

# MONTHLY REVIEW

OF

## BUSINESS CONDITIONS

ISAAC B. NEWTON, Chairman of the Board and Federal Reserve Agent  
Federal Reserve Bank of San Francisco

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No. 5

### SUMMARY OF NATIONAL CONDITIONS

Prepared by the Federal Reserve Board

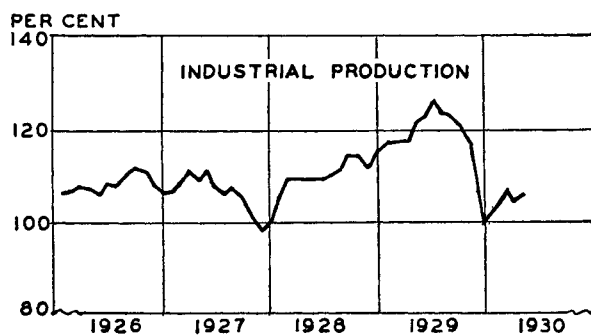
Industrial activity increased slightly in April from the rate prevailing in March. Factory employment declined by the usual seasonal amount, while factory payrolls showed a smaller reduction than usual. Wholesale prices continued to decline in April and the first half of May. There was a further easing of open market money rates.

**Production.** Production in basic industries was slightly larger in April than in March, and the Board's index, which makes allowance for the usual seasonal changes, increased about two per cent, offsetting a large part of the decrease in March. Output of automobiles showed the usual seasonal expansion. Steel output declined seasonally in April and the early part of May. The output of silk textiles was considerably reduced and woolen mills curtailed operations, though less than seasonally. Cotton mills were more active in April, and there was some increase in stocks. In the first half of May, however, a program of curtailment was instituted in the industry. In comparison with the first four months of 1929, a year of exceptionally active business, production was smaller in almost all major branches of industry, with the exception of tobacco. In comparison with 1928, however, output was larger in the automobile, petroleum, and silk industries, slightly smaller in steel and coal, and considerably smaller in cotton and wool textiles, flour, meat packing,

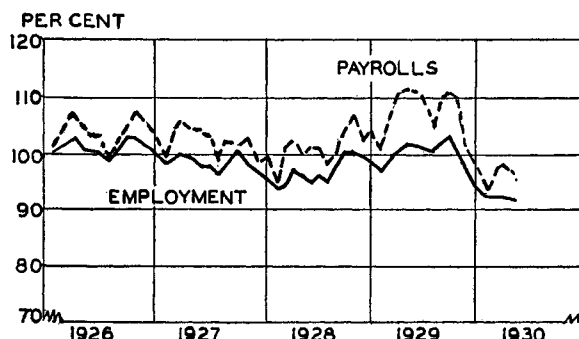
automobile tires, and lumber. According to the F. W. Dodge Corporation building contracts awarded during April were six per cent larger than in March, reflecting further expansion in awards for public works and utilities, and some increase in residential construction, largely seasonal in character. During the first two weeks in May there was a further increase in building activity. In comparison with 1929, awards in the first four months of the year were 17 per cent smaller, reflecting chiefly the continued small volume of residential building, which more than offset increases in public works and in utility construction.

**Employment and Payrolls.** Factory employment, which had been decreasing since last September, declined by about one per cent in April, which represents the usual development for that month, while the reduction in factory payrolls from March to April was smaller than usual.

**Distribution.** Department store sales increased during the month by an amount estimated to be slightly larger than is accounted for by the late Easter holiday. The value of foreign trade decreased further in April, and for the first four months of the year exports were about 20 per cent smaller than a year ago when trade was exceptionally active. This decline reflected in part the lower level of wholesale prices.



Index number of production of manufactures and minerals, combined, adjusted for seasonal variations (1923-1925 average = 100). Latest figure, April, 106.

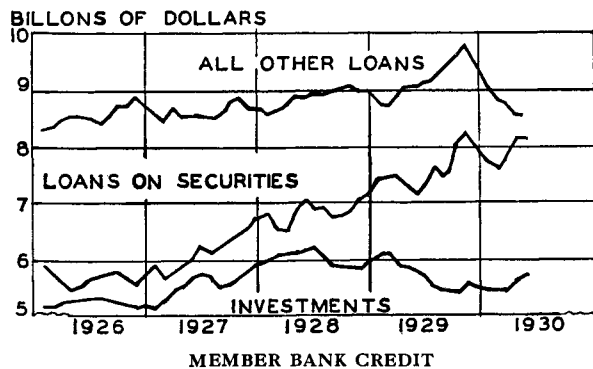


Index numbers of factory employment and payrolls, without adjustment for seasonal variations (1923-1925 average = 100). Latest figures, April, employment 92.1, payrolls 96.7.

