



BUSINESS REVIEW

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ARE CATTLE NUMBERS HEADED UPWARD?

The number of all cattle and calves on farms and ranches in the District states as of January 1, 1958, at 14,606,000, was 1 percent less than a year earlier. Inventory numbers of cattle and calves have trended downward almost 9 percent during the past 5 years from a near record of 16.1 million head at the beginning of 1953. In the Nation, all cattle numbers reached a record high of nearly 97 million on January 1, 1956, but subsequently have declined 3 percent. Recent developments may encourage farmers and ranchers in both the Nation and the District states to reverse the downward trend in cattle numbers, and an expansion phase of a new cattle inventory cycle may be under way in a year or two.

Including the present cycle, which is in its decreasing numbers phase, there have been five well-defined cycles in southwestern inventory numbers of all cattle and calves. The peaks and valleys in cattle numbers for the Nation and the District states generally have coincided within a year or two. In the present cycle, expansion of numbers in both the Nation and the District states began in 1949; while the expansion in national cattle inventories continued until 1956, numbers in the District states turned downward during 1953 as a consequence of the increasing severity of the drought in the Southwest.

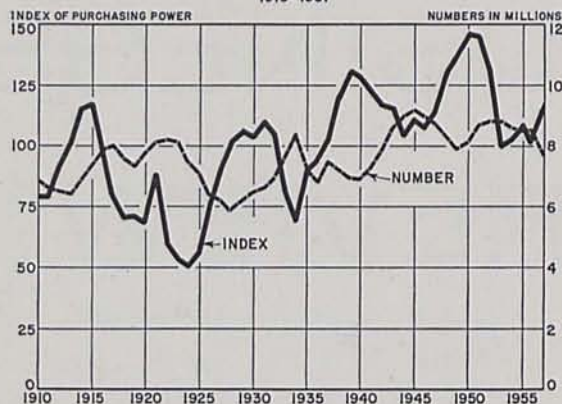
Cycles Result From Individuals' Decisions

Cycles in cattle inventories result from the decisions of individual farmers and ranchers to expand or contract their breeding herds. These decisions are based on an evaluation of the

FEDERAL RESERVE BANK OF DALLAS
DALLAS, TEXAS

PURCHASING POWER OF BEEF CATTLE* AND NUMBERS OF CATTLE AND CALVES

TEXAS
1910-1957



* - Beef cattle prices relative to prices for all farm commodities.
SOURCE: U.S. Department of Agriculture.

PRICES RECEIVED FOR COMMODITIES AND PRICES PAID FOR PRODUCTION ITEMS*

SOUTHWESTERN COMMERCIAL FAMILY-OPERATED CATTLE RANCHES
1940-1957



* - Including wages.
P - Preliminary.
E - Estimated.
SOURCE: U.S. Department of Agriculture.

relationship of current and future prices of cattle to the costs and other factors involved in producing beef. Production and cost factors considered by livestock growers include range and feed conditions, costs of purchased feed and supplements, availability and cost of credit, farm and ranch labor rates, overhead and production costs incidental to herds of varying sizes, and alternatives to beef production. Nationwide, the cost-price relationships for the beef cattle industry tend to move in the same direction. Livestock growers react to these changing relationships by increasing or decreasing herd numbers.

The relationship between prices received and prices paid (including wages) by commercial family-operated cattle ranches in the Southwest is shown in the accompanying chart. About the time cattlemen started to reduce herds in 1945, prices of cattle began to increase rather sharply as wartime price controls eased and subsidy programs ended. Prices paid for production items by southwestern ranchers also were rising, but at a somewhat slower rate. Cattlemen did not respond to these changing relationships immediately, and a reversal of the decline in cattle inventories did not occur until 1949.

The reduction in herds between 1945 and 1949 probably resulted from the uncertainty with which stockmen were appraising future cost and price relationships. Most cattlemen did not anticipate the exceptional post-World War II consumer demand for beef but, rather, expected some slackening following the end of the war. Despite the heavier marketings which

reduced cattle numbers, livestock prices continued to advance. In view of the favorable prices, the attitudes of growers underwent a gradual change, and herd liquidation was halted. The increase in cattle numbers after 1949 resulted in the expansion phase of the present cattle inventory cycle.

The Nation's output of beef declined 6 percent from 1949 to 1951, as marketings were curtailed in order to increase herds. Beef production began to rise in 1952, when calf crops from the larger foundation herds began to be sold; and by 1956, output reached an all-time high of almost 14.5 billion pounds, or 53 percent greater than 7 years earlier. Per capita consumption followed the trends in beef production, but consumers were willing to increase their purchases of beef only at somewhat lower prices than formerly.

Cattle prices in the present cycle peaked in 1951 and then broke sharply as larger meat supplies became available. Prices received for calves by southwestern ranchers declined 57 percent between the fall of 1951 and the fall of 1953, and those for cattle declined 50 percent. Subsequently, prices tended to remain close to these reduced levels until 1957. On the other hand, production costs on southwestern ranches remained high despite the decline in livestock prices. The onset of the drought, which began in various sections of the Southwest in 1951, added further to the costs of increasing or maintaining herd numbers.

