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THE AGRICULTURAL SITUATION

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Weather conditions, acreage restrictions, and declining prices are major factors influencing agricultural production and income in the Eleventh Federal Reserve District in 1955. The same factors dominated the agricultural situation during 1954; however, neither all areas nor all commodities produced in the District have been affected by these factors to the same extent during the 2 years.

Severe drought conditions, which have existed in various parts of the District during the past 5 years, continue as a major problem in some areas. Fortunately, few areas in the District have suffered continuously during the entire period, as drought conditions have moderated in some areas and increased in others. These shifts in the severity of the drought have alleviated somewhat the hardship on farmers by providing an opportunity for producing a crop before their area was short of moisture again.

Although moisture conditions in the District generally are improved from last year, the changing pattern of rainfall characteristic of earlier years has continued into 1955. Severe drought conditions prevail in south Texas and in parts of New Mexico and Arizona, while considerable improvement has occurred in the Blacklands area eastward and, since May, in most of the Plains and Edwards Plateau areas.

Farmers in the Great Plains area of the District and in much of the Blacklands and Low Rolling Plains experienced a near failure of this year's wheat crop and serious losses to fall-seeded small grains as a result of drought, insects, and late-spring freezes. In addition, cotton, feed, and flax crops in the dry-land areas of south Texas have suffered from lack of moisture, which has reduced production below 1954 levels.

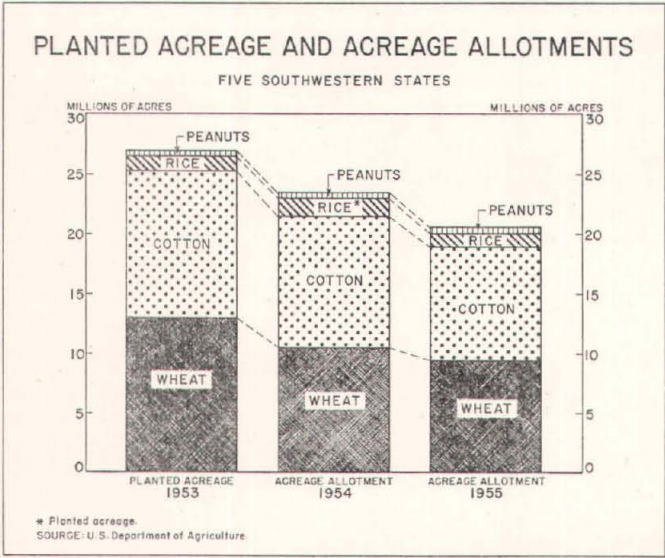
Although the production of fall-seeded grains this year was disappointing, the favorable prospects for most spring-planted crops indicate that the volume of crop production in the District may compare favorably with 1954, in spite of more severe acreage restrictions on some important crops. A continuance of the present high level of poultry, milk, and meat production is indicated for the last half of this year;

such production, coupled with present crop prospects, would place total farm output in the District at a record level. The more favorable growing conditions during this spring and summer as compared with last year, plus the increased use of approved farming practices designed to promote high yields, are responsible for the excellent crop prospects.

In the western range areas, ranchers continued heavy supplemental feeding of livestock through most of the first 6 months of this year, as needed moisture did not fall until May and June. In contrast, growing conditions for most 1955 spring-seeded crops have been generally more favorable than last year, particularly in the northern Blacklands, Low Rolling Plains, and northeastern parts of the District. Ample moisture was available in most of the eastern third of the District to plant and germinate cotton and feed crops and to provide pasture for livestock. Although farmers received a major setback as a result of the March freezes, which killed most of the deciduous fruit and damaged cotton, corn, and sorghums, timely rains following the cold front provided needed moisture for replanting damaged field crops.

The major improvement in crop prospects occurred in May and June, when general rains fell over most of the District. These rains provided the moisture needed for maturing crops in the early season areas of the District and for planting of grain sorghums in the High Plains of Texas, Oklahoma, and New Mexico. In addition, the prospects for range forage were improved greatly for the first time in several years.

The favorable crop prospects resulting from improved growing conditions have offset partially the reductions in acreage allotments imposed on some of the 1955 crops. Cotton acreage allotments were reduced 14 percent from those in 1954; wheat acreage allotments were 11 percent smaller; and rice acreage allotments were 21 percent below last year's planted acreage. The 1955 peanut acreage allotments were increased 7.5 percent from last year as a result of the low national production of the 1954 crop. With the exception of the wheat crop — the yields and harvested acreage of which were reduced by poor moisture conditions, the increases in



the prospective per acre yields are partially or totally offsetting the reductions in acreage.

In view of the prospective production of crops and livestock products, cash receipts from farm marketings in the Southwest in 1955 may compare favorably with those received in 1954. Average prices received by farmers for many of their crops may not equal those received in the fall of 1954 because of the prospective record output in the Nation, the large carry-over of some commodities, and the reduced level of price supports. The flexible provisions of the Agricultural Act of 1954 are in effect during the 1955 marketing season. As a result of the large supplies of many products, support prices are lower than in 1954 for most commodities produced in District states except upland cotton, peanuts, dairy products, and animal fibers. In addition, the prospective large supply of red meat during the latter part of this year will result in considerable pressure on livestock prices, in spite of the expected continuance of a high level of consumer food purchases.

Although the immediate outlook for total cash receipts from farm marketings and Government payments may not compare favorably with the situation in some of the immediate postwar years, present prospects indicate that they still will exceed those received in any year during or prior to World War II. Moreover, because of the continuing trend of fewer farms, 1955 cash receipts and Government payments per farm are likely to exceed those received in 1950 — the third highest year of record — and approach the exceptionally high cash receipts and Government payments per farm received during the Korean conflict, when war-scare buying sent cash receipts to unprecedented levels.

Fall-Seeded Crop Production Decreases

The 1955 wheat crop in the Southwest was a dismal failure as a result of unfavorable growing conditions. As early as December 1, 1954, the wheat crop prospects were so unfavorable that production of only 68,807,000 bushels was indicated

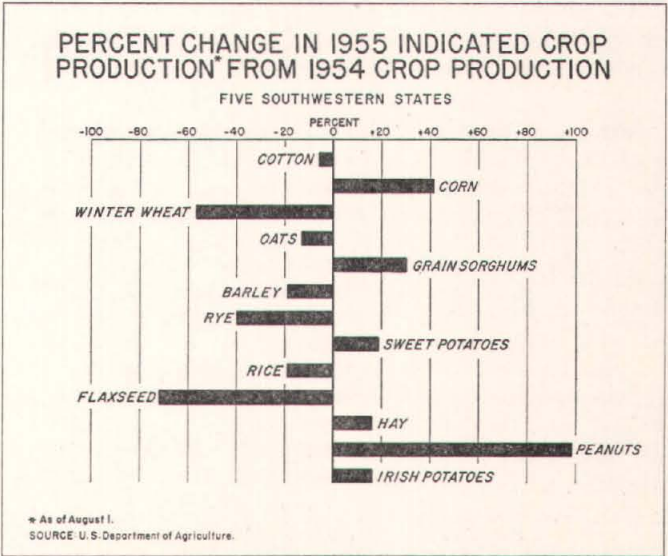
from the estimated seeded acreage of 9,728,000 acres, or slightly more than 7 bushels per acre. Acreage abandonment was heavy throughout the first part of 1955; and on August 1, only 5,189,000 acres remained for harvest at an indicated production of 44,402,000 bushels, with an average yield of 8.6 bushels per acre. A crop of this size is 57 percent below production in 1954 and 68 percent below the 1944-53 average. Approximately 47 percent of the 1955 seeded crop acreage was abandoned during the 7-month period from December to July, as contrasted with only 26 percent for the 1954 crop.

The barley, oats, and flax crops planted for 1955 harvest had relatively poorer growing conditions than they did last year. Although the acreages of barley and oats for harvest this year were above those of last year, per acre yields and, consequently, total production were lower as a result of deficient moisture, insects, and late-spring freezes. Moisture conditions were very inadequate in the flax area of south Texas, and both the acreage for harvest and the indicated yields per acre are lower this year than for the 1954 crop.

Prospects Are Favorable for Spring-Planted Crops

In contrast with fall-seeded crops, the prospects for spring-planted crops remain favorable. The improvement in the indicated production as compared with last year is primarily the result of better growing conditions and the relatively small disease and insect damage. The corn crop, although somewhat late because of spring freezes, generally has made good development, and per acre yields are expected to be above those of the 1954 crop. As of August 1, the indicated production of corn was about 41 percent more than production last year, although this year's acreage for harvest is only 3 percent greater. The 1955 rice production, which is indicated at 19 percent less than last year's record production, reflects the reduction in acreage allotments.

