MONTHLY REVIEW

TWELFTH FEDERAL RESERVE DISTRICT

FEBRUARY 1949 FEDERAL RESERVE BANK OF SAN FRANCISCO

INDUSTRY AND TRADE IN 1948

INDUSTRY in the Twelfth District continued to expand in 1948. Employment surpassed any previous peacetime year, and averaged 3 percent over 1947. Many new plants were added and others expanded. New productive facilities became available for finished steel products, steel ingots, electrical machinery, farm machinery, and many other industrial products. The flow of goods and services in most lines was at record levels.

In contrast to earlier postwar years, however, demand began to weaken in some lines, especially in the last three months of the year. Lumber prices, principally for lower grades, declined and lumber production dropped more than seasonally at the year end as stocks began to accumulate and exceptional weather conditions forced early shutdowns. The housing market began to soften. The movie industry was faced with reduced markets at home and abroad. Shipbuilding activity continued to decline. Some apparel lines experienced marked seasonal fluctuations for the first time in several years. At the year end a drop in nonagricultural employment and reduced activity in some industries also indicated that marked seasonal movements in business activity may again be a force to reckon with now that supplies are becoming sufficient to fill the industrial and trade pipe lines. Retail trade, although higher for the year as a whole than in 1947, was weaker in October and November than a year earlier, but recovered to about year-ago levels in December.

INDEXES OF INDUSTRIAL PRODUCTION—TWELFTH DISTRICT
(1939=100)

Industrial production	1940	1941	1942	1943	1944	1945	1946	1947	1948[1]
Copper	118	133	154	157	140	112	89	133	126
Lead	116	116	121	107	96	84	73	101	112
Zinc	146	159	168	171	191	185	170	207	209
Silver	104	102	88	68	56	46	39	60	63
Gold	105	103	75	35	29	25	30	43	43
Coal	105	118	153	161	163	160	140	169	156
Iron ore	115	145	148	599	839	765	569	1157	1131
Steel ingots	118	134	156	205	301	295	247	391	441
Aluminum[2]	0	43	100	197	216	130	94	165	187
Petroleum	100	103	111	127	139	146	140	148	151
Refined oils	101	107	113	132	147	156	144	155	159
Natural gas	101	109	115	127	134	155	140	155	164
Cement	109	144	170	140	112	115	144	169	185
Lumber	109	129	128	124	124	99	118	128	130
Wood pulp	130	143	141	110	118	116	124	144	151
Paper	112	127	127	118	123	122	135	135	175
Wooden boxes[2]	..	..	100	120	145	132	132	122	104
Douglas fir plywood	126	174	188	151	152	124	146	168	197
Canned fruits	91	117	116	91	121	106	167	136	132
Canned vegetables	131	165	176	198	215	213	278	251	207
Canned fish	104	121	93	90	96	96	95	104	104
Meat	117	121	132	126	149	163	161	163	147
Sugar	100	87	94	84	84	84	92	122	92
Flour	96	96	97	107	111	123	119	124	108
Butter	104	101	88	78	70	51	39	59	53
Cheese	100	115	123	119	131	140	140	159	138
Ice cream	106	122	163	161	176	194	281	250	209

[1] Preliminary.
[2] 1942= 100. Adequate data on wooden boxes not available prior to 1942.
Note: Data given above supersede previously published annual indexes.

Employment ahead of 1947

District nonagricultural employment in 1948 averaged about 3 percent higher than in 1947. Employment (based on data for Arizona, California, Nevada, Utah, and Washington) reached a peak in September, then declined during the last quarter. The number of people at work at the end of 1948, however, was 3 percent greater than at the end of 1947. In fact, employment was greater in each month of 1948 than in the corresponding month of 1947, though the gain had narrowed considerably by the year end.

The employment situation, however, was not without its difficulties. In many quarters, fears were expressed concerning declining job opportunities. Though no adequate statistical measure of job openings exists, it was quite apparent during the latter part of the year that the variety of jobs available was smaller. During the earlier postwar period of rapid expansion and reconversion, many requirements for skilled persons went unfilled. The new crop of high school and college graduates plus the people that industry had been able to train increased the number of qualified workers. Employers have, therefore, filled many critical positions and are more selective in their hiring policies. Despite this fact, employment grew more rapidly than the labor force during most of the year. Insured unemployment in the District averaged 257 thousand persons a month in 1948 compared with 278 thousand persons in 1947.

During November and December, however, the number of persons included under insured unemployment increased sharply. These increases appeared to be larger than seasonal and at the end of December approximately 342 thousand persons were on the insured unemployment rolls compared with only 243 thousand a year earlier. A number of firms reported layoffs because of reduced demand. Unusually severe weather conditions forced the closing of a number of lumber mills and impeded operations in other industries as well. A labor dispute in a Utah copper mine, which started in October and was unsettled at the year end, increased substantially the number of unemployed in that state. All of these factors contributed to the higher level of unemployment at the end of 1948.

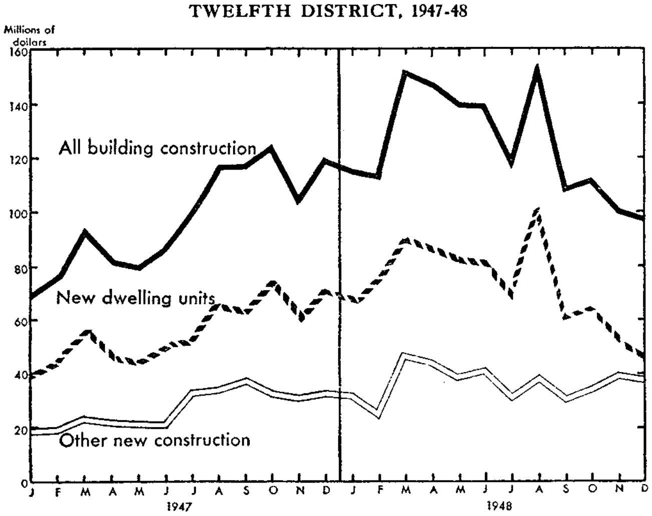
Construction gained but new authorizations began to decline

In dollar terms, District builders put about 40 percent more construction into place in the first three quarters of 1948 than they had in the same period of 1947. They spent about 60 percent more on private housing in the first nine months of 1948 than in 1947. Private housing accounted for more than half the total expenditure on construction put in place. Activity in non-residential building, public utility construction, and highway construction surpassed each quarter of 1947, and gave rise to a level of construction employment during July and August greater than in any month since August 1942.

The value of building permits in urban areas of the District during 1948 increased 30 percent over 1947. In contrast to work put in place, however, the expansion was not continuous throughout the year. After rising sharply to a postwar peak in March, the value of urban permits issued for new construction fell steadily, except during August. In that month, permits for a 2700-unit apartment house project in Los Angeles raised the dollar total of authorizations above the March peak. The figure fell immediately in the next month, and in December it was more than one-third below the March total.

Primarily responsible for the decline in the total value of urban building permits issued in the District was the reduction in the permits issued for private residential construction. Although more dwelling units had been authorized by October than in the whole year 1947, authorizations began to fall off after the peak reached in March. By December, the number of dwelling units authorized by

VALUE OF BUILDING PERMITS ISSUED IN URBAN AREAS
TWELFTH DISTRICT, 1947-48



permit was 45 percent below the March peak, and one-third below December 1947. For the year as a whole, however, 13 percent more units were authorized in urban areas than in 1947. The high rate of authorizations in March and April probably reflected a rush to secure Title VI FHA loans on housing units prior to April 30, the expiration date for that section of the National Housing Act. Rising construction costs, tighter financing, and satisfaction of urgent demand all had a softening effect on the housing market.[1] In the special session, Congress liberalized insured housing credit somewhat, but by the year end there had been no marked response to this stimulus.

The value of nonresidential building permits issued in urban areas also slowed down after March. The decline was less sharp than in residential permits and there was considerable variation from month to month. For the year as a whole, the percent increases from 1947 in the value of permits for urban construction of certain more important types of buildings in the District are as follows:

Public buildings (other than schools)	109
Amusement and recreation places	96
Institutional buildings	68
Public works	47
Schools	32
Stores and commercial buildings	28
Industrial	5

Many public construction projects, including schools, other public buildings, and highways, were approved by voters in the November elections, and others have been in the planning stage for some time. It appears, therefore, that even though expenditures on residential construction may fall in 1949, the probable increase in public construction will act as a considerable offset.

Lumber production

Under the stimulus of a record-breaking expenditure on domestic construction in the United States and of extremely high prices for lumber, the lumber industry of the Twelfth District experienced in 1948 one of its most active years. Total output, estimated at around 15.2 billion board feet for the District, was the largest in any postwar year and exceeded even the high output of 1942. This record was established in spite of numerous difficulties, including adverse weather, strikes among key operatives, floods, and shipping handicaps growing out of the longshoremen's strike and seasonal car shortages. These interruptions affected more particularly the mills in the Douglas fir area, whose total output in 1948 was slightly below that of 1947. The Western pine and California redwood areas fared somewhat better and increased their estimated production by about six percent over the previous year.

Lumber supplies easier

Total lumber output for the country as a whole in 1948 was approximately 38 billion board feet, a 30-year record. Large as was total consumption, aggregate supplies apparently caught up with demand around the middle of

[1] See "Construction Activity," October 1948 *Monthly Review*, for a fuller discussion of the factors affecting the housing market.

the year and from then on production and shipments exceeded new orders, with consequent large increases in mill stocks. Unfilled orders of Twelfth District mills reporting to the several regional associations reached about 1.5 billion board feet at the end of May 1948, the highest level since the end of the war, but shrank to 1.1 billion feet in December. Mill stocks, on the other hand, which normally decline at the year end, rose steadily from 1.6 billion feet in April to 2.4 billion at the end of December, the highest level since 1941. The unfavorable shift in the ratio of stocks to orders was especially pronounced for mills in the Douglas fir area. At May 30, these mills had orders for nearly 50 percent more finished lumber than they had on hand, while by the year end their stocks exceeded unfilled orders by nearly two to one. Mills in the Western pine area normally carry much larger stocks in relation to production and unfilled orders; for these mills the ratio of stocks to orders rose from about 1.7 in May to about 2.6 in December. Mills in the redwood area normally operate with stocks considerably below order backlogs. Even for this group of mills the same trend was manifest; stocks were less than 60 percent of unfilled orders at May 30, but actually topped them at the year end. Retail dealers' stocks also reached their highest levels in 1948 since the war, but declined somewhat toward the end of the year. At 4.6 billion board feet on November 30, retail lumber stocks were about 18 percent above the level of the same date in 1947. Both mill and distributors' stocks were reported to be poorly balanced at the year end with a relatively high proportion of low grade lumber and scanty supplies of select grades. Retail dealers were widely reported to be buying on a hand to mouth basis and endeavoring to reduce their inventories to get them into better balance.

