

Monthly Review

FEDERAL RESERVE BANKS



TWELFTH FEDERAL RESERVE DISTRICT

FEDERAL RESERVE BANK OF SAN FRANCISCO

May 1958

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What's Happening to Agriculture in the Current Recession?

IN this year of recession in the economy, will farmers maintain the improved income and record production of the past two years, or can we expect agriculture to follow closely the ups and downs of the general economy and, consequently, to suffer a decline in income in 1958? There are many uncertainties in looking ahead, even to the end of this year, but assessments of the farm situation made by the United States Department of Agriculture provide a useful guide.¹ If the Department's estimates are realized, we may expect farmers to keep output at high levels this year. Prices they receive may average slightly above 1957 levels, and costs will also be higher. But some increase in both gross and net farm income is foreseen, because larger cash receipts, augmented by Soil Bank payments, are expected to override increased costs.

It may seem curious that farm income is likely to stay up in a year which began with a decline in general business activity. One reason is that demand for food has not been reduced thus far, as consumers have probably entered the current recession with larger reserves in cash and more liberal unemployment benefits than heretofore. Part of the answer lies also in the fact that farm income is affected by increased capacity, the level of prices with respect to supports, and the phase of the cattle cycle. The impact of these influences is

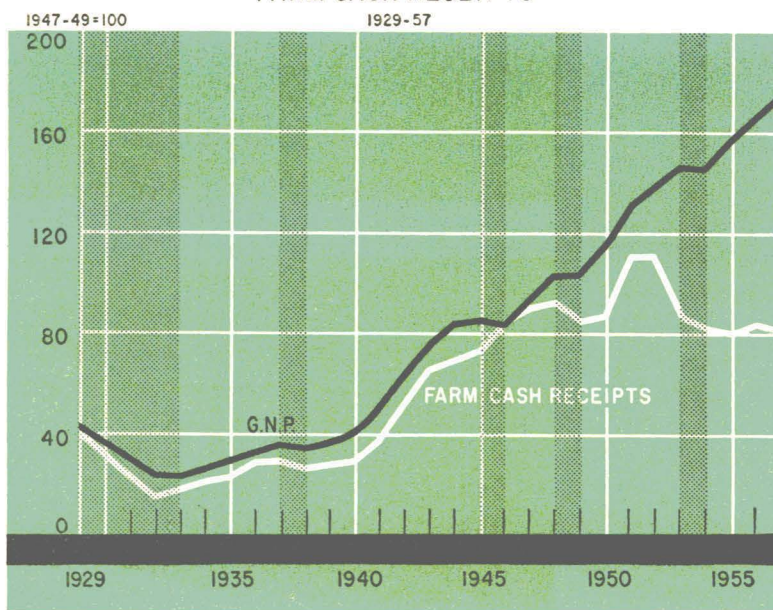
¹ The United States Department of Agriculture issues periodic evaluations of supply and demand factors affecting agriculture, and of price and income prospects. The most recent discussion is contained in *The Demand and Price Situation*, April 1958.

likely to affect the farm income situation favorably this year, although such factors have led to a decline in farm income in recent years.

In business cycles from 1929 until 1951 the income of American farmers was subject to the same ups and downs as the general economy. (Chart 1) That year was a significant turning point because after 1951 farm income failed to share in the growing prosperity of the nonfarm economy. Although some readjustment from high wartime income levels was to be expected, the setback that occurred in farm cash receipts during the 1953-55 period was quite sharp. Prices declined so rapidly that by 1955 they averaged more than 20 percent below the 1951 wartime peak, and farm cash receipts had fallen by 10 percent.

Farm prosperity was impaired because output increased faster than did demand for agricultural products. Farmers' costs climbed

CHART 1
INDEXES OF GROSS NATIONAL PRODUCT AND
FARM CASH RECEIPTS



Source: United States Department of Agriculture and United States Department of Commerce.

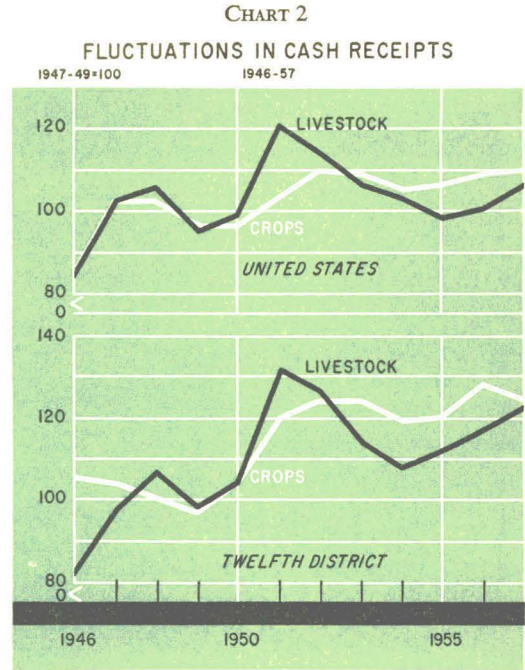
with the general price level, but prices they received fell, as did income. Farmers were encouraged to increase production to unusually high levels during the period embracing World War II and the Korean War, and rapid technological improvements enabled them to do so. After the Korean War, our requirements for farm products declined to peacetime levels, and export markets shrank, but output continued to expand.

