

Monthly Review



TWELFTH FEDERAL RESERVE DISTRICT

FEDERAL RESERVE BANK OF SAN FRANCISCO

April 1959

Review of Business Conditions 50

Farm Production Prospects—1959 57

Review of Business Conditions

ALTHOUGH national economic recovery proceeded at an uneven pace during the winter and early spring, the Twelfth District economy continued to expand rapidly. Longer-term growth factors (including the sustained influx of people and business firms from other states, growing state and local governmental expenditures, and Federal outlays for national defense) helped to maintain the West's greater-than-national expansion. Moreover, the current low level of fixed investment by business firms is presumably having a more adverse effect on eastern areas than on the Twelfth District, even though plant and equipment surveys suggest that business investment here has declined relatively more than the national average. Business fixed investment, judging from industrial patterns, accounts for a substantially smaller proportion of goods and services produced in this district than in the rest of the nation, while demand by private households and Government is of greater importance.

Military outlays buoy District expansion

This *Review* has frequently noted the key role played by defense-related Federal spending in growth of the western economy. Over 25 percent of total military prime contracts awarded during the past several years have gone to firms in this district, and in 1958, with the highest net volume of prime contracts awarded since the Korean War, awards to firms located here amounted to \$6.8 billion—30 per cent of the national total. The transition from manned aircraft to missiles and other space-age weapons systems caused fears that major aircraft fabricators (many of which are located in this district) would be hard pressed to compete effectively with other types of firms for missile contracts, but such has not been the case. Aircraft firms experienced a net reduction in their order backlogs for new military planes amounting to

more than \$3.4 billion in the past two years, but most of them are actively engaged in the development and production of missile systems, which has offset a sizable part of this loss on their order books. Electrical machinery, instrument, and ordnance manufacturers have expanded their military electronics and missile business also, and a substantial portion of such work is being done in this district.

Employment data afford some perspective on the degree of industrial change which has occurred during the past two years as a result of the shift in defense procurement policies. Between the spring of 1957 (when major cut-backs began in orders for manned aircraft) and the end of 1958, District aircraft fabricators reduced payrolls about 30,000 workers, but ordnance, instruments, and electrical equipment firms boosted employment by approximately 33,000. While the District thus experienced a small net increase in employment, nationally a decline of almost 200,000 workers occurred in these four industries.

Nondefense industries and firms have also grown rapidly here, and they have been fairly independent of military expenditures. During sharp contractions in defense expenditures over the postwar period, advances made by other industries have shown the resiliency of the western economy and the wealth of its still unused resources. We shall examine some of these other industries which have had an important influence on the recent economic upturn, population trends, and the expansion of state and local spending in three of the District's major economic areas, roughly related to the service areas of this bank's head office and branches.¹

Seattle and Portland Zones

Recent economic activity in the Seattle and Portland areas has been dominated by the

¹ To eliminate repetition where there are common characteristics, the areas served by the Pacific Northwest offices (Seattle and Portland) and the California offices (Los Angeles and San Francisco) will be examined jointly, and then the Salt Lake City territory will be considered.

course of Federal spending, revival of the construction industry, and the shifting markets for primary metals. The Pacific Northwest was troubled with severe unemployment during the past year, and in Oregon the problem extends back as far as 1956. This winter, however, has seen a reduction in unemployment to less than 6 percent of the labor force on a seasonally adjusted basis, and the improvement has been most pronounced in Oregon.

Seattle, the largest metropolitan area in the Pacific Northwest, was able to maintain a fairly continuous balance in its labor market during the recession mainly because of the addition of over 15,000 jobs at the area's aircraft plants during the past year. At the end of 1958, Boeing Airplane Company, which accounts for almost all of Seattle's aircraft industry, reported a backlog of \$2.4 billion, and early in 1959 it was announced that the company had received an additional award of \$300 million for missile production. In late January, however, Boeing began moderate employment cutbacks as shifts in production schedules brought lower requirements for semi-skilled and unskilled personnel which were only partially offset (numerically) by larger professional staffs. By mid-March, a net reduction of 1,700 jobs had occurred.

The other three major labor market centers in the Pacific Northwest—Portland, Tacoma, and Spokane—were still classified as areas of substantial labor surplus in mid-March. At Tacoma and Spokane, reduced operating schedules at aluminum production and fabrication plants during the recession have been only partially restored. Even though national aluminum production was at an all-time high during the first quarter of this year, the Spokane area reported that moderate cutbacks there were again under way. Newer facilities located closer to eastern markets have cast Pacific Northwest plants in a role close to that of a residual pro-

ducer until demand catches up with the expanded national capacity. Portland and Tacoma have both felt a pickup in demand for forest products after sharp declines during the recession, and there has also been expansion into electronics at Portland.

