



BUSINESS REVIEW

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RECENT DEVELOPMENTS IN PETROLEUM

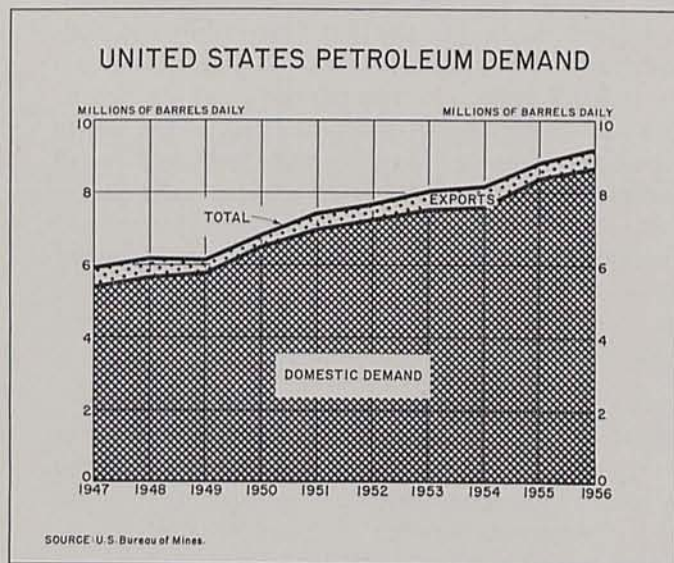
Record-breaking activity was again a feature of performance in the petroleum industry during 1956 in both the Eleventh District and the United States. For the first time in history, both the supply of and demand for petroleum and its products in the United States exceeded 9 million barrels per day, and the Southwest continued to contribute its proportionate share in the larger volume. It is significant that new records were achieved in all phases of the industry, from the drilling of wildcat wells to the distribution to the final consumer of the several major refined products. During much of the year, the industry experienced greater competition from foreign oils and was faced with substantial additions to inventories of crude oil and some refined products as supply expanded at a faster rate than demand.

The industry was affected by and responsive to both long-term and short-run factors. The major forces supporting long-term growth which were especially significant in 1956 included the high and rising level of personal income, the expansion of industrial activity, the increasing number of motor vehicles in use, the installation of more oil-burning units for heating and power, and the more intensive use of motor vehicles and other oil-consuming products. The most significant short-run factors contributing to expansion in 1956 included the abnormally cold spring, which intensified the demand for heating oils, and the Middle East crisis late in the year, which accelerated exports of both crude oil and refined products. Partially offsetting the expansionary features were the steel strike at midyear, which

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

also reduced activity in some related industries, and the unseasonably mild temperatures prevailing in the closing months of the year.

The total demand for petroleum products in 1956 rose to a new peak about 4 percent higher than the total in the preceding year, but the rate of growth was much smaller than the 9-percent gain recorded in 1955. Although the 1956 gain represented primarily the continued upsurge in domestic consumption, exports rose more sharply, percentagewise, as a result of shipments to Europe following the Middle East crisis. Domestic product demand varied considerably, ranging from almost no change for kerosene and residual fuel oil to a gain of 6.4 percent for miscellaneous products. The 5.7-percent expansion in the use of distillate fuel oil in 1956 represented an extension of the strong growth trend brought about by the more widespread use of diesel equipment and the growing demand for heating purposes. The increase of 3 percent in gasoline consumption was much smaller than the 8-percent gain experienced in the preceding year and was below general industry expectations.



The substantial rise in foreign demand developed late in the year, after the closing of the Suez Canal and the Iraq Petroleum Company pipelines greatly restricted the movement of Middle East oil, especially to European countries. While exports of refined products — primarily fuel oil and gasoline — increased nearly 17 percent in 1956, the major increase was in crude oil. The rise in crude oil shipments was so pronounced that daily average shipments for the year,

although still small in relation to total demand, reached a level nearly 2½ times that in 1955.

In meeting the heavy demand for refined products in 1956, the industry ran a daily average of 7,947,000 barrels of crude oil to refinery stills, reflecting an increase of 6 percent over the daily average in 1955. Crude runs to refinery stills in the Eleventh District, which averaged 2,345,000 barrels daily, were also 6 percent above those in 1955 and again comprised 29.5 percent of the national total.

The month-to-month variation in refinery activity was more pronounced in 1956 than in 1955, largely as a result of the imbalance between inventories and the demand for specific products. During the early part of the year, the heavy demand for and the relatively low stocks of distillate and residual fuel oil necessitated high-level operations, despite the high and rising inventories of gasoline. By the end of the first quarter, when gasoline stocks customarily reach a peak, inventories were at a record 198 million barrels, or about 14 million barrels higher than a year earlier. At the same time, stocks of distillate fuel oil not only were at a seasonal low point but were somewhat below normal for that period of the year.

In view of expectations of a sharp expansion in gasoline demand, refinery activity increased substantially more than seasonally in May and June and remained near the June level through most of the third quarter. In consequence, the margin of gain over year-earlier operations rose to 8 percent in May and June but dropped to 6 percent in the third quarter. In the Eleventh District, the year-to-year gain rose to 10 percent in May and 12 percent in June and then dropped to 7 percent in the third quarter. Since gasoline stocks were still high and rising at the close of the summer driving season, refinery operations were cut back sharply in October.

Even though the rise in demand during 1956 was substantial, the supply increased by a greater amount — but at a slower rate than in the preceding year. The most pronounced relative gain was in imports, which went up 14 percent in 1956 and far exceeded the rise of nearly 5 percent in domestic production. The total supply of petroleum for 1956 exceeded demand by 179,000 barrels per day, whereas in 1955 the two were in approximate balance.

Crude oil production in the United States, which had turned sharply upward in the last half of 1955, con-

tinued to rise in the first quarter of 1956 and was about 6 percent above a year earlier. After substantial cutbacks in April and May, production remained fairly steady — fluctuating around the reduced May level until the closing months of the year, when output was increased to provide oil for shipment to Europe. At the December level, the highest attained during the year, production was only 3 percent higher than a year earlier.

