

MONTHLY BUSINESS REVIEW



FEDERAL RESERVE BANK OF DALLAS

Vol. 40, No. 3

DALLAS, TEXAS

March 1, 1955

SHERMAN-DENISON AND GRAYSON COUNTY

This is the twelfth of a series of articles on cities in the Eleventh Federal Reserve District. Additional copies of this article may be obtained by addressing a request to:

*Research Department
Federal Reserve Bank of Dallas
Dallas, Texas*

For years a predominantly agricultural, railroad, and small industrial area, Grayson County is becoming diversified, with bright prospects for continued oil development, a larger payroll at Perrin Air Force Base, a potential tourist trade, and a number of new industries. These and other postwar developments have changed the economic complexion of the area and, in turn, that of its major cities, Sherman and Denison.

The population of Grayson County has fluctuated widely over the past 60 years, with the sharp setback of the 1920's occasioned by the removal of a large part of one industry from the Denison area. However, since 1930, there has been a steady upward movement, accelerating in the period since 1950. Although the 1950 county population of 70,467 was just 7 percent above the 1930 total, through 1953 a rise to nearly 73,000 persons has been recorded.

The city population trends in Sherman and Denison also have pointed upward since 1930, but the rapid rural-to-urban shift in population has caused the rate of increase in these cities to be much faster than in the county as a whole. During the decade of the 1940's, the population of Sherman rose nearly 18 percent and that of Denison increased 12 percent, which is identical to the state-wide gain in that period. Since 1950, both Sherman and Denison have accelerated their rates of population gain; their combined populations within corporate limits accounted for more than 59 percent of the estimated county population in 1954.

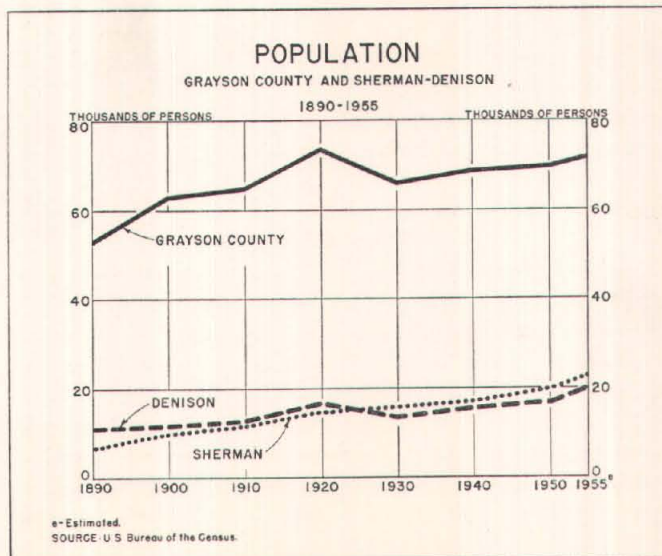
Early History

Grayson County, originally inhabited by Caddo Indians, was visited by French traders and trappers in the early 18th century and was settled by Anglo-Americans in 1835-36. The county was created in 1846, with Sherman — the county seat — being staked out in that year. The city was named after

Sidney Sherman, a Kentuckian, who was the first to make cotton bagging by machinery and whose company of volunteers supplied the flag for the Battle of San Jacinto.

Denison, 8 miles northeast of Sherman, was organized as a stopover on the Butterfield-Overland mail route in 1858, although the name "Denison" was not applied until 1872. In the latter year, the Missouri-Kansas-Texas Railroad built through the city and named it after one of the railroad's directors, George Denison.

While there always has been an extensive interchange of labor and trade between Sherman and Denison, each city has had its distinctive community personality and each has developed strikingly different types of economic activity. In



Sherman the first 100 years of growth showed a strong development of food-processing, textile, garment, and machinery industries and activities usually associated with a county seat. In Denison, developments through 1940 indicated that the railroad was its most important industry, although, since 1940, other industries and services have reduced the city's degree of dependence upon this industry.

For a clearer understanding of the more recent developments in Grayson County and its major cities, it is desirable to obtain an over-all picture of the resources of the area and thus be better able to understand the foundation upon which the growth of the area rests. Moreover, a review of the county's resources may give some indication of the potentials for future growth in the area.

Resources

Land

Grayson County covers 912 square miles, or 583,680 acres, which is less than 1 percent of the land area in Texas. Approximately half of the county area is devoted to cropland, and most of the remainder is pasture land, woodland, or land under Lake Texoma. The soil in the county varies from blackland to sandy loam, with subsoils of limestone, shale, lime clays, and—in some cases—yellow and red permeable sands. Most of the land surface is level, but there are sharply rolling hills in the northern sections of the county. The one major river, the Red River, borders on the north; and there are several lakes, including Lake Texoma—the fifth largest man-made body of water in the United States.

Minerals

Grayson County's principal mineral resources are oil and gas. Proved oil deposits are located in the western and north-central parts of the county and in areas adjacent to Sherman. Initial discoveries of oil in 1930 were mainly in shallow sands, but, in the postwar period, deeper pay sands have been discovered. However, the extent of most of these new fields is not yet defined.

Limestone deposits are quarried halfway between Louella and Van Alstyne in the southern part of the county and the area just west of Denison. Deposits of sand and gravel exist in the north-central section of the county, and a deposit of sandstone is present at Denison.

Water

Grayson County has a rather extensive supply of water, both above and below ground. The surface supply comes largely from the Red River, Lake Texoma, and a number of smaller lakes, one of which, Lake Randell, supplies water to Denison. Denison has leased storage space in Lake Texoma for an additional water supply, and the city now has available a surplus more than five times its average consumption. Lake Texoma, having a capacity of nearly 5,000,000 acre-feet, covers 140 square miles, with a shore line of 1,250 miles.

The major underground sources of water in the county are the Woodbine and Trinity sands, and both are tapped to supply water for Sherman. The Woodbine sands in Grayson County are 200 to 600 feet thick and, in many places, consist of two layers separated by clay and lignite. Wells drilled into the Woodbine sands average 850 feet in depth, while those tapping the Trinity sands average 2,200 feet.

In addition to these natural sources, the county has an average rainfall of 36 inches per year. The northern two-thirds of the county drains into the Red River and Lake Texoma; the southeast section drains into the East Fork of the Trinity River; and the southwest corner drains into the Elm Fork of the Trinity River.

Climate

The climate in the Sherman-Denison area is relatively mild. Winters are fairly moderate, with only occasional cold waves, while summers are long and warm, with temperatures often above 100 degrees. The average growing season of 238 days allows for a variety of agricultural pursuits, the most important of which are the production of cotton, peanuts, wheat, and corn; livestock raising; and dairying.

The large number of sunny days per year is important to local Air Force training operations, and the sunshine, coupled with relatively low humidity during most of the year, makes for a pleasant climate.

Labor

The Grayson County labor force constitutes a valuable resource to the economy of the area. Many of the workers are local residents who own their homes, but there is also a commuting pool of labor from nearby rural areas and from the area in Oklahoma to the north. One of the outstanding features of the Grayson County labor force is its flexibility. While there is a remarkable degree of stability in the employment picture, fluctuations which occur are handled rapidly and efficiently by withdrawals from or additions to the reserve of labor, particularly workers in the farming areas who are nearly always available when job opportunities arise.

The workers in the labor force are energetic and imaginative and possess a high degree of adaptability to new jobs and skills. Manufacturers characterize these workers as "self-starters" who readily adjust themselves to new situations and take pride in their work.

The natural and human resources of the area are of a quality and quantity which should make a large contribution to the future economic progress of the county and, indeed, were largely responsible for the early growth in the county.

Economic Activity

The economic structure of Grayson County is diversified greatly, with manufacturing, trade and services, transportation, and government activities each contributing a large

share of personal income to inhabitants of the area. While agricultural activities do not provide a very substantial part of the income, they provide the raw materials upon which many other activities are based and contribute to the flexibility of the urban labor force.

Industries in the Sherman-Denison area produce a wide variety of products, many of which are marketed outside the local area. In fact, the majority of the large industries in Grayson County expect national or international markets to absorb the bulk of their production and rely upon the local or state market to consume only a small portion of their output. A comprehensive view of the county's economy may be obtained by examining the income of its inhabitants and its origin and distribution, as well as the basic reasons for the development of the most important segments of economic activity.

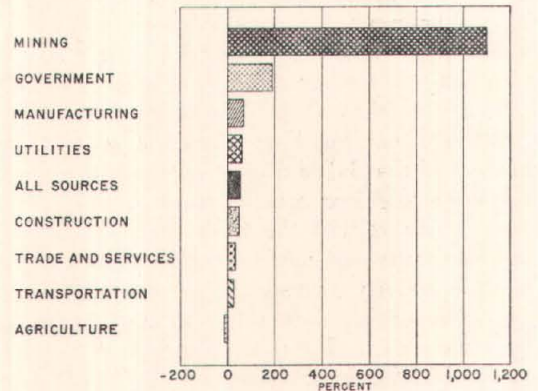
Personal Income

The money income of the inhabitants of the Sherman-Denison and Grayson County area in 1953 is estimated at approximately \$99,100,000, or 58 percent above that in 1948, compared with a state-wide increase of 41 percent. While inflation was a partial cause of this increase in the level of income, portions of the increase are attributable to a sizable expansion in manufacturing and military activity. The greatest portion of personal income in the area in 1953, approximately 67 percent, stemmed from salaries and wages. The remainder was composed of proprietary income, 18 percent; property income, 9 percent; and all other income, 6 percent.