The unfavorable cost-price relationships and the impact of the drought, which increased the costs per

animal unit, pointed toward an early reduction in numbers of cattle, particularly in western sections of the Eleventh District. Cattle inventories were reduced during 1953 and in subsequent years, and in 1956 the increasing severity and broadening of the drought over a wide portion of the Southwest resulted in a decrease of over a million head, or more than triple the decline in numbers in the previous 3 years.

Cattle Numbers Are Changed Reluctantly

The slowness with which cattle numbers change, especially in the early expanding phases of a cycle, is characteristic of the cattle industry. The long life cycle of cattle relative to other livestock makes it difficult to expand herds rapidly. In order to build up a breeding herd, the rancher must curtail marketings of young female stock, thus reducing income available for current family consumption and production expenses. The extent to which some growers can defer or absorb current expenses will be another factor determining the extent to which marketings may be curtailed.

The large financial investment in ranching facilities and in the breeding herd also makes stockmen reluctant to change livestock inventories substantially. A widespread, rapid liquidation of the breeding herd during the downward phase of a cattle cycle often is quite severe in its effect on the financial condition of stockmen, since prices for cows and heifers usually experience the sharpest declines in the early downward phase of the cattle cycle. The lack of profitable alternatives is a further deterrent to the rapid liquidation of foundation herds. Much of the land resources devoted to the breeding cattle industry is suitable primarily for grass, and cattle are one of the more efficient utilizers of this forage.

Drought Hastened Adjustments

The concurrence of lower prices, stable to slowly rising costs, and persistent drought resulted in a triple threat for which southwestern cattle growers could provide little defense. During a drought period, a rancher has three major choices: (1) supplemental feeding may be increased, (2) forage supplies may be stretched temporarily by utilizing existing pastures more heavily or by renting extra grazing land, and (3) livestock numbers may be reduced.

Actually, a combination of these alternatives is likely to be used. For example, the availability of feed grains and hay at reduced prices through the assistance of Federal and state governments and the railroad in-

dustry provided some opportunity for increased feeding of supplemental rations.

The renting of additional grazing land has limited possibilities, since grazing rentals increase in cost as ranchers bid for the available pasturage. Much of the rental pasture available in the local area is likely to have a low carrying capacity because of the effects of drought. Consequently, as the drought intensified, supplemental feeding and grazing rental costs became too expensive, and adjustments in cattle numbers were required.

The reduction in cattle numbers that began in the District states during 1953 extended into other areas in 1956, resulting in the end of a 7-year expansion in the cattle population. The pattern of change in cattle inventories was not uniform between areas in the Nation or even between states in the Eleventh District. Decreases in cattle herds were largely drought-centered; some areas actually continued to increase cattle numbers, although the rate of expansion slowed greatly.

The cattle population east of the tier of states extending from North Dakota to Texas decreased about 1 percent between January 1, 1956, and the beginning of this year, with the southeastern states showing virtually no change. In the western part of the United States, cattle numbers declined 5 percent, with the largest reductions, numberwise, occurring in Oklahoma and Texas.

In the District states, the number of all cattle and calves on farms and ranches turned downward in Arizona, New Mexico, and Texas during 1953 and in Oklahoma during 1954. A small reduction in cattle herds occurred in Louisiana during 1957, probably as a result of the effects of hurricane damage, spring flooding of lowland pastures, and the sale of livestock

ALL CATTLE AND CALVES ON FARMS AND RANCHES, JANUARY 1
Five Southwestern States, Southwest, and United States
[In thousands]

Year	Arizona	Louisiana	New Mexico	Oklahoma	Texas	SOUTHWEST	UNITED STATES
1949	818	1,224	1,178	2,481	7,957	13,658	76,830
1950	818	1,285	1,178	2,580	8,116	13,977	77,963
1951	851	1,426	1,225	2,786	8,765	15,053	82,083
1952	928	1,540	1,225	3,092	8,853	15,638	88,072
1953	965	1,833	1,237	3,247	8,853	16,135	94,241
1954	936	1,943	1,188	3,344	8,587	15,998	95,679
1955	983	1,904	1,164	3,277	8,501	15,829	96,592
1956	1,022	1,923	1,222	3,211	8,501	15,879	96,804
1957	975	1,961	1,112	3,018	7,736	14,802	94,502
1958p	943	1,883	1,056	2,988	7,736	14,606	93,967

p — Preliminary.
SOURCE: United States Department of Agriculture.

to farmers and ranchers in western areas—particularly to Texans.

Cattle Numbers Have Trended Upward

Despite the cyclical changes in cattle and calf numbers, the low point in each cycle generally has been higher than the low point in the previous cycle. Consequently, the numbers of cattle and calves on farms and ranches in both the Nation and the District states have trended upward. The long-time growth rate in cattle numbers has not been as rapid in the Southwest as in the Nation, especially as compared with the southeastern United States.

In the District states, trends in cattle numbers in Louisiana and Oklahoma have generally been upward since the early 1900's; numbers in Arizona and New Mexico have been relatively stable since about the mid-1930's. The all-time high in cattle inventories in Texas, 9.8 million head, was reached in 1891, and numbers subsequently declined to a low of just under 6 million on January 1, 1928. Since that time, cattle and calves on farms and ranches have trended upward cyclically but have never equaled the record of 1891.

