

Monthly Review

FEDERAL RESERVE BANK OF SAN FRANCISCO

JULY 1945

Review of Business Conditions—Twelfth District

LITTLE significant change occurred during the first six months of 1945 in the basic forces affecting the economy of the Twelfth District. The downward trend in war industry activity which began late in 1943 was further accelerated by the approaching completion of shipbuilding contracts, cutbacks in aircraft orders, and further closing down of magnesium and aluminum plants. The shrinkage in industrial employment has now persisted practically without interruption for almost two years. Total manufacturing employment in the District, approximately 1.25 millions in June 1945, was substantially back to the level of mid-1942. The decline of about 400,000 persons in two years in manufacturing employment measures almost exactly the overall reduction in the estimated total for all non-agricultural employment since the peak in August 1943. With the exception of mining and the service industries, however, the other large categories of employment have shown some tendency to increase, notably transportation and public utilities, and government services other than military. In California, employment in trade and services rose sharply in the first half of 1945, reaching the highest levels yet recorded.

War industries

Delivery of aircraft by Twelfth District plants in the first half of 1945 was at a slightly higher rate, measured in terms of weight, than during the last quarter of 1944, though considerably below the maximum rate of production which was attained in the first quarter of last year when 7,831 aircraft were turned out with a total weight in excess of 100 million pounds. Though the number of planes delivered in the second quarter of 1945 had fallen to less than 4,000, the average weight per plane continued to increase sharply, reflecting the higher rate of B-29 output, with the result that the total weight of airplanes produced was nearly two-thirds as large as in the maximum quarter. Aircraft employment, on the other hand, which had shown a steadily declining trend since mid-1943 except for a brief period early this year, turned sharply downward in May and at the mid-year was little more than half the figure attained at the peak, about 180,000 as against approximately 315,000 in August 1943.

Shipyards employment, especially in new construction work, declined sharply during the first half of 1945. At the end of June the number of employees engaged in new

ship construction in Maritime Commission yards on the West Coast was approximately 129,000, compared with 258,000 at the beginning of the year and 329,000 at the peak in September 1943. The delivery of vessels was well

AIRCRAFT ACCEPTANCES AND EMPLOYMENT
TWELFTH DISTRICT, 1943-1945

	Quarter	Acceptances (excluding spares)		Average employment (thousands)
		Number	Weight (1,000 pounds)	
1942.....	1	3,788	28,593	198
	2	4,328	38,420	209
	3	4,041	45,717	237
	4	4,954	51,484	271
1943.....	1	5,976	62,547	307
	2	6,470	73,339	312
	3	6,562	78,826	311
	4	7,606	90,749	309
1944.....	1	7,831	100,376	292
	2	7,141	97,548	265
	3	5,622	79,593	247
	4	4,595	63,815	232
1945.....	1	4,687	67,588	231
	2	3,969	65,600	207 est.

Source: U. S. Army Air Forces, U. S. Bureau of Labor Statistics.

maintained, however; 309 ships having an aggregate lightweight tonnage of about 1,437,000 tons were turned over to the Commission as against 272 ships with a tonnage of 1,456,000 tons in the last half of 1944.

Increasingly during the current year, the emphasis in shipyard activity has been diverted from new construction to repair work. A discussion of that subject will be found elsewhere in this issue of the Review.

SHIP DELIVERIES AND EMPLOYMENT OF MARITIME COMMISSION
YARDS, NEW CONSTRUCTION ONLY,
PACIFIC COAST YARDS, 1942-45

	Number of vessels	Lightweight displacement tons (in thousands)	Average employment
1942—1st half	116	424	122
2nd half	252	931	245
1943—1st half	447	1,631	310
2nd half	491	1,992	325
1944—1st half	373	1,677	293
2nd half	272	1,456	273
1945—1st half	309	1,437	193

Source: U. S. Maritime Commission.

Other industries

Production of lumber in the first half of 1945 continued to reflect the acute shortage of manpower. The District output of approximately 6.5 billion feet was some 6 or 7 percent below the average cut during the first six months for the past three years. Mill stocks continued low and at

the end of June were less than 60 percent of the figure for June 1942.

The major part of the demand for lumber during the past few years has been derived indirectly or directly from the requirements of the armed forces for camps, hospitals, supply depots, warehouses, shipyards and war production plants, the housing of civilian war workers, the construction of advanced Pacific bases and reconstruction of harbor facilities, and for boxing and crating equipment and supplies for overseas shipment. These requirements have been on a tremendous scale and the joint Army-Navy lumber procurement agency's backlog of orders outstanding represented in recent months not far from half the total unfilled orders of all the mills in the Twelfth District. The military requirements for personnel, on the other hand, together with the competitive bidding for labor by the shipyards and other war industries, have hampered the lumber industry in getting out the necessary production. Both sides of this equation would be altered by an early ending of the Pacific war. A considerable part of the lumber currently on order would be required in any case, however, for its original purposes and additional quantities will be necessary in hastening the process of reconstruction in war damaged areas.

