steel ingot capacity since 1938, described in some detail in the preceding issue of this *Review,* was accompanied by an almost identical increase in the capacity to roll or process those ingots into semifinished and finished steel products. Percentagewise, however, rolling-mill capacity has been enlarged more rapidly than the ability to produce raw ingots.

Finishing facilities have been expanded at a greater rate than ingot capacity because the steel industry has always found it necessary to anticipate the changing requirements of customers. At a given time, an integrated steel producer with 100,000 tons of ingot capacity, for example, may have capacity and customers for 20,000 tons of bars, 50,000 tons of sheets, and 30,000 tons of plates (ignoring the yield factor). Should the demand picture change to 10,000 tons of bars, 75,000 tons of sheets, and 15,000 tons of plates, the producer would have a surplus of ingots because he would not have enough sheet capacity. The company, therefore, will attempt to provide individual facilities for each product to meet the forseeable range of demand, in this case up to 75,000 tons of sheets.

Last year the nation had steel finishing facilities to produce almost 74 million tons of hot-rolled steel products in the form of bars, sheets and strip, plates, rails, tubular products, rods, and other items. According to American Iron and Steel Institute figures, this capacity represents an increase of about 29 percent over the 1938 rated annual capacity of over 57 million tons. This increased capacity has been provided by the construction of new mills and by increasing the efficiency of older mills.

CAPACITY CHANGES IN FINISHED HOT-ROLLED STEEL PRODUCTS

United States
1938 and 1948
(thousands of tons)
(arrayed in descending order of 1948 capacity)

Products	1948	1938	% Change
Sheets and strip—hot-rolled	22,476	15,238	+47
Bars—including concrete reinforcements	13,521	10,713	+26
Plates	7,866	5,505	+43
Structural shapes—light and heavy	6,295	5,063	+24
Wire rods (for wire drawing)	6,195	4,359	+42
Strip—for cold-reduced black plate and tin plate	4,114	4,199	— 2
Skelp (for welded pipe)	4,096	2,333	+76
Blanks or Pierced Billets for seamless tubes	3,285	2,951	+11
Rails	2,998	2,993	—0—
Long joint or splice bars and tie plates	1,154	1,023	+13
All other finished hot steel	1,873	2,218	—16
TOTAL	73,873	57,390	+29

Source: *Iron and Steel Works Directory,* American Iron & Steel Institute

CAPACITY CHANGES IN FINISHED HOT-ROLLED STEEL PRODUCTS

Fourth District States
1938 and 1948
(thousands of tons)
(arrayed in descending order of 1948 capacity)

Products	Pennsylvania	Ohio	West Virginia	Kentucky	Total
Sheets & Strip—hot rolled					
1948	3,303	6,896	1,501	554	12,254
1938	2,294	5,111	711	526	8,642
% Change	+44	+35	+111	+ 5	+41
Bars					
1948	3,197	3,117	20	....	6,334
1938	3,439	1,857	77	....	5,373
% Change	— 7	+68	—74	....	+18
Plates					
1948	3,245	497	....	....	3,742
1938	2,508	356	100	....	2,964
% Change	+29	+40	....	....	+26
Structural Shapes					
1948	3,314	184	225	....	3,723
1938	2,715	250	176	....	3,141
% Change	+22	—26	+28	....	+19
Skelp (for welded pipe)					
1948	740	2,433	252	....	3,425
1938	949	1,079	208	....	2,236
% Change	—22	+125	+21	....	+53
Blanks or Pierced Billets for seamless tubes					
1948	1,808	1,412	....	....	3,220
1938	1,759	1,104	....	....	2,833
% Change	+ 3	+29	....	....	+14
Wire Rods (for wire drawing)					
1948	1,605	661	....	....	2,266
1938	1,279	532	....	....	1,811
% Change	+25	+24	....	....	+25
Strip—for cold-reduced black plate and tin plate					
1948	1,107	250	....	....	1,357
1938	270	310	370	....	950
% Change	+310	—19	....	....	+42
Rails					
1948	902	19	85	....	1,006
1938	1,138	95	75	....	1,308
% Change	—21	—80	+13	....	—23
Totals*					
1948	20,412	15,594	2,093	554	38,653
1938	18,619	11,137	1,994	716	32,466
% Change	+10	+40	+ 5	—22	+19

* Total capacity for all kinds of hot-rolled products by states.

Source: *Iron and Steel Works Directory,* American Iron & Steel Institute

Hot-rolled Steel Expansion Throughout the country the greatest tonnage gain in hot-rolled products was experienced in hot-rolled sheet and strip capacity. The adjoining table shows that capacity for hot-rolled sheets and strip has been expanded over 7 million tons, or an average of about 725,000 tons a year since 1938. Hot-rolled sheets and strip are used principally for the making of cold-rolled products for the fabrication of automobile bodies. Sheets and strip are also used in agricultural implements, railroad cars, and enameled articles such as stoves, refrigerators, and electrical appliances.

National capacity for this category has increased 47 percent since 1938, and Fourth District states have experienced a 41 percent gain. The largest tonnage gain in the District was registered in Ohio where a net increase of 1.7 million tons was scored, while the greatest proportional gain in this category

was made in West Virginia with an advance of 111 percent.

