MONTHLY REVIEW

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ECONOMIC READJUSTMENT

BUSINESS activity in both the Twelfth District and the United States reached an all-time high in 1953. Nearly all the expansion occurred in the first half of the year. The economy hesitated in early summer and then declined, both in this District and in the nation. Nationally, total spending on goods and services for the year as a whole exceeded that in 1952 by 5 percent. Consumer spending, government outlays, and private investment averaged higher in 1953 than in 1952. Industrial production also increased for the year as a whole, and consumer and industrial prices were relatively stable throughout 1953. The annual totals, however, conceal the rapid upsurge in the first half of the year and the subsequent retreat of most measures from their highs. Annual figures also fail to reveal some significant aspects of consumer spending. In the first half of the year consumers increased their total spending at a slightly faster rate than the increase of their income, but a substantial part of the increase—40 percent—was for services. The increase in spending on goods was not sufficient to absorb the rapid rise in output.

The decline after midyear, though small, was distinct and steady. To a degree the Twelfth District adjustment appeared somewhat later and proceeded more slowly. The slide in activity stemmed from a drop in the rate of business spending on inventories, lower Federal outlays, and reduced spending on goods by consumers.

Inventory adjustment not offset by other factors

Efforts of business organizations to avoid further growth of inventories, or to reduce them, appeared to be the immediate cause for a major part of the decline in economic activity. There are, however, substantial differences between this "inventory adjustment" and the inventory adjustment of 1948-49. During the earlier period Federal spending rose, residential building expanded after early 1949, and the automobile industry was still in a sellers' market. In 1953 Federal spending turned down after midyear. Residential construction added no expansionary offset and the number of units started ran below 1952 after June. Automobiles, although produced and sold in near record quantities, contributed to the inventory difficulties.

Federal spending began to decline

Federal expenditures for goods and services continued the expansion of the past several years during the first half of 1953, but at a somewhat retarded rate. There was some actual decline late in the year, however. For the year as a whole the increase over 1952 amounted to $5.5 billion, compared with increases of $13 billion in 1952 and $19 billion in 1951. In relative terms, Federal expenditures for goods and services were 86 percent higher in 1951 than the year before, which stands in sharp contrast to the gain of only 10 percent in 1953. The restricted growth of such expenditures in 1953 and their actual decline toward the end of the year diminished the role of the Federal Government in contributing to an increase in the demand for goods and services.

Expenditure figures alone do not portray the full role played by the Federal Government in the economy since mid-1950. After the outbreak of hostilities in Korea employment and output rose sharply. To some extent the rise anticipated the effects of increased Government demand. As contracts were allotted by Federal agencies further stimulus appeared as industry tooled its plants and increased its raw material stocks to meet military requirements. The expansion during these periods added a sharp stimulus to economic activity and tended to reinforce favorable expectations in the private sector. By mid-1952 the defense program showed signs of entering a new phase. A large part of the build-up in defense facili-

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ties and inventories had been completed or was well underway. In early 1953 as a result of continuous reappraisal of the Federal budget and the defense program further restraints on Federal expenditures were introduced. Some economies were effected and some outlays were cut after the Korean truce, although total expenditures continued to expand in early 1953. Activity at Federal military establishments began to decline and some civilian functions were eliminated or consolidated. In this District the decline in Federal employment during 1953 had a marked impact in several states but contract revisions were much less important than in the country as a whole.

The net effect of these changes was a significantly different economic environment in 1953 than in earlier years. The impact from Federal Government demand for goods and services changed from one of expansion to one of at least mild contraction. Production in defense industries tended to decline and Federal pay rolls were reduced. Furthermore, Federal contract awards for construction and authorizations for public housing also dropped in volume. Even though the change in expenditures was small, the roll of the Federal Government had changed sufficiently so that the private sector could no longer look to Government demand for an expansionary stimulus.

Consumer spending did not take up slack

Some evidence of an easing in expansionary forces appeared in early 1953 when average hours worked per factory employee began to decline from the peak reached after the steel strike. The economy continued to move ahead, however, on the momentum gathered in late 1952. Construction activity, retail sales, transportation and utility sales, state and local government spending, and production in the first half of the year continued to grow or were maintained at a high level. These factors along with a continued growth in Federal expenditures and a sharp rise in inventories during the second quarter raised total economic activity to an all-time high in the first half. The further rise in stocks of goods during the second quarter proved to be the problem which attracted the most attention in business quarters. A large part of the inventory accumulation (70 percent in the second quarter) occurred at the manufacturing level and mostly in producers' stocks of durable goods. The principal industries affected included primary metals, electrical equipment, and automobiles. Some of the accumulation included products suitable for the defense program, but a considerable volume of consumer durable goods was also involved. Automobiles and many household durables piled up not only at the manufacturers' level but at the retail level as well. Much of the accumulation was unintended and stemmed from an over-estimate of demand.

The failure of consumers to expand spending more rapidly than they did was one factor in the inventory build-up. At the same time a substantial part of the increase in consumer expenditures which did take place during the first half of the year was for services and therefore did not contribute directly to the demand for commodities. In addition, the economic environment, though still favorable in the first half, contained some threats to stability in the form of shorter hours, announced layoffs by the Federal Government, contract cancellations, and prospective cuts in Federal spending. Such factors as these, together with the restraining influence of a record volume of durable goods in consumer hands, were not conducive to a rapid expansion in spending.

In the third quarter consumer expenditures for goods fell by almost $1 billion even though disposable income increased. In contrast, in the fourth quarter disposable income declined slightly ($0.5 billion). A drop of more than $2 billion in purchases of goods more than offset an increase of over $1 billion in outlays for services so that total consumer spending fell $1 billion.

Economy showed some strength despite change in setting

Even in such an unfavorable setting as this the economy demonstrated a fair degree of strength. New construction declined only moderately from its peak in the first quarter; corporate profits in the third quarter were at a seasonally adjusted annual rate above the total of $39 billion for all of 1952; and total personal income held up much better than employment. Moreover, businessmen seemed to maintain a reasonably optimistic outlook as indicated by the fact that their planned expenditures for plant and equipment in 1954 are only slightly lower than expenditures in 1953.

Yet the imprint of a basic change in the setting of the economy could not be missed. Expansionary forces were conspicuous by their absence and the sectors of the economy demonstrating the most favorable behavior rarely had more than a minor increase.

The problem at year end: How to stabilize?

Although the decline in the latter part of 1953 centered primarily in the industrial sector of the economy and progressed slowly, considerable concern existed in some quarters that it might become cumulative and severe. One of the fundamental forces behind the decline—the reversal of the upward course of Federal expenditures—was widely recognized. Whether the economy would find ways and means of offsetting the adverse effects of this reversal without serious unemployment of manpower and other resources was recognized as the crucial question. The drop in Federal expenditures was accompanied by serious efforts to adjust inventories in line with changing conditions. Sharply decreasing rates of inventory accumulation or actually declining inventories, together with small increases in unemployment, induced some fears of a possible cumulative fall in consumer spending which would create still further need of inventory reduction. It was felt that this chain of events might restrict profits and thus retard private investment in plant and equipment.

Formidable disagreement with these views, which seemed to embrace the thought that the United States economy could not prosper without defense spending, was voiced. Those expressing disagreement, while not seeking to minimize the problem of readjustment in prospect, asserted that the readjustment need not be severe if proper measures were taken to facilitate the expansion of business activity in the private sector to offset the decline in Government activity.

Some reduction in Federal taxes was regarded as one of the principal methods for stimulating private business activity. Much of the discussion therefore came to center on how much of an added tax cut there should be, when it should go into effect, and how it should be distributed between corporations, individuals, and among different personal income groups. The issue involved more than reducing tax revenues by the same amount as Government expenditures. Many participants felt that the private sector might not choose to spend a large enough portion of the tax remission to make any great difference in business activity unless the reductions in taxes were given directly to those sectors which would spend rapidly. As the events of early 1954 unfolded the impact point of tax cuts became the focus of much attention. Timing and size of possible tax cuts as well as the possibility that the economy would stabilize at a desirable level without further immediate tax reductions continued under active discussion.

Other considerations were also introduced to support the view that the prospective readjustment in the economy need not be too severe. Although Federal expenditures are scheduled to decline in 1954, the level of Government demand will still require a large volume of output. Moreover, present indications suggest that private investment, other than in inventories, is scheduled in a near record amount for 1954. According to this view the employment and income that these two forces will generate, even if consumer spending in relation to disposable personal income continues at present levels, do not justify the pessimism implied by those who predict cumulative decline. Some people would also cite in support of this general view the fact that 1953 had neither seen the development of highly speculative positions in any sector of the economy nor the overextension of bank credit such as have often precipitated and accentuated recessions in the past.

No matter which side of the question we may prefer, the crux of the problem is one of stabilizing the economy while shifting more of the initiative to the private sector. In 1954 the environment in which this adjustment must be made is quite different from that existing at the end of World War II. The backlogs of consumer and business demand that offset the 1945-46 decline in Federal spending no longer exist. Yet there is still visible a sufficient demand for goods and services so that there is a good possibility of minimizing stresses in making the transition. Even though the private sector will play an increasingly important role, Government policy adapted to compensate for the decline in Federal spending will be an important factor in determining the degree of adjustment that the economy must make.

TWELFTH DISTRICT INDUSTRIAL EXPANSION SLOWS DOWN

INDUSTRY and trade in the Twelfth District established many new production and sales records in 1953. Nevertheless, there was a marked slowdown in District economic activity during the year. From 1950 to 1951, District nonagricultural employment had grown by 7.4 percent; from 1951 to 1952, by 6.4 percent; from 1952 to 1953, by only 3.2 percent. Furthermore, the seasonally adjusted index of nonagricultural employment fell 3 percent from September, the peak month of 1953, to December.

Two factors in the slowdown stand out in the reviews of District industries. One is the approach to the peak level of post-Korean defense needs, and the other is the general economic adjustment which spread over much of the economy toward the end of the year. The two factors cannot be separated completely, but in most industries which participated in the slowdown—and there were a few, such as food processing and paper and pulp, which showed no signs of weakness—one or the other factor predominates. The approach to the maximum level of defense needs was clearly the cause of the decreasing rate of expansion of aircraft production during the year. The same force was at work in the ordnance, instruments, and electrical machinery industries, all of which had been among the fastest growing in the District. The steel and aluminum industries, on the other hand, were still in the most rapid phase of their post-Korean growth of capacity in 1953. The weakness in the steel market during the last quarter was part of the general economic adjustment. It was this adjustment, also, which was important in the motor vehicle and furniture industries and in the decline in retail sales. The construction decline was another important part of the over-all adjustment, but it was heavily affected by the special circumstance of tight credit conditions in the residential mortgage market. Conditions in the construction industry, in turn, were the principal cause of the fall in lumber production and prices.

In general, the economic behavior of the Twelfth District in 1953 paralleled more closely that of the nation as a whole than it has for several years past. The post-Korean industrial expansion had stimulated the District more than the rest of the nation; its slowdown narrowed the margin by which District economic growth exceeded national economic growth. The economic adjustment of the last half of the year affected in approximately the same degree both the District and the nation. Employment statistics provide evidence of the parallelism. From 1952 to 1953, United States nonagricultural employment grew by 2.4 percent, compared with the District's 3.2 percent. The

INDEXES OF INDUSTRIAL PRODUCTION—TWELFTH DISTRICT

(1947-49=100)

Industrial Production	1939	1946	1947	1948	1949	1950	1951	1952	1953p
Copper	80	71	106	101	93	113	115	112	111
Lead	93	70	94	105	101	109	93	86	74
Zinc	47	81	98	100	102	101	95	88	73
Silver	167	64	100	105	95	122	114	111	105
Gold	234	71	101	100	99	117	99	88	89
Iron ore	9	49	100	102	97	119	178	162	204
Steel ingots	24	60	95	107	98	126	147	139	158
Aluminum	...	51	90	102	108	119	126	121	164
Petroleum	67	94	100	101	99	98	106	107	109
Refined oils	63	91	98	100	103	103	112	116	122
Natural gas	63	88	101	103	97	100	98	94	101
Cement	56	81	96	104	100	112	128	124	130
Lumber	72	85	97	104	99	112	113	107	110
Wood pulp	67	82	96	103	101	120	140	148r	157
Paper	65	88	96	102	102	109	120	122	128
Douglas fir plywood	53	78	91	104	105	142	160	170r	195
Wooden boxes	...	124	115	98	87	94	96	92	87
Canned fruits	74	125	101	99	100	96	121	103r	110
Canned vegetables	43	123	109	92	99	110	172	162r	143
Meat	63	101	102	94	103	103	108	116	128
Sugar	97	90	119	89	93	105	98	95	113
Flour	91	108	113	98	88	86	95	96r	96
Butter	178	69	105	92	103	99	76	65r	90
Cheese	71	99	103	98	99	104	105	106	...
Ice cream	46	131	113	96	91	94	99	113	...
Canned fish	87	83	93	98	109	122	95	85	67

p Preliminary.
r Revised.
Note: Data given above supersede all previously published annual indexes.

difference was appreciably smaller than it had been in other recent years. Within the months of 1953 both employment series, after adjustment for normal seasonal variation, showed a rise and then a decline, with the amplitude of the swings being approximately the same for the District and the nation.

The major difference between the District and the nation was that the year's peak employment months (on a seasonally adjusted basis) were slightly later for the District than for the nation. The early decline in apparel and automobile sales was felt in both the nation and the District—the record of large stores in selected Far Western metropolitan areas, in fact, indicates that the downturn in retail sales began earlier in the District. The industrial effects of the sales decline, however, were felt principally outside the District at first, since the textile and automobile industries are relatively unimportant in the Far West. The later decline in construction, in the production of many types of durable goods, and, to a lesser degree, in total retail sales affected all sections of the nation.

District dependence on national markets has made it certain that any upward or downward trend in national demand will affect the District economy. The years from 1950 to 1952, like the years of the second World War, demonstrated that the District rate of growth could diverge significantly from the national rate; 1953, in contrast, showed the underlying interdependence of the Far West and the rest of the nation.

Employment growth slackens toward end of year

As the year 1953 progressed the employment picture in the Twelfth District weakened. During the first half of 1953 employment grew rapidly, but by midyear signs of faltering growth appeared in almost all major sectors of the District economy. However, for the year as a whole 1953 average monthly nonfarm employment was 3.2 percent above year-ago levels in spite of the narrowing year-to-year gains during the closing months of the year. Other indicators reflecting a slackening in employment growth were rising unemployment and a decline in average weekly hours worked by manufacturing production workers. After July, District unemployment was above the 1952 level. However, for the year the ratio of unemployment to civilian labor force remained at the same level as in 1952—3.8 percent.

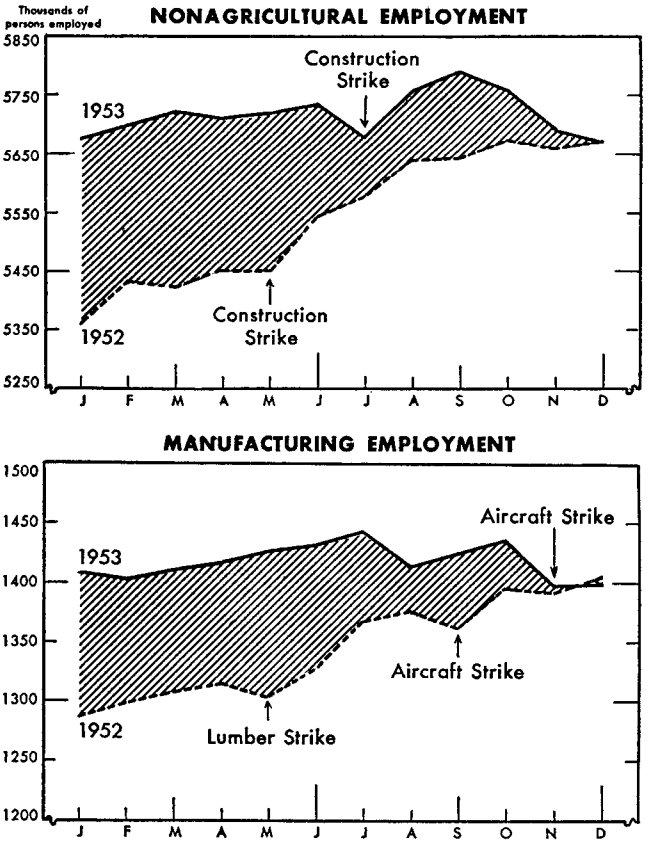
As has been typical for the past several years, the Twelfth District again fared better than the nation with respect to employment growth from 1952 to 1953. In all major sectors of the economy the District experienced a higher rate of growth than did the nation. Whereas average monthly nonfarm employment increased by 3.2 percent from 1952 to 1953 in the District, it rose by 2.4 percent in the nation.

Population growth, new investment programs, and continued demand for defense related goods and services provided stimuli for the rising level of employment in the District. However, several developments were of sufficient import to slow down the expansion of District employment toward the end of the year. Even though defense activity continued to bolster the District economy during 1953, it did so with less intensity than during 1951 and

CHART 1

THE GAP BETWEEN 1952 AND 1953 EMPLOYMENT LEVELS NARROWS—TWELFTH DISTRICT

(Adjusted for seasonal variation)



Source: Cooperating state agencies.

1952. Furthermore, the review of Federal defense policies resulting in the curtailment of some defense contracts and the stretch-out of the production period for other defense items dampened the expansion of such defense-related industries as aircraft, electrical machinery, ordnance, and metals during the latter part of the year. The reduction of civilian personnel at military installations and at Federal agencies also contributed to the leveling off of employment growth. Market difficulties in the lumber industry as well as some decrease in residential construction activity during the latter part of 1953 are a further explanation of this slackening employment growth.

Twelfth District nonagricultural employment, as measured by the annual monthly average, rose by 3.2 percent or 179,000 persons between 1952 and 1953. The major sector contributing to the year's gains was manufacturing which increased its number of jobs by 5.2 percent. Moderate increases occurred in the other major employment classifications, except government. During the first quarter of 1953 average monthly employment in the construction industry rose 11 percent above the comparable period of 1952 due to a combination of forces—good weather and a large volume of residential and nonresidential building. By year end, however, employment gains over year-ago levels were slight as authorized residential and, to a lesser extent, nonresidential building declined.

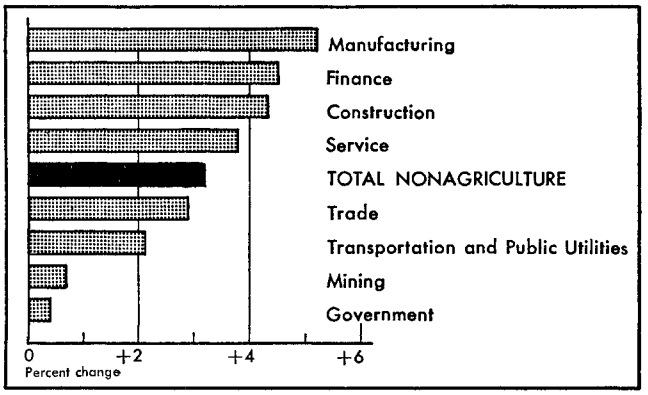
Moderate year-to-year employment increases in the transportation, trade, service, and finance lines, ranging from 2 to 5 percent, stemmed from continued growth of population and its dispersion to new areas, resulting in increasing demands for additional trade outlets, services, transportation facilities, and banking services.