Petroleum production and refining were among the few basic industries of the District that succeeded in increasing their output during the first half of 1945. Continuing the expansion of the past three years, California petroleum production last fall equalled for the first time the records established in 1929 and pushed into new high levels this year. Crude petroleum output for the first six months of 1945 was about 10 percent above the corresponding months of last year and nearly 20 percent higher than the average production of the three years 1942-1944. Under the stimulus of war requirements the drilling of new wells proceeded at an accelerated pace, 1,147 wells being completed in the first half of 1945 compared with 970 in the first 6 months of last year. Most of the increase was accounted for by the intensive development program in the Elk Hills naval reserve where a production goal of 65,000 barrels per day was being closely approximated by the end of May. Tank car movement of crude oil to California refineries from the midwest was also speeded up and in June for the first time exceeded a million barrels. Gasoline output, reflecting the insatiable demand for military aviation supplies, increased even more rapidly than petroleum production and during the first half of 1945 attained a rate 25 percent above the monthly average for 1942-1944. Large drafts were also made on supplies of heavy fuel oils, the stocks of which in the Pacific Coast area were drawn down nearly 12 million barrels, or more than 40 percent, during the 12 months ending June 30.

District electric power production during the first five months of 1945, although about 5 percent below the extremely high figures for the corresponding months of last year, continued at a level approximately 10 percent above the average daily output for the three years 1942-1944. Towards the end of 1944, power production resumed its

normal seasonal pattern which is characterized by a decline in the autumn and winter months followed by a rise in the spring and summer. This pattern, which was temporarily obliterated by the upsurge of production in 1943, now seems likely to become standard again. Reflecting cutbacks in aluminum production, power output at Bonneville and Grand Coulee averaged about 10 percent below the figures for the corresponding months of 1944. This year as last year, however, the output of these two plants accounted for nearly 25 percent of the total District electric power production.

Distribution and trade

The outstanding feature in the physical movement of commodities in the Twelfth District during the first half of 1945 was the huge volume of railroad traffic and the overseas shipment of military equipment and supplies. The total tonnage of commodities handled was probably at an all time peak. Railroad car loadings, representing freight originated within the District, were on a higher level in the first six months of 1945 than in any corresponding season, while the volume of tonnage brought into the Pacific Coast ports from points outside the District exceeded anything previously known. Together with the large troop movement, this record volume of traffic severely taxed the physical facilities and personnel of the rail carriers.

Retail trade during the first half of 1945 was also maintained at a very high level. Department store sales for the District were less than 10 percent below the record levels established in the last 6 months of 1944. Adjusted for seasonal variation, the index of department store sales was even higher in the first quarter of 1945 than in the final quarter of last year; the April-June quarter showed a reduction of approximately 10 percent.

Agricultural Outlook at Mid-1945

Cash receipts from the marketing of crops for the first five months of the year increased over the comparable 1944 period in all states of the Twelfth District except Utah and Nevada. On the other hand receipts from livestock and livestock products decreased in all District states excepting Nevada. For the District as a whole, receipts from crops increased by 10 percent over last year while receipts from livestock and their products dropped nearly 10 percent. Changes in both crop carryover and in livestock inventories as well as changes in prices and volume of current production have been a factor in the changing volume of farm income.

Since 1939, District farm production gains have been general, the largest gains having been in vegetables, food grains, and poultry products. Agricultural employment has decreased in all parts of the District except California; in fact the situation in that state runs contrary to that in all other farming areas of the country. In all sections of the Twelfth District, production gains have been realized from a steadily increasing output per farm worker during

the past three years. Serious market shortages continue in some of the most important farm products, notably beef, hogs, eggs, and chickens. These shortages are due in part to a sustained high rate of consumption caused by military needs, war relief and the maintenance of a high level of employment in industry.

During the month ending June 15 prices received by farmers jumped to the highest level since 1920 and this level was maintained during the succeeding month. Farm product prices increased from 200 percent of the 1909-14 average in May to 206 percent of this base in June and July. This is 14 points higher than in July a year ago. The year's price increases were most marked in the case of meat animals, eggs, and truck crops. For the latter, prices rose sharply in June, declined less than usual during July and remain much higher than a year ago. The prices of those farm products that farmers buy, such as feed grains and hay, have tended to become lower. Farm products as a whole are now selling at 119 percent of parity. Among the "basic" commodities only wheat, cotton and peanuts were below parity on July 15th, and among the other supported commodities only barley, grain sorghums, flaxseed and rye were selling at below parity. Among the commodities not receiving price support, average prices paid were below parity for only two feed crops, oats and hay; one fruit, lemons; and three classes of livestock, sheep, horses and mules.

Twelfth District crop production estimates for 1945

As of July 1, 1945 crop production in the Twelfth District is expected to compare favorably with the excellent records of the last three years. For the country as a whole the outlook for field and truck crops is generally favorable, though drought in some sections and excess rainfall in others have reduced prospective production. In the East and Middle West, expected fruit crop yields are a small percent of normal as a result of an exceptionally warm March followed by freezing weather in May. In the Twelfth District, however, fruit as well as field and truck crops are generally in excellent condition. Unfavorable spring weather retarded the growth of many crops, but warm weather in June largely compensated for the earlier adverse conditions.

Twenty-seven of the crops grown in the Twelfth District had a District farm value of more than 15 million dollars each in 1944. Estimates of the 1945 production of these same crops by states, together with Twelfth District production statistics for comparison, are given in the accompanying table.

