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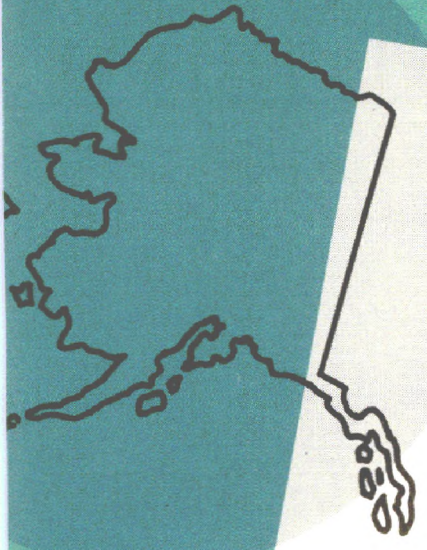
# Monthly Review

FEDERAL RESERVE BANK OF SAN FRANCISCO  
TWELFTH FEDERAL RESERVE DISTRICT

*December 1961*

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ALASKA



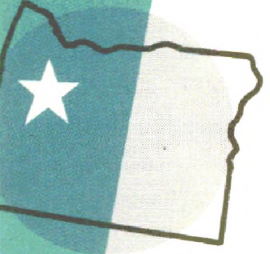
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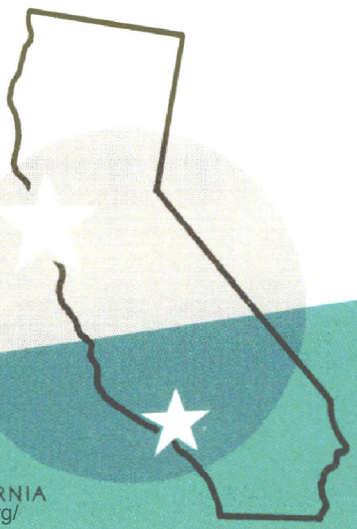
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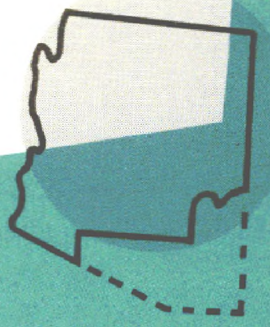
OREGON



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# Review of Business Conditions

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As the winter solstice approached and the sun entered the sign of Capricorn there were evidences of some improvement in the economic climate. The ground that was lost in September was recovered in October, and economic activity moved into new high ground in November as the index of industrial production reached a record level of 114 percent of the 1957 base. Perhaps the most heartening news was the announcement that the seasonally adjusted rate of unemployment fell to 6.1 percent in November, down 0.7 percent from October. This represents the lowest rate of unemployment since September 1960. There was an increase in the number of unemployed in November over October, but it was well below the increase that typically occurs at this time of year. At the same time, nonagricultural employment, which usually drops off in November, rose, bringing total nonagricultural employment to 62.1 million for the month.

Most of the gains in industrial production have been centered in auto output. The auto industry is apparently headed for the best December since 1955 as production schedules call for 637,000 car assemblies, up 22 percent from December of last year. This follows on the heels of a near record output for November, similarly the best performance for that month since 1955. Related to the rise in auto production schedules for December is an expected increase in steel production. New orders are expected to boost steel production to 80 percent of capacity, almost 10 percent higher than the level prevailing in November. A part of this increase in the demand for steel may be accounted for by higher current auto production schedules; in addition, the prospect of a steel strike in June 1962 is apparently encouraging steel users to stockpile inventories. Manufacturers' sales, orders, and inventories rose in October, the latest month for which data are currently available. New or-

ders reached a record high and were 12 percent above October of last year. Manufacturers' inventories increased by \$330 million in October, about the same monthly rate of accumulation that had taken place in the third quarter.

In November new construction rose to a seasonally adjusted annual rate of about \$59.5 billion, up about 1 percent from October and 6 percent ahead of November 1960. There was little change in public construction over October and most of the increase came about because of a 3 percent rise in private residential construction. Business expenditures are expected to reach a seasonally adjusted annual rate of \$36.5 billion in the first quarter of 1962 according to a survey conducted in late October and November by the Department of Commerce and the Securities and Exchange Commission. This represents a 4 percent increase over 1961 but is below the record \$37 billion of business investment for 1957.

Personal income rose \$4 billion in October to a new record high of \$425 billion at a seasonally adjusted annual rate. This marks a 5½ percent increase from the February low and a gain of about 3.7 percent above October of last year. Retail sales increased to \$19.3 billion on a seasonally adjusted basis in November, up 3 percent from October and 5 percent above November 1960. Sales for the month exceeded the previous record of \$18.9 billion in April 1960. Most of the increase occurred in the durable goods lines, principally autos, as sales of the latter reached a new record high in November. Consumer credit increased by \$184 million for October after a decline of \$75 million in September. This represents the largest increase since November 1960 and ends a 10 month decline in this series. October also marked the first month in which there was an increase in auto installment credit. The repayment of auto



loans was the main item in the reduction in consumer credit that had taken place prior to October.