The grain sorghum acreage for harvest for all purposes on July 1 of this year is indicated at 2 percent more than the



CROP ACREAGE AND PRODUCTION

Five Southwestern States¹

Crop	ACREAGE (In thousands of acres)			PRODUCTION (In thousands of bushels)		
	For harvest August 1, 1955	Harvested acreage 1954	1955 as percent of 1954	Indicated August 1, 1955	1954	1955 as percent of 1954
Cotton.....	8,672	9,972	-13	5,685	6,032	-6
Corn.....	3,219	3,133	3	73,632	52,047	41
Winter wheat....	5,189	8,071	-36	44,402	102,652	-57
Oats.....	3,102	2,717	14	57,266	65,737	-13
Barley.....	690	713	-3	17,776	21,966	-19
Rye.....	117	162	-28	794	1,327	-40
Rice.....	1,006	1,272	-21	425,074	431,116	-19
Sorghum grain...	7,818	6,407	22	170,073	130,950	30
Flaxseed.....	34	109	-69	186	676	-72
Hay.....	3,795	3,583	6	5,212	5,476	16
Peanuts ⁶	505	380	33	304,900	153,325	99
Irish potatoes....	37	39	-5	5,607	4,815	16
Sweet potatoes...	128	128	0	12,325	10,374	19

¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.² Includes average abandonment 1945-54.³ In thousands of bales.⁴ In thousands of bags containing 100 pounds each.⁵ In thousands of tons.⁶ Picked and threshed.⁷ In thousands of pounds.

SOURCE: United States Department of Agriculture.

acreage for harvest on the same date last year and 18 percent above the final 1954 harvested acreage. The indicated production of grain sorghums for grain, as of August 1, is 30 percent above 1954 production, although the acreage for harvest is only 22 percent larger. Grain sorghums have been planted on much of the acreage diverted from controlled crops. The final outcome of these favorable prospects will depend upon weather conditions during the next few weeks. A considerable acreage in the High Plains dry-land areas is about 2 weeks late as a result of replanting from the washing rains in June, and an early frost could reduce yields materially. The south Texas area, where drought during the critical stages of growth reduced yields, is the only section of the District where production or production prospects for grain sorghums were unfavorable.

The 1955 cotton crop in District states, as of August 1, is estimated at only 6 percent below production last year but 12 percent above the 1944-53 average. In the Nation, prospective production is 12,728,000 bales, or 7 percent below 1954 but 2 percent larger than the 10-year average.

In the District states, the condition of the cotton crop and the indicated yield per harvested acre are higher than last year in Louisiana, Oklahoma, and Texas. In Arizona and New Mexico, where exceptionally high yields were obtained in 1954, production is down sharply because of the reduced acreage and smaller per acre yields. In Texas the 1955 indicated production is only 1 percent less than the 1954 production. In eight of the 15 crop reporting districts in the State, the 1955 indicated production is larger than last year. The largest decreases in cotton output are indicated in the northern High Plains and the southern and Coastal Bend areas, where unfavorable moisture conditions reduced prospects.

The improved moisture situation throughout northern and northwestern Texas, Oklahoma, and northern Louisiana is responsible for the favorable cotton prospects, in spite of a 14-percent reduction in acreage allotments. In addition, farmers are using practices designed to produce high yields

and have planted cotton on their best land. The final outcome of the cotton crop will depend upon growing conditions during the next 2 months. Considerable acreages of cotton in northwestern Texas and in Oklahoma are late, and an early frost would prevent optimum development. Also, an increase of injurious insects has been reported, and losses could be great if effective control measures are not maintained.

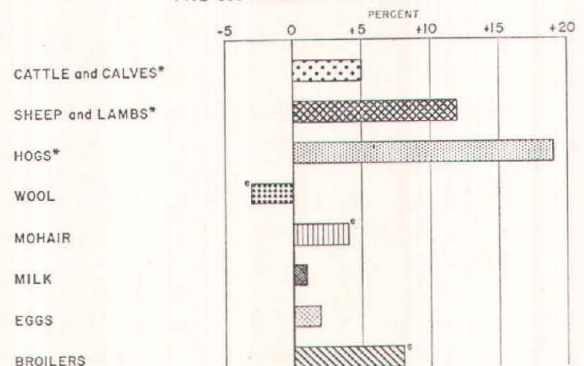
The late-spring freezes reduced the production of winter vegetables, but the output of spring and summer vegetable and melon crops was above that of last year.

Livestock Output Increases

Livestock marketings in the District are expected to be higher during 1955 than in 1954, but a sizable increase in marketings of meat animals (particularly sheep, lambs, and cattle) at a time when numbers are stable or declining may indicate that a reduction in inventories is taking place. The result of changes in relative returns or feed supplies, or a combination of both, has a marked effect upon livestock numbers. In the Southwest, one of the dominant factors in range livestock production in 1955 has been the poor condition of ranges.

Ranges in Texas on January 1 of this year were in the poorest condition for that time of year since January 1935, and ranges in Oklahoma were the poorest of record. The ranges in Arizona and New Mexico, although improved from January 1954, were in only fair condition and were still below the 1944-53 averages. As a result, range livestock in all western parts of the District were in below-average condition at the beginning of 1955, in spite of almost continual supplemental feeding throughout most of 1954.

Although the number of all cattle and calves on farms in the Nation increased slightly during 1954 to reach a new peak of 95,433,000, the numbers on farms and ranches in District states on January 1 of this year totaled 15,555,000, down 2 percent from January 1, 1954, and 3 percent below the near record of 16,026,000 on January 1, 1953.

PERCENT CHANGE IN PRODUCTION
OF LIVESTOCK AND LIVESTOCK PRODUCTSJanuary-June 1954 to January-June 1955
FIVE SOUTHWESTERN STATES

* Slaughtered live weight.

e- Estimated.

SOURCE: U.S. Department of Agriculture.

The reductions in numbers of cattle and calves during the past 2 years were not uniform among District states, primarily reflecting changing range feed conditions as the effects of the drought increased in severity in some areas and moderated somewhat in others. In 1953 the major reductions in cattle numbers occurred in Texas, New Mexico, and Arizona, while numbers increased in Louisiana and Oklahoma. In 1954, numbers of cattle decreased in all states of the District except Arizona, with the heaviest reductions occurring in Oklahoma, Louisiana, and New Mexico. Numbers increased in Arizona as a result of timely summer rains, which improved range feed conditions.

The trend in the numbers of cattle and calves on farms and ranches in the Southwest since the first of this year has been uncertain. Throughout the first half of 1955, the lack of range forage over most of the western part of the District and the absence of good winter wheat pastures necessitated almost continuous supplemental feeding. Under such conditions, the pressure for further reductions in numbers in these areas would be considerable. However, the continuance of the government-sponsored emergency feed program, through which drought-stricken ranchers could obtain feed at reduced rates, alleviated some of the expense in maintaining herds. In the eastern half of the District, however, pastures generally have remained in fair to good condition, except in south Texas, and no reduction in livestock numbers may have taken place.

During the first 6 months of this year, the live weight of cattle slaughtered in District states was 7 percent greater than during the same period in 1954; however, calf live-weight slaughter this year was slightly smaller. These data on slaughter do not suggest any major change in the numbers of cattle and calves on farms; however, if range conditions do not improve further during the last part of 1955, fall marketings could be heavy and numbers on January 1, 1956, could be slightly under those of a year earlier.

As a result of the readjustment in stocking rates due to poor ranges and the substitution of cattle for sheep, sheep and lamb numbers on southwestern farms and ranches continued the downward trend evident since 1952 and on January 1, 1955, were 7,378,000, or 1 percent below 1954. During the first 6 months of this year, sheep and lamb live-weight slaughter was up 12 percent from the same period last year. If this trend continues, there may be a further reduction in numbers in the District by the end of 1955.

The production of pork in District states during 1955 is substantially above last year. At the beginning of this year, hog numbers, totaling 2,006,000, were up 18 percent from a year earlier as a result of a substantially larger pig crop in the fall of 1954 than in the fall of 1953. This increase in the pig crop was reflected in a 19-percent rise in hog slaughter during the first 6 months of 1955 as compared with 1954, and a further expansion in pork output is indicated for this fall. The larger output of hogs in District states is probably the result of the favorable prices which were paid for hogs during the first part of 1954, but with increased production

and lower prices, some curtailment in production may take place in 1956.

The production of other livestock products in the District during 1955 has shown divergent trends. The numbers of sheep shorn or to be shorn in the District during 1955 are estimated to be almost 2 percent below those shorn in 1954, and the average fleece weight is expected to be lower, according to the United States Department of Agriculture. As a result, the production of 1955-crop shorn wool is estimated at 57,390,000 pounds, or 3 percent below production last year. On the other hand, the production of mohair may be larger, since the number of goats on farms and ranches in the District on the first of January this year was larger than on January 1, 1954.

Although data are not available for all states in the District, milk production during the first 6 months of this year probably was little different from production during the same period last year, as the combined production of Oklahoma and Texas increased only 1 percent.

Egg production in the Southwest during the first part of 1955 was about 2 percent higher than in the January-June period last year. Although data on broiler production are not available for all District states, indications are that broiler output in Texas during the first part of this year probably exceeded production in the first half of 1954 by over 8 percent.

Prices Show Divergent Trends

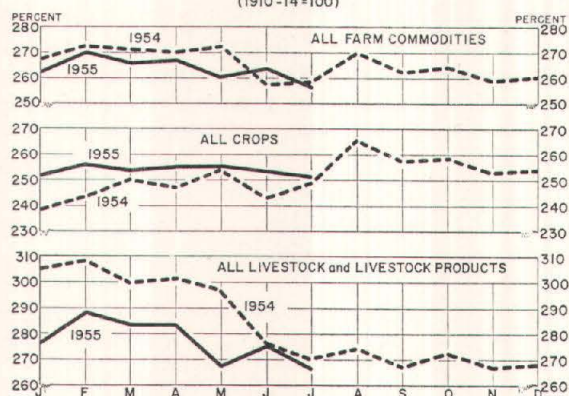
If this year's favorable crop prospects are realized and the output of livestock products is maintained or increased during the last half of the year, the other major factor to be considered in determining whether cash receipts from farm marketings will be higher or lower than in 1954 is the prices received by farmers.