Current estimates indicate a total District wheat output of 148,767 thousand bushels this year, the largest on record. Total wheat production in the United States this year is forecast at 1,129 million bushels, also the largest on record. The 1945 production of tame hay in the Twelfth District is expected to be above average in all

JULY 1 PRODUCTION ESTIMATES FOR 1945 BY STATES, 1944 PRODUCTION AND 1934-43 AVERAGE PRODUCTION
LEADING AGRICULTURAL CROPS—TWELFTH DISTRICT
(in thousands)

Field Crops	Unit	Estimates for 1945							1944	10 yr. av.	
		Calif.	Oregon	Wash.	Arizona	Idaho	Nevada	Utah	12th Dist.	12th Dist.	
Hay, tame	tons	5,763	1,758	2,073	750	2,241	352	1,090	14,027	13,433	12,034
Wheat, all	bu.	10,317	24,695	74,420	550	31,389	491	6,905	148,767	136,205	112,789
Potatoes, white	bu.	36,485	10,800	12,255	1,235	41,710	661	2,992	106,138	95,256	66,629
Barley	bu.	40,122	7,475	7,790	2,584	12,384	840	6,975	78,170	79,133	56,375
Cotton ¹	bales	385	—	—	135	—	—	—	520	463	609
Beans, dry	bags	3,967	11	44	66	1,665	—	24	5,777	6,104	6,494
Peas, dry	bags	—	442	3,400	—	1,912	—	—	5,754	7,946	3,374
Hops	lbs.	14,850	17,910	21,996	—	—	—	—	54,756	47,695	39,240
Oats	bu.	4,950	9,392	7,360	403	7,120	280	2,132	31,637	33,852	29,388
Rice	bu.	16,884	—	—	—	—	—	—	16,884	14,400	9,656
Sugar beets	tons	1,615	—	—	—	810	—	429	2,854	2,211	3,326
Fruit Crops											
Grapes	tons	2,598	2	18	1	1	—	1	2,621	2,536	2,271
Oranges	boxes	58,500	—	—	1,150	—	—	—	59,650	53,066	41,922
Apples	bu.	8,715	2,736	25,160	—	2,407	—	371	39,389	43,205	41,544
Peaches	bu.	31,128	488	2,581	15	405	3	810	35,430	38,614	26,375
Pears	bu.	12,793	4,592	8,466	5	73	3	204	26,136	23,691	20,132
Prunes	tons ²	530	99	27	—	25	—	—	681	508	657
Apricots	tons	180	—	25	—	—	—	9	214	355	216
Lemons	boxes	12,800	—	—	—	—	—	—	12,800	11,038	10,970
Cherries	tons	32	22	33	—	2	—	6	95	85	73
Nut Crops											
Walnuts	tons	57	6	³	—	—	—	—	63	69	57
Almonds	tons	23	—	—	—	—	—	—	23	21	14
Truck Crops											
Lettuce	crates										
Winter		3,700	—	—	2,520	—	—	—	6,220	6,890	4,807
Spring		4,977	181	259	3,465	75	—	—	8,957	8,340	6,367
Summer		4,598	—	—	—	—	—	—	4,598	4,809	3,462
Tomatoes	bu.										
Spring		825	—	—	—	—	—	—	825	842	631
Summer		1,632	282	484	—	—	—	85	2,483	2,223	2,132
Carrots	bu.										
Winter		3,375	—	—	1,500	—	—	—	4,875	4,569	2,661
Spring		3,596	—	—	1,134	—	—	—	4,730	4,097	3,247
Cantaloups	crates										
Spring		2,355	—	—	—	—	—	—	2,355	2,228	2,415
Early Summer		—	—	—	1,680	—	—	—	1,680	1,469	1,219
Mid-Summer		4,388	—	222	—	—	—	—	4,610	3,450	2,042
Asparagus	crates										
Early Spring		6,212	88	1,448	—	—	—	—	7,748	8,292	7,496

¹August 1 estimate. ²Fresh basis. ³Less than 500 tons.

states except Nevada. Although the most valuable District crop, less than one-third of the hay crop is sold from the farm where it is produced.

Among other important field crops, potato production is expected to be particularly large this year. In California, nearly twice the average crop is expected, and the output in Idaho will probably be 40 percent above average. Hops, grown commercially only in the three Coast states, will probably yield the largest tonnage since estimates were first made 30 years ago.

The production of some important District crops including cotton, field beans, sugar beets, apples, and apricots, is expected to be below average. Cotton production in the District is expected to be only 85 percent of the 10-year average. Of all the cotton producing states in the country, California alone will produce more this year than in 1944, but even in California the 1945 crop estimate is less than the 10-year average. Reduced bean production is expected in varieties other than limas. Sugar beet production, while expected to exceed that of last year, will still be well below average because of the more favorable market for crops which compete for beet land.

The Nation's apple crop is expected to be at a record low in 1945. Only in the western states is a fair crop in prospect, and California is the only important apple producing state in which the 1945 estimate of production is above the 10-year average. A small apricot crop for 1945 follows the extra large crop of last year.

Output of all the leading truck crops of the District is expected to exceed the 10-year average. District production of asparagus is above average, with an increase in Washington more than offsetting a small decrease in California. Fall truck crop production has not yet been estimated.

Favorable moisture conditions and good growing weather are largely responsible for the prospective heavy crop yields in the District this year. Increased plantings have been induced by the favorable price prospects resulting from strong wartime demand, supplemented by government price supports in many cases.

