



TWELFTH FEDERAL RESERVE DISTRICT

# MONTHLY REVIEW

FEBRUARY 1952

FEDERAL RESERVE BANK OF SAN FRANCISCO

## REVIEW OF THE YEAR

CLEVER phrasemakers will find unusual opportunities for the use of epigrammatic titles in the economic events of 1951. In a number of respects the past year was, in fact, unique in the economic history of the last two decades. Despite rapidly expanding expenditures by Government, inflation did not engulf the economy as was widely feared early in the year. Not only was this true in the United States, where the impact of inflation, at least after the first few months of the year, has been relatively mild compared with other economies, but it also was apparent to varying degrees in most of Western Europe.

The revival or rehabilitation of the more conventional means of economic stabilization, abroad as well as here, was a development of great significance in the free world in 1951. During the year there was great reliance on more traditional monetary and credit policies, and growing efforts to balance national budgets. The objective, in many European countries, was not merely to hold domestic inflation in check, but also to reestablish external equilibrium via an impersonal restriction of demand rather than solely by administrative controls over imports. Ultimately, therefore, the goal in view is a progressive freeing of currencies from arbitrary controls over international transactions. The readoption of these methods marks a conscious effort to use comprehensive instruments to meet economic problems. It represents a departure from heavy reliance on exhortation or moral suasion for meeting the challenge of unwanted situations. It also represents to some extent a displacement of non-financial or direct measures of control which appear to be coming under more critical scrutiny both in this country and abroad. These developments have occurred in some foreign countries largely as a result of the growing belief that the controls previously employed have been ineffective in preventing balance of payments problems from regularly reaching crisis proportions.

There is no apparent intent to strive for dear money merely for the sake of not having cheap money. Instead there appears to be a growing realization that no matter how detailed direct controls of materials, wages, prices, and imports may be, an excessive expansion of the money supply along with an unimpeded ability to spend will necessarily lead to undesirable results. There is a grow-

ing belief that the objective of economic stability and orderly growth can be more nearly achieved by a judicious blending of the so-called newer techniques with some of the so-called traditional devices for influencing economic developments. The steps taken toward greater use of conventional techniques in the implementation of monetary policy are evidence of a greater determination to restrict the availability of money when it is too plentiful, to limit the ability to spend when it otherwise would be too strong, and to shift some of the risks of economic management from central governments to the decision-making units in the economy.

Monetary and fiscal policies which assure an almost limitless supply of cheap money present opportunities for individual business operations to profit at little or no risk of loss. This not only encourages demand in excess of the value of production at stable prices; it also leads to the inefficient use of labor and material resources. Such conditions make it easier for inefficient producers to survive, increase both the money and the real costs of production, and divert too large a share of labor and material into less essential uses to the injury of the economy as a whole.

### *Domestic economy achieves stability despite rise in defense spending*

These shifts in monetary and fiscal policies began in late 1950, and by the end of the first quarter of 1951 they, along with changes in the international outlook, were largely responsible for a feeling of greater confidence in

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**Banking and Credit in an Unpegged Market**

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our ability to establish and maintain a reasonable degree of economic stability. Prices, production, and spending continued to rise sharply in the early part of the year, reflecting in considerable part public reaction to the entrance of the Chinese Communists in the Korean conflict. In large part this pressure was anticipatory and resulted in a very substantial measure of increased production and competition for civilian goods. Inventory accumulation of raw materials and finished products proceeded at a rapid pace as did consumer spending, particularly on durable goods.

By mid-February, however, the pace began to slacken. Basic commodity prices, almost half again as high as in June 1950, started to decline. Wholesale prices leveled off in March and then declined moderately through September. Consumer prices, which did not turn down at all, achieved a degree of stability in March and rose rather moderately during most of the period thereafter. Consumer spending declined sharply in March and continued at a much more conservative level in the remainder of the year.

Production continued to expand through April but edged away from the peak despite expanding military production. Lower output reflected cutbacks in production of civilian durable goods, partly as a result of materials restrictions, but the lower rate of consumer expenditure forced some cuts in production of civilian hard goods below that required by materials ceilings. Production of civilian soft goods dropped off considerably, too. Defense spending resulted in greater output of military goods and raised total durable goods production. This was not sufficient, however, to offset all of the decline in civilian output, much of which was due to a drop in inventory accumulation and civilian demand.

#### ***Combination of circumstances aid to restrain inflation***

Spending for defense in 1951 was the primary expansive force in the economy. In the last quarter of the year, military spending for goods and services reached an annual rate of about \$44 billion or almost double that of the same period in 1950. This expansion in the demand for goods and services was met to some extent by increased output, but to an increasing extent, as the program reached high gear, the demands were met by reducing some types of output for civilian consumption.

Yet, after March, the forces of inflation were contained. Perhaps historians will argue that the inflation of late 1950 and early 1951, which was largely anticipatory, made further inflation unnecessary. This line of argument has its merits. Inventory accumulation and scare buying proceeded at a pace which indicated that business and consumers expected almost all-out war and almost immediate shortages of goods that were scarce during World War II. These expectations were not realized. An expansion of the war in Korea did not occur and shortages of goods were so slow in appearing that ware-

house space seemed the only serious need for a while. These two factors allayed fears considerably and thereby reduced the urgency with which business and consumers made expenditures.

Furthermore, the price increases in some lines were much more rapid than a reasonable rate of expenditure by consumers in the presence of adequate supplies would have justified. As a result of this combination of circumstances, consumer spending slipped sharply in March and continued at moderate levels for the remainder of the year. Business inventories of retail goods, predicated on a continued record rate of demand and possible shortages, became burdensome. Continued record production through March, and relatively modest cutbacks in the second quarter, caused inventories to back up throughout the distribution system. This resulted in subsequent sharp reductions in output and some forced inventory liquidation.

Though the reversal of form by consumers may be regarded as a major factor in dampening the inflationary spiral, consumer attitudes received a few assists. The institution of price controls in late January probably helped the reaction that consumers registered. Fairly stringent restrictions on instalment sales through June retarded the ability of consumers to spend. Subsequent relaxation of these restrictions did not result in any substantial improvement in sales in the absence of realistic price adjustments. Credit restrictions on residential and other types of building along with materials limitations also reduced the demand for goods. This helped keep the added demands of the defense program from being expressed in continued price rises.

Inflation was restrained not only by consumer decisions and direct controls which restricted demand, but also by monetary and fiscal developments which helped to control the growth of the money supply. For the fiscal year ending June 30, 1951, the Treasury reported a substantial cash surplus which withdrew \$7.6 billion from the spending stream. In addition, the Treasury spent somewhat less rapidly in the second half of 1951 than had been anticipated and increased tax rates added to Treasury receipts. The injections of cash by the Treasury into the monetary stream were much less, therefore, than had been expected.

In March, the Federal Reserve System and the Treasury agreed to a program which permitted a more flexible policy in the Government securities market. Open market policy of the Federal Reserve System thereafter resulted in a decline of long-term security prices below par. The most immediate impact of this development was felt in the residential real estate field. Insurance companies and banks withdrew from the financing of large tracts involving loans at 4 percent or even 4½ percent. Lending policies generally were reexamined, partly on the basis provided by the Voluntary Credit Restraint Program, and interest rates moved up. Bank loans in the second half of the year rose only seasonally. Nevertheless, if free access

to a supported market had been available, the possibilities of expansion would have been considerably greater.

***Inflationary lull may  
not continue***

In spite of the Treasury surplus in the first half of the year and the more stringent monetary policy after March, the money supply increased nearly \$9 billion. Had it not been for the decline in consumer spending and the slowing of inventory accumulation acting to reduce the turnover of money, considerable inflation could have resulted. Though taxes have been increased, Treasury expenditures will also be much larger and consequently the net

Treasury withdrawals from the spending stream during the first half of 1952 will probably be considerably less than a year ago. The money supply, except for a seasonal decline in the early part of 1952, will probably continue to grow. Since output of civilian durables in 1952 may be smaller than in 1951, a resumption of rapid consumer spending could induce sharp inflationary pressures. The battle is not yet ended. Only two phases have been dealt with: the first, immediately after Korea, was lost to inflation; the second may be regarded as having been won. This tie, however, is no assurance for the future. Stronger measures may be needed, even though in the present situation there appears no immediate cause for alarm.

**BANKING AND CREDIT IN AN UNPEGGED MARKET**

**I**N this country the most important step during 1951 toward greater reliance upon traditional techniques of control took the form of abandoning Federal Reserve support of long-term Government securities at par. Since the Treasury-Federal Reserve accord was announced early in March 1951, the prices of Government securities have been determined in a free market, with the Federal Reserve intervening only when necessary to maintain orderly conditions in the market. Although the prices of long-term Government securities quickly dropped below par and have remained there since, the extent of the decline has been moderate and there has been no panic in the market.

Unpegging the market has worked as a two-edged sword in restraining credit expansion. On the one hand, the general tightening of credit that it implies leads lenders to screen loan applications more carefully, causes them to revise their expectations as to the general outlook for business and commodity prices, and, because of the general uncertainty concerning future developments, tends to increase their demand for liquidity. Potential borrowers, on the other hand, are discouraged from obtaining new or additional credit because of the resultant rise in interest rates. The first edge of the sword is undoubtedly the more effective of the two. It is generally recognized that this factor, insofar as credit controls were an influence, probably did more to restrain the expansion of real estate credit during 1951 than did the terms of Regulation X.

***Other credit restraints***

Other steps, in addition to unpegging the Government securities market, were taken during 1951 to restrain credit expansion in the United States. Reserve requirements of all member banks were increased in gradual steps in January and early February, and since then have stood at their legal maximums, except in the case of the requirements on demand deposits for central reserve city banks. These remain two percentage points below the legal maximum.

The Voluntary Credit Restraint Program, inaugurated in March last year, has been of great aid to commercial banks and other lending institutions in restraining the expansion of credit for less essential purposes. Funds obtained through the sale of new issues of securities have also been within the scope of the program through the participation of investment bankers.

Terms of Regulation W were relaxed somewhat on July 31, and of Regulation X on September 1, to conform with changes in the law made by Congress. Easier terms under Regulation W contributed to a moderate expansion in the amount of consumer instalment credit outstanding during the second half of 1951, in contrast to a small decline during the first half.

***Demand for credit less than in 1950***

Total loans of commercial banks increased only two-thirds as much in 1951 as in 1950—\$6.1 billion compared with \$9.3 billion. While more effective general credit controls were partly responsible for this smaller increase, there was also evidence of a lessened demand for credit during the year. This stemmed fundamentally from the more moderate rate of consumer spending after the first quarter and from the failure of the defense program to proceed as rapidly as had been planned. As a consequence, our economy was able to fulfill both consumer and military demands with comparative ease and industrial production remained relatively stable throughout the year. Wholesale prices drifted downward slightly during the year. Consumer prices rose, however, which indicated that they were still in the process of adjusting to the higher levels of wholesale prices and of production costs that had developed in the second half of 1950 and early 1951.

A striking indication of the change in pace of consumer buying is found in the fact that consumer instalment credit outstanding increased only about \$29 million during 1951 compared with a rise of \$2.6 billion in 1950. Regulation W was partly responsible for this marked difference, since it was in effect throughout 1951 in contrast to only about the last quarter of 1950; but the primary

factor was the more moderate rate of consumer spending—a development quite independent of Regulation W as such.

Credit controls, both the general and the selective (Regulation X and the related FHA and VA controls), probably played a larger part in restraining the expansion of real estate credit during the year than was the case for consumer credit. The picture for the year as a whole is distorted by the fact that during the first half a large proportion of the houses sold was exempt from the terms of Regulation X. During the second half of the year, however, the rate of growth of real estate credit slackened substantially. At commercial banks, for example, the increase in real estate loans outstanding was only \$400 million, compared with \$600 million during the first half of the year and \$1.1 billion during the last half of 1950. A considerable part of this slackening was undoubtedly due to the restraining effects of credit controls, but there was also evidence of some decline in the demand for houses independent of the effect of credit controls.

Business demands for credit showed the least change from 1950 to 1951. Business loans outstanding at commercial banks increased \$4.1 billion during 1951 compared with \$4.9 billion in 1950. However, all of the expansion in 1950 occurred in the second half of the year, and the increase during that period was twice as large as that in the corresponding period of 1951. Business firms obtained more funds through sale of securities in 1951, however, than in 1950—\$6.5 billion compared with \$4 billion. Over \$5 billion of this amount was for plant and equipment expansion, reflecting heavy business demand for long-term external financing, particularly by firms which held defense contracts or were engaged in defense-related activities.

#### *Loans and investments of Twelfth District member banks continued to grow*

The year 1951 saw a continuing growth in the amount of loans outstanding at Twelfth District member banks. The increase during the year, close to \$780 million, was substantially below the \$1.2 billion increase during 1950, however, and represented a growth of only 11 percent as compared with the previous year's 20 percent. Moreover, the rate of expansion of loans was fairly steady throughout 1951 while almost all the growth in 1950 had occurred during the second half of the year after the Korean war began. Total loans outstanding at all member banks in

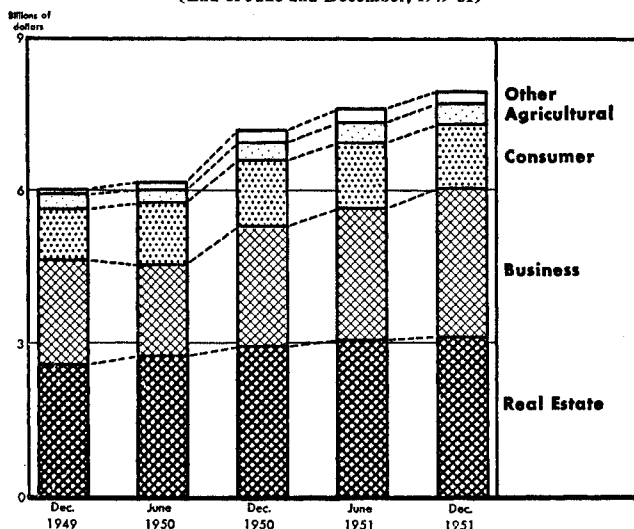
#### MEMBER BANK DEPOSITS AND EARNING ASSETS— TWELFTH DISTRICT (in millions, as of December 31)

	1941	1949	1950	1951 <sup>1</sup>
Demand deposits of individuals, partnerships, and corporations.....	\$2,778	\$8,043	\$8,917	\$9,675
Time deposits <sup>2</sup> .....	2,390	6,203	6,233	6,615
United States Government deposits..	144	332	266	280
Loans .....	2,451	5,925	7,093	7,866
United States Government securities..	1,738	7,016	6,415	6,533
Other securities .....	542	1,066	1,373	1,449

<sup>1</sup> Partly estimated.

