

MONTHLY REVIEW

OF BUSINESS CONDITIONS

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Federal Reserve Bank of San Francisco

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No. 2

SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

Industrial production increased in January from the extreme low level of December. Factory employment, which was in relatively small volume in the middle of December, was further reduced by the middle of January, but preliminary reports indicate a slight increase in the three weeks following. There was a further liquidation of bank credit and a decline in money rates. Commodity prices continued to move downward.

Production. Industrial production showed an increase of about four per cent in January, according to the Board's index, which makes allowance for the usual seasonal variations. This increase reflected principally a larger output of automobiles, steel, cotton textiles, and shoes. Output of copper, cement, lumber, anthracite coal, and flour declined, and the increase in bituminous coal output was smaller than is usual for the season. In the first two weeks of February steel plants increased their rate of operation further, but continued to be less active than in the corresponding period of last year. Building contracts awarded showed little change in January, a substantial increase in public works and utilities being in large part offset by a decrease in residential construction. In the first half of February the daily average of contracts was lower than in January.

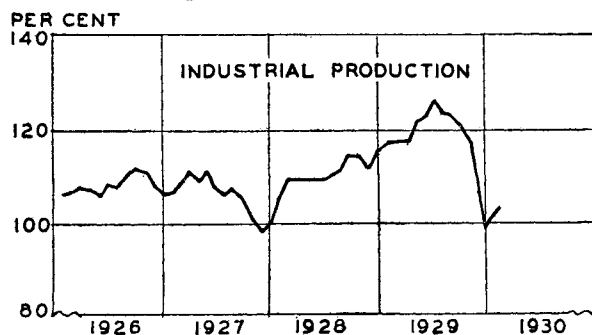
Employment and Payrolls. The number of wage earners employed at factories declined further between the middle of December and the middle of January, and wage payments showed a larger reduction. In automobile and

steel plants there was an increase in employment in the month ending January 15, and in recent weeks further increases have been reported for these industries. There were decreases in January in the number of wage earners employed in the machinery, car-building and repairing, lumber, and cement industries. During the three-week period ending February 3 the Bureau of Labor Statistics, on the basis of preliminary returns reported a slight increase in factory employment.

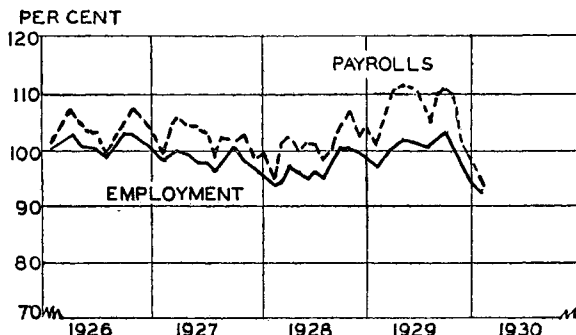
Distribution. Shipments of freight were in about the same volume in January as in December. Average daily loadings of miscellaneous freight and merchandise in less-than-carload lots decreased slightly during the month, but by a smaller amount than is usual at this season. During the first two weeks in February there was some increase in shipments, largely seasonal in nature.

Department store sales in January, according to preliminary figures received by the Federal Reserve System, were about two per cent lower than in the corresponding month of last year, this difference being about the same as was shown the month before.

Wholesale Prices. Wholesale prices of commodities continued to move downward during January. In general, fluctuations were small until the latter part of the month, when decreases occurred in the prices of grains, cotton, wool, iron and steel, and petroleum. The prices of meats and livestock fluctuated over a wide range and averaged higher in January



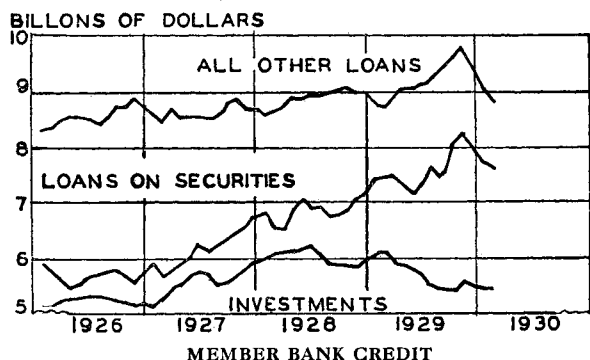
INDUSTRIAL PRODUCTION
Index number of production of manufactures and minerals, combined, adjusted for seasonal variations (1923-1925 average=100). Latest figure, January, 103.



FACTORY EMPLOYMENT AND PAYROLLS
Index numbers of factory employment and payrolls, without adjustment for seasonal variations (1923-1925 average=100). Latest figures, January, employment 93.1, payrolls 94.2.

than in December. In the first half of February the prices of hogs, pork and cattle increased, while the prices of wheat, cotton, pig iron, petroleum, and textiles continued to decline.