An important factor in the upward trend in cattle numbers has been the rising importance of beef production in the more humid areas of the country. This dramatic shift in the cattle population is exemplified by the trend in cattle numbers between the eastern and western sections of Texas in about three decades. From 1925 to 1954, cattle and calves on Texas farms and ranches increased 41 percent. During that period, the cattle population westward from a line through about Fort Worth, San Antonio, and Eagle Pass declined 2 percent, while cattle and calf inventories east of this line increased over 90 percent. In 1925 the

ALL CATTLE AND CALVES ON FARMS AND RANCHES, 1954 AND 1925
Texas Crop Reporting Districts

Area	Number		Percentage change
	1954	1925	
Western area.....	3,075,175	3,150,797	-2
1-N —Northern High Plains.....	796,610	585,444	36
1-S —Southern High Plains.....	194,819	257,270	-24
2 —Red Bed Plains.....	655,257	544,286	20
3 —Western Cross Timbers.....	719,185	512,565	40
6 —Trans-Pecos.....	195,301	489,154	-60
7 —Edwards Plateau.....	514,003	762,078	-33
Eastern area.....	5,154,731	2,694,428	91
4 —Black and Grand Prairies.....	1,095,661	464,209	136
5 —East Texas Timbered Plains.....	1,385,027	668,719	107
8 —Southern Texas Prairies.....	1,169,159	705,106	66
9 —Coastal Prairies.....	743,195	486,217	53
10-N —South Texas Plains.....	636,102	330,305	93
10-S —Lower Rio Grande Valley.....	125,587	39,872	215
STATE.....	8,229,906	5,845,225	41

SOURCE: United States Bureau of the Census.

western area of Texas accounted for about 54 percent of the total cattle population in the State, but by 1954 this proportion had declined to about 37 percent.

The increasing importance of cattle raising in the more humid areas is a part of the over-all adjustment that has been taking place in agriculture since the turn of the century, particularly since the early 1940's. The adoption of mechanical power on farms and ranches has resulted in the release of considerable acreages of land formerly devoted to raising feed grains and forage for horses and mules. Since the horse and mule population was concentrated more heavily in farming areas, proportionally larger amounts of land have become available for alternative uses. The increasing size of farms also has been a factor in the development of cattle enterprises in humid areas.

There has been a gradual shift in the cotton-producing regions from eastern humid sections to western irrigated areas. This trend has accelerated the development of livestock enterprises in the older sections of the Cotton Belt, while dampening somewhat the expansion of cattle in western sections—especially in those regions where irrigation projects have been developed from rangeland. Acreage controls on crops have intensified the search for alternatives, which often have been feed and forage production.

The carrying capacity of an acre of land in eastern areas is substantially greater than in western regions, as a result of higher rainfall. Since rainfall is less of a limiting factor, intensive pasture management practices—including fertilization, reseeding, overseeding of permanent grasses with winter grazing crops, and other pasture improvements—can be carried out more readily in humid regions. The development of breeds of cattle which are adaptable to the humid areas has been another factor promoting the growth of the cattle industry.

Milk Cattle Numbers Have Declined

Along with the changing pattern of cattle production, there has been a shift in the composition of the cattle population. Milk cattle numbers reached a peak in both the Nation and the District states on January 1, 1944. At that time, they comprised 48 percent of the total cattle population in the Nation and 28 percent of the total in the District states. Subsequently, milk cattle numbers declined in the Nation and the District states and at the beginning of this year comprised only 36 percent and 17 percent, respectively,

of total numbers. The declining importance of milk cattle probably results from the increased output of milk per cow and from the general commercialization and specialization in agriculture. The family milk cow has disappeared from a large number of farms, and the sale of cream as a supplemental source of income is one of the casualties of changing agriculture.

Northeastern and southeastern sections of the country now account for a slightly larger proportion of milk cattle numbers than formerly, while the Great Plains states have a smaller share. The ratio of milk cattle to beef cattle in western regions showed little change during the past decade.

Long-Time Outlook Is Strong

The changing composition of the cattle population, the general upward trend in cattle numbers, and many of the basic geographic shifts in cattle production reflect the underlying strength in the long-time outlook for the beef cattle industry. Population growth, rising consumer incomes, and consumer preference for beef have provided a strong demand for beef.

As long as these factors continue to express themselves in the demand for beef, cattle production can be expected to expand in the foreseeable future. Recent evidence suggests, however, that there is a limit to the amount of income consumers are willing to spend for meat. Consequently, higher consumer incomes may be less of a factor in the future demand for beef than population growth and consumer preference.

Cycles in cattle numbers are likely to remain a part of the general secular growth in the cattle industry, since they will act as regulators to curb excessive output in the short run. However, the basic strength in the demand for meat is likely to prevent the excessive liquidation of cattle herds that has occurred in some past cycles. The increase in cattle numbers in areas less susceptible to prolonged drought may minimize some of the sharper fluctuations in cattle inventories which have resulted when a larger proportion of the cattle population was in western areas.

