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MONTHLY REVIEW

TWELFTH FEDERAL RESERVE DISTRICT

AUGUST 1953 FEDERAL RESERVE BANK OF SAN FRANCISCO

THE AGRICULTURAL SITUATION AND HARVEST PROSPECTS

FALLING farm prices in the face of much smaller reductions in production and living costs have caused considerable concern for the economic future of the nation's agriculture. Net farm income for 1953 is expected to be 7 percent less than in 1952, according to estimates of the Department of Agriculture. This reflects a fairly steady trend in the behavior of some farm prices that commenced in February 1951, from which point the index of prices received by farmers for sale of livestock and crops has fallen about 17 percent to date. On the other hand, the prices paid by farmers for items used in production and in the home rose to an historical high in May 1952 from which they have receded only 5 percent.

Increased marketings fail to counterbalance the effects of lower prices

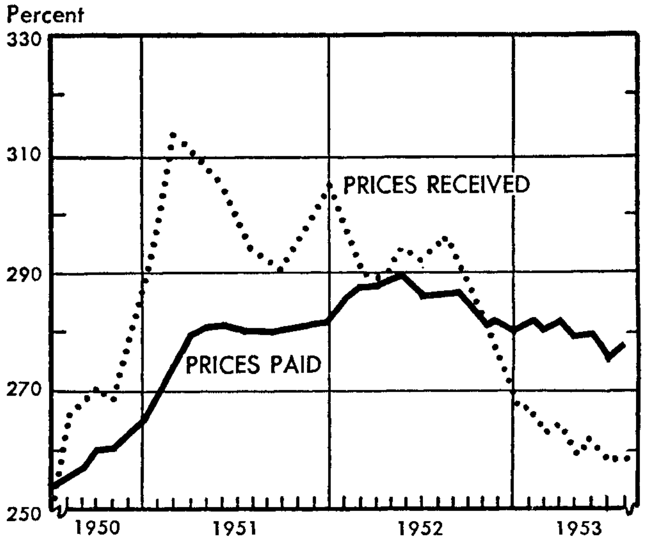
Despite sustained high levels of food consumption which are absorbing a 5 percent increase this year in total volume of farm marketings, the average level of farm prices has fallen. As a result, cash receipts from farm marketings are less than a year ago. And with indications of continued heavy marketings of farm commodities during the remainder of 1953, cumulative cash receipts probably will remain somewhat below levels of last year.

A 14 percent decline in cash receipts from meat animals marketed largely accounted for the decline in total cash income. The decrease was due primarily to sharply lower farm prices of cattle and calves. Dairy receipts through last May, however, were down compared with the same period a year ago, while total receipts from poultry and eggs and from all crops marketed during this period were greater. Monetary returns to the nation's farmers for wheat, corn, and fruits were all above last year, but receipts for cotton and vegetables were lower.

District cash receipts down sharply in the first half of 1953

In the Twelfth District, cash receipts for the first five months of the year were down 9 percent from last year compared to a 3 percent reduction for the nation as a whole. District cash receipts from sale of livestock and livestock products were down 8 percent, about the same as for the nation. Much of the District reduction stemmed from smaller crop marketings. This is due largely to the

INDEX OF PRICES RECEIVED AND PAID BY FARMERS
UNITED STATES, 1950-53
(1910-1914=100)



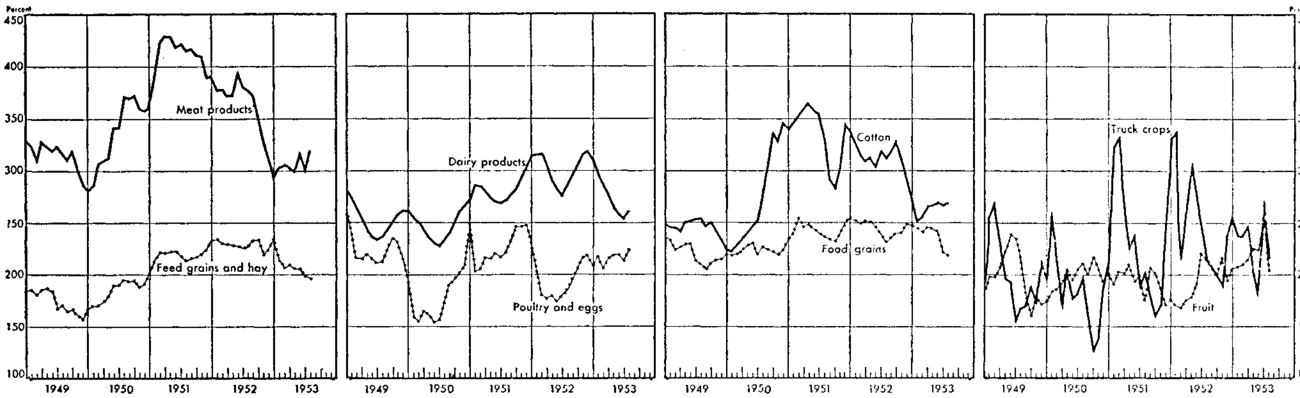
Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Agricultural Prices.*

cool, wet weather conditions of the spring and early summer and to consequent retardation of most District crops. With the appearance of good summer growing conditions, however, crop prospects for the late summer and early fall have improved. Consequently, cash receipts to District farmers from crop marketings are expected to increase and, for the year, are expected to approach the level attained in 1952.

Cost and return prospects for the year differ greatly according to location and type of farm. Some reduction

Also in This Issue

INDEXES OF PRICES RECEIVED BY FARMERS, BY MAJOR FOOD GROUPS
UNITED STATES, 1949-1953
(1910-1914=100)



Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Agricultural Prices.*

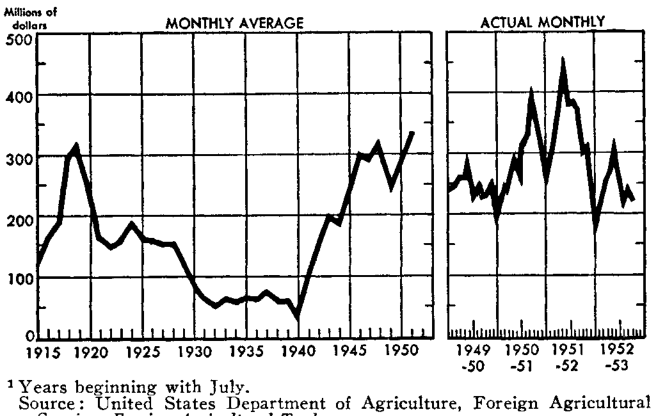
of expenditures will take place on those types of farms that make large purchases of feed and livestock. On the other hand, slight increases over 1952 have occurred in farm wage rates, tax rates, and costs of fertilizer and some other farm supplies.

Exports of farm products have declined

In the District and over the nation, employment and wages are high with the result that the level and distribution of income are favorable to agriculture. Demand abroad for products of American agriculture has declined sharply in the last year, however. Exports of farm products are down 30 percent in value from last year when the value of exports was a record high. Significant decreases have occurred this year in the outward movement of rice, wheat, grain sorghums, lard, pork, butter, cheese, cotton, and many other commodities. For cotton alone the August-May 1952-53 export total of 2.8 million bales was only 52.5 percent of last year's ten-month total of 5.4 million bales.

