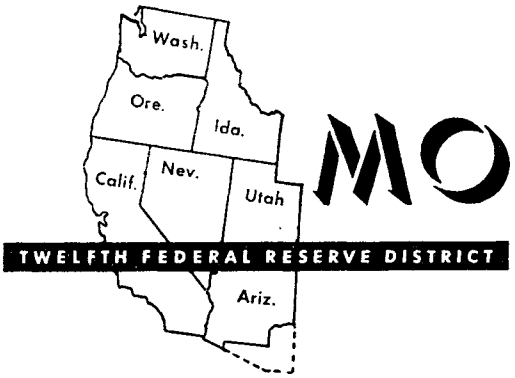



# MONTHLY REVIEW

JULY 1952 FEDERAL RESERVE BANK OF SAN FRANCISCO

## REVIEW OF BUSINESS CONDITIONS

EXCEPT in those lines directly affected by the steel strike, business in the United States during June was at a higher level than at any time this year. The low level of steel output—about 20 percent of capacity—and reductions in the output of metal products were a primary factor in cutting industrial production 6 percent from May to June. In contrast to the decline in industrial production, preliminary data indicate that construction activity expanded. Construction expenditures, based on reports of the Departments of Commerce and Labor, were up 7 percent from May, but more significant was a strong upward movement in contract awards for public and private construction. Retail trade also gained in June. Department store sales were 5 percent higher than in June 1951 and on a seasonally adjusted basis were above the level of May.

Inventories remained fairly stable during June except for the liquidation of steel supplies on hand. In contrast to the sharp rise still under way in mid-1951, manufacturers' inventories in recent months have tended to be fairly steady. Trade inventories, which declined sharply for almost a year, have tended to rise somewhat in recent months. Though retail inventories in dollar volume are still substantially larger than they were two years ago, in relation to sales they have reached a point only slightly above that of two years ago. This development indicates that inventory liquidation at retail has probably run most of its course. Some further liquidation may occur, but should be on a more moderate and selective basis than that of the past year.

Reports from a number of manufacturing lines afford additional evidence that retail inventory cuts have probably gone far enough and that consumer demand is also reviving. Furniture, textile, and apparel manufacturers have reported an increase in the volume of their orders in recent months. Sales of these items at retail have shown at least fair improvement, and appliances and television sales have also moved up sharply. The growth in consumer spending, which these developments indicate, is another mark of a more rapid tempo of business activity than has been evident during the past year.

Wholesale prices continued to ease during June as wheat, livestock, zinc, and rubber prices declined. At the same time, however, some items which had been exhibiting price weakness turned up. Lead prices, reversing the trend of April and May, increased. Raw cotton and textile prices, reflecting firmer demand, also gained. In the first six months as a whole, the private money supply dropped about $700 million, in contrast with a decline of more than $2 billion in the first half of 1951. Since March the volume of deposits and currency in private hands has been rising steadily. At the same time the turnover of deposits has been increasing almost steadily after allowing for seasonal variation. These factors indicate a rising volume of expenditures, which may remove some of the ease surrounding prices in the past year.

### *Twelfth District business activity continues to increase*

In this District business moved at a more rapid pace during June than at any time this year. Employment in the District was at a near record despite strikes in the steel industry and on the waterfront. Using department store sales as an indicator, spending at retail increased more in the Twelfth District than in the nation as a whole. Construction activity moved up sharply over June 1951 with substantial gains recorded in both residential and nonresidential building. Despite these favorable developments, the steel stoppage slowed down activity in some areas. In Utah, where primary steel employment accounts for a significant share of manufacturing employment, the reduction in jobs was not offset by other activities. As the duration of the strike grew, steel supplies began to tighten and some metal processing lines in the District found it necessary to limit their activities, though few indications of complete shutdowns were available.

*Also in This Issue*

### *Employment rises*

Strike settlements and increases in aircraft employment, as well as some nonseasonal gains in other lines, combined to overcome the loss in jobs in the steel and shipping industries. Preliminary data indicate that manufacturing employment reached a postwar high for June in California and Oregon. Both states reported a step-up in lumber employment as the result of the return of many workers to their jobs. In addition the demand for lumber appears to have increased more than seasonally as the result of improved residential building activity and fairly low inventories in the hands of retailers and builders. Expanding production of aircraft has had a marked effect on employment in southern California and has helped the job situation in the Seattle area. Seasonal expansion and a general strengthening in the construction industry were reinforced by the settlement of the northern California carpenters' strike. Nonagricultural employment also picked up as a result of the end of the strike in communications.

Arizona reported a record level of nonagricultural employment. The principal gains between May and June occurred in transportation because of the bus strike settlement as well as gains in vacation travel and melon shipping and communications. There were also good gains in lumbering and copper mining. Compared with last year, nonagricultural employment was up about 10 percent, principally because of a large gain in manufacturing resulting from higher defense employment. Substantial upswings were also reported in mining, trade, and services.

Washington employment also rose between May and June but remained somewhat below last year's level. Most of the increase during June resulted from strike settlements and seasonal increases in food packing and service industries. Primary metals employment moved ahead as a new aluminum plant at Wenatchee was opened and one at Spokane increased its activity. Aircraft and pulp and paper employment also made significant gains. Labor disputes in the lumber, steel, food, and water transportation industries, however, continued to restrain the growth in employment.

### *Construction makes sharp gain*

The dollar value of building permits issued in Twelfth District urban areas in June gained about 10 percent over May. In comparison with June 1951, they were up more than one-third. For the District as a whole, nonresidential and residential construction made about the same percentage gain over last year, but this similarity did not apply in individual states.

In California residential permits increased over 40 per cent in dollar value, but a 10 percent gain in nonresidential construction limited the over-all gain to about 30 percent. With the end of the carpenters' strike almost all northern California areas reported sharp increases in home building over May 1952 and June 1951. Los Angeles City and County and San Diego City and County also reported substantial gains. The variation in the year-period changes for residential construction among different areas in California was much less apparent than earlier this year.

Oregon permits were up well over 50 percent from June a year ago despite a drop in residential building. Portland and Salem reported very large gains in nonresidential building over last year. Washington reported a small increase in residential permits, but nonresidential authorizations almost doubled and total construction rose by half.

In Utah, Salt Lake City reported a small decline in residential permits but a fair gain in nonresidential building. In the unincorporated area of Salt Lake County this experience was reversed. Total construction within the state was up about 20 percent. Arizona reported a gain of 50 percent in the value of permits issued, reflecting a sharp increase in nonresidential activity. Idaho reported almost twice the value of permits this June as a year ago. The primary factor was a more than threefold increase in residential permits at Idaho Falls. In Nevada construction gained about 20 percent with residential permits leading the way.