SUPPLY AND DEMAND FOR ALL OILS, 1956 AND 1955

United States
(In thousands of barrels per day)

	1956	1955	Percentage increase
NEW SUPPLY	9,365	8,827	6.1
Production.....	7,939	7,579	4.7
Crude.....	7,151	6,807	5.1
Other oils.....	788	772	2.1
Imports.....	1,426	1,248	14.3
Crude.....	934	782	19.4
Refined.....	492	466	5.6
CHANGE IN STOCKS	179	0	—
Crude.....	20	19	—
Products.....	159	—19	—
DEMAND	9,186	8,827	4.1
Exports.....	429	368	16.6
Crude.....	78	32	143.8
Refined.....	351	336	4.5
Domestic.....	8,757	8,460	3.5
Gasoline.....	3,764	3,655	3.0
Kerosene.....	320	320	.0
Distillate fuel oil.....	1,683	1,592	5.7
Residual fuel oil.....	1,535	1,526	.6
All other.....	1,455	1,367	6.4

SOURCE: United States Bureau of Mines.

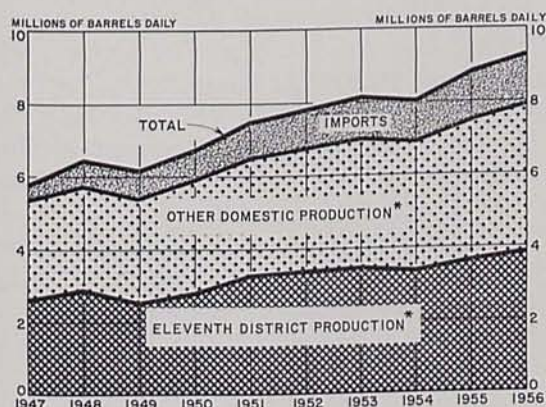
In the Eleventh District, production of crude oil in 1956, increasing 5 percent, kept pace with the national gain and again constituted 47.5 percent of total United States output. The month-to-month trend, however, showed noticeable variations from the national

pattern, and production was more stable than in the Nation in 1956 or the District in 1955. This relative stability in output resulted primarily from the steadier operations in Texas. In that State, production established a new peak, despite a decline in producing days from 194 in 1955 to 190 in 1956, because new well completions permitted a moderate increase in gross allowables. In the final 2 months of the year, when shipments of petroleum to Europe were drawing heavily upon American supplies, purchasers' nominations for production to the Texas Railroad Commission increased sharply, but allowables were increased only moderately to permit a reduction in crude oil stocks. The fact that stocks had risen substantially in the second quarter and remained at the higher level in subsequent months was taken into consideration in assessing the need for more supplies. In Louisiana, production increased about 163,000 barrels daily, accounting for about 40 percent of the national production gain from October to December.

The records established by the petroleum industry in 1956 were not achieved without the encountering of serious problems. A major problem was the operational difficulty of maintaining a reasonably balanced inventory position for each of the refined products in the face of wide variations in demand. The changing level of demand for the major products, in response to unpredictable weather conditions, induced a high level of refinery operations in early 1956, when gasoline stocks were already top-heavy. Moreover, even in the winter and spring, the prospective demand for gasoline — a high-value product — was so strong that refiners were hesitant to modify the pattern of yields. Since the consumption of gasoline during the summer season did not keep pace with expectations, stocks became unwieldy, necessitating a sharp cutback in refinery operations in October.

Another problem closely allied with rising gasoline stocks was the build-up of crude oil supplies and the increasing surplus domestic productive capacity, aggravated by the large rise in imports of crude oil. During the first 10 months of 1956, such imports rose steadily, averaging more than 1 million barrels per day between July and October. The cutback in November and December reflected the diversion of crude oil from the Middle East to European countries, which was not entirely replaced with imports from Venezuela. Since the resumption of Middle East sales to Europe, the problem of import competition with domestic production for United States markets again has become

UNITED STATES PETROLEUM SUPPLY



* — Crude oil and natural gas liquids.
SOURCE: U.S. Bureau of Mines.

an important consideration to the entire industry. Concern over this problem is especially noticeable in the Southwest, where most production adjustments are made to meet variations in demand and where most of the surplus United States productive capacity now exists. The fact that Texas wells operated only 50 percent of the time during 1956, compared with 75 percent in 1951, demonstrates the vital interest of southwestern producers in arriving at an equitable solution to the import problem.

These problems, having plagued the industry during most of 1956, were modified temporarily in early November by the Middle East crisis. To meet the European deficit of more than 1 million barrels per day, the industry, in cooperation with the Office of Defense Mobilization, diverted to European markets the Middle East oil destined for import into the United States, increased production in Venezuela to permit higher exports to the United States and Europe, and raised production in this country, principally in the Southwest. Industry action was facilitated when the President activated the emergency plan previously developed to pool tankers and other facilities.

Gulf coast shipments to Europe of petroleum and refined products, which had been averaging about 45,000 barrels per day, rose to 944,000 barrels daily in late November. Exports in November and December averaged 448,000 barrels per day, including 265,000 barrels of crude oil and 183,000 barrels of refined products per day. As a consequence of these developments, operations in the industry were expanded, inventories of crude oil and some refined products turned sharply downward, and the accumulation of gasoline stocks was slowed.

These emergency activities continued to have a major influence on operations during the first 4 months of 1957. Immediately after the turn of the year, the industry posted price increases of approximately 25 cents per barrel on crude oil and about 1 cent per gallon on most refined products. However, the high inventories of and the slow demand for gasoline occasioned a cancellation of part of the price rise on that product.

Shipments to Europe continued downward during the first half of January because of the tightness in crude oil supplies but rose substantially in subsequent weeks as crude oil runs to refinery stills were cut back and allowables for crude production were increased. For the first quarter in 1957, shipments to Europe

averaged 510,000 barrels per day and were about equally divided between crude oil and refined products, primarily heating oils.

In the January-March period, supplies averaged about 5 percent above those in the same period of the previous year. The slower rate of expansion than in the year 1956 reflected entirely the small increase in imports, as domestic production was larger. Crude oil production continued upward throughout the quarter and in March reached an all-time peak of 7,782,000 barrels daily, primarily as a result of the 192,000-barrel per day expansion in Texas.

On the demand side, daily average takings rose 10 percent above the year-earlier figure, chiefly because of exceptionally large exports — particularly crude oil. Domestic demand reflected an increase of 4 percent, or about the same rate of growth as in 1956, with the distribution of demand for the principal products not changing significantly from a year earlier.

Despite a February cutback in refinery operations, crude runs to refinery stills during the first quarter of 1957 averaged 8,087,000 barrels per day, a new high and about 1 percent more than a year ago.

In general, inventory changes followed the seasonal trend characteristic of the first quarter of the year. Inventories of crude oil and refined products, except gasoline, showed substantial declines, but the total of each product was significantly higher than that for the corresponding period in 1956.

