

Monthly Review



TWELFTH FEDERAL RESERVE DISTRICT

FEDERAL RESERVE BANK OF SAN FRANCISCO

May 1956

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BANK LOANS

RISE SHARPLY

IF the trend of bank lending is a good indication, last year's business boom continued with unabated vigor during the first few months of this year in the Twelfth Federal Reserve District. Total outstanding loans of member banks in the District (adjusted to eliminate interbank loans) amounted to \$11,443 million on April 10 of this year, an increase of \$296 million or 2.6 percent since December 31, 1955. This rise was three times as great as the increase during the corresponding period of last year, and contrasts with a decrease in the like period of 1954.

Preliminary data from the April 10 Call Report make possible these comparisons and also an analysis of changes in the composition of bank loans from the last Call Report date, December 31, 1955. Call Reports are prepared four times a year at approximately three-month intervals by member banks of the Federal Reserve System. They provide more detailed information about lending and other bank activities and a more complete coverage than the published weekly reports from selected member banks.

Nearly all types of loans increase

Real estate loans, which form the largest single element in Twelfth District member bank lending, increased by \$167 million or 3.8 percent between the end of last year and April 10 of this year. The increases during the corresponding periods of 1954 and 1955 were only \$56 million and \$127 million respectively. Residential real estate loans accounted for \$156 million of this year's increase, loans on farm property for about \$1 million, and all other real estate loans for about \$9 million. The large increase in residential real estate loans probably reflects two factors: completion of many houses begun during last year's building boom, and an increase in the share of mortgages being taken by banks as compared with life insurance companies and other mortgage purchasers.

More significant than the increase in real estate loans was the rise of \$117 million or 3 percent in commercial and industrial loans, the second largest element in Twelfth District bank lending. This was the first time this category of

loans had increased in the first quarter of the year since 1951, following the outbreak of the Korean war, and thus the rise was strongly counter-seasonal. Last year such loans declined by \$10 million and the previous year by \$160 million during the corresponding periods. This year's increase is probably due mainly to extensive plant and equipment expenditures, a continued high level of business activity, large income tax payments, and inventory accumulation. Further details concerning commercial and industrial loans will be presented in a later section of this article.

The third major type of bank loans, consumer loans to individuals, increased by \$41 million or 2 percent between the end of last year and April 10 of this year. The increase during the same period last year was \$68 million. Automobile instalment loans, which make up about half of total consumer loans, increased by \$34 million. While this was less than during any quarter of last year, it may be contrasted with actual declines (that is, net repayments of such loans) during every quarter of 1954. Automobile purchases, therefore, have continued to be an expansionary factor in the Twelfth District, even if somewhat less so than last year. Other types of consumer loans increased by \$7 million during the first part of this year compared with a \$25 million increase in the like period of last year. Borrowing by individuals for consumption was thus a secondary but far from negligible factor in the expansion of Twelfth District member bank lending so far this year.

Loans for the carrying of securities also constituted a minor expansionary factor, increasing by \$17 million during the first months of this year, compared with a drop of \$5 million in the like period last year. The amount of security loans outstanding has more than doubled during the past two years, largely reflecting Twelfth District participation in the great stock market boom.

Loans to farmers (other than real estate loans) declined by \$19 million or 4 percent between December 31, 1955 and April 10, 1956. This was due mainly to continuation of the 1955

drop in District banks' holdings of farm loans guaranteed by the Commodity Credit Corporation.

"All other" loans, the final category in the Call Report, declined by \$27 million during the first part of this year, compared with an increase of \$16 million in the corresponding period of last year. This item largely represents loans to non-profit organizations and to financial organizations other than commercial banks.

Nationwide changes in bank lending

For the nation as a whole, adjusted gross loans of member banks amounted to \$72,580 million on April 10, an increase of \$1,047 million or 1.5 percent since the previous Call Report date. This increase was a little larger than last year's, which amounted to \$897 million, and contrasts with a substantial drop during the same period of 1954.

Commercial and industrial loans were the principal factor in the national increase. They rose by \$1,182 million, which was somewhat

larger than the total increase in adjusted loans. In percentage terms, the increase amounted to 3.8 percent, about twice the rate of increase registered in the similar period last year. Real estate loans rose by \$338 million or 2.1 percent, and consumer loans by \$230 million or 1.6 percent, both considerably less than last year. Declines of \$534 million and \$182 million were shown by loans on securities and loans to farmers respectively. The decline in farm loans was due to a drop in loans guaranteed by the Commodity Credit Corporation. Last year, these two items also declined but by somewhat smaller amounts.

A comparison of bank loan growth in the Twelfth District and in the nation as a whole reveals that expansionary forces were appreciably stronger in the District. Relatively speaking, commercial and industrial loans increased a little less in the Twelfth District, but real estate loans and consumer loans gained somewhat more than in the rest of the country. A 12 percent increase in security loans in the Twelfth District contrasted with an 11 percent drop in the nation as a whole, and CCC loans declined less sharply here than throughout the country.

Changes in loans by industry

An approximate breakdown of the changes in commercial and industrial loans by industry can be obtained from the weekly reports of selected member banks. Between January 4 and April 4, 1956, the largest increases in Twelfth District bank borrowing were shown by the following industries: public utilities and transportation, metals and metal products manufacturers, retail trade, and petroleum, coal, chemicals, and rubber manufacturers. The largest decreases were shown by food, liquor, and tobacco manufacturers, sales finance companies, and commodity dealers.