**Wholesale Prices.** An increase in wholesale prices in the first week in April was followed by a substantial decline which continued into May and brought the level of prices to the lowest point in a number of years. Prices of important raw materials, such as wheat, cotton, and silk declined during most of the period, but steadied somewhat around the middle of May, while prices of silver, hides, and coffee

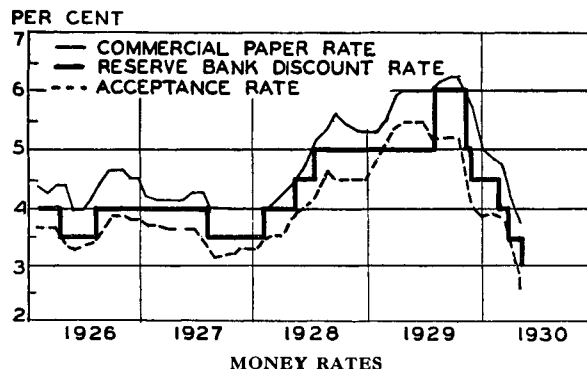
further, while "all other" loans continued to decline, and on May 16 at 8,560 million dollars were the smallest in more than two years.

The volume of Reserve Bank credit declined further by 125 million dollars between the weeks ending April 19 and May 17, largely as a result of the addition of about 65 million dollars to the stock of monetary gold and of a further substantial reduction in the volume of



were comparatively stable. There were fairly continuous price declines in steel, sugar, raw wool, and the textiles. Copper prices were reduced further early in May, but recovered somewhat following large purchases for domestic and foreign consumption.

**Bank Credit.** Loans and investments of member banks increased by about 160 million dollars in the latter half of April, but declined by 140 million dollars in the first two weeks in May, both movements reflecting chiefly fluctuations in loans on securities. Investments increased



money in circulation, which reflected chiefly smaller volume of payrolls and declines in retail prices. The reserve system's holdings of bills declined, while its holdings of United States securities and discounts for member banks showed little change.

Money rates on all classes of paper declined further in May. The discount rate was reduced from  $3\frac{1}{2}$  to three per cent at the Federal Reserve Bank of New York on May 2, and that at the Federal Reserve Bank of Boston was reduced from four to  $3\frac{1}{2}$  per cent on May 8.

## TWELFTH FEDERAL RESERVE DISTRICT CONDITIONS

Records of business activity in the Twelfth Federal Reserve District showed little fundamental change during April. Industrial production in the aggregate was practically unchanged from March, some industries failing to show the expansion customary in April and others improving more than seasonally. Trade indicators offered a rather mixed picture during April but, on the whole, showed some improvement from the low levels of other recent months. Markets for most farm products were dull and prices were at low levels. Beneficial rains were favorable for growing conditions, however, and from a production standpoint the agricultural outlook improved. Wholesale commodity prices averaged slightly lower than in March. There were no important changes in the credit situation.

Climatic conditions point toward satisfactory yields of most crops in 1930, although light rainfall in recent years has resulted in a noticeable lack of sub-soil moisture in some of this

District's important agricultural areas. Condition reports indicate that deciduous fruit crops will be larger this year than in 1929 but smaller than in 1928. This year's moderate-sized crop of citrus fruits is being marketed satisfactorily. Declining prices for lambs and wool have had an adverse effect on the position of the sheep raising industry, while prices for cattle, although somewhat lower than a year ago, have been maintained at relatively high levels and cattle markets continue stronger than other livestock markets.

Industrial output during April remained at the low level of March and was well below the rate of activity in April, 1929. Lumber production increased seasonally and the output of copper rose slightly from the extremely low rate of production in March. Production of petroleum in California declined by a small amount for the whole of April, but showed a tendency to increase toward the end of the month. The building and construction indus-

try was slightly less active than in March, whereas it usually expands markedly during April.

Largely in response to this year's late Easter, retail trade showed an increase over April, 1929. Sales of reporting stores during March and April, combined, were one per cent smaller than in March and April last year. Wholesale trade improved somewhat as compared with recent months but was still well below the levels of last year. Most other indicators showed that trade was less active than in April a year ago.

Reversing the temporary upward movement of late March and early April, wholesale commodity prices moved downward during most of April and for the month as a whole averaged slightly below the level of March.

There were no basic changes in the credit situation between mid-April and mid-May. Borrowings of city member banks at the Federal Reserve Bank of San Francisco, already small in volume, declined further during the first half of May, although discounts for country member banks continued about the same in volume as during recent months. Reports of small declines in average interest rates charged customers by banks in this District continued the down-trend of interest rates noted since late in 1929.