Prices for the various southwestern agricultural products, as measured by the index of prices received by Texas farmers and ranchers, have shown divergent trends during the past several months. Slightly higher prices for wheat, corn, cotton and cottonseed, peanuts, hay, and citrus fruits from January to July this year more than offset lower prices for grain sorghums, rice, flaxseed, and other small grains to raise the all crops price index almost 3 percent above the same period in 1954. However, since increases in the prices of beef cattle, chickens, and milk did not counterbalance the lower prices for other major livestock and livestock products — particularly hogs, wool, sheep, and turkeys, the Texas livestock and livestock products price index for the first 7 months of 1955 averaged 6 percent below the same period in 1954. As a consequence, the index of prices received by Texas farmers and ranchers for all farm products was 1 percent lower.

Although no data are available on prices paid by southwestern farmers and ranchers for items used in farm production and living, the index of prices paid by farmers in the Nation was about 1 percent higher during the first part

PRICES RECEIVED BY TEXAS FARMERS AND RANCHERS

(1910-14=100)



SOURCE: U.S. Department of Agriculture.

of this year than during the same months in 1954. The parity ratio, which is the relationship of prices paid by United States farmers and the prices they receive for their products, is averaging about 86 percent, compared with 90 percent a year ago.

Since the increased output of many livestock products failed to offset lower market prices and the volume of crop sales in the Southwest was somewhat lower, cash receipts from farm marketings during the first 5 months of this year totaled \$942,821,000, down 3 percent from those during January-May 1954. The changes in cash receipts from year-earlier levels were not uniform among states, reflecting the differences in the severity of the drought on crop production in 1954 and in the pattern of marketings of crops and livestock among the various states. Louisiana cash receipts from farming were 11 percent below the January-May period last year; Arizona receipts were 6 percent less; and those for Oklahoma and Texas were 1 percent below 1954 levels. Cash receipts in New Mexico were 2 percent above the comparable period last year.

Although the prospective output of some crops — notably grain sorghums, corn, and peanuts — shows an exceptional increase over 1954 production, the decrease in output of fall-seeded feed grains and winter wheat, plus a 6-percent decline in cotton production, may be difficult to overcome. The expected high level of livestock and livestock products marketings may be a decisive factor in maintaining 1955 cash receipts from farm marketings close to 1954 levels.

Carry-Over Supplies Are Larger

A continued high level of consumer income and an expected increase in exports during the current marketing year will have a sustaining influence on agricultural prices and cash receipts from farming. However, the large carry-over of some crops and the record production forecast for the Nation, coupled with reduced price support levels for some commodities, are offsetting factors.

With the exception of upland cotton, peanuts, milk, butterfat, wool, and mohair, the dollars-and-cents price support levels for most agricultural products to be produced during 1955 are lower than comparable support prices for last year's crops. In District states, about 60 percent of the cash receipts from farm marketings in 1953 came from products for which price supports were in effect. Although similar data for 1954 are not available, this relationship probably was about the same last year. These lower support prices are expected to encourage production adjustments and increase the consumption of agricultural products in the United States and in foreign markets, rather than allowing these commodities to accumulate in Government storage.

A record supply of 205,000,000 tons of feed grains and other concentrates is in prospect for the 1955-56 feeding year in the Nation. This supply would be 14 percent above the 1954-55 feeding year and 19 percent above the 1949-53 average. Although the number of grain-consuming animal units to be fed is estimated to be 3 percent larger than in the 1954-55 feeding year, the prospective supply of feed concentrates per animal unit would be 11 percent larger than last year and 12 percent above the 1949-53 average. Stocks of feed grains in District states as of July 1 this year were two and one-half times larger than on the same date last year, a somewhat larger increase than for the Nation as a whole.

The carry-over of wheat stocks in the Nation is estimated at over 1,000,000,000 bushels as of July 1, compared with 902,000,000 bushels on the same date last year, and no significant change is expected for July 1, 1956.

Cotton carry-over on August 1 of this year totaled 11,121,000 bales, or 1,393,000 bales larger than on August 1 last year and the largest stocks since August 1, 1945. With the indicated supply of cotton at 23,849,000 bales and expected domestic demand and exports slightly higher than in the past year, the carry-over on August 1, 1956, is likely to be almost unchanged.

A sizable quantity of the carry-over supplies of many of the major agricultural products is either owned by or under loan agreement with the Commodity Credit Corporation. The investment of the Commodity Credit Corporation in price-supported commodities as of May 31, 1955, totaled \$7,198,048,000, reflecting an increase of \$1,088,753,000 from the same date last year. Loans outstanding and the cost value of inventories of upland cotton, cotton linters, refined cottonseed oil, wheat, and corn amounted to \$5,612,987,591, or almost 78 percent of the total investment.

Congress recently authorized an increase in the borrowing authority of the Commodity Credit Corporation from \$10,000,000,000 to \$12,000,000,000 to provide for any increase in costs associated with price support operations this year. Moreover, the Federal Government is continuing its promotional activities designed to encourage the construction of additional storage facilities.

Export Prospects Are More Favorable

Increased emphasis is being placed upon the expansion of exports in order to reduce accumulated surpluses and to provide an expanded market for current production. Total agricultural exports during the fiscal year ended June 30, 1955, are estimated at \$3,130,000,000, which is 7 percent more than during fiscal 1953-54. One factor responsible for the increase has been the sales made under terms of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480). This law provides that surplus agricultural commodities in excess of usual marketings can be sold to friendly nations through private trade channels for foreign currencies. The legislation also provides for grants of agricultural commodities for relief and other purposes. The United States Department of Agriculture estimates that 30 percent of the agricultural exports during the past fiscal year moved under Government grant, gift, loan, foreign currency sales, or barter transactions.

The improvement in economic conditions abroad and the increase of gold and dollar reserves of some foreign customers also have promoted the expansion of exports. Exports of agricultural products probably would have been larger if some foreign countries had not maintained restrictions on the use of dollar reserves for the importation of United States farm products. In addition, foreign buyers, because of the uncertainties of United States surplus disposal policies, followed the policy of reducing inventories and purchasing only for immediate needs.

Land Values Remain Firm

Despite lower agricultural prices, acreage restrictions, and 3 to 5 years of drought, land values in Texas, Oklahoma, and Louisiana were higher in March this year than a year earlier, although they were below the 1953 average value in most District states. Land values in New Mexico and Arizona declined slightly, with the major reductions occurring for range and dry-farming land where the effects of the drought reduced crop production. In all the District states, the number of forced sales of farms actually declined during the year ended March 31, 1955.

The strength in farm land prices may be the result of several factors. Support prices for many of the important products in the Southwest have tended to reduce price uncertainty. The purchase of additional land to add to existing units as a means of increasing farm efficiency and maintaining income has had a firming effect on land prices. Although the importance of purchases by the Veterans Land Board in Texas has diminished, the continued expansion of pump irrigation in many parts of Texas, especially in the High Plains area, has strengthened the demand for land. Also, the increased interest in pump irrigation in Oklahoma and Louisiana has maintained a strong demand for land suitable for irrigation near dependable sources of water. In some areas, the potential use of farm land for nonfarm uses and rural homes as a result of industrialization has added strength to the farm land market.

Increase in Farmers' Indebtedness Is Small

In spite of relatively unfavorable agricultural conditions during the past several years, southwestern farmers and ranchers have not increased appreciably their outstanding nonreal-estate indebtedness. On January 1 of this year, the amount of farm nonreal-estate loans outstanding in District states was \$610,947,000, compared with \$608,971,000 outstanding on the same date last year. Although up slightly from last year, outstanding indebtedness of District farmers was 7 percent below that on January 1, 1953, and 3 percent under that on the same date in 1952.

Nonreal-estate loans to farmers outstanding on January 1, 1955, which were held by Production Credit Associations showed virtually no change from the year-earlier figure, although loans held by Federal Intermediate Credit Banks and all operating banks in the District declined 9 percent and 3 percent, respectively. The expansion in loans outstanding, which showed an increase of 16 percent over last year, occurred under lending programs of the Farmers Home Administration.

The largest increase in amounts outstanding was in loans made under production and economic emergency programs. These loan programs have been authorized to assist established farmers and ranchers who cannot obtain needed financing from existing credit institutions. On January 1, 1955, total loans outstanding in District states under the production and economic emergency programs were \$37,145,000, or 48 percent above the total on the same date last year. Loans outstanding under the regular production and subsistence loan program of the Farmers Home Administration increased to \$70,211,000, or by 5 percent, during 1954.

Nonreal-estate loans of farmers (excluding loans guaranteed by the Commodity Credit Corporation) held by member banks in the Eleventh District on June 30, 1955, had increased slightly from the year-earlier level. Outstanding nonreal-estate loans to farmers at mid-1955 totaled \$262,956,000, or 2.5 percent more than on June 30, 1954. If member banks are representative of other farm lenders, farmers in the District have increased their use of credit during 1955 to meet current operating and living expenses and for the purchase of equipment and machinery to increase the efficiency of their farms.

