

# MONTHLY *Business Review*

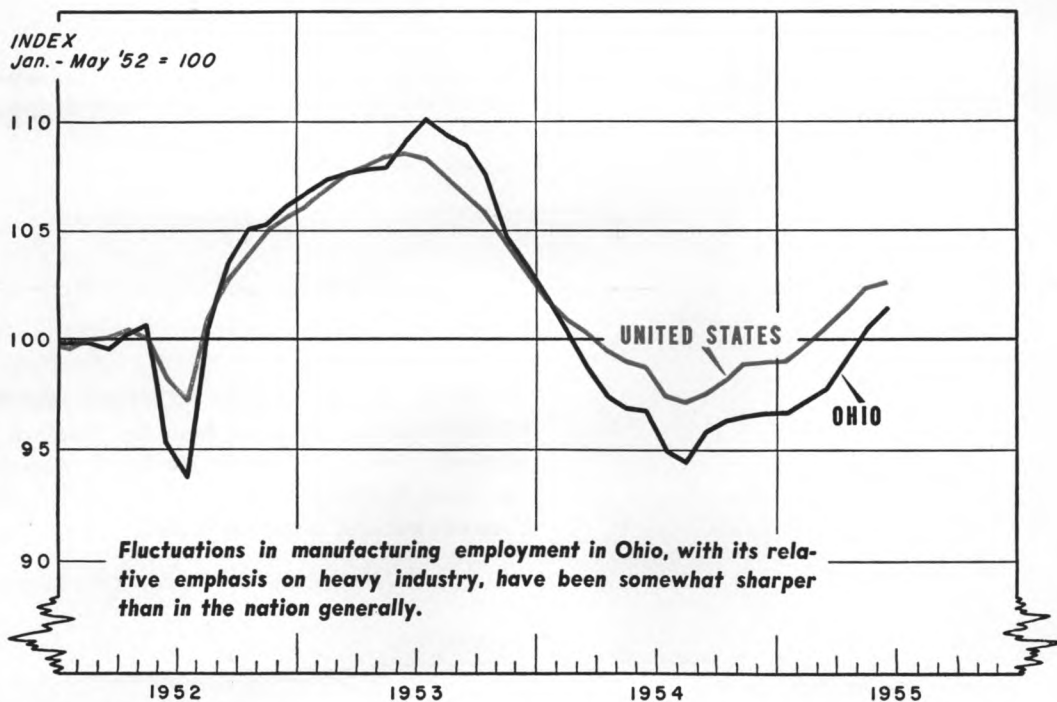
FEDERAL RESERVE BANK of CLEVELAND

*August 1955*

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### MANUFACTURING EMPLOYMENT



*Fluctuations in manufacturing employment in Ohio, with its relative emphasis on heavy industry, have been somewhat sharper than in the nation generally.*

Adjusted for seasonal variation.

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# Employment Trends in Ohio Manufacturing

**F**LUCTUATIONS IN ACTIVITY and employment in manufacturing industries have been close to the center of the most recent business swing—both in the contraction phase and in the present expansion. Within manufacturing, the durable goods industries have, as usual, been particularly sensitive to change.

Ohio, with its strong emphasis on manufacturing, has had its full share of the downs and ups characterizing the business scores of the past two or three years. Nearly 45 percent of Ohio's 3 million non-agricultural workers are employed in manufacturing. It also is a heavy-industry state, as roughly two-thirds of the manufacturing employees work in durable-goods industries. In terms of the number of workers, the leading industries of the state are nonelectrical machinery, primary metals (chiefly iron and steel), transportation equipment, fabricated metal products, electrical machinery, and rubber products.

The accompanying charts depict the changes that have taken place in employment in important industries in the state since 1952. For the purpose of charting, industries have been grouped together in three panels according to numbers employed within the state: largest employing industries, 115,000 to 220,000 employees; second group of industries, 70,000 to 105,000 employees; and third group of industries, in respect to employment in the state, 40,000 to 69,000 employees.

The time span covered by the charts and the discussion begins with 1952, a year of some stability following the initial build-up after the Korean War. It includes the peak of the industrial boom and the subsequent recession that bottomed out in the second half of 1954, and the recent recovery that has carried most parts of the economy to new record levels.