As a result of the increased demand for welded pipe, skelp capacity has been enlarged about 76 percent throughout the industry in the last ten years. Electricweld pipe capacity has been increased 158 percent to a level of over 2 million tons since 1938. Buttweld pipe facilities have been expanded 21 percent. Skelp is the raw material for these finished products.

Nationwide capacity for production of steel plates expanded 43 percent to a level of almost 8 million tons annually. The principal peacetime uses of heavy steel plates are railroad cars and bridge construction. During the war, the government shipbuilding program was responsible for a great deal of the expansion in heavy-plate capacity. Lighter plate is the source of raw material for sheets, black plate, and tin plate. The District registered a 26 percent gain in this category with Ohio scoring a gain of 40 percent.

Wire rod facilities were expanded about 42 percent throughout the country, and 25 percent throughout the District. Wire rods are the basic raw material for all kinds of drawn wire products. Ohio and Pennsylvania are the only District states producing wire rods, and both states enlarged their facilities at about the same rate over the ten-year period.

Capacity for light and heavy structural shapes, which are used essentially in construction other than single residences, recorded an increase of 24 percent to a level of over 6 million tons a year on a national basis. Pennsylvania and West Virginia increased their capacities 22 percent and 28 percent, respectively, while Ohio's small capacity of about 250,000 tons was reduced to 184,000 tons.

The only category to show virtually no change since 1938 was rails. The nation's capacity increased a mere 5,000 tons in the ten-year span. On the other hand, Fourth District states registered a 23 percent decline since 1938. Part of the reason for the static nature of capacity in this category is that only a replacement market has existed since 1938. Furthermore, a capacity of slightly less than 3 million tons appears to be sufficient since the largest production of rails in recent years was 2.5 million tons in 1944.

Cold-rolled Products

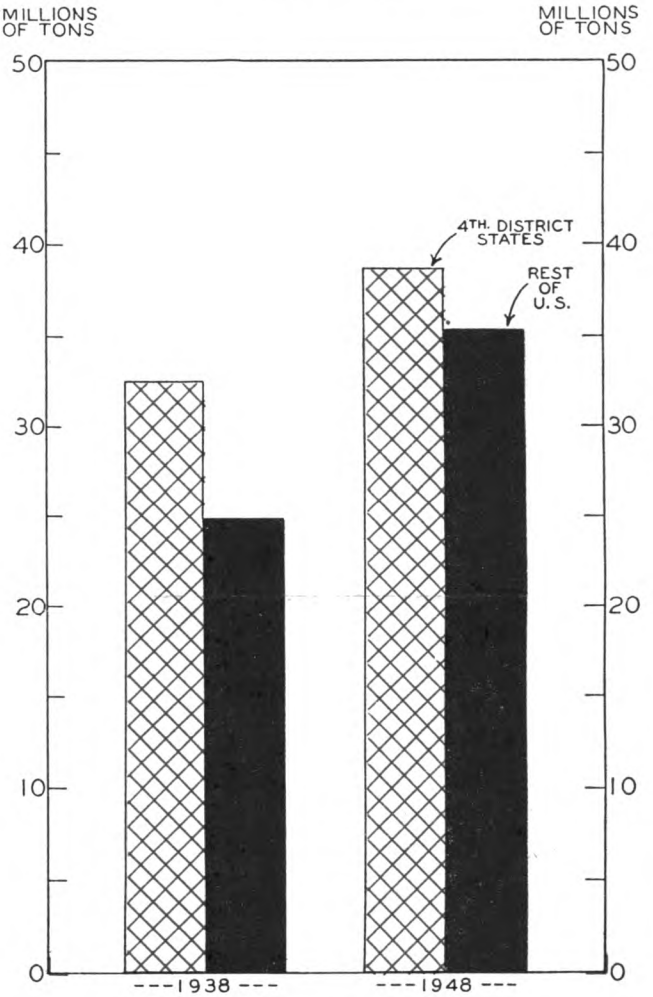
Cold rolling is a process designed to secure certain properties in the finished product that cannot be obtained by hot rolling alone. Cold-rolled steel has more uniform dimensions, increased hardness, and a brighter, smoother surface than hot-rolled steel.

Cold reduction of sheets and strip is generally carried on in a continuous mill, or a single reversing mill. Continuous or tandem cold reducing mills have the advantages of large capacity and low labor cost. On the other hand, initial cost is high, and such mills lack flexibility. Stock must receive a fixed and limited number of passes in a continuous mill. A reversing mill requires less floor space than a continuous mill; it has greater flexibility as to the number of passes, and a lower initial cost. It has the disadvantage, however, of higher labor cost due to the limited capacity of the mill. To allow greater flexibility in work scheduling, some steel plants use both types of mills in combination.

Capacity for cold-rolled sheets totaled 5.5 million tons in 1938, and last year amounted to about 8.8 million tons, an increase of 58 percent. During the same period the District, which contains about 56

FINISHED HOT-ROLLED STEEL CAPACITY
1938-1948

(millions of tons)



. . . Fourth District states still contain more than half the nation's steel finishing facilities but the margin over the rest of the country is smaller than it was ten years ago.