In the Nation, farm real-estate indebtedness on January 1 of this year totaled \$8,170,402,000, which is almost 7 percent more than a year earlier. This indebtedness represented only 9 percent of the total value of farm real estate, compared with 8.6 percent on January 1, 1954. Data are not available on the trends in farm real-estate loans held by all lenders in the District during 1954; however, farm real-estate loans held by all operating banks in the District states were \$69,729,000 on January 1, 1955, or about 8 percent greater than on the same date a year ago. Preliminary figures indicate that, as of June 30, 1955, member banks in the District had increased their holdings of farm real-estate loans to a total of \$35,623,000, or 13 percent above the first of the year. Much of the growth in real-estate debt is resulting

from purchases of additional land by farmers who wish to enlarge the size of their present farming units, and a larger proportion of the purchases is being financed.

In view of the length and severity of the drought in the Southwest and the general weakness of farm prices, it appears that the growth in farmers' debts has been very moderate. Several factors may be responsible for this. Southwestern farmers were in a relatively strong financial position at the beginning of the drought period, and they were able to draw upon their reserves. In addition, extensive oil leasing and drilling operations in much of the western part of the District and opportunities for off-farm employment in some areas have provided supplementary sources of income.

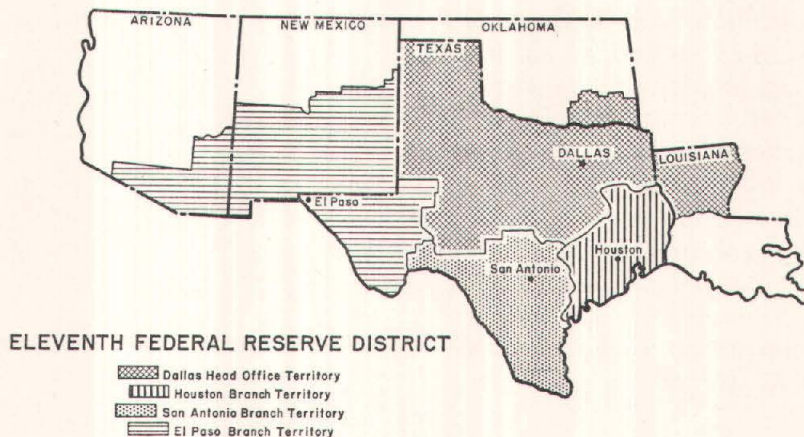
Summary

District agricultural results for 1955 are likely to be considered very unsatisfactory by those farmers whose crops virtually were eliminated by drought. However, the majority of farmers probably will recognize that price declines, acreage allotments, and fluctuating drought conditions are causing a decline in 1955 very similar to that which occurred between 1953 and 1954. In view of these factors, the District agricultural picture in 1955 may not be unsatisfactory for most farmers.

Weather during the remainder of the current growing season will determine whether the relatively favorable 1955 production prospects are to be realized. The lack of timely rains or an early frost, or both, could reduce final yields materially, and a continuance of hot, dry weather in the western range areas could precipitate a further reduction in cattle and sheep numbers. More rain is needed over most of the western range and dry-land crop areas to promote development of growing crops and ranges and to provide moisture for seeding fall grains.

The needs of a growing population in this country and abroad provide an optimistic outlook for District agriculture in the years ahead, although further adjustments in crop and livestock production will be necessary. Restraint will need to be exercised in the production of wheat and cotton and a greater emphasis placed upon the output of fruits and vegetables, meats, and dairy products.

The continued mechanization of farms and the purchases of additional land by the more efficient commercial farmers indicate that they view the agricultural situation with confidence. Higher output at lower per unit costs is probably the means by which a generally satisfactory return on investment may be realized by the majority of farmers.



REVIEW OF BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Retail sales at department stores in the District in July showed a less than seasonal decline of 2 percent from June and were 5 percent above July 1954. Cumulative sales for the year through July were 9 percent above those in the same period last year. Instalment sales in July comprised 18 percent of total department store sales, the highest percentage since 1950. Sales of reporting furniture stores increased slightly during July and were 15 percent above those of a year earlier.

Weather conditions in the District states during August were generally dry, except for isolated thundershowers and light to heavy rains in Oklahoma and the coastal and northeastern parts of Texas. Crop prospects remain excellent; harvesting of cotton and sorghums is under way in the later areas.

Crude oil production in the District showed a small increase in August, following successive declines in the preceding 4 months. A more substantial increase is anticipated for September. Refinery crude runs rose moderately during the first part of August to approach record levels and were sharply above August 1954.

Nonagricultural employment in the District states decreased during July, as seasonal losses in food manufacturing and government employment combined with labor disputes to cause both manufacturing and nonmanufacturing employment to decline. Unemployment in Texas fell seasonally, as agricultural jobs increased and students who had not found work withdrew from the labor force.

The value of construction contracts awarded in the District in July increased 33 percent above June, with most of the rise attributable to a 51-percent gain in nonresidential construction awards. Residential awards gained only 12 percent.

During the 5 weeks ended August 17, commercial, industrial, and agricultural loans of the District's weekly reporting member banks increased substantially, with the more notable borrowings originating among commodity dealers, sales finance companies, and trade firms. Cash and balances, investment holdings, and deposits declined. Debits to deposit accounts were down 5 percent in July as compared with June but exceeded the year-earlier total by 9 percent.



The total dollar volume of retail sales at department stores in the Eleventh Federal Reserve District during July declined 2 percent, or less than seasonally, from the high level of June and was 5 percent above July last year. With sales continuing at a higher level than a year earlier for the seventh consecutive month, cumulative sales through July were 9 percent over those for the first 7 months of 1954.

Although July usually marks the summer low point in department store sales in this District, the seasonally adjusted index increased from 132 in June to a record 145 in July, compared with the previous high of 143 in July 1950, when war-scare buying was at a peak.

During July, District department stores recorded sales gains over a year ago in most of the soft goods departments, ranging from 3 percent in women's and misses' ready-to-wear to 6 percent for men's and boys' wear and 11 percent in household textiles. Piece goods showed an increase—6 percent—over year-earlier sales for the first time this year. Sales of women's and misses' accessories and women's and children's shoes were up 4 percent and 5 percent, respectively, over sales in July last year.

Consumer durable goods departments, which experienced large percentage increases during the first half of 1955, showed a varied sales pattern during July. Sales of furniture and bedding during July—the highest for any month of record—rose markedly from June and were 23 percent above July last year. Sales of domestic floor coverings were 18 percent above those of a year earlier. On the other hand, sales of major household appliances and radios and television

RETAIL TRADE STATISTICS
(Percentage change)

Line of trade by area	NET SALES			STOCKS ¹	
	July 1955 from		7 mo. 1955 comp. with 7 mo. 1954	July 1955 from	
	July 1954	June 1955		July 1954	June 1955
DEPARTMENT STORES					
Total Eleventh District.....	5	-2	9	10	3
Corpus Christi.....	6	-4	12	9	-4
Dallas.....	5	3	10	14	8
El Paso.....	9	-12	10	3	-1
Fort Worth.....	5	0	8	9	3
Houston.....	4	-1	8	6	-1
San Antonio.....	2	-4	8	8	0
Shreveport, La.....	6	-7	6	12	6
Waco.....	9	2	11	5	7
Other cities.....	5	-4	12	13	3
FURNITURE STORES					
Total Eleventh District.....	15	1	18	11	-2
Amarillo.....	-9	-21	—	7	-5
Austin.....	8	-2	14	9	-4
Dallas.....	4	1	16	11	6
Houston.....	32	9	31	22	-3
Lubbock.....	23	15	—	7	-5
Port Arthur.....	2	-5	9	7	-1
San Antonio.....	3	-5	11	6	2
Shreveport, La.....	19	-10	14	13	-2
Wichita Falls.....	9	16	—	-1	-3
Other cities.....	12	3	10	2	-3
HOUSEHOLD APPLIANCE STORES					
Total Eleventh District.....	9	16	—	—	—
Dallas.....	2	22	—	—	—

¹ Stocks at end of month.

ANNOUNCEMENT

The Research Department of the Federal Reserve Bank of Dallas has reviewed its adjusted indexes of department store sales for the Eleventh Federal Reserve District and for the cities of Dallas and Houston, Texas, for the period from January 1952 to June 1955, inclusive, for the purpose of making revisions in monthly index numbers wherever indicated in order to allow for gradual shifts in seasonal influences. Adjusted stock indexes for the Eleventh District were reviewed for the same purpose, and appropriate revisions were made. It is believed that the revised indexes reflect more accurately only the main nonseasonal movements that occurred during the period. Index numbers prior to 1952 remain unchanged. The revised adjusted indexes are shown in the accompanying table.

sets, which were up 23 percent and 34 percent for the first half of 1955, were down 1 percent and 7 percent, respectively, from July last year.

Although cash and charge account sales declined from June to July, instalment sales showed a marked increase. Moreover, instalment sales in July comprised 18 percent of total department store sales, which is the highest percentage since July 1950. Meanwhile, charge account sales were only 49 percent of total sales, the smallest proportion since 1946. The proportion of cash sales has shown little change in recent months and in July was 33 percent of total sales.

