36th ANNUAL NATIONAL AGRICULTURAL OUTLOOK CONFERENCE

November 17-21, 1958
Washington 25, D.C.

Program

U.S. DEPARTMENT OF AGRICULTURE

agricultural marketing service
agricultural research service
commodity stabilization service
foreign agricultural service
forest service
federal extention service cooperating

MONDAY (November 17) MORNING

(Thomas Jefferson Auditorium - South Building)

C. M. Ferguson, Administrator
Federal Extension Service, Chairman

9:00 Registration

9:30 Opening of Conference — Ezra T. Benson, Secretary of Agriculture

9:45 National Economic Situation and Outlook — Nathan M. Koffsky, Chief, Farm Income Branch, Agricultural Marketing Service

10:15 Intermission

10:30 Panel Discussion - James P. Cavin, Chief, Statistical and Historical Research Branch, Agricultural Marketing Service, Moderator

Nathan M. Koffsky
Agricultural Marketing Service

John W. Lehman, Clerk
Joint Economic Committee

Louis J. Paradiso, Assistant Director-Chief Statistician
Office of Business Economics
Department of Commerce

William Butler, Vice President
Chase National Bank, New York City

J. A. Livingston
Philadelphia Bulletin

12:30 - 2:00 Lunch Time

AEP-234 (11-58)

MONDAY (November 17) AFTERNOON

(Thomas Jefferson Auditorium - South Building)

Bushrod W. Allin, Chairman of Outlook and Situation Board
Agricultural Marketing Service, Chairman

2:00	World Situation as it Affects the Outlook for Agriculture	Max Myers, Administrator Foreign Agricultural Service
2:30	Agricultural Outlook for 1959	Fred V. Waugh, Director Agricultural Economics Division Agricultural Marketing Service
3:15	Intermission	
3:30	Panel Discussion - Bushrod W. Allin, Moderator	

Max Myers, Administrator
Foreign Agricultural Service

Gustave Burmeister, Assistant Administrator
Agricultural Trade Policy & Analysis
Foreign Agricultural Service

Faith Clark, Director
Household Economics Research Division
Agricultural Research Service

Carl P. Heisig, Director
Farm Economics Research Division
Agricultural Marketing Service

Fred V. Waugh
Agricultural Marketing Service

George W. Campbell
Extension Economist
University of Arizona

William M. Carroll
Extension Economist
Pennsylvania State University

Karl Hobson
Extension Economist
State College of Washington

Francis A. Kutish
Extension Economist
Iowa State College

5:00 Adjournment

TUESDAY (November 18) MORNING

(Thomas Jefferson Auditorium - South Building)

The Outlook for and the Impact of Resource Adjustments on Agriculture

Sherman E. Johnson, Chief Economist
Agricultural Research Service, Chairman

9:15	Prospects for Adjustments in Production and Resource Use	Hugh L. Stewart, Chief Agricultural Adjustments Research Branch Agricultural Research Service
9:45	Prospective Changes in the Structure of Farming	Kenneth L. Bachman, Asst. Director Farm Economics Research Division Agricultural Research Service
10:15	Discussion	
10:35	Intermission	
10:50	Needs and Prospects for Public Action to Facilitate Resource Adjustments	George E. Brandow, Professor Department of Agricultural Economics Pennsylvania State University
11:10	Needs and Prospects for Private Action to Facilitate Resource Adjustments	Earl O. Heady, Professor Department of Agricultural Economics & Rural Sociology Iowa State College
11:30	Panel Discussion - Sherman E. Johnson, Moderator	

Hugh L. Stewart
Agricultural Research Service

Kenneth L. Bachman
Agricultural Research Service

George E. Brandow
Pennsylvania State University

Earl O. Heady
Iowa State College

Ronald H. Bauman
Extension Economist
Purdue University

Marion D. Thomas
Extension Economist
Oregon State College

12:30 - 2:00 Lunch Time

TUESDAY (November 18) AFTERNOON

(Thomas Jefferson Auditorium - South Building)

How USDA Outlook is Developed

Richard G. Ford, Extension Economist
Agricultural Economics Division, FES, Chairman