Continued high price supports have tended to stabilize crop cash receipts in recent years because increased production offset price reductions. (Chart 2) Prices cannot fall much farther because they are already at or near current support levels. The increase in total meat production which began in 1952 was probably intensified by the availability of ample feed grain supplies. Large quantities of beef and hogs marketed in that year competed for the consumer's dollar. Prices, unprotected by supports, declined steeply. Beef output continued upward and receipts declined through 1955, at which time another spurt in hog production caused a sharp break in hog prices and receipts.

As noted above, cash receipts recovered slightly in 1956 and 1957. This, too, was largely due to developments in livestock production. Cattle stocks were depleted by the end of 1955, and since it takes several years to breed, raise, and fatten cattle for market, farmers began to withhold animals from slaughter for breeding purposes. The decrease in marketings was small, but cattle prices improved markedly, resulting in increased receipts from sales. The strengthening influence of cattle prices on farm income may persist until late 1959 or 1960, when larger supplies are clearly visible.

District farm economy less affected

In recent years Twelfth District farm income has followed the pattern described above for the nation, but the decline has been more



Source: United States Department of Agriculture, *Farm Income Situation*.

gentle and the recovery earlier and sharper. (Chart 3) This can be attributed to the difference in the composition of farm output between the District and the United States. District agriculture fared better because it is highly diversified. Meat animal production is not so important, contributing on the average 17 percent of cash receipts, whereas meat animals average 30 percent of the United States total. Hogs are not an important product in this district. In addition, the region is not so dependent on price supported commodities, with the exception of cotton, but derives a large share of its cash receipts from fruit and vegetable crops.

Strong domestic demand for farm products continues

Bearing in mind that these factors, as well as changes in business activity, affect farm output, prices, and income, let us look at the

(Continued on page 81)

Monetary Restraint and Business Loans in the Twelfth District, 1955-57

A fundamental principle underlying the formulation of Federal Reserve policy holds that credit restraint moderates inflationary impulses during periods of booming business, and credit ease fosters recovery during periods of recession. There is little disagreement over the principle that the Federal Reserve System, in its capacity as regulator of the nation's money and credit supply, should counter what appear to be excesses in business optimism or pessimism. However, the same degree of unanimity does not prevail regarding the impact of this Federal Reserve policy. By impact is meant the ways in which changes in policy affect the cost and availability of credit to different types of borrowers. For example, when money becomes scarce or tight during a boom period, do bank lenders show any preference in their lending operations toward any particular types of borrowers? Do bankers consider certain industries better risks than others? Or do they consider each loan separately on the basis of its merits, regardless of the industry? Do bank lenders become more conscious of the borrower's size during a period of tight money? If so, is the amount of lending reduced to certain size groups by the means of disproportionately increasing the cost of credit to the firms in these groups, or is credit more carefully rationed to these firms? The questions are illustrative only and show some of the ways through which monetary restraint can have a differential impact. Easy money also affects various types of borrowers differently, since a shift in policy toward easy money may benefit certain borrowers more than others. However, monetary policy must operate in an economy subject to many other forces as well, and thus it becomes very difficult to isolate those effects which are due to monetary policy alone.

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Such Federal Reserve instruments of monetary control as discount operations, open market operations, and changes in reserve requirements are general in their application, in contrast to such selective instruments as the regulation of consumer or stock market credit. The whole question of the possibility of discriminatory elements inherent in the general instruments of control has puzzled monetary economists and central bankers for some time. Although the general instruments are not discriminatory in their design, their final impact via the market mechanism may affect various types of borrowers differently. More recently, the Congress of the United States has, for legislative purposes, become interested in the question of the impact of monetary restraint or tight money, with particular reference to its effect on small business financing. As a result of this interest, in 1957 the Federal Reserve System undertook an extensive study of the adequacy of financing facilities for small business, with particular emphasis on the problem of impact.

Business loans surveyed

As one part of this study, the Federal Reserve System decided to conduct a nationwide survey designed to provide information on bank loans made for commercial and industrial purposes which were outstanding on October 16, 1957. Since a similar survey was conducted in 1955 pertaining to loans outstanding on October 5 of that year, it is now possible to appraise the changes which have occurred in various loan characteristics between 1955, a year of relatively easy money, and 1957, a year of tight money. In short, it is now possible to arrive at some objective estimate, within the limitations of the surveys, of the impact of monetary restraint on the cost

and distribution of bank credit to various types and sizes of business.