Government employment for the year 1953 remained at approximately the 1952 level. A reduction in personnel at Federal Government establishments from 1952 to 1953 was offset by an increased number of jobs with the state and local governments. Mining employment rose only slightly during the year as the gains in petroleum extraction and copper mining employment were partially reduced by the contraction of employment in the lead and zinc mining industry.

CHART 2

NONAGRICULTURAL EMPLOYMENT IN SELECTED MAJOR GROUPS—TWELFTH DISTRICT

(Percent change in average monthly employment, 1952-53)

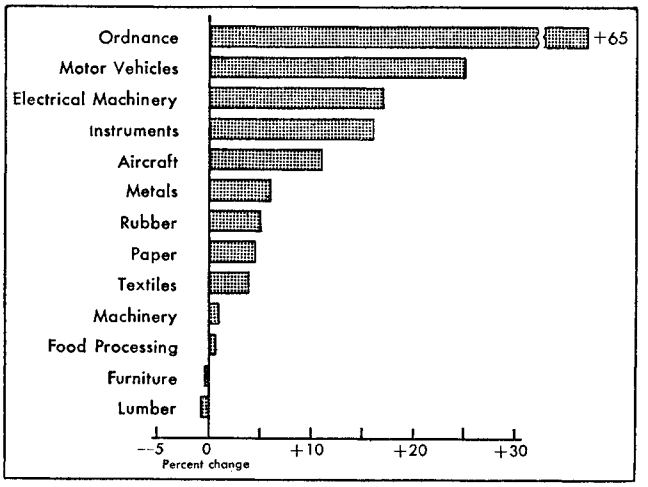


Source: Cooperating state agencies.

CHART 3

MANUFACTURING EMPLOYMENT IN SELECTED INDUSTRIES—PACIFIC COAST

(Percent change in average monthly employment, 1952-53)



Source: Cooperating state agencies.

In the manufacturing sector not all industries shared equally the employment gains between 1952 and 1953. The fastest growing industries were principally those related to defense activity. As indicated in the accompanying chart, the following industries had the highest relative increases in average monthly employment: ordnance, motor vehicles, electrical machinery, instruments, and aircraft. In terms of absolute increases the aircraft industry made the largest gains. By December the year-to-year gains in each of these industries, except ordnance, were relatively minor, reflecting the tapering off of the defense program and, in the case of the motor vehicle industry, a reduction in force at auto assembly plants due to rising inventories. The metals and machinery industries also added workers to their pay rolls during 1953. Metals employment increased by 6 percent between 1952 and 1953 but machinery employment rose only 1 percent as a result of declining demand for agricultural and lumber machinery. Running counter to other durable goods industries, lumber and furniture industries decreased the number they employed during 1953. The causes of the decrease were a decline in residential construction authorized, the entrance of Canadian lumber upon the market, and some decline in the demand for lumber abroad. Average monthly employment dropped less than 1 percent between 1952 and 1953. However, the year-to-year decline would have been much greater had it not been for a major work stoppage in 1952 and a particularly harsh winter in contrast to mild weather in early 1953. Also, California's rise in lumber employment offset in part the employment losses in Oregon's and Washington's lumber industries.

Substantial employment gains of approximately 4 percent occurred in most nondurable goods industries—textiles and apparel, paper, printing, chemicals, rubber, and

leather. However, a major District industry—food processing—showed an increase of less than 1 percent in employment over the year.

Construction activity at high but declining level

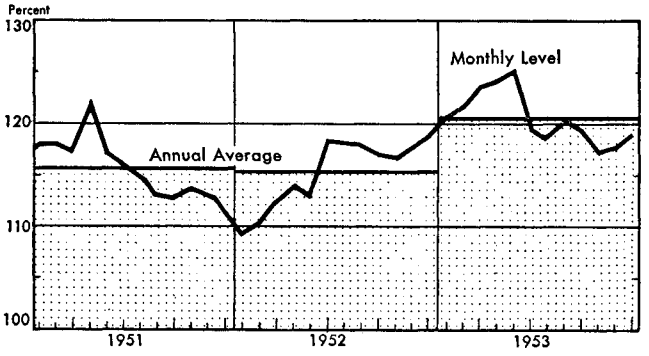
Construction activity in the Twelfth District was at a high level in 1953. District contract construction employment during the year averaged 374,600, 4 percent above the 1952 figure. The value of building construction authorized in urban areas in the District, which reflects the plans and expectations of builders somewhat in advance of actual building operations, was also high for the year as a whole, totaling 7 percent more than in 1952.

These summary figures, however, conceal many contrasts and uncertainties within the construction industry. The most striking contrast is that between the beginning and the end of the year. At the beginning of 1953, construction activity was increasing at more than its normal seasonal rate, and in March the adjusted level of construction employment reached an all-time high 25 percent above the 1947-49 average. During June and July, labor-management disputes in several District states interrupted the rise in construction employment, but August was again a moderately good month. After August, on the other hand, the adjusted employment index declined to a low of only 117 percent of the 1947-49 average in October. In the last two months of the year, employment declined slightly less than seasonally, but the adjusted employment level remained more than 5 percent below its March peak. Construction authorizations began a decline as early as April and showed no revival in the last quarter. These declines made the construction industry a weak area in the District economy towards the end of the year, in spite of its record for the year as a whole.

Another contrast hidden by the over-all statistics is that between residential and nonresidential construction. The value of residential building authorized reached a very high peak in March and declined afterwards, falling below its year-ago level for seven of the eight months after April. The twelve-month total for 1953 was 2 percent above the 1952 total. Nonresidential construction authorized in the District in 1953, on the other hand, ran 14 percent above its 1952 level. It also reached a March peak, but maintained a fairly steady, rather than a declining, level after March. Commercial building authorizations were unusually high during the whole year, and especially during the last quarter. For the first half of the year, industrial authorizations were also high, and during the third quarter, a relatively large amount of educational construction was authorized. The rise in these categories more than balanced the fall in Federal contract awards from 1952. The weakness in the construction industry toward the end of the year, therefore, was essentially a weakness in the residential building sector.

CONSTRUCTION EMPLOYMENT—TWELFTH DISTRICT, 1951-1953

(Adjusted for seasonal variation, 1947-49=100)



Source: Cooperating state agencies.

The three major areas in the Twelfth District—California, the Pacific Northwest (Washington, Oregon, and Idaho) and the Intermountain states (Utah, Nevada, and Arizona) provided a third contrast in construction activity. The Pacific Northwest construction industry fared worse in relation to previous years than did the construction industry in the rest of the District. Residential authorizations in the area were about 6 percent below the 1952 level, a high first quarter not compensating for a low level during the last three quarters. Nonresidential authorizations in urban areas were slightly above the 1952 level in the first half of the year, but dropped to 16 percent below in the last quarter. Some of the large nonresidential projects planned were: power plant facilities at The Dalles Dam in Oregon; a nickel smelter in Reddell, Oregon; the $75 million oil refinery at Anacortes, Washington; the oil pipe-line from Billings, Montana, to Spokane; and the chemical-processing plant at the Hanford atomic energy center in Washington.

California construction was similar to construction in the District as a whole, comprising as it does more than three-fourths of the District total. Some of the large nonresidential projects planned in California were: an oil refinery at El Segundo; steam-electric generating plants at San Luis Obispo and El Segundo; and an automobile assembly plant at Milpitas.

Construction authorizations were relatively higher in the three Intermountain states than in the rest of the District, especially during the first and third quarters. Nevada and Arizona were responsible for most of the unusually high level, although Utah also had a fairly high third quarter. In Nevada, both residential and nonresidential authorizations were above previous levels. In Arizona, nonresidential authorizations were consistently high, with residential spurts during March and July. In Utah an increase in nonresidential authorizations during the third quarter was responsible for the high level.

Builders generally explained the residential building slowdown in most of the District during the summer and fall of the year as a consequence of the tight mortgage market. Nonfarm mortgage recordings of $20,000 or less showed a decrease in the District from April through August, instead of the usual seasonal increase. The nation as a whole, which had a construction record very similar to the District's, also had a summer decline in the number of nonfarm mortgage recordings. A strong demand for

long-term funds by nearly all users during the first half of 1953 forced interest rates up and made mortgages less attractive to lenders, especially commercial bankers, than other types of loans. Government-guaranteed mortgages became particularly unattractive because their interest rates were fixed at levels which were low relative to alternative investments. In May, their rates were raised, but at the same time the VA prohibited the sale below par of VA mortgages. Not until the end of June was this prohibition ended and Government-guaranteed mortgages allowed to compete freely with other loans. Until the end of June, therefore, mortgage commitments were increasing less than seasonally, and the low volume of commitments continued to depress the value of mortgages recorded for several months after June.

After the middle of the year, money markets began to ease, and mortgages recovered some of their attractiveness. From August to October, nonfarm mortgage recordings of $20,000 or less rose somewhat, and the decline in the next month was approximately a normal seasonal one. Lagging behind the change in mortgage activity, the value of new construction activity showed some signs of revival during the last quarter by declining less than seasonally. Even after seasonal adjustment, however, both national construction activity and District construction employment revived appreciably less than they had declined earlier in the year.

Lumber market weak

Production, prices, and employment in the Twelfth District lumber industry fell during 1953. For the year as a whole, production was 4 percent above 1952 and 2 percent below 1951. For the second half of the year, however, production was 2.5 percent less than production during the second half of 1952. Output fell fairly steadily, apart from normal seasonal variation, from March through September; and the recovery in the last quarter was very small in comparison with the earlier decline. The Bureau of Labor Statistics lumber price index dropped from 120 percent of the 1947-49 average in January to 116 percent in November, when it began to firm at the new, low level. By December 1953, employment in the lumber industry in Oregon was 21 percent below the employment level during the peak month of July. The same measure yields a figure of 19 percent in December 1952, 14 percent in December 1951, and 14 percent in the recession month of December 1949.

The slowdown in residential building was the principal cause of the weak lumber market. Residential construction needs constitute the principal demand for softwood lumber, and housing starts in the United States during 1953 were 2 percent below the number in 1952. Furthermore, housing starts, like lumber production, were declining during the year; for the period from January to June starts were 3 percent higher in 1953 than the year before, whereas from July to December they were 7 percent lower in 1953.

Developments in international lumber trade also contributed to the cutbacks in the Twelfth District lumber industry. United Kingdom demand for lumber, especially Canadian lumber, fell sharply in 1953 and caused Canadian producers to compete more heavily in United States markets. As a result, United States imports of softwoods in the first eleven months of 1953 were 15 percent above those of the first eleven months of 1952, and the increase in this segment of the total supply intensified the downward pressure on prices. There were indications that Canadian competition was lessening as Britain's demand picked up in the last two months of the year. The importance of the import situation should not be exaggerated; total United States imports were only 7 percent of domestic production during the first eleven months of 1953, and the increase in imports over the previous year was only 1 percent of production. Such marginal supply can be important in influencing prices, but in this case was probably much less important than the housing weakness as a cause of changes in lumber prices.

The Douglas fir region, largest of the three lumber-producing regions in the District, was affected during 1953 by continuous, severe price cuts until November. The price of dimension #1 common 2″ x 4″ Douglas fir fell from $84.67 per thousand board feet in January to $73.12 per thousand board feet in November, when a very slight recovery began. During 1952 the price had reached as high as $86.58 per thousand board feet, so that the total decline from the 1952 peak to the 1953 low was 16 percent. Inventories averaged higher in 1953 than in 1952, but they showed no rising trend during the year. Orders received did decline after April, so that in spite of a 20 percent drop in production from March to December, the volume of unfilled orders was 9 percent lower at the end of 1953 than at the end of 1952.

The western pine region of eastern Oregon and Washington had a different price experience from the Douglas fir region. Prices increased early in the year, reaching a level in May some 3 percent above January. Production also increased during the first five months of the year, and the volume of orders received was at a fairly high, though fluctuating, level. After May, however, prices began to fall, first slowly and then very sharply, so that the November price of #3 common 1″ x 8″ ponderosa pine boards was 18 percent below the May price. Until the last quarter, orders continued at about the May level but failed to keep up with the increase in production from May to August which was primarily seasonal in character. As a result, not only prices but also the level of unfilled orders began to fall during the summer. After August, production was cut, and by the end of the year orders were falling also, so that the volume of unfilled orders was 46 percent lower and the level of inventories 6 percent higher on December 31, 1953 than on December 31, 1952.

The redwood region of California was not so hard hit as the rest of the District lumber industry. Redwood demand depends on neither residential construction activity

nor foreign lumber prices so much as do fir and pine demand; even in its housing uses, redwood is largely a specialty product. Redwood prices remained fairly stable throughout the year. Orders received fell after April, and a production drop after June was not sharp enough to prevent some inventory accumulation and some drop in the volume of unfilled orders. The level of inventories was 9 percent higher in December than in January 1953, but demand had been strong enough until April so that the volume of unfilled orders was higher at the end than at the beginning of the year.

Plywood has record year despite setback in second half

District plywood production in 1953 reached a new high level, due primarily to an unprecedentedly large output in the first half of the year. For the year as a whole output reached 3.5 billion square feet, a gain of 15 percent over production during 1952. This substantial rise in activity reflected principally the record high rate of new construction activity in the nation, the source of more than half the demand for the output of District producers. The generally high levels of industrial production, especially in the first half of the year, and expanded consumer expenditures also contributed significantly to increased plywood demand. In addition the trend toward an increased degree of utilization of plywood in construction and in a wide variety of other uses has been intensified and is an important factor in the expanded consumption of this major District product.

Although 1953 will be characterized as a year of extremely high activity, the plywood industry was beset during part of the year with severe fluctuations in new orders, production, and prices. During the first quarter new orders were received at the record rate of 80 million board feet, production was sustained at capacity levels, and prices rose moderately. In the second quarter, however, new orders declined to a level about one half the earlier peak, while production was generally maintained at near capacity. By midyear this maintenance of production in the face of the sharply reduced ordering by processors and dealers had cut order backlogs to an unusually low level. In late August the pressure of excess production and slackened demand led to a sharp break in prices which subsequently carried them to their lowest level in seven years. Industry operations were cut substantially in the third quarter with widespread reductions in the number of days worked by mills and in hours worked per day. In some cases mills were closed completely during all or part of the month of September. A recovery in demand early in October, partly in response to the lowered price schedule as well as to the unseasonal rise in residential construction activity nationally, raised new orders to a point roughly comparable to the level reached earlier in the year. Production recovered quickly and full operations were resumed early in the fourth quarter. Prices remained relatively weak throughout most of the last quarter of the year, although considerable firming very late in the year, according to press reports, raised prices to approximately the level which prevailed in the first half.

A pattern of industry behavior with similar results has recurred in each of the past three years. The fluctuations in 1953 were considerably more severe than in other years, however. Not only were demand changes unsettling but the industry's capacity made it more sensitive to declines than in other years. Expansion of productive facilities has proceeded more rapidly than the growth in total demand. The formerly tight supply situation has given way to one of balance as long as demand remains very high. Any drop in demand, however, instead of merely easing the pressure on suppliers (as used to be the case) gives them a substantial margin of idle capacity. It is estimated by industry sources that the annual capacity at the close of 1953 was approximately 3.7 billion square feet, calculated on the basis of a five-day work week. Capacity would be substantially greater on a six-day basis, a work week not unusual for many firms in the industry today. Furthermore, capacity is expected to expand further in 1954 as several mills under construction are completed and announced conversion of other facilities to plywood production takes place. In the absence of significant gains in construction and general industrial activity, any further net expansion of the industry's facilities beyond the level indicated for 1954 appears doubtful, and, in fact, should the current weakness in over-all business continue, it may prove difficult to utilize fully existing plant capacity.

District paper production reaches new high level

The output of paper and paperboard in both the District and the nation reached new record levels in 1953. District production rose more than 4 percent in 1953 above the previous year, reaching a level 28 percent above the average annual production in the 1947-49 period. Nationally, output increased 9 percent above 1952, or more than twice as much as in the District. This better record reflects the recovery of the paper industry outside the District from unfavorable developments in 1952. Output in the nation in 1952 was some 8 percent below 1951, mostly as the result of the major inventory adjustment that occurred during that year, a development that had only minor repercussions upon the District industry.

The record outpouring of paper and paperboard was substantially absorbed by the major users of these products. Stocks of paper and paperboard in the hands of mills and their principal customers at the end of 1953 were in a very favorable relationship to sales, and the absolute rise in inventory over the year was quite moderate. This situation contrasts sharply with many other segments of industry, especially in the durable goods sector where inventories were burdensomely high. The over-all balance between supply and demand for paper and paperboard products is illustrated by the general stability in prices that prevailed throughout 1953. Paper prices fluctuated within very narrow limits during the year and for the year as a whole prices averaged just over 1 percent higher

than in 1952. Paperboard prices behaved similarly but for the year averaged slightly lower than in 1952 despite considerable strengthening in the late part of 1953.

District productive capacity was utilized somewhat more fully during 1953 than in the previous year and some further moderate new additions were made to existing facilities during the period. Average utilization of facilities rose to 96.5 percent in 1953 compared with an average utilization of 94.3 percent in 1952. Expansion in productive capacity, while still on the upgrade, slowed down quite sharply in the past year from earlier periods. In 1953 capacity increased just a little more than 2 percent compared with gains of 20 percent in 1951 and more than 7 percent in 1952.

Aircraft expansion slows

The District aircraft and parts industry continued to expand during 1953 although at a rate much lower than in the preceding several years. Aircraft and parts manufacturers added nearly 18,000 new workers to their payrolls during the year compared with 38,000 added in 1952 and some 70,000 in 1951. This tapering off in aircraft employment expansion reflects the approach of industry operating rates to the maximum level provided for within existing procurement policies of the Federal Government. Some moderate further growth may be expected in the first half of 1954 when the industry is expected to stabilize, although individual producers may advance further or contract as national defense requirements for particular types of aircraft shift.

Current defense planning contemplates an air force of 137 wings by June 1957, a further stretchout of earlier goals. At the start of 1953 official planning called for 143 wings by January 1956. This pushing of goals farther into the future has tempered the rate of expansion of the District aircraft industry, but it will have the further effect of maintaining production at a high level for some time to come. Air Force expenditures for aircraft and related procurement totaled $5.8 billion in the fiscal year ended last June. Expenditures are expected to reach $6.9 billion in fiscal 1954 with a modest decline to around $6.7 billion in fiscal 1955. As total defense spending is scheduled to decline in the next several years, the planned expenditures on aircraft represent a somewhat larger proportion of the total military budget. This shift in emphasis has obvious favorable implications for District aircraft and parts producers. District aircraft firms, which received approximately $14.5 billion in prime contracts in the first three years following Korea, had some $7 billion in unfilled orders on hand at year end. This would appear to be sufficient at current production rates to keep the industry operating for several years. In addition to the order backlog, a large share of the new money for aircraft and related procurement provided for in the Federal budget may be expected to flow to District producers.

Despite the generally favorable situation and outlook, some segments of the industry have encountered difficulty in the past year. In Arizona, where the industry is engaged principally in modification work on existing aircraft, operations have been sharply curtailed from earlier peak levels. Starting late in 1952 the modification program has been rather sharply curtailed and employment in the industry in Arizona has fallen to a point 50 percent below the earlier peak. Aircraft production was also restrained by a labor-management dispute that closed a major southern California airframe producer for almost two months during the fourth quarter of the year. The strike affected upwards of 20,000 workers during most of the shutdown period. Continued shortages of highly skilled craftsmen and engineers remained a major industry problem, although training programs and recruitment activities have reduced its severity in the past year.