1945 Price Supports for Fruit for Processing

The Monthly Review for April 1945 contained the 1945 price support program for all supported farm commodities except fruits for canning, freezing, and drying. Average price supports for the 1945 crop of California fruit, since announced by the War Food Administration, are shown in the following table :

	Per ton
Apricots, for canning and freezing.....	\$ 89
dried	560
Cherries, for canning and freezing.....	233
Peaches, clingstone, for canning and freezing.....	60
freestone, for canning and freezing.....	54
clingstone, dried	330
freestone, dried	440
Pears, for canning and freezing.....	73
dried	330
Plums, for canning	60
Prunes	203
Raisins, Thompsons and Sultanas	190
Muscats	205

Support prices for fruits for canning or freezing take the form of a Government offer to purchase the processed commodity from the processors at guaranteed prices, provided the processor buys the raw material from the farmer at support prices. The guaranteed prices are used by the OPA in constructing processors' ceiling prices. When a processor pays the grower less than the average support price, his ceiling on the processed commodity is lowered by being based on the actual average prices which he does pay for the raw commodity.

The grower support prices for apricots for canning and freezing vary from \$65 to \$100 per ton, according to the size of the fruit and the district in which it is grown, and averages \$89 per ton in California. The average is \$10 per ton lower in Washington and Utah, where a small amount of apricots is produced. The support prices for California cherries for processing vary by grade and district. In other states the average prices are \$225 per ton for black and \$215 for white cherries. Sour cherries, for canning and freezing, not produced commercially in California, are supported at an average price of \$160 per ton in other states in the Twelfth District, except in Washington and Northern Idaho, where the price is \$165 per ton. The support price for California freestone canning peaches shown in the table applies to the Elberta and Hale varieties. In Oregon and Washington the average support price for number one freestone canning peaches is \$62; in other western states it is \$60 for all grades. Freestone peaches comprise less than 10 percent of the annual canned peach pack in the District. Practically all of the other 90 percent consists of clingstone peaches raised in California. Support prices for California canning pears of both Bartlett and winter varieties vary from \$59 to \$78 per ton according to the district in which grown.

Support prices for dried fruit are made effective by the offer of the Government to purchase direct from the growers rather than through the processors as in the case of fruits for canning or freezing. Although the support prices in the above table apply in all states, production of dried fruits is confined substantially to California. Dried Bartlett pears from Lake County, California are supported at \$360 per ton, compared with the average of \$330 for all other localities as given in the table above.

Raisin prices are supported through the Government's guarantee to growers to purchase at specified prices any 1945 raisins still unsold on October 1, 1946. Growers' support prices for raisins for 1945 are \$10 per ton higher than in 1944 for the varieties listed in the table.¹ The prices shown apply to the natural raisins; they range from \$210 to \$257 for the special bleached varieties, which are not an important part of the total pack. There is no ceiling price on sales of raisins by growers. Packers may sell to the Government at a price covering the support price to growers plus a packers' allowance. Packers' sales for civilian use must be at or below established ceiling prices (\$118 for Thompsons and Sultanas). The Government

¹ All restrictions on the use of raisin grapes for other than drying for raisins have been removed. See Monthly Reviews for October and November 1944, for details of 1944 program.

purchases raisins for civilian use from packers at the support price plus the packers' margin and resells to the packers at the ceiling price. This is similar to the purchase and resale operations which were in effect in 1943 and 1944.

For prunes, the growers support price is made effective by the same methods as for raisins. Packers must buy at support prices or higher in order to qualify for military and other government business. The announced basic

support price is \$190 per ton for prunes sized 80 to the pound grown in Santa Clara, Sonoma and Napa counties, California, where the bulk of the crop is produced, and \$185 for those grown elsewhere. Since California prunes average larger than 80's and the support price is more for larger prunes the estimated average support price is greater than the basic prices. Current actual prices for the 1945 crop are above support prices.

The Ship Repair Labor Problem on the Pacific Coast

FOR more than a year shortages of skilled workmen in ship repair yards on the Pacific Coast have hampered repair work, particularly for naval vessels. In spite of steadily declining employment in privately operated ship construction yards, which might be supposed to have released considerable numbers of qualified workmen, such shortages persist. In recent months criticism has been especially insistent with respect to the lack of sufficient repair workers to staff the navy yards at the desired manning schedules. With the stepping up of hostilities adjacent to the Japanese homelands an increasing number of naval combat vessels have come within bombing range of enemy aircraft and many have suffered extensive damage. It is also true that the longer the war continues the greater is the need for routine overhauling of ships of all kinds on which maintenance work can not be delayed indefinitely. With the shifting of the major war effort to the Pacific, the ship repair situation in this area has now become critical.

Naval repair facilities

In planning its repair program in the Pacific area the Navy has not only greatly augmented its facilities at the various navy yards on the mainland and in Hawaii, but has also established repair facilities at advanced Pacific naval bases and in addition has supplied the fleet with a large number of repair ships of novel design and with new types of floating drydocks. Some of these repair ships are essentially floating machine shops and carry complete stocks of spare parts and repair materials; others are designed for the servicing of particular types of warships, such as destroyers or submarines. One ingenious type of repair ship, the so-called auxiliary repair drydock, while having the general lines and appearance of a ship, is in effect "a shell of a ship," without decks in the usual sense but having an open well into which vessels of small or moderate size can be admitted by lowering a hinged stern; the repair ship can then be lifted by pumping out water, thus acting as a floating drydock. Still other types of large floating drydocks have been built in sections and then towed across the Pacific and assembled at points determined by strategic and other military considerations. Some of these floating drydocks are capable of docking almost any warship, except those of the very largest size. They can be used for making emergency repairs to ships' hulls and perhaps for installing certain parts, such as pro-

pellors, or for repairing rudders and shafts, or cleaning fouled bottoms. In conjunction with the new types of repair vessels, they have proved to be a highly useful and mobile facility in providing for the emergency requirements of the fighting fleet and its auxiliaries. All these facilities have obvious limitations, however, and at best can only supplement rather than replace the work of the permanent shore installations.