Currently, the industry is undergoing a readjustment to more normal operations. The Suez Canal has been cleared, and oil is flowing through the Iraq Petroleum Company pipelines on a restricted basis. As the movement of Middle East petroleum increases, exports from the United States and Venezuela to Europe are expected to diminish rapidly. Since these developments coincide with the seasonal decline in demand in the United States, substantial cutbacks in crude production are expected, particularly in the Southwest. Allowables in the District states for April were reduced about 315,000 barrels per day, which represents about 39 percent of the increases in production since November 1, 1956. In view of the substantially higher inventories of refined products than a year ago and the moderate gains in consumption, further cutbacks of both crude oil production and refinery operations may be in prospect. Moreover, as Middle East sources resume production, imports may again turn upward.

PETROLEUM AND NATURAL GAS RESERVES

The production and consumption records established by the petroleum and gas industries in 1956 were accompanied by substantial accretions to proved reserves, which brought the totals to new peaks in both the Southwest and the Nation. The ratio of net additions varied widely among the components (crude oil, natural gas liquids, and natural gas), reflecting the effect of such basic forces as the higher levels of production, the relative changes between development and exploratory drilling, success ratios, and the size and number of new fields discovered.

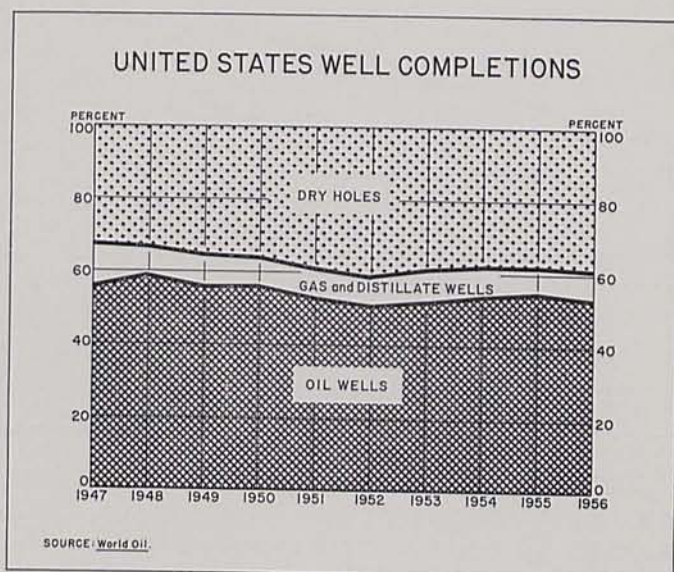
Crude Oil Reserves

Crude oil reserves at the end of 1956 totaled 30,012 million barrels, reflecting an increase of 422 million barrels during the year—or slightly less than was added in 1955. The decline in net additions to crude oil reserves in 1956 marked the third consecutive decrease, and the year's additions were the smallest of record.

In the Southwest, crude oil reserves actually declined in Texas and Oklahoma but showed a major increase of 420 million barrels in Louisiana. The Southwest's share of the Nation's crude oil reserves remained at 70 percent, or virtually unchanged from the proportion that has prevailed throughout the post-war period. Since 1951, Louisiana reserves have increased nearly 1.4 billion barrels (principally because of prolific offshore and south Louisiana discoveries), while Oklahoma and New Mexico reserves have shown only moderate increases; Texas crude oil reserves have declined about 550 million barrels.

Record production during 1956 was primarily responsible for the smaller rate of additions to the Nation's crude oil reserves. Consequently, the ratio of reserves to production continued to decline, reaching the lowest point since 1948. Crude oil production in 1956 offset nearly 86 percent of the gross additions to reserves, despite a sizable gain in gross additions through extensions and revisions. The increasing importance of extensions and revisions is demonstrated by the fact that from 1947 to 1950, extensions and revisions accounted for 82 percent of the gross additions to liquid hydrocarbon reserves, while from 1951 to 1956, extensions and revisions accounted for 85 percent of the total.

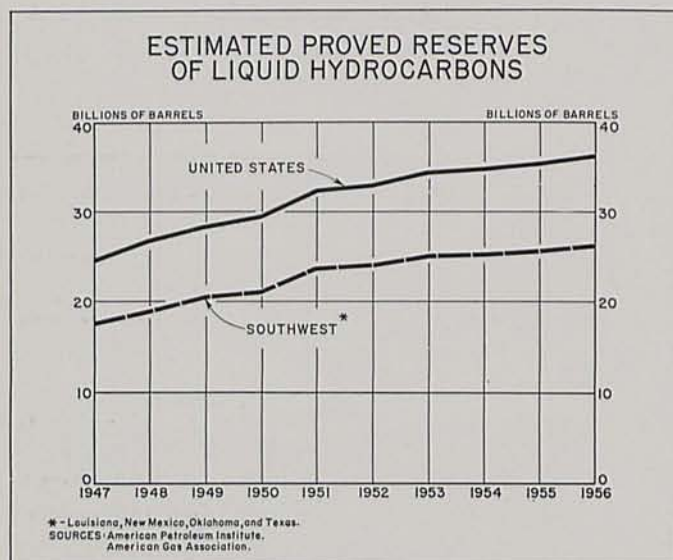
Several basic considerations have caused a persistent decline in the gross additions to crude oil reserves from new discoveries. While total well completions increased in each of the past 7 years, oil well completions moved up irregularly until 1956, when an actual decline occurred. Exploratory wells account for a larger proportion of total well completions, about 22 percent now; but the success ratio has moved downward, and the proportion of dry holes has risen sharply. In 1956 the number of dry holes accounted for about 38 percent of total well completions, or the highest proportion in the past 3 years.



Gross additions to crude oil reserves per exploratory well drilled declined irregularly from 1947 to 1952, but since 1953 the rate of decline has diminished. Gross additions per foot of exploratory well completed decreased more than 50 percent from 1947 to 1956. In addition, for the first time since 1945, a smaller number of new fields was discovered than in the previous year. In other words, it has become harder to find oil and much harder to find a sizable new field. A larger number of wells are being drilled to deeper levels to find a smaller amount of oil than in any previous period. Only in the offshore areas of Louisiana, where wildcat success ratios are substantially higher, and in south Louisiana has there been a major addition to crude oil reserves.

Natural Gas Liquids Reserves

The 1956 increase in natural gas liquids reserves reflected a much brighter picture than that of crude oil. Natural gas liquids reserves at the end of 1956 totaled 5,902 million barrels — up 463 million barrels during the year. This increase was sharply above the rate of net additions in 1955 and was the largest of record. The net additions of 488 million barrels in the four southwestern states exceeded the total for the Nation, raising the Southwest's share of the Nation's reserves to 88 percent in 1956.