Private shipbuilding levels out

Private shipbuilding activity, after a sharp buildup in the first 2½ years following Korea, leveled out in 1953. Aside from occasional fluctuations, operations at District yards remained substantially unchanged throughout the year. Average monthly employment increased only a little more than 1 percent above 1952 levels. While the industry remains only a fraction of its World War II size, it did employ 75 percent more workers on the average during 1953 than in the immediate pre-Korean period. With the exception of the work on several new maritime hulls that got underway just at the start of the year, operations at private District shipyards are still confined to small craft construction and general ship repair.

Activity at Federal Government shipyards provides a sharp contrast to the stability that has prevailed at private establishments. Cutbacks in employment have been heavy at naval shipyards, reflecting both the reduction in Federal Government employment generally as Federal expenditures have been reduced and the effects of lower operations as a result of the end of active hostilities in Korea. While over-all totals of this type of employment are not available, it has been estimated that employment in the naval shipyards in the San Francisco Bay Area, for example, was off nearly 20 percent at year end compared with the same time in 1952.

Production of crude petroleum passes the million-barrel-per-day mark

Among other notable developments in the Pacific Coast petroleum industry in 1953 was the attainment of a million-barrel-per-day rate of production of crude oil. This high level of operations together with an unprecedented volume of imports of foreign crude, averaging about 78,000 barrels per day, led to an oversupply problem causing some concern among oil men. A record rate of exploratory and drilling activity in California accompanied this situation. About 2,600 new oil and gas wells were completed in California in 1953. Despite the shutting-in of several hundred low-volume producers of heavy crude in the Kern River district in October, there were more than 31,000 active producing wells in operation in California at the end of the year, a record year-end number.

The crude oil situation in the Pacific Northwest was significantly altered by the completion and initial operation of the new Trans Mountain Pipe Line extending from Edmonton, Alberta, to Vancouver, British Columbia. This line is designed to permit delivery at tidewater of approximately 200,000 barrels of crude per day. To take advantage of the new supplies thus made possible, construction was started on two modern refineries in the Puget Sound area of western Washington by major California companies.

Early in the year crude oil prices advanced by 10 cents to 50 cents per barrel, accompanied by corresponding advances for gasoline and other products. However, the industry was beset during the year with rapidly mounting inventories, both of gasoline and heating oils, as a result of high level refinery operations and a large carry-over of heating oil stocks from the mild winter of 1952-53. Considerable apprehension in the trade has developed as to the industry's ability to maintain the price advances which followed the demise of price controls.

Iron and steel pass expansion crest in 1953

The nation's steel industry reached an historic peak during the past calendar year. In March 1953 steel ingot production exceeded 10 million tons, nearly 102 percent of total rated capacity. A preliminary estimate by the American Iron and Steel Institute indicates that for the year as a whole the industry produced a total of nearly 112 million tons, almost 7 million tons more than in 1951, the next highest year. The high level of production was a reflection of the "coming in" of the bulk of the new facilities created in the post-Korean expansion plus the fact that operations were largely uninterrupted by labor disputes. The nation's steel ingot capacity increased 6.8 million tons in 1953.

Twelfth District producers participated in this growth and prosperity, some of them breaking their previous production records by wide margins. For the first time in history the District had two producers who manufactured more than 1 million tons of finished steel products. Total steel ingot production in the seven western states was 5,154,000 net tons, representing 92.4 percent of capacity. According to the weekly report on steel operations published by the magazine *Iron Age,* western steel producers[1] operated at a higher percent of capacity than the industry average in every week but one. Although Twelfth District ingot capacity did not grow as rapidly as that of the nation as a whole, large expenditures were made in expanding and diversifying other facilities, most notably finishing capacity.

Despite the over-all appearance of prosperity and growth that the annual statistics present, during 1953 steel men in the West and throughout the world felt increasing pressure upon their markets from the vast increase in production at a time that the high Korea-induced demand began to ebb. Until June the nation's steel operations as reported in *Iron Age* remained above 95 percent of capacity; in that month the rate dropped slightly and seemed to remain stable at a lower level until late in November when the rate dropped sharply to 87 percent and continued to fall quite steadily until the year's low point of 65 percent was reached in the third week of December. Since then the rate has recovered moderately but the complexion of the market has changed markedly in the past half year and there appear to be no forces strong enough to bring back a level of operations over 90 percent in the immediate future.[1]

This decline in demand has meant a gradual collapse of the market for the high-cost producer who could ask and get premium prices for all the steel he could produce a year ago. In July, cancellations began to appear on high priced "conversion deals" in which a mill operator buys ingots or billets in the open market and shapes them for resale to a steel consumer. By late September some alloy steel plants were reporting cutbacks in operations by as much as 70 percent. In October, electric furnaces[2] were cut back to 56.3 percent of capacity over-all. The significance of this situation to steel production in the Pacific Northwest is indicated by the fact that over 50 percent of the ingot capacity of Washington and Oregon is in electric furnace equipment.

By December even the larger scale operators were cutting back output. Virtually every large tonnage producer announced cutbacks in open hearth operations during the fourth quarter. In the Twelfth District two open hearths were cut back by Bethlehem Pacific in Seattle and two by Kaiser at Fontana. Similar cutbacks or slowdowns were reported in most other mills. The average production rate in eleven western states during December was 82 percent.

Quoted prices of steel varied only slightly during 1953. For three months during the year—May, June, and July—the average price of finished steel rose moderately, the largest rise being slightly less than 3 percent—in June. Much has been said in the past six or seven months about mills "meeting competition" in distant markets by absorbing freight charges, that is, quoting prices f.o.b. mill plus only as much freight charge as the best situated competitor would charge. In this way an increasing number of eastern sellers of steel have been coming into competition for Far Western buyers. The average effective price of steel products in the Twelfth District has moved downward as a result of that competitive pressure. The prices of scrap steel, which are regarded as a bellwether for the steel industry, moved sharply downward after reaching a peak in July. By December the average of scrap prices in the major steel centers had fallen more than $13 per ton, a drop of nearly 30 percent. This situation was most acutely felt on the Pacific Coast where scrap sales had fallen below 50 percent of capacity for many dealers by

[1] The western region used in the *Iron Age* series includes eleven western states.

[1] The measure of steel operations as a percent of capacity is an index of the rate of utilization of ingot capacity as that capacity is reported to the American Iron and Steel Institute on January 1 of the year being considered.

[2] Many smaller tonnage producers, particularly alloy steel producers, make their steel in electric furnaces.

the end of the year and had not improved at the end of January 1954.

High Pacific Northwest power production supports record aluminum production

The primary aluminum industry in the District experienced its greatest year in 1953 in terms of physical production and in terms of profits. That period was also a year of climax in terms of national growth in the industry, for nearly full realization of the Government's "second round" of stimulation to the industry's growth was achieved. It is interesting to note that in the aluminum industry, as well as in the steel industry, growth of permanent capacity has been greater since the start of the Korean war than it was during the expansion period of World War II. By the end of 1953 national aluminum ingot capacity had risen to an estimated 1,500,000 tons. The peak of this upsurge of growth has passed. Barring some unforeseen impetus to further expansion, expenditure on plant and equipment for aluminum production in the coming year will be less than half the $285 million expended during 1953. Government-induced expansion is planned to carry capacity only 250,000 tons higher at most. Furthermore, much of the planning for further expansion is still in the conjectural stage.

The Twelfth District accounts for about 40 percent of the nation's primary aluminum capacity and in 1953 it produced almost one-third of total industry production. All of this capacity is located in Oregon and Washington. All primary aluminum production in 1953 came from the plants of three producers. The nation's primary production in 1953 was more than one-third higher than in 1952. In large part this was due to the "coming in" of much new capacity. However, the increase was greatly facilitated by a plentiful water supply in the fall season in the Pacific Northwest. The aluminum industry in that region is based largely on interruptible hydroelectric power. Since approximately 10 kilowatt hours are needed to produce each pound of aluminum, any very substantial curtailment of cheap power necessitates a cutback in operations. The significance of this dependence on water-flow is illustrated by the fact that in the state of Washington total primary production during the low water period from September through November 1952 was less than 60 percent of production for the same period in 1953. The water supply in this last fall-winter season has been sufficient for full capacity operation. However, that was a wetter than average season.

The risk to aluminum producers of inadequate power supplies has been significantly reduced in the past year by the coming into production of the Hungry Horse hydroelectric project in western Montana. This project adds 285,000 kw. to the power resources administered by the Bonneville Power Administration. More important than that, its 2 million acre-foot storage capacity has made it possible to mitigate fluctuations in the cycle of water-flow down the rivers on which power is generated in the area. The steadier flow of water from year to year and from season to season will reduce the likelihood of interruption of power generation. The Bonneville Power Administration (BPA) has signed contracts with the primary aluminum producers which allow them to buy power that is generated by drawing down the Hungry Horse reservoir below the volume that a median-year water supply would replace. In the event that the reservoir fails to refill in the subsequent refill season, Bonneville has the right to order the aluminum companies to replace power to the system in proportion to their responsibility for the excessive draw-down. This assures BPA that no firm power commitments are jeopardized by such draw-down. Thus, in years of median or better water flow no interruption of power to the aluminum companies will occur, and in abnormally dry years no more than an amount proportionate to the shortage will have to be replaced by the companies.[1]

Market conditions in the aluminum industry were good throughout the year despite a slight decline in military purchases from the 1952 level. Civilian demand rose rapidly enough to take up much more than the amount of the curtailment in military demand. The price of aluminum ingot rose 1½ cents per pound during 1953 (reaching 22½ cents in the month of August), but a favorable price position was retained relative to its most important competitors.[2]

High inventories at the fabrication level and at higher levels of processing led to some decline in demand late in the year as production brought supply into equality with current needs. This slowdown was reflected more strongly in the shipments of various types of fabricated aluminum than in manufacture of ingot. Monthly primary production declined 2.4 percent nationally in November while larger declines occurred in shipments of several important categories of aluminum products. While the decline in shipments of products is of great concern to all of the aluminum producers, the geographic structure of the industry is of such a nature that the Pacific Northwest concerns itself mainly with primary production.[3] Therefore, the level of production in the Pacific Northwest was not greatly affected by the year-end decline in shipments. A drop in employment of some 200 workers at the large Trentwood rolling mill is a notable exception, however. The decline is widely regarded as mainly an inventory adjustment. Spokesmen for the industry are taking great pains to assure the public that the great increase in capacity that has taken place is not excessive.

Copper tonnage output down slightly; value of production up

The decline in business activity hit earlier and harder at the copper, lead, and zinc mining, smelting, and refin-

[1] Replacement may be made by purchase of steam-generated power or by foregoing consumption of Bonneville power. The former alternative is very expensive since steam-generated power from the private utility companies is approximately three times as high in price as the hydroelectric power which they would be replacing. The latter alternative means shutting down a part of the companies' operations.

[2] For example, copper rose 25 percent in price while the aluminum price increase was only 7.5 percent.

[3] There have been important moves lately to increase the capacity of the District for production of aluminum extrusions and rolled products but the greater part of the primary aluminum produced in Washington and Oregon is shipped elsewhere for further processing.

ing industries in 1953 than was the case with steel and aluminum. Primary production of copper in the United States declined slightly from the 1952 total and fell behind aluminum, the nation's new No. 2 metal in terms of tonnage produced. The decline in copper production was slight, however, amounting to about one half of 1 percent in the nation and to 1.6 percent in the Twelfth District. Owing to the fact that the price of refined copper rose more than 5 cents per pound after the removal of ceiling prices, value of production increased substantially. In the seven western states about 730,500 tons of recoverable copper were mined, valued at nearly $418 million.[1] The largest part of the tonnage decrease occurred in Utah as the monthly production rate was curtailed somewhat in the Bingham district, the location of the nation's largest individual copper producer. In Arizona, the nation's leading producing state, the tonnage decline was very slight and was more than offset by rising mine output in Nevada. Variations of a smaller order that virtually canceled each other out occurred in Idaho, Washington, and California. The value of production increased in all states but California. The largest value increase occurred in Arizona ($32.9 million) because of its high physical output. The total of $224 million represents the greatest annual value of copper production in Arizona history.

Declining quality of ore continued to be a major factor for consideration in the copper industry. The quantity of ore treated increased in 1953 compared with 1952 but recoverable copper tonnage decreased. Large new investments are being made by the major mining firms for the open-pit mining of low-grade ores. For example, in November, the opening of a $33 million project at Yerington, Nevada was announced. It will process an estimated 35 million tons of less than 1 percent ore. Annual copper output capacity at Yerington is reported to be 32,500 tons.

The condition of the copper market has been somewhat precarious since mid-year 1953 despite the appearance of soundness given by the high-level stability of the price. In February the 24½ cent ceiling price was removed and the price shot almost immediately to about 32 cents per pound. It settled down shortly to the 30-cent level and has remained there into February of 1954. By mid-year 1953 supply appeared tenuously balanced with demand only by virtue of the fact that the Chilean government, which must rely heavily on revenue from copper sales, refused to lower its administered price of 36 cents per pound. Late in December Chilean copper re-entered the market at competitive prices, bringing an additional potential supply of 30,000 tons per month back to the world copper scene. During a five-month period in which no Chilean copper was sold in the United States, Chilean stocks of more than 130,000 tons accumulated. This stockpile is potentially a heavy market depressant. Late in 1953 and early in 1954 virtually all of the important domestic copper producers announced partial reductions in operations.

[1]Based on the area reports of the regional offices of the Department of the Interior, Bureau of Mines. The 1953 totals are preliminary estimates based on mine reports.

Lead and zinc decline continued in 1953

Lead and zinc producers fared less well in 1953 than did copper producers. Prices of both lead and zinc fell below their ceiling prices before mid-year in 1952 and the decline continued until April 1953 in the case of lead and until September in the case of zinc. The lead price recovered somewhat in the summer months, settled at 13½ cents a pound in September, and remained fixed beyond the year's end. The price of zinc declined in late summer to 10 cents per pound and has followed the same pattern as the lead price since that time. Production, sales, and profit have declined with prices causing producers' organizations and Congressional representatives of the lead-zinc states to speak publicly for Governmental assistance and protection.

The two metals are produced together in most important lead-zinc mining operations and they suffer from common market difficulties. The price stimulation brought on by the Korean war rather quickly brought about an upsurge of world supply that became a condition of oversupply in 1952. Imports, until late in 1953, were an increasingly severe depressing factor in the market and, although European demand firmed later in the year to take some of the pressure from the domestic market, imports of both lead and zinc established new annual records.

In Idaho, the Twelfth District's leading lead-zinc producing state, operations were curtailed in many mines as lead mine output for the year dropped by 4 percent and zinc mine output by 14 percent. The most notable cutback was the permanent closing of the Morning Mine in the Coeur d'Alene region in October. This mine had been a continuous producer since 1889 and was said to be the world's deepest lead-zinc mine.

Reductions in production were of larger proportion, though of lesser absolute magnitude in Utah, Arizona, and Nevada, the District's other important lead-zinc producing states. Throughout the District lead-zinc operations were characterized by declining output, income, and employment. Over-all, the District showed production declines of 15 percent for lead and 19 percent for zinc. Due to the decline in prices, value of production plunged 30 percent and 47 percent, respectively.

Gold and silver

Annual output of gold and silver varied little in the Twelfth District from 1952 to 1953. Gold production in 1953 increased by less than 1 percent above the 1952 output, reflecting mainly increased gold content of Utah copper ores. The Utah increase was largely counterbalanced by the fact that an antimony-gold mine in Valley County, Idaho, was idle throughout the year. In California, gold slipped from its historic position as the state's most important metal as the value of both tungsten and iron ore mined in the state exceeded the value of the yellow metal. Total gold output in the District amounted to 1,019,440 fine ounces valued at $35,680,400.

Silver production reflected the decline in production of lead and zinc with which it is often mined. Output in 1953 was 6 percent below that of 1952. In Shoshone County, Idaho, the location of the nation's largest single source of silver, slightly lower production was forthcoming in 1953 due to mechanical failure and some technical reorganization. Total silver output in the seven western states amounted to 27,402,670 fine ounces, its value being $24,800,800.

Canned fruit and vegetable pack declines

District canners of fruits and vegetables were faced with relatively minor adjustments during 1953. A prudent attitude by packers toward the cost of raw materials was present at the beginning of the packing season. The unsettled business outlook was considered to be the principal reason for this attitude. However, a smaller than expected decline in business activity along with the development of export markets for some District packed fruits and lower freight rates may have somewhat modified the basis for this attitude. Generally, the industry continued to face many of the problems evident in 1952. The increasing consumer preference for a smaller container and the declining number of distributors may present some packing and merchandising problems.

The 1953 District pack of canned fruits and vegetables of about 63 million cases was above the average of the 1948-50 period but considerably less than the 1952 pack of 73 million cases. Tomatoes and tomato products processed for canning were over 11 million cases less than the 1952 pack and were primarily responsible for the smaller total pack. Carry-over stocks of most canned tomato products have been increasing during the last few years despite reduced tomato acreage. Progressively higher yields of tomatoes have partially offset the reduced acreage. A reduction in 1953 California acreage of about 30,000 acres, 28 percent, from the 1952 level may halt further accumulation of carry-over stocks. In the Pacific Northwest, the volume of fruits and vegetables canned in 1953 was slightly larger than the 1952 pack. Corn and beans accounted for sizable increases in the vegetable pack while pears, apples, and dark sweet cherries were the only fruits with larger packs than in 1952.

Movement from California canneries of cling peaches, tomatoes, and tomato products was considerably behind the 1952 rate during the period June 1 to December 1. An increase in carry-over stocks of these packs may occur unless a more rapid rate of movement should develop. Recent evidence indicates that the rate of movement is picking up and with the possibility of considerable cling peach exports to England under Section 550 of the Foreign Assistance Act, the carry-over situation may not be so disturbing.

Margins and profits of the District canning industry appear to have been less in 1953 than during the previous year. Since tomatoes and cling peaches are the raw materials for about three-fourths of California's canned fruit and vegetable pack, changes related to these two items will roughly indicate what has happened to the industry as a whole. Raw material costs of cling peach and tomato canners were lower in 1953 than in 1952, but this advantage was largely offset by the lower prices which canners received for the canned product and by the higher cost of cannery labor. In addition, the large unsold carry-over from the 1952 pack, composed principally of tomatoes and tomato products, represented a relatively high cost investment. The cling peach pack was larger in 1953 than in 1952 and, consequently, the increased volume may largely offset the lower profit margins of cling peach canners if sales increase as anticipated. Tomato canners and processors are in a less favorable position as both volume and margins appear lower. Also, from the standpoint of the industry as a whole, with a smaller combined pack of tomatoes and cling peaches and lower profit margins per unit, total canner profits for the season may fail to equal those earned in 1952.

Some informed sources feel that the continued trend of consumer preference for smaller sized containers was perhaps the most significant phase of the 1953 season. The principal difficulty that this suggests is the problem of packing economically a continued high volume of raw material in the smaller units with existing canning facilities. Changes in the structure and practices of the marketing institutions which distribute cannery products also have been recognized and are being scrutinized by the canning industry. Among such changes is the trend toward fewer and larger distributors and the tendency for these distributors to operate with a smaller inventory. The practice of operating on such a basis may be shifting a larger part of the burden of financing inventories to the canner level. A relative decrease in distributors' inventories has tended to increase the frequency and reduce the size of shipments from the canner to distributors. Various actions have been taken by canning firms to strengthen their position. Some firms have taken the course of greater product diversification to minimize their dependency on any one raw product and others have expanded into other fields of food processing, such as frozen food, which are closely allied with the canning industry.