Source: American Iron & Steel Institute.

percent of the total cold-rolling capacity in the country, registered a 40 percent gain. Cold-rolled strip capacity in 1938 was less than 1.5 million tons, and in 1948 totaled about 2.7 million tons, or 85 percent more. Fourth District states had capacity to produce 1.3 million tons of cold-rolled strip last year, or 44 percent more than in 1938.

The increase in these categories is largely due to the increased demand for the surface and temper characteristics of steel produced by the cold-reduction process.

Finished Steel Production Last year a record 66 million tons of finished steel were produced, representing a yield of over 74 percent from the 88.5 million tons of ingots turned out. In the past, a yield of 70 percent was the industry's average in periods of high demand. The discrepancy between ingot tonnage and finished steel production is due to the fact that out of each 100 tons of ingots, about 25 tons to 30 tons are returned to scrap in the finishing process, leaving some 70 or 75 tons as finished product.

Finishing facilities were operated at the unusually high rate of 89 percent of their 74-million-ton capacity. The rate might have been higher except for some labor difficulties and the inflexibility of some of the equipment. Under ordinary conditions, 100-percent-capacity operation is impossible because of the dual character of some rolling mills. That is, a mill may be able to roll either sheets or light plate, but it cannot roll both at one time.

Fourth District States' Supremacy Fourth District states, including Pennsylvania, Ohio, West Virginia, and Kentucky, contain about 52 percent of the hot-rolled steel capacity in the country. Ten years ago, however, the District contained about 57 percent of the nation's steel finishing facilities. The rapid expansion of steel capacity on the West Coast and in the Chicago area is largely responsible for the District's relative decline in importance. Furthermore, the industry's mills and furnaces now extend over 30 states compared with 27 in 1938. Ten years ago, Florida, Iowa, and Utah were not on the steel map. California now ranks first in reinforcing bar capacity and produces seven products which it did not produce in 1938.

Nevertheless Pennsylvania and Ohio are still the first and second ranking states, respectively, in overall hot-rolled steel capacity. At the beginning of 1948, Pennsylvania had 20.4 million tons of hot-rolled capacity, and Ohio had about 15.6 million tons of capacity.

ANNOUNCEMENTS

On April 28, 1949, the Board of Governors of the Federal Reserve System took action to reduce reserve requirements of member banks. Required reserves on net demand deposits were reduced from 26 percent to 24 percent for central reserve city banks and from 22 percent to 21 percent for all other member banks. Required reserves on time deposits were reduced from 7½ percent to 7 percent for all member banks. These reductions became effective on May 5, 1949, for central reserve city and reserve city banks, and on May 1, 1949, for country banks.

* * *

Mr. C. L. Austin, Executive Vice President, Jones & Laughlin Steel Corporation, Pittsburgh, Pennsylvania, was elected a Class B director of this bank at a special election on May 13, to fill the unexpired portion of the term ending December 31, 1950.

Mr. Austin succeeds Mr. Lawrence H. Lund, deceased, who had served as a Class B director since January 1, 1948.

DOES FARM FORESTRY PAY?

(CONTINUED FROM PAGE 3)

forest resources. Every year more timber is cut or destroyed than is replaced by growth. In saw timber the annual drain is as much as 50 percent greater than the growth. If the present rate of excess were continued for 20 years there would be a 27 percent reduction in the saw timber stand.

Actually the surplus of drain will probably not continue at the present high rate because of the increasing difficulty of obtaining suitable trees for cutting. As the shortage of wood grows more acute it may be expected that research will develop low-cost substitutes, but up to the present science is still finding valuable *new* uses for wood.

Potential Wealth in Forests Fortunately timber is one natural resource that is renewable. It is estimated that good management could double the annual output of timber from the present forests of the District and leave the growing stock more productive than ever. Doubling the timber output would add many millions of dollars to the cash income from forest products in the District.

The beneficial effects would extend far beyond the direct monetary gains. Healthy forests would protect watersheds, holding until needed millions of gallons of water that now rush downstream causing occasional flood damage. An even flow would be maintained in the streams and many dry springs would renew their flow. Moreover, the reforestation of millions of acres of marginal land in the District would halt the water and wind erosion which denude the land of valuable topsoil.

Department Store Trade in a Period of Declining Payrolls

DEPARTMENT STORE sales volume tends to fluctuate in a somewhat wider arc in this heavily industrialized area than in the country as a whole. Sales expand more rapidly in periods of business improvement and shrink more rapidly in times of business recession.

The only significant disruption in this relationship since the inception of the series in 1919 occurred during the four war years of 1942-45 when trade in many Southern and Western centers was markedly stimulated by nearby military installations or new war production facilities.

But in the years since 1945 the prewar pattern has re-emerged, and that may have more than casual implications with respect to department store trade in this region *vis-a-vis* the rest of the country in the event that the current business recession is significantly extended.

The manner in which department store business in this area responds to changes in economic conditions, in contrast to fluctuations in the nationwide aggregate, is illustrated in an adjoining chart covering the years 1935 to date. The 14-year period readily falls into four distinct phases.