The sharply rising production of natural gas liquids during 1956 offset only about 43 percent of the gross additions to reserves as both extensions and revisions and new discoveries showed exceptionally rapid growth. Extensions and revisions, rising 60 percent in 1956, accounted for about 88 percent of total gross additions, while new discoveries — though up substantially — accounted for only 12 percent of the total.

Natural Gas Reserves

Natural gas reserves in 1956 showed the largest increase ever recorded. The Nation's reserves at the year end reached a record 237,775 billion cubic feet for a gain of 14,077 billion cubic feet during the year. The Southwest, following the postwar trend, increased its share of the Nation's reserves to 82 percent by a net addition of 12,518 billion cubic feet, or 89 percent of the national total. Most of this advance occurred in Texas and New Mexico. Since 1947, natural gas reserves in the Southwest have risen 64,183 billion

cubic feet, or 89 percent of the gain in United States reserves.

Net production of natural gas in the United States during 1956, totaling 10,907 billion cubic feet, offset less than 44 percent of the gross additions to reserves because extensions and revisions and the net change in underground storage rose sharply. Gross additions from new discoveries in the Nation decreased slightly and, extending the downward trend in the postwar period, accounted for only 23 percent of total gross additions in 1956, in contrast to 36 percent as late as 1949.

In the Southwest, the net change in underground storage reflected a decline, but additions from new discoveries showed a gain from a year earlier. Success ratios for wildcat gas wells are substantially higher in the Southwest, as major discoveries in the San Juan basin of New Mexico and in the Panhandle and gulf coast areas of Texas dominated the four-state picture. Gas well completions in the Southwest during 1956 increased 27 percent over 1955, or nearly double the rate of increase for the Nation.

Summary

The Nation's drilling activity in the first quarter of 1957 showed a 5-percent decline from a year earlier. Oil well completions were down 8 percent, but gas well completions rose more than 13 percent. Drilling in the Southwest showed a similar pattern.

Development drilling and the newer, more extensive methods of secondary recovery are contributing an increasing proportion of new reserves. The rising cost of drilling, lower success ratios, and the difficulty in finding commercially feasible oil fields have reduced the initial gain in reserves from new discoveries. Despite a steady rise in drilling activity, the oil industry has been unable to effect a substantial increase in its reserves through new discoveries. In recent years, the higher cost of money, the more attractive yields from alternative investments (including capital investment in foreign oil fields), and the lower rates of production per well occasioned by more restrictive allowables may have contributed to a slower rate of growth in wildcat drilling. At any rate, extensions and revisions have played the most important part in maintaining crude oil and natural gas reserves; and without a further rise in drilling activity, particularly wildcat drilling, new discoveries may continue to account for a declining percentage of total additions to reserves each year.

BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Precipitation during April substantially improved moisture conditions in most parts of the District, but wet fields delayed planting and cultivating of

crops. In the eastern half of the District, moisture supplies are sufficient for sprouting of spring crops, and sunny, dry weather is needed. In western areas, lesser amounts of precipitation have been received, and moisture supplies remain inadequate. Forage in all range states is improved from a month earlier, although supplemental feeding continues in some western regions.

Nonagricultural employment in the District states rose seasonally to 4,242,500 workers in March, with most categories showing increases over February and a year ago. Manufacturing employment increased slightly to 779,800 workers. The value of construction contracts awarded in the District states turned downward during February to 1 percent below the preceding month and 8 percent under February 1956.



Easter sales at District department stores in 1957 were slightly below those in 1956. The various factors accounting for the decrease in the dollar volume of

sales included rainy weather, which reduced shopping at the downtown stores. Moreover, the late Easter season this year tended to stimulate purchases of less expensive, lightweight wearing apparel, rather than the more costly, heavier clothing purchased in response to the early Easter season in 1956.

Despite inclement weather, consumer buying at District department stores during March rose seasonally from February. However, sales were approximately 11 percent below a year earlier, principally because of the late Easter date this year. After adjustments for seasonal factors, the variable date of Easter, and the number of trading days, sales during March were only

Easter sales at Eleventh District department stores this year were slightly below those of 1956, mainly because of the lateness of Easter and rainy weather. Sales during March, after adjustments for seasonal influences, the variable date of Easter, and the number of trading days, were a little under those of a year earlier. End-of-March inventories were 1 percent lower than those in March 1956.

District and national crude oil production in the first part of April was cut back moderately from the record March levels, as the demand for heating oil declined sharply and exports to Europe were reduced substantially. Further cuts in production are expected, since Texas allowables for May have been reduced 82,156 barrels daily.

Deposits at the weekly reporting member banks in the District rose in the 4 weeks ended April 17, with time accounts showing the largest gain. Investment holdings increased over \$86 million. During March, reserve pressures moderated, particularly at reserve city banks.

slightly under those of a year earlier. The seasonally adjusted index for March is 143, compared with 141 in February and 144 in March 1956. Cumulative sales for the first quarter of this year were 4 percent lower than in the comparable period of 1956.

DEPARTMENT STORE SALES AND STOCKS

(Percentage change in retail value)

Area	NET SALES			STOCKS (End of month)	
	Mar. 1957 from		3 mos. 1957 comp. with 3 mos. 1956	Mar. 1957 from	
	Feb. 1957	Mar. 1956		Feb. 1957	Mar. 1956
Total Eleventh District.....	20	-11	-4	6	-1
Corpus Christi.....	20	-12	-5	8	7
Dallas.....	10	-9	-3	5	-2
El Paso.....	24	-8	0	12	2
Fort Worth.....	22	-10	-2	5	4
Houston.....	21	-10	-5	7	1
San Antonio.....	34	-12	-6	4	-5
Shreveport, La.....	23	-17	-11	5	-11
Waco.....	17	-16	-10	3	-13
Other cities.....	20	-13	-4	7	-3

SALES AT FURNITURE STORES AND HOUSEHOLD APPLIANCE STORES

(Percentage change in retail value)

Line of trade by area	March 1957 from		3 mos. 1957 comp. with 3 mos. 1956
	February 1957	March 1956	
FURNITURE STORES			
Total Eleventh District.....	5	3	4
Amarillo.....	31	6	—
Austin.....	-2	-6	3
Dallas.....	17	-5	-10
Houston.....	10	13	17
Lubbock.....	-14	21	—
San Antonio.....	16	-8	-5
Shreveport, La.....	15	15	11
Wichita Falls.....	30	-4	-11
Other cities.....	-23	-5	-3
HOUSEHOLD APPLIANCE STORES			
Total Eleventh District.....	-14	-8	—
Dallas.....	-2	-6	—

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

(1947-49 = 100)

Area	SALES (Daily average)							
	Unadjusted				Seasonally adjusted			
	Mar. 1957	Feb. 1957	Jan. 1957	Mar. 1956	Mar. 1957	Feb. 1957	Jan. 1957	Mar. 1956
Eleventh District.....	125	113	111	134	143	141	140	144
Dallas.....	115	113	107	122r	129	133	134	129r
Houston.....	135	122	122	144	156	158	155	155
STOCKS (End of month)								
Eleventh District.....	161p	152	139	162	155p	156	156	156

r—Revised.
p—Preliminary.