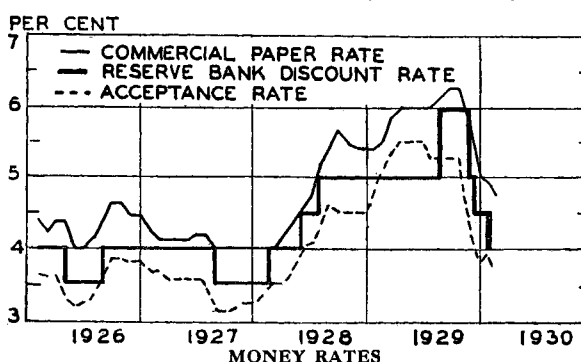
Bank Credit. Liquidation of member bank credit in January and the early part of Febru-



Monthly averages of weekly figures for reporting member banks in leading cities. Latest figures are averages of first two weeks in February.

ary was in substantially larger volume than in the corresponding period of 1929. Declines were reported in loans on securities and in all other loans, which continued to decrease during February, contrary to the usual seasonal trend. There was little change in the banks' holdings of investments. The volume of reserve bank credit outstanding declined by about \$140,000,000 between the middle of January and the middle of February. This de-

cline was due in part to the reduction in member banks' reserve balances which accompanied the decline in their loans and investments; in part to the continued return flow of currency from circulation; and in part to gold imports, largely from Brazil and Japan. Money rates



Monthly rates in the open market in New York; commercial paper rate on 4- to 6-month paper and acceptance rate on 90-day bankers' acceptances. Latest figures are averages of first 20 days in February.

in the open market eased further. Rates on commercial paper declined to a range of $4\frac{1}{2}$ - $4\frac{3}{4}$ per cent and rates on 60-90 day banker's acceptances declined from 4 to $3\frac{7}{8}$ and later to $3\frac{3}{4}$ per cent. Discount rates at the Federal Reserve Banks of New York, Chicago, Boston, and Kansas City were reduced from $4\frac{1}{2}$ to 4 per cent, and rates at Philadelphia, Cleveland, Richmond, St. Louis, Minneapolis and Dallas from 5 to $4\frac{1}{2}$ per cent.

TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Accumulating evidence in the building, lumber, and other industries, and in trade reports, affords the basis for a tentative conclusion that some improvement in business conditions in the Twelfth Federal Reserve District was present late in January and early in February. The business record for the entire month of January, however, showed a further recession in activity. After allowing for the usual seasonal changes industrial production, retail sales, and railroad freight carloadings declined substantially from the relatively low levels of December. Sales of wholesalers were practically the same as in December, whereas there is usually a small decline from December to January. Reports indicate that there was considerable increase in unemployment in certain parts of the District during January and that some industries which have been on full-time schedules for many months reduced operations to a part-time basis. The most striking development in the credit situation during the past few weeks has been the decline in borrowings from the Federal Reserve Bank of San Francisco.

Marketing of the District's agricultural products has, with the exception of wheat, been progressing satisfactorily, although price

movements have been downward. Decreases in prices of farm products were the principal cause of a reduction in the general level of commodity prices during January.

Sharp curtailment of operations in the copper mining and lumber industries was largely responsible for a decline in total industrial output during January. Daily average production of crude oil was the same as in December. Flour milling increased slightly. Value of building permits issued in 90 cities was 44 per cent greater than in December, but the total for the month remained relatively low.

Declines in retail sales, after allowance for the usual seasonal changes, were reported from most parts of the District. Wholesale trade was moderately more active than in December but was well below the January, 1929, level. East-bound shipments in the District's waterborne intercoastal trade increased more than enough to offset declines in westbound shipments during the month. Preliminary data indicate that sales of new automobiles increased by less than the usual amount during January and were smaller than in January, 1929.

A moderate inflow of funds from the Orient and Central America, some further reduction in Federal Reserve note circulation, a sharp de-

crease in member bank borrowings from the Federal Reserve Bank, and slightly easier interest rates on all classes of loans of commercial banks characterized the money market during January.

Agriculture

Favorable weather conditions have improved the agricultural outlook in the Twelfth District during the past few weeks, but seasonal accumulations of soil moisture and irrigation water supplies are still below normal. Some of the District's important agricultural products, including wheat, lambs, wool, and dairy produce, have sold on depressed markets during the past month, while marketing of barley, potatoes, apples, and citrus fruit has proceeded favorably. The condition of livestock and livestock ranges improved during late January.

**RAINFALL—Twelfth District
(In inches)**

| | January 14—February 11 | | July 1—February 11 | |
|---------------------|------------------------|--------|--------------------|--------|
| | 1930 | Normal | 1929-1930 | Normal |
| Arizona | | | | |
| Flagstaff | 0.5 | 2.5 | 9.1 | 15.6 |
| Phoenix | 0.6 | 0.9 | 3.7 | 7.2 |
| California | | | | |
| Eureka | 3.9 | 7.2 | 15.3 | 28.5 |
| Fresno | 0.2 | 1.5 | 2.3 | 6.5 |
| Los Angeles | 1.5 | 2.9 | 4.1 | 10.8 |
| Red Bluff | 1.5 | 4.5 | 10.3 | 16.8 |
| Sacramento | 1.2 | 3.6 | 7.7 | 12.0 |
| San Diego | 0.6 | 2.1 | 4.1 | 6.6 |
| San Francisco | 1.6 | 4.9 | 8.0 | 15.6 |
| Idaho | | | | |
| Boise | 2.2 | 1.7 | 4.8 | 7.9 |
| Nevada | | | | |
| Reno | 0.4 | 1.3 | 3.8 | 6.0 |
| Oregon | | | | |
| Baker City | 0.9 | 1.1 | 3.5 | 7.4 |
| Portland | 4.3 | 6.0 | 16.7 | 30.7 |
| Roseburg | 2.9 | 4.9 | 15.1 | 23.1 |
| Utah | | | | |
| Salt Lake City..... | 0.9 | 1.4 | 6.1 | 8.9 |
| Washington | | | | |
| Seattle | 2.7 | 4.1 | 13.1 | 24.0 |
| Spokane | 1.7 | 1.8 | 4.3 | 10.8 |

Source: Weather Bureau, United States Department of Agriculture.