The capital markets were characterized during November by increasing yields for all types of securities. As a result of somewhat heavier issues of corporate bonds, congestion developed in the market and underwriters experienced some difficulty in moving new issues except at lower prices and consequently higher yields. Much the same story was true of the municipals market. Dealer inventories rose to a record level of \$550 million in November, and yields rose during the month, offsetting declines that had taken place in October. Common stock prices rose to new record levels during November, and the volume of trading was up substantially. At the end of November stock prices were nearly one quarter above the level obtaining at the end of last year. Among Treasury issues the most marked rise in yields was on 91-day Treasury bills. The rise in yields reflected better business news, somewhat less ease in bank reserve positions at mid-November, and increased offerings of bills by the Treasury as well as the pressures on the money market induced by refunding operations.

### District employment rose in October

Nonagricultural employment in the District rose 0.3 percent in October, with gains in all industry divisions except mining and transportation; employment in the latter industry was affected by the West Coast maritime labor dispute. Employment in finance, real estate, and insurance remained unchanged from September. The most sizeable increase occurred in services, up 1.1 percent; manufacturing employment increased by 0.5 percent and construction, by 0.7 percent.

Manufacturing wage and salary employment on the Pacific Coast increased by 0.5 percent, with a gain of 0.6 percent in non-durable goods manufacturing and 0.5 percent

### Recent gains in employment dominated by goods production



Source: State departments of employment.

in durable goods. Substantial increases in canning and preserving (due partly to the later harvesting of the tomato crop in California) and textiles and apparel offset employment losses in other food processing, chemicals, and petroleum products. In the durable goods sector, only lumber and wood products and electrical machinery experienced slight losses. Primary and fabricated metals increased by 0.5 percent and transportation equipment by over 1 percent. Employment in the latter industry was above 1960 levels for the first month this year, with aircraft manufacturing above this September by 0.4 percent and employing only 1,000 fewer workers than in October 1960. However, the most spectacular gains have been occurring in shipbuilding and repair where the level of employment of 20,700 workers in October was 4,000 greater than the 1960 average, or 24 percent; also this level was the highest for any October in the period since 1947.

During the recession period, May 1960 to February 1961, nonfarm jobs in the District increased by 6,000; this slight gain was caused by an increase of 82,800 workers in the service-producing industries (trade, finance, serv-



FEDERAL RESERVE BANK OF SAN FRANCISCO

**CHANGES IN EMPLOYMENT IN THE TWELFTH DISTRICT AND  
PACIFIC COAST FOR THREE POSTWAR RECOVERIES**

**NONAGRICULTURAL EMPLOYMENT IN THE TWELFTH DISTRICT  
SEASONALLY ADJUSTED**

	Feb. 1961 to Oct. 1961 % Change	Apr. 1958 to Dec. 1958 % Change	Aug. 1954 to Apr. 1955 % Change
<b>Manufacturing</b>	+ 3.0	+ 5.3	+ 8.8
<b>Mining</b>	—1.6	+ 2.1	+ 3.6
<b>Contract Construction</b>	+ 0.6	+ 11.4	+ 8.8
<b>Transportation and Public Utilities</b>	—0.7 <sup>1</sup>	— 1.1	+ 2.9
<b>Trade</b>	+ 1.7	+ 2.6	+ 3.3
<b>Finance, Insurance, and Real Estate</b>	+ 1.1	+ 1.7	+ 3.2
<b>Services</b>	+ 2.7	+ 3.7	+ 3.9
<b>Government</b>	+ 2.8	+ 1.5	+ 2.3
<b>Total</b>	+ 2.1	+ 3.4	+ 4.9

**PACIFIC COAST MANUFACTURING**

<b>Total Manufacturing</b>	+ 3.0	+ 6.6	+ 9.1
<b>Total Nondurable Goods</b>	+ 1.9	+ 2.4	+ 3.0
<b>Total Durable Goods</b>	+ 3.5	+ 8.6	+ 12.4
<b>Lumber and Wood Products</b>	+ 2.6	+ 11.8	+ 35.9 <sup>2</sup>
<b>Furniture and Fixtures</b>	+ 2.0	+ 8.1	+ 9.4
<b>Primary Metals</b>	+ 9.8	+ 7.3	+ 9.8
<b>Fabricated Metals</b>	+ 3.5	+ 4.2	+ 4.6
<b>Nonelectrical Machinery</b>	+ 2.5	+ 2.7	+ 4.8
<b>Electrical Machinery</b>	+ 3.5	+ 13.1	+ 12.9
<b>Transportation Equipment</b>	+ 3.3	+ 6.5	+ 6.9
<b>Aircraft</b>	+ 1.5	+ 5.4	+ 3.7
<b>Other Durable Goods<sup>3</sup></b>	+ 3.5	+ 14.8	+ 9.5

<sup>1</sup> Employment in October 1961 affected by labor dispute.

<sup>2</sup> Employment in August 1954 affected by labor dispute.

<sup>3</sup> Includes ordnance and accessories; stone, clay and glass products; instruments and related products; miscellaneous manufacturing.  
Source: State departments of employment.

ices, and government) which offset the loss of 64,600 jobs in the goods-producing industries (manufacturing, mining, and construction) and 12,200 in transportation. In the eight months of expansion since February, nonfarm employment has risen by 2.1 percent, with 54,100 more workers in the goods-producing sector and 95,700 more in the service-producing sector. The gain in goods-producing industries represents a recovery of 84 percent of the recession job loss, in which manufacturing has been the chief source of strength. Employment in manufacturing has regained 93 percent of its job loss, and the level of

employment in October was 3 percent greater than in February; construction has recovered only 39 percent of its loss, and mining has shown no significant change since declining in the spring of 1960. Within the service-producing sector, government and services have had the fastest rate of growth; in October, both were nearly 3 percent higher than in February.