2:00	Purpose and Scope	Bushrod W. Allin, Chairman Outlook and Situation Board Agricultural Marketing Service
2:20	Role of Agricultural Estimates	Sterling R. Newell, Director Agricultural Estimates Division Agricultural Marketing Service
2:40	Other Sources of Outlook Data	C. Kyle Randall, Head Statistical and Historical Research Branch Agricultural Marketing Service
3:00	Intermission	
3:15	Developing the General Outlook	Carroll E. Downey Farm Income Branch Agricultural Economics Division Agricultural Marketing Service
3:35	Developing the Outlook for Individual Commodities	Martin J. Gerra Statistical and Historical Research Branch Agricultural Economics Division Agricultural Marketing Service
3:55	How Outlook is Developed in my State	Leonard W. Schruben Extension Economist Kansas State College
4:15	Discussion	
5:15	Adjournment	
6:30	Home Management Specialists Dinner Little Tea House, Arlington, Virginia	

Wednesday, November 19, 1958

Commodity Outlook Sessions for Producers, Handlers and Consumers

9:15 - 11:30	Fats, Oils and Peanuts - Freer Art Gallery Auditorium Karl G. Shoemaker, FES, Chairman George W. Kromer, AMS, Outlook Statement
	Forest Products - Room 3048 South Building Paul O. Mohn, FES, Chairman Dwight Hair, FS, Outlook Statement
9:15 - 10:20	Vegetables - Room 1351 South Building R. L. Childress, FES, Chairman Will M Simmons, AMS, Outlook Statement
10:25 - 11:30	Potatoes - Room 1351 South Building R. L. Childress, FES, Chairman Will M. Simmons, AMS, Outlook Statement
11:30 - 12:45	Lunch Time
12:45 - 3:15	Food Grains (Wheat & Rice) - Room 509 Adm. Building Thomas E. Hall, FES, Chairman Robert E. Post, AMS, Outlook Statement
	Tobacco - Room 3048 South Building Buel F. Lanpher, FES, Chairman Arthur G. Conover, AMS, Outlook Statement
	Sugar - Room 5219 South Building Herbert G. Folken, CSS. Chairman
3:30 - 5:15	Grass and Legume Seeds - Room 5219 South Building Paul O. Mohn, FES, Chairman William R. Askew, AMS, Outlook Statement
	Fruits and Tree Nuts - Room 1351 South Building Lloyd H. Davis, FES, Chairman Ben H. Pubols, AMS, Outlook Statement
	Cotton - Jefferson Auditorium E. P. Callahan, FES, Chairman Doris D. Rafler, AMS, Outlook Statement
5:15	Adjournment

Wednesday, November 19, 1958

Room 216 Administration Building

<u>Family Living Sessions</u>

Frances Scudder, Director
Division of Home Economics Programs, FES, Chairman

9:15	Food Outlook	Harry Sherr Agricultural Economics Division Agricultural Marketing Service
10:15	Housing and Durable Household Equipment Outlook	George Johnson Bureau of Labor Statistics Department of Labor
11:00	Textiles and Clothing Outlook	Harry Kahan Bureau of Labor Statistics Department of Labor

11:45 - 1:30 Lunch Time

<u>Planning for Intermediate and Long-Term Family Financial Adjustments</u>

Faith Clark, Director
Household Economics Research Division, ARS, Chairman

1:30	Using Spending Patterns From Expenditure Studies as Guides	Lucile Mork Household Economics Research Division, ARS
	Income and Job-Related Expenditures of Working Wives	Emma Holmes Household Economics Research Division, ARS
	Seasonal Variations in Spending of Farm Families	Marcia Gillespie Household Economics Research Division, ARS
	Using Food Budgets in Planning	Eloise Cofer Household Economics Research Division, ARS

5:00 Adjournment

Thursday, November 20, 1958

Commodity Outlook Sessions for Producers, Handlers and Consumers

9:15 - 12:00	Feed, Livestock and Meat - Jefferson Auditorium Richard G. Ford, FES, Chairman Outlook Statements: Malcolm Clough, AMS Harold F. Breimyer, AMS
12:00 - 1:30	Lunch Time
1:30 - 3:15	Dairy - Jefferson Auditorium Max K. Hinds, FES, Chairman Herbert C. Kriesel, AMS, Outlook Statement
3:30 - 5:00	Poultry - Jefferson Auditorium Homer S. Porteus, FES, Chairman Edward Karpoff, AMS, Outlook Statement
5:00	Adjournment

Thursday, November 20, 1958

Room 216 Administration Building

Family Living Sessions

Planning for Intermediate and Long-Term Family Financial Adjustments (cont'd)