Sales in most of the soft goods departments in March showed declines from a year ago, ranging from 1 percent for piece goods and household textiles to 19 percent for women's and misses' ready-to-wear accessories. Sales of men's and boys' wear and women's and misses' ready-to-wear apparel were down 18 percent and 13 percent, respectively. Among the homefurnishings departments, sharp year-to-year gains were posted by sales of furniture and bedding and radios and television sets; however, sales of major household appliances were down 13 percent.

Department store stocks in the District at the end of March showed a slightly less than seasonal increase over February but were 1 percent below the March 1956 level. Merchandise on order rose 1 percent from the same date last year but declined seasonally, 18 percent, from February.

Registrations of new cars during March in Dallas, Fort Worth, Houston, and San Antonio were 10 percent above February and 2 percent above March 1956. New car sales in the four cities for the first quarter of the year were 6 percent above those in the same period of 1956.



Both favorable and unfavorable developments were evident in the District agricultural situation during April. Light to heavy intermittent rains and thunder-

showers provided additional surface and subsoil moisture in most of the District, particularly in the eastern half; however, precipitation delayed preparation of soils and planting and cultivating of crops. At mid-month, freezing temperatures as far south as a line through Fort Stockton, Brady, Corsicana, and Paris, Texas, resulted in some injury to fruit, and possibly to wheat in the boot stage.

Moisture supplies in most areas of the Texas Blacklands and eastward are adequate for planting and sprouting of spring crops. In western dry-land sections, however, lesser amounts of precipitation have been received, and moisture is needed. Corn, sorghum, and cotton planting is being rushed in most areas of the District as soils dry and temperatures warm. Some replanting was necessary in early areas because of poor seed germination resulting from cool, damp weather and damage to stands from wind erosion.

Small grains are particularly promising in the High Plains of Texas and New Mexico and eastward; however, the crop is growing so rank in some sections that lodging may become a problem. Winter wheat production in the District states is indicated, as of April 1, at 90,268,000 bushels, or 23 percent higher than the December 1 forecast and only 7 percent below the output in 1956, despite extensive participation in the Acreage Reserve Program. In the Nation, winter wheat prospects are 7 percent above the December 1 forecast but 9 percent less than production in 1956.

Progress in the spring vegetable areas is generally satisfactory, although low temperatures at mid-April retarded development of tender vegetables. Nearly all

WINTER WHEAT PRODUCTION

Five Southwestern States

(In thousands of bushels)

Area	1957 Indicated April 1	1956	Average 1946-55
Arizona.....	1,664	1,740	617
Louisiana.....	1,840	700	1374
New Mexico.....	748	912	2,526
Oklahoma.....	59,164	67,168	72,900
Texas.....	26,852	26,388	47,339
Total.....	90,268	96,908	123,756

¹ Short-time average.

SOURCE: United States Department of Agriculture.

east Texas tomato and watermelon sections escaped injury, and most vegetable crops in northern and northwestern areas of the State were not far enough advanced to be affected. Prospective production of 1957 spring-crop vegetables for fresh market in Texas is estimated, as of April 1, to be a fourth below the output last year, according to the United States Department of Agriculture.

Cattle and calves continue to make rapid gains in the eastern half of the District, where moisture has provided a surplus of rescue grasses, clovers, and small grains. Ranges are greening in western areas, but forage supplies remain inadequate and supplemental feeding continues. In the Northern High Plains, cattle are recovering slowly from the effects of the late-March blizzard and the subsequent low temperatures. As of April 1, feed conditions in all range states of the District were improved from a month earlier, and forage supplies were better than a year ago in all of the states except New Mexico.



In late March and early April, activity at the District's weekly reporting member banks was highlighted by the absorption of a sizable amount of Treasury securities, comparatively steady loan demand, and expansion of deposits, particularly time accounts. The easier reserve positions of these banks enabled them to increase investments and still reduce borrowings by a substantial amount.

In the 4 weeks ended April 17, weekly reporting District banks gained \$21,319,000 in deposits and repaid \$24.3 million of indebtedness. Meanwhile, an \$86,137,000 increase in total investments was almost completely offset by cash drains. In the comparable period a year earlier, when there were similar deposit accruals, cash assets and loans rose, but investment accounts were reduced. Investment gains in the 1957 period were associated largely with the issuance of Treasury certificates and notes in late March, when almost \$91 million was added to their holdings of these securities. The banks also acquired \$11,737,000 of Government bonds and a smaller amount of other securities; however, holdings of Treasury bills were reduced \$21,604,000.

Gross loans were virtually unchanged during the 4 weeks. Loans to individuals for purchasing or carrying securities were the principal expansive loan account, followed closely by consumer loans. Commercial