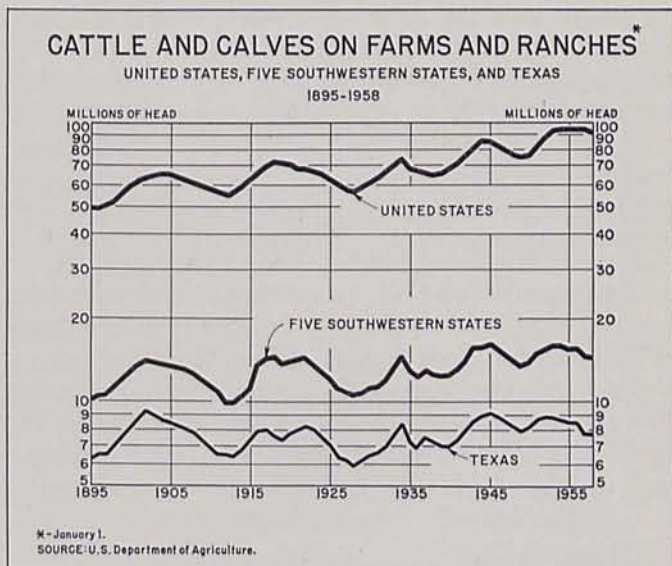
On the other hand, the relatively high level of existing cattle numbers may prevent a buoyant expansion. As a result, the peaks and valleys between cattle numbers cycles in the future may be less pronounced. A rapid increase in beef output can easily exceed the long-time growth in demand, and prices would then decline to levels unsatisfactory to producers.

Numbers May Be Increased Soon

The basic strength in the long-term outlook for cattle and the favorable developments during the past year provide the setting for a possible upturn in cattle numbers in the near future. The number of cows on farms and ranches is the basic factor determining the ability to expand cattle numbers. Cow inventories in the Nation at the beginning of this year were 18 percent larger than at the beginning of the expansion phase of the present cycle a decade ago. In the District states, there were 10 percent more cows in foundation herds. Consequently, breeding herds are at levels which could result in a fairly rapid upswing in production. The gradual upward trend in calving rates would provide additional impetus to expansion, once it gets under way.

Weather conditions were favorable last year for the production of feed grains, hay, and range and pasture forage. The Nation's combined production of feed grains was at an all-time high, including record grain sorghum and barley crops and the third largest corn output of record. Hay supplies are at an all-time high, and range and pasture conditions have rebounded sharply from the extremely low levels of late 1956.

In the Southwest, the sharp improvement in range and feed conditions during 1957 is a very important factor pointing toward a possible early expansion in cattle numbers. Range feed conditions in Texas were placed at 48 percent of normal at the beginning of the usual peak cattle-shipping period in the fall of 1956. Forage supplies began to improve rapidly in March



1957, and by fall, pasture conditions in the State were estimated at 81 percent of normal. The condition of pastures in other states of the District showed similar improvement.

Prices received by southwestern farmers for beef cattle during the 1957 fall marketing season were 48 percent higher than a year earlier, and prices in the Nation were 23 percent higher. The purchasing power represented by southwestern cattle relative to that of all other farm products produced in the Southwest has trended upward cyclically. The purchasing power of cattle exhibits an inverse relationship of prices and production. The relationship is not perfectly inverse since a period of 2 or 3 years is needed for the impact of the changing relationships between supplies and prices to affect production decisions.

Usually, purchasing power begins to rise while numbers are still being reduced, and is likely to start declining before the expansion in numbers is halted. Although the purchasing power relationship does not indicate whether or not the cattle enterprise is profitable, to the extent that prices do influence the production plans of ranchers, the recent upward trend in beef cattle purchasing power may encourage expansion.

Southwestern farmers and ranchers apparently are taking a cautious view of recent developments in the cattle industry. In some areas, a rapid rebuilding of herds would be unwise. Prolonged drought in western sections has thinned and weakened stands of desirable native grasses, and a period of conservative stocking is needed for the plants to regain vigor. Some ranchers are faced with the problem of improving their cash reserve or equity position, and it will be difficult for them to expand herds substantially while meeting debt repayments and living expenses. Perhaps most importantly, the experienced cowman is wary of imprudent and hasty decisions which, in a few years, may occasion painful but necessary adjustments as unwarranted profit expectations fail to materialize.

A substantial part of the exceptional demand for livestock in the Southwest last fall resulted from feeders' bidding for stocker cattle to graze on lush wheat pastures and other forage. This type of cattle operation is of a short-run nature and does not contribute to the capabilities of the cattle industry to expand numbers. Most of these cattle will be sold in the spring as grass-fat slaughter animals or will be sold to other feeders for further finishing.

The return of more favorable rainfall conditions and the consequent improvement in forage cover will, in themselves, encourage an increase in cattle numbers. The severe reduction of herds in some western sections of the District has left many ranches with too few animal units for economical operation, and a return to more suitable levels of stocking can be expected. In eastern areas of the District, the continuance of allotments on some of the traditional crops will maintain pressure on farmers to utilize diverted acreages.

The potential for an increase in the number of roughage-consuming livestock in the District states is quite large. Numbers of these animal units in the District states reached a peak of over 19 million in the 1943-44 feeding year but by the 1956-57 season had declined almost a fifth. In Texas, animal units have declined one-fourth from the previous high. A substantial part of the decline resulted from a 50-percent reduction in southwestern sheep and lamb inventories, which was not offset by the increase in cattle numbers. The type of browse, the topography, the invasion of undesirable plants, and other factors will limit the replacement of sheep by cattle in many of the important sheep-growing sections.

As in the Nation, the greatest potential for expanding livestock numbers in the District states exists in those areas experiencing the largest expansion during recent years—that is, the relatively more humid eastern sections. Pasture management practices in a substantial portion of the eastern part of the District remain below those recommended for optimum utilization of forage resources.