During the years 1936 and 1937, when production, employment and payrolls were rising throughout the nation, sales in the Fourth District increased 29 percent (1937 over 1935) as against only 21½ percent for the country as a whole, including the Fourth District.

Conversely, during the 1938 economic slump, department store sales in this District dropped 13½ percent as against a country-wide decline of only 7½ percent, and even less in the eleven outside Districts.

The economic recovery of 1939-41 was accompanied by universal expansion in retail trade, but in the Fourth District that expansion in department store sales reached nearly 44 percent in contrast to only 34½ percent in the country-wide total (1941 over 1938).

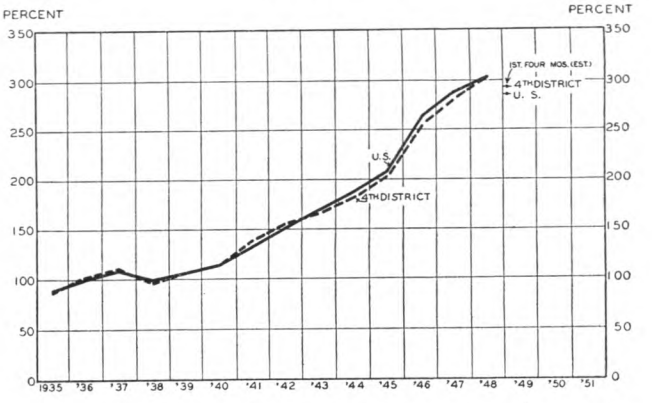
The relationship was distorted during the four years which ended with 1945 in that sales volume in this area in the final year was up only 45½ percent as against 55½ percent in the nation as a whole, largely for reasons which were mentioned above.

The return to peacetime industrial activities, accompanied as it was by a substantial price inflation, produced a further sharp expansion in dollar sales. In the Fourth District that postwar expansion (1948 over 1945) amounted to 50 percent, but in the rest of the country it was obviously less than 46 percent, the national figure. The contrast was especially noticeable in 1948 when Fourth District sales established an 8 percent margin over the preceding year as against a net gain of only 5½ percent for the entire United States. This decidedly favorable margin is undoubtedly largely attributable to the fact that many of the durable and heavy goods industries of this area were still setting new high records in production and employment at a time when other important industries, more prominent outside the Fourth District, were visibly retarded by sharply reduced demand.

There seems to be considerable business opinion to the effect that further reductions are imminent in the production of steel, machinery and equipment, automobiles, some household appliances, and other metal products, all of which are important in the economy of the Fourth District. If that prospect should materialize and department store trade in general is affected accordingly, the shrinkage from last year's record level henceforth will be more noticeable in the Fourth District than in the nation as a whole, in terms of historical precedent.

COMPARISON OF DEPARTMENT STORE SALES
Fourth District and United States

(1935-39=100)



. . . the downturn in department store sales has been less pronounced in the Fourth District than in the country as a whole. This is contrary to precedent, and presumably is attributable to continued strength in the dominant (steel and automotive) industries.

DEPARTMENT STORE TRADE STATISTICS

Sales by Departments—April 1949

Percentage Changes from a Year Ago
(Fourth District Reporting Stores)
(Compiled May 26, and released for publication May 27)

Candy	+110
Gloves (Women's and Children's)	+ 99
Boys' Wear	+ 81
Millinery	+ 80
Girls' Wear	+ 76
Handbags and Small Leather Goods	+ 69
Toys and Games	+ 50
Shoes (Women's and Children's)	+ 36
Handkerchiefs	+ 33
Shoes (Men's and Boys')	+ 33
Infants' Wear	+ 32
Costume Jewelry	+ 28
Coats and Suits (Women's and Misses')	+ 28
Neckwear and Scarfs	+ 26
Juniors' Coats, Suits and Dresses	+ 23
Hosiery	+ 22
Books and Stationary	+ 21
Radios, Phonographs and Television	+ 15
Woolen Dress Goods	+ 15
Gift Shop	+ 14
Men's Furnishings and Hats	+ 14
Toilet Articles and Drug Sundries	+ 10
Blouses, Skirts and Sportswear	+ 9
Corsets and Brassieres	+ 9
Records, Sheet Music and Pianos	+ 8
Laces and Trimmings	+ 7
Underwear Slips and Negligees	+ 6
Furs	+ 3
Men's Clothing	+ 1
Lamps and Shades	— 1
Draperies, Curtains, etc	— 1
Fine Jewelry and Watches	— 2
Art Needlework	— 3
Inexpensive Dresses (Women's and Misses')	— 3
Better Dresses (Women's and Misses')	— 3
China and Glassware	— 4
Luggage	— 6
Housewares	— 8
Sporting Goods and Cameras	— 10
Notions	— 11
Aprons, Housedresses and Uniforms	— 12
Linens and Towels	— 12
Blankets and Comforters	— 13
Furniture and Bedding	— 14
Silverware and Clocks	— 16
Domestic Floor Coverings	— 16
Silks, Velvets and Synthetics	— 17
Domestics, Muslins and Sheetings	— 21
Cotton Wash Goods	— 26
Major Household Appliances	— 39

GROUP TOTALS

BASEMENT STORE TOTAL	+ 23
Women's Apparel and Accessories	+ 23
Men's and Boys' Wear	+ 20
Miscellaneous Merchandise Depts	+ 16
GRAND TOTAL (reporting stores)	+ 10
MAIN STORE TOTAL	+ 8
Small Wares	+ 6
Housefurnishings	— 14
Piece Goods and Household Textiles	— 16

Sales during April by Fourth District department stores were higher than a year ago in most departments. Gains were impressive in women's accessories even after allowances are made for this year's late Easter, but housefurnishings departments showed marked year-to-year declines. For store sales as a whole, the sales gain during April, which included this year's late Easter season, almost made up for the year-to-year losses which had occurred in March. For the two months together sales were nearly on a par with last year's and substantially better than in February 1949.

