



## Review of Business Conditions in 1941

**M**ARKED expansion took place in all sectors of the Twelfth District economy during 1941 to levels substantially above anything attained in the past. Constantly increasing Government expenditures and increased private spending generated therefrom were the major factors. The defense and war programs, however, did more than raise levels of production, building, employment, urban and farm incomes, and retail trade. Under their impetus, the framework of the Twelfth District economy has been materially altered. Its central supports now include large aircraft, shipbuilding, and metals industries. These programs have also made imperative, in the Twelfth District and in the country as a whole, increasing Government direction of economic activity.

For the first seven or eight months of 1941, expansion of industrial activity was general. In spite of difficulties over supplies of a few metals, notably aluminum, production responded to increased military and civilian demand. These increases in the outputs of nearly all goods could not continue, however, because available supplies of men, materials, and equipment simply were not sufficient to satisfy all demands and industries began to compete seriously with each other for a widening variety of limited resources. The importance and immediacy of armament needs and the dislocations and inequities that rapidly rising prices were sure to bring in their wake made it necessary to substitute, in part, other controls for those of the market over the uses of materials and the distribution of products.

The first of many priority and allocation orders, one dealing with aluminum, was issued in March. Others followed with increasing frequency and in August acceptance by producers of defense orders ahead of others on their books was required. A production limitation order providing maximum quotas for passenger car and light truck output was issued in August, and additional quotas relating to other durable consumer goods have since been adopted. Less essential uses of scarce resources were also curbed by restricting consumer demand for certain products through other governmental action and as a result of price increases. Effective September 1, control over installment credit was introduced, administered by the Board of Governors of the Federal Reserve System. New and increased excise taxes, effective October 1, were levied on various commodities, some of which were chosen with the partial objective in mind of restricting consumer purchases, although the tax rate in no case exceeded 10 percent. Retail prices, after desultory increases up to March, began to rise fairly rapidly. By the end of the year, living costs in the four largest Pacific Coast cities had risen about 11 percent over those of December 1940. Rationing of tires was begun this January, and

automobile sales to civilians are now prohibited pending adoption of a rationing plan.

### Industry and Trade

These developments checked activity in many lines, particularly those related to the production and sale of consumer durable goods, the output of which reached a peak in the country as a whole during the summer. In the Twelfth District, automobile assembling, tire manufacturing, some types of metal working, residential building, and wholesale and retail distribution of restricted products were adversely affected during the closing months of the year. Aggregate industrial activity continued to increase, however, since industries affected

### ESTIMATED VOLUME OF INDUSTRIAL OUTPUT— TWELFTH DISTRICT

(expressed as percentages of 1939 output)

	1929	1933	1937	1938	1939	1940	1941
Lumber .....	134	57	102	81	100	110	130
Refined oils .....	121	80	102	99	100	99	108
Motion pictures (cost).....	69	52	92	95	100	100	123
Smelting and refining.....	128	40	115	81	100	125	140
Paper .....	78	67	99	86	100	112	112
Pulp .....	55	55	108	77	100	130	142
Automobile assemblies.....	100	48	135	79	100	136	151
Rubber tires.....	100	58	123	76	100	105	107
Aircraft (value).....	10	10	43	62	100	167	660
Shipbuilding (tonnage launched)* .....	—	—	—	—	100	400	1,200
Steel ingots.....	78	49	98	72	100	114	157
Cement .....	97	48	98	80	100	109	144
Canned fruit .....	80	77	108	74	100	91	113
Canned vegetables.....	81	55	124	94	100	131	159
Canned fish.....	96	78	109	97	100	101	114
Meat .....	84	93	98	98	100	114	112
Sugar .....	82	94	82	92	100	103	99
Flour .....	94	79	92	90	100	96	97
Butter .....	90	101	97	101	100	105	101
Cheese .....	61	78	91	99	100	103	117
Glass containers .....	55	61	116	91	100	112	153
Wool consumption.....	89	97	102	89	100	105	111
Copper .....	129	21	112	72	100	117	134
Lead .....	178	78	123	100	100	116	116
Zinc .....	103	58	119	99	100	146	154
Gold .....	39	37	85	88	100	105	103
Silver .....	94	38	115	101	100	104	102
Petroleum .....	130	77	106	111	100	99	103
Natural gas.....	98	75	95	90	100	101	107
Coal .....	152	81	115	90	100	103	116

\*Maritime Commission program only.

were not of primary importance in the area and because of the sharp and continuous expansion in aircraft production, shipbuilding, and related industries.

To meet the needs of the aircraft industry for light metals, facilities for production of aluminum and magnesium have been greatly increased in the United States and, primarily because of availability of electric power and the proximity of aircraft plants, a large share of these additional facilities have been located in the Twelfth District. These are new industries in so far as the district is concerned, and this district alone is expected to produce a greater tonnage of aluminum and magnesium in 1942 than was produced in the entire country in 1940.

Production in older established major industries, including lumbering, petroleum production and refining, fruit and vegetable canning, and mining and smelting of nonferrous metals also expanded in 1941, but the gains were relatively much smaller.

Concentration upon production of aircraft and ships has meant that expansion in employment has for the most part occurred along the Pacific Coast. The Los Angeles, San Francisco, and Seattle industrial areas and San Diego, Richmond, Vallejo, and Bremerton in particular have experienced marked increases in population which created housing shortages and severe pressure upon school, transportation, and other community facilities. Migration to the coast states, however, apparently began to decline late in 1941.

In the latter half of the year a number of large contracts were awarded for construction of metal producing plants in the intermountain area of the district. These plants constitute a long stride in the industrialization of that otherwise primarily agricultural and mining region, and will lead to some influx of population to meet the demand for industrial labor around the sites of these plants.

Nonresidential building increased sharply in 1941, largely reflecting construction of facilities to be used directly by the Army and Navy and in the production of war materials and equipment. New residential building likewise attained large proportions, privately-financed construction being supplemented by public projects, particularly in defense areas. A peak in privately-financed residential building was attained in July, however, and marked curtailment from the level of that month was evident by the year-end.