The potential for expansion of livestock numbers, the long-time basic strength in the demand for beef, and the currently favorable feed, forage, and price situations indicate that an upturn in cattle numbers may be in prospect for both the Nation and the District states. A rise in inventory numbers may be under way by 1960, providing general economic conditions remain healthy and the weather remains favorable. A moderate increase in the cattle population likely would prove profitable, but a sharply overexpansive increase would have disappointing consequences.

J. Z. ROWE
Agricultural Economist

BUSINESS REVIEW

BUSINESS, AGRICULTURAL, AND FINANCIAL CONDITIONS



Retail sales at department stores in the Eleventh District during February declined more than seasonally from January and were 10 percent below

February 1957. Inventories, after adjustment for seasonal change, were 4 percent below both January and a year ago.

Registrations of new car sales in the metropolitan areas of Dallas, Fort Worth, Houston, and San Antonio during February were down 16 percent from January and 12 percent from February 1957.

Nonagricultural employment in the District states during February, at 4,242,800, reflected a decline of 25,000 from January—in contrast to a slight gain in the same period last year. Texas unemployment rose to 193,700, which represents the highest rate since 1950.

Weather during the past month generally was unfavorable for crop activities throughout the District, except in wheat areas. Acreages of oats, sorghums, hay, and peanuts which District farmers intend to plant in 1958 are below seedings last year, while prospective plantings of corn, barley, flaxseed,

soybeans, and rice are greater. Livestock and forage conditions remain highly favorable throughout the District.

The value of construction contracts awarded in the District states during January was 17 percent below the high December level and 9 percent less than January 1957.

Stocks of petroleum products were substantially reduced in February and early March as a result of very cold weather. District crude oil production in the first half of March declined 420,000 barrels per day from the February level and was 29 percent lower than a year ago. Production is expected to be reduced further in April; the Texas Railroad Commission has adopted a record-low 8-day producing schedule, causing a cut of 120,203 barrels daily in total allowables.

Weekly reporting banks in the District added \$228.7 million to gross loan and investment accounts during the 5 weeks ended March 19. This impressive increase was facilitated by deposit expansion totaling \$210.9 million, by improvement in reserve positions, and by the recent Treasury financing.



February sales at District department stores, after allowance for the usual seasonal change, reflected an 8-percent decline from January and were 10 percent

below February 1957. The seasonally adjusted index of sales for February was 143 percent of the 1947-49 average, compared with 156 for January and 160 for February last year.

Sales during the 2 weeks ended March 15 showed an improvement from the February level and were only slightly below a year earlier. For the first 2½ months of 1958, department store sales were 4 percent behind the same period in 1957.

Reporting department stores registered a small year-to-year gain during February for sales of household textiles, but there were moderate to substantial losses in sales of wearing apparel. Sales of women's and

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Eleventh Federal Reserve District

(1947-49 = 100)

Date	SALES (Daily average)		STOCKS (End of month)	
	Unadjusted	Seasonally adjusted	Unadjusted	Seasonally adjusted
1957: February.....	125r	160r	165	171r
December.....	270	156	157	169
1958: January.....	123	156	149	170
February.....	112	143	158p	163p

r — Revised.
p — Preliminary.

DEPARTMENT STORE SALES AND STOCKS

(Percentage change in retail value)

Area	NET SALES			STOCKS (End of month)	
	Feb. 1958 from		2 mos. 1958 comp. with 2 mos. 1957	Feb. 1958 from	
	Jan. 1958	Feb. 1957		Jan. 1958	Feb. 1957
Total Eleventh District.....	-16	-10	-5	6	-4
Corpus Christi.....	-7	-11	-9	8	1
Dallas.....	-15	-8	-2	6	4
El Paso.....	-10	-4	1	6	1
Fort Worth.....	-16	-8	-2	8	-6
Houston.....	-19	-19	-14	3	-12
San Antonio.....	-21	-7	-2	8	-5
Shreveport, La.....	-20	-9	-6	0	-5
Waco.....	-16	-19	-9	12	-10
Other cities.....	-15	-6	-2	5	-7

SALES AT FURNITURE STORES AND HOUSEHOLD APPLIANCE STORES

(Percentage change in retail value)

Line of trade by area	February 1958 from		2 mos. 1958 comp. with 2 mos. 1957
	Jan. 1958	Feb. 1957	
FURNITURE STORES			
Total Eleventh District.....	-9	1	1
Amarillo.....	-44	-25	-21
Austin.....	-26	-13	-8
Dallas.....	-8	-10	-4
Houston.....	-7	11	10
Lubbock.....	-54	-27	—
San Antonio.....	-3	5	-1
Shreveport, La.....	-7	14	8
Wichita Falls.....	-47	-21	-20
Other cities.....	5	-9	-2
HOUSEHOLD APPLIANCE STORES			
Total Eleventh District.....	-17	-23	—
Dallas.....	-13	-13	—

misses' ready-to-wear declined approximately 7 percent, while men's clothing showed a year-to-year sales loss of 6 percent.

Among the homefurnishings departments, trade in furniture and major household appliances continued sharply under the year-earlier totals. Sales of furniture and bedding were off 23 percent, and sales of major household appliances were down 13 percent.