Lumber exports shrank in 1948

In contrast with booming export markets in 1947, foreign outlets for American lumber contracted sharply in 1948. The Douglas fir industry took the brunt of this decline in export volume. Water-borne foreign shipments from Pacific Northwest ports shrank in every quarter from mid-1947 to the end of 1948. Such shipments aggregated 745 million board feet for 1947 as a whole, while last year the total was only 307 million feet. Increasing dollar shortages among the principal foreign buyers and unsettled conditions in the Orient were important influences in cutting down export volume. The waterfront strike also played a part in reducing shipments during the fall months. A different kind of influence, equally unwelcome to District mills, was the large increase in 1948 in Canadian shipments into American markets. British Columbia mills alone shipped some 118 million board feet by water carrier into the United States in 1948 as against negligible quantities in 1947.

Plywood production at a new high

An outstanding feature of the District lumber industry in 1948 was the very large production of plywood. The softwood plywood industry of the United States is highly concentrated in the Douglas fir and redwood areas of western Washington and Oregon and northwestern California. Under the stimulus of active demand from the housing industry and rapidly advancing prices, industry capacity has been greatly expanded during the past two years through construction of new plants and enlargement of old ones. Output has increased correspondingly. In spite of temporary shutdowns in May and June, due to flood conditions in the Columbia and Willamette Valleys, the industry turned out approximately 1.9 billion square feet of product in 1948, exceeding even the output of the boom year 1942. Output in the second half of the year consistently outran demand, with resulting sharply declining prices toward the year end. Mill stocks of plywood at November 30 were at the highest levels in the past seven years and stocks of peeler logs reached an all time record.

Peak lumber prices not maintained after mid-year

Lumber prices reached extremely high levels in 1948, continuing the practically steady advance which had marked the two years since the ending of price controls in 1946. Some signs of softening occurred in February and March but the market tightened again and reached its peak, coinciding with the boom in building construction, about midsummer. From that time forward the pressure of increased supplies gradually forced some weakening of prices, and by the year end the market had eased considerably below the August peaks, particularly in the lower grades of construction lumber. With several hundred mills of widely ranging size and equipment operating in the District and producing a great variety of grades and qualities of lumber, it is sometimes difficult to establish just what the "market" is for any given type of lumber at the mill level. There is abundant evidence, however, that most grades of lumber were in much easier supply in the final quarter of the year and many were selling at materially lower prices than at the August peaks. Quotations for certain standard types of common construction lumber, both pine and fir, declined as much as 10 percent between August and November and year end prices were even lower. Prices on select grades, such as clears suitable for mill work, were relatively well maintained. According to group indexes compiled by the Bureau of Labor Statistics, prices for representative grades of lumber in November 1948 averaged about 13 percent higher for Douglas fir and about 22 percent higher for Western pine than in November 1947.

Pulp and paper production at record level

In 1948 the West Coast paper industry reached its peak output. Several new units came into production, and new plants completed earlier hit their full stride. As a result the backlog of orders in the hands of manufacturers has been sharply reduced and inventories have risen to levels commensurate with demand. One evidence of this improved supply situation was the reduction in the premium on newsprint to about $30 a ton, compared with a premium of $150 or more in late 1947 and early 1948. The shipping sack segment of the market reported a decline in sales from a year ago for November, the first such decline since the end of the war. Whether or not this represents a decline in demand or a return to seasonal buying is uncertain. The paper board industry fell below capacity operations during the latter part of the year, but output was still higher than a year earlier because of the large increase in available facilities.

Pulp prices have been reduced slightly and premiums have been largely eliminated as the demand from non-integrated mills has tapered off. It appears that supplies at these mills are ample and the reduction of overtime operations has reduced pulp consumption slightly.

Employment remained at peak levels, though hours of work were reduced when some overtime operation was suspended. Nevertheless, some mills were still operating on a six or seven day basis at the year end. The fulfillment of inventory requirements and the larger production capacity available at the end of 1948 will probably reduce the need for the very intense capacity utilization of the past 3 years. Production, however, seemed scheduled to run at near record tonnages even though somewhat below capacity.

The petroleum industry

The year 1948 was the banner year in the history of the American petroleum industry. Intense activity marked every phase of the industry's operations and substantial progress was made in overcoming the shortages of various products, notably fuel oils, which had marked the previous year. Exploration, drilling, crude production, refining, and distribution all reached new high levels. For the first time output of crude oil exceeded an annual figure of two billion barrels, rising about 10 percent above the previous record established in 1947. Runs to stills and refinery output increased correspondingly. A tight balance between supply and demand for most refined products continued through the greater part of the year, however, as the demand for motor fuels and most other products except heavy fuel oils continued to increase in pace with rising levels of industrial activity and with growing numbers of automobiles, trucks, and tractors. Foreign requirements for American petroleum products fell considerably below the shipments of earlier postwar years as increased supplies from the Middle East became available. In fact, very large imports of crude oil from both South American and Middle Eastern sources were made by important units of the American petroleum industry. This produced a net import balance, taking crude and refined together, for the first time since 1922.

The net result of these several forces, together with some slackening in demand toward the end of the year, was a progressive easing in the supply situation. The pressure of increased supplies in the final quarter of the year resulted in a definite weakening of the oil price structure. Increased prices for crude oil, which had been paid by two large integrated concerns in the mid-continent area, could not be maintained and substantial cuts were made in fuel oil prices in eastern markets as the anticipated demand for heating oil failed to develop in the face of mild winter weather and abundant supplies of coal and natural gas. Substantial increases in stocks of both crude and refined oils developed by the end of the year as well as shortages of storage facilities in some areas.

Petroleum situation in the Twelfth District

The petroleum industry of the Pacific Coast area in 1948 shared generally in the gains of the industry as a whole, though it had some problems of its own. Supply and demand in this area were better balanced during most of the year than at any time since before the war. Very high production rates for both crude and refined oils were attained during the first eight months of 1948, but strikes among refinery operatives reduced the volume of output sharply in September and October. Even so, the aggregate output of refined products for the first 11 months of the year exceeded that of the same period in 1947, itself a record year. Output of crude oil in California in 1948 was about 345 million barrels, also a new record and about one-sixth of the national total.

Demand for most petroleum products in this area was well sustained in 1948, though some noteworthy shifts occurred as between different items. Gasoline, Diesel oil, and other light fuel oils were in very active demand and deliveries of these products reached new peacetime levels. Sales of heavy fuel oil, on the other hand, while still large by prewar standards, were considerably below the levels of 1947. Two influences in particular contributed to this result: less use of oil fuel by the electric utilities, and the maritime strike which tied up shipping during the fall. After operating at forced draft during the first quarter of the year, California steam electric plants largely shifted from oil to natural gas fuel. The price of heavy fuel oil had been successively raised in 1947 from $1.35 to $1.80 per barrel, San Francisco basis, and another advance in January 1948 raised it to $2.30, the highest level in more than 20 years. While the cost of natural gas was also increasing, large additional supplies of this competitive fuel were made available in 1948 by the recently completed pipe line from Texas to Southern California; the utility concerns greatly increased their use of natural gas and cut down on oil fuel. Requirements of heavy fuel oil for ships' bunkers, the Navy, Coast Guard, etc., amounted to about one-quarter of all heavy fuel oil deliveries in Pacific Coast territory in 1947. The prolonged waterfront strike in 1948 caused a sharp drop in these deliveries in September and October. Increasing substitution of Diesel locomotives for steam power by the railroads also tended to reduce the consumption of heavy fuel oil in this area.

The search for additional oil supplies, although hampered by material shortages, was exceedingly active in many parts of the Twelfth District in 1948. In California alone, 1866 new oil wells were completed in the first 11 months of the year as against 1599 in all of 1947, bringing the total number of active wells in the state to approximately 26,000. Estimated proved reserves of crude oil and condensate in California were increased by about 450 million barrels during the year, or about 105 million barrels in excess of the year's production. Stocks of crude and refined petroleum in the Pacific Coast area increased in 1948 to the highest levels since 1943, about 110 million barrels, at the end of November. The increase of about 15 million barrels during the year was more than accounted for by heavy fuel oil, with a small increase in crude; stocks of gasoline and naphtha distillates were lower in the final quarter of 1948 than at any time since the war, probably a result of the refinery strike.

Steel production continued to increase

Steel ingot production in the Twelfth District was 13 percent greater in 1948 than in 1947. Despite the record level of production, demand continued to exceed available supplies, and expansion of blast furnace, steel furnace, and finishing facilities was underway at several District plants.[1] Even though demand was still ahead of supplies, the gap was narrowed considerably. Grey market premiums on many items fell sharply late in the year. Buyers using normal channels, however, paid more for their steel after mid-year. Abandonment of the basing point system by the steel industry increased the cost to consumers buying from suppliers who had absorbed freight, but this was overshadowed by the increase of $10 to $11 a ton in quoted prices which followed within a week.

The most serious problem confronting the industry last year was the lack of scrap, which is the major raw material component for most Coast plants. Scrap prices during the year reached a record high, but supplies still remained tight. Toward the end of the year, some evidence of an improved scrap flow appeared. One steel producer reported record inventories of scrap at the end of the year. Other reports indicated that automobile scrap was increasing rapidly as the result of the increased flow of new cars which replaced many old vehicles. Late in the year, plans were under discussion for the Department of Commerce and the Department of the Army to appoint a committee to determine how much scrap could be obtained from Japan. Despite these signs of a possible increased flow of scrap, some sources expressed the opinion that the supply of scrap might still not be sufficient to meet the higher level of capacity anticipated for 1949.