While it is difficult to give the reasons for these various industry changes with any certainty, some economic factors that are very probably associated with them may be noted. The increased borrowing by the public utilities and transportation industry seems to have been due to plant and equipment expansion temporarily financed by bank loans which are destined to be

LOANS OUTSTANDING AT TWELFTH DISTRICT
MEMBER BANKS, APRIL 10, 1956
(in millions of dollars)

	April 10	Change from Dec. 31, 1955	Change Dec. 31, 1954- Apr. 11, 1955
Real estate loans	4,518	+167	+127
On farm land	129	+ 1	+ 7
On residential property:			
Insured by FHA	1,895	+ 63	+ 43
Insured or guaranteed			
by VA	842	+ 31	+ 10
Not insured or guaranteed			
by FHA or VA	1,115	+ 62	+ 52
On other properties	537	+ 9	+ 15
Loans to banks	255	+127	+ 71
Loans on securities	157	+ 17	- 5
To brokers and dealers	98	+ 9	+ 1
Other	60	+ 8	- 6
Loans to farmers	470	- 19	-101
Directly guaranteed by CCC			
and certificates of interest..	34	- 17	-121
Other	436	- 2	+ 20
Commercial and industrial loans.	3,910	+117	- 10
Other loans to individuals	2,196	+ 41	+ 68
Retail automobile instalment			
paper	1,132	+ 34	+ 43
Other retail instalment paper..	247	- 3	- 9
Repair and modernization			
instalment loans	219	- 2	- 7
Instalment cash loans	267	+ 17	+ 24
Single-payment loans	332	- 5	+ 17
All other loans (including			
overdrafts)	191	- 27	+ 16
Total loans—gross	11,698	+424	+165
Reserves	155	+ 5	+ 3
Total loans—net	11,543	+419	+162
Total gross loans net of			
loans to banks	11,443	+296	+ 94

Note: Details may not add to totals because of rounding.

repaid later out of funds obtained from other sources. The higher rate of borrowing by the metals and metal products industries probably reflects the still increasing rate of activity in these industries, capital expansion, and inventory accumulation. The increased level of loans to retail trade may be due primarily to inventory accumulation, particularly of automobiles. The decreases shown by the food, liquor, and tobacco group and by commodity dealers are seasonal in nature; actually, these decreases were somewhat smaller than normal this year. The decreased borrowing by sales finance companies probably reflects both repayment of automobile and other instalment borrowing and some resort to other sources of funds.

For the United States as a whole, changes in bank borrowing by industry groups followed much the same course, although the metals and metal products group accounted for a considerably larger part of the increase than in the Twelfth District.

Changes in loans by states

The individual states within the Twelfth District did not all exhibit the same pattern of bank loan changes during the first part of this year.

California, which accounts for slightly more than three-fourths of total member bank loans in the District, had an increase of 3.5 percent between December 31, 1955 and April 10, 1956. California accounted for the entire increase in Twelfth District bank loans, since the changes for the other states were relatively small and the declines more than offset the increases. Of the \$297 million increase in California loans, real estate credit accounted for \$150 million, commercial and industrial loans for \$116 million, loans to individuals for \$29 million, security loans for \$11 million, and farm loans for \$11 million, while other loans declined \$20 million. In Nevada, member bank lending increased by 4.1 percent, primarily in commercial and industrial loans and secondarily in real estate loans. In Arizona, total loans increased slightly, reflecting appreciable rises in loans to individuals and real estate loans, partly offset by a decline in farm loans. Oregon, Washington, Utah, and Idaho all showed declines in total loans. In Oregon, the decline was primarily due to decreases in commercial and industrial loans, while in the other three states it was primarily due to decreases in farm loans.

Changing Characteristics of Twelfth District Farms

BETWEEN 1950 and 1954, there was a decline in the number of farms and a movement of population away from farms in the Twelfth District and throughout the nation as well. The period was one of generally declining farm income and expanding opportunities for off-farm employment; these circumstances were probably largely responsible for the decline in the number of farms and farmers. Although farms declined in number, their average value rose with an increase in farm size and higher land values. The number of farm operators was smaller in 1954 than in 1950, but the number of part owners increased, suggesting a greater reliance on the practice of renting farm land as a means of increasing farm size. To operate these larger

farms, farmers relied to a greater extent on the use of machinery, with most types of equipment being reported in greater abundance than previously. These and other significant trends were brought to light by preliminary data recently published from the 1954 Census of Agriculture.

A Census of Agriculture has been conducted by the Bureau of the Census every five years since 1920.¹ These data are published by counties and states as well as for the United States as a whole. The figures from the 1954 Census, when compared with those from the 1950 Census, are informative in revealing the direction in which

¹ Previous censuses had been taken in the spring; the 1954 census is the first to have been taken in the fall. For some of the data presented in this article, the 1950 census collected 1949 figures so that the interval is actually 5 years. For other data the interval is closer to 4½ years.