The Pacific Northwest's advance in construction activity during 1958 continued into the first part of 1959, although the rate of increase in contracts awarded for new residential housing was not so sharp as a year ago and there was little change in nonresidential building awards. Awards for public works and utilities projects improved in Washington, however, and the amount of overall construction work currently in progress insures a high level of employment during 1959. Employment in the industry is now at the highest level since 1955 in Washington, while in Oregon it has not been so high since 1951.

The burst in national and local construction activity brought new life to the region's key lumber and wood products industry during 1958, but the real test of market strength for 1959 is just beginning with the opening of the building season in eastern areas. Log shortages acted as a partial restraint on production in the Douglas Fir region early this year, but during March production exceeded the year-ago level. In the Western Pine area, weekly reports showed production during the first three months of 1959 more than 10 percent ahead of last year. Both regions report order files much improved, and inventories are well below the level of early spring 1958. Lumber prices averaged almost \$12 per thousand board feet above last year during March, with green fir up over \$16. In late March, however, green 2 x 4's slipped contraseasonally, from \$74 per thousand board feet to \$72, as buying in the important Southern California and Arizona markets slumped and poor weather delayed the opening of the building season in a number of areas in the East and Midwest. Demand for plywood remains strong, and most producers announced

new price lists in late March. The $\frac{1}{4}$ inch sanded variety, often used as an index of the level of plywood prices, was marked up \$5 to \$85 per thousand square feet.

The available indicators of retail trade activity for the Pacific Northwest (principally department store sales and automobile sales) show a definite improvement over 1958, although less than in other District areas. New automobile registrations in Oregon and Washington during January and February exceeded those for the first two months of 1958 by 43 and 27 percent, respectively, and they were also higher than in early 1957. Department store sales (seasonally adjusted) were at an all-time high.

Population growth in the Pacific Northwest during recent years has been just a little better than the national average of 1.7 percent per year, while the average growth rate has been twice that high for other Twelfth District states. During the recession, and even before because of the slump in the lumber industry, there were net withdrawals from the labor force and some out-migration to other areas. Recent estimates made of personal income in the two states show a moderate increase above the prerecession level, and a slight increase on a per capita basis. These factors help to explain the comparatively small increase in retail spending.

San Francisco and Los Angeles Zones

The San Francisco and Los Angeles areas, which include California, the more populated portions of Nevada, and most of Arizona within their service areas, show the sharpest rate of expansion in economic activity during early 1959. Recent growth of defense-related manufacturing has been sizable in California, despite the decline of its aircraft industry, while in Nevada service industries connected with tourist attractions have expanded. In Arizona, where the recession was reflected mainly by a brief hesitation in overall economic growth, it is difficult to single out one

or several industries from the many which are currently achieving rapid gains. Only non-ferrous metals mining, transportation, and communications firms have not shown appreciable gains over the past year. All three states have received a sizable influx of migrants from other regions in recent years. During the winter, unemployment dropped markedly from last summer's high level even with new residents seeking jobs, and in California unemployment is now about 4.5 percent of the labor force. The brisk upswing in construction activity felt by these states during 1958 showed some signs of faltering in California early in 1959, however.

The decline in Defense Department ordering of manned aircraft over the past two years has been reflected in reduced employment by the major aircraft fabricators in California, but as in Washington, most of these firms were among the first to begin missile research and development projects, so that the net payroll reduction by California aircraft companies over the two years has been limited to about 40,000 workers. Growth of electrical machinery, ordnance, and instruments firms in the same period has offset more than three-fourths of this loss, and all of these industries, including aircraft, report net increases in employment during early 1959. Military prime contracts awarded in California amounted to 23 percent of the national total in 1958, a greater proportion than for any other state, and the value of \$5.3 billion exceeded even the annual amount of awards during the Korean War years.

Although California as a whole has gained in defense work, there have been marked shifts over the past two years in the location of defense-connected manufacturing. The Los Angeles area maintains predominance in this field, and about half the employment decline among aircraft firms there since early 1957 has been offset by gains at other types of firms in the missiles and space fields. San Francisco has also had a decline in its small

aircraft industry and an expansion among electronics firms, but Bakersfield and Fresno have seen an almost complete cessation of large-scale defense work in their areas as a result of closure of aircraft manufacturing facilities. San Diego has experienced little net change over the past two years in its sizable defense-connected manufacturing, on the other hand, while Sacramento and San Jose are currently the fastest growing areas in the state, primarily because of the establishment of new defense manufacturing plants.

