MONTHLY

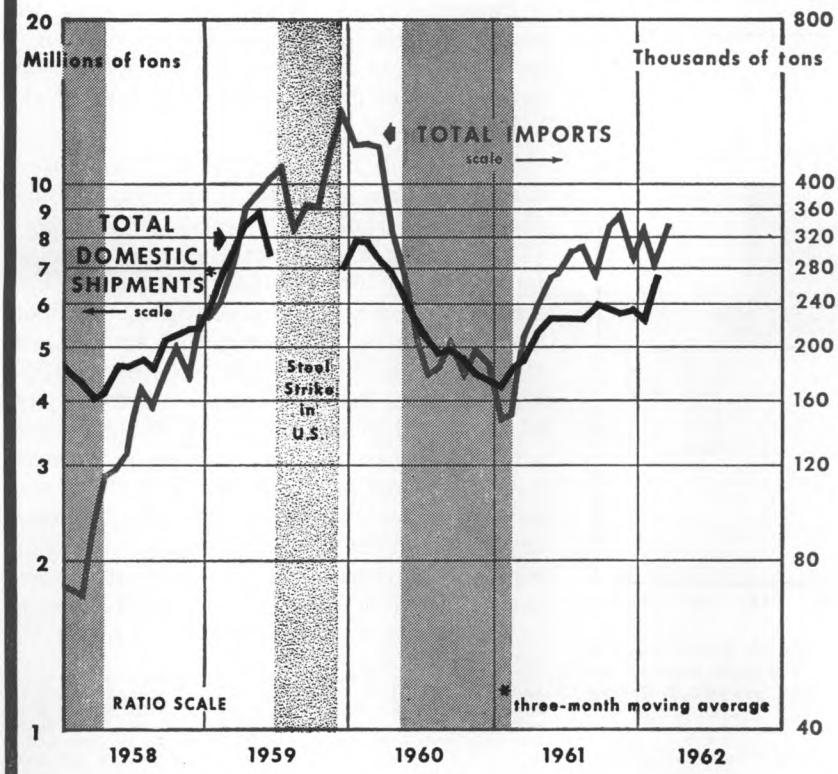
Business Review

FEDERAL RESERVE BANK of CLEVELAND

July 1962

IN THIS ISSUE

U.S. DOMESTIC SHIPMENTS AND IMPORTS OF STEEL PRODUCTS



Both domestic shipments and imports of steel tend to reflect changes in general business activity in the U.S. During the latest economic recovery, however, imports have represented a larger share of domestic shipments than was the case during the 1958-59 recovery.

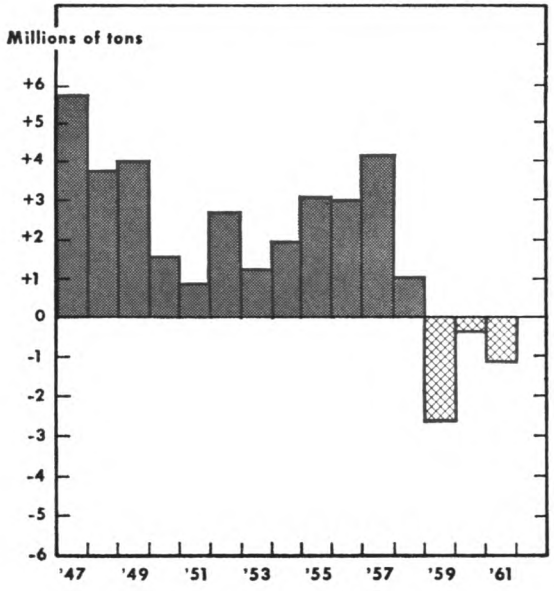
Source of data: American Iron and Steel Institute, National Bureau of Economic Research.

Trade In U.S. Steel Products: From Plus to Minus

FOR FIFTY YEARS prior to 1959, U.S. steel producers exported more steel products than U.S. users imported. However, as shown in an accompanying chart, the traditional favorable balance of trade in steel products ended recently. During the past three years, foreign steel producers shipped more tons of steel to the U.S. than domestic producers sent abroad.[1]

(1) In 1961, U.S. steel exports totaled 2.0 million tons while imports amounted to 3.1 million tons. In 1960 the respective figures were 3.0 million tons and 3.3 million tons; and in 1959, they were 1.7 million tons and 4.4 million tons.

U.S. BALANCE OF TRADE IN STEEL 1947-1961



During the past three years, the U. S. has been a net importer of steel (on a tonnage basis), reversing the situation which had prevailed during previous years.

Source of data: American Iron and Steel Institute, Annual Statistical Reports.

A few U. S. steel producers have felt the impact of the increased steel imports rather sharply. For example, during 1961, imports of wire nails represented approximately three-fourths of domestic shipments of that product, and imports of wire rods represented approximately one-half of comparable domestic shipments.

However, most U.S. manufacturers of steel products have not had to reckon with imports to such an extent. On the average, steel imports into the U.S. represented somewhat more than 5 percent of the total volume of domestic shipments from 1959 through 1961.

Parenthetically, it may be noted that the reversal in the position of the U. S. from a net exporter to a net importer of steel products is related to the larger problem of the U.S. balance of payments.

In 1960 and 1961, U.S. trade in mill products showed a net surplus in dollars, although the excess shrank on a year-to-year basis.[2] (The seeming paradox of a surplus in dollar terms is explained by the fact that the U.S. tends to export higher-priced steel products than it imports.) Moreover, that surplus was eliminated in the first two months of 1962. Steel exports bring payments from the rest of the world to the U.S., and imports represent payments by the U.S. An improvement in the net balance of trade in steel products, which could come either from increased exports or from decreased imports, or some combination thereof, would contribute toward shrinking the deficit in the over-all balance of payments. However, efforts to improve the

(2) In 1961 the deficit in the U.S. balance of payments amounted to $2,454 million. During that year, steel exports amounted to $423 million while steel imports totaled $380 million, leaving a net surplus of $43 million. That figure compares with a net surplus of $156 million in 1960 and a deficit of $154 million in 1959 (which stemmed in part from the steel strike of that year).

net balance of trade in steel products must reckon with factors of strength in foreign steel production.

