



MONTHLY REVIEW

TWELFTH FEDERAL RESERVE DISTRICT

FEBRUARY 1950

FEDERAL RESERVE BANK OF SAN FRANCISCO

INDUSTRY AND TRADE IN 1949

THE decline in economic activity of late 1948 and early 1949 resulted in reduced output in most Twelfth District industries. Starting in early spring there were indications of improvement in the business situation but despite some small gains over winter months, the volume of output remained below 1948. Only in the second half of the year was there a marked recovery. In most cases the recovery was still not sufficient to repeat the high levels of the third quarter of 1948. Nevertheless, the fourth quarter of 1949 showed considerable improvement over the same period a year earlier. The improvement in Twelfth District output is apparent from the statistics, but what is probably of equal importance was the absence in the latter part of the year of the uncertainty and to some degree the pessimism of a year earlier. Though seasonal declines did occur in the period from October through December, they were at a much slower rate than was true in the last part of 1948. In some instances—lumber is a good example—the seasonal decline represented a measure of the inability of the industry to counter adverse weather conditions rather than a measure of the decline in demand.

For the year as a whole output remained below 1948, however, because of the weak start early in the year and the failure of the expansion in the third quarter to push activity to the peak in 1948. Aircraft, automobile, can and fiber container, and aluminum production all sur-

passed 1948. Zinc mining was up slightly in this District because mines producing other metals recovered a higher percentage of zinc as a by-product in 1949. Lumber and plywood production almost reached the 1948 level. Industries which fell behind 1948 include iron and steel, machinery, electrical equipment, copper, lead, gold, silver, crude oil, paper, apparel, and motion pictures. The volume of construction in this District was also below 1948.

The reduced level of industrial production, a reduction in the number of workers in retail trade, and the drop in construction were principally responsible for a lower level of nonagricultural employment in the Twelfth District. Nonagricultural employment in 1949 averaged 2 percent less than in 1948. Unemployment was up sharply because of the lower level of activity in many industries. Insured unemployment averaged 48 percent more than in the preceding year. In part, this was due to the increase in the labor force. Adequate labor-force data for the District are not available. Estimates available for the three Pacific Coast states indicate a probable 1½ percent increase in the labor force. This development alone would have required about 80,000 new jobs in those states. The growing labor force added to the problems of a year in which many lines of business experienced lower levels of activity.

Of interest in connection with labor-force growth is the increase in population during the past year. District population was greater by 600,000 persons than a year earlier. This gain of 3 percent over 1948 continued to reflect a fair amount of immigration. Obviously, only a small part of the increase in population found its way into the labor force because much of the increase represents the excess of births over deaths or immigrants of non-working age. This growth in population does indicate, however, that the base for the labor force is still growing substantially.

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

	1941	1942	1943	1944	1945	1946	1947	1948	1949 ¹
Copper	133	154	157	140	112	89	133	127	115
Lead	116	121	107	96	84	73	101	113	111
Zinc	159	168	171	191	185	170	207	210	212
Silver	102	88	68	56	46	39	60	63	57
Gold	103	75	35	29	25	30	43	43	42
Iron ore	145	148	599	839	765	569	1158	1173	1059
Steel ingots	134	156	205	301	295	247	391	442	401
Aluminum ²	43	100	197	216	130	94	165	187	197
Petroleum	103	111	127	139	146	140	148	151	148
Refined oils	107	113	132	147	156	144	155	159	163
Natural gas	109	115	127	134	155	140	155	164	159
Cement	144	170	140	112	115	144	169	185	177
Lumber	129	128	124	124	99	118	128	130	125
Wood pulp	143	141	110	118	116	124	144	154	150
Paper	127	127	118	123	122	135	134	135	130
Douglas fir plywood	174	188	151	152	124	146	168	197	196
Canned fruits	117	116	91	121	106	167	136	134	134
Canned vegetables	165	176	198	215	213	278	251	228	237
Meat	121	132	126	149	163	161	163	150	159
Sugar	87	94	84	84	84	92	122	91	91
Flour	96	97	107	111	123	119	124	109	97
Butter	101	88	78	70	51	39	59	49	59
Cheese	115	123	119	131	140	140	159	138	132
Ice cream	122	163	161	176	194	281	250	209	202

¹ Preliminary.

² 1942 = 100.

Note: Data given above supersede previously published annual indexes.

Annual Review, 1949

Industry and Trade

Banking and Credit

Agriculture

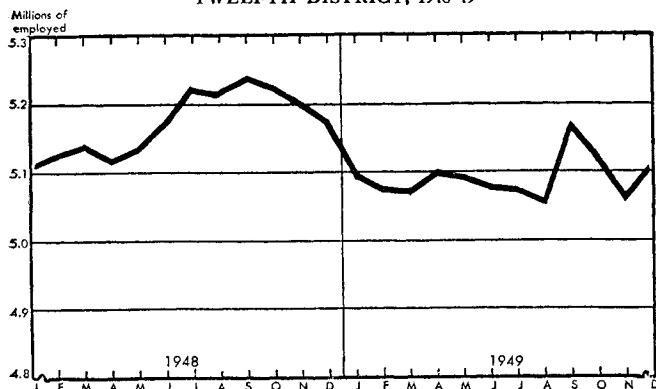
Retail trade lagged behind 1948 in dollar volume. Not all lines of trade were similarly affected, however. District department stores experienced a 6 percent decline in sales, and other general merchandise outlets appear to have had similar experiences. Automobile dealers, however, reported greater sales. Sales of food and gasoline also compared quite favorably with 1948. The decline in dollar sales of general merchandise should be considered along with the fact that prices for most items in this category declined. On the average it appears that the physical volume of general merchandise sales was not far below 1948. Automobile sales increased in units as well as dollars, and the physical volume of food sold was at least as high as in 1948.

Employment down from high 1948 level

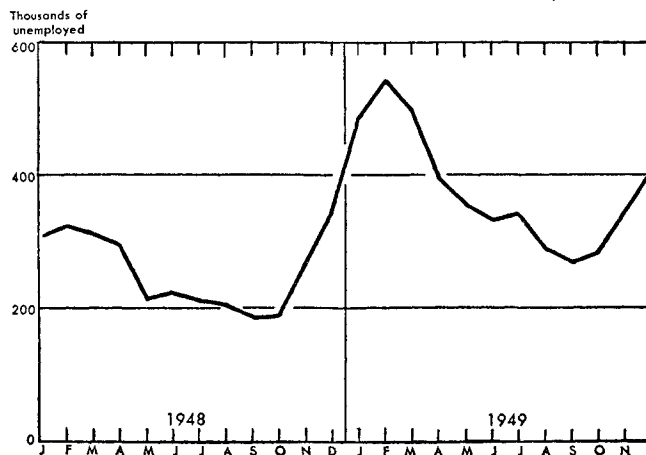
District nonagricultural employment was below 1948 in every month of 1949. The impact of declining business activity caused a drop in employment late in 1948 which continued into early 1949. In January and February 1949, unusually severe weather conditions along with the decline in business and normal seasonal forces caused a sharp cut in nonagricultural employment. After a fair recovery in March and April, there was a slight downward trend through August which in part was due to seasonal influences. Because of the usual increases in canning along with some nonseasonal improvement, employment increased substantially in September to a peak for the year, but the dispute in steel combined with normal declines in canning employment pulled the October and November levels down. In December, however, nonagricultural employment moved up as steel and related industries approached their pre-strike output and seasonal gains in trade and government more than offset losses in other segments of the economy. Compared with a year earlier, the December level of nonagricultural employment was off less than 1½ percent; in July and August the gap was almost 3 percent.

The lower level of nonagricultural employment during 1949 resulted principally from substantially fewer jobs in trade, manufacturing, and construction. Trade employment remained well below its year-ago level in every month of 1949. Manufacturing employment after January also lagged behind 1948 with weakness more pro-

NONAGRICULTURAL EMPLOYMENT—
TWELFTH DISTRICT, 1948-49



INSURED UNEMPLOYMENT—TWELFTH DISTRICT, 1948-49



nounced in durable than in nondurable goods. Lumber, machinery, electrical equipment, shipbuilding, and steel employment were well below 1948. Construction employment was below its year-ago level because of the reduced rate of construction expenditures in the District, but considerable strength was apparent during the last quarter when the decline in jobs was less than might be expected from normal seasonal pressures.

Because of the reduction in employment and some growth in the labor force, the number of jobless was substantially higher in 1949 than in 1948. By the end of the year, however, the gap between the two periods had narrowed considerably. In July, for example, insured unemployment was 65 percent greater than a year earlier, but in December the difference was about 32 percent. The increase in unemployment after September could be attributed mainly to normal seasonal behavior and to idleness resulting from labor-management disputes.

District construction was off in 1949

For the first time since before the war, the dollar volume of District construction declined from the previous year. During the first nine months of 1949, construction put in place was down 9 percent from a year earlier. Private residential construction led the decline with a 24 percent drop from 1948. Private nonresidential construction was down 10 percent, but public construction increased by 26 percent. The decline in District construction first became evident in the latter part of 1948, when construction put in place and building authorized in urban areas dropped sharply from the rapid pace evident during most of that year.

As 1949 progressed the picture tended to improve, but the third quarter dollar volume of construction was further behind 1948 than either of the two preceding quarters. This was due in part to the unusually high level of construction in July, August, and September 1948. Preliminary fourth quarter data, however, indicate that the last three months of the year were well ahead of 1948 volume.

The level of District construction for the year as a whole not only was behind 1948, but declined relative

to the national total. In contrast to the behavior of construction in the District, total construction volume in the United States increased slightly over 1948 during the first three quarters, and like the District showed additional strength relative to a year earlier in the fourth quarter. The dollar volume of residential construction in the United States during the first nine months of the year was down 9 percent, but the cumulative year-period gap was reduced to less than 5 percent by the end of the year. The lower dollar volume expressed some decline in building costs, but principally the difference was due to the construction of less expensive houses. The dollar volume of private nonresidential construction in the nation also declined. For the first nine months of the year, it was 9 percent below the same period of 1948, and for the year as a whole it was 11 percent below. The slight increase in total United States construction activity resulted from a sharp rise—25 percent—in public construction over 1948.

Over a million new dwelling units were started in the nation in 1949, the largest number on record. The number of units started exceeded 1925, the previous record year, by 9 percent. This record was established in the face of a weak start early in the year. The rate of housing starts improved in the spring and by mid-year was approaching 1948 levels. The increase in the number of starts continued through October, and the total for the first 10 months of 1949 exceeded the same period of 1948. Even winter weather failed to have any sharp effect. Though the number of starts declined slightly from earlier months during November and December, it remained well ahead of the same months a year earlier.

In this District, the behavior of residential construction was somewhat similar to that in the country as a whole, but the level relative to the previous 12 months was lower. Housing-start data are not available, but the number of dwelling units authorized in urban areas is a fair approximation. The number of such units was about 17 percent less for the year than in 1948 and as a percentage of the comparable national total dropped from 22 to 17 percent. Nevertheless, the situation improved in the latter part of the year. Starting with October the authorizations exceeded the corresponding months of 1948. This reversed the behavior earlier in the year and gave some indication that the level of residential building in the District would not decline further, except for seasonal conditions, during the early part of 1950.