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	April 17, 1957	March 20, 1957	April 18, 1956
ASSETS			
Commercial and industrial loans.....	\$1,459,135	\$1,458,603	\$1,491,946
Agricultural loans.....	22,978	23,581	29,116
Loans to brokers and dealers in securities.....	22,099	26,889	21,649
Other loans for purchasing or carrying securities.....	149,597	146,673	130,056
Real-estate loans.....	193,561	192,321	208,633
Loans to banks.....	7,216	9,960	7,100
All other loans.....	596,379	593,661	570,109
Gross loans.....	2,450,965	2,451,688	2,458,609
Less reserves and unallocated charge-offs..	42,459	41,851	30,759
Net loans.....	2,408,506	2,409,837	2,427,850
U. S. Treasury bills.....	79,630	101,234	43,768
U. S. Treasury certificates of indebtedness.....	110,009	57,525	48,518
U. S. Treasury notes.....	229,167	190,828	232,611
U. S. Government bonds (inc. gtd. obligations)...	821,735	809,998	809,582
Other securities.....	255,774	250,593	241,745
Total investments.....	1,496,315	1,410,178	1,376,224
Cash items in process of collection.....	441,942	458,235	397,871
Balances with banks in the United States.....	467,051	512,448	551,166
Balances with banks in foreign countries.....	1,798	2,048	1,753
Currency and coin.....	45,438	45,455	45,450
Reserves with Federal Reserve Bank.....	569,570	593,152	544,204
Other assets.....	156,185	165,978	141,278
TOTAL ASSETS.....	5,586,805	5,597,331	5,485,796
LIABILITIES AND CAPITAL			
Demand deposits			
Individuals, partnerships, and corporations....	2,831,535	2,820,516	2,804,401
United States Government.....	114,263	82,819	81,731
States and political subdivisions.....	197,174	197,645	175,652
Banks in the United States.....	898,988	941,637	962,654
Banks in foreign countries.....	15,895	18,437	17,475
Certified and officers' checks, etc.....	66,863	58,171	80,391
Total demand deposits.....	4,124,718	4,119,225	4,122,304
Time deposits			
Individuals, partnerships, and corporations....	769,126	743,903	709,294
United States Government.....	12,420	12,345	12,229
Postal savings.....	421	421	452
States and political subdivisions.....	142,187	151,527	143,757
Banks in the U. S. and foreign countries.....	7,123	7,255	805
Total time deposits.....	931,277	915,451	866,537
Total deposits.....	5,055,995	5,034,676	4,988,841
Bills payable, rediscounts, etc.....	24,500	48,800	23,500
All other liabilities.....	64,821	74,367	60,853
Total capital accounts.....	441,489	439,488	412,602
TOTAL LIABILITIES AND CAPITAL.....	5,586,805	5,597,331	5,485,796

and industrial loans, though increasing, moved narrowly for the second successive 4-week period, while real-estate credit showed a small gain. Loans to brokers and dealers in securities and loans to banks declined.

While all cash accounts were lower, the declines in balances with domestic correspondents, reserves with the Federal Reserve Bank, and cash items in process of collection accounted for virtually the entire cash drain.

Demand deposits rose \$5,493,000, with the principal additions coming from individuals and businesses, the United States Government, and certified and officers' checks. Domestic correspondent banks withdrew

MEMBER BANK RESERVE BALANCES AND CHANGES IN RELATED FACTORS
Eleventh Federal Reserve District
(In thousands of dollars)

Factor	CHANGE ¹	
	4 weeks ended Apr. 17, 1957	Dec. 26, 1956— Apr. 17, 1957
Federal Reserve credit—local.....	+\$ 39,118	—\$ 8,689
Interdistrict commercial and financial transactions.....	— 166,369	— 484,933
Treasury operations.....	+ 104,853	+ 437,206
Currency transactions.....	— 762	+ 76,929
Other deposits at Federal Reserve Bank.....	+ 46	+ 1,080
Other Federal Reserve accounts.....	+ 507	+ 5,817
Net change.....	—\$ 22,607	+\$ 27,410
	Apr. 17, 1957	Mar. 20, 1957
RESERVE BALANCES.....	\$980,316	\$1,002,923

¹ Sign of change indicates effect on reserve balances.

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS
(In thousands of dollars)

Item	April 17, 1957	March 20, 1957	April 18, 1956
Total gold certificate reserves.....	\$741,704	\$ 755,021	\$721,400
Discounts for member banks.....	18,700	21,500	23,900
Other discounts and advances.....	1,300	1,300	0
U. S. Government securities.....	907,988	918,735	928,397
Total earning assets.....	927,988	941,535	952,297
Member bank reserve deposits.....	980,316	1,002,923	952,051
Federal Reserve notes in actual circulation.....	684,984	677,677	680,295

\$42,649,000 from their balances. Despite a sizable withdrawal by local governments, time accounts increased \$15,826,000, as individuals and businesses built up their accounts by more than \$25 million.

Total earning assets of the Federal Reserve Bank of Dallas declined \$13,547,000 during the 4 weeks ended April 17. The annual reallocation of the System Open Market Account was responsible for the \$10,747,000 decrease in holdings of United States Government securities. Discounts for member banks declined \$2.8 million and also were lower than a year earlier.

In the 4 weeks ended April 17, reserve balances of Eleventh District member banks declined \$22,607,000. The principal drain arose from the net outflow of funds from interdistrict commercial and financial transactions, which claimed \$166,369,000 of reserves. As a partial offset, Treasury operations led to an influx of \$104,853,000, and local Federal Reserve credit rose \$39,118,000.

Daily average free reserves of Eleventh District member banks rose about \$14 million in March to a level of \$48 million, a principal factor in this increase being the sharp decline in daily average borrowings from the Federal Reserve Bank by reserve city banks. Small but largely offsetting changes in the reserve bal-

ances and requirements of country banks, plus a nominal change in the level of borrowings, kept their free reserves above \$51.5 million in March, or slightly below the February level.

NEW MEMBER BANKS

The Alice National Bank, Alice, Texas, located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, opened for business April 1, 1957, as a conversion of the Alice Bank & Trust Company, Alice, Texas. The new member bank has capital of \$500,000, surplus of \$400,000, and undivided profits of \$407,000. The officers are: A. C. Jones, President; H. J. Mosser, Vice President; N. A. Hoffman, Vice President; B. R. Goldapp, Executive Vice President; L. C. Schriver, Vice President; Julian Gomez, Vice President; R. W. Browder, Jr., Cashier; Lee Osterloh, Assistant Vice President; and J. M. Mitchell, Assistant Cashier.

The First National Bank of Alice, Alice, Texas, a newly organized institution located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, opened for business April 13, 1957, as a member of the Federal Reserve System. The new bank has capital of \$200,000, surplus of \$200,000, and undivided profits of \$100,000. The officers are: H. R. Smith, Chairman of the Board; John L. Carlisle, Sr., President; R. C. Wheeler, Executive Vice President; Clay Chiles, Vice President; Raymond Garr, Vice President and Cashier; and Joe Curry, Assistant Cashier.

The Sabine National Bank of Port Arthur, Port Arthur, Texas, a newly organized institution located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, opened for business April 27, 1957, as a member of the Federal Reserve System. The new bank has capital of \$300,000, surplus of \$200,000, and undivided profits of \$100,000. The officers are: Walter E. Price, Chairman of the Board; James A. Rector, President; and M. B. Williamson, Jr., Vice President and Cashier.