Sales by the women's apparel and accessories group averaged 23% above a year ago. This showing more than offset March losses, leaving a two months' total about 4% above last year's. Eight accessories departments within the women's wear group made year-to-year sales gains during April amounting to more than 20% in each case. Sales of **millinery,** for example, were at a new all-time high, 80% above a year ago April, and 15% above last year's level for March and April combined. Sales by the **gloves** department were 99% above a year ago April, or 5% above a year ago for the March-April total. In the apparel lines, sales of women's and misses' **coats and suits** scored a 28% gain over the year-ago April, bringing the March-April total to a level 12% above a year ago.

In the housefurnishings departments, however, sales averaged 14% below April of last year. For most departments in this group, dollar sales were somewhat higher than in March, but the year-to-year comparison was even less favorable than in March. **Major household appliances,** where sales were about the same as in March, showed a 39% decline from a year ago. Sales of **domestic floor coverings** were down 16% from April of last year, and the March-April total was 12% under a year ago. Sales of **furniture and bedding** were down 14% from a year-ago April, and for March and April combined were off 9% from last year. **Radios, phonographs and television,** together with the related department, **records, sheet music and pianos,** were the only departments in the housefurnishings group where April sales exceeded year-ago levels, the gains being 15% and 8%, respectively.

Sales of men's and boys' wear as a group were up 20% from a year ago, but the March-April total was 3% below last year. **Men's clothing** showed an April gain of only 1% over a year ago, and a combined March-April decline from last year's levels amounting to 10%.

Sales of **candy,** up 110% from last April, reflected Easter influences. The combined March-April sales of candy were only about 1% above last year's.

All comparisons refer to dollar volume, without adjustment for price changes.

Inventories by Departments—April 30, 1949

Percentage Changes from a Year Ago
(Fourth District Reporting Stores)
(Compiled June 1, and released for publication June 2)

China and Glassware	+15
Woolen Dress Goods	+14
Toys and Games	+11
Laces and Trimmings	+ 9
Inexpensive Dresses (Women's and Misses')	+ 9
Men's Clothing	+ 6
Coats and Suits (Women's and Misses')	+ 5
Gift Shop	+ 4
Sporting Goods and Cameras	+ 3
Better Dresses (Women's and Misses')	+ 3
Blouses, Skirts and Sportswear	+ 2
Domestic Floor Coverings	+ 2
Aprons, Housedresses and Uniforms	+ 1
Juniors' Coats, Suits and Dresses	+ 1
Housewares	—0—
Major Household Appliances	—0—
Shoes (Women's and Children's)	— 1
Cotton Wash Goods	— 1
Silverware and Clocks	— 1
Notions	— 2
Books and Stationery	— 2
Shoes (Men's and Boys')	— 2
Costume Jewelry	— 3
Silks, Velvets and Synthetics	— 3
Domestics, Muslins, Sheetings	— 4
Underwear, Slips and Negligees	— 4
Furs	— 4
Handbags and Small Leather Goods	— 4
Art Needlework	— 5
Toilet Articles and Drug Sundries	— 5
Linens and Towels	— 5
Fine Jewelry and Watches	— 6
Boys' Wear	— 6
Men's Furnishings and Hats	— 6
Furniture and Bedding	— 6
Radios, Phonographs and Television	— 6
Girls' Wear	— 7
Luggage	— 7
Draperies, Curtains, etc	— 7
Lamps and Shades	— 7
Hosiery	— 9
Corsets and Brassieres	— 9
Gloves (Women's and Children's)	—10
Records, Sheet Music and Pianos	—11
Infants' Wear	—13
Millinery	— 14
Neckwear and Scarfs	—14
Blankets and Comforters	—15
Handkerchiefs	—16
Candy	—25

GROUP TOTALS

Miscellaneous Merchandise Dept's	—0—
Men's and Boys' Wear	— 1
MAIN STORE TOTAL	— 2
Housefurnishings	— 2
GRAND TOTAL (reporting stores)	— 3
Women's Apparel and Accessories	— 3
Small Wares	— 4
Piece Goods and Household Textiles	— 4
BASEMENT STORE TOTAL	— 6

Department store inventories in the Fourth District were reduced more than seasonally during April, even after allowance is made for this year's late Easter. For the first time since the war all major departmental groupings closed the month with stocks at lower levels than a year previously. Year-to-year declines for the groups ranged from 1% in the case of men's and boys' wear to 4% for the piece goods and household textiles group.