The distributions of total income in 1948, 1950, and 1953, by major sources, reveal some important shifts in the interrelationships of individual sources. In 1948, trade and services accounted for the largest portion of personal income, with transportation, manufacturing, government, and agriculture following in order of descending importance. By 1950 the interranging of the major sources of income showed trade and services still first; government moved to the second position; manufacturing remained in third place; and transportation

PERCENT CHANGE IN PERSONAL INCOME, BY MAJOR SOURCE

GRAYSON COUNTY
1948-1953



fell to fourth place, followed by property income and agriculture. These relative positions of the major sources of income were still in effect in 1953.

With the exception of agriculture, all the major income sources showed rather substantial increases in income payments from 1948 to 1953. In terms of actual dollar payments, the largest increase was in the government sector, but manufacturing and trade and services also showed large increases. In terms of percentage gains, the largest was the mining category, followed by government, manufacturing, and finance. Agricultural income declined in both absolute and percentage terms.

While the above rankings and changes are based on the contribution to total income, it is also important to recognize the interrelationships existing in the sources of wage and salary payments alone. In 1953, manufacturing and government sources each contributed 23 percent of the gross wage and salary income of workers in Grayson County, while trade and service establishments accounted for 20 percent and the transportation industry contributed 17 percent. Together, these four sources paid over 81 percent of the gross wage and salary income payments to individuals in Grayson County.

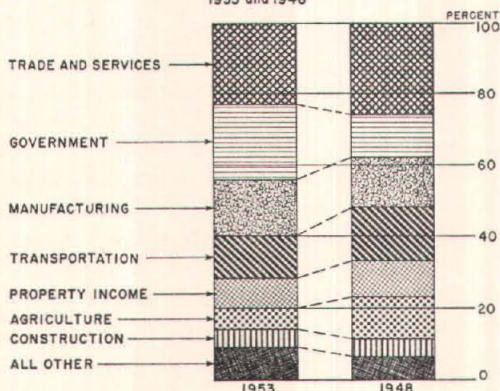
This over-all pattern of income payments to individuals in the Sherman-Denison and Grayson County area gives a fairly accurate picture of the relative importance of its major industries and their changing interrelationships. To study further the growth and developments in the area, it is necessary to make a more detailed analysis of each of the major sources of income.

Trade and Services

Trade and service establishments in 1953 accounted for approximately \$22,500,000 of personal income, or nearly 23 percent of the Grayson County total, compared with a state-wide average of 27 percent. The 36-percent increase in income from this source between 1948 and 1953 is also below the

DISTRIBUTION OF PERSONAL INCOME

GRAYSON COUNTY
1953 and 1948



42-percent increase in state personal income from trade and services in the same period.

In general, the trend of income derived from trade and services follows the trend of over-all economic activity in a given area, although circumstances may moderate or accelerate the effect. In Grayson County the growth of income from trade and services has followed the general trend but at a reduced rate. The factors causing this moderation are interlinked with the nearness of the Dallas trade center and the encirclement of the Sherman-Denison area by trading centers of comparable size, which restrict the trade area of the two cities. Income from trade and services can be expected to increase as economic activity expands in the county. However, the modernization of facilities and improved stock selections already have extended the trade areas of Sherman and Denison, and further improvements probably will attract even larger numbers of customers into their stores.

Manufacturing

Sherman and Denison owe much of their early development and a large portion of their postwar growth to the establishment of manufacturing industries in the area. Manufacturing activity in the textile, garment, food and feedstuffs, machinery, and wood products industries has been important in Sherman and Denison for many years. In the post-World War II period, a rapid expansion in existing firms and the location of a number of new ones have accelerated the growth of employment and payrolls in manufacturing. The bulk of this expansion occurred between 1950 and 1953, when manufacturing payrolls increased from \$9,300,000 to \$15,400,000, a gain of 65 percent. Manufacturing payrolls in 1953 contributed nearly 16 percent of total personal income, compared with 14 percent for the State. From 1948 to 1953, manufacturing payrolls in Grayson County increased 73 percent, while the state gain was 77 percent.

Food Products

Processing food and food products is, by far, the most important segment of manufacturing activity in Grayson County, although an important adjunct is the chemicals manufacture associated with food products. Food products manufacturing contributed in excess of 37 percent of total manufacturing payrolls in the area in 1953. Large plants which produce margarine, shortening, and other vegetable oil products are located in both Sherman and Denison. Two milling concerns in Sherman make a variety of products for national distribution, including flour, breakfast cereals, livestock and poultry feeds, corn meal, and cake mixes. In addition to these major food manufacturers, many sizable manufacturing concerns with national markets produce such items as ready-mixed foods, dairy products, beverages, meat products, and peanut butter.

Textiles and Garments

Both cities have long-established textile mills which produce cotton duck, wagon sheets, and muslin sheeting. For many years, Sherman has been the location of a large producer of workclothes and uniforms, and in 1949 a garment

firm producing workclothes and playclothes located in Denison. Payrolls from textile and garment manufacturing contributed approximately 19 percent of total manufacturing payrolls in 1953; because two of the plants have substantial homeownership, they contributed an additional amount in the form of property income.

Other Manufacturing

In addition to the manufacturing activities mentioned above, there are a number of other manufacturers in Sherman and Denison who produce such items as furniture, boats and sports equipment, cotton gin and handling equipment, preserved wood products, air conditioners, and office forms. Some ordnance manufacture occasionally requires a substantial number of employees and, thus, adds to the total income derived from manufacturing.

Markets for the variety of products manufactured in Sherman and Denison exist not only in Texas but also in the Nation as a whole, and, in some instances, they are international in scope. The extensiveness of these markets reduces the effect of local or regional business fluctuations but increases the influence of changing business conditions in other parts of the country.

Whenever possible, manufacturing industries located in Sherman and Denison draw their raw materials, labor, and services from the local area. As long as local prices are competitive, food products manufacturers in Grayson County consume all of the cottonseed oil produced in the county. The total white corn crop of the county and surrounding region is consumed by the local milling industry, and some of the county production of cotton is used by local textile manufacturers. As the technical skills of local labor develop and as more specialized local services become available, it is reasonable to expect that new manufacturing firms will be able to satisfy nearly all their labor and service requirements within the local area.

The potentials for future manufacturing development are especially good in the Sherman-Denison area. The availability of industrial water supplies, plant sites, a flexible labor force, and good transportation facilities should offer more than adequate inducements to attract new firms into the area.

Government

In 1953, personal income of individuals in Grayson County from Federal, state, and local units of government totaled an estimated \$21,500,000, or nearly 22 percent of total personal income. This compares with a state average of 18 percent for income from this source, although there are other cities in Texas with higher percentages for this category. Income from government sources in Grayson County increased 188 percent from 1948 to 1953, mainly as a result of the reactivation and expansion of Perrin Air Force Base.

Twice during the decade of the 1940's, activity at Perrin Air Force Base sharply affected the flow of personal income in Grayson County. Established in 1941 as a single-engine basic

flying school in the Central Flying Training Command, Perrin Air Force Base graduated over 10,000 students before it was deactivated in November 1946. Its earlier mission as a basic pilot training field was resumed in April 1948. However, as the Korean War brought changes throughout the Air Force, the basic pilot training mission was ended in December 1951, and Perrin temporarily conducted Phase One of basic single-engine pilot training and B-26 transition training.

In July 1952, Perrin was designated a permanent Air Force installation; in September of that year, it was transferred to the Crew Training Air Force, which directs the preparation of air crews for combat service. It presently trains jet pilots to operate F-86D, all-weather interceptor aircraft, and it has been announced that some air defense operations will be located at the base sometime in 1955.

In terms of payrolls, the base paid out more than \$11,000,000 to military and civilian personnel during 1953, in addition to funds spent for construction and supplies. Construction expenditures on the base in 1953 exceeded \$4,000,000, and, immediately outside the east gate, a 300-unit Wherry housing project is now under construction.

The effect of the air base upon Sherman and Denison is considerable. Besides the immediate benefits of civilian employment and payrolls, it has accelerated the demand for new and better housing facilities in the two cities. Secondly, such service establishments as cleaners, barber shops, grocery stores, amusement houses, and certain types of retail stores make a substantial volume of sales to Air Force personnel and civilian employees. Department stores, furniture stores, and those catering to more permanently established families have been affected to a lesser extent, although with a number of servicemen purchasing homes in the two cities, such stores likely will benefit more in the future. The establishment of Perrin Air Force Base as a permanent installation and the increase in personnel necessary for its expanding operations in the national scheme of air defense probably will increase its impact upon economic activity in Sherman and Denison.

Obscured by the tremendous influence of Perrin Air Force Base are such government activities as schools, hospitals, highway maintenance, and local government services. As the cities grow, these will become more important and provide a continuing source of employment and payrolls.