In general, boom conditions existed for most of the period between the two surveys, as evidenced by gradually rising prices and heavy demands for credit. As a result, the Federal Reserve System instituted a restrictive credit policy in the latter part of 1955 which was pursued until the latter part of 1957. During this period the Federal Reserve's discount rate rose from 1½ percent to 3½ percent; the interest rate on long-term Government bonds increased from 2.87 percent in October 1955, to 3.73 percent in October 1957, and that on high grade corporate bonds advanced from 3.10 percent to 4.10 percent during the same period.¹ While it may be true that the boom culminated by the summer of 1957, interest rates did not start to decline until after the survey. Thus the period between the two surveys coincides fairly closely with the period of monetary restraint.

The nationwide survey was conducted on a Federal Reserve District basis, both in 1955 and in 1957. In the Twelfth District, seventy banks of all sizes, including a total of 275 offices, were chosen by the method of stratified random sampling, and a questionnaire was sent to each office. In nearly all respects the 1957 survey was the same as the 1955 survey. There was a slightly different selection of banks in the 1957 survey because of changes in the bank population since 1955, as the result of mergers and the formation of new banks. Nevertheless, in both surveys, the sample banks accounted for well over half the dollar amount of all the commercial and industrial loans in the Twelfth District.

On October 16, 1957, the total commercial and industrial loans outstanding for all member banks in the Twelfth District was \$4.8 billion, compared with \$3.3 billion on October 5, 1955. This two-year increase of 45 percent

is substantial in comparison with the increase of about 100 percent during the nine-year period from 1946 to 1955. On the basis of this comparison, which shows a relatively large increase in business loans, it would appear to be an exaggeration to refer to the period from 1955 to 1957 as one of tight money, i.e., in the sense of credit being unavailable. As reflected by the general upward trend in interest rates during most of the period, and also by the existence of a fringe of unsatisfied borrowers, the demand for credit exceeded the supply, and in this sense money was tight. The supply-demand relationship bears heavily on the interpretation of the two surveys in another respect. There is no clear-cut way of determining which part of any change in aggregate loans outstanding was due to a change in demand and which part was due to a shift in supply. For example, the survey shows that the amount of bank lending to small wholesalers decreased considerably between 1955 and 1957. Did this occur because small wholesalers in the Twelfth District curtailed their expansion plans due to competitive conditions and as a consequence demanded less bank credit, or did bankers decide to reduce the supply of credit to this group as part of a credit rationing program?

Small business gains and losses

This article is devoted to a general analysis of the impact of tight money on small business as compared with its impact on big business.² There are difficult problems involved in reaching a definition of small business. For example, in retail trade only firms with assets of less than \$50,000 may be considered small, whereas in some industries, petroleum and chemicals for example, a firm may be considered small if total assets are as much as \$5 million. However, for the purposes of this general article an industry-by-industry definition of smallness will not be attempted; rather,

¹ These interest rates are monthly averages of daily figures calculated from closing bid prices.

² Additional articles giving more of the details of the study will be published in future issues of the *Monthly Review*.

TABLE 1

BUSINESS LOANS OF MEMBER BANKS IN THE TWELFTH DISTRICT BY BUSINESS AND SIZE OF BORROWER, OCTOBER 5, 1955 AND OCTOBER 16, 1957

Size of Borrower (total assets in thousands of dollars)