Arizona firms received about 1 percent of military prime contracts during 1958, almost the same as in previous years. Prime contracts in Nevada, which are usually quite small in terms of national totals, were nevertheless up a moderate 5 percent from 1957.

Construction activity eases in winter months

It appears that most of the impact on employment of the spurt in construction contracts during the second half of 1958 has already been felt in California. Construction employment leveled off at the end of the year, and then declined about 2 percent (15,000 workers) after seasonal adjustment during January and February. Winter rains probably accounted for most of this loss, which was recovered by mid-March. Nevertheless, there has been no increase in construction employment since late last summer, and contract awards during the first two months of the year did not show unusual vigor. Although the value of total awards remains well above that for any of the corresponding months in the previous three years, the usual sharp gain in construction contracts between December and January did not occur this year—the increase was small—and then there was a seasonal decline in February. Most of the easing in contract awards so far this year has occurred in residential building—nonresidential building and heavy construction contracts have changed only by the

usual seasonal amounts. It is by no means conclusive yet that this signals an end to the upswing in residential housing; the first two months of the year are usually the low point in building activity, and builders may have merely used this time as a breathing period after the surge of new projects announced last year.

The Federal Housing Administration reports that secondary market quotations on mortgages which it insures averaged 97 percent of par on March 1 in the West, unchanged from the quotation three months before, but also almost 2 points below that of last summer. This suggests a levelling in effective interest rates on mortgages, but it is not yet apparent whether enough demand for housing exists to enable the present rate of building activity to continue.

Additional recovery in industries not related to defense occurred within the San Francisco and Los Angeles zones during early 1959. In terms of employment, the most pronounced increases occurred in the manufacture of paper and allied products, textiles and apparel, chemicals, nonelectrical machinery and primary metals, and in the service and trade industries and Government. Employment at mining firms drifted slightly lower after a moderate improvement late in 1958. Production of steel attained a new all-time high during the first two months of the year, although in terms of output as a percent of rated ingot capacity there was a sharp decline because of the doubling of capacity at Kaiser's Fontana mill. As a result of this increased capacity, the operating rate for California steel producers (as reported by the American Iron and Steel Institute) dropped from 91 percent of capacity in December 1958 to 65 percent in January 1959, even though there was an absolute increase of 1 percent in steel tonnage produced. California production rose further in February and March, as steel consumers replenished inventories that were cut to extremely low levels

during 1958 and also ordered forward supplies in anticipation of a possible labor dispute in the industry at the end of June.

Retail trade climbs to new record

Partly as a result of population increases and higher incomes, but also undoubtedly stimulated by an atmosphere of greater confidence about the stability of employment and incomes, spending by consumers in the San Francisco and Los Angeles zones rose to new highs in early 1959. Department store sales in California during January rose to 159 percent of the 1947-49 average after seasonal adjustment, 14 percent above January 1958 and more than 2 percent above December's record. Further gains occurred in February and March, and sales during the Easter season were reported by many retail stores as the best ever. Automobile sales in California during the first two months of 1959 exceeded last year by 28 percent and were only slightly under the record 1957 level of 97,600 cars. During the first half of March an additional upsurge was reported. The number of new automobile registrations in Nevada during January and February was also up over one-fourth from last year to 1,600 cars, while in Arizona sales of 6,100 cars represented a gain of 50 percent over the same period in 1958.

Salt Lake City Zone

Utah, eastern Nevada, and southern Idaho, which are served by the Salt Lake City office of this bank, emerged from the business downswing last year suffering from adverse developments in the market for nonferrous metals, but also with more than offsetting increases in lumbering, construction, and defense-connected manufacturing activities. Employment totals expanded to new records in early 1959, while the number of persons drawing unemployment compensation dropped 20 percent or more below the same period last year. The rate of population

growth in Utah and Idaho has not been up to that in California, Arizona, and Nevada in recent years, but has slightly exceeded the rate of increase in the Pacific Northwest. Idaho and Utah have received a comparatively small influx of migrants; as in Oregon and Washington, most of their net gain in population has come from natural increase—the excess of births over deaths.

Utah shares in defense spending upsurge

Utah has recently experienced a marked growth of defense-related manufacturing, amounting to an addition of about 2,000 workers over the past year and of 800 workers in the first two months of 1959 alone. The Utah Department of Employment Security reports that new contract awards will be rapidly translated into further increments in payrolls at these plants. Military prime contracts awarded there during 1958 were more than double those signed in 1957 and exceeded previous years' awards by an even greater amount. Prime contract awards in Idaho, as in Nevada, are usually quite small compared with those in other District states, but again there was an appreciable increase between 1957 and 1958. Steel production in Utah rose sharply during early 1959, reaching a new record in February, and growth of the state's petroleum industry was reflected in crude production six times that of early 1958. Other Idaho manufacturing firms expanded moderately in early 1959, with most of the gain resulting from revival of the lumbering industry.