The charts show peaks and troughs in employment for selected manufacturing industries in Ohio, with the number employed expressed as percentage of the average number employed in the industry during the five months from January through May, 1952. (All data are seasonally adjusted.) The early part of 1952 is used as the base period chiefly because it precedes the irregular changes in employment that occurred in the second half of the year as a result of the dislocations caused by the lengthy steel labor dispute. It may be seen from a comparison of the charts that employment peaks for most of the industries depicted were registered in July, 1953; the low points, however, varied from November, 1953, in the case of chemicals, to December, 1954, for the industrial machinery group.

For all manufacturing industry combined, employment in Ohio in June, 1955, totaled 1,340,300, or 1.4 percent above the average for the first five months of 1952, after seasonal adjustment. In the three-year interval, however, employment had swung sharply, both up and down. The rise from the early months of 1952 to the July 1953 peak was 10 percent, and the subsequent drop to the August 1954 low amounted to 14 percent. Since last August, Ohio manufacturers have added nearly 100,000 persons to their payrolls, but total employment in June was 8 percent short of the 1953 all-time high, after seasonal adjustment. On a national basis, manufacturing employment in June (adjusted) was 5 percent below the 1953 peak.

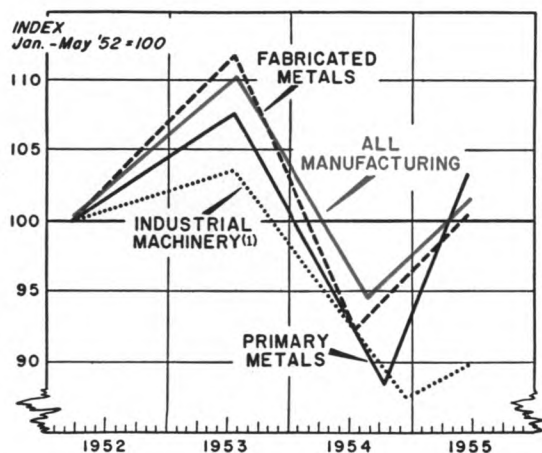
The accompanying charts serve to highlight changes in employment by industry and to pin-point those in which recovery has fallen short of earlier peak levels.

## Industries Largest in Employment in the State

The three industries which are largest in the state, i.e., primary metals, industrial machinery (including all nonelectrical machinery except service industry and household appliances), and fabricated metals, as of early 1952, employed 40 percent of all manufacturing workers. Insofar as the pattern of employment changes is concerned, the only similarity among these industries is that all reached their peak of employment, on an adjusted basis, in July, 1953.

Employment in fabricated metals and primary metals rose sharply in late 1952 and early 1953, as these industries tried to meet the heavy backlog of orders that had accumulated during the steel strike, as well as to rebuild inventories that had been at too low levels during most of the post-Korean period. Both of these industries, likewise, bore much of the brunt of the initial cutback in defense spending and production. Here, too, was centered a major share of the burden of inventory liquidation that persisted through most of 1954.

*Employment in Ohio's fabricated metals industry turned up in August 1954, and was followed by a sharp recovery in primary metals; employment in industrial machinery has lagged.*



(1) Nonelectrical machinery, exclusive of service industry and household machines.

In the subsequent recovery period, employment in fabricated metals led the way with an upturn in August, and was followed, three months later, by primary metals. Primary metals staged a very sharp comeback, but employment in June was still about 4 percent below the 1953 peak. The fact that, at the same time, steel ingot production was at least on a par with mid-1953 levels indicates that a considerable improvement in productivity has occurred. (There has been only a slight increase in the average number of hours worked per week.)

The relatively low peak of employment in the manufacturing of industrial machinery in July, 1953 is probably explained in terms of the pattern of order placement for new industrial equipment that developed after mid-1950. As an example, new order intake for machine tools peaked in the first quarter of 1951, and fell almost continuously until recent months. By mid-1952, shipments began to exceed new orders, and backlogs began to fall. Under these circumstances, further expansion of employment served only to speed up deliveries and eat more rapidly into backlogs. Thus, there was little incentive after 1952 to materially expand employment in the face of an adverse trend in new business.