Record aluminum production still behind demand

During 1948, producers of primary aluminum through the country operated as near capacity as the power supply would permit. Approximately 600,000 tons of aluminum were produced in the United States and 295,000 tons in this District. Though this is a record peacetime production for the country as a whole as well as for the District, all demands for aluminum were not met and rationing of supplies continued. At the same time stocks of primary aluminum fell to very low levels, representing at the year end less than two weeks' production. The position of the aluminum industry in the past 18 months was the reverse of that anticipated at the end of the war when production fell to an annual rate of little more than 400,000 tons. A rapid shift in the demand for aluminum occurred in mid-1947, and aluminum consumption outran production from August 1947 to March 1948. Though production has exceeded consumption of primary aluminum in most months since then, no inventory accumulation of any significant size has been possible. Year-end stocks were more than 60,000 tons below the postwar inventory peak of July 1947.

[1] See "Twelfth District Steel Capacity Grows," December 1948 *Monthly Review*, for details of the expansion.

Expansion of aluminum production has been prevented largely by the shortage of cheap power. The growth of population and industry in recent years has cut into the pool of surplus power which was formerly available to aluminum plants at low rates. In addition, sharp fluctuations in the rate of water flow in the Pacific Northwest prevented maximum power output. Early severe winter weather in 1948 increased domestic consumption above the usual seasonal levels, further reducing the power available for aluminum production.

In response to these pressures, the price of primary aluminum, which had remained constant for several years, rose 2 cents a pound during 1948. Even at the current price of 17 cents, however, demand for primary aluminum has far exceeded the supply. As a result aluminum foundries have competed sharply for secondary ingots made from scrap. The price of secondary ingots ranged from 8 to 12 cents a pound above the price of primary aluminum during all of 1948. The supply of aluminum scrap was short during the year and prices ranged only a few cents below the primary ingot price. Primary aluminum producers required customers to return scrap generated in fabricating their respective products. This practice limited the supply of scrap available to secondary smelters.

Base and precious metal mining still active

Mining of gold, silver, copper, zinc, and lead continued near 1947 levels in 1948. The value of Arizona ores was the highest on record for any peacetime year and Idaho and Washington reported the greatest value for any year in their history.

Metals Production—Twelfth District

	1947	1948
Gold[1]	1,157.0	1,160.4
Silver[1]	25,994.1	27,164.5
Copper[2]	688.6	651.4
Lead[2]	176.9	198.6
Zinc[2]	217.6	219.5

[1] Thousands of fine ounces.
[2] Thousands of short tons.

Increasing prices for zinc, copper, and lead contributed to the high rate of production of District ores. The volume of lead production was 12 percent greater than in 1947. The output of silver, which to a large extent is a byproduct of base metal mining, increased some 4 percent. The failure of gold output to increase and the decline in copper production are directly attributable to a labor dispute in the largest copper mine in the country located in the Bingham district of Utah. Starting in late October and still unsettled at the year end, a strike called by locomotive operators shut down the mine. The result was a loss of output of approximately 50 thousand tons of copper and 50 thousand ounces of gold, which is a by-product of the copper mining operation.

Shipbuilding and aircraft

In the past year Pacific Coast shipbuilding lost considerable ground even from the low levels of 1947, while the aircraft industry improved its position. The last two ships built on the Pacific Coast were off the ways in 1947. Since then, no new construction has been started. Many reconversion jobs were completed during the past 12 months, but new contracts have been few. Even repair work has tended to decline. A measure of the reduction in activity is apparent from California statistics on shipyard employment. In January 1947, 25,400 people were working in California yards; by January 1948, the number had fallen to 22,500, but by the year end only 12,000 were employed. There is little prospect for significant new construction. Of a 79-ship program for which contracts were let by the Maritime Commission during the latter part of 1948, Pacific Coast shipyards were reported as not having entered a single bid. One deterrent in this case was that the size of many of the vessels exceeded the size of any West Coast shipways that could be put into operation economically. Builders complained that the cost of moving the many pieces of equipment included in ships from the East and mid-West exceeded the 6-percent differential allowed West Coast yards. Wage rates were somewhat higher in this area. For 1949, the industry took a dim view of the repair situation. It was feared that absorption of the Army Transport Service by the Navy would reduce considerably the work let out to private yards.

According to figures already available, the aircraft industry made a profit in 1948, the first set of black figures since 1945. In May 1948, Congress endorsed, at least for the present, the report of the President's Air Policy Commission and the Congressional Aviation Policy Board. At that time, Congress authorized the purchase of 4,262 planes totaling over $3 billion. Of the procurement contracts announced thus far by the Air Force and the Navy, 62 percent went to West Coast airframe producers. A major portion of the 2,222 planes allotted to these manufacturers will be produced in their West Coast plants and the balance in mid-West branch plants. The Coast companies received orders for all the heavy bombers, about two-thirds of the jet fighters, and about 75 percent of all other types of planes ordered by the Air Force. The stimulus of this program, three times the size of that for the fiscal year 1948, has given considerable impetus to the output of airframes. The likelihood that the program may be extended over a five-year period, even at a lower level than that necessary for a 70-group airforce, is good and offers prospects of substantial industry stability. In response to the program, employment rose substantially in both Washington and California.

Prospects for commercial airframes are less clear. The disappointing increases in air traffic relative to expectations for postwar air travel have cut sharply into airline plans for expansion evident just after the war. At present, commercial planes account for only 5 to 10 percent of the backlog of West Coast plants. Various sources report, however, that the increased number of craft in use, particularly on foreign runs, will keep the market from shrinking further. In addition, competition among carriers for the latest equipment, which has proved very efficient, may stimulate the market somewhat.

Fruit and vegetable canning

The year 1948 saw the return of more nearly normal conditions in the fruit and vegetable canning industry as compared with the war and immediate postwar years. Following the huge packs of 1946 and 1947, supplies were reduced, prices became steadier, competitive effort was more in evidence, and the industry found its inventory and financing problems again assuming importance. A sharp drop in export shipments and the losses caused by the waterfront strike were complicating, but not entirely novel, factors.

PRINCIPAL FRUIT PACKS IN CALIFORNIA, OREGON, AND WASHINGTON AND CANNERS' STOCKS, SOLD AND UNSOLD, AT DECEMBER 31, 1947-48
(thousands of cases, basis 24 No. 2½ cans)

	1947		1948	
	Pack	Stocks	Pack	Stocks
Peaches	18,098	5,604	17,166	9,320
Apricots	3,204	1,359	4,717	2,905
Pears	5,509	2,217	3,591	2,352
Fruit cocktail	9,386	2,285	9,902	6,018
Plums	1,812	1,317	872	693
Other fruits and berries	2,884	327	3,265	888
Total fruits and berries	40,893	13,179	39,513	22,175

Sources: Canners League of California, Northwest Canners Association.

District canners generally exercised more restraint in keeping down the size of their packs, especially of vegetables, than in previous years. California fruit packs proved to be larger than expected and slightly above the output of 1947, but this increase was more than offset by reduced Northwestern packs, especially of pears and plums. The pack of fruit cocktail has increased rapidly in recent years and 1948 set a new high record for this product; the apricot pack also increased over 1947, but was far short of the huge pack of 1946. California vegetable packs were cut sharply below the levels of 1946 and 1947, with the bulk of the reduction in tomatoes and tomato products. The Northwestern pea pack, the most important canned vegetable product in that area, was also cut back

PRINCIPAL CALIFORNIA VEGETABLE PACKS AND CANNERS' STOCKS, SOLD AND UNSOLD AT DECEMBER 31, 1947-48
(actual cases, thousands)

	1947		1948	
	Pack	Stocks	Pack	Stocks
Asparagus	2,259	445	1,983	306
Spinach	1,293	518	1,454	141
Tomatoes	5,895	3,497	4,713	3,666
Other tomato products	25,401	16,650	18,958	15,296
Other vegetables	1,293	[1]	1,919	[1]
Total vegetables	36,141		29,028	

[1] Not available.
Source: Canners League of California.

from the output of the two previous years. Trade reports indicate some increase in the corn pack both in the Northwest and in Utah.

Heavy inventories, especially of canned fruits, were a troublesome problem for many District canners through much of 1948. Substantial stocks at the beginning of the season, hesitant buying by distributors, negligible export sales, and the three-months maritime strike at the peak of the normal season of heavy water shipment, were the principal factors causing canners' fruit stocks to back up. California canned fruit stocks almost doubled between December 1947 and December 1948; fruit stocks of Pacific Northwest canners were in somewhat better balance and showed an over-all reduction during the year. Stocks of canned vegetables held by California packers were reduced somewhat during the year, chiefly because of smaller packs. Data on Northwestern vegetable packs and stocks are not yet available.

Contrasts in the container industry

The container industry on the Pacific Coast reported varied experiences in 1948. Can manufacturers apparently operated as near capacity as tin plate supplies would permit. Most can users received adequate allotments, but several industries—beer, paint, and chemicals—could have used a greater number of metal containers. Because of better paper supplies and smoother operations, fiber container production kept pace with demand and the supply situation at the year end was quite favorable. Glass container manufacturers, however, found a declining market. Production was estimated to be down perhaps a third from 1945, the peak year for the industry, and about a fifth below 1947. This production cutback was a result in part of reduced wine bottling on the West Coast. Not only have wine sales fallen sharply in the last two years, but bulk wines are again being shipped East for bottling at marketing points. In addition, many products which were shifted to glass when metals were tight—shortening, coffee, chemicals, paint, syrups, and oil—are again being packed in metal containers. Production was also affected adversely in 1948 by a sharp reduction in orders to build up inventories.

Wooden box production in this District also declined in 1948. Production of shook, the basic raw material for these containers, fell almost 15 percent. Various reasons have been given for the decline, including competition from fiber containers, high freight rates which cut western producers off from eastern markets, and foreign competition for export business.

Motion pictures faced declining domestic and foreign markets

Movie attendance in the United States took another drop in 1948. One research organization reported attendance at 69.2 million compared with 78.2 million in 1947. One school of thought advances the thesis that the decline has resulted primarily from the indifferent quality of films offered the public, while another places the blame on reduced funds for recreation because of the high cost of food and the large outlays for durable goods being made by consumers.