Growth of Foreign Steel Production

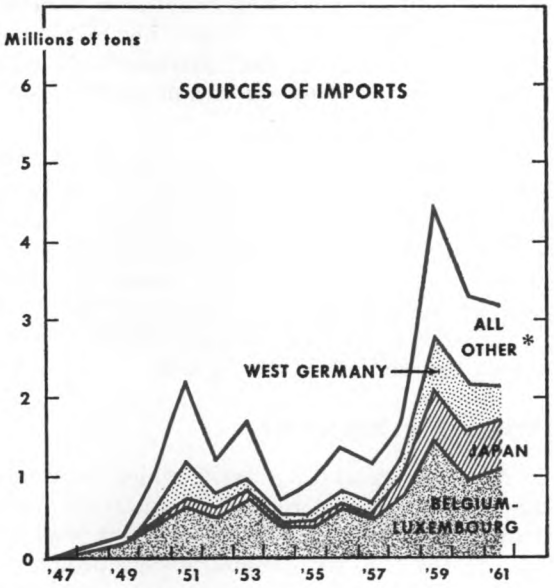
There are several other countries in the world besides the U.S. which have the facilities to produce sufficient steel to supply their own needs, with enough to spare so that they can export steel and actively cultivate world markets. Like the U.S., these are all highly industrialized nations in which there exists the combination of economic factors necessary to steel making, i.e., a plentiful, low-cost supply of raw materials (iron ore, coal, limestone, and water), access to large final markets, and resources to meet large-scale capital requirements. As shown in the accompanying chart, most of the countries which export steel to the U.S. are situated in Europe, with Japan being the major non-European nation in the group.

Although the U.S. still turns out more steel than any other single nation, capacity in the five other leading steel-producing countries has expanded so greatly that together they now surpass U.S. production.[3] The history of that tremendous expansion may be told briefly.

In the postwar reconstruction period, from the end of World War II to 1952, steel capacity in Europe and Japan was built up with the aid of the Marshall Plan and other programs, utilizing a large volume of U.S. steel products and other resources. The objective at the time was to rebuild war-damaged industrial equipment and buildings. Subsequently, after the period of reconstruction was completed in 1952, a steadily increasing demand came into play in Europe and Japan for consumer and producers' durable goods, thus providing continued incentive for the expansion of steel-making facilities in those areas. Still more recently, in the

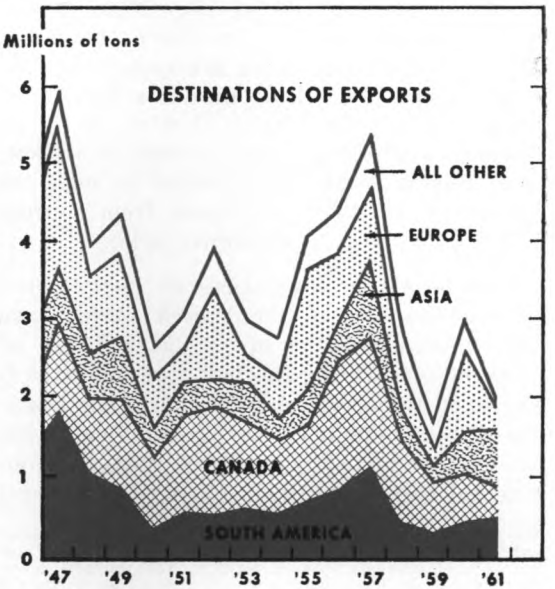
[3] In 1939, the total steel ingot output for the four principal steel-producing countries of Europe and for Japan totaled 62.4 million short tons. In 1952, steel output for those five countries surpassed the pre-war high, with output amounting to 67.5 million tons; in 1961, output amounted to 124.3 million tons. By way of comparison, U.S. production during those years was 52.8, 93.2, and 98.0 million tons.

LEADING COUNTRIES IN U.S. STEEL TRADE 1947-1961



* Principally France, Canada and United Kingdom.

In the past three years, steel imports (above) have increased sharply, while steel exports (below) have declined.



Source of data: American Iron and Steel Institute, Annual Statistical Reports.

past four years, the European and Japanese steel producers have developed additional markets outside their own borders and, in their exporting activities, they have been so successful that they are competing in a very direct way with U.S. steel producers, even to the point of shipping significant quantities of steel into the U.S. itself.

Germane to this story of rapid growth abroad is the question of how it has been possible for European and Japanese steel producers to overtake the U.S. in world markets and, in particular, how it has been possible for them to expand their export markets within the U.S., which is the principal steel-producing nation in the world.

Prices Are Important

After payment of a tariff which averages approximately 6 percent (ad valorem), foreign steel products compete without restriction in the U.S. with domestic steel products. Unlike many finished consumer or producer goods, which vary according to style or engineering design, once steel products are classified according to size and quality there are often only small differences between items produced in the flats of Cleveland, in the valleys of Pittsburgh, or along the Ruhr River. (Of course, there are numerous speciality items, but those products bulk relatively small when compared with the large volume of staples.) Thus, in such a market, steel buyers would be expected to make at least some of their purchases from sources which offer the most attractive price.

Comparatively low prices of many types of steel imports in the United States have been a major factor in the marked rise of steel imports during the past four years, as is shown in the accompanying chart. For example, throughout 1958 the prices of eight imported product groups from Western Continental Europe declined sharply from a level approximately equal to that of U.S. prices to levels below U.S. prices.[4] The gap between U.S. and European prices of these eight products widened further when U.S. prices increased moderately in August 1958. Concurrently, from the first half of 1958 to the second half, the volume of the eight imports nearly doubled. (Total steel imports also rose sharply in that period.)