<sup>2</sup> Excluding interbank and United States Government deposits.

#### LOANS OUTSTANDING AT TWELFTH DISTRICT MEMBER BANKS (End of June and December, 1949-51)



the United States increased in a similar manner and at the end of the year were also about 11 percent greater than at the end of 1950.

Commercial and industrial loans accounted for about 70 percent of the dollar increase in total loans of District member banks during 1951. Their rate of increase—23 percent—was somewhat greater than at member banks in the country as a whole—19 percent. This continued growth of business loans reflected in part the current and prospective expansion in defense output requiring large capital investment. Business loans for nondefense purposes also increased substantially, however. Special tabulations of a sample of their business loans submitted by the larger banks of the District and the nation for the National Voluntary Credit Restraint Committee show that the over-all increase in loans outstanding from May through December was larger for loans for nondefense purposes than for defense and defense-supporting uses combined, both in the United States and in the Twelfth District. Much of the increase in nondefense loans was seasonal in character, however.

Total consumer loans of member banks showed little change during 1951, increasing less than 3 percent in the nation and declining some 2 percent in the District. During 1950 these loans had increased some 27 percent in the United States and 30 percent in this area as consumers borrowed in order to finance the heavy volume of purchases made that year. As fears of shortages declined, however, current funds were used to pay off existing indebtedness and no substantial new borrowing occurred.

Real estate loans outstanding continued to rise, but at a slower rate than in 1950. This was especially true for member bank loans secured by residential properties which increased around 7 percent during 1951, in both the Twelfth District and the United States, compared with increases of 15 percent and 22 percent respectively in 1950.

Loans to farmers for current production increased substantially—nearly 40 percent in the District and 27 percent in the nation as a whole. Those loans to farmers guaranteed by the Commodity Credit Corporation, however, continued the decline begun in 1950 as price support operations for agricultural commodities were reduced markedly.

In contrast to the substantial decline that occurred in 1950, member bank holdings of United States Government securities did not change substantially during the year, increasing less than 2 percent in the Twelfth District and declining about 1 percent in the country as a whole. Holdings declined sharply during the early months of the year as banks sold securities to meet the higher reserve requirements that became effective in January and early February. Subsequently, holdings were returned to near their former levels though there was noticeable shifting in the types of securities held. Holdings of long-term bonds and notes declined, while short-term Treasury bills and certificates of indebtedness increased substantially. This reflected in considerable part shifts in the composition of the public debt that occurred as a result of refunding operations during the year, and in part the desire of banks for greater liquidity. Member bank holdings of corporate and municipal securities continued to increase in 1951 as had been the case in the previous two years.

#### *Yields moved to a higher level in 1951*

Yields on United States Government and other securities rose considerably during 1951 as the demand for credit continued relatively high and the supply of funds was somewhat restricted. Following the withdrawal of the Federal Reserve System from its general support of the Government bond market in March, prices of Government securities, both long-term and short-term, fell; yields rose rather sharply and, with the exception of a decline in the third quarter, continued to rise moderately the rest of the year. The average yield on long-term Governments rose about one-third of a percentage point during the year. In December the rate on one issue of new Treasury bills was 1.865 percent, the highest since 1932.

Although the average yield during the year on high-grade municipal bonds was only .02 of a percentage point higher than in 1950, the December 1951 average was about one-third of a point above the previous December figure. Yields on corporate issues rose fairly steadily throughout the year and at year-end were nearly four-tenths of a percentage point higher than in December 1950.

Average rates charged by banks on short-term business loans increased about four-tenths of a percentage point during the year. The rate charged prime commercial borrowers was raised three times during the year—in January 1951, banks were charging  $2\frac{1}{4}$  percent; by December the rate was up to 3 percent, the highest in 17 years.

#### *The money supply expanded*

The nation's privately held money supply increased more in 1951 than in 1950 despite the substantially smaller increase in bank loans in 1951. The demand and time deposits and currency holdings of individuals and businesses increased \$8.8 billion compared with an increase of \$7.1 billion in 1950. The expansion in bank loans and investments other than United States Government securities contributed the bulk of the increase in the money supply, with increased holdings of Government securities by Federal Reserve Banks providing most of the balance. In 1950 a substantial decline in commercial bank holdings of Government securities and a large outflow of gold provided major offsets to the expansion in the money supply arising from the growth in bank loans. These offsets were only of minor size in 1951, however.

The turnover of demand deposits, the principal component of the money supply, declined during the second half of the year, having reached a postwar peak in the second quarter of 1951. The decline reflected the more moderate rate of spending by consumers and businesses that began to develop in the second quarter and continued throughout the balance of the year.

Member bank demand deposits held by individuals, partnerships, and corporations rose during 1951 an estimated 9 percent in the Twelfth District and 5 percent in the United States, increases just slightly more than half, percentagewise, those in 1950. The growth in time deposits was substantially greater than in 1950, however, with increases of 6 percent in the District and 4 percent in the nation. Changes in deposits were noticeably larger percentagewise in the smaller states of the District than in California, Washington, and Oregon. The net issue of currency in 1951 increased substantially in the Twelfth District, the first such annual expansion since 1945. Currency in circulation also increased in the country as a whole, in contrast with a very small change the previous year.

Private demand deposits declined sharply the first quarter of 1951 because of the drain from income tax payments. In 1950 the drain had been cushioned by the payment of a large veterans' insurance refund, but in 1951 it was no doubt accentuated by the institution of the "Mills" plan with its collection of corporate income tax on an accelerated basis. Deposits increased, however, the rest of the year as loans expanded and Treasury expenditures exceeded receipts.

Time deposits increased throughout the year. In 1950 there had been some decrease during the last half as balances were liquidated to finance the large spending spree, but this decline was made up before the middle of 1951 and savings deposits have increased rather substantially since. Government deposits more than doubled the first half of 1951 but by the end of the year had declined so that the over-all increase during the year was 5 percent in the District and about 15 percent in the United States.

**Member bank reserves were tighter**

On December 31, 1951, Twelfth District member bank reserves totaled \$2,269 million, the increase of \$244 million over the same date in 1950 being the largest yearly growth since the end of World War II. Reserve balances of all member banks in the United States at the end of the year were at the highest level since 1948, having increased over \$2.3 billion during 1951.

Reserves were built up quickly in January in order to meet the increased reserve requirements which went into effect in January and early February. During the rest of the year the need for reserve funds continued high as deposits in banks grew and the volume of currency in circulation expanded. July, however, marked the end of the outflow of gold from the United States which had started after the currency devaluations in other countries in September 1949. A net inflow of gold and an increase in foreign account deposits in Federal Reserve Banks contributed to the growth in reserve balances during the second half of the year.

As in former years, 1951 Federal Government expenditures in the Twelfth District exceeded collections from this area, thus adding substantially to bank reserves. Both in 1950 and in 1951 this net payment into the District was very large as expenditures for defense purposes were increased. On the other hand, interdistrict settlements on commercial accounts continued to act as a drain on reserves as payments out of the District exceeded receipts into the District. Net payments and transfers to other areas for goods, services, and securities in 1951 were the largest since 1946, exceeding even the high 1950 figure by a substantial amount.

As prices of Government securities fell during the year, banks and other investors became less willing to sell at a loss, and yields made these investments more attractive for holding. When banks needed additional reserves, instead of selling Governments at par or better as they form-

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)	1948	1949	1950	1951
Reserve bank credit . . . . .	+ 1	+ 17	+ 13	+ 39	— 21
Change in credit extended to member banks in the District by the Federal Reserve Bank of San Francisco.					
Commercial operations . . . . .	—180	+472	—930	—1141	—1582
Net payments from other Districts to banks and the public in the Twelfth District (net Twelfth District pay- ments to other Districts—).					
United States Treasury operations . . . . .	+311	—482	+378	+1198	+1983
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—).					
<b>Total . . . . .</b>	<b>+132</b>	<b>+ 7</b>	<b>—539</b>	<b>+ 96</b>	<b>+ 380</b>
<b>Uses of member bank reserves</b> (factors which when positive reduce reserves)					
Demand for currency . . . . .	+ 36	—209	— 65	— 14	+ 189
Change in holdings of coin and currency by banks and the public.					
Change in nonmember de- posits and other Federal Re- serve Accounts . . . . .	+ 3	— 2	+ 22	+ 8	— 53
<b>Total . . . . .</b>	<b>+ 39</b>	<b>—211</b>	<b>— 43</b>	<b>— 6</b>	<b>+ 136</b>
<b>Change in member bank reserves . . . . .</b>	<b>+ 93</b>	<b>+218</b>	<b>—496</b>	<b>+ 102</b>	<b>+ 244</b>

erly had been able to do, they had either to take losses on these securities or use other methods to secure funds. Many banks increased their use of discount facilities at Federal Reserve Banks; this borrowing reached an 18-year high in the United States during the first week in December. However, banks are reluctant to borrow in this manner except for temporary periods, and the pressure to pay off the indebtedness tended to use up new funds becoming available which might otherwise have been used for more loans or investments.

**INDUSTRY STEPS AHEAD THOUGH SOME LINES FALTER**

**I**N response to the greatly expanded defense program, business activity in the Twelfth Federal Reserve District reached a new high in 1951. Unlike prior boom years since the end of World War II, there were marked divergences in experience among different segments of the economy. Some lines showed weaknesses and, in a few instances, declines in activity; but even in such cases volume was high compared with most years other than 1950. Employment, a fairly comprehensive measure of business activity, rose significantly in the District. Manufacturing employment was the most important element in the gain, followed by the increase in Government jobs. In contrast, the gains in construction and trade employment were exceedingly small.

Among the major lines exhibiting weaknesses, construction was the most conspicuous. Partly because of credit and materials controls and some specific building

limitations, total construction activity declined as the year progressed. Trade and the various services showed little if any real gain. In manufacturing, lumber production increased moderately for the year as a whole, largely as a result of a sharp gain in the early part of the year. Apparel output tended to decline almost continuously after the first few months of 1951. Yet, even in these cases output and employment were not so depressed as to be of serious concern. The expansion of aircraft, machinery, metals, and shipbuilding employment absorbed large numbers of workers and reduced unemployment to exceptionally low levels, average unemployment for the year being 45 percent below that for 1950.

The over-all boom in the economy can be attributed to the defense effort, as expressed in military contracts let in the District, and its impact on consumer and business buying for nondefense purposes. The weakness in some

INDEXES OF INDUSTRIAL PRODUCTION—TWELFTH DISTRICT  
(1947-49=100)

Industrial production	1943	1944	1945	1946	1947	1948	1949	1950	1951 <sup>1</sup>
Copper	125	112	90	71	106	101	93	115	115
Lead	100	90	78	70	94	105	101	109	89
Zinc	81	91	88	81	98	100	102	101	96
Silver	114	93	76	64	100	105	95	122	114
Gold	82	67	58	71	101	100	99	117	99
Iron ore	79	93	102	101	102	94	104	103	107
Steel ingots	50	73	72	60	95	107	98	126	147
Aluminum	107	117	71	51	90	102	108	119	126
Petroleum	85	93	97	94	100	101	99	98	106
Refined oils	83	93	98	91	98	100	103	103	112
Cement	79	63	65	81	96	104	100	112	128
Lumber	90	90	72	85	97	104	99	112	114
Wood pulp	74	79	78	82	96	103	101	120	141
Paper	77	80	79	88	96	102	102	109	120
Douglas fir plywood	80	80	67	78	91	104	105	142	150
Wooden boxes	113	136	124	124	115	98	87	94	96
Canned fruits	67	87	80	125	101	99	100	96	120
Canned vegetables	86	93	91	123	109	92	99	110	175
Meat	52	73	67	49	101	102	97	119	178
Sugar	82	82	82	90	119	89	93	105	97
Flour	98	101	112	108	113	98	88	86	95
Butter	138	124	91	69	105	92	103	99	76
Cheese	85	93	100	99	103	98	99	104	96
Ice cream	74	81	90	131	113	96	91	94	98

<sup>1</sup> Preliminary.

Note: Data given above supersede all previously published annual indexes.

lines is attributable in part to controls and in part to the reversal of expectations based on the initial impact of the expanded defense effort.

Though individual lines suffered somewhat, there was no reason for serious concern. For if all segments of the economy had proceeded ahead at full blast, the competition for raw materials, labor, and capital would have been such as to produce continuous rapid inflation. Moderate slack in a few lines, especially of such an order that little if any absolute loss is experienced, is certainly a reasonable price for avoiding inflation.

