



TWELFTH FEDERAL RESERVE DISTRICT

MONTHLY REVIEW

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FEDERAL RESERVE BANK OF SAN FRANCISCO

REVIEW OF BUSINESS CONDITIONS

THE level of business activity in the Twelfth District and the nation rose further early in the second half of the year from the already record high established in the first half. As the expansion has continued and has become progressively more diffused throughout the various sectors of the economy, the earlier fears of a second half letdown in over-all business activity have diminished greatly. Business and consumer confidence in the economic outlook has firmed and as a result expenditures on goods and services have continued to rise. So far as can be determined, buying intentions and investment plans for the near future appear quite favorable for additional gains in over-all levels of activity from current record levels.

In the nation, both production and employment seasonally adjusted continued upward in July. While to some extent the July gain reflected recovery from scattered work stoppages in the automobile industry during June, in larger measure it reflects improved levels of activity in other lines, especially in durable consumer goods output. Total employment expanded significantly from June to July, a period during which little if any change usually occurs, and new entrants into the labor force were being absorbed at a very satisfactory rate. Unemployment, reflecting the nonseasonal gain in employment, fell substantially in July to a level about 1 million lower than the 3.3 million unemployed in July last year.

Further expansion in the over-all level of District business activity appears indicated by developments during July and early August. A late agricultural harvest has held canning and food processing activity well below usual levels for June and July, and as crops ripen a sharp upturn in such activity may be expected. Work stoppages and inclement weather have adversely affected certain other lines of business and as these depressing influences disappear a rebound in output and employment is almost certain. Prospective demand for labor as reported by employers to state employment agencies indicates that additional net employment gains of moderate proportions are expected in the next several months. These developments have led to a continued drop in unemployment. Retail sales and other measures of economic activity have continued to show strength.

Total nonagricultural employment reaches another new high

The number of workers employed in nonagricultural activities in the District increased somewhat more than seasonally from May to June. The June increase brought the level of employment to a point 4 percent ahead of the total for June 1954. Increased activity at District manufacturing plants accounted for a large share of both the month-to-month and year-period gains in over-all non-farm employment. The record volume of construction put-in-place in the first half of the year is reflected in a gain of nearly 8 percent in construction employment in June compared with a year ago. Although there was a moderate tendency in May and June for the value of new building authorizations to taper off from earlier exceptionally high levels, the large volume of work under way will keep employment high for many months to come. Mining employment, although it is quantitatively small in relation to the total of nonagricultural jobs, has expanded sharply and this growth has had a significant impact upon the economy of those areas where it represents a major element. However, a strike at major District copper mines, discussed later on, sharply curtailed mining activity in July and early August. The small decline in the number at work in the transportation, communication, and public utilities industrial group, the only major industrial category to register a decline from May to June, reflects largely the work stoppage in the trucking industry that lasted from May 19 to June 12.

Manufacturing continues to gain despite declines in some industrial lines

Growth in output of District manufacturing establishments continues to be a dominant force in the current

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record levels of business activity. Manufacturing employment rose further in June from the high level reached in May, bringing the total gain from the comparable month a year ago to nearly 6 percent. As has been the case throughout the current upswing, employment in durable manufacturing plants dominated both the recent as well as the year-period increases. A considerable share of the recent gain, however, is due to a large rise in lumber industry jobs accounted for by the rebound of mill and woods operations from lower levels caused by adverse weather and transportation difficulties earlier in the year. District furniture and machinery manufacturers have continued to expand output in line with increased demands. In the last few months, losses of jobs in auto assembly, aircraft, and metals, and scattered declines in other durable lines have restrained the over-all gain in durable goods employment. A considerable portion of earlier gains in the current period of economic expansion, it is significant to note, stemmed from sharply increased activity in auto assembly, aircraft production, and output of metals and metal products.

The over-all level of activity in the nondurable manufacturing groups, although substantially above comparable year ago periods, has shown some recent weakness. This weakness, however, is almost entirely the result of continued slowness in the District's canning and preserving industry. As indicated earlier, the unusually late harvest occasioned by prolonged winter weather in some parts of the District and subnormal temperatures in other areas has kept the seasonal expansion below normal proportions and below the level indicated by the ultimate expected size of the current season's pack. These factors should lead, however, to sharper than seasonal gains in coming months as crops reach the processing stage. All other nondurable lines have shown signs of strength and have expanded employment and total use of man-hours. Particularly noticeable have been recent gains in printing and publishing and in the apparel industry.

Strike interrupts activity in copper mines and smelters

District copper mining and smelting operations were substantially curtailed in July and early August by a strike against the three major firms in the industry. These firms represent highly integrated types of organizations encompassing the mining, milling, and smelting operations. Although data are not yet available to assess precisely the effect of the shut-down on output and employment, the economic impact upon the business situation in Utah, Arizona, and, to a lesser extent, Nevada is likely to be of considerable importance. Some 22,000 workers in the United States and a large proportion of the nation's domestic copper supply are affected. Output of lead and zinc is also affected to some extent as nonferrous ores usually contain a mixture of copper, lead, and zinc.

Copper prices, reflecting strike-induced supply shortages and high levels of demand, have risen to the highest point in 83 years. The domestic price for copper was raised from 36 cents per pound to 43 cents per pound in the last half of August. On international markets the refined copper price reached 45 cents per pound in August. The differential between domestic and international prices for the metal has made it difficult for domestic users to attract sufficient foreign supplies to meet their requirements.

Unemployment declines sharply

As a result of the more than seasonal rise in District employment in recent months, the number of persons in the labor force unable to find jobs declined substantially from May to June. In this one-month period unemployment decreased by more than 11 percent and was more than 30 percent below the level of June a year ago. The ratio of unemployed to labor force has also shown substantial improvement, declining from 3.6 percent in May to 3.2 percent in June, which compares with a ratio of 4.6 percent in June 1954. The national unemployment ratio was 4.0 percent in June of this year compared with a year-ago ratio of 5.1 percent.