Emma Holmes, Home Economist
Household Economics Research Division, ARS, Chairman

9:15	Planning for Replacements of Durable Goods	Jean Pennock Household Economics Research Division, ARS
	Family Use of Consumer Credit	Janis Moore Household Economics Research Division, ARS
	Considerations in Developing and Using Standard Budgets	Helen H. Lamale Bureau of Labor Statistics Department of Labor
11:30 - 1:00	Lunch Time	

Planning for Intermediate and Long-Term Family Financial Adjustments (cont'd)

Starley M. Hunter, Family Economics and Home Management Specialist
Division of Home Economics Programs, FES, Chairman

1:00	Guiding Family Spending Discussion	Alice H. Jones Household Economics Research Division, ARS
2:30	Meat Outlook as It Affects Families	Harold F. Breimyer, Head Livestock, Fats & Oils Section Agricultural Economics Div., AMS
	Dairy Outlook as It Affects Families	Herbert C. Kriesel, Head Dairy and Poultry Section Agricultural Economics Div., AMS
4:30	Adjournment	

STATE DELEGATES PREREGISTERED FOR THE 36th OUTLOOK CONFERENCE
November 17-21, 1958

ALABAMA
Foy Helms,

ALASKA
Allan H. Mick

ARIZONA
George W. Campbell, Jean M. Stewart

ARKANSAS
Clay R. Moore, Crystol C. Tenborg

CALIFORNIA
Robert C. Rock, Mildred Novotny

COLORADO
S. Avery Bice

CONNECTICUT
George Ecker, Florence Walker

DELAWARE
W. T. McAllister, Patricia Middleton

FLORIDA
C. C. Moxley, Bonnie J. Carter

GEORGIA
J. J. Lancaster, Hilda Dailey
Paul C. Bunce

HAWAII
Stephen Doue

IDAHO
Wayne Robinson

ILLINOIS
L. H. Simerl, Catherine Sullivan

INDIANA
Ronald Bauman, Elkin Minter
James Stevenson, Clara Wendt

IOWA
Francis Kutish, Helen T. Sorensen

KANSAS
Leonard Schruben, Ruth Wells
Sykes Trieb

KENTUCKY
Steve Allen, Catherine Knarr
Wilmer Browning, Letta W. Jasper

LOUISIANA
W. D. Curtis, Celia Hissong

MAINE
Arling C. Hazlett, Doris D. Ladd

MARYLAND
George A. Stevens, Joanne W. Reitz

MASSACHUSETTS
Adrian H. Lindsey, Barbara Higgins

MICHIGAN
Charles L. Beer, Lucile Ketchum
John N. Ferris

MINNESOTA
Luther Pickrel, Margaret Jacobson

MISSISSIPPI
Rupert B. Johnston, Katherine Simpson

MISSOURI
Coy G. McNabb
Thomas Brown
Elmer Kiehl

MONTANA
John Bower

NEBRASKA
T. Allen Evans, Clara Leopold

NEVADA
George Myles

NEW HAMPSHIRE
Silas B. Weeks, Ann F. Beggs
Louise C. Dix

STATE DELEGATES PREREGISTERED FOR THE 36th OUTLOOK CONFERENCE (continued)
November 17-21, 1958

NEW JERSEY
Frank V. Beck, Hildreth M. Flitcraft
John T. Hunter
George T. McCloskey

NEW MEXICO
C. R. Keaton

NEW YORK
L. C. Cunningham, Leola Cooper
D. C. Goodrich, Gwen Bymers
V. B. Hart
R. B. How
C. W. Loomis
R. G. Murphy
R. S. Smith
C. E. Wright

NORTH CAROLINA
Guy Cassell, Mamie Whisnant
Clyde Weathers

NORTH DAKOTA
Harry G. Anderson, Irene Crouch

OHIO
Wallace Barr, Jr., Mabel Spray
Lyle H. Barnes

OKLAHOMA
Houston Ward, Evelyn Nantz

OREGON
M. D. Thomas

PENNSYLVANIA
Monroe Armes, Helen Bell
H. LouieeMoore
William Carroll
Wesley Kriebel