TABLE 1
LAND IN FARMS, NUMBER OF FARMS, AND AVERAGE SIZE OF FARM
TWELFTH DISTRICT AND UNITED STATES, 1950 AND 1954

	Land in farms (in thousands of acres)			Number of farms			Average size of farm (in acres)		
	1950	1954	Percent change	1950	1954	Percent change	1950	1954	Percent change
Arizona	39,916	41,750	+ 5	10,412	9,321	-10	3,834	4,479	+17
California	36,613	37,800	+ 3	137,168	123,074	-10	267	307	+15
Idaho	13,224	14,165	+ 7	40,284	38,735	- 4	328	366	+12
Nevada	7,064	8,230	+17	3,110	2,857	- 8	2,271	2,881	+27
Oregon	20,328	21,062	+ 4	59,827	54,442	- 9	340	387	+14
Utah	10,865	12,234	+13	24,176	22,825	- 6	449	536	+19
Washington	17,369	17,641	+ 2	69,820	65,175	- 7	249	271	+ 9
Twelfth District	145,379	152,882	+ 5	344,797	316,429	- 8	422	483	+14
United States	1,158,566	1,158,233	*	5,382,162	4,782,393	-11	215	242	+13

*Less than .5 percent.

Source: United States Department of Commerce, Bureau of the Census, *1954 Census of Agriculture*, preliminary releases dated December 1955 and earlier.

agriculture in the Twelfth District and in the United States has moved during the five-year period.¹

Agriculture in the Twelfth District has a character very different from that in other sections of the country. The characteristics of any farm are largely a result of the natural resources available—the soil, climate, and physical features of the area. Therefore, a typical farm in one section of the country will differ in important respects from those in other sections. In the Twelfth District, the topography and climate are as varied as will be found in any section of the country. There are hot dry desert areas in Arizona and southern California, semi-desert extending across Utah and Nevada, flat plains in Idaho, fertile valleys in central California, and vast moist forest regions reaching from northern California into Washington. In addition, there is the rugged mountain terrain of the Rocky Mountains and the Sierra Nevada. Associated with the prevalence of mountainous and desert regions in the District is Government ownership of a large volume of District land and the importance of irrigation farming. Well over half of the total land area in the District is Government-owned; on a state basis, Federal holdings range from 30 percent in Washington to 87 percent in Nevada. Moreover, the supplies of water available from mountain ranges permit

¹ At the time this article was written, only preliminary national and state data were available from the 1954 Census.

agricultural production on the arid lands of the District. Forty-nine percent of all the irrigated land in the United States is found in states of the Twelfth District. These factors account, in large measure, for the difference in characteristics between the average District farm and the average United States farm.

Farm Size

The acreage within a farm unit is dependent upon many factors. The topography of an area, for example, may limit farms to small acreages or may permit extensive operations. The quantity of capital investment per acre may also affect farm size. Owing to the diversity of topography, climate, and capital requirements in the Twelfth District, the size of farms varies considerably.

Increase in average farm size

Average farm size in both the Twelfth District and in the United States increased considerably between 1950 and 1954. In the United States, the number of farms dropped by 11 percent during the five-year period,¹ while the total

¹ The Bureau of the Census describes a farm as an operating unit, which is not necessarily the same as an area of land ownership. If a landlord subdivides his property and assigns parts of it to croppers or other tenants, each subdivision is considered a separate farm. In the 1950 and 1954 Censuses, places of more than 3 acres were counted as farms if the annual value of agricultural products, exclusive of home-garden products, amounted to \$150 or more, regardless of whether the products were for home use or sale. Places of less than 3 acres were counted as farms only if the annual value of sales of agricultural products amounted to \$150 or more.

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amount of land in farms remained almost constant. This resulted in an increase of 13 percent in average United States farm size. The number of farms fell by only 8 percent in the District but the amount of land in farms increased by 5 percent, thereby increasing the size of the average District farm by 14 percent.

Apparently discouraged by the drop in farm income during this period, many farmers gave up their farming occupations to take better-paying jobs in industry—some selling their farms and moving into the city and others selling or renting part of their land and commuting to jobs in nearby metropolitan areas. Much of the land thus sold and rented undoubtedly was incorporated into larger enterprises which, with increasing mechanization, were generally more efficient operating units. Thus as farm numbers dropped, farm size grew.

Every state in the Twelfth District shows the same trend toward fewer and larger farms. However, the size of farm tended to increase at a faster rate in states where acreage per farm was already large. Arizona and Nevada had large increases in average farm size between 1950 and 1954. Because of the extensive acreage associated with the "range-type" agriculture that predominates in these states, they also had the largest average acreage per farm. An increase in land in farms as well as the decrease in numbers contributed to the increase in average farm size. Leasing of publicly held land formerly grazed on an open range basis may account for much of this increase in land in farms, particularly in Arizona, Nevada, and Utah.

The smallest increase in average farm size occurred in the state of Washington, where crop farms are quite common and the average acreage per farm is also the smallest.

More irrigated land

Farmers in the District increased their efforts to control their water supplies through the use of irrigation. But despite the sizable increase in irrigated acreage in the District, the rate of growth for the country as a whole was considerably greater. Within the District, only two states, Arizona and Washington, had a greater rate of expansion than occurred nationally. There was apparently a different emphasis placed on the part that irrigation was to play in the production of crops within the District as compared with many other parts of the United States. Whereas irrigation was intended to be the principal source of water throughout the growing period in most areas of the District where irrigated acreage expanded, in some other parts of the nation irrigation systems were designed to provide water during unseasonal periods of low rainfall that sometimes occur at the critical stage of plant development.