As a result of the decrease in charge account sales, charge accounts receivable declined 8 percent during July but at the end of the month were 6 percent above those of a year earlier. Instalment accounts receivable at the end of July were 2 percent greater than at the beginning of the month and 12 percent above those at the end of July 1954.

Because of the cumulating receipt of fall and winter merchandise and the anticipation by retailers of a continued high level of sales, department store inventories at the end of July were 3 percent larger than a month earlier and 10 percent more than a year ago. As fall buying continued, orders outstanding at the end of the month increased 13 percent from the total reported at the end of June and were approximately 24 percent above the figure for July last year. New orders

REVISED ADJUSTED MONTHLY INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Eleventh Federal Reserve District

(1947-49 = 100)

Month	SALES				STOCKS			
	1952	1953	1954	1955	1952	1953	1954	1955
January.....	120	127	119	140	124	135	130	134
February.....	115	126	122	129	124	136	132	136
March.....	118	129	118	134	124	136	131	139
April.....	117	125	124	142	123	139	130	137
May.....	126	129	122	134	123	139	129	137
June.....	129	130	125	132	123	140	131	143
July.....	124	123	133	—	127	138	132	—
August.....	124	124	126	—	126	141	133	—
September...	125	119	122	—	127	139	134	—
October....	128	121	131	—	129	139	134	—
November...	127	126	131	—	131	136	133	—
December...	128	125	136	—	133	133	139	—

Dallas and Houston

Month	DALLAS SALES				HOUSTON SALES			
	1952	1953	1954	1955	1952	1953	1954	1955
January.....	118	122	115	138	132	146	139	154
February....	111	119	120	126	129	145	142	145
March.....	110	119	111	126	128	147	137	146
April.....	114	119	122	140	133	148	137	157
May.....	119	126	114	126	142	147	140	152
June.....	123	126	121	128	145	148	141	149
July.....	117	120	130	—	137	141	147	—
August.....	116	121	122	—	137	146	145	—
September...	119	113	115	—	139	133	137	—
October....	123	119	122	—	147	139	152	—
November...	120	122	127	—	145	145	147	—
December...	123	120	134	—	147	141	149	—

placed for merchandise during July were 30 percent higher than those of a year earlier.

Sales of reporting furniture stores increased slightly during July. There was virtually no change in total credit sales from those in June. Cash sales were down 7 percent from the previous month; cash sales and credit sales were up 4 percent and 17 percent, respectively, from July 1954. The retail value of furniture store inventories was down 2 percent from June but was 11 percent above that of a year ago.



Weather conditions over most of the District during August generally were dry, although light to heavy rains fell over many sections of Oklahoma during the first part of the month and local thunderstorms occurred in parts of New Mexico and Arizona. In Texas, isolated showers and some local heavy rains fell during the first part of August, with most of the precipitation occurring in the southern Blacklands and Lower Rio Grande Valley, upper coastal, and northeastern areas. Moisture conditions in the District generally are adequate for growing crops, although rains are needed in south Texas, parts of the Low Rolling Plains, and the northwestern Plains areas of the District. Additional moisture also is needed in the western range areas.

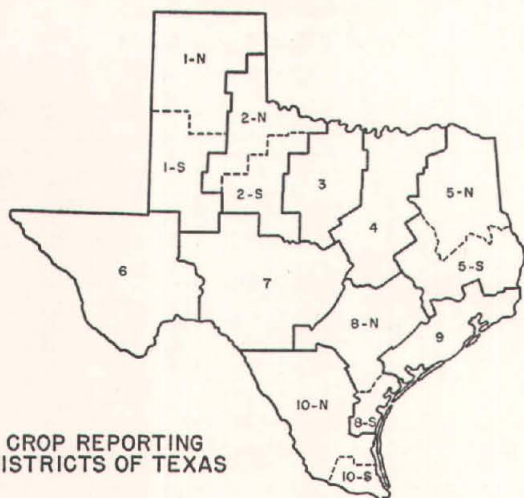
Cotton production in the District states, on the basis of August 1 condition reports, is indicated at 5,685,000 bales, or 6 percent below output in 1954, according to the United States Department of Agriculture. In Texas the cotton crop is indicated at 3,900,000 bales, or only 1 percent below production in 1954 but 15 percent above the 1944-53 average.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1947-49 = 100)

Area	UNADJUSTED				ADJUSTED ¹			
	July 1955	June 1955	May 1955	July 1954	July 1955	June 1955	May 1955	July 1954
SALES—Daily average								
Eleventh District.....	123	120	133	113	145	132r	134	133r
Dallas.....	117	109	125	108	141	128r	126r	130r
Houston.....	139	135	149	129	158	149	152r	147r
STOCKS—End of month								
Eleventh District.....	137p	133	139	125	144p	143	137	132r

¹Adjusted for seasonal variation.
r—Revised.
p—Preliminary.

CROP REPORTING
DISTRICTS OF TEXAS

The prospective yield is 278 pounds of lint per acre, which is 13 percent more than in 1954 and the highest since 1866. Production prospects in eight of the 15 crop reporting districts are higher than they were last year, with the major declines indicated for the northern High Plains and southern and Coastal Bend areas, where poor moisture conditions have reduced yields in dry-land areas. The sharpest increases in production are indicated for the northern counties from the Low Rolling Plains eastward.

Since August 1, the cotton crop in the District has continued to make generally good development, although insect populations have been building up in many areas and moisture is needed in the Low Rolling Plains of Texas to prevent shedding. Cool temperatures during mid-August have retarded optimum development of cotton. Cotton harvesting has passed the halfway mark in most of the Lower Valley and Coastal Bend and in many south Texas counties and is starting in the southern Blacklands.

Although the major part of cotton harvesting is just beginning, most of the wheat in the High Plains area of the

COTTON PRODUCTION

Texas Crop Reporting Districts

(In thousands of bales—500 lb. gross wt.)

Crop reporting district	1955 Indicated August 1	1954	1953	1955 as percent of 1954
1-N.....	375	512	548	73
1-S.....	1,045	1,098	835	95
2-N.....	265	221	143	120
2-S.....	260	180	285	144
3.....	30	20	39	150
4.....	600	448	1,101	134
5-N.....	105	75	136	140
5-S.....	90	74	119	122
6.....	255	261	253	98
7.....	30	25	39	120
8-N.....	140	142	215	99
8-S.....	75	218	76	34
9.....	195	192	238	102
10-N.....	30	67	32	45
10-S.....	405	407	258	100
State.....	3,900	3,940	4,317	99

SOURCE: United States Department of Agriculture.

LIVESTOCK RECEIPTS

(Number)

Class	FORT WORTH MARKET			SAN ANTONIO MARKET		
	July 1955	July 1954	June 1955	July 1955	July 1954	June 1955
Cattle.....	75,261	80,186	90,354	29,673	26,009	27,592
Calves.....	19,667	23,422	20,636	19,894	21,637	15,534
Hogs.....	27,631	26,401	33,775	2,459	2,697	3,535
Sheep.....	76,632	56,297	155,146	119,824	118,807	133,104

¹ Includes goats.

District had been harvested by mid-July, with production estimated at 57 percent below last year. Most of the wheat stubble had been turned under by August 1, and further preparation continues for seeding the fall crop, as farmers have destroyed stands of volunteer wheat sprouted by July rains. Moisture is needed throughout the area to condition the soil for winter wheat seeding. In the Edwards Plateau and south Texas area, considerable land already has been prepared for planting fall oat crops.

Land preparation for planting fall and early winter vegetables is well advanced in the principal commercial vegetable areas in the irrigated sections of south Texas, but in some of the nonirrigated sections, the soil is too dry for active field work. The movement of vegetables has been seasonally slow, although some watermelons and cantaloupes have been available for local markets and some potatoes have been shipped from the Panhandle area of Texas. Prospects for the commercial sweet potato crop are excellent, with indicated production 19 percent above last year's crop.

The condition of ranges in early August in all District states except Arizona was substantially improved from that of a year earlier, according to the Department of Agriculture. Range and pasture grasses in the Upper Coast and in much of east Texas continued to develop during August as a result of soaking rains, but in south Texas, ranges and pastures remain poor. Ranges in the western part of the District, although much improved, will need additional rains to maintain development. As a result of increased range forage, the condition of livestock generally is improved from a month earlier, except in parts of south Texas and northwestern Oklahoma.

The amount of wool shorn and to be shorn in District states in 1955 is estimated at 57,390,000 pounds, or 3 percent below production in 1954. Production declined in Arizona, New

SHORN WOOL PRODUCTION

Five Southwestern States

(In thousands of pounds)

Area	1955p	1954	Average 1944-53	1955 as percent of 1954
Arizona.....	2,811	2,928	2,998	96
Louisiana.....	482	416	440	116
New Mexico.....	10,599	10,607	12,136	100
Oklahoma.....	1,071	1,056	1,132	101
Texas.....	42,427	44,220	58,172	96
Total.....	57,390	59,227	74,878	97

p—Preliminary.

SOURCE: United States Department of Agriculture.