District urban nonresidential authorizations also were lower than in 1948. After being relatively strong during the first six months of the year, nonresidential permits dropped sharply in July and continued at a level well below the first half of the year. Starting with October the dollar volume rose slightly. In considering urban permits for nonresidential construction, it might be well to remember that many of these projects are outside urban areas. Nevertheless, the changes for various subgroups reveal the nature of nonresidential construction during 1949. Leading the decline in nonresidential construction

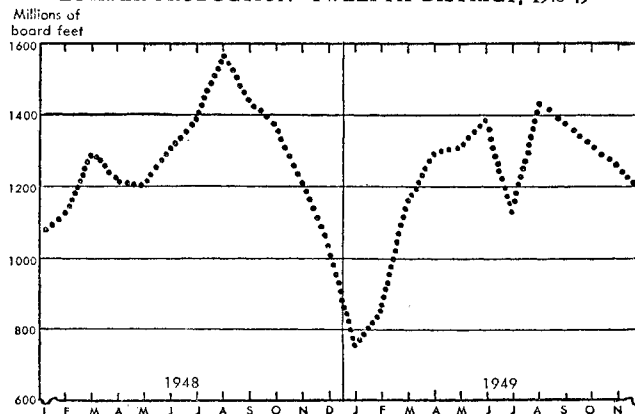
was a drop in building of factories and industrial plants. Important reductions also occurred in stores and commercial buildings, amusement places, garages, and public utilities. It is interesting that construction-put-in-place estimates, which include non-urban as well as urban construction, show no decline for public utilities, leading to the conclusion that a higher proportion of public utility construction occurred outside urban areas. In contrast to the categories already mentioned, quite substantial increases were reported for public buildings and schools. The role of public construction gained in importance through most of the year, and the dollar volume near the end of the year rose sharply.

Lumber industry gains after weak start

The effects of declining residential construction, a drop in industrial demand, and extreme weather cut District lumber production in January and February 1949 far below the corresponding months a year earlier. New orders were also considerably lower than in the corresponding months of 1948. This drop in demand was a continuation of the weakness in lumber markets which became evident during the third quarter of 1948. The exceptionally low level of production was not destined to continue, however, even on the basis of the lower level of orders. As soon as weather permitted, production increased and was in a closer relationship to orders than the January-February level.

New orders also gained starting with March, but remained below 1948 levels until September. In some industry circles it was felt that the increase in new orders achieved during the spring months was unrealistic. This attitude reflected the pessimism that had been induced by the comparatively low level of housing construction in late 1948 and early 1949 and the general decline in business conditions. Actually it appears in retrospect that the level of orders was probably too low in view of the rapid expansion in housing construction that was taking place in the spring and which continued through most of the year. Production, though behind 1948, outdistanced orders during the second quarter, but the additions to the moderate stocks on hand were small and the ratio of inventories to new orders did not exceed 2 to 1 at any time during the year.

LUMBER PRODUCTION—TWELFTH DISTRICT, 1948-49



By late summer the pressure of a record rate of housing construction had forced lumber demand up significantly. The restrictive buying policies of lumber dealers combined with good demand at retail had cut retail stocks, and new orders forced larger purchases from mills. In September new orders exceeded the volume of the same month of 1948 and production caught up with its year-ago level. Reversing the experience of late 1948, new lumber orders through the end of the year remained reasonably close to the peak level reached in September and production declined slightly because of seasonal influences. Because the drop in production was somewhat earlier and greater than the reduction in orders, mill inventories were reduced about 10 percent during the latter part of the year. By the end of the year they had dropped below the corresponding period in 1948, when involuntary inventory accumulation had occurred at District mills.

Though lumber demand improved substantially during the latter part of the year, the gain in production for the District as a whole was not sufficient to erase the deficit during the first half. District production was about 5 percent below 1948. This drop from 1948 was due mainly to the failure of production in the Western Pine region to recover as markedly as that in the Douglas Fir region. The latter area reported production slightly in excess of 1948. Redwood production also was slightly below 1948, but production in that area was fairly even in volume during 1949 and did not vary much from the corresponding quantity in any month in 1948.

Lumber prices followed roughly the same pattern as orders. Douglas fir prices, according to the Bureau of Labor Statistics price series, reached a peak in the summer of 1948 and then declined. The 1949 spring recovery in demand was not sufficient to prevent their further decline. A low point was reached during the summer about 25 percent below the 1948 peak. The pressure of demand turned prices upward during the last three months of the year but the gain was slight. According to the West Coast Lumberman's Association, average realizations in Sep-

tember 1949 were \$58 per thousand board feet compared with \$80 a year earlier. By December, prices had increased to roughly \$60 per thousand. The price for sugar pine and ponderosa pine remained considerably steadier than that for Douglas fir, but the timing of changes was roughly about the same. Prices for better grades of redwood changed little during the year, but the lower grades declined moderately and showed little recovery by the end of 1949.

Plywood production had strong recovery in second half

Through July, production of Douglas fir plywood was 9 percent below the first seven months of 1948. In August, however, production moved up to a level almost equal to the level of the same month in 1948, and for the year as a whole the output was almost equal to 1948. Plywood markets were weak in the first half of the year. Even though consumption of plywood had not dropped off significantly, the pessimism concerning the future of construction and the possibility of lower prices induced substantial inventory liquidation. The reversal after mid-year, like that for lumber, reflected the strong demand for plywood in construction. Though output responded rapidly to the change in demand, mill supplies of plywood continued the decline which started in February. Shipments continued to be greater than output through the end of the year.

Production facilities for softwood plywood in this District continued to increase in 1949. Four plants were added in Oregon. In Idaho one plant was opened which produces ponderosa pine and white pine veneer.

District paper industry had fair record

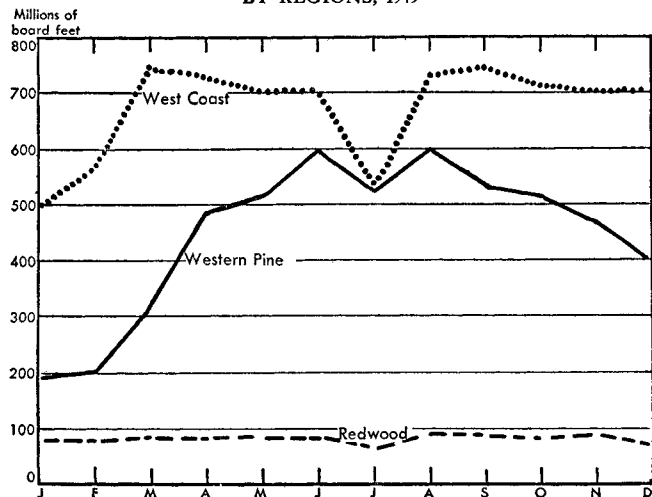
The District paper industry was confronted by sharply reduced demand in early 1949 for all products except newsprint. Inventory accumulation had terminated in late 1948, and most wholesalers and paper users sought to reduce their inventories during early 1949. Since the demand for paper products in many instances is derived from the demand for other products using paper as containers or components, the general business decline reinforced the desire to liquidate paper inventories.

The District producers were not so severely affected, however, as the national industry as a whole. In the District the product most severely affected by the drop in business in the first half of 1949 was shipping sacks. This item, however, accounts for a small proportion of District output. Production of other items, excepting newsprint, declined more moderately. Newsprint continued to gain as supply approached a more reasonable balance with demand.

Demand and output recovered markedly in July and gained in each month except September. By October the output of many products had reached record levels and output during the remainder of the year was above corresponding totals in 1948.

The price for wood pulp declined about 25 percent between March and June and remained steady until Oc-

**TWELFTH DISTRICT LUMBER PRODUCTION
BY REGIONS, 1949**



tober. November prices increased about 5 percent and the increase carried into December. The price of kraft paper declined moderately starting in April but was stable from June to the end of the year. Prices for other District papers were also weak during the second and third quarters but improved toward the end of the year.

Petroleum

Like most other industries in 1949, the American petroleum industry experienced a downturn from the extremely high levels of demand and output that marked the preceding year. In contrast with 1947 and much of 1948, when the industry was hard pressed to keep up with the demand for its products, the year 1949 was marked by a surplus of supply. Under the pressure of redundant stocks, a legacy from the closing months of 1948, prices weakened, profits declined, and overall production was reduced.

The recession in the industry's activity was sharper in crude oil production than in refinery operations and was due in part to shrinking exports which have declined continuously since 1947. Total domestic consumption of petroleum products, however, taken as an aggregate, scored a small increase in 1949, and reached a record figure of slightly over 2.1 billion barrels, equivalent to nearly 5.8 million barrels a day. The gain over 1948 was accounted for almost wholly by a 5 percent increase in consumption of motor fuels. The demand for fuel oil and for heating oils fell slightly below the 1948 volumes. Unseasonably warm weather over much of the country reduced the consumption of heating oils. The railroads used considerably less heavy fuel oil than in 1948 but stepped up their use of Diesel engine fuel as steam locomotives were increasingly replaced by Diesel units. Although the industrial demand for all fuels was adversely affected in 1949 by the business recession and by the steel and coal strikes, this was apparently more than offset in the case of oil by the progressive conversion of industrial plants and public utilities from coal to oil fuel.

In consequence of huge additional capital investment in recent years, the American petroleum industry has been geared up to a productive capacity which was considerably in excess of the total demand for its products in 1949. Aggregate capital outlays by the industry in the three years 1947-49 are estimated at well over \$6 billion. Much of this investment was for exploring, developing, and equipping additional crude oil properties. Nearly 63,000 new producing oil wells were completed during that period. The supply situation was further aggravated in 1949 by rapidly growing imports of crude and heavy fuel oil. Net imports increased from about 144,000 barrels per day in 1948 to over 300,000 barrels per day in 1949. This latter quantity was roughly equal to about one-third of the daily average output of crude oil in California in that year and represented slightly over 5 percent of the total United States domestic consumption of petroleum products.

The impact of increased supplies of domestic and foreign oil on the petroleum price structure was already ap-

parent late in 1948, when stocks of fuel oil became excessive and prices eased for the first time in two years. By mid-summer of 1949, price weakness had extended to practically all major products except gasoline and also affected the heavier grades of crude oil which yield little motor fuel. Any serious threat to the general level of crude prices was forestalled by prompt steps to curtail output. Not less than seven successive cuts in allowable oilfield operations were ordered by the Texas Railroad Commission between January and August. With similar action in other states, crude oil production was substantially curbed—with resulting moderate improvement in product prices. Following a three-month relaxation of controls, however, another sharp reduction in Texas operations was ordered for December, as the industry ended the year with generally heavy inventories and an uncertain price outlook.

Although protected by its remoteness from the direct impact of oil imports, the Pacific Coast petroleum industry experienced much the same general trend in 1949 as did the industry nationally. Expanding consumption of motor fuel was more than counterbalanced by sluggish demand for fuel oils and by reduced export and military requirements. Curtailment of crude oil output began much later, however, in California and was much less drastic than in other producing areas, in spite of persistent weakness in fuel oil prices and considerable downward adjustment in prices of low gravity crudes.

Successive cuts in fuel oil brought its price down from a postwar high of \$2.20 per barrel, San Pedro basis, in January to \$1.25 per barrel in September. Posted prices paid for crude oils were also adjusted by marking down those grades which yield relatively little gasoline and light distillates and marking up the grades whose yield is higher. The net effect of these revisions was to reduce the average over-all price realized by oilfield operators by probably a substantial amount.

California crude oil production in 1949 reached its peak in March at 949,000 barrels per day, compared with the all-time high of 953,000 in November of 1948, following the refinery strike. Gradual cutbacks brought the rate down to 872,000 barrels per day by November. The number of active producing wells was reduced by nearly 2,100 in the seven months between March, when it reached an all-time high of 26,500, and November, after allowing for the net addition of some 900 newly drilled wells less abandonment of old wells. In other words, nearly 3,000 producing wells, or more than 10 percent of the entire number in the state, were completely shut in.