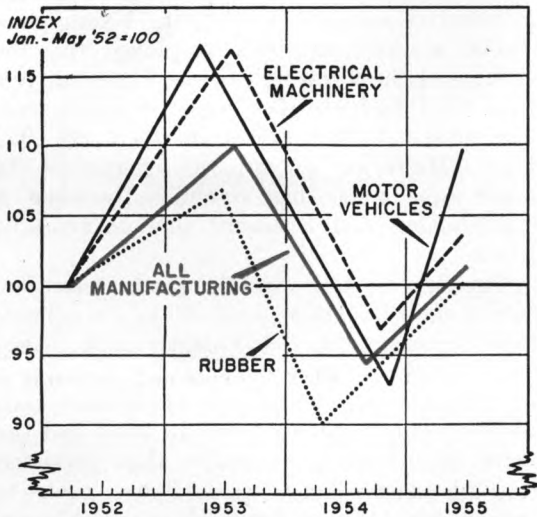
Employment in the industrial machinery industry continued to decline until December, 1954, as spending for new capital equipment trended steadily downward. The recent revival of capital spending plans is only now beginning to take hold in terms of larger employment for the machinery industry, but the number of workers at last report (June) was still 13 percent below the 1953 peak and almost as far below the early 1952 level.

## Industries of the Second Group in Number Employed

The industries which employ between 70,000 and 105,000 in the state include electrical machinery, rubber, and motor vehicles.

In this group, electrical machinery probably had the closest ties with the defense boom, insofar as it benefited particularly from the large flow of orders for electrical and

Ohio's electrical machinery industry, as well as its motor vehicle industry, has had sharp fluctuations in employment.



electronic equipment, and suffered from the subsequent cancellation and cutback in defense orders after mid-1953. The industry likewise shared in the general drop in spending for new capital equipment. Electrical machinery manufacturers also produce a wide variety of consumer durable goods such as electric ranges, heaters, radio and TV sets, as well as many components for the auto industry such as batteries and wiring equipment.

Thus, between early 1952 and July, 1953, as electrical machinery producers were participating in the defense boom, the climb in employment amounted to 17 percent. By October, 1954, the number of workers had dropped back from the peak by the same percentage. Despite the strong comeback in numerous electrical machinery products (particularly appliance, TV, and auto) employment in Ohio in June of this year was still about 11 percent below the peak. Production in the industry, as measured nationally by the Federal Reserve index of industrial production, was about 8 percent below the 1953 record.

Employment in the motor vehicle industry has had even sharper variations than electrical machinery. The number of workers in

Ohio reached a peak in April, 1953, at 91,000, an increase from early 1952 amounting to 17 percent. The drop to November, 1954, was 21 percent, as the industry worked off inventories and underwent the longest model change-over period in the postwar era. Undoubtedly, part of the steep drop in employment was related to the cut in military vehicle and truck production as shipments of these items were curtailed very sharply in 1953 and 1954.

In the past two years, motor vehicle manufacturers have completed sizable new plants in Ohio, but one producer, especially, has had to adjust forces drastically downward as the result of the loss of military contracts. Total vehicle production by the automotive industry broke all previous records in the first half of the year, and Ohio plants shared fully in the revival. Employment bounded upward, although in June it was 6 percent below the 1953 peak. The industry has apparently been able to achieve marked improvements in efficiency in the use of manpower in the past three years.

The same improvements in production also seem to have taken place in the rubber products industry. Employment dropped nearly 16 percent between the peak in June, 1953, and the low point in April, 1954, under the dual impact of reduced military contracts and slow demand for truck tires and replacement needs. Inventory liquidation also played a part in reducing demand.

Although employment in the rubber industry turned up well ahead of the durable goods producers, and output is now above the 1953 level, the rise in employment has not kept pace. The number employed in June was nearly 7 percent under the 1953 peak, and about the same as in early 1952.

### Industries of the Third Group

The four industries shown in the third panel are those which employ between 40,000 and 60,000 in Ohio; they include two durable and two nondurable lines.