Individual departments, however, showed considerable variation in the inventory picture at the end of April. Especially sharp year-to-year declines were reported for a number of women's accessories departments, following brisk April sales in these lines. Stocks of **neckwear and scarfs,** for example, were down 14% from a year ago and were at a four-year low for the month. Stocks of **hosiery,** off 9%, were at a three-year low for the month.

Several departments in the housefurnishings group also showed substantial year-to-year declines in inventory, with the largest drop scored by **records, sheet music and pianos,** down 11% from a year ago. However, stocks of **housewares** and of **major household appliances** were unchanged from the year-ago position.

Year-to-year declines also occurred in inventories of three out of the four departments in the men's and boys' wear group. In the case of two of these, however, **men's furnishings** and **men's and boys' shoes,** stocks were at highest levels of any month-end so far this year, although below last year's levels by 6% and 2% respectively.

Although no group of departments registered a year-to-year increase, stocks were substantially higher than a year ago in a few individual departments. **China and glassware** stocks for example were 15% higher than a year ago and at a new all-time peak, following an April sales report less favorable than the strong sales showing which had been made in March. Stocks of **men's clothing,** up 6% from a year ago, were at highest levels of any month-end so far this year. Likewise, stocks of women's and misses' **coats and suits** were up 5% from a year ago and stocks of **dresses** were up 4%, with new highs for the month established in both departments in spite of the strong sales of coats and suits during April.

All comparisons refer to dollar value of inventory at retail, without adjustment for price changes.

FINANCIAL AND OTHER BUSINESS STATISTICS

Time Deposits—12 Fourth District Cities

(Compiled May 5, and released for publication May 7)

City and Number of Banks	Time Deposits April 27, 1949	Average Weekly Change During: April 1949	March 1949	April 1948
Cleveland (4)	$ 900,735,000	—$471,000	—$ 72,000	—$828,000
Pittsburgh (12)	458,501,000H	+ 30,000	+ 435,000	+ 106,000
Cincinnati (8)	183,513,000	+ 269,000	+ 81,000	+ 178,000
Akron (3)	103,678,000	—0—	— 14,000	— 163,000
Toledo (4)	100,917,000H	+ 64,000	+ 144,000	— 25,000
Columbus (3)	83,464,000H	+ 26,000	+ 92,000	+ 38,000
Youngstown (3)	65,121,000H	+ 15,000	+ 24,000	+ 14,000
Dayton (3)	46,924,000	— 22,000	— 21,000	— 93,000
Canton (5)	43,638,000	— 10,000	+ 96,000	+ 112,000
Erie (4)	39,624,000	+ 58,000	+ 45,000	+ 20,000
Wheeling (5)	28,221,000	— 44,000	+ 40,000	— 4,000
Lexington (5)	10,596,000	+ 1,000	— 13,000	— 20,000
TOTAL—12 Cities	$2,064,932,000	—$ 84,000	+$837,000	—$666,000

H—Denotes new all-time high.

For the fourth consecutive month the trend of time deposits at 59 Fourth District banks was positive in relation to a year ago.

Aggregate time deposits actually declined during April at a rate of $84,000 per week at all cities combined. The reduction was much smaller, however, than a year ago, and virtually all of the shrinkage occurred in Cleveland where the payment of real estate taxes is believed to be an important factor in withdrawals during April. This seasonal trend temporarily obscures the rate at which accounts are being built up by current savings. That rate appears to have been somewhat slower than in the three preceding months.

Individual Cities

In **Pittsburgh, Toledo, Columbus** and **Youngstown** total time deposits at the respective reporting banks reached new all-time highs.

In **Akron,** total time deposits of the three reporting banks were unchanged during April in contrast to a reduction of $163,000 per week last year in April.

In **Erie,** time deposits increased at the rate of $58,000 per week last month as against $20,000 per week in April 1948.

Changes in Consumer Instalment Credit April 1949

25 Fourth District Member Banks

(Compiled May 24, and released for publication May 26)

New Loans Made Compared With Mo. Ago	New Loans Made Compared With Yr. Ago	Type of Credit	Outstanding at End of Mo. Compared With Mo. Ago	Outstanding at End of Mo. Compared With Yr. Ago
+ 5.3%	+ 5.4%	Total consumer instalment credit	+2.1%	+ 26.5%
— 3.7	— 5.4	Personal instalment cash loans	+1.6	+ 2.5
+15.8	—24.1	Repair and modernization loans	+0.9	+ 36.2
		Direct retail instalment loans		
+10.3	+41.2	(a) Automobile	+6.2	+ 42.5
—28.3	+ 2.8	(b) Other	—0.5	— 4.0
		Retail instalment paper purchased		
— 1.4	+49.5	(a) Automobile	+3.2	+101.6
+28.4	— 4.7	(b) Other	+0.4	+ 20.0

For the second successive month, the volume of consumer credit extended during April by the 25 reporting banks of this District was larger than in the comparable month of a year ago.

The volume of new direct automobile instalment loans was the largest on record for any month, and about 41% above the April 1948 total, whereas new instalment loans on nonautomotive products such as household appliances and other durable goods were only 2.8% larger than last year.