In spite of curtailed production, however, the excess of supply over demand, particularly of fuel oils, continued to increase. Fuel oil consumption was affected by the smaller volume of railroad traffic in 1949 and the increasing dieselization of railway motive power, as well as by reduced marine bunkering resulting from strike-depressed Pacific Coast shipping. Increased availability of natural gas at lower prices to industrial users also cut into the consumption of fuel oil.

Inventories, already rising in 1948, continued to increase through the first three quarters of 1949 and were only slightly eased in the final quarter by large shipments of heavy fuel and distillate oils to the Atlantic Coast, the first such shipments of any considerable size since pre-war days. Total petroleum stocks in producers' hands at the year's end were approximately 128 million barrels, as compared with about 109 million a year earlier, and reached the highest year-end figure since 1942. Crude petroleum and heavy fuel oil made up about two-thirds of the total inventory. The pressure on the market of relatively large stocks of gasoline probably contributed to sporadic outbreaks of price cutting at the retail level and stimulated the growth of self-service stations.

Despite declining current demand, the search for new oil supplies continued in 1949 with only slightly less vigor than in 1948, both in the nation at large and in the western states. Total oil and gas-well completions in the United States numbered about 39,000 in 1949, as compared with 39,800 in 1948 and 33,100 in 1947. The number of wildcat or exploratory wells drilled in 1949 actually exceeded the 1948 figure—7,250 as against 6,728 and was the highest ever recorded.

Approximately 2,400 new wells were started in California in 1949; 1,777 oil wells were completed, as compared with 2,150 in 1948. Because of shut-ins, however, the number of active producing oil wells in the state at the end of December, 24,345, was about 2,100 less than at the beginning of the year. Estimated proved reserves in California increased by about 350 million barrels in 1949, after allowing for the year's production of some 330 million barrels. New discoveries were credited with nearly one-third of the gross addition to reserves. The new Cuyama Valley field, first actively drilled in 1948, was rapidly developed in 1949, and promises to add substantially to the petroleum resources of the state.

District steel production down

The steel industry in the District, as well as in the country as a whole, experienced a period of readjustment during 1949. After a high rate of output in the first quarter, District steel mills dropped below capacity rates. The general abatement of the strong demand of 1948 and the disappearance in early 1949 of demand for steel ingots for conversion outside the District reduced operations all around. Most strongly affected were small mills without much finishing capacity. Several of these producers, particularly in the Pacific Northwest, were almost at a standstill during the second and third quarters and their operations in the latter part of the year were intermittent.

The fall in steel demand caused District operations to drop through the summer. The steel strike cut District output to about 30 percent of capacity in October. Since some District producers had reached agreements with the union, the District rate of capacity compared favorably with that of 11 percent for the United States. Piece-meal settlement of the strike restored District operations to over 50 percent in November, and December produc-

tion was above pre-strike levels. Fourth quarter demand was good and expectations for the first quarter of 1950 were also satisfactory. The inability of the smaller mills to achieve a high rate of output, however, kept the District industry below capacity levels. For the year as a whole District ingot production was off 8 percent from 1948, compared with a 12 percent decline in the nation.

The expectation of a reduction in steel prices was upset by increases announced in mid-December. Base prices for most products were increased slightly, about \$2 per ton, but the extra schedule was also increased bringing the average increase on finished items to an estimated \$4 per ton. This estimate must be regarded as subject to revision since revenues based on the extra schedule are closely related to the items which may be sold. Since this can fluctuate substantially from time to time, revenues realized on the new schedule could vary significantly from an estimate based on an average product mix. The price increase was attributed to increased costs—principally expenses of the new pension and insurance programs set up in the new contracts. Because experience with the new social insurance program and the new price schedule was lacking, it was difficult to state the extent of relationship between the two events.

Two items entering into steel costs declined in 1949. The price of scrap, which plays an important part in Twelfth District steel mills, was substantially below 1948 during most of the year. The *Iron Age* composite price for heavy-mill steel scrap dropped from about \$43 a ton in late 1948 to a little more than \$19 a ton in July 1949. Reflecting a change in steel-mill buying policies and a general improvement in the underlying tone of steel markets, the price moved up to over \$27.50 a ton in December. This price, however, was still 35 percent below the year-ago level. The price of tin also declined, and this was substantial enough to allow a reduction of 3 percent in tin plate prices.

Aluminum shortage ended in 1949

During all of 1948, primary aluminum supplies were informally rationed by producers. The result was marked competition for secondary ingot produced by small independents. The competition was so intense that by the end of 1948 secondary ingot sold for 26.5 cents a pound while primary aluminum was quoted at 17 cents. The drop in business cut the demand for aluminum during early 1949, but in the first quarter this was reflected by reductions in the premium on secondary ingots. Production and shipments of primary aluminum during the first three months continued at record levels; in the second quarter shipments dropped sharply as processors tried to reduce their inventories. Primary aluminum production, however, remained above 1948 levels because of the exceedingly low level of inventories at reduction plants. Secondary ingot prices fell below the primary aluminum price in May and reached a low for the year in August. The severe drop in aluminum purchases by processors during the second quarter was apparently greater than was justified by the use of aluminum prod-

cts. Demand rebounded sharply from the June low and fluctuated around a fairly high level during the remainder of the year. Evidence of the somewhat tighter supply in the last quarter was apparent from the increase in price for secondary ingot which was only one-half cent a pound below the primary price of 17 cents in December.

United States production for the year as a whole, 608 thousand tons, was off about 2.5 percent from 1948. This was due almost entirely to a drop in production outside this District starting in August. An Arkansas mill was struck early in August and did not resume operation until October. In the latter month two larger mills, one in Tennessee and one in North Carolina, were also shut down by a strike which continued well into December. In this District, which accounts for almost half the national production, output remained at a high level through all of 1949 until November and was slightly ahead of 1948 for the year as a whole. Aluminum producers in the Pacific Northwest cut out one power line in November in accordance with an agreement with the power pool.

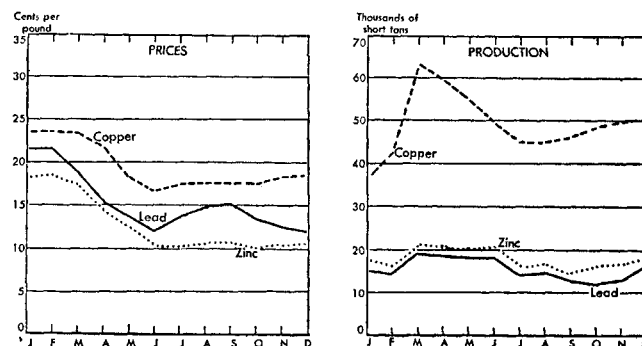
Though demand during the latter part of the year was strong and production was held back by labor-management disputes and power shortages, there was little evidence of any shortage of aluminum. Stocks at reduction plants were increased from one week's supply to a month's supply between May and July and remained near that level for the remainder of the year. Though not excessive, this larger inventory tends to assure a more rapid delivery rate. Stocks at foundries and other processors are not published, but trade reports indicate they are fairly adequate though not too large. In this District producers of primary aluminum have expanded the variety of products manufactured. Foreseeable supplies appear to be sufficient to permit manufacture of cable, wire, rods, and aluminum foil, all of which were added in 1949.

Base and precious metal mining declined slightly

Early in 1949, several forces combined to erode the tight market for base metals. The demand for many metal-using products slackened; inventories in the hands of metal fabricators turned out to be much larger than had been anticipated; a mild winter in the East cut the replacement demand for batteries; and the strike in Utah at the largest copper mine in the country ended in February.

Market behavior varied among the base metals. Lead showed the earliest weakness in terms of price. The reduced output of replacement batteries during 1949—about 17 million compared to almost 24 million in 1948—was one of the principal factors cutting into demand. The price dropped from 21.5 cents in January to 12 cents in June. Increased foreign output of lead along with the shortage of dollars abroad and the devaluation of many foreign currencies resulted in sales of a fair quantity of foreign lead in American markets. The sharp slump in demand, particularly during the second quarter, was followed by substantial recovery in the third quarter and the price increased from 12 cents a pound in June to over

SPOT PRICES¹ OF BASE METALS—UNITED STATES, AND MINE PRODUCTION—TWELFTH DISTRICT, 1949



¹ Copper prices, Connecticut Valley basis; lead prices, St. Louis basis; and zinc prices, East St. Louis basis. Prices recorded are lowest market quotations applying at each date. Source: for production, United States Bureau of Mines; for prices, *Iron Age*.

15 cents in September, but then dropped back to 12 cents in late November. The combined effect of these developments caused a drop in lead production of 5 percent. One factor that could be considered favorable to the lead outlook at the end of the year was the absence of a large inventory overhang, and the deliberate restraint on the part of lead-users on purchases indicated that inventories would remain steady or decline slightly. If demand for lead-using products should continue at December levels, it could be assumed that lead production would not decline any further and might very well increase.

Copper prices fluctuated considerably less than lead or zinc prices, but District production declined more, 9 percent for the year, than in either of the other metals. After settlement of the Utah strike, District production rose sharply and reached a peak in March, but dropped to two-thirds of the March rate in September and recovered somewhat by December. Demand dropped sharply after January; there was a marked recovery in July that carried through November, but December orders were off slightly. The large stocks held by metal processors in early 1949, however, prevented any increase in production during the latter part of the year.

The drop in steel production after the first quarter of the year and sizeable inventories cut the demand for zinc very sharply. District production of mined metal continued at a high rate because smelters' supplies were low and recovery of zinc as a by-product in other metal mining was at a higher rate than in the preceding twelve months. There was a slight recovery in demand in early summer, but it was not sufficient to raise prices, especially since production continued at a fairly high rate. In October prices reached their lowest level of the year, 10 cents a pound, compared with more than 18 cents in February. The steel strike reduced zinc demand in October and November, but December orders picked up, though prices failed to make any notable advance. Because of well sustained zinc production in the first half of the year and because of a high rate of zinc recovery as a by-product of other metal mining, mine production of zinc was 1 percent above 1948.

Since a large part of the District's output of gold and silver is obtained as a by-product from base-metal mining, output of these metals for the year was also reduced. District silver was affected more severely than gold, dropping behind 1948 by 10 percent, while gold was off 3 percent. Placer and lode mining of gold held up much better than the output of by-product gold, resulting in production for the District near the 1948 level.

Aircraft industry at higher level of operation

Though the peak of activity in District aircraft production was reached during the summer months and activity declined thereafter, the level of output in 1949 was greater than in 1948. Most of the expansion in activity occurred in Washington, but California airframe output also increased by a sizeable amount. Washington employment of aircraft workers was double the 1948 level. California plants added enough workers in 1949 to raise their average about 9 percent over 1948. In 1948, however, California plants had employed about 7 to 8 times as many workers as the aircraft industry in Washington.

The principal factor in the demand for District aircraft production was the program of the defense establishment. The increase in activity reflected the policy of Congress and the Administration to expand the Air Force and Naval Air over a period of years. Offsetting the longer-term policy were two factors. After the mid-year the Administration, acting on its analysis of the budget situation, decided to maintain a more moderate rate of expansion. Contracts for B-50 bombers and other types of planes to be produced on the West Coast were cancelled and production was concentrated on planes being produced at plants in the Middle West.