Construction activity in Utah tended to level off early this year after a sizable increase during 1958, but there was an additional gain in Idaho. The amount of new construction contracts awarded in Idaho during January and February was up seasonally, but in Utah contracts for all types of construction were off substantially from the end of 1958. Industrial plant expansion in Utah, which led to in-

creased contract awards even during the recession, has apparently halted for the present.

Department store sales in the Salt Lake City Branch zone set new records during early 1959, as they did in the rest of the Twelfth District, and new automobile registrations remained unseasonably high in Idaho. New auto registrations in Utah showed a gain of 13 percent over last year during January and February to a total of 3,500. Although the rate of increase over early 1958 was smaller than in other District states, sales at that time last year were also comparatively less depressed in Utah.

District Governmental Units Spend More

Expansion of employment, increases in construction contract awards, and successively higher budgets all indicate a rapid rate of growth in expenditures by state and local governmental bodies in the District. However, aggregate statistics on state and local government outlays are not presently available, and the data at hand permit only a rough approximation of proposed expenditures by state governments in fiscal 1960. From an examination of recently published state budgets, it appears that District states will spend about \$4.4 billion in the year beginning on July 1, 1959, an increase of roughly 10 percent from fiscal 1957, the last year for which official Census data are available.

Construction contracts awarded by public authorities in the Twelfth District during the first two months of 1959 were about one-sixth higher than in early 1958, primarily because of an increased volume of public works projects. Almost all of the increase in government employment in the Twelfth District over the past year, which amounted to 5 percent (about 57,000 workers), occurred among state and local authorities. The size of this increment in employment over the past year is a partial indication of the key part

these bodies have played in recent District growth.

Loan Demand Quickens in First Quarter

Total loans at weekly reporting banks in the District rose \$221 million in the three-month period ended March 25, 1959, in striking contrast to the decline of \$396 million in the same period in 1958. As in the last half of 1958, most of the impetus for this expansion came from the growth in real estate loans. In almost every category there was a reversal in the direction of the change of loans outstanding in the first quarter between the two years. Commercial and industrial loans increased by a modest \$11 million, compared with a liquidation of \$341 million in the first quarter of 1958. Although business loans have not expanded appreciably in the first quarter—generally a period of seasonal decline for business borrowing—the level outstanding at reporting banks in the District caught up to and exceeded the record high of December 1957.

Real estate loans rose \$174 million in the first three months of the year, compared with a decline of \$11 million in the same period in 1958. Other loans (including consumer loans) registered a net increase of \$68 million, matching the dollar decline of a year ago. Agricultural loans fell \$21 million compared with an increase of \$15 million in the first quarter of 1958, when the farm sector of the economy was expanding.

A comparison of the portfolios of reporting banks for the first quarters of 1958 and 1959 provides some interesting but not unexpected changes. A year ago, when general activity was still falling, the demand for loans was weak and reporting banks turned to investments as a source of earnings, adding \$477 million of United States securities to their portfolios. In the first three months of 1959 with the situation reversed and recovery under way, reporting banks disposed of

\$560 million of United States securities, chiefly bills and certificates, and expanded their loans and discounts. The wholesale liquidation of business loans gave way to a modest advance, with metals and metal products producers showing about the same increase in their borrowings as they did in the first quarter of 1956. Retail traders expanded their bank credit in the same amount as they did in the first three months of 1955. A first quarter increase of \$7 million in loans to wholesale trading firms was even more remarkable, for in seven of the eight years for which data are available, these firms reduced their debt to reporting banks in the first three months of the year. Real estate loans responded to the lower levels of interest rates prevailing in the money and capital market in the first half of 1958, rather than to the level of general business activity, and have been the chief source of strength in the expansion of total bank

credit in recent months. Loans to consumers mirrored apprehensions regarding the outlook in the first part of 1958, and growing optimism in the first quarter of 1959, when the public lost some of its reluctance to go into debt to purchase durable goods.

Demand deposits, which generally experience a seasonal contraction in the first quarter, declined \$486 million compared with a decrease of \$559 million in the first three months of 1958. Time deposits, which had demonstrated a phenomenal rate of growth through most of 1958 (rising by \$520 million in the first quarter alone), fell off \$100 million in the first three months of 1959. This decline in time deposits extended to savings deposits, which had continued to grow in the latter part of 1958, as rising interest rates on other forms of short-term investments attracted the funds of state and local governments and foreign balances.