## SOME MAJOR CHARACTERISTICS OF TWELFTH DISTRICT AGRICULTURE

MANY significant changes occurred from 1920 to 1950 in the structure of Twelfth District farming. As described in the June *Monthly Review*,[1] there were additions to both cropland and pasture land in all District states during that 30-year period. At the same time the number of irrigated acres in the District almost doubled as irrigation projects were developed and wells dug. There has also been a marked trend toward larger farms and, since 1935, fewer farms. The average Twelfth District farm was 175 acres larger in 1950 than in 1920. More significant, perhaps, has been the increasing operator ownership of farms in District states. Since 1920 the number of farms operated by farmers who own either all or part of their farms has increased more than 20 percent, primarily because of more prosperous times. During the same period the number of District farms operated by tenants or managers has decreased over 35 percent.

These changes have been important to District agriculture. Not only has the increase in land in farms made possible greater production, but the increase in farm size has probably meant greater efficiency of production. The greater number of owner-operated farms strengthens the

[1] This is the second in a series of two articles dealing with certain characteristics of Twelfth District agriculture as revealed in the 1950 Census of Agriculture.

District's agricultural industry and encourages more long-term improvements and better land use.

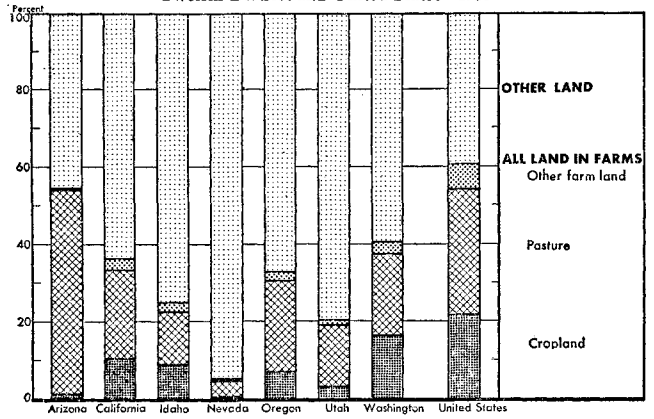
The changing pattern of District agriculture is by no means at an end. Millions of acres of potential range land await development by brush burning and re-seeding. Contemplated irrigation projects will bring in many thousands of acres of new cropland and provide supplemental water on many additional acres. Technological developments and increased mechanization will have a further impact on the character of western farming. In order to better appraise the possible changes which are likely to occur, it is helpful to have a detailed picture of the present-day characteristics of our agricultural plant.

## Utilization of Land Resources

The utilization of land resources is influenced primarily by the physical features of the land and the climatic environment. The combination of soils, topography, and climatic elements in the United States was originally expressed by a natural vegetation consisting of about 800 million acres in forest, 700 million acres in grassland, and 400 million acres in arid and desert vegetation. This natural ecology of forest, grassland, and other vegetation was fundamentally altered as the nation was settled. The need for land for food and feed crops resulted in the clearing and plowing of more than 600 million acres of original forest and grassland. Of this acreage, however, 100 million acres has ultimately reverted to forests or been restored to grassland. During three centuries of settlement and occupancy, farmers have gradually acquired knowledge of the physical qualities and capabilities of our land resources. Out of all these experiences we now have an agriculture in which there is a high degree of correlation between the use of land and its physical suitability.

The physical features of the Twelfth District states have resulted in a land use pattern considerably different from that found in most other areas of the United States. While the Twelfth District makes up almost one-fourth of the total land area of the United States, it has only one-eighth of the nation's land in farms. This low ratio of land in farms is, of course, due to the vast acreages in the West in mountain ranges, forests, and arid land unsuitable for farming. In addition, much of the dry, rough, and high-elevation land utilized under permit for grazing or a combination of grazing, forest, or other purposes is held under public ownership. Almost 65 percent of the total land area of the Twelfth District is Federally-owned, ranging from 35 percent in Washington to 85 percent in Nevada.

PERCENTAGE DISTRIBUTION OF TOTAL LAND AREA BY USE
Twelfth District and United States—1950




Note: The proportions of pasture land in Twelfth District states do not reflect actual percentages of land used for grazing since Census figures include only pasture land owned or rented. Thus millions of acres of Taylor Grazing and forest lands in Idaho, eastern Oregon, Nevada, and Utah, grazed under permit, are included in "Other land."

### *Importance of water in the West*

The pattern of land use in the Twelfth District, as well as in other western states, has been contingent as nowhere else upon a single factor—local availability of water. Physical features define the areas possible of agricultural development, but readily available irrigation water is the final determinant for most agricultural uses since natural rainfall is not adequate in most of the western states for intensive crop production. This lack of sufficient rainfall plus the predominance of mountainous terrain has resulted in a much smaller utilization of Twelfth District land area for crops than in any other region. Only 7 percent of the District is classified as cropland, compared with 21 percent for the entire country.

Our dependence upon supplemental water has meant that those District states with large rivers and underground water supplies would have the greatest proportion of their land areas in cropland. Those states—California, Idaho, Oregon, and Washington—together have almost 90 percent of the District's total cropland. The District's reliance upon irrigation water is further shown by the fact that the seven western states, with 24 percent of the land area in the United States and 12 percent of the cropland, have 52 percent of the total irrigated land in the nation. When the Census data on cropland harvested are compared with data on irrigated acreage, the relative dependence of each Twelfth District state upon irrigation water is clearly shown. In Arizona and Nevada practically all crops are grown under irrigation. In addition, large acreages of permanent pasture in Arizona and valley meadows in Nevada are irrigated, thus accounting for the fact that irrigated acreage in these two states is larger than cropland harvested. Compared with cropland harvested, irrigated acreage in California, Idaho, and Utah

CROPLAND HARVESTED AND IRRIGATED LAND
TWELFTH DISTRICT AND UNITED STATES—1949
(in thousands of acres)

| | Cropland harvested | Irrigated land |
|---|---|---|
| Arizona | 884 | 964 |
| California | 7,957 | 6,428 |
| Idaho | 3,648 | 2,137 |
| Nevada | 421 | 727 |
| Oregon | 3,219 | 1,307 |
| Utah | 1,279 | 1,138 |
| Washington | 4,238 | 589 |
| Twelfth District | 21,646 | 13,290 |
| United States | 344,395 | 25,776 |

Source: United States Department of Commerce, Bureau of the Census.

is relatively large, indicating the predominance in these states of crops requiring supplemental water for production. The relatively small amount of irrigated land in Washington, however, points up the different pattern of crop production in that state. In 1949, for example, 80 percent of Washington's cropland harvested was in the dry-farmed small grain, hay, and dry bean and pea crops.