This development led to a widespread belief that the defense establishment had decided to shift production inland for strategic reasons. This position was disavowed by the Secretary for Air and other defense-establishment spokesmen. Nevertheless, employment in Washington declined from over 26,000 workers in July to about 20,000 in December. In California the decline was smaller; employment dropped 3,000 from the September peak of almost 100,000. It should be noted that these declines were the result of contract completions as well as cancellations. Late in the year, however, both the Air Force and the Navy contracted for small quantities of new types of fighter and attack planes to be produced on the West Coast. Presumably if these types are produced in quantity in the near future, West Coast plants may receive contracts for a substantial proportion of these requirements. No indication was available at the end of the year that further requirements for planes other than those now being produced in Pacific Coast plants will not be allocated to the West Coast, or that those plants will be excluded from any new models.

Shipyard activity continued to decline

The movements of the economy as a whole were not apparent in the District shipbuilding industry. The forces making for a continued downtrend in shipyard activity

were sufficiently strong to obscure any effects of a falling off or improvement in general business activity. In California, shipyard employment dropped from 14,000 in December 1948 to under 7,000 a year later. In Washington it declined in the same period from about 4,000 to 2,200 workers.

By the end of 1948, Pacific Coast repair yards had gradually worked off peacetime conversions and new construction. The volume of repair work also declined and in 1949 hit a new low. The District shipbuilding industry suffers from several factors beyond its control. Little new ship construction is under way, and all the contracts awarded in the past two years have been concentrated on the East Coast because of cost advantages and larger ways. The cost advantages are largely the result of the proximity of Eastern yards to marine equipment supplies; the size of West Coast ways could be increased if the yards had sufficient business to warrant the large outlays. The allowance of a 6 percent differential in bids in favor of West Coast yards has not been sufficient to induce West Coast yards to engage in bids on new construction.

The reconversion business has declined because of termination of contracts for returning military or wartime vessels to private owners and the cessation of foreign purchases of American surplus vessels. The decline in trade with China, the dock strike in Hawaii, the failure of intercoastal and coastal shipping to regain its prewar position, technological improvements in hulls and other ship structures, and the dollar shortage have cut into ship repair work in 1949. Though foreign maritime nations have a cost advantage over American yards, some voyage repairs have been made on the Pacific Coast, but this was reduced considerably in 1949. At the end of 1949, Pacific Coast yards had some small amount of repair work, a few minor reconversion jobs, and some work preparing navy tankers for moth-balling. Shipyard difficulties are not entirely restricted to the District. East Coast shipyard owners also complained of a dearth of repair work in a hearing before the Maritime Commission in late 1949.

Fruit and vegetable canning

The year 1949 proved to be a rather trying one for the District canning industry, particularly the fruit packers. The large carryover of unsold fruit stocks from the previous season's pack, together with the pressure of large orchard crops in 1949, depressed prices and discouraged distributors from making commitments for forward buying. A six-month strike of Hawaiian dock-workers interfered with the normal shipment of pineapple and hampered the California canners in putting up mixed fruit packs. Rail freight rates were again increased, while export business remained at a relatively low level. Reflecting the unbalanced demand-supply situation within the industry, the market for many canned foods became increasingly competitive and sharp price reductions on certain fruit packs at the end of the year threatened to cut into many canners' profit margins.

Total District packs in 1949, taking fruits and vegetables together, were roughly equal to those of the previous season, and about 10 percent below the packs of 1947. Because of the very large carryover at the beginning of the year, especially of fruit, total supplies handled by canners during the calendar year 1949 were greater than in either 1947 or 1948 and probably not much below the record volume handled in 1946.

Fruit packs

Fruit supplies were particularly large in the calendar year 1949. Inventories of fruit in canners' hands at January 1, 1949, taking California and the Pacific Northwest together, exceeded 22 million cases, as compared with 13 million cases a year earlier. In spite of abundant orchard crops, it was widely predicted in the trade that fruit packs in 1949 would be sharply reduced below those of the previous year. Some curtailment was made, notably in apricots and fruit cocktail, but these cuts were almost fully offset by larger packs of peaches, pears, plums, and cherries. The difficult problem of dealing with the huge California cling peach crop was met in part by raising the minimum size of fruit acceptable for canning and in part by the enforcement of stricter grading standards. Even so, the total pack proved to be one of the largest on record. The generally high quality of District orchard crops in 1949 resulted in fruit packs of notably better quality than in some recent seasons.

PRINCIPAL FRUIT PACKS IN CALIFORNIA, OREGON, AND WASHINGTON AND CANNERS' STOCKS, SOLD AND UNSOLD, AT DECEMBER 31, 1947-49

(thousands of cases, basis 24 No. 2½ cans)

	1947		1948		1949	
	Pack	Stocks	Pack	Stocks	Pack	Stocks
Peaches, all packs.	18,099	5,604	17,165	9,320	19,238	11,445
Pears	5,622	2,217	3,830	2,352	5,353	2,556
Apricots	3,204	1,359	4,735	2,904	2,356	1,653
Mixed fruit (cocktail, salad, etc.)	10,189	2,560	10,999	6,545	7,636	6,324
Plums	1,919	1,317	894	693	1,669	854
Cherries	565	98	815	200	1,583	702
Other fruits and berries	2,715	24	1,798	161	2,013	398
Total fruits and berries	41,511	13,179	40,237	22,175	39,848	23,933
California	33,424	9,565	34,478	18,955	32,580	20,174
Northwest	8,087	3,614	5,759	3,220	7,268	3,759

Sources: Canners League of California, Northwest Canners Association.

Drastically lower prices for most of the canning fruit crops in 1949 permitted pricing the finished product on a lower basis. Canners' opening prices for the principal fruit packs in 1949 ranged from about 5 percent to 33 percent below those of 1948. While probably confirming distributors in their cautious buying policies, these lower prices stimulated consumption and the movement of fruit to market. District canners shipped a total of some 38 million cases of fruit in the calendar year 1949 as compared with about 31 million in 1948, but had nearly 24 million cases left on hand at the end of the year, about 8 percent more than the year before. Of this quantity, roughly 60 percent was still unsold as against about 50 percent a year earlier. Further sharp price cuts by leading packers in December on peaches and fruit cocktail

were reported to have stimulated sales to a considerable extent.

Vegetable packs

California's vegetable packs increased slightly in 1949 over 1948 but were well below the 1947 output, chiefly because of smaller packs of tomatoes and tomato products other than juice. Crop damage to tomatoes in eastern canning areas kept down the total United States pack of tomatoes and tomato products and strengthened the market. Although California canners' opening prices on tomatoes were approximately 10 to 20 percent below those of 1948, these prices were generally well maintained, in contrast to those of the important fruit packs. Tomato juice advanced in price, reflecting in part the strength in citrus juice prices. California asparagus and spinach packs in 1949 were the largest since 1946 and moved into distribution promptly. Total 1949 shipments of all vegetable packs for which sales and stocks are reported were somewhat larger than in 1948 and year-end stocks were reduced by some 2 million cases, with the bulk of the reduction coming in tomato sauces and catsup.

PRINCIPAL VEGETABLE PACKS IN CALIFORNIA, IDAHO, OREGON, AND WASHINGTON AND CANNERS' STOCKS, SOLD AND UNSOLD, AT DECEMBER 31, 1947-49

(actual cases, thousands)

	1947		1948		1949	
	Pack	Stocks	Pack	Stocks	Pack	Stocks
Asparagus	2,500	445	2,262	306	2,625	549
Spinach	1,380	518	1,454	141	1,960	323
Tomatoes	5,895	3,497	4,713	3,666	3,978	3,150
Tomato juice	5,753	5,371	5,867	4,446	6,341	4,705
Other tomato products	19,738	11,279	13,359	11,159	13,102	8,572
Peas	7,314	1	5,953	1	5,097	1
String beans	2,894	1	2,901	1	4,507	1
Corn	1,722	1	2,735	1	2,455	1
Other vegetables ...	2,076	1	2,693	1	1,807	1
Total vegetables ...	49,272		41,936		41,871	
California			36,228		30,529	
Northwest	13,044		12,642		11,342	

¹ Not available.

Sources: Canners League of California, Northwest Canners Association.

Complete reports on Northwestern vegetable packs for 1949 are not yet available. The important pea pack, because of unfavorable weather which cut down the supply of raw material, was the smallest in the past ten years. The string bean pack, on the other hand, was one of the largest on record. The pack of corn was above average, although somewhat under that of 1948. Statistics on canners' sales and stocks are not available for Northwestern vegetable packs. According to trade reports, however, 1949 shipments of peas and string beans were reasonably satisfactory. The market for canned corn has been depressed and the movement of that pack was retarded.

Container industry steadier

The increasing production of cans in this District evident in 1948 carried through 1949. The District can industry produced a slightly larger volume of containers in 1949 than in the preceding twelve months. Supplies of tin plate improved, making expanded production possible. Adequate supplies of cans were obtainable for products such as paints and chemicals which were still being

packaged in substitute containers in 1948. Can prices for the 1950 season, despite the decline in tin plate prices, were not expected to decline in all cases. In computing 1950 prices, allowance will probably be made for increased labor costs in the can industry. If a particular item has a relatively high proportion of labor costs, its price may increase. Fiber containers also appear to have been produced in near-record quantities in the District. Production of this type of container, however, was retarded slightly by some stringency in the supply of closing equipment.

Glass container production continued to decrease during most of the year and it appears likely that production was down about 5 percent from 1948. There was a strong recovery in demand during the latter part of the year, and the seasonal decline in the last quarter was moderate. Compared with 1948, fourth quarter production was larger. The industry now feels that its postwar adjustment is complete and that some growth may be expected in the future because of a continuously expanding population and the trend toward greater use of packaged goods.

Box shoo production declined 10 percent from 1948. The demand for wooden boxes was depressed by several factors, including a reduced citrus pack in the District, a decline in demand for other District fruit crops, and weak export markets.

Movie industry problems unsolved

The problems which have arisen to confront the movie industry during the postwar period continued in 1949, and new developments which did not brighten industry prospects also came to the fore. A drop in movie attendance was again recorded in 1949. This continued the trend started in 1947. Unusually warm spring weather in many areas contributed to the unfavorable showing early in the year.

Stringency in foreign markets continued with some greater restraints added by some of the Latin American nations. These new restrictions on movie imports, however, did not detract too severely from the foreign market, but did prevent possible improvements. In Great Britain, one of the principal foreign markets, results were somewhat better than expected. American film companies were able to earn sufficient revenues to withdraw the full amount allowed by agreement, \$17 million. In addition, about \$25 million in receipts were utilized within the British Isles for production of films and other allowable purposes. A balance of \$7 million remained unutilized and not subject to withdrawal. The devaluation of foreign currencies, however, added a considerable amount of uncertainty to the prospects for any improvement in the near future.

A problem which became increasingly prominent in 1949 was the cost of productions. A large sum was written off for the high-cost films produced in the early postwar period. The revenue expectations for these films were not realized. Added to this was considerably tighter

credit which induced large producers to concentrate on the less expensive films, and small producers were in many cases forced to cut back operations to minor productions. For the year as a whole, the number of full-length feature productions was smaller than in 1948, but plans at the end of the year indicate a possible increase in 1950. Concentration on less expensive films may make it possible to spread the market risks over a larger number of features. The role of television still remains uncertain with regard to the movie industry's place in entertainment.