CONSTRUCTION ACTIVITY IN THE NATION AND THE TWELFTH DISTRICT IN 1955

THE vital role which the construction industry plays in business fluctuations in general and has been playing in the current economic cycle in particular has been heavily emphasized in a great deal of writing by economists and business analysts. In brief, these analyses indicate that without a strong vitality in the aggregate market for all types of construction, the economy is likely to show a tendency to sag. A corollary observation is that the continued strength of demand for residential, business, and Government construction provided a large measure of support through the mild recession and the recovery that the American economy experienced from mid-1953 through early 1955. In the first half of 1955, construction has proceeded apace to the point where it appears that the optimism expressed in earlier official forecasts is

likely to be more than justified in spite of recent "tapering off" tendencies.

Nation's construction activity exceeds early "optimistic" forecasts

Expenditures on new construction in the United States totaled more than \$19 billion in the first six months of 1955—the greatest dollar volume of such activity that the nation has ever experienced over a like period of time; that total is 14 percent above the amount spent on construction in the first half of last year. The significance of such a large percentage increase can be best appreciated when compared with early predictions. Last November the United States Departments of Labor and Commerce jointly predicted that 1955 construction expenditures would exceed the 1954 record by 7 percent.

TABLE 1
EXPENDITURES FOR NEW CONSTRUCTION, UNITED STATES
First six months of 1955

	Percent change—First six months 1955 from first six months 1954	Proportion of total expenditures—First six months of 1955
Total new construction	+14	100
Private construction	+20	72
Residential (nonfarm)	+31	39
Nonresidential (nonfarm)	+18	18
Commercial	+31	7
Public construction	+ 1	28

Sources: United States Department of Commerce, Building Materials and Construction Division; and United States Department of Labor, Bureau of Labor Statistics, Construction Activity Release (USDL-1209) for June 1955.

At that time many observers expressed surprise at the optimism of this official forecast, for many had come to feel that "the bloom was off the boom" at least as far as construction was concerned. In light of this highly successful first half, the same Government departments have recently predicted that 1955 construction expenditures will exceed those of 1954 by 11 percent.

As Table 1 shows, the major strength of the boom in the first half was in the private residential sector. In that connection, it is interesting to note that housing starts in the first six months of 1955 totaled an estimated 684,000, one-fifth higher than in the same period in 1954 and only 3 percent below the 1950 all-time high.

The ready availability of guaranteed mortgage loans on very easy terms has been an important factor contributing to the high level of residential construction activity. Many VA loans have been made with no down payment and 30 years maturity and FHA loans have also been available with 30 years maturity and low down payments. In the country as a whole, VA and FHA loans accounted for about 36 percent of the total nonfarm mortgage recordings of \$20,000 or less in the first five months of this year compared with 28 percent in the corresponding period of 1954. The marked increase in that proportion was due almost entirely to the growth in VA loans. Moreover, FHA and VA loans account for a substantially larger proportion of the mortgages on new houses than of total mortgage recordings.

The volume of mortgage funds available, especially for 30-year, no-down payment loans, has gradually diminished this year as a result of the high level of economic activity and the shift to a somewhat tighter monetary policy by the Federal Reserve System. However, the effects of this change will be felt primarily in the second half of the year, since most of the new houses sold in the first half were financed under commitments obtained earlier when mortgage funds were more plentiful. In addition, effective August 1, the Veterans Administration and the Federal Housing Administration announced that maximum maturities on guaranteed loans were being reduced from 30 years to 25 years and down payments were being increased 2 percentage points. This should have some further dampening effect upon housing demand.

Private nonresidential construction also maintained a high and expanding level of activity during the first half

of this year. Commercial construction, in particular, has shown great strength, rising above the first half of 1954 by 31 percent—the same percentage gain as occurred in the private residential category.

Available statistics indicate recent growth of construction activity to be higher in the Twelfth District

Unfortunately, there are no current figures on value of new construction available for the Twelfth District, but it is clear from other statistical indicators that the increase in District construction activity between the first half of 1954 and the first six months of 1955 has surpassed that of the nation as a whole. One indication is to be found in a comparison of employment in contract construction, which reached a new peak of 401,700 (on a seasonally adjusted basis) in the Twelfth District in June; meanwhile such employment nationally remained below that of the same months in preceding years despite the high level of expenditures. Table 2 shows a comparison of national and District construction employment over an 18-month period.

TABLE 2
CONTRACT CONSTRUCTION EMPLOYMENT, UNITED STATES AND
TWELFTH DISTRICT, 1954-55
(Not adjusted for seasonal variation)
(in thousands)

	United States	Twelfth District	Twelfth District as a percent of United States
1954:			
January	2,280	322.7	14.2
February	2,286	323.9	14.2
March	2,340	334.5	14.3
April	2,452	346.7	14.1
May	2,542	362.5	14.3
June	2,629	372.3	14.2
July	2,686	379.1	14.1
August	2,735	387.5	14.2
September	2,698	388.0	14.4
October	2,652	384.5	14.5
November	2,598	370.8	14.3
December	2,426	365.1	15.0
1955:			
January	2,237	341.1	15.2
February	2,169	344.6	15.9
March	2,255	356.0	15.8
April	2,399	372.9	15.4
May	2,529 ^P	389.2	15.4
June	2,610 ^P	401.7	15.4

^P Preliminary.

Sources: Council of Economic Advisers, *Economic Indicators*, July 1955, and state employment agencies in the Twelfth District.