### *Source of irrigation water*

The 1950 Census of Irrigation reveals for each state the major sources of its irrigation water. From 88 to 95 percent of the irrigated acreage in Idaho, Utah, Nevada, Oregon, and Washington is irrigated by surface water alone, that is, from rivers and streams. In Arizona and California, on the other hand, ground water (water pumped from wells) is a more important source than surface water. One half of Arizona's irrigated lands receive water solely from underground sources, and most of the remaining acreage is irrigated from a combination of ground and surface sources. Even though 36 percent of California's irrigated acres rely only on surface water, 45 percent still must obtain water from underground supplies, the remainder being irrigated by a combination of the two. This dependence in Arizona and California upon ground water emphasizes the continuing need in these states for further development of reclamation projects that can substitute surface water for the gradually diminishing underground supplies.

## Type of Farming

The type of farming prevalent in any given agricultural region is generally determined by the soil types and topography of the land, local weather conditions, and the availability of water. The 1950 Census classified farms into several major type groups, thus giving a general picture for each state of the relative importance of different types of farming units.[1] Not only is there considerable difference in the importance of the various types of farming between the District and the United States but there is also considerable variation among the Twelfth District states.

### *Commercial farms*

Arizona and Idaho have the highest proportion of field crop farms of any of the District states. In both states more farms are classified as of this type than as of any other major type, amounting to 20 percent of the farms in Arizona and almost 30 percent in Idaho. In all other District states field crop farms were about 9 or 10 percent of the total number except in Nevada where they were less than 3 percent. Vegetable farms are relatively unimportant in all District states as well as in the United States. Even though California had a larger proportion of vegetable farms than any other District state, these farms made up less than 4 percent of the total number of that state's farming units. Fruit and nut farms were also a relatively minor type of farming operation in all District states except California, where there are more fruit and nut farms than any other type, one farm in every four being so classified. In fact, California in 1950 had 40 percent of the total number of fruit and nut farms in the entire country.

Dairy and poultry farms are relatively more numerous in the Twelfth District than in the nation as a whole. Dairy and poultry products must be raised close to consuming markets, and the centers of population in this District are more widely dispersed than in most other parts of the country. From 10 to 15 percent of the farms in each District state are dairy farms, except in Arizona where the proportion is slightly less. Dairy farms rank third in Idaho, Oregon, Utah, and Washington.

The importance of cattle and sheep ranches in the seven western states varies considerably. For Nevada and Utah, ranching is the most important type of farming operation, representing 42 percent of all farms in Nevada and 18 percent in Utah. Cattle and sheep raising is least important in California and Washington where only 7 percent of the farms are classified as livestock ranches.

Because of our soils, climatic conditions, and great dependence on irrigation, the Twelfth District has a smaller percentage of general farms than do other sections of the country. Also general farms in the Twelfth District are primarily crop farms while in other parts of the United States they are primarily livestock or a combination of crop and livestock. General farms ranked second in importance in Idaho and Nevada, where 19 and 14 percent respectively of all farms were so classified. In Arizona, California, and Washington, general farming was the least important, representing only 5 percent of each state's total farming units.

### *Other farms*

The two major classifications of noncommercial farms —part-time and residential—are of little significance to either agricultural production or income in the Twelfth District. They loom large, however, in terms of numbers. Oregon and Washington have more residential farms than any other single type, and part-time farms rank second in number in both states. Two out of every five farms in these two states are classed as noncommercial farming units. In addition, residential farms rank second in Arizona, and in California one-fourth of all farms are either part-time or residential. Even in Idaho, where such farms are less important than to any other District state, every fifth farm is a noncommercial unit.

Many of these farms are too small or too inefficiently run to be economic operations. Since they often produce relatively little for commercial sale, they are not benefited by the Government's price support or other subsidy pro-

[1] Commercial farms (those with sales of $1200 or more) are classified as either field crop, vegetable, fruit and nut, dairy, poultry, livestock, or general farms. In order to be classified as a particular type, sales of a specific group of products must represent at least 50 percent of total farm sales. Other farms were classed as either part-time farms (those with sales of $250 to $1199 and with the operator either working 100 or more days off the farm or receiving more nonfarm income than farm income), residential farms (farm sales of less than $250), or abnormal farms. The latter group represents largely institutional farms and is insignificant in the District.

DISTRIBUTION BY PRODUCTS OF THE TOTAL VALUE OF FARM PRODUCTS SOLD
TWELFTH DISTRICT AND UNITED STATES—1949

| | Ariz. | Calif. | Idaho | Nev. | Oregon | Utah | Wash. | Twelfth District | United States | Twelfth District as a % of U. S. |
|---|---|---|---|---|---|---|---|---|---|---|
| Value of all farm products (in millions).. | $203.9 | $1,745.5 | $281.0 | $34.0 | $298.1 | $130.7 | $362.1 | $3,055.3 | $22,043.1 | 13.9 |
| Relative importance to total value (in percent): | | | | | | | | | | |
| All crops | 65.9 | 60.4 | 54.7 | 13.0 | 50.9 | 28.6 | 61.4 | 57.5 | 44.4 | 17.9 |
| Field crops | 48.8 | 27.9 | 52.0 | 11.7 | 33.0 | 22.0 | 39.4 | 32.9 | 36.4 | 13.2 |
| Vegetables | 14.8 | 9.8 | 1.2 | 0.8 | 5.6 | 3.5 | 4.1 | 7.9 | 2.7 | 40.4 |
| Fruits and nuts | 1.9 | 20.1 | 1.1 | 0.1 | 9.2 | 1.9 | 15.3 | 14.5 | 3.6 | 55.9 |
| Horticultural specialties[1] | 0.4 | 2.7 | 0.4 | 0.4 | 3.1 | 1.1 | 2.6 | 2.3 | 1.8 | 17.6 |
| All livestock and livestock products | 33.7 | 39.5 | 45.0 | 87.0 | 47.0 | 71.4 | 37.6 | 42.0 | 54.9 | 10.6 |
| Dairy products | 5.3 | 12.6 | 9.9 | 7.3 | 12.6 | 12.5 | 14.2 | 12.0 | 14.0 | 11.9 |
| Poultry and products | 1.4 | 9.6 | 2.2 | 2.2 | 9.7 | 18.8 | 8.6 | 8.6 | 8.2 | 14.4 |
| Other livestock and products | 27.0 | 17.3 | 32.9 | 77.5 | 24.7 | 40.1 | 14.8 | 21.5 | 32.7 | 9.1 |
| Forest products | 0.3 | 0.1 | 0.3 | 0 | 2.1 | 0 | 1.0 | 0.4 | 0.6 | 9.9 |

Note: Detail may not add exactly to totals because of rounding.
[1] Horticultural specialties include such things as nursery and greenhouse products, flower and vegetable seeds and plants, bulbs, and mushrooms.

grams. In most cases income must be supplemented by off-farm work. Where the operator does not work outside the farm, living is usually at subsistence levels only. In addition, improvement of the farm through mechanization, use of fertilizer, or modern production methods comes slowly because of the limited income available.