**Agriculture**

Warm weather and frequent rains during April and early May were beneficial to growing crops and livestock ranges in the Twelfth District. Favorable conditions for the growth of crops and forage have improved the 1930 agricultural outlook during recent weeks, but slow marketing of some crops and animal products has continued largely as a result of further price declines.

Estimates of winter wheat production in Pacific Coast states as of May 1 indicate that this year's yield will be about 30 per cent smaller than the crop harvested in 1929. Estimates of the production of spring wheat are not yet available, but grain trade factors report that the acreage already sown or to be sown to spring wheat is larger than usual.

	Acreage*		Production* (bushels)		Acreage Abandoned† May 1, 1930
	May 1, 1930	Harvested 1929	Indicated May 1, 1930	Harvested 1929	
California	695	680	10,981	12,240	12
Idaho	448	520	9,408	11,440	6
Oregon	842	896	15,998	19,712	6
Washington	782	1,210	14,076	27,830	40
Total	2,767	3,306	50,463	71,222	..
United States	38,676	40,162	525,070	578,336	11

\*In thousands. †As a per cent of acreage sown in fall of 1929. Source: United States Department of Agriculture.

Preliminary reports of production of the 1930 deciduous fruit crops in California, Idaho, Oregon, and Washington as published by the

United States Department of Agriculture generally indicate larger crops than in 1929 (a year of subnormal production in California) but somewhat smaller crops than in 1928. In Oregon and Washington, pear and apple trees are expected to produce crops of average volume, while production of cherries and prunes is expected to be smaller than usual. Production prospects for pears, apples, prunes, and cherries in Idaho are reported to be excellent. Nearly all deciduous fruit crops in California are in substantially better condition than a year ago.

FRUITS AND NUTS—California  
(Condition as a per cent of normal)

	May 1.		
	1930	1929	1928
Apples	83	..	88
Apricots	..	57	60
Cherries	60	52	60
Clingstone Peaches	83	36	87
Freestone Peaches	87	55	86
Pears	87	64	86
Plums	80	50	82
Prunes	73	50	70
Almonds	61	30	74
Walnuts	78	87	73

Source: California Crop Report.

The estimated production of the 1930 Valencia orange crop in California was revised downward during April from 12,279,000 boxes to 11,803,000 boxes. The 1929 crop of Valencia oranges was estimated to be 17,600,000 boxes. Since November, 1929, orange prices have been consistently higher than in the corresponding months of the previous year. The 1930 lemon crop is now estimated to be 4,868,000 boxes as compared with 5,025,000 boxes harvested in 1929.

Production and cold storage stocks of creamery butter in the District increased seasonally during April. On May 1 storage holdings of butter at Pacific Coast centers and in the United States were still much larger (76 and 290 per cent, respectively) than a year earlier, but the increases over last year were materially less than they had been on April 1. Nevertheless, butter prices declined during the month and on May 17, at the San Francisco market, 92 score butter was quoted at 37 cents per pound as compared with 45 cents per pound a year earlier.

Receipts of eggs at Portland, San Francisco, and Los Angeles during April were 252,798 cases as compared with 228,459 cases received during April, 1929. Storage stocks at Pacific Coast centers increased 18 per cent from April 1 to May 1, and on the later date were 72 per cent larger than a year ago. Egg prices declined slightly during April and in early May were ten per cent lower than in May, 1929.

The effects of favorable weather conditions during April were shown in the generally good condition of livestock and livestock ranges on May 1. Additional rainfall is needed in some areas in order to assure satisfactory feed conditions on summer ranges. The 1930 calf crop

is larger than normal and few losses have been reported. The movement of range sheep and cattle to market, which was somewhat delayed during March and April, increased seasonally during May. Prices for "grass-fat" cattle compare favorably with prices of a year ago, while sheep are selling at levels approximately 35 per cent lower than last year.

#### CATTLE—MARKET RECEIPTS

	Twelfth District*Mid-West†	
April, 1930 .....	58,162	626,208
April, 1929 .....	59,005	653,818
January 1, to May 1, 1930.....	260,904	2,502,628
January 1, to May 1, 1929.....	251,297	2,478,867

\*Seattle, Spokane, Tacoma, Salt Lake City, Ogden, Portland, Los Angeles, and San Francisco. †Chicago, Kansas City, Omaha, East St. Louis, St. Joseph, Sioux City, and St. Paul.