The best approximation to a statistical series on construction expenditures that is available for the Twelfth District states is the recently reconstructed series on building permit activity published by the Bureau of Labor Statistics.¹ However, a detailed comparison between national and District building permit activity data can be made only for the first quarter periods of 1954 and 1955 (Table 3). Those figures show a considerably higher rate of increase in the seven far western states than was shown in the national total. Six of the seven

¹ Expenditures on projects covered by the permits of a particular month are distributed over several months, but the bulk of such expenditures probably occurs within 60 to 90 days after the permits are issued, with considerable overlap from other months. Thus, peaks and valleys in permit data are likely to be delayed and somewhat smoothed out in the expenditures data.

TABLE 3
BUILDING PERMIT ACTIVITY, UNITED STATES AND
TWELFTH DISTRICT
First three months of 1954 and 1955
(in millions of dollars)

	1954	1955	Percent change 1954-1955	Proportion of total construction 1955
UNITED STATES:				
All building construction ¹	3,315.5	4,132.5	+25	100.0
New dwelling units ²	1,903.9	2,581.1	+36	62.4
New nonresidential building..	1,070.7	1,170.1	+ 9	28.3
Additions, alterations, and repairs	308.8	339.4	+10	8.2
TWELFTH DISTRICT:				
All building construction	705.3	951.8	+35	100.0
New dwelling units	445.7	664.8	+49	69.8
New nonresidential building..	191.2	213.1	+11	22.4
Additions, alterations, and repairs	68.4	73.9	+ 8	7.8
ARIZONA:				
All building construction	32.3	44.6	+38	100.0
New dwelling units	18.1	31.9	+76	71.4
New nonresidential building..	11.9	9.5	-20	21.4
Additions, alterations, and repairs	2.3	3.2	+41	7.2
CALIFORNIA:				
All building construction	538.3	724.6	+35	100.0
New dwelling units	353.9	515.0	+46	71.1
New nonresidential building..	131.5	154.0	+17	21.2
Additions, alterations, and repairs	52.9	55.6	+ 5	7.7
IDAHO:				
All building construction	4.9	5.5	+13	100.0
New dwelling units	1.9	3.4	+79	62.0
New nonresidential building..	1.8	1.1	-36	20.8
Additions, alterations, and repairs	1.2	0.9	-19	17.2
NEVADA:				
All building construction	15.7	20.8	+32	100.0
New dwelling units	9.6	16.0	+66	76.6
New nonresidential building..	4.9	3.6	-27	17.1
Additions, alterations, and repairs	1.2	1.3	+ 8	6.3
OREGON:				
All building construction	27.4	34.8	+27	100.0
New dwelling units	14.0	18.4	+32	53.1
New nonresidential building..	9.5	11.9	+25	34.2
Additions, alterations, and repairs	3.9	4.4	+14	12.7
UTAH:				
All building construction	15.8	21.8	+38	100.0
New dwelling units	11.0	14.4	+31	66.1
New nonresidential building..	3.5	5.9	+66	27.0
Additions, alterations, and repairs	1.2	1.5	+22	6.9
WASHINGTON:				
All building construction	71.0	99.6	+40	100.0
New dwelling units	37.2	65.6	+76	65.8
New nonresidential building..	28.0	27.2	- 3	27.3
Additions, alterations, and repairs	5.7	6.9	+20	6.9

Note: District and state figures may not add to totals because of rounding.

¹Includes new nonhousekeeping residential building, not shown separately.

²Housekeeping only.

Sources: United States Departments of Commerce and Labor, *Construction Review*, June 1955; and United States Department of Labor, Bureau of Labor Statistics, San Francisco Office, monthly reports on Building Permit Activity by states.

states of the District exceeded the national rate of increase in building permit activity. Idaho alone was off the pace, but still showed a 13 percent increase despite heavy declines in permits issued for construction of educational, public, and religious buildings.

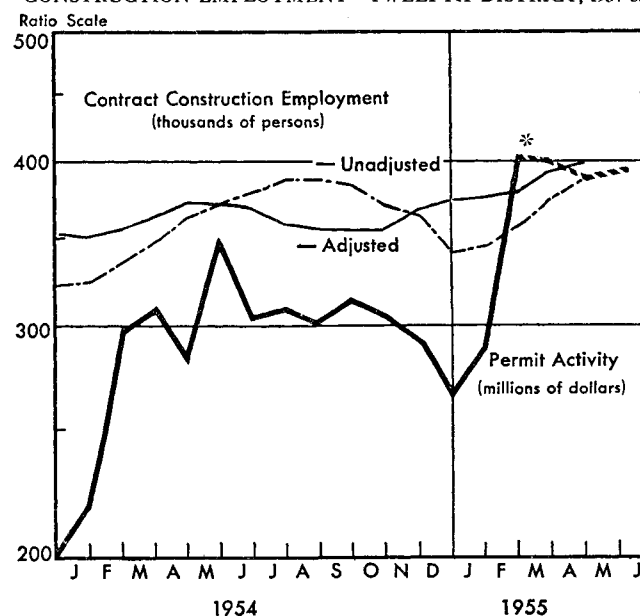
Thus, by either measure—employment or permit activity—the Twelfth District appears to be enjoying at least its full share of the growth in the national construction industry. That share, incidentally, is a large

one when compared to the proportion of the national population that resides in these seven states. Whereas latest population estimates show that less than 12 percent of the nation's people reside in this area, over 22 percent of the building permit activity (by value) undertaken in the nation in the first five months of 1955 took place in the Twelfth District states. To some extent the large proportion of activity taking place in this area may be attributed to favorable weather conditions in the early months of the year, but the larger influx of population in recent years is also an important factor. The Twelfth District share of building permit activity in the 1954 annual total was 21 percent¹ and has been significantly higher than the District's population share throughout the postwar period.