**Employment in District reflects impact of defense program**

Twelfth District nonagricultural employment reached a new high in 1951, averaging 7 percent above the record level of 1950. Manufacturing employment led the increases with a gain of 13 percent, reflecting a rising level of defense output. Government employment recorded the second largest relative, as well as absolute, gain—11 percent. Employment gains in the other nonagricultural lines were moderate, and trade establishments reported an increase of only 1 percent in the average number of workers during the year.

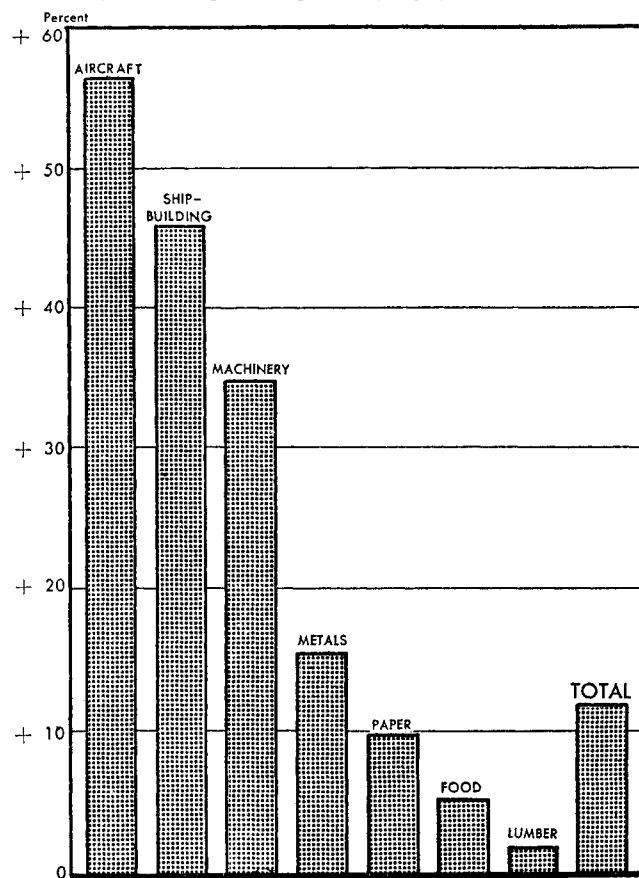
Employment expansion in the Twelfth District was significantly ahead of the national average. Nonagricultural employment gained 5 percent nationally, and manufacturing employment rose 7 percent, compared with gains of 7 and 13 percent respectively in this District. This reflected the sharp impact of the defense program on the Twelfth District. In addition, this District tended to suffer less from the restrictions on civilian production of such items as automobiles and household appliances.

In the early part of the year increases in Twelfth District manufacturing employment were influenced to a large extent by record production of many civilian items.

As the year progressed and civilian demand abated somewhat, the slack in consumer goods was more than offset by large gains in aircraft, machinery, and metals employment. Because of the nature of the demand for District products, durable goods employment was one-fifth higher in 1951 than in 1950, while the number of workers in nondurables increased less than 4 percent. At year-end employment in textiles and apparel was lower than twelve months earlier. The speculative boom in these lines in late 1950 and early 1951 was not maintained, and the volume of activity declined. Employment in the paper industry, despite a gain for the year as a whole, was about the same in late 1951 as in 1950 and reflected a moderate reduction from the summer level. In contrast, food, chemicals, petroleum, and rubber employment gained at least moderately during the year.

In the durable goods group, aircraft employment led the expansion with a gain of more than 55 percent. Machinery employment also increased sharply—more than one-third, and shipbuilding made its first substantial gain since the end of the war. Metals production and fabrication also reported a good increase, approximately 15 percent, but lumber showed very little gain. In fact, late in the year lumber employment dropped below the comparable 1950 level.

PACIFIC COAST MANUFACTURING EMPLOYMENT BY INDUSTRY  
(Percent change in average monthly employment, 1950-51)



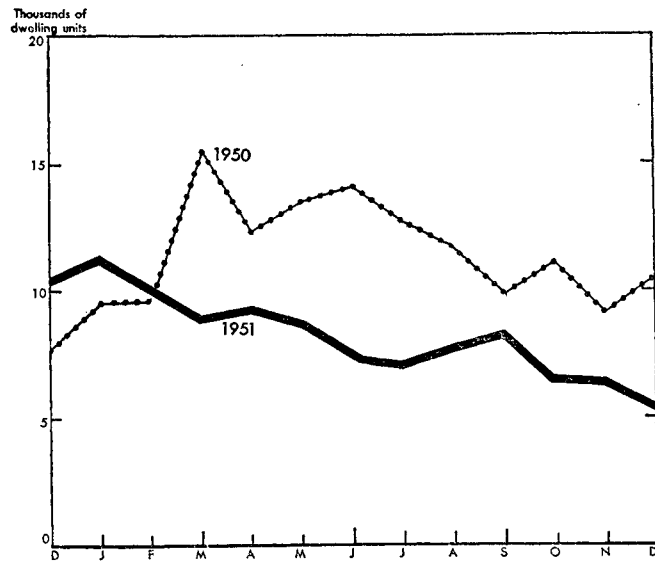
**Construction activity declines**

Expenditures on construction have been one of the expansive forces during most of the postwar period, but in 1951 credit and materials restrictions were important elements which brought about a substantial downtrend as the year progressed. In the first part of 1951 construction was well ahead of 1950. Early in the year the backlog of commitments to underwrite mortgages issued by the FHA and VA as well as other mortgage commitments outstanding at banks and insurance companies for residential building exempt from credit regulations was one source of substantial activity. Moreover, nonresidential building, much of which was started in anticipation of controls, proceeded at twice the rate of 1950 early in the year. As a result, in early 1951 building permits authorized in urban areas and actual construction expenditures were well ahead of those for the corresponding period of 1950.

When the backlog of housing exempt from credit regulations diminished and materials and credit controls started to affect nonresidential building, the volume of building permits fell behind 1950. In this District, as well as in the nation, permits issued lagged behind 1950 in every month starting with March. Nationally, expenditures on construction, however, continued to run ahead of 1950 through July, reflecting the large volume of construction started late in 1950 and early in 1951. In August, as the backlog of work in process was reduced, expenditures on construction dropped below year-ago levels and were smaller than the 1950 volume for the remainder of the year. Total expenditures for the year (in contrast to permits issued) were ahead of 1950, as a result of the large volume of construction in the early part of the year. Limited data available indicate roughly the same experience in the District.

Total construction authorized in urban areas in the District during 1951 was off 15 percent from the 1950

**NUMBER OF NEW DWELLING UNITS AUTHORIZED IN URBAN AREAS—TWELFTH DISTRICT, 1950-51**



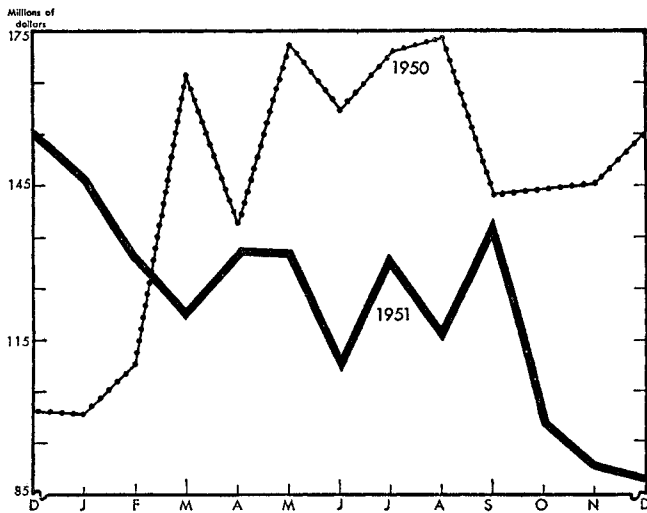
level. Home building led the decline with a drop of 28 percent. Despite increased factory building and military construction, nonresidential building permits were off 13 percent. The latter development reflected the impact of materials controls over a wide range of building as well as credit controls under Regulation X for some types of nonresidential construction. The principal declines in nonresidential construction authorized occurred for amusement places, public buildings, and schools—all of which reflected materials restrictions. Factories and public works reported the major gains in nonresidential construction. It is interesting to note that although construction had a moderately larger decline in this District than in the nation during 1951, California remained the leading state in the nation in the volume of work put in place.

Military construction, which is not reflected fully in permits issued, increased sharply in this District. The total volume authorized through June 1952 amounts to about \$664 million and represents about 19 percent of the construction authorized in the United States. This volume will tend to give the construction industry a firm base during 1952 but is not likely to offset declines in residential and other private building.

**Lumber—a boom then a lull**

Proceeding on the impetus imparted by the post-Korea building and inventory boom, the District lumber industry set an all-time record during 1951. The high level of production during the first half of the year, however, was responsible for the new peak. In the first quarter of the year pine production was up 26 percent from the same period in 1950, and Douglas fir production was up 23 percent. In the second quarter the increase in both areas was about 5 percent. During the same period redwood production increased, too, but more moderately. For the year as a whole the increase for pine was only 2 percent

**VALUE OF BUILDING PERMITS AUTHORIZED IN URBAN AREAS—TWELFTH DISTRICT, 1950-51**





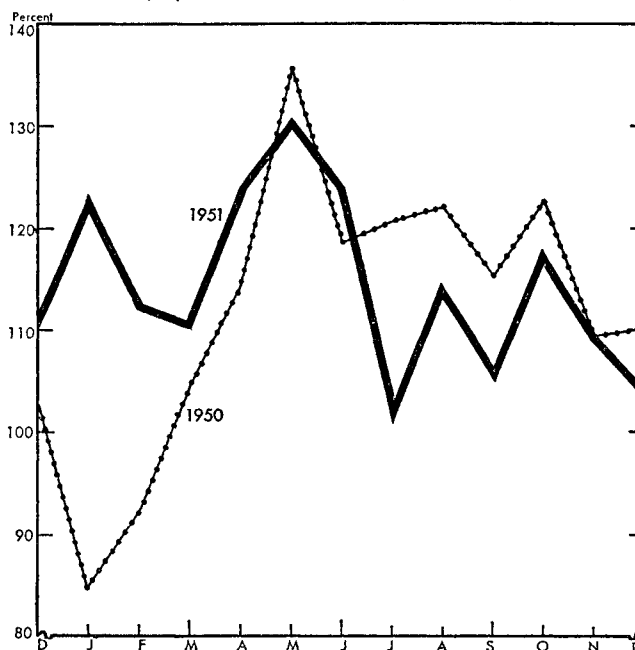
and for Douglas fir and redwood only 1 percent. This narrow gain resulted from declining output in the second half of the year. A change in demand was the principal factor giving rise to these developments; but exceptionally dry weather, which limited logging operations because of fire hazards, contributed to the decline in the Douglas fir area during July and August.

The boom in the early part of 1951 reflected the heavy volume of commitments for and starts of new houses which followed the outbreak of hostilities in Korea. In addition, fears of shortages resulted in stocking-up by builders and lumber yards. In the second quarter, however, it became apparent that the volume of pre-Regulation X commitments for new houses was being worked off rapidly and that demand under the credit terms of that regulation and the related FHA and VA requirements would be considerably smaller. Even where pre-Regulation houses were available, consumer fervor dropped considerably when it was realized that total war or mobilization was not imminent. Housing construction was also retarded by the withdrawal of insurance companies and banks from the VA and FHA mortgage market because of undigested commitments and unfavorable prices for Government securities. In addition to the decline in residential construction, materials restrictions and other NPA limitations reduced the volume of activity in the erection of amusement places, commercial and public buildings, churches, and other types of nonresidential structures. Increased military construction and use of lumber were not sufficient to offset the drop in demand from other sources. These forces, along with high inventories in builders' and retailers' hands, cut the market for lumber after the first quarter.

Despite the decline in orders, which continued most of the year, production was maintained at a record rate through June. Even after June the decline in output was relatively moderate except during the severe summer drought which reduced logging operations in the Douglas fir area. September brought some recovery in Douglas fir production, and improvement was also apparent in October in all areas. The willingness of the industry to maintain its output in the face of declining demand resulted partly from the expectation that the demand from the construction industry might increase and partly from the low levels of mill inventories which existed prior to June 1951. After some inventory accumulation in the second half of 1951, mill stocks in the Douglas fir region amounted to only a little more than a month's supply in terms of new orders. In the pine region, inventory accumulation has been much more substantial and stocks in December were equal to about three months' consumption. Because of the amount of pine sold as dry lumber, however, this was not an abnormal level.

Prices of most lumber products reacted to the lower level of demand. Most directly affected were those dimensions and grades used in home construction. Douglas fir 2x4's dropped 8 percent from the peak reached in

INDEX OF LUMBER PRODUCTION—TWELFTH DISTRICT  
(Adjusted for seasonal variation; 1947-49=100)



September 1950. Because of the greater stability of other items, however, average realizations were off only 5 percent. Ponderosa pine No. 3 common 1x8's were down about 9 percent in the same period. During December, however, all lumber prices increased slightly as orders were fairly strong for the winter season even though they were off considerably from the record levels of late 1950. The change of pace after mid-year cannot be characterized as a serious upset but marks a lull from the hectic tempo of earlier months. Prices at the end of 1951 were still well above the pre-Korea level.

#### ***Plywood expansion continues, but markets weaken***

The District plywood industry produced about 7 percent more material than in 1950 to establish the fifth successive annual record. Twelve new plants were added in this District. One plant was also started in British Columbia, and construction began on the first plywood plant to be built in Alaska. Plywood manufacture now extends from Juneau to Los Angeles. In addition about twenty veneer plants were started in 1951, most of them within the borders of this District. This expansion in production facilities came at a time when the demand for plywood was declining somewhat.