Among the major field crops, conditions of surplus and falling prices are due largely to increased production in the face of sharply reduced export demand. The reductions in foreign demand for farm products of the United States reflect (1) increased production abroad anc marked improvement in the foreign supply of farm products, (2) greater use in foreign countries of stocks accumulated during the past two years, (3) less economic aic by the United States to foreign importing countries, anc (4) tighter import controls abroad.

AGRICULTURAL EXPORTS, UNITED STATES
1915-1953[1]



[1] Years beginning with July.
Source: United States Department of Agriculture, Foreign Agricultural Service, *Foreign Agricultural Trade.*

District farm real estate prices fall; farm loans increase

Generally lower prices of cattle and calves, milk cows dairy products, and some other farm commodities have been responsible for some reductions in farm real estate prices. Between November 1952 and March 1953, farm real estate prices fell 6 to 8 percent in Utah, Washington and Idaho. In California and Nevada these prices fel approximately 3 percent, while there was little or no change in Arizona. Since March this year, farm real estate prices have continued downward with reductions of 1 to 2 percent in all District states except Idaho. This brings the District index of value per acre of farm real estate down from a high of 103.4 (1947-49=100), establishec in November 1952, to 97.7 for July 1953. Still, real estate dealers report that prices for top-grade farms have not declined as much as lower quality farms and pasture lands.

Although District as well as national farm indebtedness stands at record levels for the postwar period, the situation is not generally considered serious. The asset-deb ratio in agriculture remains high even though it is falling gradually. As indicated in Table 1, the dollar volume o non-real estate loans to District farmers increased rapid-

TABLE 1
PERCENTAGE CHANGES IN DOLLAR VOLUME OF LOANS TO FARMERS—DECEMBER 31, 1948-1952, TWELFTH DISTRICT

	All operating banks		
	Non-real estate loans[1]	Real estate loans	P.C.A. loans
1948	+23.5	+8.9	+20.4
1949	— 8.3	—0.9	— 1.1
1950	+18.3	+4.0	+16.3
1951	+37.3	+5.0	+32.5
1952	+ 5.6	+5.7	+11.1

[1] These exclude loans held by banks and directly guaranteed by the Commodity Credit Corporation.
Source: Board of Governors of the Federal Reserve System.

TABLE 2
COMMERCIAL RED MEAT PRODUCTION
TWELFTH DISTRICT AND UNITED STATES

	Percent changes January 1 to July 1, 1953 compared with production	
	January 1 to July 1, 1952	January 1 to July 1, 1948-52 average
Twelfth District	+10.8	+20.0
United States	+ 8.1	+10.3

Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Livestock Slaughter by States.*

ly during 1950 and 1951. During 1952, this rate of increase fell to less than 6 percent. In addition, repayments over the nation during 1953 are reported to be ahead of schedule.

In the six-month period ending June 30, 1953, farm real estate loans extended by Twelfth District member banks increased only 2.6 percent. The dollar volume of non-real estate loans to District farmers on June 30 of this year was approximately equal to the total outstanding on the same date last year. For the nation as a whole, member bank non-real estate loans to farmers reversed the trend of recent years, declining 6 percent during the year ending June 30, 1953.

District and national livestock slaughter at record levels

Commercial meat production during the first half of 1953 increased significantly in the District and over the nation, as indicated in Table 2. These increases are even more striking when it is realized that they include pork production. Hog slaughter in commercial plants during the first six months of 1953 declined for the District and the nation 7 and 12 percent, respectively, from the level attained during the first half of 1952.

A seasonal increase in hog supplies began early in August but these supplies probably will continue under a year ago. According to intentions reported by farmers, the fall pig crop will be 5 percent smaller than the fall pig crop of last year. If these expectations are realized, pork will continue in relatively short supply for at least another nine or ten months.

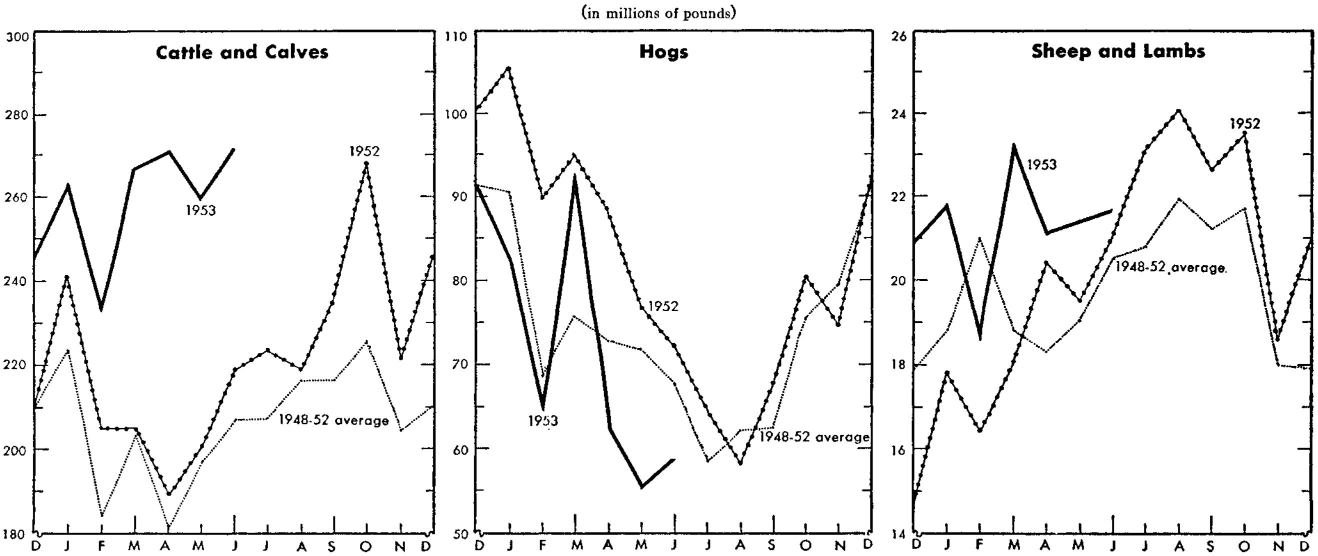
Cattle and calves have been moving to market throughout the nation in record volume, and per capita consumption of beef in 1953 may exceed the all-time high of 73 pounds. Cow marketings, although increased, have not been sufficiently great thus far in 1953 to indicate any real liquidation of breeding stock. Cattle numbers on January 1, 1953, totaled 94 million head, the largest on record, and at that time increases in cattle numbers to about 100 million head in 1955 were expected. Some additional increases may occur, but it is generally agreed that the recent high rate of slaughter may halt the upward trend in cattle numbers earlier than expected.