Permit activity shows the greater rate of growth

Examination of the District permit activity data on the same ratio scale with the construction employment series (Chart 1) appears to indicate that the dollar volume of construction activity has been increasing at a substantially greater rate than employment in the industry. More concretely, while the estimated volume of permit activity for the first six months of 1955 was 29 per-

CHART 1
BUILDING PERMIT ACTIVITY AND CONTRACT
CONSTRUCTION EMPLOYMENT—TWELFTH DISTRICT, 1954-55



*April to June data estimated by the Federal Reserve Bank of San Francisco. Note: This chart is plotted on a logarithmic scale on which equal vertical distances represent equal percent changes rather than equal absolute amounts. Sources: Contract construction employment: State employment agencies; Permit activity: United States Departments of Commerce and Labor, *Construction Review*.

cent above the same period in 1954, contract construction employment appears to have made less than a 7 percent gain. This marked differential in rates of change in employment and in permit activity is apparently a reflection of a similar discrepancy noted by Government agen-

¹It should be noted that the coverage of the building permit series is somewhat more complete in the West than in the eastern states. Hence, the differential shown here may be exaggerated.

cies in the national construction employment and expenditures statistics.¹

In part, this discrepancy is a reflection of increasing productivity and a very moderate increase in construction costs. It is also quite possible that there is a systematic shifting from low value to high value construction without commensurate increases in labor input. Some credence is given to this latter conjecture by the national figures on average construction cost per new private one-family houses, which show a 10.8 percent increase between 1953 and 1954; meanwhile, the Department of Commerce composite construction cost index showed less than a one half of 1 percent increase between March 1953 and March 1954 and only a 2 percent increase from March 1954 to March 1955. Clearly, then, more expensive houses are being built as a result of increased size and quality, which probably means a higher value of product per unit of labor input—due to an alteration of the pattern of demand rather than of physical efficiency. Finally, the lag between the issuance of construction permits and actual construction activity may add to the differential. Even though permit activity continues to taper off in the next several months, construction employment may continue to rise in the District for some time.²

Residential permit activity of high relative significance in the District—Los Angeles leads all metropolitan areas

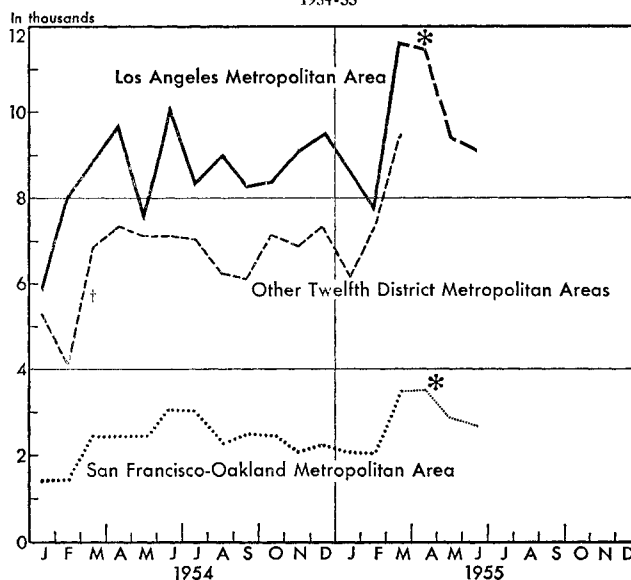
Looking again at the data in Table 3, it is interesting to note that residential construction is of greater relative significance in the District than in the nation. This fact may be explained in part by the fact that the population of the seven far western states is estimated to have grown 15.6 percent between 1950 and 1954, while that of the nation has increased 6.6 percent. Also, westerners appear to have had an inclination to provide themselves with more houses relative to population than is average for the nation, as is evidenced by the fact that the average household in the seven Twelfth District states consisted of 3.05 people in 1950, whereas the national figure was 3.38. This probably means that the strength of the boost which rapid population growth gives to District housing demand is reinforced by a stronger demand for housing per person. However, there is some evidence that the number of people per household has been declining nationally at a greater rate than in the West. Thus, the average new household in the United States may be very little larger than that in the West.

The center of housebuilding activity in the West is located in southern California, and in the Los Angeles metropolitan area in particular. Approximately 40 percent of Twelfth District permit activity is accounted for by residential permits in the Los Angeles area. A com-

¹See the United States Department of Labor and United States Department of Commerce, *Construction Review*, March 1955, pp. 7-9.

²It should also be noted that the employment and expenditure data have significantly different areas of coverage. The net effect of these discrepancies in coverage is not clear. The employment figures exclude construction workers not employed by contractors, while the expenditures data exclude repair and maintenance. Both exclusions are significant but their effects on the relative stability of the two series cannot be evaluated.

CHART 2
NUMBER OF BUILDING PERMITS ISSUED FOR NEW DWELLINGS—TWELFTH DISTRICT METROPOLITAN AREAS 1954-55



*April, May, and June data are from the San Francisco Office of the Bureau of Labor Statistics and are not strictly comparable to data of earlier months.

†January to September data are partly estimated by the Federal Reserve Bank of San Francisco.

Source: United States Department of Labor, Bureau of Labor Statistics, *New Dwelling Units Authorized by Local Building Permits (Monthly)*.

parison of Charts 1 and 2 shows the extent to which residential building permit activity in that area influences total building activity in the District. This influence is not surprising in light of the fact that the Los Angeles metropolitan area has consistently issued more building permits than any other metropolitan area in the nation during the past twelve months.

As Chart 2 shows, there has been some "tailing off" of residential building permit activity in the metropolitan areas of Los Angeles and San Francisco-Oakland since the very high levels of the spring months, which might suggest that some decline in construction could be expected for mid- and late summer; but according to a recent report, the value of real estate loans recorded in Los Angeles County in June was 19.5 percent above a year ago, and except for the March total, was the highest monthly figure in 1955. Also, the number of dwelling units under construction in June was at a peak, indicating that any slackening of housing demand or decline in the availability of mortgage funds that may have occurred in recent months has dampened residential construction very little as yet. Due to the lag in construction activity behind building permit activity, the mild downturn in permits is just beginning to be reflected in construction. A rather good picture of the 1955 construction and real estate situation in southern California can be obtained from examination of Table 4.