The competitive strength of foreign steel was revealed clearly during 1959 and 1960. While U.S. production was cut off almost entirely during the strike in the last half of 1959, foreign producers took advantage of their fortunate position and raised prices sharply while shipping a record volume of steel to the U.S. But before the strike, when U.S. production was in full swing, and after the strike, when demand began to fall off, the price of foreign steel was held below the price of U.S. steel.

Throughout most of 1961, the gap between many domestic and foreign steel prices remained large, increasing further during the final two months of 1961 when foreign producers cut the prices of many of their products. (There were further reductions in foreign prices during the first half of 1962.) Reflecting the price advantage of foreign products, the volume of imports of the eight product groups (as well as total steel imports) increased moderately from the first to the second half of 1961.[5]

Thus, the relatively low prices of many steel imports prevailing since the end of 1957, appeared to be a "trigger" which was primarily responsible for the *over-all* increase in the use of foreign steel products by U.S. customers in recent years.

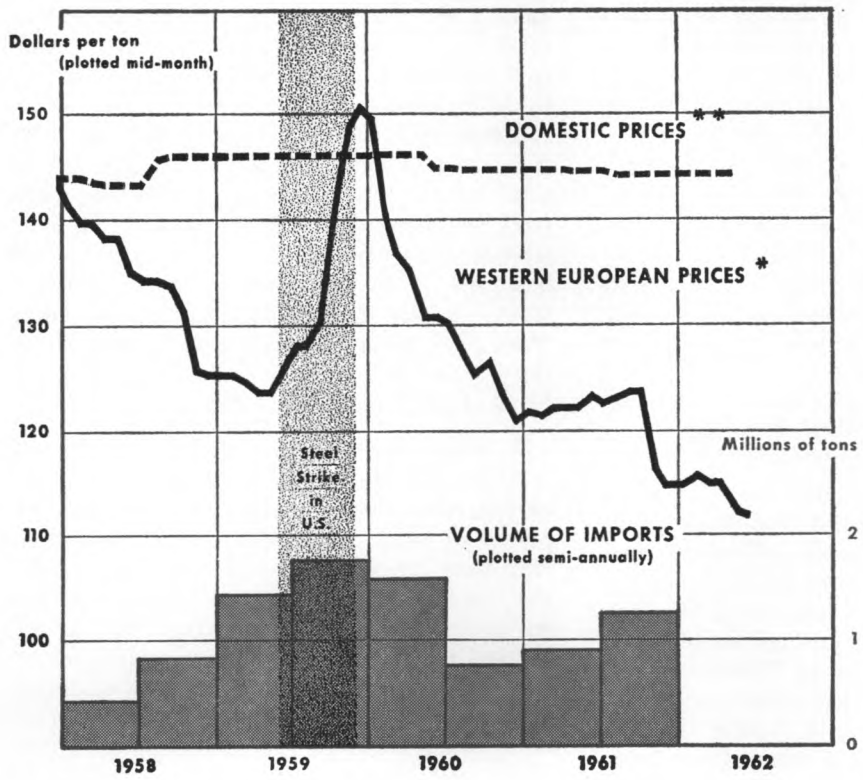
Business Conditions and Steel Imports

In addition to price considerations, changes in business conditions in the U. S. have been an important factor in the level of steel imports during the past four years, particularly on a *month-to-month* basis.

(4) The measure of imported steel prices used here serves only as an approximation of the average price level of imported steel products in U.S. markets. The products represent eight of the more important steel imports, as determined by tonnage. Moreover, the products are used by both industrial and construction consumers.

(5) Other data corroborate the conclusions regarding prices outlined here. See International Monetary Fund, *Staff Papers*, Vol. IX, No. 1, pps. 91-94.

PRICES OF SELECTED STEEL PRODUCTS AND VOLUME OF RELATED IMPORTS



Prices of imported steel products appear to have been a major factor in the marked rise of steel imports over the years 1958-61. Currently, the spread between the prices of eight important steel imports and those of comparable domestic products is larger than it was during the 1958-61 period.

* Average price of 8 imported steel products.

** Domestic prices represent average of 8 comparable items.

NOTE: A composite index for prices of steel products imported into the U.S. is not available. The prices shown on the chart are those of eight selected steel products which are imported into the U.S. and comparable products which are turned out by U.S. steel mills.

Prices on imports are quoted for steel products landed at North Atlantic ports from Continental European producers, with duty, shipping and insurance charges paid. Domestic prices are derived from the wholesale price index published by the Bureau of Labor Statistics. The 8 imported and domestic products include reinforcing bars, structural shapes, barbed wire, wire nails, hot rolled bars (merchant bars in the case of imports), plates, wire rods, and hot rolled strips (hot rolled bands in the case of imports).

The total shown for the volume of imports includes all of these items, with the exception of "bands". Here, the product group "sheets and strip" has been used. The 8 product groups accounted for more than 70 percent of the total volume of imports during the years 1959-61.

Sources of data: BLS, Wholesale Price Index; STEEL magazine; American Iron and Steel Institute, Annual Statistical Reports.

The accompanying chart shows that over short-run periods, the volume of steel imports has fluctuated up and down along with domestic shipments (i.e. total U.S. shipments less exports). These short-run changes have reflected, throughout the past four years, varied demands for steel products which in turn stemmed from the changing tides of U.S. business conditions. For example, when business conditions turned up from the cyclical troughs which occurred in April 1958 and February 1961 (as measured by the National Bureau of Economic Research) imports as well as shipments of domestic steel products had been rising for one month. In contrast, as U.S. business conditions turned sluggish in May 1960, most steel users had already cut back their orders for steel, and imports as well as domestic shipments were declining.