**October construction above  
same month last year**

The dollar volume of construction contracts let in the District during October



amounted to \$573 million, 15 percent above the same month last year. Residential contracts rose 31 percent above October 1960 as contracts for both single-family homes and apartment buildings increased. The value of heavy engineering (public works and utilities) contracts let was also above last year (5 percent), reflecting increased awards for streets and highways and sewerage systems. The dollar volume of nonresidential building contracts, on the other hand, fell 4 percent below October 1960, due mainly to a decline in the volume of contracts let for manufacturing buildings.

The improvement in home building in the District that has been reflected in residential contracts in recent months has been due in part to a pickup in activity started under FHA inspection. FHA applications for mortgage insurance on new housing in the District began to pick up at the start of the summer and have continued to improve through October.<sup>1</sup> This rising level of applications began to be reflected in an increase in the number of housing units started under FHA inspection during the months of August and September, months in which improvements were reported in residential contracts. The continued increase in FHA applications through the summer and fall portends further increases in this type of activity in the months ahead.

The results of the Bureau of the Census' most recent survey of vacancies indicate a rental and home owner vacancy rate in the West of 9.4 percent and 1.3 percent, respectively. This compares with rates of 10.7 percent and 1.2 percent in the second quarter. While this suggests a decline in rental vacancies, the magnitude of the decline falls within the limits of sampling variability established by the Bureau. If, however, the decline is repeated in the next couple of surveys, more significance can be attached to it, al-

<sup>1</sup> Although October data on District FHA applications are not yet available, the increase nationally suggests these applications will also rise here.

## Douglas fir orders ahead of production in October



Source: West Coast Lumbermen's Association.

though this rate would still be well above the 6.9 percent rate of the last half of 1958.

## Lumber output still below new orders in November

Revised data on Douglas fir lumber output in the District during October indicate that daily average production declined about 3 percent from September after adjustment is made for seasonal factors. The revised figures for Western pine production are not yet available. Preliminary figures covering the first three weeks of November show a pick up in Douglas fir production; Western pine output, on the other hand, apparently declined during the same period. In both cases, however, production remained below the level of new business received.

Lumber prices continued to rise during the first part of November. Crow's lumber price index (which covers green fir, dry fir, and Western pine items) stood at \$72.38 on November 9, up \$.70 from October 26 and \$1.64 above the corresponding date last year. The increase was due largely to rising prices for green fir items. There was also a moderate increase in the average price of the Western pine species. Sanded fir plywood (1/4 inch stock) is reported to be selling at between



\$60 and \$64 per thousand square feet. Plywood production at the beginning of the month was at 84 percent of capacity.

### **Retail sales off in October, may show rise in November**

On the basis of department store and apparel store data, it appears that there were gains in sales of soft goods stores, particularly food, general merchandise, and apparel, in October. However, after taking into account the season of the year, department store sales in October were down from September. It is estimated that for November they will rise somewhat. This reflects, in part, continual sales increases in areas with new stores, although most other areas also showed moderately increased department store sales.

New car registrations in California during October were at the daily average rate of 2,162, the highest level for any month this year and the highest since March 1960. Prompted by the introduction of new models, registrations during the first 24 days of the month were running well over 2,000 per day, tapering off slightly during the last week. In the first 9 days of November registrations continued at a high level, averaging 2,102 per day.

### **District steel and copper demands decline**

The index of Western<sup>1</sup> steel production, which had remained fairly constant in the first three weeks of October and then rose in the last week of that month, fell off throughout the month of November. The decline at this time of year is dictated by seasonal dips in canning and construction activity, the principal users of steel in the District. Even with the possibility of a December increase in output, the year's production probably will fall short of the 1960 total of 99.3 million tons for the nation, since the industry would have

to operate at well over 80 percent of capacity in December to reach the 1960 level. Steel mills reportedly hold expectations of sharply heavier customer needs after the end of this year as users attempt to stockpile steel in the face of a possible steel strike when the present steel labor contract expires on July 1.

Demand for copper has slowed quite a bit in recent weeks and is likely to continue at the lower pace through December when it is traditionally low. October shipments by the copper consumers—wire mills, brass mills and foundries—dropped below September levels, while copper stocks held by the mills and foundries increased. In addition, it is expected that users will want to hold down their year-end inventories for tax purposes in states that base levies on December 31 stocks.

The price of refined copper remains firm at 31 cents a pound, but the price of scrap copper was cut ¼ cent a pound, bringing the price for No. 2 copper wire scrap to a range of 25 cents to 25¼ cents a pound bid. Copper futures contracts in New York the last week in November closed with net gains of about 0.17 cent to 0.25 cent a pound at final prices ranging from 29.45 cents to 29.78 cents a pound.