With the exception of wheat, crops produced in the District during 1929 have moved to market as rapidly as is usual. The volume of exports of wheat from Puget Sound and Columbia River ports was 29 per cent smaller during January, 1930, than in December, 1929, and the season's exports from July 1, 1929, to February 1, 1930, were 12 per cent less than exports in the corresponding period of 1928 and 1929. **Barley** exports from San Francisco during the period July 1, 1929, to February 1, 1930, amounted to 7,499,410 bushels, a figure almost identical with that for the corresponding period of the 1928-1929 crop year.

Shipments of the 1929-1930 California Navel orange crop (estimated at 10,100,000 boxes) totaled 10,452 carloads (4,828,824 boxes) between November 1 and February 1. In the 1928-1929 crop year when production was estimated at 17,500,000 boxes, 15,236 carloads (7,039,032 boxes) were shipped during a similar period. Shipments of the 1929 apple crop from California, Idaho, Oregon, Utah, and Washing-

ton during the seven months ending February 1, 1930, totaled 36,823 carloads as compared with 50,736 carloads shipped during a comparable period of the preceding season.

Estimated production of potatoes in the District (excluding Arizona and Nevada) was 38,176,000 bushels in 1929, a decline of 18 per cent as compared with the 1928 yield figures. Shipments during the crop season to February 1, 1930, were 16 per cent larger, however, than were shipments of the 1928 crop during the same period a year ago.

POTATOES—Twelfth District

| | Stocks* | | Production* | | Acreage | |
|--------------------|---------------|---------------|---------------|---------------|----------------|----------------|
| | Jan. 1, 1930 | Jan. 1, 1929 | 1929 | 1928 | Intended 1930 | Harvested 1929 |
| California ... | 668 | 1,154 | 5,250 | 7,728 | 42,000 | 35,000 |
| Idaho | 7,110 | 9,363 | 17,136 | 19,720 | 107,000 | 102,000 |
| Oregon | 1,558 | 2,974 | 3,780 | 6,240 | 43,000 | 42,000 |
| Utah | 858 | 1,084 | 3,330 | 3,312 | 20,000 | 18,000 |
| Washington . | 3,473 | 3,429 | 8,680 | 9,450 | 54,000 | 56,000 |
| Total | 13,667 | 18,004 | 38,176 | 46,450 | 266,000 | 253,000 |

*In thousands of bushels.

Source: United States Department of Agriculture.

Estimates by the United States Department of Agriculture show that there was a smaller number of sheep and lambs on the District's farms and ranges on January 1, 1930, than on January 1, 1929. This decrease was the result chiefly of a smaller lamb crop in 1929. In a similar comparison, the number of dairy cattle showed an increase as in each of the past six years, while the number of other cattle (chiefly beef cattle) and the number of hogs declined.

LIVESTOCK ON FARMS AND RANGES—Twelfth District

| Jan. 1 | Dairy Cows* | Other Cattle | Sheep | Hogs |
|------------|-------------|--------------|------------|-----------|
| 1930 | 1,834,000 | 3,515,000 | 14,125,000 | 1,362,000 |
| 1929 | 1,804,000 | 3,609,000 | 14,335,000 | 1,539,000 |
| 1928 | 1,753,000 | 3,460,000 | 13,645,000 | 1,677,000 |
| 1927 | 1,719,000 | 3,675,000 | 13,217,000 | 1,452,000 |
| 1926 | 1,699,000 | 3,847,000 | 12,536,000 | 1,198,000 |
| 1925 | 1,698,000 | 4,243,000 | 12,170,000 | 1,390,000 |

*Cows and heifers one year old or over kept for milk. Figures of dairy cows and other cattle subject to revision.

Source: United States Department of Agriculture.

The dairy industry continues to feel the effects of burdensome stocks of storage butter. Although storage holdings of butter declined at Pacific Coast markets during January, they were 15 per cent larger in volume on February 1, 1930, than on the same date a year ago. In the United States, cold storage stocks of butter increased during January and were 147 per cent larger in volume on February 1, than they were a year previously. Quotations for 92 score butter at San Francisco during mid-February were about 20 per cent below prices received in February, 1929.

Egg prices declined seasonally during late January and early February at the principal markets in the District. The February level of prices, however, was approximately 15 per cent higher than in the fore part of February, 1929. Receipts of eggs at San Francisco, Los Angeles, and Portland during January were four per cent smaller than in January, 1929.

Industry

Industrial operations declined by more than the usual seasonal amount during January, 1930, and were at substantially lower levels than in January, 1929. The petroleum industry held to the schedule of production in effect during the previous two months, and arranged for another ninety day period of even greater curtailment. Production of non-ferrous metals decreased markedly as a result of reduced output of copper. Lumber mills operated on exceptionally slack schedules as compared with a rather high rate of production in January, 1929. A larger amount of unemployment was reported in the Pacific Northwest lumber regions than at any time in several years. The value of building permits issued in the District was substantially greater than during December, but remained at relatively low levels.