Business of Borrower	Less than 50			50-250			250-1,000			1,000-5,000			5,000-25,000			25,000-100,000			100,000 & Over		
	1955	1957	% Chg.	1955	1957	% Chg.	1955	1957	% Chg.	1955	1957	% Chg.	1955	1957	% Chg.	1955	1957	% Chg.	1955	1957	% Chg.
	(Number of Loans, in Thousands)																				
Manufacturing and Mining	9.8	10.4	+ 6.0	12.0	14.5	+ 20.8	5.3	6.6	+ 23.5	1.3	2.7	+ 114.0	.3	.5	+ 40.3	.1	.2	+ 75.0	.1	.4	+ 145.4
Trade	20.9	27.2	+ 30.2	23.9	31.0	+ 29.5	5.8	9.3	+ 61.4	1.3	1.6	+ 20.7	.3	.4	+ 16.3	.1	.1	+ 153.6	.1	.1	+ 60.6
Other	31.2	37.3	+ 19.4	28.2	36.3	+ 28.7	8.1	13.0	+ 60.6	1.8	3.0	+ 67.0	.4	.6	+ 38.8	.1	.1	+ 36.9	.2	.2	+ 48.8
All Businesses	62.0	74.9	+ 20.9	64.1	81.8	+ 27.5	19.1	28.8	+ 50.6	4.4	7.3	+ 66.8	1.2	1.6	+ 32.8	.3	.5	+ 75.8	.4	.7	+ 87.3
	(Amounts Outstanding in Millions of Dollars)																				
Manufacturing and Mining	33	29	-11.2	157	171	+ 9.1	224	322	+ 44.0	278	557	+ 100.1	189	314	+ 66.1	140	264	+ 88.8	123	374	+ 205.1
Trade	67	64	- 3.8	250	286	+ 14.2	255	461	+ 80.8	154	200	+ 29.5	198	151	-23.7	24	53	+ 124.3	61	84	+ 38.2
Other	86	105	+ 22.3	286	384	+ 34.3	301	554	+ 84.3	290	368	+ 26.8	177	280	+ 57.9	62	124	+ 99.1	173	264	+ 52.9
All Businesses	185	198	+ 7.0	693	841	+ 21.3	780	1,338	+ 71.6	722	1,125	+ 55.6	564	745	+ 37.1	226	441	+ 95.4	356	722	+ 102.8

TABLE 2

AVERAGE INTEREST RATES ON BUSINESS LOANS BY BUSINESS AND SIZE OF BORROWER, OCTOBER 5, 1955 AND OCTOBER 16, 1957

Size of Borrower (total assets in thousands of dollars)

Business of Borrower	Under 50			50-250			250-1,000			1,000-5,000			5,000-25,000			25,000-100,000			100,000 & Over		
	1955	1957	% Chg.	1955	1957	% Chg.	1955	1957	% Chg.	1955	1957	% Chg.	1955	1957	% Chg.	1955	1957	% Chg.	1955	1957	% Chg.
Manufacturing and Mining	6.54	7.28	+ 11.3	5.59	6.29	+ 12.5	5.22	5.78	+ 10.7	4.65	5.53	+ 18.9	3.98	5.04	+ 26.6	4.00	4.41	+ 10.3	3.19	4.19	+ 31.3
Trade	6.35	7.07	+ 11.3	5.31	6.19	+ 16.6	5.04	5.66	+ 12.3	4.53	5.45	+ 20.3	4.20	4.87	+ 16.0	3.51	4.71	+ 32.2	3.17	4.61	+ 45.4
Other	6.48	6.93	+ 6.9	5.49	5.99	+ 9.1	5.00	5.71	+ 14.2	4.52	5.45	+ 20.6	4.18	4.84	+ 15.8	3.67	4.66	+ 27.0	3.22	4.48	+ 39.1
All Businesses	6.44	7.03	+ 9.2	5.45	6.12	+ 12.3	5.08	5.71	+ 12.4	4.57	5.40	+ 18.2	4.12	4.93	+ 19.7	3.86	4.52	+ 17.1	3.20	4.34	+ 35.6

comparisons will run in terms of the smallest firms as against all other size groups. The smallest firms are defined as those with total assets of less than \$250,000, or the first two size categories of Table 1. As an indication of the relative magnitude of the demand for bank loans by the smallest firms, it may be observed

that those firms having total assets of less than \$250,000 accounted for 83 percent of the total number of Twelfth District bank loans outstanding in 1955, and for 80 percent of the 1957 total. Therefore, changes which occur in the "smallest" category affect the bulk of individual borrowers.

Table 1 shows the number and amounts of Twelfth District business loans outstanding on October 5, 1955, and October 16, 1957, by business of borrower and size of borrower. From 1955 to 1957 the smallest firms, those with total assets of less than \$250,000, lost ground to bigger firms, i.e., they had a smaller

percentage increase in both number of loans and amounts outstanding. Although this result does not apply without exception to each category of business, it does apply to a comparison of the two smallest size groups with the two largest. In every business category, borrowers with total assets exceeding \$25 mil-

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lion made significant gains over those with total assets of less than \$250,000.

On the other hand, Table 2 shows that the cost of bank credit to the smallest borrowers rose less than that for all larger borrowers, i.e., the smallest borrowers gained relative to all other size groups of borrowers. Again, there are some exceptions within the categories of business, but aside from borrowers in manufacturing and mining with total assets between \$25 million and \$100 million, the two largest size groups in all business categories found that their interest rates increased substantially more during the tight money period than did the rates charged the smallest borrowers. These survey findings can be summed up in general as follows: during the period of monetary restraint from 1955 to 1957, large-scale business gained relative to small-scale business in terms of the number and amount of bank loans outstanding, but at the price of a more rapid increase in the cost of borrowing.