PUERTO RICO
Roberto Lefebre-Munoz
Andreita Vazquez de Reyna

RHODE ISLAND
Arthur Domike, Evelyn Lyman

SOUTH CAROLINA
M. C. Rochester, Ruby Craven

SOUTH DAKOTA
Lyle M. Bender, Isabel McGibney

TENNESSEE
Eugene Gambill, Mary Sue Mayo
Phyllis Ilett

TEXAS
John G. McHaney, Eula J. Newman

UTAH
Morris Taylor

VERMONT
Verle Houghaboom, Doris Steele

VIRGINIA
James B. Bell, Ocie J. O'Brien
D. U. Livermore
K. E. Loope
W. J. Nuckolls, Jr.
Harold W. Walker

WASHINGTON
Karl Hobson, Lila Dickerson

WEST VIRGINIA
Vernon Sheppard, Louise Knight

WISCONSIN
Gustof Peterson, Louise Young

WYOMING
Bob Frary, Alberta Johnston

For release
November 19 AM

Outlook for Clothing and Textiles in 1959
By
Harry Kahan, U. S. Department of Labor
Before The
Agricultural Outlook Conference
Washington, D. C. November 1958

My approach to the outlook for textiles and apparel relies principally on an examination of trends since World War II, and an appraisal of their implications for the coming year. I have also given consideration to opinions expressed by informed industry sources. Although the textile and apparel industries have a very close interdependency, I shall discuss each separately, taking up the cotton, wool, and man-made fiber sectors of the textile industry first, and then I shall talk about apparel.

Cotton Industry

Cotton still accounts for the major share of the textile market. In 1957, almost 4 out of every 5 yards of broadwoven goods were made of cotton. Despite the growth of man-made fibers, cotton has stood its ground remarkably well. At no time has cotton accounted for less than 76% of total broadwoven goods production. In 1957, the figure was 79%. What happens to cotton, therefore, is of particular significance in a discussion of textiles.

An appraisal of the outlook for cotton textiles for the coming year is helped by a review of the industry's position now and in the recent past with respect to demand, supply, and prices. From the end of World War II through 1957, the total U. S. mill consumption of cotton fiber fluctuated from year to year, but, on the whole, total consumption has shown no definite upward or downward trend. But per capita consumption of cotton fibers has exhibited a definite downward trend. (Except for 1955, per capita mill consumption of cotton fiber has steadily declined since 1951 from 31.5 pounds to 23.7 in 1957.) Some of cotton's losses may be attributed to inroads made by man-made fibers and to other cotton substitutes such as paper and plastics. Cotton also shared in the general per capita decline in consumption of all the fibers.

While the relative demand for cotton textile products has tended to decline, supplies have been increasing, especially during the past couple of years. The extent of inventory accumulation of cotton broadwoven goods as derived from statistics compiled by the American Cotton Manufacturers' Institute is shown by the fact that in 1957 inventory in relation to production was up 80% over 1951. For the first 5 months of 1958 there was still lower mill activity and higher inventories than the comparable period last year.

NOTE: Appreciation is expressed to Pauline Mufson for her assistance in the preparation of these remarks.

As may be expected from such a disparity between supply and demand, price levels for cotton textiles have been somewhat depressed. The BLS price index for cotton textile products has remained well below the base period 1947-49 level during most of the post war period. Between 1948 and 1949, the index declined 12% and brought the 1949 index level down to 92 where it hovered until the advent of the Korean conflict. It rose sharply to a peak of 119.2 by February 1951 but a year later the level of the index for cotton textile products was again below its base of 100 where it has since remained. In 1957, the yearly average was 90.7 and this year it looks as though the average will wind up between 88 and 89.

Briefly, the picture of the cotton textile industry seems to shape up as follows: There appears to be an adequate raw cotton supply on hand to take care of domestic consumption and exports for almost two years while at the same time there are no definite signs of sharply increased demand for cotton textiles during the coming year. Current plant capacity to turn out cotton textiles continues to be adequate to meet next years demands. Also, there is no strong prospect for general or substantial wage hikes in the industry next year.

Against this background I do not foresee any significant change in the level of prices for cotton textile products next year. I believe that with improving general economic conditions, modest price changes may occur on the upside. This is because mill margins during the earlier part of this year were exceptionally low, and the industry has tended to resist further price cuts. Some success may also be anticipated in efforts to bring inventories into more realistic alignment with demand.