It is important to note, however, that there has been a gradual shift in the relationship between imports and domestic shipments during the past four years which reflects the increasing significance of imports in the U.S. During the latest upturn in business activity, which began after the low of February 1961, imports represented a larger share of domestic shipments than they had during the previous upturn, which began after April 1958. Throughout the year following April 1958, imports ranged between 2½ percent and more than 4 percent of domestic shipments. However, during the year following February 1961, imports ranged between 4 percent and more than 6 percent of domestic shipments.

U. S. Steel Exports Decline

With regard to the other side of foreign trade in steel, it appears that the United States has not held its share of steel exports in comparison with other steel exporting countries. Total world exports in steel products nearly doubled between the 1951-53 period and the 1958-60 period. However, during the intervening years, U.S. steel exports declined by one-fourth.[6]

The divergence between total world trade in steel and U.S. steel exports has become even more pronounced in recent years. In 1957, U.S. producers supplied 16 percent of total world trade in steel. That share shrank to 9 percent in 1958, and then to 5 percent in 1959, as total U. S. output dropped because of the strike in the latter year. In 1960, U.S. steel exports increased to 7 percent of total world trade, thereby recovering only part of the setback suffered during the 1959 steel strike, even though U.S. exports in 1960 benefited from back orders which stemmed from the 1959 strike. Thus, in the four years from 1957 through 1960, steel exports from the U.S. shrank from 16 percent to 7 percent of total world trade in steel.

A major factor bringing about the lower level of U.S. steel exports, as compared with earlier postwar years, was the fact that U.S. prices of steel were relatively higher than European prices. In this connection, a comparison of domestic prices with those of other major steel-producing countries during the 1958-61 period serves as a useful yardstick.[7] The following prices represent only a sample of all steel prices in U.S. and European countries, but the prices quoted are for products which are important items in world steel trade.

During December 1960, the price of carbon plates at mills in the United Kingdom was $103 per short ton, while U.S. producers charged $127 per ton for the same product. Similarly, hot rolled sheets produced in the United Kingdom sold for $119, while the same product was priced at $127 in U.S. mills. Prices of hot rolled bars, wire rods, plates, and structural shapes in each of the four major European steel-producing countries were also significantly lower than domestic prices of similar U.S. products.[8]

In contrast, during the years 1955-57, U.S. steel products had been "competitive [in regard to price] with European and Japanese

(6) Three-year averages, centered on 1952 and 1959, are used in order to reduce year-to-year fluctuations in steel exports. 1960 is the most current year that data are available for total world steel trade. See American Iron and Steel Institute, *Steel's Competitive Challenge*, December 1961, p. 33.

(7) Export prices of steel products have varied somewhat from domestic prices in response to each steel-producing country's local and foreign demand, and, in some cases, according to government rebates or bounties.

products," according to trade sources.[9] The change from 1957 to 1958, as noted earlier, was due primarily to sharp reductions in prices of European and Japanese steel.

Of course, shipping costs, duties, special taxes in some countries, and insurance charges increased further the prices of all U.S. steel in European markets, while such charges did not apply to European mills to such an extent. (There are only a very few quota restrictions on U.S. steel exports to the countries of the European Coal and Steel Community, and no restrictions on U.S. steel exports to the United Kingdom.)

Fluctuations in European Demand

Due to the premium prices of many U.S. steel products in European markets during the past four years, European users have purchased U.S. steel products sparingly. Nevertheless, when the pace of business activity in Europe has pushed close to the capacity of the steel industry, subsequent shortages of steel have created bottlenecks in the operations of many steel users. During such periods of stress, U.S. steel exports to Europe have risen sharply.

For example, in 1960, when the pace of industrial output in the European countries was pushing close to capacity, European steel users bought more than one million tons of U.S. steel products. However, during 1961, the pace of industrial activity in many European countries slackened somewhat, and European steel users found that they could be supplied in good measure from local mills. As a result, during 1961, U.S. steel exports to European countries were slightly less than one-quarter of the volume that they had been in 1960.

U. S. Steel Exports to Other Areas of the World

Inasmuch as European steel producers, in many cases, have currently an advantage in price over U.S. steel producers in the European market, some observers of the international steel scene have looked to other areas of the world as possible markets for an increased volume of U.S. steel exports. Nevertheless, as the accompanying chart shows, during the past four years (1958-61) the volume of steel exports to the non-industrialized countries and Canada was considerably below the volume of the preceding three years (1955-57). The record shown by the chart, together with other pertinent developments, raises a question whether the non-industrialized countries and Canada will represent expanding markets for U.S. steel products in the near future.

One factor in the recent decline of U.S. steel exports was the reduction in foreign investment by U.S. petroleum companies. During the years 1955-57, large-scale foreign investments by the U.S. petroleum industry contributed to a rise in U.S. steel exports, principally to many of the non-industrialized countries in South America and Asia, as well as to Canada. Those investments were completed in 1958, and investment during 1959-61 was not nearly as large as during 1955-57.

A second factor, which had a bearing on the level of American steel exports to the non-industrialized countries and to Canada, was the high price of U.S. steel during the past four years. The fact that European steel producers could undersell U.S. producers in their own market, as was noted previously, serves as an indication that European steel producers were able to do the same in many of the non-industrialized countries (at least with some products).

A further insight into the competitiveness of U.S. steel exports is provided by a look at the way non-industralized countries have

(8) Organization for European Economic Cooperation, *The Iron and Steel Industry in Europe*, Paris, 1960. All prices are quoted f.o.b. mill. Prices quoted during December 1960 were only slightly lower than prices quoted during July 1958 and April 1959. During February 1961, prices reported by the British Iron and Steel Board indicated little change in the pattern of European and U.S. prices shown for December 1960.