Bankers extended fewer loans to smaller borrowers

How can these results be explained? In interpreting the results, there is not only the possibility of discrimination by lenders among different size groups of borrowers, but also the possibility of differential changes in the demand for loans by these size groups over the period of rising interest rates. Thus both the supply of and the demands for loans must be considered, as was noted earlier in this article. If we could assume that the demand for bank loans expanded at the same rate for all size groups of borrowers, then the outcome of the surveys could be attributed to the policies of the lenders. However, the demand for bank loans can be expected to vary among different size groups of borrowers, for such reasons as differential growth rates and changes in methods of financing expansion. On the other hand, as was noted above, during the

boom period from 1955 to 1957 the demand for loans by all size groups exceeded the supply (in the case of bank lending demand and supply cannot always be equated by changing the price—interest rate—because the price is strongly influenced by convention and by maximums derived from law). Therefore, beyond a certain increase in demand, loans are usually rationed among borrowers, to a large extent on the basis of credit-worthiness. This would suggest that during the period of tight money the banks rationed a smaller number and amount of loans to the smallest borrowers than they did to the largest borrowers.

Is there any further evidence which would support, modify, or controvert the above conclusion? A charge of discrimination against the smallest borrowers would seem to be modified by the fact that interest rates rose relatively less for the smallest borrowers than for the largest. This constituted an improvement in market position for those small borrowers who actually received loans. However, the paradoxical fact that interest rates did rise relatively less for the smallest group can be interpreted as meaning that bank lenders were reluctant to lend to the smallest borrowers during the period. That is, instead of increasing interest rates as an expression of their reluctance, they raised their standards of credit-worthiness and scrutinized small borrowers more closely. This means, as indicated in interviews which accompanied the survey, that bankers eliminated the riskiest small loans on which they were charging the highest rates in 1955, and raised the rates on credit-worthy small borrowers by a larger factor than shows in the cold figures for 1957. However, there is no reliable way of ascertaining the percentage increase in the cost of borrowing to small borrowers who possessed the same degree of credit-worthiness in both 1955 and 1957; it could have been more, less, or the same as the percentage rise in the rates charged to large borrowers.

Conclusion

In sum, the data support the general conclusion that during the period of monetary restraint from 1955 to 1957 the smallest borrowers lost ground relative to the largest in terms of the number and amount of bank loans outstanding. However, this survey could not measure the demand for loans. If the yardstick were the proportion of the total demand for loans fulfilled in each size group, it would be impossible to draw any conclusion whatsoever as to how small borrowers fared relative

to large ones during this period. The data show that the smallest borrowers gained in terms of the cost of borrowing, although as a consequence of the upgrading of loans as bankers' credit standards tightened, some small borrowers had more difficulty obtaining bank credit.¹

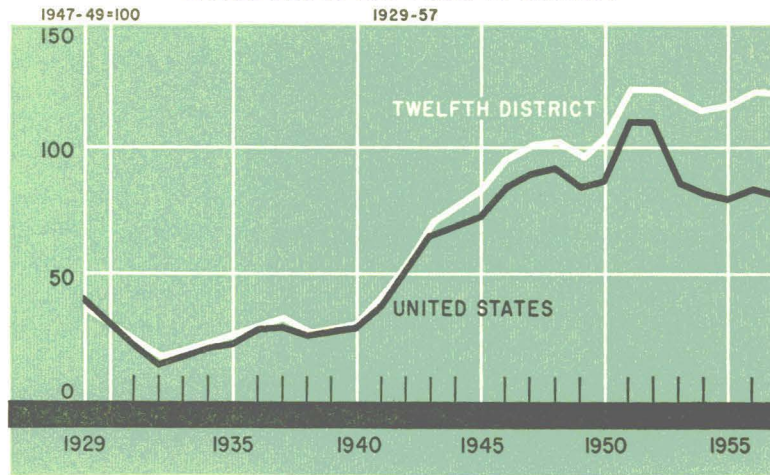
¹ A comprehensive discussion of the cost and availability of all forms of credit to small business during the period of credit restraint is found in: U. S., Congress, *Financing Small Business, Report to the Committees on Banking and Currency and the Select Committees on Small Business by the Federal Reserve System*, Parts 1 and 2, 85th Cong., 2d Sess., April 11, 1958, pp. xxvi and 549.

AGRICULTURE (Continued)

1958 farm prospects as they appear from information supplied by the Department of Agriculture. The present high level of demand for food is unlikely to be affected during the first few months of setbacks in consumer income. Since our growing population must always eat, the quantity of food in demand does not respond readily to changes in income. People can, however, shift to lower priced foods if their incomes decline. This has not been an important factor to date because consumer purchasing power is still high. There may be some resistance to the rising level of meat prices later in the year if consumer incomes continue to decline. Indications are that markets will continue to be strong for the District output of dairy and

poultry products, fruits, vegetables, potatoes, wheat, and other food commodities. District cotton producers should find ready markets for their output. Although the textile industry is in a slump, and United States consumption of cotton in 1958 will go down from the 1957 level, there is a shortage of good quality cotton because of damage to last year's crop.