The main reliance of the fleet for substantial repairs has continued to be the Government navy yards, especially those on the mainland, which have permanent graving and outfitting docks, material handling equipment, extensive machine shops, foundries and other manufacturing facilities, and where large stocks of materials and spare parts as well as a balanced and well organized force of skilled mechanics, helpers and laborers are maintained. Up to about the time of the outbreak of war with Japan, the navy yards on the Pacific Coast were two in number—the Mare Island yard at Vallejo on an arm of San Francisco Bay, and the Puget Sound yard at Bremerton near Seattle. While both these yards did a certain amount of new construction, Mare Island specializing on submarines and Puget Sound on destroyers, their basic reason for existence was to make periodic routine overhaul of the units of the Pacific Fleet. Each yard has drydocks capable of handling vessels of the largest size and is well equipped with miscellaneous manufacturing and machine shop facilities, storage yards and warehouses. Both yards have been greatly enlarged during the war and have engaged in important construction as well as repair work.

Banking and Credit—

Condition items of weekly reporting member banks	Averages of Wednesday figures (millions of dollars)			
	June	1945 May	Change from Apr.	1944 June
Total loans	1,050	+ 78	+ 68	+ 92
Com'l, ind., & agric. loans	486	+ 6	+ 3	+ 19
Loans to finance transactions in:				
U. S. Government securities	118	+ 69	+ 65	+ 62
Other securities	46	+ 2	- 5	+ 5
Real estate loans	291	0	- 3	+ 6
All other loans	109	+ 1	+ 8	+ 12
Total investments	5,198	+164	+ 89	+1,034
U. S. Government securities	4,805	+151	+ 75	+1,024
All other securities	393	+ 13	+ 14	+ 60
Adjusted demand deposits	3,141	- 65	- 53	+ 351
Time deposits	1,838	+ 28	+ 53	+ 373
United States Government deposits	824	+271	+128	+ 267
Coin and currency in circulation				
Total (changes only)	—	+ 53	+116	+ 701
Fed. Res. Notes of F. R. B. of S. F.	2,917	+ 50	+112	+ 675
Member bank reserves	1,781	+ 23	+ 64	+ 266

Extensive additional navy repair yards have been established on the Pacific Coast since the outbreak of the war. The most important of these are the new drydocks at Hunters Point, San Francisco, and the Roosevelt Naval Base at East San Pedro, Los Angeles Harbor. Large permanent graving docks have been constructed at both these sites, together with shops, warehouses, and auxiliary facilities. There is also an important, though smaller repair yard at the San Diego destroyer base, and miscellaneous installations for repair of small craft are located at Treasure Island in San Francisco Bay.

The rapid expansion in the Government navy yards on the Pacific Coast during the past five years is indicated by the following table showing the volume of employment in the four leading establishments at the beginning of each quarter from 1941 to date:

	1941	1942	1943	1944	1945
First quarter	25,600	43,200	67,500	78,300	95,400
Second quarter	29,300	51,900	66,900	84,200	100,200
Third quarter	32,500	62,300	75,500	83,800	100,000
Fourth quarter	36,800	65,500	74,300	88,800	

Source: War Manpower Commission, San Francisco Regional Office.

Conversion of private yards to repair work

In addition to the Navy establishments, privately operated drydocks and repair yards are a regular feature of practically every important seaport on the Pacific Coast. At San Francisco Bay, for example, two of the oldest established shipyards are well equipped to do an extensive ship repair business and a large number of vessels have undergone repairs at these plants during the past three years; a large Seattle drydocking yard has been similarly occupied. Two of the older yards at Los Angeles harbor have drydocking facilities and the Navy has installed extensive new drydocks at a large Tacoma yard that was taken over early in the war and converted to specialized naval construction. Numerous other concerns, some of considerable size, are equipped to perform routine overhauling and maintenance work.

Furthermore, it has been part of the overall defense plan, worked out by the Navy and the Maritime Commission, that as many privately operated shipyards as possible on the Pacific Coast be converted to ship repair work, as the volume of new ship construction, especially in the large Maritime Commission yards, passed its peak and entered a declining phase. Floating drydocks have recently been installed at a number of such plants, two at an Oakland yard, one at Portland, one at Seattle, and another, it is reported, is to be installed at Wilmington. Two of the five construction basins in which large transports have been built at Richmond are currently being lengthened and deepened to accommodate vessels up to a draft of 30 feet in anticipation of ship repair work. In addition, repair work not requiring dry docking has been assigned to other ship construction yards at all the important shipbuilding centers along the Pacific Coast and some 300 million dollars worth of new naval construction work, which was originally scheduled for the Pacific Coast, has been transferred to yards on the East Coast in order to release facilities in this area for ship repairs.