No similar controversy exists as to why sales abroad have declined. The world-wide dollar shortage has resulted in various restrictions on American films. Effective in 1948, the United Kingdom, the principal foreign market, adopted restrictions which limited the exhibition of foreign films to 55 percent of total exhibitions compared with 83 percent in 1947. It also limited the total dollar amount that American film producers could withdraw annually. The several companies were reported to have made arrangements to prorate the amount the industry could withdraw from the British Isles.

Apparel manufacturing gained over 1947

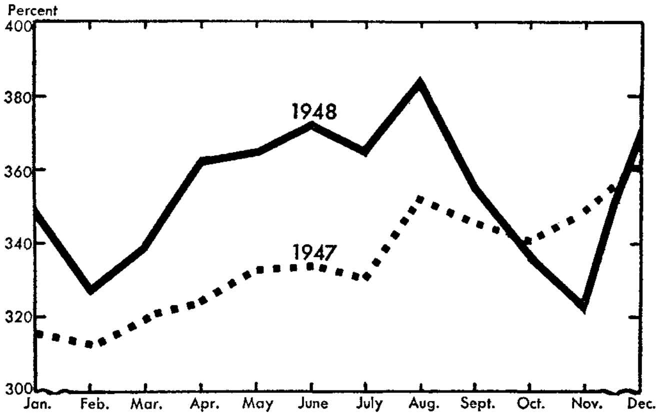
The West Coast apparel industry, centered largely in California, reached its highest level of activity in 1948, although not all manufacturers fared alike. Employment was at an all-time high in 1948 and for the industry as a whole showed little seasonal fluctuation. Yet, manufacturers of better-grade dresses experienced seasonal fluctuations reminiscent of prewar, especially in the latter part of the year. An additional problem confronting this group was a sharp decline in the prices of certain fabrics at a time when their yard goods inventories were relatively large. Early in the year some men's sportswear and clothing producers met considerable consumer resistance, but maintained their volume by reducing prices. Both groups reported better results as the year progressed. The women's coat and suit industry also experienced marked resistance in the early part of the year, but the third and fourth quarters were exceptionally successful. Their 1949 Spring line was reported to be well booked by the end of the year. Manufacturers of men's work clothing reported record production in 1948. The output of cotton work trousers and overalls increased substantially over 1947.

Unit production in the West Coast apparel industry is reported to be well over 50 percent larger than in the best prewar year. While less than 10 percent of prewar production was sold east of the Rocky Mountains, over 40 percent of the current production is now moving East. At the same time the population increase on the West Coast has expanded the local market considerably.

Retail Trade

The increase in retail trade to a new high in 1948 was accompanied by marked changes in consumer buying habits. The dominant position of durable goods such as furniture and appliances weakened considerably, especially toward the end of the year. Sales of an increasing number of soft goods lines also fell off. The last quarter of the year was marked by a seasonal pattern which more closely resembled prewar than recent years. In department stores, and probably in most other types of retail establishments, inventories were being watched closely and ordering became more cautious.

DEPARTMENT STORE SALES INDEXES—TWELFTH DISTRICT, 1947-48
(1935-39=100, adjusted for seasonal variation)



Consumers became more conservative in 1948

Consumers spent more dollars in 1948 in the Twelfth District than they did the year before, but the gain was smaller and the sales effort greater than in the past several years. Mid-year clearance sales again appeared, and retail markdowns became larger and more numerous.

On a seasonally adjusted basis, dollar sales of District department stores reached a peak in August. Sales were lower in September but they did not fall below year-ago levels until October. Only a late shopping spurt in December pulled that month's dollar sales up to the level of a year earlier.

Urgent demands having been met for the most part, consumers became increasingly selective in terms of price and quality and began to concentrate on those items most needed to maintain their current level of consumption. Formerly, they had found it desirable to build up stocks of items which had been depleted during the war years. In addition, consumers generally had been making large outlays for durable goods during most of the postwar period. Debts contracted for homes, automobiles, furniture, and appliances reduced the amount of money people had available to place on merchants' counters for more goods. Even where debt was not a factor, many persons who had drawn upon their savings during the past three years became more interested in keeping their spending at a level which would not further reduce their liquid assets. Consumer disposable income in the nation continued to expand throughout the year. Even though consumer expenditures also increased, as the year progressed the increase in consumer spending at retail was smaller than the increase in income.

Department Store Sales by Major Departmental Groups—Twelfth District
(Percent change, 1947-48)

Main store	+1
Housefurnishings	+1
Men's and boys' wear	0
Miscellaneous merchandise departments	0
Piece goods	0
Small wares	0
Women's and misses' ready-to-wear accessories	—1
Women's and misses' ready-to-wear apparel	+6
Basement	+8

Many lines feel pressure of shifting spending habits

Little surprise was expressed when sales of jewelry, furs, and other luxury items fell off after the war as more essential and scarce goods made their return. The early expansion of soft goods sales in 1946, when consumers sought to make good their forced deficits of clothing and similar items, and the subsequent expansion in sales of automobiles, furniture, and appliances were soon considered commonplace. At the end of 1947, it became apparent that dollar sales of several of the apparel lines as well as the luxury lines had passed their postwar peak. In 1948, dollar sales of men's clothing declined but sales of women's clothing gained slightly over 1947. The list of other lines experiencing sales declines in 1948 was quite broad. Establishments selling meals and drinks, jewelry, furs, auto tires and accessories, drugs and toiletries, custom tailored clothes, and fruits and vegetables all reported sales declines, according to the Bureau of the Census data. Stores handling hardware and building materials reported substantial increases and food markets reported a slight increase.

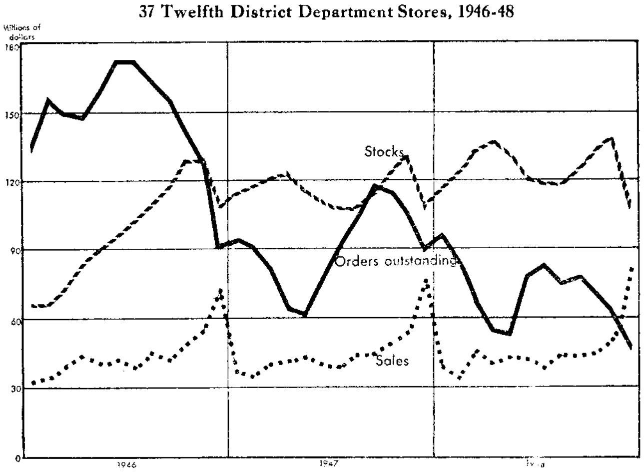
More significant, however, than any of the above developments was the weakness becoming apparent in many hard goods lines. Furniture store sales in this District made a small gain for the year as a whole, but in four months (February, October, November, and December) dollar sales were less than in the corresponding months of 1947. A somewhat similar experience appeared in sales of household appliances and radios. Some appliances, especially radios, could be moved across the counter only after substantial price reductions, and toward the end of the year the market for appliances and radios generally failed to make the gains expected in connection with the Christmas season. Dollar sales of most automobile dealers were higher in 1948 than in 1947, but evidence appeared that used car dealers were having an increasingly difficult time moving higher-priced cars, and some new car dealers found it necessary to make deals more interesting before buyers were willing to make a purchase.

Consumers and credit

Consumers continued to use an increasing amount of credit in 1948. The use of charge account credit at department stores increased throughout the year. Instalment credit also increased during the first part of the year, but the rate of buying on an instalment basis declined slightly starting in October. The proportion of furniture store sales made on a credit basis after increasing during most of the year also declined slightly after October. This movement no doubt reflected the effect of Regulation W which was reimposed on September 20. It is significant to note, however, that the decline in each case was slight and credit sales, relative to total sales, continued at or above last year's levels.

Regulation W required a 20-percent down payment on most household appliance and furniture items over $50, and 33⅓ percent for automobiles. The repayment period

SALES, STOCKS, AND ORDERS OUTSTANDING—
37 Twelfth District Department Stores, 1946-48



Not adjusted for seasonal variation.

varied from 15 months for loans having a balance under $1,000 to 18 months on balances from $1,000 to $5,000. These terms were not appreciably different from those being used by most merchants at the time the Regulation was adopted. Used car dealers and a few new car dealers were the most vocal in complaining that the Regulation was restricting their sales. It is doubtful, however, that automobile and appliance sales could have been maintained at earlier levels and at previous prices in the absence of Regulation W.

Department store commitments reduced sharply

Department stores cut their orders outstanding sharply in the latter part of the year. Despite the fact that their sales in 1948 were at an all-time high, merchants were well aware that record sales of July and August were due in large measure to sharp markdowns on goods in stock. Not only did they increase their orders less during the third quarter of 1948 than in the corresponding period of 1947, but they reduced orders during the fourth quarter to the point that outstanding commitments were little more than half the dollar value at the end of 1947, and at the lowest level since November 1942. The decline in sales (seasonally adjusted) during September, October, and November no doubt reinforced the conservatism of department store merchandise executives. At the end of 1948, inventories were at about the same dollar volume as at the end of 1947. But the low level of orders outstanding reduced the combined total of goods on hand and orders to the lowest level in five years.

BANKING AND CREDIT IN 1948

In 1948, Twelfth District bank loans and deposits behaved much more like those in the country as a whole than in any year since the war. In the District, as in the United States, the most significant development was the decline in the money supply in the hands of the public. For the first time since the war, bank loans did not increase relatively much more in the District than in the country as a whole. In both areas the decline in Government security holdings exceeded the expansion in loans, with the result that total loans and investments of banks experienced a small decline. On a national basis this was the first such year-period decline since 1937, while one has to go back to 1932 to find the last such decline for Twelfth District member banks.

Bank deposits and currency

Combined demand and time deposits in the hands of the public declined by about 2 percent in both the Twelfth District and the nation during 1948. A decrease in demand deposits of individuals, partnerships, and corporations more than offset a small increase in time deposits. This was supplemented by a small decline in the amount of currency in circulation in both areas.

Member Bank Deposits and Earning Assets
Twelfth District
(in millions, as of December 31)

	1941	1946	1947	1948
Demand deposits of individuals, partnerships, and corporations	$2,778	$8,554	$8,616	$8,287[1]
Time deposits[2]	2,390	5,776	5,986	6,042[1]
U. S. Government deposits	144	303	127	187[1]
Loans	2,451	4,068	5,358	6,056
U. S. Government securities	1,738	8,426	7,247	6,368
Other securities	542	908	875	895

[1] Partly estimated.
[2] Excluding interbank and U. S. Government deposits.