Apparel industry activity declined slightly in 1949

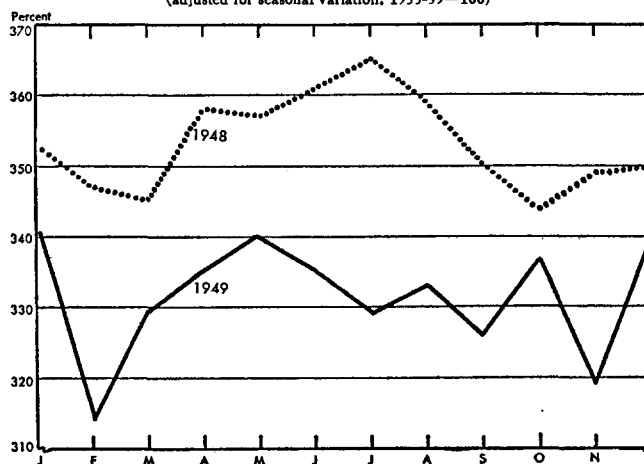
Total production of District apparel in 1949 was off slightly from 1948. A substantial decline in the output of men's and boys' tailored clothing and women's and children's clothing along with a continued drop in output of military clothing contributed to the lower production. Offsetting these developments to some extent was a sharp gain during the last four months of the year in the production of men's and boys' work and sport garments. The production of work clothes was more strongly sustained than any of the other items referred to.

The seasonal drop in the spring of 1949 was considerably sharper than in 1948 for women's and children's clothing and in men's and boys' tailored clothing. The work and sport-clothes group in the industry experienced the first marked seasonal decline since the war. All lines, except military clothing, recorded a fair amount of recovery after June, but the sport and work-clothes group exceeded 1948 average monthly output by a wide margin in every month starting with September. The recovery in the latter part of the year weakened in November and December. The decline in activity for the more expensive grades of clothing was greater than in the same period of 1948.

Retail Trade

Sales at most retail outlets in the Twelfth District in 1949 were below 1948 levels. Sales remained, however, considerably higher than the prewar average. The de-

DEPARTMENT STORE SALES INDEXES—
TWELFTH DISTRICT, 1948-49
(adjusted for seasonal variation, 1935-39=100)



cline from 1948 resulted from the slower pace of business activity and the slight decrease in prices.

The signs of weakness seen in 1948 in sales of hardgoods items materialized in 1949. In the United States, sales in both the furniture-household appliance-radio and the lumber-building hardware groups were down. Automobiles were an exception; in the United States, motor vehicle sales increased 16 percent. The sales experience in the Twelfth District was similar. District hardgoods sales were considerably below the 1948 volume. At District furniture stores, for instance, the decrease amounted to 15 percent. District automobile sales were up; in California possibly by 15 percent. Total taxable sales in California—including motor vehicle sales—for the year were estimated to be about 5 percent below those of 1948.

Total dollar sales at District department stores were 6 percent below 1948 sales. This was the same as the average decline for all department stores in the country. Tacoma and Sacramento were the only Twelfth District cities to record increases for the year as a whole. Department store sales—on a seasonally adjusted basis—decreased in January and February from the high December 1948 level and at no time during the year approached the figure for the comparable period in 1948. Store-wide and department-wide sales were common and newspaper advertising became more extensive and competitive in an effort to maintain high retail sales.

Though price decreases were experienced in most retail areas in 1949, they were not large enough to account for all of the dollar sales decrease. Average consumer prices in the United States for the year were only about 1 percent below those of 1948. Prices of housefurnishings and apparel dropped further than other consumer prices. It is estimated that while dollar sales decreased 6 percent, physical volume sales at department stores declined only 2 or 3 percent.

Twelfth District department store sales by departments

Sales in most departments were well below those of 1948. The dollar volume of housefurnishings sold was off more than 10 percent. Major household appliances dropped sharply, though the increased sales of television sets brought dollar sales of the radio, phonograph, and television department considerably above that of 1948. Sales in the men's and boys' clothing department were only slightly below those of 1948 although sales of women's clothing and accessories were down considerably. Customers were, perhaps, more selective than in 1948. Inexpensive, high quality merchandise sold well.

DEPARTMENT STORE SALES BY MAJOR DEPARTMENTAL GROUPS¹—
TWELFTH DISTRICT
(percent change, 1948-49)

Main store	7
Housefurnishings	-11
Men's and boys' wear	1
Miscellaneous merchandise departments	6
Piece goods	3
Small wares	-11
Women's and misses' ready-to-wear accessories	5
Women's and misses' ready-to-wear apparel	-8
Basement	4

¹ Preliminary figures.

Sales of expensive dresses were down more than sales of the less expensive ones. Basement store sales decreased less than sales in the store as a whole. Customers were, however, willing to buy luxury items at what they considered to be good prices. Owing principally to price decreases, sales of fine jewelry and watches showed little change for the year as a whole.

Credit sales increase

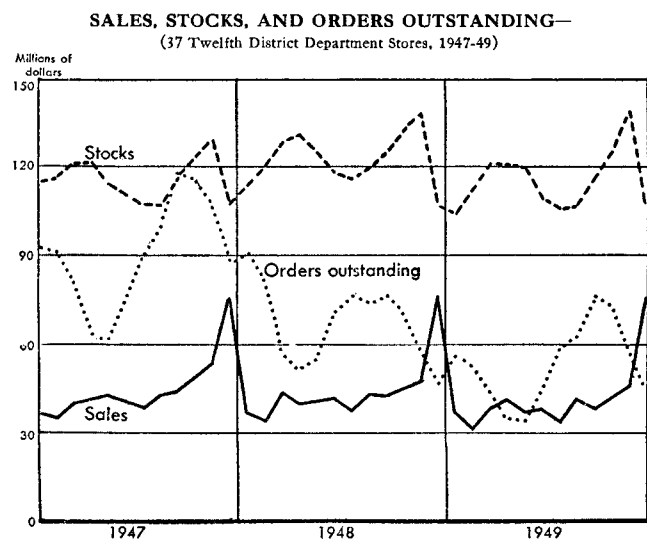
In the United States, credit sales, both in dollar terms and as a percent of total sales, were more important in 1949 than during any preceding year. The amount of total consumer credit outstanding in the United States at the end of the year was 15 percent higher than at the end of 1948. Instalment credit outstanding increased 27 percent. Similar increases were also indicated for the Twelfth District. Credit sales as a percent of total sales increased moderately in District department and furniture stores. Collections of receivables at both furniture and department stores slowed down.

At commercial banks in the United States, the amount of all consumer instalment loans outstanding increased almost 25 percent from the end of December 1948 to December 1949. This compares with a 30 percent increase in consumer instalment loans outstanding reported by Twelfth District banks.

Inventories and orders outstanding

During 1949, inventories at District retail stores were geared to the lower sales level. Inventories of nearly all items were down. Hardgoods inventories decreased the most. At District department stores a large cut was made in major household appliance stocks, and furniture inventories at department stores and furniture stores were down considerably. The dollar volume of inventories of women's and men's clothing at both department stores and apparel stores, however, was only moderately below that of 1948.

Department stores permitted their stocks to become depleted during the first of the year by sharply reducing



their orders. During the first eight months of the year orders outstanding at department stores were about 30 percent lower than those of the comparable period in 1948. Inventories — on a seasonally adjusted basis — reached their lowest point for the year in July and August. During the following months inventories were built

up at a rapid rate, though they remained below those of 1948 throughout the year. In December heavy Christmas shopping depleted the built-up inventories, leaving less than the usual amount for clearance sales. For the year as a whole orders were about 20 percent smaller than in 1948 and inventories were down about 5 percent.

BANKING AND CREDIT IN 1949

LAST year, for the first time in the postwar period, the demand for bank credit on the part of business firms was insufficient to produce a substantial growth in bank loans. The volume of commercial and industrial loans outstanding registered a net decline over the year period in both the Twelfth District and the nation. This decline was largely offset, however, by a slow but continued growth in other major types of loans. In the country as a whole, the amount of total loans outstanding was somewhat higher at the end of 1949 than a year earlier, while in the Twelfth District the volume declined slightly. This was the first year since the war in which the Twelfth District fared less well than the country as a whole with respect to growth in total bank loans.

As in previous postwar years, the demand for business loans was much stronger in the second than in the first half of the year. In fact, the fore part of the year brought the longest and most substantial decline in commercial and industrial loans that has yet occurred since the end of the war—a decline that ran almost without interruption for the first seven months of the year in the United States as a whole, and for the first eight months in the Twelfth District.

This marked lessening in demand for business loans was both a part of and a reflection of the slower tempo of business activity in the first part of the year. In view of this decline, the monetary authorities took steps to provide easier credit and to increase the available supply of loanable funds. The controls over consumer credit exercised by the Board of Governors of the Federal Reserve System were relaxed in March and again in April, and Congress allowed the temporary authority for such controls to expire as of June 30. The Board of Governors reduced stock margin requirements at the end of March. Member bank reserve requirements were reduced by the Board of Governors early in May, and except for New York and Chicago banks, were again reduced at the end of June as a consequence of the decision of Congress not to extend beyond June 30 the temporary authority to maintain higher requirements. Reserve requirements were further reduced by the Board of Governors during August. At the end of June the Federal Open Market Committee announced the adoption of a more flexible support policy for Government securities than it had followed in the past, a policy better adapted to dealing with changing economic conditions. The adoption of this new open-market policy was the most fundamental of these various changes.

The lessened demand for bank loans, coupled with the reductions in member bank reserve requirements, led banks to expand their holdings of Government and other securities, with the result that total loans and investments rose during the year in both the District and the nation. This contrasts with the decline in total loans and investments that occurred in 1948 both nationally and in the District, the only such decline in more than a decade.

Bank deposits and currency

Combined demand and time deposits in the hands of the public experienced little net change in either the Twelfth District or the nation during 1949, registering a slight loss in the District and a slight gain in the country as a whole. Time deposits rose slightly in both areas. Demand deposits of individuals, partnerships, and corporations also increased in the United States, but experienced about a 2 percent decline in the Twelfth District. The amount of currency in circulation declined somewhat in both areas.

Throughout the postwar period, privately-held demand deposits have declined rather sharply in the first quarter of each year, primarily as a result of income tax payments. Due to the extensive tax refunds on 1948 income, the net drain of tax payments upon deposits in the first quarter of 1949 was substantially less than in the corresponding periods of 1947 and 1948. Nevertheless, in both the District and the nation, the first-quarter decline in privately-held demand deposits was about as large in 1949 as in 1948 because of the additional drain upon deposits caused by the substantial repayment of business loans during that period in 1949.

As in 1948, most of the growth in time deposits occurred in the first half of the year. Government deposits increased for the second consecutive year and at year-end were more than twice as large as at the end of 1947, both in the District and in the country as a whole.

Liquid assets held by individuals and businesses in the form of shares in savings and loan associations also rose

MEMBER BANK DEPOSITS AND EARNING ASSETS—
TWELFTH DISTRICT
(in millions, as of December 31)

	1941	1947	1948	1949 ¹
Demand deposits of individuals				
partnerships, and corporations	\$2,778	\$8,616	\$8,320	\$8,127
Time deposits ²	2,390	5,986	6,060	6,172
U. S. Government deposits	144	127	217	289
Loans	2,451	5,358	6,032	5,926
U. S. Government securities	1,738	7,247	6,366	7,014
Other securities	542	875	867	1,098

¹ Partly estimated.

² Excluding interbank and U. S. Government deposits.

substantially during the year. The amount of Series E savings bonds outstanding continued to grow in the country as a whole. Short of an actual census, it is not possible to make an accurate accounting of the total amount of savings bonds held within the Twelfth District at any given time, owing primarily to the lack of information concerning the inflow and outflow of savings bonds over state or District boundaries. The data on sales and redemptions of Series E bonds within the District do furnish clues, however, as to probable trends in total holdings. In both the District and the country as a whole, the ratio between redemptions and sales of Series E bonds was somewhat more favorable in 1949 than in 1948. Redemptions tended to rise somewhat, relative to sales, in the closing months of the year, however. Sales of Series E bonds in the country as a whole have exceeded redemptions in each of the postwar years except 1946, while in the District redemptions have exceeded sales throughout the postwar period. This higher level of District redemptions is probably related to the substantial movement of population to the Pacific Coast and the financial demands upon a family resulting from such a move.

