THE LEGISLATIVE COUNCIL HAS, AT THE REQUEST OF MEMBERS OF THE GENERAL ASSEMBLY, REPRODUCED THE REMARKS OF THE INDIVIDUALS PARTICIPATING IN THE PANEL DISCUSSION OF COLORADO'S "ECONOMIC HEALTH" ON JANUARY 13, 1954. IT IS SINCERELY BELIEVED THAT CONTAINED BETWEEN THE COVERS OF THIS RELEASE ARE NUMEROUS SIGNIFICANT REMARKS AND CHARTS WHICH WILL MAKE A REAL CONTRIBUTION TO THE READER'S KNOWLEDGE OF THE ECONOMY OF THIS STATE AS IT LOOKS IN JANUARY, 1954.

WE ALSO WOULD LIKE TO AGAIN EXTEND OUR APPRECIATION TO EACH OF THE PARTICIPANTS FOR THEIR COOPERATION IN WORKING WITH THE LEGISLATIVE COUNCIL OF THE COLORADO GENERAL ASSEMBLY TO MAKE THIS PANEL POSSIBLE.

24-1

OUTLINE OF REMARKS BEFORE THE GENERAL ASSEMBLY OF THE STATE OF COLORADO — JANUARY 13, 1954

G. E. Hawkins, Chief Statistician, The M. S. T. & T. Co.

First of all, I want to compliment the Legislature of the State of Colorado — my native state — on the establishment of the Legislative Council. It would seem to me that access to scientific, factual, nonpartisan facts regarding the State's economic status and problems should prove a most useful tool for you, the distinguished members of this Legislature in your most important tasks.

On today's agenda I note that my assignment is titled "The Situation Generally". I think it is entirely apropos that this over-all phase was assigned to a representative of The Mountain States Telephone and Telegraph Company. I can think of no organization in the State which is actually established in so many local communities as my company.

Further, I was assigned to indicate, in the brief time allotted, the elements in the Colorado economy which were most important in diagnosing (to steal a phrase from Shelby Harper) the "economic health" of the State, present and prospective. I was not asked for a forecast, and for that I am glad. It can be said that forecasts are a dime a dozen; they can be had in any club car, or for that matter on any street corner. They're not much use, unless you know how they are arrived at.

What are the prime factors in the economic growth and virility of our State? At some risk of oversimplification, I would say that these elements are population and incomes.

Population growth is determined by rates of change in natural increase and migration and its impact on the economic scene is very largely determined by the rate of family formation.

Rates of change in incomes must, of course, be studied in terms of disposable real incomes; that is to say, incomes considered after taxes and price changes. One further step is to consider changes in what may be called discretionary incomes, or available purchasing power after provision for taxes, food, clothing and shelter. A very large proportion of the American economy is dependent upon this latter figure, because it represents the margin above a minimum standard of living.

Now let's look at some of the things that have happened in Colorado in recent years: During World War II, our State actually lost population. After the war, the "second gold rush" started and all of the Rocky Mountain states experienced a great influx of population. Population growth has thus been substantially greater in Colorado during recent years than in the nation. This

Senator King
Florida

Rep Bullard
Oklahoma

A CLINIC

For Diagnosing

THE "ECONOMIC HEALTH" OF COLORADO

Arranged For
The Colorado General Assembly
By The
Legislative Council

PLACE: STATE HOUSE OF REPRESENTATIVES
TIME: 2:00 P. M. Wednesday, January 13, 1954
PURPOSE: To assist individual legislators meet their important responsibility of charting Colorado's 1954-55 Fiscal program by providing diagnoses of the "Economic Health" of Colorado by outstanding leaders of Agriculture, Industry, Mining, Labor and Business in Colorado.

A G E N D A

The Situation Generally---Mr. George Hawkins, Chief Statistician, Mountain States Telephone Company.

How About Mining----

General--Mr. Robert Palmer, Executive Director, Colorado Metal Mining Fund

Uranium---Mr. W. Spencer Hutchinson, Jr., Assistant to the Manager, Atomic Energy Commission, Grand Junction, Colo.

Molybdenum--Mr. Jack Abrams, General Manager, Climax Molybdenum Co.

Lead and Zinc--Mr. Oscar Johnson, President, Idarado Mining Co.

A Looksee at Agriculture and Livestock (Specialty crops and Livestock) Mr. Emmett Dignan, Vice President, Livestock Loan Dept., United States National Bank

A Railroad Sees it This Way--Mr. A. E. Perlman, Executive Vice-President, Denver and Rio Grande Western Railroad

Organized Labor Says--Mr. George Cavender, President, Colorado State Federation of Labor speaking on behalf of the A. F. of L., the C. I. O., the Brotherhood of Railroad Locomotive Firemen and Enginmen and the Brotherhood of Railroad Trainmen.

Another Looksee at Agriculture and Livestock--Mr. Harvey Solberg, President of the Rocky Mountain Farmers' Union and Vice President, National Farmer's Union

Manufacturing Views the Picture--Mr. George Liljestrom, Vice President, Gates Rubber Company, immediate past President, Colorado Manufacturers Association

Summary-------Radio Commentator--Senator Ben Bezoff.

growth in population is, of course, slower and more regular – and thus not too difficult to predict over a short period. It is a factor in the secular or long-term growth.

The more spectacular element in the increase in Colorado's economic picture during recent years has been cyclical in nature – reflecting partially an increase in the basic economy and partially the influence of wars, alternately hot and cold.

On the last page of charts attached hereto are some general economic indicators, compiled for the seven Rocky Mountain states in which my company operates. Because Colorado is by far the largest state represented, and also because Colorado has pursued a middle course among these states, the composite Business Activity curve at the top of the page is reasonably representative of the changes in the general economy of this State.

It will be noted that the years since the beginning of the Korean war have been higher than any years since 1929 (and this is after allowance for growth). The year 1953 was the highest in the history of our State, even though a modest decline has occurred since the end of the "hot" phase of the Korean conflict.

Even though one resists the temptation to make a definitive forecast based on the statistical background as to where we are going, any appraisal of where we are now has its implications regarding possible future developments. At this point I wish to direct your attention to the first and second pages of charts – some of the "bits and pieces" of economic information that we use in our business to gauge the direction and intensity of the economic winds. These charts are worthy of your study; I am not able to comment on them because of time limitations.

It might be remarked here that the missing element in the current economic scene which cannot be predicted quantitatively is psychological. There isn't the slightest question that we might talk ourselves into a depression – if enough people in enough influential places were so inclined.

On the other hand, from purely economic considerations, it seems entirely possible and reasonable that the nation, and particularly the State of Colorado, might actually benefit from a period of consolidation of the economic gains of recent years. In the process, we might expect a correction of the overtime, overemployment, and other wasteful conditions which have contributed to undue increases in costs and prices.

The basis of the American economy is competition, reduction in costs, and consequent increases in real incomes for all the people.

The Mountain States Telephone and Telegraph Company

NOTES ON THE ATTACHED EXHIBITS

The telephone business serves its customers in both major aspects of their lives — in their business as well as their social relationships. Thus, there can be very few significant happenings affecting the areas served by the Telephone Company that do not have their effects on the telephone business.

The list of "Significant Indicators" on the following page is, for this reason, indicative only. The market for telephone service is affected by changes in population and family formation, business and individual incomes, general price levels, taxation, etc. All basic statistical series having any bearing are watched carefully in order that some evaluation may be made of effects on demand for telephone service.

The two pages of charts immediately following are examples of some of the graphic analyses constantly being utilized. They are, of course, only a sample — but sufficient for illustration. (A note of explanation may be warranted: The comparison with Mountain States is generally with the totals for the seven Mountain States — Arizona, New Mexico, Utah, Colorado, Wyoming, Idaho, and Montana. This, it will be recognized, is a reasonably homogeneous comparison, and is thus perhaps more useful than the comparison with U. S. totals.)

The third page of charts, "Mountain States Business Indicators", shows our current Business Activity Index for the Mountain States, together with the component statistical series making up that index. While this index is computed from data for the seven Mountain States, Colorado is well represented, being the largest of the seven and quite similar in its economy to the other states.

LIST OF SIGNIFICANT INDICATORS OF ECONOMIC ACTIVITY AND GROWTH IN COLORADO

A. Population

1. Births and deaths
2. Marriages and divorces
3. In- and out-migration
4. Population distribution
5. Population characteristics
6. Population estimates
7. Family estimates

B. Income

1. Total income payments
2. Income payments per capita
3. Income payments by source
4. Income by type of payment
5. Income distribution

C. Agriculture

1. Receipts from farm marketings
2. Local livestock receipts
3. Farm real estate values
4. Farm prices
5. Farm inventories
6. Farm production forecasts
7. Range and crop conditions
8. Agricultural census data
9. Farm incomes

D. Minerals

1. Oil production and exploration
2. Mine production

E. General Business

1. New business incorporations
2. Business failures
3. Electric energy production
4. Employment, hours, earnings
5. Unemployment
6. Bank debits (five Colo. cities)
7. Bank clearings
8. Gasoline consumption
9. Number of tourists
10. Sales tax receipts
11. State tax collections
12. Price levels

F. Construction

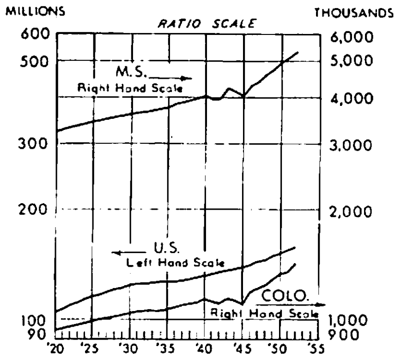
1. Building permit values
2. Urban building authorized
3. Construction employment
4. Federal contracts awarded
5. Public and private construction
6. Census of housing