Shipments of California spring lambs to eastern markets during the season to May 1 were less than half as large as they were during the corresponding period last year, but approximated shipments during the same months in 1928. Since May 1, the volume of shipments has increased. Early lambs have not fattened well this year with the result that the proportion of "feeder" lambs being shipped is greater than usual.

#### CALIFORNIA SPRING LAMBS—Eastern Shipments

Season to May 1	Live	Dressed	Total
1930 .....	103,360	14,950	118,410
1929 .....	213,370	42,000	255,370
1928 .....	66,600	39,430	106,030

A month ago the 1930 early spring lamb crop was reported to be somewhat larger than the crop in 1929 and weather conditions since that time have been favorable for development of lambs born in recent weeks. Market conditions for both wool and lambs continue unsatisfactory. Most of the 1930 wool clip has been shipped on consignment to be sold by the National Wool Marketing Association or private dealers. A few sales of wool by producers have been reported at prices ranging from 17 to 23 cents per pound. A year ago wool prices ranged from 28 to 32 cents per pound.

## Industry

Industrial activity in the Twelfth District during April continued at the relatively low levels recorded for February and March. Increases in production are customary in April and in most industries only the usual changes appear to have taken place during that month this year. Declines, or smaller than seasonal increases in output were, however, reported by the canning, flour, petroleum, building, and steel industries, and the number of workers employed did not increase as much as usual. Mining of non-ferrous metals was slightly more active than in March and production of lumber and cement increased seasonally. Figures of electric power production during April are not yet available, but this Bank's

index declined during March for the seventh consecutive month. Electric power production has been increasing consistently for several years and the decline since last August has been larger in amount and longer in duration than any recorded during the past ten years.

Daily average output of petroleum in California declined moderately during April. Some difficulty in maintaining the industry's curtailment program has been reported recently and there were small increases in output during the first two weeks of May. A substantial increase in the amount of crude oil run to stills during the latter part of April more than offset declines in immediately preceding weeks, and production of refined oils increased somewhat for the month as a whole. Output of refined oils was, however, smaller than in April a year ago. Consumption of gasoline increased during the month, as is usual, and stocks of that commodity as well as of crude and fuel oils declined.

Output of copper on a daily average basis increased slightly during April but was far below that of April, 1929. Stocks of refined copper were 20 per cent larger at the end of April than at the end of March, 1930, and more than five times as large as at the end of April, 1929. Demand for refined copper was inactive during April, but following reductions in the price, which reached 12½ cents per pound (Connecticut Valley) on May 6, sales increased sharply. Total sales during the week ending May 14 were larger in volume than in any other week of record. In conformity with the practice followed by some copper mining companies of adjusting wages according to changes in the price of copper, important reductions in copper miners' wage rates have recently become effective. These reductions have been offset in some degree by increases in the

### (A) Industry—

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

	1930			1929
	Apr.	Mar.	Feb.	Apr.
<b>Manufactures:</b>				
Flour .....	89	102	121	105
Slaughter of Livestock .....	78	72	78	85
Lumber .....	114	112	98	117
Refined Mineral Oils† .....	169	161	169	187
Cement .....	88	88	93	106
Wool Consumption† .....	..	63	80	76
<b>Minerals:</b>				
Petroleum (California)† .....	95	98	113	118
Copper (United States)‡ .....	90	88	95	141
Lead (United States)‡ .....	..	108	106	125
Silver (United States)‡ .....	..	93	90	103
<b>General:</b>				
Carloadings—Industrial .....	107	111	97	117
Total Construction§ .....	59	67	61	99
Value of Building Permits§				
Twenty Larger Cities .....	50	54	50	76
Seventy Smaller Cities .....	63	59	58	94
Value of Engineering Contracts Awarded§				
Total .....	92	124	120	168
Excluding Buildings .....	98	124	115	203

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

number of hours worked per week, a reversal of the tendency to shorten the working week, noted during the past few months. Production of silver also increased in April, but was less than a year ago.

The total value of building and construction was somewhat smaller during April than in March. There is ordinarily an increase of nearly 10 per cent in this type of work during April—the largest month to month increase of the year—and the small actual decline in the figures this year brought this Bank's seasonally adjusted quarterly index to the lowest point since August, 1921. The value of building permits issued in ninety cities of the District was smaller than in either March, 1930, or April, 1929, by 7 and 35 per cent, respectively. The largest declines as compared with last month were in the central area of the Pacific Coast, which includes the San Francisco Bay region, while the largest declines as compared with last year were in the Pacific Northwest. There was but little change in the value of building during April as compared with March in the Pacific Northwest or in southern California. Engineering contracts awarded, exclusive of awards for large commercial and industrial buildings, decreased slightly in value during April, but were larger than in April, 1929. Increases in contracts for waterworks, bridges, and excavation and drainage projects accounted for the small aggregate increase over the year period.