### Production and Employment—

	Index numbers, 1923-1925 average=100			With Seasonal Adjustment <sup>1</sup> 1941—1940			Without Seasonal Adjustment <sup>1</sup> 1941—1940			Annual Average 1941 1940	
	Dec.	Nov.	Dec.	Dec.	Nov.	Dec.	Dec.	Nov.	Dec.	1941	1940
<b>Industrial Production<sup>1</sup></b>											
Manufactures (physical volume)											
Lumber .....	113	109	110	87	103	85	107	91	107	91	
Refined oils .....	—	—	—	174	176	159	173	158	173	158	
Cement .....	211	177	159	156	177	118	159	121	159	121	
Wheat flour .....	112	94	118	112	103	118	120	118	120	118	
Minerals (physical volume)											
Petroleum .....	—	—	—	96	99	91	96	93	96	93	
Lead (U. S.) <sup>2</sup> .....	..	127	116	..	128	118	118	116	118	116	
Copper (U. S.) <sup>2</sup> .....	154	152	145	155	156	146	153	142	153	142	
Construction (value)											
Residential building permits <sup>3</sup>											
Twelfth District .....	58	100	107	45	93	85	87	70	87	70	
Southern California ..	63	65	131	54	66	113	85	75	85	75	
Northern California ..	32	155	79	22	137	54	82	61	82	61	
Oregon .....	60	39	43	36	31	26	53	45	53	45	
Washington .....	65	213	83	37	185	47	124	69	124	69	
Intermountain states ..	166	93	97	108	81	63	124	100	124	100	
Public works contracts ..	—	—	—	323	502	459	521	292	521	292	
Miscellaneous											
Electric power production	290	284	251	274	269	238	259	231	259	231	
<b>Factory Employment and Payrolls<sup>4</sup></b>											
Employment											
Pacific Coast .....	212	199	148	206	202	144	175	128	175	128	
California .....	264	246	174	260	252	171	211	146	211	146	
Oregon .....	149	146	122	142	145	116	134	109	134	109	
Washington .....	140	134	111	133	134	106	124	101	124	101	
Payrolls											
Pacific Coast .....	284	261	157	278	261	154	214	130	214	130	
California .....	348	321	184	346	324	184	256	150	256	150	
Oregon .....	218	188	135	196	184	122	166	106	166	106	
Washington .....	184	169	112	177	168	108	152	102	152	102	

<sup>1</sup>Daily average.

<sup>2</sup>Prepared by Board of Governors of the Federal Reserve System.  
(1935-1939=100.)

<sup>3</sup>Includes figures from 197 cities and Los Angeles County, unincorporated.

<sup>4</sup>Excludes fish, fruit, and vegetable canning.

Retail trade showed large gains in 1941, largely as a result of rising consumer incomes both in urban and agricultural communities. Value of department store sales in the district, for example, was up 18 percent over 1940. Increases during the course of the year, however, were decidedly irregular, largely reflecting recurrent waves of anticipatory buying induced by expectations of further price advances, of the effect upon prices of newly enacted excise taxes, and of shortages in future supplies.

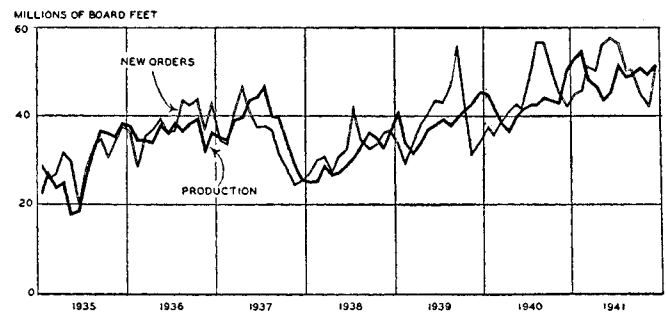
### Aircraft Manufacturing and Shipbuilding

The West Coast aircraft industry established an unparalleled record of industrial expansion during the year and continued to be the major defense industry in the Twelfth District. Both employment and deliveries increased throughout 1941, with increases much more pronounced late in the year as new plants were brought into production.

Expanding operations in both private and navy yards have made shipbuilding in recent months the fastest growing industry in the district. The serious need for additional shipping has brought about marked changes since 1939 in this industry which had been small and relatively dormant during the preceding two decades. Under the Maritime Commission program, activity in private yards has expanded rapidly. A construction program including both ways and ships, announced by the Commission in January, makes it apparent that the maximum scale of operations has by no means been attained, for contracts awarded to West Coast yards call for completion by the end of 1943 of 402 ships in addition to those for which contracts had previously been awarded. Naval construction is extensive both at Government and private yards. Continuous operation of coast shipyards is planned in an agreement worked out by Government, labor, and management.

### Building Materials

Lumber production in the Twelfth District in 1941 exceeded that of the preceding year by 18 percent, the annual index of production rising to 130 percent of the 1923-1925 average. During the first seven months of 1941, however, output did not match the growing volume of orders received by mills, and unfilled orders reached



LUMBER PRODUCTION AND NEW ORDERS—Twelfth District

Daily average. By months, January 1935 to December 1941. Output figures adjusted for seasonal variation.

a peak of 1,600,000,000 board feet in July. From then until December, production exceeded orders. Reflecting some anticipation of the construction necessary for the expanded military program, orders increased sharply in

December, unfilled orders rising 300,000,000 board feet to total 1,300,000,000 at the end of the month.

Cement production also was affected by the heavy volume of construction, and was well above that of any other year. The peak was reached in September, but the decline since that time has been small. Production in the three coast states amounted to the record total of 24,-200,000 barrels, up 31 percent over a year earlier.

### Metals

The district steel industry operated at 95 percent of capacity in 1941, a rate never previously attained, and produced 38 percent more steel than in 1940 and 57 percent more than in 1939. The pressure upon the steel industry of the entire nation, coupled with the possibility that transportation facilities may be inadequate to move steel in sufficient volume to the Pacific Coast, led to the adoption of a large plant expansion program to be financed by the Federal Government. These new facilities will be located principally in the interior and will produce a wide variety of products ranging from pig iron to finished steel items.

Military needs, especially in aircraft production, for aluminum and magnesium, have required a marked expansion in the production of those light metals as well as their nearly complete diversion from civilian uses. By the end of 1941, magnesium capacity in the district, non-existent in 1940, was 4,000 tons per year, and by the end of 1942, capacity is expected to reach 96,000 tons.

Aluminum plants for both the production and fabrication of pig aluminum are under construction in the Pacific Northwest and in southern California. Annual productive capacity in the district, approximating 120,000 tons, was about four times as great at the end of 1941 as a year earlier, and is expected to be twice the present level by the end of 1942.

### Mining

Mining and smelting of the principal nonferrous metals increased only moderately in 1941 over 1940, despite the pressure of demand for copper, lead, and zinc. As shown in the accompanying table, copper production was up 11 percent and zinc production 6 percent, while the output of lead was unchanged. Gold production declined slightly. Arizona continued as the leading copper producing state in the nation, California led in gold production, and Idaho

#### MINE PRODUCTION OF NONFERROUS METALS—TWELFTH DISTRICT\*

	(in thousands)						
	1929	1933	1937	1938	1939	1940	1941
Gold (fine ounces)	1,060	991	2,282	2,272	2,691	2,832	2,773
Silver (fine ounces)	40,728	16,638	49,819	43,583	43,268	44,920	43,954
Copper (tons)	665	109	577	374	516	611	691
Lead (tons)	317	138	219	178	178	206	206
Zinc (tons)	108	61	126	104	105	153	162

\*Data include all of Arizona, the five southeastern counties of which are in the 11th Federal Reserve District.

had the largest silver, lead, and zinc output. Further impetus to production is expected from recent increases in lead and zinc price ceilings and from the prices above the ceilings at which output of copper, lead, and zinc in excess of 1941 quotas can be sold to the Metals Reserve Company.