Steel prices in major continental steel producing countries are quoted for Bessemer products, while prices in the U.S. and the United Kingdom are quoted for open-hearth products. Although the open-hearth process of making steel produces a somewhat higher quality product, in a large number of cases there are only small differences in price between similar products made by the two processes.

(9) See *Staff Papers*, *op. cit.*

spent U.S. economic aid. The record of purchases made by countries which received funds from one agency of the U.S. government, the International Cooperation Agency (ICA), sheds some light on that matter.[10]

Recently, countries which received economic aid from ICA bought non-U.S. steel products in preference to U.S. products. During the fiscal year 1961 (July 1, 1960, to June 30, 1961), ICA aid was used for the purchase of iron and steel products which totaled $93 million, a dollar amount equivalent to more than two months' total U.S. steel exports in 1961. But only 14 percent of that expenditure was used for iron and steel products of U.S. mills, while the remaining 86 percent went to other countries, principally the European countries and Japan.[11]

Measures have been taken recently by the Federal government to encourage the spending of an increased share of economic aid funds in the United States. On December 5, 1960, the Secretary of State ordered that such funds should not be used for the purchase of iron and steel products (as well as certain other commodities) in 19 countries, including the major steel producing countries of Western Europe and Japan. Since firm commitments which had been made prior to the Secretary of State's order were not affected, the effect of that order on U.S. steel exports possibly will be felt by U.S. steel producers for the first time during the current year.

But regardless of these new requirements, the depressed conditions of many international commodity prices clouds the outlook for U.S. steel exports (as well as other exports) to the non-industrialized countries. In this connection, the U.S. and other major industrialized countries of the world have a common problem as contrasted with the price competition among themselves. In short, the non-industrialized nations as a group are facing increasing difficulties in paying for steel as well as other imports.

The non-industrialized countries mainly produce primary commodities, i.e., industrial raw materials and raw foodstuffs, for sale in world markets. With the notable exception of tin, most industrial raw materials, such as crude rubber, copper and nickel, as well as many foodstuffs, have declined in price (some markedly) in the past three years. Currently, prices of many important primary commodities which are traded in international markets are at their lowest levels in many years.[12]

Although consumption of most industrial raw materials, as well as many foodstuffs, has increased during the past three years, decreased prices of those goods have had the effect of reducing the export earnings of many non-industrialized countries. Thus, in the past three years, many non-industrialized countries have been faced with their own balance of payments problems which have been met by withdrawals of foreign reserves, all types of loans, and private investments from industrialized countries.

Without outside financial aid, the non-industrialized countries of the world do not appear at present to have the means of generating the financial resources which are needed to buy an expanded volume of steel, along with related products, from the U.S., Western Europe, or Japan.

(10) The ICA (and earlier related organizations) have distributed funds to countries in nearly every area of the free world for the development of local industry and agriculture, throughout most of the postwar years. During the past six years, however, non-industrialized countries have received the bulk of the aid. On September 4, 1961, the ICA and the Development Loan Fund were reorganized and combined into the Agency for International Development.

(11) International Cooperation Administration, *Operations Report*, June 30, 1961, Washington, 1961.

(12) See *Business Conditions*, Federal Reserve Bank of Chicago, February 1962.

Higher Farmland Prices

THE PRICE paid for farmland throughout the nation pushed sharply higher in the year ended March 1, 1962, following the somewhat smaller increases which had been registered in the preceding two years. The results of the annual survey conducted by the U. S. Department of Agriculture on March 1 of this year showed that the price of farmland had moved up 5 percent from the year-earlier level to a record $123 per acre.[1] That increase was considerably greater than the advances of 3 percent recorded in the 1960 survey and of 1 percent in 1961. On the other hand, the percentage increase in the year ended March 1, 1962, was the same as the average annual advance in farmland prices since 1950. With the most recent increase, the price of farm real estate has now moved up in 10 of the past 12 years, and in 26 of the past 30 years.

It is likely that an important factor in the renewed sharp upward movement in land prices was the increase in farm income in 1961. Over the longer run, the attempt by individual farmers to raise net income by enlarging their scale of operations has continued to exert an upward influence on land prices, especially in view of the fact that farmers interested in purchasing land have been bidding on fewer numbers of farms offered for sale.

Net Income Up

Net farm income in the U. S. in 1961 totaled $13 billion, which was 8 percent, or $1 billion, more than the 1960 level. As shown in an accompanying chart (plotted on an index basis) net income per acre thus advanced for the second consecutive year and, with the exception of 1958, was at the highest level since 1953. The advance in net farm income, however, was not so large as to alter significantly the trend of farmland value relative to that of farm income which developed after 1953. Farmland value has moved up in each year since 1953 despite the fact that total net farm income has been below its 1953 level in each year except 1958.

On March 1 of this year, the price of farmland in the nation was 83 percent above the level of the 1947-49 base period, while net income per acre was 14 percent below the level of that period. These divergent trends suggest the existence of a number of upward pressures on farm real-estate values.