### **Little improvement in prospect for farm income during fourth quarter**

The strengthening in District farm receipts which began in the late spring continued during September with returns above year-ago levels. But prospects do not appear favorable for further strengthening in receipts during the last quarter of the year. Prices of some crops important in the District, such as cotton and grains, are currently higher than a year earlier, while marketings of sugar beets should be heavier. Nevertheless, there is considerable pressure downwards on prices of other crops of importance in the District. Citrus prices are down from a year ago, while potato prices have dropped about 50 per-

<sup>1</sup>Includes Twelfth District States and Colorado.



cent. Production prospects for navel oranges indicate the smallest District crop in 44 years, but prices are down 30 percent because of increased supplies in other producing areas. The record crop of fall potatoes in the District is partly responsible for the collapse in potato prices, but more potatoes were produced in the United States than in any other year except 1946. Some weakening in District apple prices is expected to result from an apple crop a sixth larger than last year.

Advance government payments from the new Wheat Program for 1962 and from the Feed Grain Program (barley is included this year in addition to grain sorghums and corn) will help boost the farm income of District farmers during the fourth quarter. Participation in the Wheat Program, as indicated by the number of farmers signing up under the program through November 2, has been surprisingly small. Diversion of acreage under the Wheat Program was only 3 percent of the planted acreage in 1961 compared with 9 percent in the rest of the country.

Production of red meat (beef, pork, and lamb) in the District during recent months has been running below output in 1960. Although heavy placement of cattle in California and Arizona feedlots during October suggest a subsequent increase in fed cattle marketings, this anticipated increase may not occur until after the first of the year. Moreover, relatively low prices for poultry and poultry products will tend to discourage an expansion in returns from marketings of livestock and livestock products.

### **Business loans show gain as total bank credit rises in November**

Total bank credit<sup>1</sup> at Twelfth District weekly reporting member banks rose \$164 million in November in contrast to a decline nationally. The increase was centered in

loans, as total securities holdings at month end were at approximately the same level as on November 1. Commercial and industrial loans accounted for four-fifths of the total gain in loans adjusted. Except for September, this was the largest monthly business loan increase this year. Seasonal demands for funds by trade firms, particularly retailers and commodity dealers, contributed to the rise along with a seasonal increase in loans to food, liquor, and tobacco dealers. Real estate loans in the District continued to register small but steady weekly increases, and agricultural loans showed the usual seasonal decline for this time of year. Reclassifications made in the "other loan" category during this period result in some understatement of the actual increase which occurred in consumer loans, but, even after discounting these adjustments, the rise in this loan category was substantially less than in November last year.

Weekly reporting member banks in the District increased their holdings of United States Government securities substantially at mid-month but in the last half of the month reduced their portfolios sufficiently to show a net decline for the month of \$43 million. The increase in Treasury bill holdings in the first part of November, augmented by subscriptions to the Treasury's strip bill offering on November 15, was worked off in the last two weeks of the month. Largely as a result of bank subscriptions to the notes of February 15, 1963 and, to a lesser extent, the bonds of May 16, 1966 offered in the Treasury refunding of November 15, there was a substantial increase in securities in the 1 to 5 year maturity range. This more than offset the decline in the within 1 year maturity category resulting from the redemption of maturing issues. The monthly decline in total United States Government security holdings was about offset by bank acquisitions of \$40 million in other security holdings, in-

<sup>1</sup> Adjusted to exclude valuation reserves and loans to domestic commercial banks.



FEDERAL RESERVE BANK OF SAN FRANCISCO

CHANGES IN SELECTED BALANCE SHEET ITEMS OF  
WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

(dollar amounts in millions)

	Twelfth District				United States			
	From Nov. 1, 1961 to Nov. 29, 1961		From Nov. 30, 1960 to Nov. 29, 1961		From Nov. 1, 1961 to Nov. 29, 1961		From Nov. 30, 1960 to Nov. 29, 1961	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
<b>ASSETS:</b>								
Total loans and investments	+ 152	+0.59	+ 2,370	+ 10.17	-270	- 0.23	+ 9,221	+ 8.43
Loans adjusted and investments <sup>1</sup>	+ 164	+0.65	+ 2,277	+ 9.80	-140	- 0.12	+ 8,659	+ 7.97
Loans adjusted <sup>1</sup>	+ 167	+1.05	+ 666	+ 4.34	-165	- 0.23	+ 2,400	+ 3.46
Commercial and industrial loans	+ 131	+2.36	+ 339	+ 6.36	+ 45	+ 0.14	+ 159	+ 0.50
Real estate loans	+ 32	+0.59	+ 91	+ 1.70	+102	+ 0.77	+ 503	+ 3.92
Agricultural loans	- 24	-3.21	+ 44	+ 6.48	+ 16	+ 1.32	+ 131	+11.96
Loans for purchasing and carrying securities	+ 9	+3.86	+ 75	+44.91	+531	-11.71	+ 854	+27.11
Loans to non-bank financial institutions	- 9	-1.09	+ 25	+ 3.17	+ 17	+ 0.32	+ 20	+ 0.37
Loans to domestic commercial banks	- 12	-5.91	+ 93	+94.90	-130	- 9.09	+ 562	+76.05
Loans to foreign banks	+ 18	+8.61	+ 40	+21.39	+ 61	+11.62	- 98	-14.33
Other loans	+ 7	+0.22	+ 82	+ 2.65	+115	+ 0.70	+ 942	+ 6.03
U. S. Government securities	- 43	-0.60	+1,220	+24.24	-155	- 0.46	+4,242	+14.29
Other securities	+ 40	+1.68	+ 391	+19.33	+180	+ 1.56	+2,017	+20.79
<b>LIABILITIES:</b>								
Demand deposits adjusted	+ 155	+1.30	+ 505	+ 4.37	+ 483	+ 0.76	+ 2,161	+ 2.71
Time deposits	- 39	-0.30	+1,708	+14.86	- 21	- 0.05	+ 6,486	+18.69
Savings accounts	+ 41	+0.39	+1,043 <sup>e</sup>	+10.82 <sup>e</sup>	+ 150	+ 0.51	n.a.	n.a.

e—estimated.

n.a.—Not available.