The number of barrels of crude petroleum produced in California was approximately the same in January, 1930, as in December, 1929, but substantially less than in January, 1929. In an attempt to reduce daily average production to about 600,000 barrels, oil companies representing nearly 95 per cent of production in California entered into an agreement on February 1 for further curtailment of production during the ensuing ninety days. Before the expiration of that period it is hoped that the natural decline in production at the Santa Fe Springs Field will, at least temporarily, eliminate the problem of overproduction. During the second week of February daily average output rose to 751,000 barrels, or approximately 45,000 barrels more than average daily output of recent weeks. The increase was largely due to unrestricted output at the Santa Fe Springs Field, where all wells were permitted to produce at full capacity for several days in order to establish a new basis for the proration of production during the next 90 days. Output of re-

fineries declined during January, but consumption of gasoline also declined so that stocks of that commodity increased during the month. Stocks of light crude oils also increased, but stocks of the heavier oils, including gas and fuel oils, declined.

Output of non-ferrous metals declined sharply during January and was much smaller than in the same month a year ago, largely as a result of curtailment of production of copper. Some workers were released by the copper mines of the District.

Lumber output in the District during January was smaller than in any month since early in 1923, unusually cold weather in the Douglas Fir and Western Pine regions of the Pacific Northwest being partially responsible for the sharp decline in production. Volume of shipments was also smaller than usual but, because of the greater decrease in output, the ratio of both shipments and orders to production rose to the highest levels in a number of months. Stocks of 152 reporting mills declined during January, but on February 1, 1930, were six per cent larger than on February 2, 1929. At the end of 1929 stocks of these mills were eight per cent larger than at the end of 1928.

The value of building permits issued in ninety cities of the District increased 44 per cent as compared with December, but was much smaller than in January of last year. The large increase as compared with December was almost entirely accounted for by gains in Los Angeles and Seattle. The other cities in the District generally showed declines as compared with December. The number of engineering and construction contracts awarded in the Far West was also exceptionally small during January, 1930.

In contrast with a usual December-January decline of ten per cent, flour production in-

(A) Industry—

Indexes of daily average production, adjusted for seasonal variations
(1923-1925 daily average = 100)

| | 1930 | | 1929 | |
|--|------|------|------|------|
| | Jan. | Dec. | Nov. | Jan. |
| Manufactures: | 120 | 105 | 107 | 119 |
| Flour | 77 | 81 | 86 | 88 |
| Slaughter of Livestock | 82 | 110 | 103 | 124 |
| Lumber | .. | 186 | 196 | 178 |
| Refined Mineral Oils † | 78 | 108 | 107 | 130 |
| Cement | .. | 67 | 83 | 76 |
| Wool Consumption † | .. | .. | .. | .. |
| Minerals: | .. | .. | .. | .. |
| Petroleum (California) † | 107 | 106 | 107 | 114 |
| Copper (United States) † | 101 | 115 | 117 | 129 |
| Lead (United States) † | .. | 105 | 113 | 111 |
| Silver (United States) † | .. | 91 | 110 | 93 |
| General: | .. | .. | .. | .. |
| Carloadings—Industrial | 82 | 97 | 106 | 110 |
| Value of Building Permits ‡ | .. | .. | .. | .. |
| Twenty Larger Cities | 51 | 50 | 59 | 64 |
| Seventy Smaller Cities | 57 | 66 | 71 | 98 |
| Value of Engineering Contracts Awarded ‡ | .. | .. | .. | .. |
| Total | 149 | 109 | 120 | 171 |
| Excluding Buildings | 117 | 76 | 98 | 213 |

†Not adjusted for seasonal variations. ‡Prepared by Federal Reserve Board. §Indexes are for three months ending on the month indicated.

(B) Employment—

| Industries | California | | Oregon | |
|---------------------------------------|--------------|------------------|--------------|------------------|
| | No. of Firms | No. of Employees | No. of Firms | No. of Employees |
| All Industries | 719 | 141,258 | 146 | 21,897 |
| Stone, Clay and Glass Products | 43 | 6,218 | 4 | 154 |
| Lumber and Wood Manufactures .. | 108 | 15,657 | 50 | 11,903 |
| Textiles | 16 | 2,059 | 11 | 2,052 |
| Clothing, Millinery and Laundering .. | 59 | 7,391 | 9* | 476 |
| Food, Beverages and Tobacco .. | 154 | 21,385 | 42 | 1,758 |
| Water, Light and Power | 9 | 7,116 | .. | .. |
| Other Industries † .. | 315 | 78,904 | .. | .. |
| Miscellaneous ... | 15 | 2,528 | 30 | 5,554 |

*Laundering only. †Includes the following industries: metals, machinery and conveyances; leather and rubber goods; chemicals, oils and paints; printing and paper goods. Figures in parentheses indicate percentage changes from January, 1929.

creased slightly during January, 1930, and was approximately the same as in January, 1929. The declining trend of wheat prices has encouraged hesitancy in flour markets and buying is reported to be of a hand to mouth character. Foreign demand for Pacific Coast flour has been almost negligible during recent weeks due partially to general conditions in importing markets, and partially to the recent fall in the price of silver which has seriously curtailed the purchasing power of important Oriental countries.