Another government activity in the area is the Corps of Engineers operations connected with Lake Texoma. In the past, especially when the dam was under construction, large numbers of workers constantly have entered the area, and their payrolls have been substantial. The more recent activities of operations, maintenance, and repair still require sizable expenditures, although the work force is relatively small.

Certainly, it would be fair to say that government activities in Grayson County, particularly around Sherman and Denison, have been highly important to the economic well-being of the area. At the present time, there is nothing in sight to change this picture, and some further expansion is possible.

Transportation

Until the 1920's, transportation — especially rail transportation — was the most important industry in Grayson County and, more particularly, in Denison, where it was the major source of employment. However, when a large part of the railroad shops were moved from Denison in the early 1920's, the relative importance of transportation as a source of income and employment started a long downward trend which is still evident and seems likely to continue. In contrast, the importance of the services rendered by the transportation agencies to the communities will increase as the need for fast rail and truck service to other regions expands with the industrialization of the area.

The excellent rail and highway facilities are also valuable to the Sherman-Denison area as the means by which it functions as a distribution point for many parts of the Southeast, Southwest, and Middle West. Particularly in Denison — where there is direct service to Dallas, St. Louis, Kansas City, and Memphis — some further development of this distributive function can be expected as the markets and produce of the Southwest expand.

As late as 1948, transportation still accounted for nearly 15 percent of total personal income in the county. However, 5 years later, in 1953, transportation contributed \$11,900,000 in income, or only 12 percent of the total, and ranked behind trade and services, government, and manufacturing.

The county is served by six railroads. Both Sherman and Denison are served by the Missouri-Kansas-Texas Railroad (Katy); St. Louis, San Francisco, and Texas Railway (Frisco); Southern Pacific Lines; and Texas and Pacific Railway Lines. In addition, Sherman is served by the St. Louis Southwestern Railway (Cotton Belt), and Denison, by the Kansas, Oklahoma, and Gulf Railway Company. Adequate highways provide access to all parts of the county and to cities outside the county. A central north-south route, Highway 75, passes through both Sherman and Denison, and current projects should improve greatly its size and load capacity.

The existing locations of highway and rail trackage create several industrial sites which, as yet, are undeveloped. In particular, the region between Sherman and Denison which lies between Highway 75 on the west and the tracks of two major railroads on the east is considered an excellent site for industrial development. Other undeveloped industrial sites served by railroad trackage are to the north and northeast of Denison and southeast of Sherman.

Air transport into the community is negligible and primarily restricted to private aircraft, with airline passenger service available only through Dallas or Fort Worth. One airline has been certificated to stop at Sherman, but adequate airport facilities are not yet available.

Agriculture

Farm income, including the net income of farmers and the wages of farm workers, in Grayson County during 1953 is estimated to have totaled \$6,400,000, or 6 percent of total

income. Drought and lower agricultural prices were responsible, in large measure, for the 12-percent decline in agricultural income between 1948 and 1953. The relative importance of income from agriculture declined even more rapidly from 1948 to 1953, primarily as a result of the sharp increase in income derived from other major sources, particularly government and manufacturing.

Crops produced in the county include cotton, corn, peanuts, wheat, oats, grain sorghums, and hay. In addition, some beef cattle are produced on small ranches and farms, and, in previous years, dairying was a major agricultural activity, but Lake Texoma inundated large sections of land which formerly had been devoted to dairy breeding and milk production. Between 1944 and 1949, the number of Grade-A dairies in the county was reduced by more than 50 percent. In general, the land in the northern half of the county is devoted to peanuts or pasture, while the major crops in the southern half are cotton and wheat.

Cotton is still a major income-producing crop in the county, although its relative importance has been declining for a number of years. Since 1950, cotton ginnings have fluctuated widely from a low of 3,100 bales in 1950 to a high of 26,500 bales in 1953, with the 1954 total estimated at 14,100 bales. The very small crop in 1950 was a result of the large amount of rainfall, insect infestation, and acreage allotments, while the decline from 1953 to 1954 was caused chiefly by drought and acreage allotments. Cotton acreage in Grayson County has declined from over 80,000 acres in 1947 to about 40,000 acres in 1954.

The production of peanuts also has fluctuated widely, with drought and acreage allotments drastically reducing the crop in 1953 and 1954. The castor bean crop likewise has declined, although the falling price level has been the chief cause.

In contrast, wheat production has increased over the past few years, both in absolute amounts and in its relative importance to other crops. While over 60,000 acres were planted to wheat for the 1954 crop, the 1955 allotment schedules a reduction of nearly 33 percent in wheat acreage. Grayson County is one of the few white corn-producing areas in the Nation, and the entire county output is consumed by local milling industries.

Construction

Construction activity in Grayson County, as in the rest of the Nation, is partly a function of the demand for housing, utilities, and governmental services, as well as the rate of industrial and commercial growth in a particular area. Viewed in this respect and in the light of the available supply of housing, construction has performed the services necessary to its function in Grayson County. While there has been no rapid construction boom in the area, there has been a steady output of new commercial, industrial, and residential buildings, as well as a number of new schools and other public construction projects. Both Sherman and Denison recently have constructed new high school buildings and other public improvements, with further public construction planned for the future.

Moreover, the growth in manufacturing establishments and a program of highway construction totaling over \$3,000,000 in the county certainly should stimulate construction activity in the near future. In 1953, payrolls and net income of unincorporated construction enterprises accounted for \$4,800,000 in income to individuals, or nearly 5 percent of total income payments for the county.

Until about 1950, residential construction in Sherman and Denison lagged far behind the apparent demand, but since 1950, more rapid construction developments have added a public housing project in Denison and a private project of 300 homes under construction near Perrin Air Force Base, as well as a faster accumulation of new private housing, especially in 1954. Within the city limits of Sherman and Denison, the acceleration is especially evident from 1952 to 1954. In 1952, only 143 new homes were constructed; whereas, in 1953 the total in the two cities reached 288, and in 1954 it rose to 372. Moreover, there has been a relatively large number of new homes constructed just outside the city limits, particularly near Denison. The increased demand for housing, coming primarily from the expansion at Perrin and the population growth in the two cities, is expected to occasion more new public and private residential construction in the future.

Petroleum

Undoubtedly, the greatest potential change in the basic industries of the Grayson County economy lies in the petroleum development. In the past 2 years, the number of producing wells more than doubled, with oil well completions totaling approximately 200 in 1954. Exploratory and development drilling increased sharply during 1953 and 1954. Of a total of about 675 producing wells on January 1, 1955, nearly 400 were completed in the past 2 years. Moreover, early in February 1955, Grayson County ranked high among the leading counties of Texas in the number of wells being drilled.

The production of crude oil from Grayson County similarly shows the acceleration of activity since 1952. From the first discovery of oil in the county in 1930 through 1954, a total of approximately 21,700,000 barrels of oil has been produced, of which nearly 59 percent was produced in 1953 and 1954. As late as 1947, annual crude production in Grayson County was only 34,000 barrels, whereas production in 1954 is estimated at 7,300,000 barrels.

These tremendous gains are reflected in the increase of income from mining industries, which gained over 1,000 percent from 1948 to 1953. In the latter year, payrolls from mining activities reached \$2,900,000, or about 3 percent of the total income of individuals living in Grayson County.

While these income data show a very rapid gain, the potentials for future increases are even larger. At present, most of the oil fields in Grayson County are serviced by supply companies located in Gainesville, although, recently, a few have located in Grayson County. As oil development in Grayson County broadens, there are good reasons to anticipate a further movement of such supply companies into the area and,

perhaps, the eventual attraction of corollary processing industries.

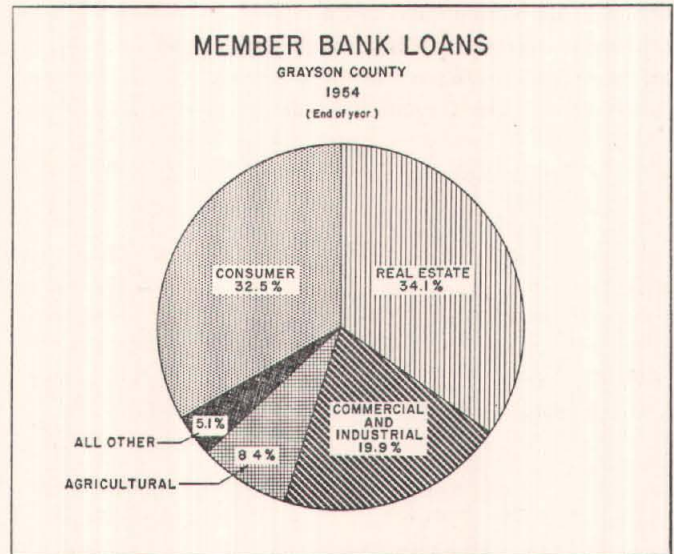
In addition to the employment and payrolls provided by such new companies, there also should be a substantial gain in income from royalties and lease rentals. In fact, the expanded activity in the county already has increased bonus payments to as high as \$500 per acre for the better land in 1954. Prospects are bright for further oil development and, consequently, a rise in income from this activity.