Farm Production Prospects – 1959

IF growing conditions are as favorable as they were in 1958, farmers' present production plans suggest that the record level of crop output attained then may be overshadowed by even larger harvests this year. The nation's farmers indicated on March 1 that their planted acreage will exceed that of 1958 by about 2 percent.¹ In addition, if they plant their full allotments for cotton as they usually do, total acreage may be up 3 percent. Acreage increases will be concentrated in crops which are already in plentiful supply or heavy surplus—corn, cotton, and wheat. Augmented production of these crops would involve additional cash outlays for production and capital items and would provide further stimulation to livestock production, which is already on the increase. It would also dim prospects for reduction of the current high level of Federal price support expenditures.

These prospective changes in the farm sector result in part from recent changes in Federal farm programs. Farmers have decided to plant more land this year because 1) the acreage reserve program of the Soil Bank has been abolished, 2) acreage controls for corn have been abandoned and price supports raised, and 3) restrictions on cotton plantings have been relaxed.² These factors all bear on District production plans to some extent, but the changes in cotton regulations will be most important.

About 17 million of the nation's acres that lay idle last year in exchange for Soil Bank payments are now available for use. While

some of this land will stay out of production, much of it will be planted. Compared with last year, farmers will reportedly add 9 million acres of corn, 5 million acres of cotton, and 2 million acres of wheat to their 1959 plantings. Not all of this is net gain; part of the increase stems from a reduction in acreage for feed crops other than corn (oats and hay, for example), leaving the net gain at about 10 million acres.

Last year farmers planted only 12.4 million of their 17.6 million acre cotton allotment, putting 5 million acres in the Soil Bank's reserve program. This program has been terminated, releasing the land for planting. Acreage allotment rules have also been changed. Under old regulations, allotted cotton acreage was scheduled to be cut back in 1959 to 16.3 million acres. But the Agricultural Act of 1958 provided an alternative whereby farmers could expand their plantings 40 percent beyond this amount in exchange for lower price supports. Farmers who chose this alternative, known as Plan B, are eligible for price supports on cotton at 65 percent of parity. Those who accepted the smaller acreage allotments as originally scheduled—Plan A—are eligible for 80 percent of parity.

The response to Plan B was smaller than anticipated, however, as only one million acres will be planted under this regulation. Despite this, additions from the Soil Bank and Plan B together may raise plantings 40 percent above last year's acreage. It appears that cotton growers in most areas did not think lower price supports could be offset by expanding output to achieve lower unit costs. However, Plan B proved to be quite popular in the Twelfth District, where the predominance of large-scale, heavily mechanized operations makes this type of economy feasible.

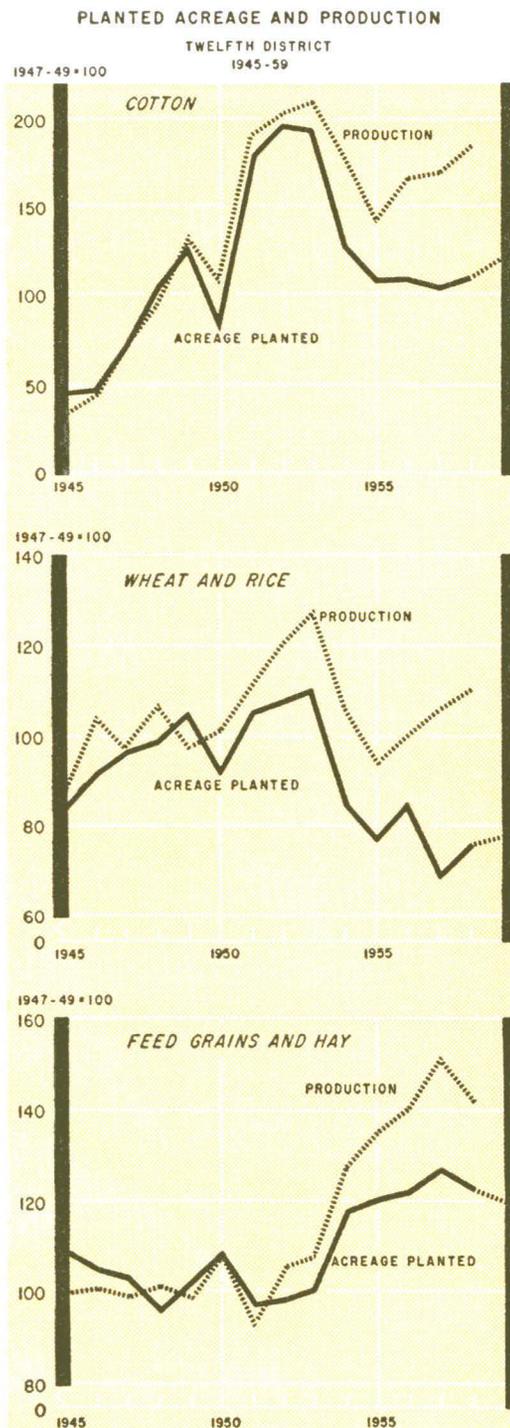
¹ Crop planting prospects discussed in this article are based largely on farmers' planting intentions as of March 1, reported by the United States Department of Agriculture in *Crop Production—Prospective Plantings for 1959*, issued March 18, 1959.