The number of irrigated acres was above the 1950 level in every District state except Nevada and Utah at the time of the last Census. The largest percentage increase occurred in Washington where irrigated acreage was one-third greater in 1954. This was due in large part to the reclamation project being carried on in the Columbia River Basin. Nevertheless, the percentage of total Washington farms reporting ir-

TABLE 2
IRRIGATED LAND IN FARMS
TWELFTH DISTRICT AND UNITED STATES, 1950 AND 1954

	Number of farms reporting irrigation			Irrigated land (in acres)		
	1950	1954	Percent change	1950	1954	Percent change
Arizona	7,822	6,679	-14.6	963,560	1,168,165	+21.2
California	90,755	84,476	-6.9	6,438,324	7,048,792	+ 9.5
Idaho	29,413	28,204	-4.1	2,137,237	2,324,120	+ 8.7
Nevada	2,819	2,509	-11.0	727,498	567,069	-22.1
Oregon	17,663	19,827	+12.3	1,306,810	1,490,397	+14.0
Utah	21,126	19,406	- 8.2	1,137,995	1,072,682	- 5.7
Washington	16,928	18,727	+10.6	589,035	777,834	+32.1
Twelfth District	186,526	179,828	- 3.6	13,300,459	14,449,059	+ 8.6
United States	305,061	319,965	+ 4.9	25,787,455	29,484,059	+14.3

Source: United States Department of Commerce, Bureau of the Census, 1954 *Census of Agriculture*, preliminary releases dated December 1955 and earlier.

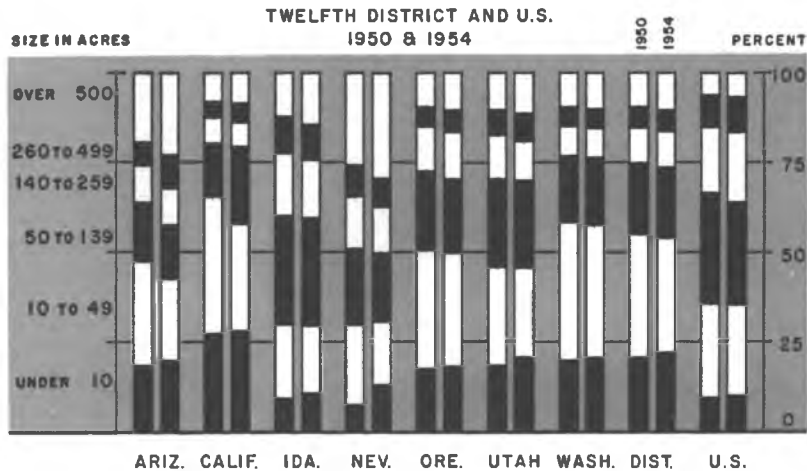
rigation remained the lowest in the District—fewer than one in three. In Nevada, on the other hand, irrigated acreage in farms was 22 percent lower in 1954 than in 1950 but the number of farms reporting irrigation was 88 percent of all farms, a greater percentage than in any other state in the District.

In contrast to the increase in irrigated acreage in the District, the number of farms reporting land under irrigation declined, the greatest change being a reduction of 6 thousand farms in California. Among the District states, only two, Washington and Oregon, had a greater number of farms reporting irrigation in 1954 than in 1950.

In general, the same District states that had increases or small decreases in the number of farms reporting irrigation also experienced the smallest increase in farm size. A rise in irrigated acreage tends to curb farm expansion, owing not only to acreage limitations in areas developed by Government reclamation projects but also to the high investment per acre associated with irrigation farming, particularly in the early stage of development. The relatively small increase in farm size in the state of Washington, for example, may be attributable in large part to the rapid development of new irrigated areas in that state.

The large expansion of irrigated acreage in Arizona evidently occurred mostly on farms that already had some irrigated acreage since there was a decline in the proportion of farms reporting irrigation land but a more than 40 percent increase in the amount of irrigated land per farm. In this state, a slowing in farm size growth evidently did not accompany the large increase in irrigated acreage. The average size of Arizona farms still rose more than the District average.

CHART 1
PERCENTAGE DISTRIBUTION OF FARMS BY SIZE



Source: United States Department of Commerce, Bureau of the Census, 1954 Census of Agriculture, preliminary releases dated December 1955 and earlier.

Farms by size groups

The District contained a larger proportion of very large and very small farms than did the United States in 1954. Whereas the greatest proportion (40 percent) of United States farms had acreages ranging from 100 to 499 acres, less than a fourth of the District farms fell into this category. As might be expected, the two range states of the District, Arizona and Nevada, had the largest percentages of their total farms in the 500-acre-and-over bracket. The smallest size farms were found most frequently in the states in which fruit and nut and dairy farming is common such as California, Washington, and Oregon.

The three Pacific Coast states, which have the greatest percentage of small farms and the lowest percentage of large farms in the District, are also the most highly urbanized states of the District. With a large number of cities and towns offering various types of employment, there has been, in these states, a trend toward residential and part-time farming. Better roads and growing numbers of automobiles have made it relatively easy for breadwinners to drive to nearby urban centers to work; at the same time, expansion of rural electrification and other facilities has helped to make farm life more comfortable

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and, to many, more desirable than in former years. This trend probably accounts for the 4 percent increase between 1950 and 1954 in the number of District farms having less than 3 acres. In 1954, farms of this size made up 5½ percent of all farms in the District while, in the nation as a whole, 3-acre-and-under farms were only 2 percent of total farms.