### Food Industries

District fish, fruit, and vegetable canneries were considerably more active in 1941 than in either of the two preceding years. The vegetable pack set a new record for

the district, California output approximating 20,500,000 cases. Tomatoes and tomato products accounted for three-fourths of this amount. The fruit pack in California totaled 26,000,000 cases, about half of which were peaches.

The Alaskan and Twelfth District output of canned salmon, 7,639,000 cases, was larger than in any year since 1936, and the district sardine pack of 5,050,000 cases exceeded that of any previous year by more than 1,000,000

#### PRODUCTION AND STOCKS OF CANNED FRUITS AND VEGETABLES—CALIFORNIA

	(in thousands of cases)			Canners Stocks Sold and Unsold*		
	1939	1940	1941	1939	1940	1941
Apricots	3,338	1,815	4,072	1,266	878	1,294
Cherries	469	87	147	309	135	69
Fruit cocktails	3,711	4,361	5,107	2,056	2,406	2,484
Fruits for salad	1,547	601	634	547	445	354
Pears	1,347	1,532	1,792	578	923	722
Peaches	11,462	10,742	12,733	6,441	5,304	4,294
Other fruits	748	889	1,320	—	—	—
Asparagus	1,849	2,181	1,578	547	801	610
String beans	107	187	314	—	—	—
Peas	212	151	55	—	—	—
Spinach	1,509	1,315	1,682	434	197	379
Tomatoes	2,769	5,244	6,283	1,614	3,202	2,905
Tomato products (excl. paste)	4,312	6,514	9,280	3,161	4,319	4,390
Other vegetables	964	897	1,260	—	—	—

\*End of calendar year.

cases. Canning of tuna, however, declined to 2,828,000 cases from the record 1940 pack of 4,187,000 cases.

District flour production for the year as a whole was about the same as in 1940. Activity at mills increased considerably early in the year to attain record levels in the second quarter, but a marked drop took place in the last half of the year.

### Construction

New construction undertaken in the district during 1941 had a value almost double that of 1940, which itself was well above the value of construction in recent years. New residential building in areas for which data are available reached an estimated total of \$373,000,000, as compared with \$298,000,000 in 1940, while nonresidential construction amounted to \$734,000,000, more than double the 1940 total of \$320,000,000.

Residential building declined during the last half of 1941 as rising costs, uncertainty concerning the availability of materials, and priority regulations checked private construction. Under a priority order issued in September preference ratings are allowed orders for most metal products used in construction, providing the proposed housing is located in designated defense areas and providing the estimated market price of the dwelling does not exceed \$6,000 or the proposed monthly rental \$50 per family unit.

#### Distribution and Trade—

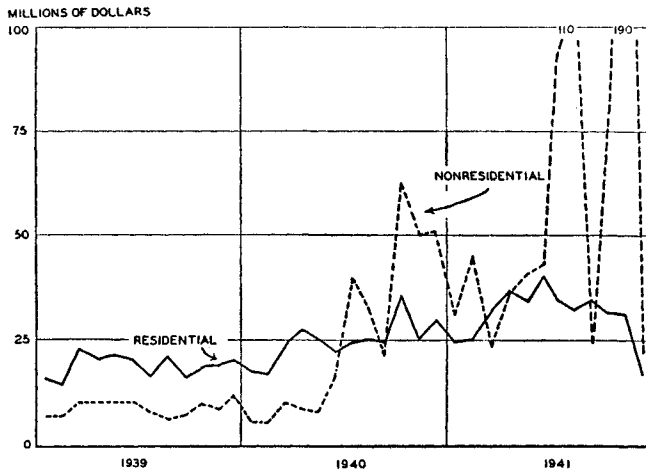
	Index numbers, 1923-1925 average=100		With Seasonal Adjustment		Without Seasonal Adjustment		Annual Average		
	1941	1940	1941	1940	1941	1940	1941	1940	
Retail Trade <sup>1</sup>									
Automobile sales (number) <sup>2</sup>									
Total	—	—	—	—	106	78	161	149	128
Passenger	—	—	—	—	95	73	157	140	123
Commercial	—	—	—	—	222	137	200	240	190
Carloadings (number) <sup>2</sup>									
Total	114	110	97	—	100	111	85	105	90
Merchandise and Misc.	132	128	107	—	118	128	95	116	99
Other	91	89	84	—	79	91	73	91	79

<sup>1</sup>Department and furniture store indexes, customarily shown in this table, are in the process of revision.

<sup>2</sup>Daily average.

Federally-financed housing projects amounted to about 15 percent of the total, double their proportion in 1940. The relative importance of this type of housing probably will increase in the current year as building becomes more confined to lower cost housing in defense areas.

Nonresidential construction clearly reflected the influence of the defense program. Of the \$734,000,000 total,



NEW BUILDING CONSTRUCTION—Twelfth District  
Monthly value of new construction, January 1939 to December 1941.

army and navy building amounted to some \$219,000,000, and industrial facilities to \$419,951,000. More than 90 percent of the industrial facilities contracts were federally financed. Metals and machinery plants accounted for \$294,000,000, aircraft plants \$22,000,000, and shipyards \$64,000,000, leaving only some \$40,000,000 in all other types of industrial construction.

#### Other Industries

Petroleum producing and refining operations, which were relatively stable in 1939 and 1940, expanded somewhat in 1941. Crude production rose by about 4 percent in 1941 over 1940, the daily average production last year having been 631,000 barrels. The output of refined oils in 1941 rose by approximately 9 percent over that of 1940. Year-end stocks of petroleum products were at moderately lower levels in 1941 than in 1940.

District pulp production, which had risen in 1940 to record levels, advanced further in 1941. Production was up 10 percent over the 1940 output.

Activity in the motion picture industry increased in 1941, as the industry escaped, for the most part, major difficulties in regard to supplies of materials confronting many other industries producing consumer goods. Total costs of pictures produced, according to trade reports, were 23 percent higher in 1941 than in 1940, and employment increased moderately.

#### Retail Trade

Department store sales increased steadily in the first eight months of 1941 to record levels in August, the result of expanding consumer incomes and of expectations of future shortages, higher prices, and instalment credit regulation. Anticipatory buying occurred particularly in household appliances and silk hosiery, with fears of shortages and higher prices predominant. Furs, radios, and phonographs were also purchased in large amounts in an-

icipation of excise taxes effective October 1. With consumers' holdings of various items built up, sales declined from the late summer and early fall peak. For 1941 as a whole, value of sales of these stores was 18 percent higher than in 1940.

Sales of new automobiles likewise were affected by anticipatory buying to a considerable degree. They attained a peak in May but were large through the entire 1941 model year, district sales of passenger cars during the first eight months of 1941 exceeding those during the like period of 1940 by 45 percent. With the introduction of new models in September, sales fell off sharply, however, because of previous advance buying and increased prices. Some increase in sales occurred in December, just in advance of the prohibition upon the sale of automobiles now in effect.