Marketings of well finished beef have been exceptionally large but may decline during the fall months ahead, with some strengthening in fat cattle prices. Marketings of cattle from grass and range areas, however, are expected to continue large and to increase. As a result, prices of lower quality beef are likely to be erratic but are not expected to fall greatly from the present low level. The prospects of relatively short supplies of fat slaughter cattle and of bumper feed crops are lending some encouragement to cattle feeders. The volume of cattle purchased for feeding during the fall months is expected to be large.

Marketings of sheep and lambs also have been larger this year than last. District and national increases in the lamb crop this year over last are partly responsible for the increased rate of slaughter. The large slaughter in the first half of 1953, however, in view of the lamb crop and the number of ewes on farms last January, indicates that some liquidation of breeding stocks is taking place. Lower prices, as indicated in Table 3, may be partly responsible.

LIVESTOCK SLAUGHTER—1952, 1953, AND 1948-52 AVERAGE[1]—TWELFTH DISTRICT

(in millions of pounds)



[1] Slaughter in Federally inspected plants and in other wholesale and retail plants; excludes farm slaughter.
Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Livestock Slaughter by States.*

District shorn wool production for this year is estimated at about equal to the clip last year but 15 percent below average annual production over the period 1942-51. There were more wool producing sheep in the District this year than last, but average fleece weights were slightly smaller.

Poultry outlook good except for decline in turkey production

There were fewer layers on farms during the first quarter of 1953 than during a comparable period last year. Egg production in this period, therefore, ran slightly below year ago levels. In the second quarter, however, the rate of lay increased in the District and over the nation. This increase was sufficiently great to bring District and national egg production for the period January through July to levels which approximately equal those attained in the first half of last year.

Egg production during the late fall may exceed last year's if the trend toward increased rates of lay in that season continues. Increases in egg production probably were induced by heavier feeding and better care as a result of the substantial improvement in prices of eggs relative to poultry feed prices.

A reduction of 5 million turkeys from last year's record crop of 60 million birds is indicated in the nation for 1953. While total District production will be less than last year by about 11 percent, heavier hatchings and smaller poult losses than were previously expected have necessitated upward revision of production estimates for California, Oregon, and Washington. Consequently, output in these principal District turkey producing states will average about 2 to 10 percent below last year as compared with earlier estimates approaching 20 percent. Turkey production in Utah, Idaho, and Nevada is expected to average one-fourth below output last year. These data indicate continued concentration of District turkey production in the three West Coast states.

Dairy production at high levels but prices down

Milk production in the nation passed its seasonal peak earlier than usual this year, but in June total milk production was still 4 percent above a year ago. Most of the increase in milk output has been utilized in production of creamery butter and American cheese. In the first half of 1953 output of these products increased substantially in the District as well as in other dairy producing areas. In addition, cold storage holdings of butter in the United States were four times larger on June 30 than they were a year earlier and stocks of American cheese were very large. These developments largely account for falling prices of dairy products and milk cows during recent months. Expanded production, however, is not the only source of difficulties in the dairy industry relating to appearance of surpluses. Greatly reduced per capita consumption of butter in the United States and greatly reduced export shipments of dairy products are, perhaps, even more important.

TABLE 3
FARM PRICES OF SELECTED LIVESTOCK AND LIVESTOCK PRODUCTS—AUGUST 15, 1953
MOUNTAIN[1] AND PACIFIC COAST STATES

	Aug. 15, 1953 Mountain (dollars)	Aug. 15, 1953 Pacific (dollars)	Percent change Aug. 15, 1952-53 Mountain	Percent change Aug. 15, 1952-53 Pacific
Hogs (cwt.)	23.90	23.50	—10	+ 7
Beef cattle (cwt.)..	16.40	24.60	—36	—33
Calves (cwt.)	16.40	27.80	—43	—39
Lambs (cwt.)	19.20	24.70	—23	—22
Wool (lb.)	.53	.53	0	— 6
Milk (cwt.)	4.09	5.19	—10	—11
Milk cows (each)..	189.00	278.00	—27	—26
Turkeys (lb.)	.33	.30	— 4	+ 4
Chickens (lb.)	.24	.28	— 4	0
Eggs (doz.)	.54	.55	+ 5	+ 6

[1] Mountain states include Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, and Nevada.
Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Agricultural Prices*, August 28, 1953.

Net income from dairying this year is expected to be substantially below that received in 1952 for two reasons. These are (1) that farm price decreases for milk appear to be offsetting increases in milk production and (2) that many production costs incurred in dairying are higher this year than last. Still, milk production is not expected to decline next year. In fact, the lower level of net income from some other enterprises and a prevailing condition of increased uncertainty in agriculture may induce more farmers to milk cows. In the past the dairy industry has exhibited a relatively high degree of stability and certainty in regard to prices and incomes.

Total crop production expected to be second largest on record

Crop production estimates of the Bureau of Agricultural Economics indicate that the total yield of crops this season will equal last year's volume and will be exceeded only by the record harvest of 1948. Total acreage of crops for harvest is about equal to the 1942-51 average and to acreage harvested last year.

The prospects of bumper crops are expected to swell the burdens of the Government price support program for crops. Acreage allotments and marketing quotas have been announced for wheat, tobacco, and peanuts and these controls may be extended to include corn and cotton. However, the prospective corn crop appears to be just short of the volume which would require imposition of marketing quotas on this crop but is large enough that voluntary acreage allotments are probable.

The size of the forthcoming grain crops also has contributed to a major problem of storage in the Pacific Northwest as well as in the Corn Belt and Midwest wheat states. On July 1, 1953, stocks of corn and wheat in the United States were up 31 percent and 118 percent, respectively, from year ago levels. In the Pacific Northwest, wheat stocks on July 1 this year were about 4½ times larger than the relatively small holdings on July 1 last year and 42 percent more than the five year (1947-51) average of July 1 holdings.

Huge wheat crop plus carryover creates surplus problem

A combined spring and fall wheat crop of 1,203 million bushels has been forecast. This is just under the 1,291

TABLE 4
INDICATED 1953 PRODUCTION OF FIELD CROPS—AUGUST 1, 1953
TWELFTH DISTRICT

	Indicated 1953 production (in thousands)	Percent change 1953 compared with— 1952	1942-51 average
Cotton (bales)	2,708	— 3	+149
Wheat (bu.)	181,828	+ 5	+ 28
Barley (bu.)	91,571	*	+ 7
Oats (bu.)	30,655	— 9	— 7
Hay, all (tons)	14,330	— 1	+ 3
Rice (cwt.)	11,536	— 3	+ 49
Sugar beets (tons)	5,768	+22	+ 27
Dry edible beans (cwt.)	6,952	+ 2	— 3
Hops (lbs.)	43,275	—32	— 16

*Less than 1 percent.
Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Crop Production,* August 1, 1953.

million bushels produced last year which was the third largest crop ever harvested. In the Twelfth District the 1953 wheat crop is expected to reach a new record high of 182 million bushels or 28 percent above average annual production over the period 1942-51. At the same time, 1952-53 world grain production is expected to attain all-time record levels and this indicates that grain exports from the United States will continue below previous high levels. During the last year export shipments of wheat out of Portland and Astoria were about 40 percent smaller than during the previous year. As indicated in Table 5, District wheat prices in August were down 7 to 8 percent from year ago levels and little improvement is expected during the remainder of the year relative to comparable periods of recent past years.