The number of farms having more than 1,000 acres was also greater in the District in 1954 than in 1950. This large-size group constituted 6 percent of all District farms in 1954 and only 3 percent of all United States farms.

The number of farms having acreages ranging between the 3 and 1,000 acre extremes declined. As nine out of every ten District farms fall into this intermediate size group, the decrease in the number of farms in this category far outweighed the increase in numbers of very small and very large farms.

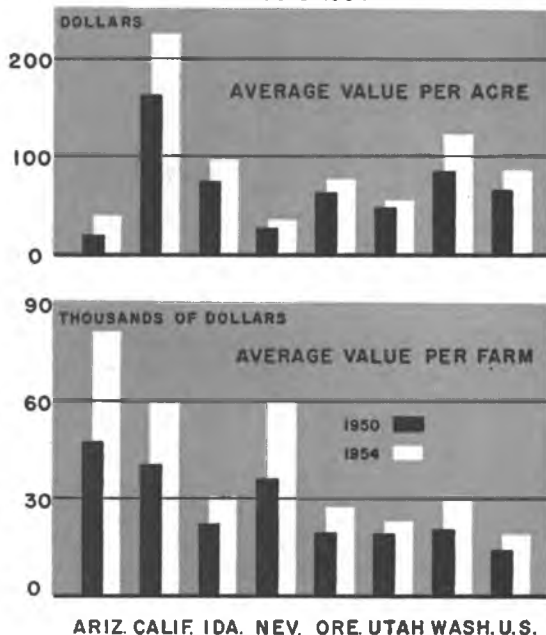
Value of Farm Land and Buildings

The rise in the average value of farms between 1950 and 1954 was influenced both by higher land values and by increases in size. In every District state as well as in the United States, average value per farm and per acre was greater in 1954 than in the previous Census year. The District increases in value, however, were relatively greater than for the country as a whole. The average value of land and buildings per farm in the District rose by 52 percent compared with 41 percent in the United States, and the average value per acre in the District showed a 35 percent increase as against a 27 percent rise in the United States.

The greatest increase in land value in the District occurred in Arizona. One reason for this has been the conversion of substantial quantities of desert land to more productive uses through the expansion of irrigation. But the average value per acre of farm land in Arizona remained among the lowest in the District, while land values averaged the highest in the state of California.

In 1954 the average District farm was worth \$44,677, over twice the national average. Within the District the highest average value per farm

CHART 2
VALUE OF FARM LAND AND BUILDINGS
TWELFTH DISTRICT AND U.S.
1950 & 1954



Source: United States Department of Commerce, Bureau of the Census, 1954 Census of Agriculture, preliminary releases dated December 1955 and earlier.

was in the state of Arizona which had low per acre value but the largest acreage per farm. In second place in the District was the state with the highest valued land per acre, California.

Farm Operators

The pattern of farm ownership in the Twelfth District has traditionally been quite different from that of other sections of the country. Due to the greater percentage of very large farms in the West, managers are of more importance in this District, particularly in Arizona and Nevada. Although only slightly more than one percent of District farms were operated by managers in 1954, this was more than twice the percentage of manager-operated farms in the nation as a whole. Furthermore, tenant farming is of less importance in the District than in the United States.

In both the United States and the Twelfth District, a larger proportion of farmers owned

all or part of their farms in 1954 than in 1950. The latest Census showed that 88 percent of all District farms were operated by farmers who owned at least a portion of the land farmed by them compared with 75 percent of all United States farms. Of these operators, the bulk were full owners.

Although the proportion of farms operated by full owners in the District was rising, their number was declining. The number of managers and tenants also dropped. Part owners of farms,¹ however, were greater in number in 1954 in every District state except Oregon. The lower number of full owners and larger number of part owners in 1954 suggests that some individuals, although no longer actively engaged in farming, retained ownership of their farm land and rented it to other farm owners in the neighborhood. The same trend was evident in the United States with full owners, managers, and tenants dropping in numbers and part owners showing a slight increase.

Farm Mechanization and Work Power

Farm mechanization in 1954 was substantially above the 1950 level. All of the major types of farm equipment covered by the Census showed an expansion in numbers in both the District and the United States. Furthermore, the percentage of farms reporting equipment in 1954 was larger in both the District and the United States than in 1950, owing not only to the increase in the number of machines but also to the drop in farm numbers that took place during the five-year period.

As field crop farms in the District are relatively less important than in the country as a whole, the percentage of District farms reporting grain combines, corn pickers, and pick-up hay balers in 1954 was less than the national percentage. However, trucks, tractors, and automobiles were in far greater abundance on District farms than on United States farms.

Probably owing to the fact that District farms were already more highly mechanized in 1950, the percentage increases in District farms reporting each type of equipment were lower than the percentage increases in United States farms.

¹Part owners own land and rent land from others.

Nevertheless, the District was still ahead of the country in mechanization in 1954, although by a smaller margin.