District lead over nation in nonresidential construction is slightly less

The data in Table 3 indicate that permits issued for new nonresidential building in the District showed only

slightly greater advance than the national total, but an 11 percent increase is still a very large rate of increase, particularly when it is brought to mind that 1954 was a record construction year. Among the more interesting developments in nonresidential construction in the District are increases in the volume of permits issued of 52 percent for factories, 37 percent for office and bank buildings, and 56 percent for stores and other mercantile buildings. There were also notable decreases of 37 percent for institutional buildings, 21 percent for public buildings, and 16 percent for educational buildings.

In sum, the Twelfth District construction industry appears to have been exceedingly active in the first six months of 1955, apparently leading the way in a nationwide construction boom. As for the near future, most

forecasts for the later months of 1955 have indicated that the nation should experience a downturn in construction activity, due mainly to an anticipated decline in the number of housing starts. However, the most recent estimate from the Departments of Commerce and Labor (mentioned above) anticipates no decline in the nation's total building activity for the last half of the year; and according to the same estimate, housing starts will be only slightly below the very high rates attained in the first quarter of 1955. However, that estimate was made previous to the recent announcement by the Veterans Administration and the Federal Housing Administration of some tightening of terms on guaranteed loans. A further sobering note was sounded with the publication of the July housing starts figure, which shows a decline of 11 percent from June to July of this year.

TABLE 4
BUILDING AND REAL ESTATE STATISTICS FOR SOUTHERN CALIFORNIA,¹ FIRST SIX MONTHS OF 1955

	Jan.	Feb.	Mar.	April	May	June	Percent change June 1955 from June 1954
Building permits issued (value)							
Southern California 93% sample	\$144,566	\$137,738	\$200,940	\$199,450	\$188,970	\$174,047	+ 8.1
L. A. County—total (thousands)	95,960	84,655	127,293	124,236	113,709	115,847	+ 4.4
Residential (thousands)	74,592	54,931	87,714	90,193	74,540	75,947	— 1.1
Nonresidential (thousands)	21,368	29,724	39,579	34,043	39,169	39,901	+16.8
Dwelling units, L. A. County (number)							
Included in permits—total	8,019	5,880	8,999	9,129	7,691	7,600	—14.3
Started	7,972	6,555	8,147	8,876	8,056	7,714	— 5.9
Completed	5,872	7,647	6,156	5,976	6,711	7,108	+20.6
Under construction	47,802	46,710	48,701	51,601	52,946	53,552	+26.9
Engineering construction contracts							
Awarded, So. Calif. (thousands)	\$ 18,657	\$ 29,821	\$ 19,288	\$ 32,539	\$ 26,853	\$ 24,943	— 9.6
Real estate activity, L. A. County							
Number of deeds recorded	17,713	18,356	22,913	20,884	20,391	22,050	+17.5
Lots in subdivisions recorded,							
Los Angeles County (number)	3,952	4,334	5,484	4,330	3,194	5,808	+28.5
Real estate loans recorded,							
L. A. County:							
Number	18,131	18,572	23,461	21,665	21,928	22,601	+16.4
Amount (thousands)	\$197,860	\$185,379	\$259,492	\$225,556	\$227,917	\$233,604	+19.5

¹ Southern California is made up of San Diego, Imperial, Orange, Riverside, Los Angeles, San Bernardino, Inyo, Ventura, Santa Barbara, San Luis Obispo, Kern, Kings, Tulare, and Fresno counties.

Source: Security-First National Bank of Los Angeles, "Monthly Summary of Business Conditions in Southern California."

CANNING REVIEW AND PROSPECTS

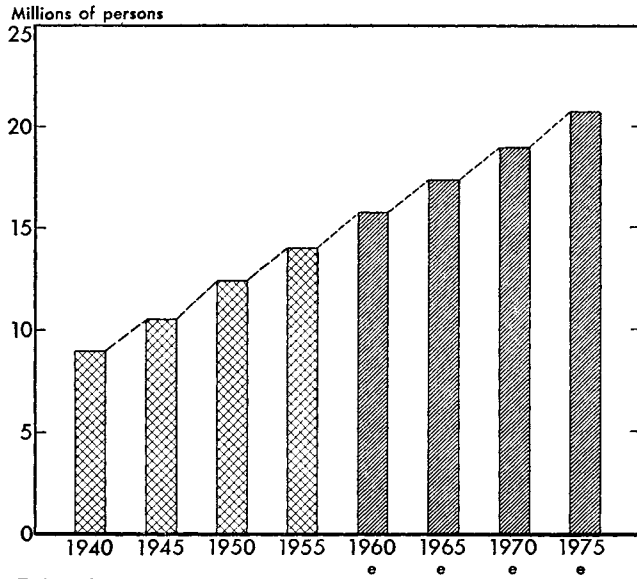
THE consumption of canned fruits and vegetables continues to grow. Not only has it benefited from the increase in the nation's population but the consumption per person has also increased. Between 1934-38 and 1949-53 the consumption per capita of canned fruit increased 39 percent and canned vegetable consumption rose 53 percent. Per capita consumption of all foods, in contrast, rose by only 12 percent (measured on a price-weighted basis).¹ An important factor in this growth has been the variety of new products provided by the canning industry. Canned baby food, introduced on a large scale during the 1940's, was probably one of the more significant of these. Recently a major company introduced a line of canned food designed for the nation's elder population and this

new type of product may eventually provide another boost to the consumption of canned food. The number of people in this age category is now large and is increasing, as indicated in Chart 1.

The expanding consumption of canned fruits and vegetables is of great significance to this District. Over half of the nation's canned fruit and about one-third of the nation's canned vegetables are now packed in the District. Practically all of the country's peaches, pears, and apricots are canned here as are considerable portions of such canning vegetables as green peas, green beans, tomatoes, and asparagus. Along with the increase in national consumption, the volume of these products canned in the District has also increased. Furthermore, an increasing proportion of the United States' output of canned vegetables is being packed in the District. However, the relative importance of fruit canning output of the District has not increased but has remained at a high level (Chart 2).