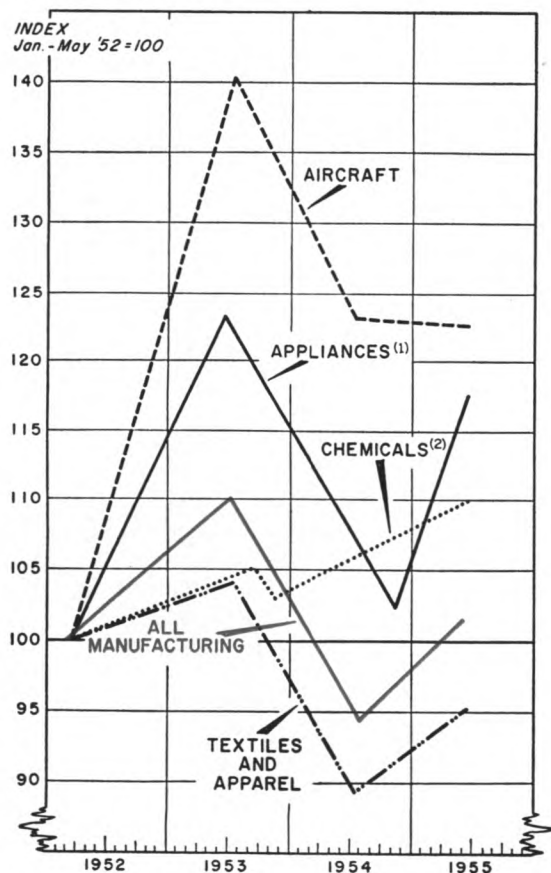
Looking first at the nondurable lines, the chemical and textile apparel industries show



completely divergent employment patterns. The chemical group was affected less by the recent recession than any of the state's manufacturing industries. Employment dipped only 2 percent between the third and fourth quarters of 1953 before resuming its long-term growth trend. At most recent report, employment totaled 60,000 and was about 5 percent above the September 1953 peak. Investment in new chemical plants—chiefly along the Ohio River and the shore of Lake Erie—continues unabated and further growth is in prospect.

On the other hand, employment in textile and apparel plants suffered a 14 percent drop

**Employment in Ohio's chemical industry, in contrast with other industries, was hardly affected by the recession of 1953-54.**



- (1) Service industry and household machinery.  
 (2) Chemical, petroleum and coal products.

from July, 1953, through July, 1954, and has risen sluggishly since that date, although this industry, on a national basis, has made a very substantial recovery in output. Fewer than 44,000 workers are now employed in the state, and the June figure was 9 percent less than the 1953 high, after seasonal adjustment. The present total is also below the early 1952 level. Migration of apparel companies to lower-wage areas has undoubtedly been a contributing factor toward this unfavorable trend.

Turning to the durable goods manufacturers shown in this panel, Ohio's appliance manufacturers (service industry and household machines) were hard hit by the slump in demand for household appliances that developed in the second half of 1953 and the wave of inventory reduction that persisted through most of last year. From peak to trough, employment dropped nearly 17 percent. Since November, 1954, payrolls have expanded very sharply and the number of workers in June was only 5 percent below the June 1953 peak. It is likely, however, that the output of appliances is currently more than 10 percent above the earlier period, again indicating substantial increases in productivity in the past two years.

Employment in the aircraft and parts industry in Ohio, under the stimulus of defense orders, reached a peak of nearly 75,000 in July, 1953, a gain of 40 percent from the early 1952 level. Order cancellation, stretch-outs, and completion of contracts reduced the number of jobs by about one-eighth by the middle of last year. There has been almost no change in employment since that date, and little further improvement can be expected unless current defense contracts are increased substantially; prospects for the latter appear small.

*Sources:* Data for manufacturing employment in the U. S., as shown on cover chart, are from Bureau of Labor Statistics, U. S. Department of Labor.

Data for employment in manufacturing industries in Ohio are from Division of Research and Statistics, Ohio Bureau of Unemployment Compensation, Columbus. Adjustment for seasonal variation has been made by Federal Reserve Bank of Cleveland for the Ohio total and for the following industries: fabricated metals; primary metals; industrial machinery; electrical machinery; appliances; textiles and apparel. (No consistent seasonal pattern has been found in the other industries shown.)

# Bumper Year for Crops

**A**NOTHER BOUNTIFUL YEAR is on the way to reality on America's farms. Crop conditions range from good to excellent throughout the nation except for parts of the Great Plains and of the South. The current outlook is for a crop output only 2 percent short of the 1948 all-time high, despite substantial downward adjustments for some individual crops.