### *Income from the various types of farming operations*

The relative contribution to farm income of various groups of farm products gives a somewhat more detailed picture of the types of farming operations in the Twelfth District. Every third dollar of District farm income comes from the sale of field crops. Cattle and sheep are the next most important source of income, followed by fruits and nuts, dairy products, poultry products, and vegetables. Compared with farmers in the United States, Twelfth District farmers receive relatively more of their income from fruits and nuts and vegetables and less from cattle, sheep, and hog production.

## Size of Farms

An understanding of the structure of Twelfth District agriculture is not complete without knowledge of the prevalence of farms of different sizes. The 1950 Census contains several different measures of farm sizes. One is the classification of farms into groups based upon the number of acres per farm. Comparisons made with these data are comparable to the floor area comparisons made in retailing. The more frequently used measure of size in business, however, is dollar volume of sales. For this comparison, the Census has classed all farms into economic groups based on the value of products sold. Both of these measures are of interest in gaining a detailed picture of the size of farming operations in the District.

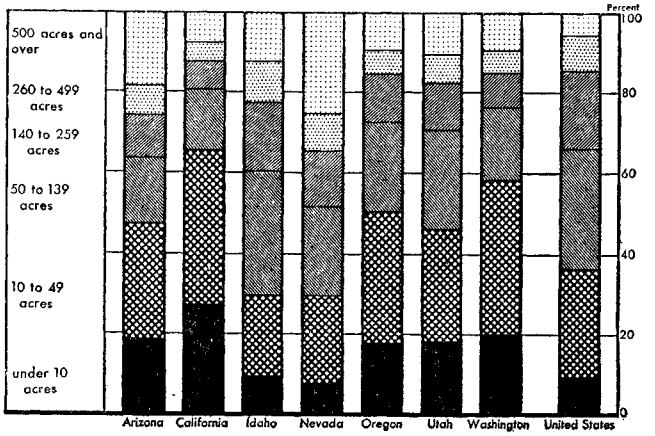
### *Size based on acreage*

The size of farms in terms of acreage in any state is influenced by many factors—the type of agricultural products raised, the degree of mechanization, the availability of water. Fruit and nut, vegetable, and poultry farms tend to be smallest, while farms raising field crops, cattle, or sheep tend to be the largest. As mechanization of production and harvesting operations increases, farm size tends to increase. On the other hand, acreages are usually smaller where irrigation water is available than in areas where natural rainfall is depended upon.

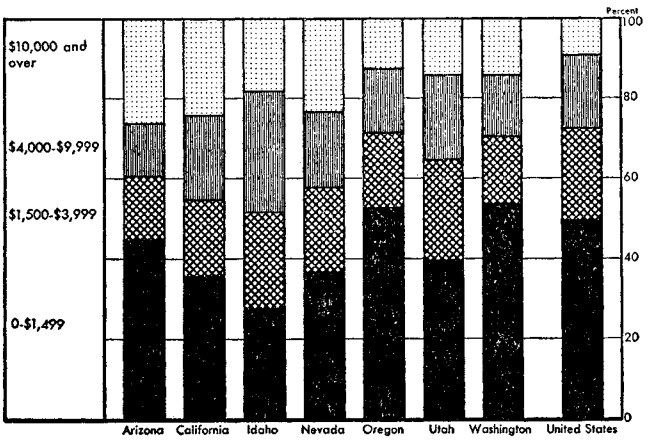
As with most other characteristics, size of farms in the Twelfth District differs considerably from that in the United States. In terms of acreage, the District has a much greater proportion of very small and very large farms, while medium sized farms are relatively fewer in number. Forty-three percent of all Twelfth District farms are under 30 acres in size compared with 25 percent in the United States. This larger proportion of small farms is the natural result of the greater importance of fruit and nut, vegetable, horticultural specialty, and poultry farms in the District. Though there are relatively fewer farms in the District than in the United States raising field crops, cattle, and sheep, the acreages of these farms tend to be much larger than in the rest of the country. Consequently, 10 percent of all District farms have 500 or more acres compared with 6 percent in the United States as a whole.

The variations among the Twelfth District states in size of farms are considerable and indicate clearly the differences in types of farming. In Arizona, where field crop, vegetable, cattle, and sheep raising predominate, over half

PERCENTAGE DISTRIBUTION OF FARMS BY SIZE
Twelfth District and United States—1950



PERCENTAGE DISTRIBUTION OF FARMS BY VALUE OF PRODUCTS SOLD
Twelfth District and United States—1950




the farms are under 70 acres in size; and one-fourth are 260 acres and over. One-third of Nevada's farms are 260 acres and over since cattle and sheep ranches are more numerous than any other type of farm. Idaho, on the other hand, has several major types of farming. Field crops, dairying, cattle and sheep, and general farming are all important. As a result, the distribution of Idaho farms among the various size groupings is fairly even.

Though California is widely known for its large mechanized farms, almost two-thirds of its farms are under 50 acres in size. This is not surprising, however, in view of the great numbers of fruit and nut, poultry, part-time, and residential farms found in the state, all of which tend to be small. These four types of farms comprise more than 60 percent of all farms in California. Like California, the three remaining Twelfth District states, Oregon, Washington, and Utah, have a relatively large number of small farms with the rest of their farms fairly evenly divided between the medium and large size groups. Large numbers of part-time and residential farms in Oregon and Washington help account for the predominance of small acreage farming units in those states.

### *Size based on income*

The various characteristics of any state's agriculture, such as the size of its farms, the use to which it puts its farm land, the prevalence of commercial as distinct from part-time or residential farms, and the kinds of agricultural commodities raised, all find final expression in the income received from the sale of that state's farm products. The classification of farms by the value of products sold is probably the most significant and revealing characteristic of a state's agriculture since each of the other characteristics previously discussed influences the gross sales which farmers receive. The prevalence of farms in the various economic groupings reveals the relative importance of large or small farms, of irrigated land, of part-time or residential farms, of cropland versus pasture land, and of the different commodities produced.

The relatively large number of farms in Arizona with very low gross sales is explained by the large number of small acreage farms and the high proportion of part-time and residential farms. The high proportion of large farming units partially accounts for the fact that one out of every four farms in Arizona receives $10,000 or more from the sale of its products and more than half of these farms gross $25,000 or more. In addition, most of that state's cropland is irrigated, permitting the production of such high per acre value crops as cotton and vegetables. As a result, many Arizona farms raising these crops could attain high gross sales on relatively small acreages.[1]

The intensive nature of farming in California, too, accounts to a large extent for the distribution of farms in the various economic size groups. Even though that state has the highest proportion of very small acreage farms of any District state, the predominance of high per acre value commodities—such as fruits and nuts, cotton, vegetables, and dairy and poultry products—puts many farms with small acreages in the high sales groups. This also accounts for the fact that almost one-fourth of California's farms had gross sales of $10,000 or more, even though the relative proportion of large acreage farms is the smallest in the District.