The total wheat supply as of July 1, 1953 is now estimated at 1,768 million bushels, an all-time record, consisting of a crop of 1,203 million bushels, a carryover of about 560 million bushels, and probable imports of about 5 million bushels. Even if exports of wheat increase in the forthcoming marketing year over last year, the national carryover of wheat on July 1, 1954, is expected to exceed 700 million bushels or 140 million more than indicated for this year.

Wheat controls voted

Incomplete but conclusive returns from the recent referendum among the nation's wheat farmers showed that 87 percent favored controls on 1954 wheat production in the form of wheat marketing quotas. The referendum followed an announcement of the Secretary of Agriculture declaring a national acreage allotment and marketing quotas on 1954 crop wheat. The Secretary's announcement came on the heels of legislation which raised the minimum wheat acreage allotment from 55 to 62 million acres. This is 20 percent less than the 77 million acres planted this year.

In the referendum, wheat producers were asked to choose between (1) price supports at 50 percent of parity (about $1.23 per bushel) with no limits on production other than voluntary acreage allotments and (2) price supports at 90 percent of parity (about $2.21 per bushel) with production limited by acreage allotments and marketing quotas.

The national acreage allotment has been apportioned among states, counties, and individual farms on the basis of acreage seeded for the production of wheat during the period 1943-53 with adjustments for abnormal weather, trends in acreage, and other factors. The marketing quota of any individual wheat farm is, in effect, the average annual yield of wheat in the same ten-year period from the farm's acreage allotment. Marketing quotas will apply to all farms on which there is planted more than 15 acres of wheat, and penalties equal to 45 percent of the May 1, 1954 parity price for wheat will apply on any wheat produced in excess of the farm's allotment. About 1.7 million acres of land in Oregon, Washington, and Idaho alone are expected to be retired from wheat production in 1954. Wheat production in each of these states may be reduced 30 percent below 1953 planted acreage and 20 percent below the average number of acres harvested over the period 1949-53.

Drastic cotton acreage reduction in prospect

Despite larger than average abandonment caused by drought in the Southwest and increasing weevil damage in eastern cotton belt states, a 15.2 million bale national cotton crop was forecast on September 1 by the Department of Agriculture. This is slightly larger than the 15.1 million bales harvested last year.

California's and Arizona's crop, while suffering retarding effects of cool spring weather and crusted soils, is expected to offset decreases elsewhere and account for roughly 18 percent of total national production. Cotton acreage for those two states, continuing a long-time upward trend, reached 2.1 million acres or 9.8 percent of the total planted nationally in 1953.

Domestic mill consumption of cotton in the year ahead is expected to equal or exceed disappearance of the last year in this outlet. In addition, prospects in the export outlet for domestic cotton have improved in recent weeks. Exports in 1953-54 are tentatively estimated at between 3 and 4 million bales compared to 1952-53 exports of 3.2 million bales. Foreign production appears to be down 500,000 to one million bales from last year, but some cotton exporting countries have relatively large stocks of cotton on hand.

The large cotton crop in prospect for this year virtually assures imposition of acreage allotments and marketing quotas on the 1954 cotton output. Recently, the House

TABLE 5
PRICES OF SELECTED FIELD CROPS—AUGUST 15, 1953
MOUNTAIN[1] AND PACIFIC COAST STATES

	Prices on Aug. 15, 1953 (dollars) Mountain	Pacific	Percent change Aug. 15, 1952-53 Mountain	Pacific
Cotton (lb.)	.32	.32	—19	—13
Wheat (bu.)	1.81	1.97	— 7	— 8
Barley (bu.)	1.05	1.24	—21	—21
Oats (bu.)	.73	.86	—22	—12
Rice (cwt.)	..	5.50	..	+ 8
Hay, alfalfa (tons)	19.60	20.70	—29	—30
Dry edible beans (cwt.)	8.72	11.10	+18	+20

[1] Mountain states include Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, and Nevada.
Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Agricultural Prices,* August 28, 1953.

of Representatives passed a bill which, if acreage controls become necessary, would set the national cotton acreage allotment at 22.5 million acres and limit required acreage reduction in any state to 29½ percent of 1952 plantings. The Senate, however, adjourned without taking action on this bill. Therefore, if cotton production controls are proclaimed, Government administrators will be required under existing law to permit a national allotment of only 17½ to 18 million acres. Planted acreage this year totals 24.6 million acres. Distribution of the allotted acreage is based on acreage in production during the period 1947-52 with 1949 excepted. This would mean severe cotton acreage cuts in western areas where production has increased rapidly in recent years. In California alone this could mean a reduction of over 700,000 acres. As a consequence, cash farm income of District cotton producing areas may be reduced by many millions of dollars. No alternative crop yields monetary returns per acre which approach those of cotton.

District field crop production at high levels

The marketing outlook for dry beans is excellent since disappearance of this commodity is expected to be larger in the marketing season ahead than this year's total crop. Increased supplies of peas, however, are expected to result in substantially lower farm prices this season than for last year's relatively small crop.

The barley crop of the District is expected to be slightly larger than last year's rather large crop, and prices of both barley and oats are down 10 to 15 percent, reflecting over-all relative increases in feed supplies. District hay production is expected to be smaller this year, and, due partly to reduced prices for dairy products, hay prices are down one-fourth from last year. Both hay and barley production may increase materially in California next year if production controls are imposed on cotton. Marketing quotas on wheat also may affect District production of barley, oats, and other small grains.

Sugar beet production appears to have increased substantially in the District from last year and above the average level of production in recent years. Of the major sugar beet states, the largest percentage increase over last year occurred in Washington where planted acreage is 42 percent above a year ago.

Reduced market demand, unfavorable weather, and termination of a Federal marketing agreement on hops have combined to result in an anticipated 32 percent reduction from last year in District hop production. The District rice crop also is expected to be smaller this year but a record United States crop is anticipated. Still, negligible stocks of old rice and an active export demand are expected to maintain rice prices at high levels. Rice acreage may be boosted still more next year if marketing quotas on cotton are imposed.

Fruit production expected to equal last year's levels

Over the nation, 1953 production of deciduous fruits may not be greatly different from the relatively small crop last year. The level of prices received by growers also will be about the same as in 1952. Substantial variation in quantities of individual fruits and nuts coming from District trees, however, is in evidence (see Table 6). Heavy reduction of walnut, grape, and sweet cherry production occurred in California due to damaging weather.

TABLE 6
INDICATED PRODUCTION OF SELECTED DECIDUOUS FRUITS AND NUTS—AUGUST 1, 1953
TWELFTH DISTRICT

	Indicated 1953 production (in thousands)	Percent change 1953 compared with— 1952	1942-51 average
Almonds (tons)	40	+10	+11
Walnuts (tons)	69	—16	— 3
Apples (bu.)	38,777	+ 6	— 7
Apricots (tons)	209	+18	— 7
Cherries, all (tons)	88	— 1	— 2
Grapes (tons)	2,619	—13	— 4
Peaches (bu.)	35,393	+ 5	*
Pears (bu.)	26,067	— 3	+ 4
Plums (tons)	86	+62	+ 5
Prunes (tons)	446	+ 6	—22

*Less than 1 percent.
Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Crop Production*, August 1, 1953.