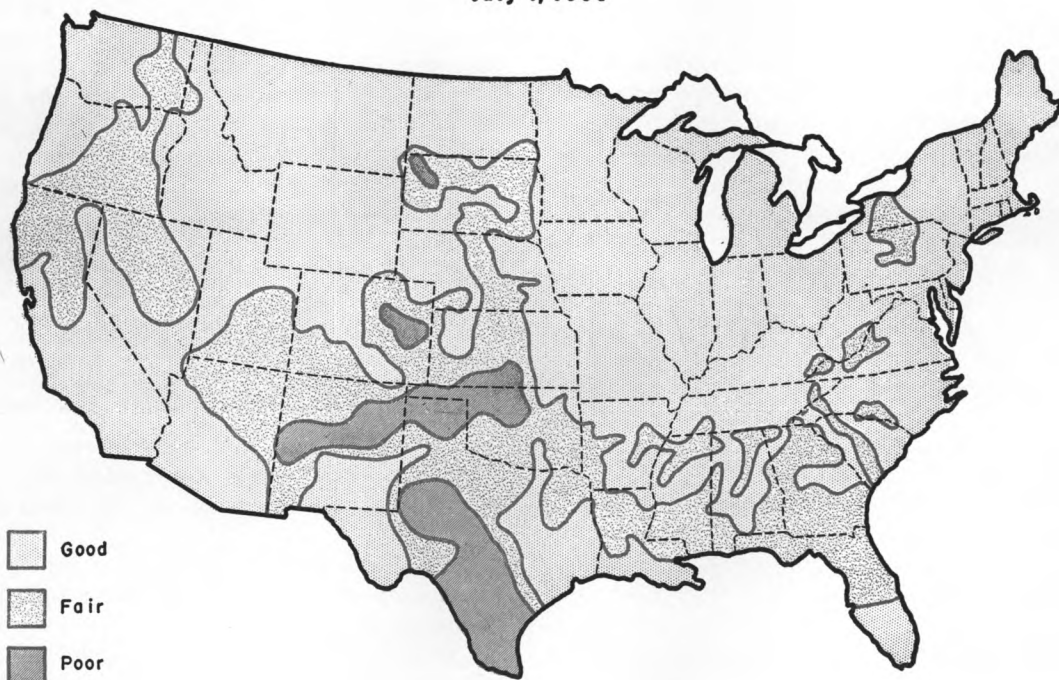
In the annual bout with nature, farmers are

never certain of the crop outcome until the last kernel of grain and the last bale of hay is safely tucked away in storage. And in the current economic setting, the greatest source of anxiety for farmers may well lie beyond the harvest; markets are already well supplied and not too well prepared to receive a new bumper crop at prices which farmers consider a just return.

Management decisions have been particular-

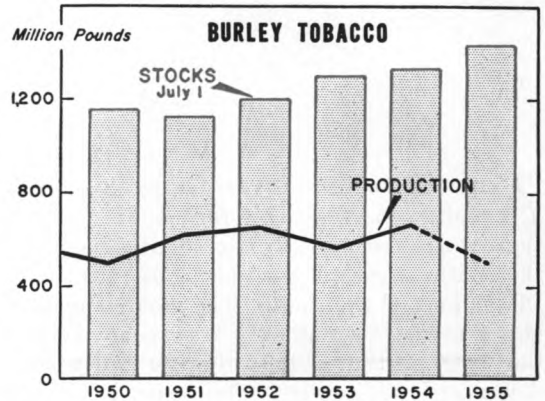
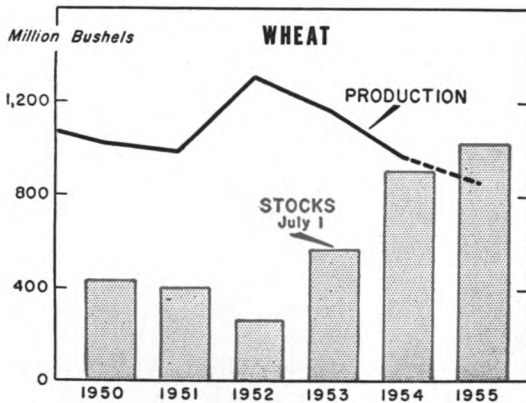
## CROP PROSPECTS

July 1, 1955



SOURCE: U. S. Department of Agriculture.