Man-Made Fiber Industry

Man-made fibers rank second to cotton in importance. In 1957, man-made fibers accounted for 28% of total fiber consumption in actual pounds as against 66% for cotton. (On a cotton equivalent basis - a method used for comparing relative yields from equivalent quantities of fiber - man-made fibers' share of total fiber consumption increases to 38% while cotton declines to 58%. This increase of man-made fibers share of consumption occurs because a pound of man-made fiber goes a longer way than a pound of cotton. For example, it has been estimated that a pound of cotton will average 3.5 square yards of cotton apparel fabric while a pound of man-made fiber, depending on the type, will average 4.5 square yards of rayon and acetate and 7 square yards of nylon apparel fabric. These comparative yields of fabrics from a specific weight of fiber is sometimes referred to as "covering power" or "Utility poundage.")

Man-made fibers fall into two main classifications: the cellulosics and the non-cellulosics. The cellulosics consist of rayon and acetate. The non-cellulosics include nylon, dacron, orlon, fiber glass, and others. The distinction between the cellulosics and non-cellulosics is important because it is the latter that has been almost entirely responsible for the growth of the man-made fiber textile industry since World War II.

During the 1947-49 period consumption of man-made fibers on an actual pound basis comprised about 18% of all textile fibers. By 1957, consumption rose about 55% to capture 28% of the market for all textile fibers. As previously mentioned the non-cellulosic man-made fibers were primarily responsible for this phenomenal growth. Although the cellulosic fibers, that is rayon and acetate, expanded their market by about 10% in the 10 years from 1947 to 1957, the non-cellulosics' share of the market soared more than 750%. Rayon's success in capturing the tire cord market is the principal reason why cellulosic consumption increased during the decade instead of declining. For example, production of rayon and acetate broadwoven goods dropped from an average of 2.1 billion, linear yards in 1947-49, to 1.5 billion yards in 1957. During the same period, production of broadwoven non-cellulosics increased from 80 million to 779 million yards.

Since 1955, the use of rayon and acetate as a textile, (not as tire cord) has continued to decline, although in the first half of 1958, it was up slightly from the comparable 1957 period. The use of non-cellulosics in textiles, however, has been climbing sharply and almost continuously. Although in the first half of 1958 consumption of non-cellulosics was lower than the corresponding period last year this downward turn seems attributable chiefly to the general recession which had been protracted and severe in many segments of the textile industry. Despite this interim decline, the growing market for man-made textiles will take place chiefly in the non-cellulosics. The properties which won them wide acceptance such as dimensional stability, strength, and easy laundering, has made non-cellulosics particularly desirable for blending with other fibers.

Along with wool and cotton, the man-made fiber textile industry has felt the effects of the recession which started in 1956 for the textile industry. The August 1958 Wholesale Price Index for man-made fiber textile products stood at 80 which is about 2% below the 1956 average and a new all time low since 1947. Although man-made fiber producers have tried to balance supply and demand, the extent of the recession in textiles had created fairly large inventories in most of the industry. This situation has tended to keep prices on the soft side. However, a whittling down of inventories and continued improvement in the general economic climate should encourage firmer prices. The increased emphasis on wash and wear fabrics should also contribute to a growing demand for non-cellulosics. The industry has anticipated this growth with expanded facilities; consequently, it seems unlikely that shortages will occur because of lack of capacity. Indeed, with more companies entering this field, it should create a competitive environment that should tend to hold within modest bounds price increases that may be encouraged by generally improved economic conditions.

Wool Industry

The sharpest decline in prices and consumption took place in the woolen and worsted industry. With the advent of the Korean conflict, wool prices rose sharply. The wholesale wool products price index soared 61% between March 1950 and March 1951. This price bulge all but collapsed within the next 12 months. Thereafter price declines were more gradual, with the index drifting downward until early 1956 when it returned to the March 1950 index level of 102. Although during 1957 average wool prices were 6% above the average of 1956, they declined shortly thereafter to new low levels. The index now hovers around 100.

By any measure, the decline in woolen and worsted consumption can be judged as severe. The 1947-49 average U. S. mill consumption of wool was 4.3 pounds per person. In 1957, this figure was virtually halved to 2.2 pounds, and may be even lower for 1958. (In only 3 years during the 1930's was lower per capita mill consumption of wool recorded). During the same period (1947-49 to 1957) wool's share of all textile fiber consumption fell from 10.5% to 6.2%. Again comparing the 1947-49 period with 1957, woolen and worsted broadwoven goods production fell from 476 million yards to 293 million or about 38%. Present indications point to still lower yardages for 1958.