Member bank reserves

Member bank reserves in the Twelfth District amounted to \$1,924 million on December 31, 1949—\$496 million less than the high level reached on the corresponding date of 1948. It was the first year since 1932 that reserves have been at a lower level at the end of the year than at the beginning. The substantial decline in the reserves which member banks hold with the Federal Reserve Bank of San Francisco started at the beginning of the year and

continued through August, reflecting a decline in deposits and three successive reductions in the rate of reserve requirements. In the last third of the year reserve requirements remained unchanged, and both deposits and reserves increased but at the end of the year reserves still fell far short of the levels reached at the beginning of the year.

In general the reserve position of member banks was considerably easier than it has been. In contrast to 1948 when member banks were forced to sell large amounts of securities to meet the drain on reserves brought about by retirement of public debt, income tax collections, and increased reserve requirements, member banks in 1949 did not even experience the usual depletion of reserves around income tax time since many taxpayers were entitled to refunds.

Characteristically, reserves have been built up in the District by an excess of Federal Government expenditures over collections which have exceeded in amount the drain on reserves produced by adverse settlements against the District on commercial accounts. The unusual reduction in reserves in 1949 was brought about by adverse settlements against the District on commercial accounts which were larger in amount than the net gain in reserves from Treasury operations. To a large extent the adverse settlements were due to purchases of Government securities in the Eastern markets by Twelfth District member banks with the excess reserves created by reductions in reserve requirements.

In 1949 a moderate decline in currency in circulation contributed to member bank reserve accounts. Reserve bank credit, non-member deposits, and other Federal Reserve accounts were all relatively unimportant in their influence on reserve accounts. The accompanying table shows changes in member bank reserves and in factors affecting member bank reserve balances over the past few years.

Loans and investments of member banks

The unprecedented expansion of bank loans in the postwar years prior to 1949 involved the banks in a fairly continuous process of shifting from Government securities to loans. This process was reversed in 1949 as a result of (1) a sharply decreased demand for business loans in the first seven or eight months of the year, (2) a series of reductions in reserve requirements, and (3) a sharp reduction, compared with previous postwar years, in the amount of marketable public debt, including bank-held debt, retired by the Treasury. Government security holdings of member banks increased about 10 percent during 1949 in both the Twelfth District and the country as a whole. This contrasts with a decline in such holdings during 1948 of approximately 10 percent in both areas. Member bank holdings of other securities rose by 23 percent in the District and 14 percent in the nation during 1949 in comparison with only minor gains in 1948.

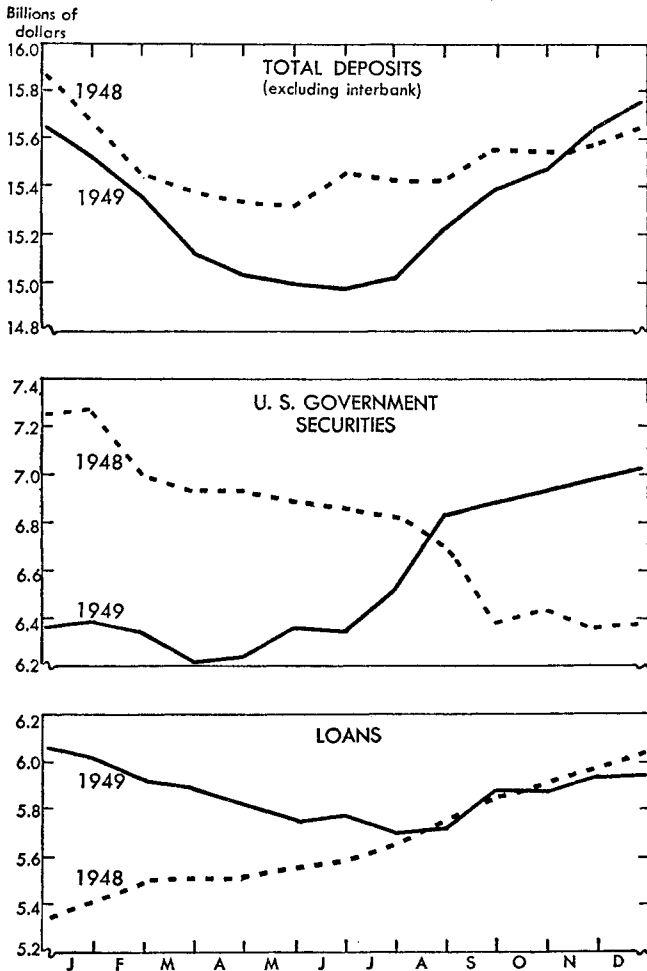
The increase in Government security holdings of member banks was concentrated in short-term issues, with little change occurring in the amount of their bond port-

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)	1946	1947	1948	1949
Reserve bank credit	+ 1	+ 9	-302	+ 17	+ 13
Change in credit extended to member banks in the District by the Federal Reserve Bank of San Francisco.					
Commercial operations	-180	-1607	-510	+472	-930
Net payments from other Districts to banks and the public in the Twelfth Dis- trict (net Twelfth District payments to other Dis- tricts—).					
United States Treasury operations	+311	+1329	+698	-482	+378
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—).					
Total	+132	- 269	-114	+ 7	-539
Uses of member bank reserves (factors which when positive reduce reserves)					
Demand for currency	+ 36	- 326	-206	-209	- 65
Change in holdings of coin and currency by banks and the public.					
Change in non-member de- posits and other Federal Re- serve Accounts	+ 3	- 4	- 16	- 2	+ 22
Total	+ 39	- 329	-222	-211	- 43
Change in member bank reserves	+ 93	+ 61	+108	+218	-496

DEPOSITS, U. S. GOVERNMENT SECURITIES, AND LOANS—
TWELFTH DISTRICT MEMBER BANKS, 1948-49



folios. In December, the Treasury offered an issue of Treasury notes with a maturity of four years and three months in exchange for three series of Treasury bonds called for redemption on December 15, 1949 and an issue of certificates of indebtedness maturing on the same date. The combined total of these maturing issues was \$4.9 billion. As a result of this exchange, member bank holdings of Treasury notes rose relatively more in 1949 than did their holdings of bills and certificates of indebtedness, but the increase in the note portfolio was confined to the final month of the year. Member bank holdings of Treasury bills increased about 40 percent in both the District and the nation during 1949. Certificate holdings experienced a similarly large increase on a national basis, but only about a 20 percent increase among Twelfth District member banks.

Total loans of member banks declined about 2 percent during 1949 in the District and rose somewhat in the country as a whole. Idaho and Utah were the only states in the District that experienced a rise in total loans. Nevada had no change, and the remaining states had minor declines.

Commercial and industrial loans declined substantially in both the District and the nation. The decrease

amounted to an estimated \$320 million, or 14 percent, at District member banks. These loans declined almost continuously for the first eight months of the year. The percentage increase that occurred in the final four months was only about half as large as that of the corresponding period in 1948.

Consumer loans were the only major category of loans to record as large an increase at Twelfth District member banks in 1949 as in 1948, with a 24 percent increase in each year. About two-thirds of the dollar increase in 1949 occurred in the last six months, while in 1948 the increase was more evenly distributed through the year.

Member bank loans secured by real estate grew slowly but continuously during 1949, registering a 4 percent increase in the Twelfth District compared with a 14 percent increase in 1948. The growth was confined almost solely to loans on residential properties.

Yields on securities decline during 1949

Yields on United States Government and other securities were somewhat lower at the end of 1949 than they had been a year previous. Generally speaking, security yields reached a postwar peak in the latter part of 1948. They changed relatively little during the first half of 1949, although the drift was downward. In July, however, yields fell (security prices rose) sharply. The immediate cause of the decline was the adoption of a more flexible support policy for Government securities by the Federal Reserve System. The Federal Open Market Committee announced this new policy late in June.

The strong underlying demand for Government securities, coupled with the more flexible support policy, resulted in a sharp rise in their prices and a decline in their yields in July. Yields on corporate securities also fell, but the decline was relatively less than for Government issues. Bank demand for Government and other securities was strong because of a reduction in member bank reserve requirements in May and again at the end of June, and also because of a substantial reduction in the outstanding volume of commercial and industrial loans in the first seven months of the year. Banks invested the greater part of the funds thus freed in Government and other securities.

Yields rose somewhat above their July and August levels during the last four months of the year, but by the end of 1949 were still substantially below their year-ago levels. The relative decline in long-term rates during 1949 was much larger than for short-term rates. This reflects the fact that the initial impact of the new support policy was felt more in the long-term than in the short-term side of the market.

Average rates charged by banks on short-term business loans also declined during 1949, in both the District and the country as a whole. The quarterly reports obtained from banks in selected cities throughout the nation indicate that the decline occurred primarily in the third quarter of the year, with little change occurring in average rates between the third and fourth quarters.

AGRICULTURE IN 1949

DURING 1949, agriculture in the United States was characterized by continuing high production accompanied by a general decline in the prices of agricultural commodities and lower net farm income. Production of principal crops was only slightly smaller than the 1948 record. Average yields per acre for most crops were likewise near the high levels attained in 1948; and total acres planted to the principal crops were larger than a year earlier and exceeded by 4 million the 1944 wartime peak. Most of the acreage increase was the result of an expansion in wheat and cotton plantings, but adverse weather conditions in some areas forced the average wheat yield below 1948 and somewhat offset the sharply increased cotton yields of the west and southwest.

The output of feed grains was the second largest on record, owing primarily to bountiful crops of corn, oats, and grain sorghums. Together with carryover stocks and a large 1949 production of feed concentrates, the nation's farmers concluded the year with an assurance of ample feed resources. United States farmers also harvested a record crop of nuts and a near-record amount of deciduous fruits. Output of oil-seeds approached the record volume of 1948. The citrus crop, however, was much below the previous year as a result of severe winter conditions.

Taken as a whole, 1949 was a successful year for agriculture. An ample labor supply, the availability of power machinery and fertilizer, and favorable harvest weather added up to a wealth of production. The abundant output of food crops—wheat, rice, peanuts, potatoes, fruits, nuts, and oil-seeds—and large supplies of meat and dairy products provided the nation with a bountiful diet. To the farmer who produced this food, however, the financial return was not so favorable as that of the year before. Prices of most agricultural commodities continued downward through 1949 at a faster rate than farm operating costs, so that the nation's producers realized a smaller net income. Government price support operations, however, played an important part in cushioning what otherwise could have been a much sharper decline in farm income.

District crop production

In the Twelfth District, weather and growing conditions were more varied than usual during 1949. Excessive cold during the early months of the year caused severe livestock losses in some intermountain areas, while killing frosts drastically reduced citrus production in California and Arizona. In the northwest, shortage of spring and early summer rains and late frosts reduced yields of some crops—notably wheat, potatoes, peas, and hay. As the year progressed, however, good summer growing conditions developed in Oregon, Washington, California, and Utah which favored production of fruit and nuts so that good harvests were realized. Blossom set was heavy, except for apricots, and trees escaped injury from late frosts. In many localities, dry spring

weather reduced yields and total production of feed crops. Late summer, nevertheless, was generally conducive to early maturity and to more successful harvests than first appraisals had anticipated. The year came to an end with the cotton crop—the final important crop of the District—moving rapidly to an exceptionally favorable conclusion.