#### Agriculture

During 1941, large aggregate output of crops and of livestock products which sold at prices sharply higher than those of the preceding three years returned district farmers a record cash income. Receipts from farm marketings and Government payments totaled approximately

#### TOTAL CASH FARM INCOME\*—TWELFTH DISTRICT (in thousands of dollars)

	1929	1932	1938	1939	1940	1941
Arizona .....	68,030	23,410	58,048	60,963	63,465	88,500
California .....	649,750	334,460	577,751	614,858	658,048	834,400
Idaho .....	115,980	41,220	87,240	98,521	100,023	129,900
Nevada .....	18,720	5,850	11,865	13,054	13,906	16,800
Oregon .....	113,840	46,360	103,142	111,397	117,363	158,400
Utah .....	58,150	25,160	45,618	46,868	48,209	64,000
Washington..	183,320	79,170	135,159	155,901	151,785	204,800
Twelfth District...	1,207,790	555,630	1,018,823	1,101,562	1,152,799	1,496,800

\*Includes Federal Government payments.

\$1,496,800,000, up 30 percent over a year earlier, and surpassed the 1929 figure of \$1,207,790,000 as well as the 1937 figure of \$1,225,882,000. As indicated in the accompanying tables, increases over the preceding year were general for all states and nearly all commodities. The largest gain occurred in Arizona, 39 percent, and the smallest in Nevada, 21 percent. Returns from district crops rose 31 percent and income from marketings of livestock and products advanced a similar amount. Gov-

#### CASH FARM INCOME AND GOVERNMENT PAYMENTS— TWELFTH DISTRICT (in thousands of dollars)

	1940			1941		
	Farm Crops	Livestock and Prods.	Gov't Payments	Farm Crops	Livestock and Prods.	Gov't Payments
Arizona .....	31,813	27,666	3,986	49,300	35,500	3,700
California .....	412,627	223,581	21,840	522,581	292,200	20,200
Idaho .....	42,883	48,973	8,167	49,900	72,700	7,300
Nevada .....	1,633	12,047	226	1,800	14,800	200
Oregon .....	49,556	62,108	5,699	70,900	82,000	5,500
Utah .....	11,846	33,533	2,830	15,000	46,100	2,900
Washington..	83,444	61,898	6,443	115,900	82,700	6,200
Twelfth District...	633,802	469,806	49,191	824,800	626,000	46,000

ernment payments amounted to about \$46,000,000 or 3 percent of the total income. This represented a further decline from the peak of Government payments reached in 1939, but was still well above average payments in the preceding six years. Since production as a whole was only slightly greater than in 1940, a large proportion of the increase in income was attributable to higher prices.

The increase in farm net income did not keep pace fully with the increase in gross income because produc-

tion costs were higher in most categories—seed, feed, fertilizer and spray materials, building supplies, miscellaneous equipment, and labor. Higher labor costs were directly traceable to the decreased supply of farm labor arising out of the movement of workers into the armed services and into the defense industries.

With exports severely curtailed by war conditions throughout most of the world and foreign demand even lower in 1941 than in 1940, most of the rise in farm prices and income is attributable to expansion in domestic demand, to Federal Government purchases, and to legislation directly or indirectly affecting prices. Under the stimulus of lend-lease demand beginning in April, agricultural exports increased from the extremely low levels reached earlier in the year, but the emphasis was shifted from cotton, grains, and fruits and nuts to products not previously exported in large volume, including such items as eggs, cheese, and dried and evaporated milk. For those commodities for which export markets formerly were important outlets and for which foreign demand failed to revive, however, increased domestic demand and Government purchases, coupled with a continuation of the several Government programs beneficial to agriculture, were sufficient to raise prices over the levels prevailing a year ago. Among these Government programs were included the granting of non-recourse loans on wheat, cotton, barley, and rice by the Commodity Credit Corporation, the subsidization of wheat and cotton exports, the purchase and distribution of surplus commodities through the food and cotton stamp plans and the school lunch program, and the development of marketing agreement programs for fluid milk, hops, walnuts, and a wide range of fruits and vegetables.

The impact of the war upon agriculture, apart from the loss of foreign markets and higher costs of operations traceable to defense activities, was generally beneficial during 1941. Except for local and temporary difficulties in obtaining some farm supplies and hardware, agriculture, by the year-end, had not yet begun to feel anticipated shortages of machinery, chemicals, and other supplies needed in defense industries. Increased taxation, in general, bore more heavily on other segments of the economy than on agriculture, while Government action with respect to agricultural prices was a strengthening rather than a price limiting influence. Prices received by farmers increased more than 40 percent during 1941, and for the year as a whole averaged 22 percent higher than in 1940, whereas prices paid by farmers (including interest and taxes but not including farm labor) averaged only 4 percent higher than in 1940.

Higher prices of farm products and larger farm income, coupled with the desire on the part of investors to purchase farm lands as a hedge against inflation, led to renewed activity in the farm real estate market during 1941. Prices of agricultural land advanced, and towards the end of the year some concern was expressed over the danger of speculation in farm lands such as occurred during the last World War. It is interesting to note, however, that on March 1, 1941, the last date for which estimates are available, the average value of farm lands was below the 1912-1914 average in all states of the Twelfth District except California. Between 1933 and 1941, when cash farm income in the district more than doubled, farm

real estate prices lagged far behind, with advances in the several states ranging only from 7 to 14 percent.

### Grain and Field Crops

With harvested acreage of grain and field crops in the Twelfth District during 1941 approximately the same as in 1940, slightly higher per acre yields of many crops, especially in the Pacific Northwest, brought total production somewhat above the previously record-large output of 1940. Coupled with higher prices for all impor-

ACREAGE, PRODUCTION AND FARM VALUE OF PRINCIPAL GRAIN AND FIELD CROPS—TWELFTH DISTRICT  
(in thousands)

Grains	Acres Harvested		Unit	Production—Average			Farm Value—(dollars)	
	1940	1941		1930-39	1940	1941	1940	1941
Barley . . . . .	1,982	1,863	bu.	42,032	57,885	55,984	24,529	35,619
Corn . . . . .	283	299	bu.	7,576	8,891	9,705	6,916	8,448
Sorghums . . . . .	163	254	bu.	4,308	5,522	8,849	4,798	11,595
Oats . . . . .	860	835	bu.	26,968	27,115	29,364	8,974	13,114
Rye . . . . .	85	95	bu.	811	1,110	1,386	647	944
Wheat, all . . . . .	5,041	4,929	bu.	105,916	105,914	131,972	67,405	118,235
Winter . . . . .	3,314	3,892	bu.	66,622	72,247	104,694	46,582	94,326
Spring . . . . .	1,727	1,037	bu.	39,295	33,667	27,278	20,904	23,880
<b>Field Crops</b>								
Alfalfa seed . . . . .	188	120	bu.	335	393	231	3,243	2,834
Beans, dry . . . . .	527	550	bag	5,503	7,345	7,199	22,515	32,784
Clover seed . . . . .	94	74	bu.	218	390	339	2,193	2,943
Cotton, lint . . . . .	568	601	bale	492	740	649	45,763	53,301
Cottonseed . . . . .	—	—	ton	219	329	289	7,230	14,548
Flaxseed . . . . .	162	219	bu.	745	3,193	3,639	5,495	6,971
Hay, all . . . . .	6,175	6,200	ton	12,325	13,266	13,619	98,954	130,750
Hops . . . . .	33	35	bale	174	210	202	9,915	13,020
Peas, dry . . . . .	183	217	bu.	3,321	2,560	5,214	5,097	10,654
Potatoes . . . . .	255	247	bu.	50,562	63,454	56,358	34,340	40,577
Rice . . . . .	118	153	bu.	8,176	9,440	9,180	6,514	9,639
Sweet potatoes . . . . .	12	12	bu.	1,204	1,440	1,500	1,742	1,725
Sugar beets . . . . .	292	225	ton	2,897	4,548	3,352	23,127	20,213