Farming in Idaho is characterized by medium and large acreage farms, a high proportion of cropland and irrigated land, a good balance of extensive and intensive farming, and the lowest proportion of part-time and residential farms in the District. Idaho leads all District states in the percentage of farms in the medium gross sales group and has the smallest proportion in the low gross sales classification. Compared with Idaho, Utah has a large proportion of small acreage farms and more part-time and residential units. As a result, relatively more of its farms are in the low and medium gross sales groups than those of any other District states except Washington and Oregon.

Since farming in Nevada is predominantly cattle and sheep raising and dairying and since Nevada has the largest proportion of large acreage farms in the District, it is not surprising that almost one farm in four had sales of $10,000 or over. With the lowest percentage of small acreage farms and a relatively low proportion of part-time and residential units, however, it is surprising that Nevada has a relatively large proportion of farms in the low gross sales classification.

In Oregon and Washington the distribution of farms in the various economic classes was very similar. The large numbers of very small acreage farms and of part-time and residential farms resulted in more than half the farms in each state being classed in the low gross sales group. The ratio of irrigated land to cropland is lower than in the other five states with the result that low value per acre dry-farmed crops predominate.

[1] In the year for which these Census data were collected, for example, 40 acres of cotton would have put a farm in the $10,000 and over group, based on the average yield in Arizona and the average farm price for that year.

## TWELFTH DISTRICT FRUIT AND VEGETABLE CANNING—REVIEW AND OUTLOOK

THE 1951-52 canning season was marked by a record production of canned fruit and vegetables. Although the volume of shipments was moderately high over the twelve-month period, increasing difficulty was experienced in moving the large supplies of certain key products. Higher costs of production, increased taxes, and a softening of prices toward the season's end combined with a heavy carryover to reduce the industry's profits below the level earned the previous year.

### *Record District pack in 1951*

Twelfth District fruit and vegetable canners were prompted to a record volume pack in 1951 by a combination of factors: (1) a favorable inventory situation at the beginning of the canning season; (2) generally good prospects for raw materials; and (3) the outlook for strong civilian and military demand for food.

Most District packers faced the start of the canning year in mid-1951 with abnormally low reserves in their warehouses. Post-Korea buying the previous year and the scare buying in early 1951 had sharply depleted their stocks. California packers entered 1951 packing activities with less than 1.5 million cases of the eight major fruits,[1] which was 74 percent smaller than their inventory of a year earlier and the smallest since 1948. Pacific Northwest fruit packers also faced the new season with smaller carryovers generally. Stocks of the principal vegetables—excepting asparagus—likewise had been sharply depleted. Movements of stocks during the previous year had been particularly active in the June-December period. Canners, therefore, had had few worries cleaning up most of what remained after January 1. Toward the season's end, in fact, some of the major processors had been hard pressed to supply even their regular customers. From an inventory angle, therefore, as the 1951 canning got under way, a wide note of optimism prevailed in the trade as packers found themselves in a more favored position when applying to their bankers for new lines of credit.

Fruits and vegetables for processing were plentiful in the District during 1951 despite the adverse effect of the severe spring weather on the Pacific Northwest apple and cherry crops and the smaller output of California's apricot and cherry orchards. The total supply of fruits and berries in 1951 turned out to be the largest in many years. Over-all output of the principal canning vegetables was well above the 1940-49 average as well as larger than the previous year, particularly the asparagus, green bean, tomato, corn, and pea crops.

In addition to the advantages of a small carryover and abundant raw material supplies, District canners in mid-1951 were able to appraise the new season in the light of high employment levels and consequent high consumer expenditures for food. The outlook was further improved by pre-season set-aside orders from the military, which for some of the major items amounted to a substantial portion of productive capacity. Although no repetition of the previous season's Korea-inspired business activity was expected, the basic factors of inventory, raw materials, and demand were such as to instill confidence among District canners.

[1] Cling peaches, freestone peaches, apricots, pears, fruit cocktail, fruits for salad, mixed fruits, and sweet cherries.

PRINCIPAL FRUIT AND VEGETABLE PACKS IN CALIFORNIA, OREGON, WASHINGTON, IDAHO, AND UTAH, 1948-51

(thousands of cases)

| | 1948 | 1949 | 1950 | 1951 |
|---|---|---|---|---|
| **Fruit packs[1]** | | | | |
| Peaches | 17,209 | 19,239 | 16,396 | 22,554 |
| Fruit cocktail | 9,902 | 6,269 | 7,475 | 9,003 |
| Pears | 3,830 | 5,472 | 6,048 | 6,215 |
| Apricots | 4,766 | 2,371 | 3,661 | 4,655 |
| Apples and applesauce | 207 | 906 | 1,503 | 792 |
| Plums | 914 | 1,669 | 930 | 2,217 |
| Cherries | 916 | 1,724 | 774 | 814 |
| Other fruits and berries | 2,725 | 2,947 | 1,854 | 2,454 |
| Total fruits and berries | 40,469 | 40,597 | 38,640 | 48,704 |
| **Vegetable packs[2]** | | | | |
| Tomatoes | 5,344 | 4,664 | 4,062 | 8,306 |
| Tomato juice | 6,199 | 6,796 | 6,493 | 12,053 |
| Other tomato products | 13,669 | 14,046 | 16,137 | 32,994 |
| Asparagus | 2,262 | 2,939 | 2,864 | 2,923 |
| Spinach | 1,454 | 1,960 | 2,500 | 3,304 |
| Peas | 7,445 | 6,796 | 9,089 | 9,030 |
| Beans, string | 3,101 | 4,602 | 5,426 | 6,003 |
| Corn | 2,211 | 2,986 | 2,903 | 4,221 |
| Other vegetables | 2,798 | 4,104 | 4,771 | 5,602 |
| Total vegetables | 44,484 | 48,892 | 54,246 | 84,436 |

[1] Basis 24 No. 2½ cans (except Utah production, actual cases).
[2] Actual cases, all grades and sizes.
Source: Canners League of California, Northwest Canners Association, *Western Canner and Packer*.

With these favorable aspects bearing on the 1951-52 outlook, District producers turned out a record pack. The season, however, did not develop without its share of problems. Prices for raw materials were higher and the costs of cases, cans, and labor were up. Prices received by canners, on the other hand, did not increase proportionately as much. Even though OPS regulations permitted taking most cost increases into consideration in pricing the new pack, many lines could not be maintained at ceiling levels. Profits, as a consequence, were lower for many processors than were realized the previous year.