Wage policy of navy yards

One of the factors contributing to the difficulty of manning the Pacific Coast navy yards appears to be the somewhat lower scale of pay prevailing in the Government establishments as compared with the privately operated yards. As far back as 1862 Congress directed that wages in navy yards must conform generally with those prevailing in the respective communities in which the yards were located. That this mandate continued to have some effect is indicated by the results of a survey of shipyard hours and earnings made in August 1936 by the United States Bureau of Labor Statistics. At that time the highest average rates of pay among the 8 navy yards were found on the Pacific Coast, with the Mare Island yard in the lead and the Puget Sound yard ranking next in order, while the lowest rates were found among yards on the South Atlantic Coast. The lack of private shipyard development on the West Coast at that time makes comparison of navy yard and private yard wages impracticable for this region; on the Atlantic Coast, average hourly earnings in navy yards in 1936 exceeded earnings in private yards by about 15 percent; navy yard rates were higher than those in the private yards in all major classifications except apprentices. By 1938 the spread between workers' earnings in navy yards and in private yards had been considerably narrowed and, according to the Bureau of Labor Statistics, probably did not average more than 5 cents per hour in favor of the navy yards. No comparable survey of relative wage levels in navy yards and private shipyards has been published during the war years, but there is ample evidence that the marked increases in rates of pay which have occurred in private shipyards since 1940 were not entirely matched by corresponding wage increases in the navy yards. As a consequence, basic hourly rates of pay for comparable occupations are now somewhat lower in the navy yards than in private yards and this is reputed to be an obstacle to the recruitment of skilled workmen in the naval establishments.

Current remedial measures

Recent statements by high ranking naval officials, including the Secretary of the Navy and the Commander-in-Chief of the Pacific Fleet, indicate that the situation with respect to repairs on combat vessels has reached a critical stage. Badly needed warships were clogging the

Distribution and Trade—

Index numbers, 1935-39 daily average=100	With seasonal adjustment				Without seasonal adjustment			
	1945		1944		1945		1944	
	June	May	Apr.	June	June	May	Apr.	June
Department store sales (value)								
Twelfth District	233	234	219	210	215	218	205	193
Southern California	239	249	224	217	219	230	208	199
Northern California	220	217	205	193	202	201	189	178
Portland	211	214	209	209	200	201	197	198
Western Washington	282	282	260	243	259	259	250	223
Eastern Washington and Northern Idaho	208	200	198	195	194	193	186	182
Southern Idaho and Utah	225	202	217	204	209	209	201	190
Phoenix	272	246	243	236	232	254	255	207
Carloadings (number) ¹								
Total	116	121	114	116	125	121	110	123
Merchandise and misc.	134	143	137	132	142	135	129	140
Other	94	92	85	96	104	103	87	100

¹1923-25 daily average = 100.

repair yards, it was said, while shipyard workers, concerned with establishing themselves in secure postwar jobs, were reported to be leaving the yards "in alarming proportions." Shortages of as high as 20,000 ship repair workers were indicated for the Pacific Coast area. 15,000 of whom were said to be needed in the San Francisco district alone. The need was so acute that the National Selective Service System on May 23 took the unprecedented step of granting blanket draft deferments to nine categories of skilled workmen employed in Pacific Coast ship repair yards. The occupations included in the order are those of machinists, electricians, sheet metal workers, boiler makers, pipe-fitters, coppersmiths, riggers, ordnance men, and instrument repairmen. At the same time the Production Executive Committee, an inter-agency group headed by the chairman of the War Production Board and concerned with procurement problems, accorded a "No. 1 urgency" priority rating to West Coast ship repair yards. This, in effect, amounts to a directive to the local manpower authorities to establish the highest priority for ship repair yards in the referral of labor to employers through the United States Employment Service. The War Manpower Commission took the unusual step of granting clearances for the transfer of qualified workers from other essential industries to ship repair yards, although ordinarily transfers from essential industries are not permitted. The Navy Department also announced that it would pay the transportation and subsistence of skilled workmen recruited in other areas for employment in West Coast navy yards and has taken steps to provide them with adequate housing accommodation on the condition that they remain at least six months.

Whether these various measures will be effective in remedying the shortage of skilled ship repair workers remains to be seen. Probably the basic root of the difficulty is the lack of an adequate supply of really skilled journeymen in the true sense of the term, growing out of the general industrial stagnation of the thirties and the backwardness of apprenticeship arrangements and other methods of training up to the outbreak of the war. The subsequent rapid expansion of shipbuilding in this area with its emphasis upon mass production methods and upgrading of

relatively inexperienced workmen has not yet made good the fundamental deficit of skilled mechanics relative to the greatly increased demand resulting from a flood of ship repair work, which is additional to the requirements of the ship construction industry itself and of other war industries. The operation of the selective service system, largely left to the discretion of the local draft boards, has also tended to reduce the available supply of skilled workmen of the types now urgently needed. Stimulated by criticism in Congress and elsewhere, investigation into the hiring and wage policies of the Government navy yards has been promised by responsible procurement officers; this may result in some improvement of current employment practices. The allocation and scheduling by the Navy of repair work to privately operated shipyards also seems to admit of improvement; there has been more or less complaint, both by shipyard managers and by spokesmen for the labor unions, that promises of repair assignments have been made by the Navy again and again and the actual work has not been forthcoming. This of course tends to general unsettlement of yard organization and makes it difficult to keep workmen on the job.