<sup>1</sup> Exclusive of loans to domestic commercial banks and after deduction of valuation reserves; individual loan items are shown gross. Sources: Board of Governors of the Federal Reserve System and Federal Reserve Bank of San Francisco.

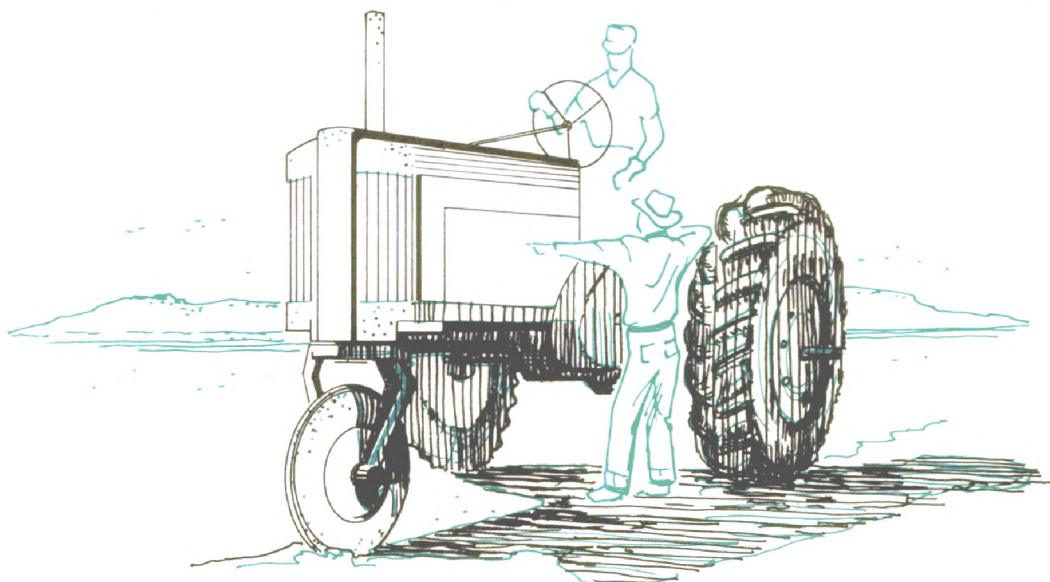
cluding some Public Housing Authority issues.

At the end of November, demand deposits adjusted at weekly reporting member banks were above the November 1 level, with an increase in deposits of states and political subdivisions contributing to the rise. In November, total time deposits registered the first monthly decline this year as about \$125 million was paid out in Christmas Club deposits. This was somewhat above payments made in the corresponding period last year. Both savings deposits and time deposits of states and political subdivisions showed monthly gains, partly offsetting the loss occasioned by the Christmas Club payments.

District banks during November were under some reserve pressure and, except for the first week of the month, were on balance net purchasers of Federal funds. In the weeks ended November 15 and 22, the bulk of Federal funds transactions in the District were at rates of 2¾ to 3 percent. At the end of November weekly reporting member bank borrowings were up \$151 million from the November 1 level, whereas for all weekly reporting banks in the nation borrowings were down \$264 million. The divergent movement between the District and the rest of the nation in total bank credit extended during November probably accounts, in part, for the tighter position of District banks.



# The District Farm Outlook for 1962



THE nation's farmers fared much better in terms of income in 1961 than had been anticipated a year ago. At that time, net farm income this year was expected to show little change from 1960, but it is now estimated that it will be about 9 percent above the \$11.7 billion received last year. The unexpected strength in farm income during 1961 has been attributed largely to legislation enacted during the year which raised the level of price support for major crops and increased the volume of Government payments made to farmers. This was the view expressed at the annual Outlook Conference held by the United States Department of Agriculture in Washington, D. C. in mid-November of this year. With respect to the Twelfth District, it appeared on the basis of information available a year ago that farm cash receipts in 1961 would retreat from the record volume received in 1960. This expectation has been borne out by the facts for the first three quarters of 1961, and it will probably also characterize the results for the year as a whole. The District is more heavily dependent upon crops than livestock as a source of income than is the country as a whole, and the crops which benefit most

from Federal programs are relatively less important in the District than in the nation.

At the Outlook Conference this year, national farm income for 1962 was forecast to be practically the same as that for 1961. The increase in farm income achieved in 1961 is expected to be maintained. Little change in average prices received by farmers is anticipated. A rise in marketings of livestock and livestock products is expected to be about offset by a decline in the volume of crop marketings resulting from the effects of the Federal feed grain and wheat programs.