¹ The gradual shift in the consumption pattern accounts for most of the rise in the per capita consumption of all foods measured on a price-weighted basis. With a rising level of income, smaller amounts of the lower cost food items (grain products and potatoes) and greater amounts of the more costly items (fruits, vegetables, and most livestock products) are included in the diet. Measured on a retail weight equivalent basis, food consumption per capita increased only 1 percent between 1934-38 and 1949-53.

CHART 1
UNITED STATES POPULATION 65 YEARS OF AGE AND OVER
1940-1975

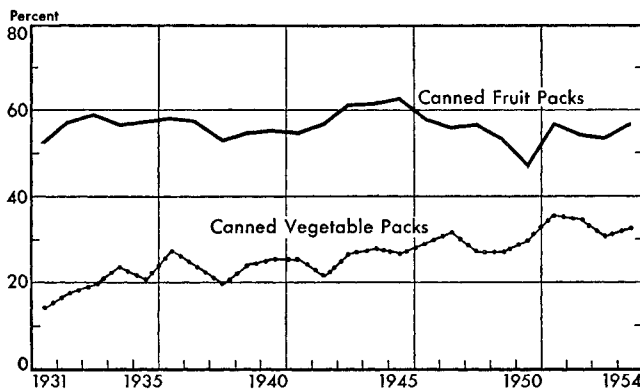


*Estimated.
Source: United States Department of Commerce, Bureau of the Census, *Current Population Reports*, Series P 25, No. 78, August 21, 1953 and Series P 25, No. 98, August 13, 1954.

District canning volume changed little in 1954

The volume of fruits and vegetables canned in the major canning states of the District changed little from 1953 to 1954. A decline of 3 million cases in total canning volume, as shown in the table, was entirely due to a change in the method of reporting the California vegetable pack—without this change in method, total canning volume would have risen by about one million cases. The vegetable pack in both California and the Pacific Northwest was larger in 1954 as was the pack of fruits and berries in the Pacific Northwest. Tending to offset these increases was a 2.5 million case reduction in the California fruit pack. Among the California canning fruits declining

CHART 2
PERCENTAGE OF UNITED STATES CANNED FRUITS AND VEGETABLES PACKED IN WESTERN STATES¹
1931-1954



¹Western states include California, Nevada, Arizona, New Mexico, Colorado, Utah, Washington, Oregon, Idaho, Montana, and Wyoming. Pineapple canned in these states is not included in the figures.
Source: *Western Canner and Packer*.

in volume, cling peaches and apricots were the most prominent. Increases in the District vegetable pack were limited primarily to green beans and to some tomato products.

The 1954 canning season was apparently a financial success for most canners. Prices quoted by California canners for their products were generally as high as or higher than in the previous year, indicating that canners' prices throughout the District were probably strong during the season. Furthermore, the daily range between California canners' high and low price quotations was considerably narrower during the last half of the 1954 marketing season than usual. This may indicate that canners generally had little difficulty in moving supplies at the slightly higher prices. The cost to canners of raw material was somewhat higher during the 1954 season than in the preceding season, but a larger volume of canned fruits and vegetables moved from District canneries in 1954. The volume of individual items that moved from canners' stocks generally followed the changes in the volume of these items put up by canners during the 1954 canning season. With a smaller output of apricots, cling peaches, and green peas, the movement of these items was less than in 1953. On the other hand, the movement of canned freestone peaches, pears, and green beans increased as did the pack of these items. Despite these associated changes, the total movement of all items was considerably larger than the total pack.

Downward adjustment of carry-over stocks continues

The excess of the total movement over the 1954 pack reduced inventories, with the result that District canners

PRINCIPAL FRUIT AND VEGETABLE PACKS—CALIFORNIA, OREGON, WASHINGTON, AND IDAHO,¹ 1951-1954

		(in thousands of cases)			
Fruit packs: ²		1951	1952	1953	1954 ³
Peaches					
Cling	19,448	15,136	17,559	14,341	
Other	3,106	3,433	3,150	3,697	
Fruit cocktail	9,003	7,489	8,228	9,074	
Pears	6,215	6,003	5,185	7,475	
Apricots	4,538	3,950	4,753	2,678	
Plums	2,217	1,470	1,263	1,572	
Cherries	942	1,229	1,070	986	
Apples and applesauce	792	925	1,335	1,380	
Other fruits and berries	2,454	2,462	2,358	2,344	
Total fruits and berries	48,715	42,097	44,901	43,547	
Vegetable packs: ⁴					
Tomatoes ⁵	7,618	9,916	6,925	5,897	
Tomato juice	11,504	11,610	10,600	8,668	
Other tomato products	31,625	26,372	19,006	21,117	
Peas	7,490	6,766	6,452	5,075	
Carrots	622	922	754	653	
Beans, green and waxed	5,707	4,288	5,189	7,589	
Corn	3,525	3,583	3,781	3,635	
Asparagus	2,897	2,667	2,710	2,809	
Spinach	3,304	2,591	2,271	1,777	
Other vegetables	4,738	4,746	5,172	3,765	
Total vegetables	79,030	73,461	62,860	60,985	

¹Includes a small volume canned in Montana.

²24 2½ case basis.

³The reporting basis for the California vegetable pack was changed in 1954. The number of size 8 oz. cans to the case was increased from 48 to 72. The number of size 300 cans to the case was increased from 24 to 48 and size 303 cans were combined with size 300 cans for reporting purposes.

⁴Actual cases.

⁵Includes the tomato juice pack in the Pacific Northwest.