Trade

During January, there was a continuance of the downward trend in trade which characterized the fourth quarter of last year, and activity was somewhat below the levels attained in January, 1929. Department store sales at retail and sales at wholesale declined in value over the year period, and sales of new automobiles were at low levels. Intercoastal traffic through the Panama Canal was in larger volume than in the preceding month, but was smaller in volume than a year ago. Total freight carried on District railroads during January was, as is usual during that month, of relatively small volume. The foreign trade of the District was smaller during November, 1929, than in October, 1929, or November, 1928.

Total retail sales of 147 department, apparel and furniture stores were four per cent smaller than a year ago. This Bank's seasonally adjusted index of daily average department store sales stood at 119 (1923-1925 average = 100) in January, 1930, as compared with 127 in December, 1929, and 120 in January, 1929. The

largest decreases in sales occurred in Arizona, southern California outside of Los Angeles, Spokane, and Salt Lake City. Increases in aggregate sales were reported by stores in Oakland and Portland.

RETAIL TRADE—Twelfth District

| | NET SALES* | | STOCK* | |
|--------------------|--|--------|--|-------|
| | Jan., 1930 compared with Jan., 1929 | () | Jan., 1930 compared with Jan., 1929 | () |
| Department Stores† | — 1.7 | (69) | 6.5 | (50) |
| Apparel Stores | — 7.1 | (32) | — 2.0 | (16) |
| Furniture Stores | — 12.1 | (46) | 1.6 | (25) |
| All Stores | — 3.7 | (147) | 5.6 | (91) |

*Percentage increase or decrease (—). Figures in parentheses indicate number of stores reporting. †Includes dry goods stores.

Of the ten lines of wholesale trade on which this Bank receives data, only sales of groceries increased as compared with a year ago, that increase being particularly large. The other nine lines — agricultural implements, automobile supplies, drugs, dry goods, electrical supplies, furniture, hardware, shoes, and paper and stationery—showed decreased sales as compared with January, 1929. Sales of the ten lines combined were four per cent smaller than a year ago.

Sales of new automobiles were somewhat larger in number during January than in December, but showed a slight decline when compared with sales during January, 1929.

The tonnage of goods carried in waterborne intercoastal trade during January, 1930, was below the figures for the same month in 1929, but larger than in 1928. Shipments through the Panama Canal from the west coast increased as compared with either the preceding

(C) Distribution and Trade—

| | 1930 | | 1929 | |
|----------------------------------|----------------|------|------|------|
| | Jan. | Dec. | Nov. | Jan. |
| Foreign Trade* | Index Numbers* | | | |
| Total† | 126 | 126 | 126 | 148 |
| Imports‡ | 122 | 122 | 122 | 141 |
| Exports | 127 | 127 | 127 | 150 |
| Intercoastal Trade* | | | | |
| Total | 107 | 107 | 108 | 99 |
| Westbound | 124 | 142 | 146 | 132 |
| Eastbound | 97 | 98 | 97 | 89 |
| Carloadings‡ | | | | |
| Total | 94 | 101 | 109 | 112 |
| Merchandise and Miscellaneous... | 105 | 115 | 118 | 118 |
| Wholesale Trade§ | | | | |
| Sales | 100 | 95 | 112 | 107 |
| Retail Trade | | | | |
| Automobile Sales‡ | | | | |
| Total | 98 | 120 | 130 | 130 |
| Passenger Cars | 95 | 113 | 127 | 127 |
| Commercial Vehicles | 130 | 188 | 163 | 163 |
| Department Store | | | | |
| Sales‡ | 119 | 127 | 124 | 120 |
| Stocks¶ | 104 | 111 | 113 | 96 |
| Stock Turnover¶ | Actual Figures | | | |
| Regular | 45.8 | 43.8 | 45.5 | 47.8 |
| Installment | 15.7 | 14.1 | 14.5 | 15.3 |

*Adjusted for seasonal variation, 1923-1925 average=100. †Excluding raw silk. ‡Daily average. §Monthly totals of ten lines combined. ¶At end of month. ¶¶Proportion of average stocks sold during month. #Per cent of collections during month to amount outstanding at first of month. *Indexes are for three months ending on month indicated. †Revised.

(D) Bank Debits*—

| | January, 1930 | January, 1929 |
|-------------------|--------------------|--------------------|
| Arizona | | |
| Phoenix | \$ 46,989 | \$ 46,400 |
| California | | |
| Bakersfield | 16,150 | 16,551 |
| Berkeley | 23,071 | 24,380 |
| Fresno | 45,885 | 35,068 |
| Long Beach | 54,838 | 73,327 |
| Los Angeles | 1,108,476 | 1,269,052 |
| Oakland | 201,031 | 256,961 |
| Pasadena | 38,919 | 49,956 |
| Sacramento | 55,044 | 54,154 |
| San Bernardino | 11,215 | 12,551 |
| San Diego | 63,449 | 74,758 |
| San Francisco | 1,293,590 | 1,436,725 |
| San Jose | 33,333 | 31,518 |
| Santa Barbara | 17,530 | 18,035 |
| Stockton | 29,366 | 29,476 |
| Idaho | | |
| Boise | 16,258 | 16,809 |
| Nevada | | |
| Reno | 12,093 | 10,956 |
| Oregon | | |
| Eugene | 6,704 | 7,497 |
| Portland | 175,404 | 182,699 |
| Utah | | |
| Ogden | 19,257 | 20,513 |
| Salt Lake City | 88,735 | 86,361 |
| Washington | | |
| Bellingham | 9,175 | 9,976 |
| Everett | 13,882 | 13,903 |
| Ritzville | 596 | 1,074 |
| Seattle | 251,523 | 274,478 |
| Spokane | 53,815 | 60,501 |
| Tacoma | 47,247 | 52,467 |
| Yakima | 14,446 | 13,840 |
| Total | \$3,748,021 | \$4,179,986 |

*In thousands of dollars.

month or the same month a year ago, while shipments to the west coast declined sharply in comparison both with December, 1929, and January, 1929. The decrease in westbound shipments reflected smaller iron and steel cargo movements. The increase in eastbound shipments was due to larger loadings of lumber and petroleum.