**Wheat and tobacco — both restricted by quotas — are the only major Fourth District crops for which a nationwide cut in production is expected. Stocks are clearly out of line.**



NOTE: Production means annual production. Entries for 1955 are based on July 1 forecasts. All data from U. S. Department of Agriculture.

ly complex on the farm this year. Running a farm on a well balanced plan is not a routine task, even in the best of years. Organizational flexibility has been stretched to an extreme degree on many farms by the combination of more restrictive government controls, surpluses, declining prices and rising costs.

Faced with such a frustrating array of factors, the individual farm producer is likely to steer his course toward growing as much as he can of the crops adapted to his own farm and cooperating with government programs where it is economically feasible for him to do so. The sum of such producer decisions has influenced the nation's crop outlook in a direction which is reflected in the accompanying charts, at least for the commodities which are of major importance to the Fourth District. The data are those of the U. S. Department of Agriculture, based upon a nationwide July 1 survey of about 300,000 farmers.

### Wheat and Tobacco

Substantial cuts in production from a year ago are virtually assured for wheat and burley tobacco, the Fourth District's leading cash crops. These cutbacks are due primarily to restrictions on the acreage that farmers can

harvest without penalty. With surpluses getting out of line for these two crops, severe controls have been voted into effect; cash penalty is imposed on production from acreage in excess of that permitted by the allotment program. Wheat and tobacco are the only major crops in the District for which such severe restrictions apply—and they are the only major crops for which a reduction in 1955 output is anticipated.

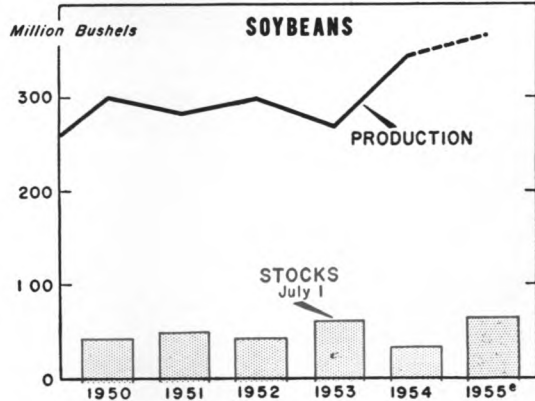
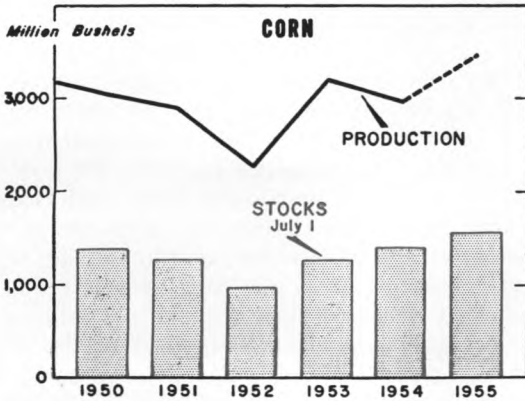
Wheat production will have declined by more than one-third over the past three years, if 1955 estimates prove correct. The 1955 harvest is about 11 percent below that of last year. Acreage allotments have been cut to the minimum level allowed by law.

Stocks of wheat on July 1 were 10 percent larger than a year ago, having increased each year since 1952. It is anticipated that, by next July 1, some reversal of this trend may be evident.