The terms of sales in recent months have reflected a tendency toward a larger proportion of instalment buying, with offsetting decreases in cash and charge account sales. However, a steady ratio of collections to receivables and the lower sales volume have resulted in a decline in outstanding balances in both instalment and charge accounts.

Department store inventories at the end of February, after adjustment for seasonal differences, showed a 4-percent decrease from both a month ago and the same date last year. Receipts of new merchandise during February were 8 percent less than in February 1957, and new orders declined 14 percent from the year-earlier total. Orders outstanding at the end of the month reflected a year-to-year decline of 9 percent.

Registrations of new car sales in the metropolitan areas of Dallas, Fort Worth, Houston, and San Antonio during February decreased 16 percent from January and 12 percent from February 1957. The heaviest declines from both a month ago and a year ago were reported in the Dallas and Houston areas.



Weather during the past month generally remained unfavorable for crop activities throughout most of the District. The delay in preparing soils for seeding spring crops is becoming increasingly serious, and dry, open weather is urgently needed.

Some progress in planting sorghums, corn, and cotton has been made in southern and southeastern counties of Texas during the few brief periods of open weather. In those areas where limited plantings have been made, cold, wet soils have delayed germination of seeds, and poor stands may result. Preparation of rice land in coastal sections is making slow progress, as many areas are too boggy. A recent report of the United States Department of Agriculture indicates that, as of March 1, farmers in District states intended to plant smaller acreages of oats, sorghums, hay, and peanuts than in 1957. Larger plantings have been indicated for corn, barley, flaxseed, soybeans, and rice.

The production of winter vegetables in Texas for fresh market is placed, as of March 1, at 6 percent below a year earlier and 18 percent smaller than the 1949-56 average. Lettuce accounted for most of the reduction from a year earlier. Commercial spring vegetable prospects have made only slight improvement. Unfavorable growing conditions are checking development of early spring vegetables, and delays in harvesting onions in the Lower Valley are becoming serious. In most vegetable areas outside the Lower Valley of Texas, little field work has been possible, and plantings this year are likely to be later than usual. Snows and rains in wheat areas of the High Plains of Texas and New Mexico continue to boost wheat prospects. Early wheat in some High Plains counties is beginning to joint. In other sections, warm weather is needed to promote development of the crop. Peaches are beginning to bloom in south-central counties of Texas and are in the pink-bud stage over the Edwards Plateau. Trees generally have a heavy bud set.

The almost continuous wet weather has prevented livestockmen from fully utilizing wheat and small grain pastures. The time is near when cattle must be

removed from small grains in order to permit the plants to make grain. A substantial portion of the livestock in the northwestern sections of the District has been shipped to market or placed on native pastures. Grasses, clovers, and weeds are making fair development in southern and southeastern sections of the District, and soil moisture is adequate to promote rapid growth of forage when temperatures moderate. Range feed conditions in all of the District states remain sharply improved from those of a year earlier.

During the month ended at mid-February, the index of prices received by Texas farmers and ranchers for all farm products advanced 1½ percent to 269 percent of the 1910-14 average. The livestock and livestock products index was up 4 percent, while the all-crops index showed a 1-percent decline.

NEW PAR BANKS

The American State Bank, San Antonio, Texas, an insured, nonmember bank located in the territory served by the San Antonio Branch of the Federal Reserve Bank of Dallas, was added to the Par List on its opening date, March 3, 1958. The officers are: Collin D. Campbell, Chairman of the Board; George O. Stone, President; W. L. Smith, Vice President and Cashier; J. S. McCaskill, Assistant Cashier; and M. P. Woodward, Assistant Cashier.

The First State Bank of Longview, Longview, 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, March 4, 1958. The officers are: N. P. Taylor, President, and R. E. Kimbrough, Vice President.

The Merchants State Bank, Houston, Texas, an insured, nonmember bank located in the territory served by the Houston Branch of the Federal Reserve Bank of Dallas, was added to the Par List on March 12, 1958. The officers are: Thomas F. Millane, President and Chairman of the Board; Fred G. Cimmerman, Vice President; J. G. Henderson, Vice President; and Margaret E. Beal, Cashier.

A combination of substantial deposit gains, Treasury financing involving Tax and Loan Accounts, and easier reserve positions facilitated an impressive

increase in loan and investment accounts at District weekly reporting member banks during the 5 weeks ended March 19. Gross loans rose \$106.4 million dur-

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES

Eleventh Federal Reserve District

(In thousands of dollars)