After an intensely active first half, the volume of new orders began to ease. Most of the decline resulted from the reduced level of housing starts. Increased use of plywood in the construction of industrial plants and military installations and in various industrial applications tended to offset a large part of this decline. As a result of the expanding defense program, plywood producers had been directed to set aside 30 percent of their production for

military use. The failure of direct military or defense orders to take up a significant portion of the set-asides contributed to weakness in the last part of 1951.

For the first time in almost two years prices of plywood were cut in October. After three rounds of reductions, prices of some plywood items were about 20 percent lower in early December than they had been earlier in the year. Price reductions tended to stimulate demand, and a fair amount of recovery in new orders occurred in December. Toward the end of the month production picked up and, because of the stronger market, prices firmed.

#### **Paper production expands**

Production of paper in the Twelfth District expanded about 9 percent during 1951. Almost all of the additional output resulted from increased capacity for the various products made in this District. Sales of paper products increased or held firm during most of the year, although in the second half there was a moderate slackening, particularly in the late fall. As a result of the decline in orders, the industry did not utilize its capacity as intensively as in recent years. Operations were just below 100 percent of rated capacity in 1951, while in 1950 they were almost 110 percent of rated capacity.

During the early part of the year paper prices continued the sharp rise that began in the second half of 1950. The January price freeze arrested this movement and prices did not change until June. At that time some prices were rolled back; the most pronounced cut was made in the price of wood pulp. After June the price of paper started to move up under various OPS regulations which permitted adjustments for cost increases. The price for paper board remained steady until October despite a sharp decline in orders, a cutback in production well below capacity levels, and a sharp decline in waste paper prices late in the summer.

The District paper industry continues to expand. The industry in British Columbia is also growing at a rapid rate. This expansion supplements the facilities available in this District since wood pulp from Canada is duty free. New facilities completed or underway in both areas cover a wide range of products, including newsprint, white patent-coated paper boards, box board, kraft pulp and paper, and container board. During 1951 six certificates of necessity totaling almost \$30 million were granted for the expansion of box board, kraft pulp, container board, and miscellaneous products.

#### **Demand for District petroleum reaches a new peak**

Rising military requirements for petroleum and petroleum products combined with expanded civilian demands to drive the level of output of the District's petroleum industry to new high levels in 1951. The production of crude oil in the Twelfth District rose to a level in excess of 356 million barrels, 8 percent ahead of the previous year and

more than 4 percent ahead of output in 1948, the previous peak year. Nationally the growth was similar but somewhat more marked as output exceeded the 1950 level by 14 percent and the previous record of 1948 by 11 percent. Output of refined oil products in the District also reached new highs as production during 1951 surpassed production in 1950 by almost 10 percent.

A number of factors, each with a major impact on the petroleum situation in this District, combined to raise total demands for petroleum products to record levels. During 1951 consumption by the military forces, particularly of gasoline and naphtha, expanded by some 35 percent over the year previous, and from all indications this upward trend will be continued through 1952. Shipments to the Pacific Ocean area, including Korea and Japan, increased by about 13 million barrels in 1951, total shipments exceeding those for 1950 by more than one and one-half times. Even if current peace negotiations are successful in bringing about a cessation of actual hostilities, it is not expected that demand from that area will shrink significantly as the situation would still call for the maintenance of a considerable military force there. There has been some agitation by West Coast oil producers, conscious of present pressure on stocks on hand and reserves underground, to shift some of the Pacific area demand to Gulf and East Coast producers. It appears likely that the Petroleum Administration for Defense will accede, at least in part, to these demands.

Total demand for District petroleum products from all sources other than the strictly military increased by 7 percent during 1951. Reduced stream flow, resulting from inadequate precipitation, particularly during the summer, placed heavy demands upon the District oil industry for fuel oils to run steam electric plants as hydroelectric power supplies diminished. Utilities consumed residual fuel oil at the average rate of 55,000 barrels per day in 1951 compared with a consumption rate of about 38,000 barrels per day during 1950, an increase of almost 45 percent. The stepped-up movement of vessels in and out of ports along the Pacific Coast increased the demand for both Diesel and residual fuel oils for use in these ships by more than 18 percent. Demand emanating from the District's smelters, mines, and manufacturing establishments expanded sharply, particularly for stove and Diesel oils, reflecting the increased requirements of the defense production program for metals and many types of manufactured military hard goods. The increasing dieselization of the railroads is evidenced by the rise in the railroads' use of Diesel oil by some 27 percent during 1951 and their continued reduction of residual fuel oil consumption (down 22 percent).

A major development on the demand side of the petroleum picture in 1951 was the almost complete disappearance of District oil shipments to domestic markets on the East Coast of the United States. During 1950 these markets absorbed in excess of 23 million barrels of District oils, while in 1951 the total of such intercoastal shipments

was less than one-half million barrels, a decline of 98 percent. It should be recalled, however, that the relatively heavy shipments during 1950 were due to a substantial price reduction by District producers in an attempt to move excess stocks of heavy residual crudes which had accumulated during the previous year or two. The situation changed rapidly after the Korean outbreak and the problem has shifted to one of maintaining adequate and balanced stocks at refineries. The price cuts were more than made up by a series of price advances, the last of which took place on December 12, 1950. The stabilization program has prohibited any price advances since then.

Despite record production of crude and refined products during 1951, inventories held by District oil companies declined from more than 100 million barrels on hand at the close of 1950 to something less than 89 million barrels at the close of 1951. Almost half the decline occurred in fuel oil and residual oil cracking stock. Receipts of crude oil from sources outside the District have increased considerably in recent years but still remain relatively minor in terms of total District crude production. A considerable expansion of imports is contemplated in 1952, however, particularly in high gravity crudes from Borneo and Sumatra.

Recognizing high current and prospective demands, exploration and new drilling activity rose sharply during 1951 from the previous year. Almost 2,400 new wells were started during 1951, representing a gain of about one-third over the number started during 1950. Industry sources forecast a level of new drilling activity for 1952 only moderately larger than 1951. Proven underground reserves, in spite of the stepped-up tempo of exploration and drilling activity, continued to decline in 1951. The proportion of dry holes out of total new drillings also continues quite high, about 88 percent during 1951. Expenditures by District oil companies on exploratory activity are being directed more and more to areas outside the District and to Canada, the Mexican Gulf Coast, South America, Borneo, and Sumatra.

#### ***District steel industry continues to expand***

Steel production in the Twelfth District continued its steady expansion in 1951. Total ingots produced exceeded the 1950 volume by 17 percent. Part of the increase was made possible by more intense use of facilities, but there were a number of additions to capacity. An additional blast furnace was blown in at Fontana in May, increasing pig iron capacity. In Los Angeles capacity was increased by the addition of an electric furnace, and a small electric furnace was added in Seattle. Work was under way at Geneva on an open hearth furnace and facilities for the production of hot rolled sheets. At Pittsburg, California, additional capacity for cold reduction, electrolytic tinning, and galvanizing was being put in place.

One of the principal problems during the year involved the availability of scrap. A large portion of the District's

output of steel is based upon scrap supplies. Despite tightness in the scrap market at various times, operations were not impeded since strong efforts by steel mills were successful in maintaining an adequate flow to furnaces.

Demand for finished steel was characterized by an increasing volume of orders for defense production, but there was very little direct procurement by the military. Much of the District's production of steel plate continued to be converted into large diameter pipe for gas and oil pipe lines. A considerable portion of this output was shipped to areas outside the District. The market situation for finished steel was complicated by various NPA orders which were designed to divert steel to military uses. Many civilian programs were restricted by the reduced allocations, and school districts appealed to defense agencies for larger allocations than were originally established. As the year progressed, the expected stringency in steel supplies was not quite so severe as had been anticipated. In recognition of this situation, steel was released to school districts and other construction projects in somewhat greater quantities than originally scheduled.

#### ***Aluminum output to new highs despite production handicaps***

Aluminum production in the Twelfth District, despite some hampering labor and power difficulties on two separate occasions, rose to new high levels during 1951. The District rate of expansion, however, fell far short of the national increase for the aluminum industry. Output in the District in 1951 increased 6 percent over the previous year, compared with a national gain of 16 percent. District production was almost 8 percent ahead of the peak production rate reached during World War II.

A power shortage during September and a labor strike at the Troutdale, Oregon plant were to a considerable extent responsible for the relatively poorer showing of the District as compared with the nation. Last September 17 it became necessary for the Bonneville Power Administration to cut back almost a quarter million kilowatts of interruptible hydroelectric power due to a diminished stream flow with the resultant complete shutdown of at least two pot-lines and a substantial cutback in the operations of a third. This cutback in interruptible power, upon which the aluminum industry depends for about one-fifth of its total power requirements, was relatively brief (full power was restored on October 1), and the loss in primary aluminum production amounted to but 2,000 tons. The strike at the Troutdale plant was considerably more costly in terms of output lost, about 8,000 tons directly, and resulted in the "freezing up" of three pot-lines. As a result of this interruption, full production will not be forthcoming from this plant until sometime in February 1952.

Demand for aluminum and aluminum products increased as a result of the large diversion of the metal into defense activities, including some 10,000 tons for addition to the national stockpile, and remained well ahead

of supply throughout 1951. Allotments of aluminum cut civilian uses severely; in some cases quantities made available were less than half the amount used in some periods of 1950. The aircraft industry received a larger proportion of total aluminum output during 1951 than in any other post-World War II year, and present plans for the expansion in the number of air force groups will tend to increase this proportion significantly in the next two or three years.

The production capacity of the aluminum industry nationally is expected to more than double that in existence at the outbreak of the Korean War by the end of 1954. As of the end of 1951 planned facility expansion totaled approximately 677,000 short tons per year, almost 82 percent of total national output of aluminum during 1951. Present indications are that only a very modest share of this expansion will occur in the Twelfth District. One new primary aluminum production plant is currently being constructed in the Central Washington area with an annual rated capacity of some 85,000 tons. Additional pot-lines added to existing facilities during 1951 will account for another 22,000 tons of annual capacity. These expansions total less than 15 percent of that indicated for the entire United States. In contrast, in 1951 the District supplied almost 45 percent of the total output of aluminum in the country as a whole.

#### **Nonferrous metals shortages develop during the year**

Expanded defense requirements during 1951 combined with continued large civilian industrial demand to cause the return of critical shortages of the nonferrous metals (and metals in general) reminiscent of the period of World War II. Indications are that such shortages will continue throughout 1952 as defense production rises to planned levels although it now appears likely that the shortages will be considerably less stringent than originally anticipated. Government controls over the use of

these metals became necessary during 1951 to insure an adequate flow to defense production and to provide for the meeting of essential civilian requirements. The principal measure applied has been the Controlled Materials Plan, reinstated on July 1, the method used toward the close of World War II for the allocation of copper, steel, and aluminum.

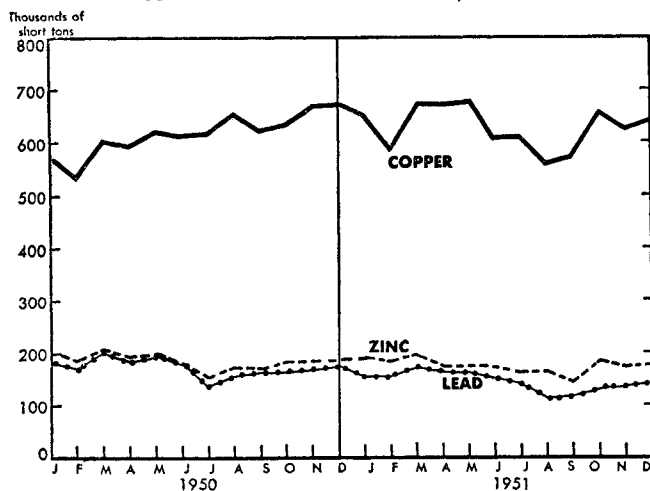
The total supply of refined copper, including imports, that became available during 1951 was down almost 3 percent from 1950, despite a rise in mine production of recoverable copper nationally to the highest level on record. Twelfth District mine production of copper during 1951 increased 2 percent over 1950, a new high level. Labor difficulties, however, were instrumental in restraining an even greater rise in output than that which actually occurred. A month-long strike at the copper smelter at Garfield, Utah in July interrupted the smelting of ore from the nation's largest copper mine at Bingham, Utah. The strike of nonferrous mine, mill, and smelter workers, which began late in August and ended in early September, hampered mining and smelting operations throughout the copper producing areas of the District as well as those elsewhere in the nation. It is estimated by the United States Bureau of Mines that more than 25,000 tons of copper were lost as a result of the latter strike, and this loss gave rise to an unprecedented release of a like amount from the national strategic stockpile. An additional withdrawal from the stockpile of some 30,000 tons was authorized in October to meet the most pressing needs. This, as well as the 25,000 tons withdrawn earlier, must be replaced during 1952.

Imports of refined and unrefined copper, including scrap, fell some 27 percent in 1951 from levels attained the year before. The copper shortage, world wide in scope, led to international measures for the allocation of the metal, and consumption quotas were instituted for the last quarter of the year. The inability to increase imports during 1951 was a major restrictive factor in the available supply of the metal and in 1951 refinery output from foreign ores declined by almost 20 percent from the previous year.

The Defense Minerals Procurement Agency continued its efforts to increase copper production by various sorts of governmental assistance to marginal high cost producers. These benefits include direct Government loans to reopen closed properties, Government purchase contracts with over-ceiling price arrangements, and tax amortization certificates for new development and construction of facilities. Six mines within the Twelfth District, four in Arizona and two in Nevada, were certified by the DMPA for expansion of production under one or more of these provisions during 1951.