Lumber production of the District increased slightly more than seasonally during April, following a greater than seasonal increase in March, but did not quite equal the cut of a year ago. Shipments did not show the usual increase, however, and as a result the ratio of

shipments to production declined. New orders fell off during the month and producers' stocks, as reported on May 3, 1930, were almost 16 per cent larger than those reported on May 4, 1929.

Activity in the food producing industries was at lower levels during the first quarter of this year than it was during the first three months of 1929. Production of flour in the District decreased further during April. Fewer cattle, calves, and hogs were slaughtered than in the earlier months, but slaughter of sheep showed a large increase during the month. The 1930 pack of canned spinach in California was completed during April. According to the Canners' League of California, it amounted to 1,565,496 cases, as compared with the unusually large pack of 4,193,742 cases in 1929 and a five-year average pack of 2,443,769 cases.

**Trade**

Varied reports of trade during April have been received, but on the whole there appears to have been some improvement during the month. Wholesale sales, after due seasonal allowance, expanded; merchandise freight carloadings increased more than is customary in April; and the number of new automobiles registered in the District was larger in April than in March. On the other hand, retail sales increased less than seasonally, notwithstanding the lateness of Easter trading; intercoastal traffic and carloadings of industrial freight declined; and the latest available figures (March) of foreign trade of Pacific Coast ports showed a further decrease.

Retail trade as indicated by department store

**(B) Employment—**

Industries	California			Oregon		
	No. of Firms	No. of Employees Apr. 1930	No. of Employees Apr. 1929	No. of Firms	No. of Employees Apr. 1930	No. of Employees Apr. 1929
All Industries*	751	156,361	177,306	144	23,772	25,204
Stone, Clay and Glass Products.	48	6,249	7,119	4	218	159
Lumber and Wood Manufactures	119	20,052	24,420	51	14,132	15,523
Textiles	16	1,857	2,088	10	1,627	2,039
Clothing, Millinery and Laundering.	55	7,501	7,898	9§	461	462
Food, Beverages and Tobacco	153	33,835	37,637	42	1,757	1,573
Public Utilities†	27	32,386	29,230	..	..	..
Other Industries¶	337	81,205	92,696	..	..	..
Miscellaneous‡	23	5,662	5,448	28	5,577	5,448

\*Public utilities not included in this total. †Electric railway and bus operations added. ‡Motion picture producing and developing added to this group. §Laundry 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 April, 1929.

**(C) Distribution and Trade—**

	1930			1929
	Apr.	Mar.	Feb.	
Foreign Trade*	Index Numbers*			Apr.
Total†	..	..	137	135
Imports‡	..	..	120	117
Exports	..	132	147	144
Intercoastal Trade*				
Total	84	91	95	90
Westbound	115	110	128	127
Eastbound	75	86	89	80
Carloadings‡				
Total	109	108	108	116
Merchandise and Miscellaneous...	114	111	112	118
Wholesale Trade§				
Sales	101	94	99	108
Retail Trade				
Automobile Sales‡				
Total	108	101	115	131
Passenger Cars	103	96	114	127
Commercial Vehicles	167	158	124	175
Department Store				
Sales‡	118	121	120	115
Stocks¶	104	109	108	101
Stock Turnover	Actual Figures			
Collections#	.24	.25	.20	.24
Regular	43.6	45.3	42.9	46.2
Installment	15.1	14.9	14.7	15.7

\*Adjusted for seasonal variations, 1923-1925 average=100. †Indexes are for three months ending with month indicated. ‡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. ¶Revised.

sales was larger in April, 1930, than in April, 1929, in southern California cities outside of Los Angeles, in the San Francisco Bay region, in the Pacific Northwest excluding Spokane, and in the Salt Lake City area. Declines over the year period were recorded for cities in Arizona, for Los Angeles, for cities in the central valleys of California, and for Spokane. Year to year comparisons based on April figures only are not entirely satisfactory, however, because of the shift in Easter Sunday. Combined sales during both April and March furnish a more reliable indication of changes in consumer buying in relation to last year. Comparisons based upon those figures show a slight year to year decline in Twelfth District department store sales, rather evenly distributed in nearly all parts of the District.