tant products, the aggregate farm value of grain and field crops was about 40 percent larger than in 1940. The largest price advance was recorded by cottonseed which more than doubled in price from \$21.98 per ton in 1940 to \$50.34 in 1941. Price gains over 1940, ranging from 33 to 54 percent were recorded for barley, grain sorghums, oats, wheat, alfalfa seed, clover seed, beans, cotton, potatoes, and rice.

The value of wheat produced in the Twelfth District during 1941, reflecting an increase in average prices received at the farm from 64 to 90 cents per bushel and an expansion in output from 105,914,000 bushels to 131,972,000 bushels, amounted to \$118,235,000 or 75 percent more than in 1940. Hay, second in importance among the grain and field crops and used chiefly by the district livestock industry, increased in value from \$98,954,000 in 1940 to \$130,750,000 in 1941. Among all the principal crops, only sugar beets and alfalfa seed, the output of which declined, and sweet potatoes, the price of which was slightly lower, had a value in 1941 lower than in 1940. While acreage and output of sugar beets were smaller than in 1940, the Twelfth District continued to be an important domestic source for this crop.

### Fruit and Nut Crops

The total value of deciduous fruit and nut crops to district growers in 1941 was about 54 percent higher than in 1940. All the principal crops shared in the advance, with the largest gains recorded for filberts, apricots, pears, apples, and grapes, in that order. With the single exception of apricots, prices of which were unusually high in 1940 because of a crop failure, unit prices of all important products were higher in 1941 than in 1940. In general, physical output of both fruits and nuts was about

the same as in 1940 but somewhat larger than the average for the past five years. The greatest single change was a reduction in the almond crop to the lowest level in more than a decade, 40 percent below the short crop of last year and 57 percent below the 1934-1939 average. The average farm price of almonds rose from 10 cents per pound in 1939 to 16 cents in 1940 and to 33 cents in

PRODUCTION AND FARM VALUE OF DECIDUOUS FRUIT AND NUT CROPS—TWELFTH DISTRICT

	Production (thousands of tons)			Farm Value Dollars Per Ton		Total (thousands of dollars)	
	Average 1930-39	1940	1941	1940	1941	1940	1941
	Almonds .....	14	10	6	324.00	662.00	3,305
Apples* .....	43,949	39,720	41,372	0.67	0.98	26,775	40,712
Apricots .....	248	116	217	51.60	46.21	5,980	10,033
Avocados .....	7	15	17	107.00	109.00	1,562	1,744
Cherries .....	61	69	72	92.17	111.56	6,360	8,032
Figs .....	78	111	113	27.95	40.73	3,102	4,603
Fresh .....	9	15	15	57.50	57.60	862	864
Dried .....	23	32	33	70.00	114.00	2,240	3,739
Filberts .....	2	3	5	249.53	306.56	801	1,542
Grapes .....	2,000	2,265	2,425	15.70	22.23	35,567	53,912
Wine .....	497	607	583	16.30	22.00	9,894	12,826
Table .....	360	445	421	17.13	28.26	7,623	11,897
Raisin .....	1,143	1,213	1,421	14.88	20.54	18,050	29,189
Fresh .....	281	529	541	15.50	21.30	8,200	11,523
Dried .....	216	171	220	57.60	80.30	9,850	17,666
Olives .....	24	60	43	76.70	154.00	4,602	6,622
Peaches* .....	25,000	26,306	24,851	0.52	1.05	13,771	26,205
Clingstone .....	15,143	14,709	13,626	0.47	1.14	6,901	15,534
Freestone .....	9,857	11,597	11,225	0.59	0.95	6,870	10,671
Pears* .....	18,266	20,157	19,821	0.68	1.11	13,612	21,905
Bartlett .....	13,582	13,404	14,069	0.65	0.99	8,720	13,969
Others .....	4,684	6,750	5,752	0.72	1.38	4,892	7,936
Plums .....	65	69	74	53.00	63.60	3,392	4,388
Prunes .....	677	519	597	22.13	26.17	11,483	15,626
Fresh .....	68	67	86	24.13	28.92	1,617	2,487
Dried .....	232	178	188	55.52	69.74	9,866	13,139
Walnuts .....	46	46	59	245.47	252.26	11,390	14,959

\*Production in thousands of bushels and price in dollars per bushel.

1941, thereby maintaining cash receipts from this crop. Grapes and apples continued to be the most important sources of income. Table grapes were in good demand with heavy shipments to eastern markets at prices averaging 35 percent over 1940. Winery demand was strong, buyers taking all wine grapes at relatively high prices. Raisin prices more than doubled during the year as both Government and packers bid for the limited supply. Demand for practically all canned fruits, supported by heavy Government purchases, was active during the year, and despite heavy packs the aggregate supply of canners' stocks at the year-end was smaller than last year.

With record orange and lemon crops, and with grapefruit production only slightly below the record production of last year, total output of citrus fruit in California and Arizona was the largest in history. Increased production of lemons was most outstanding, the 1941 crop

PRODUCTION AND FARM VALUE OF CITRUS FRUIT CROPS\*—TWELFTH DISTRICT

	Production (thousands of boxes)			Farm Value Dollars Per Box		Total (thousands of dollars)	
	Average 1931-40	1940	1941	1940	1941	1940	1941
	Grapefruit .....	3,273	4,892	4,633	.42	.47	2,032
Lemons .....	8,815	11,983	17,099	1.59	1.33	19,053	22,742
Oranges, all... ..	37,450	44,945	49,978	1.06	1.41	47,724	70,550
Valencias .....	21,395	26,904	30,006	1.13	1.62	30,501	48,619
Navels, etc., .....	16,055	18,041	19,972	.95	1.10	17,223	21,931

\*Crop years ending October 31 of year shown.

of 17,099,000 boxes exceeding the largest previous harvest by 43 percent. With per-capita consumption of fresh lemons relatively inelastic, much of the increased production was diverted to by-products. Since returns from salvage operations are relatively low, even failing to re-

pay the cost of growing and handling the fruit in some instances, the average return per box received by growers for the season declined from \$1.59 in 1940 to \$1.33 in 1941. Orange prices averaged about one-third higher during 1941 and grapefruit prices were up 12 percent. Despite the loss of European markets and scarcity of boat space, fresh citrus fruit exports during the first nine months of 1941 were above 1940 levels, largely reflecting increased sales to the Hawaiian Islands and trans-Pacific markets. For the third consecutive year, the increase in sales of citrus products was greater than in any preceding year.