Despite the problems imposed on the canning industry by changes in consumer preference and distributor organization, some developments were beneficial. The sale of western canned goods in eastern markets has been contracting due to increasing freight rates since the end of World War II. However, a reduction in rates became effective for transcontinental lines on November 12, 1953 and on February 12, 1954 for eastern lines. The effect of these announcements would be to expand the domestic market in which District canned goods can compete. The development of the export market for prunes under Section 550 of the Foreign Assistance Act has bolstered prune prices, and the possibility of a sizable market under the same program for District canned peaches must also be considered as a favorable prospect.

Frozen food pack continues to expand

The District pack of frozen fruits and vegetables apparently continued to increase in 1953. Although data are not available for the Pacific Northwest, the California pack of frozen fruits was 143.7 million pounds, 49.1 million pounds larger than in 1952, while the frozen vegetable pack increased 39.2 million pounds to 282.3 million pounds. Contributing materially to the increase of the California frozen fruit pack was the larger pack of strawberries and melon balls. The 60 percent production increase of frozen strawberries in California was of particular intra-district interest as the Pacific Northwest has been the major frozen strawberry producing area. Beans, brussel sprouts, and spinach showed large increases in the California frozen vegetable pack. Though increases predominated, there were several declines. Peas and broccoli had the dubious distinction of being the only two major California frozen vegetable packs that were smaller in 1953 than in 1952, while apples and blackberries held this distinction in the frozen fruit field. In the frozen fruit juice category, frozen lemonade production increased sharply to 9.2 million gallons during the past season from 5.8 million gallons.[1]

Nationally, the 1953 pack of frozen fruits, berries, and fruit juices established a new record of 1,150 million pounds, 14 percent larger than for the preceding year. Individual packs of strawberries, cherries, orange juice concentrates, and lemonade concentrates were also at record levels. In addition to the total pack being 14 percent larger than in 1952, stocks of these frozen fruit products on December 31, 1953 were 27 percent larger than on the same date a year before. Based on available data, the United States pack of frozen vegetables also was a record pack, and stocks of frozen vegetables at the end of the year were 30 percent larger than at the close of 1952.

The frozen food industry is not only at a new peak of production but also may be on the brink of a situation similar to that which existed in 1946-47. During this period, practices such as under-selling and conditions such as low quality products and large inventories forced many processors to terminate operations. The industry made further adjustments by improving the quality of the product and changing its merchandising policy. Since that time, the industry has again expanded rapidly and prices of frozen fruit and vegetable products have declined relative to fresh and canned prices. Most of the increase in the pack has been accomplished by an expansion in the output of firms already in the industry rather than by entry of new firms, and economies of operation associated with increased volume could be expected to partially justify the relative price decline.

[1]Season ends October 31.

RETAIL SALES REACH A RECORD HIGH DURING 1953

ENCOURAGED by an increase in disposable income and a general stability of prices, consumers in both the Twelfth District and the nation increased their dollar purchases from retail outlets to an all-time high during 1953. Despite a downward trend in seasonally adjusted sales of both durable and nondurable goods during the second half of the year, retail buying remained high over each of the twelve months of 1953. Estimated total retail sales in the nation for the year were $171 billion, a 4 percent increase above the previous record high figure of 1952. This 4 percent increase in retail purchases accompanied by an over-all stability of retail prices during the year meant that consumers had experienced a rise in the real as well as the monetary value of their consumption. From available regional indicators it appears that the trend in Twelfth District retail sales was much the same as in the country as a whole.

Consumer expectations were realized during the year

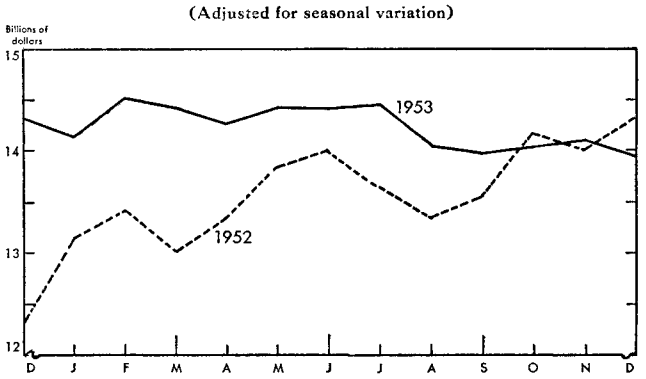
While retailers in the beginning of 1953 spoke of impending downturns and minor recessions, consumers contemplated increasing their current-year buying above their record volume purchases of 1952. The results of the Federal Reserve Board Survey of Consumer Finances, taken early in the year, indicated that buyers were apparently optimistic about their durable goods purchases during 1953. Their strong buying outlook for the year was based in part upon an optimistic anticipation of a rise (or constancy) in personal income and a general stability (or lowering) of prices, expectations which were on the whole realized. Personal income, despite a decline during the final quarter, climbed to $284.6 billion for the year, a 5.5 percent increase above 1952. Retail prices showed only minor fluctuations, with the consumer price index rising less than 1 point over the entire year.

As shown by the Federal Reserve Board study, consumers also felt confident about their personal finances at the beginning of the year. This initial confidence together with continued rising income over most of the year encouraged buyers to extend their credit purchases. By the end of 1953 total short- and intermediate-term consumer credit climbed to $28.9 billion, a $3 billion rise during the year.

Total retail sales reach new high in 1953

In contrast to a low volume of trade in early 1952, the nation's retailers rang up large dollar sales during the first quarter of 1953. Total retail sales during the first quarter of 1953 were 8 percent larger than in the corresponding period of 1952. Consumer buying continued high through the second quarter but, owing in part to large sales in the spring months of the previous year, showed only a 4 percent gain over year-ago sales. The sales momentum in the early part of the year continued into the third quarter, but it came to a halt in August. Despite the drop in buying

SALES OF ALL RETAIL STORES—UNITED STATES, 1952 and 1953
(Adjusted for seasonal variation)



over the latter months of the year, however, the nation's retail sales continued high. As shown in the chart, October and December were the only months during the year in which sales fell below the corresponding month figure of 1952, and then the drops were only minor. In all, total retail trade in the nation during 1953 climbed 4 percent above the previous year's total.

The large volume of durable goods purchases and the continued rise in consumer credit buying during the year were probably a reflection of consumer optimism. In line with the expectations indicated in the Federal Reserve Board study, durable goods sales remained high over the year as a whole. Despite the slight tapering off during the second half of 1953, durable goods purchases for the year increased 9.6 percent above 1952. Automobile dealers had the largest percent gains. For 1953, automobile sales were 18 percent larger than in 1952. The resulting large increase in automobile paper accounted for most of the rise in total consumer credit. Over the calendar year dollar financing through automobile paper increased by $2.2 billion and accounted for approximately 71 percent of the rise in total consumer credit outstanding.

In general, retailers in nondurable goods lines also shared in the high level of consumer spending. Except for a slower rate of decline during the latter half of the year, nondurable goods sales paralleled those of the durable goods sector. For the year as a whole nondurable goods buying increased 1.3 percent over 1952. One reason this percentage rise was not larger was that apparel sales fell into a third-quarter slump, owing in part to mild weather during the autumn. A weak recovery occurring during the final quarter was not sufficient to bring the total apparel sales figure up to that of 1952. In all, total sales by apparel stores for the twelve months showed a 3 percent decline from 1952.

Retailers increase inventories during 1953

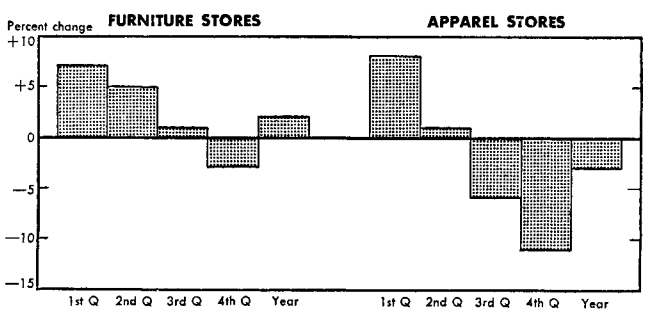
The trend of inventories held by the nation's retailers during the past year was in marked contrast to the persistent decline during 1952. Total retail inventories after adjusting for seasonal factors rose during the first 9 months of 1953 and then declined in the final 3 months. Thus the decline in inventories late in the year lagged about 3 months behind the drop in retail sales. In so far as large year-end inventories represent involuntary accumulations, the nation's retailers—and in particular automobile dealers—had reason for concern. Total retail stocks at the end of the year were $1 billion above 1952, with approximately 58 percent of the total increase held by the nation's automobile dealers. Automobile dealers' inventories in December equalled about 1.5 months of sales at the latest sales rate.

The fourth-quarter decline in inventories throws some light on the business downturn during the closing months of the year. The decrease in retail inventories together with the production cutbacks and rising unemployment indicates that retailers met the high level of consumer demand by dipping into stocks. Following the earlier involuntary accumulation of inventories, the nation's retailers were apparently undertaking an inventory adjustment late in 1953.

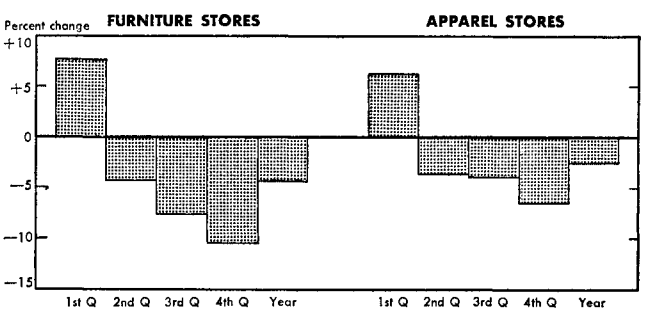
District retail trade parallels that of the nation

Although there exists no available estimate of total retail sales on the District level, Twelfth District department store data published by this bank and the Retail Trade Report of the Department of Commerce give some indication as to the movements of regional trade during the year. A comparison of sales of selected commodities seems to indicate that Twelfth District retail sales during 1953 paralleled sales in the country as a whole. District

PERCENTAGE CHANGE IN SALES OF APPAREL AND FURNITURE GROUP STORES—UNITED STATES, 1953 COMPARED WITH 1952
(No adjustment for seasonal variation)

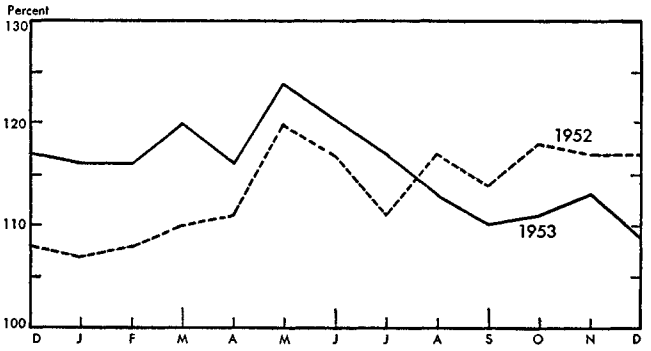


PERCENTAGE CHANGE IN SALES OF APPAREL AND FURNITURE GROUP STORES—TWELFTH DISTRICT, 1953 COMPARED WITH 1952
(No adjustment for seasonal variation)



INDEX OF DEPARTMENT STORE SALES—TWELFTH DISTRICT, 1952 and 1953

(Adjusted for seasonal variation, 1947-49=100)



sales apparently climbed during the early months and then began to lag over the latter part of the year. The decline in retail trade of selected District cities, however, seems to have preceded that of the nation. "Large" stores reporting to the Department of Commerce in selected metropolitan areas of the District began to show a downturn about May. Despite this drop, this source reported that retail sales in 1953 were higher than in 1952.

In the nondurable goods sector, sales by apparel stores in the District declined from 1952 levels, paralleling the experience in the country as a whole. Sales of both District department stores and "large" apparel stores in selected cities in the District bear out this change. Twelfth District department store sales in the men's and women's apparel departments were down 2 percent relative to 1952 apparel sales. Similarly, the large apparel stores in the Los Angeles and the San Francisco-Oakland metropolitan areas registered year-to-year declines.

In the durable goods sector, sales of furniture stores in the District appeared to be somewhat in contrast to the national trend. Over the nine-month period—April through December — sales by District furniture stores were down 4.4 percent below the corresponding period of 1952. Year-ago comparisons for each of the last nine months of the year showed relative declines. In all, total sales in 1953 by District furniture stores were 4.4 percent below 1952. As indicated by the Department of Commerce trade report, sales in 1953 by the "large" home furniture and appliance stores in Seattle, Los Angeles, and San Francisco-Oakland also declined below 1952.

Automotive group stores in the District apparently rang up the largest percentage gains. The number of new passenger cars sold in California in 1953 was 451,000, a 29 percent rise above 1952. Similarily, new passenger car registrations in Washington were 21 percent larger and in Oregon 19 percent larger than during 1952. Thus, from all indications total District sales by automobile dealers paralleled those of the country as a whole.

Because department stores do not handle certain important durable and nondurable goods, their sales cannot be expected to indicate changes in total retail trade. However, a comparison of District department store sales and national department store sales published by the Board also points to a similarity in the time pattern of sales between the District and the country as a whole. The nation's total department store sales, after accounting for seasonal variations, followed much the same pattern as the District series charted herewith—both showing a decreasing trend after May of the year. This earlier decline in total department store sales compared to total retail sales in the nation is explained in large part by the merchandise they sell. The major items—apparel and home furnishings—sold by department stores suffered the largest and earliest declines in sales during 1953.

FOREIGN TRADE: A LONG BEAT TO THE WINDWARD

THE total foreign trade of our nation in 1953 registered a modest gain of 2.7 percent over 1952. This small gain, however, was not realized without considerable tacking back and forth across the track line followed to reach this point. Furthermore, if military aid shipments are excluded, there was no gain at all, but instead a decline of 3.4 percent.

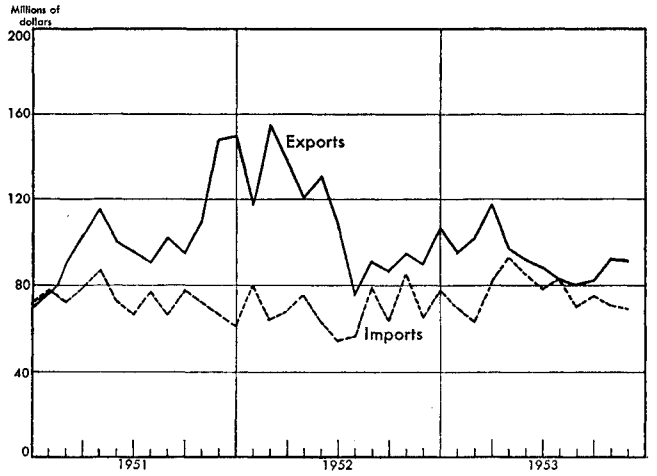
United States imports in 1953 totaled $10,874 million, only slightly above the $10,718 million received in 1952. In spite of the small net change for the year as a whole, there were significant fluctuations during the course of the year. For the first three quarters imports were above comparable quarters in 1952 but a relatively sharp drop (7 percent below the year-ago level) during the last quarter reduced the total for the year. This last quarter decrease becomes more significant when it is realized that normally there is a seasonal increase during this quarter.

Total United States exports in 1953 were $15,747 million, about 4 percent above the $15,191 million shipped in 1952. However, if military aid shipments of $3,504 million in 1953 and $1,988 million in 1952 are excluded from the export totals, there was a decline of more than 7 percent. This latter comparison is a more realistic measure of the condition of our export trade since the inclusion of military aid shipments disguises the decline which took place in the civilian or commercial sector of our export trade. The trend of exports during the course of 1953 was the opposite of that of imports. While imports were relatively high during the first part of the year and turned downward during the late months of the year, exports were down during the first half of the year and turned up moderately during the last half.

Comparative trends in Pacific Coast foreign trade

Pacific Coast exports for 1953 amounted to $1,129 million, which was 14 percent below the $1,314 million shipped in 1952. Exports were below 1952 levels for every month in 1953, with the exception of July, November, and December, and thus the trend of Pacific

VALUE OF FOREIGN TRADE—PACIFIC COAST, 1951-53



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

Coast exports compared unfavorably with that of the country as a whole. United States exports in 1953 were up 4 percent compared with 1952, and even if military aid shipments are excluded from the national totals the resulting 7 percent decline was much less than the decline in total exports[1] from the Pacific Coast. Furthermore, the recovery of United States exports, which began in July 1953, did not occur on the Pacific Coast.

While the trend of Pacific Coast exports compared unfavorably with that of the nation, the opposite was true in the case of imports. Pacific Coast imports of $912 million in 1953 were 9 percent above 1952. This was considerably more than the national increase of 2 percent for the same period. In the direction of change during the year the Pacific Coast followed the national trend, although the magnitudes of the changes were greater. During the first three quarters of the year Pacific Coast imports were 16 percent above 1952 compared to a national increase of 5 percent. For the last quarter, however, Pacific Coast imports were down 7.1 percent below the fourth quarter of 1952, approximately the same as the 7.4 percent decrease for the country as a whole.

[1]Data on military aid shipments are not available for individual customs districts.

Pacific Coast commodity trends—exports

The relatively poor showing of Pacific Coast exports compared with the nation reflects the greater relative importance of agricultural exports to this District. Most of the decline in United States nonmilitary exports consisted of a decline in agricultural exports; exports of finished manufactures were well maintained. In the late months of the year, however, there was some recovery in agricultural exports and a small contraction in finished manufactures. Within the agricultural group those exports which were most vulnerable during the year were commodities which are of major importance to the Pacific Coast, in particular wheat and cotton. These two commodities, and to a much lesser extent rice, accounted for most of the decline in Pacific Coast exports for the first ten months of the year, compared with the corresponding period of 1952.

Wheat: Data are available on the volume of wheat exports from the Pacific Coast for the entire year 1953. Wheat exports for the year were 28 percent below those of 1952 and for the last quarter of the year were 44 percent below the last quarter of the prior year. This reduction in wheat exports was largely responsible for the 31 percent decline in the value of exports of the Oregon customs district for the year, and also for the 14 percent decline in the exports of the Washington customs district.