G. Manufacturing

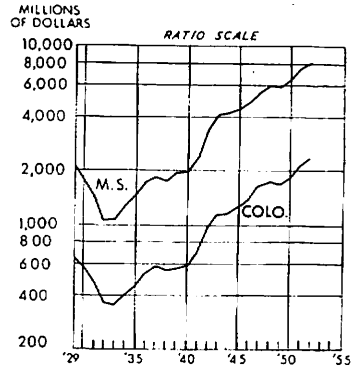
1. Production workers, man-hours and wages
2. Value added by manufacture
3. Manufacturing employment

ECONOMIC CHARTS

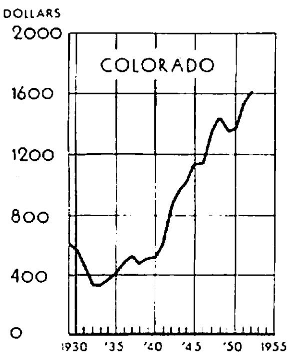
POPULATION GROWTH

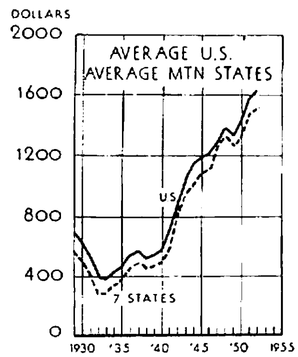


INCOME PAYMENTS TO INDIVIDUALS

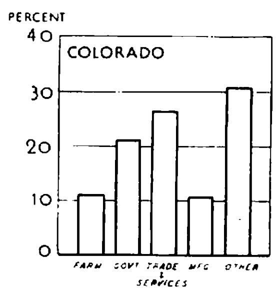


PER CAPITA INCOME PAYMENTS





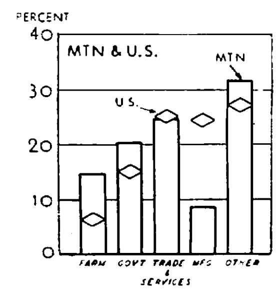
MAJOR SOURCES OF INCOME PAYMENTS

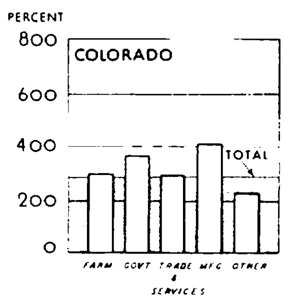


PERCENT OF

TOTAL INCOME

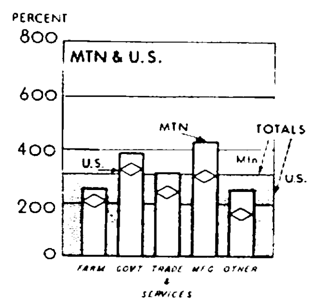
IN 1952





PERCENT CHANGE

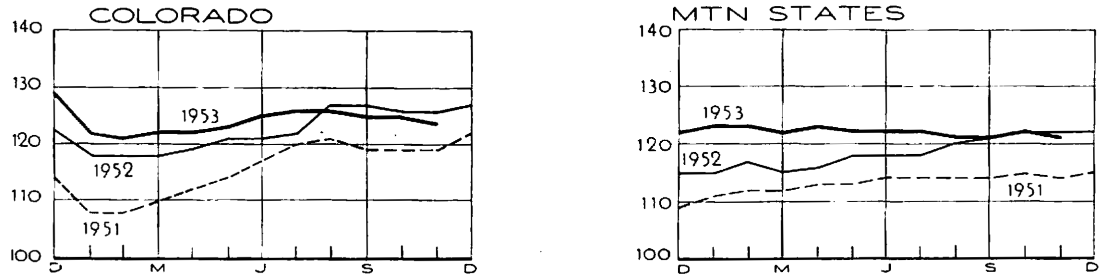
1940 TO 1952



ECONOMIC CHARTS

NONAGRICULTURAL EMPLOYMENT

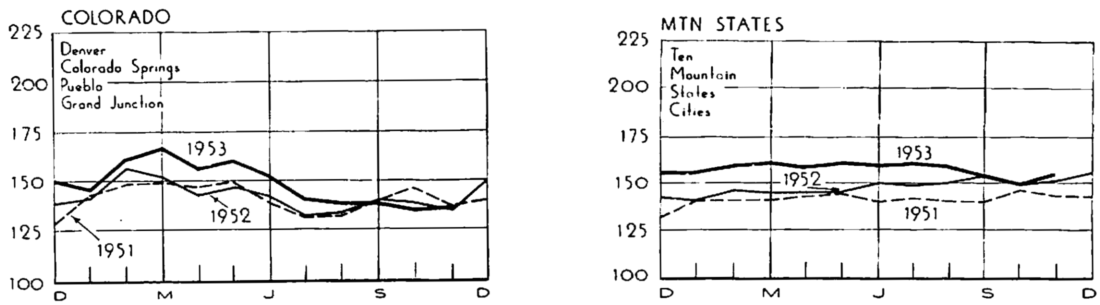
INDEX NUMBERS 1947-1949=100



CHECK TRANSACTIONS

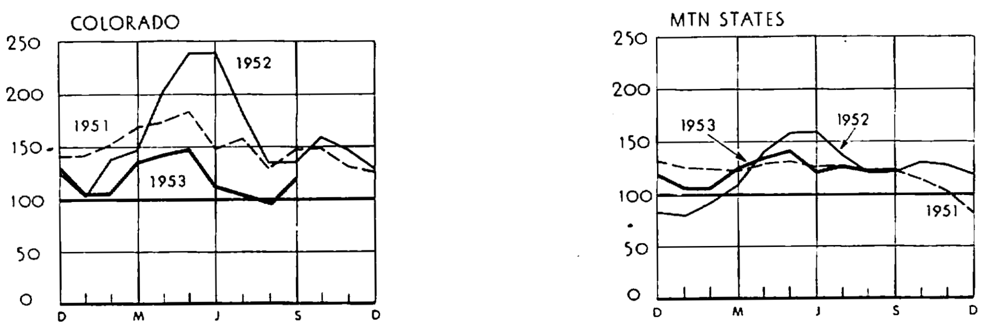
SEASONAL VARIATION ELIMINATED. ADJUSTED TO "AVERAGE BUSINESS DAY" BASIS.

INDEX NUMBERS 1947 - 1949=100



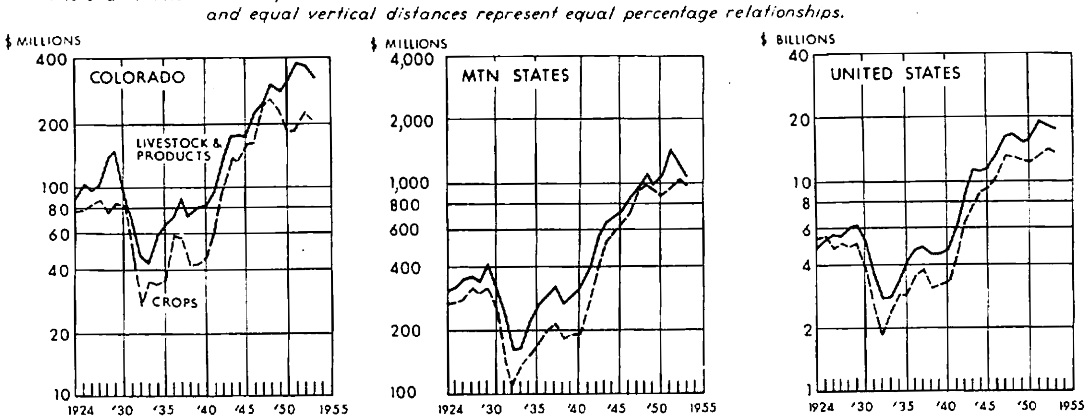
NUMBER OF HOUSING STARTS IN URBAN AREAS

INDEX NUMBERS 1947-49=100 (Three month moving average)



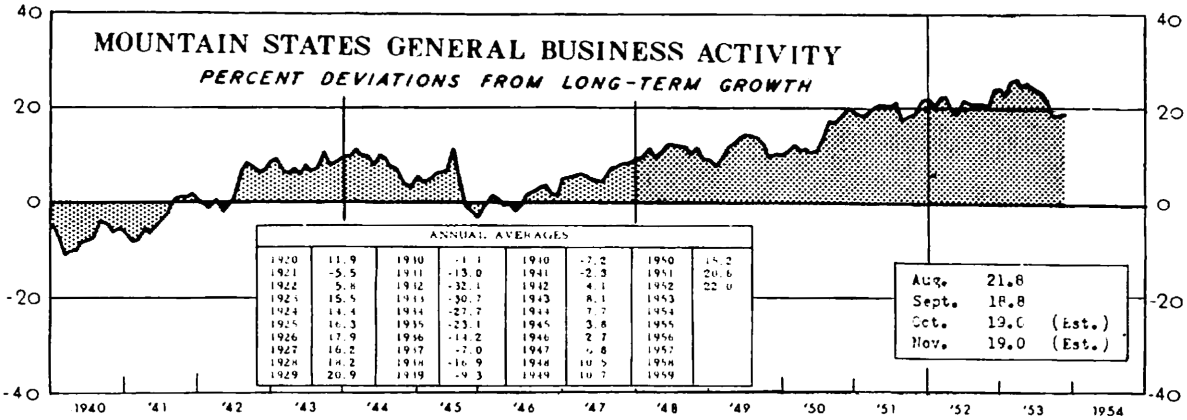
GROWTH OF CASH RECEIPTS FROM CROP AND LIVESTOCK MARKETINGS

The charts below are all plotted on the same ratio scale; thus equal slopes represent equal rates of growth and equal vertical distances represent equal percentage relationships.