Distribution of commodities in January, as shown by freight carloadings on the District's railroads, declined to the lowest level since 1924. The decrease was caused chiefly by reduced shipments of logs and lumber following upon a period of unusually severe weather in the Pacific Northwest. Loadings of livestock and of ore showed slight increases in comparison with the figures for January, 1929. Merchandise and miscellaneous freight was moved in smaller volume than in any January since 1925.

The foreign trade of the District declined noticeably during November, 1929. A more than seasonal decrease in imports (excluding silk) was noted. Exports declined seasonally and remained smaller in volume than a year ago. Recent decreases in the foreign trade of the District have reflected, in part, unsettled business and monetary conditions in important Pacific Basin countries.

Prices

Declines in wholesale commodity prices were more numerous than increases during January and early February. Prices of several agricultural products relatively important in both the United States and the Twelfth District reached the lowest quotations of the season. These reductions were largely responsible for a decline in the index of the Bureau of Labor Statistics from 94.2 in December to 93.4 in January, the lowest point reached since April, 1922.

The strength which characterized the wheat market during the last week in December proved to be short-lived. Wheat prices declined throughout January and at the close of that month corresponded approximately to mid-November's seasonal low prices, about which they fluctuated during the first two weeks in February. Livestock prices were higher during January and early February than in December. A moderate decrease in cattle prices after the middle of January did not equal the sharp increase which had preceded it. Hog prices have advanced steadily since mid-December. Lamb prices declined during February, following a moderate advance during January, and are currently near the lowest levels in several years. The decline in wool prices during 1929, which carried quotations for that commodity to the lowest point since 1922, continued during January, and the first half of February. During the first week in February cotton

prices averaged lower than in any week since May, 1927.

Orange prices advanced during January, partly because of the smaller crop this year and partly because of the increased average size of the fruit marketed. Lemon prices moved downward during most of the month, partly due to large imports from Sicily and to the cold weather which has prevailed over most of the country during recent weeks. Prices rose slightly toward the end of the month when the weather moderated in many areas. Potato prices declined during January, and butter sold at unusually low prices for this season of the year.

Excepting silver prices, which continued to make new low records, non-ferrous metals prices remained substantially unchanged during January. The price of copper, which has been steady at 18 cents per pound, delivered Connecticut Valley points, since April, 1929, was firm during January and early February, largely as a result of the heaviest demand for that metal since last September. Although lead and zinc prices were unchanged during January, buyers were hesitant about making additional commitments for future delivery.

Petroleum and its refined products experienced price declines during January. A sharp reduction in quotations for crude oil at mid-continent wells was announced on January 17, but, up to February 20, there had been no similar declines in prices of California crude oils. Moderate declines in prices of gasoline and other refined products have, however, taken place in California.

The market for West Coast lumber did not change noticeably during January, although production was sharply reduced.

Credit Situation

The most striking development in the credit situation in the Twelfth District during the past few months has been the decline of city bank borrowings from the Reserve Bank. This movement has been responsible for a decrease in rediscounts of this Bank from 116 million dollars on November 20, 1929, to ten millions on February 11, 1930. There follows a brief review of the circumstances which made possible this reduction of indebtedness concurrently with increasing security loans and declining demand deposits (the latter factors being offset to some extent by declining commercial loans and increasing time deposits).

During 1928 and 1929 the Federal Reserve Bank of San Francisco was called upon to extend nearly 50 per cent more credit within and outside of the Twelfth District than during 1927. During these two years of relatively heavy use of Reserve Bank credit, the District lost a substantial quantity of gold to the New

York Federal Reserve District through the gold settlement fund, and the amount of brokers' loans placed by member banks increased materially.

Early in 1929 the Federal Reserve Board made a public statement concerning the absorption of Reserve Bank credit in security markets and a period of closer scrutiny of security loans by member banks began. There followed a reduction in member bank loans to brokers and dealers in securities but this did not, of course, directly affect loans made for the account of non-banking lenders.

The next noteworthy development followed upon the drastic decline in stock prices during October and November, 1929, since when there has been a steady reduction in loans made for and placed by Twelfth District banks in both local and eastern securities markets. Total security loans of member banks have increased during this period, however, indicating that some of the loans formerly extended to brokers and dealers in securities are now being made directly to other customers of the banks.

Accompanying these changes there were, in late November and throughout December, 1929, heavy transfers of funds into this District from New York so that, in effect, the funds loaned in the New York Market by Twelfth District lenders during 1928 and 1929 have been brought back into the District. This movement has made a substantial amount of funds available for repaying indebtedness at the Reserve Bank. Most of the remainder of the funds used by member banks in reducing Reserve Bank indebtedness from 116 million dollars on November 20, 1929, to ten million dollars on February 11, 1930, may be accounted for by the decline which has occurred in the amount of money in circulation, by an excess of Treasury expenditures over collections within

the District, and to some extent by imports of gold into the District. The greater part of the rather large imports of gold from Japan since February 1 was sold to the San Francisco Mint and the proceeds transferred to New York, thus having no effect upon the local banking situation.