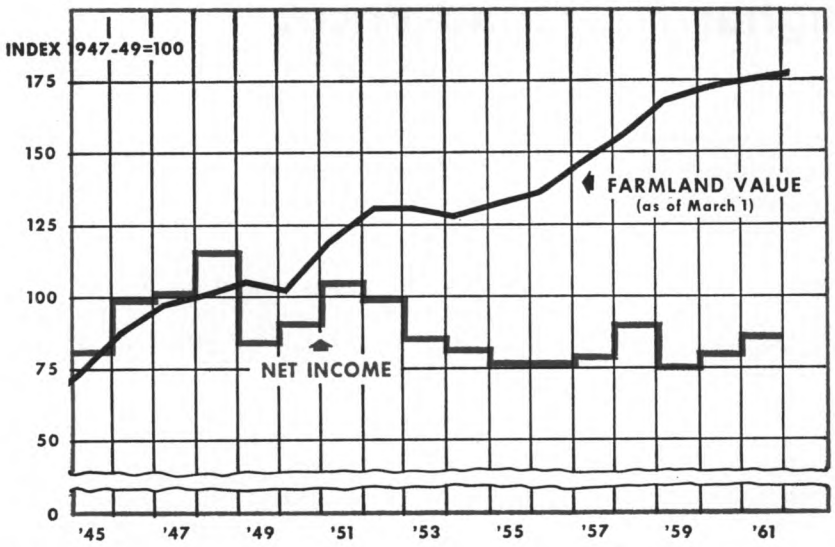
Higher Income Through More Acres

It seems likely that the downdrift in net income of farmers has actually contributed to higher land prices. In that connection, farmers have tried to offset declining or stable margins per acre by the acquisition of additional acreage. In attempts to increase income by enlarging the volume of business, farmers have bid aggressively for additional land. Furthermore, in many instances, farm enlargement results in a better utilization of available labor and machinery, which serves as an additional incentive to buy more land.

The importance of these factors in the advance of farmland prices is evident in the steady increase in the proportion of farm sales that involve purchase of land for the enlargement of existing farms. For example, although ten years ago only one out of four farm transfers represented a purchase for enlargement, the proportion has increased steadily, so that by last year nearly 50 percent of all farm transfers were for this purpose.

(1) All data used herein, unless otherwise specified, are from publications of the U. S. Department of Agriculture.

NET INCOME AND FARM LAND VALUE
(per acre)



Farmers have attempted to offset a decline in net income per acre by acquiring additional acreage, which has exerted upward pressure on farmland prices.

Fewer Farm Sales

Another factor in the advance in land prices is that the amount of farmland offered for sale has been declining sharply. Dealers in farm real estate have reported a steady drop in the average number of farms listed for sale. For example, in 1955, dealers were reported having an average of 21.5 farms listed for sale; by 1958, such listings had fallen to an average of 13.0 farms; and on October 1, 1961, an average of only 6.6 farms were listed for sale.

The reduced supply of land for sale is evident in the sharp drop in the number of transfers of farm real estate. As shown in an accompanying chart, the transfers of farmland during the year ended March 1, 1962, totaled only 150 thousand, or less than 5 percent of all farms in the nation. At that level, the number of transfers was down 45 percent from the 1952 figure and about 66 percent from the total number of transfers in 1946 (the postwar high). This sharp decline in the number of farm transfers represents both a declining percentage of all farms being sold and a drop in the total number of farms.

FARM TITLE TRANSFERS
Estimated Number Per 1,000 Farms

	Voluntary	Forced	Other*	Total
1945	51.5	2.9	15.1	69.5
1950	37.0	1.8	13.4	52.2
1955	31.9	2.4	12.3	46.6
1960	30.7	2.2	14.2	47.1
1962	28.5	2.2	15.2	45.9

* Includes inheritances, gifts, administrator, and unclassified sales.

As the data in the above table show, only 46 of every 1,000 farms were involved in land transfers during the year ended March 1, 1962. In 1950, the rate stood at 52 farms per 1,000, while in 1945, 70 farms per 1,000 were involved in farmland transfers.

The small amount of farmland being offered for sale is also reflected in the sharp drop in the number of voluntary sales of farm property.(2) As can be noted from the table, only 28.5 of every 1,000 farms were involved in a sale that did not result from the death of the farm owner, or a forced sale. Thus, in the latest year, only 62 percent of all farm transfers represented voluntary sales; by compari-

(2) Voluntary sales do not include estate settlements, inheritances, gifts, foreclosures, or tax sales.

son, voluntary sales in 1945 and 1955 amounted to 74 percent and 68 percent, respectively, of all farm transfers.

Due to this reduced rate and the drop in farm numbers, only 92 thousand farms throughout the nation were sold on a voluntary basis during the year ended March 1, 1962. In contrast, 138 thousand farms were involved in voluntary sales in 1955, and more than 300 thousand were sold in this manner in 1945.

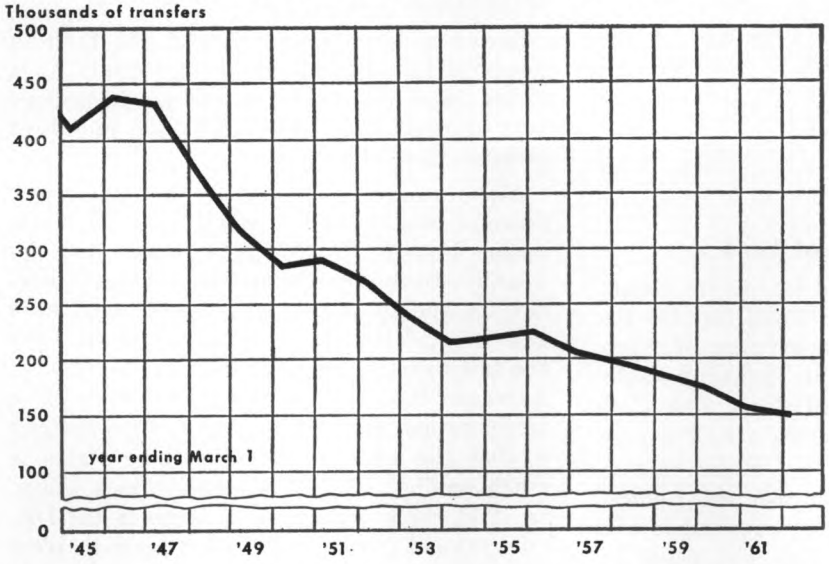
Reluctant Sellers

It would seem reasonable to expect that the steady rise in farmland values along with the declining or stable net income situation discussed earlier would serve as sufficient enticement for many farmers to sell land. This view is further strengthened when it is remembered that the 1959 Census of Agriculture showed that 40 percent of the nation's commercial farms had gross sales in that year of less than $5,000 (less than one-third of all farms in 1959 contained 70 or more acres of land).