Increased output of apples, apricots, peaches, and plums has been realized. However, notable reduction in canned stocks of apricots and peaches and in cold storage holdings of apples has offset, at least partly, the tendency for prices of these commodities to fall. Excellent summer weather conditions are expected to result in high yields of fruits in Washington where peach production is expected to be up 23 percent and pear production may be increased 50 percent over last year. However, decreases in California have resulted in an anticipated small reduction in total District pear marketings. The California Canning Pear Association has set prices for this year's canning pear crop at $68 to $77.50 a ton. This is $7 below last year's prices.

The outlook for 1953-54 navel oranges and grapefruit in the Twelfth District is good, and about an average lemon crop is anticipated. However, larger supplies of old crop Valencias remain to be marketed this year than last. This fact, together with the probability of increased fall and winter production in California and an increase in supply of competing fruits, may bring market prices of oranges to a lower level than those obtained a year ago.

In the past year, exports of oranges and of canned and frozen orange and grapefruit juice increased materially, but shipments abroad of fresh lemons and grapefruit declined. The reduction in lemon exports resulted primarily from discontinuation of a Government export payment program on lemons and limes. Nevertheless, income to United States farmers in 1952-53 from marketings of citrus products in foreign markets approximately equalled income from this source over the period 1951-52.

More District vegetable production but prices lower

Despite adverse June and early spring weather, total United States production of truck crops for fresh market and commercial processing is expected to be 5 percent above a year ago. Average prices received by farmers for truck crops fell 20 percent in the first half of July this year as a result of sharply increased summer marketings. But with demand continuing fairly strong, prices received by vegetable producers are expected to average only slightly lower this year than last. Table 7 shows indicated District production of selected vegetables for which data are available and which contribute heavily to District truck crop income.

Supplies of early potatoes and onions from District states have come forth at a rate considerably greater than a year ago, causing prices to plummet to one half those of last year. A slight drop from last year in total District production of late potatoes is much more than offset by large increases in eastern and central late-potato producing states. Consequently, even though potato prices may increase during the fall and winter they are expected to remain relatively low.

Total District tonnage of commercial vegetables will be significantly affected this year by a 24 percent reduction from last year's volume of tomatoes for processing. This sharp reduction resulted from large carryover stocks of fresh tomatoes, juice, and other tomato products.

TABLE 7
INDICATED PRODUCTION OF SELECTED COMMERCIAL VEGETABLES—AUGUST 1, 1953—TWELFTH DISTICT

	Indicated 1953 production (in thousands)	Percent change 1953 compared with 1952	1949-51 average
Potatoes, early (bu.)	34,840	+28	+33[1]
Potatoes, late (bu.)	83,992	— 1	+ 7[1]
Asparagus (30 lb. crates)	6,848	+ 8	+ 2
Sweet potatoes (bu.)	1,200	+ 4	+ 2[1]
Tomatoes, for fresh market (bu.)	4,392	+ 1	+11
Sweet corn (tons)	62	— 2	+ 2
Green peas for processing (tons, shelled)	175	+ 7	+21
Cantaloupes (70 lb. crates)	13,851	— 3	+ 2
Watermelons (melons)	18,890	+18	+10

[1] Averages used here are 1942-51.
Source: United States Department of Agriculture, Bureau of Agricultural Economics, *Commercial Vegetables for Fresh Market*, August 11, 1953.

THE CHANGING COMPOSITION OF TWELFTH DISTRICT MEMBER BANK LOANS, FIRST HALF OF 1953

PRELIMINARY tabulations of the call reports made by all member banks in the Twelfth District and the nation have become available recently. Although it is possible to determine the general trend of bank loans from the data received and published weekly for selected banks in leading cities, this series does not provide the detailed composition of loans nor is it comprehensive in its coverage. These preliminary tabulations of call report data, then, furnish a wealth of information available only on call report dates, which occur at approximately three-month intervals.

Total loans outstanding in the District increased by nearly one-third of a billion dollars during the first half of this year. The dollar increase was somewhat larger in the second quarter (from April 20 to June 30) than in the first quarter (from December 31 to April 20). In contrast, the increase in the country as a whole was not only less on a percentage basis than that in the District, but all of it occurred in the first quarter of the year, with gross loans declining by over $22 million in the second quarter. The District differed further from the nation in that the increase in gross loans during the first six months of 1953 was larger than in the comparable period of last year, whereas the opposite was true for the nation as a whole.

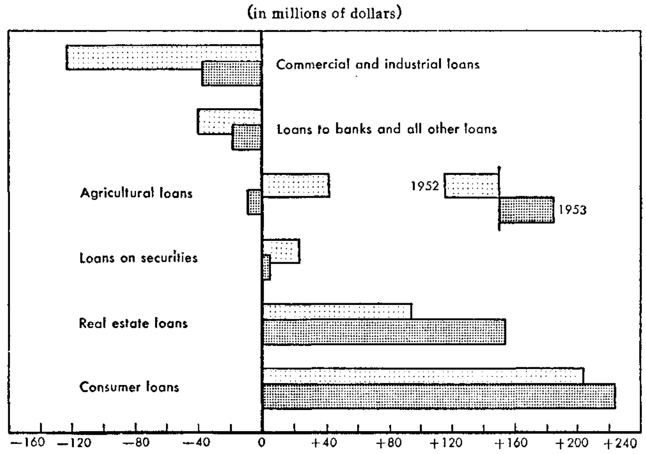
Consumer and real estate loans rise substantially

The District increase in loans came overwhelmingly from "other loans to individuals" (which are predominantly consumer loans) and real estate loans. These two categories combined increased by $379 million, considerably more than the increase in total loans. The principal offsetting declines occurred in commercial and industrial loans and loans to farmers, with the decline in CCC loans more than offsetting the rise in other non-real estate loans to farmers. However, commercial and industrial loans did not decline by nearly as much as they did in the first half of last year.

The national pattern is roughly similar, with commercial and industrial loans declining less than last year and real estate and consumer loans increasing more. The rate of growth in consumer and real estate loans was somewhat less than that in the District, however. Agricultural loans declined relatively more nationally than in the District, dropping by $183 million in contrast to a $123 million increase in the corresponding period last year. As in the case of the District, the decline was confined to CCC loans. Loans on securities, which had increased in 1952, declined in the first half of this year. The relative importance of these loans is greater in the nation than in the Twelfth District, over 4 percent in all United States member banks compared with less than 1 percent in the District.