Truck Crops

In response to the larger demand arising out of increased population locally and larger purchasing power in the United States as a whole, acreage devoted to the production of commercial vegetable and melon crops in the Twelfth District continued to expand during 1941. Higher prices and slightly larger production of some crops combined to raise total farm value of truck crops

ACREAGE, PRODUCTION AND FARM VALUE OF TRUCK CROPS—TWELFTH DISTRICT  
(in thousands)

For Market	Acreage		Production		Farm Value			
	1940	1941	Unit	1940	1941	Average 1930-39	1940	1941
Artichokes ..	11	10	box	848	700	\$1,534	\$1,442	\$1,470
Asparagus ...	39	45	crate	4,099	4,456	4,471	6,206	7,266
Beans, snap...	12	11	bu.	1,940	1,756	1,504	2,620	2,598
Cabbage .....	11	11	ton	86	100	1,094	1,240	1,724
Cantaloups ...	55	59	crate	7,039	8,418	9,464	9,472	11,977
Carrots .....	27	27	bu.	11,868	11,827	5,230	8,136	7,872
Cauliflower ...	17	18	crate	5,532	5,082	3,143	3,182	3,162
Celery .....	16	15	crate	5,340	5,076	5,371	8,407	8,626
Cucumbers ...	2	2	bu.	583	536	294	670	750
Garlic .....	2	2	sack	113	133	411	972	1,396
Lettuce .....	127	140	crate	19,651	20,782	25,766	28,434	35,395
Onions .....	14	14	sack	3,174	3,586	3,338	2,959	5,379
Peas, green ...	53	49	bu.	4,862	4,600	7,145	5,455	6,000
Peppermint oil	4	5	lb.	184	218	196	362	685
Peppers, green	2	3	bu.	610	729	301	488	693
Potatoes, early	36	39	bu.	10,260	10,101	3,584	7,695	6,465
Spinach .....	4	4	bu.	2,082	2,197	548	835	845
Strawberries .	27	29	crate	2,997	3,103	5,274	6,229	7,221
Tomatoes ...	30	32	bu.	5,339	5,654	5,205	8,997	10,560
Watermelons .	19	20	ea.	11,692	12,060	1,370	1,556	1,791
<b>For Canning</b>								
Asparagus ...	49	40	ton	54	38	—	4,720	4,050
Beans, snap...	6	8	ton	25	29	—	1,279	1,681
Peas, green ...	60	50	ton	46	73	—	2,193	3,308
Spinach .....	10	7	ton	19	22	—	276	382
Tomatoes ...	72	83	ton	579	614	—	7,300	8,476

16 percent above 1940 to the highest level on record. This important district industry, which accounts for a large share of the United States commercial output of fresh vegetables and for a substantial proportion of the canned output of tomatoes, as well as an important volume of other canned vegetables, returned to growers over \$120,000,000 in 1941. In point of value, lettuce continued the most important truck crop and returned growers \$35,395,000.

Livestock

The livestock industry during 1941 experienced its most favorable year in more than a decade, with cash income exceeding \$620,000,000. Marketings were large, and prices of most products advanced sharply in response to increased demand arising out of expanded consumer buying power, and out of Government purchases for military needs and export to our allies. Producers of dairy and poultry products were especially benefited by enlarged output and higher prices. Marketing of lambs and wool returned to growers the largest cash income from this source since 1937. To encourage greater pro-

duction, the Federal Government has undertaken programs aimed at supporting prices of some livestock products at levels higher than those of recent years.

### **Banking and Credit**

Developments during 1941 in banking, as in other segments of the Twelfth District economy, were largely the outcome of demands originating in the national defense effort and, after December 7, in the actual participation of this country in the world-wide conflict. These developments included a large expansion in bank credit, well over half the increase being accounted for by a marked rise in loans to customers and the remainder by substantial additions of United States Government securities to bank investment portfolios. This increase in earning assets, together with unusually heavy net disbursements of the United States Treasury in the district, resulted in a large further growth of deposits, particularly of demand accounts. In addition to contributing to the expansion in deposits, the heavy net Treasury disbursements led to a further increase in member bank reserve balances carried with the Federal Reserve Bank of San Francisco. Another development marking 1941 was the pronounced acceleration of the increase, evident during the preceding two years, in withdrawals of currency into circulation.

Various necessary war-time measures introduced during 1941, both of a monetary and non-monetary character, had begun to affect banking operations by the year-end and the influence of these measures will be felt increasingly during 1942. Priority and allocation orders restricting the availability of essential scarce materials in the production of civilian goods, and direct limitation by means of quotas upon output of a few civilian items, notably automobiles, were restricting the supply of consumer durable goods late in the year. These measures were supplemented by the regulation of consumer instalment credit which became effective September 1, and which tend to curb a growing demand for consumer durable goods through tightening the terms of instalment credit. One effect of the measures outlined above has been to lessen demands upon member banks for personal and retail instalment loans, a class of loans that expanded substantially during the first eight months of 1941. Demand for bank credit to finance the purchase or construction of new private dwellings was similarly affected late in the year.

Other monetary measures executed during the year, in addition to the initiation of consumer instalment loan regulation, included an order by the Board of Governors of the Federal Reserve System raising reserve requirements, effective November 1, to the full amount permitted under existing law. In the Twelfth District, the effect of this action was to increase required reserves of member banks by approximately \$100,000,000. In the last half of October, required reserves averaged \$598,100,000, while excess reserves averaged \$322,300,000.

### **Defense Savings Bonds**

Since the December 7 attack on Pearl Harbor, sales of defense savings bonds have increased abruptly. The stimulus of that attack and this country's consequent participation in hostilities have been particularly evident in sales of Series E bonds which are designed to attract the small

investor. Between May 1 when they first became available and December 6, Series E bonds were sold to the amount of \$71,023,000 (exclusive of Post Office sales) in the Twelfth District, the weekly average being \$2,291,000. Total district sales of all other defense savings bonds (Series F and G) during the same period amounted to \$98,595,000. The huge jump in sales of Series E bonds

WEEKLY SALES OF DEFENSE SAVINGS BONDS—TWELFTH DISTRICT  
(in thousands)

	Series E*	Series F	Series G
Average May 1-Dec. 6, 1941.....	\$ 2,291	\$ 731	\$2,449
Week ending Dec. 6, 1941.....	2,651	400	2,656
Week ending Dec. 13, 1941.....	4,290	615	1,557
Week ending Dec. 20, 1941.....	9,013	527	2,210
Week ending Dec. 27, 1941.....	9,699	899	3,410
Week ending Jan. 3, 1942.....	12,188	2,456	3,887
Week ending Jan. 10, 1942.....	14,441	1,793	3,401
Week ending Jan. 17, 1942.....	16,093	900	3,003

\*Excludes Post Office sales.