A number of factors help to explain why many farmers are reluctant to sell their farms. First, many farm owners have substantial equity in their farms, and are not financially forced to sell, even though they may be so interested. This flexibility regarding time of sale is of special importance in the bargaining process, since it permits the prospective seller to await a more attractive bid. Second, although the potential seller of farm property may be underemployed in his present situation, nonfarm employment opportunities may be at a minimum due to age or other factors; thus, selling the farm would not necessarily solve his income problem.

Another contributing factor in the unwillingness of farm owners to sell is that, in many instances, the sale of a farm would involve paying taxes on the capital gains which have accrued with the rise in farmland values. In addition, sale of the farm would require the owner to make an alternative investment with which he may not be familar or which he does

TRANSFERS OF FARM REAL ESTATE



NOTE: Numbers of transfers estimated by using the rates of transfers published by the U.S.D.A. and the numbers of farms from the Census of Agriculture. Straight-line interpolation used in determining numbers of farms in intercensal years. Rate of decline in number of farms between 1954 and 1959 carried forward for 1960 and 1961.

The total number of transfers of farm real estate during the year ended March 1, 1962, was only 34 percent of the 1946 level.

not consider as secure as farmland. It is likely that non-economic factors, such as community ties and family tradition, are also significant in the reluctance of many farmers to sell their land.

Thus, any one, or some combination, of these conditions serves to reduce the amount of land offered for sale. Fewer farms on the market, coupled with continuing demand by other farmers to purchase land in order to enlarge their operations, has played an important part in the steady advance in farm real-estate values.

Land Values in the Fourth District

The March 1 survey showed market values of farmland to be at record high levels in each of the states located wholly or partially in the Fourth Federal Reserve District. As shown in the following table, the sharpest year-to-year gain occurred in Kentucky, where land values advanced by 7 percent. The price of farmland in Ohio was the highest of the states in the Fourth District, averaging $253 per acre.

PRICE OF FARM REAL ESTATE
(per acre)

	March 1, 1962	Percent Change From a year earlier
Ohio	$253	+4%
Pennsylvania	200	+4
Kentucky	149	+7
West Virginia	76	+5
United States	123	+5

Market Values by Class of Land

Estimates of land value by major classes of land recently have been published for the first time by the U. S. Department of Agriculture.[3] As shown in the following table, the value of cropland, pastureland, and other land (chiefly woodland) varies widely among the states in the Fourth District. Cropland value in Ohio, which was the highest in the District at $229 per acre, ranked fourth among the Corn Belt States. The value of cropland in California and Florida, which includes irrigated orchards, vineyards, and groves, was the highest in the nation at $913 and $893 per acre, respectively.

VALUE OF FARMLAND BY MAJOR CLASS, 1960
(per acre)

	Cropland	Pasture	Other	Total Land & Buildings
Ohio	$229	$128	$32	$246
Pennsylvania	156	86	27	188
Kentucky	132	119	21	137
West Virginia	81	46	21	75
United States	177	39	29	116

Cropland in Ohio accounted for more than one-half of the $4.6 billion value of farm real estate in that state in 1960. This is due to the large proportion of Ohio farmland devoted to field crops as well as the high per-acre value of cropland. In Kentucky and West Virginia, however, a large proportion of the land in farms is in pastureland or woodland. As a result, land not used for the production of field crops accounts for more than one-third of total farm valuation.

VALUE OF FARM REAL ESTATE, 1960

	Total (in millions)	Percent of Total in: Cropland	Pasture	Other Land	Buildings
Ohio	$ 4,550	54%	11%	3%	32%
Kentucky	2,326	29	33	5	33
Pennsylvania	2,230	40	9	4	46
West Virginia	452	19	22	13	46
United States	102,292	52	20	7	21

Farm buildings account for a much larger share of total farm real-estate value of states in the Fourth District than is the case nationally. Buildings accounted for nearly one-half of the total valuation in Pennsylvania and West Virginia, and for approximately one-third of the total in Ohio and Kentucky. A reason that farm buildings account for a larger proportion of total value in the District is that the average farm in these states is much smaller than for the nation as a whole. In 1960, the average size of farms in the District ranged from a high of 138 acres in West Virginia to a low of 113 acres in Kentucky. In the same year, the average number of acres per farm in the U. S. amounted to 302 acres.

(3) See the June 1962 issue of "Farm Real Estate Market Developments," U. S. Department of Agriculture.

Revised Monthly Data On Department Store Trade

(Fourth District)

THE MONTHLY DATA on department store trade published regularly in index form by the Federal Reserve System for both the nation as a whole and the individual Federal Reserve Districts have been revised.

The revision has involved the use of new benchmark data, and the carrying forward of the reference date upon which the index numbers are based. In addition, seasonally adjusted data have been modified where changes in the seasonal pattern have been brought to light.

The respective index figures are derived from monthly totals of department store sales and stocks which are estimates obtained by comparing a sample count each month with an established benchmark, i.e., with a total count taken at some earlier date. As a more recent total count becomes available, the estimating formula must be adjusted for shifts that may have occurred in the proportion of the total which is represented by the sample between the two benchmark dates. The current revision involves a shift from the 1954 Census of Business tabulations of department store data to those of 1958; it produces revised monthly estimates for 1955 through 1958 which are in line with the actual 1958 Census count and furnishes a more recent basis for all estimates subsequent to January 1959. Accordingly, department store data in the Fourth District, from the beginning of 1955 to the present, have been adjusted to the 1958 benchmark level.

The second aspect of the revision involves an advancement of the base period in terms of which the current values are expressed. In this connection, an average of the three-year period 1957-59 will hereafter serve as the yardstick for measuring current fluctuations rather than that of 1947-49. The choice of 1957-59 as the new base period follows the wide usage of this three-year span for other national series.