MOUNTAIN STATES BUSINESS INDICATORS

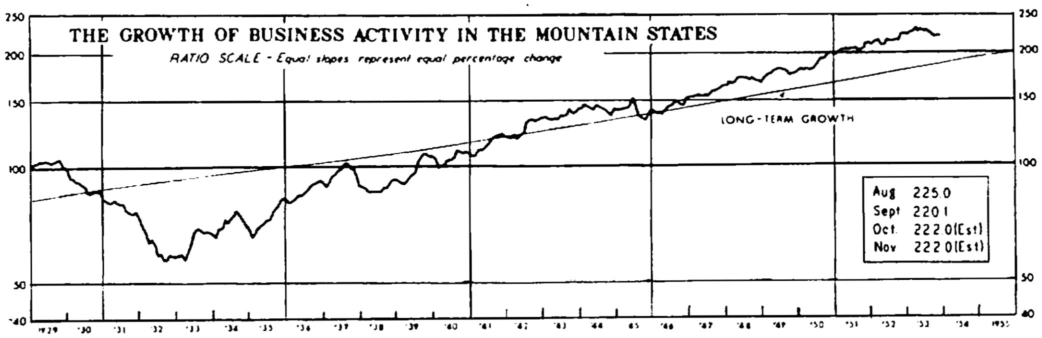
SEASONAL VARIATION ELIMINATED DOLLAR SERIES ADJUSTED TO A "CONSTANT DOLLAR" BASE

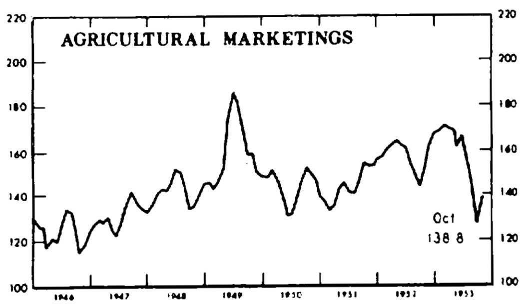


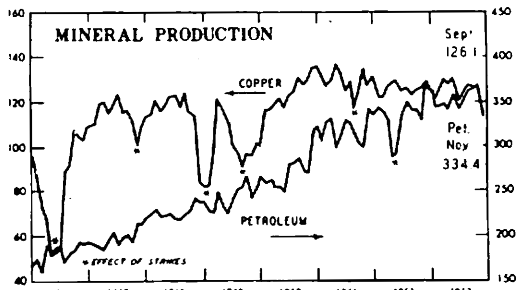
ANNUAL AVERAGES

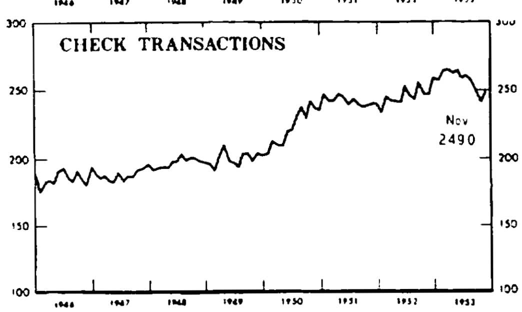
1920	11.9	1930	-1.1	1940	-7.2	1950	15.2
1921	-5.5	1931	-13.0	1941	-2.3	1951	20.6
1922	5.8	1932	-32.1	1942	4.1	1952	22.0
1923	15.5	1933	-30.7	1943	8.1	1953	
1924	14.4	1934	-27.7	1944	7.7	1954	
1925	16.3	1935	-23.1	1945	3.8	1955	
1926	17.9	1936	-14.2	1946	2.7	1956	
1927	16.2	1937	-7.0	1947	6.8	1957	
1928	18.2	1938	-16.9	1948	10.5	1958	
1929	20.9	1939	-9.3	1949	10.7	1959	

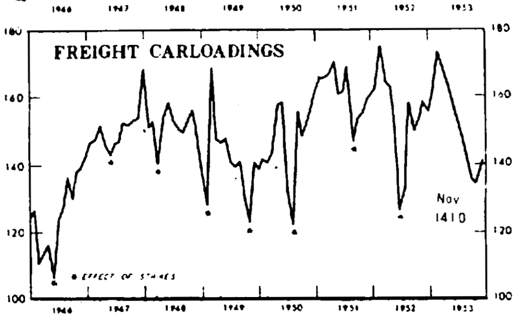
INDEX NUMBERS, 1939=100

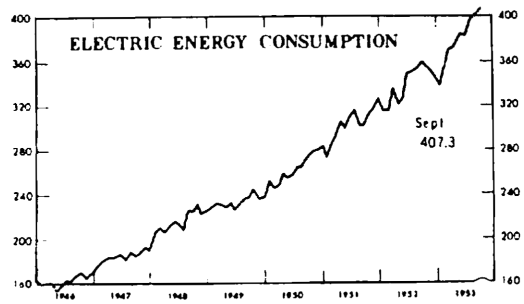


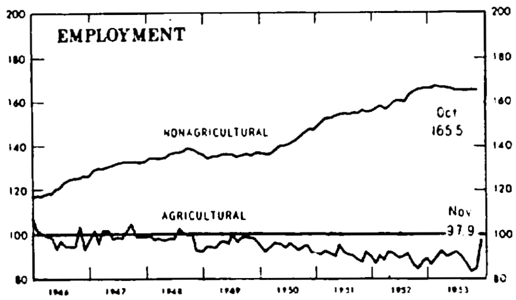












Agricultural Marketings: Reported as "Cash Receipts from Farm Marketings" by Bureau of Agricultural Economics. Data adjusted to a "constant dollar" basis by the Index of Prices Received by Farmers.
Check Transactions: Reported as "Bank Debits to Demand Deposit Accounts" by Federal Reserve System. Data adjusted to a "constant dollar" basis by Consumers' Price Index; also adjusted for number of business days per month.
Electric Energy Consumption: Reported as "Kilowatt-Hour Sales of Electric Energy to Ultimate Consumers in the Mountain Division" by Federal Power Commission. Data adjusted for business days per month.

Mineral Production. Reported as "U.S. Copper Production" and "Oil Runs to Stills" (a measure of refinery activity) by Bureau of Mines.
Freight Carloadings: Reported for railroads which originate and terminate much of their tonnage in this area by Association of American Railroads. Data adjusted for business days per month.
Nonagricultural Employment: Reported for each state by agencies in cooperation with Bureau of Labor Statistics.
Agricultural Employment: Reported for the Mountain Division by Bureau of Agricultural Economics.

MINING:

Statement of Robert S. Palmer, Executive Vice-President,
Colorado Mining Association, before
The Colorado General Assembly.

January 13, 1954

The over-all condition of the metal mining industry in Colorado is not good. The value of production of the precious and base metals dropped $17,238,539 in two years. The total value of the five metals is estimated at $21,693,000. This was the lowest valuation on production since 1946. The 1952 figure was $35,997,231 and the 1951 figure, $38,931,539.

The drop in value was due, primarily, to the drop in price of both lead and zinc. In a year and a half the price of zinc dropped 48.7 percent and the price of lead, 36.8 percent. Not only did the value of these two metals drop but production dropped as well.

Gold production decreased from 124,594 ounces in 1952 to 118,000 fine ounces in 1953. Silver dropped from 2,813,643 ounces to 2,114,291 fine ounces. Cooper, from 3,606 tons to 2,830. Lead, from 30,066 tons to 21,850 tons, and zinc, from 53,203 to 37,700 short tons.

Production figures show a 5 percent decrease for gold; a 25 percent decrease for silver; a 22 percent decrease for copper; a 27 percent decrease for lead and a 29 percent decrease for zinc. Values shrunk for gold from $4,360,790 to $4,130,000. For silver, from $2,546,489 to $1,913,540; copper from $1,745,304 to $1,618,760; lead, from $9,681,252 to $5,812,100; zinc from $17,663,396 to $8,218,600.

The price of gold is fixed at $35.00 by the Federal Government. If the free open market is reestablished for domestic producers, the gold price could increase and revitalize the gold mining industry.. The world price of silver was $0.8425 from January 2 to 21 and $0.8525 from January 22 through the end of the year. The domestic price, of course, is 90-1/2 cents.

Upon the discontinuation of controls, the price of copper rose from 24-1/2 cents to 30 cents within three days. The zinc and lead prices dropped, however, from 19-1/2 cents and 19 cents respectively to 9 and 10 cents, with slight increases in price being reflected from time to time. (pb.13.5 cents, Sept. 16, 1953) (zn. 11 cents, August, 1953).

Imports, or dumping of cheap foreign metal on the domestic market caused the precipitous price decline.

Ordinarily, we import lead and zinc but this year we needed only 300,000tons from foreign mines and received better than twice that amount. The same story prevails with lead. We imported enough to close down our domestic mines, consequently, nation-wide, we had the lowest production since 1948. Even shipments from dumps decreased from 1,548,815 tons in 1952 to 1,220,400 tons in 1953.

Colorado ores are generally complex, or refractory. They usually contain a combination of the precious and base metals and it is generally true that prices for the precious metals make possible the production of base metals. We have on lead smelter in the State but no zinc plants, consequently, shippers must ship ores or concentrates great distances for treatment. This adverse economic factor plays havoc with marginal operations.

All costs to the mining industry have increased--- power, equipment, smelting, transportation and supplies. Gold mines, ordinarily profitable, are not commercial under present-day high cost conditions. If costs decrease, gold mining activity will increase if the price remains stable.

Nonmetallic production is on the upgrade. Large expenditures have been made in our state for increased production of particularly, fluorspar and feldspar, but these products also depend upon foreign competition for survival. Maintenance of high-cost operations is not possible in competition with low-cost operations abroad. Further, discrimination between water and freight rates is important.