Banking

The growth of banking in a community tends to reflect the growth of personal income and economic activity in the area that community serves. This is true of banking in Grayson County and its major cities. Deposits in Grayson County banks during both World War II and the postwar period reflected the growth of personal income in the county. The impact of military and war activity is demonstrated by a sharp increase in bank deposits between 1943 and 1945. A contraction of this activity caused a decline in bank deposits between 1945 and 1947. The decline was reversed in 1950, as the Korean War, continued industrialization, and a further expansion of activities at Perrin Air Force Base increased economic activity in the county.

Total bank deposits at the end of 1954 were in excess of \$62,278,000, an increase of 27 percent since 1949 and of 340 percent since the prewar year 1939. Ten banks serve the county—two each in Sherman and Denison and one each in Bells, Collinsville, Tom Bean, Van Alstyne, Whitesboro, and Whitewright.

Loans made by member banks in Grayson County have increased steadily since 1945, although the rate of gain was retarded substantially in 1948. Reflecting the increase in manufacturing and business activity, loans began to expand noticeably in 1949 and continued to grow during the ensuing years. In 1954, real estate loans by member banks in the county constituted over 34 percent of total loans outstanding.



ing; industrial and commercial loans made up almost 20 percent; and consumer loans accounted for nearly 33 percent. Agricultural loans amounted to over 8 percent of the total, with banks in Sherman carrying a larger proportion of such loans than those in Denison. At the end of 1954, all banks in Sherman and Denison held deposits totaling \$54,042,000 and had loans and discounts outstanding in the amount of \$23,024,000.

As in the case of trade, the area served by Grayson County banks is limited, and, as indicated by loan portfolios, agricultural services by banks are centered, for the most part, in Sherman and the smaller communities of the county. Denison banks, on the other hand, have larger military deposits and are closer to the tourist movement into the Lake Texoma area. The banks of the area have played an important part in civic affairs and have been very influential in attracting new industry, particularly those in Denison.

Cultural and Recreational Facilities

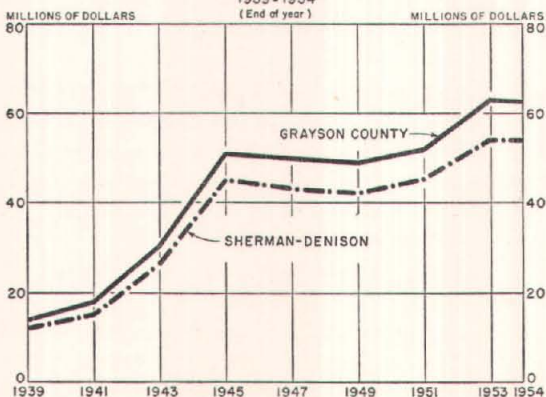
Among the most important economic and social assets to any community are good schools, churches, parks, and other recreational facilities. Both Sherman and Denison now have new high school buildings, and the teacher-student ratio in these two school systems is better than that required under the Foundation School Program by the State of Texas. Austin College, a senior college located in Sherman, has had a long history of service to the county and State and an exceptionally high academic record. It has made an immeasurable contribution to the cultural life of the Sherman-Denison and Grayson County area. There are schools for retarded children in Sherman and Denison. The religious life of the two cities is served by more than 70 churches representing all principal denominations. Public libraries and numerous parks are maintained by both cities.

Facilities for golf are available at Sherman and Denison, and the development of Lake Texoma brought the opportunity for a sizable tourist industry, which already has contributed

BANK DEPOSITS

GRAYSON COUNTY AND SHERMAN-DENISON

1939-1954
(End of year)



SOURCES: Federal Reserve Bank of Dallas,
Rand McNally Bankers Directory

income to the community and also has made available recreational facilities for swimming, fishing, boating, and camping. Moreover, tourist traffic in the county should continue to increase as Lake Texoma gains in popularity. The county is a desirable place to live, providing adequate recreational, educational, and religious environments for a well-rounded community life.

Summary and Outlook

The Sherman-Denison and Grayson County area appears to be on the threshold of a period of potential economic progress. The developments of the past few years indicate a reawakening of a progressive community spirit. As mentioned above, a large potential lies in oil development, although, in the aggregate, manufacturing progress could be more important. The trends of the 1950-54 period should point the way to even greater gains in the last half of the decade of the 1950's. The improved diversity of economic activity, so impressive in the past 10 years, could be furthered by a more intensive development of the tourist industry, extensive development in the oil industry and related service industries, continued growth in manufacturing industries, and a stimulation of construction activity.

Whether or not Sherman and Denison, and indeed the entire Grayson County area, exploit their potential opportunities depends, in large measure, upon the willingness of the cities to coordinate their efforts toward solving mutually important problems. Normal rivalries exist between two cities of such equal size and close proximity, but culturally and economically, their futures are interlocked so that, other than the healthy competition of trade, they should complement one another. It is possible that, in the future, their boundaries will join, and perhaps eventually they will function as one community unit. Joint action and cooperation will enhance greatly the economic front they present to the rest of the country and should improve their opportunities for economic progress.

One of the problems facing the area is a relatively heavy dependence upon government activities. While there is no foreseeable downward adjustment in the income from this source, it must be remembered that government expenditures are subject to Congressional, legislative, or local government action, military policies, and, unfortunately, political expediency. The obvious solution to the problem is a strong background of other industries, with a consequent propor-

tionate reduction in the reliance upon government income and employment.

A second problem, particularly for the Denison area, is the declining trend in the transportation industry. Replacement industries should be promoted as soon as possible to allow for an even further decline. The excellent rail facilities and abundant supply of industrial water should attract manufacturing industries, for which these factors are of prime importance. In addition, the tourist industry could be expanded in the recreational areas nearby. A new state park on the Grayson County shore of Lake Texoma has been planned, and, if adequate financing is made available, construction of a lodge and group of cabins could begin in 1955. The new park would mean an additional stimulant to the tourist industry, providing a considerable increase in income to operators of hotels, tourist courts, and restaurants. Secondary effects would be felt in retail trade, transportation, services, and nearly all segments of economic activity.

Thirdly, more aggressive action on the part of the two cities and the county toward the completion of the four-lane north-south highway would pay dividends in increased travel, tourist expenditures, and more rapid access to other areas. The development of toll-road facilities through Wichita Falls might easily divert a large portion of this traffic unless the project is pursued vigorously by all local and county officials and, indeed, all citizens of the area.

Finally, it is obvious that, in a growing area, city and county services should expand at least as rapidly as—and, preferably, at a more rapid rate than—industrial, commercial, and residential developments. Both Sherman and Denison will have problems in keeping their utility facilities in line with their growth, but this must be done, for the lack of such facilities will limit or retard that growth. It would be logical to assume that, in cases where neither city can support or finance an improvement which is of county-wide importance, the undertaking should be made a joint endeavor, with equal access and equal responsibility for development, financing, maintenance, and control. The areas of potential coordination are already quite extensive but will expand still further as the county population increases and the cities are called upon to provide more extensive services.

If the people, businesses, and officials of Sherman, Denison, and Grayson County are willing to adopt this enlightened viewpoint and cooperate in solving their mutual problems, there would appear to be no reason why the area should not step across the threshold into the prosperity which comes with progress.

REVIEW OF BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Retail sales at department stores in the Eleventh Federal Reserve District during January and the first half of February

were substantially above a year earlier, although early reports for February indicated a considerable decline from the near-record level of January. End-of-month department store inventories in January were approximately 1 percent above the comparable date last year; orders outstanding were up 14 percent. Sales at furniture stores in the District during January were 18 percent above a year ago.

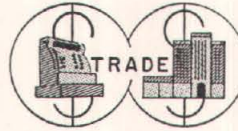
Prospects for the 1955 crop season improved materially as soaking rains fell over many parts of the District. Subfreezing temperatures damaged some vegetables and other early crops in Texas. The 1954-55 Texas citrus crop is indicated at more than double the production of the previous season. In District states during 1954, the numbers of all cattle and calves, sheep, horses, and mules on farms and ranches declined; hog numbers increased.

Daily average crude oil production in the District in February showed an increase for the fourth consecutive month to reach the highest level since the record December 1952 volume. Moreover, with demand continuing strong, refiners' crude runs in early February were somewhat higher than the record January average.

Nonagricultural employment during January declined seasonally from December. Most lines of manufacturing employment decreased seasonally; the cancellation of defense contracts and a leveling off in automobile manufacturing further reduced the January level.

The value of construction contracts awarded during January showed a seasonal decline from December, although awards were 41 percent greater than those in January 1954.

Gross loans of the District's weekly reporting member banks rose contraseasonally about 1 percent during the 4 weeks ended February 16. The banks sold Treasury bills to meet a large deposit drain and to buy Federal National Mortgage Association notes.



Consumer buying in the Eleventh Federal Reserve District maintained a high level during January, continuing the improvement evident in November and December 1954. De-

partment store sales set a new January record, as the dollar volume rose 4 percent above the previous January peak in 1951. Compared with the corresponding month last year, January sales increased 15 percent.

When adjusted for normal seasonal variation, January department store sales exceeded December sales by 1 percent. The adjusted sales index for January, at 135, is the highest for any month since the record high of July 1950, when war-scare buying pushed the adjusted index to 143. However, early February reports indicate a contraseasonal decline from the near-record level of January.