Recent expansion of ship repair employment

The national campaign undertaken to relieve the shortage of workers in Pacific Coast repair yards has at least succeeded in easing the situation. Since March of this year, when employment figures on ship repairs were first published, there has been a fairly steady upward trend in the number of repair workers, with some tendency to acceleration in recent weeks in the case of the privately operated shipyards. On March 15, the major West Coast yards, including the navy yards, reported about 120,000 employees as engaged in repair work. By the middle of May the number had increased to around 135,000 in 40 larger shipyards, including 90,000 in the navy yards. At the end of June not less than 60 shipyards were engaged in ship repairs and approximately 175,000 workmen were reported in repair work, which represented about two-fifths of all shipyard employment at that date. During June and July the War Manpower Commission's recruitment efforts brought a total of more than 10,000 additional workmen into the naval repair yards from outside the three Pacific Coast states. More than half the total number of repair workers are still accounted for by the four larger navy yards, though an increasing number of commercial yards are converting their facilities to repair work. The heaviest concentration of ship repairs is in the San Francisco and Puget Sound areas, where approximately 60 percent and 50 percent, respectively, of all shipyard workers in those areas, were in repair work on July 1. At the opposite extreme is the Portland-Vancouver area, where at the same date the proportion was less than 10 percent, while in the southern California area the proportion was about 25 percent. With the approaching rapid termination of new ship construction, both the aggregate number and the proportion of total shipyard workers employed in repair and conversion work can probably be expected to increase.

Production and Employment—

Index numbers, 1935-39 average=100	With seasonal adjustment				Without seasonal adjustment			
	1945		1944		1945		1944	
	June	May	Apr.	June	June	May	Apr.	June
Industrial production¹								
Lumber	117	113	r117	131	134	130	r120	149
Refined oils ²	—	—	—	—	263	265	244	225
Cement ²	—	120	116	119	—	126	122	135
Wheat flour ²	173	173	169	153	152	152	149	134
Petroleum ²	—	—	—	—	143	143	139	128
Electric power ²	429	434	418	—	—	437	428	448
Factory employment and payrolls³								
Employment								
Twelfth District	—	240	251	284	—	240	251	r284
California	261	275	289	r335	261	275	289	r335
Pacific Northwest	—	201	207	224	—	200	206	223
Oregon	—	169	173	193	—	170	175	194
Washington	—	221	228	243	—	218	225	240
Intermountain	—	118	124	121	—	119	121	124
Payrolls								
California	547	573	605	691	550	576	605	r695

¹ Daily average.

² 1923-25 average = 100.

³ Excludes fish, fruit, and vegetable canning.

r Revised.

Labor disputes in ship repair yards

Probably to a greater extent than any other industry on the Pacific Coast, the repair branch of shipyard work has been plagued by labor disputes. Many of these disputes have been occasioned by jurisdictional conflicts between the various craft unions of the A. F. of L. or between the A. F. of L. and the newer C. I. O. unions, though controversies concerning overtime hours and relative rates of pay in repair work as compared with new construction have also caused work stoppages and delays in getting out the ships. A differential of approximately 12 percent in basic hourly wage rates in favor of ship repair work as against new construction has prevailed in the privately operated shipyards in the San Francisco and northwestern areas since April 1941.¹ Attempts to extend the repair differential to the southern California yards were denied by the War Labor Board until June of this year, partly because of representations by the Government procurement agencies that the existence of the differential in the northern areas and the resulting controversies over its application had operated to interfere with the effective prosecution of the war.

Special wage allowance for ship repair work as opposed to new construction was originally justified on the ground of its more exacting requirements, demanding special

skill and frequently involving dangerous and dirty working conditions, and its greater irregularity. During the rush of repair and conversion work of the past few years, however, the latter basis of justification for the differential has largely disappeared. Furthermore, disputes as to the proper classification of "repair" work as opposed to "new construction" and attempts by labor unions to compel the payment of the differential for conversion work on new ships or for special installations made after original completion and acceptance of the vessel but prior to actual entry into service have occasioned numerous work stoppages and serious delays in the completion of new ships. This situation has been particularly prevalent in the San Francisco Bay area, where repair work and new ship construction are frequently performed in the same yard and where labor unions have traditionally been strongly entrenched. Amendments to the general shipyard working agreements were approved by the War Labor Board in November 1944 that had the effect of substantially recognizing the labor representatives' point of view in the definition of ship repair work in the San Francisco and North Pacific areas. In June of this year the Board modified its previous position as to the application of the repair differential in southern California and permitted its extension to three large and eleven small yards in that area, with strict limitation to actual repair work, however, specifically excluding conversion work on new ships from the category of ship repair.

¹No similar differential between rates for repair work and for new construction exists in the navy yards.



National Summary of Business Conditions

Released July 26, 1945—Board of Governors of the Federal Reserve System

PRODUCTION and employment at factories declined somewhat further in June reflecting mainly reduced output of munitions. Value of department store sales in June and the early part of July were considerably above year-ago levels.

INDUSTRIAL PRODUCTION

Industrial production declined about 2 percent in June and the Board's seasonally adjusted index was 222 percent of the 1935-39 average as compared with 226 in May and 235 in March of this year. Reduced activity in munitions industries accounted for most of the decrease.

Steel production in June and the first three weeks of July was down 7 percent from the May level, and was 5 percent below the corresponding period a year ago. Output in the nonferrous metal industries also declined, particularly at fabricating plants, due primarily to the large drop in military demand for most aluminum and copper products.

Production of most nondurable goods showed little change in June. Civilian supplies of some of these goods such as butter and tobacco products have increased in July as a result of reduced military purchases. Distilleries have been permitted to produce beverage alcohol in July.

Output of minerals rose 5 percent in June, reflecting mainly a large rise in coal production to the highest rate since last November. Crude petroleum production continued to increase, reflecting even greater military demand for some petroleum products for the Pacific war than for the two-front war prior to VE Day.

Contracts awarded for most types of privately-owned construction increased considerably in June. The total value of private awards was three times as large as the very low level prevailing in 1944, while awards for Federal construction were generally smaller than last year.