² Corn price supports will actually be higher than in 1958, despite a reduction in the official rate. Last year corn was supported at \$1.36 per bushel when produced in compliance with acreage controls, \$1.06 otherwise. With no acreage controls in 1959, all producers are eligible for an average support rate of \$1.12 per bushel. This represents an increase to most producers because only 12 percent of the 1958 crop was grown within acreage allotments. Corn is doubly attractive because support rates for other feed crops were reduced in 1959.

District cotton plantings rise

The most significant change in the production plans of District farmers involves an increase in cotton acreage under Plan B. Without this alternative, the District was slated for a 10 percent cut in acreage allotments for this important crop. But 35 percent of District cotton farmers (representing 50 percent of the 1958 acreage) have indicated that they intend to expand their cotton acreage as permitted under Plan B. Acreage allotments were increased accordingly. If District cotton producers plant their full allotment, total District cotton acreage will be 12 percent greater than in 1958. In view of the rapid rise in yields of recent years, this may mean an even greater increase in production than acreage figures alone suggest. District cotton acreage was cut sharply when controls went into effect in 1950. They were removed the following year, reimposed in 1954, and have been in effect since then. This provided an unusual incentive to increased yields, and production in the past three years has steadily climbed toward the pre-acreage control levels. (See chart)

More land will be planted to wheat and rice in the District in 1959, including land formerly in the Soil Bank. Farm output in other lines appears to be headed upward this year also. Crops that suffered from poor weather last spring are in better condition thus far in 1959. Consequently, prospects in March were for greater output of citrus and deciduous fruits and nuts, and a high level of vegetable production. The past winter has been marked by lack of rainfall in many parts of the District, particularly California and Arizona, but reserve supplies were generally adequate for this year's needs, and irrigation has been heavily employed. Pastures and ranges have suffered from the lack of moisture, but stocks of supplemental feed are large. An increase in livestock production is under way, pointing to heavier marketings in the months ahead.



Source: U. S. Dept. of Agriculture, Agricultural Marketing Service, *Crop Production and Cotton Production*, annual issues.

Feed grains and beef

Acreage controls on basic crops in the District, particularly cotton, have influenced beef cattle production. As shown in the accompanying charts, production of feed grains began to rise sharply in 1954, when acreage allotments were placed on cotton and wheat. Acreage restrictions are still in effect on these crops although acreage allotment requirements have been modified for cotton. The in-

crease in feed grain production seemed to have no effect on the relative importance of beef cattle production in the District, if total cattle population figures are compared. Eleven percent of the nation's beef cattle was on District farms and ranches at the beginning of 1959, the same proportion as in 1954. But there have been substantial changes in the composition of the District beef herd relative to the rise in feed grain

TABLE 1
PROSPECTIVE PLANTINGS OF MAJOR FIELD CROPS, 1959
TWELFTH DISTRICT AND UNITED STATES

(Thousands of acres)