CHART 3
INDEXES OF CASH RECEIPTS FROM FARMING
UNITED STATES AND TWELFTH DISTRICT



Source: United States Department of Agriculture, *Farm Income Situation*.

Large harvests but less meat from United States agriculture . . .

Indications based on weather and farmers' planting intentions as of March 1 are that the 1958 harvest may be only slightly below the record established in 1948 and matched in 1956 and 1957.¹ And the composition of production will be different. Across the country plantings are reverting to the 1956 pattern. In 1957 farmers put large amounts of wheat, cotton, corn, and rice acreage into the Soil Bank, and harvests of these crops were reduced. They planted and harvested a record acreage of the non-corn feed grains, which boosted total harvests to the peak level. This year, with large stocks of feed grains on hand, farmers are shifting back to wheat, as shown in Table 1. However, estimates of corn, rice, and cotton acreage cannot be evaluated until more is known about Soil Bank participation. After March 1 Congress increased authorizations for this program, bringing available funds up to last year's level of \$750 million. This would take care of applications now on the waiting list amounting to an additional 4.5 million acres, including about 2 million acres each of corn and cotton, and another half million acres of wheat.²

The nation's 1958 total meat output is expected to be about 1 percent below 1957. Feeding and slaughter of red meat-producing animals will again be smaller this year, with the exception of pork. Feed prices are favorable for hog raising as a result of the 1957 bumper feed grain crop, and reports indicate that farmers expect to produce about 6 percent more pigs this spring. These hogs will come to market next fall and winter. Although

pork has been in light supply this spring, the expected increase may bring total supplies of hogs above last year's level.

And district output follows the same pattern

In the Twelfth District similar changes are in prospect. Total crop production will probably be abundant again this year, although it appears that harvests may be later than usual because of recent field-soaking rains. There will be some changes in the relative acreage devoted to different crops. Last year, field crops attained a record high in production in this district, and about the same total acreage will be devoted to them in 1958. Reports of March 1 planting intentions indicate that farmers will plant about 6 percent more acreage to food grains and miscellaneous field crops, and 4 percent less to feed grains than they did last year. Not included is the important District cotton crop, but production is likely to exceed last year's level, barring unfavorable weather. Acreage allotments were increased slightly, and this year California farmers banked 40 percent less cotton acreage than in 1957, according to preliminary reports. District wheat and rice farmers have also shown less interest in the Soil Bank this year than last, even when acreages on waiting lists are considered.

Weather is the most unruly and unpredictable governor of crop production, and by mid-April, what had appeared to be an early and most favorable growing season was modified by heavy rains during the preceding three weeks. These storms interfered with farming in California to a greater extent than in other District states. However, some observers think that the recent bad weather will be reflected more in late harvests than in smaller harvests, with the possible exception of some California fruits. Much depends on the weather during the rest of the growing season. Rain has enlarged water supplies to their most plentiful

¹ United States Department of Agriculture, *Crop Production*, March 18, 1958, reports farmers' planting intentions as of March 1. These intentions are preliminary and subject to change.

² Last year about 19 million acres of these four crops, including 12.8 million acres of wheat, were put into the Soil Bank. Farmers received total payments of almost \$700 million. Estimated offerings as of March 26, 1958, including those on waiting lists, amount to about 16.6 million acres, of which only 5.4 million are wheat. Total payments this year could be approximately \$660 million.

TABLE 1

**PROSPECTIVE PLANTINGS OF MAJOR DISTRICT FIELD CROPS¹
TWELFTH DISTRICT AND UNITED STATES**

(thousands of acres)

	Twelfth District		United States		Percent Change from 1957	
	1958 (indicated)	1957 (actual)	1958 (indicated)	1957 (actual)	Twelfth District	United States
Food Grains						
Rice	269	228	1,456	1,370	18	6
Wheat, all ²	4,965	4,652	55,326	47,554	6	16
Winter ³	4,046	3,698	43,917	37,535	9	17
Spring ²	919	954	11,409	10,019	- 4	14
Total	5,234	4,880	56,782	48,924	7	16
Feed Grains and Hay						
Hay, all ⁴	6,208	6,380	72,533	73,776	- 3	- 2
Barley	4,396	4,632	16,034	16,537	- 5	- 3
Oats	1,331	1,439	39,658	43,020	- 8	- 8
Corn	502	494	75,143	73,985	2	2
Sorghums	390	401	23,519	26,958	- 3	-13
Total	12,827	13,346	226,887	234,276	- 4	- 3
Other						
Beans, dry edible	493	448	1,544	1,464	10	6
Potatoes	406	389	1,424	1,419	4	*
Sugar beets	379	379	915	918	0	*
Peas, dry field	219	248	249	284	12	-12
Flax seed	50	36	4,607	5,562	39	-17
Sweet potatoes	12	13	294	292	- 8	1
Total	1,559	1,513	9,033	9,939	3	- 9

¹As indicated by farmers on March 1, 1958.