DISTRIBUTION

Department store sales, which usually decline from May to June, increased this year and the Board's seasonally adjusted index rose from 187 to 201 percent of the 1935-39 average. Sales in June were 15 percent larger than a year ago and in the first half of July were 23 percent larger than in the corresponding period last year.

Freight carloadings were generally maintained in June and the early part of July. Shipments of manufactured products, however, declined somewhat and, allowing for seasonal changes, were about 5 percent below the first quarter average. Loadings of coal in June and the first two weeks of July were above the reduced level prevailing in April and May.

COMMODITY PRICES

Prices of wheat and of fruits and vegetables declined somewhat from the middle of June to the third week of July reflecting chiefly seasonal increases in supplies. Prices of most other farm products showed little change after reaching a new peak for the wartime period on June 15.

Steel scrap prices, which had declined somewhat in May, increased to ceiling levels in the latter part of June and prices of most other industrial materials were maintained at ceiling levels.

AGRICULTURE

Production prospects for most major crops were generally favorable on July 1. Cotton acreage reported in cultivation, however, was 10 percent smaller than last year, and prospective corn production this year was indicated on July 1 to be 17 percent smaller than last season's large harvest.

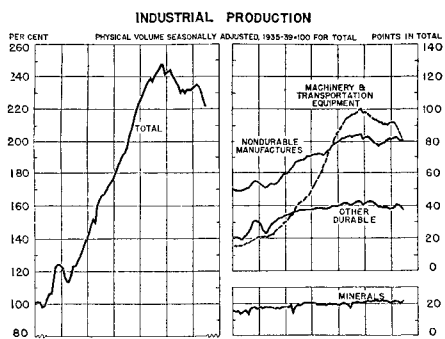
Milk production continued at a record level in June. The number of young chickens on farms has increased rapidly this spring and on July 1 was 11 percent greater than on the same date in 1944. Marketings of cattle and sheep were larger in June than in the same period last year, while the number of hogs marketed continued to be much less than in 1944.

BANK CREDIT

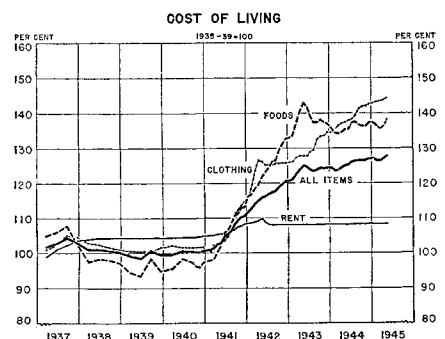
Reporting member banks in 101 leading cities increased their holdings of U. S. Government securities by 4.5 billions of dollars in the eight weeks ending July 11, which period included the major portion of the Seventh War Loan Drive. This amount corresponds closely to increases for comparable periods of the two previous drives. During the seventh loan banks added substantially to their holdings of bills, certificates, and notes, and they have also continued to increase their holdings of bonds.

Loans for purchasing and carrying Government securities extended to customers other than brokers and dealers by weekly reporting banks increased 1.6 billions during the four weeks ended June 27, in contrast to 1.1 billions during the comparable period of the sixth drive, and 1.3 billions in the fifth. Loans to brokers and dealers for purchasing or carrying Government securities started increasing somewhat earlier and expanded more than in preceding drives. Both categories of these loans at their peaks were above high points reached in previous drives. Declines in these loans began in July.

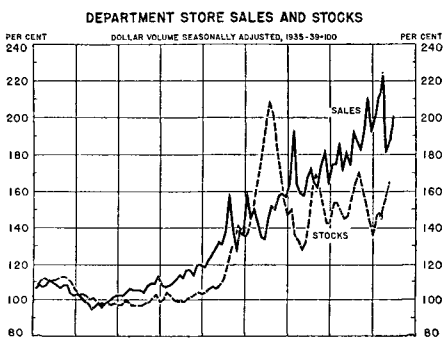
Excess reserves expanded more and reached a higher level than in any drive since the Third War Loan Drive in September 1943. Owing to the great success of the seventh loan in obtaining subscriptions from non-bank investors, the shift of funds from deposits subject to reserve requirements to reserve-exempt United States Government deposits and the consequent decline in required reserves were larger than usual. Member banks used a part of the funds thus made available to pay off borrowings at Reserve Banks, which had risen to a high level of over 900 million dollars in June. Reserve Bank holdings of Treasury bills showed less decline during and following the seventh loan than at the time of the previous drive. Holdings of certificates and notes continued to increase.



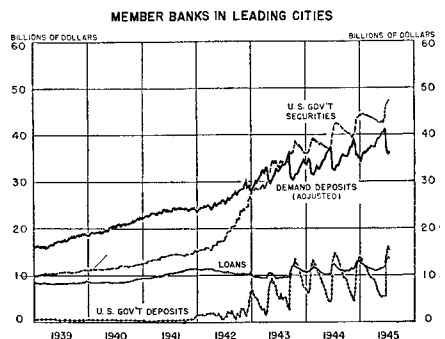
Federal Reserve indexes. Groups are expressed in terms of points in the total index. Monthly figures, latest shown are for June.



Bureau of Labor Statistics' indexes. Last month in each calendar quarter through September 1940, monthly thereafter. Mid-month figures, latest shown are for May.



Federal Reserve indexes. Monthly figures, latest shown are for June.



Demand deposits (adjusted) exclude U. S. Government and interbank deposits and collection items. Government securities include direct and guaranteed issues. Wednesday figures, latest shown are for July 11.