The output of lead and zinc in the Twelfth District fell off markedly in 1951 despite the very high level of demand for these metals and other measures designed to in-

**MINE PRODUCTION OF RECOVERABLE NONFERROUS METALS—TWELFTH DISTRICT, 1950-51**



Source: United States Bureau of Mines.

crease production. Lead production in the District in 1951 was almost 17 percent lower than the year before, while national production declined less than 10 percent. The production of zinc by District producers also decreased during the year, 5 percent from 1950, contrasted with a gain nationally for the same period of 9 percent.

The relatively adverse showing of the District as compared with the nation is due for the most part to the depletion of some of the principal lead-zinc ore-bodies located in District states. In Arizona 1951 output of lead and zinc declined 34 and 12 percent respectively, largely as a consequence of the reduction in lead-zinc output of one large mine and to some extent of depletion of other major lead-zinc ore-bodies in the state. Idaho, which ranked as the number-one zinc producer in the United States in 1950, lost this position during 1951. Output in that state declined 9 percent from the 1950 level largely as a result of the shutdown occasioned by the August-September strike and a shortage of experienced underground workers in several leading mines during the year. Utah's output of both lead and zinc expanded, 15 and 9 percent respectively, chiefly owing to increased activity at mines in the Bingham and Park City areas. Zinc production in Washington, despite the strike and labor shortages, rose to record levels, 29 percent more than the previous record established in 1950.

#### **Gold and silver production declines**

Output of the precious metals in the Twelfth District and the nation declined sharply in 1951 from the relatively high levels of the previous year. District output decreased more than 15 percent during 1951, somewhat less than the 18 percent decline for the country as a whole. Every producing area of the District shared in the production drop, but most affected were those areas where output is principally from placer or lode type operations. Increasing costs of operation have made mining of these properties unprofitable. In Idaho, for example, all but one of the major placer operations shut down completely during the year, and activity is at a low ebb at similar mines in California and Oregon. Decreased output of the nonferrous ores in Utah, Arizona, Nevada, and Washington, of which gold is a by-product, accounts for the remainder of the decline in gold production in this District.

Silver production, affected by the same factors as gold, declined 7 percent both in the District and in the nation. The smaller decline for silver is accounted for by the substantial increase in output of lead-zinc ores in the Bingham and Park City areas of Utah. Lode and placer operations were cut back sharply and will remain low until such time as a favorable relationship between costs and prices is restored. The outlook for an expanded output of the nonferrous metals in the coming year or two, however, may lead to a considerable increase in the total production of recoverable silver.

#### **Aircraft production and shipbuilding rise sharply**

Aircraft production in the Twelfth District increased about 60 percent during 1951. Employment in the industry averaged more than 170,000 persons during the year despite a strike of 8,000 workers at a Long Beach plant during September and October. At year-end the volume of employment was still expanding. Since the start of hostilities in Korea, this District has received approximately \$2.5 billion in aircraft contracts, about 25 percent of the national total. Events so far indicate that the volume of work allotted to firms in this District will continue high, though the proportion may decrease as inland installations are put into operation.

Two significant developments have occurred in the District aircraft industry. During World War II almost all the District aircraft production was concentrated in southern California and around Seattle, Washington. During 1951, in contrast, the industry has been expanding into Arizona, Nevada, and northern California. In Arizona approximately 9,000 persons were employed in aircraft parts and services during 1951. Plants were also established in Reno, Nevada, Fresno, California, and Richmond, California. The second development is that a larger proportion of the subcontracts for items other than airframes are now being let in this District than in World War II. Currently about half the work involved in prime contracts to District airframe producers is subcontracted to other firms. In World War II a large proportion of these subcontracts went to firms outside this District. The postwar growth of the electronics and machinery industries in California has resulted in a high proportion of subcontracting for such items in the vicinity of the airframe plants. Reciprocating engines, jet engines, and propellers are still being subcontracted for outside the District. The net result, however, is that a very substantial proportion of the subcontracting has remained in this District. In addition, some aircraft producers in other parts of the nation have let several subcontracts to firms in this District.

Shipbuilding gained in activity for the first time since the end of World War II. Employment averaged 47 percent more during 1951 than a year earlier and exceeded 15,000 at year-end, almost twice the December 1950 level. Most of the gain resulted from increased ship repair activity, particularly in the San Francisco Bay area. Significant gains were also recorded in the Puget Sound area and along the Columbia River in Oregon. Firms in these areas received contracts for minesweepers, other small craft, and amphibious vehicles. The largest contract, for five cargo vessels, was delayed for lack of a steel allocation. In November, however, steel was allocated to the San Francisco Bay area shipyard which holds the contract, and construction will proceed in 1952.

Although recovery in shipbuilding has been large percentage-wise, there appears to be no prospect for a large

expansion on the order of that of World War II. Considerable facilities exist which could be utilized more intensively or activated if there were a need for more shipbuilding. On such contracts that are let, and these are few, Eastern yards tend to underbid Pacific Coast firms by more than the differential allowed the West. In addition, the need for ships at present can be met in many cases by revamping ships in storage. The source of future business, unless there is a radical change in conditions, will continue to be repair, small craft, and an occasional contract for cargo vessels.

#### **Record packs dominate canning scene**

The past year may well turn out to be a year of records for the District's canning industry. When the final figures are in, the aggregate District pack of fruits and vegetables will probably be an all-time high. The individual packs varied from the disappointingly small outputs of Northwest peaches and apples to California's record production of canned cling peaches and tomatoes. In spite of larger total supplies, movement through the end of the year was generally good and prices for most items held at or slightly above last year's levels.

The year started with optimism pervading most of the industry. Under the stimulus of very low carry-overs and large civilian and armed forces demand, canners expected to process as much raw material as they could get their hands on. Throughout the District, most processing crop prices were pushed up by the active bidding of the canners. The heavy buying of cans early in the season and the subsequent large pack put a strain on warehouse space and made financing a greater problem.

The 26 percent increase in California's fruit pack was dominated by the record outturn of cling peaches. Despite last winter's mild weather, perfect growing and harvesting conditions brought in a record crop, and a less restrictive marketing order made more fruit available for

canning. Although the apricot crop was smaller than in 1950, more went into the canning outlet. Severe spring frosts again damaged fruit crops in the Pacific Northwest. Most crops in that region turned out a little larger than the exceptionally poor crops of 1950, but production was still considerably below average.

The biggest news in the vegetable pack was, of course, the spectacular output of canned tomato items in California. Even though the planted acreage of tomatoes was double that of the previous year, it was expected that a shortage of stoop labor and lower yields per acre would limit the increase in output. Neither of these fears materialized and the pack was more than 50 percent larger than the previous all-time record. In the Pacific Northwest, canners have put up larger packs of both peas and corn than a year ago, and apparently about the same amount of green beans.

Despite the large packs put up last year, the market remained relatively firm. Initial movement of the tremendous tomato pack exceeded that of the previous year because of the short packs in other producing areas and the exceptionally low carry-overs. Though shipments of California fruit packs have not been so large as during the last half of 1950, initial movement has been orderly. Canners found at year-end that the cumulative shipments to the so-called small buyer had been more important than the big purchases of the large buyer.

Several facts which asserted themselves rather strongly last year may have importance to the industry in future years. One was the increasingly strong position of the grower as particularly evidenced by the new five-year contract between cling peach growers and canners. With growers having a greater voice in the distribution of processing crops, better grower-canner relations become increasingly important to the industry. Also noteworthy is the trend toward fewer and stronger firms in the industry with private label packers decreasing in number.

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#### **RETAIL TRADE LAGS IN 1951**

**I**N retail trade, 1951 may be remembered, without enthusiasm, as the year that came in like a lion and went out like a lamb. Scare-buying, slump, moderate recovery, and a final year-end downturn were crowded into a year in which the consumer just couldn't seem to decide what to do with his money. The net result was a year-to-year gain in national dollar sales volume of 5 percent, although personal income after taxes was up 9 percent. Consumer prices averaged about 8 percent higher than in 1950, so the physical volume of goods sold at retail probably was less than the previous year's.

#### **Reaction from scare-buying**

Although durable goods account for only about one-third of all retail trade in the United States, they dominated the fluctuations that characterized 1951. For the

durable categories the shift in consumer behavior after February from panic to lethargy was especially abrupt and, for many retailers, painful, since it represented a reversal of trade expectations. Sharpest declines took place in the home furnishings field, with seasonally adjusted retail sales diminishing steadily from February through May to the lowest level since September 1949. Sales of automotive dealers dropped 20 percent from February to April. Sales of building materials and hardware declined steadily throughout the year, reflecting the reduced volume of building construction. After July there was some pick-up in most durable lines, however. Automobile sales were stabilized at about the early-1950 level, and home furnishings also regained a pre-Korea volume in August. But the moderate upward trend of hard goods sales was reversed after October, and in December

home furnishers as well as auto and hardware dealers experienced declines in seasonally adjusted sales.

Unlike the earlier scare-buying wave that took place in the third quarter of 1950, the January sales spurt strongly affected apparel trade as well as the durables. But the soft goods spurt was short lived; apparel sales were relatively stable after March, and the December downturn was moderate. Retail apparel prices showed a net gain of 6 percent during the year, jumping almost 3 percent in September when the fall and winter lines were introduced. In contrast, homefurnishings prices reached their peak in May and made a net increase of 3 percent for the year. Food sales rose steadily throughout 1951, reflecting an almost unbroken climb in prices.

#### **Trade stocks bulge**

Last year may also be remembered as the year of the "Great Glut." Retail inventories, especially of items expected to be most affected by wartime shortages, soared to unprecedented levels. The value of all retail inventories, seasonally adjusted, reached a May peak 33 percent higher than at the start of the Korean war. For durable goods stores, the gain was 41 percent. Auto dealers and homefurnishings stores led in accumulating inventories—both expanded stocks 50 percent during the first 11 months of the Korean action. After May, however, the expansion of stocks—which had started as a voluntary reaction to the outbreak of war and became increasingly the involuntary result of the sluggish tempo of retail trade—was reversed. For the rest of 1951 retailers whittled away at the mountain of merchandise, and by December had trimmed it substantially, though stocks of some lines were still far out of balance with demand.

Seasonally adjusted inventories of automotive dealers dropped after May as reduced automobile production offset the decline in sales. Retail homefurnishings stocks remained at peak levels until mid-year and then dwindled rapidly during the latter part of 1951. Apparel and general merchandise stocks declined during the third quarter but leveled off toward the year's end. Retail stocks of building materials and hardware—unlike most lines—remained approximately stable for most of 1951, allowing for seasonal variation.

#### **Twelfth District pattern similar**

Although total retail sales are not available at the District level, the department store data compiled by this bank provide information about many different merchandise lines. In 1951 Twelfth District department store trade reacted to conditions affecting trade generally, with first-quarter scare-buying—sales 21 percent above 1950—, second-quarter stability, then gradual improvement followed by a mildly disappointing December trade. April was the peak month for stocks, and the trough for sales. Despite markdowns and promotions, and cutting back of store buyers' orders, stocks remained burdensome through the summer. After August they declined

rapidly as trade picked up. November department store sales were the best since February, but the December increase was less than normal. For the year as a whole, Twelfth District department store sales were up a bare 3 percent. Women's apparel departments made the best showing, up about 6 percent despite mediocre Easter trade; apparel sales were especially strong in the last quarter. Homefurnishings, on the other hand, made little net gain for the year. January brought a 66 percent increase for homefurnishings and February 33 percent, but the high year-ago levels were not attained during the second half except in November (which in 1950 had been the first month of the excise tax on television sets).

Sales at apparel stores in the Twelfth District were 5 percent higher than in 1950, with women's clothing up 8 percent. Although furniture stores rang up a first-quarter increase of 23 percent, their total 1951 sales were slightly lower than the previous year; during the latter half of the year their only year-to-year gain came in November.

Total taxable retail sales in California are estimated to have been 5 percent above the 1950 dollar volume.

#### **Use of credit reduced**

During 1951 the use of instalment credit decreased from the abnormal 1950 rate. Instalment obligations undertaken during the panic buying period doubtless affected the current rate of new borrowing by consumers, while heavy repayments—speeded in many cases by Regulation W requirements—helped reduce outstandings. The volume of consumer instalment credit outstanding in the United States increased hardly at all during the year, compared with a 24 percent gain in 1950. Charge account credit expanded moderately. At Twelfth District commercial banks, consumer instalment credit outstanding dropped \$34 million or about 3 percent, in contrast to a 1950 gain of \$282 million or 31 percent of the amount outstanding at the end of 1949. An important factor in the decline was the reduced sale of automobiles, which account for about half the consumer instalment credit of commercial banks in the District. Reduced demand for durable homefurnishings was also significant. Instalment sales of both of these types of goods may have been influenced to some extent by the restrictions imposed under Regulation W, particularly prior to the partial relaxation of the Regulation on July 31.

At Twelfth District department stores, instalment sales as a proportion of total sales lagged behind 1950 except during scare-buying in January and February and during the last quarter of 1951, when such year-to-year sales improvement as took place was chiefly reflected in instalment sales. Probably in response to shorter maturity schedules required by Regulation W, the ratio of collections to instalment accounts receivable exceeded the corresponding 1950 ratio in every month of 1951; the same is true of furniture store collections on receivables, which are predominantly of the instalment type. Charge account collections at department stores were moderately slower than the previous year.