Although the national volume of farm marketings is apt to be reduced from the 1961 level, the prospects for increased movement of farm products into consumption channels appear favorable. The Department of Agriculture anticipates a rise in consumer income which, along with population growth, will help bolster domestic demand for farm-produced foods. Some increase in the movement of farm products into export markets is also expected. For 1962, agricultural exports totaling about \$5 billion are anticipated; increases are expected for a long list of farm products, including wheat, edible oil, oilseed, fruits, and vegetables.



The financial and credit situation of farmers improved considerably in 1961, and this trend is expected to continue in 1962 according to the Department of Agriculture. Aided by a strengthening in farm land values, farm assets are estimated to total \$211 billion at the beginning of 1962. The increase in the value of farm real estate during 1961 was almost one-third as large as the net income received by farm operators from farming operations during the year. Although there was a modest rise in liabilities of agriculture, equities rose by \$3.4 billion to \$184.1 billion.

### **Water shortage is a factor to be considered in District outlook**

Crops account for about 60 percent of total receipts from farm marketings in the District compared with 40 percent nationally. Crop production, in turn, depends heavily on the availability of adequate supplies of water for irrigation. More than 60 percent of District farms reported using some irrigation in the 1959 Census of Agriculture. The figure rises to 75 percent if Washington and Oregon are excluded. During the last three years, moisture supplies have been below normal in much of the southern portion of the District where irrigation is most common. This moisture deficiency has not yet caused a decline in the overall volume of District crop production, but reports of critical shortages of irrigation water became more widespread in 1961. District crop production in 1962 will depend more heavily on the winter's moisture supplies since reserves in reservoirs and underground have already been drawn on heavily.

Government programs are also of importance in considering the outlook for District agriculture in 1962. The following discussion is confined largely to those farm products of importance in the District which are influenced directly by active or proposed Federal programs for agriculture in 1962.

### **Effects of Federal grain programs not so important in District**

Unlike the situation nationally, the Federal feed grain and wheat programs are not apt to cause a sizeable reduction in the overall volume of crop marketings in the District. District acreage removed from production under the 1961 Feed Grain Program was less than 1 percent of the national total so removed, and the decline has had little noticeable effect on the level of crop production in the District. Moreover, Government payments to District participants in the program have been of minor importance. The Feed Grain Program for 1962 has been expanded to include barley. Although barley production is much larger in the District than the production of either corn or grain sorghums, the cash price of barley at principal terminals in the District is now considerably above the effective support price. This may discourage heavy participation in the 1962 Feed Grain Program by District barley producers, just as the relatively high price for wheat appears to have limited participation of District producers of winter wheat in the Wheat Program for 1962. It may be, however, that some wheat producers were not aware that they had to sign up under the program although they plan to reduce their acreage by the required minimum amount. To be eligible for price support for wheat produced in 1962 and diversion payments, it is necessary not only that each producer of wheat plant 10 percent fewer acres than his basic acreage allotment, but he must also sign up under the program. The income of District wheat producers not participating in the Wheat Program will depend on how accurately they were able to anticipate market prices for 1962 crop wheat.

### **Outlook for District cotton production little changed from 1961**

The District cotton crop was down only slightly in 1961 despite a sizeable decline in



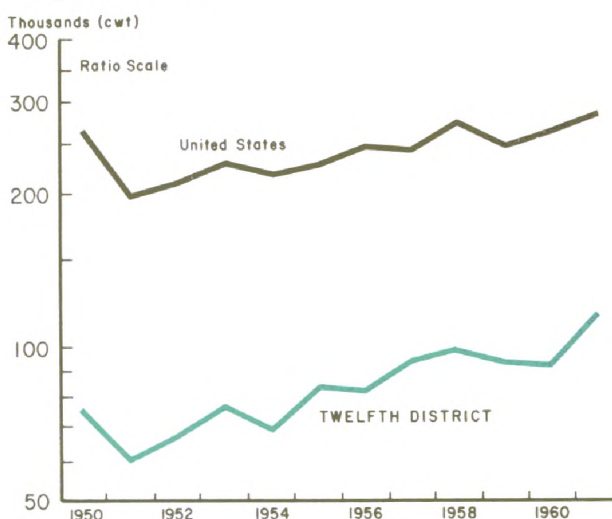
allowable acreage. Growing conditions were very favorable and yields jumped to nearly record levels in California. The income of cotton producers was also aided by a rise in support prices for both cotton and cottonseed. Little change is in prospect for District cotton acreage in 1962. A slight reduction in acreage allotments for upland cotton are more than offset by an increase in permissible acreage for the production of extra-long staple cotton. The production of extra-long staple cotton in the District is confined almost exclusively to Arizona where the allotted acreage exceeds 10 percent of that allotted for the production of upland cotton in the state, the highest ratio of any state in the nation. The support price for cotton in 1962 has not yet been announced, but it is scheduled to decline unless cotton prices are to be supported at a higher percentage of parity than this year. The prospective supply and disposition of the 1962 cotton crop do not suggest much change in support levels.

### Federal programs are under consideration for potatoes and turkeys

Potatoes are currently in bountiful supply as a result of the largest crop on record nationally except in 1946, and District prices are only about half as high as a year ago. Even though the low prices that currently prevail might be expected to prompt a downward revision in production plans for 1962, a Federally sponsored supply control program is being considered for potatoes. If such a marketing program is authorized, the specifications of the program could have considerable impact on District potato producers because they depend heavily on markets outside the District for potatoes and for processed potato products.