CASH RECEIPTS FROM FARM MARKETINGS

Five Southwestern States

(In thousands of dollars)

Area	May		January—May	
	1955	1954	1955	1954
Arizona.....	\$ 16,605	\$ 17,602	\$119,287	\$126,484
Louisiana.....	13,150	12,524	92,260	103,581
New Mexico.....	11,091	9,115	54,032	53,019
Oklahoma.....	25,697	26,175	139,362	140,700
Texas.....	101,222	103,198	537,880	542,803
Total.....	\$167,765	\$168,614	\$942,821	\$966,587

SOURCE: United States Department of Agriculture.

Mexico, and Texas. In the Nation, 1955 shorn wool production is estimated at 228,013,000 pounds, which is 2 percent below last year and 10 percent less than the 1944-53 average.

Cash receipts from farm marketings in the District during May totaled \$167,765,000, down 1 percent from a year ago. An increase of 18 percent in cash receipts from crops did not offset a 6-percent decline in livestock and livestock products sales. Total cash receipts from farm marketings during the first 5 months of this year were 3 percent below those in the same period last year.

FARM COMMODITY PRICES

Top Prices Paid in Local Southwest Markets

Commodity and market	Unit	Comparable	
		Week ended Aug. 22, 1955	Comparable last month last year
COTTON, Middling 15/16-inch, Dallas....	lb.	\$.3320	\$.3295
WHEAT, No. 1 hard, Fort Worth.....	bu.	2.40	2.50 3/4
OATS, No. 2 white, Fort Worth.....	bu.	.80	.82 1/2
CORN, No. 2 yellow, Fort Worth.....	bu.	1.60	1.82 3/4
SORGHUMS, No. 2 yellow, Fort Worth....	cwt.	2.05	2.20
HOGS, Choice, Fort Worth.....	cwt.	17.50	18.00
SLAUGHTER STEERS, Choice, Fort Worth...	cwt.	23.50	24.00
SLAUGHTER CALVES, Choice, Fort Worth...	cwt.	20.00	20.00
STOCKER STEERS, Choice, Fort Worth....	cwt.	21.00	22.00
SLAUGHTER SPRING LAMBS, Choice, Fort Worth.....	cwt.	18.50	20.00
BROILERS, south Texas.....	lb.	.27	.29



Between July 13 and August 17, commercial, industrial, and agricultural loans of the District's weekly reporting member banks rose \$18,158,000 to a total of \$1,474,693,000, an increase which contrasts sharply with the reduction of \$96,688,000 in the comparable weeks last year (a decrease that was weighted heavily by the cash redemption of maturing CCC certificates of interest). Commodity dealers, sales finance companies, wholesale and retail trade establishments, and "all other" commercial and industrial firms increased their borrowings substantially, while the only notable repayments were made by grain and milling concerns and construction companies. On August 17, commercial, industrial, and agricultural loans exceeded the year-earlier total by \$271,311,000.

Other loan developments during the 5 weeks included increases of \$11,960,000 in real-estate loans, \$5,673,000 in "all other" loans, and \$4,486,000 in loans for financing security transactions. Loans to banks declined \$22,550,000.

CONDITION STATISTICS OF WEEKLY REPORTING
MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	August 17, 1955	August 18, 1954	July 13, 1955
ASSETS			
Commercial, industrial, and agricultural loans....	\$1,474,693	\$1,203,382	\$1,456,535
Loans to brokers and dealers in securities.....	18,186	9,406	22,121
Other loans for purchasing or carrying securities.	123,204	89,565	114,783
Real-estate loans.....	207,856	151,280	195,896
Loans to banks.....	10,555	13,409	33,105
All other loans.....	494,885	409,209	489,212
Gross loans.....	2,329,379	1,876,251	2,311,652
Less reserves and unallocated charge-offs..	25,225	17,408	23,344
Net loans.....	2,304,154	1,858,843	2,288,308
U. S. Treasury bills.....	61,041	249,707	59,815
U. S. Treasury certificates of indebtedness.....	23,462	156,630	27,879
U. S. Treasury notes.....	279,517	202,953	280,639
U. S. Government bonds (inc. gtd. obligations)...	848,005	885,511	858,180
Other securities.....	251,700	206,685	250,194
Total investments.....	1,463,725	1,701,486	1,476,707
Cash items in process of collection.....	363,963	303,842	379,193
Balances with banks in the United States.....	444,584	476,996	444,459
Balances with banks in foreign countries.....	2,376	1,416	1,479
Currency and coin.....	45,559	44,793	49,467
Reserves with Federal Reserve Bank.....	573,287	577,783	576,526
Other assets.....	122,597	99,761	120,572
TOTAL ASSETS.....	5,320,245	5,064,920	5,336,711
LIABILITIES AND CAPITAL			
Demand deposits			
Individuals, partnerships, and corporations....	2,794,954	2,669,918	2,770,349
United States Government.....	97,809	110,027	82,540
States and political subdivisions.....	173,400	160,157	204,591
Banks in the United States.....	875,878	975,769	896,839
Banks in foreign countries.....	19,598	12,827	16,511
Certified and officers' checks, etc.....	81,702	51,813	90,871
Total demand deposits.....	4,043,341	3,980,511	4,061,701
Time deposits			
Individuals, partnerships, and corporations....	695,787	583,378	681,252
United States Government.....	12,159	9,805	12,159
Postal savings.....	452	451	452
States and political subdivisions.....	134,895	99,035	143,649
Banks in the U. S. and foreign countries.....	1,625	1,883	1,785
Total time deposits.....	844,918	694,552	839,297
Total deposits.....	4,888,259	4,675,063	4,900,998
Bills payable, rediscounts, etc.....	3,700	0	14,500
All other liabilities.....	44,605	44,874	41,084
Total capital accounts.....	383,681	344,983	380,129
TOTAL LIABILITIES AND CAPITAL.....	5,320,245	5,064,920	5,336,711

Investments of the weekly reporting member banks decreased \$12,982,000, principally because of reductions in holdings of Treasury certificates and bonds. A moderate addition to bill portfolios was balanced approximately by sales or redemptions of Treasury notes. Holdings of non-Government securities increased \$1,506,000.

Deposit trends during the 5 weeks included increases of \$24,605,000 in demand accounts and \$14,535,000 in time accounts of individuals, partnerships, and corporations. Deposits of the United States Government also expanded, but that rise was exceeded substantially by a decrease in inter-bank deposits and in the accounts of states and political subdivisions. On balance, total deposits of the weekly reporting banks declined \$12,739,000 to a total of \$4,888,259,000, a level which is \$213,196,000 above the comparable year-earlier figure.

Gross demand deposits of all member banks in the District averaged \$7,218,169,000 in July, reflecting increases of \$27,619,000 over the month-earlier figure and \$343,669,000 over the year-earlier total. Reserve city member banks ac-

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

(Amounts in thousands of dollars)

Area	DEBITS ¹			DEPOSITS ²			
	July 1955	Percentage change from		Annual rate of turnover			
		July 1954	June 1955	July 31, 1955	July 1955	July 1954	June 1955
ARIZONA							
Tucson.....	\$ 122,804	21	-7	\$ 93,454	16.2	14.4	17.5
LOUISIANA							
Monroe.....	56,084	16	-1	41,163	16.1	13.4	16.2
Shreveport.....	240,314	18	-6	185,316	15.4	14.5	16.6
NEW MEXICO							
Roswell.....	26,321	6	-5	26,356	11.8	10.3	11.9
TEXAS							
Abilene.....	65,719	16	-2	58,146	13.6	12.7	13.7
Amarillo.....	154,243	14	0	106,875	17.2	16.2	17.0
Austin.....	127,372	6	-8	116,433	13.1	13.3	14.4
Beaumont.....	112,520	-1	-12	97,365	13.7	14.6	15.5
Corpus Christi.....	163,012	-1	-3	109,632	18.2	16.8	19.4
Coriscana.....	14,787	20	10	22,339	8.0	7.1	7.4
Dallas.....	1,915,427	7	-4	972,752	23.2	22.9	24.0
El Paso.....	209,551	14	-6	129,714	19.4	18.1	20.8
Fort Worth.....	592,422	9	-4	361,819	19.3	19.4	20.2
Galveston.....	79,985	7	1	69,969	13.7	13.2	13.4
Houston.....	1,890,693	8	-6	1,173,472	19.7	19.4	21.1
Laredo.....	21,448	15	1	19,518	13.1	12.4	13.2
Lubbock.....	115,636	17	-6	91,685	14.8	14.4	15.4
Port Arthur.....	51,580	9	-6	44,279	14.2	15.1	15.2
San Angelo.....	42,988	5	-5	45,604	11.2	10.9	11.6
San Antonio.....	451,672	10	-5	328,181	16.4	15.7	17.0
Texarkana ³	17,751	3	0	17,363	12.2	11.8	12.2
Tyler.....	72,537	18	3	57,154	15.1	12.8	14.6
Waco.....	85,355	8	2	66,377	15.5	15.1	15.1
Wichita Falls.....	93,636	12	-5	104,173	10.7	9.6	11.3
Total—24 cities.....	\$6,723,857	9	-5	\$4,339,139	18.5	18.1	19.4

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 \$38,164,000 for the month of July 1955.

counted for practically all of the June-July gain. Time deposits expanded \$49,561,000 during the month to a level of \$1,273,423,000, a total which exceeds the July 1954 figure by \$191,772,000. As in the case of demand deposits, most of the month-to-month increase occurred at reserve city member banks.