In the accompanying tables, monthly index numbers of department store sales and stocks in the Fourth District are shown beginning with 1947. These figures have been adjusted to the 1958 benchmark and are stated as a percent of the base period (1957-59) which is equal to 100. The figures have thus been made comparable to corresponding current data which will be made available in each future month. Because the average of the 1957-59 period was equal to about 133% of that for 1947-49—for both sales and stocks—the revised figures (before seasonal adjustment) are about one-fourth lower than the old ones.

The seasonal pattern of the series was re-examined in the light of observations for several more years than previously. The re-examination was aided by the availability of modern computer equipment which permits the use of the latest methods of seasonal analysis. The revised seasonally adjusted data in the tables are "smoother" than the values previously published.

Similar adjustments for benchmark level, base period, and seasonal pattern have been made in the series for individual metropolitan areas in the Fourth District. Revised tables are available upon request to the Research Department of this bank.

FOURTH DISTRICT DEPARTMENT STORE SALES (daily average)
(1957-59=100)

Without Seasonal Ajdustment

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Avg. for year
1947	50	54	67	69	73	69	57	61	76	75	96	124	73
1948	56	61	73	73	79	75	63	70	82	87	95	127	78
1949	60	60	66	79	77	69	57	62	75	72	88	121	74
1950	57	57	67	76	78	74	75	77	89	84	83	142	80
1951	78	71	76	79	81	76	64	73	88	88	108	140	85
1952	67	64	74	80	82	82	64	77	86	93	108	152	86
1953	68	70	84	81	90	87	70	82	89	91	112	147	89
1954	63	63	64	83	78	80	65	75	84	88	106	153	83
1955	69	66	74	89	88	83	77	83	93	100	117	165	92
1956	73	72	85	87	91	90	79	88	102	98	122	170	96
1957	74	76	80	96	93	91	81	93	102	95	121	178	98
1958	74	69	83	86	92	88	82	95	99	99	118	187	98
1959	74	78	89	94	101	97	88	96	103	107	130	193	104
1960	80	81	86	110	104	100	89	98	107	112	129	198	108
1961	80	80	100	97	102	103	94	102	109	110	140	210	110
1962	84	81	93	114	111								

Adjusted for Seasonal Variation

1947	67	70	74	69	72	72	73	71	72	72	78	75
1948	74	78	77	76	78	79	80	80	80	84	79	77
1949	78	76	78	76	77	74	71	71	72	70	73	73
1950	73	73	76	77	79	79	96	87	86	81	68	85
1951	99	91	82	85	83	81	82	82	86	85	87	83
1952	85	83	89	80	84	87	82	86	85	89	87	89
1953	87	91	93	88	93	92	89	91	88	87	89	85
1954	81	82	82	81	81	85	82	83	83	85	85	88
1955	90	87	90	92	91	88	95	91	92	97	94	94
1956	95	95	97	96	95	97	96	96	100	97	98	95
1957	97	101	103	94	97	99	98	101	100	94	99	99
1958	98	92	94	95	96	95	99	102	98	99	97	103
1959	98	105	100	105	106	105	105	104	103	106	107	105
1960	108	108	108	110	109	108	107	106	108	111	106	107
1961	108	107	110	107	108	110	112	111	110	109	115	114
1962	112	109	118	112	117							

FOURTH DISTRICT DEPARTMENT STORE STOCKS (end of month)
(1957-59=100)

Without Seasonal Adjustment

Year	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Avg. for year
1947	63	68	72	71	68	63	61	67	70	78	80	64	69
1948	69	75	82	84	80	75	73	78	82	86	90	70	79
1949	69	74	80	76	77	71	67	70	77	83	81	63	74
1950	68	72	77	79	77	71	67	77	88	98	103	82	80
1951	86	95	108	110	105	96	92	95	99	100	97	79	97
1952	79	83	88	89	87	77	78	80	89	95	99	76	85
1953	80	88	92	93	92	88	86	92	98	107	106	83	92
1954	80	86	92	93	93	85	83	88	95	101	102	83	90
1955	75	80	86	88	86	81	80	84	91	99	100	82	86
1956	81	88	94	96	94	88	86	92	98	108	109	87	93
1957	90	97	104	106	104	97	94	98	108	116	117	92	102
1958	88	94	98	98	97	90	90	93	103	111	111	88	97
1959	93	92	98	101	100	94	96	98	109	118	121	95	101
1960	95	103	113	111	112	108	111	114	121	128	141	102	113
1961	95	103	111	113	111	106	106	110	119	130	133	105	112
1962	98	106	114	116	115								

Adjusted for Seasonal Variation

1947	70	69	68	68	67	67	68	69	67	69	71	72
1948	77	78	78	80	78	79	80	80	79	77	79	79
1949	76	76	76	72	75	75	73	73	73	74	72	71
1950	75	75	73	74	75	75	73	80	84	88	91	93
1951	95	98	103	104	103	102	101	98	94	89	87	90
1952	87	86	85	85	85	82	84	83	85	85	87	86
1953	90	91	90	90	90	93	93	95	93	95	93	92
1954	91	90	90	90	91	90	89	90	90	89	89	91
1955	84	84	85	85	85	86	87	86	87	87	88	90
1956	91	92	92	93	92	93	93	94	93	95	96	96
1957	101	101	103	103	103	103	101	101	102	102	102	102
1958	98	99	97	96	96	96	96	96	97	98	96	98
1959	104	98	98	100	100	100	101	101	102	103	104	105
1960	108	110	113	110	113	114	116	116	114	113	120	112
1961	110	111	110	113	111	111	110	111	112	114	113	115
1962	114	114	114	115	115							

FOURTH FEDERAL RESERVE DISTRICT