Presently, turkey producers plan another large crop in 1962 and, in view of the low prices which prevailed in 1961, a Government-sponsored program to regulate supply

## Potato production reaches record high in 1961



Note: This chart is plotted on a ratio or semi-logarithmic scale on which equal vertical distances represent equal percent changes, rather than equal absolute amounts.

Source: United States Department of Agriculture.

is under consideration for 1962. This is the first time that such a program has been seriously considered for a meat product, and therefore the proposed turkey program is of particular significance. If the program is authorized and is judged successful in terms of administration and attainment of objectives, similar programs may be offered producers of other livestock and poultry products.

### Factors bolstering cash income from livestock in 1962

Improved prices are in prospect for producers of sheep and lamb according to the United States Department of Agriculture. Prices have been under considerable pressure this year as a result of unusually heavy marketings of lamb. Because of the increased movement of lamb into eastern markets from other producing areas, West Coast markets had to absorb the California lamb crop and did so at sharply lower prices. Heavy slaughter of ewe lambs in 1961, prospects for fewer lambs on feed this winter, and a sharply reduced inventory of lambs at the start of 1962 will tend to strengthen lamb prices in 1962.



FEDERAL RESERVE BANK OF SAN FRANCISCO

NATIONAL OUTLOOK FOR SELECTED FARM PRODUCTS, 1962

Item	Importance in Twelfth District <sup>1</sup> (Percent of total cash receipts, 1958-59 average)	National prospects—Change from 1961	
		Supply	Price
Beef	18.1	Larger	Lower
Milk	13.8	Larger	Support level to be announced prior to 5-1-62
Eggs	4.9	Larger	Lower
Poultry:			
Broilers	1.0	No specific forecast but continued large	
Turkeys	2.9	Marketing agreement or order under consideration	
Hogs	1.0	About the same Down 1st half; up 2nd half	About the same Up 1st half; down 2nd half
Lamb and Mutton	1.6	Smaller	Same to lower
Cotton	9.0	Acreage allotment increased	No estimate
Wheat	5.3	Smaller	About the same

<sup>1</sup>Contribution to total cash receipts of District farmers.  
Source: United States Department of Agriculture.

Some decline in District returns from marketings of livestock and livestock products was anticipated for 1961. It now appears that receipts actually rose from the 1960 level. Beef prices and marketings held up better than expected, and marketings of poultry and poultry products were unusually heavy. If beef cattle prices for 1962 average about the same as in 1961 as is now anticipated, a continuation of the increased feeding activity in District feedlots will help maintain receipts of the livestock sector.

**Summary**

Outlook information available from the United States Department of Agriculture suggests little change in District farm returns from 1961 to 1962. Government payments to District farmers undoubtedly will be larger than in 1961, and another large output of crops is anticipated despite a reduction in feed grain and wheat acreage. Crop prices

may be expected to follow the strengthening in crop prices forecast nationally. If realized, an increase in crop prices would tend to bolster farm income more in the District than in the nation because of the relatively larger contribution crop marketings make to farm income in the District. On the other hand, increased marketings of hogs are expected to contribute heavily in the nation to the maintenance of returns from the sale of livestock and products. Hogs, however, are of minor importance in the District as a source of farm receipts. Hence, on balance, it appears that substantial changes in total District farm receipts in 1962 are not in prospect if the forecast for farm income nationally is realized. The degree of participation in existing programs and the possible impact of proposed programs on District farmers could alter outlook prospects considerably, as can the ever-present influence of weather conditions.



BANKING AND CREDIT STATISTICS AND BUSINESS INDEXES—TWELFTH DISTRICT<sup>1</sup>

(Indexes: 1947-1949 = 100. Dollar amounts in millions of dollars)

Year and Month	Condition items of all member banks <sup>2, 7</sup>				Bank debits index 31 cities <sup>4, 5</sup>	Bank rates on short-term business loans <sup>6, 7</sup>	Total nonagricultural employment	Total mf'g employment	Car-loadings (number) <sup>5</sup>	Dep't store sales (value) <sup>5</sup>	Retail food prices <sup>7, 8</sup>
	Loans and discounts	U.S. Gov't securities	Demand deposits adjusted <sup>3</sup>	Total time deposits							
1929	2,239	495	1,234	1,790	42	....	...	...	102	30	64
1933	1,486	720	951	1,609	18	....	...	...	52	18	42
1939	1,967	1,450	1,983	2,267	30	....	60	57	77	31	47
1951	7,866	6,463	9,937	6,777	132	3.66	112	121	101	112	113
1952	8,839	6,619	10,520	7,502	140	3.95	118	130	100	120	115
1953	9,220	6,639	10,515	7,997	150	4.14	121	137	100	122	113
1954	9,418	7,942	11,196	8,699	153	4.09	121	134	96	122	113
1955	11,124	7,239	11,864	9,120	173	4.10	127	144	104	132	112
1956	12,613	6,452	12,169	9,424	190	4.50	134	154	104	141	114
1957	13,178	6,619	11,870	10,679	204	4.97	139	161	96	140	118
1958	13,812	8,003	12,729	12,077	209	4.88	138	153	89	143	123
1959	16,537	6,673	13,375	12,452	237	5.36	146	165	94	157	123
1960	17,139	6,964	13,060	13,034	253	5.62	150	165	88	156	125
1960											
November	16,898	6,697	12,907	12,616	248	....	150	162	85	153 <sup>r</sup>	126
December	17,139	6,964	13,060	13,034	258	5.50	150	162	87	159	127
1961											
January	16,751	6,984	13,010	13,121	254 <sup>r</sup>	....	150	161	84	154	127
February	17,525	6,991	12,750	13,639	273 <sup>r</sup>	....	150	161	83	164	127
March	17,517	6,916	12,860	13,754	273 <sup>r</sup>	5.48	150	161	83	160	127
April	17,637	7,436	13,222	13,999	266 <sup>r</sup>	....	150	160	88	164	127
May	17,632	7,393	12,865	14,289	265 <sup>r</sup>	....	151	162	81	153	127
June	17,578	7,571	12,935	14,371	268 <sup>r</sup>	5.50	152	163	85	162	126
July	17,504	7,935	13,206	14,492	267 <sup>r</sup>	....	152	162	86	167	126
August	17,779	7,863	13,212	14,656	262 <sup>r</sup>	....	152	164	84	157	125
September	18,028	7,955	13,317 <sup>r</sup>	14,786	277	5.45	153	165	87	170	126
October	17,901	8,190	13,901	14,867	291	....	153	166	99	164	127
November	18,212	8,182	14,042	14,874	265	....	154 <sup>p</sup>	167 <sup>p</sup>	100	165	...