Machines apparently replaced a considerable amount of animal power on District farms between 1950 and 1954. Farms reporting only animal power numbered only one out of fourteen in the District in 1954, compared with one out of eight farms in 1950. There was also a slight decline in the proportion of farms reporting both animal and tractor power. However, farms with only tractor power were 7 percent more numerous in the District at the time of the last Census. In addition, the percentage of farms having no animal or tractor power was slightly higher in 1954, owing no doubt to the increase in numbers of part-time and residential farms.

Farms by Economic Class

The value of products sold by farms is probably the most important of all farm characteristics covered here, for all of the factors previously discussed influence the amount of income¹ which a farm is able to accrue.

In 1954 every District state as well as the United States showed a larger percentage of total farms whose products were valued at \$10,000 and over than in 1950. One out of four District farms fell into this class in 1954 as compared with one out of five in 1950. In addition, the percentage of high-income farms was more than twice as high in the District as in the United States in both Census years. As the average farm in 1954 was larger in size and more highly mechanized and contained somewhat more irrigated land than the average farm of 1950, a more intensive type of farming on a larger acreage probably accounted for the higher incomes of many farms.

Of the District states, Arizona had the largest percentage of total farms in the high-income category in both 1950 and 1954. This state also had the greatest percentage increase of high-income farms between the two Census years of any state in the District. In 1954 over one-third of all farms in Arizona had an income of more than \$10,000 and, of these, nearly two-thirds grossed

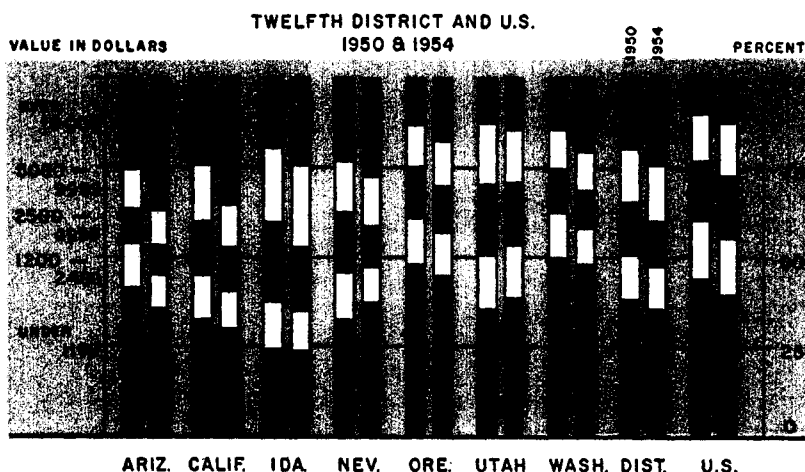
¹"Income" is here used interchangeably with "value of products sold," that is, gross cash farm income excluding Government payments.

more than \$25,000. There are several reasons for these facts. In 1950, Arizona had the largest-sized farms in the District and livestock farming made up the greatest percentage of all types of farms. Between 1950 and 1954, cotton farms nearly doubled in number in Arizona and by 1954 cotton, one of the more high-priced field crops in terms of gross receipts per acre, was the state's leading farm product, surpassing even livestock in importance as a source of cash receipts. In addition, average farm size expanded by a larger number of acres than in any other District state and irrigated acreage was one-fifth greater by 1954. These shifts, rather than a rise in prices, evidently accounted for the large increases in the number of high-income farms in Arizona in the five-year period, for the price indexes for all field crops and for cotton in Arizona were below the 1950 level.

The smallest percentage increase of farms in the high-income class in the District occurred in Utah. Only 14 percent of total Utah farms were in the high-income category in 1954; the 1950 proportion was 13 percent. In this state mechanization expanded little and irrigated acreage was reduced between 1950 and 1954.

At the opposite end of the income scale, 48 percent of all District farms had gross sales of less than \$2,500 in 1954 as compared with 56 percent of all United States farms. The state of Washington, with its many small-sized farms, particularly in the northeastern part of the state, and the lowest percentage of farms with irrigated land in the District, had the largest percentage of total farms in the low-income group of any District state. Idaho had the smallest proportion of farms whose value of products sold was under \$2,500 in both 1950 and 1954.

CHART 3
PERCENTAGE DISTRIBUTION OF FARMS
BY VALUE OF PRODUCTS SOLD



Source: United States Department of Commerce, Bureau of the Census, 1954 Census of Agriculture, preliminary releases dated December 1955 and earlier.

Type of Farming

Commercial¹

The type of farming that can be carried on in any area is dependent, as is farm size, upon the physical features of the land as well as upon the availability of water and the degree of mechanization that can be employed profitably. District farms differ as much in type as they do in other characteristics. The largest proportion of District commercial farms, according to the 1954 Census, were classified as fruit and nut farms, while the largest percentage of United States farms were field crop farms. Fruit and nut farms were seven times more prevalent in the District than in the United States at the time of the last Census. Field crop farms, in second place in the District, were only half as prevalent as in the nation as a whole. Dairy farms ranked third in numbers in the District.

California, noted for its production of fruit, had in 1954 one out of every four farms classified as fruit and nut farms. Field crop farms

¹ In general, all farms with a value of sales of farm products amounting to \$1,200 or more were classified as commercial farms. Farms with a value of sales of \$250 to \$1,199 were classified as commercial only if the farm operator worked off the farm less than 100 days and the income of the farm operator and members of his family received from nonfarm sources was less than the total value of all farm products sold.