RETAIL TRADE—Twelfth District

	NET SALES*		STOCK*
	Apr., 1930 compared with Apr., 1929	Jan. 1 to Apr. 30, 1930 compared with Jan. 1 to Apr. 30, 1929	
Department Stores†	2.4 ( 69)	-1.4 ( 66)	0.5 ( 51)
Apparel Stores	2.0 ( 32)	-7.3 ( 32)	-1.6 ( 20)
Furniture Stores	-6.9 ( 43)	-8.7 ( 42)	-7.5 ( 29)
All Stores	1.1 (144)	-2.9 (140)	-0.7 (100)

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

The value of sales reported by wholesalers in ten lines of trade showed a contrary to seasonal increase over sales during March, although the total sales figure for April remained well under that for the same month a year ago. Groceries and agricultural imple-

ments were the only lines to show increases when compared with April, 1929. Most other lines—automobile supplies, drugs, dry goods, electrical supplies, hardware, shoes, and paper and stationery—exhibited decreases of smaller magnitude than in March. Large declines in sales as compared with last year were reported by most furniture houses. Similar declines have been reported for every month since September, 1929. Collections on outstanding accounts in nearly all lines were below those of April, 1929.

Total rail shipments of goods increased slightly in April, and this Bank's index of total carloadings advanced to the highest point since November, 1929. This was entirely the result of larger loadings of merchandise and miscellaneous freight, representing mainly shipments of finished goods, most of which are likely to find their way into wholesale and retail distribution channels. Industrial carloadings declined and remained below the April average of the past two years.

The outstanding feature in foreign trade during March, 1930, was the sharp decrease in exports from the preceding month. The dollar value of exports was substantially below the high figure recorded for March, 1929, and was the smallest since July, 1928. Imports of rubber at the Port of Los Angeles during February were almost equal in volume to the large receipts during February, 1929, but because of price declines during the year were about 40 per cent less in value. Arrivals of silk at District ports during February were smaller both in volume and in value than in any other month in the past eight years. Silk imports, although representing a large portion of the value of the import cargo entering Pacific Coast ports, have little direct influence on business conditions in the Twelfth District because practically all of them are immediately trans-shipped to eastern markets.

### Prices

Following a pause during late March, the downward trend of wholesale commodity prices was definitely resumed in mid-April, indicating a continued lack of adjustment between the supply of and demand for many basic commodities. The later declines were largely offset by the slight rise in prices early in the month and the April index of the Bureau of Labor Statistics at 90.7 (1926=100) showed almost no change from the index for March (90.8). This index stood at 96.8 in April, 1929.

Declines in prices of such commodities as coffee, cocoa, rubber, sugar, and silk were of significance to this District, not only because of their importance as basic materials but also because they make up a substantial proportion of the value of the trade passing through Pacific Coast ports.

### (D) Bank Debits\*

	April, 1930	April, 1929	—First Four Months— 1930 1929	
Arizona				
Phoenix	\$ 39,986	\$ 41,133	\$ 164,417	\$ 178,157
California				
Bakersfield	13,025	13,031	55,222	59,307
Berkeley	19,565	20,148	81,146	85,864
Fresno	37,427	29,843	169,429	125,649
Long Beach	49,583	63,764	198,880	266,181
Los Angeles	1,079,862	1,205,373	4,245,618	5,006,406
Oakland	190,414	231,081	784,036	970,944
Pasadena	37,480	40,572	150,272	182,283
Sacramento	48,571	47,037	191,544	193,635
San Bernardino	11,580	11,422	44,181	46,308
San Diego	61,166	64,776	237,724	270,174
San Francisco	1,300,659	1,245,802	5,267,848	5,591,156
San Jose	26,574	27,224	111,297	111,964
Santa Barbara	15,834	16,792	62,156	68,049
Stockton	25,802	26,239	101,128	107,445
Idaho				
Boise	12,957	15,346	54,389	58,452
Nevada				
Reno	11,358	14,651	44,171	46,651
Oregon				
Eugene	7,236	7,690	26,565	28,784
Portland	177,970	178,394	684,288	737,130
Utah				
Ogden	16,895	16,968	68,135	71,853
Salt Lake City	76,263	87,494	305,667	318,997
Washington				
Bellingham	10,283	11,134	37,216	41,281
Everett	14,183	15,334	53,804	54,801
Ritzville	670	754	2,397	3,410
Seattle	253,589	265,140	983,778	1,059,861
Spokane	51,171	60,138	211,601	237,483
Tacoma	46,336	49,177	181,312	197,264
Yakima	15,229	14,422	56,248	54,027
Total	\$3,651,668	\$3,820,879	\$14,574,469	\$16,173,516

\*In thousands of dollars.