New deposits of some magnitude are being found in the state, both of the metals and nonmetals. A rich gold strike in the Cripple Creek district and a more sensational complex ore discovery in the San Juan district is but evidence of the fact that the metals are here but the economy of the industry is out of balance.

The government maintains a base price on tungsten and manganese and some other strategic and critical metals but in spite of these base prices, Colorado producers are finding a marketing problem which is must difficult to solve. Here again, new deposits are found when the economics of the industry are sound.

To summarize, we have the minerals in Colorado -- a wide diversification of them. We have more small mines, or should I say "possible producers" than any other state in the Union. Our problem is National in character in that the Federal Government offers the only course for relief. We are in direct competition with producers abroad and our salvation depends on government policy. Supply and demand laws have been thrown out of gear by imports. We are using more lead and zinc in our economy than ever but the price is below the cost of domestic production. Should government policy change, an upsurge in production would be reflected. Mining does provide a solid market for production of most all other products in the state. Its contribution to public carriers, not only in actual ore or concentrate haulage, but in haulage of supplies, is important. Its usage of Colorado products is well known. Colorado can ill afford to allow its mining industry to go to pot.

Our molybdenum production will be discussed by a representative of the Climax Molybdenum Company; our uranium, by a representative, William S. Hutchison, and we will also have a word from one of the larger operators in the state, for, where orebodies warrant, mechanization is gradually taking place and larger operations are the trend of the times.

MINING: URANIUM

Statement of W. Spencer Hutchinson, Jr., Assistant to the Manager, Grand Junction Operations Office, Atomic Energy Commission, Grand Junction, Colorado, before the Colorado State Assembly.

January 13, 1954

The uranium industry is unique in several aspects. Concentrates derived from uranium ore production are purchased only by the government and the demand for uranium ores and concentrates exceeds the supply. A guaranteed minimum price plus allowances has been established through March 31, 1962 for ores from the Colorado Plateau and a special incentive bonus has been established through February 28, 1957 for the first 10,000 pounds of U308 produced from new discoveries. This bonus amounts to from $15,000 to $35,000 for each certified property based on the grade of the ore.

Your interest in the economics of the uranium industry is more immediate and it is not easy to give you any accurate measure of the dollar relationship to the economy of your State. Production figures or any facts which lead to a measure of that information are classified and their release is considered dangerous to the National security. However, we can talk about the various phases of the industry as they point toward the importance of uranium production to your economy.

These comments and figures relate to the total Plateau area or the four-state area of which southwestern Colorado is a significantly large part, economically speaking. In approximately six years the industry has grown under the guidance of the AEC from one with an insignificant dollar value to one that is measured in terms of tens of millions of dollars per year.

Grand Junction, on the western slope of Colorado, was selected in 1947 as the headquarters from which the AEC would direct the program of finding, mining and processing uranium ores and serve as a procurement office for purchasing ores and concentrates.

Direct employment of personnel in the Grand Junction office with headquarters at that location and which include service contractors has grown in the following measure:

December 1951	427
December 1952	616
December 1953	815

Employment in processing plants has increased steadily to a total of more than 1500 in December 1953. This figure includes the personnel operating the single mill owned by the people and operated under contract. From the best information we can gather, there is a total of from 6,000 to 8,000 people who are gainfully employed directly in the uranium industry. This does not include any estimate of the great influx during the past year of prospectors and other people interested in investing capital in finding more ore deposits.

We estimate that today there are 550 active mining operations ranging in size from the two-man operation to those employing fifteen or twenty men. The average number of employees per operating mine is perhaps six or eight. As you know, all of the mining of uranium is conducted by private industry.

The Commission, together with the U. S. Geological Survey, is now conducting explorational drilling at a rate of a little more than 1,000,000 feet per year and we estimate that private industry drilled in excess of 1,000,000 feet in the year ending June 30, 1953. Today private industry is drilling at a greatly increased rate.

The first processing plant went into production in mid 1948 at Rifle, Colorado and today there are eight operating plants on the Colorado Plateau, five of which are in the State of Colorado. Each of these plants employs anywhere from 100 to 450 people depending upon its size and the complexity of the treatment process used. A typical uranium processing plant requires a capital investment of from two to four million dollars.

Walter E. Scott, Colorado Commissioner of Mines issued a general statement in the annual report for 1952 that the greatest single advancement in Colorado metal production was in uranium production and that it greatly exceeded the value of any other single metal production in the State. It is likely that in 1953 the economic benefit to the State derived from uranium production may exceed that derived from the production of all other metals and perhaps approach in magnitude the economic benefit of the State's oil production.

MINING: URANIUM Continued

The Commission recently made the statement that uranium ore production in the four-state area had doubled in the past two years and that we anticipate it will double again in the next two or three years. In fact, the Commission is attempting to obtain the maximum production of uranium from the Colorado Plateau commensurate with a reasonable cost. The uranium industry of Colorado is a healthy industry and ranks with the leading industries of the State.

MINING: MOLYBDENUM

Statement of C. J. Abrams, General Manager, Climax Molybdenum Company, before the Colorado General Assembly.

January 13, 1954

Thank you for this opportunity to present to the Legislative Council a brief picture of the present and anticipated future condition of the molybdenum industry as it relates to my Company and to the State of Colorado.

In order to accomplish this it is necessary to review the history of the Climax Molybdenum Company's operations. The whole molybdenum industry has been commonly called a War Baby ever since it was started in World War I and because of subsequent wartime peaks and peacetime valleys. Climax was formed as a tiny operation to satisfy the military demands of the first war. These demands disappeared entirely with the armistice and the property was shut down for five long years. The company's management, however, foresaw a peacetime future for the metal as an alloying element in the steel industry and therefore commenced an intensive development program. By 1924 this program had created sufficient interest in the peacetime uses of molybdenum to justify the reopening of the property. This program has been continued and intensified by research and over the years has resulted in the development of more and more peacetime uses for molybdenum. In fact, Climax has borne almost the entire research and development program for the molybdenum industry.

After a large market for molybdenum had been established, the business became attractive to others. During the middle 30's Kennecott the world's greatest mining enterprise, found that it could produce molybdenum as a by-product of its regular copper operations. Other copper companies followed suit. This resulted in a competitive situation unique in modern industry. Climax, the only substantial primary producer of molybdenum in the world, is now the marginal producer since all of its competitors are able to produce the commodity at a fraction of Climax costs. This means that had the copper companies originally developed the molybdenum industry there would never have been the slightest economic justification for opening or developing this great Colorado asset.

The results of this competition did not become apparent until after World War II because the tremendous wartime demand could not be satisfied by the by-product producers alone and Climax was the only company capable of expanding its output materially. At the peak of wartime demand in 1943, Climax produced more than 70% of the world's molybdenum, or 46,000,000 pounds. From then on our sales declined sharply and in 1947 Utah passed Colorado as the major molybdenum producing state for the first time in history. By 1949 Climax sales amounted to approximately 7,000,000 pounds, or only a little more than one-third of the 1949 world production. Furthermore, the shortage of manpower during World War II had forced Climax to deplete broken ore reserves to such an extent that our mine capacity for all-out production was reduced to only a third of what it had been at the time of Pearl Harbor. In addition a quarter of our mill capacity had been converted to other purposes.

Our expanding production since 1949 has resulted partly from the military demands of Korea and partly from the desire of the Government to establish a strategic stockpile. Most important, however, since the copper companies' by-product output cannot be increased, the Government requested Climax to expand its capacity enough to be ready to satisfy the molybdenum requirements of an all-out war.

To accomplish these purposes an expansion program was negotiated with the Government and financed entirely by the company. Over the past three years Climax has spent almost $35,000,000 in Colorado - nearly 30% more than it has actually earned in this period. Its present plant will be operated at a yearly capacity of over 40,000,000 pounds of molybdenum for a little over two years during which time the Government, by contract, will purchase such material as is not sold to industry.

Thereafter the company must again rely upon its development efforts to create enought new markets to use as much of this great capacity as possible. The magnitude of this task can be realized when we consider that current free world peacetime requirements approximate 40,000,000 pounds while current free world production capacity is almost 70,000,000 pounds.

You will recall that our competitors, because of their by-product production and their extremely low costs, will probably dispose of all their output, leaving Climax with the mammoth task of developing enough new peacetime markets to take up the slack. This task will not be novel since up to the present Climax has carried the burden of the market development which has made competitors' sales possible.

Climax is an isolated location and all facilities to accommodate employees and their families must be provided by the company. This includes maintaining a small town, streets and highways, sanitation systems, schools, medical and hospital facilities, police protection and recreational facilities. At present the company employs at Climax almost 1400 people. The town's population is about 2500, including 550 school children. The payroll at present exceeds $8,000,000 per annum.

We are happy to be able to say that during these immediate years of peak production we are able through state and local taxes to contribute materially to the welfare of Colorado. For example, in 1953 the company will have paid nearly $1,000,000 to the State of Colorado and its counties in ad valorem, production, income, sales and other taxes. During 1954 the Company's Colorado tax bills will be substantially over $1,000,000.

Although it should be obvious to this Council that the current rate of operation occasioned by Government-contract cannot long continue, we do not wish to leave the impression that we consider the outlook for the future bleak - there is more to the future than what the bare statistics show. At present 90% of the molybdenum consumed goes into iron and steel. Through research we hope to develop not only new markets for old uses but also entirely new uses in agriculture, chemistry and high temperature engineering. Thereby creating a stable future for the molybdenum industry in the State of Colorado.

MINING: LEAD, COPPER, ZINC

Statement of Oscar Johnson, President, Idarado Mining Company, before the Colorado General Assembly.