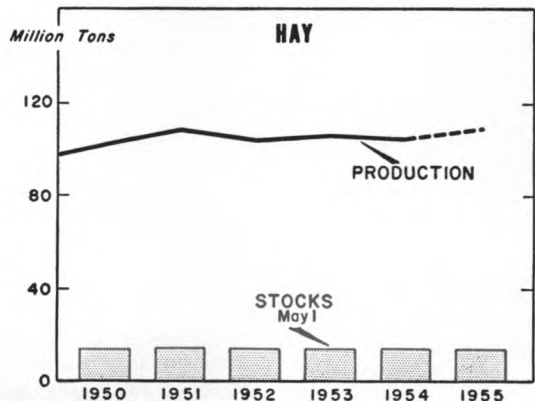
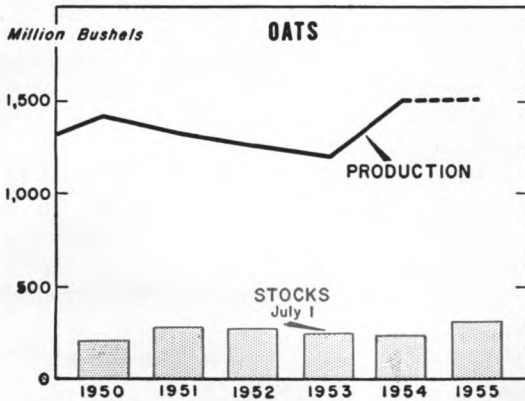
Next year's wheat crop, most of which will be planted this fall, will be harvested from about the same acreage as the 1955 crop and the support price will be reduced by another 27 cents to \$1.81, if present allotment plans are carried out. (Support prices were cut 16 cents from 1954 to 1955.) In June, farmers voted 77 percent in favor of taking the addi-



Boosts in corn and soybean production may help to maintain cash income, although growing stocks will inhibit price rises.



Oats and hay are in line for a record harvest to be marketed by farmers primarily as meat and milk.



NOTE: Production means annual production. Entries for 1955 are based on July 1 forecasts. All data from U. S. Department of Agriculture.

tional support-price cut and keeping acreage down, in preference to unlimited production and a support price of \$1.19 per bushel.

Burley tobacco growers, also faced with an acute supply problem, have cut acreage by an estimated 23 percent in 1955; production is expected to be down as much as 25 percent from a year ago. Stocks of burley have increased each year since 1951.

Actual stands of burley on the acreage which has been planted this year are report-

ed to be very good. Yields, however, may fall somewhat behind last year's record.

### Corn and Soybeans

Significant gains over a year ago are in prospect for corn and soybean production. A 16 percent boost expected in the corn crop would push it to the second largest of record. With greater acreages, the soybean crop will surpass last year's record even if yields are no greater than average. These two crops are

among the top three as sources of crop income in western Ohio; they rank among the top four for the Fourth District in total.

The step-up in corn production which is now anticipated will be largely a consequence of excellent yields. Prospective yields per acre are 15 percent greater than those of a year ago and better than actually realized in any year in the nation's history. Acreages for harvest, on the other hand, have been boosted by only 1 percent from 1954 and are 5 percent below 1948—the year of record corn production.

While acreage allotments were proclaimed for corn, specifying a reduction in acreage in 1955, compliance with the allotments was lacking in a great many instances. Any possibility of a quota system for corn, penalizing output from excess acreage, has been eliminated by the Agricultural Act of 1954. The policing of compliance by a quota system for corn would be very difficult because of the large amounts which are fed to animals on the farm rather than sold directly as cash crops like wheat or tobacco.

Soybean acreages, unlike corn acreages, have been boosted by over 8 percent (to be harvested for beans) and will probably account for most of the boost in production expected for 1955. No estimates of soybean yields will be made by the Department of Agriculture until August 1; however, the present condition of the crop would indicate at least a normal yield of 20 bushels per acre. Even with yields somewhat below normal, the 1955 soybean crop could still surpass last year's record.

Soybean acreages have not been subject to allotments. Continued boosts in soybean production may at some time create a major surplus of soybeans, but so far, expanding markets for this relatively new American commodity have prevented severe price depressions. Although prices have fluctuated violently from year to year, they have generally held above support levels. Current soybean prices are below average but they are not so seriously depressed as a comparison with last year's unusually high prices would indicate. The support level on 1955 soybeans

has been reduced to an average of \$2.04 per bushel compared with \$2.22 for last year's crop.

## Oats and Hay

Two other crops which are major for the District, i.e. oats and hay, account for a sizable acreage and are primary sources of livestock feed. They account, however, for a decidedly smaller proportion of direct cash-crop income than wheat, tobacco, corn or soybeans. With the allotment program cutting off large acreages from the high-return crops, there has been a definite renewal of interest in hay and oats as crops to seed in the diverted areas.