The long term decline in woolen and worsted consumption is traceable to factors which have been operating in good times as well as bad. There has been a trend toward lighter weight clothing which has reduced the amount of wool used in garments. Men's year round weight suits, for example, are being made of lighter weight fabrics than was the case in prewar days. Another factor which has contributed to the deterioration of wool's position has been the relative instability of wool prices. When prices of raw wool soared, manufacturers of woolen apparel fabrics were fearful that they would be priced out of the market and started to look around for more stable-priced fibers to blend with or substitute for wool. Alert to the opportunities provided by rising wool prices, the man-made fiber manufacturers strongly promoted their products and engaged in extensive research to improve them. Another and more recent cause for declining wool consumption has been the poor business experienced by men's clothing manufacturers during the past few years. In 1957 production of men's suits was 1.3% below 1955 and 4% below 1956. The declines for overcoats and topcoats were much sharper: 35% below 1955 and 40% below 1956. Comparing the first six months of 1958 with the corresponding period in 1957, suit production was down 21% and coats down 9.2% Since the men's clothing industry is a major market for woolens and worsteds, these declines in production seriously affected the woolen industry.

Perhaps the most devastating blow to the woolen and worsted industry has been dealt by man-made fibers, particularly the non-cellulosics. Fabrics once 100% wool are now appearing in blends containing as high as 70% of the newer man-made fibers while the recent introduction of a type of dacron more suitable for blending in heavier fabrics threatens to make deep inroads in wool consumed in year round weight suits.

Since many of the man-made fibers have properties of dimensional stability, shape retention, and easy laundering, the increasing emphasis on wash and wear type fabrics will tend to improve their competitive position with respect to wool even more.

In the third quarter of this year prices, production, and consumption of wool and wool products were off sharply. Although in absolute amounts, apparel wool inventories are fairly modest, the ratio of total stock to mill consumption as of the beginning of the year was the highest since 1948. What then is the outlook for wool in 1959.

Further improvement in general economic conditions should serve to bolster prices and perhaps increase consumption slightly. But unless ways are found to impart "easy to care for" characteristics in wool fabrics, such gains are likely to be quite limited in view of the aggressive and effective competition from man-made fibers.

Summary for Textile Industry

Economic indicators show that the textile industry participated much less than most industries in the prosperity which prevailed during most of the past decade. From 1947 to 1957, the index for industrial production for all manufacturers rose 45%, but textile mill products declined almost 3%. In the same period, average weekly earnings rose 65% in all manufacturing as against 41% in the textile mill products industry. Since 1949, profit rates for the textile industry have compared quite unfavorably with rates for all manufacturing industries.

In 1956 mill activity as measured by production and consumption started to decline in the textile industry and the price level went down slightly - about 1%. The price level for all textiles remained the same in 1957, but the decline in mill activity continued at an accelerated pace. As of June of this year, price levels fell for all major textile products, and production and consumption have again dropped. Keen competition prevails in most sectors of the textile industry and tends to hold prices down. This tendency is further reinforced by the sharp competition among the fibers with marketing programs and research being carried on vigorously to promote particular blends, finishes, and constructions. Competition is particularly keen in the wash and wear field.

Another significant fact which applies generally to the textile industry is the declining trend in U. S. per capita consumption of textile fibers, which fell from 45 pounds in 1950 to around 36 pounds in 1957. Only the non-cellulosics - nylon, dacron, etc. - showed as increase in per capita consumption. Even after making allowance for the greater yield of non-cellulosic fiber, there still remains a significant decline in the per capita consumption of all textile fibers.

Thus, in a decade when most industries fared quite well, the textile industry's performance was, at best only fair. While many industries established new highs in production and prices, the textile industry's production and prices either lagged behind or ran counter to the trend. Further improvement in economic conditions should promote increased output and some firming of prices. But these improvements are not expected to be of a magnitude to support any significant price increases next year.

Apparel

Before appraising the outlook for apparel in 1959, let's review recent developments, making some comparisons with last year on production, prices and consumer expenditures.

The extent of the slowdown in the apparel industry during the recent recession is partly illustrated by the Federal Reserve Index of production for Apparel and Allied Products which showed a steady decline from August 1957 through March 1958. With the exception of blouses, all categories of apparel cuttings declined in the early months of 1958 from the preceding year. Though output improved slightly between March and June, the index was lower than for the comparable period in 1957. The July figure, however, showed an improvement over July 1957.