Both the national and the District figures, particularly the latter, indicate that the demand for bank credit continued high in the first half of 1953. Close examination of

CHANGES IN LOANS OF TWELFTH DISTRICT MEMBER BANKS JANUARY TO JUNE 1952 AND 1953
(in millions of dollars)



Source: Member bank call reports.

this demand in the District spotlights the purchase of homes and automobiles as the prime movers in the credit scene. Real estate loans outstanding at member banks increased by nearly $155 million in the first half of this year compared with a rise of $95 million in the same period in 1952. The much larger increase this year was due primarily to a substantial growth in FHA mortgages, although a marked increase in loans on commercial and industrial properties also contributed. Real estate loans guaranteed by the Veterans' Administration continued to decline but not by as much as last year. The dollar increase in consumer loans was 10 percent larger this year than last. This rise is entirely attributable to the increase in retail automobile instalment paper, which increased by 75 percent more than last year, while all other consumer loans increased less than last year.

Farm loans rise less than in first half of 1952

Lower farm prices have led to greater caution in the extension of agricultural loans, and the increase in "other loans to farmers" was considerably less than that which occurred in the first half of 1952 in both the Twelfth District and the nation. On December 31, 1952, CCC-guaranteed loans reached a total in the District of $45 million, greater than the end-of-1951 total by $34 million. By the end of June 1953, however, a marked seasonal reduction had brought the amount of CCC loans outstanding to a level much below that of the previous June. Consequently, the decline in the first half has been much larger this year than last. Loans on farm land increased less in the first six months of this year than last. Largely as a result of the behavior of farm loans, total loans of District country member banks rose less in the first half of 1953 than a year ago, whereas reserve city banks had a larger gain in total loans this year.

Changes in loans by industry

Although commercial and industrial loans typically decline very sharply in the first six months of the year, the decline in the Twelfth District this year was less than $38 million, compared with a drop of nearly $122 million in the first half of 1952. Examination of the loans reported by industry by selected weekly reporting banks in the Twelfth District reveals increases springing from the continued rise in consumer income and spending. Loans to the wholesale and retail trade and loans to sales finance companies increased in the first half of this year, whereas they had decreased in the same period of 1952. An outstanding increase is apparent in loans to the public utilities and transportation industry in contrast to a small decline last year. This increase may indicate not only current expansion in this field but also a demand for short-term funds resulting from postponement of longer-term security issues owing to the rise in interest rates. The smaller decline in loans to food, liquor, and tobacco businesses may reflect such influences as the inventory situation in the District canning industry, as outlined in the July *Monthly Review.* Running against the trend in the District were loans to metals and metals products concerns, which increased less than in 1952; loans to commodity dealers and loans to the lumber and forest products industries, both of which decreased more; and loans

LOANS OUTSTANDING AT TWELFTH DISTRICT MEMBER BANKS, JUNE 30, 1953, AND CHANGES FROM DECEMBER 31, 1952 FOR TWELFTH DISTRICT AND UNITED STATES MEMBER BANKS

	Twelfth District										United States
	Loans outstanding June 30, 1953 (in millions of dollars)	Change from Dec. 31, 1952 to June 30, 1953 (in millions of dollars)	Percent change from December 31, 1952 to June 30, 1953								Percent change Dec. 31, 1952 to June 30, 1953
			Twelfth District	Arizona	California	Idaho	Nevada	Oregon	Utah	Washington	
Commercial and industrial loans	3,082.6	— 37.9	— 1.2	— 3.0	— 1.6	+10.6	+22.9	— 1.2	+ 5.8	— 1.5	— 1.8
Total non-real estate loans to farmers	460.8	— 8.1	— 1.8	— 14.4	+ 5.0	—10.8	+ 7.2	+ 8.2	— 3.7	—22.1	— 8.2
Loans to farmers directly guaranteed by CCC	0.4	— 44.9	....	— 60.4	—94.0	—98.6	....	—99.7	—96.9	—99.9	....
Other loans to farmers	460.5	+ 36.8	+ 8.0	— 14.1	+ 5.2	+24.0	+ 7.2	+17.5	+ 4.1	+45.4	+ 3.3
Loans for purchasing or carrying securities	72.0	+ 4.6	+ 6.4	— 10.3	+ 9.7	—54.7	+13.1	—22.9	+11.9	+18.3	—14.4
Total real estate loans	3,538.0	+154.9	+ 4.4	+ 6.5	+ 4.7	+ 6.3	+ 1.6	+ 1.0	+ 1.5	+ 7.9	+ 3.3
On farm land	110.8	+ 2.9	+ 2.6	+ 9.7	+ 2.9	+ 3.8	— 3.2	+ 2.5	— 2.6	+ 3.3	+ 3.2
On residential property	3,039.6	+133.4	+ 4.4	+ 6.7	+ 9.6	+ 7.5	+ 0.9	+ 1.1	— 0.3	+ 8.2	+ 3.0
Insured by FHA	1,400.3	+114.9	+ 8.2	+ 8.6	+ 9.8	+ 8.7	+ 5.3	+ 1.5	— 5.3	+ 8.8	+ 3.5
Insured or guaranteed by VA	812.8	— 19.7	— 2.4	— 1.1	— 3.5	+ 0.9	—15.2	— 0.3	+18.6	+12.0	+ 0.3
Not insured or guaranteed by FHA or VA	826.5	+ 38.2	+ 4.6	— 6.4	+ 5.1	+16.3	— 1.5	+ 3.4	— 0.2	+ 5.3	+ 4.2
On other properties	387.6	+ 18.6	+ 4.8	— 8.3	+ 5.4	+ 0.3	— 4.0	— 0.4	+ 4.1	+ 7.9	+ 3.1
Total other loans to individuals	1,970.6	+223.9	+11.4	+ 13.4	+11.2	+23.7	+26.8	+14.0	+13.4	+16.2	+10.4
Retail automobile instalment paper	904.7	+153.5	+17.0	+ 19.4	+20.7	+32.3	+37.8	+17.1	+22.6	+17.1	+17.3
Other retail instalment paper	333.6	+ 26.6	+ 8.0	+ 15.0	+ 0.9	+18.1	+20.5	+30.1	+ 3.6	+46.0	+14.4
Repair and modernization instalment loans	237.9	+ 10.4	+ 4.4	+ 16.3	+ 2.4	+ 7.1	+26.6	+ 2.3	+24.0	+ 4.1	+ 6.1
Instalment cash loans	223.7	+ 11.6	+ 5.2	— 0.9	+ 6.5	+18.4	+ 0.4	+ 2.6	+11.5	— 0.3	+ 8.6
Single-payment loans	270.8	+ 21.9	+ 8.1	+ 6.0	+10.0	+32.1	+19.8	+ 4.1	— 4.1	+ 5.4	+ 4.2
All other	146.3	— 16.7	—11.4	+198.6	— 8.6	—15.5	—19.8	— 3.4	+41.5	—30.6	+ 0.9
Loans—gross	9,270.4	+320.7	+ 3.5	+ 1.9	+ 3.5	+ 5.3	+12.0	+ 3.6	+ 5.2	+ 2.7	+ 1.1
Reserves	119.6	+ 8.9	+ 7.5	+ 17.6	+ 9.5	+10.8	+26.4	— 3.0	+ 0.5	+ 1.4	+ 3.7
Loans—net	9,150.8	+311.8	+ 3.4	+ 1.8	+ 3.5	+ 5.3	+11.9	+ 3.7	+ 5.3	+ 2.7	+ 1.0

Source: Member bank call report data.

to firms engaged in the petroleum, coal, chemicals, and rubber businesses which decreased by $4 million in 1953 as compared with a $9 million increase in 1952. Roughly the same pattern of behavior of loans by industry is apparent in the national figures, with the important exception that loans to sales finance companies declined.