Debits to deposit accounts reported by banks in 24 cities of the District in July were down 5 percent from the June level but up 9 percent as compared with the year-earlier total. The June-to-July decline affected banks in most of the cities, with decreases in individual cities ranging from 1 percent for Monroe, Louisiana, to 12 percent for Beaumont, Texas. The annual rate of turnover of deposits was 18.5 in July, 19.4 in June, and 18.1 in July 1954.

Between July 13 and August 17, the principal changes in the condition of the Federal Reserve Bank of Dallas included

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
July 1953.....	\$6,572,440	\$ 901,614	\$3,152,963	\$495,431	\$3,419,477	\$406,183
July 1954.....	6,874,500	1,081,651	3,349,903	600,870	3,524,597	480,781
March 1955.....	7,237,908	1,202,162	3,485,392	682,916	3,752,516	519,246
April 1955.....	7,388,996	1,219,764	3,626,058	697,441	3,762,938	522,323
May 1955.....	7,241,268	1,226,177	3,541,867	704,826	3,699,401	521,351
June 1955.....	7,190,550	1,223,862	3,518,648	704,471	3,671,902	519,391
July 1955.....	7,218,169	1,273,423	3,545,239	753,896	3,672,930	519,527

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	July 27, 1955	July 28, 1954	June 29, 1955
ASSETS			
Loans and discounts.....	\$3,637	\$3,197	\$3,581
United States Government obligations.....	2,407	2,342	2,360
Other securities.....	553	477	548
Reserves with Federal Reserve Bank.....	981	952	964
Cash in vault.....	139	135	121
Balances with banks in the United States.....	904	1,007	1,036
Balances with banks in foreign countries.....	2	1	2
Cash items in process of collection.....	359	299	352
Other assets.....	173	145	171
TOTAL ASSETS.....	9,155	8,555	9,135
LIABILITIES AND CAPITAL			
Demand deposits of banks.....	965	982	1,055
Other demand deposits.....	6,186	5,840	6,130
Time deposits.....	1,270	1,082	1,225
Total deposits.....	8,421	7,904	8,410
Borrowings.....	24	5	20
Other liabilities.....	50	47	51
Total capital accounts.....	660	599	654
TOTAL LIABILITIES AND CAPITAL.....	9,155	8,555	9,135

e—Estimated.

a reduction of \$9,727,000 in earning assets and increases of \$36,203,000 in gold certificate reserves and \$3,644,000 in member bank reserve deposits. The decline in earning assets occurred mostly in discounts for member banks but also reflected a decrease in holdings of Government securities. On August 17, Federal Reserve notes of this bank in actual circulation amounted to \$716,532,000, as compared with \$713,453,000 on July 13 and \$729,205,000 on August 18, 1954.

The rise in member bank reserve deposits at the Federal Reserve Bank of Dallas during the 5 weeks ended August 17 reflected principally a substantial gain of funds arising from Treasury operations in the District. However, the increase from that source was offset, in part, by drains associated with interdistrict commercial and financial transactions, currency operations, and the reduction in local Federal Reserve credit.

NEW MEMBER BANK

The First National Bank of Muleshoe, Texas, a newly organized institution located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, opened for business August 1, 1955, as a member of the Federal Reserve System. The new bank has capital of \$200,000, surplus of \$50,000, and undivided profits of \$50,000. The officers are: W. T. Andrews, President, and M. D. Gunstream, Vice President and Cashier.

NEW PAR BANK

The First State Bank, Amarillo, Texas, a newly organized, insured, nonmember bank located in the territory served by the Head Office of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, August 1, 1955. The officers are: Arvel W. Boyd, President, and Marvin K. Howard, Vice President and Cashier.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS

(In thousands of dollars)

Item	August 17, 1955	August 18, 1954	July 13, 1955
Total gold certificate reserves.....	\$763,516	\$804,600	\$727,313
Discounts for member banks.....	5,893	329	11,669
Other discounts and advances.....	2,115	4,230	2,507
U. S. Government securities.....	956,530	938,207	960,089
Total earning assets.....	964,538	942,766	974,265
Member bank reserve deposits.....	966,945	973,030	963,301
Federal Reserve notes in actual circulation.....	716,532	729,205	713,453

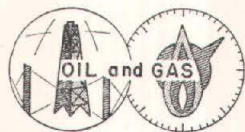
Effective within the period August 4-11, the Board of Governors approved increases in the discount rates of the 12 Federal Reserve banks. The Federal Reserve Bank of Cleveland raised its rate from the prevailing $1\frac{3}{4}$ -percent level to $2\frac{1}{4}$ percent, while a 2-percent rate was established at each of the other Reserve banks.

CHANGES IN FACTORS AFFECTING MEMBER BANK RESERVE BALANCES

Eleventh Federal Reserve District

(In thousands of dollars)

FACTORS	CHANGE ¹	
	5 weeks ended August 17, 1955	Dec. 29, 1954— August 17, 1955
Federal Reserve credit—local.....	—\$ 9,324	—\$ 16,736
Interdistrict commercial and financial transactions....	— 51,300	— 228,061
Treasury operations.....	+ 67,823	+ 175,929
Currency transactions.....	— 7,078	+ 19,678
Other deposits at Federal Reserve Bank.....	+ 128	— 572
Other Federal Reserve accounts.....	+ 3,395	+ 10,196
RESERVE BALANCES		
August 17, 1955.....	\$966,945	
July 13, 1955.....	\$963,301	
	+\$ 3,644	—\$ 39,566

¹ Sign of change indicates effect on reserve balances.

The heavy demand for petroleum products and the high level of refinery runs were the outstanding aspects of the Nation's petroleum situation during July and early August. Mixed

tendencies were evident in product prices; gasoline and distillate fuel oil prices showed strength in some markets and softness in others, but residual fuel oil prices were firm in practically all markets.

The demand for petroleum products this year generally has been exceeding expectations. At the beginning of the year, the United States Bureau of Mines forecast the total demand for oil in 1955 at about 3 percent over the 1954 level; recently, it revised the forecast upward to show a 6-percent increase. Year-to-year gains of 6 percent in the third quarter and 4 percent in the fourth quarter are expected, as compared with an estimated gain of 7.1 percent in the first half of the year.

Demand during July and the first part of August apparently has been showing a larger gain over a year earlier than that indicated in the revised Bureau of Mines forecast. The demand for major refined products at refineries and bulk terminals in the 5 weeks ended August 12 was 11 percent higher than a year earlier. The expansion in economic activity, the tremendous volume of new car sales, and the accompanying increase in the number of cars on the road have been factors contributing to the heavy demand.

CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

Area	July 1955 ¹	July 1954 ²	June 1955 ¹	Change from	
				July 1954	June 1955
ELEVENTH DISTRICT.....	3,063.1	2,951.2	3,114.9	111.9	—51.8
Texas.....	2,721.2	2,636.4	2,776.7	84.8	—55.5
Gulf Coast.....	578.6	564.1	586.5	14.5	—7.9
West Texas.....	1,076.4	1,021.6	1,092.6	54.8	—16.2
East Texas (proper).....	202.2	218.9	207.6	—16.7	—5.4
Panhandle.....	89.9	83.8	88.5	6.1	1.4
Rest of State.....	774.1	748.0	801.4	26.1	—27.2
Southeastern New Mexico.....	224.2	205.2	221.9	19.0	2.3
Northern Louisiana.....	117.7	109.6	116.4	8.1	1.3
OUTSIDE ELEVENTH DISTRICT.....	3,559.9	3,308.1	3,501.0	251.8	66.5
UNITED STATES.....	6,623.0	6,259.3	6,615.9	363.7	8.1

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

Crude runs to refinery stills in the Nation, after rising in July for the third consecutive month to reach an all-time high of 7,599,000 barrels per day, declined slightly during the first part of August. July crude runs were 91,000 barrels per day higher than in June and 683,000 barrels per day more than in July a year ago. In contrast with the national pattern, refinery crude runs in the District rose moderately during the first part of August, after showing little change in the preceding month. District crude runs to refinery stills in July averaged 2,189,000 barrels per day, which is 252,000 barrels higher than a year earlier.

Crude oil production in the District registered a small increase in August, after declining steadily since last March. During the first 2 weeks of August, production averaged 3,076,000 barrels per day, or 13,000 barrels more than in July and 171,000 barrels more than in August a year ago. In the Nation, crude oil production rose slightly during July and August. The Nation's production during the first 12 days of August averaged 6,637,000 barrels per day, which is 14,000 barrels higher than in the previous month and 470,000 barrels higher than in August 1954.

September crude oil production in the District, and probably in the Nation, will show a noticeable rise as Texas oil allowables have been increased 67,137 barrels over the mid-August level. The number of state-wide producing days in Texas in September remains unchanged at 15; the rise in daily allowables is due to a shorter month. Louisiana allowables for September were increased slightly to allow for new wells which may be brought in.