The men's suit industry operated at 72% of capacity in August 1958, down from about 81% in August 1957. Production of most categories of men's tailored clothing was off the first half of 1958 when compared with the corresponding periods for 1956 and 1957. In general, the declines were much more pronounced in clothing made of 50% or more wool than in clothing tailored of man-made and other types of fibers. Separate dress and sport trousers production declined 45% from last year for those made chiefly of wool but increased 11% for those made of other materials.

The production of women's, misses, and junior's outerwear garments were all lower in the first half of 1958 than a year earlier with declines ranging from 3% for skirts to 10% for suits. Hosiery shipments also showed a slight drop and shoe production was off in the first six months of 1958.

Prices

Apparel prices have shown a high degree of stability over the past several years in contrast to most hard goods. At the wholesale level, the apparel index in September was 99.3 and has fluctuated within a narrow range of less than 2% in the last 6 years, based on yearly averages. During the same period, the yearly average Consumer Price Index for apparel fluctuated within a range of not more than 3%. As of mid year 1958, the consumer apparel index was but 1% above its average of 1952.

Footwear, which is a segment of the apparel index, rose considerably in the past several years. If footwear were excluded from the apparel index, the apparel index would show a decline from 1952.

One reason for the stability of apparel prices is that its principal raw material - textiles - had, in general, been declining in price. This has tended to either offset or dilute considerable increases in other costs of production.

The widespread practice at both the wholesale and retail levels of selling at established price lines also tends to keep price fluctuations at a minimum. In addition, there has been no great surge in the demand for apparel. While aggregate demand for apparel has increased, it is keyed chiefly to population growth. Consumers have shown little inclination to allocate a larger share of their increased incomes to apparel. This somewhat passive demand situation does not generally encourage price increases.

Consumer Expenditure Pattern for Apparel

Aggregate clothing expenditures in the past-war period have been expanding steadily, but the increase is due chiefly to the growth in population. However, during the past decade, the share of the consumer dollar spent for clothing had dropped steadily, nor has there been any reversal of this trend even after periods of recession. The ratio of expenditures for clothing and shoes to total expenditures has dropped from 11.4% in 1947 to 8.7% in 1957, and for the first half of this year has fallen below 8.5%. Although per capita clothing and shoe expenditures rose from $131 in 1947 to $145 in 1957, in terms of 1947-49 dollars, per capita expenditures for both years are practically the same.

As measured by aggregate or per capita expenditures, apparel has not done very well compared with most other major categories of consumer goods. One reason is that apparel prices have advanced only moderately in relation to the prices of most other goods and services. Another is the change in the ratios of the different age groups in the population. The percentage of older people has been increasing. Because of smaller incomes and diminished clothing needs, older people spend less on clothing. The relative growth of this sector of the population, therefore, tends to reduce per capita expenditures for clothing. But the factor which seems most responsible for inhibiting the growth of apparel expenditures has been the successful competition from other types of goods and services. In parceling out his dollar for the vast and expanding array of goods and services available to him, the consumer has been assigning a declining importance to the role of apparel. There are no apparent signs that the consumer will in the near future change his attitude toward the importance of clothing. It, therefore, appears quite unlikely that a significant reversal in the clothing expenditure pattern may take place next year.

Clothing Outlook for 1959

Although apparel sales for the first half of this year were below those for the corresponding period last year, there is a growing optimism among merchants and manufacturers that apparel sales this year may equal or exceed those for 1957. Many members of the trade are confident that the gains will continue through 1959.

Cautious buying policies pursued by both retailers and manufacturers during the recession have worked down inventories. Retailers bought very conservatively earlier in the year to reduce stocks and counted on increased turnover to maintain sales. Manufacturers have been equally reluctant to accumulate inventories so that they too exercised closer controls on purchases and production. A low inventory position favors an outlook for increased production of apparel.

This optimistic trade outlook for clothing is also based on the general improvement in economic conditions and signs of increased activity in apparel markets. According to the Federal Reserve Board, consumers have weathered the recession quite well. Personal income has again started to increase and the finances of consumers have not been seriously impaired by the recession. Consequently, consumers are in a pretty good position to go to market and spend money. For while the apparel industry has not shared as fully in the national prosperity as most other industries, it nevertheless benefits from good times. The apparel trade leans heavily on these bright spots when forecasting the optimistic sales outlook for apparel.

Women's and Girls' Clothing

In the past five years, and so far this year, prices of women's and girls' apparel have fluctuated within a narrow price range.