January 13, 1954

I am Oscar Johnson, President of Idarado Mining Company - this company is the result of merging many of the old mining claims and properties of both Ouray and San Miguel Counties, which have been idle for many years. Because the ores of these properties are complex sulfide, with lead and zinc predominating, they were closed down in the period of about 1930 to 1935, due to the low prices of metals and the lack of proper processing facilities to make the payable extraction.

The revival came about with the demand for lead and zinc by World War II. In 1943 the Treasury Tunnel was extended from Red Mountain westward under the Divide, to beneath the old Black Bear Mine. This venture was successful in tapping ore 900 feet vertically below the old workings. Production started in 1945 when an 800 ton mill at the tunnel portal was put in operation.

The mill was carefully planned and modernly equipped to make a three way separation of concentrates into lead - copper - zinc.

A great deal of money was required to bring about this operation on Red Mountain Pass. Furthermore it is an expensive place to operate because of the elevation, the distance from the rail-head, and the long severe winters. Also there are many risks in operating high in the San Juan Mountains. Last May we had a disastrous fire which destroyed our surface plant to the amount of $527,000.00.

The present lead and zinc prices are forcing the shut down of most of the metal mining industry. Idarado is one of the very few lead-zinc mines operating in the State at this time. We are going along normally in the hope there will be no more burdens put on us so we can continue to do so. The little gold - copper - and silver content of our ore makes it possible for us to survive. We could never do so on lead and zinc alone.

Our annual payroll of one and one quarter million dollars, plus purchases of supplies, and electrical power, of over one and one quarter million dollars add considerable to the economy of Ouray and San Miguel Counties, also the State. The frequent shipments made in and out of the property are a very substantial boost to the D & R G W Railroad revenues in this State. Idarado purchased the Ute and Ulay Mine in Lake City, expecting to start a full fledged operation there, but the metal being principally lead, we must forget this investment for the present and wait for more favorable prices. This property when put in operation will do much to revive the business at Lake City.

A calamity was about to hit the town of Telluride through the closing down of the Telluride Mines Operations. Idarado stepped in and purchased it complete on May 1, 1953, and we have kept it going since that time. To do this has been a struggle because up to date it has been un-profitable.

At Telluride we employ about 275 men monthly. The surface plant is being revamped, and mining methods changed to the Idarado method of stoping . We are hopeful of getting this operation in the black early this year, if nothing unforeseen happens.

Colorado's lead and zinc mining is definitely "sick". The reason being depressed prices for these metals caused principally by foreign imports. The demand for lead and zinc has not fallen, but imports have produced a period of surplus creating prices below the cost of domestic production. The late steel strike also contributed to the difficulty by cutting off the galvanizing trade.

Some constructive action is necessary right now to stabilize the domestic mining industry, especially lead and zinc production. This business has been in distress for more than a year. If it keeps on many mines may never again resume operations, thus our defense and national exonomy may be effected. The officials in Washington should be able to find an equitable solution. There has always been a normal amount of lead and zinc imported. Whatever that amount was, let Washington determine it, and set it as a base quota, then the domestic operators come forward with the balance to maintain our requirements.

Again I say - let Lead-Zinc Industry have a chance to survive.

AGRICULTURE:

Statement of Emmett J. Dignan, Vice-President and Manager, Livestock Loan Department, United States National Bank, Denver, Colorado, before the Colorado General Assembly.

January 13, 1954

AGRICULTURE IN COLORADO - 1953

Discussing agriculture in Colorado makes it necessary for us to consider briefly food supplies throughout the world. To comment on the situation that exists in Asia is needless. All of you know that the great majority of the population of most Asiatic countries goes to bed hungry each night.

In the Middle East great efforts and substantial amounts of money have been put into improving food supplies. Irrigation projects in Israel, drainage in Greece and engineering "know how", money and supplies for other countries have been furnished in abundance by America. There is much political turmoil in France and Italy and, while not all of it is directly attributable to a hungry population and an inadequate purchasing power on the part of their farmers, these factors have added to the turmoil.

America has been blessed with surpluses of most every type of agricultural commodity. We in America bemoan surpluses and flounder for a remedy. Frankly, we should be ashamed of ourselves. First of all, it shows ingratitude to Almighty God. Beyond this, let's not forget that if America is to be a happy land we must continue to have a well-fed population. Any nation spending 40 billion dollars annually on defense will waste that money and lose a war without an abundance of food to back up not only their fighting forces but the civilian population.

It is my assignment to cover some of our specialized agricultural industries. Poultry in Colorado has traditionally been produced to supply the grower's own consumption. In a modest way we have expanded this into a commercial enterprise. Much work remains to be done. In Colorado we import from other states two out of every three eggs we eat. The production of broilers is on about the same ratio -- we consume approximately three times as many as we produce. The climatic condition in in most of Colorado is not only suitable but actually advantageous for the expansion of these enterprises on a profitable basis, at least to the point where we should produce in line with the consumption within our own borders. This to me seems economically sound. Turkeys do well in Colorado, and we have had a substantial number of commercial growers operating during the past few years and in 1953 on a profitable basis. Again, climatic conditions favor turkey production.

Potatoes and Onions are grown in abundance, however, 1953 proved to be an unprofitable year for these types of crops. In the several sections of our State where these crops are produced the quality is on a par or superior to that of any competing area in the United States.

Peaches, cherries and other fruits are a big industry in certain localities. Here again the quality and productivity in Colorado is the best.

In the case of our vegetables and fruits, much consideration should be given the advisability of increased cold storage and freezing facilities on items where this is practical. There should be more processing of these commodities at the point of production. This would improve profits not only to the grower, but would furnish jobs and spur industry as a whole.

Alfalfa, Clover, Sudan Grass and many other seeds play a big part in agriculture in certain localities of the State. These high altitude seeds are much in demand and this type of diversified production should be fostered and encouraged.

Flowers - The production of flowers and flower seed has become a multi-million dollar industry in Colorado, famed for high-altitude quality. Carnation growers have done an outstanding job of publicizing their product.

Sugar beet production is a big industry in Colorado. The year 1953 was excellent from the standpoint of production and sugar content was exceptionally high. Congratulations are in order to the sugar companies for a fine job. Their scientists have developed better seed and their feeding experiments have been most beneficial in the advantageous utilization of by-products, pulp and beet tops. These products have a great recovery value when properly fed to livestock. A continuation of this research should be encouraged. The increased supply of water for Northern Colorado has been most helpful to the grower. Excellent farming methods on the part of the operator have meant bigger yields and better quality. The 1953 acreage was substantially below the ten-year average, but the tonnage was much improved. The sugar companies have done an outstanding job in maintaining a high energy food product at a reasonable price in face of the inflationary prices of most other items of food.

Dairying and dairy cattle. Production of milk and milk products has been maintained at high levels during 1953. Never-the-less, the demand for whole milk has remained on a high level and, the supply is rapidly approaching local requirements; however, the good dairy cow is still a profitable animal. An extension of our dairy industry and should continue at least to the point where the local requirements for whole-milk are met by producers within the State.

Sheep numbers in the past year are reported to have held about steady but, in the face of a 38% decline in numbers from 1942 to 1952, it is evident that unless steps are taken to encourage and to make this a profitable industry, it will disappear as an important agricultural pursuit. This is especially unfortunate in view of the fact that much of our land area, both private and public, is well adapted to sheep production. Since this country produces only about one-half of the wool required domestically, it would be most unfortunate if such a valuable industry was allowed to depreciate.

The increased volume of synthetics has been a depressing influence, but for many uses there is no substitute for wool and many of the synthetics are improved by comingling of wool with the synthetic material. It is quite apparent that the National Congress will re-appraise the facts at this Session. The year 1953 was an unprofitable year for the sheep industry, and Colorado cannot afford to see this important segment of our agriculture disappear. Unquestionably, the market value of the fleece and the pelt has a direct relationship to the value of the live animal.

Range Cattle. 1953 was a turbulent year for the range cattle operator in the West. Few, if any, of these producers showed a profit for the year.

Cattle. Most feed lot operators throughout the State operated at a loss in 1953. In some cases the loss was moderate - in other cases it was a severe one.

Prices as of today for finished cattle and lambs are out of line with the price of manufactured goods, other farm commodities and labor costs in the National economy. No nation can continue to spend huge amounts annually on defense and allow agricultural income to lag behind the general economy. Both industry and labor have a definite direct interest in agricultural income.

The cheapest insurance against National disaster is a continued abundance of food supplies and the maintaining of a prosperous agriculture. The rural population of Colorado and all America is a fine outlet for all types of manufactured goods. Thus a fully utilized labor force. The purchasing power of a prosperous agriculture is the balance between prosperity and depression in this Nation.

With an ever-growing population, our record of consumption during 1953 proves conclusively that cattle numbers are fairly well in balance with the need for beef. Under normal consumption of this great food product, we should be able to maintain a prosperous cattle industry with no substantial reduction in cattle numbers.

Colorado cattle have a reputation throughout America. They are sought after by the corn belt feeder, and our breeding herds are followed with a watchful eye by those men interested in improving their herds throughout the entire country. Again, Colorado ranges and Colorado feed lots have the advantage of a fine climatic condition to breed, grow and fatten beef of superb quality.

Summed up, agriculture in Colorado is still our greatest industry. You gentlemen in the Legislature should constantly keep in mind that prosperity in our regional economy depends upon a prosperous agriculture.

RAILROADS:

Statement of A. E. Perlman, Executive Vice-President, Denver and Rio Grande Western Railroad Company, before the Colorado General Assembly.

January 13, 1954

Members of the 39th General Assembly, Fellow Citizens of Colorado:

This meeting is a highly significant event in Colorado political history. For when thoughtful men from various segments of our economy frankly discuss their problems with the elected representatives of the people, a clearer understanding of our mutual requirements is inevitable.