Sources: Northwest Canners Association; Canners League of California.

entered the 1955 canning season with a much smaller supply of canned fruits and vegetables on hand than they had had in 1954. The stocks on hand at the beginning of the 1954 season also had been lower than at the beginning of the preceding season.

Canners' stocks of fruit in California and the Pacific Northwest at the start of the 1955 season were about 30 percent smaller than on the same date of the previous year. Increases occurred in the two major canned fruit packs in the Pacific Northwest—pears and purple plums. This increase, however, was more than offset by the greatly reduced stocks of cling peaches and apricots in California. A sizable reduction in stocks of freestone peaches also occurred in both areas.

Canners' supplies of major vegetable products on the last reporting dates available had declined by even more than stocks of fruits—about 45 percent from a year ago. The reduction occurred largely in the various tomato items and canned peas. As of June 1, 1955, canners' stocks of green beans had increased substantially while a smaller increase was recorded for supplies of canned corn.

In contrast to the stock position of canners, distributors nationally had a larger stock of canned fruits and vegetables on hand on June 1 than a year ago. Their stocks of canned fruit were 4 percent larger than in the previous year, and they also had on hand more of the major canned vegetable items covered in the June 1 stock report, with the exception of peas.

More raw material for District canners in 1955

The total District production of fruits and processing vegetables in 1955 is expected to be considerably higher than in 1954. The predicted increase comes as the result of both larger fruit and vegetable crops. Preliminary estimates indicate that the production of each of the major deciduous fruits in the District will be larger in 1955, while tomatoes account for much of the increase in the production of processing vegetables. As tomatoes are not used for processing purposes other than canning (such as freezing), a large increase in the output of tomatoes will more than offset the smaller indicated production of most other major vegetables.

Production forecasts for the five major canning fruits indicate that District farmers will produce a 13 percent greater tonnage of peaches, pears, apricots, prunes, and sweet cherries this year than in 1954. Although this seems like a sizable increase in output, it would be only 3 percent above the 1944-53 average. On a national basis the production of these fruits is expected to be 16 percent below the 1944-53 average and 8 percent smaller than last year. Increased output of each of the five major fruits in the District is forecast, with the bulk of the increase resulting from a 61 percent larger prune crop and a 66 percent larger apricot crop. Cling peaches, the major canning fruit of the District, are slated to increase about 4 percent. The increase in District fruit production is the result of comparatively favorable growing conditions. It is not yet too late, however, for these fruits to encounter growing

hazards. Last year brown rot developed in many cling peach orchards late in the season and reduced output.

District production of vegetables for processing in 1955 is expected to be considerably larger than in the previous year. A 23 percent increase in production is forecast for the District's four major processing vegetables—snap beans, green peas, tomatoes, and sweet corn. Moreover, the California pack of asparagus and spinach has been completed and 37 percent more asparagus and 42 percent more spinach were canned than in the preceding canning season. Although the predicted output of three of the major District vegetable crops is less than in 1954—snap beans (-3 percent), green peas (-6 percent), and sweet corn (-32 percent), a 37 percent larger tomato crop more than offsets the smaller production of these three vegetables. The rise in tomato production stems from a 44 percent increase in acreage. Green pea acreage is also expected to be larger, but only by about 1 percent, while snap bean and sweet corn acreages are down 4 percent and 31 percent, respectively. Predicted lower yields temper somewhat the effect of the sharp increase of acreage on tomato production. Of the remaining three major processing vegetable crops, only snap bean yields are expected to be higher than in 1954.

An indication that western canners expect to process a larger volume of fruits and vegetables than a year ago is the increased shipment of metal containers. In recent years can shipments for food products (measured in terms of the tonnage of steel consumed in the manufacture of such cans) during the second quarter of the year have been a fair indicator in western states of the quantity of fruits and vegetables to be canned in the following harvest period. The relationship is quite close even though the data for canning volume and metal can shipments do not cover precisely the same geographic areas and even though can shipments during the second quarter of the year are only about 12 percent of annual shipments. During the second quarter of 1955 metal food can shipments in the West were 30,000 tons larger than in the same period of the preceding year. The bulk of this increase—26,000 tons—consisted of a rise in the shipment of metal food containers for fruit and vegetable canning. The increase in metal food can shipments suggests that the western fruit and vegetable canning volume in 1955 may be 10 percent larger than in 1954 and may approach 136 million cases. This volume of output would be nearly as high as the record pack of 1951.

Costs rise

The profit position of canners depends not only on the quantity of products that they will be able to market but also on the cost of acquiring and processing the product and on the prices that they are able to obtain for the processed item. Apparently all major cost items will be higher for the 1955 pack than for the pack of the previous season.

The cost to District canners of fruits and vegetables for the 1955 pack will average higher than in 1954. The pur-

chase price of the important cling peach crop in California increased from \$55 per ton in 1954 to \$73 per ton and in many cases a bonus of approximately \$7.50 per ton will also be paid in 1955. In addition, California pear growers were asking for a higher price than a year ago but apparently settled for about the same price as last year. Cherries cost canners less than in 1954 while apricots cost about the same or slightly less. The vegetable canning situation is dominated by the tomato pack. The raw material for this important pack is more expensive than a year ago, increasing in price from about \$20 per ton to \$22.50 per ton. Peas also are more costly than last year. Sweet corn is the only major vegetable pack item that will probably cost less.

Wage rates for cannery labor have also increased. The minimum wage increases ranged from 2½ cents to 7 cents per hour among the various District states. Despite the higher wage rates, canners apparently have not increased their machinery purchases to a great extent over those of a year ago. But, when replacing equipment, they have placed emphasis on purchases of labor-saving machinery.

Some canners are trying new types of pitting machines that are expected to increase the recovery from stone fruits and increase efficiency.