Demand was widespread during January, and reporting stores in the District indicate that most major departments participated in varying degrees in the gain over a year ago. In the wearing apparel lines, January sales of women's and misses' ready-to-wear were 15 percent above those of a year earlier, while men's and boys' wear gained 8 percent. The small wares department had an 11-percent increase, and the women's and misses' ready-to-wear accessories department showed an 8-percent increase over January a year ago. In the piece goods and household textiles department, a 15-percent gain in household textiles was offset partly by an 11-percent decline in sales of piece goods.

Most of the important homefurnishings items experienced noticeable sales increases from a year earlier. Sales of furniture and bedding were at a record high, with the January volume up 26 percent from the same month last year. Television sales were 40 percent larger, and major household

RETAIL TRADE STATISTICS

(Percentage change)

Line of trade by area	NET SALES		STOCKS ¹	
	January 1955 from		January 1955 from	
	January 1954	December 1954	January 1954	December 1954
DEPARTMENT STORES				
Total Eleventh District.....	15	-54	1	-5
Corpus Christi.....	17	-61	9	-8
Dallas.....	20	-53	5	-5
El Paso.....	10	-55	-3	-5
Fort Worth.....	16	-57	4	-1
Houston.....	11	-53	-5	-6
Shreveport, La.....	11	-55	4	-7
Waco.....	10	-60	-7	-11
Other cities.....	15	-54	5	-6
FURNITURE STORES				
Total Eleventh District.....	18	-35	1	-8
Austin.....	9	-43	-8	4
Dallas.....	25	-27	11	0
Houston.....	29	-32	4	-19
Port Arthur.....	-6	-33	5	-8
San Antonio.....	14	-46	-10	1
Other cities.....	6	-39	1	-2
HOUSEHOLD APPLIANCE STORES				
Total Eleventh District.....	-19	-34	—	—
Dallas.....	-14	-40	—	—

¹ Stocks at end of month.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1947-49 = 100)

Area	UNADJUSTED				ADJUSTED ¹			
	Jan. 1955	Dec. 1954	Nov. 1954	Jan. 1954	Jan. 1955	Dec. 1954	Nov. 1954	Jan. 1954
SALES—Daily average								
Eleventh District.....	107	225	147	93r	135	134	130	118r
Dallas.....	110	226	146	92	138	135	127	115
Houston.....	122	251	168	110	154	149	150	139
STOCKS—End of month								
Eleventh District.....	114p	121	143	113r	127p	133	129	125r

¹ Adjusted for seasonal variation.

r—Revised.

p—Preliminary.

appliances were up 29 percent. On the other hand, sales of domestic floor coverings were 3 percent below the January 1954 level.

All types of department store sales—cash, charge, and instalment—showed large year-to-year gains, although each category was down seasonally from its December high. Instalment sales were 32 percent larger than a year ago; charge sales, 13 percent; and cash sales, 6 percent. Accounts receivable at District department stores declined seasonally during January, with the end-of-month total down 14 percent. The largest rate of decline occurred in charge accounts, which were reduced 20 percent, while instalment accounts were down 1 percent. Despite these reductions, total accounts receivable at the end of January were 9 percent larger than on the same date last year. The average collection period for charge accounts in January was approximately 67 days, or 2 days longer than in January 1954.

Department store stocks at the end of January were approximately 1 percent above those on the corresponding date last year, while orders outstanding were 14 percent higher. January marked the sixth consecutive month in which orders outstanding were above the level of the same date a year earlier. This development is indicative of the change which has taken place in the department store inventory position during recent months. A year ago, department stores were in the process of reducing their stocks from the large build-up that occurred during 1953; this year, with the immediate outlook for sales more favorable, steps are being taken to maintain inventories in line with the higher level of sales.

Furniture store sales in the District in January, although declining seasonally, were 18 percent higher than the January 1954 level. Inventories at the end of January were 8 percent below a month earlier and 1 percent above a year earlier.



Prospects for the 1955 crop season improved materially as soaking rains fell over much of the eastern part of the District during the first week in February. Most of the moisture was absorbed by the dry soil, with little runoff into stock water tanks or gullies. The major part of the precipitation in the District fell east of a line extending approximately from Del Rio to Childress, except for the extreme southern counties of Texas. The rain tapered off toward the west, with only light and ineffective drizzles being received above the Cap

LIVESTOCK RECEIPTS

(Number)

Class	FORT WORTH MARKET			SAN ANTONIO MARKET		
	January 1955	January 1954	December 1954	January 1955	January 1954	December 1954
Cattle.....	58,899	61,461	57,115	29,682	29,408	21,065
Calves.....	18,235	19,587	21,782	20,636	19,925	19,172
Hogs.....	67,952	44,269	52,215	2,595	—	2,067
Sheep.....	68,203	69,346	47,543	120,730	110,400	114,453

¹ Includes goats.

Rock. The Trans-Pecos region of Texas and the eastern wheat area of New Mexico failed to get badly needed rainfall. The rains provided much of the District with fair to good surface moisture, but subsoil moisture in many areas is still inadequate.

Small grain prospects from the Low Rolling Plains eastward were improved by the additional moisture, but cooler temperatures temporarily have retarded growth. In the eastern areas of Texas and along the upper Gulf Coast, winter legumes are making good growth. However, wheat cover in the Panhandle of Texas and eastern New Mexico is not sufficient to check serious wind erosion during the spring.

Rains in the nonirrigated Coastal Bend vegetable areas in the first week in February were very beneficial, particularly to onions and watermelons. In this area the planting of grain sorghums and early spring vegetables—mainly cantaloupes, cucumbers, watermelons, and tomatoes—is under way. Sub-freezing temperatures in the Rio Grande Valley in the week following the rains killed part of the young tomato crop and damaged some corn and cotton but did little damage to citrus trees.

The United States Department of Agriculture indicates, as of February 1, that the 1955 Texas production of lettuce, cabbage, and broccoli will be 10 percent, 19 percent, and 27 percent, respectively, below 1954 production. The carrot crop is indicated at almost 8 percent larger than the 1954 crop, while estimated cauliflower production is 28 percent larger than that of last year.

The Texas citrus crop will not be as large as was indicated earlier, but grapefruit and orange production is estimated at more than twice the short 1953-54 crop, according to the United States Department of Agriculture. The 1954-55 orange crop is indicated at 2,000,000 boxes, an increase of 122 percent from the 1953-54 production of 900,000 boxes. Grape-

CASH RECEIPTS FROM FARM MARKETINGS

(In thousands of dollars)

State	November		January—November	
	1954	1953	1954	1953
Arizona.....	\$ 60,175	\$ 63,694	\$ 301,428	\$ 336,304
Louisiana.....	43,271	71,199	308,228	353,548
New Mexico.....	36,448	33,687	168,214	165,295
Oklahoma.....	50,285	58,587	513,063	532,912
Texas.....	306,521	274,112	1,744,688	1,695,265
Total.....	\$496,700	\$501,279	\$3,035,621	\$3,083,324

SOURCE: United States Department of Agriculture.

LIVESTOCK ON FARMS AND RANCHES, JANUARY 1

Texas, Five Southwestern States, and United States

(In thousands)

	Texas		Five southwestern states ¹		United States	
	1955p	1954	1955p	1954	1955p	1954
Cattle.....	8,501	8,587	15,555	15,828	95,433	94,787
Milk cattle.....	1,545	1,546	3,137	3,115	37,020	37,301
Beef cattle.....	6,956	7,041	12,418	12,713	58,413	57,486
Sheep.....	5,331	5,331	7,378	7,417	30,931	31,218
Stock sheep.....	5,191	5,191	7,070	7,110	26,979	27,101
Feeders.....	140	140	308	307	3,952	4,117
Hogs.....	1,087	906	2,006	1,704	55,002	48,560
Goats.....	2,249	2,082	n.a.	n.a.	n.a.	n.a.
Horses.....	252	263	565	602	3,106	3,401
Mules.....	68	75	160	183	1,445	1,599
Total above species.....	17,488	17,244	27,913	27,816	188,166	181,647
Chickens ²	21,388	21,184	34,601	34,423	447,310	442,813
Turkeys.....	621	609	746	719	5,448	5,315

¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.² Does not include commercial broilers.

p—Preliminary.

n.a.—Not available.

SOURCE: United States Department of Agriculture.

fruit production in 1954-55 is estimated at 3,200,000 boxes, which is 167 percent more than the 1,200,000 boxes produced in 1953-54.

Early spring pasture feed prospects over the eastern two-thirds of Texas and in some southern counties of New Mexico were improved greatly by rains. With warmer weather, winter weeds and grasses in the Edwards Plateau country should provide sheep feed soon, while additional rescue grass and clovers should make good growth in the central counties of the State. Over the eastern third of Texas, improved grazing conditions may bring an end to high feed bills. Supplemental feeding continues in the western part of Texas, as most ranges are bare of dry grass. Livestock on ranges in District states are coming through the winter in fair to good condition because of heavy supplemental feeding, although the recent cold weather caused some light loss of weight.

The number of all cattle and calves on farms and ranches in the United States increased 646,000 head during 1954, according to the United States Department of Agriculture. Increases also were noted in the number of hogs, chickens, and turkeys. Declines occurred in numbers of milk cattle, sheep, horses, and mules.