Deciduous fruit crops were heavy and production much larger during 1949 than in 1948, except for apricots, figs, and grapes. The greatest percentage increase was in the cherry crop with production up 92 percent over the previous year and 46 percent over the 1938-47

PRODUCTION AND VALUE OF PRINCIPAL CROPS—
TWELFTH DISTRICT, 1949

	Production			Gross farm value	
	1949 (in thousands)	Percent change 1948-1949	1938-47 avg.-1949	1949 (in millions)	Percent change 1948-1949
Field and Seed Crops					
Barley (bu.)	82,415	-10	+ 19	\$89.3	-21
Dry beans (100# bags)	7,984	- 3	+ 21	56.9	-16
Corn (bu.)	7,363	+15	- 6	11.7	+ 6
Cotton, lint (bales)	1,800	+39	+109	264.6	+31
Cottonseed (tons)	716	+40	+182	32.8	-11
Flaxseed (bu.)	4,890	-20	+ 61	19.2	-49
Grain sorghum (bu.)	6,180	-15	+ 2	8.6	-18
Hay, all (tons)	14,010	- 1	0	311.7	-18
Hops (lbs.)	49,340	- 1	+ 12	21.5	-22
Oats (bu.)	32,984	+17	+ 5	26.3	+ 2
Peas, dry (100# bags)	2,815	-11	- 44	9.5	-34
Potatoes (bu.)	107,373	-13	+ 25	149.6	-16
Rice (bu.)	21,462	+41	+ 69	33.3	+11
Sugar beets (tons)	4,089	- 9	+ 11	1	1
Wheat, all (bu.)	141,168	-15	+ 11	268.5	-17
Fruit and Nut Crops					
Apples (bu.)	46,521	+29	+ 14	62.1	-29
Apricots (tons)	200	-19	-12	13.9	- 8
Cherries (tons)	129	+67	+ 46	18.9	- 9
Grapes (tons)	2,549	-12	- 1	80.9	-22
Lemons ¹ (boxes)	9,930	-23	- 25	33.6	-19
Oranges ² (boxes)	4,020	-26	- 35	6.9	+68
Grapefruit ² (boxes)	37,620	-19	- 24	73.2	+ 7
Peaches (bu.)	39,294	+15	+ 22	39.0	-30
Pears (bu.)	29,988	+41	+ 28	32.9	-43
Plums (tons)	90	+34	+ 19	8.0	-21
Prunes, dried (tons)	166	- 9	-17	25.9	- 3
Prunes, fresh (tons)	156	+77	+ 21	4.9	0
Figs, dried (tons)	28	- 6	-14	5.2	+22
Figs, fresh (tons)	7	-42	- 57	.7	-40
Olives (tons)	39	-33	-16	6.4	-24
Avocados (tons)	13	- 4	-13	5.1	- 8
Almonds (tons)	39	+15	+ 82	12.3	-14
Filberts (tons)	11	+75	+102	2.5	+56
Walnuts (tons)	86	+20	+ 33	27.5	- 7
Dates (tons)	13	-21	+ 53	1.4	-23
Vegetables for Market					
Artichokes (40# box)	654	-19	- 20	2.6	- 6
Asparagus (30# cr.)	1,835	- 8	- 25	6.5	+ 5
Beans, snap (30# bu.)	1,415	+ 9	- 4	3.4	+ 2
Cabbage (tons)	121	-17	-13	3.3	-38
Cantaloups (70# cr.)	8,904	0	+ 26	26.8	- 6
Carrots (50# bu.)	13,610	-16	+ 4	25.1	-38
Cauliflower (37# cr.)	7,913	- 6	+ 31	9.4	- 6
Celery (65# cr.)	13,500	+14	+ 76	24.2	+10
Honeydew melons					
(35# cr.)	2,522	-18	- 13	4.6	-18
Lettuce (70# cr.)	29,733	- 3	+ 26	110.7	+15
Onions (50# sacks)	11,725	+11	+ 10	16.9	+23
Peas, green (30# bu.)	1,971	-14	- 49	4.9	- 2
Peppermint (lbs.)	609	+ 7	+165	3.9	-25
Strawberries (36# cr.)	3,329	-12	+ 64	21.3	-27
Tomatoes (53# bu.)	6,985	-10	+ 14	18.6	-30
Watermelons (no.)	13,908	+ 2	+ 18	4.3	-13
Vegetables for Processing					
Asparagus (tons)	74	+34	+ 26	13.0	+41
Beans, green lima (tons)	28	- 5	+398	4.2	-23
Beans, snap (tons)	78	+50	+114	9.5	+53
Peas, green (tons)	115	- 4	+ 5	10.1	- 4
Tomatoes (tons)	1,119	+ 9	+ 27	25.4	- 4

¹ Not available.

² Figures are for crop year beginning in October of the previous year.

Source: United States Department of Agriculture, Bureau of Agricultural Economics, 1949 annual summaries of production and value of production.

average. The District pear crop, representing four-fifths of the national production, was a record 30,000 bushels and 28 percent larger than the average. The output from Bartlett orchards was especially heavy and of good quality. As with some other tree fruits—namely, apples, apricots, cherries, and plums—pear growers were forced to leave considerable fruit unharvested because prices in many instances were not sufficient to warrant picking and handling charges. In California, where most of the District's and 45 percent of the nation's peaches are grown, production was 13 percent above the previous season's yield and 18 percent above the 1938-47 average. Clingstone peaches, used primarily for canning, produced a record tonnage. In view of the large fruit set in this variety, the industry cooperated with growers and experiment station specialists on a thinning program to improve quality of fruit and increase the minimum fruit size acceptable for canning. Quality was thereby improved and prices bolstered, but a large amount of fruit was necessarily dumped or left unharvested in the orchards. The 1949 grape harvest was considerably short of the previous year's production but about equal to average, and output of olives and dates was substantially below 1948. The quantity of fruit from avocado groves was below average as a result of losses occasioned by severe freezes early in the year.

Production reverses in citrus orchards were severe. Continuing low temperatures through January caused heavy frost damage and required large expenditures for orchard heating. The efforts expended by growers to protect orchards helped keep damage to trees at a minimum. Nevertheless, much of the crop was of sub-standard quality and not able to meet requirements of the fresh fruit trade. Fruit from some groves was a total loss. Output of oranges was 19 percent below the previous year's production and grapefruit 26 percent below. In California, where all the nation's lemons are grown, the crop was 23 percent below 1948 production. However, as climatic conditions also reduced yields in citrus areas outside the Twelfth District, prices for citrus fruits on the average were higher in 1949 than in 1948, and total value of production only slightly less.

Twelfth District states set new production records for almonds, filberts, and walnuts. In 1949, California and Oregon walnut groves yielded 20 percent more than in 1948. California almond orchards produced nearly 40,000 tons which was 82 percent above average, while Washington and Oregon growers more than doubled the 1938-47 filbert crop average.

Total production of fresh vegetables for market in the Twelfth District was less in 1949 than in 1948, but there was a sharp increase in the output of asparagus and snap beans for processing. In California, acreage planted to vegetables and melons declined for the third consecutive year. Though acreage was reduced and prices considerably lower, gross value of vegetables and melons in California was only 6 percent below 1948 levels. This was due to record prices received for winter and fall lettuce crops.

Rice—flax—cotton

Though District farmers harvested 15 percent less wheat in 1949 than in 1948, 13 percent less potatoes, and 9 percent less sugar beets, they increased rice production to a new high. Though at planting time the price of rice had dropped 35 percent below the level existing the year before, California growers, in anticipation of continued high support and CCC purchases for foreign feeding, planted a record rice acreage. The exceptionally favorable growing season which followed resulted in a 41 percent crop increase over 1948, and was also 69 percent above the 10-year average.

Arizona and California cotton farmers, also because of a high price support rate (90 percent of parity) and in anticipation of the imposition of marketing quotas in 1950, greatly increased areas planted to cotton. This expansion in acreage, in conjunction with high yields and good growing and picking weather in 1949, resulted in the most bountiful cotton harvest in the history of District cotton growing. The estimated 1.8 million bales (500 pounds each) will be 39 percent more than the record of the previous season and 109 percent above the 1938-47 average. The per acre cotton-lint yield of 651 and 641 pounds in California and Arizona, respectively, is nearly double the yield of any other cotton state and two and a third times the national average.

Though in 1949, District flax acreage was increased in spite of a sharp reduction in the level of price support (from \$6.00 a bushel in 1947-48 to \$3.66 in 1949), total yield was 20 percent below the record output of 1948 as a result of unfavorable January weather conditions. In Oregon, which produces all the nation's flax used for fibre, production was up 20 percent. As the Oregon fibre flax is sown in the spring, the crop escaped the freeze which reduced output of flaxseed in California and Arizona. Fibre flax, however, accounts for only slightly over 1 percent of District flax production.

Livestock and meat production

The number of all cattle (beef and dairy) on United States farms increased 3 percent during 1949, indicating that inventories are once again on the increase. Favorable grass conditions in many sections of the western range prompted producers to hold more cows over for another breeding season and to retain a larger number of heifer calves for replacement purposes. The number of cattle on feed at the end of the year in the country as a whole slightly exceeded the number of the previous year. This increase was primarily the result of more

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

	1939-48 average	1949	1950	Per- cent change 1949-50
All cattle and calves	7,404	7,601	7,600	0
Hogs, including pigs	1,947	1,568	1,554	- 1
All sheep and lambs	9,523	6,436	5,993	- 7
Chickens	34,295	35,303	39,196	+10
Turkeys	2,105	1,719	1,752	+ 2

Source: United States Department of Agriculture, Bureau of Agricultural Economics, "Livestock on Farms on January 1."

cattle being fed for market in Texas and corn-belt states. In the Twelfth District, the reduction in the number of cattle in California and Oregon more than offset the gains registered in Utah, Nevada, and Washington so that little change occurred in total District inventory during 1949. At the end of the year, the number of cattle on feed in District states for early 1950 marketing was 21 percent below the previous year. Favorable prices during the early fall and winter months brought many cattle out of feed lots and into slaughter hands. As replacement cattle were scarce and high priced, and losses sustained on feeding operations in the 1948-49 winter season well remembered, operators were slow in replacing cattle for the 1949-50 feeding season. In contrast to severe winter cold in some areas and drought conditions in others during the 1948-49 winter season, the winter of 1949-50 found District ranges mostly open to grazing, rains timely, and livestock generally in a thrifty condition. Ample feed and concentrates were available where needed.

Sheep and lambs were again scarce in the nation's markets during 1949, reflecting the heavy reductions in sheep numbers which have taken place since 1942. Fewer lambs were on feed at the end of the year in the United States as a whole, though in Texas, Oklahoma, and some north central states the number on feed at the end of the year was above the previous winter season. All District states were feeding fewer sheep and lambs than a year earlier.

The record corn crop of 1948 and prospects of lower feed prices encouraged American farmers in the 1948-49 season to expand production of pigs by 13 percent. The 96 million pigs from out of the 1949 spring and fall crops were the largest number saved since 1943. As much of the spring crop was farrowed earlier than usual, movement to market was likewise able to start sooner. Midwestern farmers, apprehensive of the depressing effects which the large hog inventories would have later in the year, started marketing pigs as soon as they reached minimum slaughter weights. This had the effect of lengthening the marketing season and served to cushion price declines until the larger than usual fourth quarter seasonal marketing increase developed.