	Twelfth District		United States		Percent Change from 1958	
	1959 Indicated	1958 Actual	1959 Indicated	1958 Actual	Twelfth District	United States
Food Grains						
Wheat, all ¹	5,155	5,097	58,468	56,431	1	4
Winter ²	4,126	4,147	45,063	44,088	— 0.5	2
Spring ¹	1,029	950	13,405	12,343	8	9
Rice	290	257	1,603	1,444	13	11
Rye ²	277	276	3,908	4,442	0	—12
	<u>5,722</u>	<u>5,630</u>	<u>63,979</u>	<u>62,317</u>	<u>2</u>	<u>3</u>
Feed Grains and Hay						
Hay, all ³	6,161	6,229	70,499	73,033	— 1	— 3
Barley	4,395	4,429	17,093	16,268	— 1	5
Oats	1,249	1,375	35,998	38,430	— 9	— 6
Corn	523	493	83,921	74,654	6	12
Sorghums, all	459	419	20,440	21,176	10	3
	<u>12,787</u>	<u>12,945</u>	<u>227,951</u>	<u>223,561</u>	<u>— 1</u>	<u>2</u>
Other						
Beans, dry edible	527	534	1,656	1,644	— 1	1
Potatoes	409	439	1,392	1,498	— 7	— 7
Sugar beets	386	385	942	933	0	1
Peas, dry field	278	195	311	227	43	37
Flaxseed	47	46	3,678	4,014	2	— 8
Sweet potatoes	13	12	275	272	8	1
	<u>1,660</u>	<u>1,611</u>	<u>8,254</u>	<u>8,588</u>	<u>3</u>	<u>— 4</u>
Cotton⁴						
Upland	1,276	1,136	17,328	12,375	12	40
Long staple	30	36	71	80	—17	—11
	<u>1,306</u>	<u>1,172</u>	<u>17,399</u>	<u>12,455</u>	<u>11</u>	<u>40</u>
Other United States Crops						
Soybeans ⁵	.....	.....	23,172	24,900	.....	— 7
Peanuts ⁵	.....	.....	1,702	1,755	.....	— 3
Tobacco ³	.....	.....	1,161	1,081	.....	7
	.....	.....	<u>26,035</u>	<u>27,736</u>	.....	<u>— 6</u>
TOTAL⁶	<u>21,475</u>	<u>21,358</u>	<u>338,829</u>	<u>330,425</u>	<u>0.5</u>	<u>3</u>

¹ Includes Durum wheat.

² Based on December 1 estimates.

³ Acreage for harvest.

⁴ Represents acreage allotment of 16.3 million acres, plus 1.023 million acres which could be planted by farmers who elected Plan B. Acreage allotments are used to indicate prospective plantings. See text.

⁵ Includes only crops grown alone, excluding those interplanted with other crops.

⁶ Published totals for United States. Subtotals add to more because they include extra cotton acreage and duplications noted above.

production. A smaller proportion of the beef herd is now composed of breeding stock (cows and heifers over two years of age) than in 1954, while a larger part of the herd consists of steers over one year of age. The rise in numbers of steers reflects the increased importance of cattle feeding operations in the District because the bulk of the cattle in feed lots are steers in this age group. The number of District cattle on feed increased 47 percent between 1954 and 1959. This increase is especially significant when it is compared with the 6 percent increase of cattle on feed in the rest of the country during the same period.

Supplies of lower-grade beef have been less abundant, partly as a result of the expansion of cattle feeding operations in the District. This has stimulated foreign imports of beef and veal into the District for use largely in processed foods. District beef imports in January of 1959 were four times as large as in the same month of 1958. Recently these imports have totaled as much as 6 million pounds in a week. This level of imports is estimated to account for about 10 percent of the beef supplies available from Federally inspected plants in the District during a comparable period of time.

Value of assets rises although income is reduced

A reduction of 5 to 10 percent in farm income is expected nationally this year. District net farm income, if it declines, should not fall so much. One of the principal rea-

sons for the anticipated reduction in national farm income is the prospect of substantially lower prices for hogs in 1959 than in 1958. Pork production is a farm enterprise of minor importance in the District and will have little effect on District farm income even if lower hog prices materialize.

District farm production expenditures, on the other hand, will undoubtedly rise. More land will be in production as 353,000 acres of farmland in the acreage reserve program in 1958 will be available for production of basic crops. In addition, some District plantings of cotton in excess of basic allotments will occur on land which in 1958 was devoted to the cultivation of crops less costly to produce. Production expenses per acre for cotton, for instance, are about three times as large as for feed grains.

Although income prospects for District agriculture are not so favorable in 1959 as in 1958, the financial position of District farmers may well improve. In 1958 income realized from District farming operations declined. Idaho was the only state with a higher realized net income per farm. Nevertheless, the financial position of District farmers improved during 1958 as the value of farm assets in the District increased considerably. Farmland appreciated in value about \$1.3 billion, an amount almost equal to the net income operators of District farms realized from farming operations in 1958. In addition, the inventory value of livestock on farms rose almost \$400 million.

The Bishop National Bank of Hawaii, Honolulu, Hawaii, has become a Member of the Federal Reserve System effective April 13, 1959.