Item	Mar. 19, 1958	Feb. 12, 1958	Mar. 20, 1957
ASSETS			
Commercial and industrial loans.....	\$1,511,330	\$1,477,500	\$1,458,603
Agricultural loans.....	30,144	25,259	23,581
Loans to brokers and dealers in securities.....	29,445	16,729	26,889
Other loans for purchasing or carrying securities.....	167,509	167,577	146,673
Real-estate loans.....	199,386	192,504	192,321
Loans to banks.....	79,324	20,868	9,960
All other loans.....	627,742	638,031	593,661
Gross loans.....	2,644,880	2,538,468	2,451,688
Less reserves and unallocated charge-offs..	44,937	44,821	41,851
Net loans.....	2,599,943	2,493,647	2,409,837
U. S. Treasury bills.....	90,419	67,709	101,234
U. S. Treasury certificates of indebtedness.....	64,696	75,066	57,525
U. S. Treasury notes.....	200,463	192,924	190,828
U. S. Government bonds (inc. gtd. obligations).....	882,721	794,928	809,998
Other securities.....	281,409	266,819	250,593
Total investments.....	1,519,708	1,397,446	1,410,178
Cash items in process of collection.....	403,058	396,519	458,235
Balances with banks in the United States.....	502,208	491,957	512,448
Balances with banks in foreign countries.....	1,617	1,808	2,048
Currency and coin.....	46,781	50,247	45,455
Reserves with Federal Reserve Bank.....	565,363	590,133	593,152
Other assets.....	187,711	189,153	165,978
TOTAL ASSETS.....	5,826,389	5,610,910	5,597,331
LIABILITIES AND CAPITAL			
Demand deposits			
Individuals, partnerships, and corporations.....	2,776,306	2,732,153	2,820,516
United States Government.....	114,175	32,673	82,819
States and political subdivisions.....	196,131	190,143	197,645
Banks in the United States.....	955,186	949,137	941,637
Banks in foreign countries.....	14,813	17,014	18,437
Certified and officers' checks, etc.....	66,651	61,020	58,171
Total demand deposits.....	4,123,262	3,982,140	4,119,225
Time deposits			
Individuals, partnerships, and corporations.....	896,267	825,150	743,903
United States Government.....	12,125	12,125	12,345
Postal savings.....	421	421	421
States and political subdivisions.....	205,778	201,359	151,527
Banks in the U. S. and foreign countries.....	1,178	6,938	7,255
Total time deposits.....	1,115,769	1,045,993	915,451
Total deposits.....	5,239,031	5,028,133	5,034,676
Bills payable, rediscounts, etc.....	15,000	5,591	48,800
All other liabilities.....	94,527	100,176	74,367
Total capital accounts.....	477,831	477,010	439,488
TOTAL LIABILITIES AND CAPITAL.....	5,826,389	5,610,910	5,597,331

ing the period, reflecting increases in all major loan categories except consumer-type credits and loans to individuals for financing securities transactions. Loans to banks showed the largest increase, \$58.5 million, while agricultural loans expanded \$4.9 million and real-estate loans rose \$6.9 million. Reporting banks increased their loans to securities brokers and dealers by \$12.7 million. Continued strength in credit demands by business firms was reflected in a \$33.8 million expansion in commercial and industrial loans, which declined \$3.6 million during the comparable weeks of 1957.

Reflecting in large part bank subscriptions to the Treasury's issue of 3-percent bonds dated February 28, total investment accounts at the reporting banks rose



RESERVE POSITIONS OF MEMBER BANKS

Eleventh Federal Reserve District

(Averages of daily figures. In thousands of dollars)

Item	February 1958	January 1958	February 1957
RESERVE CITY BANKS			
Reserve balances.....	\$ 553,762	\$ 565,692	\$535,103
Required reserves.....	540,926	553,549	528,674
Excess reserves.....	12,836	12,143	6,429
Borrowings.....	1,464	10,487	25,197
Free reserves.....	11,372	1,656	-18,768
COUNTRY BANKS			
Reserve balances.....	467,332	468,679	464,611
Required reserves.....	414,833	419,081	410,247
Excess reserves.....	52,499	49,598	54,364
Borrowings.....	2,206	2,097	1,717
Free reserves.....	50,293	47,501	52,647
MEMBER BANKS			
Reserve balances.....	1,021,094	1,034,371	999,714
Required reserves.....	955,759	972,630	938,921
Excess reserves.....	65,335	61,741	60,793
Borrowings.....	3,670	12,584	26,914
Free reserves.....	61,665	49,157	33,879

\$122.3 million during the 5 weeks ended March 19. The banks added \$88.0 million to Government bond accounts and were also active purchasers of other types of investment instruments. Holdings of Treasury bills, Treasury notes, and non-Government securities showed notable gains, while only Treasury certificate holdings declined.

The weekly reporting banks gained funds from virtually all major depositor groups during the 5-week period, and the total increase in deposits amounted to \$210.9 million. Demand balances, which rose \$141.1 million, received principal stimulus from additions to the Federal Government's Tax and Loan Accounts, reflecting in part credits to these accounts in payment for bank subscriptions to the new Treasury bonds. Demand balances of the Government rose \$81.5 million. Individuals and businesses added \$44.2 million to their demand deposit balances, thereby providing the second largest addition to demand accounts. Correspondent banks and state and local governments also made additions to their demand deposit balances during the 5-week period. Time deposits, which rose \$69.8 million, were weighted heavily by an increase of \$71.1 million in the balances of individuals and businesses.

Notwithstanding a modest reserve drain for the month as a whole, February reserve statistics for member banks in the District revealed material improvement in reserve positions. This improvement stemmed basically from a decline in required reserves, which released funds for repayment of borrowings from the Federal Reserve Bank and for additions to excess reserve balances. Average borrowings decreased from \$12.6 million in January to \$3.7 million in February, which is the lowest level since October 1954.

Earning assets of the Federal Reserve Bank of Dallas rose \$2.4 million during the 5 weeks ended March 19, as increased holdings of Government securities more than offset a reduction in discounts for member banks. Gold certificate reserves declined \$74.1 million during the 5 weeks, and Federal Reserve notes in actual circulation decreased \$7.4 million. On March 19, notes in circulation exceeded the year-earlier level by \$35.3 million.