### *Large increases in both fruit and vegetable packs*

In 1951 District canners set a record in total fruit pack when they ran nearly 49 million cases off the production line. Total output of the major canned fruits was up 27 percent over 1950. The dominating element was the tremendous pack of California cling peaches, which accounted for 39 percent of total District canned fruit. With a less restrictive marketing order in operation than had been in effect the previous year, a larger quantity of fruit was made available to processors. Whereas in 1950 a substantial portion of the cling crop had been eliminated from marketing channels by a planned crop reduction program, the restriction in 1951 was confined to fruit size. This resulted in a larger crop available for canning, as well as one of good quality. The final pack exceeded the 1950

season's by 36 percent and was also 8 percent greater than the already high average of the previous five years.

District processors canned a total of 55 percent more vegetables during the 1951 season than a year earlier. This high output was mainly influenced by the record pack of tomatoes and tomato products in both California and Pacific Northwest canneries. In California more than twice as many cases of tomatoes and tomato products were put up in 1951 as in 1950. Output in the Pacific Northwest was also more than 60 percent greater. Spinach processed in California, up 32 percent, and the corn pack in the Pacific Northwest, up 45 percent, were the other outstanding increases which helped raise Twelfth District output to such a high level. Only asparagus in California and peas in the Pacific Northwest failed to show any increase.

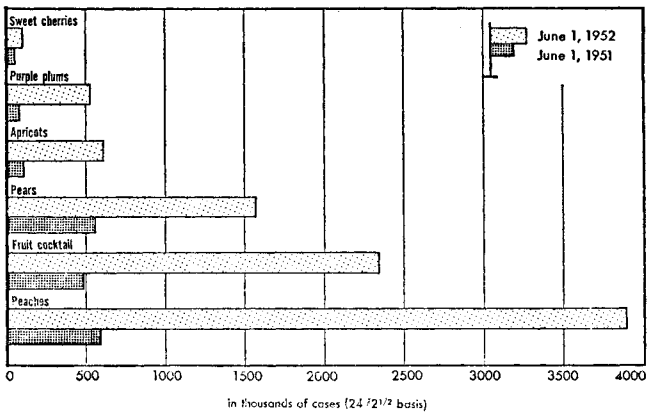
### *Sales results variable*

As evidence of a large 1951 output became clearer, the movement of stocks out of canners' hands slowed down somewhat after initial early season purchasing by wholesalers. With a large pack and limits to which prices could advance under OPS ceilings, wholesalers were not so pressed to protect their inventories by restocking. As a consequence, warehousing difficulties developed temporarily for some processors. Failure of the military to draw as heavily as original commitments had indicated also contributed to a slowup of sales following the new pack. The rate of movement out of canners' hands during the first six months of the 1951-52 season, therefore, was slower than had been hoped for at the beginning of the season. Nevertheless, the percentage of the total supplies of the 1951-52 pack which was sold during this period was higher for vegetables than a year earlier and only slightly lower for fruits.

Total sales over the year as a whole were larger than the already high rate of the past five seasons. District packers were fortunate to have been able to take advantage of the short tomato crop and pack in other producing areas. With opening inventories of tomatoes at negligible proportions, western processors were called upon to make up the difference out of current production. They were more than pleased to accommodate, being released from what could otherwise have been a disastrous situation.

Over 18.5 million cases of peaches—four-fifths of which were of the cling variety—moved out of District canners' hands during the 1951-52 pack year, or close to one million cases more than in the previous twelve-month period. In this regard, considering the huge size of the peach pack, prices were higher than might have been expected. Many elements have been credited with contributing to this result. The Cling Peach Advisory Board's allocation of peaches to canners, made on the past history of sales, was effective in preventing excessive packing by any individual firm. The quotas likewise reduced the relative amount of raw materials available to those processors whose annual volume had been increasing and considerable inter-canner sales were therefore made. In the case of peaches, military procurement injected a sustaining influence also, since it amounted to about 13 percent of the pack—only slightly less than had been requested in the pre-season set-aside.

CARRYOVER STOCKS OF MAJOR FRUIT PACKS
Twelfth District—June 1, 1951 and 1952




### *Large carryovers ushered in 1952 season*

Reversing the favorable situation which existed at the beginning of the 1951 canning year, the current District canning season was ushered in with a high inventory in processors' hands. Stocks of the eight major fruit packs in California packers' warehouses amounted to over 7.5 million cases compared with 1.4 million in mid-1951. Orders for nearly half of this volume, however, were in company files. Nevertheless, to most packers orders become sales only upon the receipt of shipping instructions when commitments can then be safely deducted from inventory.

The two major contributing items to the large carryover were canned peaches and tomatoes and tomato products. Canners still had in their possession nearly 3.5 million cases of cling peaches on June 1, six times the volume carried over a year earlier. Based on orders received, however, nearly half of these were spoken for. Over 10 million cases of canned tomatoes, tomato juice, and other tomato products remained in processors' hands at the start of the current season. Commitments, but no cash, had been received for perhaps a third of these. Other burdensome items left over with California packers were fruit cocktail and spinach and rather large stocks of apricots and pears. The carryover of pears and plums in the Pacific Northwest as of June 1, 1952, was the heaviest in a number of years. Only apple and applesauce inventories were lower than the previous year though they were still larger than in any of the last four years except 1951.

### *1952 raw materials prospects*

The supply of raw materials available to District canners during the 1952 season will be adequate to meet the industry's current plans for production. In view of their large stocks on hand, packers are not anxious to duplicate last year's tremendous output. Relatively good production

of fruits and vegetables is in sight, however, to meet their anticipated requirements, despite some setbacks experienced during the growing season.

### *Peach outlook*

Fewer peaches—the major District canning fruit crop —will be put up this year. The size of the peach pack will be influenced by the large carryover remaining in canners' hands at the start of the new season. A 10 percent drop in total output is anticipated because of a smaller crop in California, although a larger production of peaches is expected from most other District states. The cling peach industry will lean heavily on the state marketing order to further reduce the volume of fruit available for processing. Since the cling variety represents over 60 percent of California's peach production and since California produces approximately 90 percent of the District peach output, the volume of fruit made available from cling orchards will influence the total volume of peaches packed in 1952.

In 1951, the marketing order was limited to regulation of size only. This year the potential crop has been reduced about 15 percent by the elimination of a portion of the green fruit which set. Minimum size and grade fruit standards will also be maintained. In addition, a fund is to be set up through equal grower and processor contributions to be used if necessary for the purchase of surplus fruit when market demands have been met.

### *Other fruit prospects*

The apricot crop has been canned and packers generally have been satisfied with the quality and the volume. Canning of cherries is also over. Although the Pacific Northwest commercial cherry crop suffered considerable damage in some sections, District output is expected to total considerably more than last year. The season promises a larger apple crop than in 1951, if normal weather conditions prevail between now and the completion of harvest. Production, nevertheless, will be below the 1941-50 average. As large an amount of pears, both Bartletts and other varieties, will be available to District canners as last year. Quality of some of the fruit in Washington pear orchards was adversely affected by frost early this year.