BUSINESS INDEXES — TWELFTH DISTRICT¹

(1947-49 average = 100)

Year and month	Industrial production (physical volume) ²							Total nonagri-cultural employ-ment	Total mf'g employ-ment	Car-loadings (num-ber) ²	Dep't store sales (value) ²	Retail food prices ^{3, 4}	Waterborne foreign trade ^{5, 6}	
	Lumber	Petroleum ⁵		Cement	Steel ³	Copper ³	Electric power						Exports	Imports
		Crude	Refined											
1929	95	87	78	54	...	105	29	...	...	102	30	64	190	124
1933	40	52	50	27	...	17	26	...	...	52	18	42	110	72
1939	71	67	63	56	24	80	40	60	57	77	31	47	163	95
1949	100	99	103	100	97	93	108	99	97	94	98	100	85	121
1950	113	98	103	112	125	115	119	103	105	98	107	100	91	137
1951	113	106	112	128	146	116	136	112	121	100	112	113	186	157
1952	116	107	116	124	139	115	144	118	130	100	120	115	171	200
1953	118	109	122	130	158	113	161	121	137	100	122	113	140	308
1954	116	106	119	132	128	103	172	120	134	96	122	113	131	260
1955	121	106	122	145	154	120	192	127	143	104	132	112	164	308
1956	120	105	129	156	163	131	210	134	152	104	141	114	195	443
1957	107	101	132	149	172	130	224	138	157	96	141	118	230	575
1958	106	94	124	158	141	116	228	137	154	89	142	123	174	537
1958														
February	105	97	114	112	134	128	221	136	153	86	135	121	149	358
March	104	95	119	112	139	125	226	136	153	87	137	123	160	422
April	97	94	119	129	132	120	218	135	151	87	142	125	171	445
May	103	93	124	176	139	106	227	136	151	90	142	124	193	468
June	100	93	123	178	140	101	234	137	153	90	143	124	190	617
July	102	92	127	179	112	79	232	138	153	84	140	124	180	602
August	109	93	128	179	132	91	232	138	155	92	148	123	181	513
September	109	93	129	179	148	119	228	138	155	94	140	123	178	607
October	113	93	130	186	152	132	238	139	156	81	141	123	174	712
November	114	93	127	159	168	139	231	140	158	91	149	124	178	545
December	119	93	124	165	165	129	236	140	159	97	147	123	170	762
1959														
January	120	92	125	161	169 _e	136 _r	238	141	161	98	150	124 _r	...	...
February	118	92	126	142	189 _e	142	...	141	162	93	155	123	...	...

BANKING AND CREDIT STATISTICS — TWELFTH DISTRICT

(amounts in millions of dollars)

Year and month	Condition items of all member banks ⁶				Bank rates on short-term business loans ⁸	Member bank reserves and related items				Bank debits index 31 cities ^{11, 12} (1947-49 = 100) ²	
	Loans and discounts	U.S. Gov't securities	Demand deposits adjusted ⁷	Total time deposits		Factors affecting reserves:					Reserves ¹¹
						Reserve bank credit ⁹	Commer-cial ¹⁰	Treasury ¹⁰	Money in cir-culation 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
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
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 ^r	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
1958	13,812	8,003	12,729	12,077	4.88	- 89	-3,558	+3,645	+ 63	2,658	209
1958											
March	12,860	7,075	11,225	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
May	12,977	7,546	11,292	11,530	....	+ 11	- 203	+ 154	+ 90	2,456	193
June	13,197	7,632	11,278	11,724	4.81	- 59	- 409	+ 531	+ 22	2,494	212
July	13,142	7,670	11,744	11,779	....	+ 52	- 384	+ 302	+ 4	2,474	211
August	13,356	7,984	11,774	11,817	....	+ 2	+ 15	+ 193	+ 46	2,621	204
September	13,350	7,827	11,860	11,776	4.80	+ 4	- 378	+ 157	- 31	2,451	210
October	13,419	7,846	12,176	11,836	....	0	- 517	+ 726	+ 57	2,612	215
November	13,591	8,026	12,395	11,725	....	+ 48	- 305	+ 398	+ 31	2,727	208
December	13,812	8,003	12,729	12,077	4.95	- 54	- 542	+ 518	- 11	2,658	239
1959											
January	13,897	8,099	12,508	12,037	....	+ 11	- 517	+ 389	- 109	2,656	226
February	14,022	7,735	12,210	12,018	....	+ 9 _r	- 431 _r	+ 386 _r	+ 17 _r	2,602	234
March	14,176	7,436	12,228	12,003	4.97	- 13	- 541	+ 539	+ 4	2,588	240

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, and copper, U.S. Bureau of Mines; steel, U.S. Department of Commerce and American Iron and Steel Institute; 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. ^r—Revised. ^e—Estimated.