All of us today are faced with a common problem. Our economy has turned from one of continuing crises to one in which we are striving to prove that peace and prosperity can be coexistent. We have passed the era of guns and butter, and are now turning to one in which we hope guns will play a very small part.

But some of our citizens are fearful that when we turn from the wasteful economy of war, a lower gross national product -- and the consequent unemployment which follows a drop in our gross national product -- must result. Yet all of us here have seen a startling growth in our population and economy during the war years. And with it we have the evidence that the economy of crisis of those years has not permitted us the heavy construction necessary to keep pace with that growth.

Industry is faced with the need for modern plants and offices; schools are crowded; highways are over-crowded; slum areas are ripe for rejuvenation, Hotel rooms are at a premium. We lack facilities to care for the physically and mentally ill. Public works have been at a comparative standstill for the past twelve years. And it is fitting that this should be so at a time when all our energies were directed toward the national security. So now, everywhere we look, needs are apparent, which, for some time to come, will require labor and material to dispel the vacuum created by the war years.

RAILROADS:

It is an honor to be a member of this distinguished panel. As a spokesman for the railroad industry from your home railroad, I am aware of the responsibility I assume. However, in discussing indices which we use in evaluating present events and those to follow, we must use a different group than are taken by most of the industries represented here. For we are dependent upon the economy outside the State more than is generally realized.

When our first rails were laid some five years before Colorado became a state, the Rio Grande, as well as other railroads serving the territory, provided vital transportation for the mining and lumbering which laid a sturdy foundation for Colorado's original prosperity. The overwhelming bulk of its tonnage was local traffic. Even when General Palmer, who founded the Rio Grande, created the Colorado Fuel and Iron Company he did so with the thought that it would furnish rails for the construction of the local railroads.

Today, however, this entire picture is changed. And we find that the local lines, such as the Rio Grande Southern and a host of other names which now live in our memories, and who were dependent upon local business in Colorado, have become but monuments to the old timers. And only the carriers which have been rebuilt to transcontinental standards have survived.

So today, all of the rail systems which tap this State -- the Union Pacific, the Burlington, the Rock Island, the Santa Fe, the Colorado and Southern, the Missouri Pacific, and our own railroad -- are alive because of the transcontinental freight which they carry.

And a great volume of freight it is! For that moving on rails through Denver alone, daily, would require a fleet of trucks, traveling bumper to bumper, thirty miles in length.

I mention the change in type of traffic because today the railroads of Colorado bring into the State 100 million dollars a year, 60 million of which is payroll, five million taxes. This can be best illustrated by Rio Grande figures which I have available.

In the early days, as stated before, when Colorado was being developed, the railroad depended upon the local mines, the lumbering, the agricultural and livestock industries for its livelihood. Today, the total gross revenues which it derives from traffic which both originates and terminates on its lines would not even pay half of its State and Federal tax bill! Its bread and butter comes from overhead traffic; i. e., business moving from industrial areas of the East to the West Coast, or vice versa. So, it is through this overhead business that the railroads operating in Colorado are bringing into the State a major portion of its tax revenues, its payrolls, and material purchases.

Judge Symes recognized the need to rebuild the railroad after it had come into his court for the third time in 1935. And nearly 200 million dollars has been spent in improvements since that time so that it could successfully compete with the other transcontinentals for its business. E. H. Harriman recognized the same need during his regime on the Union Pacific. And all the other railroads which serve this State have spent tremendous sums rebuilding their properties to modern standards. For they are competing with the transcontinentals to the north and the south for this through business which is their very life blood.

That these railways have become important links in the transcontinental railroad system of the United States contributes mightily to Colorado's economic strength. For the taxes they pay in the State are greater than those paid by all other utilities combined. And only agriculture and retail trade exceed the taxes paid by the railroads.

Their payrolls are spread through 53 of Colorado's 63 counties, with an annual payroll well beyond 60 million dollar

This has all been brought out to you at length to show how the railroads are dependent upon the national product for their livelihood. And like the tourist business, they bring outside money into the State. So, to that extent, the State is also dependent upon the gross national product for a part of its income.

We have just come through the year of largest gross revenues in our history. And in forecasting what 1954 has in store for us, we have used a number of techniques. Statistics for the past seven years show that the correlation coefficient between the freight revenues of our railroad and the national income and gross national product is .98, whereas 1.00 would be a perfect relationship. We therefore use the forecasts of leading economic services for a determination of these factors, and chart our course accordingly.

We also use other techniques as cross checks. These include estimates of regional business conditions supplied by our 33 sales offices in all parts of the United States; studies of major industries and commodities; and an analysis of trends in commodities actually handled. Data on steel and automobile production, construction, Government expenditures f[illegible] defense, production for agriculture, mining and f[illegible] all analyzed.

RAILROADS:

On the basis of careful study of all indices, total traffic revenues on our railroad should be in the general range of five to ten per cent below 1953. Even if they are ten per cent below 1953, our freight revenues will be higher than during the highest of any of the years in World War II.

We therefore look forward to a healthy level of business. We believe that whole-hearted, honest cooperation between Government, Labor and Industry, on every level, will prove that peace and prosperity can be coexistent under the free enterprise system.

We have a new set of conditions for our peace economy. With old-age pensions, social security, and unemployment insurance we can never go back to what many of us still remember as the depression days of the thirties. The Administration, too, recognizes that it must keep our economy stable, even at the expense of an unbalanced budget.

With the age before us when sea water and atomic energy can transform our entire economy, our optimism should be unbounded. Our railroad is already successfully using products activated at Brookhaven and Oak Ridge. And we stand on the threshhold of scientific techniques which beggar our imagination.

Along with Governor Thornton and the one hundred conscientious men and women who make up our Legislature, we believe in Colorado and its potential. Through an active industrial development department we persistently seek new industries for Colorado. And with the decentralization of industry, we look forward to Colorado's continued growth.

A fuel oil produced from Colorado oil shale powered one of our passenger trains on September 1, 1950. And as costs of drilling for oil become greater, we feel that there will be an increased use of the oil shale.

We have coal for fuel and chemicals. We have great mineral resources. And the picture which you previewed last year -- "Resourceful Colorado" -- has been enthusiastically received by industrial and business leaders throughout the country. Inquiries received from the Colorado Story in Fortune Magazine last October attest the eagerness of people in other sections to learn more about Colorado.

We in the transportation industry are thankful for the New Year. We are grateful to God that our guns have been stilled. We are confident that peace will bring renewed

RAILROADS:

vigor to our economy and ever greater material comforts to our people. We are proud to be your partners, as Coloradans, in the dynamic year of 1954.

LABOR:

Data Presented by Mr. George Cavender, President, Colorado Sta' Federation of Labor on behalf of the Joint Labor Legislative Committee before the Colorado General Assembly.

January 13, 1954

(Mr. Cavender due to the press of his numerous responsibilitie was unable to make available copies of his remarks. However, he was kind enough to provide the following statistical data which are felt by organized labor to be significant indicators of economic trends).

SELECTED ECONOMIC DATA FOR LABOR UNIONS

TABLE I

SELECTED RATIOS OF EMPLOYMENT AND UNEMPLOYMENT IN COLORADO*

	Total Employment	Total Unemployment	% of Labor Force
January 1, 1941	361,500	50,500	12.3
January 1, 1945	395,500	8,000	2.0
January 1, 1951	475,710	14,295	2.9
January 1, 1952	511,405	11,655	2.2
1953			
January	511,705	13,570	2.6
February	507,520	15,670	3.0
March	508,335	16,655	3.2
April	517,095	14,670	2.8
May	530,960	12,015	2.2
June	543,670	10,605	1.9
July	555,920	11,810	2.1
August	563,660	10,970	1.9
September	572,550	9,210	1.6
October	564,595	8,865	1.5
November	541,750	12,420	2.2
December	515,195	18,955	3.5
January 1, 1954	504,487	25,790	5.1

*State of Colorado, Department of Employment Security

TABLE II

NATIONAL EMPLOYMENT TRENDS*

(Millions)

	Employed	Unemployed
1941	46.6	7.4
1945	53.6	0.8
Nov. 1951	61.3	1.8
Nov. 1952	62.2	1.4
Dec. 1952	61.9	1.4
1953		
January	60.5	1.9
March	61.5	1.7
May	61.7	1.3
July	63.1	1.5
September	62.3	1.2
November	61.9	1.4
December	60.76	1.85 (unofficial)
1954		
January (not available)		

* U. S. Bureau of Census, Department of Commerce.

TABLE III

COST OF LIVING CHANGES
(U. S. Dept. of Labor, BLS Index)

National (20 major cities) 1947-49 = 100

1941	1945	Jan. 1952	Jan. 1953	Oct. 1953	Nov. 1953
60.3	77.5	112.4	113.9	115.4	115.0

COST OF LIVING
(Average City Worker's Budget for Family of four persons)

In accordance with a directive of the 79th Congress, the Bureau of Labor Statistics determined the annual dollar cost of a worker's family budget and the relative differences between 34 major cities.

The budget represents the estimated cost in dollars for a city worker's family of four persons to maintain an adequate level of living according to prevailing United States standards of the needs for health, efficiency, nurture of children, and participation in community activities. It is neither a "subsistence" nor a "luxury" budget. It provides a modest but adequate American standard of living based upon the kinds and quantities of goods and services that workers actually select.

Cities	1947	1950	1953
Milwaukee	$3,410	$3,933	
Seattle	3,475	3,808	
Chicago	3,369	3,745	
Denver	3,253	3,739	$4,225*
Minneapolis	3,387	3,718	
Philadelphia	3,286	3,699	
Portland	3,251	3,690	
New York	3,430	3,649	
Indianapolis	3,181	3,599	
Kansas City, Mo.	3,093	3,524	

*Estimated on basis of a general 13% cost of living increase.