TABLE 3
PERCENTAGE DISTRIBUTION OF FARMS BY TYPE
TWELFTH DISTRICT AND UNITED STATES, 1950 AND 1954

	Percent of all farms															
	Field crop		Vegetable		Fruit & Nut		Dairy		Poultry		Livestock ¹		General		Miscellaneous ²	
	1950	1954	1950	1954	1950	1954	1950	1954	1950	1954	1950	1954	1950	1954	1950	1954
Arizona	20.3	26.9	2.4	1.9	3.4	3.0	8.1	6.1	5.1	4.3	18.7	20.3	5.4	3.9	36.5	33.6
California	9.9	10.0	3.5	2.9	24.5	25.6	9.5	10.1	10.4	9.4	7.5	8.4	4.8	4.3	30.0	29.3
Idaho	28.9	30.3	.4	.4	.9	1.0	15.5	17.0	1.3	1.3	13.7	12.6	18.9	16.9	20.5	20.4
Nevada	2.5	2.2	.2	1.1	0	.4	11.2	9.6	3.6	4.0	41.8	49.6	14.2	12.7	26.4	20.4
Oregon	8.7	9.4	2.1	1.9	6.7	8.7	11.1	10.4	5.5	4.7	10.1	11.2	10.3	9.3	45.4	44.4
Utah	9.9	7.8	1.8	1.5	2.3	3.3	15.0	15.4	8.6	5.8	18.0	19.8	14.0	11.9	30.4	34.6
Washington	10.8	12.7	2.0	1.8	8.6	9.5	15.1	14.1	6.3	5.2	6.7	6.6	4.5	4.3	46.1	45.8
Twelfth District	12.3	13.2	2.4	2.0	13.0	13.9	12.0	12.1	7.3	6.3	9.9	10.6	8.1	7.3	35.0	34.6
United States	26.9	29.9	.9	.7	1.5	1.7	11.2	11.5	3.2	3.2	15.0	14.5	9.2	7.3	32.1	31.2

¹ Other than dairy and poultry.

² Includes noncommercial farms and farms more than half of whose income is from products not specified in the table.

Note: Percentages may not add to 100 because of rounding.

Source: United States Department of Commerce, Bureau of the Census, 1954 *Census of Agriculture*, preliminary releases dated December 1955 and earlier.

were of greatest importance in Idaho and Arizona. Least important in every District state with one exception were vegetable farms which averaged only 2 percent of all District farms. The exception is Nevada where fruit and nut farms claimed the lowest proportion of total farms—less than one percent.

There were fewer farms of each type in the District in 1954 than in 1950, except for cotton farms. In the United States there was a shift toward cash-grain and fruit and nut farms and away from other types, including cotton.

Noncommercial

Noncommercial farms made up a smaller percentage of total farms than did commercial farms in every District state in both 1950 and 1954. Residential¹ farms made up the majority of noncommercial farms in both the Twelfth District and the United States in the two Census years. Other noncommercial farms consist of part-time² and abnormal³ farms, the latter being the

¹ With less than \$250 value of products sold.

² Includes farms with value of products sold of \$250-\$1,199 and operator either reporting 100 days or more of off-farm work or reporting other income greater than the value of the agricultural products sold.

³ Institutional farms, agricultural experiment station farms, etc.

least important and making up less than one percent of total farms in each District state.

Noncommercial farms were most common in Washington and Oregon and least common in Idaho. The greatest number of both part-time and residential farms was found in California, while the smallest number of each type was in Nevada. As previously noted, these types of farms have been growing in popularity, particularly in the more highly urbanized states. People who want to live on farms and commute to work in a city can do so with ease in almost any part of California, Washington, or Oregon, with the exception of the mountainous regions. Nevada has relatively few cities and therefore these types of farms made up a low percentage of total farms, and the same is true in Idaho.

There was a reduction in total numbers of noncommercial farms in the District as well as in the United States between 1950 and 1954. In the District, the reduction was proportionate to the decrease in total farms. Hence, such farms were the same proportion of all farms in 1954 as in 1950. In the United States, however, part-time and residential farms were a slightly lower percentage of total farms in 1954 than they were in 1950.

FEDERAL RESERVE BANK OF SAN FRANCISCO

BUSINESS INDEXES—TWELFTH DISTRICT¹
(1947-49 average=100)