Lack of increased demand for copper following the reduction in the price to 14 cents per pound (Connecticut Valley) on April 15, resulted in further reductions to 12½ cents per pound on May 6. There was a substantial increase in sales during the succeeding week, however, and the quotation for copper was advanced to 13 cents per pound on May 12. The price for lead, production of which is also important in this District, advanced slightly on May 13.

Prices for agricultural products of the District declined slightly during April and the first half of May. Average quotations for wheat were higher in April than in March. During the first week of May, however, wheat prices declined sharply, approaching the lowest levels of recent years, and have not since recovered substantially. The May contract sold for \$1.03-\$1.03⅞ per bushel at the Chicago market on May 20. Quotations for wool declined less rapidly during April than for several months, and during the week ending May 2 the Fairchild average of domestic wool prices advanced fractionally, the first week since November 29, 1929, in which that average has not declined. Citrus fruit prices continued to advance during April. Further declines in lamb quotations were recorded during April, while current prices for cattle and hogs are but slightly lower than those of recent months.

Prices for canned fruits, of which fairly large unsold stocks are reported, were substantially reduced at the close of April.

Increasing inventories of lumber were accompanied by further unseasonable declines in lumber prices during April.

**Credit Situation**

The four-week period from April 23 to May 21 was notable chiefly for lack of change in the underlying credit structure. A further decline in the volume of Reserve Bank credit employed in the Twelfth District was recorded, notwithstanding a reduction in the Federal Reserve Bank of San Francisco's buying rate on 60-day acceptances to 2½ per cent on May 8. (Twelve days later the buying rate on 90-day acceptances was reduced to the same level.) There was little change in either total loans or investments of reporting member banks during the period.

The amount of money in circulation in the District remained unchanged during the month and there was no net gain or loss of funds through commercial transactions with other sections of the country. There was, however, a small inflow of funds due to a withdrawal of loans placed in the New York call money market by District banks. Mint purchases of gold between mid-April and mid-May approximated 25 million dollars, but inasmuch as they were

chiefly for the account of eastern institutions those purchases had little effect upon the local credit situation.

Borrowings of city member banks have been at low levels almost continuously since the beginning of this year and on May 21 those banks were practically out of debt at the Reserve Bank. Discounts for country member banks showed no material change between April 23 and May 21. Reserve Bank holdings of locally purchased acceptances declined from 19 million dollars to 15 million dollars during the same period, thus further contracting the amount of credit extended by this Bank to the Twelfth District. Holdings of locally purchased acceptances, however, are still well above the volume of discounts.

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

	Condition			
	May 21, 1930	May 14, 1930	Apr. 16, 1930	May 22, 1929
Total Loans and Investments...	1,967	1,965	1,973	1,964
Total Loans .....	1,352	1,350	1,360	1,321
Commercial Loans .....	901	906	910	897
Loans on Securities .....	451	444	450	424
Investments .....	615	615	613	643
Net Demand Deposits .....	726	751	742	751
Time Deposits .....	1,032	1,024	1,025	1,004
Borrowings from Federal Reserve Bank .....	0	0	1	47

This contraction of the amount of credit extended to the Twelfth District by the Federal Reserve Bank of San Francisco and by member banks contrasts with a rapid increase in the volume of credit in use during the last half of 1929 and it has been accompanied by important changes in the composition of outstanding credit instruments. Between June 26 and December 31, 1929, commercial loans of reporting member banks increased 92 million dollars, bankers' acceptances outstanding increased 30 million dollars, and discounts at the Reserve Bank decreased 17 million dollars. Since the end of the year commercial loans have declined and are now 10 million dollars less than on June 30 of last year. Discounts at the Reserve Bank declined to low levels in January and have remained small in volume since that time. Outstanding acceptances, however, have remained virtually at unchanged levels, although there is normally a rapid seasonal decline during February, March, April, and May.

**FEDERAL RESERVE BANK OF SAN FRANCISCO**  
(In thousands of dollars)

	Condition			
	May 21, 1930	May 14, 1930	Apr. 16, 1930	May 22, 1929
Total Bills and Securities...	70,713	68,429	78,306	86,225
Bills Discounted .....	8,751	8,449	10,583	60,299
Bills Bought .....	25,267	23,285	31,028	13,472
United States Securities....	36,695	36,695	36,695	11,704
Total Reserves .....	284,960	290,970	280,259	270,341
Total Deposits .....	182,826	186,551	182,593	180,069
Federal Reserve Notes in Circulation .....	152,657	152,927	157,186	154,485