²Does not include Durum wheat.

³Based on December 1 estimates.

⁴Harvested acreage.

*Less than 0.5 percent.

Source: United States Department of Agriculture, Agricultural Marketing Service, *Crop Production*, March 18, 1958.

level in several years, a factor favorable to high yields.

Plantings of California cotton and some other field crops will be later than usual this year. Vegetable plantings have also been delayed and some reductions in acreage are intended. District farmers will plant about 8 percent fewer acres to the vegetables used for processing, according to early reports, but no reduction in total vegetable output is anticipated this year. Although quality was impaired by rain, winter and early spring vege-

tables for the fresh market appeared to be in slightly larger supply than last year. It is too early to assess the possible damage to fruits. Some slowing down of development has been reported, however, and apricot and almond crops have suffered damage. Fruit crops in the Pacific Northwest are in good condition this spring, and total output may not differ materially from 1957.

In the District, to a greater extent than elsewhere, there are fewer meat-producing animals on farms and in feedlots, as a result of

the heavy slaughter of recent years. Although beef supplies will be smaller, production of other livestock will be increased this year if reported intentions are carried out. District hog producers plan to raise output about 6 percent, the same as the average national increase. Stimulated by the increase in beef prices, poultry farmers will raise more chickens and turkeys in this district. If current rates are maintained throughout the year, there will be 7 percent more broilers and 6 percent more turkeys this year than last.¹ Dairy products too, will be produced in larger quantity than last year, largely because of increases in the number of dairy cows on District farms.

Little change in price level expected

Small changes in the supply of farm products often have a strong influence on prices, as illustrated by the fact that slight reductions in meat output during the past year permitted prices to rise enough to stabilize total farm cash receipts. And cash receipts in 1958 will depend heavily on developments in farm prices. United States Department of Agriculture economists are estimating that prices will average somewhat higher in 1958 than in 1957, representing largely the contribution of

higher meat prices. Such evaluations are based on the assumption that consumer purchasing power will remain at a fairly high level. Although some shifts may take place in consumption patterns, it is thought that meat prices will be sustained by smaller marketings, even though pork prices may average lower. Expectations are that most other livestock commodities, such as poultry and dairy products, will experience some decline in prices because of larger output and lower dairy price supports.

Prices of most supported crops will probably fluctuate around lower levels this year. Wheat and rice supports were lowered, and in most cases dollar amounts of feed grain supports will be smaller.² Cotton supports, however, were raised automatically because of the reduction in carryover from last year. The outlook for exports and production suggests that markets abroad are shrinking while production at home expands. This would have the effect of increasing farmers' reliance on Commodity Credit Corporation loans, and free market prices may stay close to these lower support levels. In the District, the price outlook for most commodities appears favorable.

¹ Current data in this article cover roughly the first two months of 1958.

² These support prices could be revised upward this summer in accordance with procedure under law.

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BUSINESS INDEXES — TWELFTH DISTRICT¹

(1947-49 average = 100)

Year and month	Industrial production (physical volume) ²							Total nonagricultural employment	Total mfg employment	Carloadings (number) ²	Dep't store sales (value) ²	Retail food prices ^{3, 4}	Waterborne foreign trade ^{5, 6}	
	Lumber	Petroleum ³		Cement	Lead ³	Copper ³	Electric power						Exports	Imports
		Crude	Refined											
1929	95	87	78	54	165	105	29	....	....	102	30	64	190	124
1933	40	52	50	27	72	17	26	....	....	52	18	42	110	72
1939	71	67	63	56	93	80	40	....	55	77	31	47	163	95
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	98	107	100	91	137
1951	113	106	112	128	89	115	136	112	120	100	112	113	186	157
1952	116	107	116	124	87	113	144	118	130	100	120	115	171	200
1953	118	109	122	130	77	111	161	121	137	100	122	113	140	308
1954	116	106	119	132	71	101	172	120	134	96	122	113	131	260
1955	124	106	122	145	75	118	192	127	143	104	132	112	164	308
1956	116	105	129	156	79	129	210	134	152	104	141	114	195	443
1957	106	101	132	149	77	126	224	138	157	96	141	118	230	575
1957														
March	114	101	132	140	88	133	221	138	158	100	146	116	267	489
April	110	101	132	154	82	135	228	138	158	103	137	117	298	534
May	108	101	138	157	83	126	229	138	158	99	141	117	283	698
June	109	101	131	152	78	130	239	139	159	100	148	118	252	511
July	103	101	133	162	69	113	238	138	159	94	141	118	188	770
August	104	101	137	160	75	115	233	138	158	97	144	119	210	572
September	101	102	135	169	75	127	217	138	156	93	141	119	173	607
October	101	101	132	161	76	126	223	138	155	84	134	119	199	684
November	102	101	131	146	63	125	222r	137	152	95	139	118	210	582
December	99	101	124	139	62	125	216r	137	151	93	139	119	178	610
1958														
January	106r	100	122	135	62	123r	223	137	150	94	132	121	....	....
February	104r	97	114	112	64	126	....	136	149	86	135	121	....	....
March	101	95	119	112	....	....	....	136	148	87	137	123	....	....