NEW PAR BANK

The Plains State Bank, Plains, Texas, an 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, April 6, 1957. The officers are: B. E. Loyd, President; R. B. Jones, Inactive Vice President; and Davis Levens, Cashier.



At mid-April the petroleum industry faced the task of adjusting to a substantial change in its markets. Seasonal influences reducing the demand for heating oils were accompanied by a declining demand from

foreign sources as Middle East oil began to reclaim its market.

Recognizing these problems, regulatory authorities in the District states lowered production allowables substantially. Consequently, District crude oil production in the first half of April, totaling 3,624,000 barrels per day, showed a 3-percent decline from March; national production reflected a similar decline. District production will be reduced further in May, as Texas allowables have been cut 82,156 barrels daily and New Mexico allowables have been reduced approximately 5,000 barrels per day. With Middle East supplies increasing, United States imports rose in both March and early April and, in the 5 weeks ended April 12, reached 1,430,000 barrels per day, or 9 percent above a year earlier. Crude stocks, at 255,316,000 barrels on April 13, were 1 percent above the level at the end of March but were 4 percent below a year ago.

Movement through the Iraq Petroleum Company pipelines has been resumed at the rate of 220,000 barrels daily, or 40 percent of the normal flow; and the Suez Canal has been fully cleared, although political difficulties are slowing use of the waterway. Shipments of oil to Europe from the Gulf Coast averaged 660,000 barrels daily in March, including 390,000 barrels of crude oil per day, but were reduced to a total of 417,000 barrels daily in the first 10 days of April.

Demand for the major refined products during the 5 weeks ended April 12 declined 5 percent as the result of a sharp reduction in demand for distillate and residual fuel oil; however, gasoline demand rose 7 percent. Total demand for the major products was slightly above the year-earlier average. Because of reduced demand for heating oil, District crude runs to refinery stills declined slightly from the March level to an average of 2,313,000 barrels per day in the first half of April. National refinery operations showed a similar seasonal decrease.

Refined products stocks, at 333,641,000 barrels on April 12, decreased slightly during early April, but gasoline stocks failed to show the expected seasonal decline and remained virtually unchanged.



Nonagricultural employment in the District states in March increased seasonally by 18,600 to reach 4,242,500 workers and was 4 percent above a year ear-

lier. Most of the employment categories showed increases in March over both February and a year ago. Trade, construction, and government accounted for most of the seasonal gain, as well as the largest year-to-year increases. Manufacturing employment rose slightly to 779,800 workers and was 3 percent above the level in March 1956. Unemployment in Texas declined seasonally by 7,200 to a level of 144,700 workers in March but was 4.7 percent of the labor force, compared with 4.4 percent a year earlier.

NONAGRICULTURAL EMPLOYMENT
Five Southwestern States¹

Type of employment	Number of persons			Percent change Mar. 1957 from	
	March 1957 ^e	February 1957	March 1956 ^r	Feb. 1957	Mar. 1956
Total nonagricultural					
wage and salary workers..	4,242,500	4,223,900	4,097,300	0.4	3.5
Manufacturing	779,800	779,100	757,600	.1	2.9
Nonmanufacturing	3,462,700	3,444,800	3,339,700	.5	3.7
Mining	262,000	260,000	256,500	.8	2.1
Construction	300,700	297,600	275,500	1.0	9.1
Transportation and public utilities	405,400	404,800	400,600	.1	1.2
Trade	1,086,100	1,080,300	1,058,900	.5	2.6
Finance	180,700	180,200	171,900	.3	5.1
Service	498,600	495,800	482,400	.6	3.4
Government	729,200	726,100	693,900	.4	5.1

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

^e—Estimated.

^r—Revised.

SOURCES: State employment agencies.
Federal Reserve Bank of Dallas.

Construction contracts awarded in the five District states during February totaled \$252,614,000, or 1 percent below the preceding month and 8 percent under a year ago. Primarily reflecting awards for a large public housing project in Louisiana, the value of residential contracts rose from January and was 6 percent above February 1956. Residential awards in each of the other District states were lower than in the previous month and a year earlier.

Government activities are expanding in the Southwest. Total government employment in the District states in March showed a year-to-year increase of 5 percent and, at 729,200 workers, was 17 percent of total nonfarm employment. Approximately 30 percent of all public employment in the region was accounted for by the Federal Government, with the ratio of Federal civilian employment to population being slightly above the national average. With 25 Federal civilian employees per 1,000 population, New Mexico had the greatest relative number of any state in the Nation. Government military prime contracts awarded in the five southwestern states during the last quarter of 1956 totaled \$381,249,000, which is 7 percent of the national total.

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

(Dollar amounts in thousands)

Area	Debits to demand deposit accounts ¹			Demand deposits ¹			Annual rate of turnover		
	March 1957	Percentage change from		March 31, 1957	Annual rate of turnover		Mar. 1957	Feb. 1957	Mar. 1956
		Feb. 1957	Mar. 1956						
ARIZONA									
Tucson.....	\$ 163,560	4	-3	\$ 100,478	19.4	18.5	19.7		
LOUISIANA									
Monroe.....	72,074	20	7	53,493	15.4	12.6	16.2		
Shreveport.....	287,675	18	5	183,298	18.0	14.9	18.1		
NEW MEXICO									
Roswell.....	28,568	4	5	27,666	12.2	11.3	12.2		
TEXAS									
Abilene.....	74,370	-1	-4	60,293	14.8	14.5	16.8		
Amarillo.....	166,432	3	4	100,963	19.6	18.5	17.8		
Austin.....	167,973	10	14	128,240	16.4	16.0	15.0		
Beaumont.....	150,853	4	13	105,763	16.8	15.8	14.9		
Corpus Christi.....	194,347	14	8	111,930	20.9	18.4	20.5		
Corsicana.....	14,572	-9	-5	23,313	7.4	8.3	8.3		
Dallas.....	2,211,801	12	4	967,564	27.5	24.4	26.2		
El Paso.....	270,935	8	5	136,776	23.2	21.1	23.2		
Fort Worth.....	681,204	7	6	370,127	22.2	20.6	22.0		
Galveston.....	99,569	16	15	70,500	16.7	14.2	15.0		
Houston.....	2,307,232	8	3	1,229,046	22.4	20.8	22.7		
Laredo.....	24,601	13	6	19,559	15.1	13.3	14.0		
Lubbock.....	146,421	5	6	99,275	17.5	15.7	17.8		
Port Arthur.....	66,799	12	22	43,797	18.2	16.1	14.8		
San Angelo.....	46,820	10	2	45,202	12.1	11.0	12.0		
San Antonio.....	490,184	4	-1	335,696	17.4	16.7	17.0		
Texarkana ²	19,343	12	-3	16,086	14.4	12.7	13.7		
Tyler.....	76,689	3	-2	60,048	15.5	15.0	16.2		
Waco.....	96,617	13	7	63,865	17.9	15.5	16.1		
Wichita Falls.....	94,167	7	-4	101,741	11.2	10.4	11.3		
Total—24 cities.....	\$7,952,806	9	4	\$4,454,719	21.4	19.4	20.9		

¹ Deposits of individuals, partnerships, and corporations and of states and political subdivisions.