Earlier this year, new wage agreements were negotiated covering the bulk of women's dress manufacturers. As a result of wage increases and fringe benefits provided by the agreement, it has been estimated that labor costs would be increased from approximately 12 to 20 percent. So far there is no clear evidence that this increase has affected retail price levels or that it has caused any pronounced shift to higher price lines by manufacturers. The impact of the wage increase has been mitigated somewhat by two factors. One is that ample piece goods have been available at low prices. The other is that the relatively simple styling of current fashions held down labor costs. What may happen is piece goods prices rise or styles become more complex is open to conjecture. Also, the almost infinite variations in styling and design which may be incorporated in fashion apparel, as well as the broad range of materials available, provide a relatively high degree of maneuvarability in rearranging various cost elements. The curtailment of trimmings is one of the economies, for example, that is adopted to compensate for increased labor costs.

In the knitwear industry, active demand together with wage increases, should help firm prices for sweaters and other knitwear next year. Coat and suit ordering is also up. As big ticket apparel items, these are bought with some degree of caution by retailers. No price increases are anticipated for this category of apparel. Underwear prices are also expected to remain unchanged for next year.

Men's and Boys' apparel

It appears that at both the wholesale and retail level the relatively stable 1958 prices for men's and boys' apparel will remain pretty much unchanged next year.

One development supporting this belief is the recent announcement by manufacturers of lower wholesale prices for men's suits. Reductions at wholesale ranging generally from 50 cents to $1.50 reflect lower prices for woolen and worsted fabrics. It is difficult to evaluate these reductions at the consumer level for there is no indication as to the extent to which these wholesale price reductions will be reflected in retail prices. With increasing costs of operation, retailers may find it advisable not to pass along small wholesale price reductions.

Prices of other items of men's and boys' clothing are not expected to vary much, and next year's price level for men's and boys' apparel will probably remain pretty much at this year's level. The trend toward the greater use of fabrics and fibers other than wool apparently will continue. While suits made of man-made and cotton fibers have dominated the summer weight suit market, wool's position in the year round suit field had remained unchallenged. However, this season year-round suits made of dacron-worsted blend have been put on the market in larger volume. The shift toward the increasing use of man-made fibers in men's suits is likely to continue next year.

Footwear

The prices of footwear according to BLS indexes are about 30% above the 1947-49 average at retail and 22% at wholesale. For the first 9 months of 1958 retail shoe prices advanced .8% as compared to 1.1% for the same period in 1957. Two major shoe manufacturers have recently indicated that they may raise prices further though some have been booking orders through next February at current prices. Indications are that shoe prices may be somewhat higher next year.

Wash and Wear

For several years, increasing effort has been devoted to the production of clothing requiring a minimum amount of care. The ultimate goal is the development of clothing which will look immaculately laundered and pressed after emerging from an automatic washer and dryer.

Although the ultimate goal has still not been achieved, considerable strides have been made. More and more clothing carries a wash and wear tag, bearing a legend to the effect that little or no ironing is necessary, or that perhaps a little touch may be required. But it must be remembered that frequently the ease of care implied by the words Wash and Wear has fallen considerably short of the claims made by the manufacturers.

The industry is now attempting to formulate objective standards for evaluating the performance of Wash and Wear fabrics and clothing in order to remove the confusion as to just what Wash and Wear means. Much work has yet to be done to overcome manufacturing problems which arise in making wash and wear clothes. These problems are engaging the active attention of the textile and apparel industry and next year should bring further advance in Wash and Wear technology.

Even at this stage of technology, the sale of Wash and Wear fabrics and clothing has been very substantial. In 1957, 20% of cotton fabrics were treated for Wash and Wear, and the proportion may double this year and increase still further in 1959. Although a comparative newcomer, wash and wear dress shirts, according to trade sources, may account for the major part of dress shirt production by the end of this year. Consumer preference has turned sharply towards children's apparel labeled Wash and Wear. Wash and Wear should continue to be the most important development in textiles and apparel in 1959.

Summary for Textiles and Apparel

To sum up, apparel and textile manufacturers have a brighter outlook for 1959 and look forward to increased output and sales, due chiefly to a more favorable economic climate.

Generally, clothing prices are not expected to vary significantly from this year's levels. This appears to be the price outlook for apparel in 1959 based on an examination of industry practice, its past performance and current developments.

The proportion of disposable income consumers spend on clothing is expected to remain substantially unchanged or to decline slightly.

Increasing emphasis will be placed on Wash and Wear apparel.