Total production of meat in the United States during 1949 was slightly above the previous year as a result of increased output of beef and pork. Fewer breeding cows, 7 percent fewer calves, and one-fifth fewer sheep and lambs were butchered for commercial meat channels in 1949. The total number of cattle killed in the United States during the year for commercial distribution was less than in 1948, but the total number of pounds of meat produced was greater. This was due to the heavier average weight of cattle marketed. Production of beef was also greater in the Twelfth District in 1949, and output of veal was slightly increased owing to greater calf slaughter in Washington and Utah. The 11 percent increase in District pork production was double the rate for the country as a whole, and the percentage reduc-

tion in the slaughter of sheep and lambs was only half the national decrease. In Utah, however, contrary to both the national and District trends, the mutton and lamb output was 38 percent higher in 1949 than in 1948. This was the result of an expansion in meat packing within the state.

Poultry and eggs

Turkey farmers raised nearly 41½ million birds in 1949, a 23 percent increase over the previous year. Twelfth District producers accounted for one quarter and California growers 15 percent of total output. Lower feed costs partly offset lower prices received by turkey raisers during the latter half of the year. New marketing methods, such as cut-up birds, are creating outlets for turkey sales throughout the year and will perhaps encourage continued high production for some time to come.

Production of both chickens and eggs continued plentiful during 1949. There was an increase in the number of chicks hatched both in the District and in the nation as a whole. However, an increased national output of eggs was partly the result of a higher rate of lay—165 eggs per hen in 1949 as compared to 162 in 1948. Monthly records for egg production in the United States were established during the last four months of the year.

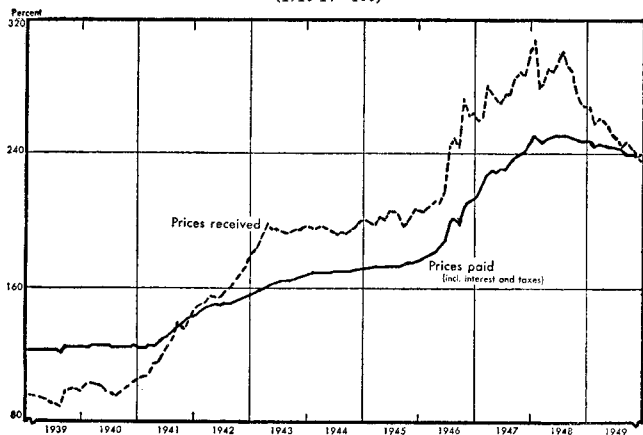
Dairy production

The decrease in the number of the nation's dairy cows was apparently arrested during 1949. With the generally lower price levels prevailing for slaughter cattle during the first half of the year, marketing of dairy cows, particularly in the coastal areas, was not so heavy as had occurred during the past few years. Milk output from the country's dairy herds was slightly higher than the previous year. This was the result of both the continued upward trend in the milk yield per cow and an interruption in the downward trend in the number of dairy cows. As consumption of fluid milk during the year about equalled that of 1948, most of the 1949 increase was channeled into the manufacture of butter and non-fat powder. Much of the increase in these products was absorbed by Government purchases under the price-support program. Though a considerable portion of the dry-milk purchases by the Department of Agriculture during the year were disposed of through the school lunch and foreign supply programs, the larger portion of butter and cheese purchases by the Department was still in Government hands at the year end.

Agricultural prices

During 1949, the farm prices of most agricultural commodities continued the downward trend initiated in mid-1948. In December, the all-farm products index of prices received was 12 percent below the January level. Prices paid by farmers in the meantime dropped only 3 percent. At year end, the parity ratio—ratio of prices received by farmers to prices farmers pay for production and living expenses, including interest and taxes, but excluding

**INDEXES OF PRICES PAID AND RECEIVED BY FARMERS—
UNITED STATES, 1939-49**
(1910-14=100)



Mid-monthly data. Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Agricultural Prices*.

wages—fell to 98. This was the first time since November 1941 that it stood below 100. Beef cattle, veal, lambs, turkeys, milk, tobacco, and wool were the only major agricultural commodities above 100 percent of parity. The decline in the indexes of agricultural prices during 1949 was greater for fruit and truck crops than for feed and food grains or for livestock and livestock products. Food grain prices declined 6 percent during the year, and feed grains and hay were off 9 percent. Government price support programs were an important factor in limiting the decline in prices of these products. Fruit prices, however, declined 30 percent during the latter half of the year under the pressure of record supplies, and between January and December truck prices dropped 28 percent.

Livestock prices in general were at lower levels in 1949 than during the previous year. After sharp declines in late 1948 and early 1949, however, the price of beef steers, starting in early February, worked upward and by the end of the year was higher than the December 1948 level. Hog prices, on the other hand, partly as a result of increased numbers marketed and record outputs of edible fats and oils, were lower throughout the year. By December, prices were hovering around the Government support level. The shortage of sheep numbers helped maintain relatively high lamb prices during 1949. Government purchases of approximately 4 percent of 1949 egg output, in dry or powdered form, bolstered prices so that they averaged only 5 percent below 1948 despite increased production, though they dropped sharply in the last two months of the year. The price of chickens, unsupported, averaged 27 percent below 1948.

Farmers' cash receipts

Though a slightly greater volume of agricultural products was marketed in the nation in 1949 than during the previous year, total cash receipts were 10 percent smaller than in 1948 as a result of lower farm commodity prices. Smaller dollar returns were particularly noticeable in cash receipts from livestock and livestock products. Lower returns from wheat were another substan-

**CASH RECEIPTS FROM FARM MARKETINGS—
TWELFTH DISTRICT, 1949**
(in thousands)

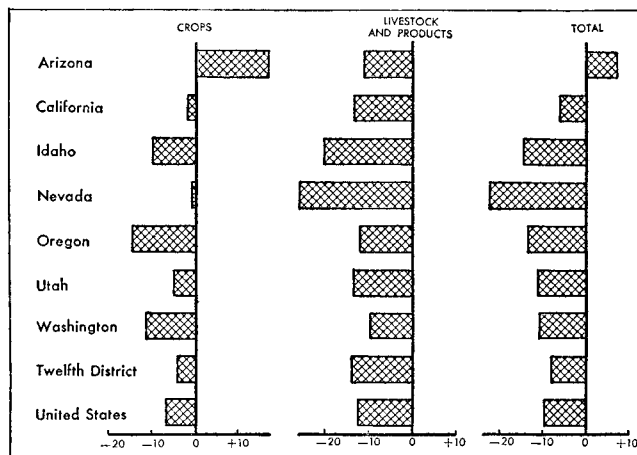
	Crops	Livestock and products	Total
Arizona	\$ 164,909	\$ 71,395	\$ 236,304
California	1,309,227	717,588	2,026,815
Idaho	189,068	128,931	317,999
Nevada	7,942	32,877	40,819
Oregon	182,466	151,954	334,420
Utah	42,901	97,331	140,232
Washington	324,361	181,506	505,867
Twelfth District	\$ 2,220,874	\$ 1,381,582	\$ 3,602,456
United States	\$12,566,225	\$14,951,440	\$27,517,665

Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Farm Income Situation*.

tial element in reducing cash income, and declines in receipts for oil-bearing crops and vegetables also contributed. The reduction in cash farm receipts, in conjunction with relatively high production costs, resulted in smaller net farm income in 1949. Wage levels were lower, but the costs of seed, equipment, and fertilizer increased.

In the Twelfth District, total cash receipts from farm marketings during 1949 amounted to \$3.6 billion, 8 percent less than in the previous year. In 1948, income from livestock and livestock products in the District was the essential factor in promoting an increase in gross cash income over the previous year, while in 1949, cash receipts from livestock and livestock products dropped 14 percent compared to a 4 percent reduction in cash income from crops. For livestock and livestock products the decline was greater in the Twelfth District than for the nation as a whole. A decrease of 22 percent in total cash receipts for Nevada, the greatest decline in the District, was primarily the result of the smaller returns from livestock. Gross returns from livestock and livestock products were 20 percent less in Idaho, and 11 percent or over in Arizona, California, Oregon, and Utah. Arizona, however, owing primarily to an expansion in cotton production, was the only District state in which cash farm receipts increased over 1948.

**CASH RECEIPTS FROM FARM MARKETINGS—
TWELFTH DISTRICT**
Percent change, 1948-49



Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Farm Income Situation*.

Farm real estate

Farmland values follow the trend of gross farm income, though the response is not automatic and may be at a greater or lesser rate in different regions and within areas. During the 1940-48 period of inflated farm commodity prices, the percentage increase in farmland prices for the United States as a whole rose more than half as much as gross farm income. During the following twelve months, however, the first significant drop occurred when the price of land on a national average dropped 6 percent. A considerably greater decline in farmland values was registered in the three Pacific Coast states of the Twelfth District.

INDEX NUMBERS OF AVERAGE VALUE PER ACRE OF FARM REAL ESTATE—TWELFTH DISTRICT STATES
(1912-14=100)

	1940 average	1948 November	1949 November	Percent change November, 1948-49
Arizona	95	186	177	— 5
California	121	228	199	—13
Idaho	86	178	162	— 9
Nevada	70	119	111	— 7
Oregon	84	168	145	—14
Washington	84	181	161	—11
Utah	89	154	143	— 7
United States	84	177	167	— 6

Source: United States Department of Agriculture, Bureau of Agricultural Economics, *The Farm Real Estate Market*.

It is probable that the price declines of perishable and non-supported crops of the Pacific area during the last 18 months were influential in the greater decline of land prices within the states of California, Oregon, and Washington. The stronger recovery of beef-cattle and lamb prices after the early 1949 price break tended to infuse greater confidence in the long-term earning capacity of livestock-producing lands as against the immediate prospects of the more highly productive crop farms of the Pacific valley areas.

Though further extensive declines in farm commodity prices would no doubt effect a continuation of the downward trend in the price of farm land within the District as well as within the United States in general, there are a number of factors which may serve to lengthen the lag which usually exists between gross farm income and farmland values. Farm operators in general accumulated substantial savings during the eight years following 1940.

Even in the face of generally lower agricultural prices, farm owners are not apt to be stampeded into liquidating farms in the immediate future, in view of prospects for continued Federal price support operations. Liquidation of farms at present high levels of land values would in most cases incur heavy capital gains taxes and pose a problem of reinvestment. In addition, fewer prospective farm purchasers today are in a position to pay cash, and lending institutions would view more cautiously the long-term earning outlook for farmland before extending farm mortgage credit.

Farm employment

Total farm employment in 1949 for the country as a whole averaged 3 percent below 1948. Wages paid to the nation's farm workers were also lower than the previous year, reflecting lower cash farm receipts. Seasonal rises in average wages were smaller in 1949 than in 1948 and seasonal declines sharper. The labor supply was plentiful throughout the year, and no District crops suffered for a lack of harvest hands. Periodic lulls between the harvest of different crops within the Twelfth District caused some unemployment, besides considerable moving between areas and over-concentration of workers in some localities. The shortage of housing continued to create a problem for both workers and farmers. An abundant fruit crop and an expansion of cotton acreages in 1949 were major factors in attracting the large number of workers to agricultural fields. Some harvest hands came from out of the urban areas when employment opportunities for unskilled workers were reduced. Picking cotton was the primary source of employment during the final three months of the year. The large supply of hand labor, an increase in the number of cotton-picking machines, and favorable weather brought completion of the major share of the cotton harvest earlier than usual. Though this tended toward producing good quality cotton lint, it worked to the disadvantage of the cotton picker. When harvest extends into February, or as late as March, rains adversely affect the quality of the crop, but cotton pickers find longer employment. The early conclusion of the 1949-50 season caused serious unemployment conditions among migrant farm workers in the District which will continue until 1950 harvests are well under way.