Cotton: For the period from January through October 1953 Pacific Coast cotton exports of $71.2 million were 58 percent below the $168.3 million shipped during the same period in 1952. On a weight basis the decline was 48 percent. For the Los Angeles customs district, through which most of the cotton moved, the value of cotton shipments dropped 49 percent, or from $105.6 million to $53.7 million. Lower cotton shipments were entirely responsible for the 15 percent decline in the total exports of Los Angeles during this period, and, in fact, other exports on balance offset more than a fourth of the decline caused by the contraction in cotton shipments. In the case of the San Francisco customs district, through which the rest of Twelfth District offshore exports of cotton moved, the percentage decline in cotton exports was even greater than that of Los Angeles. Cotton exports were down over 72 percent from $62.8 million to $17.5 million. San Fran-

VALUE OF PACIFIC COAST FOREIGN TRADE, 1947-53

(in millions of dollars)

Customs district	1947	1948	1949	1950	1951	1952	1953
Exports:							
San Diego	34.5	34.4	35.0	40.7	60.4	64.7	68.2
Los Angeles	258.6	183.1	254.3	249.1	348.7	307.3	269.2
San Francisco	397.5	262.9	307.4	271.4	371.8	400.6	368.2
Oregon	156.1	63.0	69.6	75.7	237.2	250.6	173.5
Washington	224.7	185.6	147.1	116.3	246.4	290.4	249.5
Total Pacific Coast	1,071.4	729.0	813.4	753.2	1,264.6	1,313.6	1,128.6
Total United States	14,429.7	12,653.1	12,051.1	10,275.1	15,032.4	15,191.3	15,747.0
Imports:							
San Diego	8.8	13.5	11.3	13.0	16.9	31.7	17.2
Los Angeles	112.2	144.8	151.4	214.3	282.9	234.3	261.8
San Francisco	174.6	184.1	211.4	269.5	345.4	320.2	376.3
Oregon	19.4	18.1	16.8	25.9	33.9	29.4	33.2
Washington	101.1	146.7	141.0	185.0	220.1	217.6	223.1
Total Pacific Coast	416.1	507.2	531.9	707.7	899.2	833.2	911.6
Total United States	5,643.3	7,092.0	6,591.6	8,743.1	10,967.3	10,717.5	10,873.7

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.*

cisco's total exports were down 13 percent for the ten-month period, and, as in the case of Los Angeles, cotton was the major factor. The $45 million decline in cotton shipments exceeded the decline in all exports of $43 million.

Rice: Pacific Coast exports of rice, all of which moved through the San Francisco customs district, declined from $20.7 million for the January-October period in 1952 to $16.7 million in 1953, a 24 percent decrease. During the last two months of 1953, however, the tonnage of rice shipments apparently increased and as a result the year-end value figures may show a much smaller decline than indicated by the first ten months of the year.

Pacific Coast commodity trends—imports

The increase in Pacific Coast imports during 1953 was a general one; every customs district, except San Diego which accounted for less than 2 percent of the total, showed a gain over 1952. The increase was also fairly general with regard to commodities, but the increases in coffee and crude petroleum imports were the most significant.

Coffee: For the period January-October 1953 coffee imports amounted to $189 million, 16 percent above the same period a year earlier. The only customs district to show a decline was Los Angeles and there the drop was small. Out of the total increase in coffee imports of $26 million the San Francisco customs district accounted for $23 million, and this was a major factor in the total increase in this district's imports. The increase in San Francisco's total imports was the largest of any Pacific Coast customs district and amounted to $54 million, or 21 percent more than in 1952.

Crude Petroleum: The value of crude petroleum imported through the Los Angeles customs district increased 147 percent from $8.1 million for the first ten months of 1952 to $20 million for the comparable period in 1953. For the same months the increase through the San Francisco district was 152 percent, from $9.5 million to $24 million. There were no crude petroleum receipts at other Pacific Coast ports. For the entire year it is estimated that the value of crude petroleum imports totaled $52 million, about two-and-a-half times the 1952 value. In terms of actual barrels imported there was a 138 percent increase over 1952 for the whole year 1953, or an increase from 11.9 million barrels to 28.4 million barrels.

Physical volume of foreign trade

In contrast to the unfavorable trend relative to that of the nation in the value of Pacific Coast foreign trade, in tonnage terms the Pacific Coast fared comparatively well. For some purposes the actual tonnages of cargo handled are more significant than the value figures. Moreover, the use of weight rather than value data permits at least a partial elimination of the influence of price changes.

The tonnage of the total waterborne foreign trade of the Pacific Coast was up almost 3 percent over the comparable 1952 period compared with a 5 percent decrease for the United States. As was true in the case of the value comparisons made earlier, decreases in the tonnage of exports were partly offset, or completely offset, by increases in import tonnage, both for the Pacific Coast and for the nation. On the Pacific Coast the decrease in export tonnage was 21 percent and the increase in import tonnage was 61 percent. For the United States the comparable changes were a 23 percent decrease in exports and a 13 percent increase in imports.

Ship movements

For those who are interested in the amount of port activity the number of ship arrivals and departures is a useful measure. During 1953 ship arrivals at major Pacific Coast ports, including both domestic and foreign trades, numbered 14,697, a 4 percent increase over the number arriving in 1952. The aggregate net tonnage of the ships was 7 percent higher in 1953. The only port to show a decrease in ship arrivals was Portland, where arrivals numbering 1,438 were about 8 percent below 1952. Both the largest number of arrivals and the largest percentage increase over the earlier year was shown by the Los Angeles-Long Beach port area, with 5,907 arrivals and a 10 percent increase. San Francisco Bay ports berthed 5,099 ships, a 3 percent increase, while Seattle arrivals of 2,253 were virtually the same as a year earlier.

VOLUME OF PACIFIC COAST WATERBORNE FOREIGN TRADE, 1947-53

(shipping weight in millions of pounds)

Customs district	1947	1948	1949	1950	1951	1952	Jan.-Oct. 1953
Exports:							
San Diego	3.9	6.2	2.4	1.0	0.6	1.5	4.5
Los Angeles	7,775.8	6,167.4	6,807.0	7,805.8	14,155.7	9,924.6	7,321.7
San Francisco	5,449.8	4,238.0	3,809.0	3,480.0	5,836.6	7,580.2	5,020.1
Oregon	4,495.9	1,397.8	1,473.2	1,850.9	6,371.4	6,356.5	4,107.3
Washington	2,960.0	2,037.1	1,466.6	1,371.0	3,436.7	3,547.6	2,179.3
Total Pacific Coast	20,685.4	13,846.4	13,558.2	14,508.7	29,801.0	27,410.5	18,633.0
Total United States	248,636.5	176,623.1	143,729.2	125,350.5	231,173.0	205,373.5	136,616.7
Imports:							
San Diego	20.5	19.7	27.1	30.0	27.9	61.9	43.2
Los Angeles	1,297.2	1,540.6	2,233.9	2,536.5	2,770.6	3,761.1	5,769.0
San Francisco	1,469.9	1,546.3	1,990.2	2,032.4	3,138.5	4,446.1	5,902.3
Oregon	181.5	123.2	112.5	208.2	272.2	279.9	316.2
Washington	1,730.0	2,425.6	2,593.8	3,116.4	2,835.8	2,983.3	3,150.9
Total Pacific Coast	4,699.1	5,655.4	6,957.5	7,923.6	9,045.0	11,532.4	15,181.7
Total United States	118,130.6	134,832.3	154,741.8	193,379.7	201,089.9	214,746.9	197,461.8

Note: This table includes only nonmilitary vessel shipments.
Source: United States Department of Commerce, Bureau of the Census, FT 972 and FT 985, *Waterborne Trade by United States Port.*

The outlook for foreign trade in 1954

It is difficult to predict the course of foreign trade. So far in 1954 the slump in imports has continued, reflecting, in part at least, the lower level of business activity in recent months. If business activity continues to remain at a reduced level, a lower level of imports can also be expected. The level of our imports is likely to be one of the more important determinants of the volume of our exports in 1954. However, with the growth of offshore procurement under the millitary aid program, sources of dollar payments other than through our purchases of foreign merchandise for import into the United States should remain at or about the 1953 level, and some foreign countries, particularly in Europe, would be able to maintain purchases from the United States without drawing down their reserves of dollars and gold. Increasing production abroad has diminished dependence upon this country as a source of supply, as compared with earlier years, but it is not clear whether this factor will have any greater effect in 1954 than in 1953. Some countries believe that their hope of achieving convertibility with the aid of adequate reserves seems nearer attainment, and restrictions on imports from the United States have been relaxed in some cases.

The somewhat lower level of United States foreign trade which is indicated for the present year can be expected to be reflected on the Pacific Coast. There are additional factors, however, which perhaps make the outlook for Pacific Coast trade more unfavorable than for the country as a whole. World production of wheat and cotton is substantially above indicated world demand, and with large stocks both here and abroad, the outlook for the export of these very important commodities in Pacific Coast export trade is not favorable. Some assistance, however, may come from Government programs for the export of surplus agricultural products.

It is also doubtful that the gains in Pacific Coast imports during the past year can be maintained. While coffee imports will probably continue at a relatively high level, it is unlikely that the record set in 1953 will be repeated because of recent sharp price increases and the large imports during the last month of 1953. Similarly, the high level of crude petroleum imports in 1953 cannot be expected to continue. During the last quarter of 1953 crude petroleum imports were considerably below the preceding two quarters, and recent statements from the petroleum industry indicate that a cut of as much as 45 percent can be anticipated during the first half of 1954.

BANKING AND CREDIT IN A YEAR OF CHANGING MONETARY POLICY

THE developments of 1953 offered the best opportunity since the Treasury-Federal Reserve System "accord" of 1951 to test the role of a flexible monetary policy as a stabilizing influence in the economy. During most of the first half of the year it was considered desirable to restrict the supply of bank credit in order to contribute toward restraint of the continuing inflationary pressures resulting from strong demands for credit. To accomplish this, steps were taken to increase the cost of member bank borrowing and to keep the excess reserves of member banks at a relatively low level. The Federal Reserve Banks increased the re-discount rate from 1¾ percent to 2 percent in mid-January and during the first quarter sold Government securities in the open market.

A continued active demand for credit was accompanied by a rapid tightening in the money market as spring progressed. This demand impinged heavily not only upon the banks but upon the capital markets as well. Interest rates rose sharply, especially in May. A growing concern that later on the supply of credit might be inadequate to satisfy the demand led to some additional borrowing in the first half of the year. About this time the inflationary threat subsided and was replaced by considerable evidence that credit restraints had become unduly restrictive in the changing situation.

In response to these developments and in anticipation of the usual seasonal expansion in private credit requirements as well as heavy Treasury borrowings in the second half, the Federal Reserve System began to follow a policy of easing the money market. About mid-May the System started to increase its holdings of Treasury bills through purchases in the open market, thereby increasing member bank reserves approximately $1,157 million by the middle of July. The situation was also eased by the freeing of about $1,156 million of member bank reserves through a reduction early in July of required reserves of member banks by the Board of Governors. Later in the year the System further increased member bank reserves by additional purchases of Treasury bills. Partly as a reflection of these actions by the Federal Reserve System, the average monthly volume of member bank borrowings was considerably lower in the last half of the year than it was in the first half.

As in the case of any single economic factor, it is difficult to evaluate the actual results of the flexible monetary policy followed during the year. Nevertheless, some indications can be given. There seems little question but that the moderately restrictive monetary policy in the first half of the year, when total demand for credit was unusually strong, contributed to economic stability. Had the System made bank reserves available in sufficient quantity to permit all demands to be filled, it is likely that undesirable inflationary pressures would have been created. As it was, not all credit demands were met in full and the danger of inflationary pressures was lessened as a consequence.

In recognition of a change in the economic and credit situation and in view of the anticipated seasonal increase in private credit needs and the Treasury's greater needs in the second half of the year, steps were taken to ease

the money market. However, a variety of factors, some of which are discussed in the first article in this issue of the *Review,* led to some tapering off in business activity in the second half. As a result, total loans outstanding at member banks increased by much less than the usual seasonal amount. Commercial and industrial loans outstanding at member banks, both in the Twelfth District and in the nation, declined in the last six months of 1953, in contrast to the marked seasonal expansion that usually occurs. The rate of growth in consumer loans also slowed down substantially after midyear. While the policy of easier money did not prevent the decline in business activity, it is clear that the decline was not accentuated by the lack of bank credit.

Economic stability depends not only on monetary policy, but also upon a proper coordination between it, fiscal policy, and the economic behavior of the business community generally. Monetary policy is more effective in checking inflation than deflation. It can exercise a restraining influence upon the granting of too much bank credit in times of inflation, but it cannot force business firms and individuals to borrow in times of recession.

Twelfth District loan expansion

Total loans of Twelfth District member banks rose by $380 million in 1953 compared with increases of $973 million in 1952, $773 million in 1951, and $1.2 billion in 1950. More than four-fifths of this increase occurred in the first half of the year, reflecting a continuation of the upward movement of loans that began in the last six months of 1952. The small increase in total loans outstanding during the last half of the year occurred entirely in the third quarter, since during the last quarter there was a small decline.

Real estate loans accounted for 57 percent of the increase in total loans in 1953; consumer loans, 42 percent; and non-real estate loans to farmers, 14 percent. Commercial and industrial loans decreased 16 percent. This marks a considerable change from 1952 when real estate loans accounted for only 28 percent and business loans for 20 percent of the total increase. Consumer loans accounted for about the same share of the increase in both years.

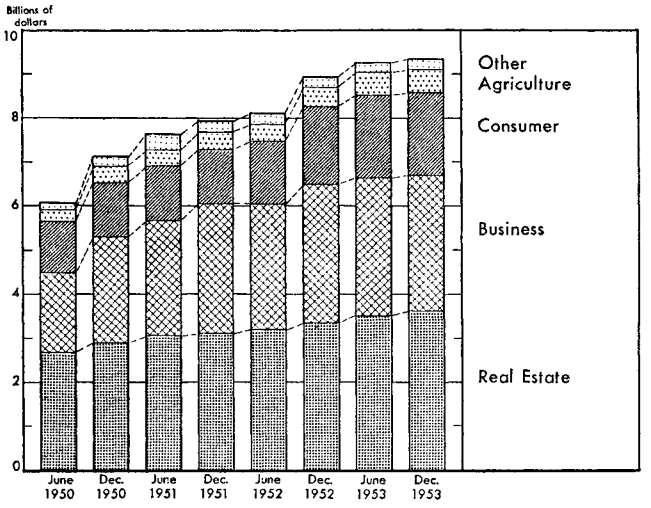
The dollar amount of the increase in real estate loans outstanding, while somewhat under that of 1952, reflects the continued high level of construction activity in the District during 1953. FHA residential mortgages made up the major part of the growth in total real estate loans held by District member banks, although conventional mortgages on residential property and commercial and industrial mortgages also contributed to the increase. Partly offsetting the growth in these mortgage holdings was a decrease in holdings of Veterans' Administration mortgages and mortgages on farm lands. By the end of April farm mortgages outstanding had reached $111 million, the highest they have been since World War II. During the second and third quarters farm mortgages fell slightly from this high point, but in the fourth quarter the decline was very sharp.

Toward the end of 1953 commercial banks in the United States and in the Twelfth District reduced their portfolios of consumer instalment loans. Automobile instalment paper, repair and modernization loans, personal instalment cash loans, and other retail instalment loans outstanding dropped during the fourth quarter. This reflects the tapering off in business activity since all types of consumer instalment credit ordinarily show a growth during the last three months of the year. However, on a yearly basis Twelfth District consumer instalment credit outstanding at commercial banks increased by $156 million in 1953. Approximately 85 percent of this growth occurred in automobile instalment paper. All other types of consumer instalment paper outstanding increased moderately with the exception of cash loans to individuals which showed a slight reduction from 1952.

Member banks in the Twelfth District and United States made substantial increases in their non-real estate loans to farmers in the last six months of the year, partly as a result of large purchases of Commodity Credit Corporation Certificates of Indebtedness bearing 2½ percent interest which were classified as loans. Falling farm prices necessitated the expansion of Commodity Credit Corporation-guaranteed loans in the last half and apparently made farmers more cautious in their borrowing from banks for other purposes. While in the last half of the year there tends to be some reduction in the amount of non-real estate loans (excluding CCC loans) outstanding to farmers, the decline in the last half of 1953 was very substantial, offsetting the relatively small increase in such loans in the first half. For the year as a whole the total outstanding loans of this type fell by more than $56 million.

Business loans outstanding at Twelfth District member banks fell by approximately $61 million during the year, which is the first yearly decline since 1949. Al-

LOANS OUTSTANDING AT TWELFTH DISTRICT MEMBER BANKS
(End of June and December, 1950-53)



though business borrowing usually increases in the latter half of the year, nearly two-fifths of the yearly decline occurred in the last six months of 1953. This marks the first postwar year in which a decline in the last half has occurred and reflects the slackening pace of business activity. The evidence furnished by weekly reports from banks classifying their major loans by industry indicates that the last-half decline was due mainly to substantial net repayments by sales finance companies and wholesale and retail traders. Sales finance companies paid off a large portion of their outstanding debt at commercial banks as a result of financing received from non-bank sources. Contributing to the general reduction in business loans outstanding was the fact that those industries which did increase their borrowings, such as commodity dealers and food, liquor, and tobacco manufacturers, did so at a slower rate than in previous years.

On a year-to-year basis only a few industries expanded their borrowings. Public utilities and transportation firms had the largest net increase in borrowing, reflecting current expansion and possibly the postponement of longer-term security financing in the expectation that later interest rates would be more favorable. During the early months of 1953, the net borrowings of public utilities and transportation lines were relatively small. In the second quarter, however, their bank borrowings were sufficiently large to offset the minor decline that occurred late in the year. All other groups reported either a less than seasonal expansion or a contraseasonal decline in outstandings.

Security holdings

All banks, as well as all member banks, in the United States increased their holdings of Government securities during the year but at a much slower rate than in 1952. In the last half of the year banks continually added to their holdings, while in the earlier part of the year they had sold securities in order to obtain funds to meet the relatively strong demand for bank loans. With the acquisition of additional reserves and the reduction of their debt at the Federal Reserve Banks, member banks found Government securities more attractive than previously. Consequently their holdings of Governments were increased in the latter part of the year sufficiently to more than offset the sales made in the earlier part of the year. This last-half increase was also possibly a result of the failure of loans to expand by the usual seasonal amounts, so that banks turned to Governments to supplement their earnings.

Twelfth District member banks increased their Government security holdings by more than $100 million during 1953. This is sharply different from the total increase of $25 million reported for all member banks in the country as a whole and is much larger than the increase recorded by the member banks in any other District. However, the growth in the Twelfth District holdings was less than it was in either 1951 or 1952. The year 1953 also differed from the two previous years in that the dollar increase in Government securities held exceeded the increase in corporate and municipal security holdings.

MONEY RATES AND YIELDS[1]

(percent per year)

	Prime commercial paper, 4- to 6-months	United States Government Securities (taxable)				Corporate bonds (high-grade)[3]
		3-month Treasury bills[2]	9- to 12-month issues	3- to 5-year issues	Long-term issues	
1950: June	1.31	1.174	1.23	1.47	2.33	2.62
December	1.72	1.367	1.46	1.64	2.39	2.67
1951: March	2.06	1.422	1.79	1.86	2.47	2.78
June	2.31	1.499	1.79	2.00	2.65	2.94
September	2.19	1.646	1.71	1.93	2.56	2.95
December	2.31	1.731	1.77	2.09	2.70	2.97
1952: March	2.38	1.658	1.69	2.02	2.70	3.12
June	2.31	1.700	1.74	2.04	2.61	3.40
September	2.31	1.786	1.95	2.28	2.71	3.29
December	2.31	2.126	2.03	2.30	2.75	2.97
1953: March	2.36	2.082	2.04	2.46	2.89	3.12
June	2.75	2.231	2.46	2.92	3.09	3.40
September	2.74	1.876	2.17	2.69	2.97	3.29
December	2.25	1.630	1.61	2.20	2.79	3.13

[1] Monthly averages.
[2] Rate on new issues.
[3] Moody's Aaa.
Source: Board of Governors of the Federal Reserve System and United States Treasury Department.

The maturity structure of the United States Government securities portfolio held by member banks in the Twelfth District also changed over the past year, primarily in that certificates and notes increased substantially while bills and bonds decreased. This reflects in part the change in the composition of the public debt. During the year the Treasury moved away from Treasury bills, preferring to increase certificates of indebtedness and longer-term issues such as notes and bonds. Also accounting for part of the reduction in Treasury bill holdings was the purchase during the year of these securities by the Federal Reserve System on the open market.