Changes in loans by states

The breakdown of loans by states within the District reveals that, in general, the pattern of loan changes in individual states is similar to that outlined for the District as a whole. Total loans increased in every state in the District this year. In California, Nevada, Utah, and Washington, the increase was greater than in the first six months of 1952, while the increase in loans at Twelfth District banks in Arizona is in contrast with an absolute decrease in the first half of last year. The increase in Idaho was smaller this year, and in Oregon this year's increase was less than half the sizable rise that occurred in 1952.

California accounted for over three-quarters of the total increase in the Twelfth District, somewhat more than last year. The dollar volume of net new loans in California was more than double that in the first half of last year. Since this state accounts for such a large part of District loans, the changes in various categories of loans in California paralleled those in the District quite closely. Most of the major changes in loan categories in Arizona, Idaho, Nevada, and Washington tended to follow the District pattern. In the two remaining states, some divergence from District trends was apparent. The relative changes in the various categories of loans for each Twelfth District state are shown in the accompanying table.

In summary, there has been a substantial increase percentagewise in loans made in the Twelfth District in the first half of this year, an increase which is greater than that recorded in the District last year as well as greater than the national increase this year. Most of this increase came from the financing of purchases of homes and automobiles. Consumer credit also made its influence felt through business borrowing to handle consumer demands. Undoubtedly, one of the factors has been the increase in inventories that has occurred this year. For these reasons, as well as the need of some businesses to augment their working cash balances, to make tax payments, to finance expansion, and to meet higher costs, the pressure of demand for credit has been strong and has been partially met by the extension of bank credit within the District and nationally.

REVISION OF SEASONALLY ADJUSTED INDEXES OF TWELFTH DISTRICT DEPARTMENT STORE SALES

The statistical table in this *Review* includes a monthly index of department store sales adjusted for seasonal variation. This monthly index attempts to show what the trend in the dollar volume of department store sales would be in the absence of seasonal forces. Seasonal forces are those holidays and festivities, weather conditions, and customs and habits that affect business activities at approximately the same time each year. By eliminating these forces the monthly index portrays the effect of general business conditions, long-time growth factors, and random influences on the dollar volume of goods sold at department stores.

Seasonal forces may change in timing and importance, however, as time passes. The change is usually the result of alterations in habits and customs and is, therefore, gradual. When it is large enough to be detected, compensating adjustments are made in the adjustment factors so that the indexes will continue to reflect the influence of general business conditions and long-time growth factors. Since 1950 the pattern of buying at Twelfth District department stores has departed from that of earlier years. A greater proportion of the sales are now made later in the year than was the case in the preceding years. The seasonal factors for the department store index have been adjusted to reflect this change in pattern and the revised series is shown below. Lower seasonal factors are present early in the year and higher factors late in the year. The seasonally adjusted index is derived by dividing the unadjusted index by monthly seasonal factors. The revision leads to relatively higher seasonal factors in the latter part of the year, producing lower indexes during these periods. The relatively smaller seasonal adjustment factors for the early parts of the year produce higher indexes on the revised basis for the months in the first half of the year.

Revised Indexes of Department Store Sales
Twelfth District
(1947-49 daily average=100)
Adjusted for seasonal variation

	1950	1951	1952	1953
January	93	124	107	116
February	98	115	108	116
March	100	105	110	119
April	99	107	111	116
May	100	105	121	124
June	102	106	117	121
July	133	107	111	117
August	107	105	116	...
September	108	107	114	...
October	102	108	118	...
November	103	108	117	...
December	107	108	117	...

Correction: In the table on page 91 of the July 1953 *Monthly Review,* some of the figures in the table on "Expenditures for New Construction, United States" were transposed. The corrected table appears below.

Expenditures for New Construction, United States
First Half 1952 and 1953
(in millions of dollars)

	Jan.-June 1952	Jan.-June 1953	Percent change
Total new construction	14,821	15,967	+7.7
Private construction	10,025	10,851	+8.2
Residential	4,963	5,428	+9.4
Other than residential	5,062	5,423	+7.1
Public construction	4,796	5,116	+6.7

Source: United States Department of Labor, Bureau of Labor Statistics and United States Department of Commerce.

BUSINESS INDEXES—TWELFTH DISTRICT[1]

(1947-49 average=100)

Year and month	Industrial production (physical volume)[2]								Total nonagricultural employment	Total mf'g employment[4]	Carloadings (number)[2]	Dep't store sales (value)[2]	Retail food prices[3, 5]	Waterborne foreign trade[3, 6]	
	Lumber	Petroleum[3] Crude	Petroleum[3] Refined	Cement	Lead[3]	Copper[3]	Wheat flour[3]	Electric power						Exports	Imports
1929	97	87	78	54	165	105	90	29	....	....	102	30	64	190	124
1931	51	57	55	36	100	49	86	29	....	....	68	25	50	138	80
1933	41	52	50	27	72	17	75	26	....	....	52	18	42	110	72
1935	54	62	56	33	86	37	87	30	....	47	66	24	48	135	109
1936	70	64	61	58	96	64	81	34	....	54	77	28	48	131	116
1937	74	71	65	56	114	88	84	38	....	60	81	30	50	170	119
1938	58	75	64	45	92	58	81	36	....	51	72	28	48	164	87
1939	72	67	63	56	93	80	91	40	....	55	77	31	47	163	95
1940	79	67	63	61	108	94	87	43	....	63	82	33	47	132	101
1941	93	69	68	81	109	107	87	49	....	83	95	40	52	....	....
1942	93	74	71	96	114	123	88	60	....	121	102	49	63	....	....
1943	90	85	83	79	100	125	98	76	100a	164	99	59	69	....	....
1944	90	93	93	63	90	112	101	82	101a	158	105	65	68	....	....
1945	72	97	98	65	78	90	112	78	96a	122	100	72	70	....	....
1946	85	94	91	81	70	71	108	78	95a	97a	101	91	80	....	....
1947	97	100	98	96	94	106	113	90	99a	100a	106	99	96	89	57
1948	104	101	100	104	105	101	98	101	102a	102a	100	104	103	129	81
1949	99	99	103	100	101	93	88	108	99a	97a	94	98	100	86	98
1950	112	98	103	112	109	115	86	119	103a	105a	97	105	100	85	121
1951	114	106	112	128	89	115	95	136	112a	122a	100	109	113	91	137
1952	107	107	116	124	86	112	96	144	116a	130a	101	114	115	186	157
1952														171	200
June	117	107	116	126	87	112	84	150	115a	128a	108	117b	115	187	182
July	108	107	116	125	68	106	90	150	116a	130a	96	111b	114	144	187
August	106	107	122	131	81	105	103	153	118a	131a	101	116b	114	153	293
September	109	107	122	131	78	112	99	145	119a	131a	108	114b	114	142	253
October	116	107	117	142	80	115	96	146	119a	134a	98	118b	113	145	319
November	105	107	118	133	85	116	97	141	118a	134a	102	117b	114	135	194
December	99	108	114	126	78	111	96	138	118a	135a	100	117b	115	148	232
1953															
January	116	107	115	105	77	109	99	141	118a	136a	94	116b	114	151	195
February	117	108	117	131	85	113	92	154	119a	135a	102	116b	112	158	187
March	120	109	123	126	85	116	96	142	119a	136a	102	119b	113	179	336
April	120	108	122	132	83	114	96	165	119a	136a	104	116b	113	164	336
May	112	109	127	142	75r	115	91	167	119a	137a	102	129b	113	....	384
June	120	110	121	134	73	105	99	....	119a	137a	111	121b	113	....	....