### PACIFIC COAST FOREIGN TRADE TACKS OUT OF THE DOLDRUMS

As might be expected in view of high levels of production in most parts of the world, the year 1951 witnessed a record flow of international trade. The value of total United States merchandise trade reached \$26 billion, exports amounting to \$15 billion, including \$1 billion of military goods financed under our Mutual Aid program, and imports \$11 billion, the highest levels on record. This surplus of \$4 billion contrasts with one of only \$1.4 billion in 1950. The Twelfth District shared more than equally in the increase in foreign trade during the year. The total value of the merchandise foreign trade handled by the Pacific Coast amounted to \$2,164 million, an increase of 48 percent over the 1950 total, compared with a national increase of 36 percent. Total exports of the Pacific Coast increased 68 percent to \$1,265 million, while the increase for the United States was 46 percent. Total imports rose 27 percent to \$899 million, in contrast to a national gain of only 24 percent.

#### *Pacific Coast's share of the nation's foreign trade increasing*

The increase in the value of Pacific Coast foreign trade during 1951 provided some justification for increased optimism among the foreign traders of the District. Particularly encouraging to those who depend on Pacific Coast foreign trade for income was the increase during 1951 in the share of the nation's foreign trade handled on this coast. This is encouraging not so much because of the magnitude of the increased share but rather because it marks a change in the adverse situation which has characterized the post-World War II period. While the value of the foreign trade of the Pacific Coast has shown an upward trend during the postwar period, the increase has been smaller relatively than that for the country as a whole, and the Pacific Coast's share of the nation's trade has remained below the prewar level. During 1951, however, the Pacific Coast's portion of the nation's trade increased to 8.3 percent from 7.6 percent in 1950.

Further improvement, nevertheless, will be necessary if the Pacific Coast is to regain its prewar share, which was 10.4 percent in 1938. Pacific Coast imports were 8.2 percent of the nation's total in 1951, exceeding the 1938 share of 7.3 percent. Our share of exports, on the other hand, while it increased substantially from 7.3 percent in 1950 to 8.4 percent in 1951, was still considerably below the 12.4 percent of 1938.

#### *Pacific Coast foreign trade moves closer to a balance*

The single most important characteristic of international trade since the end of World War II has been the large excess of United States exports over imports, resulting in a continuing dollar shortage for many countries. This excess of exports was financed to a considerable extent by large-scale United States foreign aid. While the Pacific Coast's share of the country's imports is above the prewar level, our export share is still considerably below that level. As a result, imports have become relatively more important on the Pacific Coast, and our trade has moved further toward a balance. In 1938 only 39 percent of the Pacific Coast's exports was covered by imports; this had increased to 71 percent by 1951. For the nation 73 percent of exports was covered by imports in 1951, compared with 63 percent in 1938.

A large part of the Twelfth District's export balance in 1951 was accounted for, however, by but one of the four major customs districts, Oregon, which during 1951 covered only 14 percent of its exports by imports. This situation is characteristic of the Oregon ports because, on the one hand, they are large exporters of two basic commodities, grain and lumber, while, on the other, they serve an area that provides but a limited market for merchandise imports. During 1951 grain and lumber shipments through Portland and other Oregon ports were more than double those of the previous year. Shipments of grain to India were of particular importance during the last half of the year.

VALUE OF PACIFIC COAST FOREIGN TRADE, 1938, 1947-51

Customs district	(in millions of dollars)					
	1938	1947	1948	1949	1950	1951
<b>Exports:</b>						
San Diego .....	4.6	34.5	34.4	35.0	40.7	60.4
Los Angeles .....	147.1	258.6	183.1	254.3	249.1	348.7
San Francisco .....	135.1	397.5	262.9	307.4	271.4	371.8
Oregon .....	29.0	156.1	63.0	69.6	75.7	237.2
Washington .....	69.1	224.7	185.6	147.1	116.3	246.4
Total Pacific Coast .....	384.9	1,071.4	729.0	813.4	753.2	1,264.6
Total United States .....	3,094.4	14,429.7	12,653.1	12,051.1	10,274.8	15,021.5
<b>Imports:</b>						
San Diego .....	3.4	8.8	13.5	11.3	13.0	16.9
Los Angeles .....	44.1	112.2	144.8	151.4	214.3	282.9
San Francisco .....	58.0	174.6	184.1	211.4	269.5	345.4
Oregon .....	7.4	19.4	18.1	16.8	25.9	33.9
Washington .....	29.3	101.1	146.7	141.0	185.0	220.1
Total Pacific Coast .....	142.2	416.1	507.2	531.9	707.7	899.2
Total United States .....	1,960.4	5,643.3	7,092.0	6,591.6	8,852.2	10,961.6

Note: This table includes trade by all methods of transportation, excluding military shipments.  
Source: United States Department of Commerce, Bureau of the Census, FT 970, *Trade by Customs District*.



## VOLUME OF PACIFIC COAST WATERBORNE FOREIGN TRADE, 1938, 1947-51

(shipping weight in millions of pounds)

Customs district	1938	1947	1948	1949	1950	Jan.-Oct. 1951
<b>Exports:</b>						
San Diego .....	.....	3.9	6.2	2.4	1.0	0.5
Los Angeles .....	15,001.8	7,775.8	6,167.4	6,807.0	7,805.8	12,113.2
San Francisco .....	7,452.0	5,449.8	4,238.0	3,809.0	3,480.0	4,672.9
Oregon .....	2,022.1	4,495.9	1,397.8	1,473.2	1,850.9	5,157.3
Washington .....	1,883.2	2,960.0	2,037.1	1,466.6	1,371.0	2,770.7
Total Pacific Coast .....	26,359.1	20,685.4	13,846.4	13,558.2	14,508.7	24,714.5
Total United States .....	124,571.2	248,636.5	176,623.1	143,729.2	125,350.5	191,678.6
<b>Imports:</b>						
San Diego .....	.....	20.5	19.7	27.1	30.0	25.9
Los Angeles .....	1,279.6	1,297.2	1,540.6	2,233.9	2,536.5	2,347.1
San Francisco .....	1,428.2	1,469.9	1,546.3	1,990.2	2,032.4	2,673.7
Oregon .....	207.9	181.5	123.2	112.5	208.2	231.5
Washington .....	1,930.3	1,730.0	2,425.6	2,593.8	3,116.4	2,420.3
Total Pacific Coast .....	4,846.0	4,699.1	5,655.4	6,957.5	7,923.6	7,698.4
Total United States .....	73,512.8	118,130.6	134,832.3	154,741.8	193,379.7	171,092.8

Note: This table includes only nonmilitary vessel shipments.

Source: United States Department of Commerce, Bureau of the Census, FT 972, *Waterborne Trade by United States Port.*

The other three major customs districts, all of which are more important than Oregon in terms of the value of trade handled, had a surprising degree of balance between exports and imports. The San Francisco customs district matched 93 percent of its merchandise exports with imports during the past year, an extremely unusual situation for ports in this country. In the Washington customs district 89 percent of the imports was covered by exports, and in the Los Angeles district 81 percent. The recent trend toward a closer balance between exports and imports augurs well for the future development of Pacific Coast foreign trade, particularly if the world's trade returns to a normal commercial basis.

#### Foreign trade by customs districts

In terms of the value of total foreign trade for 1951, the San Francisco customs district ranked first among the customs districts on this coast. Exports from the ports in and around San Francisco Bay totaled \$372 million in 1951, up 37 percent from 1950, while imports, amounting to \$345 million, increased 28 percent over the previous year. The San Francisco district was followed closely by Los Angeles where exports were up 40 percent to \$349 million, with imports up 32 percent to \$283 million.

The largest increases in the value of foreign trade, however, were shown by the ports of the Pacific Northwest. The exports of the Oregon customs district totaled \$237 million during 1951, an increase of more than 200 percent over the previous year; imports were up a more modest 31 percent to \$34 million. In the Washington customs district the value of total exports was up over 100 percent to \$246 million, and imports increased about 19 percent to \$220 million.

The San Diego customs district also participated in the increased flow of foreign trade. Exports increased 48 percent to \$60 million while total imports, at \$17 million, were up 30 percent. San Diego is unique among Pacific Coast ports in that the growth of its foreign trade has been largely a postwar development. In 1938 exports were only \$4.6 million and imports were \$3.4 million.

#### Physical volume of foreign trade

Trade figures expressed in terms of value obviously are influenced by price changes and tend to weight more heavily the importance of high value—low weight commodities. For some purposes it is more helpful to express changes in trade in terms of actual physical weight, particularly in the case of shippers whose income depends largely on the weight of cargoes carried rather than on the value. However, the changes in the shipping weight of total exports and imports during 1951 are similar to the changes previously considered in value terms. Because of the limitations in data available in physical terms, consideration will be limited to waterborne trade<sup>1</sup> and to the first ten months of the year.

During the January-October 1951 period the total tonnage of United States exports increased 85 percent over the similar 1950 period. The volume of Pacific Coast exports increased 111 percent, however, the total for the first ten months of 1951 exceeding the total for the entire year 1950. Similarly for the volume of imports, the 23 percent increase for the Pacific Coast far surpassed the nation's 8 percent increase.

Among the five Pacific Coast customs districts, the largest increase in export tonnage (as well as in value of exports) during the first ten months of the year occurred in the Oregon district, which had an increase of 306 percent. The Washington district was second with a gain of 160 percent. The San Francisco customs district had the largest increase in import tonnage—67 percent.

<sup>1</sup>In addition to the obvious difference of coverage between statistics of *waterborne* foreign trade and statistics of foreign trade by *all methods* of transportation (from which the value figures previously cited are derived), they also differ in the method of accreditation of exports and imports to the various customs districts.

For trade by all methods of transportation, exports are credited to the customs district from which the goods leave the country, except for vessel and air shipments, which are credited to the district of lading. Imports are credited to the customs district in which the goods are entered into warehouse or for immediate consumption, which may vary from the district of unloading.

For waterborne trade statistics, exports are credited to the customs district of lading, while imports are credited to the customs district of unloading.

Pacific Coast ports rank differently in terms of shipping weight than in terms of value of trade. On the export side, San Francisco, which was first in terms of value, relinquishes its first place to Los Angeles. During the first ten months of 1951 the Los Angeles customs district handled almost half of the Pacific Coast's total export tonnage. On the import side the San Francisco customs district was first in tonnage in 1951, as well as in value.

#### *Ship movements*

Another measure by which changes in shipping activity can be gauged is the number of ship arrivals and departures along with the net registered tonnage of the ships. Here, too, new records were set by the ports on the Pacific Coast in 1951. During the year 5,041 ships with cargo arrived at the ports of Los Angeles and Long Beach, an increase of 7 percent over 1950; ships departing with cargo numbered 5,037, also 7 percent over the previous year. Of the total arrivals 2,977 were engaged in foreign or offshore trade, an increase of 25 percent for the year. The number of ships engaged in intercoastal trade arriving at Los Angeles area ports was down sharply—about 38 percent—from the previous year. The number of arrivals engaged in coastwise trade remained relatively unchanged.

Passing through the Golden Gate inbound for the ports of San Francisco Bay were 4,430 ships, 11 percent above the 1950 figure. Outbound ships with cargo numbered 4,497, up 12 percent. Of the total arrivals, 2,661 carried cargoes from foreign countries or offshore territories, an increase of 15 percent. As in the case of the ports of Los Angeles and Long Beach the number of intercoastal vessels entering San Francisco Bay was down sharply from

the previous year; however, coastwise arrivals were up about 14 percent.

In the Pacific Northwest the picture was similar with substantial increases in the number of ships engaged in foreign service, decreases in intercoastal service, and with little or no change in the coastwise service. Ship movement data for the port of Portland are of particular interest because they show the largest percentage increase of any Pacific Coast port in the number of ships engaged in foreign service; arrivals were up 30 percent and departures up 37 percent.

It is interesting to note that while the number of ships entering and leaving Pacific Coast ports was larger in some prewar years than in 1951, the net registered tonnage of all vessels last year was at a record high. This indicates that the average size of ships has increased substantially since prewar years. For example, the largest number of ship arrivals in San Francisco Bay was 7,806 in 1929, with a net registered tonnage of 19.6 million tons; however, in 1951 the net registered tonnage of the 4,430 arrivals was 20.9 million tons, an all-time high.

#### *Military shipments*

Even though the foreign trade of the Twelfth Federal Reserve District has shown a substantial increase during 1951, the available information understates the actual situation. For security reasons no information is available on shipments to our armed forces abroad for their own use. Since the outbreak of the Korean war shipments of Department of Defense cargoes through Pacific Coast ports have been substantial and have played a major role in the increased shipping activity in this area.

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### **DISTRICT FARMERS HARVEST RECORD CROP OF GREENBACKS**

**T**HE nation's farmers responded to the higher price level, the removal of acreage allotments, and the call for increased production in 1951 by turning out the third largest crop on record. Farmers planted over nine million acres more than they did the previous year, almost all the increase coming in cotton. Adverse weather conditions, however, resulted in heavy abandonment, and the harvested acreage for all crops was the smallest since 1941. The near record production was achieved by relatively high yields, the composite yield per acre for all crops being the second highest in history.

In terms of gross farm income, 1951 was the most prosperous year on record for the nation's agriculture. At the same time, however, production expenses increased to a new high. As a result, net income, the more accurate measure of the economic well-being of farmers, while increasing from the 1950 level, was still less than in either 1947 or 1948.

The relatively higher level of farm prices during 1951 was largely responsible for the increased gross income. The sharp post-Korea price rise continued through Febru-

ary of last year. Thereafter, slackening demand, price controls, and the expected increase in production started most farm commodity prices downward. Livestock prices declined only moderately and stayed at relatively high, near-record levels most of the year. Crop prices, on the other hand, dropped sharply into September but rose just as sharply thereafter as harvests turned out smaller than expected. At year-end, the average of all crop prices was still 9 percent above the 1950 year-end level and average livestock prices were up 5 percent. For the year as a whole, farm prices averaged 18 percent above 1950 prices.