Chiefly as a result of the expansion in automobile loans the amount of consumer credit outstanding at the reporting banks is now in excess of the former peak reached at the end of last December.

The aggregate of new **personal** instalment loans and **repair** and **modernization** loans made was less than in the comparable month of 1948.

Bank Debits*—April 1949

(In thousands of dollars)

(Compiled May 11, and released for publication May 12)

No. of Reporting Banks		April 1949	% Change from year ago	3 Months ended April, 1949	% Change from year ago
192	ALL 31 CENTERS	$6,836,552	+ 1.3%	$20,491,864	+ 3.3%
	10 LARGEST CENTERS:				
5	Akron, Ohio	$ 237,099	+ 3.2%	$ 669,470	+ 2.0%
5	Canton, Ohio	117,535	+ 3.5	336,321	+ 5.9
16	Cincinnati, Ohio	799,056	— 8.2	2,516,476	— 3.6
10	Cleveland, Ohio	1,748,970	+ 1.0	5,145,753	+ 2.6
7	Columbus, Ohio	594,579	+13.6	1,635,963	+ 8.4
4	Dayton, Ohio	222,112	— 1.0	654,946	— 1.7
6	Toledo, Ohio	327,850	— 8.8	978,387	—11.4
4	Youngstown, Ohio	150,977	+ 0.9	429,982	— 0.1
6	Erie, Penna.	83,948	— 2.6	248,371	— 2.4
52	Pittsburgh, Penna.	1,940,358	+ 5.6	6,006,472	+10.2
114	TOTAL	$6,222,484	+ 1.6%	$18,622,141	+ 3.4%
	21 OTHER CENTERS:				
9	Covington-Newport, Ky.	$ 37,594	— 3.6%	$ 114,436	+ 0.6%
6	Lexington, Ky.	56,376	+ 1.6	203,267	+15.9
3	Elyria, Ohio	18,955	— 3.1	56,800	— 2.8
3	Hamilton, Ohio	34,914	— 9.7	107,106	— 3.2
2	Lima, Ohio	41,888	— 3.9	123,142	— 1.0
5	Lorain, Ohio	17,810	— 6.6	53,327	+ 1.0
4	Mansfield, Ohio	42,006	— 1.2	125,361	+ 6.2
2	Middletown, Ohio	32,222	— 6.7	98,365	+ 0.6
3	Portsmouth, Ohio	20,727	+ 8.9	59,551	+ 2.5
3	Springfield, Ohio	44,121	— 2.9	129,037	— 2.4
4	Steubenville, Ohio	21,217	— 5.8	63,983	+ 0.7
2	Warren, Ohio	37,631	+ 0.5	111,408	+ 6.2
3	Zanesville, Ohio	27,912	+ 9.9	79,270	+ 7.1
3	Butler, Penna.	29,603	— 7.8	88,660	+ 0.7
1	Franklin, Penna.	7,042	— 1.1	20,735	+ 4.9
2	Greensburg, Penna.	20,945	+ 2.7	62,244	+ 5.8
4	Kittanning, Penna.	9,325	+ 2.8	28,271	— 1.3
3	Meadville, Penna.	10,816	—24.4	35,189	—0—
4	Oil City, Penna.	17,668	—19.1	54,235	—12.8
5	Sharon, Penna.	28,704	+14.3	83,208	+11.5
6	Wheeling, W. Va.	56,592	+ 3.1	172,128	+ 6.5
78	TOTAL	$ 614,068	— 2.1%	$ 1,869,723	+ 3.1%

* Debits to all deposit accounts except interbank balances.

During April the volume of money transfers as measured by bank debits continued to run ahead of a year ago but only by the narrow margin of 1.3%. The rate of turnover, however, was slightly slower than in April of last year.

Ten Largest Centers

In **Akron, Canton, Columbus,** and **Pittsburgh,** the April debit total was more than nominally in excess of the 1948 figure, whereas in **Cincinnati** and **Toledo,** aggregate debits in April were 8-9% short of last year's volume. These divergent trends have been in effect for two or three months.

Twenty-One Smaller Centers

For the first time in several years debits in the smaller localities fell behind the year-ago figure, notwithstanding the fact that the balances against which withdrawals are made, were slightly larger this year. April debits in these 21 centers added up to roughly $614,000,000 as against $627,000,000 in the same month a year ago. The most prominent year-to-year declines in debits were recorded in **Meadville** and **Oil City,** Pennsylvania, and **Hamilton,** Ohio. For the past three months combined, debits also have been running behind last year in **Lima, Elyria,** and **Springfield,** Ohio, and in **Kittanning,** Pennsylvania.