### *Canning vegetable supply*

The demand for vegetables by processors is expected to be weaker than a year ago, but production of canning vegetables is also expected to be less. Already this year a smaller asparagus crop, caused by not too favorable growing conditions, resulted in a smaller canned pack, and the pack of spring spinach was also smaller. Green bean plantings were approximately 10 percent lower than in the 1951 season in the Pacific Northwest. Acreage of peas for canning in the Utah-Idaho area is down 28 percent from a year ago and 12 percent lower in the Oregon-Washington district. Besides smaller acreages, weather conditions in some areas have adversely affected the yields expected. Acreage planted to processing tomatoes in California was approximately 24 percent lower this year than in 1951. Reflecting the large carryover stocks of tomatoes and tomato products in processors' hands, canners as of late June had about 22 percent less tomato acreage under contract than a year ago.

### *Military requirements*

The volume of the District pack which processors will be required to set aside for military procurement will not be so great this year as last. Processors, however, will fill these orders under more favorable conditions than existed in 1951. Whereas last year sizable revisions were made between set-asides and the final take by the Quartermaster's Corps, requisitions on the current season's output are based on firm commitments. Processors, therefore, will be better able to gauge the extent to which their output will find a market through this channel. The portion of a wide variety of canned fruits and vegetables which will be taken by the military averages between 6 percent and 9 percent of 1952 production, and, in the case of apricots, amounts to over 16 percent.

Prices District processors can expect to receive for their packs during the 1952-53 season will be influenced, of course, by many factors. The existence of sizable stocks of last year's output can be expected to reflect on some new pack prices. When the carryover exerted a downward pressure on prices as last season drew to a close, sizable price concessions were required in many lines. It is still too early to measure the longer range effect of existing stocks on the price of canned goods—but the smaller output in 1952 should have a generally stabilizing influence, and sales are continuing at high levels.

Processing, labor, and materials costs will surely be no less during the current season than a year ago. Prices processors will have to pay for raw materials, however, will average below last year. When the latter is balanced against the former it is not likely that returns to the District canning industry will equal the high levels of 1950.

# BUSINESS INDEXES—TWELFTH DISTRICT[1]

(1947-49 average = 100)

| Year and month | Industrial production (physical volume)[2] | | | | | | | | Total nonagricultural employment | Total mf'g employment[4] | Carloadings (number)[2] | Dep't store sales (value)[2] | Retail food prices[3, 5] | Waterborne foreign trade[3, 6] | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Lumber | Petroleum[3] Crude | Petroleum[3] Refined | Cement | Lead[3] | Copper[3] | Wheat flour[3] | Electric power | | | | | | Exports | Imports |
| 1929 | 97 | 87 | 78 | 54 | 165 | 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 | 109 |
| 1936 | 70 | 64 | 61 | 58 | 96 | 64 | 81 | 34 | .... | 54 | 77 | 28 | 48 | 131 | 116 |
| 1937 | 74 | 71 | 65 | 56 | 114 | 88 | 84 | 38 | .... | 60 | 81 | 30 | 50 | 170 | 119 |
| 1938 | 58 | 75 | 64 | 45 | 92 | 58 | 81 | 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 | 109 | 107 | 87 | 49 | .... | 83 | 95 | 40 | 52 | .... | .... |
| 1942 | 93 | 74 | 71 | 96 | 114 | 123 | 88 | 60 | .... | 121 | 102 | 49 | 63 | .... | .... |
| 1943 | 90 | 85 | 83 | 79 | 100 | 125 | 98 | 76 | 100 | 164 | 99 | 59 | 69 | .... | .... |
| 1944 | 90 | 93 | 93 | 63 | 90 | 112 | 101 | 82 | 101 | 158 | 105 | 65 | 68 | .... | .... |
| 1945 | 72 | 97 | 98 | 65 | 78 | 90 | 112 | 78 | 96 | 122 | 100 | 72 | 70 | .... | .... |
| 1946 | 85 | 94 | 91 | 81 | 70 | 71 | 108 | 78 | 95 | 104 | 101 | 91 | 80 | 89 | 57 |
| 1947 | 97 | 100 | 98 | 96 | 94 | 106 | 113 | 90 | 99 | 100 | 106 | 99 | 96 | 129 | 81 |
| 1948 | 104 | 101 | 100 | 104 | 105 | 101 | 98 | 101 | 102 | 102 | 100 | 104 | 103 | 86 | 98 |
| 1949 | 99 | 99 | 103 | 100 | 101 | 93 | 88 | 108 | 99 | 98 | 94 | 98 | 100 | 85 | 121 |
| 1950 | 112 | 98 | 103 | 112 | 109 | 115 | 86 | 119 | 103 | 105 | 97 | 105 | 100 | 91 | 137 |
| 1951 | 114 | 106 | 112 | 128 | 89 | 115 | 95 | 136 | 110 | 119 | 100 | 108 | 113 | 186 | 157r |
| 1951 | | | | | | | | | | | | | | | |
| May | 131 | 105 | 110 | 138 | 95 | 119 | 90 | 135 | 110 | 120 | 106 | 104 | 113 | 192 | 140 |
| June | 124 | 106 | 110 | 132 | 91 | 114 | 81 | 135 | 110 | 120 | 107 | 103 | 112 | 196 | 166 |
| July | 101 | 107 | 112 | 142 | 84 | 112 | 83 | 140 | 111 | 120 | 92 | 108 | 113 | 201 | 147 |
| August | 114 | 107 | 115 | 138 | 67 | 98 | 90 | 141 | 111 | 120 | 94 | 106 | 112 | 240 | 142 |
| September | 105 | 107 | 116 | 129 | 74 | 108 | 96 | 135 | 110 | 118 | 104 | 108 | 112 | 215 | 155 |
| October | 118 | 107 | 114 | 130 | 80 | 116 | 96 | 141 | 111 | 120 | 101 | 106 | 113 | 187 | 172 |
| November | 109 | 107 | 116 | 124 | 85 | 114 | 99 | 140 | 111 | 121 | 101 | 114 | 114 | 182 | 144 |
| December | 99 | 106 | 109 | 119 | 88 | 118 | 101 | 136 | 111 | 120 | 100 | 110 | 117 | 192 | 130 |
| 1952 | | | | | | | | | | | | | | | |
| January | 93 | 106 | 111 | 94 | 88 | 109 | 112 | 142 | 113 | 122 | 86 | 106 | 116 | 183 | 146 |
| February | 107 | 106 | 113 | 112 | 104 | 109 | 105 | 139 | 113 | 124 | 101 | 108 | 114 | 208 | 138r |
| March | 108 | 106 | 115 | 113 | 96 | 115 | 90 | 142 | 112 | 125 | 100 | 102 | 114 | 210 | 157 |
| April | 110 | 107 | 114 | 120 | 95r | 117 | 88 | 141 | 112 | 126 | 106 | 105 | 116 | ... | 143 |
| May | 94 | ... | ... | 129 | 89 | ... | 87 | 147 | 112 | 125 | 98 | 118 | 115 | ... | ... |