Yields reflected a changing monetary policy in 1953

Yields on United States Government securities in the national money market continued the rise experienced in 1952 through the first half of 1953. This reflects mainly a relatively tight money market and heavy demands for credit in the first part of the year. After early June, however, the easing of the money market caused the rates to decline. The sharpest drop in monthly average yields on Government securities was in the nine- to twelve-month issues which dropped from an average of 2.46 percent in June to an average of 1.53 percent in November. The new issue rate on three-month Treasury bills also showed a large drop from the high of 2.231 percent in June to a low of 1.402 percent in October. Average monthly yields on three- to five-year bonds and long-term bonds also dropped from a high in June to a low in December. Only the long-term bonds showed an increase in their yield when compared with the average rate during December 1952. On a yearly average basis, however, yields in 1953 were all above the previous year's average as a result of the high yields in the first half of the year. The three- to five-year issues showed the largest increase—21 percent above the average for 1952. Treasury bills had the smallest increase—only 10 percent—while the average yearly yields of nine- to twelve-month issues and long-term

issues were 14 percent and 9 percent above those of 1952, respectively. Prime commercial and high grade corporate securities reacted much as did Government securities, reaching an average high in April through June and then declining to a low in the last quarter of 1953.

Movements in the rate of interest on short-term loans at commercial banks did not duplicate the fluctuations in Government and corporate securities in 1953. Rates charged by banks on short-term business loans increased steadily throughout the year. The yearly average interest rate on these loans of reporting banks in the United States reached 3.7 percent which is the highest it has been during the postwar period. In the Twelfth District the average rate of interest on short-term business loans followed the national movement, rising by 13 percent. The largest increases were concentrated in the larger loans, rates on smaller loans already being relatively high.

Member bank reserves

The relationship between reserves, deposits, and bank credit provides the underlying mechanism through which monetary policy works. The cost and availability of bank reserves influences the lending policy of banks. Reflecting in part the implementation of the restrictive monetary policy, monthly average reserves held by member banks declined in the first half of 1953, reaching a low in May both in the United States and in the Twelfth District. The level of reserves later in the year was affected by the reduction in reserve requirements in early July. The required reserves of all member banks in the United States fell $1.1 billion during 1953. Owing to the decline in required reserves and a growth in actual reserves, member banks at the end of the year found themselves with fairly large excess reserves for the expansion of loans and investments, although their average borrowings from Reserve Banks were substantially less than at the end of 1952.

SOURCES AND USES OF TWELFTH DISTRICT MEMBER BANK RESERVES

(in millions of dollars)

	1936-40 (average)	1950	1951	1952	1953
Sources of member bank reserves (factors which when positive *increase* reserves)					
Reserve bank credit ..... Change in credit extended to member banks in the District by the Federal Reserve Bank of San Francisco.	+ 1	+ 39	— 21	+ 7	— 14
Commercial operations ..... Net payments from other Districts to banks and the public in the Twelfth District (net Twelfth District payments to other Districts —).	—180	—1141	—1582	—1912	—3073
United States Treasury operations ..... Net payments from the Treasurer's account at the Federal Reserve Bank of San Francisco to banks and the public (net payments to the Treasurer's account—).	+311	+1198	+1983	+2265	+3158
Total	+132	+ 96	+ 380	+ 360	+ 71
Uses of member bank reserves (factors which when positive *reduce* reserves)					
Demand for currency..... Change in holdings of coin and currency by banks and the public.	+ 36	— 14	+ 189	+ 132	+ 39
Change in nonmember deposits and other Federal Reserve Accounts	+ 3	+ 8	— 53	— 16	— 5
Total	+ 39	— 6	+ 136	+ 116	+ 34
Change in member bank reserves	+ 93	+ 102	+ 244	+ 244	+ 37

Total reserves of Twelfth District member banks also increased somewhat, reaching a new high of $2,551 million by the end of 1953. The increase of $37 million was considerably less than that in each of the three years prior to 1953, as is shown in the accompanying chart. Member banks in the Twelfth District, as in the nation, had relatively large excess reserves at the end of the year and had reduced their borrowings from the Reserve Bank substantially during the year.

Several factors account for the relatively small increase in Twelfth District member bank reserves during 1953. The lowering of reserve requirements in July diminished the need for increasing reserves to cover the growth in deposits. The growth of reserves was also affected by net transfers of funds in and out of the District. The Twelfth District normally gains reserves from an excess of Treasury expenditures over Treasury receipts within its area. In 1953 this excess was the largest it has been since 1945. This net transfer of funds into the District by the Treasury is typically offset in large degree by a net transfer of funds out of the District on commercial account, that is, in payment for goods, services, and securities. In 1953 this outflow of funds was also larger than it has been in other recent years. The amount by which the net transfer of Treasury funds into the District exceeded the net outflow of funds on commercial account was less than it has been for several years, thereby restraining the growth of reserves in 1953. In contrast, the net demand for currency in the Twelfth District was less in 1953 than in 1952 and 1951, so that there was somewhat less pressure upon reserves from this source than in those two years.

The amount of Reserve Bank credit outstanding in the Twelfth District, which is the principal remaining factor affecting District member bank reserves, declined slightly from December 31, 1952 to December 31, 1953. However, year-end figures do not tend to be representative of average conditions for a longer period of time such as a month. On a monthly average basis, there was a sharp reduction during 1953 in the volume of Reserve Bank credit outstanding in the Twelfth District.

Member bank borrowing

Since borrowing from Federal Reserve Banks is one of the ways through which banks may obtain additional reserves, it would be expected that in a period of tight money they would borrow substantial amounts. In order to restrict such borrowing the Federal Reserve Banks increased the rediscount rate in January 1953. Nevertheless, the demand for commercial bank credit was so great in the first half of the year that the monthly average

of daily member bank borrowing remained relatively high through May, both in the Twelfth District and in the nation. The reserves supplied through open market purchases starting in mid-May and the reduction in required reserves in early July permitted member banks to reduce their average borrowings substantially. The average amount of borrowing of all member banks in the second half of the year was less than half as large as in the first half. The reduction in the Twelfth District was relatively less, with average borrowing in the second half running at about 78 percent of the first-half level. Average borrowing of all member banks for the year as a whole was only slightly under that of 1952, whereas in the Twelfth District the 1953 average was about 40 percent less than in 1952.

Money supply increased in 1953

The total money supply[1] in the United States rose by approximately $4.8 billion in 1953, less than one half the increase of $10.8 billion that occurred in 1952. This is the smallest increase since 1949, when it was approximately $1.2 billion. United States Government balances declined during 1953, so that the increase in the total money supply was due solely to an increase in private holdings. The privately-held money supply rose by $6.5 billion or 3 percent which was less than in 1952 when the increase amounted to $8.8 billion or 5 percent.

Though the increase in the money supply was wholly in privately-held deposits and currency, the origin of the increase resulted from both private and public borrowing. A large part of the increase in the money supply originated in bank loans, which rose by $5.7 billion in 1953. Other contributing factors were an increase in holdings of United States Government securities by the Federal Reserve Banks of $1.2 billion, an increase in Government security holdings by commercial and savings banks of $40 million, and a reduction in Treasury cash holdings of $470 million during the year. These changes, with the exception of the growth in Federal Reserve System Government security holdings and the reduction in cash holdings of the Treasury, were smaller than they were in 1952. Partly offsetting these increases in the money supply was a reduction in the gold holdings of the United States by $1.2 billion. This was due mainly to large movements of gold to the United Kingdom during the first three months of 1953.

[1] The total money supply includes currency outside banks, privately-held demand and time deposits, and United States Government balances, including its balances at Federal Reserve Banks.

MEMBER BANK DEPOSITS AND EARNING ASSETS—TWELFTH DISTRICT

(in millions, as of December 31)

	1941	1951	1952	1953p
Demand deposits of individuals, partnerships, and corporations...	$2,778	$9,744	$10,232	$10,260
Time deposits[1]	2,390	6,672	7,370	7,862
United States Government deposits.	144	291	475	429
Loans	2,451	7,866	8,839	9,235
United States Government securities	1,738	6,471	6,619	6,721
Other securities	542	1,473	1,713	1,784

p Preliminary.
[1] Excluding interbank and United States Government deposits.

The rate of use of money as measured by the turnover of demand deposits—the medium through which most transactions are effected — increased throughout the United States during 1953, rising to an average rate of nearly 19 times a year in reporting cities exclusive of the large financial centers of the country. The increased rate of turnover does not apply to the entire money supply, however. About one-third of the total money supply consists of time deposits, which are much less active than demand deposits, and time deposits constituted nearly two-thirds of the 1953 increase in the privately-held money supply.

In the United States and the Twelfth District total deposits held by the public increased, but at a much slower rate than they did in 1952. The rate of growth in 1953 was less in the District than in the country as a whole. Privately-held time deposits continued to expand faster than demand deposits, especially in the Twelfth District. During the year commercial banks and mutual savings banks showed the greatest gains in time deposits in the United States, while postal savings deposits declined. Government time and demand deposits at commercial banks, which increased in 1950, 1951, and 1952, declined substantially during 1953 both in the United States and in the Twelfth District, reflecting the large cash expenditures in relation to receipts.

PRODUCTION UP, INCOME DOWN IN DISTRICT AGRICULTURE

DURING 1953 agriculturalists of the District, as well as of the nation, have been adjusting their operations to changed conditions represented by lower prices, increased production, and a smaller foreign demand for farm products. Aggregate production of crops as well as livestock increased in 1953 and for many commodities production reached or maintained record levels. Farm prices, however, continued to fall but at a slower rate than in 1952. In the meantime, farm costs of production remained high or decreased only slightly. Since aggregate domestic demand for food and fiber remained relatively constant during the year, the decline in prices more than offset production increases. The result is that the total value of farm production and cash incomes was lower in 1953 than in the preceding year. The aggregate value of livestock on District farms also is down significantly. In addition, farm land values have fallen and are continuing downward while the dollar volume of District mortgages has increased and continues upward.

Despite reverses in 1953, as set forth in the following report on the financial status of District agriculture, most farmers are in a relatively good financial position. Aided by the Government price support program, District producers appear to be maintaining their gross incomes at

TABLE 1

CHANGES IN PRICES RECEIVED BY FARMERS WITH COMPARISONS—UNITED STATES, 1952 AND 1953

	Percent change in United States average annual prices			Percent change in price indexes between Jan. and Dec.	
	1951-53	1951-52	1952-53	1952	1953
All crops	— 8	+1	— 9	— 6	—5
All livestock and products	—19	—8	—11	—14	—4
All farm products	—15	—5	—10	—10	—5

Source: United States Department of Agriculture, Agricultural Marketing Service, *Agricultural Prices.*

relatively high levels. In 1954 a relatively stable level of farm prices is expected to be accompanied by some reduction in costs and prices paid by farmers. But with a smaller total agricultural output expected for 1954, gross and net farm incomes may continue to recede from recent high levels.

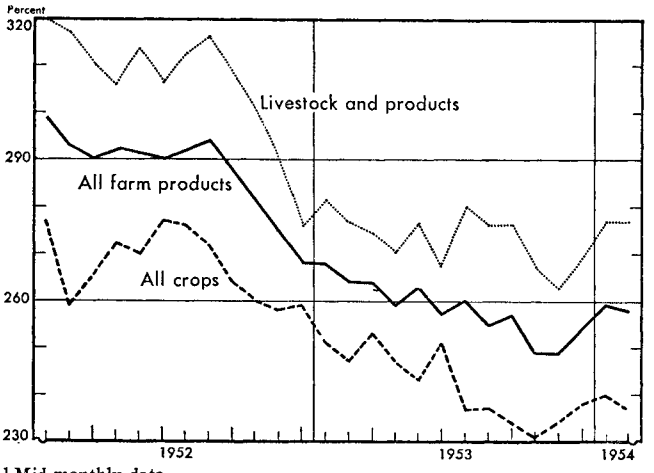
Changes in District Farm Income and Value of District Farm Assets

The assets of District agriculture at any particular time depend upon the receipts retained from sale of products produced on the farm and the value of physical assets on hand such as livestock, livestock products, crops, farm real estate, machinery, and equipment. The value of crops and livestock products on hand is determined largely by the volume of production, the structure of prices received by farmers, and the pattern of crop and livestock marketings. The number and kinds of livestock on hand also are related to the pattern of marketing, and the value of livestock at any time is determined by applying average market prices to total numbers of the various classes of livestock on hand. Cash receipts of farmers represent the flow to agriculture of income produced by physical assets of farmers.

CHART 1

INDEXES OF PRICES RECEIVED BY FARMERS—UNITED STATES, 1952-1954[1]

(1910-14=100)



[1] Mid-monthly data.

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

Complete data for construction of a balance sheet of District agriculture are not available but there is sufficient evidence at hand to indicate that the assets of District agriculture have declined considerably in value in the last year or so. These downward changes in valuations apparently have resulted from reductions in prices received by farmers rather than from a smaller volume of production or contraction in the land and capital resources of agriculture.

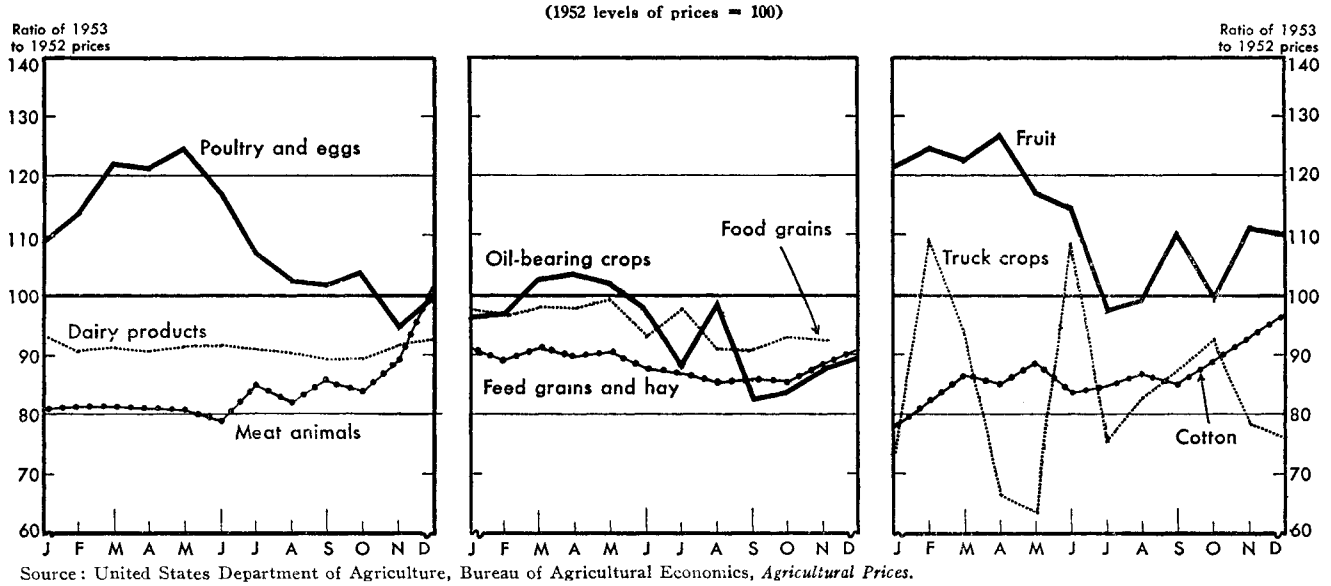
Prices received by farmers

On January 1, 1954 District as well as national agricultural prices were lower than a year earlier as a result

CHART 2

RELATIVE CHANGES IN PRICES RECEIVED BY FARMERS FOR VARIOUS CLASSES OF FARM COMMODITIES, UNITED STATES RATIOS OF 1953 TO 1952 MID-MONTH PRICES

(1952 levels of prices = 100)



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

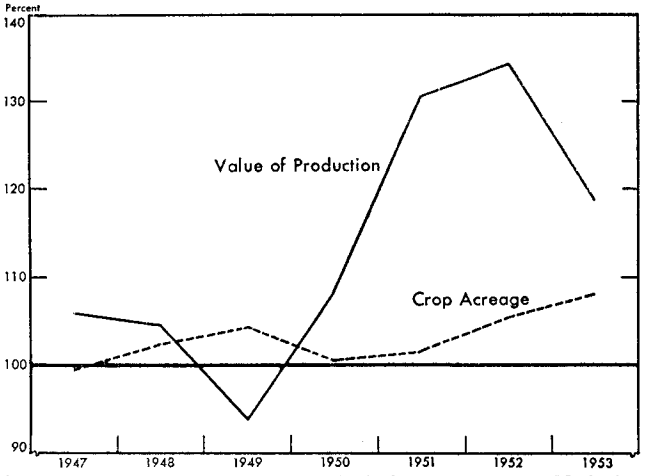
TABLE 2
TOTAL HARVESTED ACREAGE OF PRINCIPAL CROPS[1] WITH COMPARISONS—TWELFTH DISTRICT, 1953

	1953 (in thousands)	Percent change from 1952	Percent change from 1942-51 average
Idaho	3,824	+4.8	+11.4
Arizona	1,285	+3.0	+45.2
Utah	1,307	+3.0	+ 8.6
Nevada	434	—2.5	— 5.7
Washington	4,322	+2.5	+ 5.2
Oregon	3,015	+2.2	+ 4.8
California	7,391	+1.1	+12.7
Twelfth District	21,578	+2.3	+10.5

[1] Nearly all crops other than fruit.
Source: United States Department of Agriculture, Agricultural Marketing Service, *Crop Production, 1953 Annual Summary.*

of continued high production and softened export demand for some farm products. Average prices received by farmers were about 10 percent lower in 1953 than in 1952. Comparisons of average annual prices received by farmers, as shown in the first three columns of Table 1, seem to indicate that farm prices fell more in 1953 than in 1952. However, as indicated in the last two columns of Table 1 and in Chart 1, such an impression is erroneous. In 1952 farm prices of crops, livestock, and livestock products averaged relatively high but they fell precipitously between August and December of that year. Farm prices continued to fall in 1953 but they fell at a much more gentle rate than during the third and fourth quarters of 1952. Between October 1953 and February 1954 substantial increases were scored (Chart 1). Apparently, either much of the weakness in farm prices has been dissipated or Government price supports and purchases in 1953 were effective. Indications are that both factors are important. During the past year farm prices, although generally lower, have varied considerably from the 1952 pattern (Chart 2).

CHART 3
RELATIVE CHANGES IN INDEXES OF TOTAL VALUE OF CROP PRODUCTION AND IN TOTAL CROP ACREAGE—TWELFTH DISTRICT, 1947-1953
(1945-49=100)



Source: United States Department of Agriculture, Agricultural Marketing Service, *Agricultural Prices*, annual summaries 1947-1953, and *Crop Production*, annual summaries 1947-1953.

District acreage and production of crops

Lower crop prices notwithstanding, total harvested acreage of principal crops in the Twelfth District increased more than 2 percent in 1953 over 1952 to a new all-time high level. Harvested crop acreage in each District state, except Nevada, also reached new record levels (Table 2). Most District states, but particularly Arizona, California, and Idaho, have expanded their cropland acreages rapidly in the last decade (Table 2).