(exclusive of Post Office sales), which reached \$16,093,000 during the week of January 17, is shown in the accompanying table, together with total current sales of all other defense savings bonds.

One objective of the defense savings bond program is to encourage the public to assist in financing the war effort, and volume of sales is of major significance as an indication of the public's willingness to make funds available to the Government. Another primary objective of the program is to encourage new and additional saving on the part of individuals who will thus voluntarily reduce their own demands for goods that are necessarily becoming scarcer because of national defense requirements. To the extent that bonds are paid for with funds withdrawn from existing savings deposits or with funds that would have been saved whether or not invested in defense bonds this objective is not realized.

### **Loans and Investments**

Loans of district member banks increased \$322,000,000 during the year to total \$2,452,000,000 on December 31, 1941. This was a substantially larger gain than occurred in either of the two preceding years, the increase in 1940 amounting to \$163,000,000 and in 1939 to \$98,000,000. About half the expansion was reported by banks in the larger district cities, a much higher proportion than in other recent years.

Much of the increase in demand for loans originated with customers seeking funds for commercial, industrial, and agricultural purposes. Loans of this character usually decline during the first half of the year, but increased \$74,000,000 this year to \$791,000,000 on June 30. A greater than seasonal increase took place during the last six months of the year, the expansion reported by city banks alone amounting to \$73,000,000. The indicated expansion in loans for commercial, industrial, and agricultural purposes of all district member banks is consequently well over double the increase of \$79,000,000 reported in 1940.

The almost persistent increase in loans for commercial, industrial, and agricultural purposes, evident during the preceding 16 months, was interrupted late in December. In the four weeks ending January 21, these loans reported by city banks declined \$18,000,000.

Loans to finance the purchase and sale of real estate continued to expand through much of 1941 and advances



in the "other" loan classification likewise increased further. "Other" loans, principally personal and retail instalment paper, increased \$44,000,000 during the first half of the year, compared with a gain of \$37,000,000 in the full year 1940. A further increase took place in the succeeding two months, but by the year-end a small decline was evident from the peak attained in the early fall.

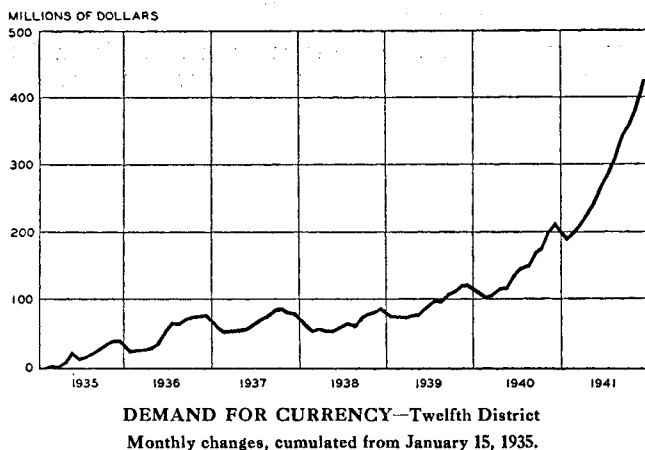
Loans to finance transactions in securities declined slightly further during 1941 and at the year-end were at the lowest levels reached in more than a decade.

The defense, and later the war, effort resulted in large and increasing expenditures by the Federal Government during 1941. The Government's program has been and remains one of raising as large a proportion of funds as possible to meet these expenditures from increased taxes and from the sale of securities to the public rather than to banks. But the needs of the Treasury for funds have not been fully met from those sources and substantial purchases of market issues of securities were made by banks in 1941. Member banks in the Twelfth District added \$257,000,000 to their holdings of United States Government obligations during the year, their total investments in these securities amounting to \$1,738,000,000 at the year-end. These banks increased their holdings of Government securities by \$31,000,000 in 1940 and \$126,000,000 in 1939.

Investments in other classes of securities declined during the year, holdings of obligations of states and political subdivisions decreasing \$31,000,000 to \$397,000,000 on December 31, 1941. A decline of \$13,000,000 in holdings of other bonds, notes, and debentures to \$126,000,000 was also reported.

### Deposits

The large expansion in deposits reported in 1940 was exceeded by a somewhat greater gain in 1941. Adjusted demand deposits increased \$367,000,000 during the first nine months of the year and, while final figures are not yet available for all member banks, indications are that this increase continued unabated during the last quarter



of the year. In 1940, adjusted demand deposits rose \$407,000,000. Time accounts, which had increased moderately in the preceding year, showed practically no change in 1941.

The principal factors contributing to the large expansion in bank deposits in the Twelfth District in 1941 were

twofold. First, the increase in loans and investments discussed in some detail above resulted in additions to the total of these accounts outstanding. The second factor adding to deposits was the large net disbursements of the United States Treasury in the district. These net disbursements totaled \$1,000,000,000 in 1941, substantially larger than the total of \$421,000,000 in the preceding year and the annual average of \$267,592,000 in the years 1935 to 1939 inclusive.

The increase in deposits originating in these two developments was partly offset, however, by several other factors, the most important of which was a large increase in the demand of the public for coin and currency. Net withdrawals of coin and currency from the Federal Reserve Bank of San Francisco totaled \$227,000,000 in 1941. As shown in the accompanying chart, this figure substantially exceeded the increase in circulation in any recent year.

### Reserve Balances

District banking reserves available as a basis for credit expansion continued to increase during the year in marked contrast to the situation in the country as a whole. In 1941 member bank reserve balances carried with the Federal Reserve Bank of San Francisco increased \$176,300,000, while reserve balances of member banks in the United States declined \$1,600,000,000. Factors influencing the reserve position of district member banks are summarized in the accompanying table.

The gain of \$176,300,000 in reserves of district member banks was more than absorbed by the increase in required reserves incident to expanding deposits and the

#### FACTORS AFFECTING TWELFTH DISTRICT MEMBER BANK RESERVE BALANCES, 1940 AND 1941 (millions of dollars)

	1940	1941
<b>FACTORS WHICH INCREASED RESERVES</b>		
United States Treasury Operations.....	421	1,000
<small>The net amount by which Federal Government disbursements in the district exceeded collections.</small>		
Reserve Bank Credit.....	2	4
<small>The amount of increase in credit extended directly in the Twelfth District.</small>		
Total of factors increasing member bank reserves.....	423	1,004
<b>FACTORS WHICH REDUCED RESERVES</b>		
Interdistrict Payments and Transfers of Funds....	148	596
<small>The net amount paid to other districts in settlement of commercial and financial transactions.</small>		
Demand for Currency.....	96	227
<small>The amount by which holdings of cash by banks and the public increased, the cash being obtained by banks withdrawing part of their balances with the Reserve Bank in the form of coin and currency.</small>		
Other Federal Reserve Accounts.....	8	5
<small>The amount of the increase in nonmember bank accounts and other miscellaneous accounts at the Reserve Bank.</small>		
Total of factors decreasing member bank reserves.....	252	828
Member bank reserve balances at the Federal Reserve Bank of San Francisco increased.....	171	176

raise in reserve requirements effective November 1. As a result, excess reserves were somewhat lower at the end of the year than at its beginning. For district member banks as a group, these excess reserves averaged \$226,800,000 in the last two weeks of December, compared with \$255,900,000 in the like period a year earlier.