TABLE IV

EARNINGS

National	1941 Jan.	1945 VJ Day	1951 Nov.	1952 Nov.	1953 Nov.
Average Weekly					
Manufacturing	$26.64	$41.72	$65.81	$70.82	$71.02
Coal Mining	26.00	49.90	80.34	86.41	
Retail Trade	21.53	29.01	49.83	51.72	
Construction	32.18	55.79	81.93	89.11	

Selected Months - 1953	Jan.	March	May	July	Sept.	Nov.
Average Weekly						
Manufacturing	$71.51	$71.93	$71.63	$71.51	$71.02	$71.02
Coal Mining	87.76	81.92	84.47	84.47	86.80	
Retail Trade	52.81	53.70	54.35	56.40	55.66	
Construction	87.54	90.04	90.77	91.51	90.39	

Weekly	rate	of	$50.00 =	$2,600	annually	when	fully	employed
"	"	"	55.00 =	2,860	"	"	"	"
"	"	"	70.00 =	3,640	"	"	"	"
"	"	"	85.00 =	4,420	"	"	"	"
"	"	"	90.00 =	4,680	"	"	"	"

Few workers in construction and mining work 52 full weeks a year.

Many factory workers are also faced with seasonal lay-offs.

Hourly wage rate equivalents in weekly and annual pay:

$0.75 x 40	hours	= $30.00	weekly	x 52 =	$1,560	annually
1.00 x 40	"	= 40.00	"	x 52 =	2,080	"
1.25 x 40	"	= 50.00	"	x 52 =	2,600	"
1.50 x 40	"	= 60.00	"	x 52 =	3,120	"
2.00 x 40	"	= 80.00	"	x 52 =	4,160	"
2.50 x 40	"	= 100.00	"	x 52 =	5,200	"

The 75 cents an hour minimum wage rate at today's living costs is hopelessly inadequate.

TABLE V
PRODUCTION
(Federal Reserve Board Index)

National   1935-39 = 100

	Jan. 1941	VJ Day 1945	Nov. 1951	Nov. 1952	Nov. 1953
Industrial Production Manufactured Goods*	147	194	228	245	241
Minerals*	120	140	170	171	159
New Housing Starts	41,200	17,100	76,000	86,100	80,000

Selected Months - 1953	Jan.	April	July	Oct.	Nov.
Industrial Production Manufactured Goods*	249	256	244	243	241
Minerals*	164	162	165	161	159
New Housing Starts	71,000	110,000	96,000	88,000	80,000

*Adjusted for seasonal variations.

AGRICULTURE:

Statement of Harvey R. Solberg, President of the Rocky Mountain Farmers' Union Before the Colorado General Assembly

January 13, 1954

Ladies and Gentlemen of the General Assembly: I too appreciate this innovation in government and want to thank you for this opportunity to discuss the current farm situation in Colorado with you representatives of the people. Farmers too have an unbounded optimism in the future of Colorado despite the difficult situation delining farm prices has placed them in during the past year.

Greatest Factor in Colorado Prosperity:

I want to agree with the speaker before me who stated that when any segment of the state's economy is distressed, all segments, in time, suffer. When agriculture is hurt all of Colorado hurts.

Drop In Farm Income:

During the past 12 months Colorado farmers have been jurt. Prices received by farmers have been declining steadily, while costs of operating Colorado farms and ranches have remained at record high levels.

In 1953 Colorado's farm marketing dropped about 80 million dollars - from the 1952 level.

Measured in dollars and cents, this price slump means that, on the average, every Colorado farm family suffered a loss of about $2,000 during the past year. The losses, of course, varied greatly. A very high percentage of farmers had no net income for the year.

The Colorado marketing slump was equivalent to unemployment for more than 25,000 people for the full year. To have 25,000 unemployed out of 500,000 normally employed non-farm workers in this state is a serious business - to everyone in the state. It's serious to our agriculture that needs a market for it's food and does not find it in the field of our unemployed or underemployed. When we add, then, the equivalent of another 25,000 families in agriculture (people who worked hard, but received nothing for their work) every laborer and every businessman and every professional person will recognize the farm situation as more than serious.

Nationally there was an 11% drop in gross farm income in 1953. This means more than a 25% drop in farm net income. The loss in Colorado in 1953 here indicated, and confirmed by recent newspapaer releases, is very much higher than this national average. It can't be ridiculed, or laughed off, or ignored. Wordy platitudes warning of farm regimentation, urging rugged individualism for agriculture, and suggesting that current price drops represent a "healthy adjustment" for agriculture have not, in 1953, solved the problem.

Greatest Loss In Non-Supported Items:

It is a most significant fact that practically all of the losses have come on those farm commodities that were outside the stabilizing protection of the price support program, and that wheat, beans, and corn, all covered by price supports, have held at a stable price level.

Wheat:

For example, the average price paid for wheat in 1953, a price-supported crop that produces nearly one fifth of Colorado's farm income, was only five cents per bushed below prices that were paid in 1952.

Dry Beans:

Dry beans, to which Colorado farmers devoted nearly a quarter of a million acres in 1953, currently enjoy a firm price, only four tenths of one percent below the 1952 average, with yields good almost everywhere.

Corn:

Corn, a crop valued at 21½ million dollars in Colorado in 1953, held its price at a stable level under the influence of the price support program.

Non-Supported Commodities:

On the other hand in those farm commodities that lacked the stabalizing influence of the government's price support program, near disasterous drops in prices have occured. The $80,000,000 marketing loss last year was related to farm commodities that lacked stable price supports.

Cattle Industry:

Cattle prices have been cut in two. Potatoes now sell for one-half. Onions are now selling for one-third. Milk is badly hurt - and it's additionally and importantly hurt by disaster - level cattle prices. My colleague on the subject of Agriculture has covered other like items. It should be noted that reduced valuations in Colorado Agriculture, arising from lower prices, is almost as important and dangerous as the price reductions themselves.

The striking stability of farm prices for those crops underwritten by government price supports, contrasted with the dangerous instability of prices for crops that lacked the protection of price support programs makes it apparent that the Colorado farm situation would be much better today if more of us had insisted upon across-the-board price supports.

States Can't Do It

Obviously the farm price problem cannot be solved by 48 different state programs, nor does any single state have the resources with which to copy with this national price issue. A memorial to Congress from this General Assembly, and from others, on a strong price support program, however, might have greatly aided in bringing more stability to current farm prices.

<u>Stability vs. Flexibility in Business & Agriculture</u>:

Farming in Colorado today is a business enterprise that takes sound management, a large investment of capital and modern methods if the farmer is to succeed. Then, too, it is completely a gambling operation. Many groups have suggested that <u>all</u> gambling in Colorado be made illegal. I agree.

The basic producer, the farmer and rancher, is the only segment, related to food availability, that plays the game of chance. (It's not rugged individualism--it's a form of second--class citizenship.)

Using the livestock yards in Denver as an example of another segment, related to food availability, we find that the yards charge the same for all services, whether a beef animal sells for $5.00 or $35.00, and the operation additionally, is assured a sound return on investment (over and above all salaries and costs). The stockyards have an assured and stable income, plus a good return on investment.

The farmer and rancher who delivers his farm products (cattle, for example) to this Denver stockyard, in sharp contrast, sells an animal for whatever is offered. The result may mean a high net income, small, or no net income, a loss of capital savings, or a total loss of the ranch or farm. No assurance of income to the producer - just rugged individualism.

Personally, I get a terrific bang out of the fact that officials of the stockyards enjoying more than income stability, are urging on radio, and on TV, to Livestock groups and to other persons and groups influencing price determination, that livestock producers should refuse even minimum income stability.

I should like to call your attention, in this connection, to the fact that if farmers and ranchers in the United States had received as great a return on their investment as corporations received in 1953, farm products would have sold for 50% more than they did, and even with that increase the producer and his family would still have worked for nothing. I believe that the situation includes the fact that farmers and ranchers are refusing second-class citizenship. They insist on net income.

Effect of Price Drop On Business; Labor, and Professionals:

Between 1947 and 1953 the purchasing power of all United States farmers dropped by 34% in stable dollars. Purchasing power of all other segments of the economy rose during this period. Estimating that the same drop applied in Colorado, the volume of farm business on Colorado's main street dropped in direct ratio to the number of farm customers Colorado communities serve.

Economists tell us that every farm dollar spent with business turns over seven times in the normal cycle of a year's business. Translating the income lost by Colorado farmers in 1953, mainly on non-supported commodities, it is fair to estimate that Colorado business has already lost the force of $560 million in business turnover.

The drop in farm income is now being reflected in city unemployment. Because agriculture is a primary purchaser, the loss of farm income has seriously affected the sale of steel, rubber and other industrial products. Professional people are also being seriously hurt.

Effect of Farm Price Drop on Taxes:

Farm recession has affected taxes and state services.

Loss of farm income is hurting you, as a legislator, in the tremendous job of finding funds with which to conduct the business of the state. A reduction of valuation of cattle of 180 million to 200 million dollars, if you honestly adjust for these fact, is an example of the problem that relates to Real Estate and Personal Property taxes - particularily for counties and smaller units. The State faces a great reduction in income tax collections.

Effect on the Family Type Farm:

The price drop in agriculture, long range, has it's greatest effect on our family-type farms.

Obviously the well-financed business-man-feeder, taking a flyer in the cattle feeding business during its recent lush years, isn't going to be seriously hurt by farm price drops, for he can readily quit his feeding or farming operation with other resources to fall back on.

Nor is the farm price decline going to destroy the absentee owner whose farm operation has on the main been merely an added investment usually outside the field of his regular endeavor. These agriculturists are in a position to stay in or pull out. They are not forced out by the price drop.