Plantings of oats jumped over 7 percent from 1953 to 1954, to a record high, and edged up slightly further to a new record this year. Production in 1955 will probably be up only nominally from a year ago, but will likely exceed 1953 by 25 percent. Stocks of oats have risen considerably, indicating that consumption needs do not require a crop of the size realized last year or of the size anticipated for 1955.

A sizable gain is in view for the current hay crop. Acreages are the largest in a decade and yields are of record proportions. The total crop may top last year's by nearly 5 percent, to reach a new high in harvested tonnage.

Although hay is not traditionally thought of as a cash crop, farmers in recent years have found a ready market at reasonable prices for good quality hay. Producers with the ability to grow and harvest good yields of high quality hay have frequently found this to be a better paying proposition than some of the lower-priced grains.

## Other Crops

Various other crops, also, are economically significant in specific areas of the Fourth District. Barley, rye, buckwheat, sugar beets, potatoes and a number of fruits, vegetables and berries would be included in the list. Although some diversity of trend is evident among the specific crops, most of them are

sharing in the general outlook for a plentiful harvest.

Crops such as barley and rye will be harvested from a greater acreage, in line with the acreage diversion program, and this will be reflected in a larger output. For potatoes, a sharply increased yield per acre is in prospect, to boost production beyond probable needs for the coming year. The outlook for sugar beet production is in the direction of a decidedly smaller crop than year ago; that is a direct reflection of a reduction in acreage since yields are on a par with last year.

Fruits have not fared uniformly well; there are wide variations in yield prospects, both by types and by geographic areas. Freeze damage has accounted for most of the variation. Within the Fourth District, the northern areas are expecting yields as good or better than last year for apples, sour cherries and peaches. Prospects for these crops in the southern sections of the District were reduced sharply by early freezes. A near failure in the peach crop in the southeastern United States and a consequent 22 percent cut in the national peach crop place the peach growers of northern Ohio in a particularly enviable position this year.

### Implications

Prospects for a bountiful harvest are not an unmixed blessing to farmers. If an effective demand existed at prices considered profitable by farmers, then anything short of adequate output might be a cause of alarm. But in today's markets it is difficult to name a major commodity where surplus rather than shortage is not a point of concern. No commodity stands alone to enjoy or suffer the price adjustments from a change in supply; rather, a complex inter-relationship prevails, whereby crops not only compete with one another, but extend their influence deeply into the livestock economy.

An abundance of free-market corn, for example, will spell low prices for corn; low prices for the latter, in turn, are the signal for increases and probably overexpansion in pork production, with the ultimate consequence of lower hog prices also. A possible

record sorghum grain crop now anticipated in the West, together with record or near-record oats and barley crops, will also be in competition with corn for the feed grain market. The oilseed crops, particularly soybeans and cottonseed, are in a similar direct competition with one another; and competition may be expected to express itself in the protein concentrate market, with consequent ramifications through the livestock economy.

Wheat offers another delicate problem, in this case not primarily because of intercommodity competition or influence upon the livestock economy, but rather in the form of the classic dilemma of supplies outrunning the market by a large margin. After two previous years of substantial cutbacks in production, the 1955 output is just about in line with expected demand—but the carryover of old wheat is 16 percent greater than the entire new crop. There is no existing market and no market in view for this quantity of United States wheat at existing support prices; to reduce prices drastically below those announced for next year would place wheat in competition with corn, thus aggravating a developing surplus problem in the feed grain market.

In the middle ground, charged with the seemingly impossible task of balancing this gigantic supply-demand equation to the mutual satisfaction of producer, consumer and all of those in between, stands the Federal government. In attempting to buy up and hold surpluses until a time of shortage, the Commodity Credit Corporation built up an investment without parallel by early 1955, even though the rise during the fiscal year 1955 was smaller than in the previous year. And with little more than a nominal net reduction this summer, that agency is now faced with a continued market imbalance and another lush crop year. Realized losses on commodities disposed of during the first 11 months of the current fiscal year were nearly 2½ times last year's record rate—partially a reflection of expanded sales effort. The outlook for fiscal 1956 is anything but encouraging for the price-supporting agency.

# FOURTH FEDERAL RESERVE DISTRICT