Privately-held demand deposits were drawn down rather sharply in the first quarter of the year by income tax collections. The use of some of these funds to retire an unusually large proportion of bank-held, especially Reserve System-held, debt extinguished a considerable portion of these bank deposits and also placed significant pressure upon bank reserves. Although the rate of increase in loans was almost twice as large in the second as in the first half of 1948, the accompanying deposit expansion did not make up for the deposit loss sustained in the first six months of the year. Most of the growth in time deposits occurred in the first half of the year, with only a negligible increase in the second half.

Government deposits reversed their downward trend of the previous two years and increased by somewhat over 50 percent during 1948, both in the District and in the country as a whole.

Member bank reserves

Reserves held with the Federal Reserve Bank by Twelfth District member banks reached new high levels in 1948 as a result of the higher reserve requirements put into effect in September. Member bank reserves at the end of the year totaled $2,420 million, $218 million more than on the corresponding date of 1947. The year 1948 marked a radical departure from the usual pattern by which reserves have been built up in the Twelfth District. In past years, total payments out of the District by member banks and their customers have exceeded payments into the District and have constituted the most important and consistent drain on member bank reserves. Expendi-

SOURCES AND USES OF TWELFTH DISTRICT MEMBER BANK RESERVES
(in millions of dollars)

Sources of member bank reserves (factors which when positive *increase* reserves)	1936-40 (average)	1945	1946	1947	1948
Reserve bank credit .... Change in credit extended to member banks in the District by the Federal Reserve Bank of San Francisco.	+ 1	— 76	+ 9	—302	+ 17
Commercial operations ...... Net payments from other Districts to banks and the public in the Twelfth District (net Twelfth District payments to other Districts —).	—180	—3743	—1607	—510[r]	+472
United States Treasury operations .... Net payments from the Treasurer's account at the Federal Reserve Bank of San Francisco to banks and the public (net payments to the Treasurer's account —).	+311	+4682	+1329[r]	+698[r]	—482
Total	+132	+ 863	— 269[r]	—114	+ 7
Uses of member bank reserves (factors which when positive *reduce* reserves)					
Demand for currency ...... Change in holdings of coin and currency by banks and the public.	+ 36	+ 545	— 326[r]	—206	—209
Change in non-member deposits and other Federal Reserve Accounts	+ 3	— 9	— 4	— 16	— 2
Total	+ 39	+ 536	— 329[r]	—222	—211
Increase in member bank reserves	93	327	61	108	218

r—Revised.

tures by the Federal Government in the District have traditionally exceeded collections and have been the most important source of member bank reserves. In 1948, for the first time since the figures became available in 1929, commercial operations resulted in a net flow of funds into the District and Treasury operations resulted in an excess of receipts over disbursements in the District. The net Treasury receipts for the year resulted principally from the retirement of large amounts of Reserve System-held Government debt in the first quarter of the year. The net payments into the District to member banks and their customers resulted chiefly from heavy sales of Government securities outside the District by District member banks in the first quarter to restore reserves depleted by income tax collections, and in September to meet the new higher reserve requirements. The return of currency from circulation after the 1947 Christmas season helped to relieve the drain on reserves resulting from tax collections but after January was a relatively unimportant factor in influencing the reserve position of member banks.

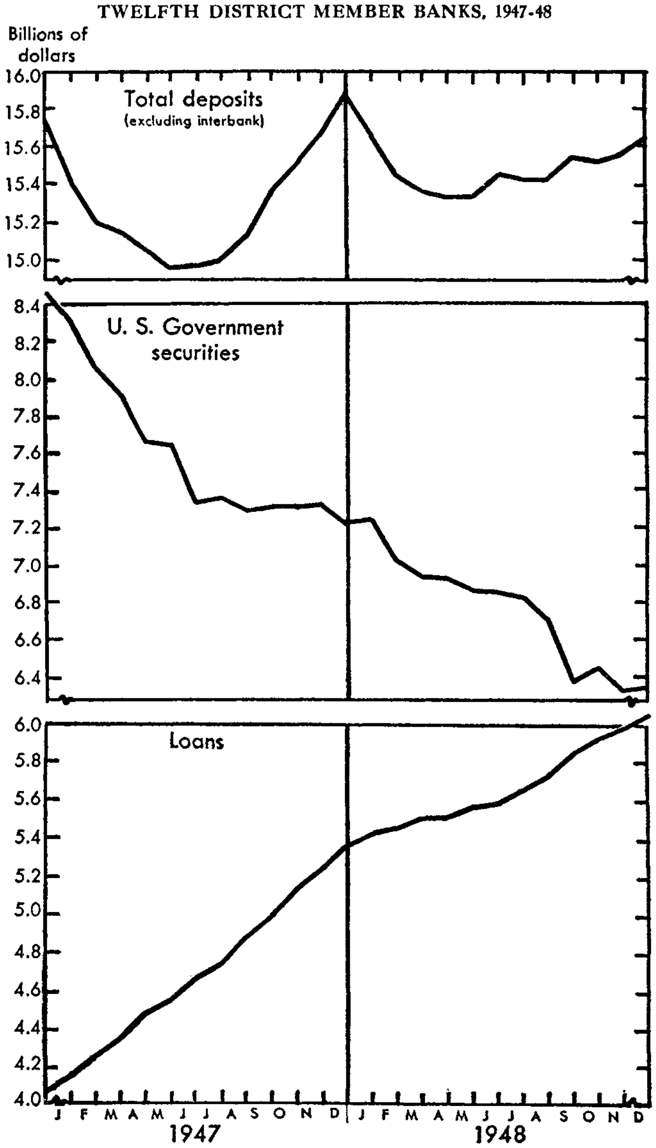
Loans and investments of member banks

Member bank holdings of United States Government securities declined 12 percent in the Twelfth District during 1948 and 10 percent in the country as a whole. The reduction in the portfolio was the result of the Treasury's debt retirement program, the loan expansion, and the increase in maximum reserve requirements. In addition to some reduction arising from the retirement of marketable debt held in their portfolios, member banks were also forced to sell securities to replace the reserves drawn off by the use of current Government receipts to retire large amounts of securities held by the Federal Reserve System. The largest single reduction came as member banks sold securities to obtain the additional reserves necessitated by the general increase in reserve requirements which became effective in September.

Total loans of District member banks increased $700 million during 1948, or only about half as much as in each of the two preceding years. They followed the usual seasonal pattern of increasing substantially more in the second than in the first half of the year, as did loans in the country as a whole.

For the second successive year, the largest dollar increase occurred in real estate loans, principally on residential property, with commercial and industrial loans and consumer loans ranking second and third, respec-

DEPOSITS, U. S. GOVERNMENT SECURITIES, AND LOANS—TWELFTH DISTRICT MEMBER BANKS, 1947-48



PERCENTAGE INCREASE IN LOANS OF TWELFTH DISTRICT MEMBER BANKS, BY STATES
(December 31, 1947 to December 31, 1948)

	Commercial and industrial	Agricultural (except real estate)	Real estate	Consumer loans to individuals	Total
Arizona	1	21	31	27	16
California	10	38	14	24	12
Idaho	9	121	32	47	42
Nevada	3	—8	15	29	11
Oregon	3	137	24	40	19
Utah	—4	17	13	24	10
Washington	0	252	7	20	12
Twelfth District	8	64[1]	14	24	13

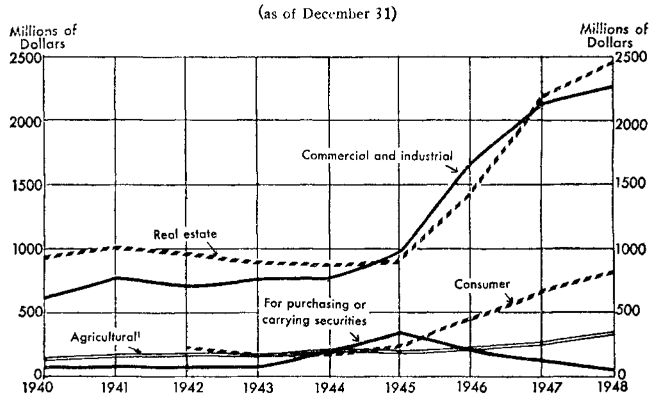
[1] This increase due primarily to large increase in price-support loans to farmers directly guaranteed by the Commodity Credit Corporation. With C. C. C. loans excluded, the increase in agricultural loans was only 24 percent.

tively. Retail automobile instalment paper accounted for about two-thirds of the total dollar increase in consumer loans, and other types of retail instalment paper supplied most of the balance. Single payment loans to consumers declined by about 10 percent.

In relative terms, by far the largest increase occurred in non-real estate agricultural loans, including loans guaranteed by the Commodity Credit Corporation. They increased 64 percent in 1948, compared with an increase of only 11 percent during 1947. District member bank loans to farmers directly guaranteed by the Commodity Credit Corporation, which is one form that price-support activities may take, were about 17 times larger in amount at the end of 1948 than a year earlier. In contrast, they had declined substantially during 1947. The large increase during 1948 reflects the fact that the prices of several major District crops were below support levels during part of the year. Production loans to District farmers also increased, rising 24 percent during 1948 compared with 18 percent in 1947. Some District farmers had to use larger amounts of credit in 1948 because their cash resources were relatively smaller than in previous postwar years as a consequence of price declines for some 1947 crops even though costs were still rising. Other District farmers expanded their planted acreage in 1948 and used larger amounts of credit in the process. Farm real estate loans, on the other hand, increased only 7 percent in 1948 compared with 20 percent in 1947.

Consumer loans were next to non-real estate agricultural loans in terms of relative increase during 1948. They rose by 24 percent, contrasted with an increase of 52 percent in 1947. The growth in total real estate loans slowed

LOANS OF MEMBER BANKS—TWELFTH DISTRICT
(as of December 31)



[1]Not including real estate loans.

up even more, relatively speaking, with an increase of only 14 percent in 1948 contrasted with 50 percent in the previous year. Commercial and industrial loans registered an 8 percent gain as against 26 percent in 1947.