The high level of refinery runs in recent months has drawn down stocks of crude oil; at 264,500,000 barrels on August 13, such stocks were 8,800,000 barrels lower than on July 2 and 15,300,000 barrels below the year-earlier level. As crude stocks have declined, stocks of refined products have risen, reflecting seasonal gains in heating oils. The heavy demand for petroleum products, however, has prevented the rise in product stocks from becoming excessive, despite the high level of refinery runs. On August 12 the Nation's stocks of the four major refined products were 1 percent higher than a year earlier, with distillate fuel oil stocks up 13 percent but gasoline and kerosene down 1 percent each and residual fuel oil down 18 percent.

NATURAL GAS: MARKETED PRODUCTION

Four Southwestern States

(In millions of cubic feet)

Area	First quarter 1955	First quarter 1954	Fourth quarter 1954
Louisiana.....	403,000	313,900	365,300
New Mexico.....	129,900	127,200	133,500
Oklahoma.....	181,000	171,000	145,800
Texas.....	1,252,600	1,180,900	1,204,000
Total.....	1,966,500	1,793,000	1,848,600

SOURCE: United States Bureau of Mines.

Marketed production of natural gas in the District states showed a substantial seasonal increase during the first quarter of 1955, reaching a new high for the second consecutive quarter. Production totaled 1,967 billion cubic feet, which is 6 percent more than in the previous quarter and 10 percent larger than in the same quarter of 1954. While all southwestern states have experienced a rising trend in natural gas production, the state which recently has registered the fastest rate of growth is Louisiana, with production in the first quarter 28 percent higher than a year earlier.



Total nonagricultural employment during July in the five states lying wholly or partly within the District amounted to 3,885,500, reflecting a more than seasonal loss of 13,400 from June but a gain of 96,400 from July 1954. The normal seasonal loss in employment was increased by work stoppages affecting several thousand workers throughout the District. The most serious of these was in the copper industry, which idled over 6,000 employees in the western part of the District. Government employment also declined as additional workers were removed from the educational payrolls for the summer, although the loss was moderated by gains in other categories of government employment. Employment gains, largely of a seasonal nature, were experienced in most other nonmanufacturing industries, with the largest increases occurring in trade and construction.

Manufacturing employment in July, at 722,200, was 4,900 below June. A portion of the loss, or an estimated 2,100, oc-

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change	
				July 1955 from	
	July 1955e	July 1954r	June 1955	July 1954	June 1955
Total nonagricultural					
wage and salary workers..	3,885,500	3,789,100	3,898,900	2.5	—3
Manufacturing.....	722,200	701,000	727,100	3.0	—7
Nonmanufacturing.....	3,163,300	3,088,100	3,171,800	2.4	—3
Mining.....	241,300	242,600	245,700	—5	—1.8
Construction.....	283,400	272,900	280,900	3.8	.9
Transportation and public					
utilities.....	393,400	393,600	393,100	—1	.1
Trade.....	995,800	971,800	991,400	2.5	.4
Finance.....	163,800	156,800	162,700	4.5	.7
Service.....	452,200	448,500	451,000	.8	.3
Government.....	633,400	601,900	647,000	5.2	—2.1

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

e—Estimated.
r—Revised.
SOURCES: State employment agencies.
Federal Reserve Bank of Dallas.

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	July 1955	July 1954	June 1955	January—July	
				1955	1954
ELEVENTH DISTRICT....	\$ 177,998	\$ 112,448r	\$ 133,476	\$ 1,044,156	\$ 771,967
Residential.....	68,708	50,541r	61,147	480,782	360,744
All other.....	109,290	61,907r	72,329	563,374	411,223
UNITED STATES ¹	2,271,537	1,836,935	2,255,209	14,254,308	11,088,144
Residential.....	959,020	745,440	951,104	6,415,750	4,726,131
All other.....	1,312,517	1,091,495	1,304,105	7,838,558	6,362,013

¹ 37 states east of the Rocky Mountains.

r—Revised.
SOURCE: F. W. Dodge Corporation.

curring in primary metals which were affected by the copper strike, but sharp seasonal decreases took place as the vegetable canning season passed its peak in the Rio Grande Valley and the shrimp season closed in Louisiana. These losses, however, were offset partially by a seasonal increase in apparel manufacturing and a rise in transportation equipment manufacturing, primarily in aircraft manufacturing and shipbuilding.

Unemployment in July decreased seasonally to 116,900, as increasing agricultural employment drew from the unemployed labor force and the summer influx of students either found jobs or withdrew from the labor market.

The value of construction contracts awarded in the District during July amounted to \$177,998,000, representing an increase of 33 percent over June and of 58 percent over July of last year. The largest gain occurred in nonresidential construction awards, which increased 51 percent above June and 77 percent above a year earlier. Residential awards were up 12 percent from June and 36 percent from July 1954. During the first 7 months of 1955, construction contracts awarded in the District were valued at \$1,044,156,000—up 35 percent from the same period of 1954. Residential awards totaled \$480,782,000 for a year-to-year gain of 33 percent, while all other awards, at \$563,374,000, were up 37 percent.

In the Nation during July, both residential and other contract awards increased by less than 1 percent from the June

BUILDING PERMITS

Area	7 months 1955						Percentage change in valuation from 7 months 1954
	July 1955		Percentage change in valuation from		Number	Valuation	
	Number	Valuation	July 1954	June 1955			
LOUISIANA							
Shreveport....	380	\$ 2,751,382	—18	—19	3,369	\$ 22,597,845	64
TEXAS							
Abilene.....	181	1,668,166	—49	2	1,108	11,379,289	33
Amarillo.....	261	1,695,402	22	23	1,870	14,751,379	32
Austin.....	267	2,628,254	10	—38	2,233	25,231,986	11
Beaumont.....	271	541,457	—2	—16	2,163	5,379,338	11
Corpus Christi..	435	2,714,614	—14	—31	3,433	20,736,838	—1
Dallas.....	2,066	13,232,601	—3	—9	16,515	105,268,335	29
El Paso.....	279	4,184,397	27	71	3,206	22,642,576	58
Fort Worth.....	681	7,218,992	97	65	5,594	36,790,265	43
Galveston.....	119	692,138	160	85	762	2,330,693	—33
Houston.....	975	12,428,196	—2	1	7,943	95,298,624	12
Lubbock.....	301	2,880,124	47	12	2,094	18,175,442	10
Port Arthur.....	127	277,474	—6	—33	1,071	2,912,940	38
San Antonio....	1,550	4,964,878	33	—14	12,571	36,204,020	35
Waco.....	350	2,234,751	9	129	1,995	9,601,906	11
Wichita Falls..	107	1,534,134	5	76	1,037	8,017,342	53
Total—16 cities..	8,350	\$61,646,960	8	3	66,964	\$437,318,818	24

DOMESTIC CONSUMPTION AND STOCKS OF COTTON

(Bales)

Area	June 1955 ¹	June 1954	May 1955 ²	August—June	
				This season	Last season
CONSUMPTION					
Total					
Texas mills.....	13,047	12,120	10,828	124,799	133,618
U. S. mills.....	849,116	778,558	703,240	8,268,509	8,035,715
Daily average					
Texas mills.....	533	495	541	533	495
U. S. mills.....	34,659	31,778	35,162	34,803	34,033
STOCKS, U. S.—End of period					
Consuming establishments..	1,509,199	1,402,274	1,713,624	—	—
Public storage and compresses.....	9,737,339	8,221,440	10,432,247	—	—

¹ Five weeks ended July 2.² Four weeks ended May 28.

SOURCE: United States Bureau of the Census.

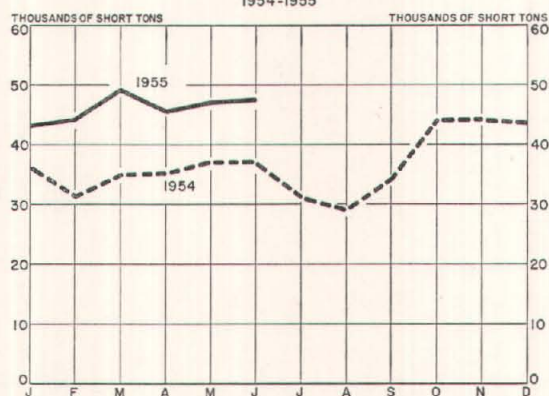
levels. From the first of the year, total awards in the Nation were up 29 percent; residential, up 36 percent; and all other, up 23 percent, compared with the same period last year.

Copper production in the District states of Arizona and New Mexico during the first 6 months of 1955 amounted to 277,343 short tons—exceeding production during the comparable period last year by 31 percent, according to the United States Bureau of Mines. Some of the increase can be attributed to the opening of three new mines in Arizona during 1954. However, more intensive mining activity also has occurred in response to the world shortage of copper, which has stemmed from both increased consumption and restriction of supply by copper industry strikes throughout the world.

MINE PRODUCTION OF RECOVERABLE COPPER

ARIZONA and NEW MEXICO

1954-1955



SOURCE: U.S. Bureau of Mines.

On August 17 the price of domestic copper was raised from 36 cents to 40 cents per pound, the highest level since 1872. This was the third and largest increase of the year; the first was a 3-cent increase to 33 cents per pound in January, and the second brought the price of copper to 36 cents per pound during March. For several months the domestic price of copper has been under pressure from the European price, which recently has been as high as 47 cents per pound. Settlement of labor disputes in domestic mines during August brought additional pressure as labor costs were increased.