Year and month	Industrial production (physical volume) <sup>5</sup>							Waterborne Foreign Trade Index <sup>7, 9, 10</sup>					
	Lumber	Petroleum <sup>7</sup>		Cement	Steel <sup>7</sup>	Copper <sup>7</sup>	Electric power	Exports			Imports		
		Crude	Refined					Total	Dry Cargo	Tanker	Total	Dry Cargo	Tanker
1929	95	87	78	55	...	103	29	190	150	247	124	128	7
1933	40	52	50	27	..	17	26	110	...	...	72	...	...
1939	71	67	63	56	24	80	40	163	107	243	95	97	57
1950	114	98	103	112	125	115	120	92	80	108	144	145	103
1951	113	106	112	128	146	116	136	186	194	175	162	140	733
1952	115	107	116	124	139	115	145	171	201	130	204	141	1,836
1953	116	109	122	131	158	113	162	141	138	145	314	163	4,239
1954	115	106	119	133	128	103	172	133	141	123	268	166	2,912
1955	122	106	124	145	154	120	192	166	178	149	314	187	3,614
1956	120	105	129	156	163	131	209	201	261	117	459	201	7,180
1957	106	101	132	149	172	130	224	231	308	123	582	216	10,109
1958	107	94	124	158	142	116	229	176	212	123	564	221	9,504
1959	116	92	130	174	138	99	252	188	223	138	686	263	11,699
1960	110	91	134	161	154	129	271	241	305	149	808	269	14,209
1960													
October	103	91	131	159	127	144	275	244	347	97	779	238	9,240
November	100	91	135	155	129	141	276	220	306	97	826	254	15,744
December	99	91	137	151	133	137	274	271	338	175	1,046	245	21,919
1961													
January	101	91	134	159	111	139	277	235	318	118	779	218	15,394
February	101	91	134	176	152	134	276	248	362	95	666	233	11,985
March	103	92	131	178	162	137	285	264	363	124	952	252	19,268
April	114 <sup>r</sup>	92	135	168	172	133	283	261	331	163	759	286	13,139
May	111 <sup>r</sup>	92	143	169	191	143	...	265	331	171	865	292	15,856
June	111 <sup>r</sup>	91	143	188	187	143	...	224	290	128	684	267	11,535
July	110	91	143	157	183	124 <sup>r</sup>	...	333	299	138	1,027	297	20,025
August	...	91	140	160	180	107 <sup>r</sup>	...	...	...	...	...	...	...
September	...	92	142	163	174	140 <sup>p</sup>	...	...	...	...	...	...	...
October	...	...	...	171	181	...	...	...	...	...	...	...	...

<sup>1</sup> Adjusted for seasonal variation, except where indicated. Except for banking and credit and department store statistics, all indexes are based upon data from outside sources, as follows: lumber, National Lumber Manufacturers' Association, West Coast Lumberman's Association, and Western Pine Association; 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. Department of Commerce. <sup>2</sup> Annual figures are as of end of year, monthly figures as of last Wednesday in month. <sup>3</sup> Demand deposits, excluding interbank and U.S. Government deposits, less cash items in process of collection. Monthly data partly estimated. <sup>4</sup> Debits to total deposits except interbank prior to 1942. Debits to demand deposits except U.S. Government and interbank deposits from 1942. <sup>5</sup> Daily average. <sup>6</sup> Average rates on loans made in five major cities, weighted by loan size category. <sup>7</sup> Not adjusted for seasonal variation. <sup>8</sup> Los Angeles, San Francisco, and Seattle indexes combined. <sup>9</sup> Commercial cargo only, in physical volume, for the Pacific Coast customs districts plus Alaska and Hawaii; starting with July 1950, "special category" exports are excluded because of security reasons. <sup>10</sup> Alaska and Hawaii are included in indexes beginning in 1950. *p*—Preliminary. *r*—Revised.