Two-thirds of the dollar increase in Twelfth District member bank loans occurred in the last half of the year compared with slightly more than half in 1947. This pattern of behavior was not at all uniform for individual types of loans, however. Real estate loans registered most of their gain in the first half of the year. The rush to get FHA financing before the expiration on April 30 of the liberal terms of Title VI was responsible in considerable degree for this concentration of real estate loan growth in the first six months of 1948. Another important factor was the substantial slowing up in the real estate market in the last half of the year. The growth in consumer loans was about equally distributed between the two halves of the year despite some slowing up in the rate of increase toward the end of the year, after the reimposition of Regulation W in September. Commercial and industrial loans, on the other hand, declined slightly in the first half of the year, but increased sufficiently in the second half to register a net gain of 8 percent for the year as a whole. As in 1947, this reflected a change in business sentiment from one of caution and hesitancy in the first part of the year to one of relative optimism in the second half. About three-fourths of the increase in non-real estate agricultural loans occurred in the last six months of the year. CCC loans, of course, are made primarily after the harvest season.

AGRICULTURE IN 1948

The most significant development during 1948 for Twelfth District as well as United States agriculture was the reversal of the long upward trend in farm prices which had been in evidence since 1941. Farm prices, under the pressure of record crop production, broke sharply in February and, after some recovery by summer, declined steadily the rest of the year. From January to December the drop was about 13 percent.

In spite of decreasing prices, 1948 was a prosperous year for most District farmers. The generally increased, and in some cases record, production was large enough to offset the price declines so that gross farm income in the District was the highest on record, though it will probably represent the peak for some years to come. Farm costs continued high, however, with the result that net income declined somewhat for the first time in ten years.

United States production

Crop production of the United States reached an all-time high in 1948. Though the harvested acreage was not much above 1947, weather generally was very favorable and yields per acre were above average for most crops and set new records for several, including corn, oats, cotton, potatoes, and tobacco. Production of food and feed grains was especially high with the largest corn crop in history, a wheat crop second only to 1947, a near-record production of oats and sorghum grains, and an above-average crop of barley. Record crops of flaxseed and rice and increased crops of cotton and tobacco were also grown in 1948. Except for grapes and apricots, the deciduous fruit crops were smaller than in 1947 so that total deciduous fruit production was down about 8 percent. Citrus fruits, on the other hand, were again produced in near-record quantities.

Production and Value of Principal Crops, 1948
Twelfth District

	Production			Gross farm value	
		Percent change			Percent change
	1948 (in thousands)	1947-1948	1937-46 avg. -1948	1948 (in millions)	1947-1948
Field and Seed Crops					
Barley (bu.)	91,797	+16	+ 39	$114.4	— 7
Dry beans (100# bags)	8,185	+19	+ 23	70.2	—12
Corn (bu.)	6,386	0	— 21	11.8	—27
Cotton, lint (bales)	1,280	+27	+105	202.2	+24
Cottonseed (tons)	513	+32	+ 98	38.3	+ 4
Flaxseed (bu.)	6,103	+83	+115	37.8	+66
Grain sorghum (bu.)	7,234	+50	+ 19	10.1	— 6
Hay, all (tons)	14,152	— 2	+ 3	298.3	+10
Hops (lbs.)	49,819	— 1	+ 14	28.0	—18
Oats (bu.)	28,100	—12	— 10	26.1	—25
Peas, dry (100# bags)	3,173	—45	— 30	15.1	—48
Potatoes (bu.)	117,503	+30	+ 41	168.0	+11
Rice (bu.)	14,868	—17	+ 26	31.2	—37
Sugar beets (tons)	4,439	—18	+ 30	[1]	[1]
Wheat (bu.)	162,427	+12	+ 30	324.6	0
Fruit and Nut Crops					
Apples (bu.)	37,334	—25	— 9	86.9	+ 3
Apricots (tons)	250	+24	+ 4	15.7	—12
Cherries (tons)	79	— 1	— 8	21.2	+10
Grapes (tons)	2,839	0	+ 12	101.0	— 2
Lemons[2] (boxes)	12,870	— 7	+ 1	31.4	—15
Grapefruit[2] (boxes)	5,430	—25	— 11	3.9	—24
Oranges[2] (boxes)	46,480	—15	— 6	75.8	—24
Peaches (bu.)	34,036	—10	+ 10	55.5	+11
Pears (bu.)	21,293	—26	— 6	57.2	0
Plums (tons)	67	—10	— 11	9.8	—15
Prunes, dried (tons)	177	—11	— 14	25.8	—12
Prunes, fresh (tons)	93	— 2	— 28	5.1	—26
Figs, dried (tons)	30	—22	— 8	4.0	—14
Figs, fresh (tons)	12	—25	— 24	1.2	—36
Olives (tons)	62	+55	+ 37	7.0	+17
Avocados (tons)	12	—18	— 15	4.4	—24
Dates (tons)	12	+20	+ 58	1.2	+27
Almonds (tons)	30	+ 1	+ 44	12.4	—24
Filberts (tons)	7	—22	+ 41	1.9	—15
Walnuts (tons)	70	+ 8	+ 9	29.7	+21
Vegetables for Market					
Artichokes (40# box)	820	+ 8	0	2.9	+26
Asparagus (30# cr.)	1,735	—31	— 30[3]	5.4	—43
Beans, snap (30# bu.)	1,531	— 3	+ 3	3.9	— 3
Cabbage (tons)	147	+25	+ 8	5.4	+11
Cantaloups (70# cr.)	8,722	— 4	+ 47	27.6	—14
Carrots (50# bu.)	14,453	+ 3	+ 15	37.7	+22
Cauliflower (37# cr.)	8,402	+ 5	+ 45	10.0	— 5
Celery (65# cr.)	11,800	+ 6	+ 63	22.2	—21
Honeydew melons (35# cr.)	3,069	— 9	+ 7	5.6	—15
Lettuce (70# cr.)	30,137	— 4	+ 35	94.2	— 6
Onions (50# sacks)	10,963	— 2	+ 5	14.4	—11
Peas, green (30# bu.)	2,474	—16	— 45	5.5	—20
Peppermint (lbs.)	786	+ 4	+150	4.5	—14
Strawberries (36# cr.)	3,714	+47	+ 84	28.6	+46
Tomatoes (53# bu.)	7,309	— 2	+ 25	26.8	+ 4
Watermelons (no.)	12,912	— 3	+ 10	4.6	— 6
Vegetabes for Processing					
Asparagus (tons)	55	— 5	— 6[3]	9.2	+ 8
Beans, green lima (tons)	29	+46	+685	5.3	+81
Beans, snap (tons)	51	+ 5	+ 48	6.1	+11
Peas, green (tons)	123	—20	+ 22	10.8	—24
Tomatoes (tons)	1,042	—31	+ 33	27.9	—35

[1] Not available.
[2] Figures are for crop year beginning in October of the previous year.
[3] Comparison is with an eight year average, 1939-46.
Source: United States Department of Agriculture, 1948 annual summaries of crop production.

Twelfth District crop production

Weather conditions in most parts of the Twelfth District were unusual in 1948. In California a winter drought threatened serious injury to all crops and shortages of irrigation water and hydroelectric power. Spring rains beginning in mid-March and continuing into May—much later than is usual—brought relief to crops, though ground water remained very low and was expected to cause concern as long as heavy usage and below-normal rainfall continued. The retarded season seemed to have no ill effects on field crops which developed well and with high yields. Though there were difficulties in seeding and later in harvesting because of the wet ground, the growth of grains was excellent. Production of field crops in the Twelfth District in 1948 was, on the whole, higher than in 1947 and well above the ten-year average for 1937-46. Profitable returns during 1947 and the assurance of continued Government support in 1948 caused substantial acreage increases for many crops, particularly cotton and potatoes. Record crops of cotton, flaxseed, and grain sorghums resulted, and the District's share of the nation's cotton and potato crops increased to 9 and 26 percent respectively. District barley production was only slightly below its all-time high of 1942, and the wheat crop reached a new record. A reversion to pre-war acreages plus the cool, wet spring resulted in a 43 percent reduction in acreage and a 45 percent reduction in production of dry peas. Substantial declines from 1947 to 1948 in yields per acre of oats, rice, and sugar beets, and somewhat lower acreages harvested caused the decreases in production of those crops.

Some fruit and nut crops suffered from the early dry weather and the cold and rain during the growing and blossoming periods. On the whole, however, results were much better than had been expected early in the year. In the Pacific Northwest, especially in Washington, the spring was the coolest, latest, and wettest of many years. Most fruit crops were adversely affected by the weather which interfered with pollination. Total 1948 production of fruit and nut crops in the District, as a result, was down from the previous year with the decrease in California estimated at 8 percent and in Washington at about 20 percent. Only olives, apricots, dates, and small berries showed substantial increases. Most other deciduous, as well as citrus, fruits showed the effects of the weather and produced much smaller crops than the year before.

Weather conditions generally delayed truck crop development and, for some crops, production was adversely affected. Total District production of truck crops for fresh market increased less than 1 percent over 1947, but was 26 percent greater than the 1937-46 average. The production of truck crops used for processing, though still considerably above average, decreased 23 percent in 1948. Acreage cuts were responsible for some of this decrease, particularly in peas and tomatoes. Canners reduced their packs to more normal levels, after the large 1946 and 1947 packs had largely refilled distribution channels. This reduced output of processing truck crops, and generally lower prices, particularly for the fresh market crops, resulted in a 10 percent drop in the value of District truck crop production.

Livestock, meat, and wool

For the first time in four years the decrease in cattle numbers was halted as inventories on January 1, 1949 showed a slight increase over a year ago. The fourth quarter reduction in the proportion of calves to the total number of cattle slaughtered implied that more stock was being kept for replacement and for growing out on the range. There was also a 19 percent increase of cattle on feed for the country as a whole at the year end. In the District, cattle on feed in Oregon were up 33 percent, and in California, 19 percent.