It thus appears that the liquidation of security loans in New York and in this District during the past four months and the decline in money rates during that period has made it possible and also profitable for member banks to liquidate their borrowings from this Bank.

REPORTING MEMBER BANKS—Twelfth District
(In millions of dollars)

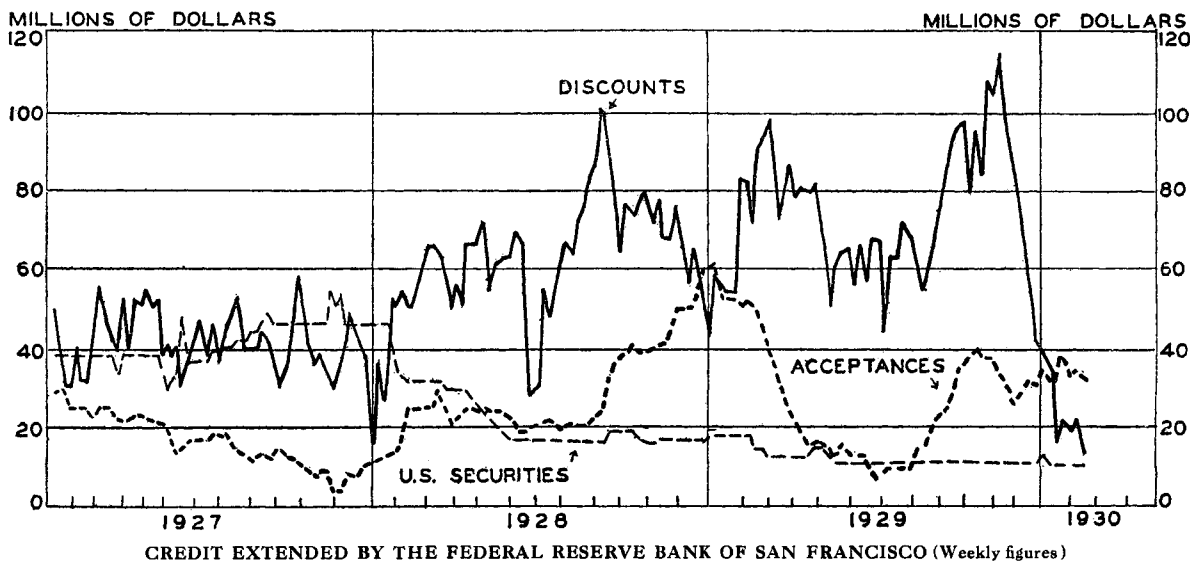
| | Condition | | | |
|--|---------------|---------------|---------------|---------------|
| | Feb. 19, 1930 | Feb. 11, 1930 | Jan. 15, 1930 | Feb. 20, 1929 |
| Total Loans and Investments... | 1,944 | 1,934 | 1,967 | 1,948 |
| Total Loans | 1,371 | 1,365 | 1,395 | 1,293 |
| Commercial Loans | 922 | 919 | 938 | 876 |
| Loans on Securities | 449 | 446 | 457 | 417 |
| Investments | 573 | 569 | 572 | 655 |
| Net Demand Deposits | 757 | 766 | 778 | 801 |
| Time Deposits | 1,006 | 1,008 | 1,002 | 969 |
| Borrowings from Federal Reserve Bank | 5 | 2 | 7 | 61 |

Aside from the decline in discounts, the statement of the Federal Reserve Bank of San Francisco has shown little change during recent weeks. Holdings of locally purchased acceptances are now twice as large in volume as are discounts, having increased slightly in response to the lowering on February 11 of this Bank's acceptance buying rates.

FEDERAL RESERVE BANK OF SAN FRANCISCO
(In millions of dollars)

| | Condition | | | |
|--|---------------|---------------|---------------|---------------|
| | Feb. 19, 1930 | Feb. 11, 1930 | Jan. 15, 1930 | Feb. 20, 1929 |
| Total Bills and Securities | 59 | 55 | 60 | 136 |
| Bills Discounted | 13 | 10 | 16 | 71 |
| Bills Bought | 34 | 33 | 32 | 49 |
| United States Securities | 12 | 12 | 12 | 15 |
| Total Reserves | 308 | 320 | 315 | 228 |
| Total Deposits | 182 | 186 | 186 | 183 |
| Federal Reserve Notes in Circulation | 162 | 168 | 175 | 158 |

Interest rates continued to decline during January and early February.



Agricultural Income—Twelfth Federal Reserve District

The United States Department of Agriculture has published a series of estimates of the cash income, the gross income, and the gross value of farm production in each of the states of the United States.¹ In certain states where livestock feeding operations are important these data, particularly figures of gross value, involve some errors due to partial duplication in the figures of crops fed to livestock. Such duplication is eliminated in large degree from the figures of cash income, however, permitting an approximation of the relative importance of agricultural production, on the basis of cash income, in the several Federal reserve districts.