Despite an increase in the amount of land devoted to crops, total District production of crops probably increased only slightly in 1953 from 1952. A larger aggregate production of field crops and of citrus was accompanied last year by smaller total crops of deciduous fruit, nuts, vegetables, and seeds. Larger crops of each of the grains except oats were produced and the District hay crop was slightly larger. Increases also were scored for sugar beets, potatoes, dry edible beans, and peas. Reduced yields, on the other hand, resulted in a smaller District cotton crop. The removal in 1952 of price supports on seed crops of alfalfa and clover caused District producers to reduce output sharply in 1953. A striking reduction in production of hops also occurred (Table 11).

Even though the District output of lemons was slightly lower in 1953 than in the previous year, total production of citrus fruits was more than 15 percent greater. Pecu-

TABLE 3
VALUE OF PRODUCTION OF PRINCIPAL CROPS WITH PERCENTAGE COMPARISONS[1]—TWELFTH DISTRICT, 1952 AND 1953

	Value of production 1952	Value of production 1953	Percent change 1952-53	Principal reason for change
	(in thousands of dollars)			
All grain[2]	642,838	614,765	— 4.4	Production increases more than offset by price decreases.
Cotton and cottonseed	535,727	512,224	— 4.4	Smaller yield and lower prices.
All hay and sorghum forage	405,575	295,840	—27.1	Large price reductions.
Vegetables, all commercial	454,897	421,384	— 7.4	Lower prices, also smaller output of tomatoes.
Citrus fruits	130,721	122,752	— 6.1	Lower prices more than offset production increases.
Deciduous fruits and other	435,689	465,516	+ 6.8	Price increases more than offset smaller production.
Nuts	53,685	41,751	—22.2	Price increases failed to offset smaller production.
Seed crops[3]	35,785	21,821	—40.0	Prices and production both down.
Other[4]	323,345	220,519	—31.8	Lower potato prices and smaller hop production mainly.
Total	3,018,262	2,716,572	—10.0	

[1] Changes in value of individual crops are indicated in Table 11.
[2] Includes corn, oats, all wheat, rice, barley, rye, and sorghum grains.
[3] Includes alfalfa seed, red clover seed, and alsike seed.
[4] Includes flaxseed, hops, dry edible beans and peas, sweet potatoes and potatoes. Although value data for sugar beets not available, increases are indicated.
Source: United States Department of Agriculture, Agricultural Marketing Service, Annual Summaries of Season Average Prices and Value of Production, 1952.

liar climatic conditions last year, however, caused widespread damage to fruit and nut crops of District states, particularly Utah. Warm January and February weather hastened early development of many fruits and nuts leaving them vulnerable to killing frosts in March, which were followed by growth-retarding cool weather as late as June. As a result, the District nut crop in 1953 was about 25 percent under the 1952 output although the national nut crop was large. The total harvested tonnage of deciduous fruits was down about 7 percent compared with a year earlier.

Each District state, other than California, harvested a greater tonnage of commercial vegetables in 1953 than in 1952. A 6 percent decline in California's harvested tonnage was sufficient, however, to reduce total District production of vegetables about 3 percent. A contraction in acreage devoted to tomatoes largely accounted for the decline in California.

District value of crop production

With prices lower and production only slightly increased, the farm value of 1953 production (harvested production multiplied by average farm prices) fell below the value of the 1952 crop output. Estimates based upon data of the United States Department of Agriculture indicate that the gross value of District crop production[1] in 1953 was $2.7 billion compared to $3.0 billion in 1952, a drop of about 10 percent. Reductions occurred in the farm value of all major classes of crops except deciduous fruits (Table 3 and Chart 3).

[1] The gross value of production is an estimate of gross farm income on a crop season basis and should not be confused with income from actual sales on a calendar year basis.

TABLE 4

VALUE OF LIVESTOCK ON FARMS ON JANUARY 1, 1954 WITH COMPARISONS—TWELFTH DISTRICT AND UNITED STATES

	United States			Twelfth District	
	January 1, 1954 (in thousands of dollars)	Percent change from January 1,		Percent change from January 1,	
		1953	1943-52 average	1953	1943-52 average
All cattle and calves....	8,746,058	—27.1	— 1.9	—22.7	+ 7.7
Milk cows[1]	3,614,427[3]	—25.7	— 7.2	—18.8	+12.0
Other cattle[2]	5,131,631[3]	—28.1	+ 2.1	—24.5	+ 5.7
All hogs and pigs	1,763,714	+25.1	— 1.8	—10.1	—36.7
All sheep and lambs....	431,963	—14.8	—22.2	—11.0	—12.4
Horses and colts	167,568	— 6.6	—61.1	— 6.0	—40.9
Mules and colts	98,402	—14.0	—70.5	— 3.6	—56.3
All chickens	629,024	+ 3.6	— 3.7	+ 4.4	+ 9.4
All turkeys	33,594	+ 2.8	— 8.6	— 0.4	—20.6
Total	11,870,323	—20.1	— 6.7	—19.7	+ 1.9

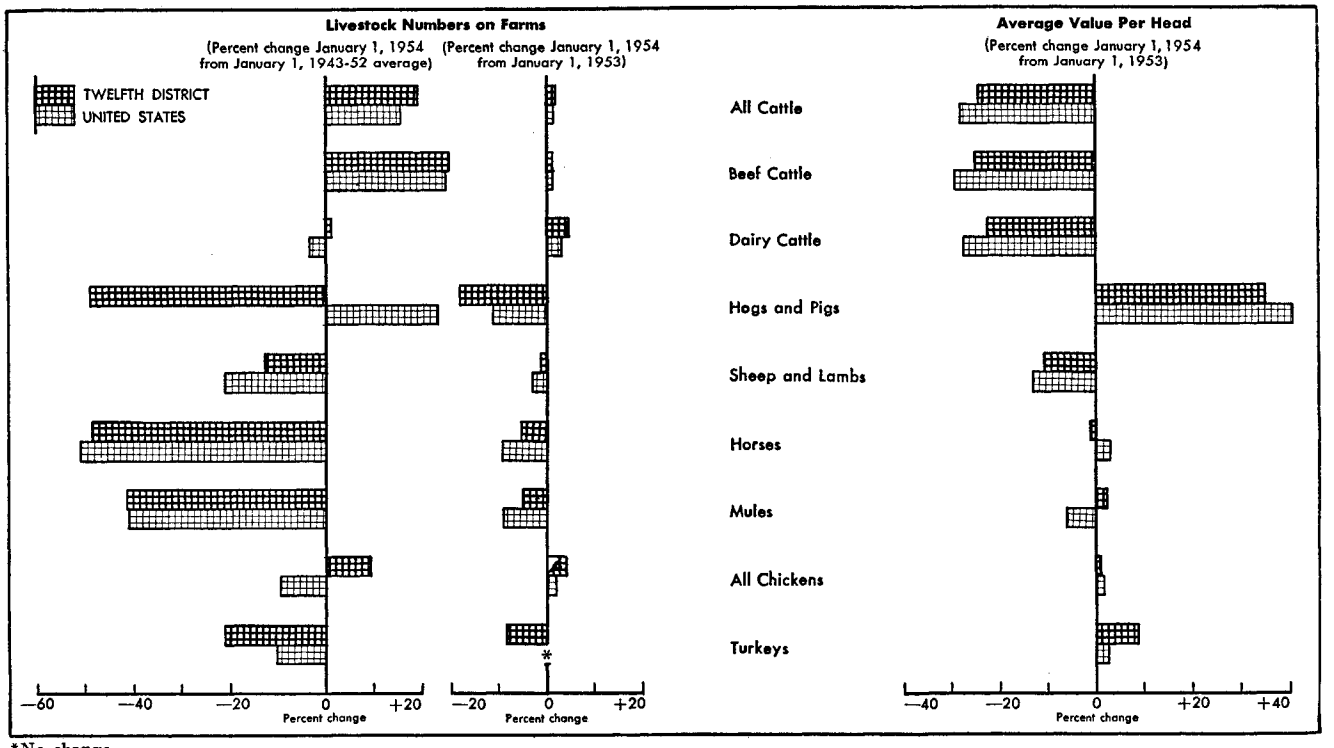
[1] Milk cows two years old and older.
[2] Mainly beef cattle and calves.
[3] Included in the value figure for all cattle and calves.
Source: United States Department of Agriculture, Agricultural Marketing Service, *Livestock and Poultry on Farms and Ranches, January 1, 1954.*

Production of livestock products and number and value of livestock on farms

Total numbers of livestock on District farms changed very little in the year ending January 1, 1954. A 2 percent increase in numbers of cattle and calves on farms and a

CHART 4

PERCENTAGE CHANGES TO JANUARY 1, 1954 IN NUMBERS OF LIVESTOCK ON FARMS AND AVERAGE VALUE PER HEAD—TWELFTH DISTRICT AND UNITED STATES



*No change.
Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Livestock Slaughter by States* and *Livestock on Farms.*

TABLE 5

COMMERCIAL LIVESTOCK SLAUGHTER IN 1953 WITH COMPARISONS TWELFTH DISTRICT AND UNITED STATES

	Slaughter 1953 (in millions of pounds)		Percent change 1953 from 1952		Percent change 1953 from 1948-52 average	
	Twelfth District	United States	Twelfth District	United States	Twelfth District	United States
Cattle and calves	3,372.0	24,787.1	+20	+30	+36	+30
Sheep and lambs....	271.8	1,511.6	+11	+12	+16	+16
Hogs	751.7	15,687.7	—22	—15	—14	— 7
Total	4,395.5	41,986.4	+ 9	+ 8	+23	+13

Source: United States Department of Agriculture, Agricultural Marketing Service, *Livestock Slaughter By States.*

TABLE 6

PRODUCTION OF SELECTED LIVESTOCK PRODUCTS IN 1953 WITH COMPARISONS—TWELFTH DISTRICT AND UNITED STATES

	1953 (in thousands)		Percent change from 1952		Percent change from 1942-51 average	
	Twelfth District	United States	Twelfth District	United States	Twelfth District	United States
Eggs (no.) ..	5,815	61,962	+ 2.1	+ 1.6	— 7.0	—20.0
Milk (lb.) ...	11,297	120,198	+ 5.0	+ 3.0	+ 5.0	+ 5.0
Butter (lb.)..	92,805	1,424,940	+37.8	+18.2	—14.6	+ 1.8
Cheese[1] (lb.)..	60,720	974,240	+14.9	+11.9	— 3.6	+12.0

[1] American cheese only.
Source: United States Department of Agriculture.

4 percent increase in numbers of chickens on District farms in the last year were offset by a large drop in the number of hogs and pigs and a continued decline in the farm population of horses and mules. District percentage increases in numbers of cattle, including calves, exceeded similar increases for the nation as a whole. On the other hand, the hog population decreased significantly more percentagewise in the District than in the United States (Chart 4).

Since the long down trend of cattle and sheep prices continued throughout 1953 and since large increases in farm prices of hogs were nearly offset in 1953 by reductions in numbers of hogs on farms, the total value of livestock on farms fell significantly. On January 1, 1954, the total value of livestock on District farms was about $1.2 billion compared to about $1.5 billion a year earlier, a drop of 20 percent. The total farm values of District hogs and chickens increased while the District totals for all other classes of livestock declined (Table 4). However, the January 1, 1954 inventory values of all cattle and chickens and the total of all livestock on farms compare favorably with the average of similar values in the period 1943-52. A persistent decline in the total numbers of hogs and pigs on farms of the District since World War II is significant. It may be indicative of a permanent change in farmers' preferences concerning enterprise combinations. Recent increases in dairy cattle numbers also are important in view of limitations to expansion of fresh milk outlets, large national surpluses of butter and cheese, and prospective reductions in price supports for dairy products.

Total numbers of livestock on District farms probably would have increased markedly in 1953 had not District farmers maintained marketings of livestock, particularly cattle and sheep, at high levels throughout the year. Salable receipts of all classes of livestock at the seven major public markets of the District[1] were about 12 percent greater in 1953 than in 1952 despite smaller salable receipts of hogs at these markets. Commercial slaughter of livestock in the District during 1953 was about 9 percent greater than during the previous year with cattle and calf slaughter up about 20 percent compared to 30 percent for the United States (Table 5). Although the output of red meat was greater in 1953 than in the preceding year, supplies of white meat produced in the District in 1953 appear to have been smaller. Pounds of District-produced broilers were about the same in 1953 as in 1952. However, fewer farm chickens other than broilers were raised on District farms in 1953 than in 1952, and inventories of chickens in the District were greater on January 1, 1954, than on the same date a year earlier, indicating that fewer chickens have been marketed in the last year than in 1952. Turkey production also was down in 1953.

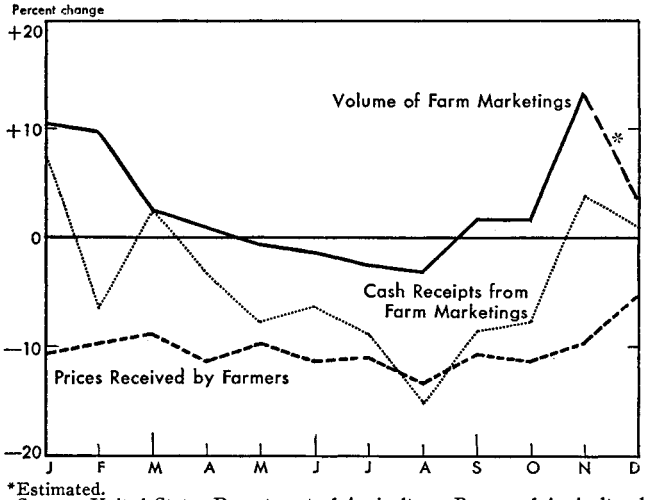
Among livestock products more eggs and milk and significantly greater quantities of butter and cheese were produced in the District last year than in 1952 (Table 6). Apparently most of the increase in milk production in the District as well as in the United States as a whole was channeled into production of butter and cheese.

District farm income from marketing

Data on cash receipts from marketings of farm products as recently revised by the Department of Agriculture show reductions for 1953 from a year earlier of 3.8 percent for the District compared with 4.3 percent for the United States. District proceeds from sale of crops dropped only 1.5 percent while such proceeds from sale of livestock and livestock products, despite a large volume of market-

CHART 5

PERCENTAGE CHANGES IN VOLUME OF FARM MARKETINGS, PRICES RECEIVED BY FARMERS, AND CASH RECEIPTS FROM FARM MARKETINGS IN EACH MONTH OF 1953 FROM THE CORRESPONDING PERIODS IN 1952—UNITED STATES



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

[1] The major public markets of the District are located at Los Angeles, Stockton, South San Francisco, Portland, North Salt Lake City, Ogden, and Spokane.

TABLE 7
CASH RECEIPTS FROM FARM MARKETINGS IN 1953 WITH COMPARISONS—TWELFTH DISTRICT AND UNITED STATES

	Cash receipts 1953 (in millions of dollars)		Percent change from 1952		Percent change from 1947-51 average	
	Twelfth District	United States	Twelfth District	United States	Twelfth District	United States
All crops	2,755	13,796	—1.5	—1.6	+14.8	+ 1.7
All livestock and products	1,731	17,178	—7.3	—6.4	+ 6.6	+ 7.0
Total	4,486	30,974	—3.8	—4.3	+11.5	+ 4.0

Source: United States Department of Agriculture, Agricultural Marketing Service, *Farm Income Situation.*

ings, fell more than 7 percent (Table 7). The reduction in crop proceeds of less than 2 percent is surprisingly small in view of a 10 percent drop from 1952 in the farm value of crops produced. However, reference to Chart 3 and examination of District crop proceeds on a monthly basis help explain this difference. The District pattern of crop marketings and of income from crops follows fairly closely the pattern shown in Chart 5 for all farm products of the United States.

With farm prices of farm crops remaining relatively stable during 1953, cash receipts from sale of crops tended to vary month by month according to changes in the volume of crop marketings. During the first quarter and the last one-third of 1953 the volume of farm marketings and cash receipts from sale of crops increased significantly over the comparable periods of a year earlier. Increases in District cash receipts from crop marketings approximated 12 percent for the first three months of 1953 and 2 percent for the last four months of the year compared to a 13 percent drop for the intervening period April through August.

Greater use, primarily by producers of cotton and wheat, of non-recourse loan features of the price support program largely explains increases in volume of District crop marketings after August last year. Movement of farm commodities into the Government crop loan program show up in statistics of the Department of Agriculture as crop marketings. Therefore, the proceeds of such marketings are included in cash receipts from crop marketings. Consequently, with about one half the District wheat crop and about 20 percent of the District crop of cotton moving into the price support program by January 1954, cash farm income of the District as well as the volume of District farm marketings was affected significantly.

Although reductions in farm income were relatively small for the District as a whole, they were large in certain District states (Table 8). Compared with 1952, cash farm receipts for 1953 were down 40 percent in Nevada, 20 percent in Utah, and 8 percent in Oregon. Unfavorable growing conditions during the late summer and fall combined with the low level of livestock prices were contributing factors to conditions in these states but particularly in Utah and Nevada. Oregon, along with Washington and Idaho, benefited from the price support program on wheat. Washington was favored with an exceptionally good fruit crop.

Change in value of fixed assets

Per acre values of District farm real estate fell about 8 percent during the year ending in November 1953 compared with a drop of about 6.2 percent for the country as a whole. The greatest reductions of the District in values of farm land occurred in Idaho and Utah (Table 9). District farm land values declined about 3 percent between July and November 1953. In addition, the volume of voluntary transfers of farm land in 1953 confirms earlier expectations of a continued downward trend in sales activity that has prevailed every year since 1947 except 1950. Farm real estate accounts for a large proportion of the total assets of District agriculture. For the United States as a whole this proportion approximates 50 percent.

The value of machinery and motor vehicles on District farms probably was about the same at the beginning of 1954 as at the beginning of 1953. Market prices of these commodities appear not to have changed greatly in the past year and, for the United States, a reduced level of farm purchases of machinery and vehicles in 1953 little more than offset depreciation and obsolescence of these commodities.

The United States Department of Agriculture indicated late in October 1953 that total liquid assets of farm-

TABLE 8
TOTAL CASH INCOME FROM FARM MARKETINGS IN 1953 WITH COMPARISONS—TWELFTH DISTRICT

	Cash income in 1953 (in millions of dollars)	Percent change from 1952	Percent change from 1951
Idaho	342.5	— 5.8	— 6.9
Arizona	399.0	+ 4.4	+10.9
Utah	150.9	—14.1	—20.4
Nevada	38.1	—25.9	—39.1
Washington	589.1	+ 3.9	0.0
Oregon	390.9	— 4.2	—10.7
California	2,575.4	— 5.2	— 5.7
Twelfth District	4,486.3	— 3.8	— 5.3

Source: United States Department of Agriculture, Agricultural Marketing Service, *Farm Income Situation.*

TABLE 9
INDEX NUMBERS OF FARM VALUE PER ACRE INCLUDING IMPROVEMENTS—TWELFTH DISTRICT AND UNITED STATES NOVEMBER 1952 AND 1953
(1947-49=100)

	Index numbers of value per acre Nov. 1952	Nov. 1953	Percent change 1952-53
Idaho	106	94	—11.3
Arizona	125	113	— 9.6
Utah	116	102	—12.1
Nevada	114	105	— 7.9
Washington	106	98	— 7.5
Oregon	104	98	— 5.8
California	99	92	— 7.1
Twelfth District	103	99	— 7.8
United States	129	121	— 6.2

Source: United States Department of Agriculture, Agricultural Research Service, *Current Developments in the Farm Real Estate Market,* November 1953.

ers on January 1, 1954 were expected to be about the same as a year earlier.[1] However, the composition of these assets was expected to change; a decline in currency and demand deposits was expected to be about equal to the increase in time deposits and United States Savings Bonds. They also indicated that increases in time deposits and Government bonds held by farmers appeared to be widespread.