Summary of National Business Conditions

Released January 21, 1942—Board of Governors of the Federal Reserve System

INDUSTRIAL activity declined less than seasonally in December and the first half of January, retail trade continued in large volume, and prices of many commodities rose further.

PRODUCTION

In December total volume of industrial output declined less than is usual at this season and the Board's adjusted index rose further to 168 percent of the 1935-1939 average. In the armament industries output continued to advance and at machinery plants activity rose sharply, following little change in November. Output of materials, such as iron and steel and nonferrous metals continued at peak levels and lumber production showed less than the usual seasonal decrease. Automobile production declined sharply in the latter half of December, following announcement of sharp reductions in passenger car quotas, but early in January quotas for that month were increased and output rose considerably. Sales of new automobiles to civilians were halted at the beginning of January pending the establishment of a rationing system.

Textile production declined somewhat in December owing to a reduction in activity at cotton mills from the record level reached in November. Output of wool and rayon textiles was sustained at about capacity. Output of manufactured food products and shoe production showed about the customary seasonal declines. Coal output decreased somewhat in December, while petroleum production and mining of nonferrous metals were maintained at the high November rate.

Value of construction contracts awarded in December declined less than is usual at this time of year, according to figures of the F. W. Dodge Corporation. Awards for public projects showed little change, while those for residential construction declined less than seasonally following a considerable reduction in November.

DISTRIBUTION

Volume of retail trade, which had been large during most of the autumn, increased less than seasonally in December. This reflected to some extent a temporary slackening in sales around the middle of the month following this country's entry into the war. In the first half of January sales at department stores showed less than the customary sharp reduction from the Christmas buying peak and were at a level substantially higher in comparison with a year ago than that prevailing in other recent months.

Freight-car loadings of most products decreased by less than the customary seasonal amount in December. Coal shipments declined considerably in the latter part of the month but then increased sharply in the first half of January. Shipments of miscellaneous freight, which includes most manufactured products, were maintained in large volume for this season of the year.

COMMODITY PRICES

Wholesale commodity prices increased sharply when this country entered the war early in December and then showed little change during the latter half of the month. In the first half of January prices again advanced, the principal increases being in agricultural commodities and chemicals.

Federal action to impose maximum prices was accelerated with the outbreak of war and applied on a wider scale to industrial products. Ceilings were extended to products in later stages of production and distribution and in most instances covered consumers goods. Certain of the actions, like those relating to rubber and wool products, were associated with new federal production restrictions. In this period also there were advances in a number of price ceilings established earlier.

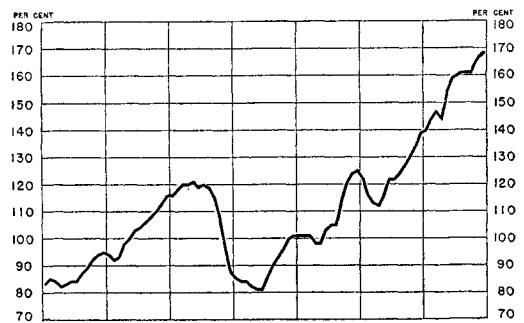
BANK CREDIT

Total loans and investments of banks in leading cities, which had advanced sharply during the first half of December, have subsequently shown little further change.

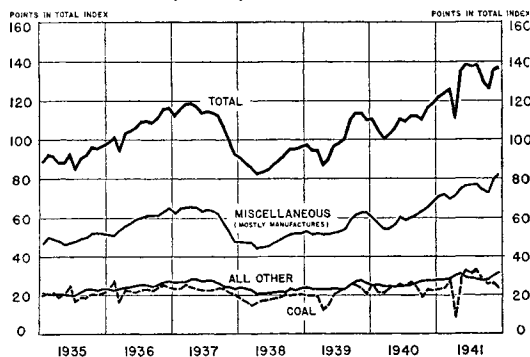
Treasury financing in the middle of December and heavy currency withdrawals during the holiday season absorbed close to 700 million dollars of excess reserves during the month. About 500 million of this was recovered in the first half of January, as the result of a decline in Treasury deposits at the Reserve banks and a return of currency from circulation. Recent changes in excess reserves have been almost entirely at banks outside of New York City.

UNITED STATES GOVERNMENT SECURITY PRICES

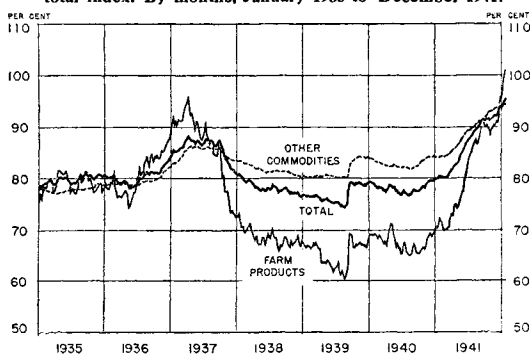
Prices of Government securities were steady in the first half of January, following a decline in December after the entry of the United States into the war.



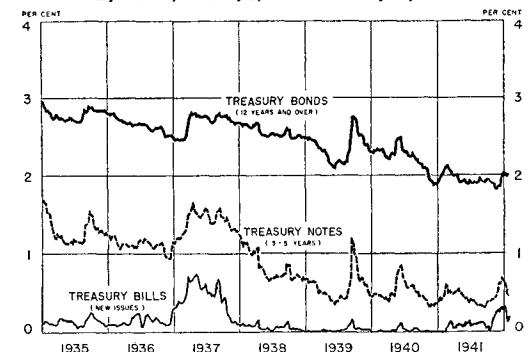
**INDUSTRIAL PRODUCTION**  
Federal Reserve index of physical volume of production, adjusted for seasonal variation, 1935-39 average=100. By months, January 1935 to December 1941.



**FREIGHT-CAR LOADINGS**  
Federal Reserve index of total loadings of revenue freight, adjusted for seasonal variation, 1923-1925 average=100. Subgroups shown are expressed in terms of points in the total index. By months, January 1935 to December 1941.



**WHOLESALE PRICES**  
Bureau of Labor Statistics' indexes, 1926=100. "Other" includes commodities other than farm products and foods. By weeks, January 5, 1935 to January 17, 1942.



**MONEY RATES IN NEW YORK CITY**  
Weekly averages of daily yields of 3- to 5-year tax-exempt Treasury notes, Treasury bonds callable after 12 years, and average discount on new issues of Treasury bills offered within week. For weeks ending January 5, 1935 to January 17, 1942.