Comparative data for various Federal reserve districts and for states within the Twelfth District have been prepared on the basis of 1925-1927 average cash returns. In combined cash income from crop and livestock production the Twelfth District ranked third. When ranked according to cash income from crop production alone this District was first, while it ranked fourth (with the Eighth District—St. Louis) in cash income from animal products.

CASH INCOME FROM CROP AND LIVESTOCK PRODUCTION²—BY FEDERAL RESERVE DISTRICTS (1925-1927 average cash income as a per cent of United States total)

| Reserve District | Crops and Animal Products | Crops | Animal Products |
|---------------------|---------------------------|-------|-----------------|
| Boston | 2.7 | 2.4 | 3.0 |
| New York | 4.1 | 3.3 | 5.1 |
| Philadelphia | 2.6 | 2.3 | 2.9 |
| Cleveland | 4.9 | 3.6 | 6.4 |
| Richmond | 7.2 | 10.9 | 3.1 |
| Atlanta | 7.5 | 12.1 | 2.5 |
| Chicago | 18.0 | 9.5 | 27.4 |
| St. Louis | 9.4 | 10.3 | 8.5 |
| Minneapolis | 10.7 | 8.2 | 13.4 |
| Kansas City | 13.4 | 11.7 | 15.2 |
| Dallas | 8.2 | 12.2 | 3.9 |
| San Francisco | 11.3 | 13.6 | 8.5 |
| Total | 100.0 | 100.0 | 100.0 |

In the Twelfth District the figures show that about one-half of the total cash income received by farmers during the three years, 1925-1927, was the product of farms and ranges in the state of California. The states of Washington, Oregon, and Idaho, ranked second, third, and fourth, respectively, in total cash income derived from agricultural products during these years. The figures also indicate that, with the exception of Utah and Nevada, the states of the District derived a larger part of their cash income from the sale of crops than from the sale of livestock products. For the District as a whole, cash income from crops during 1925,

¹Cash income represents sales of crops and animal products by the farmer. Gross income represents sales of crops and animal products plus the value of crops or livestock consumed in the farm home. Gross value represents the total amount of crops and animal products produced on farms which may be sold off the farm, consumed on the farm, or wasted.

²The data from which these percentages were figured were compiled by the Division of Research and Statistics, Federal Reserve Board from the estimates made by the United States Department of Agriculture. Where a state was divided between two reserve districts the cash income data were apportioned to the proper district by a percentage distribution based on county values of livestock and crops as given in the 1925 census of agriculture.

1926, and 1927 was nearly twice as great as was cash income from animal products. In the following table, the first column shows by states the distribution of the District's cash income from crop and livestock products, combined. The second and third columns show the proportion of the District's cash agricultural income from crops or livestock produced in each state.

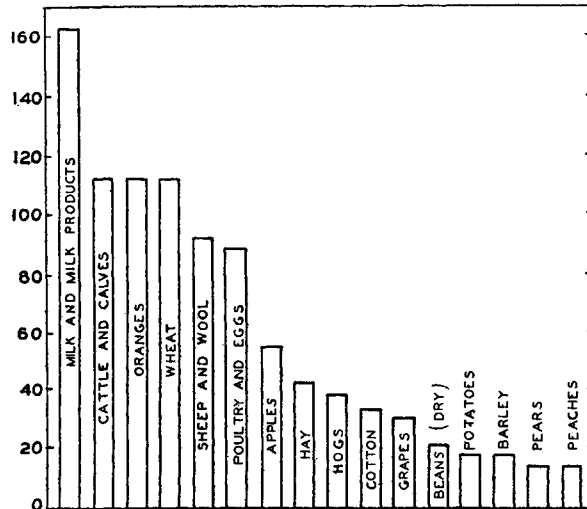
CASH INCOME FROM CROP AND LIVESTOCK PRODUCTION—BY STATES IN THE TWELFTH DISTRICT

Expressed as a per cent of the District's total cash income from crops and animal products (1925-1927 averages)

| State | Crops and Animal Products | Crops | Animal Products |
|------------------|---------------------------|-------|-----------------|
| Arizona | 4.5 | 2.4 | 2.1 |
| California | 51.4 | 36.6 | 14.8 |
| Idaho | 10.3 | 6.1 | 4.2 |
| Nevada | 1.7 | 0.3 | 1.4 |
| Oregon | 10.8 | 5.5 | 5.3 |
| Utah | 5.3 | 2.4 | 2.9 |
| Washington | 16.0 | 10.5 | 5.5 |
| Total | 100.0 | 63.8 | 36.2 |

Data showing the cash income received from the sale of crops and livestock products have not yet been segregated by individual items in these estimates. Figures of gross income from crops and livestock products segregated by individual items are available, however, for the single year 1928. The accompanying chart shows the gross income derived from the principal agricultural

MILLIONS OF DOLLARS



RELATIVE IMPORTANCE PRINCIPAL FARM PRODUCTS
Twelfth District (According to gross* income in 1928).

products of the Twelfth District in order of their relative importance. The items in this chart represented 78 per cent of gross income from all agricultural products (including nursery and greenhouse products) of the District during 1928.

*Figures of gross income do not correspond with figures of gross value of agricultural output. If the items shown in the chart were rearranged according to gross value of production, their order would differ somewhat. Both gross income and gross value figures, but more particularly the latter, involve duplication in the case of crops fed to livestock. It is probable, however, that comparisons based upon figures of gross income for the states of the Twelfth District are not misleading because of this duplication.