Expenses of Production and Liabilities of District Agriculture

The claims against income and assets of agriculture consist mainly of real estate and non-real estate debt. In addition to costs of items used directly in production, costs of agricultural production include taxes, interest charges, insurance, and depreciation. Some of these, particularly taxes and interest charges, constitute claims or liabilities.

District farm mortgage debt

District farm mortgage debt increased in 1953 for the seventh consecutive year. The real estate debt of farmers increased 8 percent in the year ending January 1, 1953. In the first nine months of 1953, the volume of farm mortgages in western areas continued to increase but at a faster rate than in 1952 (Table 10). For the United States the dollar volume of loans made by Federal Land Banks and by miscellaneous lenders in the third quarter of 1953 were both up 15 percent from a year earlier—a larger relative increase than for the other lenders. Loan volumes of insurance companies increased about 10 percent in the same period. Commercial banks have increased their real estate loan volumes very little and member banks of the Twelfth District reduced their holdings of such loans by about 2.6 percent in the year ending December 31, 1953.

It appears that an increasing proportion of the loans are made for purposes other than to finance the purchase of land. Reductions may be noted (Table 10) in the number of new mortgages written along with substantial increases in the average size of loans. Apparently, most of the increase in mortgage loan volumes is accounted for by the refinancing of existing mortgages and the conversion and consolidation of short-term debts into longer-term real estate mortgages.

District non-real estate debt

Excluding non-recourse Commodity Credit Corporation loans which have increased phenomenally in the last year, general reductions in non-real estate farm debts in 1953 marked the first major break in the upward trend that has been under way during the entire postwar period. In the West,[2] non-real estate loans held by banks and Federally sponsored agencies on July 1, 1953 were 2.8 times the amount of such loans on July 1, 1945. But in the year beginning July 1, 1952 reductions in the volume of non-real estate debts occurred in most western states including all District states except Washington, Idaho, and Arizona. In the same period the volume of production credit association loans dropped in each District state to account for an average District reduction of 8 percent. After July 1953 the decline in non-real estate loans appears to have become widespread. Non-real estate loans of Twelfth District member banks decreased 13 percent in 1953.

Three factors appear principally responsible for the reduction in the short-term debt of District farmers. These are (1) the drop in cattle prices, (2) the change in attitude of farmers concerning the outlook for agriculture, and (3) lender restriction of credit. Costs of livestock replacements and of feeder cattle are lower and some producers are carrying fewer head. Also farmers appear to be more careful in watching day-to-day expenditures. After several years of relatively prosperous agricultural conditions, many farmers are in a position to postpone certain types of expenditures. In addition, lenders in some instances have become more selective and have discouraged the use of credit for expansion of livestock and other farm enterprises. However, most lenders report that they are still actively looking for sound farm loans.

TABLE 10

ESTIMATED NUMBER AND VALUE OF FARM MORTGAGES RECORDED DURING THE FIRST NINE MONTHS OF 1953 WITH COMPARISONS, SPOKANE AND BERKELEY FARM CREDIT DISTRICTS AND UNITED STATES

	1953 (first 9 months)			Percent change from first 9 months of 1952		
	Number	Total amount (in thousands of dollars)	Average size (in dollars)	Number	Amount	Size
Berkeley District ...	15,987	158,155	9,890	[1]	+13	+13
Spokane District	8,620	71,601	8,310	—7	+12	+20
United States	231,952	1,396,247	6,020	—2	+ 5	+ 7

[1] Less than 0.5 percent.
Source: United States Department of Agriculture, Farm Credit Administration, *Farm Mortgages Recorded*, Third Quarter 1953.

Taxes, interest, insurance, and other production costs

Interest charges on farm mortgage debt on January 1, 1954 is estimated nationally to have been about 9 percent higher than on the same date a year earlier. Since the volume of farm mortgages has increased relatively more in the District than in the United States, increases for the District probably exceeded 9 percent. Increases in interest charges on farm mortgages are partly offset, however, by reductions in interest charges on non-real estate debt of farmers.[1]

Property taxes paid by farmers in nearly all states continue to rise. The national average increases of 5 percent in 1952 and 3 percent in 1953 appear to be at least roughly

[1] United States Department of Agriculture, Bureau of Agricultural Economics, *Agricultural Finance Review*, Volume 15, Supplement II, October 1953.

[2] This geographic area includes Montana, Wyoming, Colorado, and New Mexico in addition to the seven Twelfth District states.

[1] Reductions in interest charges on non-real estate debt stem principally from reductions in volume of short-term debt. In addition, the United States Department of Agriculture has announced that rates of interest to be charged producers and others on price support loans will be reduced from the present 4 percent to 3½ percent effective with the 1954 price-support loan programs.

representative of conditions in this District. General increases also have occurred over the United States in insurance costs of farmers, but this change appears related to increases in insurance carried rather than to increases in rates charged.

The average level of prices paid by farmers for items used in farm production declined about 8 percent between 1952 and 1953. Nearly all of this reduction, however, is accounted for by lower prices of farm-produced items used in production such as feed, seed, and livestock for feeding or breeding. Prices of motor supplies, fertilizer, building and fencing materials, and other farm supplies, on the other hand, have increased in the last year.

TABLE 11
PRODUCTION AND VALUE OF PRINCIPAL CROPS, TWELFTH DISTRICT 1953 WITH COMPARISONS

	Production	Percent change		Gross farm value	Percent
	1953	1952-1953	1942-51 avg.-1953	1953	change 1952-53
Field and seed crops	(in thousands)			(in millions)	
Barley (bu.)	93,617	+ 2	+ 10	$115.0	—16.0
Beans, dry (100# bag)	6,966	+ 5	— 3	65.5	+11.7
Corn (bu.)	9.945	+ 2	+ 58	17.8	— 3.4
Cotton, lint (bale)	2,756	— 2	+153	452.5	— 1.6
Cottonseed (ton)	1,102	— 3	+232	59.7	—21.4
Flaxseed (bu.)	732	—51	— 85	2.8	—55.8
Grain sorghums (bu.)	6,044	+ 9	— 4	9.2	—10.6
Hay, all (ton)	14,648	+ 1	+ 5	295.6	—27.0
Hops (lb.)	41,803	—32	— 18	20.5	—15.6
Oats (bu.)	31,325	— 6	— 5	26.4	—21.1
Peas, dry (100# bag)	2,672	+19	— 51	14.2	+30.6
Potatoes (bu.)	123,136	+10	+ 18	111.1	—49.0
Rice (100# bag)	11,948	+ 2	+ 55	60.9	—17.6
Sugar beets (ton)	6,239	+33	+ 37	[5]	[5]
Wheat, all (bu.)	186,228	+ 7	+ 31	383.6	+ 4.2
Alfalfa seed (lb.)	80,005	— 7	+176	17.6	—40.0
Alsike clover seed (lb.)	8,452	—12	+ 30	1.4	—45.4
Red clover seed (lb.)	10,453	— 3	[4]	2.8	—26.8
Fruit and nut crops					
Apples (bu.)	35,028	— 5	— 16	128.2	+13.9
Apricots (ton)	240	+36	+ 6	28.4	+39.9
Avocados (ton)	24	+ 5	+ 26	8.5	+17.4
Cherries (ton)	83	— 7	— 8	22.0	+19.7
Dates (ton)	14	—15	— 7	2.1	+41.4
Figs, dried (ton)	23	—19	— 29	3.6	—10.0
Figs, fresh (ton)	10	—33	— 34	1.1	—50.0
Grapes (ton)	2,490	—17	— 9	110.4	+ 1.2
Olives (ton)	30	—47	— 37	5.4	— 8.0
Peaches (bu.)	36,068	+ 7	+ 1	52.4	— 7.6
Pears (bu.)	24,761	— 8	— 2	52.9	+15.0
Plums (ton)	86	+62	+ 5	12.6	— 3.7
Prunes, fresh (ton)[1]	444	+ 5	— 22	36.1	— 4.5
Grapefruit (ton)[2]	180	+27	— 10	6.3	[4]
Lemons (ton)[2]	497	— 2	— 1	44.9	— 6.0
Oranges (ton)[2]	1,788	+19	— 2	71.6	— 6.6
Almonds (ton)	36	— 1	[4]	16.5	— 2.5
Filberts (ton)	5	—60	— 30	1.8	—49.7
Walnuts (ton)	58	—31	— 19	23.5	—29.3
Truck crops for fresh market					
Asparagus (30# cr.)	2,366	+ 1	+ 7	8.7	— 1
Beans, snap (30# bu.)	1,935	+ 3	+ 1	6.1	+ 12
Cabbage (ton)	148	— 1	+ 10	4.9	— 48
Cantaloupes (70# cr.)	10,246	+ 6	+ 5	36.4	— 5
Carrots (50# bu.)	16,246	—10	+ 4	37.8	+ 9
Cauliflower (37# cr.)	7,266	— 1	+ 6	7.1	— 17
Celery (65# cr.)	12,926	+ 6	+ 15	20.1	— 32
Corn, sweet (units)[3]	4,195	+16	+ 30	8.1	+ 16
Lettuce (70# cr.)	33,245	[4]	+ 8	101.7	— 4
Onions (50# sack)	17,829	+24	+ 22	12.0	— 63
Peas, green (30# bu.)	843	—31	— 53	2.1	— 12
Strawberries (36# cr.)	1,889	+ 3	+ 44	16.4	+ 1
Tomatoes (53# bu.)	9,572	+ 5	+ 11	35.1	— 8
Watermelons (no.)	16,369	+ 2	— 4	7.3	— 4
Truck crops for processing					
Asparagus (ton)	58	— 5	— 15	10.5	— 10
Beans, green lima (ton)	41	+22	+ 39	6.3	+ 23
Beans, snap (ton)	79	+11	— 4	10.1	+ 17
Corn, sweet (ton)	258	+16	+ 73	7.2	+ 14
Peas, green (ton)	171	+ 2	+ 17	15.0	+ 4
Strawberries (ton)	90	+39	+123	28.9	+ 44
Tomatoes (ton)	1,526	—20	+ 3	35.2	— 26

[1] This is a combined estimate of fresh and dry on a fresh weight basis.
[2] Figures are for crop year beginning in October of previous year.
[3] Unit consists of 5 dozen ears.
[4] Less than 0.5 percent.
[5] Not available.
Source: United States Department of Agriculture, Agricultural Marketing Service, Annual Summaries of Production and Value of Production.

Summary of District farm financial conditions

Total assets of District agriculture fell considerably during 1953. The value of District farm real estate, by far the largest asset of farmers, dropped about 8 percent. The farm value of District crop production was about 8.5 percent smaller in 1953 than in 1952. Since the beginning of the 1953 harvest season farmers apparently have disposed of farm commodities produced by them in 1953, either through actual sales or through request for a Government price support loan, at a higher rate than in 1952. This means that the value of farm crops held by farmers was less on January 1, 1954 than on the same date a year earlier. A reduction of nearly 20 percent in the total value of livestock on farms occurred in the year ending January 1, 1954. Other assets of District farmers such as liquid financial assets and the value of machinery and motor vehicles appear to have changed little in the last year.

Debts of District farmers, on the other hand, increased in 1953. Farm real estate mortgages, the larger debt item of District farmers, continued upward in 1953 but at a more rapid rate than earlier. Farm loans guaranteed by the Commodity Credit Corporation increased strikingly in the last half of 1953 but are expected to drop at least seasonally during the first half of 1954. The volume of other non-real estate loans of District farmers dropped in 1953, but the decline was not sufficiently great to offset increases in longer-term loans. The United States Department of Agriculture expected the total assets of American agriculture to be 5 percent less on January 1, 1954 than a year earlier. They anticipated an increase by the same date of 5 percent in debts of United States farmers. Changes in debts and assets of District agriculture appear to have been in the same directions, and at least as great, as those for the nation.

Lower levels of farm prices are primarily responsible not only for the lower level of income received in 1953 but also for the somewhat less favorable equity position of District farmers. The cost-price squeeze in agriculture of the District and the nation, occasioned by falling prices and relatively stable production costs, is producing a changed economic situation for farmers. This change is having a psychological impact not only upon farmers but also upon lenders and industries associated with or dependent upon agriculture. Farmers and investors are unwilling to pay as much for land. Agricultural enterprisers exhibit a greater hesitancy toward investment in equipment and improvements. They are attempting to maintain cash reserves and are curtailing their use of credit. Farmers and marketers are being called upon to adjust agricultural production to prospective markets and to ad-

just farm and family living expenses—and in some cases farm debts— to reduced income.

Basically, however, agriculture over most of the nation still is in a strong position. When compared with farm real estate values, the farm mortgage debt is relatively low. Most lenders report that delinquencies on scheduled loan repayments are few and not a problem. Most relatively efficient farm operators are finding returns to capital invested and labor fully satisfactory.

Implications for the Future

Farmers and distributive agencies for farm products probably will find it necessary in 1954 to continue adjusting to changed agricultural economic conditions. Farm prices are not expected to improve and marketing quotas will tend to hold down production of major crops. The production of a number of other crops such as hay, sugar beets, rice, oats, and barley may be increased since output will not be involuntarily limited.[1] If so, prices of these products may be expected to adjust accordingly. Beef and lamb production appears likely to continue high in 1954 but at a level moderately below that of the last year. At the same time little if any increase in beef prices is expected.

These conditions all point toward some further reduction of gross incomes of farmers both in and out of the District. Some commodities and some areas may be more seriously affected than others, but barring continued drought conditions in some parts of the District, the outlook generally is for few extreme changes from last year. More favorable spring and summer growing conditions may result in increases in gross farm incomes in Utah and possibly in Idaho and Oregon.

Net incomes of District farmers may not be much lower in 1954 than in 1953. Labor costs and prices of some farm supplies may be lower. Also, farmers appear to be making strides toward reductions in costs of production and marketing through increased efficiency. On the other hand, prices of fertilizer, interest charges, and taxes may remain relatively stable in 1954.

The net result is that further declines in farm assets and farmers' equities may occur in 1954. It is too early to know anything concerning the trend in crop and livestock inventories for 1954, but land values seem destined to continue their adjustment to the lower farm income that now prevails. Farmers probably will continue to restrict investment in farm and home improvements. The liquid savings accumulated by farm people are not expected to show any considerable change. Short-term debts of farmers probably will decline further in 1954 since production costs may be lower this year than last. Real estate mortgages, on the other hand, are expected to increase. Nevertheless, the 1954 outlook is for a financial condition of agriculture that is still good by most past standards. Also, many opportunities still exist, even with the present high state of farm mechanization, to cut costs and to reduce the labor used in farm operations.

[1] According to planting intentions of farmers as reported to the United States Department of Agriculture, 1954 acreage increases for these United States farm crops are as follows: hay, 2 percent; sugar beets, 19 percent; rice, 8 percent; oats, 7 percent; and barley, 47 percent.

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)[3]	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
1935	54	62	56	33	86	37	87	30	....	47	66	24	48	135	109
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	97	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	97	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	111*a*	122	100	109	113	186	157
1952	107	107	116	124	86	112	96	144	118*a*	132*a*	101	114	115	171	200
1953	111	109	123	130	74	111	96	161	122*a*	139*a*	100	116	113	....	311*p*
1952															
December	109	108	114	126	78	111	96	138	121*a*	138*a*	102	116	115	148	232
1953															
January	118	107	115	105	77	109	99	141	121*a*	138*a*	100	116	114	151	195
February	117	108	117	131	85	113	92	154	121*a*	138*a*	103	117	112	158	187
March	121	109	123	126	85	116	96	142	122*a*	139*a*	103	120	113	179	336
April	119	108	122	132	82	114	96	165	121*a*	139*a*	102	116	113	164	336
May	112	109	127	142	75	115	91	167	122*a*	140*a*	102	124	113	118	384
June	110	110	121	134	77	105	99	179	122*a*	141*a*	103	121	113	114	372
July	112	110	125	140	64	106	96	172	121*a*	142*a*	98	117	113	123	356
August	108	109	124	134	69	110	92	168	122*a*	139*a*	99	114	113	127	337
September	100	109	126	133	73	111	101	166	124*a*	140*a*	98	110	114	129	368
October	106	109	125	137	69	112	99	163	123*a*	141*a*	95	111	114	133	316
November	105	110	121	128	69	112*r*	98	157	121*a*	137*a*	97	112	113	139	287
December	108	109	125	120	67	104	96	158	121*a*	138*a*	102	109	113	....	256

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[8]	Member bank reserves and related items[10]					Bank debits Index 31 cities[9, 13] (1947-49=100)[2]
	Loans and discounts	U.S. Gov't securities	Demand deposits adjusted[9]	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
1935	1,537	1,275	1,389	2,064	.....	+ 2	− 163	+ 219	+ 14	287	25
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	60
1944	2,254	8,263	6,950	4,144	.....	+ 98	−3,534	+4,483	+ 789	1,706	66
1945	2,663	10,450	8,203	5,211	.....	− 76	−3,743	+4,682	+ 545	2,033	72
1946	4,068	8,426	8,821	5,797	.....	+ 9	−1,607	+1,329	− 326	2,094	86
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	7,093	6,415	9,254	6,302	3.35	+ 39	−1,141	+1,198	− 14	2,026	115
1951	7,866	6,463	9,937	6,777	3.66	− 21	−1,582	+1,983	+ 189	2,269	132
1952	8,839	6,619	10,520	7,502	3.95	+ 7	−1,912	+2,265	+ 132	2,514	140
1953	9,235	6,721	10,260	7,862	4.14	− 14	−3,073	+3,158	+ 39	2,551	150
1953											
January	8,816	6,633	10,390	7,490	.....	+ 138	− 263	+ 136	− 77	2,565	146
February	8,838	6,474	9,911	7,551	.....	+ 83	− 119	− 13	+ 22	2,491	150
March	8,983	6,299	9,937	7,560	4.01	− 220	− 147	+ 240	− 18	2,394	164
April	9,054	6,173	10,011	7,597	.....	+ 16	− 277	+ 239	+ 11	2,378	153
May	9,092	6,020	9,843	7,627	.....	− 12	− 174	+ 293	+ 22	2,463	150
June	9,156	5,997	9,899	7,703	4.18	− 39	− 531	+ 435	+ 39	2,274	155
July	9,167	6,675	10,005	7,729	.....	+ 75	− 184	+ 275	+ 3	2,452	148
August	9,229	6,589	9,950	7,749	.....	− 100	− 98	+ 176	+ 36	2,397	142
September	9,241	6,481	10,018	7,794	4.17	+ 113	− 308	+ 217	− 4	2,425	149
October	9,255	6,556	10,248	7,854	.....	+ 19	− 391	+ 394	+ 7	2,449	142
November	9,248	6,693	10,255	7,815	.....	− 137	− 149	+ 330	+ 23	2,476	149
December	9,235	6,721	10,575	7,978	4.19	+ 50	− 432	+ 438	− 26	2,551	158
1954											
January	9,198	6,844	10,540	7,995	.....	+ 1	− 308	+ 125	− 86	2,468	146

[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 deposits except interbank prior to 1942. Debits to demand deposits except Federal Government and interbank deposits from 1942. *a*—New revised series. *p*—Preliminary. *r*—Revised.