FARM COMMODITY PRICES

Top Prices Paid in Local Southwest Markets

Commodity and market	Unit	Week ended	Comparable	Comparable
		Feb. 17, 1955	week last month	week last year
COTTON, Middling 15/16-inch, Dallas. . . .	lb.	\$.3375	\$.3355	\$.3410
WHEAT, No. 1 hard, Fort Worth.	bu.	2.72¾	2.72¼	2.69¼
OATS, No. 2 white, Fort Worth.	bu.	.99¾	1.01	1.05¾
CORN, No. 2 yellow, Fort Worth.	bu.	1.80½	1.82¾	1.81
SORGHUMS, No. 2 yellow, Fort Worth. . . .	cwt.	2.71	2.75	2.90
HOGS, Choice, Fort Worth.	cwt.	17.50	18.50	26.75
SLAUGHTER STEERS, Choice, Fort Worth. . .	cwt.	27.00	25.00	23.00
SLAUGHTER CALVES, Choice, Fort Worth. . .	cwt.	22.00	21.00	20.50
STOCKER STEERS, Choice, Fort Worth. . . .	cwt.	23.00	22.00	21.00
SHORN LAMBS, Choice, Fort Worth.	cwt.	20.75	19.75	19.50
BROILERS, south Texas.	lb.	.25	.24	.25
WOOL, 12-months, west Texas.	lb.	1.60	1.70	(?)
MOHAIR, kid, west Texas.	lb.	1.06½	(?)	—

¹ Clean basis.² No sales reported.

Contrary to national trends, the number of all cattle and calves declined 1 percent in Texas, 3 percent each in Louisiana and New Mexico, and 4 percent in Oklahoma, while Arizona showed a 4-percent increase. In the aggregate, the number in the five District states declined about 2 percent. The number of milk cattle in District states increased less than 1 percent during 1954. Sheep numbers declined during 1954 as did numbers of horses and mules. A sharp increase in hog numbers was noted, but chicken numbers, excluding commercial broilers, showed little change. The number of goats on Texas farms increased 8 percent.

Price changes for most agricultural commodities in the District were small during February. Compared with a month earlier, slightly lower prices were quoted for most grains on southwestern commodity markets, while cotton prices showed a gain of a few points. Slaughter steers, shorn lambs, stocker cattle, and broilers registered small gains during the month, while hog prices were down slightly.



Total resources, loans, investments, deposits, and capital accounts of member banks in the Eleventh Federal Reserve District rose to record levels on December 31, 1954.

Reflecting the substantial growth in loans and investments, total assets increased 7.1 percent during the year to a total of \$9,833,474,000. Gross loans totaled \$3,511,854,000—up \$384,228,000, or 12.3 percent, above those on December 31, 1953. The increase resulted mainly from expansion in commercial and industrial loans, CCC loans to farmers (including certificates of interest), loans on securities, and real estate loans. Total investments rose \$270,756,000—or 9.4 percent—to \$3,157,331,000, with slightly more than 80 percent of the increase consisting of United States Government securities. At \$9,140,830,000, total deposits were \$584,573,000 higher than a year earlier, a gain of 6.8 percent, with most of the increase concentrated in demand and time deposits of individuals and deposits of banks. Capital accounts of the banks grew

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Jan. 26, 1955	Jan. 27, 1954	Dec. 29, 1954
ASSETS			
Loans and discounts.....	\$3,494	\$3,082	\$3,465
United States Government obligations.....	2,553	2,483	2,674
Other securities.....	539	460	511
Reserves with Federal Reserve Bank.....	1,019	1,019	985
Cash in vault.....	135	139	138
Balances with banks in the United States.....	1,077	1,092	1,189
Balances with banks in foreign countries ^e	3	2	2
Cash items in process of collection.....	348	320	357
Other assets ^e	187	157	179
TOTAL ASSETS^e.....	9,355	8,754	9,500
LIABILITIES AND CAPITAL			
Demand deposits of banks.....	1,093	1,052	1,210
Other demand deposits.....	6,369	6,057	6,393
Time deposits.....	1,161	1,001	1,140
Total deposits.....	8,623	8,110	8,743
Borrowings ^e	26	8	43
Other liabilities ^e	89	70	85
Total capital accounts ^e	617	566	629
TOTAL LIABILITIES AND CAPITAL^e.....	9,355	8,754	9,500

e—Estimated.

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Feb. 16, 1955	Feb. 17, 1954	Jan. 19, 1955
ASSETS			
Commercial, industrial, and agricultural loans....	\$1,442,766	\$1,285,503	\$1,426,353
Loans to brokers and dealers in securities.....	16,300	10,782	11,263
Other loans for purchasing or carrying securities..	104,880	74,499	120,826
Real estate loans.....	173,229	131,051	174,381
Loans to banks.....	23,205	16,908	19,205
All other loans.....	441,715	399,729	430,331
Gross loans.....	2,202,095	1,918,472	2,182,359
Less reserves and unallocated charge-offs..	22,490	17,106	22,371
Net loans.....	2,179,605	1,901,366	2,159,988
U. S. Treasury bills.....	60,400	90,852	123,498
U. S. Treasury certificates of indebtedness.....	71,619	203,135	107,123
U. S. Treasury notes.....	283,434	160,083	250,115
U. S. Government bonds (inc. gtd. obligations)...	874,393	783,572	882,270
Other securities.....	248,057	200,684	229,625
Total investments.....	1,537,903	1,438,326	1,592,631
Cash items in process of collection.....	362,970	325,501	356,477
Balances with banks in the United States.....	446,251	445,450	463,684
Balances with banks in foreign countries.....	1,576	1,202	2,364
Currency and coin.....	43,196	44,764	42,758
Reserves with Federal Reserve Bank.....	574,427	589,123	607,389
Other assets.....	135,775	108,794	135,676
TOTAL ASSETS.....	5,281,703	4,854,526	5,360,967
LIABILITIES AND CAPITAL			
Demand deposits			
Individuals, partnerships, and corporations....	2,818,139	2,584,421	2,866,555
United States Government.....	93,490	94,898	50,825
States and political subdivisions.....	176,220	203,104	197,267
Banks in the United States.....	903,384	853,841	989,118
Banks in foreign countries.....	15,666	9,653	14,729
Certified and officers' checks, etc.....	77,190	45,145	63,262
Total demand deposits.....	4,084,089	3,791,062	4,181,756
Time deposits			
Individuals, partnerships, and corporations....	635,229	527,767	633,168
United States Government.....	13,362	10,142	13,370
Postal savings.....	452	450	452
States and political subdivisions.....	94,934	106,338	96,191
Banks in the U. S. and foreign countries.....	1,113	1,388	923
Total time deposits.....	745,090	646,085	744,104
Total deposits.....	4,829,179	4,437,147	4,925,860
Bills payable, rediscounts, etc.....	12,700	32,250	5,000
All other liabilities.....	77,304	59,845	74,805
Total capital accounts.....	362,520	325,284	355,302
TOTAL LIABILITIES AND CAPITAL.....	5,281,703	4,854,526	5,360,967

8.7 percent to \$606,702,000; about 30 percent of the gain reflected sale of stock, and the remainder consisted of retained earnings.

Net profits of the District's member banks reached a record total of \$57,644,000 in 1954—up \$15,766,000, or 37.6 percent, from a year earlier. This rate of growth contrasts with an expansion of 25.9 percent in the Nation. The gain in profits of District member banks resulted from a rise in total earnings, the elimination of the excess profits tax, and increased profit from the sale of securities, offset only partially by increases in operating expenses and income taxes.

During the 4 weeks ended February 16, gross loans of the District's weekly reporting member banks rose \$19,736,000—slightly less than 1 percent—to a total of \$2,202,095,000. This expansion, which occurred during a season of the year when bank loans customarily decline, reflected the continuing high level of business activity in the District. Most of the increase resulted from growth in indebtedness of business and agriculture, which expanded \$16,413,000, and an \$11,384,000 increase in "all other" loans (mainly consumer credits).

The active demand for bank loans during the past 4 weeks as compared with the same period in 1954 reflects the strength in demand for bank credit evident since the beginning of the year. Gross loans of the reporting banks rose \$29,464,000 in the first 7 weeks of 1955, as contrasted with a decline of \$3,458,000 in the comparable period a year earlier. The more active demand for bank funds in early 1955 than in early 1954 was particularly evident with respect to "all other" loans, which rose \$19,664,000, and real estate loans, which increased \$3,340,000.

Changes in investments of the weekly reporting member banks in the 4 weeks prior to February 16 reflected primarily the efforts of the banks to participate in recent financing operations of the Treasury and the Federal National Mortgage Association and, at the same time, cope with a sizable deposit drain. The banks liquidated \$63,098,000 of short-term Treasury bills but, at the same time, increased their holdings of Treasury notes \$33,319,000 in connection with the Treasury refinancing of February 15. Holdings of other bonds, stocks, and securities rose \$18,432,000, principally as a result of cash purchases of the 2½-percent FNMA notes sold on January 20.