Indexes of Department Store Sales and Stocks

Daily Average for 1935-1939 = 100

	Adjusted for Seasonal Variation April 1949	Adjusted for Seasonal Variation March 1949	Adjusted for Seasonal Variation April 1948	Without Seasonal Adjustment April 1949	Without Seasonal Adjustment March 1949	Without Seasonal Adjustment April 1948
SALES:						
Akron (6)	307	282	295	307	259	271
Canton (5)	376	361	379	380	314	345
Cincinnati (8)	305	283	315	305	269	289
Cleveland (10)	271	240	275	276	233	261
Columbus (5)	383	337	355	375	320	316
Erie (3)	359	309	343	352	281	308
Pittsburgh (8)	284	246	282	296	244	265
Springfield (3)	259	257	295	264	239	274
Toledo (6)	303	260	298	303	244	274
Wheeling (6)	261	238	243	272	214	219
Youngstown (3)	346	341	358	356	310	330
District (96)	301	279r	305r	304	254	280
STOCKS:						
District	260	285	290r	265	282	295

r—Revised. Back Figures: Revised indexes for months not shown above will be published in a subsequent issue.

SUMMARY OF NATIONAL BUSINESS CONDITIONS

By the Board of Governors of the Federal Reserve System

(Released for publication May 26, 1949)

Industrial output declined further in April and the early part of May. Prices of industrial commodities were reduced further, while prices of farm and food products continued to show little change. Construction awards showed a marked seasonal expansion. Value of department store sales increased to close to the advanced level prevailing a year ago.

Industrial production

Industrial production, as measured by the Board's seasonally adjusted index, declined further in April to 179 per cent of the 1935-39 average as compared with 184 per cent in March and 195 per cent in November 1948. Present indications are that in May manufacturing has continued downward and that there has also been some decline in output of minerals, which had increased in April.

Open hearth steel production declined 3 per cent in April from the record March level and output at electric furnaces, which accounts for only a small part of total steel output, was curtailed by 23 per cent to the lowest rate since January 1948. Activity at steel mills has continued to decline in May. Assembly of passenger automobiles increased sharply in April to the highest rate of the post-war period; a strike at plants of one major producer, however, has curtailed activity in May. Output of most types of machinery in April declined considerably further. Deliveries of nonferrous metals to fabricators were sharply reduced, as prices and private purchases dropped; refinery output of most nonferrous metals, however, was maintained at a high level, reflecting in part Government demands for stockpiling. Output of most building materials, after allowance for usual seasonal changes, decreased somewhat further.

Nondurable goods output declined about 4 per cent in April reflecting mainly further marked reductions in the textile, paper, and chemical industries, as a result in part of seasonal influences not currently allowed for in the Board's adjusted indexes. Rayon production and deliveries to textile mills decreased sharply, and, according to trade reports, activity in the wool textile industry was reduced further. Cotton consumption declined 8 per cent in April. Activity at paper mills decreased about 5 per cent, while paperboard production was maintained at the reduced March level. Newsprint consumption increased slightly, and output of manufactured foods was maintained at the March level.

Minerals production advanced about 8 per cent in April, reflecting chiefly the ending of the work stoppages at coal mines. Iron ore production was in exceptionally large volume for this season. Crude petroleum output, however, was curtailed further by about 4 per cent.

Construction

Value of construction contracts awarded in April, according to the F. W. Dodge Corporation, was one-eighth larger than in March, reflecting increases for private residential building and public works and utilities. Private awards continued considerably smaller than a year ago, while public awards were about one-third larger. The number of permanent residential units started in April, as estimated by the Bureau of Labor Statistics, rose from 62,000 to 86,000 but was still considerably below the post-war peak of 100,000 units in April and May 1948.

Employment

Employment in nonagricultural establishments continued to decline in April after allowance for seasonal changes, owing mainly to further reductions in most manufacturing industries. The average work week in manufacturing was also reduced further. Construction employment, which had lagged in March, rose somewhat more than seasonally in April. Employment in most other nonagricultural lines showed little change.

Distribution

Value of department store sales increased more than seasonally in April and the first half of May. Allowing for the later date of Easter this year, sales in this period were only about 3 per cent below the high level in the corresponding period last year. Since retail prices were moderately lower than a year earlier, little change in over-all unit sales at department stores was indicated.

Carloadings of railroad freight were in larger volume in April and the early part of May, mainly because of the recovery in coal shipments from the reduced March rate. Loadings of most other classes of freight declined somewhat further, after allowance for seasonal changes.

Commodity prices

Prices of agricultural commodities continued to show little change from mid-April to the third week of May, while prices of industrial commodities generally declined further. Prices of scrap metals continued to weaken and refined copper was cut from 23.5 cents per pound to below 18 cents. Prices of some other industrial materials, however, like burlap, hides, and wool tops, were quite stable in this period.

The consumers' price index showed little change in April as further small advances in rents and in prices of meats and miscellaneous items were largely offset by declines in prices of most other groups of goods and services.

Bank credit

Required reserves of all member banks were decreased by about 1.2 billion dollars in early May when the reduction in reserve requirements announced by the Board of Governors in late April became effective. Banks used most of the released funds to purchase both short-term and longer-term Government securities. Reserve Bank holdings of Government securities declined by about 1.5 billion dollars during the first three weeks of May. The market for Treasury bonds continued active and System sales of these issues amounted to about 500 million dollars.

Business loans declined by 1 billion dollars at banks in leading cities during April and the first half of May; somewhat over half the decline occurred at banks in New York and Chicago. Real estate and consumer loans showed little change.

Security markets

Prices of common stocks fluctuated within a narrow range and high-grade corporate bonds changed little in the first three weeks of May.