BANKING AND CREDIT STATISTICS—TWELFTH DISTRICT

(amounts in millions of dollars)

Year and month	Condition items of all member banks[7]				Bank rates on short-term business loans[9]	Member bank reserves and related items[10]					Bank debits Index 31 cities[5, 13] (1947-49=100)[2]
	Loans and discounts	U.S. Gov't securities	Demand deposits adjusted[8]	Total time deposits		Reserve bank credit[11]	Commercial operations[12]	Treasury operations[12]	Coin and currency in circulation[11]	Reserves	
1929	2,239	495	1,234	1,790	......	− 34	0	+ 23	− 6	175	42
1931	1,898	547	984	1,727	......	+ 21	− 154	+ 154	+ 48	147	28
1933	1,486	720	951	1,609	......	− 2	− 110	+ 150	− 18	185	18
1935	1,537	1,275	1,389	2,064	......	+ 2	− 163	+ 219	+ 14	287	25
1936	1,682	1,334	1,791	2,101	......	+ 6	− 227	+ 454	+ 38	479	30
1937	1,871	1,270	1,740	2,187	......	− 1	− 90	+ 157	− 3	549	32
1938	1,869	1,323	1,781	2,221	......	− 3	− 240	+ 276	+ 20	565	29
1939	1,967	1,450	1,983	2,267	......	+ 2	− 192	+ 245	+ 31	584	30
1940	2,130	1,482	2,390	2,360	......	+ 2	− 148	+ 420	+ 96	754	32
1941	2,451	1,738	2,893	2,425	......	+ 4	− 596	+1,000	+ 227	930	39
1942	2,170	3,630	4,356	2,609	......	+ 107	−1,980	+2,826	+ 643	1,232	48
1943	2,106	6,235	5,998	3,226	......	+ 214	−3,751	+4,486	+ 708	1,462	60
1944	2,254	8,263	6,950	4,144	......	+ 98	−3,534	+4,483	+ 789	1,706	66
1945	2,663	10,450	8,203	5,211	......	− 76	−3,743	+4,682	+ 545	2,033	72
1946	4,068	8,426	8,821	5,797	......	+ 9	−1,607	+1,329	− 326	2,094	86
1947	5,358	7,247	8,922	6,006	......	− 302	− 510	+ 698	− 206	2,202	95
1948	6,032	6,366	8,655	6,087	......	+ 17	+ 472	− 482	− 209	2,420	103
1949	5,925	7,016	8,536	6,255	3.20	+ 13	− 930	+ 378	− 65	1,924	102
1950	7,093	6,415	9,254	6,302	3.35	+ 39	−1,141	+1,198	− 14	2,026	115
1951	7,866	6,463	9,937	6,777	3.66	− 21	−1,582	+1,983	+ 189	2,269	132
1952	8,839	6,619	10,520	7,502	3.95	+ 7	−1,912	+2,265	+ 132	2,514	140
1952											
July	8,114	6,507	9,643	7,143	......	+ 45	− 208	+ 288	+ 7	2,333	135
August	8,270	6,469	9,679	7,197	......	+ 213	− 126	+ 163	+ 49	2,535	134
September	8,444	6,473	9,908	7,249	3.96	− 230	− 153	+ 213	+ 4	2,363	144
October	8,605	6,765	10,125	7,336	......	+ 236	− 294	+ 267	+ 32	2,527	146
November	8,805	6,808	10,281	7,331	......	+ 72	− 29	+ 79	+ 34	2,616	141
December	8,844	6,627	10,504	7,498	3.95	− 299	− 240	+ 422	− 12	2,514	157
1953											
January	8,816	6,633	10,390	7,490	......	+ 138	− 263	+ 136	− 77	2,565	146
February	8,838	6,474	9,911	7,551	......	+ 83	− 119	− 13	+ 22	2,491	150
March	8,983	6,299	9,937	7,560	4.01	− 220	− 147	+ 240	− 18	2,394	164
April	9,054	6,173	10,011	7,597	......	+ 16	− 278	+ 240	+ 11	2,378	153
May	9,092	6,020	9,843	7,627	......	− 12	− 195	+ 314	+ 22	2,463	150
June	9,156	5,997	9,899	7,703	4.18	− 39	− 531	+ 435	+ 39	2,275	155
July	9,167	6,675	10,005	7,729	......	+ 75	− 184	+ 274	+ 3	2,450	148

[1] Adjusted for seasonal variation, except where indicated. Except for department store statistics, all indexes are based upon data from outside sources, as follows: lumber, various lumber trade associations; petroleum, cement, copper, and lead, U.S. Bureau of Mines; wheat flour, U.S. Bureau of the Census; electric power, Federal Power Commission; nonagricultural and manufacturing employment, U.S. Bureau of Labor Statistics and cooperating state agencies; retail food prices, U.S. Bureau of Labor Statistics; carloadings, various railroads and railroad associations; and foreign trade, U.S. Bureau of the Census. [2] Daily average. [3] Not adjusted for seasonal variation. [4] Excludes fish, fruit, and vegetable canning. [5] Los Angeles, San Francisco, and Seattle indexes combined. [6] Commercial cargo only, in physical volume, for Los Angeles, San Francisco, San Diego, Oregon, and Washington customs districts; starting with July 1950, "special category" exports are excluded because of security reasons. [7] Annual figures are as of end of year, monthly figures as of last Wednesday in month or, where applicable, as of call report date. [8] Demand deposits, excluding interbank and U.S. Gov't deposits, less cash items in process of collection. Monthly data partly estimated. [9] Average rates on loans made in five major cities during the first 15 days of the month. [10] End of year and end of month figures. [11] Changes from end of previous month or year. [12] Minus sign indicates flow of funds out of the District in the case of commercial operations, and excess of receipts over disbursements in the case of Treasury operations. [13] Debits to total deposit accounts prior to 1942, debits to demand deposit accounts from 1942 on, excluding interbank deposits. a—New revised series. b—See Article on page 109. r—Revised.