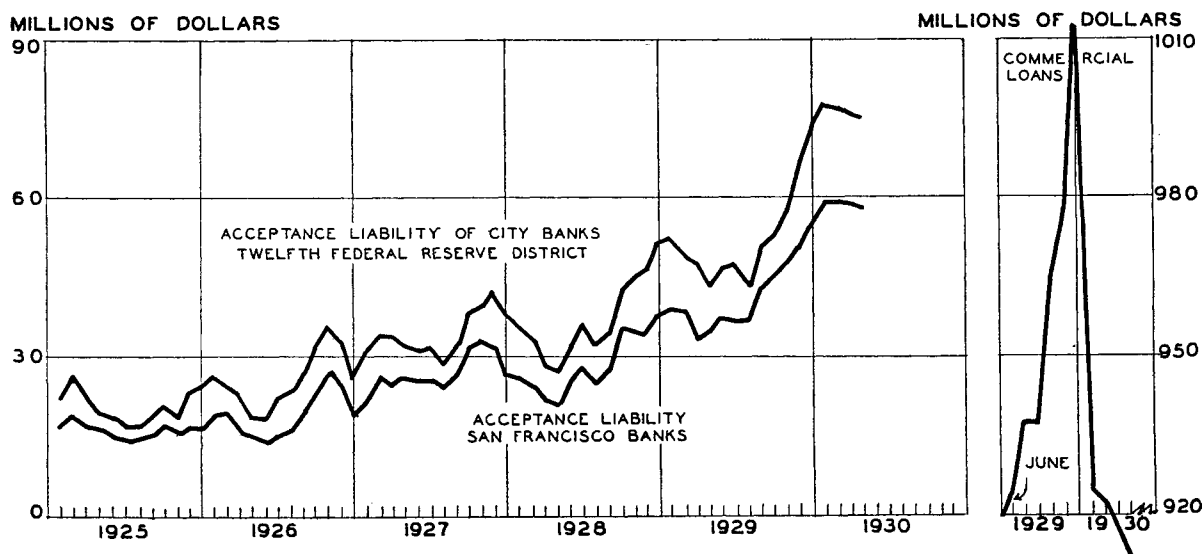
Bankers' acceptances have assumed an increasingly important position in the financing

of business activity during the past five years. In the Twelfth District their growth has been particularly rapid during the past year in the financing of certain classes of domestic and foreign trade. The accompanying chart reveals a regular and uniform increase in the volume of acceptances outstanding in this District from 1925 (the first year shown on the chart) to the middle of 1929. In all of that period each year showed a marked increase in the volume of acceptances outstanding during the autumn to a peak near the turn of the year, and a sharp decline to a low point in April or May. This seasonal movement coincides with the marketing of some of the District's principal food products which come under the legal definition of non-perishable, staple commodities, against which banks may issue acceptances. The greater part of the output of these commodities is sold to markets outside of this District, and the volume of acceptances based upon them has expanded rapidly during recent months.

An analysis of the transactions underlying these documents indicates that during the past ten months there has been no material change in the volume of paper based upon imports, exports, domestic shipments, or dollar exchange. The unseasonal movement in the total volume of bankers' acceptances outstanding is the result of increased bills on (1) non-perishable, staple commodities warehoused in the United States and (2) commodities stored in or being shipped between foreign countries. In the first group, acceptances outstanding increased from three million dollars at the end of July, 1929, to 19 million dollars at the end of March, 1930, while the increase in the second group was 11 million dollars (from 17 to 28 millions) during

the same period. The first group includes acceptances based on commodities produced and warehoused in the Twelfth District. The most important of these commodities are wheat, canned fruits and vegetables, and dried fruits, principally raisins. Large inventories of each of these items have been in storage in the District this spring. The second group consists principally of acceptances based on the transactions of foreign business organizations (largely German at the present time) which have world-wide contacts and which deal in the market having the lowest rates, whether that market be in the United States, England, or elsewhere.

A partial explanation of the failure of the volume of acceptances outstanding to decline during recent months, as it has ordinarily done at this season, is to be found in the prevailing rate differentials which favor the use of acceptances and in the existence of relatively large unsold stocks of the commodities against which the acceptances were issued. The acceptance buying rate plus the cost of executing acceptances has been lower by more than 1½ per cent than have over-the-counter rates for commercial paper and for commodity loans at San Francisco banks during the past few months. At the present time the acceptance buying rate of the Reserve Bank is 1½ per cent lower than its discount rate and this differential compares with an average difference of .35 per cent in favor of acceptance rates during the past nine years. These conditions have combined to encourage the use of acceptances, and, together with other factors involved in declining business activity, have tended to restrict the volume of commercial loans during recent months.



COMMERCIAL CREDIT—Twelfth District  
Acceptance liability of banks as reported by the American Acceptance Council. Commercial loans of reporting member banks.