The \$96,681,000 decline in total deposits stemmed primarily from the net effect of decreases of \$85,734,000 in demand deposits of domestic banks and \$48,416,000 in demand deposits of individuals and businesses and a \$42,665,000 increase in demand deposits of the United States Government. Time deposits of the banks were more or less stable during the 4-week period, increasing by only \$986,000.

BANK DEBITS, END-OF-MONTH DEPOSITS AND ANNUAL RATE OF TURNOVER OF DEPOSITS

(Amounts in thousands of dollars)

City	DEBITS ¹			DEPOSITS ²			
	Jan. 1955	Percentage change from		Jan. 31, 1955	Annual rate of turnover		
		Jan. 1954	Dec. 1954		Jan. 1955	Jan. 1954	Dec. 1954
ARIZONA							
Tucson.....	\$ 132,479	24	2	\$ 92,874	17.3	15.0	17.4
LOUISIANA							
Monroe.....	55,594	8	—5	43,879	14.6	13.9	15.2
Shreveport.....	237,123	8	0	186,639	15.2	15.5	15.6
NEW MEXICO							
Roswell.....	28,293	3	—9	30,591	10.9	10.9	11.9
TEXAS							
Abilene.....	64,207	6	—4	61,018	12.7	13.2	13.4
Amarillo.....	150,139	21	—3	113,909	16.0	14.9	16.8
Austin.....	140,006	26	8	114,763	14.4	13.0	13.2
Beaumont.....	118,970	—3	—5	101,729	13.8	14.3	14.4
Corpus Christi.....	181,046	19	2	109,029	19.0	17.4	17.8
Corsicana.....	16,047	4	—6	22,685	8.5	8.3	9.2
Dallas.....	2,184,497	15	—8	969,839	26.0	24.2	28.4
El Paso.....	233,378	11	—7	133,531	20.8	19.4	22.6
Fort Worth.....	604,063	13	—11	357,764	20.6	18.8	23.2
Galveston.....	81,164	4	—12	68,259	14.3	11.6	15.7
Houston.....	1,818,864	5	—17	1,166,751	18.4	18.4	22.1
Laredo.....	20,804	—3	—2	19,322	13.0	13.7	13.4
Lubbock.....	178,335	32	—4	110,601	19.1	17.8	21.1
Port Arthur.....	50,666	11	—8	41,444	15.0	14.3	16.6
San Angelo.....	42,298	8	—7	46,589	10.8	10.3	11.5
San Antonio.....	450,070	18	—5	331,514	16.1	14.6	17.2
Texarkana ³	18,101	0	—13	17,809	12.1	11.9	14.2
Tyler.....	67,801	15	—3	58,340	13.8	12.1	14.5
Waco.....	89,178	18	1	69,188	15.1	13.6	15.0
Wichita Falls.....	97,258	19	—3	104,979	10.8	9.5	11.0
Total—24 cities.....	\$7,060,381	12	—9	\$4,373,046	19.1	18.0	21.1

¹ Debits to demand deposit accounts of individuals, partnerships, and corporations and of states and political subdivisions.

² Demand deposit accounts of individuals, partnerships, and corporations and of states and political subdivisions.

³ These figures include only one bank in Texarkana, Texas. Total debits for all banks in Texarkana, Texas-Arkansas, including two banks located in the Eighth District, amounted to \$36,753,000 for the month of January 1955.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Date	COMBINED TOTAL		RESERVE CITY BANKS		COUNTRY BANKS	
	Gross demand	Time	Gross demand	Time	Gross demand	Time
Jan. 1953.....	\$7,109,145	\$798,393	\$3,387,726	\$428,928	\$3,721,419	\$369,465
Jan. 1954.....	7,232,657	993,495	3,517,349	561,053	3,715,308	432,442
Sept. 1954.....	7,086,193	1,081,850	3,499,932	600,926	3,586,261	480,924
Oct. 1954.....	7,259,916	1,109,374	3,591,134	622,569	3,668,782	486,805
Nov. 1954.....	7,464,379	1,126,793	3,650,354	635,036	3,814,025	491,757
Dec. 1954.....	7,551,892	1,131,996	3,687,178	629,548	3,864,714	502,448
Jan. 1955.....	7,594,952	1,155,178	3,679,808	644,814	3,915,144	510,364

Debits to demand deposit accounts at banks in 24 cities in the District totaled \$7,060,381,000 in January, reflecting a 9-percent seasonal decline from December 1954 but a 12-percent increase over the year-earlier level. The trends in debits were general, with only four cities reporting increases over the preceding month and only two cities experiencing declines from January 1954. Reflecting the changes in debits, the annual rate of deposit turnover decreased from 21.1 in December 1954 to 19.1 in January 1955 but was still above the 18.0 rate established a year earlier.

Between January 15 and February 15, total earning assets of the Federal Reserve Bank of Dallas declined \$6,358,000, or less than 1 percent, to a total of \$952,698,000. The decrease resulted from a reduction of \$15,631,000 in this bank's holdings of Government securities, reflecting System sales of securities in the open market, offset partly by a net increase of \$9,273,000 in discounts and advances. Member bank reserve deposits decreased \$46,911,000 during the month but were still 2.2 percent higher than a year earlier. Federal Reserve notes in actual circulation declined seasonally to \$720,901,000, representing a decrease of \$6,934,000 from January but an increase of \$8,041,000 over February 1954.

During the 4 weeks ended February 16, member bank reserve balances at the Federal Reserve Bank of Dallas decreased \$39,159,000 to a total of \$979,914,000. Treasury operations absorbed \$82,303,000 of reserves, and transfers of funds from the District in connection with commercial and financial transactions reduced balances \$6,154,000. Partially offsetting these contractive factors were an increase of \$39,222,000 in local Federal Reserve credit—due principally to

CHANGES IN FACTORS AFFECTING
MEMBER BANK RESERVE BALANCES

Eleventh Federal Reserve District

(In thousands of dollars)

FACTORS	CHANGE ¹ 4 weeks ended Feb. 16, 1955	
Federal Reserve credit—local.....	+	\$39,222
Interdistrict commercial and financial transactions.....	—	6,154
Treasury operations.....	—	82,303
Currency transactions.....	+	9,817
Other deposits at Federal Reserve Bank.....	—	425
Other Federal Reserve accounts.....	+	684
RESERVE BALANCES		
February 16, 1955.....	\$	979,914
January 19, 1955.....		1,019,073
Change.....	—\$	39,159

¹ Sign of the change indicates effect on reserve balances.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	Feb. 15, 1955	Feb. 15, 1954	Jan. 15, 1955
Total gold certificate reserves.....	\$ 843,108	\$ 789,478	\$ 896,601
Discounts for member banks.....	11,900	25,000	2,000
Other discounts and advances.....	5,640	705	6,267
U. S. Government securities.....	935,158	985,366	950,789
Total earning assets.....	952,698	1,011,071	959,056
Member bank reserve deposits.....	1,022,682	1,001,038	1,069,593
Federal Reserve notes in actual circulation....	720,901	712,860	727,835

a rise in float, seasonal currency movements totaling \$9,817,000, and a net change of \$259,000 in other accounts.

On February 15, holders of \$14,983,000,000 of maturing or called United States Government securities exchanged all but \$805,000,000, or 5.4 percent, for the new securities offered in exchange. In the Nation, investors accepted \$8,462,000,000 of the 1½-percent notes maturing March 15, 1956; \$3,793,000,000 of the 2-percent notes maturing August 15, 1957; and \$1,923,000,000 of the 3-percent bonds maturing February 15, 1955. Subscriptions for the new bonds—the longest issued by the Treasury since 1911—were limited to holders of \$2,611,000,000 of partially tax-exempt bonds called for redemption on March 15. Investors in the Eleventh Federal Reserve District exchanged for \$46,506,000 of the 13-month notes, \$123,896,000 of the 2½-year notes, and \$16,464,000 of the 40-year bonds.

NEW MEMBER BANK

The City National Bank of Austin, Austin, Texas, located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, opened for business February 14, 1955, as a conversion of The Fidelity State Bank, Austin, Texas. The new member bank has capital of \$500,000, surplus of \$250,000, and undivided profits of \$160,000. The officers are: H. H. Luedecke, Chairman of the Board; John C. Aycock, President; T. A. Norman, Senior Vice President and Trust Officer; E. H. Wainwright, Vice President; J. M. Wilson, Cashier and Assistant Trust Officer; W. E. Bebee, Assistant Vice President; Howard Dearing; Assistant Vice President; C. Richard Conley, Assistant Cashier; and Wm. A. McGinty, Assistant Cashier.