Though the production of many important crops was well above average, only rice, grapes, hops, and truck crops for processing set new records. Slightly less corn and wheat were produced, and the increase in cotton acreage cut grain sorghums output by one third. Since price support for potatoes was withdrawn for the first time since 1942, growers reduced their acreage by 20 percent and production was about 25 percent below that of 1950. Though the 15.3 million bale cotton crop was 50 percent larger than that of the previous year, it fell short

of both the recommended goal and the early season estimates.

### District crop production

Some important shifts in District crop plantings resulted from the Government's request for greater production and the removal of acreage restrictions. There was a noticeable shift to cash crops, and fear of a possible labor shortage caused many farmers to turn to crops with low labor requirements. Plantings of rice, cotton, and wheat were increased, causing reductions in the acreages of sugar beets, hay, and feed grains. The smaller barley and oat crops brought farmers higher prices, and the reduced supplies of hay and grain sorghums pushed prices up sharply in Idaho, Arizona, and California.

The 1951 season was generally favorable for the production of the District's field crops except that prolonged dry weather during the spring months reduced the production of dry-land grains in California. Seasonal rainfall was again below normal in southern California and poorly distributed in the northern half of the state. The growing season in the Pacific Northwest was one of extremes in weather resulting in more than the usual variation in yields. Freezes early in the year caused considerable winter killing of field crops and droughts in local areas reduced yields. Another freeze in April was particularly damaging to soft fruit crops. Idaho farmers suffered damaging frosts in June as well as dry, hot weather in July and August resulting in reduced yields for practically all crops. Utah farmers enjoyed an unusually long growing season though some crops suffered from lack of rainfall.

Production records were set for several District crops, cotton being the most important. Once again it was California's leading crop, constituting almost half the state's total receipts from field crops despite slightly lower prices. Arizona also brought in a record cotton crop. Even though California's rice growers and Pacific Northwest hop growers harvested record crops, strong demand held prices above 1950 levels.

Fruit and nut production in California was considerably higher than in 1950. The important cling peach and grape crops reached new record highs and the citrus crop was the largest since 1947. Though fruit crops in the Pacific Northwest were slightly larger than the small 1950 crops, the April freeze kept production well below average figures. The important Washington apple crop was reduced over 40 percent by this same freeze. Price trends during the year showed considerable variation among the different crops. The smaller crops of California apricots, Pacific Coast cherries, and Pacific Northwest apples brought growers considerably higher prices. Though other peach prices were lower, strong processing demand resulted in higher prices for the record California clingstone crop. In contrast, the record output of grapes in California tumbled grape prices more than 40 percent below the 1950 level.

### PRODUCTION AND VALUE OF PRINCIPAL CROPS— TWELFTH DISTRICT, 1951

	Production		Gross farm value	
	1951 (in thousands)	Percent change 1950-1940-49 avg.-1951	1951 (in millions)	Percent change 1950-1951
<b>Field and seed crops</b>				
Barley (bu.) . . . . .	78,074	- 29 + 2	\$110.6	- 14
Beans, dry (100# bags)	8,132	+ 11 + 16	61.5	+ 14
Corn (bu.) . . . . .	8,055	0 + 7	16.7	+ 14
Cotton, lint (bales) . .	2,630	+ 81 +226	528.4	+ 74
Cottonseed (tons) . .	1,047	+ 77 +223	76.4	+ 28
Flaxseed (bu.) . . . .	1,886	+ 11 - 51	8.9	+ 35
Grain sorghums (bu.) .	3,627	- 56 - 44	6.6	- 42
Hay, all (tons) . . . .	12,931	- 7 - 9	364.3	+ 23
Hops (lbs.) . . . . .	63,239	+ 8 + 34	31.5	+ 2
Oats (bu.) . . . . .	28,982	- 20 - 10	27.6	- 8
Peas, dry (100# bags)	3,581	+ 20 - 32	13.3	+ 37
Potatoes (bu.) . . . .	99,012	- 17 + 3	145.4	+ 36
Rice (bu.) . . . . .	10,362	+ 25 + 56	48.0	+ 26
Sugar beets (tons) . . .	4,326	- 28 + 17	1	1
Wheat, all (bu.) . . . .	162,015	+ 6 + 21	333.9	+ 11
<b>Fruit and nut crops</b>				
Apples (bu.) . . . . .	33,095	- 29 - 20	83.5	+ 14
Apricots (tons) . . . .	181	- 16 - 18	21.6	+ 5
Cherries (tons) . . . .	69	- 8 - 25	20.0	+ 10
Grapes (tons) . . . . .	3,131	+ 27 + 19	118.1	- 27
Lemons <sup>2</sup> (boxes) . . .	13,400	+ 18 + 3	37.9	- 9
Grapefruit <sup>2</sup> (boxes) . .	5,880	0 - 3	5.2	- 8
Oranges <sup>2</sup> (boxes) . . .	46,510	+ 9 - 6	94.4	+ 25
Peaches (bu.) . . . . .	38,331	+ 27 + 12	71.4	+ 45
Pears (bu.) . . . . .	26,437	+ 3 + 9	64.6	+ 15
Plums (tons) . . . . .	97	+ 26 + 24	13.3	- 2
Prunes, dried (tons) . .	185	+ 23 - 3	30.8	- 16
Prunes, fresh (tons) . .	78	+ 77 - 13	5.0	+ 14
Figs, dried (tons) . . .	29	+ 21 - 12	5.7	+ 17
Figs, fresh (tons) . . .	14	+ 36 - 12	2.3	+ 53
Olives (tons) . . . . .	67	+ 56 + 37	10.0	+ 3
Avocados (tons) . . . .	29	+ 32 + 81	9.5	+ 13
Almonds (tons) . . . .	43	+ 13 + 72	17.5	- 15
Filberts (tons) . . . . .	7	0 0	2.5	+ 19
Walnuts (tons) . . . . .	76	+ 19 + 12	32.2	+ 30
Dates (tons) . . . . .	17	+ 13 + 55	2.8	0
<b>Vegetables for market</b>				
Artichokes (40# box)	629	- 10 - 18	2.5	- 7
Asparagus (30# cr.) . .	2,059	- 17 - 14	8.4	- 9
Beans, snap (30# bu.) .	1,783	- 7 + 22	5.0	+ 14
Cabbage (tons) . . . .	150	+ 21 + 1	8.8	+126
Cantaloups (70# cr.) .	10,152	+ 1 + 31	34.9	+ 4
Carrots (50# bu.) . . .	16,047	+ 4 + 12	37.1	+ 48
Cauliflower (37# cr.) .	6,408	- 8 - 2	7.4	- 3
Celery (65# cr.) . . . .	15,410	+ 11 + 60	28.4	+ 4
<b>Honeydew melons</b>				
(35# cr.) . . . . .	3,049	+ 7 - 4	6.4	+ 18
Lettuce (70# cr.) . . .	30,738	- 4 + 19	97.9	+ 21
Onions (50# sacks) . .	14,811	- 8 + 32	17.3	+ 45
Peas, green (30# bu.) .	1,588	- 24 - 55	3.5	- 22
Peppermint (lbs.) . . .	997	+ 4 + 94	6.3	+ 24
Strawberries (36# cr.) .	3,829	+ 4 + 70	29.2	- 14
Tomatoes (53# bu.) . .	9,032	+ 13 + 35	34.5	+ 22
Watermelons (no.) . . .	17,030	0 + 50	6.7	+ 3
<b>Vegetables for processing</b>				
Asparagus (tons) . . . .	68	- 2 + 17	16.2	+ 15
Beans, green lima (tons) . . . . .	34	+ 31 +240	5.3	+ 40
Beans, snap (tons) . . .	81	- 1 + 80	9.5	+ 8
Peas, green (tons) . . .	166	+ 10 + 37	14.4	+ 22
Tomatoes (tons) . . . .	2,391	+134 +136	71.9	+202

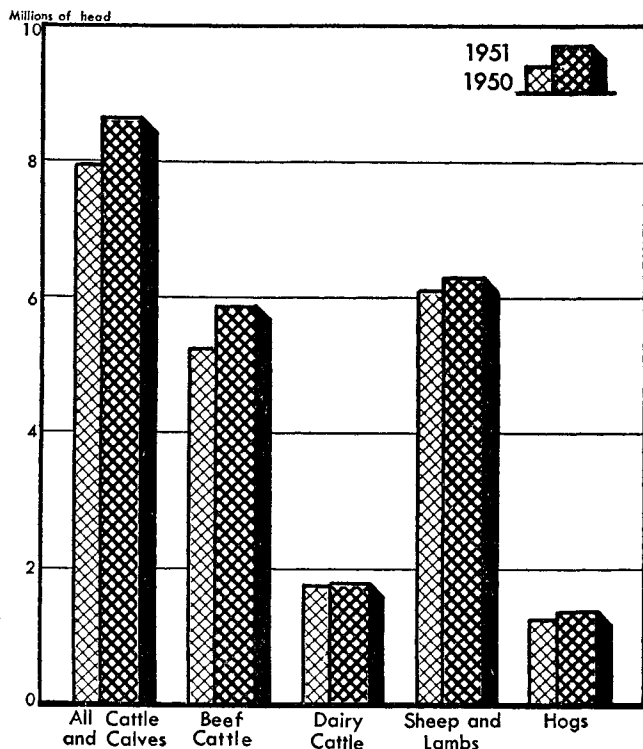
<sup>1</sup> Not available.

<sup>2</sup> Figures are for crop year beginning in October of the previous year.  
Source: United States Department of Agriculture, Bureau of Agricultural Economics, 1951 annual summaries of production and value of production.

### District meat production increases slightly

Nationally, civilian consumers of meat had somewhat smaller supplies available in 1951 than during the previous year as a result of a small decrease in production and larger takings by the military. In contrast, total District production of red meat was 4 percent greater than

LIVESTOCK ON FARMS—TWELFTH DISTRICT, 1950-51



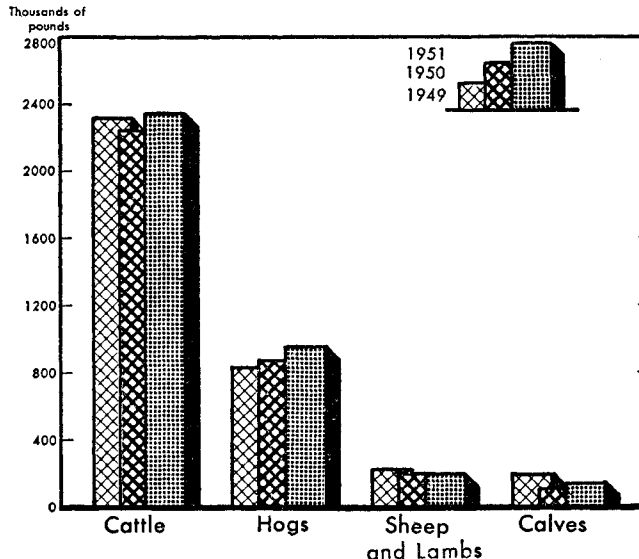
Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Livestock on Farms*.

in 1950, the increase in hog and cattle slaughter more than offsetting the decrease in calf, sheep, and lamb slaughter. California alone accounted for the slight increase in District cattle slaughter since beef output in all other District states was reduced. With an 11 percent boost in beef production, California became the number one cattle slaughtering state in the country for 1951. The sharp drop in calf slaughter, which occurred in each District state, was much greater for the District than for the nation generally. Rebuilding of herds, favorable prices, and the imposition of price controls, all contributed to the withholding of calves from market. At year-end, calf numbers on District ranches had increased 13 percent.

A small increase in District sheep herds occurred during the year as ranchers continued to withhold larger quantities of sheep and lambs to build up depleted flocks. Lamb and mutton production was slightly lower than in 1950, with Utah the only District state to register increased slaughter. Imports of hogs into the District were much greater than in 1950 since both numbers on farms and pork production increased.

Meat animal prices shot up rapidly the first two months of the year until the restricting influence of price controls took effect. Thereafter, most prices declined moderately until fall, when generally larger supplies accentuated the drop. By year-end, farm prices for hogs were slightly below 1950 year-end levels; and beef, sheep, and lamb prices were close to year-ago figures. Only veal calf prices remained moderately above the previous year's level. In

LIVESTOCK SLAUGHTER—TWELFTH DISTRICT, 1949-51



Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Livestock Slaughter by States*.

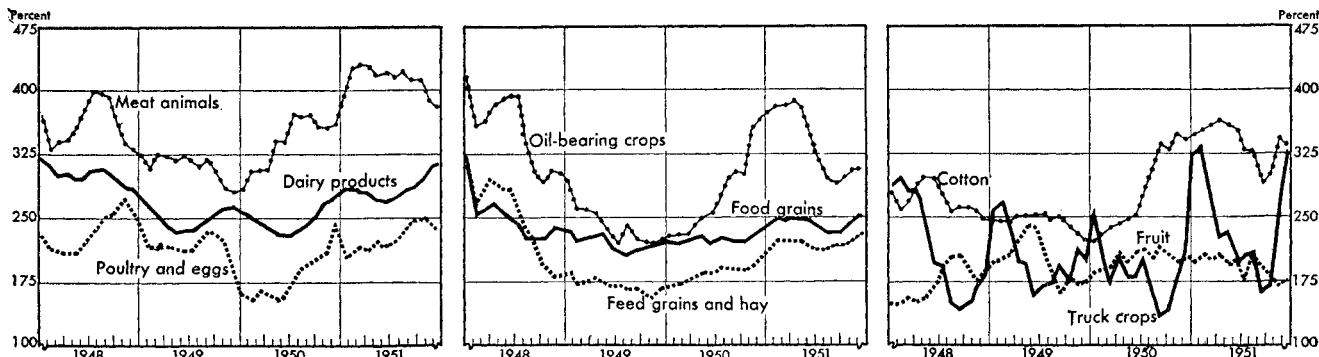
spite of these declines, average prices received by farmers during 1951 were record high for cattle, calves, and lambs, averaging about one-fourth greater than in 1950. Hog prices showed much less gain over 1950 because of the 10 percent increase in production.