LIVESTOCK ON FARMS ON JANUARY 1—TWELFTH DISTRICT
(in thousands)

	1938-47 average	1948	1949
All cattle and calves	7,297	7,529	7,698
Hogs, including pigs	1,980	1,424	1,569
All sheep and lambs	10,029	6,883	6,400
Chickens	34,019	34,335	35,326
Turkeys	2,146	1,104	1,659

Source: U. S. Bureau of Agricultural Economics, *Livestock on Farms on January 1.*

The retention of breeding stock for replacement and an increase of cattle on feed were reflected in the production of 9 percent less meat than the 23 billion pounds produced in the United States in 1947. All classes of red meat slaughter decreased in 1948. Part of the United States decline in meat production originated in the Twelfth District, where growers produced 14 percent less beef than in 1947, 12 percent less veal, 7 percent less lamb and mutton, and 4 percent less pork.

United States hog population increased 3 percent in 1948 as a result of expanded breeding programs encouraged by mid-year prospects of plentiful feed and favorable prices. Inventories stood at 57 million head on January 1, 1949.

The decline in sheep numbers continued in 1948, resulting in the lowest figure in over 80 years. Considerably fewer lambs were on feed by the end of 1948 than 1947, in both the District and the nation as a whole. Idaho was the only District state which maintained the same number of lambs on feed as in 1947. The general decline in lamb feeding reflected the small lamb crop of 1948 (31 percent smaller than the 1937-46 average), which was the result of a sharply reduced number of breeding ewes. The high cost and scarcity of replacements has also caused a greater retention of ewe lambs for breeding purposes, thus further reducing feeder supplies in the Twelfth District as well as in other areas. The national lambing percentage (ratio of the number of lambs to the number of ewes) was 86, only very slightly below 1947. District states, notably Washington with an average of 111 percent, Idaho with 108, Oregon with 98, and California with 91 percent, were above the national average.

United States wool production of 237 million pounds was the smallest clip since 1942. The District, which accounts for about a fourth of the national total, produced about 1 percent less in 1948 than in 1947. Producers in Idaho and Oregon, however, were able to increase their output slightly, as their sheep sheared somewhat heavier.

Poultry and eggs

Nearly 10 percent fewer turkeys were raised in the United States in 1948 than the 35 million birds of the 1947 crop. As a result of the previous season's high feed prices, 1948 began with one-third fewer breeding hens on farms. As the year progressed, prospects of plentiful feed at declining prices encouraged a step-up in turkey raising, particularly in the Twelfth District. By the end of the year, as many turkeys had been raised in most District states as in 1947. A 12 percent increase in California made up for the reduction that had been experienced in that state in 1947.

The number of chickens raised in the United States in 1948 was somewhat below that of 1947. This appeared to be the result of a decline in farm chickens which was not offset by the rise in commercial broiler production. In the District, however, Utah, Nevada, and Oregon maintained production at 1947 levels, and the other four states experienced but slight declines.

In contrast with a general recession in meat prices since mid-1948, demand for eggs continued strong throughout the year. Egg production continued about equal with that of a year earlier. In the District, however, California poultry houses, with a 10 percent increase, topped the previous record of 1944. Conversely, in Oregon, production was reduced to the lowest in the last eight years.

Dairy production

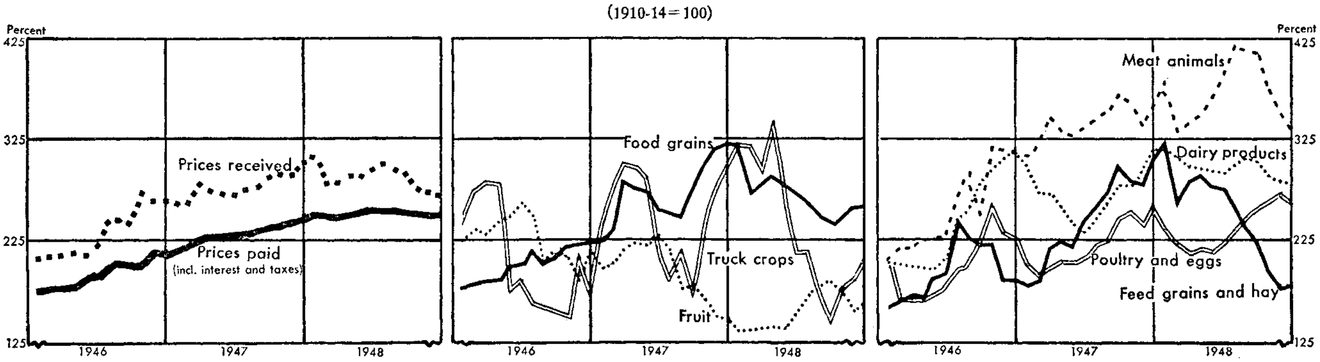
While there was a slight increase in the total number of cattle on United States farms in 1948, the number of dairy cows continued to decline because of the high prices for slaughter cattle in the first half of the year. Readjustments due to the relationship of the feed-milk price ratio and the price of beef cattle were not yet felt in 1948. An increase in output per cow was made possible through heavier feeding induced by more plentiful and cheaper feed supplies. Nevertheless, total milk production was below the previous year's level, in both the District and the nation as a whole.

Declining farm prices

The trend of farm prices is definitely downward. This was not evident during the first half of 1948, as a large part of the February price drop had been recovered by mid-summer. But since then prices have been declining steadily. The index of prices received for all farm products (1910-14 = 100) hit 268 on December 15, the low spot for the year and the lowest level since February 1947. It had declined 13 percent from the record high of 307 reached in January 1948.

Both crops and livestock shared in the price declines. Beginning in May, the farm prices of food and feed grains, oil crops, and truck crops tumbled sharply as the

INDEXES OF PRICES RECEIVED AND PAID BY FARMERS—UNITED STATES, 1946-48[1]
(1910-14=100)



[1]Mid-monthly data. Source: United States Department of Agriculture, Bureau of Agricultural Statistics, *Agricultural Prices.*

record crops came to market. These sharp declines continued until harvests were largely completed during the last few months of the year. Farm prices for cotton dropped during the last half of the year to the lowest level since November 1946.

The decline in farm prices of livestock and livestock products has received more attention than the decline in crop prices even though the drop was not as sharp. After recovering the February break by mid-year, the prices farmers received for livestock and livestock products went on to a record high in August and September. Meat animal and poultry and egg prices were the leaders in this record rise; dairy product prices, on the other hand, moved downward gradually all year. Beginning in August, sharp declines in the prices of meat animals led to a break in the livestock and livestock product price index. From a record high of 417 (1910-14 = 100) on July 15, the index of meat animal farm prices dropped to 339 on December 15. This more than seasonal decrease indicates that the longer-term upward trend in meat animal prices may have reached its peak in 1948.

Cash Receipts from Farm Marketings
Twelfth District—1948
(in thousands)

	Livestock and products	Crops	Total	Percent change, 1947-48: Livestock and products	Crops	Total
Arizona	$ 77,091	$ 131,652	$ 208.743	+7.3	+ 9.7	+8.8
California	794,743	1,412.896	2.207.639	+5.7	0.0	+2.0
Idaho	155,506	209,034	364,540	+6.7	— 3.6	+0.5
Nevada	39,322	5,756	45,078	—0.3	—10.4	—1.7
Oregon	180,145	219,881	400,026	+5.9	+ 9.6	+7.9
Utah	109,777	54,583	164,360	+5.8	+ 5.5	+5.7
Washington	207,858	399,328	607,186	+8.1	+ 3.1	+4.7
Twelfth District	1,564,442	2,433,130	3,997,572	+6.0	+ 1.6	+3.3
United States	17,424,859	13,593,844	31,018,703	+5.7	— 0.7	+2.8

Source: U. S. Bureau of Agricultural Economics, *Farm Income Situation*, January 1949.

Farm costs continue high

Both prices received and prices paid by farmers were at record high levels in January 1948. While farm prices declined 13 percent during the year, prices farmers had to pay decreased only 1 percent. This slight decline was due entirely to lower feed prices and the slight drop in food costs. All other farm costs continued to rise, particularly those of production items—labor, machinery, and farm supplies.

Changes in farm costs generally lag behind changes in farm prices with resultant effects upon farmers' relative prosperity. A rough measure of this relative prosperity is the parity ratio—the ratio of prices farmers receive to prices they pay. This ratio has been decreasing gradually during the past two years. During 1948 the decrease was a little more rapid as farm prices dropped while prices paid levelled off. By December 15, the parity ratio had dipped to the lowest point in six years, and was 25 points below the record high of 133 registered in October 1946. It is evident that farmers' net income position has been worsened during the past year.

Support programs aid District farmers

Farm prices for many crops, including several important in the Twelfth District, might have been driven to disastrously low levels under the pressure of large crops without Government price-support programs. Even with support operations, farm prices of wheat, corn, and potatoes dropped well below support levels during harvest. Shortage of adequate storage facilities undoubtedly kept considerable quantities of some crops from going under Government loan.

In contrast to 1947, support operations for 1948 crops were extensive. Many more programs were active than in 1947 and the quantities purchased or placed under loan were considerably greater.

The value of the support program to District farmers is readily apparent from the fact that of the five most important District crops—wheat, hay, cotton, potatoes, and barley—all but hay received price support during 1948. It is probable that total District cash receipts would not have exceeded receipts for 1947 without these support programs.

Certain other Government programs aided District farmers during 1948. Under the Dried Fruit Purchase Program, the Government was committed to buy up to 200,000 tons of surplus 1948 dried fruits, mostly from California. To date, 123,000 tons have been obtained, and prices have remained at or above the floors established. Two export subsidy programs were also announced—one for fresh and processed citrus and the other for dried prunes and raisins. Both of these programs would in-directly help maintain domestic prices if appreciable quantities are exported.

Cash receipts up slightly, net income down

On the whole, farmers enjoyed a profitable year during 1948 with cash receipts in both the United States and the Twelfth District rising to record levels. In both areas, however, the increase in receipts over 1947 was only moderate and will probably represent the peak for some years to come. Actually, farmers' realized net income began decreasing during 1948, the first drop in a decade. Production and living expenses increased much more in 1948 than did receipts from marketings.

The slight increase in total cash receipts, in both the District and the nation, was largely due to increased income from livestock and livestock products. Though the volume of livestock marketings was smaller than in 1947, it was more than offset by the increase in average prices. For crops, however, the slight increase in marketings was about offset by somewhat lower average prices so that total crop receipts were not much different from a year earlier. Total receipts were higher in all District states except Nevada where income from both crops and livestock declined. In all other states, livestock receipts were up between 6 and 8 percent. The change in income from crop marketings varied widely between states. Larger receipts from wheat in Oregon and from cotton and vegetables in Arizona pushed crop income up about 10 percent in those states.