Canners may find it difficult to maintain their 1954 profit margins on several major pack items due to higher costs. The degree to which they are able to offset higher costs by higher selling prices will determine to a large extent the profit derived from the 1955 pack of fruits and vegetables, particularly for canners packing heavily in cling peaches. Consumers will be able to spend more, as their incomes are higher than a year ago and are expected to rise further. Some of this increased income may be spent for food products. In addition, total supplies of canned fruits and vegetables may be somewhat smaller than in 1954. It would appear, therefore, that higher prices could be obtained without a great deal of difficulty. Nevertheless, some cannery trade sources fear consumer resistance to higher prices, particularly for those canned items where prices may have to be raised considerably to offset higher cost.



BUSINESS INDEXES—TWELFTH DISTRICT¹
(1947-49 average=100)

Year and month	Industrial production (physical volume) ²								Total nonagri-cultural employment	Total mfg employment ⁴	Car-loadings (num-ber) ⁵	Dep't store sales (value) ⁶	Retail food prices ⁷	Waterborne foreign trade ⁸	
	Lumber	Petroleum ³		Cement	Lead ³	Copper ³	Wheat flour ³	Electric power						Exports	Imports
1929	80	87	78	54	165	105	90	29	.....	102	30	64	190	124
1931	42	57	55	36	100	49	86	29	.....	68	25	50	138	80
1933	34	52	50	27	72	17	75	26	.....	52	18	42	110	72
1935	45	62	56	33	86	37	87	30	.....	66	24	48	135	109
1937	61	71	65	56	114	88	84	38	.....	81	30	50	170	119
1939	60	67	63	56	93	80	91	40	.....	77	31	47	163	95
1940	65	67	63	61	108	94	87	43	.....	63	32	43	132	101
1941	77	69	68	81	109	107	87	49	.....	83	35	47	132	101
1942	77	74	71	96	114	123	88	60	.....	121	49	52	132	101
1943	74	85	83	79	100	125	98	76	.....	164	59	63	132	101
1944	74	93	93	63	90	112	101	82	.....	158	65	68	132	101
1945	81	97	98	65	78	90	112	78	.....	122	72	70	132	101
1946	80	94	91	81	70	71	108	78	.....	96	101	80	132	101
1947	94	100	98	96	94	106	113	90	.....	99	106	96	132	101
1948	102	101	100	104	105	101	98	101	.....	102	100	103	132	101
1949	104	99	103	100	101	93	88	108	.....	97	94	100	132	101
1950	116	98	103	112	109	115	86	119	.....	105	105	100	132	101
1951	115	106	112	128	89	115	95	136	.....	111	109	113	132	101
1952	111	107	116	124	86	112	96	144	.....	118	114	115	132	101
1953	119	109	123	130	74	111	96	161	.....	122	115r	113	132	101
1954	111	106	119	132	70	101	99	173	.....	120	113	113	132	101
1954															
June	97	107	119	140	69	105	96	183	120	138	96	111r	114	237	
July	79	106	118	143	63	91	92	179	119	132	88	114r	113	331	
August	87	104	115	137	73	75	101	174	119	131	90	114r	113	282	
September	109	105	121	138	69	97	108	174	120	137	97	114r	113	262	
October	124	104	116	143	70	110	105	176	121	138	102	116	113	277	
November	117	104	119	132	73	116	104	177	121	139	98	115r	111	196	
December	130	105	119	132	69	114	101	173	122	140	106	118	113	313	
1955															
January	135	105	116	119	74	118	107	173	122	140	106	125r	112	287	
February	133	105	122	131	76	130	112	179	122	140	99	118r	112	263	
March	121	106	120	137	82	130	108	188	123	140	104	118r	112	240	
April	120	106	118	149	77	127	97	191	123	141	106	120r	113	290	
May	120	106	115	155	78r	131	96	.....	124	143	110	118r	113	280
June	122	106	120	153	72	130	97	.....	125p	145	111	118r	112	.....

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 ¹¹ (1947-49=100) ¹²
	Loans and discounts	U.S. Gov't securities	Demand deposits adjusted ⁹	Total time deposits		Reserve bank credit ¹¹	Commercial operations ¹²	Treasury operations ¹³	Coin and currency in circulation ¹⁴	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	1,527	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
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	9,220	6,639	10,515	7,997	4.14	- 14	-3,073	+3,158	+ 39	2,551	150
1954	9,418	7,942	11,196	8,699	4.01	+ 2	-2,448	+2,328	- 30	2,505	153
1954											
July	8,989	7,190	10,310	8,444	.....	+ 29	- 307	+ 170	+ 3	2,308	145
August	8,977	7,574	10,257	8,501	.....	- 18	+ 28	- 12	+ 7	2,317	154
September	9,054	7,610	10,463	8,555	4.08	+ 16	- 170	+ 196	+ 8	2,368	152
October	9,048	8,014	10,749	8,651	.....	+ 9	- 138	+ 142	+ 23	2,364	150
November	9,343	8,089	10,937	8,596	.....	- 1	- 244	+ 342	+ 27	2,440	158
December	9,422	7,973	11,158	8,663	4.01	0	- 127	+ 175	- 23	2,505	173
1955											
January	9,510	7,998	11,246	8,725	.....	- 34	- 150	+ 77	- 79	2,481	161
February	9,612	7,693	10,945	8,765	.....	+ 15	+ 26	- 57	+ 13	2,447	166
March	9,696	7,390	10,733	8,837	3.98	+ 10	- 401	+ 362	+ 1	2,418	177
April	9,657	7,756	11,060	8,833	.....	+ 60	- 306	+ 261	+ 15	2,432	165
May	9,810	7,690	10,951	8,885	.....	- 55	- 51	+ 195	+ 50	2,476	170
June	10,102	7,446	11,023	9,026	3.99	+ 27	- 449	+ 429	+ 35	2,439	178
July	10,191	7,557	11,212	8,995	.....	+ 10	- 193	+ 217	- 9	2,495	166

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.
 p—Preliminary. r—Revised.