#### **No change in milk and egg supplies, more white meat**

Except for the continuing shift in the pattern of milk utilization, the District's dairy industry experienced a fairly stable year in 1951. The number of milk cows was the same as in 1950, and the average output per cow showed no appreciable change. Total milk production from the District's dairies, therefore, was almost the same as during the previous year. Backed by the continuing high level of consumer incomes, demand for dairy products again exceeded milk production. As a result, more milk was consumed in fluid form, leaving considerably less for manufactured dairy products. Prices for dairy products declined less than seasonally early in 1951 and rose less than seasonally in the summer and early fall. The advance continued through the end of the year, and the average level of farm prices for dairy products for the year was moderately higher than for 1950.

Egg production in the District was little changed from that during 1950. Decreased output in Idaho, Washington, and Oregon was offset by increases in the other District states, and the rates of lay were about the same as during the previous year. Demand for commercial broiler chicks was strong throughout the year, and District hatcheries turned out considerably more chicks. District turkey growers also upped their production, raising about 15 percent more birds than during the previous year. As a result, white meat supplies were considerably larger than in 1950. In spite of more plentiful poultry supplies, chicken and turkey prices throughout the year were

INDEXES OF PRICES RECEIVED BY FARMERS—UNITED STATES, 1948-51  
(1910-14=100)



Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Agricultural Prices*.

higher than 1950 prices, and egg prices stayed above 1950 levels until December.

**District cash receipts reach record high**

Although total District production of food and fiber was not much changed from that in 1950, cash receipts received by District farmers from crop and livestock marketings established a new record of \$4.5 billion, 11 percent above 1950. The considerably higher prices farmers were able to get for their products were almost en-

tirely responsible for the record income. Since the increase in livestock prices was much greater than that for most crops, District receipts from livestock were up by 21 percent, while receipts from crop marketings increased only 5 percent. These percentage increases were identical with those for the United States as a whole.

Farmers in most District states fared equally well in the larger returns. Even though livestock marketings were the same or less in all states except California, higher prices pushed returns up at least one-fifth in each of the seven western states. Utah, with little change in the volume of marketings, showed the largest increase in livestock returns, 27 percent above 1950.

CASH RECEIPTS FROM FARM MARKETINGS—  
TWELFTH DISTRICT, 1951

	(in thousands)		
	Crops	Livestock and products	Total
Arizona .....	\$ 245,473	\$ 107,239	\$ 352,712
California .....	1,551,574	1,009,327	2,560,901
Idaho .....	202,395	177,062	379,457
Nevada .....	6,710	52,936	59,646
Oregon .....	195,729	211,198	406,927
Utah .....	50,714	142,248	192,962
Washington .....	335,869	228,274	564,143
<b>Twelfth District .....</b>	<b>\$ 2,588,464</b>	<b>\$ 1,928,284</b>	<b>\$ 4,516,748</b>
<b>United States .....</b>	<b>\$13,181,686</b>	<b>\$19,609,443</b>	<b>\$32,791,129</b>

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

Although total District crop returns increased only moderately over 1950, several states established new records. California's record cotton crop was largely responsible for the new all-time high in field crop receipts recorded in 1951. Similarly, the record cotton crop in Arizona boosted total crop receipts in that state 32 percent above 1950, a new high. Higher crop prices more than offset a slightly smaller volume of crop production in Utah, and crop farmers in that state also received record returns.

**PUBLICATION OF TECHNICAL STUDY**

*The Development of Bank Debits and Clearings and Their Use in Economic Analysis*, by George Garvy of the Federal Reserve Bank of New York, is now ready for distribution at the offices of the Board of Governors. The study combines a statistical review of debits and clearings statistics in the United States with a critical review of their use by economists and monetary analysts to interpret and project economic developments. The purpose of the

study is to provide the basis for better understanding of debits and the velocity of deposits and hence of the appropriateness of these series for different types of economic analysis.

The pamphlet may be purchased for 25 cents or 15 cents in group purchases of 10 or more for single shipment. Orders should be sent to the Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington 25, D. C.



BUSINESS INDEXES—TWELFTH DISTRICT<sup>1</sup>

(1947-49 average = 100)

Year and month	Industrial production (physical volume) <sup>2</sup>								Total mfg employment <sup>3</sup>	Car-loadings (number) <sup>4</sup>	Dep't store sales (value) <sup>5</sup>	Retail food prices <sup>6,7</sup>	Waterborne foreign trade <sup>8,9</sup>	
	Lumber	Petroleum <sup>1</sup>		Cement	Lead <sup>1</sup>	Copper <sup>1</sup>	Wheat flour <sup>1</sup>	Electric power					Exports	Imports
		Crude	Refined											
1929	97	87	78	54	185	105	90	29	....	102	30	64	190	124
1931	51	57	55	36	100	49	86	29	....	68	25	50	138	80
1933	41	52	50	27	72	17	75	26	....	52	18	42	110	72
1934	44	52	50	35	76	24	81	28	....	60	21	45	132	78
1935	54	62	56	33	86	37	87	30	....	47	66	24	48	135
1936	70	64	61	58	96	64	84	34	54	77	28	48	131	116
1937	74	71	65	56	114	88	81	38	60	81	30	50	170	119
1938	58	75	64	45	92	58	91	36	51	72	28	48	164	87
1939	72	67	63	56	93	80	91	40	55	77	31	47	163	95
1940	79	67	63	61	108	94	87	43	63	82	33	47	132	101
1941	93	69	68	81	100	107	88	49	83	95	40	52	....	....
1942	98	74	71	96	114	123	88	60	121	102	49	63	....	....
1943	90	85	83	79	100	125	98	76	164	99	59	69	....	....
1944	90	93	93	63	90	112	101	82	158	105	65	68	....	....
1945	72	97	98	65	78	90	112	78	122	100	72	70	....	....
1946	85	94	91	81	70	71	108	78	104	101	91	80	89	57
1947	97	100	98	96	94	106	113	90	100	106	99	96	129	81
1948	104	101	100	104	105	101	98	101	102	100	104	103	86	98
1949	99	99	103	100	101	93	88	108	98	94	98	100	85	121
1950	112	98	103	112	109	115	86	119	105	97	105	100	91	137
1951	114	106	112	128	89	115	95	136	119	100	108	113	....	....
1950														
December	110	104	106	113	114	127	102	123	111	113	108	107	107	175
1951														
January	123	104	108	118	97	118	113	129	114	97	125	111	115	153
February	112	105	115	126	103r	116	102	129	117	92	112	110	150	167
March	110	105	110	122	101r	118	94	135	118	99	102	112	168	178
April	124	105	110	122	102r	127	93	135	118	113	102	112	187	183
May	131	105	110	138	95r	119	90	135	120	106	104	113	192	140
June	124	106	110	132	91r	114	81	135	120	107	103	112	196	166
July	101	107	112	142r	84r	112	83	140	120	92	108	113	201	147
August	114	107	115	138r	67r	98	90	141	120	94	106	112	240	142
September	105	107	116	127r	74r	108	96	135	118	104	108	112	215	155r
October	118	107	114	130r	80	116	96	141	120	101	106	113	187	172
November	109r	107	116	124r	86	114	99	140	121	101	114	114	....	144
December	99	106	109	119	89	118	101	136	120	100	110	117	....	....

## BANKING AND CREDIT STATISTICS—TWELFTH DISTRICT

(amounts in millions of dollars)

Year and month	Condition items of all member banks <sup>7</sup>				Bank rates on short-term business loans <sup>8</sup>	Member bank reserves and related items <sup>10</sup>					Bank debits index 31 cities <sup>11,12</sup> (1947-49 = 100) <sup>13</sup>
	Loans and discounts	U.S. Gov't securities	Demand deposits adjusted <sup>9</sup>	Total time deposits		Reserve bank credit <sup>14</sup>	Commercial operations <sup>15</sup>	Treasury operations <sup>16</sup>	Coin and currency in circulation <sup>17</sup>	Reserves	
1929	2,239	495	1,234	1,790	....	- 34	0	+ 23	- 6	175	42
1931	1,898	547	984	1,727	....	+ 21	- 154	+ 154	+ 48	147	28
1933	1,486	720	951	1,609	....	- 2	- 110	+ 150	+ 18	185	18
1934	1,469	1,064	1,201	1,875	....	- 7	- 198	+ 257	+ 4	242	21
1935	1,537	1,275	1,389	2,064	....	+ 2	- 163	+ 219	+ 14	287	25
1936	1,682	1,334	1,791	2,101	....	+ 6	- 227	+ 454	+ 38	479	30
1937	1,871	1,270	1,740	2,187	....	- 1	- 90	+ 157	- 3	549	32
1938	1,869	1,323	1,781	2,221	....	+ 3	- 240	+ 276	+ 20	565	29
1939	1,967	1,450	1,983	2,267	....	+ 2	- 192	+ 245	+ 31	584	30
1940	2,130	1,482	2,390	2,360	....	+ 2	- 148	+ 420	+ 96	754	32
1941	2,451	1,738	2,893	2,425	....	+ 4	- 598	+ 1,000	+ 227	930	39
1942	2,170	3,630	4,356	2,609	....	+ 107	- 1,980	+ 2,826	+ 643	1,232	48
1943	2,106	6,235	5,998	3,226	....	+ 214	- 3,751	+ 4,486	+ 708	1,462	61
1944	2,254	8,263	6,950	4,144	....	+ 98	- 3,534	+ 4,483	+ 789	1,706	69
1945	2,663	10,450	8,203	5,211	....	+ 76	- 3,743	+ 4,682	+ 545	2,033	76
1946	4,068	8,426	8,821	5,797	....	+ 9	- 1,607	+ 1,329	- 326	2,094	87
1947	5,358	7,247	8,922	6,006	....	- 302	+ 510	+ 698	- 206	2,202	95
1948	6,032	6,366	8,655	6,087	....	+ 17	+ 472	- 482	- 209	2,420	103
1949	5,925	7,016	8,536	6,255	3.20	+ 13	- 930	+ 378	- 65	1,924	102
1950	7,105	6,392	9,244	6,256	3.35	+ 39	- 1,141	+ 1,198	- 14	2,026	115
1951	7,907	6,533	9,940	6,720	3.66	- 21	- 1,582	+ 1,983	+ 189	2,269	132
1951											
January	7,152	6,071	9,180	6,337	....	+ 30	- 59	+ 168	- 68	2,284	132
February	7,184	5,811	8,824	6,352	....	+ 32	- 38	+ 6	+ 21	2,206	129
March	7,293	5,734	8,809	6,338	3.48	- 3	- 124	+ 130	+ 8	2,186	134
April	7,367	5,696	8,818	6,332	....	- 45	- 200	+ 226	+ 26	2,180	125
May	7,422	5,685	8,834	6,357	....	+ 13	- 162	+ 150	+ 36	2,149	131
June	7,509	5,708	8,862	6,448	3.67	+ 73	- 113	+ 199	+ 39	2,217	134
July	7,473	6,005	9,052	6,510	....	- 14	- 342	+ 298	+ 19	2,186	125
August	7,630	6,000	9,058	6,547	....	+ 159	- 80	+ 86	+ 41	2,312	129
September	7,704	5,998	9,235	6,576	3.65	- 43	+ 18	+ 42	+ 32	2,293	129
October	7,791	6,204	9,485	6,642	....	- 121	- 143	+ 283	+ 17	2,291	134
November	7,885	6,356	9,584	6,625	....	+ 236	- 239	+ 118	+ 18	2,392	137
December	7,907	6,533	9,940	6,720	3.82	- 276	- 102	+ 279	+ 14	2,269	141
1952											
January	7,806	6,543	9,951	6,806	....	+ 84	- 228	+ 194	- 86	2,416	134

<sup>1</sup> Adjusted for seasonal variation, except where indicated. Except for department store statistics, all indexes are based upon data from outside sources, as follows: lumber, various lumber trade associations; petroleum, cement, copper, and lead, U.S. Bureau of Mines; wheat flour, U.S. Bureau of the Census; electric power, Federal Power Commission; manufacturing employment, U.S. Bureau of Labor Statistics and cooperating state agencies; retail food prices, U.S. Bureau of Labor Statistics; carloadings, various railroads and railroad associations; and foreign trade, U.S. Bureau of the Census. <sup>2</sup> Daily average. <sup>3</sup> Not adjusted for seasonal variation. <sup>4</sup> Excludes fish, fruit, and vegetable canning. <sup>5</sup> Los Angeles, San Francisco, and Seattle indexes combined. <sup>6</sup> Commercial cargo only, in physical volume, for Los Angeles, San Francisco, San Diego, Oregon, and Washington customs districts; starting with July 1950, "special category" exports are excluded because of security reasons. <sup>7</sup> Annual figures are as of end of year, monthly figures as of last Wednesday in month or, where applicable, as of call report date. <sup>8</sup> Demand deposits, excluding interbank and U.S. Gov't deposits, less cash items in process of collection. Monthly data partly estimated. <sup>9</sup> Average rates on loans made in five major cities during the first 15 days of the month. <sup>10</sup> End of year and end of month figures. <sup>11</sup> Changes from end of previous month or year. <sup>12</sup> Minus sign indicates flow of funds out of the District in the case of commercial operations, and excess of receipts over disbursements in the case of Treasury operations. <sup>13</sup> Debits to total deposit accounts, excluding interbank deposits. <sup>14</sup> Revised.