Marginal Operator:

Nor will farm price declines 'liquidate', as some advocate, the marginal farm operator, the inefficient hand operator whose lack of capital resources has forced him to eke out a living on the soil with antiquated methods of farming. This man, with low cash outlay, can and will continue on the land he tends, much longer than his efficient, mechanized neighbor.

Who Is Most Serously Hurt:

The most efficient and highly mechanized family-type farm operator is being hurt the most. The average-to-better family-type farmer in Colorado has invested his savings over the years in mechanization, land leveling and soil conservation. He finds himself powerless to reduce the high fixed expenses of a highly mechanized farm operation. Despite the large cut in gross income, he has to pay the same high prices for his fuel oil, for his electricity, for his farm equipment, his seed, his fertilizer, his taxes, and for his labor. With his savings invested in improvement, he has little or no money cushion.

We will lose scores of such family-type operators for every "one-mule" operator who fails, because modern efficiency is loaded with modern cost factors that the marginal operator does not have. The situation in 1953 is far different than that of 1933.

The cost of farm price supports is only a drop in the bucket compared to the losses everyone is now sustaining. 3% of the total production of fluid milk can destroy the price structure in the free market. At very little cost, dealing with milk rather than butter, this can be prevented.

Clifford Hope Says:

The Honorable Clifford Hope of Kansas, Chairman of the House Committee on Agriculture has recently stated that increases in the population in the United States alone is making it necessary to add 7,000 more breakfast plates to the nations tables each day, and that the real issue is not one of surpluses, but the issue of (quote)

"How to assure the American people the abundant food supplies which they need for safety without bringing economic ruin to the producers of this abundance. One of the singular difficulties in this regard is this regard is that frequently just a small surplus--not more than 5 percent will depress prices to ruinous levels." (unquote)

May I close by again thanking you, and suggesting that there is much more hope in Hope than there is in Benson.

MANUFACTURING:

Statement of G. W. Liljestrom, Vice-President Production Manager, Gates Rubber Company, Immediate Past President, Colorado Manufacturers Association, before the Colorado General Assembly.

January 13, 1954

I am not a tax expert, nor an expert economist, but I do want to present some problems of manufacturing and our estimate of 1954, and the next few years ahead. The conclusions are primarily my own, and do not necessarily reflect the official thinking of my company nor the Colorado Manufacturers Association, although I think there will be little disagreement with them. My conclusions are based on the problem as we see them.

We are not unmindful of the problems you have facing you in this fiscal session. We do feel, however, that our problems, and your solutions to your problems, are closely tied together.

First, let me emphasize the importance of the manufacturing industry to the state of Colorado. We are not primarily known as a manufacturing state, and sometimes tend to minimize the importance of the contribution of manufacturing.

There are approximately 66,000 employed in manufacturing, with a payroll of about $4,500,000 per week, and a total of 1600 manufacturers, of whom 1200 are located in Denver. In addition, each manufacturing job requires certain supporting jobs and services, and generally accepted factors indicate that for every manufacturing employee there are nine people who are dependent upon that job. Using this figure, it means that there are 600,000 people in the state of Colorado, out of the 1,325,000 population reported in the 1950 census, or almost half the entire population, dependent on manufacturing.

I was asked to indicate to you what is ahead for these manufacturers in 1954. Based on economic information which we use to determine our course of action, we have the following indications nationally:

Total output of goods and services may be down 5% to 7%.

Industrial production (physical output of factories and mines) may be down 10% to 15%.

Automobile production -- will be down to 5,000,000 passenger cars from 6,100,000 produced in 1953.

Farm machinery. I do not know what additional adjustment may be necessary, but already in some cases production is down 35% or more from the peak of 1953.

Machine tools. May drop as much as 25% below 1953 peak. New orders have dropped to one-third of what they were.

Business inventories have climbed to 79.0 billion dollars compared with 43 billion in 1946.

Unemployment. The December 1 figure was 1.9 million, and this may reach 2.5 million by February, the highest since January 1951.

These are some of the general conclusions of analysts from industry, research groups, universities, and government.

What effect do these national figures have on Colorado manufacturing?

On an average of 310 manufacturing firms who were surveyed, 49.6% of products manufactured in the state of Colorado are sold outside the state. In a number of cases, including our own company, over 90% of products manufactured in Colorado are sold outside of the state.

This has a special significance which I will mention briefly a little later.

There is one thing of which we are quite certain. 1954 will be a year of trial for industry. It will be a year of real competition. It will be the first normal, competition. It will be the first normal, competitive year since 1940. Since 1940 we have had a war, shortages created as a result of that war, a catching up with demand, the building of inventories, the liquidating of inventories, and many other factors. We are quite certain that we are now caught up.

In a competitive year there are certain factors which take on extra significance. In times such as we have been going through, possibly we have become a little careless in some of our thinking, but in a competitive year the following factors are vitally important:

MANUFACTURING:

Price of products

Cost of production

Quality

Service

Imagination

Courage

We are in competition with every other manufacturer in the country. Price (and price is usually based on the costs of the lowest cost producers) will determine where the consumer will spend his dollar. Costs are determined by labor rates, raw material costs, sales expense, and fixed charges.

Taxes are a large item in fixed charges. And we must keep in mind that many types of taxes are a fixed charge whether a profit is made or not. Some items of expense can be adjusted if plans do not work out, but these certain taxes cannot be adjusted. In periods of low profit, they can actually become a levy on capital.

Since you are vitally concerned with the problem of taxation, I might give you an example to indicate how inequities do seem to grow. While this refers to the problem of Denver taxes, I'm sure you have comparable situations over the state. If we take the total property tax in the city of Denver and divide it by the acreage, we find the average is somewhat over $300 per acre. When our company was in its initial stages 40 years ago, we acquired land of comparatively small value, and during the years in our process of growth have built factories on that land. Our taxes last year were not the $300 per acre, but 30 times that average.

You may say that is our problem. Yes, it is. But to the extent that taxes are higher in Colorado than states where our competitors operate, we are handicapped from a cost, and therefore a price, angle and the higher the disparity the more our Colorado manufacturer is disqualified.

I mentioned the special significance of the sales made outside the state of Colorado by Colorado manufacturers. This means that over half the manufactured products of the state represent new money brought into the state, and not just the trading of dollars. We must not do anything to cut down the ability of manufacturers to bring this new money into the state.

MANUFACTURING:

The problem of Colorado is to have more productive workers to spread the tax burden. To do this, industry must be brought into Colorado, or present industry expanded. Keep in mind that Colorado is in competition with other states for industries. In relocating, industries considering Colorado look at the tax angle very seriously. We have in Denver an industrial development department of our Chamber of Commerce, who are aggressively going after new industry, just as you doubtless have similar activities in your areas. We have had the experience of industries who were locating, who have come to Colorado and, after looking it over, have gone to other states because they say the taxes are too high and not competitive.

Colorado's over-all tax burden has been among the highest of the states. This is a matter of record.

What is the real problem we and you face?

There are two aspects to this, the immediate and the long swing.

The immediate problems which we face are:

Efficiency of operation

Elimination of frills.

Cutting every possible cost.

Improving our output.

Making sure every dollar we spend is essential, and that it brings a return.

We must remain competitive.

We believe industry and the state of Colorado have the same immediate obligations.

In addition, we feel the state, in its long term planning, has the obligation, and opportunity, of developing an economic climate which will attract more industry, as well as furnishing the incentive for present industry to expand, thus creating more productive jobs.

The Denver Planning Office, in its survey of manufacturing released early last year, had the following statement as one of the problems of Colorado manufacturing:

MANUFACTURING:

"Present tax structures are such that pioneering, if not heroic venture, is not what it used to be."

There is one subject that is controversial, and I debated a long time before I decided to mention it. But you have asked for the reaction of manufacturing to some of the basic problems we have in the state.

Much has been said about the constitutional earmarking of certain taxes. In our business if we, for instance earmarked the income from sales in all states west of the Mississippi River to be used for just one specific purpose in our business, and our decision could not be changed, I am sure we would soon be out of balance, and eventually face an impossible situation.

We believe the state, in earmarking certain revenues for specific purposes, leaving sources unavailable for other state services supported by the General Fund, can eventually find itself in only the same impossible situation.

I have no basis for knowing what the balance should be, but we are quite hopeful, and I have discussed this with many of the manufacturers, that the voters will be given the opportunity to express themselves as to whether we shall continue going in the direction we now are, or if we should take a more realistic look at it.

Colorado is growing in population. The United States Bureau of the Census reports that we are growing at the rate of 557 new citizens a week. In ten years they estimate that Colorado's population will be increased by 300,000 people. To take care of this growth, it is estimated that industry must provide 117,000 jobs. It requires approximately $8000 to $10,000 of capital investment to back up one productive job, which means that industry now in Colorado, or industry attracted to Colorado, must provide over one billion dollars if we are to absorb these workers and the increased population by 1960.

Let me quote from a recent statement by Arno H. Johnson, Vice-President and Director of Research, J. Walter Thompson Company:

"The opportunity for continuing prosperity is not dependent upon Government spending, but on a favorable climate that provides for initiative and private enterprise."

MANUFACTURING:

What kind of a year are we facing? Confidence is the key. Confidence of the consumer. Confidence of industry to go ahead with plans. The courage to meet our problems today, instead of postponing them to some nearby future time when competition will force us to meet them.

In the beginning of my discussion, I indicated certain national trends. Let's keep in mind that no trends are inevitable. We can do something about them if we will.

We in Colorado have a wonderful opportunity ahead of us if we all, planning together, have the courage and the foresight to plan wisely. If industry can in any way be helpful, don't hesitate to call on us. You will have our full support.