# BANKING AND CREDIT STATISTICS—TWELFTH DISTRICT

(amounts in millions of dollars)

| Year and month | Condition items of all member banks[7] | | | | Bank rates on short-term business loans[9] | Member bank reserves and related items[10] | | | | | Bank debits index 31 cities[3, 13] (1947-49 = 100)[2] |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Loans and discounts | U.S. Gov't securities | Demand deposits adjusted[8] | Total time deposits | | Reserve bank credit[11] | Commercial operations[12] | Treasury operations[12] | Coin and currency in circulation[11] | 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 | − 596 | +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 | | | | | | | | | | | |
| 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 |
| February | 7,760 | 6,413 | 9,420 | 6,900 | ..... | + 180 | − 109 | − 111 | + 20 | 2,365 | 138 |
| March | 7,787 | 6,378 | 9,426 | 6,915 | 3.94 | − 309 | − 17 | + 272 | − 7 | 2,313 | 139 |
| April | 7,850 | 6,313 | 9,408 | 6,924 | ..... | + 176 | − 237 | + 102 | + 13 | 2,341 | 135 |
| May | 7,921 | 6,238 | 9,306 | 6,985 | ..... | + 52 | − 174 | + 185 | + 49 | 2,347 | 128 |
| June | 8,062 | 6,258 | 9,501 | 7,083 | 3.95 | − 211 | − 97 | + 190 | + 29 | 2,209 | 144 |

[1] 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; nonagricultural and 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. [2] Daily average. [3] Not adjusted for seasonal variation. [4] Excludes fish, fruit, and vegetable canning. [5] Los Angeles, San Francisco, and Seattle indexes combined. [6] 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. [7] Annual figures are as of end of year, monthly figures as of last Wednesday in month or, where applicable, as of call report date. [8] Demand deposits, excluding interbank and U.S. Gov't deposits, less cash items in process of collection. Monthly data partly estimated. [9] Average rates on loans made in five major cities during the first 15 days of the month. [10] End of year and end of month figures. [11] Changes from end of previous month or year. [12] 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. [13] Debits to total deposit accounts, excluding inter-bank deposits. r—revised.

# ANTI-INFLATION ARTILLERY

At first we lost ground in the battle against inflation in the months immediately after Korea. Since then we have enjoyed a period of relatively stable prices. The threat of inflation, however, is not over and, barring a drastic cut in planned defense production, the real test may still lie ahead.

Monetary policy, fiscal policy, and, in the case of extreme emergency, direct controls over wages and prices are allies that may be used in the fight against inflation. It is essential that we coordinate and utilize to the fullest extent possible their combined strength in our defense against inflation, just as we as a nation must strive for the maximum combined strength of our nation and the other free nations who have joined with us in the defense against totalitarianism.

Inflation occurs when prices are forced up because purchasing power is expanding more rapidly than the available supply of goods. The remedy lies either in curtailing the growth of purchasing power or in expanding production more rapidly than purchasing power. Measures taken on both fronts, aided by direct controls over wages and prices, helped to check the inflation that developed in the months immediately following Korea. Our expanding defense program, however, tends to divert production from civilian channels and thereby to restrict our capacity to produce civilian goods. Consequently we must rely to a large extent upon measures to restrict purchasing power if we are to continue to be successful in restraining inflation.

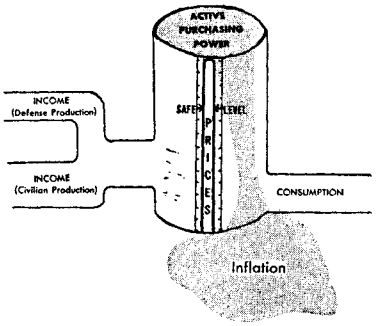
The sources of purchasing power are current income, liquid assets, and borrowed funds. The role of monetary policy is to maintain, in so far as possible, a balance between the flow of money and the supply of goods at stable prices. A more rapid expansion of credit than of production tends to cause total purchasing power to outrun the supply of goods and thereby force up prices. General credit controls, including open market operations, changes in reserve requirements, and changes in rediscount rates affect all forms of bank credit regardless of its use. Selective credit controls may serve as a useful supplement to the general controls by influencing the amount of credit used for specialized purposes, such as consumer and real estate credit.

It has been neither necessary nor desirable to restrict spending out of liquid assets to help restrain inflation. While there are various possibilities of specific control in this field, to demonstrate that the purchasing power of the dollar will be protected will do more than anything else to encourage people to hold liquid assets.

Changes in tax rates are the most effective means for influencing spending out of current income. When tax rates are already at a high level, however, it may not be politically or economically feasible to raise taxes sufficiently to cover all Government expenditures or to absorb all excess spendable funds in the hands of consumers and businesses arising out of the defense program. Under these conditions the primary objective of fiscal policy is to finance as much as possible of the Government's expenditures through taxation and to borrow the balance in the least inflationary manner possible.

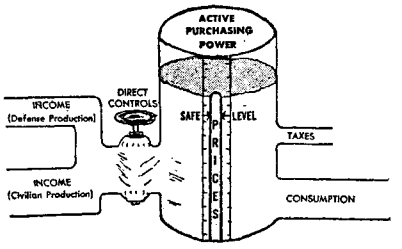
Savings bonds provide the least inflationary type of Government borrowing. The purchase of savings bonds absorbs part of the current income of individuals and thereby serves to reduce their spending upon goods and services. In this way individuals can contribute directly to the defense program and at the same time strike a blow against inflation.

**INFLATION**



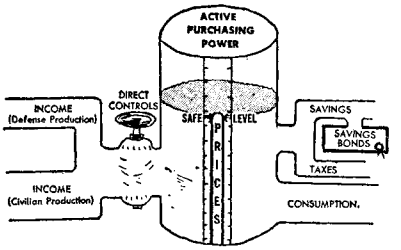

The flow of increased purchasing power generated by defense spending may spill over into inflation.

**CONTROLS AND TAXES**




Taxes can remove a substantial part of the overflow, but when tax rates are already high it may not be possible to raise them sufficiently to do all of the job. Price, wage, and other direct controls can also help by restricting the flow and use of purchasing power but may have only limited effectiveness.

**CONTROLS, TAXES, AND SAVINGS**




Increased savings can also help by drawing off purchasing power and reducing the pressure on prices. To the extent that the funds are invested in Savings Bonds they also serve to supply a noninflationary source of Treasury borrowing.