Farm land values

While net farm income for 1948 fell off from the previous year, the index of land values of United States farms rose approximately 8 percent, continuing the long upward trend begun in 1933 and accelerated in the postwar period. In the Twelfth District, the intermountain states conformed to the national pattern. The Pacific Coast area, however, continued the gradual decline which was initiated in mid-1947, largely owing to lower prices of California farm land. In California this decline was the result of lower prices for the products of truck crops, citrus and other fruit farms. Nevertheless, in spite of the decline, 1948 farm land values in California were still 40 percent above the 1920 peak.

Though farm income was less, net returns in 1948 remained relatively high enough so that farm land values were not challenged by competing investment. A strong demand continued for small farms, rural homes, and part-time farms from purchasers who were in a position to pay cash and premiums for accessibility and convenience.

Labor supply adequate

The supply of farm labor in 1948 for the United States as a whole was adequate to keep farm operations rolling throughout the year, despite record crop production and an early-season apprehension of shortages. Total farm employment about equalled 1947 and favorable weather allowed a greater use of machinery in growing and harvesting the record crop. Some District areas experienced temporary labor shortages. Late spring rains delayed planting in the Pacific Northwest, creating a temporary shortage. The Southern California labor supply was again augmented by importation of Mexican nationals. Farm wages in general were about 6 percent higher in each quarter of 1948 than a year earlier. The wage increase, however, was relatively less than wage increases experienced in other segments of the economy.

BUSINESS INDEXES—TWELFTH DISTRICT[1]

(1935-39 average = 100)

Year and Month	Industrial production (physical volume)[2]								Total mf'g employment[4]	California factory payrolls[4]	Car-loadings (number)[2]	Dep't store sales (value)[2]	Dep't store stocks[5] (value)	Retail food prices[3,6]
	Lumber	Petroleum[3] Crude	Petroleum[3] Refined	Cement	Lead[3]	Copper[3]	Wheat flour[3]	Electric power						
1929	148	129	127	110	171	160	106	83	....	111	135	112	134	132.0
1930	112	101	107	96	146	106	100	84	....	93	116	104	127	124.8
1931	77	83	90	74	104	75	101	82	....	73	91	92	110	104.0
1932	46	78	84	48	75	33	89	73	....	54	70	69	86	89.8
1933	62	76	81	54	75	26	88	73	....	53	70	66	78	86.8
1934	67	77	81	70	79	36	95	79	....	64	81	74	83	93 2
1935	83	92	91	68	89	57	94	85	88	78	88	86	88	99.6
1936	106	94	98	117	100	98	96	96	100	96	103	99	96	100.3
1937	113	105	105	112	118	135	99	105	112	115	109	106	108	104.5
1938	88	110	103	92	96	88	96	102	96	101	96	101	101	99.0
1939	110	99	103	114	97	122	107	112	104	110	104	109	107	96.9
1940	120	98	103	124	112	144	103	122	118	134	110	119	114	97.6
1941	142	102	110	164	113	163	103	136	155	224	127	139	137	107.9
1942	141	110	116	194	118	188	104	167	230	460	137	171	190	130.9
1943	137	125	135	160	104	192	115	214	306	705	133	203	174	143.4
1944	136	137	151	128	93	171	119	231	295	694	140	223	179	142.1
1945	109	144	160	131	81	137	132	219	229	497	134	247	183	146.3
1946	130	139	148	165	73	109	128	219	175	344	135	305	238	167.4
1947	141	147	159	193	98	163	133	256	184	401	142	330	300	200 3
1948	144	149	162	211	107	153	116	284	189	430	136	354	348	216.1
1947														
November	154	150	163	205	107	151	133	263	188	421	143	347	327	209.4
December	162	149	160	215	98	161	116	275	188	423	144	363r	353	213.0
1948														
January	144	150	166	218	105r	163	114	278	187	418	141	348	360	215.4
February	152	150	166	207	112	166	104	283	187	417	130	327	377	213.0
March	148	151	164	216	110r	158r	101	274	187	406	131	339	388	211.6
April	133	152	166	216	108r	165r	116	275	184	396	130	362	386	216.0
May	122	152	172	202	102	165r	108	263	180	406	123	364	347	217.6
June	128	153	168	196	105r	165	115	266	185	424	134	372	335	216.6
July	153	152	167	202	99r	159	123	284	190	440	137	365	328	218.1
August	159	153	171	202	108r	166	124	289	194	455	141	383	302	218.0
September	155	123	110	215	106r	161r	123	295	197	454	146	355	311	217.6r
October	149	151	155	217	107r	152	114	291	196	452	132	336	333	217.1r
November	145	153	173	232	115	109	126	295	194	449	134	323	356	215.6r
December	141	153	171	205	111	104	122	309	191	444	157	368	356	216.5

BANKING AND CREDIT STATISTICS—TWELFTH DISTRICT

(amounts in millions of dollars)

Year and month	Condition items of all member banks[7]				Member bank reserves and related items[8]					Bank debits index 31 cities[3,12] (1935-39 = 100)[2]
	Loans and discounts	U.S. Gov't securities	Demand deposits adjusted[9]	Total time deposits	Reserve bank credit[10]	Commercial operations[11]	Treasury operations[11]	Coin and currency in circulation[10]	Reserves	
1929	2,239	495	1,234	1,790	− 34	0	+ 23	− 6	175	146
1930	2,218	467	1,158	1,933	− 16	− 53	+ 89	+ 16	183	126
1931	1,898	547	984	1,727	+ 21	− 154	+ 154	+ 48	147	97
1932	1,570	601	840	1,618	− 42	− 175	+ 234	+ 30	142	68
1933	1,486	720	951	1,609	− 2	− 110	+ 150	− 18	185	63
1934	1,469	1,064	1,201	1,875	− 7	− 198	+ 257	+ 4	242	72
1935	1,537	1,275	1,389	2,064	+ 2	− 163	+ 219	+ 14	287	87
1936	1,682	1,334	1,791	2,101	+ 6	− 227	+ 454	+ 38	479	102
1937	1,871	1,270	1,740	2,187	− 1	− 90	+ 157	− 3	549	111
1938	1,869	1,323	1,781	2,221	− 3	− 240	+ 276	+ 20	565	98
1939	1,967	1,450	1,983	2,267	+ 2	− 192	+ 245	+ 31	584	102
1940	2,130	1,482	2,390	2,360	+ 2	− 148	+ 420	+ 96	754	110
1941	2,451	1,738	2,893	2,425	+ 4	− 596	+1,000	+ 227	930	134
1942	2,170	3,630	4,356	2,609	+ 107	−1,980	+2,826	+ 643	1,232	165
1943	2,106	6,235	5,998	3,226	+ 214	−3,751	+4,486	+ 708	1,462	211
1944	2,254	8,263	6,950	4,144	+ 98	−3,534	+4,483	+ 789	1,706	237
1945	2,663	10,450	8,203	5,211	− 76	−3,743	+4,682	+ 545	2,033	260
1946	4,068	8,426	8,821	5,797	+ 9	−1,607	+1,329	− 326	2,094	298
1947	5,363	7,243	8,928	6,006	− 302	− 443	+ 630	− 206	2,202	326
1948	6,056r	6,368	8,736	6,062	+ 17	+ 472	− 482	− 209	2,420r	355r
1947										
December	5,363	7,243	8,928	6,006	− 25	− 5	+ 49	− 18	2,202	365
1948										
January	5,413	7,264	8,854	6,021	+ 14	+ 48	− 253	− 113	2,113	352
February	5,467	7,021	8,495	6,063	+ 20	+ 153	− 244	− 2	2,045	354
March	5,510	6,945	8,452	6,044	− 49	+ 29	− 19	− 37	2,066	347
April	5,509	6,943	8,461	6,019	+ 9	− 75	+ 29	− 17	2,048	353
May	5,569	6,883	8,445	6,008	+ 30	− 14	+ 45	+ 26	2,068	342
June	5,598	6,859	8,464	6,057	− 14	− 10r	− 12r	− 13	2,061	348
July	5,640	6,816	8,556	6,010	+ 15	− 38	+ 43	− 11	2,075	354
August	5,743	6,712	8,555	6,005	− 23	+ 1	+ 12	+ 17	2,065	356
September	5,848	6,394	8,661	6,003	+ 17	+ 427	− 98	+ 2	2,409	359
October	5,910	6,440	8,647	6,018	+ 12	− 8	− 35	+ 8	2,351	363
November	5,984	6,358	8,658	5,998	− 25	− 40	+ 7	− 8	2,323	355
December	6,056	6,368	8,736	6,062	+ 11	− 2	+ 45	− 61	2,420	376r
1949										
January	6,009	6,382	8,664	6,082	+ 2	− 101	− 58	− 54	2,329	360

[1] All monthly indexes but wheat flour, petroleum, copper, lead, and retail food prices are adjusted for seasonal variation. Excepting for department store statistics, all indexes are based upon data from outside sources, as follows: Lumber, various lumber trade associations; Petroleum, Cement, Copper, and Lead, U.S. Bureau of Mines; Wheat flour, U.S. Bureau of the Census; Electric power, Federal Power Commission; Manufacturing employment, U.S. Bureau of Labor Statistics and cooperating state agencies; Factory payrolls, California State Division of Labor Statistics and Research; Retail food prices, U.S. Bureau of Labor Statistics; and Carloadings, various railroads and railroad associations. [2] Daily average. [3] Not adjusted for seasonal variation. [4] Excludes fish, fruit, and vegetable canning. Factory payrolls index covers wage earners only. [5] At retail, end of month or year. [6] Los Angeles, San Francisco, and Seattle indexes combined. [7] Annual figures are as of end of year; monthly figures as of last Wednesday in month or, where applicable, as of call report date. [8] End of year and end of month figures. [9] Demand deposits, excluding interbank and U.S. Gov't deposits, less cash items in process of collection. Monthly data partly estimated. [10] Changes from end of previous month or year. [11] Minus sign indicates flow of funds out of the District in the case of commercial operations, and excess of receipts over disbursements in the case of Treasury operations. [12] Debits to total deposit accounts, excluding inter-bank deposits. p—preliminary. r—revised.