² 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 \$38,669,000 for the month of March 1957.

RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	March 1957	February 1957	March 1956
RESERVE CITY BANKS			
Reserve balances.....	\$ 545,514	\$535,103	\$ 555,420
Required reserves.....	537,576	528,674	544,442
Excess reserves.....	7,938	6,429	10,978
Borrowings.....	11,422	25,197	16,468
Free reserves.....	-3,484	-18,768	-5,490
COUNTRY BANKS			
Reserve balances.....	459,180	464,611	456,742
Required reserves.....	405,482	410,247	402,868
Excess reserves.....	53,698	54,364	53,874
Borrowings.....	2,163	1,717	3,133
Free reserves.....	51,535	52,647	50,741
MEMBER BANKS			
Reserve balances.....	1,004,694	999,714	1,012,162
Required reserves.....	943,058	938,921	947,310
Excess reserves.....	61,636	60,793	64,852
Borrowings.....	13,585	26,914	19,601
Free reserves.....	48,051	33,879	45,251

VALUE OF CONSTRUCTION CONTRACTS AWARDED

(In thousands of dollars)

Area and type	February 1957	January 1957	February 1956	January—February 1957	1956
FIVE SOUTHWESTERN STATES ¹	\$ 252,614	\$ 255,147	\$ 275,404	\$ 507,761	\$ 514,628
Residential.....	127,035	123,935	119,970	250,970	216,309
All other.....	125,579	131,212	155,434	256,791	298,319
UNITED STATES.....	2,161,009	2,299,554	2,229,498	4,460,563	4,450,572
Residential.....	875,486	816,566	946,088	1,692,052	1,754,315
All other.....	1,285,523	1,482,988	1,283,410	2,768,511	2,696,257

¹ Arizona, Louisiana, New Mexico, Oklahoma, and Texas.
SOURCE: F. W. Dodge Corporation.

CONDITION STATISTICS OF ALL MEMBER BANKS

Eleventh Federal Reserve District

(In millions of dollars)

Item	Mar. 27, 1957	Feb. 27, 1957	Mar. 28, 1956
ASSETS			
Loans and discounts.....	\$3,892	\$3,912	\$3,881
United States Government obligations.....	2,427	2,363	2,334
Other securities.....	627	625	562
Reserves with Federal Reserve Bank.....	917	942	932
Cash in vault.....	129	100	137
Balances with banks in the United States.....	1,067	972	974
Balances with banks in foreign countries.....	2	2	2
Cash items in process of collection.....	435	474	384
Other assets.....	230	238	204
TOTAL ASSETS.....	9,726	9,628	9,410
LIABILITIES AND CAPITAL			
Demand deposits of banks.....	1,097	1,003	1,012
Other demand deposits.....	6,269	6,267	6,259
Time deposits.....	1,503	1,451	1,354
Total deposits.....	8,869	8,721	8,625
Borrowings.....	10	51	3
Other liabilities.....	88	101	81
Total capital accounts.....	759	755	701
TOTAL LIABILITIES AND CAPITAL.....	9,726	9,628	9,410

e—Estimated.

CRUDE OIL: DAILY AVERAGE PRODUCTION

(In thousands of barrels)

Area	March 1957 ¹	February 1957 ¹	March 1956 ²	Change from February 1957	March 1956
ELEVENTH DISTRICT.....	3,718.3	3,513.7	3,473.5	204.6	244.8
Texas.....	3,320.9	3,129.1	3,101.7	191.8	219.2
Gulf Coast.....	656.8	620.4	636.9	36.4	19.9
West Texas.....	1,428.7	1,331.4	1,255.3	97.3	173.4
East Texas (proper).....	227.7	213.8	223.8	13.9	3.9
Panhandle.....	105.3	98.4	98.6	6.9	6.7
Rest of State.....	902.4	865.2	887.1	37.2	15.3
Southeastern New Mexico.....	265.0	254.6	240.0	10.4	25.0
Northern Louisiana.....	132.5	130.0	131.8	2.5	7.7
OUTSIDE ELEVENTH DISTRICT.....	4,064.1	3,998.4	3,804.7	65.7	259.4
UNITED STATES.....	7,782.4	7,512.1	7,278.2	270.3	504.2

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

BUILDING PERMITS

VALUATION (Dollar amounts in thousands)

Area	NUMBER				Percentage change		
	March 1957	3 mos. 1957	March 1957	3 mos. 1957	March 1957 from		
					Feb. 1957	Mar. 1956	3 mos. 1957 comp. with 3 mos. 1956
ARIZONA							
Tucson.....	479	1,123	\$ 3,931	\$ 6,168	228	255	30
LOUISIANA							
Shreveport.....	393	1,156	1,359	4,638	-32	-37	-41
TEXAS							
Abilene.....	138	354	954	2,923	-12	-78	-65
Amarillo.....	242	595	2,882	9,138	14	68	77
Austin.....	218	653	2,346	10,560	-11	-70	-22
Beaumont.....	323	978	1,311	3,821	13	162	-8
Corpus Christi.....	334	1,005	968	3,765	-11	-64	-41
Dallas.....	1,835	5,004	14,130	31,703	61	41	-32
El Paso.....	492	1,174	2,411	8,928	-49	-5	13
Fort Worth.....	699	1,687	4,095	14,774	5	7	54
Galveston.....	150	399	245	687	-21	35	-34
Houston.....	1,278	4,312	16,531	66,313	-23	10	60
Lubbock.....	237	669	2,511	8,768	67	25	57
Port Arthur.....	178	512	310	967	72	-53	-23
San Antonio.....	1,382	4,212	4,780	12,892	46	-5	-40
Waco.....	235	693	606	3,476	-72	-66	-10
Wichita Falls.....	147	378	945	2,742	27	62	36
Total—17 cities.....	8,760	24,904	\$60,315	\$192,263	3	-3	1