On March 18 the Board of Governors of the Federal Reserve System announced a reduction of one-half percentage point in reserve requirements against demand deposits. This move, following a similar reduction announced in February, reduced reserve requirements against net demand deposits to 19 percent for central reserve city banks, 17 percent for reserve city banks, and 11 percent for country banks. The new requirements became effective on March 20 for reserve city and central reserve city banks and on April 1 for country banks. The most recent reduction in requirements released approximately \$490 million of reserve funds.

Effective March 14, the Federal Reserve Bank of Dallas reduced its discount rate by one-half of 1 percentage point, joining 10 other Federal Reserve banks at the lower level of 2¼ percent.



The excess supply situation in the petroleum industry showed definite improvement during February and early March because of frigid weather and sharply curtailed production. Sales of light heating oils rose sharply; consequently, total demand for products in the 5 weeks ended March 14 was 2 percent above the comparable period last year, when demand was inflated by abnormal exports. As a result, there was a record withdrawal from distillate fuel oil inventories, and total products stocks were reduced substantially.

Reflecting the extensive cutback in state allowances, particularly in Texas, District crude oil production averaged only 2,672,000 barrels daily in early March. This level of output—the lowest since 1950—was 420,000 barrels per day below the February average and 29 percent below March 1957. National production declined 18 percent from a year earlier. Output in April is expected to be even lower, since the Texas Railroad Commission has adopted an unprecedented 8-day producing schedule, resulting in a cut of 120,203

barrels per day in total allowables. Allowables in southeastern New Mexico have been cut slightly, while those in the northwestern part of the State have been increased somewhat. Louisiana allowables are expected to remain virtually steady.

In contrast with domestic production, total imports climbed 8 percent in the 5 weeks ended March 14 and, at 1,595,000 barrels daily, were 11 percent above last year. Crude stocks in the Nation fell 1 percent during early March to a level of 286,085,000 barrels on March 8 but were 14 percent higher than a year ago.

Although District refinery operations rose 5 percent in the first half of March to average 2,129,000 barrels per day, crude runs to refinery stills were 9 percent below March 1957. National refinery operations, unchanged from February, recorded a year-to-year decline of 7 percent.

As a result of the unusually strong sales of light heating oils combined with restricted refinery operations, the year-to-year increment in total products inventories was greatly diminished during February and early March. Nevertheless, at 370,898,000 barrels on March 14, total products stocks were 9 percent above the comparable date in 1957, while residual fuel oil stocks were 52 percent greater.



Employment of nonfarm workers in the five District states declined further in February to 4,242,800, reflecting a decrease of 25,000 from January — in

contrast to a slight gain in the same period last year. January-February employment losses were reported for several industries, including construction, trade, transportation, and mining. Factory employment continued its downward trend to reach a February level of 749,400, or 36,500 less than the peak of last August and 28,800 under a year ago. Work-force reductions were reported in the metals, machinery, aircraft, automobile, and fabricated metal products industries. Manufacturing employment was depressed further in March by the layoff of 1,500 workers at a Texas steel mill and smaller reductions by transportation equipment manufacturers and firms serving the petroleum industry.

Unemployment estimates available for Texas show that the number of jobless in the State increased by 12,500 from January to February, compared with a

NONAGRICULTURAL EMPLOYMENT

Five Southwestern States¹

Type of employment	Number of persons			Percent change Feb. 1958 from	
	February 1958e	January 1958	February 1957r	Jan. 1958	Feb. 1957
	Total nonagricultural wage and salary workers..	4,242,800	4,267,800	4,229,200	-0.6
Manufacturing	749,400	756,000	778,200	-9	-3.7
Nonmanufacturing	3,493,400	3,511,800	3,451,000	-5	1.2
Mining	251,000	254,100	260,100	-1.2	-3.5
Construction	279,400	292,700	296,100	-4.6	-5.6
Transportation and public utilities.....	399,100	401,500	405,900	-6	-1.7
Trade.....	1,115,700	1,124,600	1,084,700	-8	2.9
Finance.....	186,100	185,000	179,500	.6	3.7
Service.....	516,000	515,200	499,100	.2	3.4
Government.....	746,100	738,700	725,600	1.0	2.8

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

e — Estimated.

r — Revised.

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

rise of 8,600 in the January-February period last year. The total of 193,700 unemployed represented 5.6 percent of the civilian labor force, against 5.2 percent in January. This is the highest rate since monthly records were started in 1950.

The value of construction contracts awarded in the District states during January declined 17 percent from the high December level and, at 9 percent under January 1957, showed the first year-to-year decrease since last July. Nonresidential construction accounted for most of the weakness in total awards, as residential contracts reflected a 5-percent gain over December and were practically the same as a year ago. The 15-percent year-to-year decline in nonresidential awards occurred despite several large individual contracts awarded for street and highway and public utility construction.

A NEW PUBLICATION

The Research Department of this Bank has prepared *An Economic Fact Book* on the Eleventh District states. This reference book of statistical data contains tables on the major economic indicators by 10-year intervals through 1940 and yearly since 1947. No attempt is made to analyze or interpret the information presented in the book. Single copies may be obtained, free of charge, upon direct request to the Research Department of the Federal Reserve Bank of Dallas.