BANKING AND CREDIT STATISTICS — TWELFTH DISTRICT

(amounts in millions of dollars)

Year and month	Condition Items of all member banks ⁴				Bank rates on short-term business loans ⁵	Member bank reserves and related items				Reserves ¹¹	Bank debits Index 31 cities ^{12, 13} (1947-49 = 100) ²
	Loans and discounts	U.S. Gov't securities	Demand deposits adjusted ⁷	Total time deposits		Factors affecting reserves:					
						Reserve bank credit ⁸	Commercial ¹⁰	Treasury ¹⁰	Money in circulation ⁹		
1929	2,239	495	1,234	1,790	.....	- 34	0	+ 23	- 6	175	42
1933	1,486	720	951	1,609	.....	- 2	- 110	+ 150	- 18	185	18
1939	1,967	1,450	1,983	2,267	.....	+ 2	- 192	+ 245	+ 31	584	30
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	8,539	6,619	10,520	7,502	3.95	+ 7	-1,912	-2,265	+ 132	2,514	140
1953	9,220	6,639	10,515	7,997	4.14	- 14	-3,073	-3,158	+ 39	2,551	150
1954	9,418	7,942	11,196	8,699	4.09	+ 2	-2,448	-2,328	- 30	2,505	154
1955	11,124	7,239	11,864	9,120	4.10	+ 38	-2,685	-2,757	+ 100	2,530	172
1956	12,613	6,452	12,169	9,424	4.50	- 52	-3,259	-3,274	- 96	2,654	189
1957	13,178	6,619	11,870	10,679	4.97	+ 31	-4,164	-3,903	- 83	2,686	203
1957											
April	12,649	6,520	11,622	9,839	.....	- 35	- 445	+ 430	- 31	2,560	202
May	12,694	6,315	11,210	9,995	.....	+ 56	- 261	+ 209	+ 54	2,526	200
June	12,911	6,249	11,310	10,155	4.81	- 29	- 374	+ 402	+ 20	2,483	203
July	12,912	6,319	11,407	10,188	.....	- 49	- 426	+ 320	+ 6	2,457	205
August	12,945	6,313	11,329	10,220	.....	+ 50	- 145	+ 292	+ 39	2,592	197
September	13,178	6,293	11,561	10,301	5.21	- 109	- 434	+ 480	- 30	2,581	204
October	13,064	6,433	11,570	10,417	.....	+ 76	- 322	+ 159	- 8	2,517	200
November	13,185	6,357	11,770	10,304	.....	+ 14	- 298	+ 447	+ 37	2,652	202
December	13,178	6,619	11,870	10,679	5.13	- 18	- 454	+ 480	- 23	2,686	217
1958											
January	13,106	6,573	11,601	10,761	....	- 16	- 258	+ 180	- 137	2,662	211
February	13,002	6,884	11,305	10,992	.....	+ 12	- 427	+ 298	+ 17	2,520	203
March	12,860	7,075	11,225r	11,183	4.95	- 62	- 180	+ 253	+ 11	2,530	198
April	12,979	7,605	11,570	11,406	.....	+ 43	- 391	+ 371	- 2	2,574	206

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, California Redwood 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, and Seattle indexes combined. ⁵ 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. ⁶ Annual figures are as of end of year, monthly figures as of last Wednesday in month.
⁷ Demand deposits, excluding interbank and U.S. Gov't deposits, less cash items in process of collection. Monthly data partly estimated.
⁸ Average rates on loans made in five major cities. ⁹ Changes from end of previous month or year. ¹⁰ 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.
¹¹ End of year and end of month figures. ¹² Debits to total deposits except interbank prior to 1942. Debits to demand deposits except U.S. Government and interbank deposits from 1942. ¹³ Preliminary. ¹⁴ Revised.