Daily average crude oil production in the District showed a small increase in February, following a sharp rise in January. Production during the first 11 days of the month averaged 3,249,000 barrels per day, which is 17,000 barrels higher than in January, 257,000 barrels more than in February a year ago, and only about 48,000 barrels below the all-time high reached in December 1952. District production in March may set a new record, in view of the action of the Texas Railroad Commission in raising allowables 37,682 barrels over the mid-February level. In the Nation, production during the first part of February set a new high of 6,720,000

CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

Area	January 1955 ¹	January 1954 ²	December 1954 ¹	Change from	
				January 1954	December 1954
ELEVENTH DISTRICT.....	3,232.7	2,931.4	3,017.9	301.3	214.8
Texas.....	2,913.8	2,621.5	2,702.9	292.3	210.9
Gulf Coast.....	628.4	570.1	584.0	58.3	44.4
West Texas.....	1,145.0	1,006.6	1,048.8	138.4	96.2
East Texas (proper).....	240.2	229.8	215.9	10.4	24.3
Panhandle.....	85.2	79.0	84.1	6.2	1.1
Rest of State.....	815.0	736.0	770.1	79.0	44.9
Southeastern New Mexico..	212.9	197.1	210.9	15.8	2.0
Northern Louisiana.....	106.0	112.8	104.1	-6.8	1.9
OUTSIDE ELEVENTH DISTRICT.	3,432.3	3,309.0	3,339.5	123.3	92.8
UNITED STATES.....	6,665.0	6,240.4	6,357.4	424.6	307.6

SOURCES: ¹ Estimated from American Petroleum Institute weekly reports.² United States Bureau of Mines.

barrels per day, up 55,000 barrels from the previous high in January and 341,000 barrels greater than in February 1954.

The peak level of domestic crude production was accompanied by the rise of imports to a new record in January. Total imports averaged 1,300,000 barrels per day, or 160,000 barrels higher than in January a year ago. Most of this year-to-year increase was accounted for by imports of crude oil, although refined products imports, largely residual fuel oil, also showed a gain.

Crude runs to refinery stills in both the District and the Nation registered increases during January to reach new highs for the second consecutive month. However, the gain in the District was small, with January runs—at 2,150,000 barrels—only 4,000 barrels larger than in December but 162,000 barrels greater than in January 1954. Meanwhile, the Nation's refinery crude runs amounted to 7,343,000 barrels, or 140,000 barrels more than in December and 396,000 barrels larger than in January a year ago. Refinery runs continued heavy in early February in both the District and the Nation.

The high level of refinery crude runs has occurred in response to the continued strong demand for petroleum products. During the 5 weeks ended February 11, demand for major refined products at refineries and bulk terminals was at an all-time high, averaging 7,671,000 barrels per day, which is 291,000 barrels—or 4 percent—higher than in the same period last year. The demand for both gasoline and distillate fuel oil was up 5 percent from a year ago. Residual fuel oil demand was up 3 percent, while that for kerosene was down about 5 percent.

Stocks of crude oil and petroleum products continued at generally satisfactory levels during January and early February. The strong demand for petroleum products has absorbed the record volume of crude production, imports, and refinery runs. Moreover, the stock situation has been aided by substantial adjustments in refiners' product yields; distillate fuel oil yields in January were at a record high. Consequently, during January and early February, crude stocks changed very little, and stocks of major refined products followed normal seasonal patterns. On February 11, stocks showed the following year-to-year changes: Crude, down 2 percent; gasoline, no

change; residual fuel oil, up 2 percent; distillate fuel oil, up 4 percent; and kerosene, up 9 percent.



The development of industry in the District states from 1950 to 1955 resulted in a 17-percent increase in nonagricultural employment, while population increased only 11 percent. Continued industrialization and migration of farm workers to urban areas largely accounted for the differences in the rates of gain.

January nonagricultural employment was an estimated 3,785,700, exceeding January 1954 by 32,100. The major factor contributing to the decrease from December was the layoff of holiday workers in the wholesale and retail trades and the Post Office.

Manufacturing employment, at 715,100 in December, declined slightly during January to 710,000, as most lines experienced seasonal reductions. Cancellation of defense contracts in aircraft manufacture and a leveling off of automobile manufacturing employment caused the decrease in transportation equipment manufacturing employment. Slight employment increases occurred in wearing apparel and primary metals industries.

Copper mining employment in Arizona is at a high level, as a miners' strike in Northern Rhodesia has widened further the gap between world demand and the supply of the metal. To alleviate the domestic shortage, the United States has banned exports of domestic refined copper.

During the last quarter of 1954, native sulfur mining in Texas, which produces about three-fourths of the Nation's total output, was 900,077 long tons—an increase of 29,161 long tons over the preceding quarter. Total sulfur production in Texas, including that from natural gas and petroleum refining fumes, amounted to 931,121 long tons—a 5-percent gain over the third quarter of last year.

The value of construction contracts awarded in the District during January showed a seasonal decline of 19 percent from

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change	
	January 1955e	January 1954r	December 1954r	Jan. 1954	Dec. 1954
Total nonagricultural					
wage and salary workers..	3,785,700	3,753,600	3,892,400	.9	-2.7
Manufacturing.....	710,000	708,400	715,100	.2	-.7
Nonmanufacturing.....	3,075,700	3,045,200	3,177,300	1.0	-3.2
Mining.....	229,600	229,100	231,000	.2	-.6
Construction.....	247,300	247,100	253,700	.1	-2.5
Transportation and public utilities.....	387,200	401,500	389,900	-3.6	-.7
Trade.....	971,100	958,100	1,035,000	1.4	-6.2
Finance.....	156,300	152,100	155,900	2.8	.3
Service.....	437,000	431,300	441,400	1.3	-1.0
Government.....	647,200	626,000	670,400	3.4	-3.5

¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.

e—Estimated.

r—Revised.

SOURCE: State employment agencies.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	January 1955 ^p	January 1954	December 1954
ELEVENTH DISTRICT.....	\$ 129,289	\$ 91,907	\$ 160,068
Residential.....	52,465	49,480	67,284
All other.....	76,824	42,427	92,784
UNITED STATES ¹	1,504,450	1,151,987	1,828,837
Residential.....	690,355	462,482	761,577
All other.....	814,095	689,505	1,067,260

¹ 37 states east of the Rocky Mountains.^p—Preliminary.

SOURCE: F. W. Dodge Corporation.

December but was 41 percent above January 1954. In the Nation the value of contract awards in January was 31 percent above that in January 1954, with residential awards showing the greatest increase. Residential awards in the District were down 22 percent from December, while nonresidential awards declined 17 percent. Compared with last year, District residential awards and nonresidential awards were

BUILDING PERMITS

City	January 1955		Percentage change in valuation from	
	Number	Valuation	January 1954	December 1954
LOUISIANA				
Shreveport.....	379	\$ 1,730,316	7	-58
TEXAS				
Abilene.....	129	1,012,418	120	-23
Amarillo.....	273	1,826,880	82	70
Austin.....	251	2,975,910	118	-6
Beaumont.....	272	627,907	-60	56
Corpus Christi.....	580	3,153,379	30	37
Dallas.....	2,104	13,053,483	23	15
El Paso.....	404	2,563,245	39	-17
Fort Worth.....	638	3,121,710	26	-34
Galveston.....	90	1,51,630	-9	-64
Houston.....	972	10,369,226	-12	-16
Lubbock.....	215	2,505,559	19	30
Port Arthur.....	97	349,167	247	221
San Antonio.....	1,499	5,685,751	106	0
Waco.....	203	1,633,744	24	33
Wichita Falls.....	120	833,269	123	-93
Total—16 cities.....	8,226	\$51,593,594	23	-20

DOMESTIC CONSUMPTION AND STOCKS OF COTTON

(Bales)

Area	December 1954 ¹	December 1953	November 1954 ²	August—December	
				This season	Last season
CONSUMPTION					
Total					
Texas mills.....	11,465	11,944	9,505	57,216	61,650
U. S. mills.....	801,748	756,758	703,697	3,694,806	3,743,198
Daily average					
Texas mills.....	459	508	487	525	576
U. S. mills.....	32,070	32,202	36,087	33,975	34,902
STOCKS, U. S.—End of period					
Consuming establishments	1,671,745	1,678,872	1,557,036	—	—
Public storage and compresses.....	13,850,756	11,991,154	13,822,218	—	—

¹ Five weeks ended January 1, 1955.² Four weeks ended November 28, 1954.

SOURCE: United States Bureau of the Census.

up 6 percent and 81 percent, respectively. While nonresidential activity promises to be as important in 1955 as it was in 1954, the improvement in contract awards for nonresidential building and public works and utility construction during December and January has added considerable support to the over-all picture.

COTTONSEED AND COTTONSEED PRODUCTS

Item	TEXAS		UNITED STATES	
	August 1 to December 31		August 1 to December 31	
	This season	Last season	This season	Last season
COTTONSEED (tons)				
Received at mills.....	1,379,943	1,532,694	4,824,846	5,667,012
Crushed.....	817,697	775,483	2,733,737	2,950,403
Stocks, end of period.....	706,112	845,342	2,320,716	2,864,727
COTTONSEED PRODUCTS				
Production				
Crude oil (thousand pounds).....	269,203	249,196	880,756	948,886
Cake and meal (tons).....	379,970	373,631	1,326,574	1,401,626
Hulls (tons).....	182,684	174,187	582,472	643,889
Linters (running bales).....	239,847	231,421	892,547	939,733
Stocks, end of period				
Crude oil (thousand pounds).....	15,246	17,775	67,086	78,551
Cake and meal (tons).....	45,437	36,748	245,510	109,700
Hulls (tons).....	18,974	24,828	80,279	51,678
Linters (running bales).....	77,503	46,150	317,827	190,376

SOURCE: United States Bureau of the Census.