Year and month	Industrial production (physical volume) ¹						Total nonagricultural employment	Total mfg employment	Car-loadings (number) ²	Dep't store sales (value) ³	Retail food prices ⁴	Waterborne foreign trade ⁵		
	Lumber	Petroleum ⁶		Cement	Lead ⁷	Copper ⁸						Electric power	Exports	Imports
1929	95	87	78	54	165	105	29	....	....	102	30	64	190	124
1933	40	52	50	27	72	17	28	....	....	52	18	42	110	72
1939	71	67	63	56	93	80	40	....	....	77	31	47	163	95
1947	97	100	98	98	94	108	90	99	100	106	99	96	129	81
1948	104	101	100	104	105	101	101	102	102	100	104	103	86	98
1949	100	99	103	100	101	93	108	99	97	94	98	100	85	121
1950	113	98	103	112	109	113	119	103	105	97	105	100	91	137
1951	113	106	112	128	89	115	138	112	120	100	109	113	186	157
1952	116	107	116	124	88	112	144	118	130	101	114	115	171	200
1953	118	109	122	130	74	111	161	121	137	100	115	113	140	308
1954	112	106	119	133	70	101	172	120	134	96	113	113	131	280
1955	122	106	122	145	73	117	192	125	141	104	122	112	164	307
1955														
March	123	106	120	137	83	131	188	124	139	103	119r	112	163	240
April	121	106	118	149	77	127	191	124	140	105	120	113	149	290
May	120	106	115	155	78	131	189	125	140	110	118	113	162	280
June	122	106	120	153	75	130	200	125	142	111	118	112	152	299
July	119	106	128	157	71	40	191	125	141	99	123	113	171	368
August	123	106	127	160	67	91	196	128	142	106	122	111	189	349
September	118	106	132	159	70	128	196	128	141	107	126	112	174	363
October	116	105	129	155	72	121	197	128	142	104	126	112	152	348
November	110	106	123	128	67	128	206	128	145	98	125	112	143	325
December	123	106	120	130	63	119	198	128	146	98	123	112	164	328
1956														
January	129	106	130	135	70	134	199	129r	146	107	130	112	136	354
February	125	106	128	145	77r	125	204r	130r	146	99	124	111	....	....
March	117	105	129	....	79	132	219	130	146	103	128	112	....	....

BANKING AND CREDIT STATISTICS—TWELFTH DISTRICT
(amounts in millions of dollars)

Year and month	Condition items of all member banks ¹				Bank rates on short-term business loans ²	Member bank reserves and related items				Bank debits index 31 cities ^{11, 12} (1947-49=100) ¹³
	Loans and discounts	U.S. Gov't securities	Demand deposits adjusted ⁷	Total time deposits		Factors affecting reserves:				
					Reserve bank credit ⁴	Commercial ⁵	Treas-ury ⁶	Money in circulation ⁸	Reserves ¹⁰	
1929	2,239	495	1,234	1,700	.....	- 34	+ 23	- 6	175	42
1933	1,486	720	951	1,009	.....	- 2	+ 150	- 18	185	18
1939	1,967	1,450	1,983	2,267	.....	+ 2	+ 245	+ 31	584	30
1947	5,358	7,247	8,922	6,006	.....	+ 302	+ 698	- 206	2,202	95
1948	6,032	6,368	8,555	6,087	.....	+ 17	+ 472	- 209	2,420	103
1949	5,925	7,016	8,536	6,255	3.20	+ 13	+ 378	- 65	1,924	102
1950	7,093	6,415	9,254	6,302	3.35	+ 39	- 1,141	- 1,198	2,026	115
1951	7,866	6,463	9,937	6,777	3.68	+ 21	- 1,682	+ 1,983	2,269	132
1952	8,839	6,619	10,520	7,502	3.95	+ 7	- 1,912	+ 2,265	2,514	140
1953	9,220	6,639	10,515	7,997	4.14	- 14	- 3,073	+ 3,158	2,551	150
1954	9,418	7,942	11,196	8,699	4.09	+ 2	- 2,448	+ 2,328	2,505	168
1955	11,124	7,239	11,864	9,120	4.10	+ 38	- 2,685	+ 2,757	2,530	172
1955										
April	9,657	7,756	11,060	8,833	.....	+ 60	- 306	+ 261	2,432	165
May	9,810	7,690	10,951	8,885	.....	+ 55	- 51	+ 195	2,476	170
June	10,102	7,446	11,023	9,028	3.99	+ 27	- 449	+ 429	2,439	178
July	10,191	7,557	11,212	8,995	.....	+ 10	- 193	+ 217	2,495	166
August	10,392	7,407	11,163	9,021	.....	- 23	- 253	+ 200	2,415	177
September	10,559	7,375	11,312	9,054	4.17	+ 17	- 148	+ 276	2,541	173
October	10,685	7,487	11,465	9,067	.....	+ 43	- 245	+ 174	2,417	171
November	10,931	7,238	11,665	9,005	.....	+ 46	- 81	+ 205	2,575	181
December	11,115	7,298	11,876	9,084	4.25	+ 8	- 434	+ 417	2,530	183
1956										
January	11,193	7,143	11,794	9,070	.....	+ 84	- 322	+ 136	2,554	188
February	11,323	6,819	11,233	9,095	.....	- 87	- 76	+ 95	2,388	179
March	11,476	6,731	11,112	9,103	4.34	+ 71	- 178	+ 189	2,516	183
April	11,669	6,730	11,530	9,099	.....	+ 82	- 270	+ 371	2,578	190

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, National Lumber Manufacturers Association and U.S. Bureau of the Census; petroleum, cement, copper, and lead, U.S. Bureau of Mines; 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 Los Angeles, San Francisco, San Diego, Oregon, and Washington customs districts; starting with July 1950, "special category" exports are excluded because of security reasons. ⁵ Annual figures are as of end of year, monthly figures as of last Wednesday in month. ⁶ Demand deposits, excluding interbank and U.S. Gov't deposits, less cash items in process of collection. Monthly data partly estimated. ⁷ Average rates on loans made in five major cities. ⁸ Changes from end of previous month or year. ⁹ 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. ¹⁰ End of year and end of month figures. ¹¹ Debits to total deposits except interbank prior to 1942. Debits to demand deposits except U.S. Government and interbank deposits from 1942. ¹² Preliminary. ¹³ Revised.